**Main changes in the transition from Manual 5 to Manual 6 of the IMF Balance of Payments** (Laurence Nayman, 25/09/2014) (<http://www.imf.org/external/pubs/ft/bop/2007/bopman6.htm>)

Chelem Methodology

* The correspondence between Manual 5 FMI items and Manual 6 items was based on the table published by the FMI in November 2013. As a result, the FMI data from M5 has been converted to M6 FMI codes and then ultimately to CHELEM codes.
* The retropolation took place in two stages:
* Recovery years between IMF Manual 5 (first year to 2008) and Manual 6 (2005 to 2013) run from 2005 to 2008. As some of the useful backpolation items are not displayed on the FMI CD-ROM, a residual that had to be reassigned is the result of the comparison of Manual 6 data and Manual 5 data converted to Manual 6. Thus, for a given account in 2005, the difference between the new value of Manual 6 and the value of Manual 5 converted into Manual 6 was reported to this latter value.
* This calculated ratio was applied to the FMI Manual 5 series converted to Manual 6 and to earlier years from older versions.
* The accounts have been retropolated to 2005 in the Manual 6 FMI base. They are retropolated in the CHELEM base to the first available year of the Manual 5 FMI base for major accounts. For previous years, the retropolation was carried out with the growth rates calculated on the information available in older databases.
* A linear interpolation was made for the major accounts when the years were empty for all these accounts.
* Due to unidentified changes, replication of the IMF method led us to create an unallocated item for the current account, “100nv”. The item, “123nv”, not broken down by other services, already existed. Credits and debits for these items can be negative.
* In the 2015 release, new positions appear. In services: the “Telecommunications, computer and information services” account and the “Other business services” account are each broken down into three components. Primary income is also broken down into three sub-items “compensation of employees”, “investment income” and “other investment”. This last item is new in the latest version of the manual. Contrary to the choice made for the other items in the balance of payments, total primary income does not necessarily equal the sum, since one of the first two components is not entered.
* For years prior to the first year available in version 5 of the Manual, some countries are not present. For some countries such as Taiwan, Cuba and the United Arab Emirates, the data have been taken up in value from an older version. For Taiwan, the recent data comes from the Taiwan Statistical Data Book 2014.
* Some countries have received special treatment due to their geographical breakup: Belgium and Luxembourg have reported separately since 2002; the Czech Republic and Slovakia since 1993; Serbia and Montenegro since 2007. The aggregate corresponding to these pairs of countries has been included since the first year available and broken down according to triennial shares calculated on each major account (plus a detail of services). For Russia, before 1993, the data correspond to those of the former USSR.

The new concept of the Balance of Payments (source: IMF)

* The signs have changed in the presentation of the balance:
* For the current account and the capital account, credits and debits are recorded with positive signs; the balance is therefore the difference between credits and debits.
* For the financial account, increases (decreases) in assets and increases (decreases) in liabilities are recorded with positive (negative) signs, so the balance is the difference between assets and liabilities. Signs are opposite for the balance of the financial account and its components in the new version of the IMF Manual compared to the previous one.
* Current account, capital account and financial account balances, reserve assets do not change between the two versions; errors and omissions, unlike those in the IMF base, may vary due to retropolation.
* For the current and capital account, the main differences are:
* “International trading” has moved from services to goods.
* “Processing” has changed from the goods to the services item, as soon as the change in ownership of the final goods is not proven.
* “Repairs on Goods” moved from Goods to Services.
* Communications services and services related to computers and the Internet can be found under the item “Telecommunications, computer services and the Internet”; the item “postal and mail services” can be found in transport.
* The transfer of patents and licences is transferred from the capital account to “R&D services”. In the case of licences in the computer or audiovisual field, they can be found under the corresponding services item.
* Migrants' transfers should eventually disappear from the balance of payments. For now, the IMF has decided to keep the item under the heading “other capital transfers” so as not to impact the errors and omissions account.
* For the financial account, some changes are to be noted:
* Presentation is in the form of assets and liabilities and becomes sector specific.
* The “other investment” item is largely split between direct investment, portfolio investment and the acquisition of financial assets according to their nature.