

# **The Implementation of the Sixth Edition of the Balance of Payments and International Investment Position Manual and its**

## **Effects on the International Investment Position of Bulgaria for 2014**

The implementation of the methodological requirements of the Sixth Edition of the Balance of Payments and International Investment Position Manual, IMF, 2008 (BPM6)<sup>1</sup>, has resulted in changes to the data compiled in accordance with the Fifth Edition (BPM5)<sup>2, 3</sup>.

### **1. Direct investment**

The implemented principle change in FDI presentation after the BPM6, as well as the other changes (described in the methodological notes on the implementation of the new methodology of the sixth edition of the Balance of Payments and International Investment Position Manual), have considerably complicated the direct comparison of the FDI data reported under the two methodologies.

Following the new requirements, permanent debt between banks and loans between other financial intermediaries (except insurance companies and pension funds) are no longer included under *Direct investment*, as they are considered a normal practice between financial intermediaries. Permanent debt positions between banks are now reported under *other investment*. Along with the changes ensuing from the implementation of BPM6, another change was introduced – interest on loans received or extended, including on intercompany lending, are already accrued monthly on the basis on respondents' declaration (through Form SPB-1) of loan specifications (interest rate, repayment schedule, outstanding amount on the reported loan). Until now only accrued interest reported by respondents on a quarterly basis (through Forms SPB-4 and BPS-4A) was included. In accordance with the double-entry principle, interest accrued is included in the financial account as well as an increase in claims/liabilities on loans (including on intercompany loans).

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<sup>1</sup> <http://www.imf.org/external/pubs/ft/bop/2007/bop6comp.htm>

<sup>2</sup> For the methodological notes on the compilation of the balance of payments statistics see *Compilation of the international investment position in accordance with the methodology of the sixth edition of the Balance of Payments and International Investment Position Manual*

<sup>3</sup> The comparison is based on the standard presentation of the balance of payments data.

These changes have resulted in a net increase in the position of debt instruments, assets by EUR 135.6 million (5.7%) and a net decrease of debt instruments, liabilities by EUR 1493 million (9.2%) respectively.

## **2.2. Portfolio investment**

Investment in equity of international organisations is reported under *portfolio investment*. The effect of this change on subitem equity and investment fund shares for 2014 amounted to EUR 80.9 million.

## **2.3. Other investment**

- Following the new requirements, permanent debt between banks and loans between other financial intermediaries (except insurance companies and pension funds) are no longer included under *Direct investment*, as they are considered a normal practice between financial intermediaries. Permanent debt transactions between banks are reported under *other investment*. In accordance with the double-entry principle, interest accrued is included in the financial account as an increase in claims/liabilities on the respective instrument.

- Borrowing between financial institutions is now reported as deposits, and not as loans.

- SDR allocations (that IMF members may use when in need of balance of payments support, by exchanging them for convertible currencies) are recorded as incurrence of a liability in *other investment*.

The net effect of these changes in the December 2014 data was towards an increase in the other investment assets and liabilities by EUR 158.3 million (1.8%) and EUR 2903.8 million (14.6%), respectively.

Following the implementation of the BPM6 requirements, the net international investment position for 2014 is negative amounting to EUR 30 464.2 million (72.5% of GDP) changing by EUR 1216.6 million (2.9%) from its balance compiled following BPM5 's methodological requirements (a negative international investment position of EUR 29 247.5 million, 69.6% of GDP).

30 June, 2015

**INTERNATIONAL INVESTMENT POSITION**  
**OF BULGARIA <sup>1</sup>**  
as of December 31, 2014

(EUR mln.)

	<b>BPM6</b>	<b>BPM5</b>	<b>Difference BPM6-BPM5</b>
<b>Net International Investment Position<sup>2</sup></b>	<b>-30 464.2</b>	<b>-29 247.5</b>	<b>-1 216.6</b>
Direct investment, net	-34 895.8	-36 524.5	1 628.7
Portfolio investment, net	1 651.2	1 570.3	80.9
Financial derivatives (other than reserves) and employee stock options	-161.0	19.8	-180.8
Other investment, net	-13 592.7	-10 847.2	-2 745.5
Reserve assets	16 534.1	16 534.1	0.0
<b>ASSETS</b>	<b>35 342.9</b>	<b>35 008.2</b>	<b>334.6</b>
<b>Direct investment</b>	<b>4 011.7</b>	<b>3 876.2</b>	<b>135.6</b>
Equity and reinvestment of earnings <sup>3</sup>	1 482.8	1 482.8	0.0
Debt instruments <sup>4, 5</sup>	2 529.0	2 393.4	135.6
<b>Portfolio investment<sup>6</sup></b>	<b>5 599.4</b>	<b>5 518.5</b>	<b>80.9</b>
Equity and investment fund shares	1 132.3	1 051.4	80.9
Debt securities	4 467.1	4 467.1	0.0
Short-term	223.6	223.5	0.1
Long-term	4 243.5	4 243.6	-0.1
<b>Financial derivatives (other than reserves) and employee stock options</b>	<b>3.9</b>	<b>44.2</b>	<b>-40.2</b>
<b>Other investment</b>	<b>9 193.6</b>	<b>9 035.3</b>	<b>158.3</b>
Currency and deposits <sup>7</sup>	6 644.4	5 382.1	1 262.2
Loans <sup>4</sup>	1 197.7	2 265.5	-1 067.8
Trade credits and advances <sup>5</sup>	887.6	855.8	31.7
Other accounts receivable	464.0	531.8	-67.8
<b>Reserve assets<sup>8</sup></b>	<b>16 534.1</b>	<b>16 534.1</b>	<b>0.0</b>
Monetary gold	1 258.2	1 258.2	0.0
Special drawing rights	728.5	728.5	0.0
Reserve position in the IMF	40.6	40.6	0.0
Other reserve assets	14 506.8	14 506.8	0.0
<b>LIABILITIES</b>	<b>65 807.0</b>	<b>64 255.8</b>	<b>1 551.3</b>
<b>Direct investment</b>	<b>38 907.6</b>	<b>40 400.7</b>	<b>-1 493.1</b>
Equity and reinvestment of earnings	24 233.2	24 233.4	-0.2
Debt instruments <sup>9, 10</sup>	14 674.4	16 167.3	-1 493.0
<b>Portfolio investment<sup>11</sup></b>	<b>3 948.2</b>	<b>3 948.2</b>	<b>0.0</b>
Equity and investment fund shares	183.4	183.4	0.0
Debt securities	3 764.8	3 764.8	0.0
Short-term	0.0	0.0	0.0
Long-term	3 764.8	3 764.8	0.0
<b>Financial derivatives (other than reserves) and employee stock options</b>	<b>165.0</b>	<b>24.4</b>	<b>140.6</b>
<b>Other investment</b>	<b>22 786.3</b>	<b>19 882.5</b>	<b>2 903.8</b>
Currency and deposits <sup>6</sup>	5 819.3	2 635.9	3 183.4
Loans	14 754.5	15 863.0	-1 108.5
Trade credits and advances <sup>10</sup>	1 309.5	1 299.4	10.1
Other accounts receivable	175.3	84.2	91.0
SDRs <sup>15</sup>	727.6		727.6