

**Twenty-Third Meeting of the
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Coordinated Portfolio Investment Survey

**Prepared by the Statistics Department
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I. INTRODUCTION

1. This paper discusses the results of the 2008 Coordinated Portfolio Investment Survey (CPIS), which were initially released at end-2009 and updated in August 2010.^{1,2} As anticipated at the last Committee meeting, the 2008 survey results provides information that evidences the decline in financial asset prices resulting from the financial and economic crisis that was deepening at the end-2008 measurement date.

2. The CPIS has been conducted annually by the IMF Statistics Department (STA) since 2001. The survey collects data from more than 70 jurisdictions³ on their end-year portfolio investment positions in equity and debt securities issued by nonresidents. The data are reported at market prices and by counterpart country of issuer and thereby provide an indication of country risk exposure.⁴ Although portfolio investment is defined to exclude holdings of securities that are classified in direct investment or reserve assets, since 2001 STA has collected data from many jurisdictions⁵ on their end-of-year holdings of securities held as reserve assets (through the Survey of Securities Held as Foreign Exchange Reserves, SEFER), by counterpart country of issuer. Due to the sensitivity of these data, they are published in aggregate (that is, individual jurisdiction's holdings are not identified). Similar data are collected from a number of international organizations, through the Survey of Securities Held by International Organizations (SSIO).

II. 2008 COORDINATED PORTFOLIO INVESTMENT SURVEY RESULTS

A. Portfolio Investment Assets

Total Portfolio Investment

3. In 2008, the total value of holdings of portfolio investment assets decreased for the first time since the CPIS series began in 2001 (see Table 1). Measured in U.S. dollars, the total value of holdings of portfolio investment assets fell from \$39.1 trillion in 2007 to \$30.7 trillion in 2008. This decrease of 22 percent⁶ brought portfolio investment assets to below their 2006 level when the total value of

¹ At last year's Committee meeting, a similar paper (BOPCOM 09/18) included a discussion of the work being undertaken on the CPIS Data Improvements Project, an initiative launched by the Statistics Department (STA) with Committee support in response to the rising level of interest in CPIS data for analytical and surveillance purposes and to address data quality concerns. This year, these developments are presented in *Report of the Task Force on IIP/CPIS Data Enhancements* (BOPCOM-10/13).

² Results from the 2009 CPIS will be released before the end of 2010.

³ The number varies from year to year; there were 73 participants in the 2008 CPIS. See <http://www.imf.org/external/np/sta/pi/datarsl.htm> for the up-to-date list of participants and the CPIS datasets.

⁴ Data on sector of holder and currency of issue are also reported on an "encouraged" basis.

⁵ These jurisdictions are not necessarily the same as those that participate in the CPIS.

⁶ Percent changes are calculated from unrounded numbers (i.e., data that are in millions of dollars). The data appearing in the tables are rounded to the nearest one hundred million dollars.

portfolio investment assets was \$33.0 trillion, and represented a sharp reversal from 2007 when the total value of portfolio investment assets increased by 19 percent. The total value of equity securities showed the sharpest decline from \$17.1 trillion in 2007 to \$9.8 trillion in 2008, or a 43 percent decline (compared to a 20 percent increase in 2007). The drop was not disproportionate compared to outside indicators because 2008 was a period when share prices fell sharply on nearly all major exchanges. The total value of debt securities declined by 5 percent, from \$21.9 trillion in 2007 to \$20.8 trillion in 2008 (compared to a 17 percent increase in 2007). This resulted from a 6 percent decline in the value of long-term debt securities; the value of short term debt securities increased 3.4 percent in 2008.

4. The top ten holders of portfolio investment remained unchanged from 2007: U.S., France, U.K., Japan, Germany, Luxembourg, Ireland, Netherlands, Italy, and Switzerland. However, their ranking from the largest to the smallest holder changed in 2008 as France moved ahead of the U.K. as the second largest holder, and Japan ahead of Germany and Luxembourg as the fourth largest holder of these securities. Luxembourg became the sixth largest holder while Germany's position remained unchanged at fifth.

5. For the first time since the series began, the value of holdings of portfolio investment assets by the top-ten countries declined (see Table 2) in 2008.⁷ The decrease was highest in the U.S. (41 percent) followed by the U.K. (29 percent), Luxembourg (28 percent), and Italy and the Netherlands (23 percent each). Japan had the lowest decrease in holdings (4 percent decline), while all other top ten holders recorded a double digit percentage decrease in their holdings.

6. In spite of the sharp decline in its holdings, the U.S. continued to be the largest holder of **equity securities**, and held more than three times those of the U.K., the second largest holder of these securities. With respect to **long-term debt securities**, Japan became the largest holder (surpassing France who fell to second), and Germany became the third largest holder (surpassing the U.K., who fell to fourth). Also in 2008, the rank order of holders of **short term debt securities** changed significantly. Luxembourg became the largest holder of these securities in 2008 (it was the third largest holder in 2007); Ireland remained as the second largest holder; France became the third largest holder (it was the fourth largest holder in 2007); and the U.S. became the fourth largest holder (it was the largest holder in 2007). The changes in rankings from 2007 to 2008 reflect absolute falls in the level of holdings of short-term debt securities by the U.S. and Ireland, and sharp increases in the level of such holdings by Luxembourg and France.

7. Table 3 provides a "from-whom to-whom" perspective for the CPIS data set. Compared to 2007, overall holdings of securities in 2008 fell for each of the top ten holders. These falls were reflected at more detailed levels: the level of holdings in almost every single data cell (e.g., U.S. holdings of securities in the U.K., Germany and France, etc.) fell from 2007 to 2008.

⁷ Except Switzerland, which recorded a decline in the value of holdings in 2005 and in 2008.

Equity Securities

8. Among the top ten holders of equity securities, the country with the largest percentage decrease in value of holdings was the U.S. (48 percent), followed by Luxembourg (46 percent), and the U.K. and France (45 percent each).

Long-Term Debt Securities

9. The country with the largest decrease in holdings of long-term debt securities was the U.S. with a decrease of 22 percent, followed by the U.K. (14 percent), and Luxembourg (17 percent). In 2008, Belgium was included among the top ten holders of long-term debt securities for the first time since the series began in 2001. Spain dropped off the list of top ten holders of long-term debt securities after being on the list the previous four consecutive years.

Short-Term Debt Securities

10. Four of the top ten countries increased their holdings of short-term debt securities from 2007 to 2008. France had the highest percentage increase (54 percent), followed by Luxembourg (49 percent), Hong Kong (44 percent), and Switzerland (3 percent). Germany had the largest percentage decrease in holdings of short-term debt securities (down 34 percent).

B. Derived Portfolio Investment Liabilities

Total Portfolio Investment Liabilities

11. The derived liability table shows, from the perspective of the economy issuing the securities, the value of securities held by nonresidents as "derived" from information reported by the holders of the securities (creditor information).⁸ The level of derived portfolio investment liabilities decreased for each of the top ten countries. Table 4 shows that, as in 2007, nonresidents continued to hold more U.S. securities than those of any other country. The level of portfolio investment liabilities of the U.S. was \$6.3 trillion in 2008, compared to \$2.7 trillion each for the U.K. and Germany.

12. Among the top ten countries (by size of derived liabilities), the decline in portfolio investment liabilities in 2008 was most significant for the Cayman Islands and Luxembourg (30 percent each), followed by Japan and the U.K. (25 percent each).

⁸ The "derived liability" table is generated only when the sum of reported holdings of securities issued by a given country is at least \$10 million. See Portfolio Investment: CPIS Data: Notes and Definitions (<http://www.imf.org/external/np/sta/pi/notes.htm>).

Equity Liabilities

13. In 2008, the level of derived equity liabilities fell for each of the top ten issuers. Derived liabilities of U.S. equity securities continued to be larger than those of any other country (\$1.5 trillion), followed by issues of Luxembourg (\$1.2 trillion), the U.K. (\$0.9 trillion), and Japan (\$0.6 trillion). Looking at the percentage change in derived equity liabilities, they decreased the most for Italy and the Netherlands (51 percent each), Germany (48 percent) and the U.K. (45 percent).

Long-Term Debt Securities Liabilities

14. From 2007 to 2008, the overall level of derived liabilities for long-term debt securities declined by 6 percent. Among the top ten issuers, the Cayman Islands (-20 percent) Luxembourg (-13 percent), and Spain (-11 percent) had double digit percentage decreases in the level of derived liabilities. Derived liabilities for U.S. long-term debt securities decreased only 4 percent in 2008.

Short-Term Debt Securities Liabilities

15. Although the overall percentage increase in derived liabilities for short-term debt securities (+3.4 percent) was lower in 2008 than in 2007, the positive growth contrasted with the declines recorded for equity and long-term debt security (derived) liabilities. In 2008, derived liabilities for short-term debt securities of the Netherlands increased 81 percent, Spain increased 38 percent, France increased 34 percent, and Japan increased 32 percent.

Question for Committee:

Do members of the Committee have any comments on the CPIS results for 2008?

Table 1: CPIS: Portfolio Investment Assets
(USD Trillion)

	Total	Equity	Debt Securities
2001	12.7	5.2	7.5
2002	14.1	4.8	9.3
2003	19.0	7.0	12.1
2004	23.3	8.7	14.6
2005	25.9	10.6	15.3
2006	33.0	14.2	18.7
2007	39.1	17.1	21.9
2008	30.7	9.8	20.8

Table 2: Top Ten Holders of Portfolio Investment
(USD Trillion)

	1	2	3	4	5	6	7	8	9	10		
	U.S.	U.K.	France	Luxem- bourg	Germany	Japan	Ireland	Nether- lands	Italy	Switzer- land	Others	Total
2001	2.3	1.3	0.7	0.8	0.8	1.3	0.4	0.5	0.6	0.5	3.5	12.7
2002	2.2	1.4	0.9	0.9	0.9	1.4	0.6	0.6	0.6	0.5	4.1	14.1
2003	3.1	1.7	1.4	1.3	1.2	1.7	0.8	0.8	0.8	0.7	5.5	19.0
2004	3.8	2.1	1.8	1.6	1.5	2.0	1.1	1.0	0.9	0.8	6.8	23.3
2005	4.6	2.4	1.9	1.8	1.6	2.1	1.2	1.1	1.0	0.7	7.6	25.9
2006	6.0	3.1	2.5	2.4	2.3	2.3	1.6	1.3	1.1	0.9	9.5	33.0
2007	7.2	3.4	3.0	2.9	2.6	2.5	2.0	1.5	1.2	1.1	11.7	39.2
2008	4.3	2.4	2.5	2.1	2.1	2.4	1.6	1.1	1.0	0.9	10.2	30.7

Table 3: Top Ten From-Whom-To-Whom 2008 (and 2007 Total Value of Investment)
(USD Trillion)

	1	2	3	4	5	6	7	8	9	10		
Investment from -> Investment in:	U.S.	France	U.K.	Japan	Germany	Luxem- bourg	Ireland	Nether- lands	Italy	Switzer- land	Other countries	Total value
U.S.	--	0.2	1.0	0.8	0.2	0.4	0.4	0.3	0.1	0.1	3.2	6.3
UK	0.6	0.2	--	0.2	0.2	0.2	0.3	0.1	0.1	0.0	0.9	2.7
Germany	0.3	0.4	0.2	0.2	--	0.3	0.1	0.1	0.1	0.1	1.0	2.7
France	0.3	--	0.1	0.1	0.2	0.2	0.1	0.1	0.1	0.1	0.6	2.1
Netherlands	0.2	0.2	0.1	0.1	0.2	0.1	0.0	--	0.1	0.1	0.4	1.5
Luxembourg	0.1	0.1	0.1	0.1	0.4	--	0.0	0.1	0.2	0.1	0.4	1.5
Italy	0.1	0.3	0.1	0.1	0.2	0.1	0.1	0.1	--	0.0	0.3	1.3
Cayman Islands	0.3	0.1	0.1	0.4	0.0	0.1	0.0	0.0	0.0	0.0	0.2	1.3
Spain	0.1	0.2	0.1	0.0	0.2	0.1	0.1	0.1	0.0	0.0	0.2	1.1
Japan	0.4	0.1	0.1	--	0.0	0.1	0.0	0.0	0.0	0.0	0.3	1.1
Other	2.0	0.7	0.8	0.5	0.6	0.6	0.4	0.3	0.2	0.3	2.6	9.1
Total value of investment 2008	4.3	2.6	2.4	2.4	2.1	2.1	1.6	1.1	1.0	0.9	10.2	30.7
Total value of investment 2007	7.2	3.0	3.4	2.5	2.6	2.9	2.0	1.5	1.2	1.1	11.7	39.1

Table 4: Derived Portfolio Investment Liabilities: Top Ten Countries
(USD Trillion)

	United States	United Kingdom	Germany	France	Netherlands	Luxembourg	Italy	Cayman Islands	Spain	Japan	Total: Top Ten	Others	Total Value of Investment
2001	3.1	1.3	1.2	0.8	0.7	0.5	0.6	0.4	0.3	0.5	9.4	3.3	12.7
2002	3.3	1.4	1.4	0.8	0.8	0.6	0.7	0.5	0.3	0.5	10.5	3.5	14.0
2003	4.2	1.8	1.8	1.3	1.1	0.9	1.0	0.7	0.5	0.7	14.0	5.1	19.0
2004	4.8	2.2	2.1	1.6	1.3	1.1	1.2	0.9	0.7	0.9	16.9	6.4	23.3
2005	5.3	2.4	2.1	1.6	1.3	1.2	1.2	1.1	0.8	1.3	18.4	7.5	25.9
2006	6.4	3.2	2.6	2.2	1.5	1.8	1.5	1.4	1.1	1.4	23.1	9.9	33.0
2007	7.3	3.6	3.2	2.4	1.7	2.1	1.5	1.8	1.4	1.5	26.6	12.4	39.1
2008	6.3	2.7	2.7	2.1	1.5	1.5	1.3	1.3	1.1	1.1	21.6	9.1	30.7