

## **BPM6 Implementation: What will Change in the Indonesia's Balance of Payments (BOP)**

Commencing August 2014, the Indonesia BOP Statistics published by Bank Indonesia will adhere to the sixth edition of the Balance of Payments and International Investment Position Manual (BPM6) issued by the International Monetary Fund (IMF) in 2009<sup>1</sup>. The BOP statistics currently compiled by Bank Indonesia is in accordance with BPM5.

This information is provided to assist users of BOP statistics to understand the impact of moving from BPM5 to BPM6 on external statistics published by Bank Indonesia.

### **Salient Changes in BOP Statistics**

BPM6 will be implemented gradually in Indonesia's BOP statistics. During the first phase that begins in Q2/2014, the main change to be implemented will include reclassification to existing data components and improvement in the methodology in accordance with BPM6, using sources of data currently available. Meanwhile, the +/- sign convention based on BPM5 will be retained considering the ease of understanding for users as well as best practices from a number of other countries that have adopted BPM6.

#### **A. Current Account**

The presentation format of the current account will be relatively the same as BPM5 because the main changes come in the form of reclassifying and altering the name of several standard components. That change will primarily affect the trade balances of goods and services, and the primary income account on a smaller scale.

The changes to the goods trade balance will be as follows:

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<sup>1</sup> See the Latest Info: "Bank Indonesia will Implement the 6<sup>th</sup> Edition Balance of Payments and International Investment Position Manual (BPM6) in Indonesia's Balance of Payments (BOP) and International Investment Position (IIP) Statistics", 29 April 2014, Bank Indonesia website.

- 1) Combining the component of ‘goods procured in ports by carriers’ with the component of ‘general merchandise on a balance of payments basis’
- 2) Reclassification of ‘goods for processing’ and ‘repairs on goods’ to ‘manufacturing services on physical inputs owned by others’ and ‘maintenance and repair services’ in services account.

Meanwhile, merchanting data according to BPM6 has been reclassified from services to goods account will not appear in the Indonesia’s BOP statistics published in August 2014.

In the services account, on top of the additional two aforementioned components, another changes will be made in the form of amalgamating two components of services, namely ‘information and computer services’ and ‘communication services (excluding postal and couriers)’ into one component ‘telecommunication, computer and information services’. Furthermore, the postal and couriers services will be reclassified into ‘transportation services’. Changes in the services account will be also influenced by broader coverage of financial services with the inclusion of financial intermediation services indirectly measured (FISIM) estimates.

In Indonesia’s BOP statistics based on BPM6, income and current transfers will be renamed as the primary income account and secondary income account in harmony with the terms used in the System of National Accounts 2008 (SNA 2008). Additionally, another change in the income account will be related with adjustments after implementation of FISIM.

Statistical data concerning the current account based on BPM6 is presented in Table 1, which is a prototype table of Indonesia’s BOP Statistics for the period of 2011-2013 and Q1/2014 based on data published in May 2014. It can be observed from the table that due to adoption of BPM6 the net and gross values of goods, services, and income have changed because of the reclassification as well as inclusion of FISIM. Overall, however, the level of the current account actually remains the same.

Although the total value of the current account does not change, the adoption of BPM6 will affect the calculation of several indicators associated with the current account. **The reclassification of ‘goods for processing’ from goods to services, coupled with a change in the recording concept from gross to net resulted with smaller value of imports of goods and services as well as current account receipts. Consequently, ‘months of import’ as an**

**indicator of reserve adequacy and the ‘debt service ratio’ are relatively larger than when under BPM5.**

## **B. Financial account and the overall balance**

The main change in the financial account will affect the presentation format of direct investment data that was previously based on the directional principle of investment (direct investment abroad and foreign direct investment in Indonesia) but will be based on the principle of assets-liabilities (‘direct investment – asset’ and ‘direct investment – liability’). For analysis purposes, direct investment data based on directional principle will still appear as a memorandum item.

In addition to the impact of BPM6 application, changes in the data of the financial account in August 2014 will also stem from the inclusion of financial derivative data as an independent component. This will ensure consistency with Indonesia’s International Investment Position (IIP) Statistics that already displays that data component.

From the BPM6 prototype table presented in Table 1, it can be seen that the application of BPM6 will change the gross value of direct investment – asset and direct investment – liability respectively with total direct investment abroad and foreign direct investment in Indonesia. Notwithstanding, the net value of direct investment according to BPM6 will remain the same as that BPM5.

Regarding the impact on the current account and financial account, **overall the values of ‘total’, ‘net errors and omissions’, ‘total balance’ and ‘reserves and related items’ will not change in the transition from BPM5 to BPM6.**

A more detailed explanation concerning the implementation of BPM6 is available in the form of [Frequently Asked Questions \(FAQs\)](#). Any further enquiries can be submitted through email to [bnp@bi.go.id](mailto:bnp@bi.go.id) or telephone to Pujiastuti (+6221 2981 8328), Bayu D. Atmanto (+6221 2981 6688), or Andy J. Prasetyo (+6221 2981 4182).

# Indonesia's BOP based on the BPM6 Prototype

## INDONESIA'S BALANCE OF PAYMENTS <sup>1)</sup> (millions of USD)

	BPM5				BPM6 <sup>4)</sup>				
	2011	2012	2013*	2014 Q.I**	2011	2012	2013*	2014 Q.I**	
<b>I. CURRENT ACCOUNT</b>	<b>1,685</b>	<b>-24,418</b>	<b>-29,090</b>	<b>-4,191</b>	<b>1,685</b>	<b>-24,418</b>	<b>-29,090</b>	<b>-4,191</b>	<b>I. CURRENT ACCOUNT</b>
<b>A. Goods, net <sup>1)</sup></b>	<b>34,783</b>	<b>8,618</b>	<b>6,016</b>	<b>3,545</b>	<b>33,825</b>	<b>8,680</b>	<b>5,833</b>	<b>3,509</b>	<b>A. Goods, net <sup>1)</sup></b>
- Exports, f.o.b	200,788	188,496	183,344	44,412	191,109	187,346	182,089	44,097	- Exports, f.o.b
- Imports, f.o.b	-166,005	-179,878	-177,328	-40,866	-157,284	-178,667	-176,256	-40,588	- Imports, f.o.b
<b>B. Services, net</b>	<b>-10,632</b>	<b>-10,331</b>	<b>-12,067</b>	<b>-2,214</b>	<b>-9,794</b>	<b>-10,555</b>	<b>-12,047</b>	<b>-2,211</b>	<b>B. Services, net</b>
- Inflow	20,690	23,113	22,346	5,682	21,888	23,660	22,944	5,825	- Exports
- Outflow	-31,323	-33,444	-34,413	-7,895	-31,683	-34,215	-34,991	-8,036	- Imports
<b>C. Income, net</b>	<b>-26,676</b>	<b>-26,800</b>	<b>-26,998</b>	<b>-6,490</b>	<b>-26,556</b>	<b>-26,638</b>	<b>-26,836</b>	<b>-6,456</b>	<b>C. Primary Income, net</b>
- Inflow	2,517	2,575	2,515	397	2,577	2,645	2,590	413	- Receipts
- Outflow	-29,192	-29,374	-29,513	-6,888	-29,133	-29,282	-29,426	-6,869	- Payments
<b>D. Current transfers, net</b>	<b>4,211</b>	<b>4,094</b>	<b>3,959</b>	<b>968</b>	<b>4,211</b>	<b>4,094</b>	<b>3,959</b>	<b>968</b>	<b>D. Secondary Income, net</b>
- Inflow	7,636	8,067	8,289	2,003	7,636	8,067	8,289	2,003	- Receipts
- Outflow	-3,425	-3,972	-4,330	-1,034	-3,425	-3,972	-4,330	-1,034	- Payments
<b>II. CAPITAL ACCOUNT</b>	<b>33</b>	<b>51</b>	<b>21</b>	<b>1</b>	<b>33</b>	<b>51</b>	<b>21</b>	<b>1</b>	<b>II. CAPITAL ACCOUNT</b>
<b>III. FINANCIAL ACCOUNT<sup>2)</sup></b>	<b>13,534</b>	<b>24,845</b>	<b>22,366</b>	<b>7,828</b>	<b>13,534</b>	<b>24,845</b>	<b>22,366</b>	<b>7,828</b>	<b>III. FINANCIAL ACCOUNT<sup>2)</sup></b>
- Assets	-15,657	-16,242	-9,858	-4,433	-16,980	-18,305	-14,318	-5,503	- Assets
- Liabilities	29,191	41,087	32,224	12,261	30,514	43,150	36,684	13,331	- Liabilities
<b>1. Direct investment</b>	<b>11,528</b>	<b>13,716</b>	<b>13,660</b>	<b>2,992</b>	<b>11,528</b>	<b>13,716</b>	<b>13,660</b>	<b>2,992</b>	<b>1. Direct investment</b>
1.1. Abroad	-7,713	-5,422	-5,158	-1,535	-9,037	-7,485	-9,618	-2,605	1.1. Assets
1.2. In Indonesia	19,241	19,138	18,817	4,527	20,565	21,201	23,277	5,597	1.2. Liabilities
<b>2. Portfolio investment</b>	<b>3,806</b>	<b>9,206</b>	<b>9,831</b>	<b>8,971</b>	<b>3,806</b>	<b>9,206</b>	<b>9,831</b>	<b>8,971</b>	<b>2. Portfolio investment</b>
2.1. Assets	-1,189	-5,467	-1,273	465	-1,189	-5,467	-1,273	465	2.1. Assets
2.2. Liabilities	4,996	14,673	11,104	8,506	4,996	14,673	11,104	8,506	2.2. Liabilities
	N/A	N/A	N/A	N/A	0	0	0	0	<b>3. Financial Derivatives</b>
	N/A	N/A	N/A	N/A	0	0	0	0	3.1. Assets
	N/A	N/A	N/A	N/A	0	0	0	0	3.2. Liabilities
<b>3. Other investment</b>	<b>-1,801</b>	<b>1,922</b>	<b>-1,125</b>	<b>-4,136</b>	<b>-1,801</b>	<b>1,922</b>	<b>-1,125</b>	<b>-4,136</b>	<b>4. Other investment</b>
3.1. Assets	-6,754	-5,353	-3,427	-3,364	-6,754	-5,353	-3,427	-3,364	4.1. Assets
4.2. Liabilities	4,954	7,275	2,303	-772	4,954	7,275	2,303	-772	4.2. Liabilities
<b>IV. TOTAL (I+II+III)</b>	<b>15,252</b>	<b>478</b>	<b>-6,703</b>	<b>3,638</b>	<b>15,252</b>	<b>478</b>	<b>-6,703</b>	<b>3,638</b>	<b>IV. TOTAL (I+II+III)</b>
<b>V. NET ERRORS &amp; OMISSIONS</b>	<b>-3,395</b>	<b>-262</b>	<b>-622</b>	<b>-1,572</b>	<b>-3,395</b>	<b>-262</b>	<b>-622</b>	<b>-1,572</b>	<b>V. NET ERRORS &amp; OMISSIONS</b>
<b>VI. OVERALL BALANCE (IV+V)</b>	<b>11,857</b>	<b>215</b>	<b>-7,325</b>	<b>2,066</b>	<b>11,857</b>	<b>-215</b>	<b>-7,325</b>	<b>2,066</b>	<b>VI. OVERALL BALANCE (IV+V)</b>
<b>VII. RESERVES AND RELATED ITEMS <sup>3)</sup></b>	<b>-11,857</b>	<b>-215</b>	<b>7,325</b>	<b>-2,066</b>	<b>-11,857</b>	<b>-215</b>	<b>7,325</b>	<b>-2,066</b>	<b>VII. RESERVES AND RELATED ITEMS<sup>3)</sup></b>
<b>Memorandum</b>									<b>Reserve Assets Position</b>
<i>Reserve Assets Position</i> (In Months of Imports & Official Debt Repayment)	110,123	112,781	99,387	102,592	110,123	112,781	99,387	102,592	(In Months of Imports & Official Debt Repayment)
<i>CA/GDP (%)</i>	0.2	-2.8	-3.3	-2.1	0.2	-2.8	-3.3	-2.1	<i>CA/GDP (%)</i>

<sup>1)</sup> In free on board (fob)

<sup>2)</sup> Not included reserves & related items

<sup>3)</sup> Negative means surplus and positive means deficit

<sup>4)</sup> +/- signs convention follows BPM5. In current account, exports/receipts are presented in positive sign, imports/payments are presented in negative sign.

In financial accounts, inflows (decreased in assets/increased in liabilities) are presented in positive sign, outflows (increased in assets/decreased in liabilities) are presented in negative sign.