

BOP COMPILATION: PROGRESS AND CHALLENGES FOR BELIZE



CENTRAL BANK
of **BELIZE**

Julton Wagner
CEMLA BOP Statistics Workshop
Nassau, The Bahamas

Outline

- Background
- Uses
- BOP Compilation Process
 - Sources
- Progress
- Challenges

Background

- The balance of payments (BOP) is a statistical statement that systematically summarizes, for a specific time period, the economic transactions of an economy (resident) with the rest of the world (non-resident).
- Quite simply, the BOP covers all economic transactions between Belize and the rest of the world.
- Belize started compiling the BOP and IIP in BPM6 format in 2012.
- The BOP for Belize has seen an evolution from BPM4 to BPM5 and now to BPM6.

Uses of the BOP

- Provides a snapshot of the performance of the country's external sector.
 - Denotes how the country's external sector is performing with the rest of the world.
 - The current account denotes the accumulation or usage of foreign exchange since it details the operations of the productive sector.
 - Is a country a user or provider of world savings?
- Shows if the country is heading into a "BOP crisis".
 - Can track the efficient management of the country's foreign reserves, particularly for countries with a fixed exchange rate regime.

Section I: BOP Compilation Process



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Compilation Process

- BOP and IIP reports are compiled quarterly.
- BOP economists compile reports for the entire country, not just a few line items.
- Data are gathered from several sources, including commercial bank data, foreign exchange permits, BOP surveys, monetary aggregates, and GOB data.
- The data is then linked to our master BOP sheets and IIP sheets and from there we aggregate credits and debits to obtain the net result of each individual category.
- The net results are then denoted on a summary sheet that shows the components of each account and sub-accounts.

Classification of BOP Transactions

- Current Account
 - Goods
 - Services
 - Primary Income
 - Secondary Income
- Capital Account
 - Capital Account
- Financial Account
 - Direct Investment
 - Portfolio Investment
 - Financial Derivatives
 - Other Investment
 - Reserve Assets

Compilation Sources- Current Account

- Current Account
- Goods
 - Trade data
 - Commercial Free Zone Reports
 - Re-exports
- Services
 - ITRS reports (XCH5 & XCHI)
 - Western Union report
 - Overseas Expenditure for Public Service (OEPS) report
 - BOP Surveys
 - Migration Information Data Analysis System (MIDAS) sheet
- Primary Income
 - Income calculations
 - Belize Natural Energy (BNE) profit repatriation sheet
 - Tourism repatriations
 - CBB P&L sheet
 - Reinvested earnings
 - Expenditure for Public Debt Service (EPD) report
- Secondary Income
 - ITRS reports (XCH5 & XCHI)
 - Western Union report
 - Current transfers

Compilation Sources- Capital and Financial Account

- Capital Account
 - Capital transfers
- Financial Account
 - Land transactions
 - FDI investments
 - Foreign loans sheet
 - Monetary Aggregates
 - Expenditure for Public Debt service report
 - Belize Electricity Limited and Belize Telemedia Limited Trade Credit sheets
 - ISR Monetary Sheet

Summary Table

Table 4.1: Balance of Payments Summary

	\$mn	
	Jan - June 2018 ^R	Jan - June 2019 ^P
A. CURRENT ACCOUNT		
(I+II+III+IV)	-61.7	-69.0
I. Goods (Trade Balance)	-389.9	-454.8
Exports, Free on Board (FOB)	462.1	459.1
Domestic Exports	222.8	209.7
CFZ sales	198.4	210.2
Other re-exports	40.9	32.2
Imports, FOB	852.1	913.9
Domestic Imports	718.1	780.4
CFZ Imports	134.0	133.5
II. Services	427.9	464.3
Transportation	-36.8	-31.4
Travel	491.0	511.1
Other Services	-26.4	-15.3
III. Primary Income	-168.9	-161.3
Compensation of Employees	-4.7	-5.2
Investment Income	-164.2	-156.2
IV. Secondary Income	69.2	82.8
Government	-5.8	-3.5
Private	75.1	86.2

Table 4.2: Capital and Financial Accounts

	\$mn	
	Jan - June 2018 ^R	Jan - June 2019 ^P
A. CAPITAL ACCOUNT	18.7	3.4
B. FINANCIAL ACCOUNT (1+2+3+4)	-58.6	-64.2
1. Direct Investment in Belize	-126.1	-97.5
2. Portfolio Investment	0.0	0.0
Monetary Authorities	0.0	0.0
General Government	0.0	0.0
Banks	0.0	0.0
Other Sectors	0.0	0.0
3. Financial Derivatives	0.0	0.0
4. Other Investments	67.5	33.2
Monetary Authorities	0.5	-1.8
General Government	-17.9	-1.9
Banks	64.5	56.1
Other Sectors	20.5	-19.1
C. NET ERRORS AND OMISSIONS	-25.4	-34.9
D. OVERALL BALANCE	-8.2	-36.5
E. RESERVE ASSETS	-8.2	-36.5

^R - Revised

^P - Provisional

IIP Summary Table

	\$mn		
	Jan-Mar 2019	Mar-Jun 2019	Quarterly Change
Net position	-6,422.0	-6,496.9	-75.0
A. Assets	1,034.0	1,014.4	-19.6
1. Direct Investment Abroad	139.6	141.5	1.9
2. Portfolio Investment	36.3	38.6	2.2
2.1 Equity Securities	18.7	20.9	2.2
2.2 Debt Securities	17.7	17.7	0.0
3. Other Investment	306.1	279.5	-26.6
3.1 Trade Credits	0.4	0.4	0.0
3.2 Loans	5.9	5.5	-0.4
3.3 Currency and Deposits	292.6	265.0	-27.6
3.4 Other Assets	7.3	8.6	1.3
4. Reserve Assets	551.9	554.8	2.9
4.1 Monetary Gold	0.0	0.0	0.0
4.2 Special Drawing Rights	55.9	56.1	0.1
4.3 Reserve Position in the Fund	17.3	17.3	0.0
4.4 Foreign Exchange	459.7	462.5	2.8
4.5 Other Claims	18.9	18.9	-0.1
B. Liabilities	7,455.9	7,511.3	55.4
1. Direct Investment	4,538.3	4,588.0	49.7
2. Portfolio Investment	1,053.0	1,053.0	0.0
2.1 Equity Securities	0.0	0.0	0.0
2.2 Debt Securities	1,053.0	1,053.0	0.0
3. Other Investment	1,864.6	1,870.3	5.7
3.1 Trade Credits	4.7	20.6	15.9
3.2 Loans	1,787.4	1,793.8	6.4
3.3 Currency and Deposits	71.2	54.8	-16.4
3.4 Other Liabilities	1.3	1.1	-0.2



Section II: Progress



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Progress-Goods

- Exports and imports are compiled on an FOB basis as mandated by BPM6.
- Accurate and timely revisions of freight and insurance factors for goods.
- Inclusion of adjustments to ensure that numbers reflect reality (Exports-timing).

Progress-Services

- Inclusion of more categories in XCH5 report.
- Collaborative trainings held with CBB staff and commercial bank staff on the classification of various transactions.
- Declining usage of the “Other Business Services” Category.
- Lower misclassifications present in the XCH5 Professional Service Cleanout.
- The existence of capital controls allow us widespread coverage of outflows.
- Adjustments are made so that categories are not inflated with incorrectly classified transactions.

Progress-Financial Account

- Monetary data are readily available and is accurate.
- Reserve data are readily available and checks are done with the Investment Reserve Management Unit of the Central Bank of Belize to ensure consistency with the figures.

Section II: Challenges



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Challenges-Goods

- Adjustments are done with the data obtained from our national statistical body for BOP purposes.
- Only one of the two CFZ submit their reports to the CBB.

Challenges-Services

- Commercial bank data typically contain misclassifications, which must be accounted for and cleaned out.
- Tourism arrivals data must be cleaned out to account for multiple entry tourists and returning residents.

Challenges-Primary Income

- Methodology for estimating tourism profits is outdated.
- BOP Surveys typically have a below-average response rate as some institutions refuse to participate.
- Some line items have to be estimated as the data is unavailable. (E.g. Compensation of employees-credit)

Challenges-Capital Account

- There is typically a lag in obtaining information on capital transfers.

Challenges-Financial Account

- Direct investment is a difficult line item to compile as FDI data is difficult to acquire.
- Information on hotel investments are typically unavailable and must be estimated.
- Information on public disbursements and amortization has a 1-2 month lag (EPD).
- Land transactions are frequently delayed due to the volume of transactions that occur.

Challenges-FDI

- FDI is broken down into various sectors.
- Most FDI investments are typically channelled into the tourism industry.
- Difficult to obtain FDI information from firms as there is no legal mandate for them to comply with requests.
- As a result, the data must be estimated.
- Bulk of FDI information is gathered from the commercial banks, news articles, BELTRAIDE, and Belize Tourism Board.

Recap

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Thank You!



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