

## **Statistics & Data Warehouse Department** **(Balance of Payments Division)**

### **Revision Study on Balance of Payments Statistics**

#### **Introduction**

Statistics & DWH Department of State Bank of Pakistan is responsible for compiling Balance of payments (BOP) statistics of Pakistan. It not only compiles data on BOP but also informs users about the concepts and methodologies used in collecting, processing, analyzing and disseminating such data.

#### **Revisions**

Revision is defined as any change in data released to the public by State Bank of Pakistan. The data pertains to flows insofar as it relates to BOP during a particular period. The data on BOP is revised on monthly, quarterly and annual basis.

The interim data on BOP is prepared on monthly basis by 15th of the following month. The first revision is made by the end of the following month. The second revision referred to as quarterly revision follows a time lag of 60 days. Annual revision, however, is carried out by 9 months following the reference year.

Revisions occur for a number of reasons such as:

1. To adopt improved methodology
2. To include improved source data
3. To correct errors
4. To capture routine recalculation

For revisions, users are informed about the causes and they accordingly have access to complete documentation on methodology and procedures.

#### **Adoption of Balance of Payments Manual, fifth edition of the IMF (BPM5) for compilation of balance of payments statistics**

In our endeavors to adopt International Standards and comparability of data worldwide, it is vital to have common understanding of concepts and definitions amongst data providers, compilers and users. Statistics and DWH Department of the State Bank of Pakistan being the sole compiler

of Balance of Payments Statistics has all along been determined in adopting standard practices of data collection, compilation and dissemination followed by member countries around the world.

The compilation of Pakistan's Balance of Payments statistics according to the guidelines provided in BPM5 began from July, 2003.

A summary of changes in classification of standard components under BPM4 and BPM5 is available at Annex-I

This data revision study on BOP statistics covers the period July, 2007 - June, 2008 (FY08). The major revisions made during the period have been due to adoption of improved methodology, incorporation of improved source data and on account of revisions made to correct errors.

The summary data sheet on BOP showing various items of provisional and revised data is available at Annex - II.

### **Part 1. Revisions due to adoption of improved Methodology**

There has been a practice of recording trade nostros of banks under other claims of reserve assets of SBP because these were thought to fall under the effective control of SBP. For these accounts to appear under other claims, these should essentially appear in SBP's books of accounts. A thorough investigation of such accounts however, revealed that these accounts pertain to banks and also appear in their books of accounts as such recording them as a part of reserves assets of SBP hardly serves any meaningful purpose.

Therefore, it has been decided to exclude them from the claims of reserve assets of SBP and include them in banks' assets by way of netting them off.

For the reference period FY08, the changes made are as under:

(Million US \$)

<b>Description</b>	<b>Under old Methodology</b>	<b>Under new Methodology</b>
<b>Trade Nostros of banks</b>	<b>(Treated as part of other claims of reserve assets of SBP)</b>	<b>(Treated as part of assets of banks and recorded under Currency and Deposits of banks)</b>
	<b>250*</b>	<b>250</b>

\* In BOP negative sign indicates increase in assets and positive sign reflects decrease in assets and opposite is true in the case of liabilities.

## **Part 2. Revisions due to Improved Source Data**

The compilation of BOP (interim) on monthly basis involves using in some cases estimates which are subsequently revised upon receipt of actual data. As the monthly BOP (interim) is disseminated on the SBP website by 17<sup>th</sup> of the following month so usually by that time some data are not received. Therefore, the practice followed for compiling monthly BOP involves in some cases estimates. The main areas where the revisions generally take place for non availability of actual data source are mentioned as follows:

### **2.1 Foreign Economic Assistance (FEA) Data (General Government).**

The data is revised upon receipt of actual data. The practice followed for recording initial data is based on using information received through advices from Finance Department of the SBP. Subsequently, revisions are made when actual data on FEA reported in Status Report is received from Economic Affairs Division (EAD), Ministry of Finance (MOF). Major changes due to improved source data in FY08 are given below.

(Million US \$)

<b>Description</b>	<b>Provisional data based on advices of Finance Department, SBP</b>	<b>Revised data based on Status Report of EAD,MOF</b>
<b>Foreign Economic Assistance (G.Govt.)</b>		
<b>i) Loans</b>	<b>3057</b>	<b>3078</b>
<b>ii) Grants</b>	<b>524</b>	<b>527</b>

The FEA is received on cash and non-cash bases. The FEA on non- cash basis is split into imports, freight, insurance and technical assistance. Accordingly, the revisions against these heads are also carried out.

## 2.2 Adjustments in Exports / Imports data

The data on exports / imports is gathered through International Transactions Reporting System (ITRS) of banks which is based on exchange records. The initially released (interim) trade data is formed by adding to data collected through exchange records the estimates of trade data received through other means which do not involve payments through banks like Land borne Trade and Export Processing Zones (EPZs) data.

Upon receipt of actual data from Federal Bureau of Statistics (FBS) and EPZs, the trade statistics is revised. In FY08, the trade statistics witnessed the following changes:

(Million US \$)

<b>Description</b>	<b>Provisional data based on estimates</b>	<b>Revised data based on actual numbers</b>
<b>i) Exports</b>	<b>20,122</b>	<b>20,427</b>
<b>ii) Imports*</b>	<b>- 35,417</b>	<b>-35,472</b>

## 2.3 Adjustments in Services data

Here again the initial dissemination of data on services which involves estimates is revised subsequently upon receipt of actual data from Pakistani / foreign air and shipping companies, EAD, MOF. The revision made in services data during FY08 is reflected as follows:

<b>Description</b>	<b>Provisional data based on estimates</b>	<b>Revised data based on actual numbers</b>
<b>i) Exports of services</b>	<b>3590</b>	<b>3577</b>
<b>ii) Imports of services</b>	<b>- 9897</b>	<b>-9834</b>

### **Part 3: To correct errors**

As already mentioned, the data on flows is received through ITRS of banks. There has been an instance where direct investment was made, but, it was not recorded through ITRS. The other sources, however, identified such occurrence. As a result, an investigation was made and the data on direct investment was revised accordingly.

Changes made in direct investment for FY08 are as follows:

(Million US \$)

<b>Description</b>	<b>Provisional Data</b>	<b>Revised data</b>
<b>Direct Investment</b>	<b>5,153</b>	<b>5,410</b>

# Annex-I

## Summary of Changes in Classification of Balance of Payments (BOP) items under 4th and 5th edition of IMF's Manual on BOP

Standard Components of BPM4	Standard Components of BPM5	Major Changes
	<b>1. Current account</b>	
<b>A. Goods, Services and Income</b>	<b>A. Goods and services</b>	Goods, Services and Income account under BPM4 has been bifurcated into Goods and Services Account and Income account under BPM5
	<b>a) Goods</b>	
1. Merchandise f.o.b.	1. General merchandise	No Change
	2. Goods for processing	Under BPM5, it records the gross value of goods instead of processing fee only in the services account
	3. Repairs on goods	Recassified under BPM5 to include in Goods from the services account under BPM4
	4. Goods procured in ports by carriers	Recassified under BPM5 to include in Goods from the services account under BPM4
	5. Nonmonetary gold	New under BPM5
	5.1 Held as a store of value	
	5.2 Other	
	<b>b) Services</b>	Under BPM5, detailed classification has been provided against 11 heads of Services Account
2. Shipment		Reclassified under BPM5 to include under transportation-freight
3. Other transportation	1. Transportation	Under BPM5, detailed classification has been provided against transportation which includes shipment under BPM4
	1.1 Sea transport	
	1.1.1 Passenger	
	1.1.2 Freight	
	1.1.3 Other	
	1.2 Air transport	
	1.2.1 Passenger	
	1.2.2 Freight	
	1.2.2 Other	
	1.3 Other transport	
	1.3.1 Passenger	
	1.3.2 Freight	
	1.3.2 Other	
4. Travel	2. Travel	Under BPM5, detailed classification has been provided
	2.1 Business	
	2.2 Personal <sup>a</sup>	
6. Other goods, services & income		
6.1 Official	11. Government services, n.i.e.	
Labor income		Shifted to income account under BPM5
Property income		Shifted to income account under BPM5
6.2 Others	3. Communication services	
	4. Construction services	
	5. Insurance services <sup>b</sup>	New methodology for recording insurance services
	6. Financial services	Expanded scope to include implicit services charge in foreign exchange trading
	7. Computer and information services	

**Annex-I**

**Summary of Changes in Classification of Balance of Payments (BOP) items under 4th and 5th edition of IMF's Manual on BOP**

Standard Components of BPM4	Standard Components of BPM5	Major Changes
	8. Royalties and license fees	
	9. Other business services	
	9.1 Merchanting and other trade related services	
	9.2 Operational leasing services	
	9.3 Miscellaneous business, professional, and technical services <sup>a</sup>	
	10. Personal, cultural, and recreational services	
	10.1 Audiovisual and related services	
	10.2 Other cultural and recreational services	
	<b>B. Income</b>	
	1.Compensation of employees	Under BPM5 ,this reflects labor income earned by non-resident workers during their stay abroad for less than one year.Also included are the local staff of foreign embassies,consulates.
5. Investment income		
5.3 Other	2. Investment income	Detailed classification has been provided for investment income under BPM5
	2.1 Direct investment	
	2.1.1 Income on equity	
	2.1.2 Income on debt (interest)	
	2.2 Portfolio investment	
	2.2.1 Income on equity (dividends)	
	2.2.2 Income on debt (interest)	
	2.2.2.1 Bonds and notes	
	2.2.2.2 Money market instruments and	
	2.3 Other investment	
	2.3.1 Financial intermediation charge indirectly measured	
5.1 IMF	2.3.2 Other interest	
5.2 Official external		
	2.3.3 imputed income to households from net equity in life insurance reserves and in pension	
B.CURRENT TRANSFERS	C. Current transfers	Current transfers under BPM4 includes Capital transfers also,under BPM5,it has been separated to include in Capital Account.
8. Official	1. General government	
	1.1.1 Current taxes on income, wealth etc.	
	1.1.2 Other taxes on production	

**Annex-I**

**Summary of Changes in Classification of Balance of Payments (BOP) items under 4th and 5th edition of IMF's Manual on BOP**

Standard Components of BPM4	Standard Components of BPM5	Major Changes
	1.1.3 Other subsidies on production	
	1.1.4 Social contribution	
	1.1.5 Social benefits	
	1.1.6 Other current transfers of general government	
7. Private	2. Other sectors	
	2.1 Worker's remittances	
	2.2 Other transfers	
	2.2.1 Current taxes on income, wealth, etc.	
	2.2.2 Other taxes on production	
	2.2.3 Other subsidies on production	
	2.2.4 Social contribution	
	2.2.5 Social benefits	
	2.2.6 Other current transfers of other sector	
	<b>2. Capital and Financial Account</b>	
	A. Capital Account	
	1. Capital transfers	Includes migrant's transfers, debt forgiveness, taxes on capital transfers such as estate duties; and investment grants.
	1.1 General government	
	1.1.1 Debt forgiveness	
	1.1.2 Other	
	1.2 Other	
	1.2.1 Migrants' transfers	
	1.2.2 Debt forgiveness	
	1.2.3 Other	
	2. Acquisition of non- produced non - financial assets	
C. Capital Account	B. Financial Account	Under BPM5, Financial Account includes reserve assets. It also provides detailed classification under direct investment, portfolio investment and other investment.
	1. Direct investment	
9. Direct investment abroad	1.1 Abroad	
	1.1.1 Equity capital	
	1.1.1.1 Claims on affiliated enterprises	
	1.1.1.2 Liabilities on affiliated enterprises	
	1.1.2 Reinvested earnings	
	1.1.3 Other capital	
	1.1.3.1 Claims on affiliated enterprises	
	1.1.3.2 Liabilities to affiliated enterprises	
10. Direct investment in Pakistan	1.2 In reporting economy (Pakistan)	
	1.2.1 Equity capital	
	1.2.1.1 Claims on direct investors	



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## Summary of Changes in Classification of Balance of Payments (BOP) items under 4th and 5th edition of IMF's Manual on BOP

Standard Components of BPM4	Standard Components of BPM5	Major Changes
	1.2.1.2 Liabilities to direct investors	
	1.2.2 Reinvested earnings	
	1.2.3 Other capital	
	1.2.3.1 Claims on direct investors	
	1.2.3.1.1 Debt securities issued by direct	
	1.2.3.1.2 Other claims on direct investors*	
	1.2.3.2 Liabilities to direct investors	
	1.2.3.2.1 Debt securities issued by	
	1.2.3.2.2 Other liabilities to direct investors	
11. Portfolio investment	2. Portfolio investment	
Public sector bonds Other bonds Corporate equities	Equity securities Debt securities Bonds and notes Money market instruments	The list has been expanded to accomodate new developments in the financial markets.
12-17 Other Capital Long-term capital Resident official sector Deposit money banks Other Sectors Short-term capital Resident official sector Deposit money banks Other Sectors	3. Other investment Trade credits Loans Currency and deposits Others	Classification in BPM4 is firstly maturity wise, then sectors and then assets, loans and liabilities wise. In BPM5, the classification is firstly for Assets,the by types then by sectors (new sector Monetary Authority included) and then by maturity (Long-term / Short-term).The similar pattren is followed for liabilities. It is not advisable to make line to line comparison in the two sets of components.
D.RESERVES Monetary Gold Special Drawing Rights Reserve Position in the Fund Foreign Exchange - Central Bank Foreign Exchange - Deposit Money Banks	4. Reserve assets Monetary Gold Special Drawing Rights Reserve Position in the Fund Foreign Exchange-Central Bank	In BPM4, the reserves of economy were classified as a separate head.Under BPM5,it is a part of Financial Account.
F. Exceptional Financing Limited Coverage	Exceptional Financing Expanded Coverage (Supplementary information)	

**Annex-II**

**Summary of Changes from BOP( Provisional) FY 08**

	(Million US \$)		
	<b>Provisional</b>	<b>Revised</b>	<b>Changes</b>
Current account balance	-14036	-13735	301
Current account balance without off. transfers	-14463	-14163	300
Goods: Exports f.o.b	20122	20427	305
Goods: Imports f.o.b	35417	35472	55
<i>Trade Balance</i>	-15295	-15045	250
Services: Credit	3590	3577	-13
Services: Debit	9897	9834	-63
<i>Balance on Goods &amp; Services</i>	-21602	-21302	300
Income: Credit	1613	1613	0
Income: Debit	5522	5522	0
<i>Balance on Gds &amp; Serv. &amp; Inc</i>	-25511	-25211	300
Current Transfers:Credit	11617	11618	1
Of which:			0
Workers' Remittances	6451	6451	0
FCA Residents	444	444	0
Saudi Oil Facility	0	0	0
Current Transfers :Debit	142	142	0
Capital Account,	119	121	2
Capital Account : Credit	126	128	2
Project grants	109	111	2
Capital Account... Debit	7	7	0
Financial Account	7657	8182	525
Direct Investment Abroad	-75	-75	0
Dir. Invest. In Rep. Econ.	5153	5410	257
Portfolio Investment Assets	-5	-5	0
Portfolio Investment Liab.	41	41	0
Equity Securities	20	20	0
Debt Securities	21	21	0
Other Investment Assets	-219	32	251
Monetary Authorities	0	0	0
General Government	5	5	0
Banks	276	525	249
Other Sector	-500	-498	2
Other Investment Liab.	2762	2779	17
Monetary Authorities	490	490	0
General Government	1787	1808	21
Disbursements	3057	3078	21
Amortization	1249	1249	0
Other Liabilities	-21	-21	0
Banks	66	66	0
Other Sector	419	415	-4
Disbursements	1031	1027	-4
Amortization	334	334	0
Other Liabilities	-278	-278	0
Net Errors and Omissions	503	-75	-578
<i>Overall Balance</i>	-5757	-5507	250
Reserves and Related Items	5757	5507	-250
Reserve Assets	5930	5680	-250
Foreign Exchange ( SBP )	5680	5680	0
Foreign Exchange ( DMB )	250	0	-250
Use of Fund Credit and Loans	-173	-173	0
Purchases /	0	0	0
Repurchases	173	173	0
Exceptional Financing	0	0	0
Gross SBP Reserves	9385	9385	0

# **Summary of Changes from BOP( Interim ) July,2008**

(Million US \$)

	Interim	Provisional	Changes
Current account balance	-1010	-1040	-29
Current account balance without off. transfers	-1010	-1080	-69
Goods: Exports f.o.b	1921	1917	-5
Goods: Imports f.o.b	3117	3146	30
<i>Trade Balance</i>	-1195	-1230	-34
Services: Credit	263	223	-40
Services: Debit	691	694	3
<i>Balance on Goods &amp; Services</i>	-1623	-1701	-77
Income: Credit	65	65	0
Income: Debit	405	405	0
<i>Balance on Gds &amp; Serv. &amp; Inc</i>	-1963	-2041	-77
Current Transfers.:Credit	968	1016	48 *
Of which:			0
Workers Remittances	627	627	0
FCA Residents	100	100	0
Saudi Oil Facility	0	0	0
Current Transfers :Debit	15	15	0
Capital Account,	2	3	1
Capital Account, : Credit	2	3	1
Capital Account... Debit	0	0	0
Financial Account	-168	-324	-156
Direct Investment Abroad	-1	-1	0
Dir. Invest. In Rep. Econ.	341	341	0
Portfolio Investment Assets	-8	-8	0
Portfolio Investment Liab.	-120	-120	0
Equity Securities	-119	-119	0
Debt Securities	-1	-1	0
Other Investment Assets	20	-190	-210
Monetary Authorities	0	0	0
General Government	-1	-1	0
Banks	46	-207	-253 **
Other Sector	-25	18	43
Other Investment Liab.	-400	-346	54
Monetary Authorities	0	0	0
General Government	-192	-189	3
Disbursements	51	54	3
Amortization	221	221	0
Other Liabilities	-22	-22	0
Banks	-17	-16	1
Other Sector	-191	-141	50
Disbursements	37	72	35
Amortization	30	30	0
Other Liabilities	-198	-183	15
Net Errors and Omissions	-401	-237	163
<i>Overall Balance</i>	-1577	-1598	-21
Reserves and Related Items	1577	1598	21
Reserve Assets	1600	1621	21
Foreign Exchange ( SBP )	1338	1335	-3
Foreign Exchange ( DMB )	262	286	24
Use of Fund Credit and Loans	-23	-23	0
Purchases /	0	0	0
Repurchases	23	23	0
Exceptional Financing	0	0	0
Gross SBP Reserves	8048	8048	0

\* includes \$ 40 million grant from DFID,UK

\*\* includes placement other than FE-25 \$ 185 million