

**Twenty-Sixth Meeting of the
IMF Committee on Balance of Payments Statistics
Muscat, Oman
October 28–30, 2013**

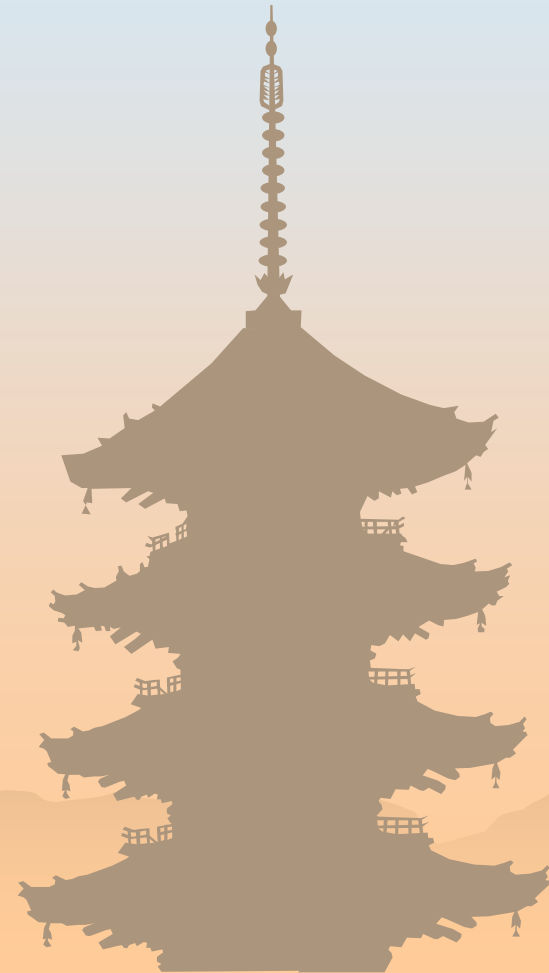
Progress in Implementing *BPM6* in Japan

**Prepared by the
Bank of Japan**

Progress of the BPM6 Project in Japan

**The 26th Meeting of the IMF Committee
on Balance of Payments Statistics
October 28-30, 2013**

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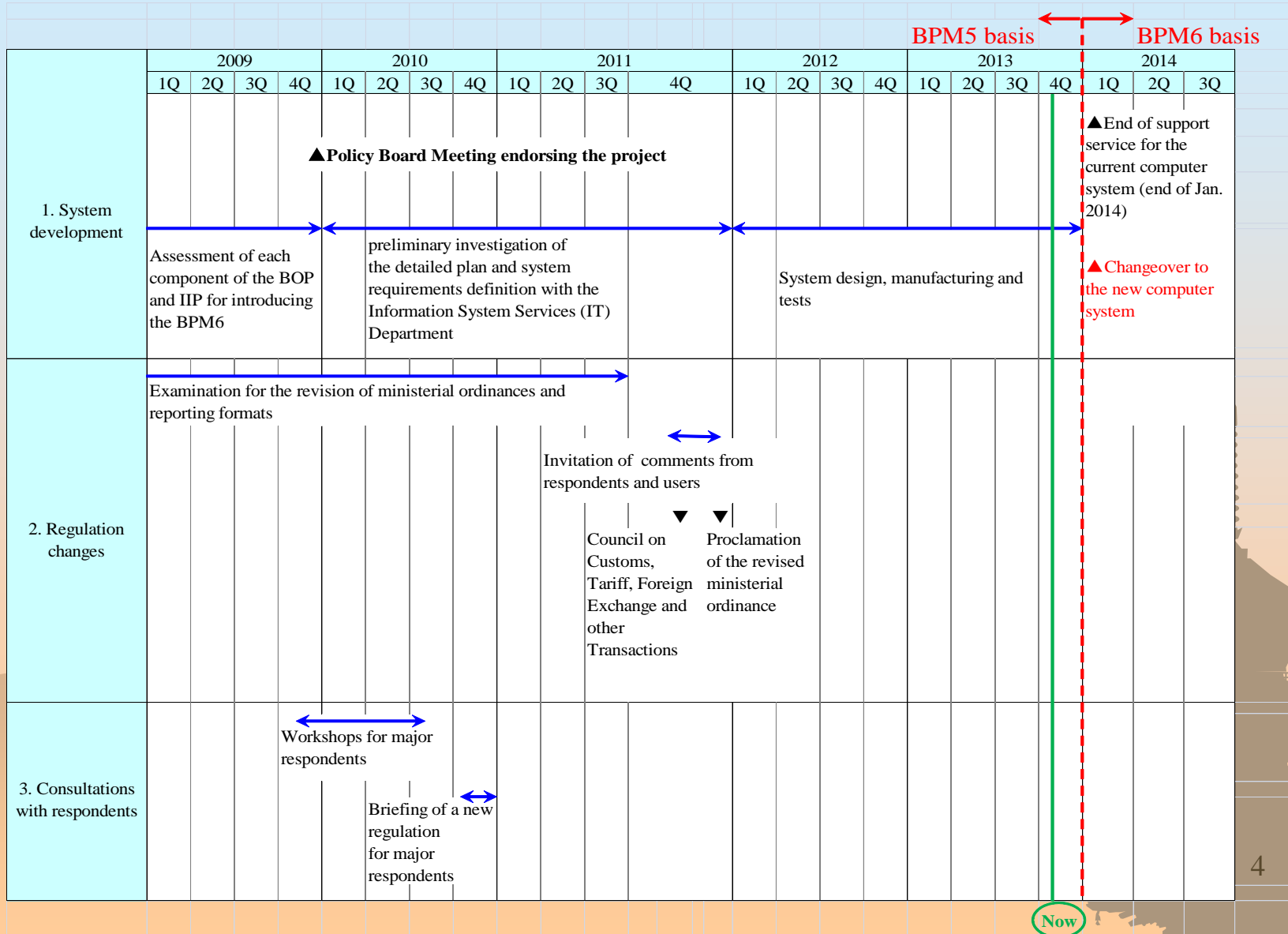
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1. Outline of the BPM6 Project

- Three pillars of the “BPM6 Project”:
 - (1) Implementation of the BPM6
 - (2) Other improvements of data quality
 - (3) Introduction of a new revision policy
- New BOP/IIP will start from the monthly BOP data of January 2014, which will be disseminated on March 10th 2014.
- Historical BOP/IIP data since 1996 will be recompiled based on the BPM6 and be disseminated.

2. Implementation Schedule



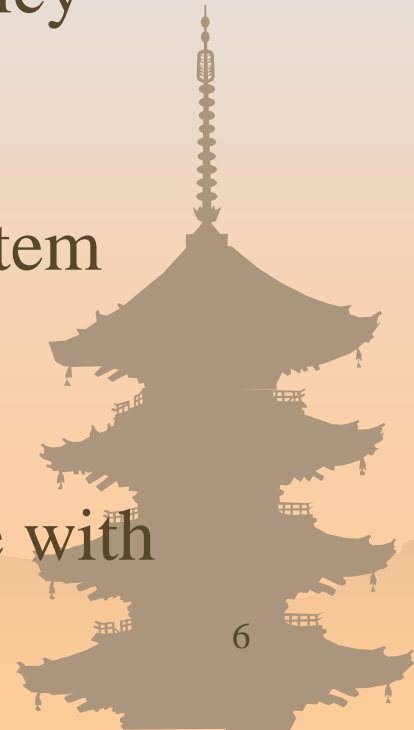
3. Current Status

- As a whole, the project is progressing as scheduled.
- No dark clouds over the system development (Running tests are ongoing.).
- An explanatory paper for data users was released this month (English version will follow.).
- Preparation of historical data is progressed ahead of schedule. The BPM6-based historical data from 1996-2013 will be disseminated in March 2014 all at once.



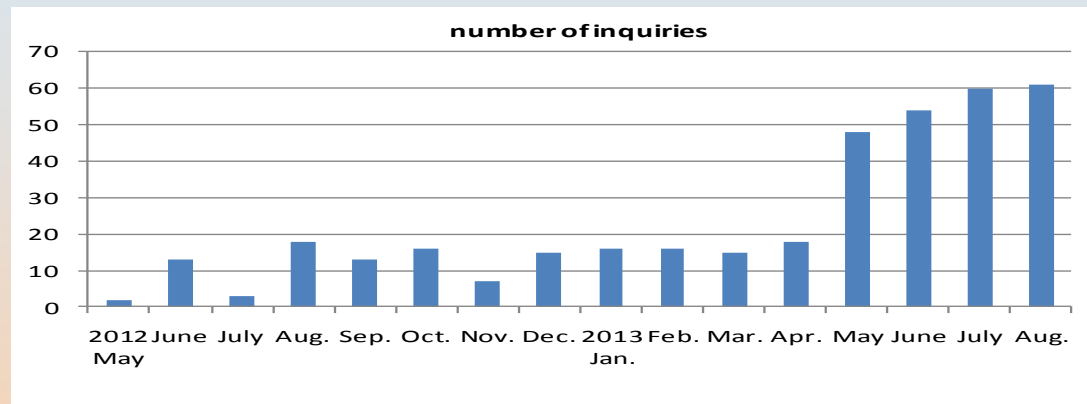
3. Current Status (cont'd)

- Challenges still remain:
 - (1) Support reporters for new reporting requirements (e.g. reports on FDI)
 - (2) Establish practices for a new revision policy
 - No experience for our staff
 - Also, no maintenance of our computer system for supporting the new revision policy
 - (3) Need to consider and implement BPR (Business Process Re-engineering) to cope with “more work with less resources” situation



3-(1) Supporting Reporters

- Inquires from reporters are increasing. We continuously answer the inquires from reporters for enhancing their understanding.



- Especially, major trading firms (“Sogo Shoshas”) recognized difficulties in figuring out retained earnings of indirectly-owned FDI enterprises that do not correspond to subsidiaries (>50%) or affiliates (20-50%) in business accounting. Bilateral meetings with these firms are still ongoing.

3-(2) New Revision Policy

▼Release schedule of current Japan's BOP & IIP

| | Jan. | Feb. | March | Apr. | May | June | July | Aug. | Sep. | Oct. | Nov. | Dec. |
|---|------|------|-------|------|-------|------|------|------|------|------|------|------|
| Monthly Balance of Payments | | | | | | | | | | | | |
| Preliminary figures | | | | | | | | | | | | |
| | Nov. | Dec. | Jan. | Feb. | March | Apr. | May | June | July | Aug. | Sep. | Oct. |
| Revised (final) figures | | | | | | | | | | | | |
| | Q3 | | | Q4 | | | Q1 | | | Q2 | | |
| Balance of Payments by Region | | | | | | | | | | | | |
| | Q3 | | | Q4 | | | Q1 | | | Q2 | | |
| International Investment Position | | | | | | | | | | | | |
| Quarterly estimates (p:preliminary figures, r: revised figures) | | | | | | | | | | | | |
| | | | pQ4 | | | pQ1 | | | pQ2 | | | pQ3 |
| | | | rQ3 | | | | | | rQ1 | | | rQ2 |
| Year end International Investment Position (final figures) | | | | | | | | | | | | |
| | | | | | IIP | | | | | | | |

Released 5-6 weeks after the reference month

Released in the 4th month after the reference quarter **(usually final)**

Released one month after the revised figures

Released in the 3rd (preliminary figures) and 6th (revised figures) month after the reference quarter

Released in late-May of the following year **as final**

3-(2) New Revision Policy (cont'd)

- We are planning to introduce a new revision policy for BOP/IIP based on the BPM6 and will start regular annual revisions in April 2015.
- Schedule for regular annual revisions:
 - Monthly BOP data: April
 - BOP by region, and Year-end IIP data: May



3-(2) New Revision Policy (cont'd)

- Scope of revision: Two previous years
- Incorporate delayed and corrected reports for two previous years.

---More than 85% of the delayed reports received were for the previous two years.

53% for t-1 year, 33% for t-2 year, 11% for t-3 year

---The BOP database for raw data can store for 25 months (restrictions come from our IT system).

- As for Reinvested Earnings (REs), data for more than two years will be revised to correctly attribute the income to the period in which it is earned.

---Database for semi-processed data can store data for 50 months.

Feasibility study for extending the storage time of raw data will be conducted.

Feasibility study for revising other estimations will be conducted.

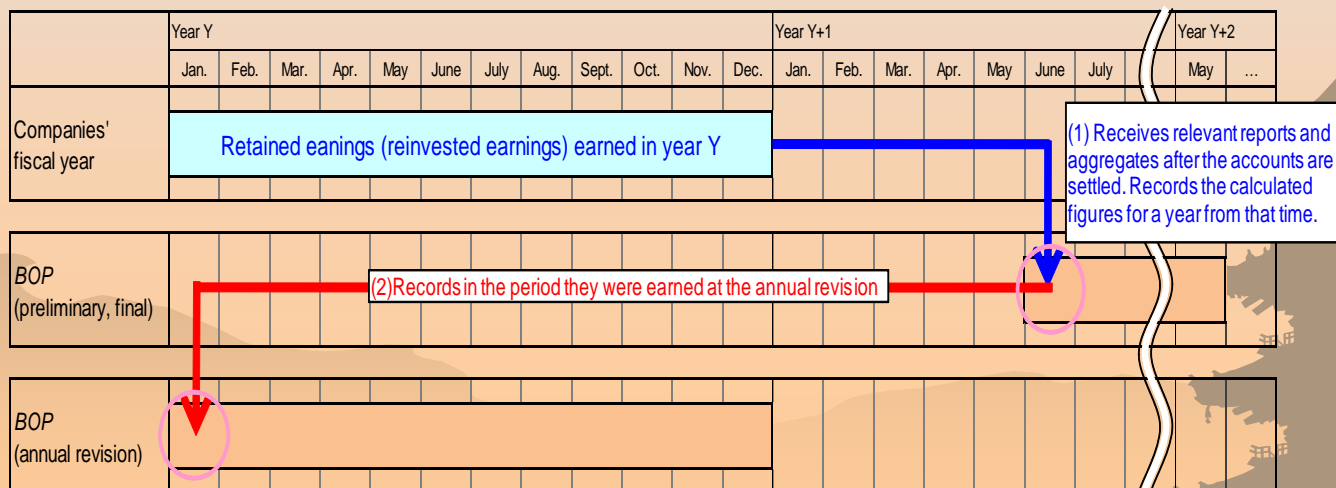
3-(2) New Revision Policy (cont'd)

- Revision of REs
 - The data on REs are compiled based on the annual financial statements of companies. Under our current compilation practices that limit revisions of data, it is impossible to correctly reflect business performances of overseas enterprises.
 - Therefore, for example, the changes in REs of overseas enterprises recognized in parent companies' financial statements for the fiscal year ending December 2011 are reflected in Japan's BOP from June 2012 to May 2013.
 - Under the new revision policy, current practices will only apply to preliminary and revised figures. REs will be attributed to the period in which income is earned by annual revisions.

3-(2) New Revision Policy (cont'd)

➤ Impact of the revision of REs

| Current account | | | | | Income | | | | | Capital and Financial Account | | | | |
|-----------------|--|---|-----------------------|----------------|--------|--|---|-----------------------|----------------|-------------------------------|--|---|-----------------------|----------------|
| | before the revision A (100 mil. yen) | after the revision B (100 mil. yen) | B-A (100 mil. yen) | (B-A)/A (%) | | before the revision A (100 mil. yen) | after the revision B (100 mil. yen) | B-A (100 mil. yen) | (B-A)/A (%) | | before the revision A (100 mil. yen) | after the revision B (100 mil. yen) | B-A (100 mil. yen) | (B-A)/A (%) |
| 2005 | 182,973 | 187,277 | 4,303 | 2.4 | 2005 | 114,200 | 118,503 | 4,303 | 3.8 | 2005 | -140,068 | -144,372 | -4,303 | 3.1 |
| 2006 | 199,141 | 203,307 | 4,166 | 2.1 | 2006 | 138,111 | 142,277 | 4,166 | 3.0 | 2006 | -124,665 | -128,831 | -4,166 | 3.3 |
| 2007 | 249,341 | 249,490 | 149 | 0.1 | 2007 | 164,670 | 164,818 | 149 | 0.1 | 2007 | -225,383 | -225,532 | -149 | 0.1 |
| 2008 | 166,618 | 148,786 | -17,832 | -10.7 | 2008 | 161,234 | 143,402 | -17,832 | -11.1 | 2008 | -183,895 | -166,064 | 17,832 | -9.7 |
| 2009 | 137,356 | 135,925 | -1,431 | -1.0 | 2009 | 127,742 | 126,312 | -1,431 | -1.1 | 2009 | -126,447 | -125,016 | 1,431 | -1.1 |
| 2010 | 178,879 | 190,934 | 12,055 | 6.7 | 2010 | 124,149 | 136,204 | 12,055 | 9.7 | 2010 | -119,977 | -132,032 | -12,055 | 10.0 |
| 2011 | 95,507 | 102,478 | 6,970 | 7.3 | 2011 | 140,384 | 147,354 | 6,970 | 5.0 | 2011 | 62,659 | 55,689 | -6,970 | -11.1 |



4. Way Forward

- Switch to the new reports for BOP/IIP (January 2014)
- Start dissemination of the new BOP (March 2014)
- Disseminate the BPM6-based historical data from 1996-2013 (March 2014)
- Start implementing the new revision policy (April 2015)

5. Future Challenges

- BPR for producing Good Data under “more work with less resources” situation:
 - Review compilation process
 - Learn from practical lessons of foreign countries
 - Enhance the skills of staff members
- In response to the G-20 Data Gaps Initiative, the need for granular data is accelerated.
 - Examinations will be essential to collect granular data (e.g. data on securities, loans) for compiling BOP/IIP giving due consideration to the reporting burdens.

Thank you for your attention!

Any questions/comments?

