

Chapter 1

Introduction

A. Purposes of the *Manual*

1.1 The seventh edition of the *Integrated Balance of Payments and International Investment Position Manual (BPM7, the Manual)* serves as the standard framework for statistics on the positions, transactions, and other changes in financial assets and liabilities between an economy and the rest of the world.

1.2 The main objectives of this *Manual* are as follows:

- (a) To provide and explain concepts, definitions, classifications, and conventions for statistics on the external accounts, i.e., the international investment position (IIP), the balance of payments (BOP), and other changes in financial assets and liabilities;
- (b) To enhance international comparability of data through the promotion of guidelines adopted internationally;
- (c) To show the links of the external accounts to other macroeconomic statistics and promote consistency between different data sets; and
- (d) To provide a brief introduction to uses of data on the external accounts of an economy.
- (e) To provide principles and guidelines to improve the way the external accounts are communicated and disseminated.

1.3 Data collection and other compilation procedures are not generally within the scope of a conceptual manual such as this one. Decisions on such issues should take into account circumstances, such as practical and legal constraints, that need to be judged in each economy and that may explain departures from guidelines. The

IMF's *Balance of Payments and International Investment Position Compilation Guide* provides information on these issues.

1.4 The *Manual* provides a framework that is applicable for all economies, from the smallest to the largest economies and from the least developed to the most advanced economies. As a result, it is recognized that some items may not be relevant in all cases (see also paragraphs [1.15-1.16]). It is the responsibility of national compilers to apply international guidelines in a way appropriate to their own circumstances. In implementing this *Manual*, compilers are encouraged to assess the materiality and practicality of particular items according to their own circumstances and are further encouraged to revisit these decisions from time to time to see whether circumstances have changed. Such decisions necessarily rely on the professionalism and expert knowledge of the compilers.

1.5 Factors to take into account when determining the items to be collected and the techniques used include whether or not foreign exchange controls exist, the relative importance of particular types of economic activities, and the diversity of institutions and the range of instruments used in financial markets. In addition, data collection for some items in the framework may be impractical if the item is small and the data collection cost is high. Conversely, compilers may wish to identify other items of particular economic interest in their economy for which additional detail may be required by policymakers and analysts.

1.6 This *Manual* is harmonized with the *System of National Accounts 2025 (2025 SNA)*, which was updated in parallel. Relevant elements of the *Government Finance Statistics Manual 2014* and *Monetary and Financial Statistics Manual and Compilation Guide 2016* will be revised to maintain their harmonization with the two updated manuals. Conceptual interlinkages mean that external accounts compilers should consult with other statisticians to ensure consistent definitions and provide data that can be reconciled where they overlap. As part of the update of the macroeconomic statistical standards, a common glossary of terms and definitions in macroeconomic statistics has been developed to facilitate harmonization across statistical domains.

1.7 The definitions and classifications in this *Manual* do not purport to give effect to, or interpret, various provisions (which pertain to the legal characterization of official action or inaction in relation to such transactions) of the Articles of Agreement of the International Monetary Fund.

B. Structure of the *Manual*

1.8 The *Manual* has 20 chapters and 14 annexes. The introductory chapters deal with issues that cut across the accounts (Chapters 1–6) and are followed by chapters that cover respectively each main account (Chapters 7–14). The next chapters address topical issues (Chapters 15–18) and analytical use of data (Chapter 19), before the *Manual* closes with a chapter on communication and dissemination of data (Chapter 20). Seven of these chapters have been developed as common chapters with the *2025 SNA*.¹ The *Manual* states general principles that are intended to be applicable in a wide range of circumstances. It also applies the principles to some specific topics that have been identified as needing additional guidance. Definitions are given throughout the text, shown in italics.

1.9 Consistent with this structure, different aspects of a topic are dealt with in different chapters to minimize repetition. For example, the classification of portfolio investment is a cross-cutting issue (Chapter 6), as are valuation and timing issues (Chapter 3). The position, transaction, other changes, and income aspects are dealt with in Chapters 7, 8, 9, and 12, respectively. Linkages are emphasized by extensive cross-references. In addition, for certain topics such as direct investment, insurance, and pensions, annexes have been included to allow the reader to see the linkages among the different accounts for that topic. A separate annex on sustainable finance in external sector statistics is included to support compilers on the type of data they can provide to users on sustainable finance activities (environment, social, and governance (ESG) and climate change) as well as other data on macroeconomic implications of climate change.

1. Introductory chapters

1.10 The introductory chapters (Chapters 1–6) cover the following:

- (a) Chapter 1 gives background to the *Manual*.

¹The common chapter text is identical across the two standards, but the versions of the common chapters included in the *Manual* contain additional details relevant for the external accounts while the versions included in the *2025 SNA* contain additional details relevant for the national accounts.

- (b) Chapter 2 covers the accounting and dissemination frameworks.
- (c) Chapter 3 deals with accounting rules (common chapter with the *2025 SNA*).
- (d) Chapters 4 deals with issues associated with residence, institutional units, and sectors (common chapter with the *2025 SNA*).
- (e) Chapter 5 deals with the classifications of financial assets and liabilities.
- (f) Chapter 6 explains the functional categories.

2. Chapters for each account

1.11 Chapters 7–14 deal with the main accounts of the framework. Each account reflects a single economic process or phenomenon and has a single chapter. The order of chapters is a matter of convention; as in the previous edition, in this edition the integrated IIP appears first to reflect the increased emphasis on its compilation and analysis and to explain financial assets and liability positions before dealing with the investment income they generate.

1.12 Each chapter starts with a statement of general economic principles. A simplified table designed to give an overview of the account is also included in each chapter. The text provides general definitions of items in the account. Specific cases are given as examples of the application of the general definitions and to clear up ambiguities. A full understanding of each account also requires applying the wider principles that apply across several accounts, such as valuation, timing, residence, and classification, as covered in the introductory chapters.

3. Topical chapters

1.12a Chapters 15–18 are new chapters that include in-depth descriptions of statistical issues related to globalization, digitalization, Islamic finance, and informal activities. They are common chapters with the *2025 SNA*.

4. Analysis

1.13 Chapter 19 provides an introduction to the analysis of data, with particular reference to macroeconomic relationships as a whole.

5. Communication and dissemination

1.13a Chapter 20 deals with communication and dissemination of macroeconomic statistics. It is a new chapter that has been developed as a common chapter with the *2025 SNA*.

6. Annexes

1.14 Annexes provide more details on specific issues that go across several accounts, including exceptional financing, debt reorganization, currency unions, remittances, cross-border trade, direct investment, financial issues (i.e., financial derivatives and reverse transactions), insurance and pensions, positions and transactions with the IMF, sustainable finance and climate change, data by partner economy, links between external accounts and other main sets of macroeconomic statistics, changes from *BPM6*, and a listing of standard components and selected other items.

7. Standard and supplementary items

1.15 A list of standard items for presenting and reporting the external accounts is given in Annex 14. Standard items consist of standard components and memorandum items.

- (a) *Standard components are items that are fully part of the framework and contribute to the totals and balancing items.*
- (b) *Memorandum items are part of the standard presentation, but are not used in deriving totals and balancing items.* For example, whereas nominal value is used for loans in the standard components,

memorandum items provide additional information on loans at fair value, as discussed in paragraphs [7.45–7.46].

In addition,

- (c) *Supplementary items are outside the standard presentation, but are compiled depending on circumstances in the particular economy*, taking into account the interests of policymakers and analysts as well as resource costs (see the items in italics in Annex 14).

1.16 The list of standard items should not inhibit compilers from publishing additional data of importance to their economy. IMF requests for information will not be limited to standard items when further details are required to understand the circumstances of particular economies or to analyze new developments. IMF staff occasionally will consult with authorities to decide on the reporting of additional details. Few economies are likely to have significant information to report for every standard item. Furthermore, data for several components may be available only in combination, or a minor component may be grouped with one that is more significant. The standard items should nevertheless be reported to the IMF as completely and accurately as possible in accordance with the compilation framework.

C. History of the *Manual*

1.17 Each new edition of the *Manual* is introduced in response to economic and financial developments, changes in analytical interests, and accumulation of experience by compilers.

1.18 The IMF showed early interest in statistical methodology with its publication of the first edition of the *Balance of Payments Manual* in January 1948. The major objective of that first *Manual* was to provide a basis for regular, internationally standardized reporting to the IMF. The *Manual* was a continuation of work started by the League of Nations to develop guidelines for BOP statistics. Economists and other specialists from many countries contributed to the *Manual*, and representatives of some 30 countries and international organizations met in Washington, D.C., in September 1947 to finalize the first draft of the *Manual*.

1.19 The first edition of the *Manual* consisted primarily of tables for reporting data and brief instructions for completing them. No general discussion of BOP concepts or compilation methods was included, so it can be said that the *Manual* grew out of the listing of standard components.

1.20 The second edition was published in 1950, greatly expanding the material describing the concepts of the system.

1.21 The third edition was issued in 1961. It moved beyond the previous editions by providing both a basis for reporting to the IMF and a complete set of BOP principles that could be used by countries to serve their own needs.

1.22 The fourth edition was published in 1977. It responded to the important changes in the way in which international transactions were carried out and to changes in the international financial system. Much fuller treatments of the underlying principles of residence, valuation, and other accounting principles were provided. The *Manual* also introduced flexibility in the use of the standard components to construct various balances, with no single presentation preferred.

1.23 The fifth edition was published in 1993 and was marked by harmonization with the *System of National Accounts 1993 (1993 SNA)*. The decision to harmonize the guidelines was a result of increasing interest in linking different macroeconomic data sets and avoiding data inconsistencies. *BPM5* brought about a number of changes in definitions, terminology, and the structure of the accounts, including removing capital transfers and nonproduced nonfinancial assets from the current account to a newly designated capital account, the renaming of the capital account as the financial account, and splitting services from earned income (which previously had been called factor services). Additionally, *BPM5* introduced microfoundations of units and sectors, consistent with the *SNA*, rather than treating the economy as a single unit. In addition, the *Manual* was extended beyond BOP statistics to include the IIP.

1.23a The sixth edition was drafted in parallel with the *2008 SNA* and was issued in 2009. While the overall structure of the framework and broad definitions remained mostly unchanged, this edition emphasized the increased importance of balance sheet analysis for understanding international economic developments,

particularly vulnerability and sustainability. It provided considerably more detailed guidance on the IIP and much greater discussion of revaluations and other volume changes and their impact on the values of assets and liabilities. The increased focus on positions was reflected in the amended title as *Balance of Payments and International Investment Position Manual*, with the abbreviation *BPM6* used to highlight the historical evolution from previous editions of the *Manual*, which were known as *BPM4*, *BPM5*, and so on. Additionally, this edition strengthened the focus on themes related to globalization, including goods for processing, merchanting, and migrant workers and their associated remittance flows. It also provided enhanced guidance on new financial arrangements, such as special purpose entities (SPEs), and financial instruments, such as financial derivatives, securitization, index-linked securities, and gold accounts. Another important change was the introduction of the terms *net acquisition of financial assets* and *net incurrence of liabilities* that replaced *credit* and *debit* in the standard presentation of the financial account and thereby inverted the sign of the financial account balance.**1.24** The IMF subsequently published the *Government Financial Statistics Manual 2014* and *Monetary and Financial Statistics Manual and Compilation Guide 2016*. These manuals also brought about further harmonization of the macroeconomic statistical standards, reflecting increasing concerns about the ability to link different statistical data, minimizing data inconsistency, and enhancing analytical potential.

1.25 In 1992, the IMF established the IMF Committee on Balance of Payments Statistics (BOPCOM), as a continuing body for consultation with national compilers and international organizations. A procedure was established for partial revisions of statistical guidelines between major revisions, as was done in the late 1990s for financial derivatives and aspects of direct investment.

1.26 A number of related publications have been developed since the 2009 edition. An updated version of the *Balance of Payments and International Investment Position Compilation Guide* was published in 2014. The *Guide* complemented *BPM6* by providing practical advice on the collection and compilation of statistics.

1.27 Some aspects of external sector statistics with particular interest were covered in specialized guides. Those guides—most of which were updated following the publication of *BPM6*—are *Coordinated Direct Investment Survey Guide* (2015), *Coordinated Portfolio Investment Survey Guide* (2017), *International Reserves and Foreign Currency Liquidity: Guidelines for a Data Template* (2013), *International Merchandise*

Trade Statistics: Concepts and Definitions (2010), *Guide to Measuring Global Production* (2015), *Manual on Statistics of International Trade in Services* (2010), *Handbook on Measuring Digital Trade* (2023), *External Debt Statistics: A Guide for Compilers and Users* (2013), *Handbook on Securities Statistics* (2015), *Reporting Guidelines for the BIS International Banking Statistics* (2019), *International Transactions in Remittances: Guide for Compilers and Users* (2009), and the *OECD Benchmark Definition of Foreign Direct Investment* (2008). Relevant elements of these specialized guides will be revised to maintain their harmonization with the updated *Manual*.

D. The 2025 Revision

1.28 At its March 2020 meeting, BOPCOM decided to initiate an update of the *Manual*, targeting publication of the seventh edition in 2025. It was considered that, although the overall framework of the sixth edition did not need to change, a new *Manual* should incorporate the numerous elaborations and clarifications that had been identified since 2009 and address issues identified in the research agenda.

1.29 BOPCOM also decided to conduct the update in parallel with the updates of the *2008 SNA* and *OECD Benchmark Definition of Foreign Direct Investment, fourth edition*. For the first time, the *Manual* and *SNA* update processes were fully coordinated. As part of this arrangement, joint research groups (task teams) were formed to propose common recommendations on specific topics included in both the *BPM* and the *SNA* research agendas. BOPCOM and the Advisory Expert Group on National Accounts (AEG) organized several joint meetings to reach agreement on cross-cutting issues, while the *BPM7* and *2025 SNA* editorial teams collaborated and coordinated closely throughout the process. Seven chapters were prepared as common chapters for the seventh edition of the *Manual* and the *2025 SNA*, and a common glossary of terms and definitions in macroeconomic statistics was developed to ensure maximum consistency across statistical domains.

1.30 BOPCOM established task teams to undertake detailed consideration of issues and make recommendations on general principles, the current account, and direct investment. In addition, BOPCOM and

the AEG set up joint task teams to deal with issues related to financial and payments systems, globalization, the informal economy, Islamic finance, and communication while AEG task teams on digitalization and wellbeing and sustainability also addressed issues that were relevant to the external accounts. These task teams presented recommendations in Guidance Notes (GNs) on the issues identified in the research agenda. The GNs underwent global consultation prior to being discussed and approved by BOPCOM and the AEG. Draft versions of the chapters and annexes of *BPM7* were posted on the IMF website for global consultation during December 2023 to [October] 2024, with invitations for worldwide comment. In addition, revised versions of chapters and annexes were circulated to BOPCOM members and other key stakeholders for review. A series of regional outreach seminars was conducted between May 2023 and April 2024 to explain the changes in the *Manual* and solicit comments on the content.² This process led to a revised version of the *Manual* submitted to BOPCOM for endorsement in [November 2024]. A near-final version was published in [March 2025] and the final version, including language edits, in [MMM YYYY].

1.31 Four major themes that have emerged from the revision are external sector sustainability; globalization; financial innovation and digitalization; and sustainable finance and climate change.

1.32 The *Manual* addresses the increased need for data to assess **external sector sustainability**. In particular, it acknowledges the need for a detailed understanding of changes in positions to provide a comprehensive picture of external sector sustainability and vulnerability. Therefore, it places the stock/flow reconciliation—also known as the integrated IIP—at the center of *BPM7*, while giving additional importance to the currency breakdowns of both the BOP and IIP. For the first time, other changes in financial assets and liabilities are included in the standard components with a breakdown into other changes in volume, exchange rate changes, and other price changes. The move to a fully integrated view of transactions, other changes, and positions has been recognized in the amended title as ***Integrated Balance of Payments and International Investment Position Manual***. Additionally, the *Manual* includes supplementary breakdowns of trade by currency to facilitate analyses of how trade flows respond to exchange rate movements. As a new feature, it

²[A second series of regional outreach seminars focusing on implementation was conducted after the release of the near-final version of the *Manual*.]

also includes a standardized statistical definition of net international reserves, which can be used as an indicator of an economy's external vulnerability.

1.33 Globalization continues to pose challenges to traditional macroeconomic statistics, which are based on the concepts of residence and economic presence. In a world where multinational enterprises (MNEs) operate seamlessly across borders and production is often fragmented in global value chains across borders, there is a need for supplementary presentations to provide alternative views or additional details that complement traditional macroeconomic statistics. Thus, the *Manual* introduces new data series such as separate identification of factoryless goods production and a breakdown of data by domestically and foreign-controlled corporations. It also includes a harmonized definition of special purpose entities (SPEs) and encourages compilers to identify such entities where their activities are material for their economies.

1.34 Developments in **financial innovation and digitalization** have led to the emergence of new financial instruments and services. An example of financial instruments developed since the latest revision are crypto assets with and without a corresponding liability. Since crypto assets without a corresponding liability do not fit into any existing *BPM6* category of assets, they are treated as nonproduced nonfinancial assets in a separate category within the capital account. The existing standards already allow proper treatment and recording of other emerging financial instruments and services. Still, the *Manual* introduces supplementary “of which” categories for fintech companies within the subsector classification and for fintech-related financial instruments and services when considered relevant. In addition, the *Manual* provides guidance on digital intermediation platforms, cloud computing, nonfungible tokens, and other issues related to digitalization.

1.35 The demand for data related to **sustainable finance and climate change** is growing rapidly. In response, the *Manual* includes a new annex that provides initial ideas on the organization of external sector statistics to support analysis of climate change-related risks as well as sustainable finance activities that contribute to environment and climate-friendly outcomes. Separate identification of ESG/green bonds and loans are included as new supplementary breakdowns (both flows and positions). Moreover, the annex identifies key areas where additional or more granular external accounts data could support policy work on environmental and climate risks (e.g., direct investment by counterparty economy and industrial sector, and international cooperation

grants to low-income countries). It also presents some data items that, based on national circumstances, could inspire compilers in the compilation of additional data for assessment of environmental and climate change-related risks.

1.36 The overall structure of the accounts and broad definitions are largely unchanged in this edition. For the changes in this edition, economic and financial developments and evolution of economic policy concerns are taken into account, and clarification and elaboration of these developments are provided. A list of changes made in this edition of the *Manual* is included as Annex 13.

E. Research Agenda

1.43 A research agenda has been identified for possible future work. It includes the following:

[The research agenda will be added at a later stage]