

Notification of the Revision of Balance of Payments Related Statistics in Japan

The Ministry of Finance and the Bank of Japan will implement a major revision of balance of payments related statistics, mainly with the aim of achieving conformity with the sixth edition of the *Balance of Payments and International Investment Position Manual* published by the International Monetary Fund (IMF). The revision will take effect for data from January 2014 onward. The following provides an overview of the various aspects covered by the revision, including the rearrangement of accounts, changes in presentation, more detailed breakdowns of items, changes in compilation methods, and the introduction of an annual revision system.

The first scheduled release dates of major statistics after the revision are as follows:

- **Balance of Payments (BOP): March 2014** (preliminary figures for January 2014)
- **International Investment Position of Japan (IIP): May 2015** (figures at year-end 2014)
- **International Transactions in Securities (Weekly/Monthly; based on reports from designated major investors): in the second week of January 2014** (data for the first week of January 2014)

The following is an overview of the revision.

I. Overview of the Revision

A. Rearrangement of Accounts

In the *BOP*, the current "financial account" and "changes in reserve assets" will be combined into the new "financial account." The "capital account" will be treated as a main account comparable to the "current account" and "financial account." The current "capital and financial account" will be abolished as an account.

B. Changes in Presentation

1. Changes in sign conventions

The current "financial account" in the *BOP* focuses on financial inflows/outflows and shows inflows with a plus sign and outflows with a minus sign. The new "financial account" will focus on changes in assets and liabilities and will show increases in assets and liabilities with a plus sign and decreases with a minus sign. As a result, the signs for figures on the asset side (outward investment) will be reversed, while those on the liability side (inward

investment) will remain unchanged.

As a result of the above changes, the identity showing the relationship between the accounts in the *BOP* will change as follows.

Current identity: Current account balance + capital and financial account balance + changes in reserve assets + errors and omissions = 0.

New identity: Current account balance + capital account balance – financial account balance + net errors and omissions = 0.

Further, regarding net transactions in foreign securities by residents, the current *International Transactions in Securities* show net sales with a plus sign and net purchases with a minus sign. This convention will be reversed for transactions from January 2014 onward, where net purchases will be shown with a plus sign, while net sales will be shown with a minus sign.

2. Changes in names for components

The components currently labeled "income" and "current transfers" in the *BOP* will be renamed "primary income" and "secondary income," respectively.

C. More Detailed Breakdowns of Items

In the *BOP* and *IIP*, "portfolio investment," "financial derivatives," and "other investment" are currently broken down into three sectors (public sector, banks, and other sectors). In the future, they will be broken down into five sectors (central bank; general government; deposit-taking corporations, except the central bank; other financial corporations; as well as nonfinancial corporations, households, and nonprofit institutions serving households).

In the *IIP*, portfolio investment asset positions are currently disseminated by currency and type of securities. From data for year-end 2014 onward, a detailed breakdown for both assets and liabilities not only of securities under portfolio investment but also of other debt instruments will be provided, distinguishing by currency, sector, and maturity.

Further, in the *BOP* "investment income attributable to investment fund shareholders" will be introduced as a new item under "investment income," and in the *BOP* and *IIP* "investment fund shares" will be introduced as a new item under "portfolio investment." Transactions related to investment funds will be recorded under these new items.

D. Changes in Compilation Methods

Full application of the change of ownership principle

"Goods for processing" and "repairs on goods," which are currently classified under "goods," will be relabeled "manufacturing services on physical inputs owned by others" and

"maintenance and repair services n.i.e.," respectively, and reclassified under "services," while merchanting, which is currently recorded under "services," will be reclassified under "goods."

Introduction of FISIM

"Financial intermediation services indirectly measured (FISIM)," which are included in the margins in interest rates on loans and deposits, will be estimated, excluded from "primary income," and recorded under "financial services."

Introduction of financial dealers' margins

Transaction fees implicitly charged as part of the transaction prices for financial instruments will be excluded from the "financial account" and instead be recorded under "financial services."

Change in the treatment of sales of patents and copyrights

Patents and copyrights will be treated as produced assets rather than as nonproduced assets. Their sale will be included in the corresponding items under "other services."

Change in the treatment of securities lending transactions

Securities lending transactions, which are currently recorded under "portfolio investment," will no longer be recorded, since securities lending will no longer be regarded as the buying/selling of securities.

E. Introduction of an Annual Revision System

In the current *BOP*, final (revised) figures are not subject to further periodical revision, although they have occasionally been revised as needed. From figures for January 2014 onward, however, an annual revision system will be introduced for the *BOP* and *IIP* in order to retroactively incorporate subsequent events, such as corrections reported after the figures are finalized, into the statistics. Revisions will go back up to around two years. It is expected that with the introduction of this system the current final (revised) figures will be referred to as the second preliminary figures instead and the retroactively revised figures will be referred to as the annually revised figures.

II. Dissemination of the Current Statistics Data on a New Presentational Basis

The switch-over to the new statistics will lead to a break in the data between December 2013 and January 2014. Considering the user needs for time series data, we are going to provide historical time series data consistent with the new statistics. Specifically, the data for the monthly *BOP* and the year-end *IIP* from 1996 will be rearranged based on the standards of the new statistics and will be disseminated in March 2014 or later.