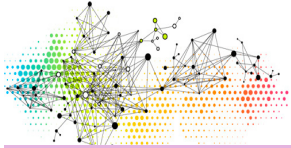




The Statistical Treatment of Negative Interest Rates

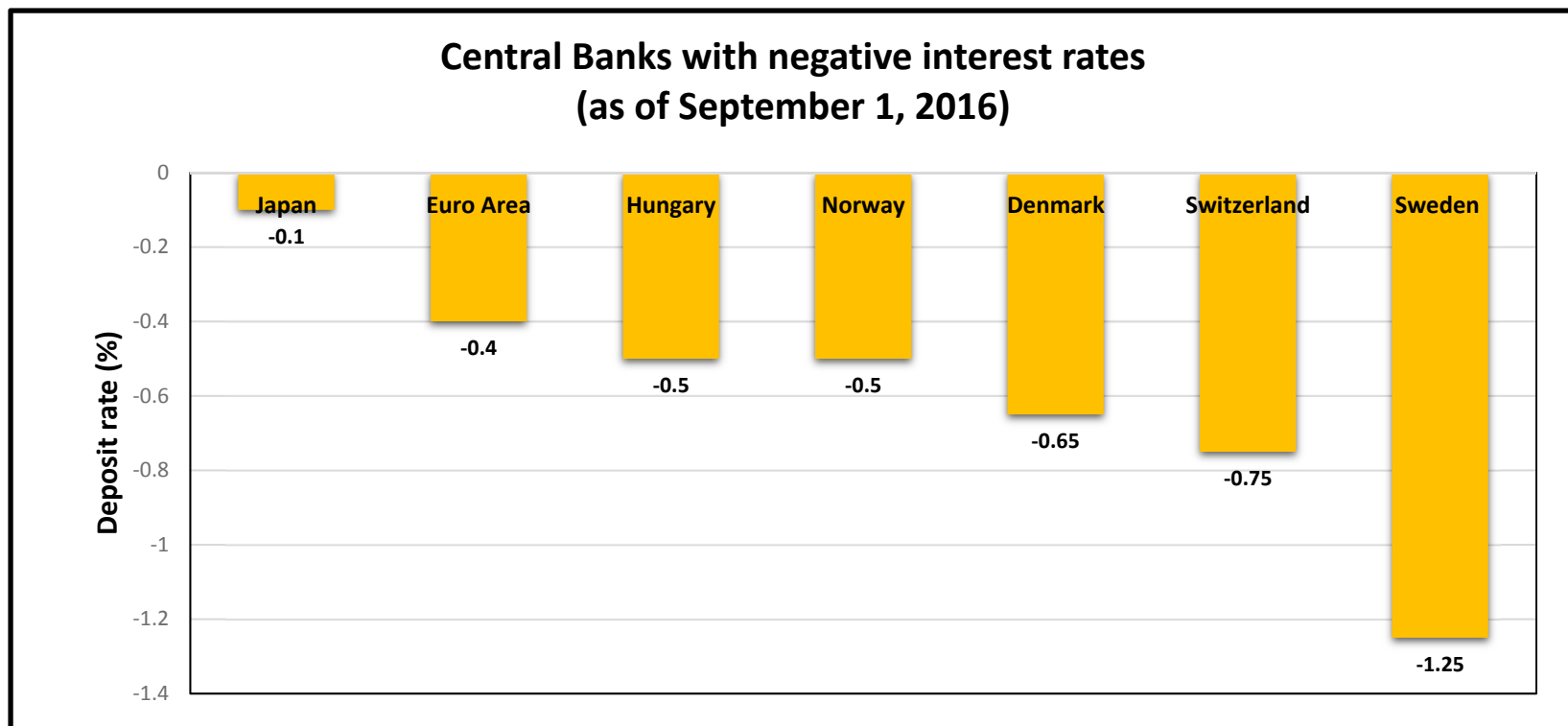
Venkat Josyula, Balance of Payments Division, STA

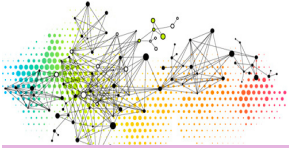
Reproductions of this material, or any parts of it, should refer to the IMF Statistics Department as the source.



Negative Interest Rates

- Negative interest rates on deposits
 - institutional units pay banks
 - mostly applied to excess reserves



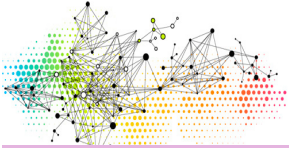


Need for Clarification

- *BPM6* and other macroeconomic statistics manuals – provide no explicit guidance on the recording of interest from negative interest rates

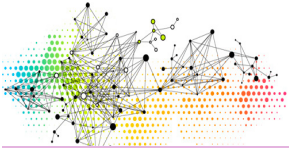
Some questions

- Can investment income (interest income) be negative?
- How to record negative investment income (interest income) in the balance of payments?
- Can the reference rate be negative?
- Does the same treatment apply to all the financial instruments with negative interest rates?
- What about the consistency of the treatment across macroeconomic statistics manuals?



International Financial Reporting Standards (IFRS) - Decision

- IFRS Interpretations Committee decision (January 2015)
 - Interest resulting from negative interest rate on a financial asset should not be presented as interest revenue, but in an appropriate expense classification
 - Additional information about such an amount required to be presented if that is relevant to understand entity's financial performance or an understanding of this item



Treatment of Negative Interest Rates (1/3)

- Two instances of negative investment incomes in *BPM6*

Reinvested earnings

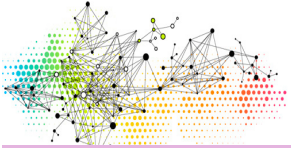
- **can be negative**
- **shown as a negative income receivable** by the direct investor

Index-linked bonds (indexed to a broad based index)

- **negative interest income may result** following one of the *BPM6* methods

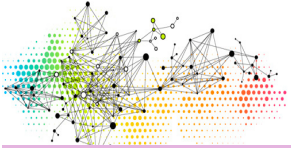
- Eurostat's *Manual on Government Deficit and Debt*

- Negative interest rates on short term government securities – negative interest payable by government and receivable by investors



Treatment of Negative Interest Rates (2/3)

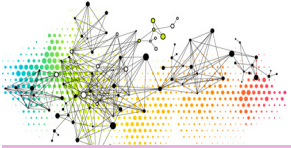
- Gross recording
 - prescribed for the current and capital accounts in *BPM6*
- Associating investment income (positive or negative) with a related investment
 - facilitates robust rate of return analysis
- As admitted for reinvested earnings and interest on index-linked bonds
 - ✓ extending the possibility of recording negative interest on deposits could be considered



Treatment of Negative Interest Rates (3/3)

- Financial intermediation
 - Negative interest rates on deposits – Banks' output record positive amounts
 - Banks play the role of financial intermediation

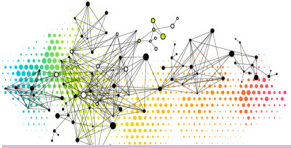
- Reference rate – rate prevailing for interbank borrowing and lending may be a suitable choice (*BPM6* and *2008 SNA*)
 - no restriction to use reference rate **with a negative value**



Consistency Across Macroeconomic Statistics Manuals

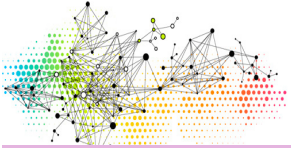
- *BPM6* definition of interest and related concepts – consistent with *2008 SNA /GFSM 2014*

- *GFSM 2014*
 - Revenue - an increase in net worth
 - Expense – decrease in net worth
 - Recommends gross presentation of interest revenue and expense
 - Interest not adjusted for FISIM



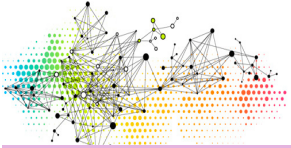
Proposals (1/2)

- Both positive and negative interest earnings on deposits (excluding FISIM) can be recorded in the primary income account
- Countries could consider the incorporation of an “of which” category showing this information separately in their national publications
- Treatment can be extended to negative interest earnings for debt securities and other accounts receivable resulting from negative interest rates



Proposals (2/2)

- A note be posted on the *BPM6* website to clarify the recording of interest resulting from negative interest rates and related concepts/definitions
- Contacts with other relevant committees – to ensure consistent treatment across macroeconomic statistics manuals

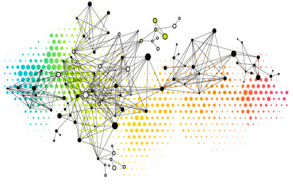


IMF Balance of Payments Committee (BOPCOM) – Decision

- Paper presented in the **Twenty-Ninth Meeting** of the BOPCOM ([BOPCOM -16/06](#))
- BOPCOM agreed to the above proposals

Next steps

- Consultations
 - Advisory Expert Group on National Accounts
 - Government Finance Statistics Advisory Committee
- Revised version of the paper



THANKS !