



# BPM6, BD4 & HEGI (RELEVANT TO FATS/FDI STATISTICS)

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## Outline

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- Relevant international guidelines and manuals for FATS (and FDI) statistics
  - BPM6
  - BD4
  - OECD HEGI
- Synergies and differences across standards
- WTO -> MSITS2010 and inter-agency collaboration



# Balance of Payments and International Investment Position Manual (BPM6)

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- International standard framework for the compilation of statistics on the transactions and positions between residents and non residents
- Consistent with other major statistical frameworks (2008 SNA, ESA 2010, BD4) as these were updated in parallel



# Major changes compared to BPM5 (1)

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Basic BPM5 framework for BOP is retained

- change less significant than BPM4 > BPM5
- more conceptual explanation (i.e. BPM6 is twice as long as BPM5)
- presentational changes
  - sign conventions
  - inclusion of IIP in title
  - Re-organization of certain components
    - FISIM moved from other investment income to trade in services
    - R&D services moved from capital account to the current account



## Major changes compared to BPM5 (2)

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BPM6 fully aligned with SNA2008; e.g.

- Importance of economic ownership criterion in goods and services transactions
  - Important implications e.g. for definition of goods and services
- R&D output becomes a produced asset
- Terminology aligned (e.g. income > primary income; transfers > secondary income; monetary authorities sector > central bank sector)



## Major changes compared to BPM5 (3)

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- BPM6 is also fully aligned (as far as possible) with other manuals: e.g.
  - OECD BD4
  - The Government Finance Statistics Manual [NB: 2001]
  - OECD Handbook on Economic Globalisation Indicators [NB: 2005]



# General overview of BPM6 (1)

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- 14 chapters and a series of appendices.
- Chapters 2-4: key concepts
  - e.g. BOP statistics are limited to transactions between residents and non-residents
  - Similar to BPM5
- Chapters 5-9: financial assets and liabilities
  - Significantly added / reorganized to take into account the increasing importance of financial flows and stocks in analysing external stability  
*(note also the change in title to include IIP)*



## General overview of BPM6 (2)

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- Chapters 10-12: current account
  - On services, close cooperation with the Interagency Task Force on Statistics of International trade in Services (TFSITS)
  - In MSITS 2010, same services categories as in BPM6 chapter 10, but more detailed.
  - MSITS 2010 broader scope: covers 4 modes of supply including mode 3 commercial presence/FATS





## General overview of BPM6 (3)

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- Chapter 13: Capital account
- Chapter 14: Selected (analytical) issues in BPM/IIP
- Topical summary appendices bring together in one place issues relating to direct investment, insurance and financial leases that are discussed across different chapters of BPM6.
- Appendices on “multinational enterprises” and remittances explain datasets that are related to those set out in BPM6



# Relevant for FATS/FDI (1): Annex 4 to BPM6 on AMNE/FATS

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- Follows existing guidelines (e.g. OECD HEGI, BD4, MSITS, Eurostat); highlighting e.g.
  - Population of enterprises (FDI vs FATS) and variables (basic and supplementary)
  - Statistical unit
    - Enterprise group or enterprise generally preferred
    - But: establishments may be easier to attribute to industry
  - Geographic attribution
    - UCI
    - But: compilers are encouraged to also provide info by immediate parent [cf link with FDI statistics]



## Relevant for FATS/FDI (2): Complex company structures

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- The Framework for Direct Investment Relationships (FDIR) as elaborated by BD4 is adopted for identifying direct investment relationships
  - Compare e.g. affiliates (>50% ownership) with associates (10-50% ownership)
  - Highlights importance of chains of ownership and control
  - Ownership of ordinary shares is removed from the operational definition of direct investment and replaced by ownership of equity that gives rise to voting power



## Relevant for FATS/FDI (3): complex company structures

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- SPEs classified as separate institutional units with residence attributed to the country where they are incorporated
- The definition of economic territory is modified to a territory under the effective control of the single governments



## Relevant for FATS/FDI (4): Changes related to FDI

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### Changes in Financial Account

- Move to the “gross” (assets/liabilities) FDI concept (increasing both the net acquisition of financial assets and the net incurrence of liabilities)
  - Addition of Investment between fellow enterprises

### Changes in primary income account

- New ‘gross’ treatment of FDI
- Recording of reinvested earning of investment funds shares (*all* income generated by investment funds shares is recorded as attributable to shareholders (in BPM5: *actual* income))



## FDI Benchmark Definition 4

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- Improvements in BD4
  - Asset/liability presentation of FDI (cf also BPM6)
  - Extended directional principle
    - To fellow enterprises (loans among fellow enterprises should be recorded on a directional basis (BD3: A/L))
  - Excluding resident SPEs
    - Reduces capital-in-transit and ‘double counting’
  - Supplemental series introduced



# Aggregate FDI Statistics

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- 2 presentations of aggregate FDI statistics
  - Asset/liability (A/L) presentation
  - Directional presentation
- BPM6 & BMD4 recommend aggregate FDI statistics be on the A/L basis
  - Change from previous guidance which was to record them on a directional basis
- BPM6 & BMD4 recommend detailed FDI statistics remain on the directional basis
  - By country and by industry remain directional



# Relationship of A/L and Directional Presentations

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- A/L and directional basis cover the exact same transactions and positions
- But, they classify them differently
  - A/L by whether the transaction or position is an asset or a liability for the country
  - Directional by the residence of the parent
- And aggregate them differently
  - A/L sums them up
  - Directional nets reverse investment





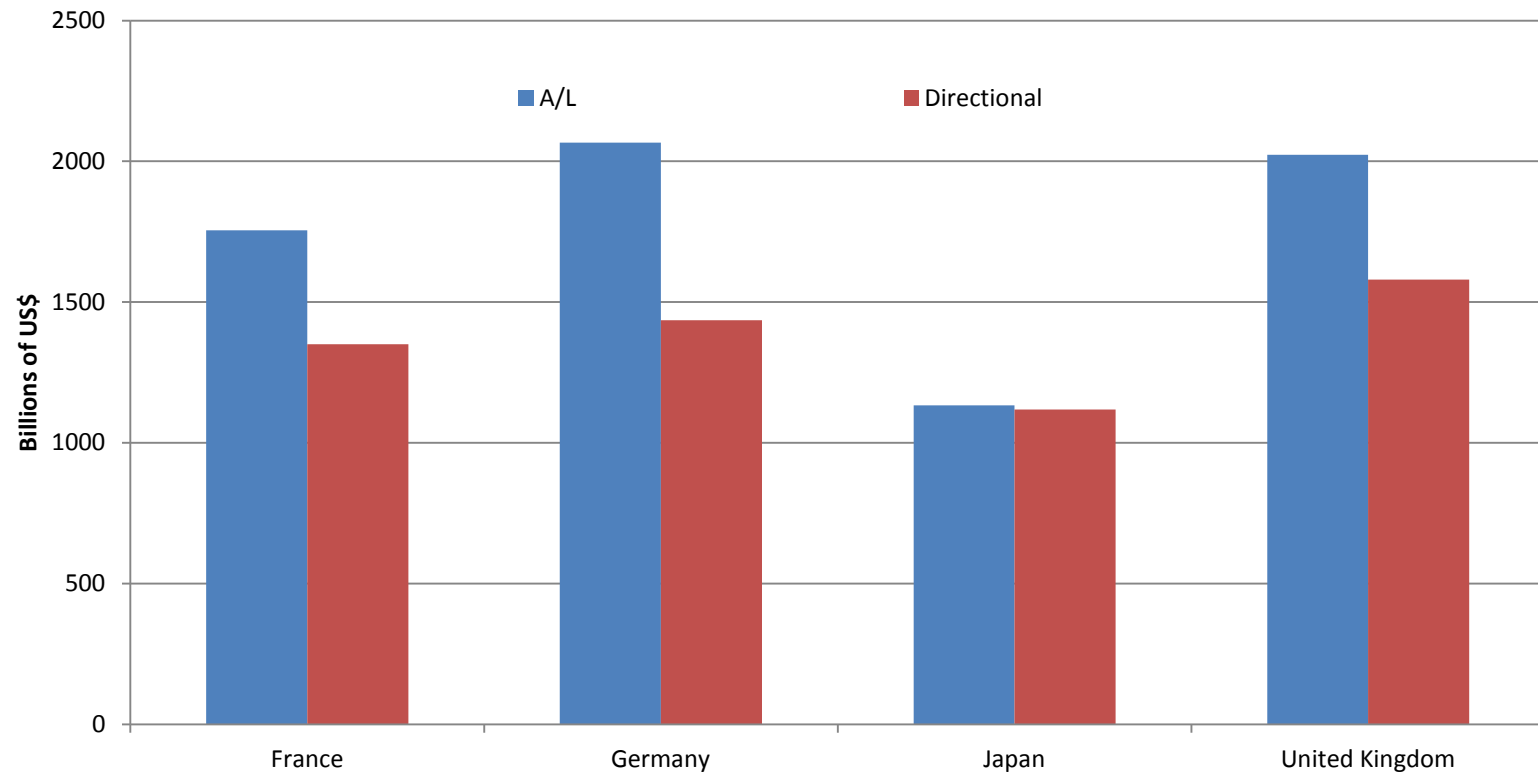
# Example of A/L and Directional Bases

Country's Direct Investment Assets=			Country's Direct Investment Liabilities=	
	Resident parents' equity in and lending to foreign affiliates			Foreign parents' equity in and lending to resident affiliates
+	Resident affiliates' equity in and lending to foreign parents		+	Foreign affiliates' equity in and lending to resident parents
Country's outward investment=			Country's inward investment=	
	Resident parents' equity in and lending to foreign affiliates			Foreign parents' equity in and lending to resident affiliates
-	Foreign affiliates' equity in and lending to resident parents		-	Resident affiliates' equity in and lending to foreign parents



# Impact on FDI Statistics

## Direct Investment Position, 2013





# Why Two Presentations?

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- Depends on the use
- A/L presentation is consistent with other macroeconomic statistics
  - Balance sheet analysis, impact of FDI on current account, FDI versus portfolio investment
- Directional useful for analysing FDI
  - Analysing nature and motivations of FDI
  - Whose investing in my country? Which industries are they investing in?
  - [closer linked with FATS]



# Supplemental Series in BMD4: Inward Investment by UIC

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- UIC is the country of the direct investor who ultimately controls the investment, bears the risks and reaps the rewards
- Ultimate investor is identified by proceeding up the immediate direct investor's ownership chain until an enterprise is reached that is not controlled by another entity
  - If no enterprise controls the immediate direct investor, then the immediate direct investor is the ultimate investor
- Entire FDI position attributed to the immediate direct investor is moved from its country to the country of the ultimate investor
- Presentation by UIC can show inward investment controlled by investors in the reporting economy—round-tripping
- Can result in substantial changes in the distribution by country
- Matches the recommended presentation of AMNE statistics



# OECD Handbook on Economic Globalisation Indicators (HEGI)

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- Published in 2005
- Aims to track magnitude and intensity of globalisation over time, and
- To provide national data compilers with guidelines to construct the selected indicators and make them compatible with international standards
- Builds on (then) existing manuals: BPM5; OECD BD3; Frascati Manual 2002; MSITS2002



## Structure of the HEGI

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- The concept of economic globalisation and its measurement
- Foreign direct investment
- The economic activity of multinational enterprises
- The internationalisation of technology
- Aspects of trade globalisation



## Chapter 3 on the economic activity of multinational enterprises

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Develops the main concepts and definitions regarding activity data for multinational firms

- concept of control of an enterprise
- identification of the country of the investor which has the ultimate control over its activities.
- operational recommendations are made in order to enhance international comparability of indicators and basic data.
- the definitions proposed are consistent with those contained in the fourth chapter of the *Manual on Statistics of International Trade in Services*.



# Thank you (& over to WTO!)

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