



## IMF COMMITTEE ON BALANCE OF PAYMENTS STATISTICS 2016 ANNUAL REPORT

February 15, 2017

### EXECUTIVE SUMMARY

The 2016 Annual Report of the IMF Committee on Balance of Payments Statistics (Committee) provides an overview of recent trends in global balance of payments and international investment position (IIP) statistics, summarizes the Committee's work during 2016, and presents the work program of the Committee in the coming year.

During 2016, the IMF Statistics Department (STA), in consultation with the Committee, continued work in designing a strategy for countries with low statistical capacity for enhancing their external sector statistics (ESS) and in implementing the sixth edition of the *Balance of Payments and International Investment Position Manual*. On the availability of ESS for surveillance and analytical purposes, significant steps included an examination of the feasibility of implementing new enhancements to the IIP, as well as of increasing the frequency of the Coordinated Portfolio Investment Survey to quarterly. STA continued providing guidance on emerging conceptual and methodological issues.

In 2017, the top priorities of the Committee's work program will be the provision of methodological guidance on emerging issues with a focus on topics identified in its research agenda; the implementation of a strategy to compile ESS in countries with low statistical capacity; advancing work on IIP enhancements to strengthen the balance sheet approach; and closing data gaps in particular through the coverage of special purpose entities in ESS.

The full set of papers presented at the Committee's 2016 meeting is available at <http://www.imf.org/external/pubs/ft/bop/2016/29.htm>.

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## Glossary

<i>BOPSY</i>	<i>Balance of Payments Statistics Yearbook</i>
<i>BPM6</i>	<i>Balance of Payments and International Investment Position Manual, sixth edition</i>
CDIS	Coordinated Direct Investment Survey
CLSCs	Countries with low statistical capacity
Committee	IMF Committee on Balance of Payments Statistics
CPIS	Coordinated Portfolio Investment Survey
DGI	Data Gaps Initiative
IIP	International investment position
IOs	International organizations
NFCs	Nonfinancial corporations
OECD	Organisation for Economic Co-operation and Development
OFCs	Other financial corporations
SPEs	Special purpose entities
STA	IMF Statistics Department

## INTRODUCTION

1. **The IMF Committee on Balance of Payments Statistics (Committee) was set up by the IMF Executive Board in February 1992.** Initially, its main purpose was to oversee the implementation of the recommendations of two studies on imbalances in the recorded world current account and financial flows. The Committee's mandate has broadened over the years to cover: (i) improving the availability, consistency, and reliability of balance of payments and international investment position (IIP) statistics; (ii) closing data gaps on financial interconnectedness and balance sheet analysis; (iii) fostering greater coordination of data compilation and dissemination among countries; and (iv) facilitating the exchange of statistics.<sup>1</sup>
2. **The Committee held its twenty-ninth meeting during October 24–26, 2016, in Washington D.C.** The participants in the meeting are listed in Appendix I.
3. **The following three sections of this Annual Report** examine recent trends in global balance of payments and IIP data; review the work undertaken by the Committee in 2016; and outline the Committee's work program for 2017, respectively.

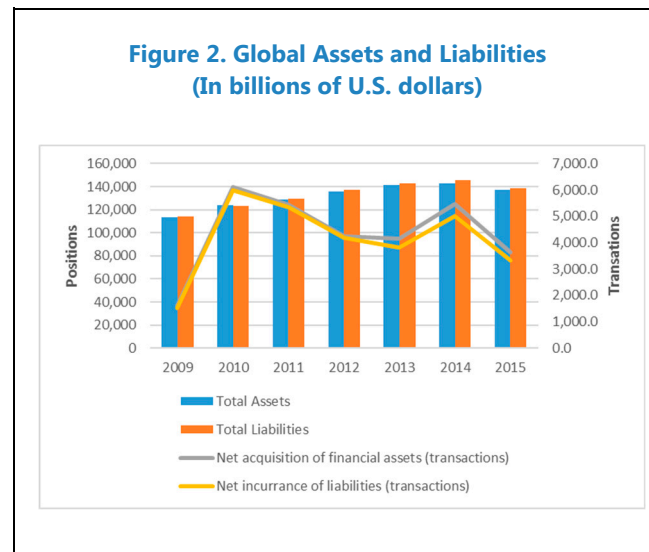
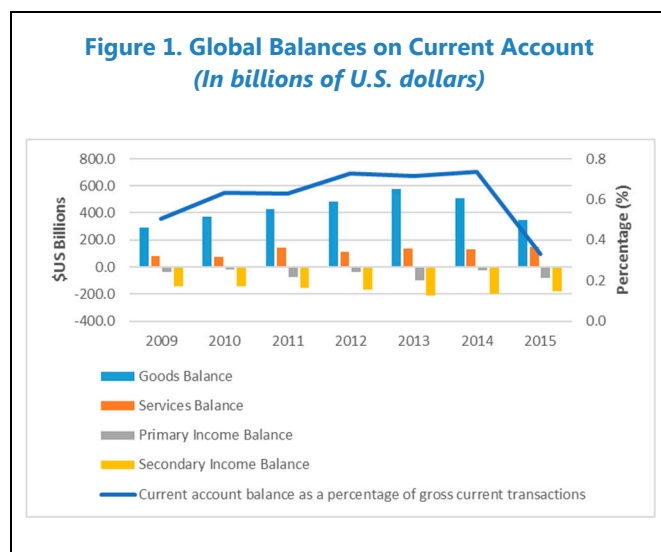
## RECENT TRENDS IN GLOBAL BALANCE OF PAYMENTS AND IIP DATA

4. **A growing number of economies submit external sector statistics (ESS) to the IMF for re-dissemination.** Annual balance of payments and IIP statistics for the period 2008–15 are published in the 2016 *Balance of Payments Statistics Yearbook (BOPSY 2016)*. For the *BOPSY 2016*, 192 economies submitted balance of payments data and 152 also submitted IIP data (of which 106 reported quarterly IIP, compared to 103 in 2015). Also, 136 countries reported data for publication following the sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)*. Using standardized conversion formulas, the IMF Statistics Department (STA) converts, for the time being, data for countries that continue reporting data to the IMF on the basis of the previous version of the manual (i.e., the *Balance of Payments Manual, fifth edition (BPM5)*).
5. **According to data published in BOPSY 2016, the global current account balance<sup>2</sup> (reflecting the difference between current account receipts and payments) was consistently positive in 2009–15** (see [BOPSY 2016](#), Table A-1). The balance though significantly decreased by 42 percent to \$242.2 billion in 2015, compared to \$415.8 billion in 2014. In 2015 (as in every year

<sup>1</sup> The Committee's Terms of Reference are available at <http://www.imf.org/external/bopage/bopindex.htm>.

<sup>2</sup> In principle, at the global level, the balance of payments account balances for all economies and international organizations (IOs) combined should be zero, whereas, in practice, the data do not equal zero. The balances are of interest to the Committee, as they are a symptom of estimation errors that, when large, could lead to analytical mistakes. It is noteworthy that a prime reason for the creation of the Committee was the concern about the size of statistical estimation errors. A number of factors contribute to the global balances (equal to net errors and omissions with the sign reversed). In particular, net errors and omissions arise from incomplete coverage, misclassifications, different timing, and asymmetric valuations.

since 2009), the overall current account balance is mostly driven by the positive balance on goods trade (excess of exports over imports). While the balance on services trade was also positive in 2015, the balances on primary and secondary incomes were negative. The global current account balance represents 0.3 percent of the total gross current account (credits plus debits) transactions in 2015 compared to 0.7 in 2014 (see figure 1).



**6. The global financial account balance<sup>3</sup> decreased by 32 percent in 2015 to a positive \$303.1 billion balance, from a positive \$446.6 billion balance in 2014** (see [BOPSY 2016](#), Table A-1). This overall positive balance indicates that at the global level the net acquisition of financial assets is overestimated and/or the net incurrence of liabilities is understated (see figure 2). In 2015, the balances on portfolio investment, financial derivatives, and other investment were positive, while the balances on direct investment and reserve assets were negative.

**7. World IIP assets decreased by 4.0 percent from \$143.1 trillion at end-2014 to \$137.4 trillion at end-2015, and IIP liabilities by 4.6 percent from \$145.7 to \$138.9 trillion respectively** (see [BOPSY 2016](#), Table E-2), **with a net (negative) balance (liabilities higher than assets) in both years** (see [BOPSY 2016](#), Table E-1). The balances of IIP assets and liabilities for all economies and IOs combined should be a net positive figure at the world level, corresponding to the value of holdings of gold bullion included in monetary gold, i.e. an asset with no corresponding liability.<sup>4</sup> At the global level though, the overall negative balance indicates incomplete coverage, asymmetries in the time of recording, and/or asymmetric valuations.

<sup>3</sup> As in the case of the current account global balance, global financial flows should also cancel out and sum up to zero since any positive financial account balance of any country vis-à-vis the rest of the world should be offset by a negative financial account balance of its counterparts altogether.

<sup>4</sup> Gold bullion included in monetary gold is recorded as an asset in the IIP accounts, and there is no corresponding liability. Based on data published in the World Tables in *International Financial Statistics*, holdings of monetary gold were US\$ 1.1 trillion at end-2015.

## WORK UNDERTAKEN BY THE IMF STATISTICS DEPARTMENT AND THE COMMITTEE IN 2016

### A. External Sector Statistics in Countries with Low Statistical Capacity

8. **During 2016, STA, in consultation with the Committee, continued work on developing a strategy for compiling ESS in countries with low statistical capacity (CLSCs).** The strategy includes the **prioritization of the balance of payments and IIP components** aimed at **reducing the reporting burden** in CLSCs, while ensuring **minimum data requirements needed for surveillance and policy making.** The strategy is focused on strengthening data sources and inter-agency cooperation, integrating data collection frameworks, and assuring national authorities' commitment and IMF full support. STA consulted the IMF departments to assure the prioritized components meet their data needs; a two-phase implementation timeline will be set that will be executed mainly through capacity building activities.

### B. Emerging Methodological Issues

9. **There is an increasing need for scoping emerging methodological issues in the Committee's research agenda so as to ensure that ESS mirror global realities and maintain policy relevance. Also, there is need for developing an appropriate strategy for addressing existing data gaps in the coverage and identification of special purpose entities (SPEs) in ESS.**

10. **Scope of the Research Agenda in ESS.** To maintain the relevance of ESS, there is a need to develop guidance on the statistical treatment of new economic situations. Based on inputs from the Committee, research topics were identified and stratified into: (i) topics to be addressed in the short-term (until the 2017 Committee meeting); (ii) topics to be implemented in the medium-term; and (iii) topics recommended to be addressed in the next update of the Balance of Payments Manual.

11. One of the topics for the short-term research agenda is the treatment of the digital economy. There are concerns about whether **digital trade** growth is accurately and comprehensively reflected in macroeconomic statistics. Various steps towards developing a conceptual framework are currently being undertaken by various IOs and the "digital trade" topic is high on the G-20's agenda. There is a need for research to understand how the digital business works, outlining the definition and the typology of digital trade.

12. Some of the research agenda topics will require close coordination with other macroeconomic domains. **Committee members, IOs, and STA agreed to prepare discussion papers for specific topics for the 2017 Committee meeting.**

13. **Coverage and identification of SPEs in ESS.** Data gaps for SPEs hinder international comparability of external sector indicators and give rise to bilateral asymmetries. The coverage of SPEs has been promoted by the IMF. The Organisation for Economic Co-operation and

Development (OECD) and Eurostat disseminate separate (annual) direct investment statistics excluding SPEs; however, only a few (mostly European) economies release ESS with SPEs separately identified. Data are unavailable for many jurisdictions where SPEs activity is important. There are challenges in data collection, including lack of statistical capacity, unavailability of information due to the confidential nature of these entities, and unwillingness to invest in compilation.

**14.** The Committee supported a stronger IMF involvement in improving the coverage of SPEs in ESS and the creation of a task force to develop—in coordination with other statistical domains such as national accounts—methodological, conceptual, and data collection aspects. A high number of Committee members and IOs volunteered to join the task force, which will be in operation in 2017 and 2018.

**15. Treatment of Negative Interest Rates.** A number of central banks have introduced negative interest rates on deposits in recent years and there is no explicit guidance on its statistical treatment in the *BPM6* and other manuals. The Committee agreed on the treatment of negative interest rates as negative income. To ensure consistency with other statistical domains, STA has initiated a consultation process on the suggested treatment and will issue a clarification note to the *BPM6*.

## C. IIP Enhancements

**16. To address users' needs, the *BPM6* introduced enhancements to the IIP including the reporting of currency composition of financial assets and liabilities; reporting of remaining maturity of debt liabilities; and reporting of data for other financial corporations (OFCs).** The G-20 Data Gaps Initiative (DGI) Phase II also recommended the separate identification of nonfinancial corporations (NFCs).

**17.** As agreed in the 2015 Committee meeting, STA provided guidance on the compilation of the *BPM6* memorandum table A9.1 on currency composition of assets and liabilities, and conducted a survey to 78 targeted reporters on data availability, feasibility, and future plans for the IIP enhancements. Seventy-three countries responded. More than half of the respondents already compile or plan to compile data on currency composition,<sup>5</sup> OFCs, and NFCs; and almost half compile or plan to compile data on remaining maturity. Some Committee members indicated that their countries produce the currency composition of financial assets and liabilities, while most members noted challenges in compiling data by remaining maturity, and others foresaw practical problems in providing breakdowns for OFCs and NFCs.

**18.** The IMF recognized that the implementation of IIP enhancements should be done gradually, taking into account the different capacity levels, complexity of the economic framework, and specific country needs. **The Committee recommended that countries compiling data on currency composition start reporting them to STA, even if they are partial.**<sup>6</sup>

<sup>5</sup> Include countries that are able to provide the currency composition only for some financial instruments.

<sup>6</sup> STA will start disseminating data on currency composition when data are reported by a critical mass of countries.

## D. Global and Bilateral Asymmetries

**19. Global and bilateral asymmetries are a symptom of more fundamental issues in underlying statistics.** STA updated the Committee on the results of the second exercise to analyze bilateral asymmetries in the Coordinated Direct Investment Survey (CDIS). Committee members and IOs shared their efforts in identifying the reasons and sources for statistical discrepancies and addressing bilateral asymmetries in trade in services and direct investment. Methodological differences are an important source for bilateral asymmetries and metadata questionnaires have proved to be very useful in their identification. Asymmetries are also often rooted at the national level due to internal inconsistencies in data sources and compilation practices, data gaps, misreporting, and noncompliance with recommended standards.

**20.** The Committee agreed on the **usefulness of bilateral data exchange** for validating information, improving data consistency, and detecting errors and omissions in their data. However, a key issue is how to overcome **possible legal constraints** to share information that could be confidential. Current data sharing initiatives should be coordinated to avoid duplication of efforts and **work should be linked with the G-20 DGI Phase II recommendation II.20 on data sharing.**

**21.** European Central Bank, Eurostat, IMF, OECD, and United Nations agreed to liaise and **coordinate international initiatives** in the area of bilateral asymmetries, to jointly explore synergies in direct investment data sharing, and to look into the possibility of **applying Eurostat's direct investment network data sharing concept** (which is a proven secure tool to exchange enterprise level information in the European Union - EU) beyond the EU countries. STA will consider a CDIS workshop to facilitate bilateral data exchange and will further enhance the CDIS metadata questionnaire.

## E. Developments in the Coordinated Portfolio Investment Survey (CPIS)

**22.** **There is continued internal and external interest in enhancing data on capital movements to support analysis of spillovers and interconnections. The G-20 DGI Phase II calls for an examination of the feasibility of increasing the reporting frequency of the CPIS data to quarterly.** STA conducted a feasibility survey of 85 CPIS reporters; the results indicate that over 60 percent of 72 respondents are readily able to report quarterly CPIS data to STA, and 80 percent can do so within a three-year horizon.

**23.** **Committee members agreed on the IMF's proposal to move to quarterly CPIS by 2019 with an improved six-month timeliness for dissemination.** They agreed on its importance in enhancing balance sheet analysis and in complementing efforts on promoting quarterly IIP data availability. They suggested the possibility of advanced access to preliminary CPIS data by statistical compilers for estimating/validating data on portfolio investment liabilities and investment income. **STA will follow up on the agreement to move to quarterly CPIS and will study how more timely access can be granted to compilers.**



**24. STA continued promoting the reporting of the CPIS enhancements on frequency, timeliness, and scope. As part of these efforts, STA proposed a centralized exchange of information across economies aimed to enhance the sectorization of nonresident issuers.** Such information would be key to produce from-whom-to-whom information on securities, broken down by a) economy and sector of the holder (who finances), and b) economy and sector of the issuer (who is financed). The Committee agreed on the usefulness of such exchange, which would be crucial for deriving portfolio investment liabilities by sector. STA will prepare a technical note for the consideration of the Committee and approach CPIS reporters to promote a pilot exchange. Committee members will check on any constraints to share information based on contracts with data providers. This initiative could serve as a model for data sharing.

**25. STA has initiated work on updating the second edition of the *CPIS Guide*** (published in 2002) mainly to reflect: implementation of *BPM6*-based concepts and definitions; more recent experiences of CPIS-reporting economies; and enhancements in the scope of the CPIS. The *CPIS Guide* will be streamlined by disseminating model forms in electronic format and survey forms/guidelines of CPIS-reporting economies through web links on the CPIS website. The revised *CPIS Guide* will be presented to the Committee for comments.

## 2017 WORK PROGRAM AND WORKING PROCEDURES

**26. The top priorities of the Committee** will be: (i) providing methodological guidance on emerging issues through the research agenda; (ii) implementing the strategy to compile ESS in CLSC; (iii) advancing work on IIP enhancements; and (iv) closing data gaps through strengthening the coverage of SPEs in ESS.

**27.** The proposed **two medium priority topics** are: (i) reducing global and bilateral asymmetries (including through the sectorization of nonresident issuers in CPIS); and (ii) updating the *CPIS Guide*. The 2017 work program of the Committee is available at <http://www.imf.org/external/pubs/ft/bop/2016/pdf/16-16.pdf>.

**28. In anticipation of an increase in activities related to the research agenda, the Committee working procedures** will require a more continuous involvement of the Committee members throughout the year and their participation in Committee substructures and technical expert groups. The Committee welcomed the proposed new working procedures as well as the new collaboration site and electronic survey tools introduced by STA.

## Appendix I. Membership of the IMF Committee on Balance of Payments Statistics and Representatives of International Organizations

(As of December 31, 2016)

### **Chair**

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IMF, Statistics Department

Robert Pupynin  
Central Bank of the Russian Federation

### **Members**

Malik Bani Hani  
Central Bank of Jordan

Fernando Rocha  
Banco Central do Brasil

Carlos Sánchez-Muñoz  
IMF, Statistics Department

Pim Claassen  
De Nederlandsche Bank

Ursula Schipper  
Deutsche Bundesbank  
Germany

Kenneth Egesa  
Bank of Uganda

Yeşim Şişik  
Central Bank of Turkey

Rosabel B. Guerrero  
Bangko Sentral ng Pilipinas

Sarahelen Thompson  
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United States

Kenichi Habu  
Ministry of Finance, Japan

Jian Han  
State Administration of Foreign Exchange  
People's Republic of China

Stefaans Walters  
Reserve Bank of South Africa

Paul Mahoney  
Australian Bureau of Statistics

François Mouriaux  
Banque de France

Takeshi Nakamura  
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Naglaa Nozahie  
Central Bank of Egypt

***Representatives of International  
Organizations***

*Bank for International Settlements*  
Philip Wooldridge

*European Central Bank*  
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*Organization for Economic Co-operation and  
Development*  
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Development*  
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*United Nations Statistics Division*  
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