



## IMF COMMITTEE ON BALANCE OF PAYMENTS STATISTICS 2018 ANNUAL REPORT

January 30, 2019

### EXECUTIVE SUMMARY

The 2018 Annual Report of the IMF Committee on Balance of Payments Statistics (the Committee) provides an overview of recent trends in global balance of payments and international investment position (IIP) statistics, summarizes the Committee's work during 2018, and presents the work program of the Committee in the coming year.

During 2018, the IMF Statistics Department (STA), in consultation with the Committee, continued work on the statistical implications of technological change (e.g., digital trade, crypto assets, trade financing), globalization and global value chains. It also worked on global and national coverage gaps related to cross-border financial interconnectedness, special purpose entities (SPEs) and the informal economy. On the availability of more comprehensive external sector statistics (ESS) to support external sector assessments and global spillover analysis, STA continued work on improving the IMF balance sheet analysis, including on the availability of the IIP broken down by currency as well as on portfolio positions broken down by country and sector of securities' issuers and holders. On the latter, the Committee initiated a proof of concept for setting up a centralized database hosted by the IMF for economies to exchange information on the institutional sector of nonresident issuers of securities. STA continued providing guidance on emerging conceptual and methodological issues.

In 2019, the top priorities of the Committee's work will continue to be the impact in ESS of globalization and global value chains; emerging technologies and digitalization; SPEs and the informal economy; and emerging issues such as the treatment of reserve assets in ESS within a centralized currency union. The Committee will also focus on providing methodological guidance on issues identified in its research agenda; and on addressing data gaps for reducing global and bilateral asymmetries.

The full set of papers presented at the Committee's 2018 meeting is available at <https://www.imf.org/external/pubs/ft/bop/2018/31.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>
BLCA	Bitcoin-like crypto assets
Committee	IMF Committee on Balance of Payments Statistics
CPIS	Coordinated Portfolio Investment Survey
ESS	External sector statistics
GVCs	Global value chains
IE	Informal economy
ISWGNA	Intersecretariat Working Group on National Accounts
IIP	International investment position
IOs	International organizations
PoC	Proof of concept
SPEs	Special purpose entities
STA	IMF Statistics Department
TFIE	Task force on informal economy
TFSPes	Task force on special purpose entities
WG	Working group

## 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) advising on setting methodological standards on ESS; (ii) improving the availability, consistency, and reliability of balance of payments and international investment position (IIP) statistics; (iii) closing data gaps on financial interconnectedness and balance sheet analysis; (iv) fostering greater coordination of data compilation and dissemination among countries; and (v) facilitating the exchange of statistics.<sup>1</sup> The Committee's annual meeting agenda and work program are closely aligned to Fund Management's Key Goals, and to the IMF Statistics Department Accountability Framework.
2. **The Committee held its thirty-first meeting during October 24–26, 2018, 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 2018; and outline the Committee's work program for 2019, respectively.

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

4. **A considerable number of economies submit ESS to the IMF.** Annual balance of payments and IIP statistics for the period 2011–17 are published in the 2018 *Balance of Payments Statistics Yearbook* ([BOPSY 2018](#)). For the *BOPSY 2018*, 194 economies<sup>2</sup> submitted balance of payments data and 165 also submitted IIP data (of which 115 reported quarterly IIP, compared to 111 in 2017). The balance of payments data reported by 169 of these countries followed the sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)*,<sup>3</sup> as compared to 162 in 2017. Data for countries that reported following the *BPM5* version were converted by the IMF Statistics Department (STA) using standardized conversion formulas.
5. **According to data published in *BOPSY 2018*, the global current account balance (reflecting the difference between current account receipts and payments) was consistently positive in 2011–17**<sup>4</sup> (see [BOPSY 2018](#), Table A-1). The balance increased by

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

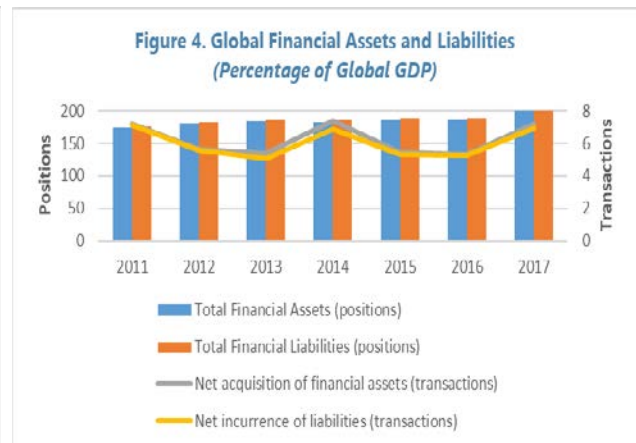
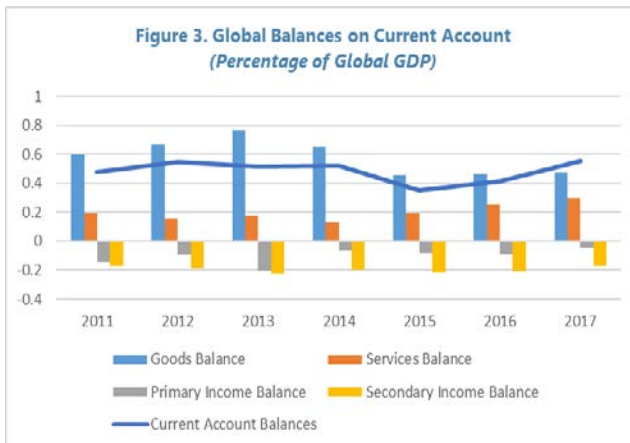
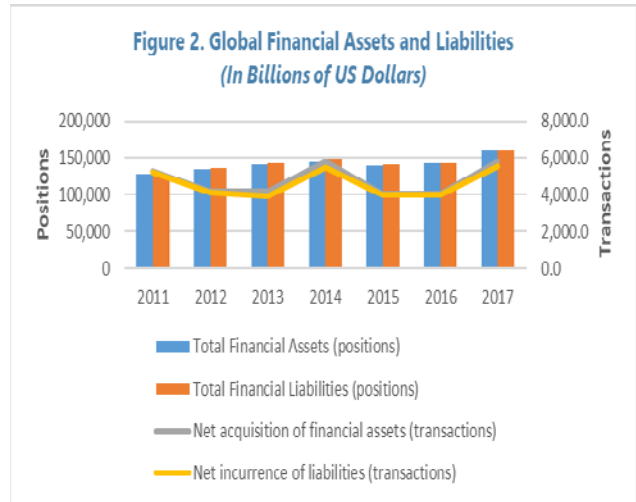
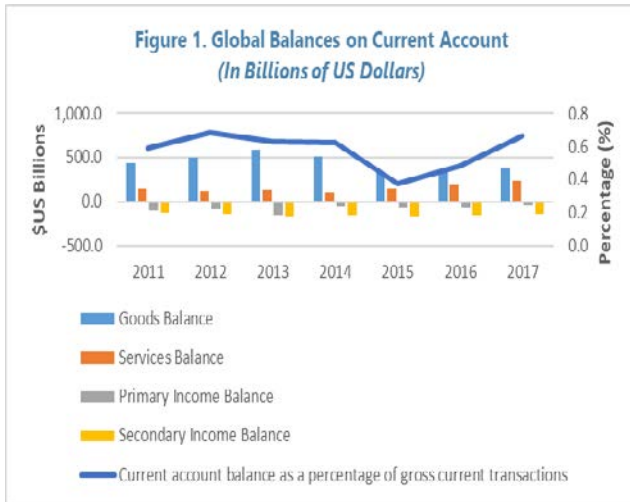
<sup>2</sup> Includes 178 IMF members, 13 economies—non-IMF members, and three currency unions.

<sup>3</sup> Includes 155 IMF members, 11 economies—non-IMF members, and three currency unions.

<sup>4</sup> While, at the global level, the balance of payments current account balances for all economies and international organizations (IOs) combined should be zero, in practice, they are not. Global current account imbalances are of

(Continued)

43 percent to \$444.9 billion in 2017, compared to \$311.6 billion in 2016, or from 0.4 to 0.6 percent of global GDP. The changes coincided with the significant growth in current account balances of advanced economies. In 2017 (as in every year since 2011), the overall current account balance mostly results from the positive balance on trade in goods and services (excess of exports over imports), while the balances on primary and secondary incomes were negative. The global current account balance represents 0.7 percent of the total gross current account (credits plus debits) transactions in 2017 compared to 0.5 percent in 2016 (see Figures 1 and 3).



interest to the Committee, as they are a symptom, among others, of estimation errors, incomplete coverage (e.g., missing data for a number of economies that do not report to the IMF, including some offshore centers), and asymmetric valuation that, when large, could lead to analytical mistakes.

**6. The global financial account balance<sup>5</sup> increased more than five-fold in 2017 to a positive \$239.9 billion from a positive \$45.8 billion in 2016, or to 0.3 from 0.1 in percentage of global GDP** (see [BOPSY 2018](#), Table A-1). This overall positive balance indicates more financial outflows than inflows at the global level, that is the net acquisition of financial assets is overestimated and/or the net incurrence of liabilities is understated (see Figures 2 and 4). One of the causes of financial account imbalance is the undercoverage of offshore centers. In 2017, the balances on direct and portfolio investment were negative, while the balances on financial derivatives, other investment, and reserve assets were positive.

**7. World IIP assets increased by 13 percent from \$142.0 trillion at end-2016 to \$160.2 trillion at end-2017, and IIP liabilities by 12 percent from \$143.0 to \$160.4 trillion, respectively** (see [BOPSY 2018](#), Table E-2), **with a net (negative) balance (liabilities higher than assets) that decreased by 74 percent from \$-1,010.3 to \$-259.8 trillion (from -1.3 to -0.3 in percentage of global GDP), respectively** (see [BOPSY 2018](#), Table E-1). The balances of IIP assets and liabilities for all economies and International Organizations 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>6</sup> At the global level though, the overall negative balance indicates incomplete coverage (e.g., undercoverage of offshore centers), asymmetries in the time of recording, and/or asymmetric valuations.

## WORK UNDERTAKEN BY THE IMF STATISTICS DEPARTMENT AND THE COMMITTEE IN 2018

### A. Globalization, Digitalization, and Financial Interconnectedness: Challenges for ESS

**8. In a complex global financial system with increasing cross-border linkages, special purpose entities (SPEs) play an important role.** In 2016, the Committee created the Task Force on SPEs (TFSPes) with a two-year mandate to develop an IMF strategy to address existing data gaps by aiming to collect and disseminate internationally-comparable statistics on SPEs. In its final report, the TFSPE proposed a definition and typology of SPEs in the context of ESS and a data collection framework to identify separately their cross-border transactions and positions by 2021. STA will consult with the Intersecretariat Working Group on National Accounts (ISWGNA) to ensure alignment in the consideration of SPEs both in ESS and National Accounts; and will

<sup>5</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 (except for holdings of monetary gold bullion) should be offset by a negative financial account balance of its counterparts altogether.

<sup>6</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 around US\$1.4 trillion at end-2017.

develop with the Committee's advice, a data collection plan with the broad objective of collecting separate information with an increased data coverage for SPEs.

**9. With the increasing fragmentation of production across borders, more detailed data are needed to understand the global value chains (GVCs).** The working group (WG) on GVCs led by the Organisation for Economic Co-operation and Development and the IMF set up by the Committee in 2018 has identified components in the current balance of payments framework that are relevant for developing GVC indicators. In 2019, the WG will develop a GVC reporting template; conduct a stocktaking survey of current GVC data availability; examine how to better identify multinational enterprises' broader role in the current account; and develop additional guidance that can help to identify merchanters and factoryless goods producers.

**10. The expansion of GVCs has also led to new forms of trade finance with instruments beyond the standard financial account, resulting in the lack of a comprehensive dataset for its measurement.** STA proposed a single satellite table capturing trade finance within and across borders including contingent instruments (such as letters of credit). Two Committee countries volunteered to participate in a pilot test for assessing the analytical value of the information collected via the proposed satellite table.

**11. Coverage of the informal economy (IE) in ESS continues to be a challenge, particularly for low-income economies.** In 2017, the Committee endorsed establishing the Task Force on IE (TFIE) with a two-year mandate to identify encouraged practices for compiling data on cross-border flows/positions linked to informal, underground, and illegal activities. In its preliminary report, the TFIE presented findings of the global survey-based inventory exercise, provided preliminary recommendations, and proposed the work ahead. Next steps include selecting, documenting, and disseminating encouraged practices in countries currently compiling estimates of the IE; and providing recommendations to improve IE data quality in ESS.

**12. Digitalization is changing the way firms produce and market goods and services across borders, and its measurement is of critical importance.** The Committee contributed to the preparation of a *Handbook on Measuring Digital Trade*, an initiative led by various IOs. The draft defines digital trade as all international trade flows that are either digitally ordered, digital intermediary platform-enabled, or digitally delivered. The *Handbook* is planned to be finalized in 2019.

**13. Digitalization is also a driver in the increasing trend in cross-border mobile money transfers.** A pilot survey to collect data from telecommunication companies launched in three countries (Botswana, Philippines, and Uganda) revealed that, while the use of mobile money for cross-border transfers is not widespread yet, it is significantly expanding—especially in certain developing regions, including low-income economies—thus contributing to financial inclusion. To strengthen coverage, STA will continue encouraging data collection on mobile money transfers through capacity building activities in such regions.

**14. There is need for guidance on the definition, classification, and treatment of crypto assets.** Based on the information available to date, the Committee agreed on defining crypto assets as digital representations of value made possible by advances in cryptography and distributed ledger technology. It also agreed on (i) classifying crypto assets in two categories— (a) Bitcoin-like crypto assets (BLCA), and (b) crypto assets other than BLCA (digital tokens); and (ii) treating crypto assets without counterpart liabilities *as produced nonfinancial assets* in a distinct sub-category under valuables. STA, after consultation with the ISWGNA, will prepare a clarification note on crypto assets to be posted on the *BPM6* and Committee’s websites. The Committee will regularly monitor the evolution of crypto assets to assess whether the proposed treatment might need to be revisited.

**15. The Committee continued efforts to enhance the data needed to support analysis of financial interconnectedness.** The Committee reaffirmed its strong support to setting up a centralized database hosted by the IMF enabling the exchange of information on main securities’ issuers and their institutional sector. The database would significantly contribute to breaking down portfolio (Coordinated Portfolio Investment Survey – CPIS) positions by country and sector of securities’ issuers and holders (i.e., who finances whom). Following a successful pilot exercise conducted by the European Central Bank and the US Federal Reserve in 2017, in 2018 STA conducted a survey among CPIS reporters on the volume and format of the data exchange, legal limitations, and potential interest to participate. Based on the survey results, the Committee supported STA’s proposal to undertake a proof of concept (PoC) of a potential database with 17 volunteer countries. Based on the PoC’s outcome, STA will prepare a cost assessment exercise, such that STA can take a final decision on whether to build up the database.

**16. Plans for a quarterly CPIS by 2019 were postponed.** The G-20 Data Gaps Initiative Phase II call for examining the feasibility of increasing the CPIS reporting frequency was put on hold against other competing priorities (e.g., collecting IIP broken down by currency). On the methodological front, STA finalized the third edition of the [CPIS Guide](#) in consultation with the Committee.

**17. To facilitate more informed assessments of external sector vulnerabilities, there are continued efforts to enhance the compilation of IIP items.** In December 2017, STA started disseminating the IIP broken down by currency of those countries that reported the data. The Committee acknowledged the policy relevance of the data required for strengthening bilateral and multilateral surveillance. In this regard, in 2019 the Committee will study the feasibility of improving data availability on stock/flow reconciliation and IIP currency composition, as well as IIP diverging valuation methods that may contribute to the increasing global discrepancies.

## B. Implementing the 2018 Research Agenda

**18. The Committee’s active work on the research agenda contributed to maintaining the relevance of ESS concerning new economic and financial developments.** As a result of this work, STA posted clarification notes on the *BPM6* and Committee’s websites on the statistical



treatment of reserve position in the IMF, currency swap agreements between central banks, precious metals accounts, and sectoral classification of IOs.

**19. The Committee sought the need for a strategic paper that should guide the ESS research agenda by describing the overarching topics that need to be addressed.** The paper will have a multi-year timeline linking the research agenda to the main policy priorities in a fast-changing global economic and financial environment; and will be coordinated with the research agenda of other macroeconomic statistical fields to avoid duplication of efforts and ensure consistency.

**20. At the 2018 meeting, the Committee discussed several topics where guidance on their treatment in ESS is required.** Clarification notes on the treatment of freight and insurance associated with merchanting, and the identification of superdividends in ESS will be posted on the *BPM6* and the Committee's websites.

**21. STA will continue gathering research topics that require either clarification or more structural changes to the *BPM6*.** The latter topics will be tackled when launching the process of revisiting the *BPM6*. The IMF departments identified several topics to be considered within the ESS research agenda that are relevant for the assessment of external sector vulnerabilities. Among them are developing stock-flow reconciliation tables, revisiting the treatment direct and portfolio investment equity income, and assessing additional data needs on the currency composition of cross-border flows and stocks.

## 2019 WORK PROGRAM

**22. The top priorities of the Committee for 2019** are: (i) preparation of a strategic ("backbone") paper describing overarching topics around which the Committee's research agenda should be structured; (ii) continue the work to improve IE coverage and measurement in ESS; (iii) continue the work to measure GVCs under the *BPM6* framework; (iv) advise on the implementation plan for launching the new reporting framework for SPEs' transactions and positions; and (v) develop further guidance on the treatment of reserve assets for member states in centralized currency unions.

**23.** The proposed **medium priority topics** include: (i) providing guidance on items in the 2019 ESS research agenda; (ii) supporting the assessments of global financial stability and external vulnerabilities through (a) studying the feasibility of compiling and disseminating a full reconciliation of cross-border flows and stocks and (b) examining the feasibility of producing IIP with a country breakdown; (iii) enhance balance sheet statistics and global flow of funds by executing the PoC project for a centralized database on sectors and issuers of securities; (iv) finalizing the framework to capture trade finance; and (v) addressing global discrepancies in ESS by supporting a more bilaterally focused approach. The 2019 work program of the Committee is available at BOPCOM 18/16.

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

(As of December 31, 2018)

### **Chair**

Louis Marc Ducharme  
IMF, Statistics Department

### **Members**

Grace Akrofi  
Bank of Ghana

Robert Pupynin  
Central Bank of the Russian Federation

Mher Barseghyan  
Central Bank of Armenia

Gabriel Quirós  
IMF, Statistics Department

Pim Claassen  
De Nederlandsche Bank

Norhayati Razi  
Bank Negara, Malaysia

Kenneth Egesa<sup>1</sup>  
Bank of Uganda

Mounir Rhandi  
Office des Changes  
Morocco

Paul Farello  
Bureau of Economic Analysis  
United States

Fernando Rocha  
Banco Central do Brasil

Perry Francis  
Bank of England

Yangchen Tshogyel  
Royal Monetary Authority of Bhutan

Keiji Fukuzawa  
Bank of Japan

Carlos Sánchez-Muñoz  
IMF, Statistics Department

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

Ursula Schipper  
Deutsche Bundesbank  
Germany

Miyuki Izumiyama  
Ministry of Finance, Japan

Consuelo Soto  
Central Reserve Bank of Peru

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<sup>1</sup> Did not attend the October 2018 Committee meeting.

***Representatives of International Organizations***

*Bank for International Settlements*  
Philip Wooldridge

*European Central Bank*  
Olga Monteiro

*European Commission-Eurostat*  
Lena Frej Ohlsson

*Organization for Economic Co-operation and Development*  
Maria Borga

*United Nations Conference on Trade and Development*  
Astrit Sulstarova<sup>2</sup>

*United Nations Statistics Division*  
Herman Smith

*World Bank*  
Barbro Hexeberg

***Secretariat (IMF, Statistics Department)***

Alicia Hierro  
Tamara Razin

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<sup>2</sup> Did not attend the October 2018 Committee meeting.