IMF Committee on Balance of Payments Statistics

Annual Report 1998

International Monetary Fund

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List of Abbreviations

1993 SNA	*1993 System of National Accounts*
APEC	Asia-Pacific Economic Cooperation
BIS	Bank for International Settlements
BOPSY	*Balance of Payments Statistics Yearbook*
BPM5	*Balance of Payments Manual*, 5th edition
CPIS	Coordinated Portfolio Investment Survey
CPC	Central Product Classification
CUSIP	Committee on Uniform Securities Identification Procedures
DAC	Development Assistance Committee (OECD)
DSBB	Dissemination Standards Bulletin Board
EMI	European Monetary Institute
EMU	European Economic and Monetary Union
ECB	European Central Bank
ESA	European System of Accounts
EU	European Union
FATS	Foreign Affiliates Trade in Services
FDI	foreign direct investment
GATS	General Agreement on Trade in Services
GFS	Group of Financial Statisticians (OECD)
Godeaux Report	*Final Report of the Working Party on the Measurement of International Capital Flows*
G-10	Group of Ten (industrial countries)
G-22	Group of Twenty-Two countries
IIP	international investment position
ISWGNA	Inter-Secretariat Working Group on National Accounts
OECD	Organization for Economic Cooperation and Development
SEFER	Securities held as foreign exchange reserves
SIMSDI	Survey of Implementation of International Methodological Standards for Direct Investment
SDDS	Special Data Dissemination Standard (IMF)
UIC	Ufficio dei Cambi
UNCTAD	United Nations Commission on Trade and Development
UNSD	United Nations Statistical Division
WTO	World Trade Organization

Annual Report of the IMF Committee on Balance of Payments Statistics

I. Introduction

The IMF Committee on Balance of Payments Statistics was established in 1992 for the following purposes: to oversee the implementation of the recommendations contained in the reports of two IMF working parties[1] that investigated the principal sources of discrepancy in global balance of payments statistics published by the IMF; advise the IMF on methodological and compilation issues in the context of balance of payments and international investment position statistics; and foster greater coordination of data collection among countries. The membership of the Committee as of December 31, 1998 and its terms of reference are presented in Appendices 1 and 2, respectively. In 1998, as in 1997, the Committee held only one meeting—in October, in Washington, D.C.

This report is structured as follows: Section II presents the Executive Summary. Section III provides an overview of statistical discrepancies in the global balance of payments statistics published by the Fund's Statistics Department. Section IV discusses the Committee's work program during 1998, and Section V concludes with a discussion of the issues that the Committee plans to address in the coming year.

II. Executive Summary

The following summary discusses recent trends in global balance of payments statistics and the Committee's work program in 1998.

Recent Trends in Global Balance of Payments Statistics

Balance of payments statistics reported to the IMF's Statistics Department and published in the 1998 *Balance of Payments Statistics Yearbook* continue to reveal sizable discrepancies in global summations of current, capital, and financial account transactions. In principle, the world current, capital, and financial accounts should each sum to zero, but this does not happen in practice because of different recording practices among countries with respect to coverage, valuation, classification, different timing of cross-border transactions, and transactions that are missed altogether by one party or the other. In the global current account statistics, the discrepancies in many of the component items remain high, with the data on investment income and goods transactions continuing to show the largest imbalances between recorded credits and debits. In financial account transactions, the discrepancy in portfolio investment was very large in 1997: recorded transactions in portfolio investment liabilities exceeded those in portfolio investment assets by $287 billion, following another very large imbalance of almost $200 billion in 1996.

Committee Work Program

As a result of the crises in international financial markets that began in 1997 and continued into 1998, there is a stronger appreciation by national authorities and international financial organizations that much more needs to be done to improve the quality and dissemination of economic and financial statistics that underpin the decisions being made by the markets and policymakers. In particular, the Committee at its October 1998 meeting discussed possible enhancements to the coverage of reserve assets and related data items and improvements to the reporting and measurement of external debt. Any enhancement of coverage raises new issues, because the *Balance of Payments Manual*, fifth edition (*BPM5*), while providing a definition of reserve assets, does not provide any definition of reserves-related data items. Improved monitoring of capital flows and associated positions are seen to be crucial. However, while recognizing the importance of this information, the Committee expressed reservations about the impact additional data demands might have on the quality of data presently reported. The compilation of good quality stock data on external debt was considered to be especially problematic. In this regard, the Committee discussed the potential for using the Bank for International Settlements' database of creditor countries as a means of improving information on debtor countries.

Under the auspices of the IMF, the first internationally coordinated survey of portfolio investment was undertaken. The survey covers countries' portfolio holdings of assets of

[1]Working Party on the Statistical Discrepancy in World Current Account Balances (*Final Report*, September 1987) and Working Party on the Measurement of International Capital Flows (*Final Report*, September 1992—the *Godeaux Report*).

long-term debt securities (bonds, notes debentures, and so forth) and equities held as claims on nonresidents, in reference to year-end 1997. The survey was recommended by the *Godeaux Report* as a step toward addressing global asymmetries in portfolio investment. Twenty-nine countries participated, including most of the important investor countries. Following the successful design and implementation of the survey, the results will be submitted to the IMF by early 1999 by all the countries involved, on either a final or a preliminary basis. A meeting of national compilers of these data is planned to be held in Washington in March 1999. The survey results are to be supplemented by information on the securities held as part of reserves of major reserve-holding countries. It is expected that the results of the survey will be published in 2000. In the meantime, and depending on the results, a task force is to be set up that will guide the preparation of the final report and set the direction for a possible repeat of the survey.

The potentially beneficial impact of this initiative is underscored by the difficulties that many countries have encountered in accurately recording the rapidly growing volume of cross-border activity in portfolio securities over the past two years. This is reflected in the continuing large discrepancies in the global balance of payment statistics on portfolio investment capital flows (see page 11).

The Committee considered the conceptual and practical reporting problems raised by the increasing value of goods purchased abroad by travelers for resale in their home countries—“shuttle trade.” While the treatment in *BPM5* is clear (shuttle trade is goods as opposed to travel and is not merchanting, which would require that the trader be a resident of neither of the countries involved in the shuttle trade), certain large ticket items, such as cars, which are acquired by the traveler and included in travel, might be more appropriately classified as *goods* because the acquisition of such items is not “incidental to travel.” The Committee was of the view that goods for family and friends and big ticket items should remain in travel.

The Committee reviewed the draft rewrite of *BPM5* that takes account of the changes in the treatment of financial derivatives (see the Committee’s 1997 *Annual Report*). The proposals for *BPM5* have been prepared in conjunction with the recent rewrite of the *1993 System of National Accounts* (*1993 SNA)* so that, in most instances, the two documents have virtually identical wording. In its deliberations on the draft rewrite of *BPM5*, the Committee adopted the proposal to create a separate functional category for financial derivatives but expressed concern about the practicalities of reporting the *gross* flows (i.e., assets should be recorded separately from liabilities, as opposed to “netting” them into one figure) and of the proposed detail of types of instrument. While, for the most part, the Committee recognized that it was appropriate in principle to record transactions gross, in practice this was likely to prove difficult for some time. The recording of positions outstanding on a gross basis was not considered to pose the same degree of difficulty. As to the provision of details for type of instrument, it was agreed that, in view of the rapid continuing development of financial derivatives markets, these should be kept to a minimum. The Committee was not able to reach a conclusion about the treatment of financial derivatives in direct investment and reserve assets; the views of the European Central Bank (ECB) and the OECD are to be taken into account before a further proposal is made. In the meantime, the Committee instructed the IMF to take into account their suggestions for rewording. It was also suggested that the revised sections of *BPM5* be circulated to the IMF’s membership and to any other interested parties, with a notation that the subcomponents of direct investment and reserve assets are not yet finalized.

In May 1997, after consultation with the Committee and the OECD’s Group of Financial Statisticians (GFS), the IMF and OECD jointly launched the Survey of Implementation of International Methodological Standards for Direct Investment (SIMSDI), a comprehensive survey of data sources, collection methods, and dissemination and methodological practices for direct investment statistics. More than 110 countries replied to the survey. The Committee endorsed the final report on the results and the work on the development of the metadatabase on country practices. The Committee supported the IMF’s and OECD’s proposals for keeping the metadata current and suggested making these metadata widely available through the Internet to analysts of direct investment statistics. In general, the responses indicate an improvement, from the time of the *Godeaux Report*, in the extent to which countries conform to the international standards in the balance of payments manuals and the OECD’s *Benchmark Definition of Foreign Direct Investment*.

As for other activities in 1998, the Committee continued to monitor the development of a manual on statistics of international trade in services, discussed the extent to which global imbalances in current and capital transfers could be reduced by the use of the OECD’s Development Assistance Committee’s (DAC) database, and reviewed a proposal that the treatment of accrued interest on debt securities be standardized across all macroeconomic statistics. The Committee was also apprised of progress that countries are making in reporting their balance of payments and international investment position data to the IMF on the basis of the classification system of *BPM5*. The Committee monitored progress being made on the continuing development of a database on individual securities for use in compiling portfolio investment statistics. Among the subjects of other papers reviewed by the Committee were the French experience in the measurement of reinvested earnings; changes in the data collection system in Japan following the recent liberalization of control exchange regulations; the development of balance of payments and international investment position statistics for the European Economic and Monetary Union (EMU), based on the conceptual framework contained in *BPM5*; experiences in the design of surveys for the collection of data on financial derivatives in the United Kingdom and Australia; and the implementation of the *BPM5* in the United Kingdom and Singapore. The Committee was also presented with a report on work being undertaken in the Asia-Pacific Economic Cooperation (APEC).

III. Recent Trends in Global Balance of Payments Statistics

In principle, the combined surpluses and the combined deficits arising from the current account transactions of all countries (including international organizations) should offset each other, because one country's credits are the debits of another. The same principle applies in the recording of world capital and financial transactions. However, in practice, sizable statistical discrepancies are evident in the global balance of payments statistics, primarily reflecting incomplete coverage and inaccurate recording of cross-border transactions by countries. Each year, the IMF's Statistics Department publishes in its *Balance of Payments Statistics Yearbook (BOPSY)* a summary statement of the global discrepancies in the main components of the balance of payments statistics. These data, which are presented in a slightly changed format in Tables 1 and 2, show considerable variability. It should be noted that many errors and omissions offset or cancel each other and therefore would not be reflected in the net balances shown in these tables. For example, a direct investment flow may be recorded as a portfolio transaction credit by one country and a direct investment flow debit by the other. This imbalance may be counterbalanced elsewhere by a loan debit being recorded as a portfolio debit. As a result, the two portfolio transactions being recorded will cancel out each other for one country while further countervailing errors may offset the different recording by the other countries. Discrepancies among the component items will partly reflect differences among countries in their classification of external transactions.

The global current account data for 1997 show the excess of recorded debits over credits falling to $16 billion, continuing a trend evidenced since 1990 when the imbalance was $127 billion. As a percentage of gross transactions in the current account, the fall has been even more striking from minus 1.2 percent to minus 0.1 percent. However, this development masks large statistical discrepancies in the goods and income accounts. The global data on capital account transactions remain fairly stable through the 1990s, at about $18 billion, with credits consistently exceeding debits. However, the gross values of the transactions in the capital account are much smaller than those in the current or financial accounts so that the relative size of the discrepancy, expressed as a percentage of gross transactions, is much higher: over 30 percent. Financial account transactions continue to show a large excess of recorded credits over debits. This discrepancy averages $130 billion a year over the 1991–97 period and ranges from $69 billion in 1994 to $176 billion in 1996. The discrepancy on transactions in portfolio investment has reached record levels in each of the last three years, amounting to $287 billion in 1997. This growing imbalance highlights the need for improved data for this series (see The 1997 Coordinated Portfolio Investment Survey below). The overall imbalance in the financial account is limited because this large credit discrepancy largely offsets a net debit of $113 billion in other investment.

Global Current Account

The global current account data presented in Table 1 show an excess of recorded debits over credits of $16 billion in 1997, about one-third the level of the previous year and much lower than those recorded earlier in the decade. However, this overall improvement masks some large offsetting imbalances. The excess of credits over debits in the goods account remains close to or over $100 billion for the fourth year in succession and is over twice that recorded in 1991 and 1992. Conversely, the imbalance in the income account shows an excess of debits over credits of almost the opposite amount ($100 billion), the same order of magnitude as 1995 and 1996.

Given that absolute levels can be somewhat misleading—they fail to capture growth in transactions and inflation, for example—an alternative way of assessing the significance of the discrepancies is to view the imbalances as a percentage of gross transactions. To that end, some ratios are shown as memorandum items in Table 1. From these it can be seen that for gross merchandise trade transactions the imbalance in 1997 (1.1 percent) is much larger than the earlier 1990s and only moderately smaller than 1.2 percent in 1995. For the income account, the 1997 percentage of gross income transactions, –4.0 percent, is little different from the average for the decade of –3.8 percent.

An important factor contributing to the imbalances in goods in recent years has been the change in the method

Table 1. Global Discrepancies in Current Account, 1991–97
(In billions of U.S. dollars)

	1991	1992	1993	1994	1995	1996	1997	1991–97 Average
Current account balance	–108.0	–94.6	–59.6	–39.1	–36.8	–47.4	–16.2	–57.4
Trade balance	41.3	51.4	72.8	99.0	121.5	104.8	115.8	86.7
Credit	3,522.0	3,743.5	3,740.2	4,230.3	5,060.2	5,312.2	5,502.5	4,444.4
Debit	3,480.7	3,692.1	3,667.4	4,131.2	4,938.8	5,207.4	5,386.7	4,357.7
Services balance	–44.1	–34.1	–22.0	–8.2	–19.7	–5.1	2.9	–18.6
Credit	890.9	982.9	1,000.6	1,085.4	1,237.5	1,317.0	1,355.8	1,124.3
Debit	934.9	1,017.0	1,022.7	1,093.7	1,257.2	1,322.1	1,352.9	1,142.9
Transportation	–50.6	–57.2	–58.3	–58.7	–72.5	–68.2	–71.4	–62.4
Travel	17.2	15.5	24.6	22.5	26.7	36.7	34.3	25.3
Government services	–27.5	–18.4	–10.0	–11.3	–13.9	–11.5	–10.2	–14.7
Other services	16.8	26.0	21.8	39.3	39.9	37.9	50.2	33.1
Income balance	–66.7	–69.7	–67.0	–75.2	–90.1	–95.1	–99.8	–80.5
Credit	879.6	899.8	902.3	903.2	1,083.1	1,145.5	1,205.3	1,002.7
Debit	946.2	969.5	969.3	978.4	1,173.2	1,240.5	1,305.1	1,083.2
Compensation of employees	–7.0	–8.9	–9.5	–7.8	–7.5	–8.7	–8.1	–8.2
Reinvested earnings	46.0	36.7	43.7	40.3	55.4	62.3	52.8	48.2
Other direct investment income	–0.3	2.4	–2.4	8.4	–19.8	–17.2	–8.5	–5.3
Portfolio and other investment income	–105.0	–99.9	–98.7	–116.1	–11.8	–131.5	–136.0	–99.9
Current transfers balance	–38.6	–42.1	–43.5	–54.7	–48.5	–52.0	–35.1	–44.9
Credit	312.1	292.9	277.9	281.0	312.8	336.2	350.7	309.1
Debit	350.7	335.0	321.3	335.6	361.3	388.2	385.9	354.0
Memorandum items								
Current account balance as percent of gross current account transactions	–1.0	–0.8	–0.5	–0.3	–0.2	–0.3	–0.1	–0.5
Trade balance as percent of gross goods transactions	0.6	0.7	1.0	1.2	1.2	1.0	1.1	1.0
Service balance as percent of gross service transactions	–2.4	–1.7	–1.1	–0.4	–0.8	–0.2	0.1	–0.9
Income balance as percent of gross income transactions	–3.7	–3.7	–3.6	–4.0	–4.0	–4.0	–4.0	–3.8
Current transfers balance as percent of gross current transfer transactions	–5.8	–6.7	–7.3	–8.9	–7.2	–7.2	–4.8	–6.8

Source: IMF, *Balance of Payments Statistics Yearbook*, Volume 49, Part 2 (Washington, 1998).

by which transactions in goods are measured in the European Union (EU). On January 1, 1993, the former method of recording goods transactions, through customs records, was replaced by a new trade reporting system, Intrastat. Intrastat is a survey of businesses that engage in trade with other EU member states. The data on intra-EU trade published by Eurostat show recorded exports (f.o.b.) to be, on average, about $40 billion a year higher than imports (c.i.f.) over the last three years, a major part of the global imbalance in that period. In 1997, the discrepancy rose to $52 billion, compared with $35 billion in 1996.[2] Eurostat believes this gap largely reflects an underestimation of intra-EU imports. This increase is, however, insufficient to explain the full global imbalance.

Among the standard components that make up the current account, the data on income transactions—compensation of employees and investment income—show an excess of recorded debits over credits of $100 billion in 1997, about the same as 1996. This imbalance is more than accounted for by income on portfolio and other investment, which showed an excess of debits over credits of $136 billion in 1997, similar to the imbalance in 1996 and about 36 percent higher than the average for the 1990s. This negative imbalance was offset to a certain extent by reinvested earnings, which recorded an excess of credits over debits of $53 billion, down somewhat

[2]As these data are not adjusted for balance of payments requirements, the imbalance is likely to be even larger on a balance of payments basis because imports should be recorded f.o.b.

Table 2. Global Balances in Capital and Financial Accounts, 1991–97
(In billions of U.S. dollars)

	1991	1992	1993	1994	1995	1996	1997	Average Discrepancy 1991–97
Capital account balance	12.9	17.7	17.2	20.7	17.9	20.7	18.4	17.9
Credit	20.4	25.5	28.3	41.1	35.8	50.2	40.0	34.5
Debit	7.5	7.8	11.1	20.4	17.9	29.4	21.6	16.5
Financial account balance	162.9	133.1	98.5	68.7	124.2	176.0	142.2	129.4
Direct investment	–38.3	–28.7	–4.9	–13.6	2.3	21.5	–0.6	–8.9
Abroad	–192.7	–195.2	–223.5	–256.0	–326.9	–312.5	–418.7	
In the reporting economy	154.4	166.5	218.6	242.5	329.2	334.0	418.1	
Portfolio investment	73.0	101.3	138.1	82.8	176.4	198.0	286.9	150.9
Assets	337.7	–362.8	–559.7	–320.2	–379.6	–609.1	–694.2	
Liabilities	410.7	464.1	697.8	403.0	556.0	807.1	981.1	
Other investment	147.4	90.6	34.7	37.8	–9.9	–18.4	–113.3	24.1
Assets	19.7	–298.6	–426.3	–290.5	–620.2	–806.1	–1,351.5	
Liabilities	127.7	389.3	461.0	328.4	610.4	787.7	1,238.1	
Reserves	–51.5	–69.9	–103.6	–109.0	–186.1	–181.5	–90.6	
Liabilities constituting foreign authorities' reserves	–32.3	–39.7	–34.2	–70.6	–141.5	–156.3	–59.8	
Memorandum items								
Current account balance	–108.0	–94.6	–59.6	–39.1	–36.8	–47.4	–16.2	–57.4
Net errors and omissions	–67.8	–56.3	–56.1	–50.3	–105.2	–149.3	–144.4	–89.9

Source: IMF, *Balance of Payments Statistics Yearbook*, Volume 49, Part 2 (Washington, 1998).

Note: In the financial account, no sign in the balances indicates an excess of recorded inflows over outflows: a negative sign indicates an excess of recorded outflows. The data on liabilities constituting foreign authorities' reserves were derived from information collected by the IMF from a sample of large reserve-holding countries. These data were used to adjust portfolio and other investment liabilities to better align the data with the corresponding asset series.

from the imbalance in 1996 but much in line with the average imbalance recorded for the decade. The negative sign of the discrepancy in investment income is consistent with the sign of the discrepancy in the global financial account data, where recorded inflows (foreign liabilities) are consistently higher than recorded outflows (foreign assets).

The small overall discrepancy of $3 billion in international services transactions in 1997 also masks offsetting discrepancies in the underlying components. For example, with respect to the recording of transportation transactions, which showed the largest discrepancy, the global data show that recorded debits exceeded credits by $70 billion in 1997, about $10 billion higher than the imbalance for most of the decade. This imbalance was more than offset by the sum of the discrepancies for travel and other services. In other words, in 1997, credits exceeded debits by $34 billion for travel and by $50 billion for other services and have been trending upward for most of the 1990s. On the other hand, the excess of debits over credits of $10 billion for government services remained close to the average for the decade. In its work program, the Committee is taking a close interest in the measurement and presentation of trade in services data.

The imbalance in the recording of current transfers in 1997 was $35 billion, debits exceeding credits—the lowest imbalance in the 1990s. As a percentage of gross transactions in current transfers, at 4.8 percent, this was substantially lower than in any year in the decade. The excess of debits over credits has characterized the imbalance for years and may in part be explained by a misclassification with capital transfers, which have consistently recorded an excess of credits over debits. Addressing this possible misclassification is part of the Committee's ongoing work, in conjunction with the OECD's Development Assistance Committee (see Current and Capital Transfers below).

Global Capital and Financial Accounts

The overall imbalance in the capital account, comprising capital transfers and acquisitions and disposals of nonproduced, nonfinancial assets, amounted to $18 billion in 1997, about the average for the decade. There are known to be classification problems in the recording of capital transfers and current transfers. In relative terms, the size of the discrepancy, as a percentage of gross transactions, is larger for capital transfers than for any other major component.

In the global financial account, recorded financial inflows (liabilities) persistently exceed recorded outflows (assets); in 1997 the imbalance amounted to $142 billion, which was, nonetheless, an improvement over the discrepancy of $176 billion in 1996. However, among the components of the financial account, the imbalances are growing. Portfolio investment transactions showed an especially large discrepancy in 1997. With this discrepancy of $287 billion (credits exceeding debits), well in excess of $1 trillion more in securities liabilities have been reported than in the counterpart flow measures for securities assets during the 1990s. The continuing size of these imbalances is ample demonstration of the need for the Coordinated Portfolio Investment Survey (see discussion below), which should not only improve the quality of the data on outstanding positions but also on transactions and the associated income flows. In addition, it is expected that the change in the treatment of financial derivatives (including the creation of a separate functional category) will improve the imbalances in portfolio investment and analytical usefulness of the data.

As for the other components of the financial account, the aggregate global discrepancies in direct investment transactions are not large—in 1997 they virtually disappeared, but it is only as a result of offsetting discrepancies among the components. Even so, these imbalances are smaller than for many other subcomponents in both the current and financial accounts. As noted above, an excess of credits over debits for reinvested earnings of $53 billion was reported in the current account; consequently, as the current account entries are the equal and opposite of the financial account for this item, this means that debits exceeded credits in the financial account by the same amount. Therefore, as direct investment as a total was virtually in balance, the other direct investment transactions—equity and intercompany debt—recorded more inflows than outflows of the same amount. While the net discrepancy on other direct investment capital registered a sharp increase in the last few years, 1997 saw a substantial improvement over 1996, down $30 billion. The joint IMF-OECD survey to determine the extent of adoption by countries of international standards for foreign direct investment statistics should permit a better understanding of data asymmetries and provide potential for improving data comparability (see Direct Investment, below).

For investment transactions, other investment (i.e., other than direct investment, portfolio investment, and reserve assets) jumped to $114 billion in 1997, which is in contrast to the small average imbalance of the previous four years. Much of the change is accounted for by a large imbalance in currency and deposits of $84 billion in 1997, following two years when this series was close to balance. Loans were close to balance in 1997 but this followed a discrepancy of $130 billion the previous year. It is hoped that the work of the Bank for International Settlements (BIS) in developing its international banking statistics will make these data more usable in balance of payments compilation, specifically with respect to data on deposit and loan transactions with foreign banks, which are important components of other investment transactions.

In producing the global aggregates, the IMF adjusts data for portfolio investment and other investment liabilities to take account of those liabilities whose counterpart assets are classified as reserve assets. The information to make such adjustments is derived from a confidential survey of the instrument composition of reserve assets in the major reserve-holding countries. The data compiled are used only at the global level. The IMF instituted this survey in response to a recommendation of the *Godeaux Report*. Given that some significant reserve-holding countries do not report this information, the adjustments may be imprecise.

IV. Work Program Undertaken by the Committee—1998

The work undertaken by the Committee in 1998 reflected the priorities established in the medium-term work program at the end of 1997 but was modified in light of the financial crises that continued through 1998. As a result, the priority in the medium-term program of work on international reserves and external debt was upgraded. The 1997 Coordinated Portfolio Investment Survey remained one of the Committee's top priority items. Trade in goods, specifically "shuttle trade," had also been ascribed a top priority, given the potential this phenomenon has to distort trade flows, especially for countries in transition. High priority had been given to methodological work relating to these topics: the results of a joint IMF-OECD survey conducted on the implementation of the recommendations in the international manuals for the measurement of direct investment; statistics on trade in services; the extent to which countries report balance of payments data to the IMF on the basis of the classification system of *BPM5*; and the extent to which global imbalances for current and capital transfers could be addressed through the data of the DAC. Other work undertaken during the year included the development of a securities database for the Coordinated Survey; the rewrite of *BPM5* to reflect the changed treatment of financial derivatives; a paper on the treatment of accrued interest on debt securities; and a report of progress on the project to enhance international banking statistics. In addition, the Committee commented on a range of discussion papers and received a report on the development of balance of payments statistics for the euro area; reports from the United Kingdom and Singapore on their experiences in implementing *BPM5*; a paper on the development of estimates on reinvested earnings of direct investment enterprises in France; and a report on changes to the data collection system in Japan following the liberalization of foreign exchange regulations.

Reserve Assets and External Debt

In the past year and in the wake of the Asian crisis, the IMF and other international organizations have given considerable attention to the adequacy of statistics in those countries involved for the assessment of their vulnerability to foreign exchange crises. This attention initially focused on the adequacy of their published statistics on reserve assets and, subsequently, on the need for statistics on related items, including reserve-related and contingent liabilities of the monetary authorities and other liabilities that might be conceived as representing potential drains on reserves. It was concluded that countries should give more attention in their published statistics to transparency in reporting their holdings of reserve assets and related information and to compiling and publishing more timely data on external debt statistics and related capital flows. In support of these concerns, at its 1997 meeting the Committee was asked to review the need for developing operational guidelines for compiling reserve assets and for developing a concept of reserve-related liabilities (as the latter are not covered in *BPM5*).

Papers were presented to the Committee at its 1998 meeting on the work of the IMF staff and the governors of the G-10 and G-22 groups of countries in developing statistical frameworks that would help identify potential drains on reserves (such as contingencies, undrawn lines of credit, and forward commitments) and on the need for greater transparency in reserves data. This work included the development of a disclosure template for publishing data on reserve assets and potential drains on reserve assets originating from the short-term liabilities and off-balance sheet activities of the public sector. The Committee was also presented with proposals by the IMF to strengthen its Special Data Dissemination Standard (SDDS) data categories for international reserves that have been made in response to the lessons of the Asian crisis. The Committee also responded to the "Consultation Paper—External Debt and Related Issues" that was posted on the DSBB, seeking the views of users and compilers of external debt statistics on how the international investment position might be modified to provide more timely and comprehensive data on external debt.

In light of these developments, the subject of reserves and external debt was assigned a top priority for the Committee. The Committee was specifically asked to comment on the issues raised in the debate on indicators of vulnerability and on the IMF's consultation paper on enhancing the SDDS for the reserves and international investment position data categories.

With regard to indicators of vulnerability, the Committee considered that a clear distinction should be drawn between what is required for balance of payments and international investment position statistics in existing international statistical standards and what is supplementary to these standards. In the latter case, it was recognized that much of what is now being proposed (e.g., to develop a concept of net reserves, data on contingent liabilities, the forward counterparts to financial derivative positions, and domestic debt issued in foreign currencies) are new areas of statistics for which standards need to be developed. It is important to separate these requirements from the need to clarify existing international statistical standards (such as providing operational guidelines on the measurement of reserve assets) or from the need to develop compilation guides to help countries respond to tighter periodicity and timeliness requirements (without major loss in the quality of the data). In some cases, there may be a need to supplement existing standards (such as the consideration now being given to residual, in addition to contractual, maturity for the assessment of vulnerability to foreign exchange crises). The implications of this change for collection systems and other concerns require review.

Regarding the IMF's proposals to enhance the SDDS, Committee members expressed concern that the quality of the data be kept at the forefront and not be overwhelmed by demands for more data. Committee members emphasized the importance of flexibility in applying the SDDS to different country situations and the importance of transparency in disseminating more information publicly. It was noted, however, that the disclosure of information concerning reserves is more of a political than a statistical issue in many countries; in most cases, the data are readily available although they are not necessarily on a *BPM5* basis. In contrast, Committee members drew attention to the difficulty faced by many national data collection systems in producing reliable high-frequency data on external debt. One particular concern was obtaining data on residual term to maturity when original term was required for *BPM5* purposes. Committee members expressed concern that the development of new areas of statistics might come at the expense of other statistics or be accompanied by a lowering of the quality of statistics, unless the authorities of the countries involved recognize that more resources may need to be committed to statistical work.

The Committee's views will be taken forward for further discussion within the IMF and the broader communities as work continues to develop more precise definitions of reserves and potential drains on reserves, while exploring further ways to improve data on external debt.

Repurchase Agreements

The IMF provided a paper to the Committee on the treatment of repurchase agreements and securities lending—topics that are either not covered adequately or not covered at all in *BPM5*. The Committee was asked to send comments, following which a revised version of the paper will be developed by the IMF in consultation with Committee members. The project has also acquired greater urgency because of the IMF's need to establish operational guidelines on reserves, which must take into account an agreed treatment of these activities, in conjunction with the strengthening of SDDS. In due course, it is expected that an agreed version will be published in the IMF's *Balance of Payments Statistics Newsletter* and posted on the Committee's website.

The 1997 Coordinated Portfolio Investment Survey

Under the auspices of the IMF, twenty-nine countries have now conducted a coordinated portfolio investment survey (the Survey) of the stock of assets of long-term debt securities (bonds, notes debentures, and so forth) and equities held as claims on nonresidents in reference to year-end 1997 (see Box 1). This Survey was recommended by the *Godeaux Report*. The need for the potentially beneficial impact of this initiative is underscored by the continuation of the large discrepancies in the global balance of payments statistics on portfolio investment capital flows (see Table 2 and the related commentary on global discrepancies in the financial account) and the difficulties that many countries have encountered in accurately recording the growing volume of cross-border activity in portfolio securities.

In 1994, the Committee set the following objectives for the Survey:

- improve the statistics on cross-border holdings of securities, as well as provide a check on the coverage of portfolio investment financial flows and associated investment income data; and
- exchange data among participating countries (respecting confidentiality constraints) to improve countries' estimates of their external portfolio investment liabilities, as well as associated financial flows and investment income data.

By early 1999, all countries involved in the Survey will have reported their results on either a provisional or final basis. In addition to their holdings of nonresident-issued long-term debt securities (bonds, notes debentures, and so forth) and equities, reported by all participants, 14 countries will report their holdings of short-term debt instruments (i.e., those with an original term of less than one year) and of these, two countries will provide data on financial derivatives. Six countries will provide estimates of their equity and long-term debt securities liabilities to nonresidents, three will report their short-term debt liabilities, and two their liabilities of financial derivatives.

In addition, in a separate but related exercise, major reserve-holding countries are to report data to the IMF on securities they held as at December 31, 1997 in their reserve assets. Because, for many countries, the detail of the components of reserve assets is a sensitive issue, countries are reporting their securities holdings to the IMF on a confidential basis, and holdings will be aggregated into a single vector so that no one country's holdings will be identifiable. This additional information will assist in reconciling assets and liabilities.

Taken all together, these reports constitute a very large proportion of the long-term debt securities (bonds, notes debentures, and so forth) and equities held on a cross-border basis, although there are some gaps that the Committee will be examining to see how they can be filled.

During 1998, countries involved in the Survey were sent a proposal for a proforma, that is, a standardized framework in which countries can provide metadata on the approaches used, the methodology employed, the survey frame, the response rate, and related issues, as well as indicate their experiences in dealing with particular problems encountered. The proforma has now been finalized and has been sent to all participants to be completed. The information received will play an important role in the analysis of the results and in the exchange of information between and among the participating countries. To that end, it was agreed that the results, available in early 1999, will be sent to participating countries for review and discussion at a meeting of national compilers in the first quarter of 1999. The meeting will also review the lessons learned from conducting the Survey.

Box 1. The Coordinated Portfolio Investment Survey

Twenty-nine countries, two-thirds of which already compile an international investment position (IIP) on a regular basis, are now participating in the Survey. All participating countries have started to collect "mandatory" data on nonresident equity and long-term debt securities (such instruments are covered by the Survey forms 1 and 2, respectively); in most cases, these data will be finalized by early 1999; and in others provisional data will be available. Nonmandatory data on holdings of money market instruments (Survey form 3) are also being compiled by 14 countries and liabilities (forms 5 through 7) are also being compiled by 7 countries. Data on financial derivatives positions are being compiled by only 2 countries. A third meeting of the national compilers is scheduled for March 1999. Full results from the Survey are anticipated to become available by early 2000.

National compilers were free to choose the most effective way to achieve comprehensive coverage of domestic resident investment in foreign securities, by surveying primarily *end-investors* (banks, security dealers, pension funds, insurance companies, mutual funds, and so forth), *custodians* (which hold or manage securities on behalf of the original owners), or *both*. They could also choose between a *security-by-security approach* (where respondents provide information relating to each individual instrument held) and an *aggregated approach* (where foreign securities are reported in aggregate for each counterpart country, in a common currency). Eleven countries opted for a security-by-security strategy, mainly based on data provided by custodians. To further increase the coverage of the Survey, countries were also asked to provide data on foreign securities held as part of reserve assets; this information will be provided by most of the compiling countries. In five cases, it will be included in the Survey returns; the remaining countries will provide such data in a separate survey (SEFER—Securities held as foreign exchange reserves).

Current Status of the Coordinated Portfolio Investment Survey[1]

			Survey Forms[2]								
			Assets					Liabilities			
Countries	IIP	Strategy[3]	1	2	3	4	SEFER[3]	5	6	7	8
Argentina	—	A	•	•	—	—	(s)	—	—	—	—
Australia	•	B	•	•	•	—	(s)	•	•	•	—
Austria	•	C	•	•	—	—	(s)	—	—	—	—
Belgium	•	B	•	•	•	—	(i)	—	—	—	—
Bermuda	—	B	•	•	—	—	(—)	—	—	—	—
Brazil	—	n.a.	•	•	—	—	(s)	—	—	—	—
Canada	•	D	•	•	•	—	(s)	—	—	—	—
Chile	—	E	•	•	—	—	(s)	—	—	—	—
Denmark	•	B	•	•	—	—	(i)	—	—	—	—
Finland	•	B	•	•	•	—	(s)	—	—	—	—
France	•	C	•	•	—	—	(s)	—	—	—	—
Greece	—	n.a.	•	•	—	—	(s)	—	—	—	—
Iceland	•	B	•	•	—	—	(—)	—	—	—	—
Indonesia	—	B	•	•	•	—	(—)	•	•	•	—
Ireland	—	B	•	•	—	—	(s)	—	—	—	—
Israel[4]	—	E	•	(——•——)		—	(s)	•	(——•——)		•
Italy	•	E	•	•	—	—	(s)	—	—	—	—
Japan	•	B	•	•	•	•	(s)	•	•	•	•
Korea	•	B	•	•	•	—	(i)	—	—	—	—
Malaysia	•	E	•	•	—	—	(—)	—	—	—	—
Netherlands	•	B	•	•	—	—	(s)	•	•	—	—
New Zealand	•	B	•	•	—	—	(s)	—	—	—	—
Norway	•	A	•	•	—	—	(s)	—	—	—	—
Portugal	—	E	•	•	•	—	(s)	•	•	•	—
Singapore	—	B	•	•	—	—	(s)	—	—	—	—
Spain	•	D	•	•	•	—	(s)	•	•	•	—
Sweden	•	B	•	•	•	—	(s)	—	—	—	—
Thailand	—	A	•	•	—	—	(s)	—	—	—	—
United Kingdom	•	A	•	•	—	—	(s)	—	—	—	—
United States	•	E	•	•	—	—	(i)	—	—	—	—
Venezuela	•	E	•	•	•	—	(i)	—	—	—	—

Source: Information provided to the Committee.

[1](•) = to be compiled; (—) = not to be compiled;[2] (A) = aggregated, primarily end-investors; (B) = aggregated, end-investors and custodians; (C) = security by security, primarily custodians; (D) = security by security, primarily end-investors; (E) = security by security, end-investors and custodians.

[2]Form 1 is for foreign equity assets; form 2 is for foreign long-term debt assets; form 3 is for foreign short-term assets; form 4 is for foreign financial derivative assets; form 5 is for equity liabilities to nonresidents; form 6 is for long-term debt liabilities to nonresidents; form 7 is for short-term debt liabilities to nonresidents; form 8 is for foreign derivative liabilities to nonresidents.

[3]The SEFER survey is designed to collect information on long-term securities held as reserve assets, broken down by country of debtor. (s) = SEFER data are (or will be) available separately from CPIS data; (i) = data are included in CPIS data; (—) = data are not available.

[4]Israel is unable at this time to break down nonequity securities into short and long term.

In reviewing the work on the Survey, the Committee indicated that it would be useful to establish a task force to (1) review the results; (2) decide what should be the content of a final report to be released in early 2000; and (3) examine the feasibility and possible direction of a follow-up survey. While not making any firm decision that there should be another survey, the Committee expressed the view that the experience had been very positive, that survey mechanisms had been put in place and should continue to be used, and that subject to the results, another survey would appear to be beneficial.

The Committee also received a report from the Italian Ufficio dei Cambi (UIC) on their continuing work on the development of a securities database, which had become an important element in the Coordinated Portfolio Investment Survey. Developing a database of individual securities that included information on the country of residence of the issuer of each security had helped ensure consistent and common classification of securities across countries participating in the Survey. By the time of the meeting of the Committee in October 1997, the UIC securities database contained 166,000 entries. More information from countries participating in the Survey has since been received.

The Committee was advised that the securities database could have multiple uses including for monetary policy, banking supervision, and money and banking statistics. However, a decision has not been made yet for its use by the European Central Bank, which is reviewing the content of the database in three areas: for the balance of payments and the IIP; for money and banking statistics (gross versus net reporting); and for the EMU financial account. The Committee noted that for the securities database to be useful outside Europe it would be necessary to access other numbering agencies (such as CUSIP (Committee on Uniform Securities Identification Procedures), the numbering agency used in the United States). Managing dual or multiple securities databases was not satisfactory. Creating a key link between them was seen as the preferable route. In view of this, the Committee accepted an offer from the United States to pursue the feasibility and affordability of obtaining a link with CUSIP.

Trade in Goods

At its 1997 meeting, the Committee considered the issue of "shuttle trade." This phenomenon represents the purchase of goods at a border by an individual acting on his or her own or in concert with others, in order to take advantage of price differences across the border. It is related to rigidities and regulation and different tax regimes on similar products. The trade is associated with travel but is not travel and is normally conducted on an informal basis. It is found between and among countries of Eastern Europe and countries of the former Soviet Union as well as between these countries and Germany; in Asia and in Africa; and between developed economies, such as the United States and Canada, and the United Kingdom and France. It is an activity that is difficult to measure accurately and may have been an important factor contributing to global imbalances in the balance of payments, particularly on a bilateral basis. In Russia, the goods account is adjusted by about 30 percent to reflect the undercoverage in the official statistics of merchandise trade. The Committee asked the IMF to prepare a paper setting out the appropriate conceptual approaches, noting that the principles contained in *BPM5* and in the *1993 SNA* do not need revision, and to present information on the practical reporting problems raised and how they could be tackled.

While the treatment in *BPM5* is clear (shuttle trade should be included in *goods*, not *travel* or *merchanting*), clarification is needed in certain circumstances. Certain large ticket items, such as cars, which are acquired by the traveler and included in travel, might be more appropriately classified to goods because the acquisition of such items is not "incidental to travel." It was noted that *BPM5* does not offer guidance on this distinction. Current measurement practices are generally weak for both exporter and importer, and, where the amounts missing or misclassified are considered to be significant, statistical models might be employed (such as that by the Central Bank of Russia). As to the legality of the exercise, it was generally considered to be legal for the exporter and probably legal in most cases for the importer.

The Committee was of the view that goods for family and friends and big ticket items should remain in travel. It was proposed that the Central Bank of Russia might provide some results from its model to see what impact the devaluation of the ruble had had. It was agreed that the IMF paper on this topic be placed on the Committee's website and in the *Balance of Payments Newsletter*.

Direct Investment

At its October 1996 meeting, the Committee supported a joint IMF-OECD survey of IMF and OECD member countries to explore to what extent global imbalances in direct investment may be attributable to different country practices. At that time, there were substantial discrepancies between inward and outward direct investment and larger discrepancies for reinvested earnings.

The survey had three objectives:

(1) To discover the extent to which member countries have adopted the recommendations on direct invest-

ment statistics made in *BPM5* and the *Benchmark Definition of Foreign Direct Investment (Benchmark)*. Consequently, the survey included questions on all the major methodological issues related to the measurement of foreign direct investment (FDI).

(2) To obtain standardized information on data sources, collection methods, and dissemination practices (e.g., availability, periodicity, timeliness, revision policy, breakdowns) from the member countries.

(3) To facilitate the exchange of information between reporting countries in support of the *Godeaux Report*'s recommendation. Consequently, the survey form was designed with a view to providing a set of easily comparable metadata (information about data) on FDI statistics. The survey form is also designed to identify countries that would make available their survey information to IMF member countries.

The survey form was designed in a multiple-choice format to reduce, as much as possible, the time required by compilers to complete the form, while covering all the major issues regarding data sources, collection methods, and dissemination and methodological practices for FDI statistics. In May 1997, the IMF and OECD launched the survey, which was sent to 172 countries. In general, the results indicated increasing adherence among countries to the international standards, although not in all respects. There were important differences in the way in which reinvested earnings were recorded. Also, many countries did not fully adhere to the *BPM5* and *Benchmark*'s recommendations on the treatment of transactions between indirectly owned direct investment enterprises or the investment by affiliates in their direct investor. Box 2 lists the participating countries and summarizes the scope of the resulting report and the metadatabase.

Most notably the report highlighted the following:

- One of the recommendations in the international standards—that 10 percent or more of the ordinary shares or voting power (for an incorporated enterprise) or the equivalent (for an unincorporated enterprise) establishes a direct investment relationship—is generally observed: 77 out of 96 countries in 1997, compared with only 10 out of 38 in 1991, reported that they apply this "rule."
- The recording of reinvested earnings data is becoming more widespread: 67 countries include reinvested earnings on inward direct investment and 52 countries on outward direct investment.
- The measurement of income of direct investment enterprises, after charging for consumption of fixed capital, is correctly recorded by 45 countries, while 35 countries correctly exclude capital gains or losses from direct investment income.
- Transactions between "off-shore enterprises" located in "off-shore centers" in the compiling economy and affiliated nonresident enterprises were recorded by 31 countries and between resident special purpose entities and nonresident affiliates by 35 countries.
- There has been some improvement in the measurement of real estate investment compared with the practices described in the *Godeaux Report*. In 1997, 19 OECD countries and 47 countries in total reported covering some inward real estate transactions by enterprises, and 18 OECD countries and 36 in total for outward transaction in real estate transactions by enterprises. For transactions involving individuals, the numbers were somewhat smaller.
- Only 4 OECD countries and 15 countries altogether record investment by resident affiliates in their direct investor as "direct investment in reporting economy, claims on direct investors," that is, recording these transactions on a directional basis, in the instances when the equity participation by the direct investment enterprise in its direct investor is not sufficient to establish a direct investment relationship in its own right.
- *BPM5* recommends that only equity and permanent debt be recorded as direct investment between banks and affiliated financial intermediaries. The survey found that 68 countries recorded equity as direct investment between banks and their foreign financial intermediary affiliates, and 49 recorded permanent debt, but 24 recorded "other claims" and "other liabilities."
- The *Godeaux Report* urged compilers to prepare and exchange geographical breakdowns of direct investment flows, following the method of geographical allocation recommended in the international statistical guidelines. In 1997, 25 OECD countries and 57 countries in total reported that they compile inward direct investment flows by country.

Overall, the survey's findings suggested that the *Benchmark* definitions are more widely followed than was the case at the time of the *Godeaux Report*. This outcome is broadly consistent with the trend toward smaller global discrepancies in direct investment, although there is no evidence of smaller discrepancies regarding reinvested earnings. Once reinvested earnings are removed from total global direct investment, continued international discrepancies become apparent (although there are fewer than there were five years ago).

In reviewing the report, the Committee acknowledged that the survey work provided only limited information on

Box 2. Survey of Implementation of Methodological Standards for Direct Investment

In May 1997, the IMF and OECD launched the Survey of Implementation of International Methodological Standards for Direct Investment (SIMSDI), which is a comprehensive study of data sources, collection methods, and dissemination and methodological practices for foreign direct investment (FDI) statistics. The IMF and OECD collected and compiled the information from the survey and produced a joint report that summarizes the SIMSDI findings regarding the extent to which IMF and OECD member countries have adopted the international standards on FDI statistics, based on the responses of 96 countries. An additional 18 countries, which are still developing their compilation systems, replied to the survey by providing a letter indicating their future plans or completed part of the questionnaire. These countries were excluded from the analysis of the survey results.

The survey contains an array of information on data (or metadata) on direct investment statistics from participating IMF member countries. This information has been stored in a metadatabase that contains up to 600 responses per country that completed the survey. The IMF and OECD will make this metadata available to compilers and users of direct investment statistics in two user-friendly metadatabases on direct investment statistics that will shortly be available on the Internet. The first database will provide complete survey information on a country-by-country basis through a menu-driven program that is easy to apply. The second database will provide access to a set of more than 50 tables with a view to including all the subjects covered in the SIMSDI survey. Users of these tables would be able to select the metadata for various country groupings from a list of economic and development organizations or UN geographical regions or from custom selections.

Listed below are the 114 countries that replied to the 1997 survey, listed according to the country groupings that were used in the analysis of the survey results produced for the joint IMF-OECD report.

Country Classification and List of Respondents

OECD Countries (29 respondents)	Africa (22 respondents)	Asia (16 respondents)	Europe (18 respondents)	Middle East (6 respondents)	Western Hemisphere (23 respondents)
Australia	Botswana	Bangladesh	Albania	Israel	Antigua and Barbuda
Austria	Burundi	Brunei Darussalam*	Armenia	Jordan*	Argentina
Belgium	Côte d'Ivoire*	Cambodia	Azerbaijan	Kuwait	Bahamas, The
Canada	Ethiopia*	China	Bulgaria	Lebanon*	Bolivia
Czech Rep.	Gambia, The*	Hong Kong, SAR	Croatia	Saudi Arabia*	Brazil
Denmark	Guinea*	Fiji	Cyprus*	Syrian Arab Rep.*	Chile
Finland	Lesotho	India	Estonia		Colombia
France	Madagascar	Indonesia	Kazakhstan		Costa Rica
Germany	Malawi	Maldives*	Kyrgyz Rep.		Dominica
Greece	Mauritius	Nepal*	Latvia		Ecuador
Hungary	Morocco*	Papua New Guinea	Lithuania		El Salvador
Iceland	Namibia	Philippines	Macedonia, former Yugoslav Rep. of*		Grenada
Ireland	Nigeria	Singapore	Malta		Guatemala*
Italy	Rwanda*	Thailand	Moldova		Haiti
Japan	Seychelles	Tonga	Romania		Honduras
Korea	South Africa	Vanuatu	Russia		Nicaragua*
Luxembourg	Sudan*		Slovak Republic		Paraguay
Mexico	Swaziland		Slovenia		Peru
Netherlands	Tanzania				St. Kitts and Nevis
New Zealand	Tunisia				St. Lucia
Norway	Uganda				St. Vincent and the Grenadines
Poland	Zimbabwe				Uruguay
Portugal					Venezuela
Spain					
Sweden					
Switzerland					
Turkey					
United Kingdom					
United States					

Source: Information provided to the Committee for the purposes of conducting SIMSDI.

Note: An asterisk indicates that the country either provided a letter or completed part of the survey but has incomplete FDI compilation and data dissemination systems. As a result, the country was excluded from the analysis of the survey results in the joint report.

countries' experience in implementing the standards, because it was intended to keep the report short and focused on the status of implementation of the *Benchmark* and *BPM5*. Some Committee members consider that further work is needed to document country practices with a view to establishing practical guidelines to help compilers.

The OECD supported a meeting of direct investment experts in March 1999 that would review the application of the recommendations that cause difficulties. The meeting will focus on the application of the "Fully Consolidated System,"[3] the measurement of reinvested earnings, and the direction of future work regarding the survey.

The results of the survey are stored in a metadatabase that provides standardized information on data sources, collection methods, and dissemination practices (e.g., availability, periodicity, timeliness, revision policy, breakdowns) for each member country that completed the survey form. The metadatabase indicates the extent to which national compilers have implemented the international standards and facilitates the exchange of bilateral information on compilation practices. The metadata will be available on the Internet but, as not all participants agreed to make the information available, the IMF-OECD will request permission from all participating countries for making the information widely available and free of cost.

The Committee instructed the IMF to take into account the changes in the wording in the comments received and then release the document via the Committee's website**,** among other media.

The Committee reviewed a paper on the French experience on measuring reinvested earnings. The paper discussed issues relating to the use of enterprise data for overall profits, as opposed to *operating profit* as defined in *BPM5* and the *1993 SNA*. For some countries for many years, bilateral data have produced negative results (i.e., implying losses), which, for overall profits, was seen as a possible consequence of different tax regimes prompting transfer pricing. The paper will be posted on the Committee's website.

Trade in Services

The rapid growth in international trade in services in recent years has heightened interest in services statistics. In anticipation of this, *BPM5* introduced a more detailed classification of trade in services data into the balance of payments standard components than hitherto, and this classification was subsequently further expanded in the joint OECD and Eurostat Trade-in-Services Classification. The General Agreement on Trade in Services (GATS), which came into force in 1995, focused interest on both the measurement and the analytical presentation of trade in services data (for member countries of the World Trade Organization). The GATS provides a classification of services by mode of supply, comprising (a) from the territory of one Member into the territory of any other Member; (b) in the territory of one Member to the service consumer of any other Member; (c) by a service supplier of one Member, through commercial presence in the territory of any other Member; and (d) by a service supplier of one Member, through presence of natural persons of a Member in the territory of any other Member.

To ensure consistency of approach by international agencies in their requests for trade in services data, an interagency task force was established by the UN Statistical Commission in 1994, chaired by the OECD and comprising Eurostat, IMF, United Nations Commission on Trade and Development, the UN's Statistical Division (UNSD), the World Bank, and the World Trade Organization (WTO). This interagency task force was subsequently requested to develop a manual on international trade-in-services statistics, scheduled to be completed in 1999.

At its 1998 meeting, the Committee reviewed an annotated outline of the manual and supported the general approach of taking the existing statistical systems (*BPM5* and *1993 SNA*) as the basic framework against which any additional requirements to meet the needs of GATS should be shown very clearly. Three extensions beyond *BPM5* were proposed:

- *Foreign affiliates trade in services* (*FATS*). FATS goes beyond the balance of payments framework to measure such variables as production, value added, and employment of foreign affiliates. While the methodologies for compiling statistics will vary, they will almost certainly involve balance of payments compilers, particularly for outward direct investment.
- *The concept of* "*presence of natural persons*." This concept is concerned with all supply of services where the supplier moves to the territory of the consumer. The residency criterion in *BPM5*, as represented by the "one-year rule," is too restrictive for this mode, for which data are required on selected activity of any individual citizen of a country who goes abroad to provide services in another economic territory, either directly or as an employee working for a foreign-controlled business providing services in the host territory.
- *A limited extension beyond the Joint OECD-Eurostat Trade-in-Services Classification*. It was noted that

[3]See IMF, *The Balance of Payments Compilation Guide* (Washington, 1995) paras. 685 to 692 for an explanation of this concept.

while the extension was limited for the OECD countries it implied, nonetheless, a major change for non-OECD countries.

The Committee was asked to consider a draft table showing the links between the OECD/Eurostat Trade-in-Services Classification and the provisional Central Product Classification (CPC) and version 1.0 of the CPC (the Concordance). It was noted that this does not imply that statistics should be compiled at that level of detail. The CPC was used because it provides a more complete description of services. The Concordance can be used as a guide for compilers; it notes instances where there is no direct correspondence between *BPM5* and CPC. The Concordance will also be used to update Appendix III of *BPM5*.

Overall, the Committee considered that the manual provided a timely and appropriate opportunity to establish a methodology for reporting FATS and urged that the proposed extension of the balance of payments classification of services be kept to a minimum. Given that data collection systems are unlikely to be changed in the near future, the Committee emphasized that it would be important for the manual to be done well rather than quickly.

In view of global discrepancies in services statistics, especially in transportation and travel statistics, the Committee reviewed the case for establishing a metadatabase through a survey of country practices on services statistics. The design of such a survey could draw on the experiences with the Coordinated Portfolio Investment Survey and the Survey of Implementation of Methodological Standards for Direct Investment (SIMSDI). A coordinated survey of the metadata for services could identify common weaknesses and problems and serve as a reminder for compilation purposes. For this reason, it was agreed that such a survey would be undertaken but only after the manual on statistics of international trade in services is completed. Issues of implementation could then be addressed. It was suggested that the proposal be taken up with the Inter-Agency Task Force on Statistics of International Trade in Services.

Financial Derivatives

Almost since its inception, the Committee has discussed the conceptual framework for the measurement of financial derivatives, including the recommended international standards set out in the *1993 SNA* and *BPM5*. In 1997, the IMF prepared a discussion paper, *The Statistical Measurement of Financial Derivatives*, reflecting the thinking of various experts including those in national accounts, balance of payments, and monetary and financial statistics and widespread consultation with statistical compilers. The intention of the paper was to clarify and amplify the text of the *1993 SNA* and *BPM5*. It did not challenge the key recommendations contained in the *1993 SNA* and *BPM5*: that financial derivatives should be treated as financial assets and that transactions in them should, in general, be treated as separate transactions rather than as integral parts of the value of underlying transactions or financial assets to which they may be linked as hedges. Nonetheless, the paper did make two significant proposals for change:

- First, a less restrictive view than in the *1993 SNA* should be taken about which financial derivative contracts fall within the existing *SNA* asset boundary, in effect allowing for the inclusion of more over-the-counter (or non-exchange-traded) financial derivative contracts; and
- Second, related to this, interest rate swaps and forward rate agreements should be recognized as financial assets, and net cash settlement payments in these contracts should be classified as financial transactions rather than as property income flows as recommended in the *1993 SNA* (*1993 SNA*, paragraphs 11.37 and 11.43).

In addition, *The Statistical Measurement of Financial Derivatives* recommended the creation of a separate financial instrument within *1993 SNA*'s instrument classification and a separate functional category in *BPM5*.

After having been circulated, the paper was discussed and adopted by the Committee at its 1997 meeting and at a meeting of the Inter-Secretariat Working Group on National Accounts (ISWGNA) in 1997. At these meetings, the IMF was charged with the responsibility of preparing draft revised texts of the *1993 SNA* and *BPM5* to take account of the two significant changes identified above. The revisions to *BPM5* and *1993 SNA* were prepared in tandem so that, in most cases, the wording is the same in the two documents. These texts were sent to the ISWGNA and to the Committee, as well as to some other interested bodies for consideration. Subject to a few wording changes, the ISWGNA approved the proposed rewrite for *1993 SNA* at its meeting in September 1998. The forthcoming *Manual on Monetary and Financial Statistics* will also be entirely consistent with *BPM5* and *1993 SNA* (as revised). At its 1998 meeting, the Committee received proposals for separate identification of financial derivatives in direct investment and reserve assets, as well as a separate functional category for the remaining transactions in financial derivatives and for supplementary classification by type of instrument.

The Committee agreed to the proposed text for *BPM5* subject to further consideration about separate subcomponents for financial derivatives in direct investment and reserve assets (which reservations do not affect the classification in *1993 SNA*). The Committee instructed the IMF to take into account the changes in the wording in the comments received and then release the document, while noting that the information on direct investment and reserve assets may be subject to further change, pending input from the OECD and the ECB.

During its deliberations on the draft rewrite for *BPM5*, the Committee expressed concern about implementing the recommendation on the reporting of *gross* flows and the proposed degree of supplementary detail. While, for the most part, the Committee recognized that it was appropriate, in principle, to have transactions recorded gross, in practice, it was likely to prove very difficult for some time to put into practice. The recording of positions outstanding on a gross basis was not considered to pose the same degree of difficulty. As to the degree of detail proposed, it was agreed that in view of the rapid evolution of financial derivative instruments it would be premature at this time to establish a classification by type of instrument. It was also agreed that the new functional category should be placed between portfolio investment and other investment in both the standard balance of payments financial account and in the international investment position.

The Committee also took note of the experience in the United Kingdom and in Australia on design and implementation of surveys of financial derivatives, as well as the suggested implementation guidelines developed by the ECB, following consultation with its member countries, for reporting in 1999. Those guidelines, which are in line with the proposed rewording of *BPM5*, recognize that flows should be recorded gross, in principle, even though netting is the only practical alternative for the time being.

Additionally, the Committee reviewed a report from the BIS on its most recent surveys of activity in financial derivatives markets. Two separate surveys were conducted in 1998: (1) the fifth triennial survey of foreign exchange and derivatives markets activity covering turnover data on a locational basis in 43 countries was conducted in April, and at the end of June notional amounts outstanding and gross market values on a consolidated basis in non-G-10 countries and (2) the first installment of a new regular semiannual derivatives market survey covering notional amounts outstanding and gross market values on a consolidated basis in the G-10 countries at the end of June 1998.

The BIS published the preliminary results of the turnover part of the triennial survey in October 1998. The results of the first installment of the new regular derivatives markets survey were released in December 1998. The detailed and final results of both the triennial survey and the new regular survey for April-June 1998 will be published in the spring of 1999. Because the semiannual derivatives statistics are collected on a consolidated basis, they are not immediately suitable for balance of payments purposes.

Current and Capital Transfers

Current and capital transfers have shown absolute global imbalances averaging $47 billion and $20 billion, respectively, between 1992 and 1996. In view of the size of these imbalances, the Committee had sought further investigation by the IMF to examine how these imbalances might be addressed using the OECD's Development Assistance Committee's (DAC) data, focusing on goods and services financed by official grants.

The DAC data show the flow of aid resources to developing countries and those in transition; most of the major industrial countries and international organizations are included as donors. The DAC data are largely in conformity with balance of payments concepts and the bilateral data are considered reliable.

Using the DAC data for 15 countries, the IMF constructed spreadsheets of the data available in a format deemed useful for the recipient countries. It sent the information to IMF consultants working abroad in the area of balance of payments and to selected balance of payments compilers. Their responses on the usefulness of the data were sought. Some respondents indicated that they were not aware of the DAC data; some indicated that they would have some problems introducing the data into their balance of payments as the counterpart entries were not apparent, for example, salaries paid to nonresident consultants working in the recipient country (compensation of employees); tuition in the donor country of students from aid recipients (travel). They also indicated that they would have liked to have a separate identification of goods—private from official; current from capital—none of which is readily available in the DAC presentation of the data. Most respondents favored more information and saw merit in using the data. The OECD is examining ways of making the data more useful as a tool for compilers in recipient countries.

The Committee found merit in apprising recipient countries of the existence of the data and suggested that the OECD seek ways of improving the data. For the current project, data had to be drawn from five or six separate series.

Accrued Interest on Debt Securities

The Committee considered the issue of the accrual of interest on debt securities that had been raised at the 1997 meeting and at which the IMF had agreed to provide a paper on the issue. Since then, it had been raised by the United Kingdom. The IMF paper pointed out that there are apparent conflicting and inconsistent statements in *the international statistical guidelines*. The paper indicates that there are three possible ways of accruing interest: the debtor approach (which accrues at the rate of interest implicit at the time of issue of the security); the acquisition approach (which accrues interest at the rate implicit at the time the creditor purchases the security); and the creditor approach (which accrues at the rate of interest prevailing during the reference period). The *1993 SNA* indicates the use of the debtor approach; *BPM5*, while not stating explicitly, appears to support the use of the debtor approach in most instances but the acquisition approach for deep discounted and zero coupon instruments; the *Balance of Payments Compilation Guide* and the *Balance of Payments Textbook* indicate the conceptual basis for the creditor approach but recognize that there may be practical difficulties in some instances in using it. Because of the far-reaching implications of the issue on all macroeconomic statistics, the Committee emphasized the need for resolution of this issue, and it was agreed that the IMF would prepare a paper that would propose a satisfactory outcome for the national accounts, government finance statistics, and monetary statistics, as well as the balance of payments and the international investment position.

Fifth Edition of the Balance of Payments Manual

The Committee reviewed the progress countries were making in reporting balance of payments and international investment position (IIP) data to the IMF on the basis of the classification system of *BPM5* and their use of electronic reporting. For the 1998 *BOPSY*, 130 countries reported balance of payments data using the coding system of *BPM5* (an increase of 28 from 1997), while 111 countries reported to the IMF in electronic form (up from 84 in 1997). Reporting IIP data on the basis of *BPM5* is not as advanced; for the 1998 *BOPSY*, only 36 countries reported such data, the same as the previous year.

Among countries represented on the Committee, most have converted their national balance of payments data in conformity with the concepts and principles of *BPM5*. The Committee received detailed reports on the recent work with respect to the United Kingdom and Singapore. It was noted that, in view of the close links between *BPM5* and *1993 SNA*, some countries have undertaken the conversion of their balance of payments data in conformity with *BPM5* in parallel with the conversion of their national accounts data to the concepts and principles of the *1993 SNA/ESA95*.

International Banking Statistics

The final reports of both IMF working parties[4] urged countries to consult the international banking statistics complied by the BIS as a potential data source for the compilation and verification of balance of payments estimates, both for creditor and debtor countries. The BIS has conducted two separate collections—one on a consolidated basis (consolidated accounts of reporting countries for which data are collected half yearly) and one on a residency basis (for which data are collected quarterly). These statistics provide information on the international financial assets and liabilities of banks in the major banking centers, broken down by sector and country of the counterparty. The statistics collected on a residency basis can provide balance of payments statisticians with data on resident positions with banks abroad, that is, loans from and deposits with banks abroad, which are believed to be poorly measured in many countries. The data collected on a consolidated basis provide useful information on the residual maturity of claims and a more detailed sectoral breakdown of international bank lending.

As reported in previous Committee Annual Reports, the BIS, in 1994, undertook a pilot project for the statistics collected on a residency basis to derive changes in banks' assets and liabilities excluding their holdings and own issues of long-term securities. This aligned the international banking statistics more closely with the balance of payments data for loans and deposits and thus facilitated their use in balance of payments compilation. At that time, only 3 out of the 24 BIS reporting countries provided data that allowed cross-border loans to be separately identified without the need for estimation by the BIS. By the end of 1997, this number had risen to 14, and so the degree of estimation that is required to produce deposit and loan data has been significantly reduced. At their meeting in October 1997, the central bank statisticians who report to the BIS agreed that the BIS could publish the deposit and loan statistics for countries where data were available. By the 1998 meeting, it was reported that, apart from 4 offshore centers, all countries provide separate data on loans and deposits for the quarterly banking statistics. In August 1998, 17 additional emerging market countries had been invited to join the BIS banking statistics. By the end of 1998, about half had shown interest in participating. As none of the new countries will be in a position to meet all requirements immediately, it is envisaged starting the collection of core international banking data from those countries where these data are already available.

[4]IMF, *Godeaux Report* and *Report on the World Current Account Discrepancy* (Washington, 1987).

The frequency of the BIS's collections on a nationality basis is to be enhanced, from semiannual to quarterly, with a reduction in reporting and dissemination lags. This enhancement should be completed in two years. These initiatives are particularly important in the light of current efforts to improve the availability, transparency, and quality in the area of external debt.

Developments at the Regional Level

The Committee was advised about the changes in Japan in the foreign exchange control laws that had been designed to revitalize the Tokyo market through the complete liberalization of exchange controls, while at the same time trying to improve knowledge of money laundering. As a result, there had been changes in the way international transactions are reported.

The Committee was also provided with a verbal report on an APEC meeting in Ottawa in May 1998, the eleventh meeting of the trade and investment data group. The group is made up mostly of statisticians. The meeting covered comparisons of direct investment, reconciliation of the current account, and Russian trade in goods where the "rule of origin" is not satisfactory (e.g., many Chinese goods imported to Russia are not Chinese). Canada presented a paper on direct investment and Japan presented a paper on trends in overseas services (using FATS). A report on the future of the trade and investment data group is to be prepared by Malaysia, Brunei, and New Zealand.

The Committee was advised that the ECB is working on the compilation of a balance of payments statement for the monetary union based on existing data. So far, the work has involved investigating the conceptual and practical issues of 15 countries that were potential members, with very different measurement and methodological approaches and establishing guidelines for common reporting that would facilitate compilation of an EMU balance of payments. These guidelines have been established for most balance of payments items. The current work involves the compilation of monthly, quarterly, and annual flows and annual IIP for the 11 euro members and the 4 "pre-ins." The EMU statistics have been set out in the implementation package, approved by the EMI Governing Council in July 1996 and formally adopted by the ECB Governing Council in September 1998. Summary monthly balance of payments are intended to provide a quick assessment of the main trends; quarterly data will include foreign investment income and portfolio flows and will be more consistent with *BPM5*. The ECB's Working Group on Statistics has approved the framework for reporting and compiling balance of payments and IIP data for 1999. The EMU/non-EMU split for the balance of payments and the IIP is not conceptually difficult but has posed considerable practical problems. Method 1 adopted for 1998 was the addition of net national balance of payments of the 11 participating member states, implying the netting of intra-EMU transactions. This approach has introduced significant discrepancies, in particular, for the goods item (see Recent Trends in Global Balance of Payments Statistics, above). From 1999 onward, method 2, which uses directly transactions of euro area residents vis-à-vis residents of nonparticipating member states or third countries, will represent a major improvement. However, difficulties have been encountered in applying it to the financial account and the IIP. The Coordinated Portfolio Investment Survey will help in the latter regard by providing broad geographical detail, instrument by instrument. (The quarterly and annual data will be almost entirely consistent with *BPM5* but there will be some departure for the monthly data, for example, on a settlement basis and investment income will not necessarily be on a full accrual basis.)

The* Balance of Payments Statistics *Website

At its 1998 meeting, the Committee reviewed an IMF proposal to restructure the Committee's external website. It is proposed that in addition to the Committee's *Annual Report*, the *Balance of Payments Newsletter*, the *Coordinated Portfolio Investment Survey Guide*, and working paper, which are presently on the site, additional information should be provided. This will include the survey of direct investment methodologies, the rewrite of *BPM5* on financial derivatives, and statistical papers presented to the Committee. The resulting presentation is shown in Box 3.

V. Future Work Program

Appendix 3 sets out in detail the medium-term work program agreed by the Committee in 1998. Subjects are ranked by priority. The rankings are not intended to reflect the absolute importance of each topic but rather to reflect the relative priority assigned to each topic by the Committee, given the limited time and resources available for research and investigation.

The top priority for the Committee is the continuing refinement of the work on reserve assets, reserve-related items, and external debt. In particular, the development of operational guidelines for recording reserves and reserve-related items and an IMF paper on developments within the Inter-Agency Task Force on Finance Statistics to improve reporting of external debt, within the framework of the international investment position, will be of considerable value to the IMF's ongoing work to improve data availability, quality, and transparency. Related

Box 3. Changes in the IMF Committee External Website

The external website of the IMF Committee (http://www.imf.org/bop) was created in 1997 to publicize the activities and work sponsored by the Committee. Its structure is being revised to enhance transparency vis-à-vis a wider audience of external users. The website will contain five pages:

- The *Committee home page* provides general information about the Committee and guides the user on how to explore the other sections of the website. This page will be renamed "IMF Committee on Balance of Payments Statistics" instead of "Balance of Payments."
- The second page provides the *Annual Report* of the IMF Committee on Balance of Payments Statistics; it is published annually in February or March and is made available on the website soon after publication.
- The third page provides the IMF's *Balance of Payments Statistics Newsletter.* The newsletter is published twice a year—in June and December—and is posted on the website shortly thereafter. To enhance transparency to external users, each issue of the newsletter is now accompanied by a short description of its content, in line with the approach of the annual report.
- The fourth page will provide an overview of the main projects sponsored by the Committee; such projects are typically conducted with the support of a number of countries not necessarily represented within the Committee: (1) the Coordinated Portfolio Investment Survey; (2) the Survey of Implementation of International Methodological Standards for Direct Investment; (3) Financial Derivatives. More detail on each project can be obtained by clicking on the appropriate icon. These subsections have been updated using material prepared by the IMF for the 1998 meeting.
- The fifth page will provide full versions of a selection of papers presented to the Committee, in the form of (1) working papers written by Committee members, to provide examples of best compilation practice or to share experiences on common compilation issues, and (2) other Committee documents, included in the Committee meeting agenda.

All material posted on the site is also available in paper form from the IMF on request. The IMF welcomes any comments on the Committee's website, including suggestions on how it can be further enhanced.

to these matters is the need for the IMF to produce a definitive document on the statistical treatment of repurchase agreements, securities lending, gold loans, gold swaps, and associated transactions. At the same time, as in previous years, the Coordinated Portfolio Investment Survey remains a top priority, and, with the availability of the final data in 1998, analysis can be undertaken for preparation of the final report.

High-priority subjects cover the manual on statistics on international trade in services; monitoring the implementation of, and country experience on, *BPM5*; and clarifying the treatment of accrual of interest on debt securities. Medium-term priority has been given to updating the metadatabase on the international methodological standards for the measurement of direct investment; shuttle trade; a report on the preparation of a travel survey in Germany for consideration for 2002 after the introduction of euro currency notes; capital and current transfers; financial derivatives (an IMF report on the outcome of deliberations on their inclusion in direct investment and reserve assets); regional issues (a paper from Canada on developments in APEC); and reports from the United Kingdom on the implications of "global booking," that is, consolidated data as opposed to locational booking.

The Committee will continue to be kept informed and take a close interest in work progressing under the auspices of other international agencies. In this regard, the Committee is very interested in the work of the BIS in enhancing the usefulness of its creditor data to serve as a valuable additional means for developing estimates for debtor countries' outstanding debt. The BIS is also reviewing the impact of "global booking" on balance of payments estimates and will report on its work on collecting financial derivatives data. In addition, the Committee will receive reports from the ECB on its work on financial derivatives, its deliberations on accrued interest on debt securities, and its progress toward compiling EMU balance of payments and international investment position data. In addition, the ECB and the UIC (together with the United States) will report on what means might be available to improve the usefulness of securities databases. The OECD will report on how the DAC data could be better used for improving the imbalances in current and capital transfers, on the outcome of discussions on the accrual of interest on debt securities, and on the discussions on the nature of financial derivatives between direct investment enterprises and direct investors. It will provide reports on its discussions on the exchange of experiences in the implementation of direct investment, the development of estimates on government debt, and the work on producing an inventory of financial statistics information available.

Appendix 1
IMF Committee on Balance of Payments Statistics
Composition as of December 31, 1998

Chairwoman

Carol S. Carson
IMF, Statistics Department

Members

Abdulrahman Al-Hamidy[1]
Saudi Arabian Monetary Agency
Antonello Biagioli
Ufficio Italiano dei Cambi
Teresa Cornejo Black
Banco Central de Chile
Jean-Baptiste Bourguignon
Banque de France
Stuart Brown
Office for National Statistics, United Kingdom
Koichi Nakajima[2]
Bank of Japan
Koichi Nagano
Ministry of Finance, Japan
Ivan King
Australian Bureau of Statistics
Pim Kramer[3]
De Nederlandsche Bank N.V.
Lucie Laliberté
Statistics Canada
Dominique Nivat
Ministry of Finance, France
Neil Patterson
IMF, Statistics Department
Gerald A. Pollack
U.S. Department of Commerce
Christina Kruse
Deutsche Bundesbank
Sergei Shcherbakov
Central Bank of Russia
Soon Teck Wong
Department of Statistics, Singapore

Representatives of International Organizations

Rainer Widera
Bank for International Settlements
Peter Bull[4]
European Central Bank
Peter Richardson[5]
Organization for Economic Cooperation and Development
Jean-Claude Roman
Statistical Office of the European Communities

Secretariat

Marco Committeri
IMF, Statistics Department
John Joisce
IMF, Statistics Department

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[1]Dr. Al-Hamidy was accompanied by Mr. Nasser al Muhana at the 1998 Committee meeting.
[2]Mr. Koichi Nakajima has replaced Mr. Gonokami.
[3]Mr. Frank Ouddeken represented Mr. Pim Kramer at the 1998 Committee meeting.
[4]Mr. Jean-Marc Israel represented Mr. Peter Bull at the 1998 Committee meeting.
[5]Mr. Richardson was accompanied by Mrs. Ayse Bertrand at the 1998 Committee meeting.

Appendix 2
Terms of Reference of the IMF Committee on Balance of Payments Statistics

1. The Committee will oversee the implementation of the recommendations presented in the *Report on the Measurement of International Capital Flows* and in the *Report on the World Current Account Discrepancy*, advise the IMF on methodological and compilation issues in the context of balance of payments and international investment position statistics, and foster greater coordination of data collection among countries.

2. The Committee will bring to the attention of the IMF new developments that impact on the compilation of statistics of cross-border transactions or related stocks of financial assets and liabilities, and work with the IMF in determining how these activities should be treated in accordance with *BPM5*.

3. The Committee will investigate ways in which data collection can be better coordinated among countries, with a view, inter alia, to facilitating the exchange of statistics among countries (e.g., bilateral transactions or stock data). It will also identify related areas for study and determine how work in those areas should be carried forward.

4. In carrying forward its work, the Committee will collaborate with other national compilers and with appropriate international organizations.

5. In consultation with the IMF's Statistics Department, the Committee will determine its work program and will meet under IMF auspices at least once a year.

6. The Committee will prepare an annual report for presentation to the Managing Director of the IMF.

Appendix 3
Medium-Term Work Program of the IMF Committee on Balance of Payments Statistics: End-December 1998

Subject	Issue	Action
Top Priority		
Reserves Data	Clarify concept of reserves and related items. Facilitate improved data compilation.	IMF paper on development of operational guidelines for the recording of reserves.
External Debt and IIP	Improve reporting of external debt data within international investment position framework.	IMF paper on developments at Inter-Agency Task Force on Finance Statistics. Progress report from ECB on development of EMU IIP.
International Banking Statistics	Use and improvement of international banking statistics.	Progress report from BIS.
Repurchase Agreements, Securities Lending, etc.	Clarify concepts and statistical treatment.	IMF paper.
Coordinated Portfolio Investment Survey	The conduct of the year-end 1997 Survey. Examine feasibility and direction of a possible follow-up survey.	IMF to prepare draft Final Report on the survey; to report on the third meeting of national compilers and on work of task force if it is set up to set direction of future work.
High Priority		
Trade-in-Services Statistics	Conceptual framework/classification.	IMF report on preparation of the manual on international trade in services statistics; report on linkages between balance of payments and central product classifications.
Implementation of *BPM5*	Update on implementation and practical difficulties in implementing *BPM5*.	Update of IMF paper on *BPM5* reporting to the IMF. Papers from Australia on experience in implementation of *BPM5* and experience since. Paper from Germany on issues arising from introduction of euro. Report from Canada on areas in *BPM5* where compliance is very difficult.
Accrued Interest on Debt Securities	Consistency across all statistical systems, including balance of payments.	IMF paper; ECB report.
Medium Priority		
Direct Investment	Exchange of experiences in compiling direct investment data.	IMF to report on updating metadata in 1999. OECD to report on exchange of experiences from March 1999 workshop.
Trade in Goods	Shuttle trade.	Report from Russia on effectiveness of its statistical models, following devaluation of ruble.
Travel Account	Use of surveys.	Report by Germany on preparation of survey.
Capital and Current Transfers	Growing asymmetries in global data.	Progress reports from IMF and OECD.
Financial Derivatives	Implementation of new standards; coordination work of BIS and ECB.	Reports from BIS and ECB. IMF report on outcome of deliberations on inclusion of subcomponent in direct investment and reserve assets. OECD paper on meaning of transactions between direct investment enterprises and direct investors.
Securities Database	Development of statistical database.	Progress reports from Italy, ECB and the United States.
Regional Issues	Developments in balance of payments statistics at regional level.	Progress reports from ECB, and verbal report on APEC by Canada.
Implications of “Global Booking”	Practicalities of deriving resident-based data when consolidated data reported.	Reports from the United Kingdom and BIS.
Low Priority		
Data Dissemination Standards	IMF data dissemination standards.	IMF report.
Inventory on Financial Statistics	Information available on financial statistics in international organizations.	OECD paper.
Government Debt	Treatment of government debt securities.	OECD paper.
Rent in the Balance of Payments	Treatment of income from nonproduced assets in the balance of payments.	IMF paper.