

Brief on Namibia's Forthcoming Migration to the IMF's BOP and IIP Manual Six (BPM6)

Introduction

The Bank of Namibia compiles and publishes the Balance of Payments (BOP) statistics and the International Investment Position (IIP), which shows the transactions and positions, respectively between Namibia and the rest of the world. The compilation of these statistics is based on a standard framework that is provided in the International Monetary Fund's manuals. In 2009, the IMF released the sixth edition of the Balance of Payments and International Investment Position Manual (BPM6), to replace the fifth edition (BPM5) that was in use since 1993. The sixth edition manual takes into account important developments that occurred in the world economy in recent years. Four major factors influenced the revision, namely:

- globalisation (increased use of cross-border production processes, complex international company structures and international labour mobility);
- an increasing focus on balance sheets as reflected by the importance of the International Investment Position in the new manual;
- to take into account financial innovation that occurred since 1993, as financial instruments became more and more complex;
- the manual was also revised parallel with the introduction of the System of National Accounts 2008 (2008 SNA), in order to ensure harmonisation between external and domestic macroeconomic statistics.

This brief is, therefore, aimed at sensitising the public on Namibia's imminent BPM6 migration process that is envisaged for 2016. This is the first communicate amidst a couple of forthcoming one's that will be aimed at educating our internal and external stakeholders as well as the public at large.

Migration Timeline

Namibia is expected to migrate to BPM6 in the fourth quarter of 2016 and as such, all balance of payments data from 2009 will be published in the new format. The timeline for migration was chosen to ensure a more comparable time series for analysing the balance of payments data in the new format.

BPM6 Compliant countries in Sub-Saharan Africa

In the Sub-Saharan African region, only three countries have migrated to the new BPM6 manual namely; South Africa, Angola and Mozambique, while the majority of countries are in the process of doing so.

Main changes

Current Account

More generally, our readers will note that the overall presentation of the balance of payments in BPM6 will be portrayed in more detail in terms of functional category and instrument breakdown. Although there are new line items, a lot of the old items have undergone numerous reclassifications in the current account. For instance, *merchandise* in the BPM6 is reclassified from *services* to *goods*, while *processing and repairs* are reclassified from *goods* to *services*. Amongst the new line items is *Financial Intermediation Services Indirectly Measured (FISIM)*, which is now part of the services account. The *capital account* now also forms part of the *current account*. Furthermore, with the new manual, the *primary income and secondary income* categories replace the *investment income* and current *transfer's* categories, respectively.

Financial Account

In the BPM6 format, to the net credit and net debit balances are changed to the *net acquisition of financial assets* and *net incurrence of foreign liabilities*. Furthermore, all increases in foreign assets are denoted with a positive sign, while the negative sign with the liabilities remains the same as was the case in BPM5.

There is, however, a strong emphasis on the foreign direct investment relationships in the *financial account*, both on the assets and liabilities. Besides investments of *foreign direct investors with their enterprises* and *investment of the enterprises with their FDI (reverse investment)*, *investment between fellow enterprises* are now also captured. The introduction of *insurance, pension and standardised guarantee schemes* and *financial derivatives* also form part of the newly introduced categories in the *financial account*. This essentially moves the functional categories to *five* from *four* as was the case in BPM5.

International Investment Position

The *International Investment Position (IIP)* is a statistical statement that shows at a point in time, the value of financial assets of residents of an economy (that are claims on non-residents or are gold bullion held as reserve assets), and the liabilities of an economy to non-residents. The most noticeable change to our readers will be the detailed presentation of this account in terms of functional category and instrument breakdown than before. The functional category and instrument breakdown of the *IIP* is a mirror of the *financial account* in the balance of payments.

Website for additional information

The balance of payments page under *economic information-balance of payments* on the Bank of Namibia website can be visited for additional information. Links to the full manual and frequently asked questions on the BPM6, amongst others will be available for the review of the public at: <https://www.bon.com.na/Economic-information/Statistical-information/Balance-of-payments.aspx>