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For information

Overview of the Work of the Current Account Task Team

Prepared by the Current Account Task Team (CATT)

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This report provides an update on the activities of the Current Account Task Team (CATT) since the last meeting of the IMF's Committee on Balance of Payments Statistics (the Committee) in October 2020. It covers (i) a summary outcome and follow-up actions for the guidance notes (GNs) presented in the last meeting, (ii) the work undertaken since then, and (iii) the main takeaways from the experience gained. Important lessons from the overall process include the importance of early detection of potentially controversial issues in the topic(s) covered by GNs, the need to maintain good coordination between Task Teams (TT) to avoid duplication of work and conflicting recommendations, and the benefits of getting feedback on the GNs during the public review from relevant international groups beyond CATT.

1. **Shortly after the October 2020 Committee meeting, the Current Account Task Team (CATT) held its second virtual meeting (November 16, 2020) to debrief the membership on the outcomes of the Committee meeting and discuss the next steps on the work agenda.** CATT had three guidance notes (GNs) discussed in the **Committee** meeting: (i) C.1 *Recording of Transactor-Based Components of Services*; (ii) C.2 *Goods and Services Account by (Trading) Enterprise Characteristics*; and (iii) C.5.1 *Statistical Impact of the New Public Accounting Standard Related to Leasing (IFRS 16)*. In addition, CATT contributed to a cross-domain GN with the Globalization Task Team (GZTT/CATT) GN C.11 on the valuation of imports and exports of goods in the international standards (cost, insurance, and freight (CIF) to free on board (FOB) adjustment).

2. **A summary of the outcomes of the GNs discussed in the October 2020 Committee meeting and follow-up actions is presented below:**

GN C.1 – Recording of Transactor-Based Services (Travel, Construction, Government Services, n.i.e.)

- a. *Outcome:* Committee members recommended that the topic be re-considered and the GN revised to focus on maintaining the reporting of transactor-based services in the BOP. It also supported the itemization of supplementary reporting for travel services to improve alignment with the SNA product classification.
- b. *Follow-up actions:* The GN was revised in line with the recommendations of the Committee. The revised version was reviewed and agreed by the CATT. It will be submitted to the October BOPCOM for final approval.

GN C.2 – Goods and Services Account by Enterprise Characteristics

- a. *Outcome:* There was full agreement by the Committee members with the recommendation of this GN to include enterprise characteristics as part of the annual reporting of the current account as supplementary items.
- b. *Follow-up actions:* The GN is under finalization. It will be posted to be included in the annotated outline of *BPM7*.

¹ Prepared by Silvia Matei (IMF), and Robert Leisch (Eurostat) – CATT Secretariat, and reviewed by Maria Borga (IMF), and Lena Frej Ohlsson (Eurostat) co-chairs of the CATT.

GN C.5.1 – Statistical Impact of the Change in Treatment of Operating Leases in Business Accounting

- a. *Outcome:* Committee members showed strong support for maintaining the principle of economic ownership and for providing additional guidance in the updated *BPM6 Compilation Guide* in preparing macroeconomic statistics from business accounting data based on IFRS 16. The introduction of the new leasing treatment in business accounting should not lead to any methodological changes to the *2008 SNA* and *BPM6*. Moreover, additional guidance for compiling lease transactions should be provided in the updated *Compilation Guide*.
- b. *Follow-up actions:* The GN was approved by the **Committee** and will be combined with GN C.5.2 under one GN C.5. This final GN will be part of the annotated outline of *BPM7*.

GZTT/CATT GN C.11 – Valuation of Imports and Exports (CIF-FOB Adjustments)

- a. *Outcome:* Committee members agreed that the final decision on the valuation of imports and exports should keep the current consistency between the SNA and the BPM. It supported GZTT's plans to test the proposal (for access to invoice values from customs and assess the differences with the FOB valuation) on a large sample of economies before deciding on whether a change is warranted
- b. *Follow-up actions:* GZTT has worked in close collaboration with CATT to prepare a joint questionnaire covering relevant aspects for both the NA and BOP communities to test the feasibility of using trade invoice values. The survey will be launched mid-February 2021 using both the UN and IMF websites. The exercise was conceived as a two-stage process: (i) during the first stage, information from countries will be collected to constitute a base of understanding of the availability of invoice values, as well as countries' position on both a conceptual and a practical basis; (ii) the second stage will target a selected number of countries with appropriate geographical representation to participate in a more detailed practical investigation. Based on the result of the testing, GZTT—in consultation with CATT—will prepare a final proposal that will be submitted for approval to the Committee and to the Advisory Expert Group on National Accounts (AEG).

3. **Moving forward, CATT's GN calendar has been revised to better align with the 2021 Committee meetings.** The updated schedule of the preparation of the CATT GNs is presented in Annex I. Below is a brief outline of the work undertaken since the 2020 **Committee** meeting.

- **GN C.7 Treatment of Travel Packages, Health-Related Travel, and Taxes and Fees on Passengers' Tickets**

The GN was reviewed by the CATT and BPTT, and it also received comments from the public consultation. The public opinions on the proposals made concerning the three topics above were divided, with the exception of the recording of the taxes and fees on passengers' tickets, for which there was large agreement. As part of the outreach for this GN, issues of consistency with the national accounts as well as connections to the GN C.4 on global production arrangements were raised. Therefore, a revised version of the GN will be prepared to be reviewed again, including by the AEG, and it will be discussed at the October 2021 meeting at the same time as

C.4 and the revised version of C.1. A brief presentation of the current situation and proposed way forward will be provided to the Committee during this meeting.

- **GN C.8: Recording of Fines and Penalties**

The GN was reviewed by the CATT, DITT, AEG, and BPTT, and it also received comments from the public consultation. The proposals made concerning the proposed definition of fines and penalties and related transaction recordings received wide support from all teams. Consequently, the GN is presented to the Committee for discussion and approval.

- **C.4 Merchanting and Factoryless Producers; Clarifying Negative Exports in Merchanting; Merchanting of Services**

The work was initiated as a joint GN to be produced by the GZTT and CATT.

- **GN C.5.2 Economic Ownership in the Context of Financial and Operating Lease Transactions Pertaining, in Particular, to Aircrafts**

Work is in an advanced drafting stage and will be submitted to the June meeting.

- **C.6 Trade in Services Classification**

The GN was drafted and is under internal (CATT) review. It will be submitted to the June meeting.

- **C.3 International Trade Classified by Currency, and**

- **C.9 Valuation of Trade Under Long Term Contracts**

Drafting has started; the GNs will be submitted to the June meeting.

4. Takeaways from the experience thus far

- A careful examination of the proposed treatment of the topic(s) covered by GNs and possible implications for related lines of work at an early stage is a good practice that could prevent potentially controversial issues arising at later stages. This would entail but not limited to: (i) more in-depth dialogue within the TT on the rationale for proposing a solution vs. potential alternatives; (ii) requesting the reviewers to gather broader views from inside their institutions, as well as other statistical institutions when relevant; and (iii) closely monitoring new developments that would require any change of direction or line of reasoning for the topic(s) covered.
- Timely coordination among various TTs on cross domain topics in order to achieve a comprehensive methodological harmonization between SNA and BPM was found essential. This was noted in the coordinated contribution to the joint GZTT/CATT GN on the Valuation of Imports and Exports.
- Time constraints in the various rounds of review continued to be a restricting factor for all parties involved. Considering the complexity of the review process and the limited time for drafting/review in a work environment with multiple competing commitments, the CATT members agreed during its last meeting to adopt a revised GN timeframe that would allow a little more flexibility in the drafting of the GN and small slots of time to incorporate comments in between the review periods.

- CATT benefited from the active participation in the public review of its GNs by relevant groups beyond the CATT that were affiliated with CATT members, such as Eurostat's Working Group on the Balance of Payments and the OECD's Working Party on International Trade Statistics.

Annex I. List of Issues Assigned to the CATT, with Proposed Teams and Delivery Dates

October 2020	February 2021	June 2021	October 2021
<p>C.1 Recording transactor-based components of services (travel, construction and government goods under services)</p> <ul style="list-style-type: none"> ▪ <i>GN Revised and circulated to CATT</i> ▪ <i>Will be submitted to October BOPCOM</i> <p>C.2 Goods and services account by (trading) enterprise characteristics</p> <ul style="list-style-type: none"> ▪ <i>Approved, under finalization</i> <p>C.5.1 Statistical impact of the change in treatment of operating leases in business accounting</p> <ul style="list-style-type: none"> ▪ <i>Approved, will be finalized together with C.5.2</i> <p>GZTT/CATT C11 Valuation of imports and exports of goods in the international standards (CIF to FOB adjustment)</p> <ul style="list-style-type: none"> ▪ <i>Undecided</i> ▪ <i>Follow up with feasibility test among NA and BOP communities (survey will be posted on UN/IMF websites mid-February 2021)</i> 	<p>C.7 Treatment of travel packages, health-related travel, and taxes and fees on passenger tickets</p> <ul style="list-style-type: none"> ▪ <i>GN to BOPCOM for a brief presentation of current status</i> <p>C.8 Recording penalties and fines</p> <ul style="list-style-type: none"> ▪ <i>GN to BOPCOM for decision</i> 	<p>C.3 International trade classified by currency (including for trade linked to long-term trade credits and advances)</p> <p>C.5.2 Economic ownership in the context of financial and operating lease transactions pertaining, in particular, to aircrafts</p> <p>C.6 Trade in services classification</p> <ul style="list-style-type: none"> ▪ <i>GN under internal (CATT) review</i> <p>C.9 Valuation of trade under long term contracts</p>	<p>C.4 Merchanting and factoryless producers; clarifying negative exports in merchanting; Merchanting of services</p> <ul style="list-style-type: none"> ▪ <i>Joint GN CATT/GZTT</i> ▪ <i>Work launched by the joint teams</i> <p>GZTT/CATT C11 Valuation of imports and exports of goods in the international standards (CIF to FOB adjustment)</p> <ul style="list-style-type: none"> ▪ <i>Joint Report to BOPCOM and AEG</i> <p>C.1 Recording transactor-based components of services (travel, construction and government goods under services)</p> <ul style="list-style-type: none"> ▪ <i>Final version to BOPCOM for information</i> <p>C.7 Treatment of travel packages, health-related travel, and taxes and fees on passenger tickets</p> <ul style="list-style-type: none"> ▪ <i>GN will be harmonized with C.1 and C.4 and submitted for discussion</i>