CHAPTER 3

EXTERNAL SECTOR REPORT

2024 Individual Economy Assessments

CONTENTS

BOX

TABLES

Methodology and Process

The individual economy assessments use a wide range of methods to form an integrated and multilaterally consistent view of economies' external sector positions. These methods are grounded in the latest vintage of the External Balance Assessment (EBA), developed by the IMF's Research Department to estimate desired current account balances and real exchange rates.[1] Model estimates and associated discussions on policy distortions (see Box 3.1 for an example) are accompanied by a holistic view of other external indicators, including capital and financial account flows and measures, foreign exchange intervention and reserves adequacy, and foreign asset or liability positions.[2] The policy discussion in the individual economy assessments highlights policies and reforms that contribute to supporting convergence toward (or maintenance of) external balance, in the context of a summary of the overall policy advice.

The EBA models provide numerical inputs for the identification of external imbalances but, in some cases, may not sufficiently capture all relevant economic characteristics and potential policy distortions. In such cases, the individual economy assessments may need to be complemented by analytically grounded judgment and economy-specific insights in the form of adjustors. IMF staff members estimate an economy's current account gap by combining the EBA model's current account gap estimate with adjustors. The IMF staff estimates the real effective exchange rate (REER) gap consistent with the staff current account gap by applying a country-specific elasticity, although in some cases additional information is used, such as the EBA REER regression models and unit-labor-cost-based measures to arrive at the staff REER gap estimate. To integrate country-specific judgment in an objective, rigorous, and evenhanded manner, a process was developed for multilaterally consistent external assessments for the 30 largest economies, representing about 90 percent of global GDP. These assessments are also discussed with the respective authorities as part of bilateral surveillance.

External assessments are presented in ranges, in recognition of inherent uncertainties, and in different categories generally reflecting deviations of the overall external position from fundamentals and desired policies. As reported in Annex Table 1.1.2 (Chapter 1), the ranges of uncertainty for IMF staff–assessed current account gaps are based on country-specific estimated measures. For the REER, the ranges of uncertainty vary by country, reflecting country-specific factors, including different exchange rate semi-elasticities applied to the staff-assessed current account gaps. Overall external positions are labeled as either "broadly in line," "moderately weaker (stronger)," "weaker (stronger)," or "substantially weaker (stronger)." (See Table 3.A) The criteria for applying the labels to overall external positions are multidimensional.

Regarding the wording to describe the current account and REER gaps, (1) when comparing the cyclically adjusted current account with the current account norm, the wording "higher" or "lower" is used, corresponding to positive or negative current account gaps, respectively; (2) a quantitative estimate of the IMF staff's view of the REER gap is generally reported as ( ) percent "over" or "under" valued. External positions that are labeled as being "broadly in line" are consistent with current account gaps in the range of ±1 percent of GDP as well as REER gaps in a range that reflects the country-specific exchange rate semi-elasticity (for example, ±5 percent based on an elasticity of –0.2).

[1] See Allen and others (2023) for a complete description of the EBA methodology and for a description of the most recent refinements.

[2] The individual economy assessments for 2024 are based on external sector data as of May 27, 2025 and IMF staff projections in the April 2025 *World Economic Outlook*.

Selection of Economies

The 30 systemic economies analyzed in detail in this report and included in the individual economy assessments are listed in Table 3.B. They were generally chosen on the basis of a set of criteria, including each economy's global rank in terms of purchasing power GDP, as reported in the IMF's *World Economic Outlook*, and in terms of the level of nominal gross trade and degree of financial integration.

Table 3.A. Description in *External Sector Report* Overall Assessment

CA Gap	REER Gap (Using Elasticity of−0.2)	Description in Overall Assessment
> 4%	< −20%	… substantially stronger …
2%, 4%	−20%, −10%	… stronger …
1%, 2%	−10%, −5%	… moderately stronger …
−1%, 1%	−5%, 5%	The external position is broadly in line with fundamentals and desirable policies.
−2%, −1%	5%, 10%	… moderately weaker …
−4%, −2%	10%, 20%	… weaker …
<−4%	> 20%	… substantially weaker …

Table 3.B. Economies Covered in the *External Sector Report*

Argentina	Euro area	Italy	Poland	Sweden
Australia	France	Japan	Russia	Switzerland
Belgium	Germany	Korea	Saudi Arabia	Thailand
Brazil	Hong Kong SAR	Malaysia	Singapore	Türkiye
Canada	India	Mexico	South Africa	United Kingdom
China	Indonesia	The Netherlands	Spain	United States

Box 3.1. Assessing Imbalances: The Role of Policies—An Example

A two-country example: To clarify how to analyze policy distortions in a multilateral setting and how to distinguish between domestic policy distortions, which may require a country to take action to reduce its external imbalance, and foreign policy distortions, which require no action by the home country (but for which action by the other would help reduce the external imbalance), consider a stylized example of a two-country world.

- Country A has a large *current account deficit* and a large fiscal deficit, as well as high public and external debt.
- Country B has a *current account surplus* (matching the deficit in Country A) and a large creditor position but has no policy distortions.

Overall external assessment: The analysis would show that Country A has an external imbalance reflecting its large fiscal deficit. Country B would have an equal and opposite surplus imbalance. Country A's exchange rate would look overvalued and Country B's undervalued.

Policy gaps: The analysis of policy gaps would show that Country A has a domestic policy distortion that needs adjustment. The analysis would also show that there are no domestic policy gaps in Country B—instead, adjustment by Country A would automatically eliminate the imbalance in Country B.

Individual economy write-ups: While the estimates of the needed *current account adjustment* and associated *real exchange rate change* would be equal and opposite in both cases (given there are only two economies in the world), the individual economy assessments would identify the different issues and risks facing the two economies.

- In the case of Country A, the *capital flows and foreign asset* and *liability position* sections would note the vulnerabilities arising from international liabilities, and the *potential policy response* section would focus on the need to rein in the *fiscal deficit* and limit *financial excesses*.
- For Country B, however, as there were no domestic policy distortions, the write-up would find no fault with policies and would note that adjustment among other economies would help reduce the imbalance.

Implications: It remains critical to distinguish between domestic and foreign fiscal policy gaps. The elimination of the fiscal policy gap in a systemic deficit economy would help reduce excessive surpluses in other systemic economies. More generally, policy actions that contribute to addressing external imbalances relate to the determinants of current account balances, namely the private and public saving-investment balances. Structural or policy distortions can contribute to excessive or inadequate saving and investment, and the policy advice in the individual economy assessments highlights reforms and policy changes that can contribute to addressing these gaps. Policy advice also seeks to address vulnerabilities associated with external stock positions, including reserves, as well as foreign exchange intervention policies.

Abbreviations and Acronyms

Adj.	adjusted
ARA	assessing reserve adequacy
BOP	balance of payments
CA	current account
CFM	capital flow management
COVID-19	Coronavirus disease 2019
CPI	consumer price index
Cycl.	cyclically
EBA	External Balance Assessment
EU	European Union
FDI	foreign direct investment
FX	foreign exchange
GDP	gross domestic product
Liab.	liabilities
NEER	nominal effective exchange rate
NIIP	net international investment position
REER	real effective exchange rate
Res.	residual
SDR	special drawing right
TARGET2	Trans-European Automated Real-time Gross Settlement Express Transfer System
ULC	unit labor cost

Table 3.1. Argentina: Economy Assessment

<table>
<tr><td colspan="7">Overall Assessment: The external position in 2024 was weaker than the level implied by medium-term fundamentals and desirable policies. Economic fundamentals have improved substantially since end-2023, but net international reserves remain critically low and sovereign spreads, while down sharply, are still elevated. The external assessment is subject to exceptionally high uncertainty and contingent on implementation of structural reforms that boost competitiveness and productivity.

Potential Policy Responses: Sustained implementation of the newly approved EFF program—with its strong fiscal anchor, a more robust monetary and FX regime (with active measures to rebuild international reserves), and competitiveness-enhancing reforms—is necessary to maintain a strong trade balance, attract FDI, regain market access, and safeguard external sustainability. A more flexible exchange rate, along with a gradual easing of remaining FX restrictions, multiple currency practices and CFM measures, a cautious approach to prudential policies, and reforms to create a more open and market-oriented economy, are key to build resilience and support sustainable longer-term capital inflows to boost Argentina's vast external potential, including in energy and mining.</td></tr>
<tr><td>Foreign Asset and Liability Position and Trajectory</td><td colspan="6">Background. Argentina's NIIP turned from –20 percent of GDP in 1999 to 24 percent of GDP on average in 2020–23 as macroeconomic mismanagement and growing public sector's external liabilities over this period resulted in an exodus of private-sector savings and dampened valuations of Argentine assets. These dynamics changed in 2024 as the authorities' stabilization plan led to an increase in reserve assets (about 1 percent of GDP), some decline in the public sector's external debt (0.5 percent of GDP) and strong resident inflows, supported by a tax amnesty on undeclared FX assets. Meanwhile, Argentinian corporates, with healthy balance sheets and limited leverage, have started tapping international capital markets while normalizing trade credit liabilities. Gross private sector liabilities are up mostly owing to improved valuations of direct and portfolio investments in Argentina.[1]

Assessment. Despite recent progress, external vulnerabilities remain high. Argentina's large positive NIIP mostly reflects private sector holdings of external (low-yielding) assets, while the government's foreign position remains in deep negative territory (high-yielding) and the central bank's net reserve asset position remains critically low.[2]</td></tr>
<tr><td>2024 (% GDP)</td><td>NIIP: 10.6</td><td>Gross Assets: 81.3</td><td>Debt Assets: 56.7</td><td>Gross Liab.: 70.7</td><td colspan="2">Debt Liab.: 45.3</td></tr>
<tr><td>Current Account</td><td colspan="6">Background. The CA reversed from a deficit of 3.4 percent of GDP in 2023 to a 1 percent surplus in 2024, driven by a significant demand compression amid fiscal consolidation and exchange rate correction (at the end of 2023), along with a recovery in grain exports (following drought) and a further improvement in the energy balance. The CA balance, which has narrowed since mid-2024 on account of the strong demand recovery, peso appreciation, and easing of many import taxes and restrictions, is projected to reach a deficit of 0.4 percent in 2025. Over the medium term, tight fiscal policies, a more robust monetary and FX regime, and productivity/competitiveness reforms are projected to support a small CA surplus, with structural improvements in the energy and mining balance playing an important role.

Assessment. The 2024 EBA cyclically adjusted CA balance was estimated at about –0.5 percent of GDP. The estimated EBA CA norm was 0.7 percent of GDP, predicated in part on the need to continue to strengthen the country's fiscal position, implying an EBA CA gap of -1.3 percent of GDP. Considering Argentina's weak reserve coverage and lack of international market access, external sustainability considerations suggest a CA norm of 1.4 percent of GDP, which would be consistent with bringing reserves near 100 percent of the ARA metric over the medium term while avoiding a further increase in gross external liabilities.[3] This norm is subject to a high degree of uncertainty in the context of deep structural changes and easing of FX restrictions, and is expected to decline as reforms are implemented under IMF-supported program to bring FX reserves closer to the adequacy levels, including through more stable capital inflows. Reflecting the above uncertainties and adjustments, the staff-assessed CA gap for 2024 was in the range of –3 to –1 percent of GDP.</td></tr>
<tr><td>2024 (% GDP)</td><td>CA: 1</td><td>Cycl. Adj. CA: –0.5</td><td>EBA Norm: 0.7</td><td>EBA Gap: –1.3</td><td>Staff Adj.: –0.7</td><td>Staff Gap: –2</td></tr>
<tr><td>Real Exchange Rate</td><td colspan="6">Background. The average REER remained broadly unchanged in 2024 versus 2023, as a sharp correction in December 2023 was followed by an appreciation of over 40 percent through the first quarter of 2025 (with the REER returning close to the highs observed in early 2017). As of May 2025, the REER was generally unchanged relative to the end of 2024 levels, in the context of the adoption of a new monetary and FX regime and the weakening of the US dollar. Both price-based and wage-based REER indices exhibited a similar pattern, although wage adjustments have occurred with some lags, likely reflecting shifting profit margins.

Assessment. The staff-assessed CA gap for 2024 suggests an average REER gap for 2024 in a range of 6 to 18 percent, assuming a semi-elasticity of 0.16. This implies an end-of-year REER gap of 15 to 25 percent. The result is also generally consistent with the EBA REER models.[4] The recent transition to a more robust monetary and FX regime (moving from a crawling peg to a flexible ER within relatively wide bands) allows for a more market-determined exchange rate, although tight macroeconomic policies remain necessary to deliver a strong trade balance and reserve accumulation. Over the medium term, a stronger REER could be justified provided the ongoing ambitious structural reforms deliver stronger productivity and competitiveness.</td></tr>
<tr><td>Capital and Financial Accounts: Flows and Policy Measures</td><td colspan="6">Background. Since the end of 2023 and in the context of the 2025 EFF program, important steps have been taken to ease most FX restrictions and controls. These include: (i) elimination of the export incentive scheme and reduced periods for accessing imports, (ii) elimination of distortionary FX access tax, impuesto pais, (iii) a market-based solution to import and dividend payment backlogs (through BCRA FX denominated securities, BOPREALs), (iv) easing the ability of households to convert pesos into US dollars, (v) full access to the official FX market for dividend flows from 2025 onwards, and (vi) elimination of the preferential exchange rate for tourism inflows.

Assessment. The careful easing of FX restrictions, along with tight macroeconomic policies and greater exchange rate flexibility, will support the next stage of the stabilization plan to boost reserves, regain international market access, and encourage investment. These measures will need to be complemented by tight macroprudential policies to ensure the sustainability of capital inflows, thereby avoiding currency mismatches and disruptive hot money flows from nonresidents.</td></tr>
<tr><td>FX Intervention and Reserves Level</td><td colspan="6">Background. NIR, after falling to negative $11 billion, rose by $6 billion during 2024, as strong FX purchases more than offset servicing of large FX public debt. However, reserve accumulation has been more challenging since mid-2024, with NIR falling to negative $6 billion by the end of March 2025. The GIR dynamics was broadly similar, reaching $16.6 billion by the end of 2024. The reserve situation has stabilized since implementation of the new program and establishment of new exchange rate bands in mid-April.

Assessment. Reserve coverage remains inadequate. GIR are estimated at about 23 percent of the IMF's composite metric as of the end of 2024.[5] Early efforts are essential to rebuild reserves, while allowing for greater price discovery and FX purchases to meet FX debt service obligations.</td></tr>
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Table 3.2. Australia: Economy Assessment

<table>
<tr><td colspan="31">Overall Assessment: The external position in 2024 was moderately weaker than the level implied by medium-term fundamentals and desirable policies. The CA deficit widened from 0.3 percent of GDP in 2023 to 1.9 percent of GDP in 2024, as resource exports softened, reflecting declining commodity prices and slow growth in external demand. The CA balance is expected to deteriorate further and then return to a slight deficit in the long term, reflecting the trend decline in commodity prices, the return of savings to historical levels, and a pickup in investment.

Potential Policy Responses: The planned gradual medium-term fiscal consolidation could contribute to slowing the deterioration of the current account. A growth slowdown in key trading partners may reduce demand for commodities and increase the current account deficit. At the same time, Australia's commitment to structural policies that boost competitiveness, including via promoting R&D, reducing barriers to labor mobility, upgrading competition policies, and stimulating innovation, would help improve export quality, reduce unit labor costs, foster high-value industries, and contribute to medium-term external rebalancing. Industrial policies should be pursued cautiously and remain narrowly targeted to specific objectives where externalities or market failures prevent effective market solutions and aim to minimize trade and investment distortions. The exchange rate should continue to move flexibly as the key shock absorber.</td></tr>
<tr><td>Foreign Asset and Liability Position and Trajectory</td><td colspan="30">Background. Australia's NIIP improved to –24.0 percent of GDP at the end of 2024, from –31.2 percent of GDP in 2023. The improvement was driven by strong revaluation effects of foreign equities, resulting from both price growth and Australian dollar depreciation in the final quarter of 2024, which more than offset the increase in debt liabilities. Roughly 48 percent of Australia's gross liabilities are debt obligations, and about half of the debt liabilities are denominated in domestic currency, while assets are largely denominated in foreign currency. Foreign liabilities are composed of about one-quarter FDI, one-half portfolio investment (principally banks' borrowing abroad and foreign holdings of government bonds), and one-quarter other investments and derivatives.

Assessment. The NIIP level and trajectory are sustainable. The structure of Australia's external balance sheet reduces the vulnerability associated with its negative NIIP. With a positive net foreign currency asset position, a nominal depreciation tends to strengthen the external balance sheet (as occurred at the end of 2024) all else equal. The banking sector's net foreign currency liability position is mostly hedged, and the maturity of banks' external funding has lengthened since the global financial crisis. Growing exposure to foreign equity markets in recent years (most notable for pension funds) may raise vulnerability to extreme global financial market volatility. The government's balance sheet remains strong and can provide credible support in a tail-risk event in which domestic banks suffer a major loss.</td></tr>
<tr><td>2024 (% GDP)</td><td colspan="6">NIIP: –24.0</td><td colspan="6">Gross Assets: 161.3</td><td colspan="6">Debt Assets: 39.7</td><td colspan="6">Gross Liab.: 185.3</td><td colspan="6">Debt Liab.: 87.9</td></tr>
<tr><td>Current Account</td><td colspan="30">Background. Australia's CA balance experienced a short period of surplus over 2020–22, resulting from a significant upswing in commodity prices, but returned to a slight deficit (0.3 percent of GDP) in 2023 as commodity prices started to normalize. The CA deficit widened in 2024, to 1.9 percent of GDP, as a result of further normalization in commodity prices and slowing external demand, reflecting a return of the savings and investment balance closer to historical norms. The merchandise trade balance therefore declined from 4.8 percent of GDP in 2023 to 2.5 percent of GDP in 2024, while the services deficit remained stable at 1.4 percent of GDP. The goods trade surplus was further offset by a 3.0 percent of GDP deficit in the primary income balance. While this deficit, which reflects dividend payments on Australia's equity liabilities, especially in the mining sector, has narrowed slightly (by 0.6 percent of GDP) since 2023, it did not substantially mitigate the impact of external conditions on commodity exports, which have fallen by 2.2 percent of GDP since 2023. Reflecting commodity price decline in 2025 and slowing growth in some key trading partners, the CA deficit is expected to widen further before stabilizing at a slight deficit in the long term. This is also consistent with a recovery in investment and a return of saving rates closer to historical levels.

Assessment. The EBA model estimates a CA norm of –0.6 percent of GDP, relative to the cyclically adjusted CA deficit of –2.5 percent of GDP; this suggests a model-based CA gap of –1.9 percent of GDP with a range of –2.4 to –1.4 percent of GDP. The gap is primarily driven by a large unexplained residual which potentially reflects country-specific factors not included in the model.</td></tr>
<tr><td>2024 (% GDP)</td><td colspan="5">CA: –1.9</td><td colspan="5">Cycl. Adj. CA: –2.5</td><td colspan="5">EBA Norm: –0.6</td><td colspan="5">EBA Gap: –1.9</td><td colspan="5">Staff Adj.: 0.0</td><td colspan="5">Staff Gap: –1.9</td></tr>
<tr><td>Real Exchange Rate</td><td colspan="30">Background. In real effective terms, the REER in 2024 was on average 1.8 percent higher than in 2023, and 4 percent higher than over the previous five years. The REER declined at the start of 2025, consistent with lower commodity prices. The Australian dollar continued to appreciate in the first half of 2024, and then started to depreciate in the last quarter, ending the year weaker than it had started relative to both the US dollar and a broader basket of currencies. The movements in the Australian dollar likely reflected interest rate differentials and commodity price movements. As of March 2025, the REER was 3.6 below its 2024 average.

Assessment. The IMF staff-assessed CA gap implies a REER gap of 10.7 percent (applying an elasticity of 0.18). The EBA REER level model points to an overvaluation of 19.8 percent, while the index model points to an undervaluation of 3.7 percent. Consistent with the CA gap, staff assesses the REER gap to be in a range of 7.9 to 13.5 percent, with a midpoint of 10.7 percent.</td></tr>
<tr><td>Capital and Financial Accounts: Flows and Policy Measures</td><td colspan="30">Background. The financial account recorded net inflows in 2024, driven by net inflows in portfolio investment and direct investment, which more than offset the outflows in financial derivatives. Net inflows in portfolio investment were driven by debt inflows, while equity flows remained negative in net terms.

Assessment. Vulnerabilities related to the financial account remain contained, supported by a credible commitment to a floating exchange rate.</td></tr>
<tr><td>FX Intervention and Reserves Level</td><td colspan="30">Background. The currency has been free floating since 1983. The central bank has not intervened in the FX market since the global financial crisis. The value of reserve assets increased in 2024 to $102 billion, from $94 billion at the end of 2023.

Assessment. The authorities are strongly committed to a floating exchange rate regime, which reduces the need for reserve holdings. Although domestic banks' external liabilities remain sizable, they are either in local currency or hedged. Hence, reserve needs for prudential reasons are also limited.</td></tr>
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Table 3.3. Belgium: Economy Assessment

<table>
<tr><td colspan="7">Overall Assessment: The external position in 2024 was weaker than the level implied by medium-term fundamentals and desirable policies. In 2024, the CA balance deteriorated to –0.9 percent of GDP driven by a wider trade deficit. In our unchanged policy (before fiscal adjustment) scenario, the CA balance is projected to deteriorate further in the near term, before returning to a smaller deficit in the medium term, although the outlook is highly uncertain in an environment of heightened global trade restrictions and uncertainty.

Potential Policy Responses: Bringing the external position closer in line with medium-term fundamentals and desirable policy settings will require sustained fiscal adjustment through a credible, expenditure-led consolidation. Public investment should be preserved or, ideally, increased to bolster potential growth and support the green transition. Significant structural reforms, including of the wage-setting mechanism, pensions and social benefits, taxation, and labor and product markets, are necessary to enhance productivity and strengthen competitiveness. In addition, Belgium should work with its EU partners to deepen the single market, including further the saving and investment union, to increase the resilience of its economy, and on nondiscriminatory reductions in trade barriers to increase economic integration.</td></tr>
<tr><td>Foreign Asset and Liability Position and Trajectory</td><td colspan="6">Background. Belgium's NIIP increased to 60.1 percent of GDP at the end of 2024 (compared with 51.5 percent at the end of 2023 and an average of 55 percent of GDP over 2019–23). The improvement was driven by an increase in gross foreign assets of 4.9 percentage points of GDP from the end of 2023, and a decrease in gross foreign liabilities of 3.7 percentage points of GDP. Net portfolio investment remained the main component of the positive NIIP, increased by 2.1 percentage points of GDP to 37.7 percent of GDP at the end of 2024, with both price effects and exchange rate effects contributing to the improvement despite negative net transactions. Net foreign direct investment increased by a robust 5.3 percentage points of GDP to 21.7 percent of GDP. Net other investment liabilities fell to 6.2 percent of GDP at the end of 2024, from a high of 11.7 percent of GDP at the end of 2022. The high level of interbank debt on the liabilities side since 2022 is due to economic sanctions on Russia.

Assessment. The NIIP-to-GDP ratio may decline slightly due to projected CA deficits over the medium term and growth trajectories. However, this would not raise concerns, as the NIIP remains significantly large and positive. Belgium's substantial gross international asset and liability positions are largely influenced by the presence of corporate treasury units, which do not appear to generate macro-relevant mismatches.</td></tr>
<tr><td>2024(% GDP)</td><td>NIIP: 60.1</td><td>Gross Assets: 412.0</td><td>Debt Assets: 130.1</td><td>Gross Liab.: 351.9</td><td colspan="2">Debt Liab.: 152.0</td></tr>
<tr><td>Current Account</td><td colspan="6">Background. Over 2014–23, the CA balance averaged 0.3 percent of GDP, with both surpluses and deficits. The CA deficit widened slightly to 0.9 percent of GDP in 2024, from 0.7 percent of GDP in 2023. This deterioration was primarily driven by a widening in the goods and services deficit to 0.8 percent of GDP in 2024, from 0.6 percent of GDP in 2023, with exports declining more than imports. While the primary income balance increased by 0.4 percentage point of GDP to 1.7 percent of GDP in 2024, this gain is broadly offset by a larger outflow of current transfers, which increased by 0.3 percentage point of GDP to –1.7 percent of GDP. Overall, volatility in the trade and primary income balances reflects the substantial activities of multinationals and significant trade data revisions.

Assessment. The EBA model estimates a CA norm of 3.5 percent of GDP, against a cyclically adjusted CA balance of –0.5 percent of GDP, implying a gap of –4.0 percent of GDP. This is within a range estimated by IMF staff for the CA gap of between –4.4 and –3.6 percent of GDP, applying the standard error of the CA norm estimated at ±0.4 percent of GDP.</td></tr>
<tr><td>2024(% GDP)</td><td>CA: –0.9</td><td>Cycl. Adj. CA: –0.5</td><td>EBA Norm: 3.5</td><td>EBA Gap: –4.0</td><td>Staff Adj.: 0</td><td>Staff Gap: –4.0</td></tr>
<tr><td>Real Exchange Rate</td><td colspan="6">Background. The ULC-based and CPI-based REERs appreciated by 7.9 percent and 4.6 percent between February 2020 and December 2024. The stronger appreciation of the ULC-based REER was driven by faster and higher wage increases from automatic wage indexation. The CPI-based REER appreciated by 1.0 percent in 2024 compared to the 2023 average. As of March 2025, the CPI-based REER was 0.9 percent above the 2024 average.

Assessment. The IMF staff-assessed CA gap implies a REER overvaluation in the range of 5.3 to 6.5 percent, with a midpoint of 5.9 percent (applying an estimated elasticity of the CA balance to the REER of 0.68). The EBA REER index model points to an overvaluation of 8.3 percent, whereas the REER level model points to an overvaluation of 17.5 percent.</td></tr>
<tr><td>Capital and Financial Accounts: Flows and Policy Measures</td><td colspan="6">Background. The financial account balance was negative at 0.3 percent of GDP in 2024. The direct investment balance was strongly positive at 4.4 percent of GDP (after turning negative at 1.7 percent of GDP in 2023 for the first time since 2019), due to a combination of negative transactions on the assets side (–1.0 percent of GDP) and strongly negative transactions on the liabilities side (–5.4 percent of GDP). The portfolio investment balance was negative at –4.9 percent of GDP, primarily driven by purchases of Belgian government bonds by nonresidents. The balance of other investment (including financial derivatives) was slightly positive at 0.2 percent of GDP.

Assessment. Belgium remains exposed to financial market risks and vulnerabilities associated with high external public debt. However, these vulnerabilities are limited by the large, positive NIIP.</td></tr>
<tr><td>FX Intervention and Reserves Level</td><td colspan="6">Background. The euro has the status of a global reserve currency.

Assessment. Reserves held by the euro area are typically low relative to standard metrics, but the currency is free floating.</td></tr>
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Table 3.4. Brazil: Economy Assessment

<table>
<tr><td colspan="7"> Overall Assessment: The external position in 2024 was broadly in line with the level implied by medium-term fundamentals and desirable policies. The CA deficit widened to 2.8 percent of GDP in 2024 and is expected to converge to 1.9 percent of GDP over the medium term as oil exports increase and net public savings improve. Risks to Brazil’s external position over the medium term relate to an intensification of geoeconomic fragmentation, heightened global uncertainty, and insufficient progress on domestic reforms. Potential Policy Responses: Policies that would help keep the CA in line with its norm include efforts to raise national savings, which would provide room for a sustainable expansion in investment. A sustained and more ambitious fiscal effort would contribute to increasing net public savings. Structural reforms that improve efficiency and reduce firms’ cost of capital would help strengthen competitiveness. Industrial policies should (i) remain narrowly targeted to specific objectives where externalities or market failures prevent effective market solutions, (ii) avoid increasing barriers to trade and investment, and (iii) not favor domestic producers over imports. </td></tr>
<tr><td>Foreign Asset and Liability Position and Trajectory</td><td colspan="6"> Background. Brazil’s NIIP rose to –34.6 percent of GDP in 2024, from –50.3 percent of GDP in 2023 and an average of –38 percent of the GDP during 2018–22. The NIIP increase in 2024 consisted of a 2.2 percentage points of GDP rise in gross foreign assets from 2023 and a 13.5 percentage points of GDP decline in gross foreign liabilities, supported by portfolio rebalancing (including in equity and investment fund shares) and positive valuation effects from currency depreciation. FDI continued to account for more than half of all liabilities. At the end of 2024, external debt decreased to 33.1 percent of GDP and 212 percent of exports, from about 33.4 percent of GDP and 213 percent of exports in 2023. Assessment. The NIIP has been negative since the series was first published in 2001. Over the medium term, gross external financing needs are moderate at about 10 percent of GDP annually. The NIIP is projected to stabilize around –45 percent of GDP over the medium term, in line with projected CA deficits being offset by robust nominal GDP growth. </td></tr>
<tr><td>2024 (% GDP)</td><td colspan="2">NIIP: –34.6</td><td>Gross Assets: 47.2</td><td>Res. Assets: 15.2</td><td>Gross Liab.: 81.8</td><td>Debt Liab.: 33.1</td></tr>
<tr><td>Current Account</td><td colspan="6"> Background. During 2018–22, the CA deficit averaged 2.5 percent of GDP before dropping to 1.3 percent in 2023. The CA deficit widened to 2.8 percent of GDP in 2024, the result of a narrower trade balance surplus (3.0 percent of GDP), as imports rose with stronger economic activity, and a higher service balance deficit (2.5 percent of GDP). From a saving-investment perspective, the widened CA deficit in 2024 reflected the public sector’s reduced saving-investment deficit being partially offset by a private sector saving-investment surplus that was smaller compared with 2023. The CA deficit is expected to converge to 1.9 percent of GDP over the medium term, supported by higher oil exports and improved net public savings. Assessment. In 2024, the cyclically adjusted CA balance was –2.9 percent of GDP, and EBA estimates suggest a cyclically adjusted CA norm of –1.9 percent of GDP. IMF staff estimates the CA gap to be in the range of –1.5 to –0.5 percent of GDP, with a midpoint of –1.0 percent. EBA-identified policy gaps are estimated at –1.5 percent of GDP, reflecting positive credit growth, FX reserves changes, and more expansionary fiscal policy stances in Brazil relative to trading partners. </td></tr>
<tr><td>2024 (% GDP)</td><td>CA: –2.8</td><td>Cycl. Adj. CA: –2.9</td><td>EBA Norm: –1.9</td><td>EBA Gap: –1.0</td><td>Staff Adj.: 0.0</td><td>Staff Gap: –1.0</td></tr>
<tr><td>Real Exchange Rate</td><td colspan="6"> Background. The REER depreciated by 4.2 percent in 2024 compared to the 2023 average, after appreciating 4.9 percent in 2023. The nominal exchange rate depreciation against the US dollar reached around 20 percent by December 2024 at a 12-month rate. As of March 2025, the REER had depreciated by 4.3 percent from the 2024 average. Assessment. The IMF staff’s CA gap estimate implies a REER gap of 7.6 percent in 2024 (applying an estimated elasticity of 0.13). The REER index model suggests a REER gap of –31.2 percent, and the level model suggests –15.5 percent. Consistent with the CA gap, the staff-assessed REER gap is in the range of 3.8 to 11.4 percent, with a midpoint of 7.6 percent. The sizable REER depreciation since the start of 2024, yet to be fully reflected in the CA because of its lagged effect, is contributing to narrowing the assessed REER gap. </td></tr>
<tr><td>Capital and Financial Accounts: Flows and Policy Measures</td><td colspan="6"> Background. Brazil continues to attract sizable capital flows. Net FDI flows continued to finance the CA deficit, averaging 2.8 percent of GDP during 2015–22 and remaining a sizable 2.2 percent of GDP in 2024. Portfolio investment registered net inflows of 0.1 percent of GDP. Assessment. The composition of capital flows is expected to have a favorable risk profile over the medium term, with positive net FDI inflows outweighing negative portfolio outflows and debt liabilities increasingly denominated by FDI liabilities. Uncertainties related to tighter global financial conditions and insufficient progress on reforms pose downside risks to capital flows. </td></tr>
<tr><td>FX Intervention and Reserves Level</td><td colspan="6"> Background. Brazil has a floating exchange rate. During 2020–22 and 2024, the authorities intervened in the FX markets (including spot, repo, and FX swap markets) to ensure smooth market functioning and reduce excessive volatility. International reserves declined by $25 billion to $330 billion at the end of 2024. Assessment. The flexible exchange rate has been an important shock absorber. Reserves remain adequate based on the IMF’s reserve adequacy metric (126 percent at the end of 2024) and serve as insurance against external shocks. FX interventions were two-sided in recent years. In general, FX intervention could be used to address episodes of higher risk premia when FX liquidity becomes shallow, without substituting for warranted adjustment of macroeconomic policies. </td></tr>
</table>

Table 3.5. Canada: Economy Assessment

<table>
<tr><td colspan="7">Overall Assessment: The external position in 2024 was moderately weaker than the level implied by medium-term fundamentals and desirable policies. The external current account deficit narrowed slightly in 2024, largely due to a higher investment income surplus as higher profits earned by Canadian investors abroad outpaced payments. The narrowing of the CA deficit occurred despite a deterioration in the service and goods balance largely reflecting stronger domestic demand.

Potential Policy Responses: Policies should aim to boost Canada’s competitiveness in non-fuel goods and services exports and to diversify Canada’s export markets further. These policies include: (1) investing in R&D and physical capital (including infrastructure), and other measures to improve labor productivity, especially in the tradables sector, (2) removing internal trade barriers, (3) focusing on high-multiplier public spending, and (4) promoting FDI, including FDI outflows. In the context of heightened trade policy tensions and uncertainty, trade policies should seek to resolve trade tensions, promote clarity and transparency, and deepen economic integration by pursuing free trade agreements at the regional, plurilateral, or multilateral level. Government support for businesses and workers should strike a balance between easing short-term adjustment costs while minimizing long-term distortions to trade and investment, supporting external rebalancing, and ensuring medium-term fiscal consolidation to stabilize public debt.</td></tr>
<tr><td>Foreign Asset and Liability Position and Trajectory</td><td colspan="6">Background. Canada’s NIIP position continued to increase sharply to 61.9 percent of GDP from 49.4 percent of GDP in 2023 and 35.4 percent of GDP in 2022, reflecting revaluations (from market price changes) and the depreciation of the CAD relative to the US dollar. Gross external debt stood at 145.3 percent of GDP, up from 136.5 percent in 2023, of which about 37 percent is short term.

Assessment. Canada’s foreign assets have a higher foreign-currency component than its liabilities do, which provides a hedge against currency depreciation. The NIIP level and its trajectory are sustainable.</td></tr>
<tr><td>2024 (% GDP)</td><td>NIIP: 61.93</td><td>Gross Assets: 322.47</td><td>Debt Assets: 98.6</td><td>Gross Liab.: 260.54</td><td colspan="2">Debt Liab.: 145.32</td></tr>
<tr><td>Current Account</td><td colspan="6">Background. The estimated CA deficit reached 0.5 percent of GDP in 2024, slightly lower than in 2023 (–0.6 percent of GDP), mainly on account of a higher investment income surplus which offsets deterioration of the trade deficit. But with savings at around the 2019–23 average and investment somewhat lower, the CA deficit in 2024 was somewhat smaller than the average CA deficit of 1.0 percent of GDP during 2019–23. The current account is expected to remain in slight deficit over the medium term.

Assessment. The cyclically adjusted CA was –0.9 percent of GDP in 2024, against the EBA CA norm of 2.5 percent of GDP, implying an EBA gap of –3.4 percent of GDP for 2024. Part of this gap is explained by biases in measuring inflation and retained earnings.[1] Taking these factors into account, IMF staff assesses the CA gap to be in the range between –2.2 and –1.3 percent of GDP, with a midpoint of –1.8 percent of GDP.</td></tr>
<tr><td>2024 (% GDP)</td><td>CA: –0.5</td><td>Cycl. Adj. CA: –0.9</td><td>EBA Norm: 2.5</td><td>EBA Gap: –3.4</td><td>Staff Adj.: 1.6</td><td>Staff Gap: –1.8</td></tr>
<tr><td>Real Exchange Rate</td><td colspan="6">Background. The average REER for 2024 was 0.9 percent below the 2023 average, largely reflecting US dollar strength, and about 2.5 percent weaker than the 2019–23 average. As of March 2025, the REER had depreciated by 3.8 percent relative to the 2024 average.

Assessment. The EBA REER index model points to an overvaluation of 3.2 percent in 2024, while the REER level model suggests an undervaluation of 13 percent. Consistent with the staff CA gap (applying an estimated elasticity of 0.27), staff assesses the REER to be overvalued by between 5.0 and 8.3 percent, with a midpoint of 6.6 percent.</td></tr>
<tr><td>Capital and Financial Accounts: Flows and Policy Measures</td><td colspan="6">Background. Net inflows came mostly from portfolio investments, moderated by outflows in FDI and other investments. Net FDI outflow was 1 percent of GDP in 2024 (slightly lower than in 2023 and 2022). Other investments recorded net outflows of 0.7 of GDP, moving from inflows of 3.7 percent of GDP in 2023. These outflows were offset by portfolio investments which recorded net inflows of 2.6 percent of GDP, a reversal of 2023 (0.7 percent of GDP outflow). Errors and omissions were small at –0.1 percent of GDP.

Assessment. Canada has an open capital account. Vulnerabilities are limited by a credible commitment to a floating exchange rate.</td></tr>
<tr><td>FX Intervention and Reserves Level</td><td colspan="6">Background. Canada has a free floating exchange rate regime and has not intervened in the FX market since September 1998 (except for participating in joint interventions with other central banks). Canada has limited reserves, but its central bank has standing swap arrangements with the US Federal Reserve and four other major central banks. (The Bank of Canada has not drawn on these swap lines.)

Assessment. Policies in this area are appropriate to the circumstances of Canada. The authorities are strongly committed to a floating regime which, together with the swap arrangements, reduces the need for reserve holdings.</td></tr>
</table>

Table 3.6. China: Economy Assessment

<table>
<tr><td colspan="7">Overall Assessment: The external position in 2024 is assessed to be moderately stronger than the level implied by medium-term fundamentals and desirable policies. The CA surplus strengthened to 2.3 percent of GDP in 2024, as exports surged, driven by improved competitiveness and strong external demand, while imports stagnated amid weak domestic demand. Sustained net capital outflows have resulted in persistent RMB depreciation pressures despite the large CA surplus, which combined with low inflation, has contributed to the continued depreciation of the real exchange rate. There is considerable uncertainty around the economic outlook, including on the level of tariffs that will prevail and therefore the impact on trade flows in the short term. Over the medium term, the CA surplus is expected to narrow modestly, supported by an eventual recovery in domestic demand.

Potential Policy Responses: Strong and coordinated policy actions are needed to bring the external position in line with fundamentals. Macro policies should focus on boosting domestic demand, which would lower the CA surplus and mitigate domestic deflationary pressures. More expansionary fiscal policy, with greater support for consumption (scaling up social spending) and the property sector (to finance completion of unfinished housing) should be a priority. Further monetary easing and exchange rate flexibility can help absorb external shocks, but in the current conjuncture should be accompanied by a strong fiscal and structural package so as not to rely unduly on the exchange rate to close the domestic output gap at a time when depreciation could exacerbate external imbalances. Complementing macro policies with structural reforms that reduce household savings (e.g., Hukou reforms), boost investment in the services sector (e.g., lighten regulatory requirements, reduce entry barriers) and scale back industrial policies would further reduce the CA surplus and address fragmentation pressures. Industrial policies should be narrowly targeted to specific objectives where externalities or market failures prevent effective market solutions and avoid favoring domestic producers over imports. Efforts to constructively resolve trade tensions should continue, with trade policy aiming to promote clarity and transparency, and pursue pragmatic cooperation and deepen economic integration through nondiscriminatory reductions in trade barriers or by pursuing free trade agreements at the regional, plurilateral or multilateral level.</td></tr>
<tr><td>Foreign Asset and Liability Position and Trajectory</td><td colspan="6">Background. The NIIP reached 17.6 percent of GDP in 2024, rising steadily from 12.0 percent in 2021 but significantly below the peak of 29.9 percent in 2008. The increase largely reflects the CA surpluses.

Assessment. The NIIP-to-GDP ratio is expected to remain positive and increase modestly over the medium term in line with the persistent though narrowing CA surplus. The NIIP is not a major source of risk, as assets remain high—partly reflecting sizable foreign reserves (18.4 percent of GDP)—and liabilities are mostly related to FDI.</td></tr>
<tr><td>2024 (% GDP)</td><td colspan="2">NIIP: 17.6</td><td>Gross Assets: 54.5</td><td>Debt Assets: 16.0</td><td>Gross Liab.: 36.9</td><td>Debt Liab.: 12.9</td></tr>
<tr><td>Current Account</td><td colspan="6">Background. The 2024 CA surplus increased to 2.3 percent of GDP from 1.4 percent of GDP in 2023. The higher CA is due to a stronger goods balance (4.1 percent of GDP, up from 3.3 percent of GDP in 2023), as goods exports rose by 7.2 percent in 2024, mainly driven by improved competitiveness amid declining domestic prices (reflected in REER declines) and strong external demand, along with possible frontloading in the fourth quarter of 2024 in anticipation of higher tariffs. Weakness in imports reflected subdued domestic demand. The 2024 services deficit widened marginally to 1.2 percent of GDP (from 1.1 percent of GDP in 2023) as outbound tourism partially recovered. The income deficit remained stable at 0.7 percent of GDP, though the lack of data on income flows by investment type hampers analysis of trends, including the potential reasons for the flat income balance since the pandemic despite the increase in the global interest rate (see also Annex VII and Data Adequacy Assessment in 2024 China Article IV consultation for discussion of BOP data more broadly). From a savings-investment perspective, the higher CA largely reflected higher private savings, resulting from weak consumer confidence, and subdued private investment amid the ongoing property sector adjustment. Over the medium term, the modest projected decline in the CA is due to a recovery in domestic demand, partially offset by fiscal consolidation.

Assessment. Based on the EBA CA model, the IMF staff CA gap ranges from 0.5 to 1.8 percent of GDP, with a midpoint of 1.2 percent. EBA-identified policy gaps are estimated at –0.6 percent of GDP, driven by relatively favorable credit conditions (–0.3 percent of GDP) and looser fiscal policy than in other countries (–0.3 percent of GDP).</td></tr>
<tr><td>2024 (% GDP)</td><td>CA: 2.3</td><td>Cycl. Adj. CA: 2.0</td><td>EBA Norm: 0.8</td><td>EBA Gap: 1.2</td><td>Staff Adj.: 0.0</td><td>Staff Gap: 1.2</td></tr>
<tr><td>Real Exchange Rate</td><td colspan="6">Background. In 2024, the NEER appreciated (0.6 percent), while the REER depreciated by 2.6 percent, reflecting lower inflation in China, and marking the third consecutive year of REER depreciation, with a cumulative decline of 11 percent since 2022. As of March 2025, the REER had depreciated by 1.9 percent relative to the 2024 average.

Assessment. The IMF staff CA gap implies a REER gap of –8.5 percent. The EBA REER index regression estimates the REER gap in 2024 to be –1.1 percent, and the EBA REER level regression estimates the REER gap to be –0.7 percent. Consistent with the IMF staff CA gap, staff assesses the REER to be in the range of –3.8 to –13.1 percent with a midpoint of –8.5 percent (with an estimated elasticity of 0.14 applied).</td></tr>
<tr><td>Capital and Financial Accounts: Flows and Policy Measures</td><td colspan="6">Background. In 2024, the financial account (excluding net errors and omissions) deteriorated to –2.5 percent of GDP (–1.3 percent of GDP in 2023) due to large portfolio outflows (both equities and bonds) of residents, while inward FDI declined to 0.1 percent of GDP—a historical low. The authorities raised the cross-border financing macroprudential adjustment parameter for financial institutions and enterprises from 1.5 to 1.75 (relaxation of an inflow CFM measure) in January 2025 to encourage external borrowing.[1]

Assessment. Net outflows accelerated through 2024 due to the large interest rate differential between China and advanced economies, expectations of higher trade tensions with the United States, and a market perception of weakening economic prospects in China. In the medium term, further capital account opening is likely to create substantially larger two-way gross flows. The sequencing of capital account opening consistent with exchange rate flexibility should carefully consider domestic financial stability. CFMs should not be used to actively manage the capital flow cycle or substitute for warranted macroeconomic adjustment and exchange rate flexibility. In the medium term, China should gradually phase out CFM measures in a sequence consistent with greater exchange rate flexibility and accompanying reforms.</td></tr>
<tr><td>FX Intervention and Reserves Level</td><td colspan="6">Background. After increasing in the first three quarters of 2024, reserves declined in the last quarter amid deterioration in capital flows and unfavorable valuation effects. On net, official reserve assets rose by about $6 billion through the year, reaching $3.5 trillion by the end of 2024.

Assessment. The end-of-2024 reserve assets—103 percent of the IMF composite metric adjusted for capital controls (109 percent in 2023)—are assessed to be adequate. Temporary FX intervention could be considered in the event of large capital outflows that pose significant risks to macroeconomic and financial stability, including if markets turn disorderly.</td></tr>
</table>

Table 3.7. Euro Area: Economy Assessment

Overall Assessment: *The external position in 2024 was moderately stronger than the level implied by medium-term fundamentals and desirable policies.* The CA balance increased to 2.8 percent of GDP in 2024—up from 1.7 percent in 2023—driven mostly by lower energy imports (because energy prices fell) and higher non-energy goods exports. While the euro area's CA surplus is projected to decline in the medium term relative to 2024—as domestic demand is expected to strengthen—it is projected to remain at about 2 percent of GDP, with sizable imbalances in some countries.

Potential Policy Responses: Policy responses should increase resilience by recalibrating the composition of domestic demand and reducing country-level imbalances where needed. Deepening the EU single market—by lowering firms' regulatory burdens, reducing administrative barriers, streamlining trade procedures, enhancing labor mobility, and better integrating financial services—will create a more productive and resilient domestic economy. As part of a deeper EU single market, completion of banking and capital markets unions would strengthen public and private sector risk sharing and lift investment, supporting external stability especially of high-debt countries. Reforms to boost energy security, enhancing the EU budget for efficient public goods investment, and structural reforms to improve the business environment can lift investment and private domestic demand, compensating for the needed higher public saving in some countries. These measures will also support productivity, lift growth potential, and mitigate headwinds from aging. Trade policies should seek to constructively resolve trade tensions, promote clarity and transparency, pursue pragmatic cooperation, and deepen economic integration by pursuing free trade agreements at the regional, plurilateral, or multilateral level. Industrial policies should be deployed cautiously, remain targeted to specific objectives where externalities or market failures prevent effective market solutions, be coordinated at the EU level, and avoid favoring domestic producers over imports to minimize trade and investment distortions. As historical policy gaps at the national level are projected to persist, countries with external positions stronger than the norm with excess CA surpluses should strengthen domestic demand and increase investment, and countries with external positions weaker than the norm should increase public sector saving and implement reforms to enhance productivity. Germany's announced increase in defense and public investment and the recommended rotation from public to private spending in other countries, as well the policies outlined here, will boost investment and innovation, help lift productivity, and enhance resilience by better aligning domestic demand with potential output.

Foreign Asset and Liability Position and Trajectory	**Background.** After falling to –20.5 percent of GDP in 2009, the NIIP of the euro area turned positive in 2022 and rose to 10.9 percent of GDP by the end of 2024. These increases mostly reflect accumulated CA surpluses. However, the robust increase of 7.9 percentage points of GDP compared to 2023 was attributable to both the current account surplus and valuation effects in the fourth quarter. Gross foreign assets were 250.3 percent of GDP and liabilities were 249.4 percent of GDP, both higher than last year but lower than in 2021 (having declined in 2022 and 2023 because of higher interest rates and repricing). Net external assets (including those with other euro area member states) remain elevated in external creditor countries (for example, Germany), whereas net external liabilities remain high in debtor countries (such as Portugal and Spain). Gross external debt declined by 1.1 percent of GDP, as an increase from general governments was more than offset by declines from the Eurosystem, other MFIs, and other sectors. **Assessment.** Projections of continued CA surpluses over the medium term suggest that the NIIP-to-GDP ratio will rise further, at a moderate pace. While the region's overall NIIP financing vulnerabilities appear low, large net external debtor countries bear an elevated risk of a sudden stop of gross inflows.					
2024 (% GDP)	NIIP: 10.9	Gross Assets: 260.4	Debt Assets: 94.1	Gross Liab.: 249.4	Debt Liab.: 88.2	
Current Account	**Background.** The current account balance for the euro area increased to 2.8 percent of GDP in 2024, up from 1.7 percent in 2023. This increase was driven by a significant improvement in the goods balance—mainly the result of lower energy import prices—and a small increase in the services surplus (partly because of unusually high exports of intellectual property from Ireland). Following an initial post-reopening increase, the investment rate declined for two years in a row—from 10.1 percent in 2022 to 9.8 percent in 2023 and 9.2 percent in 2024—widening the saving-investment gap. The primary income surplus slightly increased to 0.4 percent of GDP, while the secondary income deficit remained stable at –1.3 percent. Large creditor countries, such as Germany and The Netherlands, maintained sizable surpluses, reflecting high corporate and household savings and weak investment. In the medium term, the current account surplus is projected to decline (to about 2 percent of GDP). **Assessment.** The EBA model estimates a CA norm of 1.4 percent of GDP, against a cyclically adjusted CA of 2.9 percent. This implies a gap of 1.4 percent of GDP. Adjustments of –0.4 percent of GDP were made to the underlying CA to account for measurement issues in Ireland and The Netherlands. Considering these factors and uncertainties in the estimates, IMF staff assesses the CA gap to be 1.0 percent of GDP in 2024, with a range of 0.2 to 1.8 percent of GDP (considering a standard error of 0.8).					
2024 (% GDP)	CA: 2.8	Cycl. Adj. CA: 2.9	EBA Norm: 1.4	EBA Gap: 1.4	Staff Adj.: –0.4	Staff Gap: 1.0
Real Exchange Rate	**Background.** In 2024, the CPI-based REER appreciated by 0.5 percent from 2023. The euro area CPI-based REER appreciated by 5.3 percent between 2015 and 2024 following a depreciation of nearly 20 percent in the post-global financial crisis period. As of March 2025, the CPI-based REER was 0.1 percent below its 2024 average. **Assessment.** Consistent with the IMF staff CA gap, the staff assesses the REER gap to be –3.1 percent in 2024, with a range of –0.7 to –5.5 percent, based on the estimated CA-REER elasticity of 0.33. As with the CA gap, the aggregate REER gap masks large heterogeneity in REER gaps across euro area member states. In contrast, the EBA REER index model suggests an overvaluation of 4.1 percent, and the level model suggests a 1.7 percent overvaluation.					
Capital and Financial Accounts: Flows and Policy Measures	**Background.** The euro area experienced a balanced capital account and a financial account surplus of 3.2 percent of GDP in 2024 (up from 1.9 percent of GDP in 2023), driven mostly by a rebound of net direct investment that more than offset a decline in net other investment. Net portfolio investment and financial derivatives also contributed, although only to a small degree. **Assessment.** Aggregate risks are limited, given the strength of its external position and the euro's status as a global reserve currency. However, large external financing needs of sovereigns and the banking sector cause some vulnerability to tighter global financial conditions and sustained market volatility.					
FX Intervention and Reserves Level	**Background.** The euro has the status of a global reserve currency. **Assessment.** Reserves held by euro area economies are typically low relative to standard metrics, but the currency is free floating.					

Table 3.8. France: Economy Assessment

Overall Assessment: *The external position in 2024 was broadly in line with the level implied by medium-term fundamentals and desirable policies.* The CA balance increased to a surplus of 0.4 percent of GDP in 2024, driven by stronger services exports due to the Paris Summer Olympics. Over the medium term, the CA balance is projected at –0.1 percent of GDP by 2030, as private consumption and investment improve. **Potential Policy Responses:** Sustained fiscal consolidation over the medium term will help maintaining the external position in line with medium-term fundamentals, together with structural reforms to support productivity and attract higher private investment to facilitate the green and digital transitions. Industrial policies should be deployed cautiously, remain targeted to specific objectives where externalities or market failures prevent effective market solutions, be coordinated at the EU level, and avoid favoring domestic producers over imports to minimize trade and investment distortions.						
Foreign Asset and Liability Position and Trajectory	**Background.** The NIIP stood at −20.3 percent of GDP in 2024, within the range observed during 2014–19 (between −19 percent and −28 percent of GDP). The NIIP improved by 7.8 percent of GDP since 2023, largely driven by an increase in portfolio investment. While the net position is moderately negative, gross positions are large. Gross assets stood at 373 percent of GDP in 2024, of which non-FDI- and nonportfolio-related assets accounted for about 50 percent, reflecting in part the financial sector’s global activities. Gross liabilities increased to 393 percent of GDP in 2024, of which external debt was about 259 percent of GDP (52 percent accounted for by banks and 22 percent by the public sector) in the third quarter of 2024. About three-quarters of France’s external debt liabilities are denominated in domestic currency. The average TARGET2 balance in 2024 was about € -147.9 billion. **Assessment.** The NIIP is negative, but its size and projected stable trajectory do not raise sustainability concerns. However, there are vulnerabilities coming from the large public external debt (57.7 percent of GDP in the third quarter of 2024) and banks’ gross financing needs—the stock of banks’ external short-term debt securities was 4 percent of GDP in the third quarter of 2024), and financial derivatives (liabilities) stood at about 63.9 percent of GDP.					
2024 (% GDP)	NIIP: −20.3	Gross Assets: 372.5	Debt Assets: 191.7	Gross Liab.: 392.9	Debt Liab.: 231.7	
Current Account	**Background.** The CA balance increased to a surplus of 0.4 percent of GDP in 2024 (from a deficit of 1 percent in 2023), driven by the continued unwinding of the large terms-of-trade shock and a stronger services export performance partly due to the Paris Summer Olympics. Gross national savings increased in 2024, driven by higher private savings, given still high uncertainty around the outlook. After recovering in the post-pandemic period, private investment has been contracting since 2023. The CA surplus is expected to decrease to about 0.2 percent of GDP in 2025, including due to the dissipation of the positive one-off factors. Over the medium term, the CA balance is projected at about –0.1 percent of GDP by 2030 as domestic demand is expected to gradually strengthen. **Assessment.** The 2024 cyclically adjusted CA balance is estimated at 0.3 percent of GDP compared with an EBA-estimated norm of 0.1 percent. On this basis, IMF staff assesses that the CA gap in 2024 is between –0.1 and 0.7 percent of GDP (compared with –1.3 and –0.5 percent of GDP in 2023), with a midpoint of 0.3 percent of GDP. The main contributor to the overall positive policy gap of 0.3 percent of GDP is a positive credit gap of 0.6 percent, while the health expenditure gap is closed. The fiscal policy gap is –0.3 percent.					
2024 (% GDP)	CA: 0.4	Cycl. Adj. CA: 0.3	EBA Norm: 0.1	EBA Gap: 0.3	Staff Adj.: 0.0	Staff Gap: 0.3
Real Exchange Rate	**Background.** The ULC-based REER appreciated by 0.7 percent, while the CPI-based REER depreciated by 0.1 percent in 2024. The relatively small cumulative changes in the CPI and ULC-based REERs since early 2022 are driven by more limited wage and price increases compared to trading partners. As of March 2025, the ULC-based REER was 2.4 percent above the 2024 average, while the CPI-based REER was 1.3 below the 2024 average. **Assessment.** The CA gap, as assessed by IMF staff, implies a REER gap of –1.0 percent in 2024 (applying an estimated semi-elasticity of 0.28). While the EBA REER level model does not point to a REER gap, the EBA REER index model points to a REER gap of −7.8 percent, largely reflecting unexplained residuals. Consistent with the staff CA gap, staff assesses the REER to be broadly in line with fundamentals and desirable policies with a midpoint of –1.0 percent with a range of uncertainty of ± 1.4 percent.					
Capital and Financial Accounts: Flows and Policy Measures	**Background.** After a temporary dip in 2023 after post-pandemic normalization in 2021-2022, inward and outward foreign direct investment recovered in 2024. The financial account is open. **Assessment.** France remains exposed to financial market risks owing to the large refinancing needs of the sovereign and banking sectors.					
FX Intervention and Reserves Level	**Background.** The euro has the status of a global reserve currency. **Assessment.** Reserves held by the euro area are typically low relative to standard metrics, but the currency is free floating.					

Table 3.9. Germany: Economy Assessment

Overall Assessment: *The external position in 2024 was stronger than the level implied by medium-term fundamentals and desirable policies.* In 2024, the CA increased slightly versus 2023. While the trade balance was virtually unchanged, an increase in the services deficit was more than offset by a higher balance for the primary income account and a lower deficit on the secondary income account. In 2025, the CA is expected to decline mainly because the trade balance is projected to weaken in response to fiscal easing and to euro appreciation in the first part of 2025. Over the medium term, the CA is projected to gradually decline closer to its norm due to fiscal expansion, including for increased infrastructure and defense spending.

Policy Recommendations: As planned by the new coalition government, policies aimed at promoting investment and diminishing excess saving would support external rebalancing and a reduction of the CA balance toward its norm. Over the medium term, the authorities are expected to generate higher fiscal deficits, including as a result of higher defense spending and higher public investment in transportation, energy, and digitalization. Structural reforms to accelerate licensing and permitting procedures and to increase the availability of equity financing for young, innovative firms, could further stimulate investment. Training to enhance employability of older workers could also extend working lives and reduce the need for savings. Industrial policies should be deployed cautiously, remain targeted to specific objectives where externalities or market failures prevent effective market solutions, be coordinated at the EU level, and avoid favoring domestic producers over imports to minimize trade and investment distortions.

Foreign Asset and Liability Position and Trajectory	**Background.** The NIIP increased to 79 percent of GDP in 2024 versus 70 percent of GDP in 2023. This increase resulted from the CA surplus and valuation gains on Germany's external assets, mainly portfolio investments, versus its liabilities. Germany's external assets include holdings of sovereign securities, whose market prices rose in response to policy rate easing in Europe and the United States. Germany's TARGET2 claims on the Eurosystem also rose to €1.2 trillion at the end of 2024 from €1.1 trillion at the end of 2023. Between 2017 and 2024, the NIIP increased by 37 percent of GDP, lifting the primary income balance. **Assessment.** Germany's exposure to the Eurosystem remains large.					
2024 (% GDP)	NIIP: 79	Gross Assets: 312	Debt Assets: 153	Gross Liab.: 233	Debt Liab.: 143	
Current Account	**Background.** The CA surplus came in at 5.7 percent of GDP in 2024, compared with 5.6 percent in 2023 and 8.0 percent on average over 2017–19. The slight increase of the CA in 2024 was driven mainly by an increase in the primary income account and a lower deficit in the secondary income account, which together more than offset an increase in the services deficit, as the goods balance was virtually unchanged. The gain in the primary income balance was due to higher net investment income earned abroad, while the lower deficit on the secondary income account was driven by a decline in cross-border expenditure by the government. From a savings-investment perspective, moderately lower savings-investment balances for the government and non-financial corporates (for the latter, in part because of higher staff costs) were more than offset by a higher savings-investment surplus for households as private consumption remained subdued despite higher real incomes. **Assessment.** The cyclically adjusted CA balance is estimated by the EBA model to be 5.5 percent of GDP in 2024. IMF staff assess the CA norm to be between 3 and 4 percent of GDP, with a midpoint of 3.5 percent of GDP, in line with the EBA model. The difference between the cyclically adjusted CA and the CA norm implies that the CA gap for 2024 was in the range of 1.6–2.6 percent of GDP, with a midpoint of 2.1 percent of GDP.					
2024 (% GDP)	CA: 5.7	Cycl. Adj. CA: 5.5	EBA Norm: 3.5	EBA Gap: 2.1	Staff Adj.: 0.0	Staff Gap: 2.1
Real Exchange Rate	**Background.** Following a strong REER depreciation in the early phase of the energy crisis (early 2021 to mid-2022), the REER has recovered to prepandemic levels. The REER based on consumer prices appreciated by 0.3 percent during 2024, and it was largely unchanged in March 2025 versus the 2024 average. **Assessment.** The IMF staff CA gap implies a REER gap of –6.6 percent in 2024 (applying an estimated elasticity of 0.32). The EBA REER level and index models suggest an undervaluation of 11.4 percent and an overvaluation of 5.8 percent, respectively. Consistent with the staff CA gap, staff assesses the REER to be undervalued, with a midpoint of 6.6 percent and a range of uncertainty of +/-1.6 percent.					
Capital and Financial Accounts: Flows and Policy Measures	**Background.** In 2024, significant capital exports corresponding to the CA surplus remained largely in the "other investments" category due to transactions via the accounts of monetary and financial institutions by firms, households, and governments, but the change in this category versus 2023 was not the major contributor to developments in the financial account. The bulk of the change occurred in portfolio investments abroad by Germans, with capital flows into foreign equity assets increasing sharply. Net outward FDI also increased slightly as inward FDI in Germany declined. **Assessment.** Risks are limited, given Germany's safe-haven status and the strength of its external position.					
FX Intervention and Reserves Level	**Background.** The euro has the status of a global reserve currency. **Assessment.** Reserves held by euro area economies are typically low relative to standard metrics. The currency floats freely.					

Table 3.10. Hong Kong Special Administrative Region: Economy Assessment

<table>
<tr><td colspan="7">Overall Assessment: The external position in 2024 was broadly in line with the level implied by medium-term fundamentals and desirable policies. The CA surplus (in percent of GDP) widened in 2024 as the goods balance increased due to a strong pick up in external demand. At the same time, the services balance continued its gradual recovery, driven by financial services, though the recovery in tourism faced headwinds due to slower growth in key markets. The CA surplus is expected to decline moderately over the medium term with the recovery in domestic investment. Under the Linked Exchange Rate System (LERS), short-term movements in the REER largely reflect US dollar developments. The credibility of the currency board arrangement has been ensured by a transparent set of rules governing the arrangement, large fiscal and FX reserves, strong financial regulation and supervision, the flexible economy, and a prudent fiscal framework.

Potential Policy Responses: A gradual pace of fiscal consolidation to secure a balanced recovery would help ensure that the external position remains broadly in line with fundamentals by raising public savings to offset stronger private investment over the medium term, supported by reforms to create a vibrant and well-regulated financial ecosystem. Maintaining policies that support wage and price flexibility is crucial to ensuring flexible adjustment of the real exchange rate, and hence support the smooth functioning of the currency board arrangement. Trade policies should seek to resolve trade tensions, promote clarity and transparency, and deepen economic integration through Hong Kong SAR's ongoing efforts to maintain an open trading regime and by continuing to pursue free trade agreements at the regional, plurilateral, and multilateral level.</td></tr>
<tr><td>Foreign Asset and Liability Position and Trajectory</td><td colspan="6">Background. The NIIP rose to 500 percent of GDP in 2024 from 460 percent in 2023. There was a significant increase in gross assets (by 35 percentage points of GDP), while gross liabilities declined slightly (–3 percentage points of GDP). Both gross assets and liabilities are high, reflecting Hong Kong SAR's status as an international financial center. Valuation effects in 2024 were sizable as the change in the NIIP (39.4 percentage points of GDP), exceeding the financial account balance (15.3 percent of GDP).

Assessment. Vulnerabilities are low given the positive and sizable NIIP and its favorable composition. FX reserves remain large (104 percent of GDP at the end of 2024), and direct investments account for a large share of gross assets and liabilities (36 and 55 percent, respectively), while only 11 percent of gross liabilities are portfolio investments.</td></tr>
<tr><td>2024 (% GDP)</td><td>NIIP: 500</td><td>Gross Assets: 1,654</td><td>Debt Assets:[1] 409</td><td colspan="2">Gross Liab.: 1,154</td><td>Debt Liab.:[1] 216</td></tr>
<tr><td>Current Account</td><td colspan="6">Background. The CA surplus rose to 12.9 percent of GDP in 2024 from 8.5 percent in 2023, largely reflecting a significant increase in domestic savings (+4 percentage points of GDP) as household consumption declined on account of externally driven headwinds, tight monetary conditions, and subdued house and asset prices. The goods deficit narrowed significantly from –4.2 to –0.5 percent, driven by an increase in exports to the Chinese mainland and other Asian markets. Services inflows remained strong, though weak demand in the Chinese mainland continues to impact tourism. However, services outflows also increased in 2024, leaving the services surplus stable but below the prepandemic level. The income balance rose strongly, driven by higher investment income flows, in part reflecting higher global interest rates in the first half of the year. The CA balance is projected to gradually decline over the medium term with the recovery in private domestic demand broadly offsetting the impact of improved external conditions. Over the medium term, gross domestic savings are projected to remain largely unchanged from the 2024 level at about 29 percent of GDP as a gradual decline in private savings is expected to be offset by higher public savings. However, investment is projected to pick up gradually by 3.8 percentage points of GDP by 2030, largely driven by higher private investment.

Assessment. After adjusting for cyclical factors, the CA surplus is estimated to be 12.8 percent of GDP in 2024, which is within the IMF staff-assessed CA norm range of 12.7 to 13.8 percent of GDP (midpoint of 13.3 percent). The staff-assessed CA gap range is therefore between –1 to +0.1 percent of GDP, with a midpoint of –0.5 percent. Since Hong Kong SAR is not in the EBA sample, the CA norm was estimated by applying EBA-estimated coefficients to Hong Kong SAR and was adjusted for the composition of the NIIP, in which low-yielding debt assets have a high share, lowering net income inflows in the CA, and measurement issues related to the increased physical settlement of gold futures contracts resulting from the opening of a Precious Metals Depository.[2]</td></tr>
<tr><td>2024 (% GDP)</td><td>CA: 12.9</td><td>Cycl. Adj. CA: 12.8</td><td>EBA Norm: --</td><td>EBA Gap: --</td><td>Staff Adj.: --</td><td>Staff Gap: –0.5</td></tr>
<tr><td>Real Exchange Rate</td><td colspan="6">Background. Under the currency board arrangement, REER dynamics are determined by US dollar developments and inflation differentials between the United States and Hong Kong SAR. The REER appreciated by 2.4 percent in 2024, somewhat slower than the 3.3 percent appreciation in 2023. This was due to both an appreciation of the NEER (+2.1 percent) and the low domestic inflation rate in the territory (1.7 percent). These trends continued in 2025: in March 2025, the REER appreciated further by 1.3 percent relative to the average for 2024, reflecting a 1.1 percent appreciation of the NEER, and low domestic inflation (1.2 percent).

Assessment. IMF staff assesses the REER gap, based on the staff-assessed CA gap range, to be in the range of –0.2 to 3.1 percent, with a midpoint of 1.5 percent (based on an average CA-REER elasticity[3] of –0.32).</td></tr>
<tr><td>Capital and Financial Accounts: Flows and Policy Measures</td><td colspan="6">Background. As an international financial center, Hong Kong SAR has an open capital account. The net outflow in non-reserve financial flows increased to 18.2 percent of GDP in 2024, up from the 10.8 percent in 2023 and driven by net portfolio outflows. The financial account is typically very volatile, reflecting financial conditions in Hong Kong SAR and the Chinese mainland (transmitted through growing cross-border financial linkages),[4] shifting expectations of US monetary policy and related arbitraging in the FX and rates markets.

Assessment. Large financial resources, proactive financial supervision and regulation, and deep and liquid markets should help limit the risks from potentially volatile capital flows. The greater financial exposure to the Chinese mainland could also pose risks to the financial sector through real sector linkages, particularly trade and tourism, credit exposures of banks, and fundraising by Chinese firms in local financial markets. However, Hong Kong SAR's banking system, with its high capital buffers and profitability, is assessed to be broadly resilient to macro-financial shocks.</td></tr>
<tr><td>FX Intervention and Reserves Level</td><td colspan="6">Background. The Hong Kong dollar has continued to trade in a smooth and orderly manner within the Convertibility Zone in 2024. The HKMA conducts FX operations as part of the currency board operations. However, the Convertibility Undertaking was not triggered in 2024 following $6.6 billion sold in 2023.[5] Total reserve assets, which amounted to $422 billion at the end of 2024 (or 1.7 times the monetary base), decreased modestly to 104 percent of GDP from 111 percent of GDP at the end of 2023.

Assessment. FX reserves are currently adequate for precautionary purposes and should continue to evolve in line with the automatic adjustment inherent in the currency board system. Despite a large fiscal deficit in 2024, Hong Kong SAR still holds significant fiscal reserves (about 21 percent of GDP at the end of 2024) built up through strong fiscal discipline in previous years.</td></tr>
</table>

Table 3.11. India: Economy Assessment

<table>
<tr><td colspan="7">Overall Assessment: The external position during fiscal year 2024/25 (ending in March 2025) is assessed to be moderately stronger than the level implied by medium-term fundamentals and desirable policies. External vulnerabilities stemmed from weakening external demand, geoeconomic fragmentation, and potentially volatile global financial conditions and commodity prices. Reflecting buoyant services exports and declining oil prices, the CA deficit is projected to remain smaller than its estimated norm but to converge to it over the medium term given India’s development needs. Despite recent steps toward opening, India’s trade and capital account regimes remain relatively restricted, weighing on both exports and imports.

Potential Policy Responses: In the near term, the expected strengthening of private consumption will contribute to decreasing the CA balance. To facilitate external rebalancing, priority should be given to further reducing import restrictions, especially on intermediate goods, while continuing to improve the business environment to boost private investment and liberalize the FDI regime. These efforts should be complemented by the development of trade infrastructure and expansion of trade networks. Industrial policies should be pursued cautiously, remain narrowly targeted to specific objectives where externalities or market failures prevent effective market solutions, and aim to minimize trade and investment distortions. Exchange rate flexibility should act as the main shock absorber, with intervention limited to periods marked by destabilizing risk premiums.</td></tr>
<tr><td>Foreign Asset and Liability Position and Trajectory</td><td colspan="6">Background. By the end of 2024, India’s NIIP is estimated to have improved to −9.6 percent of GDP, from −10.5 percent of GDP at the end of 2023, reflecting valuation changes and nominal GDP growth partly offsetting the impact of the CA deficit. Gross foreign assets declined to about 27.9 percent of GDP (from 28.1 percent of GDP at the end of 2023), while gross foreign liabilities declined to about 37.5 percent of GDP (from 38.6 percent of GDP at the end of 2023). The bulk of assets were in the form of official reserves and FDI, whereas liabilities included mostly debt and FDI.

Assessment. With the CA deficit projected to remain below its norm in FY2024/25 and gradually widen toward it, the NIIP-to-GDP ratio is expected to decline modestly over the medium term as robust nominal GDP expansion mitigates the nominal NIIP decline resulting from the projected CA deficits. India’s external debt liabilities are relatively low compared with its peers, and short-term rollover risks are limited. The moderate level of foreign liabilities reflects India’s incremental approach to capital account liberalization.</td></tr>
<tr><td>2024 (% GDP)</td><td>NIIP: –9.6</td><td>Gross Assets: 27.9</td><td>Debt Assets: 4.4</td><td>Gross Liab.: 37.5</td><td colspan="2">Debt Liab.: 19.2</td></tr>
<tr><td>Current Account</td><td colspan="6">Background. The CA deficit is projected to have widened to about –0.8 percent of GDP in FY2024/25, from –0.7 percent of GDP in the previous year, driven by rising domestic demand for imports amid buoyant services exports. Gross domestic investment, at 33.4 percent of GDP, and gross domestic savings, at 32.6 percent, have remained broadly stable. Trade restrictions, while declining, still weigh on exports and imports. The CA deficit is projected to increase to about –0.9 percent of GDP in FY2025/26, largely reflecting resilient domestic demand and a slowdown in external demand. Over the medium term, the CA deficit is projected to widen to around its norm of –2 percent of GDP.

Assessment. The EBA cyclically adjusted CA balance is projected at −0.6 percent of GDP in FY2024/25. The EBA CA model estimates a norm of −2.0 percent of GDP, with a standard error of 0.7 percent. IMF staff thus assesses the CA gap to be 1.4 percent of GDP, within a range of 0.7 to 2.1 percent of GDP. Positive policy contributions to the CA gap stem mostly from the fiscal balance, while negative contributions come mostly from domestic private credit.</td></tr>
<tr><td>2024/25 (% GDP)</td><td>CA: –0.8</td><td>Cycl. Adj. CA: –0.6</td><td>EBA Norm: –2.0</td><td>EBA Gap: 1.4</td><td>Staff Adj.: 0.0</td><td>Staff Gap: 1.4</td></tr>
<tr><td>Real Exchange Rate</td><td colspan="6">Background. In the first half of 2024, the contained CA deficit and portfolio investment inflows—in part driven by India’s inclusion in the global bond indices resulted in appreciation pressures on the rupee. However, this reversed in the second half of 2024 when a strategic shift by international equity investors, a reassessment of the US monetary policy outlook, and elevated global uncertainty triggered portfolio investment outflows. As of March 2025, the REER was about 2.7 percent below its 2024 average.

Assessment. The IMF staff CA gap implies a REER gap of −7.9 percent (applying an estimated semi-elasticity of 0.18). EBA REER index and level models suggest an overvaluation of 5.4 percent and 4.1 percent. Consistent with the staff CA gap, however, staff project a REER gap in the range of −11.6 to −3.9 percent, with a midpoint of −7.9 percent, for FY2024/25.</td></tr>
<tr><td>Capital and Financial Accounts: Flows and Policy Measures</td><td colspan="6">Background. In FY2024/25, net FDI inflows are expected to have decreased to an almost zero balance, as steady gross inflows are offset by rising disinvestment and outward FDI. Net portfolio investment inflows and outflows are also expected to be almost evenly balanced, reflecting large equity outflows in late 2024, despite India’s inclusion in global bond indices. Other investments, reflecting mostly debt-creating inflows, are projected to remain steady at about 1.5 percent of GDP. During the year, the Indian authorities widened the scope of government bonds available for foreign investors and relaxed FDI restrictions, which should help moderate the interest costs associated with financing the CA deficit.

Assessment. While the expected rebound in net FDI inflows is projected to cover more than half of the CA deficit over the medium term, the compression of net FDI inflows in FY2024/25 warrants further structural reforms and improvement of the investment regime to promote FDI. Volatile portfolio flows are sensitive to changes in global financial conditions and country risk premiums. The inclusion of India in international bond indices has significantly increased foreign participation in India’s bond market (though from a low base) and supported net portfolio inflows that financed the CA deficit.</td></tr>
<tr><td>FX Intervention and Reserves Level</td><td colspan="6">Background. Official FX reserves increased overall in FY2024/25. During this time, the Reserve Bank of India’s FX interventions aimed to smooth market volatility that the authorities considered to be excessive and contributed to the rupee’s exchange rate stability. Reserves increased from $646.4 billion at the end of FY2023/24 to $665.4 billion at the end of FY2024/25, reflecting increases through September followed by a decline in the following months on equity outflows.

Assessment. Various criteria confirm that official FX reserves are adequate for precautionary purposes. At the end of FY2024/25, they represented about 209 percent of short-term debt (on residual maturity), about 107 percent of the IMF’s composite metric, and over eight months of import coverage. In view of India’s moderately strong external position, generally deep and liquid FX markets, limited FX mismatches, well-anchored inflation expectations, and adequate reserves, Integrated Policy Framework analysis indicates that FX interventions should be limited to periods marked by destabilizing risk premiums.</td></tr>
</table>

Table 3.12. Indonesia: Economy Assessment

<table>
<tr><td colspan="31">Overall Assessment: The external position in 2024 was broadly in line with the level implied by medium-term fundamentals and desirable policies. In the medium term, external balance is expected to be sustained despite external policy shocks and higher uncertainty, while exchange rate flexibility and structural policies would help contain the CA deficit. While external financing needs appear sustainable, Indonesia’s reliance on foreign portfolio investment exposes the economy to sharp swings in market sentiment and risk premia, and to fluctuations in global financial conditions.

Potential Policy Responses: Maintaining external balance will require structural reforms to enhance productivity and promote trade—particularly in the context of rising global trade restrictions and policy uncertainty. Reforms should include: (i) higher infrastructure investment, higher social spending to foster human capital development and strengthen the social safety net, (ii) reducing or eliminating restrictions on inward FDI and external trade, including by moving away from non-tariff barriers, (as discussed in recent Article IV consultations), and (iii) promoting greater labor market flexibility. Exchange rate flexibility should continue to support external stability. Recent welcome plans to seek trade integration with several major partners and structural reforms and deregulation to lower trade and investment barriers—if pursued through decisive, comprehensive, broad, and sound implementation—could strengthen trade, investment, and growth.</td></tr>
<tr><td>Foreign Asset and Liability Position and Trajectory</td><td colspan="30">Background. Indonesia’s NIIP rose from –18.8 percent of GDP at the end of 2023 to –17.6 percent of GDP at the end of 2024. The improvement reflects a 2.1 percentage point improvement in gross external assets more than offsetting a 0.8 percentage point increase in gross external liabilities. The increase in gross external assets was supported by direct investments, other investments, and reserve assets. In turn, the increase in gross external liabilities reflected increases in direct investment and portfolio debt securities more than offsetting declines in portfolio equities. Indonesia’s gross external debt remained moderate at 30.4 percent of GDP at the end of 2024, increasing marginally from 29.8 percent of GDP in 2023. External rollover risks in the short term are contained as reflected in the large share of long-term debt.

Assessment. The level and composition of the NIIP and gross external debt indicate that Indonesia’s external position is sustainable and subject to limited rollover risk. However, the relatively high dependence on foreign portfolio investment (20.0 percent of GDP in 2024) makes Indonesia vulnerable to swings in global financial market sentiment. The NIIP as a share of GDP is projected to stabilize at current levels in the medium term, as robust nominal GDP growth would offset projected small CA deficits.</td></tr>
<tr><td>2024 (% GDP)</td><td colspan="6">NIIP: –17.6</td><td colspan="6">Gross Assets: 37.4</td><td colspan="6">Res. Assets: 11.2</td><td colspan="6">Gross Liab.: 55.0</td><td colspan="6">Debt Liab.: 30.4</td></tr>
<tr><td>Current Account</td><td colspan="30">Background. The CA deficit widened slightly to 0.6 percent of GDP in 2024 from a 0.1 percent of GDP deficit in 2023. The widening was primarily driven by the non-oil and gas trade balance, reflecting weaker growth in major export markets, and a broad-based decline in commodity prices. The resilience in domestic demand translated into a faster growth in imports compared to exports. On the saving-investment side, a 0.6 percent of GDP increase in savings was more than offset by an increase in investment (1.1 percent of GDP), with contributions from ongoing infrastructure investments (for example, new national capital). The CA deficit is projected to widen moderately in 2025, reflecting lower trading partner growth and commodity prices. The CA deficit is expected to remain close to the norm throughout the projection horizon.

Assessment. IMF staff estimates a CA gap of 0.3 percent of GDP for 2024, consistent with an estimated cyclically adjusted CA deficit of −0.9 percent of GDP, a staff-assessed norm of −0.7 percent of GDP, and an adjustor of 0.5 percentage points for demographics.[1] Considering uncertainty in the estimation of the norm, the CA gap for 2024 is in the range of –0.2 to 0.8 percent of GDP. EBA-identified policy gaps are estimated at 1.0 percent of GDP, with a tighter fiscal stance than in other countries (1.0) and underspending on health care (0.4) contributing to the positive gap, partly offset by the credit gap (–0.6).</td></tr>
<tr><td>2024 (% GDP)</td><td colspan="5">CA: –0.6</td><td colspan="5">Cycl. Adj. CA: –0.9</td><td colspan="5">EBA Norm: –0.7</td><td colspan="5">EBA Gap: –0.2</td><td colspan="5">Staff Adj.: 0.5</td><td colspan="5">Staff Gap: 0.3</td></tr>
<tr><td>Real Exchange Rate</td><td colspan="30">Background. The average REER depreciated by 2.2 percent in 2024 compared to the average level in 2023 (or 2.3 percent relative to the pre-COVID 2016–19 average). The depreciation materialized on the back of a period of US dollar strength, amid global monetary policy uncertainty and geopolitical shocks. The rupiah managed to recover in the third quarter of 2024, as US monetary policy commenced an easing cycle, but reversed again thereafter amid higher policy uncertainty. As of March 2025, the REER was 4.2 percent below its 2024 average.

Assessment. The IMF staff CA gap estimate of 0.3 percent of GDP implies a REER gap of –1.6 percent (applying an estimated elasticity of 0.16). The REER index and level models point to REER gaps of 0.3 percent and –16.8 percent, respectively. Consistent with the staff CA gap, staff assesses the REER gap in the range of –4.7 to 1.5 percent, with a midpoint of –1.6 percent.</td></tr>
<tr><td>Capital and Financial Accounts: Flows and Policy Measures</td><td colspan="30">Background. Net capital and financial flows slightly strengthened in 2024 to 0.9 percent of GDP from 0.7 percent in 2023. The improvement was driven by portfolio investment, which in turn reflected government pre-funding in end-2024 and a significant increase in Bank Indonesia’s local currency instrument (SRBI), the stock of which held by nonresidents rose from 0.3 percent of GDP at the end of 2023 to 1.0 percent at the end of 2024. Net FDI inflows declined somewhat to 1.0 percent of GDP in 2024 (1.1 percent in 2023 and 1.4 percent in 2022). The share of nonresident holdings of rupiah-denominated government bonds, at 14.5 percent at the end of 2024, was similar to the end of 2023 (14.9 percent), and considerably below the 39 percent share in 2019. Amid external shocks, financial flows are expected to be somewhat subdued into the medium term.

Assessment. The pickup in portfolio investment flows in 2024 helped support the negative CA deficit in 2024. Continued strong policies, focused on safeguarding the fiscal position and long-standing policy frameworks, advancing financial deepening, and implementing structural reforms that provide credibility and certainty, and enable the business, trade and investment environment, should help sustain capital inflows in the medium term, particularly in a likely period of prolonged global policy uncertainty and headwinds to external growth.</td></tr>
<tr><td>FX Intervention and Reserves Level</td><td colspan="30">Background. Since mid-2013, Indonesia has had a more flexible exchange rate policy framework. Official foreign reserves increased to $156 billion in 2024, from $146 billion in 2023, reflecting the issuance of global bonds and government sukuk, and the withdrawal of government’s foreign loans during the year, which more than offset declines due to FX intervention.

Assessment. The end-2024 level of reserves (11.2 percent of GDP, 125 percent of the IMF’s reserve adequacy metric, and 6.4 months of prospective imports) should provide a sufficient buffer against external shocks. Predetermined short-term foreign currency drains have risen but appear manageable. In line with the Integrated Policy Framework, the use of FXI is appropriate under certain shocks and circumstances, particularly when shocks trigger spikes in market premia given shallow FX markets. Their usage should be judicious to preserve buffers in a shock-prone environment.</td></tr>
</table>

Table 3.13. Italy: Economy Assessment

<table>
<tr><td colspan="7">Overall Assessment: The external sector position in 2024 was weaker than the level implied by medium-term fundamentals and desirable policies. The CA balance increased by 1.0 percentage point of GDP relative to 2023 to a surplus of 1.1 percent of GDP, largely on a lower energy import bill, growth in consumer goods exports, and a healthy contribution from tourism. Over the medium term, the CA surplus is expected to gradually increase, while remaining somewhat below the CA norm amid the need to identify additional fiscal measures and implement additional structural reforms to strengthen productivity growth. In addition, the outlook is subject to uncertainty, including as rapid population aging is weighing on medium-term growth and as the completion of the National Recovery and Resilience Plan could depress investment, with the saving-investment balance increasing. The NIIP increased to 15.3 percent of GDP.

Potential Policy Responses: Additional comprehensive reforms are needed to encourage private investment to modernize the capital stock and boost productivity, competitiveness, and potential growth. Simultaneously, strengthening the external position will require an increase in public sector savings, supported by continued strong fiscal adjustment efforts. Industrial policies should be deployed cautiously, remain targeted to specific objectives where externalities or market failures prevent effective market solutions, be coordinated at the EU level, and avoid favoring domestic producers over imports to minimize trade and investment distortions.</td></tr>
<tr><td>Foreign Asset and Liability Position and Trajectory</td><td colspan="6">Background. The NIIP increased to 15.3 percent of GDP at the end of 2024, up from a balanced position in 2020. Sizable gross external positions, with gross foreign assets amounting to 182.8 percent of GDP and liabilities at 167.5 percent of GDP in 2024, make the NIIP sensitive to valuation effects. Bank of Italy's TARGET2 liabilities to other Eurosystem central banks, which are short term and renumerated at the European Central Bank policy rate, declined notably from their peak of 36 percent of GDP in 2022 to 21 percent of GDP at the end of 2024. Public sector (general government and Bank of Italy) external liabilities make up around 40 percent of total external liabilities, corresponding to 64 percent of GDP. Sixty percent of public sector external liabilities are long term.

Assessment. Further strengthening public sector balance sheets and undertaking structural reforms would lessen vulnerabilities associated with the high public debt, reinvigorate productivity and economic growth, and reduce the potential for negative feedback loops between the debt stock and debt-servicing costs.</td></tr>
<tr><td>2024 (% GDP)</td><td>NIIP: 15.3</td><td>Gross Assets: 182.8</td><td>Debt Assets: 75.3</td><td>Gross Liab.: 167.5</td><td colspan="2">Debt Liab.: 120.5</td></tr>
<tr><td>Current Account</td><td colspan="6">Background. The CA balance averaged a surplus of 1.5 percent of GDP between 2019 and 2023, with surpluses in all years, except in 2022 due to the adverse energy price shock. The CA balance increased from a small surplus of 0.1 percent of GDP in 2023 to a surplus of 1.1 percent of GDP in 2024. The CA surplus was supported by 5.6 percent growth in consumer goods exports, a healthy contribution from tourism, and a more than 18 percent decline in energy imports (equivalent to 1 percent of GDP). The primary income balance remained at about –0.7 percent of GDP. From a saving-investment perspective, the rise in the external position reflected a 0.5 percentage point of GDP increase in savings and a 0.5 percentage point of GDP decline in investment. Looking ahead, fiscal consolidation is expected to support the CA surplus.

Assessment. The cyclically adjusted CA is estimated at 1.3 percent of GDP for 2024, 2.6 percentage points of GDP below the EBA-estimated CA norm of 3.9 percent of GDP. Considering uncertainty around the estimate, IMF staff assesses the CA gap to be in the range of –3.3 to –1.8 percent of GDP, with a midpoint of –2.6 percent of GDP. The total estimated policy gap is +1.1 percent of GDP, partly reflecting (1) a +0.1 percent of GDP positive contribution from a fiscal policy gap in the rest of the world relative to Italy, despite a domestic policy gap of –0.9 percent, and (2) a +0.9 percent of GDP positive contribution from the credit gap, reflecting the prolonged credit shortfall. Demographic developments contribute markedly to the CA norm. A sizable unexplained residual of –3.6 percent of GDP suggests that the model may not fully capture all relevant Italy-specific characteristics and structural impediments, including factors such as relatively low labor market participation among some segments of the population.</td></tr>
<tr><td>2024 (% GDP)</td><td>CA: 1.1</td><td>Cycl. Adj. CA: 1.3</td><td>EBA Norm: 3.9</td><td>EBA Gap: –2.6</td><td>Staff Adj.: 0.0</td><td>Staff Gap: –2.6</td></tr>
<tr><td>Real Exchange Rate</td><td colspan="6">Background. During 2019–24, the CPI-based REER appreciated by 0.6 percent, while the ULC-based REER appreciated by 2.6 percent. During 2024, the CPI-based REER depreciated by 1.1 percent due to the weakening of the euro. As of March 2025, the CPI-based REER was unchanged relative to the 2024 average.

Assessment. The model-based CA gap implies a REER gap of 10.4 percent in 2024 (with an estimated elasticity of 0.25 applied). The level and index CPI-based REER models suggest an overvaluation in 2024 of 3.7 percent and 4.5 percent, respectively. Based on the IMF staff CA gap, the REER gap is in the range of 7.5 to 13.3 percent, with a midpoint of 10.4 percent.</td></tr>
<tr><td>Capital and Financial Accounts: Flows and Policy Measures</td><td colspan="6">Background. The capital account was balanced at around 0 in 2024 (lower than in 2023) amid lower receipt of NextGenerationEU grants. The financial account posted net outflows of 2.3 percent of GDP in 2024, with a reduction in TARGET2 liabilities and an increase in portfolio investment assets.

Assessment. Large refinancing needs of the sovereign and the banking sector suggest Italy remains vulnerable to market volatility. The private sector, which is a net creditor, is mainly exposed to equity risk-rewards.</td></tr>
<tr><td>FX Intervention and Reserves Level</td><td colspan="6">Background. The euro has the status of a global reserve currency. Italy's reserves increased by 6 percent in 2024.

Assessment. Reserves held by the euro area are typically low relative to standard metrics. The currency is freely floating.</td></tr>
</table>

Table 3.14. Japan: Economy Assessment

<table>
<tr><td colspan="7">Overall Assessment: The external position in 2024 is assessed as broadly in line with the level implied by medium-term fundamentals and desirable policies. The CA surplus increased to 4.8 percent of GDP in 2024 from 3.8 percent in 2023, with half of the rise explained by an increase in the primary income balance, while the goods trade deficit has shrunk, supported by continued easing of cost pressures on goods import prices and rising yen-denominated export prices. Japan’s CA surplus is expected to decline over the medium term, mainly driven by a smaller primary income surplus, arising from an expected fall in the rate of return on its large stock of net foreign assets due to declining corporate profits and global interest rates.

Potential Policy Responses: Policies focused on structural reforms and fiscal sustainability (a credible and specific medium-term fiscal consolidation plan) are needed to maintain an external position consistent with medium-term fundamentals and desirable policies. These ‘desirable’ policies will help shift the drivers of the economy to one driven by the private sector and raise Japan’s potential growth over the medium term. Priority should be given to labor market and fiscal reforms that support private demand, raise potential growth, and promote digital and green investment. Industrial policies should be pursued cautiously and remain narrowly targeted to specific objectives, where externalities or market failures prevent effective market solutions and aim to minimize trade and investment distortions.</td></tr>
<tr><td>Foreign Asset and Liability Position and Trajectory</td><td colspan="6">Background. Japan’s NIIP rose to 90 percent of GDP in 2024, from 80 percent at the end of 2023, significantly higher than the prepandemic (2016–19) average of 62 percent. This was driven by an increase in both net FDI and portfolio outflows and the positive valuation effects from yen depreciation. Japan holds the world’s largest stock of net foreign assets, valued at $3.6 trillion at the end of 2024.

Assessment. Japan’s foreign asset holdings are well diversified, both by geography and risk classes. As of 2024, gross foreign assets largely comprised portfolio investment accounting for about 42 percent of the total, followed by FDI with 21 percent. Of that portfolio investment, about 20 percent was denominated in yen and 56 percent was denominated in the US dollar. In the event of yen appreciation against the dollar, the risk of negative valuation effects could materialize. Vulnerabilities associated with liabilities are contained, given that equity and direct investment account for about 35 percent of gross foreign liabilities. The NIIP generated a net annual investment income return of about 7.4 percent in 2024, significantly larger than the prepandemic (2016–19) average of 6.2 percent. The improved return is partly driven by the increasing share of FDI in external assets, which has a higher average return than other components. Japan’s large positive NIIP is partly related to the asset accumulation for old-age consumption; a gradual decumulation of such assets is expected over the long term.</td></tr>
<tr><td>2024 (% GDP)</td><td>NIIP: 89.8</td><td>Gross Assets: 273.7</td><td colspan="2">Debt Assets: 115.8</td><td>Gross Liab.: 183.9</td><td>Debt Liab.: 111.4</td></tr>
<tr><td>Current Account</td><td colspan="6">Background. Japan’s CA surplus reflects a sizable income balance owing to its large net foreign asset position. The CA surplus increased to 4.8 percent of GDP in 2024 from 3.8 percent in 2023. The income balance has improved from 6.1 percent in 2023 to 6.6 percent in 2024, reflecting increased overseas direct investment and the effects of the yen depreciation. The goods trade balance has also improved, from –1.1 to –0.6 percent of GDP, but remains in deficit, in contrast to surpluses in the period before COVID-19. Offshoring of production has offset some of the positive impact of yen depreciation on exports, while Japan faces increasing competition in some of its export sectors. Following a surge in inbound tourism that boosted the services trade balance in 2023, the services balance remained broadly unchanged in 2024. From a savings-investment perspective, a rising private savings rate in 2024 explains most of the increase in the current account. In the medium term, the CA balance is projected to average 3.0 percent, below current levels, reflecting a moderation in the income balance.

Assessment. The 2024 cyclically adjusted CA balance is 4.9 percent of GDP, and the cyclically adjusted CA norm is 4.3 percent (with a range between 3.2 and 5.5 percent of GDP). The 2024 CA gap midpoint is assessed at +0.6 percent of GDP, with a range between −0.5 and 1.7 percent. The EBA-identified policy gap is small (–0.4 percent of GDP) and largely reflects a positive credit gap in relation to medium-term desired policy.[1] The unexplained residual of the assessment potentially reflects structural impediments and country-specific factors not included in the model, such as investment bottlenecks, including entrepreneurship entry barriers and corporate savings distortions.</td></tr>
<tr><td>2024 (% GDP)</td><td>CA: 4.8</td><td>Cycl. Adj. CA: 4.9</td><td>EBA Norm: 4.3</td><td>EBA Gap: +0.6</td><td>Staff Adjustors: 0.0</td><td>Staff Gap: +0.6</td></tr>
<tr><td>Real Exchange Rate</td><td colspan="6">Background. The REER continued to depreciate in 2024 by 5.4 percent, following a depreciation of similar magnitude in 2023. This reflects the yen’s nominal depreciation against major currencies as a result of continued wide interest rate differentials. As of March 2025, the REER has appreciated by 4.1 percent relative to the 2024 average.

Assessment. The IMF staff CA gap implies a REER gap of –3.3 percent in 2024 (applying an estimated elasticity of 0.18). The EBA REER index and level models deliver gaps of –38.9 and –35.4 percent, respectively. Consistent with the CA gap, staff assesses the REER gap to be in the range of –9.6 to 3.0 percent, with a midpoint of –3.3 percent.</td></tr>
<tr><td>Capital and Financial Accounts: Flows and Policy Measures</td><td colspan="6">Background. The financial account recorded net outflows in 2024, mirroring the CA surplus, and increased to 4.5 percent of GDP in 2024, from 4.2 percent in 2023. Net FDI outflows of 4.8 percent of GDP are primarily driven by outward FDI flows to Asia, Europe, and North America. Net portfolio outflows of 2.4 percent of GDP have remained high following outflows of 4.7 percent in 2023, reflecting higher demand for foreign assets from domestic investors and lower demand for yen-denominated assets from a divergence of real interest rates between Japan and other major economies.

Assessment. Vulnerabilities are limited. Inward investment tends to be equity based, and the home bias of Japanese investors is strong. So far, outward spillovers from Japan’s policies to financial conditions in other economies (interest rates, credit growth) are contained.</td></tr>
<tr><td>FX Intervention and Reserves Level</td><td colspan="6">Background. Reflecting legacy accumulation, reserves stood at about $1.3 trillion, or about 32 percent of GDP, at the end of 2024. This amount was little changed since the end of 2023.

Assessment. The exchange rate is free floating, although FX interventions occurred in April, May, and July of 2024. FX interventions should be isolated and limited to addressing disorderly market conditions.</td></tr>
</table>

Table 3.15. Korea: Economy Assessment

<table>
<tr><td colspan="31">Overall Assessment: The external position in 2024 was assessed to be broadly in line with the level implied by medium-term fundamentals and desirable policies. The strong recovery of semiconductor exports has significantly increased the CA surplus in 2024. The surplus is projected to moderate in the medium term as a result of normalization of the semiconductor cycle, and declining demand in major trading partners.

Potential Policy Responses: Over the medium term, increasing fiscal space to meet aging-related needs, orderly deleveraging of private debt, boosting innovation to maintain exports competitiveness, and diversifying export destinations and supply chains, would help keep the external position in line with fundamentals. Exchange rate flexibility, with intervention limited to preventing disorderly market conditions, would help the economy absorb external shocks. Industrial policies should remain narrowly targeted to specific objectives where externalities or market failures prevent effective market solutions and, even then, they should aim to minimize trade and investment distortions.</td></tr>
<tr><td>Foreign Asset and Liability Position and Trajectory</td><td colspan="30">Background. The NIIP has been positive since 2014 and has significantly increased in the past decade. In 2024, both the estimated nominal value of NIIP ($1.1 trillion) and the NIIP-to-GDP ratio (59 percent) increased significantly relative to 2023. The NIIP is projected to rise further in 2025 and over the medium term, to over 75 percent of GDP in 2030, on the back of continued CA surpluses.

Assessment. The large and positive NIIP is a key factor supporting external resilience. Foreign asset holdings are diversified, with 40 percent in equity or debt securities. About 60 percent of foreign assets are denominated in US dollars, implying that depreciation of the won against the dollar can have large positive valuation effects in aggregate. The structure of liabilities further limits vulnerabilities, with direct investment and long-term loans together accounting for 57 percent of total liabilities and 65.7 percent of liabilities denominated in Korean won.</td></tr>
<tr><td>2024 (% GDP)</td><td colspan="6">NIIP: 59.0</td><td colspan="6">Gross Assets: 133.6</td><td colspan="6">Debt Assets: 57.1</td><td colspan="6">Gross Liab.: 74.7</td><td colspan="6">Debt Liab.: 35.8</td></tr>
<tr><td>Current Account</td><td colspan="30">Background. The CA surplus increased from 1.8 percent of GDP in 2023 to 5.3 percent in 2024, mainly driven by a strong rebound in semiconductor exports. From a saving-investment perspective, a significant drop in the investment rate drove the increase in surplus in 2024 despite a moderate increase in the saving rate. Since the pandemic, developments in the CA have been driven significantly by the global semiconductor cycle. Following a sharp decrease by about 2 percent of GDP in 2023, semiconductor exports showed a strong recovery, up by 44 percent in 2024. In the medium term, the CA is projected to be around 4 percent of GDP by 2030, reflecting the need to build precautionary savings to meet aging-related needs and an orderly deleveraging of private debt.

Assessment. The EBA CA model estimates the cyclically adjusted CA at 5.5 percent of GDP. IMF staff estimates the CA norm to be 4.7 percent of GDP, with a standard error of 0.9 percent of GDP. Based on the CA model, staff estimates the 2024 CA gap midpoint at 0.8 percent of GDP, with a range of –0.1 to 1.7 percent of GDP. The net contribution of the relative policy gap is 1.1 percent of GDP, with contribution from a lower health spending and tighter fiscal stance outweighing a more positive credit gap compared to the rest of the world.</td></tr>
<tr><td>2024 (% GDP)</td><td colspan="5">CA: 5.3</td><td colspan="5">Cycl. Adj. CA: 5.5</td><td colspan="5">EBA Norm: 4.7</td><td colspan="5">EBA Gap: 0.8</td><td colspan="5">Staff Adj.: 0</td><td colspan="5">Staff Gap: 0.8</td></tr>
<tr><td>Real Exchange Rate</td><td colspan="30">Background. The REER depreciated by 2.2 percent in 2024 on average relative to 2023, reversing nearly all the appreciation in 2023. The REER depreciation in 2024 was mainly driven by won depreciation against currencies of some major trading partners, notably the US dollar and Chinese Yuan. As of March 2025, the REER had depreciated by about 5.4 percent relative to the 2024 average.

Assessment. The EBA CA gap implies a REER undervaluation of 2.4 percent (applying an estimated elasticity of 0.33). The EBA REER index model estimates an undervaluation of 6.5 percent, while the EBA level model estimates a 7.2 percent undervaluation. Consistent with the IMF staff CA gap, staff assesses the REER gap to be in the range of –5.1 to 0.3 percent, with a midpoint of about –2.4 percent.</td></tr>
<tr><td>Capital and Financial Accounts: Flows and Policy Measures</td><td colspan="30">Background. Net capital outflows, while on a declining trend since 2016, are estimated to rebound to 5 percent of GDP in 2024 from 2 percent of GDP in 2023. Net FDI and portfolio outflows picked up by 1.8 percent and 2.7 percent of GDP, reflecting both an increase in residents' outbound investment and a reduction of inflows.

Assessment. Amid multiple global shocks in recent years, Korea has demonstrated remarkable resilience in weathering short-term capital flow volatility. The recent inclusion of Korea's government bonds in the World Government Bond Index should lead to higher capital inflows from a diversified investor base. The present configuration of capital flows appears sustainable over the medium term, mirroring the projected increase in the CA surplus and NIIP.</td></tr>
<tr><td>FX Intervention and Reserves Level</td><td colspan="30">Background. Korea has a floating exchange rate. Based on IMF staff estimates and published data, FX intervention since 2015 has been two-sided. In 2024, FX intervention slightly increased from net sales $9.6 billion (0.5 percent of GDP) in 2023 to $11.2 billion (0.6 percent of GDP), mostly conducted during periods of heightened exchange rate volatility, induced by changing expectations of monetary policies in major economies in the second quarter and domestic political uncertainty in the fourth quarter. As of end-2024, reserves stood at $416 billion, lower than the year-earlier $420 billion.

Assessment. Exchange rate volatility generally does not pose significant economic challenges for Korea, given limited currency mismatches and manageable pass-through to consumer prices. FX market depth while ranking higher than in most emerging markets, still lags advanced economy peers. In periods of high global financial market uncertainty, there could be herding behavior amid temporarily shallow markets, leading to sharp FX movements and impaired market functioning. Intervention should thus remain limited to preventing disorderly market conditions. The recently introduced FX market reforms are expected to deepen FX markets, thus improving the efficiency and resilience of the currency market. As of end-2024, FX reserves were about 22 percent of GDP, 2.1 times short-term debt, 6.4 months of imports, or 13 percent of M2. Systemwide stress tests also show that reserves provide sufficient FX liquidity buffers under a wide range of plausible shocks.</td></tr>
</table>

Table 3.16. Malaysia: Economy Assessment

<table>
<tr><td colspan="7">Overall Assessment: Malaysia’s external position in 2024 is assessed to be moderately stronger than the level implied by medium-term fundamentals and desirable policies. After falling in 2023 amid a challenging external environment, the current account surplus fell slightly in 2024 as higher intermediate and capital goods imports outweighed higher exports due to an upturn in the global semiconductor cycle. Over the medium term, the current account surplus is projected to increase slightly as the services balance benefits from a continuing recovery in tourism.

Potential Policy Responses: In the near-term, exchange rate flexibility should be preserved to facilitate external adjustments that are driven by fundamentals. Over the medium term, policies should be implemented to strengthen social safety nets and public health care, including through a reorientation of fiscal spending, to reduce precautionary household savings and shift toward private consumption. Structural policies should be implemented to encourage private investment and improve productivity growth. Industrial policy should remain narrowly targeted to specific objectives where market solutions cannot deliver because of the presence of externalities or other market imperfections and should avoid discriminatory measures that distort trade and investment flows.</td></tr>
<tr><td>Foreign Asset and Liability Position and Trajectory</td><td colspan="6">Background. Malaysia’s NIIP has averaged about 2.6 percent of GDP over the last decade, increasing to 5.4 percent at the end of 2023, supported by strong current account surpluses during the pandemic that helped increase reserve assets. The NIIP declined to –0.6 percent of GDP at the end of 2024 because of an increase in direct and portfolio investment liabilities. Total external debt increased to 69.7 percent of GDP at the end of 2024, compared to 68 percent at the end of 2023, and remains manageable. One-third of external debt is ringgit-denominated, and so not exposed to valuation risks. Short-term external debt, which accounts for 42.8 percent of external debt, is also manageable, as most is either in the form of intragroup borrowing (among banks and corporations, and largely stable) or trade credits (backed by export earnings).

Assessment. Malaysia’s NIIP is expected to increase over the medium term, supported by the projected CA surpluses. Malaysia’s balance sheet strength, along with exchange rate flexibility and increased domestic investor participation, would help support resilience to a variety of shocks, including outflows associated with external liabilities.</td></tr>
<tr><td>2024 (% GDP)</td><td colspan="2">NIIP: –0.6</td><td>Gross Assets: 128.2</td><td>Debt Assets: 26.8</td><td>Gross Liab.: 128.8</td><td>Debt Liab.: 40.3</td></tr>
<tr><td>Current Account</td><td colspan="6">Background. Malaysia’s CA surplus averaged 2.9 percent over the last five years, supported by robust external goods demand. The current account surplus decreased to 1.4 percent in 2024, from 1.5 percent in 2023, as strong exports driven by a recovery in demand for electrical and electronic products was offset by higher capital goods imports. The declining trend in the CA surplus over the past five years is also reflective of the narrowing saving-investment gap, mainly driven by an increase in private investment and decline in public savings. The CA surplus is expected to grow slightly over the medium term, as tourism continues to recover, improving the services balance.

Assessment. The EBA CA model estimates a cyclically adjusted CA balance of 1.9 percent of GDP and a norm of –0.1 percent, implying a model-assed CA gap of 1.9 percent. The staff-assessed CA gap is in the range of 1.4 to 2.4 percent, with a midpoint of 1.9 percent. Relative policy gaps partly explain the CA gap, with weaker social safety nets, proxied by health care expenditure, and looser fiscal policies adopted by the rest of the world relative to Malaysia contributing positively (0.4 percent and 0.5 percent respectively) to the excess surplus, and stronger credit growth contributing negatively (–0.2 percent).</td></tr>
<tr><td>2024 (% GDP)</td><td>CA: 1.4</td><td>Cycl. Adj. CA: 1.9</td><td>EBA Norm: –0.1</td><td>EBA Gap: 1.9</td><td>Staff Adj.: 0.0</td><td>Staff Gap: 1.9</td></tr>
<tr><td>Real Exchange Rate</td><td colspan="6">Background. The ringgit appreciated by 4 percent against the US dollar in 2024 after facing depreciation pressures in the previous two years. The real exchange rates rose about 1.1 percent and the nominal effective exchange rates rose about 1.6 percent in 2024. While the recent appreciation has pushed both the REER and NEER above its end-2021 level, the REER remains about 5 percent below the NEER, reflecting lower inflation in Malaysia compared to its trading partners over that period. As of March 2025, the REER was 3.7 percent above its 2024 average.

Assessment. Using a semi-elasticity of 0.51, the staff-assessed CA gap implies a REER undervaluation of 3.7 percent in 2024. The REER index and level models estimate Malaysia’s REER to be undervalued by 27.9 percent and 30.6 percent, respectively. This implies that, over the medium term, Malaysia’s REER needs to appreciate to narrow the CA gap. Consistent with the staff CA gap, staff assess the REER to be undervalued in a range of 2.7 to 4.8 percent, with a midpoint of 3.7 percent.</td></tr>
<tr><td>Capital and Financial Accounts: Flows and Policy Measures</td><td colspan="6">Background. Malaysia has experienced periods of significant capital flow volatility, driven by portfolio flows in and out of the local-currency debt market, in response to both the change in global financial conditions and domestic factors.

Assessment. Exchange rate flexibility and macroeconomic policy adjustments should continue to play the central role in response to capital flow volatility. CFM measures should be gradually phased out, with due regard for market conditions.</td></tr>
<tr><td>FX Intervention and Reserves Level</td><td colspan="6">Background. Gross international reserves increased to $116.2 billion at the end of 2024 from $113.5 billion at the end of 2023.

Assessment. Based on the IMF’s composite reserve adequacy metric (ARA), reserves at the end of 2024 were about 105.4 percent of the ARA metric, lower than the 114.9 percent at the end of 2023 but above the 100 percent adequacy threshold. This decline was driven by higher increases in export revenues, broad money, and short-term external debt relative to the increase in gross international reserves. The reserve coverage is projected to equal about 4.8 months of prospective imports, or about 70 percent of short-term debt. Staff assesses that Bank Negara Malaysia engaged in largely two-sided FX interventions over the year. There is a role for FX interventions to address disorderly market conditions. Integrated Policy Framework analysis suggests that, in the context of Malaysia’s shallow FX market, the use of FX interventions may be warranted to smooth large changes in hedging and financing premia if they generate risks to macroeconomic and financial stability. However, FX interventions are not a substitute for needed policy adjustment, and should not be used to lean against exchange rate pressures that are driven by fundamentals.</td></tr>
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Table 3.17. Mexico: Economy Assessment

<table>
<tr><td colspan="7">Overall Assessment: The external position in 2024 was moderately stronger than the level implied by medium-term fundamentals and desirable policies. Mexico's CA deficit held steady at 0.3 percent of GDP in 2024, reflecting the stable trade balance and robust secondary income driven by remittances. The CA deficit is expected to widen moderately in 2025, although the projection is subject to considerable uncertainty. Over the medium term, the CA balance is projected to hover around a deficit of 1 percent of GDP.

Potential Policy Responses: Further structural reforms are critical to boost investment in the medium to long term, and to maintain external sustainability. Reforms should include tackling infrastructure and governance gaps, reducing informality, promoting financial deepening, and increasing private sector participation in the energy sector. In the current uncertain environment, trade policies should continue seeking to resolve trade tensions, promote clarity and transparency, and deepen economic integration. The floating exchange rate should continue to serve as a shock absorber, with FX interventions employed only in exceptional circumstances to counter disorderly market conditions. The IMF's Flexible Credit Line with Mexico continues to provide an added buffer against global tail risks. Ensuring fiscal sustainability is also vital to buttress external stability.</td></tr>
<tr><td>Foreign Asset and Liability Position and Trajectory</td><td colspan="6">Background. The NIIP stood at –32 percent of GDP in 2024, improving from –42 percent in 2023, and compared to the–45 percent average during 2019–23. While net transactions have decreased slightly, the main driver of change was valuation adjustments stemming from the depreciation of the peso which led to a decline in the market value of Mexico's liabilities in US dollar terms. Foreign assets in 2024 were mostly direct investment (14 percent of GDP) and international reserves (12½ percent). Foreign liabilities primarily consist of direct investment (42 percent of GDP) and portfolio investment (25¼ percent). IMF staff projects the NIIP to slightly improve over the medium term to about –30 percent of GDP.

Assessment. The NIIP remains sustainable, with the relatively high share of local-currency denomination in its foreign public liabilities limiting FX risks. Gross foreign portfolio liabilities could be a source of vulnerability in times of global financial distress, although the share of foreign holdings in local debt markets has fallen considerably in recent years. Vulnerabilities from exchange rate volatility are moderate, as most Mexican firms with FX debt have natural hedges and actively manage their FX exposures.</td></tr>
<tr><td>2024 (% GDP)</td><td>NIIP: –32</td><td>Gross Assets: 43</td><td colspan="2">Debt Assets: 13</td><td>Gross Liab.: 75</td><td>Debt Liab.: 32</td></tr>
<tr><td>Current Account</td><td colspan="6">Background. The CA deficit was 0.3 percent of GDP in 2024, similar to the level observed in 2023, primarily reflecting the stable trade balance and the robust secondary income surplus driven by remittances. At the same time, the expansion of the primary income deficit (owing to increased retained earnings paid to foreign firms) was offset by improvements in the service balance (owing to lower service imports). The CA deficit is expected to widen moderately in 2025, although the projection is subject to considerable uncertainty, due to the effect of trade tensions and US migration policies. Over the medium term, the CA balance is projected to hover around a deficit of 1 percent of GDP.

Assessment. The EBA model estimates a cyclically adjusted CA balance of 0.1 percent of GDP and a cyclically adjusted CA norm of –1.3 percent of GDP. Based on the CA model, IMF staff estimates the 2024 CA gap midpoint at 1.3 percent of GDP, with a range of 0.9 to 1.7 percent of GDP. The overall contribution from identified policy gaps is assessed to be -0.1 percent of GDP, with the negative contribution from the credit gap (as Mexico's negative credit gap is narrower than those abroad) largely offset by positive contributions from other policy gaps, primarily from health expenditure. Despite a notable domestic fiscal policy gap from loose fiscal policy, the contribution from the fiscal policy gap is zero, as Mexico's fiscal policy gap is similar to the rest of the world. The large residual may reflect country-specific or policy distortions not included in the model.</td></tr>
<tr><td>2024 (% GDP)</td><td>CA: –0.3</td><td>Cycl. Adj. CA: 0.1</td><td>EBA Norm: –1.3</td><td>EBA Gap: 1.3</td><td>Staff Adj.: 0</td><td>Staff Gap: 1.3</td></tr>
<tr><td>Real Exchange Rate</td><td colspan="6">Background. The peso displayed a modest average depreciation of 3 percent against the US dollar in 2024 compared to 2023, although the end-of-period change was significantly larger (at nearly 20 percent) due to a sharper depreciation in the second half of 2024 (following the appreciating trend in 2023 and early 2024). As of March 2025, the REER stood about 9 percent lower than its 2024 average.

Assessment. The IMF staff CA gap implies a REER that was undervalued by 4.1 percent in 2024 (applying an estimated semi-elasticity of 0.33). The EBA REER index and level models, however, point to overvaluations of 5.7 percent and 24.3 percent. The staff's overall assessment for 2024, based on the CA gap approach, is a REER undervaluation in the range of 2.9 to 5.3 percent, with a midpoint of 4.1 percent.</td></tr>
<tr><td>Capital and Financial Accounts: Flows and Policy Measures</td><td colspan="6">Background. In 2024, Mexico recorded net financial account inflows of 0.2 percent of GDP, slightly lower than the level observed in 2023 (0.3 percent of GDP). Net inflows of FDI remained stable at about 1.7 percent of GDP, partially offsetting net portfolio outflows (0.4 percent of GDP) and other investment outflows (0.7 percent), as well as reserve accumulation.

Assessment. The long maturity of sovereign debt and the relatively high share of local-currency-denominated debt reduce the exposure of government finances to FX depreciation and refinancing risks. The banking sector is resilient, and FX risks of nonfinancial corporate debt are generally covered by natural and financial hedges.</td></tr>
<tr><td>FX Intervention and Reserves Level</td><td colspan="6">Background. The authorities remain committed to a free floating exchange rate and have used FX intervention in limited occasions on extreme volatility, in line with their policy framework. At the end of 2024, gross international reserves were $232 billion (12½ percent of GDP), up from $214 billion at the end of 2023. No FX intervention was conducted.

Assessment. Mexico's foreign reserves, at 128½ percent of the ARA metric and 317 percent of short-term debt (at remaining maturity), remain adequate at the end of 2024. IMF staff recommends that the authorities continue to maintain reserves at an adequate level over the medium term. The Flexible Credit Line arrangement continues to provide an additional buffer.</td></tr>
</table>

Table 3.18. The Netherlands: Economy Assessment

<table>
<tr><td colspan="7">Overall Assessment: The external position in 2024 was substantially stronger than the level implied by medium-term fundamentals and desirable policies. The Netherlands' status as a global trading hub, financial center, and host country for multinational corporations (MNCs)—complicates the external assessment, in particular because of the large and volatile primary income flows and measurement issues of portfolio equity retained earnings of MNCs. In 2024, the external CA surplus remained stable at 9.9 percent of GDP as in 2023. In the medium term, the CA surplus is expected to remain sizable, reflecting lower than desirable investment, and structurally high private saving despite population aging.

Potential Policy Responses: Bringing the external position more in line with medium-term fundamentals and desirable policies will require boosting public investment and fostering private investment in infrastructure and housing and addressing growth bottlenecks from nitrogen and electricity grid congestion. In addition, national and EU trade policies should seek to reduce trade barriers, minimize non-tariff barriers that restrict exports, and deepen regional, plurilateral, or multilateral economic integration.</td></tr>
<tr><td>Foreign Asset and Liability Position and Trajectory</td><td colspan="6">Background. Data refinements by Statistics Netherlands as part of its 5-year benchmark revisions—to include new data sources, adjust the classification of Dutch subsidiaries of foreign firms, and ensure consistency with trade partner data—resulted in significantly lower net direct and portfolio investment and downward revision of the NIIP from 71.8 percent to 52.9 percent of GDP in 2023. The NIIP increased to 59.6 percent of GDP in 2024. The increase was mainly driven by positive net transactions and price and exchange rate effects that affected the net stock of portfolio investments. FDI remains the largest component of the IIP, accounting for more than half of external assets and liabilities, reflecting the country's role as the seat for MNCs and its importance as a global financial center. Debt liabilities primarily comprise long-term debt securities (54 percent, of which 68 percent are denominated in euro and 23 percent are denominated in US dollars), currency and deposits (27 percent, of which 62 percent are denominated in euro), and long-term loans (6 percent).
Assessment. The Netherlands' safe-haven status and its sizable foreign assets limit risks from its large foreign liabilities.</td></tr>
<tr><td>2024(% GDP)</td><td>NIIP: 59.6</td><td>Gross Assets: 888.7</td><td>Debt Assets: 220.5</td><td>Gross Liab.: 829.1</td><td colspan="2">Debt Liab.: 240.4</td></tr>
<tr><td>Current Account</td><td colspan="6">Background. In 2024, the CA surplus is estimated to have remained stable at 9.9 percent of GDP (10.1 percent of GDP cyclically adjusted) as in 2023. A 0.9 percentage point of GDP improvement in the goods and services balance, to 12.1 percent of GDP in 2024—the result of a larger decline in imports than exports—was offset by primary and secondary income balance decreases by 0.6 and 0.3 percentage points of GDP, respectively. Public net saving rebounded, with the phasing out of most support measures to cushion the impact of the energy price shock on households and corporations and under execution of investment. Private net saving remained robust supported by a strong labor market and high wage growth, despite significantly lower financial sector corporate saving. The Netherlands' role as a trading hub and financial center contributes to a structurally strong headline external position. Multinational corporations based in The Netherlands record profits at their Dutch HQs while channeling a large part of their investment abroad in the form of FDI, keeping nonfinancial corporate saving high. Relatedly, measurement biases of portfolio equity retained earnings in official statistics may also contribute to an overstatement of the net accumulation of wealth that is attributed to Dutch residents, an issue of relevance for a country where the foreign ownership of publicly listed firms has been above 80 percent in recent years. The CA surplus is projected to remain large at 10.2 percent of GDP in 2025.

Assessment. The EBA CA model estimates a CA norm of 3.8 percent of GDP, against a cyclically adjusted CA surplus of 10.1 percent of GDP in 2024, implying an EBA CA gap of 6.2 percent of GDP. Policy gaps account for 4.1 percentage points of the CA gap, primarily reflecting a relatively tighter fiscal stance and a negative credit gap that remains wider than those abroad. The portfolio retained earnings bias is assessed at –2.2 percent of GDP, based on central bank granular data that allow for the attribution of aggregate net saving by firms to different segments of the corporate sector. Overall, the IMF staff assesses the CA gap to be in the range of 3.5 to 4.5 percent of GDP, with a midpoint of 4.0 percent of GDP. This gap partly reflects strong saving from the second-pillar retirement program with large coverage, robust replacement ratios, and strict pre-funding requirements.</td></tr>
<tr><td>2024 (% GDP)</td><td>CA: 9.9</td><td>Cycl. Adj. CA: 10.1</td><td>EBA Norm: 3.8</td><td>EBA Gap: 6.2</td><td>Staff Adj.: –2.2</td><td>Staff Gap: 4.0</td></tr>
<tr><td>Real Exchange Rate</td><td colspan="6">Background. The annual average CPI-based REER remained broadly stable, appreciating by 1.2 percent in 2024, as inflation in The Netherlands moderated, in line with its key trading partners'. The ULC-based REER depreciated by 0.4 percent, reflecting slightly lower labor cost increases compared to competitors. As of March 2025, the CPI-based REER (ULC-based REER) was 1.2 percent (0.4 percent) above its 2024 average.

Assessment. Assuming a semi-elasticity of the CA balance to the REER of 0.65, the IMF staff CA gap of 4.0 percent of GDP implies a REER undervaluation in the range of 5.4 to 7.0 percent, with a midpoint of 6.2 percent. EBA REER model estimates for 2024 range from an overvaluation of 6.2 percent (level model) to 19.1 percent (index model), largely reflecting unexplained residuals. Consistent with the staff CA gap, IMF staff assesses the REER to be undervalued by about 5.4 to 7.0 percent, with a midpoint of 6.2 percent.</td></tr>
<tr><td>Capital and Financial Accounts: Flows and Policy Measures</td><td colspan="6">Background. About 20 percent of gross foreign assets and liabilities are attributable to special-purpose entities; financial vehicles with marginal operational footprints in The Netherlands that contribute to substantial yet hard-to-interpret capital flows. Separately, a notable part of capital outflows represents the channeling of corporate profits by multinationals abroad as FDI.

Assessment. The strong external position limits vulnerabilities to capital outflows. The financial account deficit is likely to remain as it is primarily the flip side of a CA recording sustained—and structural—surpluses.</td></tr>
<tr><td>FX Intervention and Reserves Level</td><td colspan="6">Background. The euro has the status of a global reserve currency.

Assessment. Reserves held by the euro area are typically low relative to standard metrics, but the currency floats freely.</td></tr>
</table>

Table 3.19. Poland: Economy Assessment

<table>
<tr><td colspan="7">Overall Assessment: The external position in 2024 was moderately stronger than the level implied by medium-term fundamentals and desirable policies. The CA registered a small surplus of 0.2 percent of GDP in 2024, down substantially from 1.8 percent in 2023, driven by weaker trading partners’ demand and the continued domestic economic recovery. Stronger consumption, the lagged impact of significant and persistent REER appreciation, the release of EU funds, and subdued external demand are expected to reduce the CA balance to –1.6 percent of GDP over the medium term. The CA gap will narrow but likely remain positive in view of Poland’s structurally low investment-to-GDP compared to peer emerging markets.

Potential Policy Responses: Disinflation coupled with continued wage deceleration is opening the scope for gradual monetary policy normalization helping support private investment. To address Poland’s structurally low investment levels, efforts should focus on easing regulatory hurdles to private investment. This would help catalyze investment and financing additional to the NextGenerationEU grants to address infrastructure gaps and support the climate transition. Industrial policies should be deployed cautiously and coordinated at the EU level, remain targeted to specific objectives where externalities or market failures prevent effective market solutions, and avoid favoring domestic producers over imports to minimize trade and investment distortions.</td></tr>
<tr><td>Foreign Asset and Liability Position and Trajectory</td><td colspan="6">Background. The negative NIIP has declined markedly over the past decade, both in size and structure, transitioning from volatile sources of financing such as portfolio flows and short-term financing toward more stable FDI. The NIIP rose to –28.2 percent of GDP in 2024 from –33.8 in 2023. Gross external debt declined to 50.2 percent of GDP in 2024 from 52.7 percent in 2023.

Assessment. The level of external debt has declined substantially, with rollover risk mitigated by the large share of long-term debt (about 70 percent of total debt) and intercompany lending (about 30 percent of total debt). The level of gross reserves (at 162 percent of short-term debt) is adequate and further reduces residual rollover risk.</td></tr>
<tr><td>2024 (% GDP)</td><td>NIIP: –28.2</td><td>Gross Assets: 59.5</td><td>Reserve Assets: 24.4</td><td>Gross Liab.: 87.6</td><td colspan="2">Gross External Debt: 50.2</td></tr>
<tr><td>Current Account</td><td colspan="6">Background. The CA in recent years was characterized by volatile domestic and external demand and terms of trade changes amid multiple shocks associated with the pandemic and war in Ukraine, increased government spending to cushion cost-of-living increases and support refugees, robust service exports, and strong reinvested earnings of foreign firms. In 2024, the CA recorded a small surplus of 0.2 percent of GDP, from 1.8 percent in 2023. The decline was driven by the domestic economic recovery, the normalization of the inventory cycle, and weaker demand from major trading partners. The CA balance is expected to go into deficit territory in 2025 as growth picks up on the back of strong consumption and EU fund-supported investment, and with the lagged impact of sizable real appreciation. Over the medium term, the CA balance is projected to converge toward a deficit of 1.6 percent, due to robust consumption growth, sustained EU fund inflows, and increased military spending.

Assessment. The EBA CA model estimates a CA norm of –1.7 percent of GDP compared with a cyclically adjusted CA surplus of 0.2 percent of GDP in 2024. This implies an EBA model CA gap between 1.5 and 2.4 percent of GDP, with a midpoint of 1.9 percent of GDP, comprising identified policy gaps of 1.2 percent of GDP and an unexplained residual of 0.8 percent of GDP. Among the policy variables, change in reserves interacted with capital controls and the credit gap were the main contributors to the policy gap. Staff estimates that overall desirable policies will help narrow the policy gap over the medium term.</td></tr>
<tr><td>2024 (% GDP)</td><td>CA: 0.2</td><td>Cycl. Adj. CA: 0.2</td><td>EBA Norm: –1.7</td><td>EBA Gap: 1.9</td><td>Staff Adj.: 0.0</td><td>Staff Gap: 1.9</td></tr>
<tr><td>Real Exchange Rate</td><td colspan="6">Background. The annual averages of the NEER and the CPI-based REER both appreciated by 7.5 percent in 2024 relative to 2023, as the zloty remained strong against both the US dollar and the euro, and the positive inflation differential relative to Poland’s trading partners diminished. As of March 2025, the CPI-based REER was 3.8 percent above its 2024 average.

Assessment. The IMF staff CA gap implies a REER gap of –4.8 percent in 2024 with an estimated elasticity of 0.4. The EBA REER index model estimates a REER gap of 16.3 percent, while the REER level model estimates put it at –15.6 percent. Consistent with the IMF staff CA gap, the staff’s overall assessment is a REER gap in the range of –5.9 to –3.7 percent, with a midpoint of –4.8 percent.</td></tr>
<tr><td>Capital and Financial Accounts: Flows and Policy Measures</td><td colspan="6">Background. The capital account balance remained broadly stable at 0.3 percent of GDP in 2024, from 0.2 percent in 2023. The capital account surplus is projected to increase to 1.1 percent of GDP in 2025 and 2026, supported by inflows of EU funds. The financial account experienced a net inflow of 0.8 percent of GDP in 2024. Both inward and outward FDIs declined in 2024, resulting in a net inflow of 1.2 percent of GDP, down from 2.4 percent in 2023.

Assessment. The capital account is projected to remain a strong source of support for investment, reflecting EU cooperation frameworks. Vulnerability to capital outflows is contained as foreign holdings of domestic government securities have declined continuously and significantly since 2016, and the foreign investor base remains diversified. The central bank has adequate tools to manage bouts of volatility.</td></tr>
<tr><td>FX Intervention and Reserves Level</td><td colspan="6">Background. FX reserves increased to $223 billion in 2024 from $194 billion in 2023. Net reserves, which net out the central bank’s repo operations and government FX deposits, stood at about $197 billion in 2024 from $167 billion in 2023. While the central bank briefly intervened in foreign exchange markets in March 2022 amid disorderly market conditions at the beginning of the war in Ukraine, no FX intervention was conducted in 2023 and 2024. The zloty is considered free floating.

Assessment. At about 156 percent of the IMF’s reserve adequacy metric, Poland’s level of gross reserves is adequate to guard against external shocks and disorderly market conditions.</td></tr>
</table>

Table 3.20. Russia: Economy Assessment

<table>
<tr><td colspan="7">Overall Assessment: Based on the EBA current account model and available data, Russia's external position in 2024 would appear to be broadly in line with the level implied by medium-term fundamentals and desirable policies. However, the models do not fully account for Russia's idiosyncratic situation and data uncertainties. Due to sanctions, current account surpluses may not translate into an accumulation of readily accessible foreign assets in reserve currencies. In addition, the range of uncertainty surrounding the projections remains exceptionally large in the context of shifting sanctions and global economic developments.</td></tr>
<tr><td>Foreign Asset and Liability Position and Trajectory</td><td colspan="6">Background. Russia's NIIP rose to 43.6 percent of GDP at the end of 2024, an increase of 2.0 percentage points of GDP from its 2023 level of 41.6 percent. In 2024, gross assets declined by 4.3 percentage points of GDP, moving further away from the peak of 105.4 percent of GDP in 2020, which was driven primarily by the decline in FDI and portfolio investment. Gross liabilities fell further to 27.5 percent of GDP, declining from 33.9 percent of GDP in 2023. At the end of 2024, the share of external debt held in domestic currency remained stable at about one-third, and there were no obvious maturity mismatches between gross asset and liability positions. The share of nonresident holdings of domestic government debt continued to decline sharply, from 32.2 percent at the end of 2019 to 4 percent by the end of 2024.

Assessment. Recurring positive current account surpluses continue to bolster Russia's NIIP and contribute to an accumulation of external buffers. Despite low external vulnerabilities at present, a share of international reserves is currently immobilized due to sanctions and additional reserves accumulation in traditional reserve currencies is hampered.</td></tr>
<tr><td>2024 (% GDP)</td><td>NIIP: 43.6</td><td colspan="2">Gross Assets: 71.2</td><td>Reserve Assets: 28.0</td><td>Gross Liab.: 27.5</td><td>Debt Liab.: 11.0</td></tr>
<tr><td>Current Account</td><td colspan="6">Background. After narrowing sharply in 2023, Russia's CA surplus widened to 2.9 percent of GDP in 2024 aided by an export-led rebound in the trade balance. Energy exports increased in part due to slightly higher volumes of oil and gas exports. The CA is projected to decline to 1.6 percent of GDP in 2025, weighed down by falling oil prices and a slowing global economy; although the projection is subject to high uncertainty, including data uncertainty.

Assessment. The EBA CA model estimates a norm of 2.6 percent of GDP for 2024 and a cyclically adjusted CA surplus of 2.9 percent of GDP. Identified policy gaps account for 0.7 percentage points—about half of which is driven by the gap in the fiscal balance and reflects larger consolidation needs in the rest of the world compared with Russia—while the unexplained residual accounts for –0.5 percentage points. Notably, the range of uncertainty surrounding the CA gap estimates remains exceptionally large due to the difficulty of estimating the cyclically adjusted current account and the current account norm in the context of sanctions that have a direct impact on external balances.</td></tr>
<tr><td>2024 (% GDP)</td><td>CA: 2.9</td><td>Cycl. Adj. CA: 2.9</td><td>EBA Norm: 2.6</td><td>EBA Gap: 0.3</td><td>Other Adj.: 0</td><td>Staff Gap: 0.3</td></tr>
<tr><td>Real Exchange Rate</td><td colspan="6">Background. The ruble appreciated by 1.3 percent in 2024, in part due to sanctions pressures and the ongoing shift in trade patterns. At the same time, the Bank of Russia (BoR) raised its policy rate an additional 500 basis points in several steps in response to inflation pressures, reaching 21 percent by October 2024. Additionally, the BoR maintained repatriation and surrender requirements of export proceeds and extended FX controls. The REER depreciated by 10 percent in between the end of 2023 and July 2024, but reversed its losses by December 2024, ending just 1 percent lower for the year. As of March 2025, the REER was 7.6 percent above the 2024 average.

Assessment. The EBA REER index model suggests a REER undervaluation for 2024 of 23.8 percent, while the EBA REER level model points to a 44.6 percent undervaluation. Consistent with the CA gap, IMF staff assesses the REER gap to be in the range of –6.9 to 3.4 percent, with a midpoint of –1.7 percent (undervalued), assuming an estimated elasticity of 0.16. However, these models do not fully account for Russia's idiosyncratic situation amid successive rounds of sanctions, which is contributing to the large residual.</td></tr>
<tr><td>Capital and Financial Accounts: Flows and Policy Measures</td><td colspan="6">Background. While capital control measures introduced in early 2022 were subsequently relaxed, the authorities have kept in place restrictions on repatriation of foreign investment, including FDI, as well as restrictions on cash FX withdrawals from bank accounts and cash exports abroad. Amid remaining restrictions, net private capital outflows increased modestly—from 2.0 percentage points of GDP in 2023 to 2.4 percentage points in 2024.

Assessment. Russia's large FX reserves and floating exchange rate regime continue to help absorb shocks. Remaining capital controls effectively curtailed capital outflows and helped preserve buffers despite sanctions.</td></tr>
<tr><td>FX Intervention and Reserves Level</td><td colspan="6">Background. Official reserves reported by the authorities increased modestly, due mainly to revaluation effects by $10.5 billion to $609.1 billion in 2024 (of which about $300 billion are immobilized). Despite recurrent CA surpluses, sanctions continue to constrain reserves accumulation. In response to depreciation pressures, the BoR implemented additional FX interventions to support the ruble, including mirroring withdrawals from the National Wealth Fund related to the NWF's investment in domestic assets and the suspension of FX purchases prescribed by the 2023 fiscal rule. Since January 2023, the BoR has resumed buying and selling FX, but now only in the Chinese renminbi, as transactions in traditional reserve currencies are prohibited by sanctions. The 2023 fiscal rule set the benchmark oil and gas revenues (in rubles). When oil and gas revenues exceeded the benchmark (in rubles), the authorities were required to purchase FX. In 2024, the Ministry of Finance announced it was reverting to an earlier (benchmark oil price-based) version of the fiscal rule, which became binding in the 2025 budget.

Assessment. At the end of 2024, international reserves stood at 318 percent of the IMF's reserve adequacy metric (about 180 percent of the ARA metric excluding immobilized reserves). Given that a substantial share of international reserves remains immobilized due to sanctions, the assessment of reserve adequacy is subject to high uncertainty.</td></tr>
</table>

Table 3.21. Saudi Arabia: Economy Assessment[1]

Overall Assessment: *The external position in 2024 was broadly in line with the level implied by medium-term fundamentals and desirable policies.* The external balance sheet remains strong despite a current account that shifted to a small deficit. Reserves remain adequate according to standard IMF metrics, although saving is not sufficient from an intergenerational equity perspective. Lower oil exports revenue (mainly from a weakened outlook on oil prices) and investment-driven imports are expected to keep current account in deficits over the medium term. The central government's non-oil primary balance to non-oil GDP ratio is expected to be set for a continuously improving trend. Given the economy's structure, any external adjustment will be driven primarily by fiscal policy. The pegged exchange rate continues to provide Saudi Arabia with a credible policy anchor. **Potential Policy Responses:** Over the medium term, continued fiscal consolidation—including through enhanced revenue mobilization and energy price reforms—would help raise public saving. Meanwhile, sustained implementation of ambitious structural reforms to diversify the economy is expected to support private investment and stimulate domestic consumption, and so help to maintain the external position broadly in line with fundamentals. Industrial policies should remain narrowly targeted to specific objectives where externalities or market failures prevent effective market solutions, while avoiding policies that favor domestic producers over imports as they could create distortions in the allocation of resources and in trade and investment decisions.						
Foreign Asset and Liability Position and Trajectory	**Background.** Saudi Arabia's NIIP decreased to 59.4 percent of GDP at the end of 2024, down from 62.8 percent in 2023—mainly driven by increased external financing activities that offset the rise in gross external assets. External debt increased to 30 percent of GDP in 2024 (from 24 percent in 2023)—with its share in gross liabilities increasing to 49 percent (from 45 percent in 2023). Only broad categories are available on the composition of external assets. Portfolio and other investments, reserves, and FDI currently account for 55 percent, 30 percent, and 15 percent of total external assets, respectively. In the medium term, the NIIP is expected to continue to decline in line with external funding needs to support reforms. **Assessment.** Despite a projected decline of NIIP, the external balance sheet remains strong. Substantial accumulated assets represent both a protection against vulnerabilities from oil price volatility and a saving of exhaustible resource revenues for future generations.					
2024 (% GDP)	NIIP: 59.4	Gross Assets: 120.9	Res. Assets: 35.3	Gross Liab.: 61.5	Debt Liab.: 24.5	
Current Account	**Background.** The CA shifted to a small deficit of –0.46 percent of GDP in 2024 (from a surplus of 2.9 percent in 2023). This was primarily driven by lower oil exports and strong goods imports linked to continued growth in investment and high consumption. The trend was partly mitigated by a 13 percent surge in non-oil exports and a record surplus in the travel service balance. The terms of trade deteriorated by 6 percent in 2024, while higher consumption and reduced oil windfalls continued to lower savings. Oil production projections are assumed to follow the OPEC+ (Organization of the Petroleum Exporting Countries, including Russia and other non-OPEC oil exporters) agreement announced on May 3, 2025, with the phaseout of production cut in 2025 and 2026. The CA deficit is expected to deteriorate to 3.9 percent of GDP in 2027 before gradually recovering to a 3.4 percent of GDP deficit by 2030, reflecting a weakened oil price outlook and increases in investment-driven imports. Private saving is expected to moderate as consumption picks up, while private investment will continue to grow to support domestic reforms. **Assessment.** IMF staff estimates a CA gap of –0.95 percent of GDP using the EBA-Lite CA model[1] although the overall assessment is subject to significant model uncertainty from the idiosyncratic characteristics of the Saudi Arabian economy.[2] Saudi Arabia's reliance on oil complicates the application of standard external assessment methodologies, given wide swings in oil prices since 2020. Given this, the EBA-Lite commodity module is also applied to Saudi Arabia ESA, with the Consumption Allocation Rules suggesting a CA gap of –3.6 percent of GDP for constant real annuity rules and –6.1 percent of GDP for constant real per capita annuity allocation rules. The Investment Needs Model suggests a CA gap of 0.46 percent of GDP. The estimated CA gap of –0.95 percent of GDP has an estimated range from –3 to 1 percent of GDP.[3]					
2024 (% GDP)	CA: –0.46	Cycl. Adj. CA: –0.4	EBA Norm: –	EBA Gap: –	Staff Adj.: –	Staff Gap: –0.95
Real Exchange Rate	**Background.** The riyal has been pegged to the US dollar at a rate of 3.75 since 1986. On average, the REER appreciated by 0.6 percent in 2024 and was 6.3 percent above its 10-year average (2013–2022). The NEER appreciated by 2.7 percent in 2024, mainly driven by US-dollar appreciation versus third currencies and by lower inflation than in its trading partners. As of March 2025, the REER was 1.2 percent above its 2024 average. **Assessment.** Based on the EBA-Lite CA model, IMF staff assesses the REER gap to be 4.7 percent (applying an estimated elasticity of 0.2), within a range of –5.2 to 14.6 percent. In comparison, the EBA-Lite REER model suggests a larger overvaluation of 17.6 percent. Exchange rate movements have a limited impact on Saudi Arabia's competitiveness in the short term. That is because most of its exports are oil or oil-related products that are denominated in US dollars. There is limited substitutability between imports and domestically produced products, which in turn have significant imported labor and intermediate-input content.					
Capital and Financial Accounts: Flows and Policy Measures	**Background.** The financial account shifted to net inflows of $25 billion in 2024 (from net outflows of $32 billion in 2023), mirroring the CA deficits, driven by a rise in external financing to support increased domestic demand, as well as a decline in gross portfolio and other investment abroad (include repatriation of foreign assets held by the sovereign wealth fund, PIF, and the national oil company, Aramco). Reserve assets are expected to decline in 2025–26 before recovering over the medium term as oil exports recover. **Assessment.** A lack of detailed information on the nature of financial flows in Saudi Arabia complicates the analysis of its financial account. The strong reserve position, including the sizable assets of the PIF, limits risks and vulnerabilities to capital flows.					
FX Intervention and Reserves Level	**Background.** Most of the government's foreign assets are held at the central bank within international reserves, while PIF also holds foreign assets abroad. Official net foreign assets stood at $415 billion at the end of 2024 (35 percent of GDP, 15 months of imports, and 187 percent of the ARA metric), close to its level of $417 billion in 2023 (and down from $440.5 billion in 2022). Reserves are expected to stabilize at about 12 months of imports in the medium term. **Assessment.** Reserves play a dual role: they are saving for both precautionary motives and future generations. Reserves are adequate for precautionary purposes (measured by the IMF's metrics). Significant buffers are also available through external assets held by the PIF and Aramco. Nevertheless, fiscal consolidation is needed over the medium term to strengthen the CA and increase saving for future generations.					

Table 3.22. Singapore: Economy Assessment

<table>
<tr><td colspan="7">Overall Assessment: The external position in 2024 was substantially stronger than the level implied by medium-term fundamentals and desirable policies. The assessment is subject to a wide range of uncertainty, reflecting Singapore’s open economy and status as a global trading and financial center. Over the medium term, the CA surplus is projected to narrow gradually alongside higher public spending, stronger social safety nets, and an increase in household consumption as the share of the prime working age population actively saving for retirement declines.

Potential Policy Responses: The planned execution of major high-quality and resilient infrastructure projects and the continued strengthening of social safety nets should help reduce external imbalances in the near term. Higher public investment is also expected to catalyze private investment. Over the medium term, Singapore’s economy is expected to undergo structural transformation in light of a rapidly aging population and a transition to a green and digital economy. Higher public investment to address these issues, including spending on health care, green and other physical infrastructures, and human capital, as well as ongoing reforms to strengthen social safety nets, would help reduce external imbalances over the medium term by reducing net saving in both the public and private sectors of the economy.</td></tr>
<tr><td>Foreign Asset and Liability Position and Trajectory</td><td colspan="6">Background. The NIIP stood at 146.9 percent of GDP in 2024, down from 179.3 percent in 2023 and below the 224.7 percent average during 2019–23. Gross assets and liabilities are high; over half (53.5 percent) of foreign liabilities are in FDI, and about one-fifth are in currency and deposits. The CA surplus has been a main driver of the NIIP since the global financial crisis. However, in 2024, valuation effects drove an NIIP decline, mainly because the NEER appreciated under the exchange-rate-based monetary policy of the Monetary Authority of Singapore (MAS). CA and growth projections imply that the NIIP will rise over the medium term. The large positive NIIP in part reflects private savings accumulated in foreign assets for old-age consumption, which are expected to be gradually unwound over the long term.

Assessment. Large gross non-FDI liabilities (433.9 percent of GDP in 2024)—predominantly cross-border deposit taking by foreign bank branches—present some liquidity risks, but these are mitigated by large gross asset positions, banks’ large short-term external assets, and the authorities’ close monitoring of banks’ liquidity risk profiles. Further, Singapore has large official reserves and other official liquid assets.</td></tr>
<tr><td>2024 (% GDP)</td><td>NIIP: 146.9</td><td>Gross Assets: 1079.9</td><td>Res. Assets: 68.1</td><td>Gross Liab.: 932.9</td><td colspan="2">Debt Liab.: 319.1</td></tr>
<tr><td>Current Account</td><td colspan="6">Background. The CA surplus was 17.5 percent of GDP in 2024, down from 17.7 percent in 2023. This mainly reflects a decline in the goods surplus from lower goods exports. The CA balance is broadly in line with the average of 17.4 percent since 2018 and lower than the post-global-financial-crisis peak of 22.9 percent in 2010. As in the past, Singapore’s large CA balance reflects significant private and public sector savings surpluses, which in 2024 manifested as a strong goods balance and a small surplus in the services balance that is partly offset by a deficit in the income account balance.[1] Structural factors and policies that boost saving, such as Singapore’s status as a financial center, consecutive fiscal surpluses in most years, and the rapid pace of aging—combined with a mandatory defined-contribution pension program (with assets worth about 83.3 percent of GDP in 2024)—are the main drivers of Singapore’s strong external position. The CA surplus is projected to narrow over the medium term as a result of increased infrastructure and social spending. In 2024, public saving increased as the fiscal balance improved further with stronger-than-anticipated economic activity, while private saving dipped.

Assessment. Guided by the EBA framework, IMF staff assesses the 2024 CA gap to be in the range of 3.1 to 7.1 percent of GDP, with a midpoint of 5.1 percent.[2] The identified policy gaps in 2024 reflect Singapore’s more contractionary fiscal policy compared to the rest of the world, as well as a large, negative credit gap.</td></tr>
<tr><td>2024 (% GDP)</td><td>CA: 17.5</td><td>Cycl. Adj. CA: 18.0</td><td>EBA Norm:</td><td>EBA Gap:</td><td>Staff Adj:</td><td>Staff Gap: 5.1</td></tr>
<tr><td>Real Exchange Rate</td><td colspan="6">Background. The Singapore dollar has appreciated notably since 2000. The REER appreciated by 2.9 percent in 2024 reflecting the appreciation of the NEER by 2.4 percent. This followed an appreciation of the REER by 13.5 percent and an appreciation of the NEER by 5.3 percent, both cumulative, between 2020 and 2023. As of March 2025, the REER was 0.2 percent above its 2024 average.

Assessment. Consistent with the IMF staff CA gap, staff assesses the REER to be undervalued in the range of 6.2 to 14.2 percent, with a midpoint of 10.2 percent in 2024 (applying an estimated elasticity of 0.5).[3]</td></tr>
<tr><td>Capital and Financial Accounts: Flows and Policy Measures</td><td colspan="6">Background. Singapore has an open capital account. As a trade and financial center in Asia, changes in market sentiment can affect Singapore significantly. Increased risk aversion in the region, for instance, may lead to inflows to Singapore given its status as a safe haven, whereas global stress may lead to outflows. The financial account balance reflects in part reinvestment abroad of income from official foreign assets, as well as sizable net inward FDI and smaller, but more volatile net bank-related flows. In 2024, the capital and financial account featured lower outflows of 12.0 percent of GDP, compared to 41.1 percent in 2022 (outflows ranged from 4.8 to 41.1 percent in 2021–23).

Assessment. The financial account is likely to remain in deficit as long as the trade surplus remains large.</td></tr>
<tr><td>FX Intervention and Reserves Level</td><td colspan="6">Background. With the NEER as the intermediate monetary policy target, intervention is undertaken to achieve inflation and output objectives. Therefore, net FX purchases are endogenous to Singapore’s monetary policy framework. Aggregate data on foreign exchange intervention operations has been published since April 2020 (with a six-month lag). In the first half of 2024, net FX purchases increased to $25 billion, up from $12 billion in the first half of 2023 but broadly in line with the $24 billion of interventions in the second half of 2023. As a financial center, prudential motives call for a larger NIIP buffer. Official reserves held by MAS reached $384 billion (70.1 percent of GDP) in 2024.

Assessment. In addition to FX reserves held by the MAS, Singapore also has access to other official foreign assets managed by Temasek and GIC.[4] The current level of official external assets appears adequate, even after considering prudential motives, and there is no clear case for further accumulation for precautionary purposes.</td></tr>
</table>

Table 3.23. South Africa: Economy Assessment

<table>
<tr><td colspan="7">Overall Assessment: The external position in 2024 was broadly in line with the level implied by medium-term fundamentals and desirable policies. The CA deficit declined to 0.6 percent of GDP in 2024 from 1.6 percent in 2023, as imports contracted more than exports. The CA deficit is projected to widen to 1.2 percent of GDP in 2025 and reach 2.2 percent over the medium term, driven by recovering imports that more than offset rising exports.

Potential Policy Responses: A combination of bold structural reforms and fiscal consolidation is necessary to safeguard macroeconomic stability and bolster growth and can help support South Africa's external position. Structural reforms supporting competitiveness, jobs, and growth, should focus on addressing energy and logistics bottlenecks (including by promoting private sector participation), as well as on improving the business environment, governance, and the functioning of labor markets. An ambitious fiscal consolidation is needed to put debt on a sustained downward path toward a more prudent level, while protecting vulnerable groups. Trade policy should aim to resolve trade tensions, promote clarity and transparency, and deepen economic integration, including through the implementation of the African Continental Free Trade Area. The flexible exchange rate should remain the main shock absorber, and maintaining an adequate level of international reserves can further support resilience to shocks.</td></tr>
<tr><td>Foreign Asset and Liability Position and Trajectory</td><td colspan="6">Background. South Africa's NIIP was 28.8 percent of GDP at the end of 2024, slightly above that in 2023 (and above the 22.4 percent average during 2019–23), as rising portfolio assets more than offset an increase in portfolio liabilities. The positive NIIP position is expected to moderate over the medium term as the CA deficit gradually widens. Gross external debt was 41.9 percent of GDP in 2024, broadly unchanged from 2023. It is expected to gradually rise over the medium term to about 48 percent of GDP by 2030, even as short-term external debt (on a residual maturity basis) is projected to decline slightly to about 11.3 percent of GDP by 2030, from 12.7 percent in 2024.

Assessment. The level and composition of NIIP and gross external debt indicate that South Africa's external position is sustainable. Risks from South Africa's large gross external liabilities are mitigated by limited sectoral foreign exchange mismatches, the large foreign asset position (including gross direct and portfolio investment holdings), and the liability composition (mostly in equities, with a significant share of external debt, 43 percent, being rand denominated).</td></tr>
<tr><td>2024 (% GDP)</td><td>NIIP: 28.8</td><td colspan="2">Gross Assets: 126.5</td><td>Debt Assets: 16.7</td><td>Gross Liab.: 97.7</td><td>Debt Liab.: 41.9</td></tr>
<tr><td>Current Account</td><td colspan="6">Background. The CA deficit was 0.6 percent of GDP in 2024, lower than the 2023 deficit (1.6 percent of GDP) but higher than the 2019-23 average (0.2 percent of GDP). Over the medium term, the CA deficit is projected to widen gradually to about 2.2 percent of GDP as import growth recovers alongside a recovery in domestic demand, more than offsetting gradually rising exports.

Assessment. Staff estimates a CA gap in the range of 0.3 to –1.5 percent of GDP in 2024 (–0.6 percent midpoint estimate). The cyclically adjusted CA is estimated at –1.0 percent of GDP in 2024, relative to a model-based EBA CA norm of 0.7 percent. Accounting for South Africa's lower life expectancy relative to other countries, an adjustor of 1.1 percentage points is applied, bringing the staff-adjusted CA norm to –0.4 percent of GDP.[1] This results in a staff CA gap of –0.6 percent of GDP, which is largely explained by structural factors outside of the model.</td></tr>
<tr><td>2024 (% GDP)</td><td>CA: –0.6</td><td>Cycl. Adj. CA: –1.0</td><td>EBA Norm: 0.7</td><td>EBA Gap: –1.7</td><td>Staff Adj.: 1.1</td><td>Staff Gap: –0.6</td></tr>
<tr><td>Real Exchange Rate</td><td colspan="6">Background. Following an 8.1 percent depreciation in 2023, the CPI-based REER appreciated by about 4 percent in 2024 compared to the 2023 average. As of March 2025, the REER was 1.4 percent above its 2024 average. Over the past five years, the REER has depreciated by about 7 percent.

Assessment. Based on the CA model, and taking model uncertainties into consideration, staff assesses the REER gap to be –1.1 to 6.2 percent (midpoint of 2.5 percent, applying an estimated elasticity of 0.24). However, the REER-based regression points to a gap ranging between –7.8 percent (level approach) and –15.4 percent (index approach).</td></tr>
<tr><td>Capital and Financial Accounts: Flows and Policy Measures</td><td colspan="6">Background. Net FDI inflows declined to 0.9 percent of GDP in 2024 from 1.7 percent in 2023, while net portfolio outflows decelerated to 0.3 percent (from 1.7 percent over the same period). Derivative net inflows declined to 0.1 percent of GDP from 0.6 percent, while other net investment rose slightly to 0.2 percent of GDP in 2024 from 0 percent in 2023. Gross external financing needs were 13 percent of GDP in 2024, down from 14.8 percent in 2023, driven by a reduction in short-term debt service.

Assessment. Risks from South Africa's traditionally large reliance on non-FDI inflows for external financing are mitigated by relatively small currency mismatches in the economy, the large equity liability composition of the NIIP, and its large and liquid domestic investor base. This market depth tends to reduce asset price volatility during periods of market stress.</td></tr>
<tr><td>FX Intervention and Reserves Level</td><td colspan="6">Background. South Africa's exchange rate regime is classified as floating. Central bank intervention in the FX market is rare. International reserves reached 16.7 percent of GDP at the end of 2024, covering about 6.1 months of imports, and representing 128.6 percent of short-term debt. Reserves comprise about 96 percent of the IMF's composite ARA reserve adequacy metric (107.4 percent when capital controls are taken into account), broadly in line with the recommended range of 100 to 150 percent.

Assessment. Maintaining an adequate level of international reserves well within the recommended range can further support South Africa's resilience to shocks.</td></tr>
</table>

Table 3.24. Spain: Economy Assessment

<table>
<tr><td colspan="7"> Overall Assessment: The external position in 2024 is assessed to be stronger than the level implied by medium-term fundamentals and desirable policies. Even though the large negative NIIP continued to shrink in 2024, strengthening it further will require sustaining relatively high CA surpluses in coming years. While the CA balance will exceed the norm in the near term, this gap is projected to shrink in the medium term as tourism flows normalize, non-energy imports regain strength—supported by the shift in the economy's growth drivers toward domestic demand, particularly investment which has a high import content—and private saving slowly declines toward pre-COVID levels.
Potential Policy Responses: The projected CA surplus path will keep reducing the still-sizable negative NIIP as needed. Therefore, policies that would divert the CA from such path, including any that would weaken competitiveness and the CA, should be avoided. However, a similar CA path could be achieved with a better policy mix that keeps the saving-investment balance and thereby the projected CA path broadly unchanged, but better supports growth and fiscal sustainability. Specifically, sustained fiscal consolidation efforts would rebuild fiscal space and raise aggregate savings. To address the downside risks posed by increased trade restrictions, Spain should accelerate domestic structural reforms that boost productivity and facilitate the diversification of export products and destinations. These include further efforts to complete the single Spanish market, invest in innovation, enhance education outcomes, and reduce energy dependence. Progress on these fronts should be complemented with policies that facilitate the reallocation of workers across sectors while providing an adequate social safety net. Any fiscal support to those firms and sectors most adversely affected by trade restrictions should remain temporary and narrowly targeted, addressing externalities or market failures that might prevent effective market solutions. A similar approach should apply to industrial policies, which should also be coordinated at the EU level and avoid favoring domestic producers over imports to minimize trade and investment distortions. </td></tr>
<tr><td>Foreign Asset and Liability Position and Trajectory</td><td colspan="6"> Background. The NIIP continued to improve in 2024 and reached –44.0 percent of GDP by the end of 2024. This trajectory reflects a larger increase in gross assets compared to that in liabilities (as a percentage of GDP, between 2023 and 2024). Gross liabilities—of which 67 percent corresponded to external debt—increased to 245.2 percent of GDP by the end of 2024. Most of the negative NIIP is attributed to the general government and the central bank, with TARGET2 liabilities amounting to 27.3 percent of GDP by December 2024. The NIIP is projected to continue improving in the medium term, supported by sustained CA surpluses and the positive—though temporary—impact of NextGenerationEU funds disbursements on the capital account.
Assessment. Despite its projected improvement, the still large negative NIIP comes with external vulnerabilities, including those from large gross financing needs and potential adverse valuation effects, which could be affected by the evolution of global financial conditions and policy responses. Mitigating factors include the rather long maturity of outstanding sovereign debt (averaging almost eight years) and the limited share of debt denominated in foreign currency (11.4 percent of total external debt). </td></tr>
<tr><td>2024 (% GDP)</td><td>NIIP: –44.0</td><td>Gross Assets: 201.2</td><td>Debt Assets: 94.4</td><td>Gross Liab.: 245.2</td><td colspan="2">Debt Liab.: 144.5</td></tr>
<tr><td>Current Account</td><td colspan="6"> Background. The CA surplus continued to rise in 2024, although at a slower pace than in 2023, reaching 3.0 percent of GDP. The continued strength of services exports (both tourism and non-tourism) more than offset a modest increase in imports, whose weakness largely reflected broadly stable energy prices. Higher public saving and subdued private investment—including due to high uncertainty and tight financial conditions—more than offset a rise in public investment and a decline of private savings. In 2025, the CA surplus is forecast to shrink by 0.5 percentage points of GDP amid a deterioration of the international environment and a strong rebound of imports driven by a pickup in domestic demand. In the medium term, the CA surplus is projected to continue shrinking gradually as tourism inflows normalize and non-energy imports regain strength—with the negative impact of somewhat lower energy prices being offset by the shift in the economy's growth drivers toward domestic demand, particularly investment which has a high import content.
Assessment. The 2024 cyclically-adjusted CA balance is 3.5 percent of GDP. IMF staff assesses the CA norm to be between 0.6 and 2.4 percent of GDP, with a midpoint of 1.5 percent of GDP, in line with the EBA CA model. The difference between the cyclically-adjusted CA and the CA norm yields a CA gap in the range of 1.2 to 2.9 percent of GDP, with a midpoint of 2.0 percent of GDP. The overall estimated contribution of identified policy gaps is –0.4 percent of GDP, reflecting negative contributions from high health spending (–0.3 percent of GDP) and credit growth relative to the rest of the world (–0.1 percent of GDP). </td></tr>
<tr><td>2024 (% GDP)</td><td>CA: 3.0</td><td>Cycl. Adj. CA: 3.5</td><td>EBA Norm: 1.5</td><td>EBA Gap: 2.0</td><td>Staff Adj.: 0.0</td><td>Staff Gap: 2.0</td></tr>
<tr><td>Real Exchange Rate</td><td colspan="6"> Background. In 2024, Spain's CPI- and ULC-based REER remained broadly stable, with changes relative to the 2023 average of 0.6 and –0.5 percent, respectively. This followed a period of sustained REER depreciation since 2009, which almost fully reversed the large appreciation during 1999–2008. As of March 2025, the CPI and ULC-based REER were 0.3 percent above and 0.2 percent below the 2024 average, respectively.
Assessment. The IMF staff CA gap implies a REER gap of –7.3 percent in 2024 (with an estimated elasticity of 0.28 applied). The EBA REER index and level models suggest instead an overvaluation for 2024 of 4.9 and 20.4 percent, respectively, mostly driven by large unexplained residuals. Consistent with the staff CA gap, staff assesses the REER to be moderately undervalued, with a midpoint of 7.3 percent and a range of uncertainty of ±3.1 percent. </td></tr>
<tr><td>Capital and Financial Accounts: Flows and Policy Measures</td><td colspan="6"> Background. The capital account surplus has remained high due to flows associated with NextGenerationEU funds. The financial account balance increased slightly by 0.4 percent of GDP to 4.4 percent in 2024, following its more significant improvement of 2.4 percent of GDP in 2023. The increase in the financial account surplus is largely driven by "Other Investment" flows, while the shrinking of the Bank of Spain's net liability position continued although it was smaller in 2024 compared to 2023.
Assessment. Despite recent improvements, still large external financing needs leave Spain vulnerable to sustained market volatility and tighter global financial conditions. </td></tr>
<tr><td>FX Intervention and Reserves Level</td><td colspan="6"> Background. The euro has the status of a global reserve currency.
Assessment. Euro area economies typically hold low reserves relative to standard metrics, but the currency is free floating. </td></tr>
</table>

Table 3.25. Sweden: Economy Assessment

Overall Assessment: *The external position in 2024 is substantially stronger than the level implied by medium-term fundamentals and desirable policies.* The current account surplus increased to 7.4 percent of GDP in 2024, from 7 percent in 2023. However, this surplus is expected to gradually decrease to 4.5 percent of GDP by 2030, at its longer-term average, as the economy begins a recovery helped by stronger domestic demand amid policy support and as investment and consumption increase and exports slow in line with longer-term trends. **Potential Policy Responses**: With inflation now around the target, both monetary and moderately expansionary fiscal policies are more supportive of the economic recovery and aid the current account adjustment. In addition, scope exists to enhance both private and public investment in productivity-enhancing projects, the green transition, and the health sector. These structural measures will boost domestic absorption and imports, reducing external imbalances, while enabling Sweden to maintain high living standards amid demographic pressures and supporting the country's ambitious climate goals. In line with Sweden's market-based approach, industrial policies, if implemented, should be deployed cautiously and remain targeted to specific objectives where externalities or market failures prevent effective market solutions. These policies should be coordinated at the EU level to ensure regional coherence and avoid favoring domestic producers over imports to minimize trade and investment distortions.	
Foreign Asset and Liability Position and Trajectory	**Background.** The NIIP reached 66 percent of GDP in 2024, an increase of 27.4 percentage points from 2023, on the back of continued current account surpluses and net valuation gains related to equity and bond markets, strong multinational FDI returns, and slower liability growth. Gross liabilities increased to 279.5 percent of GDP in 2024, with more than half being gross external debt (168.3 percent of GDP). Other financial institutions (94.7 percent of GDP) hold the bulk of net foreign assets followed by Social Security Funds (23.5 percent of GDP), households (20.5 percent of GDP), and the Riksbank (7.1 percent of GDP), while nonfinancial corporations (36.2 percent of GDP), monetary financial institutions (37.9 percent of GDP), and the general government (4.1 percent of GDP) are net external debtors. Half of the NIIP is in foreign currency. **Assessment.** The NIIP is expected to firm up further in the medium term, reflecting developments for continued CA surpluses. Sweden's foreign currency assets are almost three times as high as its foreign currency liabilities, providing a hedge against currency valuation changes. These estimates are subject to uncertainty as NIIP data typically include errors and omissions averaging about 1.5 percent of GDP in the past decade. Although rollovers of external debt (which include bank-covered bonds) pose some vulnerability, risks are moderated by banks' ample liquidity and large capital buffers. The NIIP level and trajectory do not raise sustainability concerns.
2024 (% GDP)	NIIP: 66 · Gross Assets: 345.5 · Debt Assets: 170.5 · Gross Liab.: 279.5 · Debt Liab.: 140.4
Current Account	**Background.** The 2024 current account increased to 7.4 percent of GDP, reflecting a wider trade surplus in goods and a narrowing trade deficit in services; declining energy prices; and krona depreciation. Primary income contributed positively to the overall surplus, while the secondary income deficit widened. In 2024, gross saving increased by 0.2 percentage points to 32.1 percent of GDP, while gross investment decreased by 0.2 percentage points to 24.6 percent; the increase in gross saving is driven by the private sector. Sweden continues to be a net oil importer with the oil deficit estimated at 1 percent of GDP. Over the medium term, as domestic policies shift toward more supportive stance and long-term spending needs are addressed, the current account surplus is anticipated to decline to 4.5 percent of GDP. **Assessment.** The cyclically adjusted current account is estimated at 7.1 percent of GDP in 2024, 5.5 percentage points above the cyclically adjusted EBA norm of 1.6 percent of GDP, and cyclical contributions estimated at 0.3. However, the estimated EBA norm is low and continues to be below the actual CA outcome for the past two decades, suggesting that factors not captured by the model, such as Sweden's mandatory contributions to fully-funded pension programs and an older labor force, may also be driving the saving–investment balances. Staff assesses the CA gap at 5.5 percent of GDP in 2024, with a model-estimated range of 5.1 to 5.9 percent of GDP (using the model's standard error of ± 0.4 percent of GDP). Policies that would explain this gap make up 1 percentage point, with fiscal policy, which was less expansionary compared to the rest of the world, accounting for 0.5 percent, the health policy contributing –0.8 percent, and the credit gap contributing another 1.2 percent. Complementary EBA tools suggest that Sweden's pension system could explain about 1 percentage point of the gap.
2024 (% GDP)	CA: 7.4 · Cycl. Adj. CA: 7.1 · EBA Norm: 1.6 · EBA Gap: 5.5 · Staff Adj.: - · Staff Gap: 5.5
Real Exchange Rate	**Background.** In 2024, the krona depreciated by 0.6 percentage points in real effective terms (OECD-ULC based) relative to 2023. As of March 2025, the CPI-based REER was 3 percent above its 2024 average. **Assessment.** The IMF staff CA gap implies a REER gap of –14.1 percent (applying an estimated elasticity of –0.39), with a range between –15.1 to –13.1 percent (using the model standard error of ± 0.4 percent of GDP). The REER index and level models suggest gaps of −15.3 percent and −19.1 percent, respectively, for 2024. By 2024, the ULC-based REER index had depreciated by 18.7 percent since the krona was floated in 1993. Anchored by the ULC-based REER index and its standard deviation,[1] staff assesses the krona to be undervalued by 14.7 percent (the midpoint, and within a range of –21.6 to –7.9 percent).
Capital and Financial Accounts: Flows and Policy Measures	**Background.** In 2024, Sweden's financial account showed robust net lending of 13.8 percent of GDP, more than doubling in comparison to 2023. Direct investment recorded net lending of 1.5 percent of GDP. The change in net outflows was mainly driven by an increase in net portfolio investment of 9.2 percent of GDP constituting two-thirds of the financial account. The increase in other net investment (2.6 percent of GDP) was driven by an increase in investments in Sweden of almost 3 percent of GDP. However, while the overall value of Sweden's foreign assets increased, liabilities to foreign entities also rose. These developments signal a complex financial landscape as Sweden navigates both domestic and international economic conditions. **Assessment.** Large movements in capital flows are common in countries with large financial sectors such as Sweden, where banking sector assets are nearly three times GDP. Risks can be mitigated through strong financial regulation, supervision, and a sound financial sector. According to the recent FSAP assessment, the banking system would be resilient in the face of large liquidity shocks despite a substantial share of wholesale funding.
FX Intervention and Reserves Level	**Background.** The exchange rate is de facto free floating. Foreign currency reserves increased by \$3.1 billion to \$63.8 billion in 2024, equivalent to 23.7 percent of the short-term external debt of monetary and financial institutions, and sufficient to cover about three months' worth of imports. **Assessment.** Despite its free floating exchange rate regime, Sweden should maintain adequate foreign reserves in view of the high dependence of commercial banks on wholesale funding in foreign currency, and potential for disruptions in such funding during episodes of global financial distress. The Riksbank has standing swap lines with the European Central Bank (€10 billion).

Table 3.26. Switzerland: Economy Assessment

Overall Assessment*: The external position in 2024 was broadly in line with the level implied by medium-term fundamentals and desirable policies.* Ongoing BOP methodological improvements are significantly affecting the CA balance, urging caution against basing the assessment on the EBA CA model. According to the Swiss National Bank (SNB), in the case of the current account balance, according to the information available as of June 2025, there will be a significant upward revision for 2024 as several revision effects point in the same direction. The large uncertainties surrounding the measurement of the CA calls for relying on other considerations, including the large positive NIIP. Against this background, the assessment is based on a holistic view of Switzerland's external sector, with the change in assessment from last year motivated by the strength of Switzerland's external buffers (surplus on net foreign investment position and sizable and increasing foreign reserves), large fiscal buffers, and overall economic developments. As in previous years, the assessment is subject to high uncertainty resulting from complex measurement issues related to large multinational enterprises and data lags. **Potential Policy Responses:** Policies should focus on supporting the ongoing economic recovery and addressing low inflation. Substantial fiscal policy space should be used to support growth if downside risks materialize. A comprehensive medium-term plan is needed to address increasing structural fiscal needs on aging, climate, and defense. Monetary policy should continue to pursue price stability and avoid the risk of inflation settling at extremely low or negative rates. Commitment to free trade and cooperation, as shown by the abolition of industrial tariffs in 2024 and effort to expand trade relations, should continue to build resilience.						
Foreign Asset and Liability Position and Trajectory	**Background.** Switzerland is a major financial center with a large, positive NIIP of 126 percent of GDP and large gross foreign asset and liability positions of 638 percent and 512 percent of GDP at the end of 2024. The NIIP has fluctuated by about 100 percent of GDP over the past five years, due to valuation effects and CA surpluses.[1] Compared with 2023, the NIIP increased in 2024 by almost 30 percentage points of GDP. On both the assets and liabilities side, the increase in stocks came from exchange rate-related and price-related valuation gains. Projections of the NIIP in 2025 and beyond are complicated by the large gross positions and compositional differences among assets and liabilities. **Assessment.** Switzerland's large gross liability position and the volatility of financial flows and investment returns present some risk, but this is mitigated by the large gross asset position and about two-thirds of external liabilities being denominated in Swiss francs.					
2024 (% GDP)	NIIP: 126	Gross Assets: 638	Reserve Assets: 99	Gross Liab.: 512	Debt Liab.: 26	
Current Account	**Background.** Switzerland's CA surpluses averaged 6.2 percent of GDP during 2013–23. The preliminary CA surplus in 2024 is estimated at 5.1 percent of GDP, roughly unchanged from 2023, which was revised down by 2.4 percentage points from last year's *External Sector Report*.[2] Within the components, the balance of trade in goods remained unchanged year-over-year as increased exports of chemical and pharmaceutical products were offset by a lower surplus in merchanting. The deficit in services increased year-over-year, while the primary income deficit decreased. From the saving-investment perspective, savings increased by 0.8 percent of GDP, driven by a decline in public consumption, while investment increased by 0.9 percent of GDP. The CA surplus is expected to remain broadly stable over the medium term. **Assessment.** The EBA CA norm of 6.7 percent of GDP is slightly above the previous year's norm. Based on a cyclically adjusted CA surplus of 5.1 percent, the overall EBA-estimated CA gap equaled –1.6 percent of GDP in 2024. Domestic policy gaps account for 1.3 percentage points and include domestic credit (0.5 percentage points) and fiscal underspending (+0.5 percentage points); policy gaps in the rest of the world contribute +0.2 percentage points. Adjustments for specific factors relevant for Switzerland that are not treated appropriately in the income account—namely valuation losses on fixed-income securities arising from inflation (–3.4 percentage points) and retained earnings on portfolio equity investment (–1.2 percentage points)—lead to a gap of –6.2 percent of GDP (±0.8 percentage points).[3] However, based on a holistic assessment of Switzerland's current account and the expected upward CA revisions, the CA gap is likely significantly smaller than what is suggested by the application of the model.					
2024 (% GDP)	CA: 5.1	Cycl. Adj. CA: 5.1	EBA Norm: 6.7	EBA Gap: –1.6	Staff Adj.: –4.6	Staff Gap: –6.2
Real Exchange Rate	**Background.** Relative to 2023, the average NEER appreciated by 3.1 percent, while the CPI-based REER appreciated by 1.4 percent in 2024. The NEER has appreciated by 33.2 percent since 2013, while the CPI-based REER has appreciated by 5.2 percent. As of March 2025, the NEER appreciated by 0.1 percent over its 2024 average and the CPI-based REER depreciated by 1.5 percent. **Assessment.** The IMF staff CA gap implies REER overvaluation of 11.5 percent in 2024 (applying an elasticity of 0.54). The EBA REER index and level models suggest that the REER in 2024 was overvalued by 16.9 and 22.5 percent, respectively. The fit of these models does not capture trends specific to Switzerland, in particular, a secular improvement in productivity, especially in knowledge-based sectors. Consistent with the CA gap, the REER gap in 2024 is in the range of 10.2 to 13 percent, with a midpoint of 11.5 percent (overvalued).					
Capital and Financial Accounts: Flows and Policy Measures	**Background.** Net financial outflows totaled 6.1 percent of GDP in 2024, including private outflows of 3.3 percent of GDP and an increase in SNB reserve assets of 2.8 percent of GDP. During 2011–23, net private inflows averaged 0.9 percent of GDP, while the average annual increase in SNB reserves was 6.5 percent of GDP. **Assessment.** Financial flows are large and volatile, reflecting Switzerland's financial center and safe-haven status. This results in sizable net private financial flows during periods of uncertainty adding to appreciation pressures.					
FX Intervention and Reserves Level	**Background.** Official reserve assets (including gold) amounted to CHF822 billion (US$934 billion, 99.8 percent of GDP) at the end of 2024, up CHF99 billion (US$128 billion) from the end of 2022. The SNB purchased CHF1.2 billion (0.1 percent of GDP) of FX (net) through FX interventions in 2024, compared to large FX interventions selling that occurred in 2022–23 and to return inflation within the price stability range. **Assessment.** Reserves are large relative to GDP, but more moderate in comparison with short-term foreign liabilities. Considering the reserve currency status of the franc, the adequacy of FX reserves is not a pressing concern for Switzerland. While the SNB made a large profit in 2024 (CHF80.7 billion, US$89.50 billion), the financial losses incurred by the SNB in 2022 and 2023 indicate the volatility of its income and the risks associated with its large balance sheet. Foreign exchange interventions can be considered in cases of disorderly market conditions or to prevent inflation expectations de-anchoring that could result from large and persistent exchange rate movements.					

Table 3.27. Thailand: Economy Assessment

<table>
<tr><td colspan="7">Overall Assessment: The external position in 2024 is broadly in line with the level implied by fundamentals and desirable policies. The CA balance increased to 2.1 percent of GDP in 2024 from 1.4 percent of GDP in 2023, as tourism receipts recovered further, and is projected to decline to a surplus of around 1.8 percent of GDP in the medium term.

Potential Policy Responses: Policies aimed at promoting investment, diminishing precautionary saving, liberalizing the service sector, and minimizing tax incentives and subsidies that distort competition would help maintain an external position consistent with medium-term fundamentals and desirable policies. The difficult external environment from increased trade restrictions further underscores the critical need to boost productivity. Given the likely protracted nature of the shock and remaining uncertainty, policies should focus on preserving buffers and smoothing the adjustment, if needed. Fiscal policy should be prudent and parsimonious given that public debt levels are elevated. Public expenditures should be focused on targeted social transfers to continue to support the most vulnerable, as well as infrastructure investment to support a green recovery and reorientation of affected sectors. Efforts to reform and expand social safety nets, notably fragmented pension plans, should continue, and measures to address widespread informality could help reduce precautionary saving and support consumption. The reduction in the CA balance from private consumption could be offset by revenue-driven fiscal consolidation to restore fiscal buffers.</td></tr>
<tr><td>Foreign Asset and Liability Position and Trajectory</td><td colspan="6">Background. Thailand’s NIIP improved to 8.2 percent of GDP in 2024, from 2.5 percent in 2023. Gross assets increased to 123.2 percent of GDP (from 118.4 percent) and gross liabilities declined slightly to 115 percent of GDP (from 115.9 percent). Gross assets primarily consist of gross reserve assets (45.0 percent of GDP) and direct investment (38.8 percent). Gross liabilities mainly comprise of direct investment (67 percent of GDP), portfolio investment (25 percent), and other investments (22 percent of GDP), with their respective shares of the total changing little in 2024.

Assessment. The NIIP is projected to remain in a small creditor position over the medium term, given CA surpluses. External debt declined to 36.4 percent of GDP in 2024 (from 38.1 percent in 2023), of which short-term debt amounted to about 16 percent of GDP. Risks to external debt stability and liquidity are well-contained.</td></tr>
<tr><td>2024 (% GDP)</td><td>NIIP: 8.2</td><td>Gross Assets: 123.2</td><td>Debt Assets: 39.8</td><td>Gross Liab.: 115.0</td><td colspan="2">Debt Liab.: 36.4:</td></tr>
<tr><td>Current Account</td><td colspan="6">Background. Thailand’s CA balance increased to a surplus of 2.1 percent of GDP in 2024, from 1.4 percent of GDP in 2023, as a continued recovery in tourist arrivals offset the weaker primary income balance. The postpandemic tourism recovery improved the services account by 1.4 percentage points of GDP. The trade balance slightly declined to 3.7 percent of GDP (from 3.8 percent) as imports grew faster than exports. From a saving-investment viewpoint, lackluster private investment and increased public saving offset reduced private savings. The CA balance is expected to stabilize at about 1.8 percent of GDP.

Assessment. The EBA CA model estimates a cyclically-adjusted CA balance of 2 percent of GDP and a CA norm of 1.1 percent of GDP for 2024. The CA gap of 0.9 percent of GDP consists of a 1.2 percent policy gap and an unexplained residual of –0.3 percent. The positive policy gap is primarily a result of the positive fiscal balance (1.5 percentage points) and change in reserves (0.5 percentage points) outweighing the negative credit policy gap (–0.9 percentage points). The former is mostly driven by looser fiscal policies adopted by the rest of the world relative to Thailand, while the latter is mainly due to tighter credit policies in other countries offsetting the positive domestic credit gap. The domestic policy gap of 0.2 percent of GDP in health expenditure suggests there is room to increase spending on social safety nets. Overall, IMF staff assesses the CA gap to be in the range of 0.2 to 1.6 percent of GDP, with a midpoint of 0.9 percent of GDP for 2024.</td></tr>
<tr><td>2024 (% GDP)</td><td>CA: 2.1</td><td>Cycl. Adj. CA: 2.0</td><td>EBA Norm: 1.1</td><td>EBA Gap: 0.9</td><td>Staff Adj.: 0</td><td>Staff Gap: 0.9</td></tr>
<tr><td>Real Exchange Rate</td><td colspan="6">Background. The baht has been on a gradual real appreciation trend since the mid-2000s, despite occasional bouts of volatility. In 2024, the real exchange rate moderately depreciated by 0.1 percent relative to 2023, partly reflecting portfolio outflows that were largely driven by changing expectations of US interest rates. As of March 2025, the REER was 2.8 percent above its 2024 average following the strengthening of the current account balance, including from exports expanding faster than imports.

Assessment. Using an elasticity of 0.5 and based on the IMF staff CA gap, IMF staff assesses the 2024 REER to be undervalued in the range of 0.5 to 3.2 percent, with a midpoint of 1.8 percent. The EBA index REER gap in 2024 is estimated at 6.7 percent, and the EBA level REER gap is estimated at –2.7 percent.</td></tr>
<tr><td>Capital and Financial Accounts: Flows and Policy Measures</td><td colspan="6">Background. The capital and financial account balance (excluding reserves) declined to –2.9 percent of GDP in 2024, from –1.9 percent in 2023. The balance decline reflects the net effect from a reduction in other investment inflows (by 1.7 percentage points of GDP), an increase in portfolio investment outflows (by 1.1 percentage points), and an increase in net FDI inflows (by 1.8 percentage points).

Assessment. Thailand maintains strong external buffers and fundamentals that have helped weather episodes of volatility reflecting external financial conditions, political uncertainty, and shocks related to COVID-19 and the war in Ukraine. IMF staff welcomes the authorities’ efforts to further liberalize the financial account, including the expansion of the scope of the Non-Resident Qualified Company program, which allows qualified investors better access to Thai baht liquidity without restrictions on Thai baht accounts. Staff also recommends reversing the 2021 reduction in the limit on Thai baht lending from domestic financial institution to nonresidents without underlying document submission, as the surge in portfolio inflows observed in 2021 has abated. In line with past advice, the IMF team recommends phasing out CFM measures on non-resident baht accounts. A comprehensive package of macroeconomic, financial, and structural policies should be pursued to address volatile capital flows, complemented with gradual and prudent financial account liberalization.</td></tr>
<tr><td>FX Intervention and Reserves Level</td><td colspan="6">Background. The exchange rate regime is classified as (de jure and de facto) floating. Gross international reserves increased to 45 percent of GDP in 2024 from 43.5 percent of GDP in 2023, which is about 2.5 times the short-term debt, 11 months of imports, and 208.3 percent of the IMF’s standard ARA metric. The exchange rate has been allowed to adjust, with some two-sided FX interventions in periods of large volatility.

Assessment. Reserves are higher than the range of the IMF’s reserve adequacy metrics and there continues to be no need to build up reserves for precautionary purposes. The exchange rate should move flexibly to function as a shock absorber, while FX intervention could be used to address disorderly market conditions and mitigate policy trade-offs when the FX market becomes dysfunctional and deviations in hedging and financing premiums become excessive as a result of large non-fundamental shocks.</td></tr>
</table>

Table 3.28. Türkiye: Economy Assessment

<table>
<tr><td colspan="7">Overall Assessment: The external position in 2024 was moderately weaker than the level implied by medium-term fundamentals and desirable policies. The assessment is mainly driven by the negative CA gap, as well as reserves, which despite recent recovery, remain low. The CA deficit narrowed substantially to below 1 percent of GDP, reflecting lower energy prices, declining gold imports, and robust tourism receipts. External financing needs have come down and the NIIP became less negative. However, macro policies remain insufficiently tight to bring down inflation sustainably to the central bank's inflation target, even in the medium term. Moreover, external vulnerabilities remain present as the March 2025 reserve loss episode showed, and core reserves are still at risk of falling into negative territory.

Potential Policy Responses: Strengthening the policy framework would help underpin Türkiye's external sustainability going forward. Tightening of the monetary and fiscal policy stance would contain demand, bring down inflation, make medium-term growth more sustainable and help pave the way for lower CA deficits over the medium term. Open trade policies, including removing discretionary credit allocation that favors exports, could enhance competition and further improve external sustainability. Collectively, these policies would improve confidence and help sustain capital inflows which would allow for a welcome accumulation of international reserves.</td></tr>
<tr><td>Foreign Asset and Liability Position and Trajectory</td><td colspan="6">Background. Türkiye's NIIP averaged –34.5 percent of GDP over 2020–24. The NIIP improved from –27.5 percent at the end of 2023 to –22.3 percent at the end of 2024, mainly driven by valuation effects (especially the effect of gold price increase on reserves) including a 7 percent reduction in direct investment (equity) liabilities in dollar terms and a 25 percent reduction in short-term central bank liabilities (in itself a consequence of capital inflows). External debt declined from 43.4 percent of GDP in 2023 to 39.0 percent in 2024. The private and public sector (general government and central bank) each hold about half of Türkiye's external debt. 43.8 percent of external debt is short term (on a remaining-maturity basis).

Assessment. Given the size and composition of gross external liabilities, Türkiye is vulnerable to liquidity shocks, sudden shifts in investor sentiment, and global upswings in interest rates, even though reserve position improved substantially during 2024 (+10 percent in US dollar terms). The FX exposure of Türkiye's nonfinancial corporations deteriorated substantially, after significant improvement in recent years, with the short-term net FX position also deteriorating, but still in positive territory, providing some liquidity buffer. The NIIP is expected to remain stable over the medium term at about –23 percent of GDP due to projected improvements in the CA balance, resulting from projected lower world oil prices and robust export earnings, but unwinding of recent valuation effects could negatively affect the NIIP trajectory. External debt is sustainable over the medium term but is subject to risks, particularly from a large depreciation in the REER.</td></tr>
<tr><td>2024 (% GDP)</td><td>NIIP: –22.3</td><td>Gross Assets: 27.7</td><td>Debt Assets: 10.6</td><td>Gross Liab.: 50.0</td><td colspan="2">Ext. Debt.: 39.0</td></tr>
<tr><td>Current Account</td><td colspan="6">Background. The CA deficit averaged 2.9 percent of GDP over 2020–24. Helped by increased tourism receipts, but also by favorable energy prices and reduced gold imports, the CA deficit in 2024 decreased to 0.8 percent of GDP, following a deficit of 3.5 percent of GDP in 2023. The improvement in the current account between 2023 and 2024 mainly reflects developments in the private sector, with the decrease in private investments as a percentage of GDP outweighing the reduction in private savings.

Assessment. The EBA CA model estimates a cyclically adjusted CA balance of –0.3 percent of GDP and a CA norm of 1.0 percent of GDP in 2024. Overall, the CA gap is assessed in the range of –1.9 to –0.7 percent of GDP, with a midpoint of –1.3 percent.</td></tr>
<tr><td>2024 (% GDP)</td><td>CA: –0.8</td><td>Cycl. Adj. CA: –0.3</td><td>EBA Norm: 1.0</td><td>EBA Gap: –1.3</td><td>Staff Adj.: 0.0</td><td>Staff Gap: –1.3</td></tr>
<tr><td>Real Exchange Rate</td><td colspan="6">Background. The CPI-based REER depreciated by an annual average of 5.7 percent over 2020–23. In 2024 however, it appreciated by 12.0 percent compared to the 2023 average as domestic inflation slowed and capital inflows were not fully sterilized. As of March 2025, the CPI-based REER appreciated by 10.2 percent relative to the 2024 average (but only by 1.6 percent relative to December 2024). Reflecting lower PPI inflation, the average PPI-based REER appreciated by 3.7 percent in 2024.

Assessment. Consistent with the staff CA gap, staff assesses the REER to be overvalued by 5.2 percent. The range goes from 2.8 percent to 7.6 percent overvaluation (applying an estimated REER elasticity of 0.25). The EBA REER index and level models suggest the REER was undervalued in 2024 by 29.0 and 42.6 percent, respectively, although the models' residuals are very large for Türkiye.</td></tr>
<tr><td>Capital and Financial Accounts: Flows and Policy Measures</td><td colspan="6">Background. Net capital inflows were 1.7 percent of GDP in 2024, slightly lower than the 4.5 percent in 2023. Portfolio investments recorded a net inflow of 0.9 percent of GDP in 2024, while direct investment recorded a moderate net inflow of 0.4 percent.

Assessment. Even though projections of annual gross external financing needs have decreased, they are still relatively high—at about 18.5 percent of GDP on average over 2025–30. Hence Türkiye remains vulnerable to adverse shifts in global investor sentiment. The authorities' policy normalization efforts since May 2023 contributed to a rebound in capital flows up to early 2025. However, sustaining the capital inflows, including to lira-denominated assets, ran into problems in March 2025, indicating a need to further strengthen policy credibility and carefully reduce market distortions. As conditions improve, CFMs on capital outflows will need to be phased out.</td></tr>
<tr><td>FX Intervention and Reserves Level</td><td colspan="6">Background. The de jure exchange rate is free floating while the de facto classification is assessed as a crawl-like arrangement. Gross international reserves increased to $155 billion in 2024 from $141 billion in 2023 supported by capital inflows, increasing gold prices, and a lower CA deficit. However, as of May 2025, reserves have fallen substantially since depreciation pressures increased in March 2025.

Assessment. Gross international reserves were at 72 percent of the IMF's ARA metric at the end of December 2024 (for a de facto crawl-like exchange rate arrangement),[1] below the floor of the recommended range of 100 to 150 percent. International reserves net of off-balance-sheet swaps and other short-term liabilities were negatively impacted by the March 2025 outflow episode. This shows quality of reserves remains an issue, as does the fact that non–SDR basket currencies account for a large share (about 19 percent by the end of 2024) of FX reserves. Given the shallow FX market, interventions may be needed to avoid excessive exchange rate volatility, while not preventing warranted macroeconomic adjustments. Going forward, significant reserves buildup is needed, but the accumulation of reserves should be opportunistic given the uncertain market environment.</td></tr>
</table>

Table 3.29. United Kingdom: Economy Assessment

<table>
<tr><td colspan="7">Overall Assessment: The external position in 2024 was moderately weaker than the level implied by medium-term fundamentals and desirable policies. After improving during 2016 to 2021 and almost balancing, the CA deficit has deteriorated in recent years due to weak exports, the reversal of temporarily positive net primary income, and heightened fiscal deficits sustaining imports. The CA deficit is expected to narrow moderately through the medium term, driven by fiscal consolidation and improvements in the terms of trade. The evolution of the external position is uncertain, especially given the UK's status as a global financial center amid shifts in the international economic environment that could change the trajectory of trade and financial flows.
Potential Policy Responses: The authorities' fiscal consolidation path along with their structural reform agenda ("growth" mission) will support external rebalancing by containing import growth and boosting competitiveness, while progress in the net zero transition will help to mitigate risks of further energy-related terms of trade shocks. Given the high level of uncertainty emanating from the external environment, IMF staff encourages the government to seek to resolve trade tensions and to deepen economic integration through nondiscriminatory reductions in trade barriers or by pursuing free trade agreements at the regional, plurilateral, or multilateral level. Industrial policies should continue to be deployed cautiously, remain targeted to specific objectives where externalities and other market failures prevent effective market solutions, and avoid favoring domestic producers over imports.</td></tr>
<tr><td>Foreign Asset and Liability Position and Trajectory</td><td colspan="6">Background. The NIIP has been relatively stable, deteriorating slightly from –9.3 percent of GDP in 2020, to –9.8 percent of GDP in 2024.[1] Valuation effects have largely offset CA deficits over recent years. These valuation effects have been primarily related to strong global equity growth, which positively affected foreign asset holdings (and more than offset the sterling appreciation effect), while foreign debt liabilities declined in line with higher interest rates. IMF staff projects that the NIIP will moderately deteriorate over the medium term, although large and volatile valuation effects make these estimates particularly uncertain.
Assessment. The external position remains vulnerable to changes in market sentiment, but there are buffers. The UK has a sizable stock of external liabilities (over 500 percent of GDP), much of which is short-term debt. The large mismatch between sterling-denominated liabilities relative to assets, paired with exchange rate flexibility, are mitigating factors against external shocks. Intragroup bank holdings also make up a large portion of external liabilities and are less reactive to changes in market sentiment.</td></tr>
<tr><td>2024 (% GDP)</td><td>NIIP: –9.8</td><td>Gross Assets: 509</td><td>Debt Assets: 261</td><td>Gross Liab.: 519</td><td colspan="2">Debt Liab.: 278</td></tr>
<tr><td>Current Account</td><td colspan="6">Background. The CA deficit deteriorated from –0.4 percent of GDP in 2021 to –3.5 percent of GDP in 2023 and remained relatively high at –2.7 percent of GDP in 2024, following sustained weakness in export volume growth and a reversal of temporarily positive net primary income. Weakened price competitiveness (measured by the REER) and hydrocarbon and vehicle production constraints weighed down export growth in 2024, while import growth recovered in line with improved domestic demand. Net primary income has weakened since 2023, as rising yields on debt liabilities began to outweigh strong profits from global equities. Structural factors, including lower hydrocarbon production and uncertainties related to geoeconomic fragmentation, will continue to weigh on export growth. From a savings-investment balance perspective, heightened fiscal deficits since the pandemic have driven the recent deterioration in the CA, offset to an extent by a temporary spike in private savings. Following a deterioration in 2025, the fiscal consolidation path and a projected recovery in the terms of trade are expected to moderate the CA deficit to –3.0 percent of GDP over the medium term, below pre-COVID-19 averages.
Assessment. The EBA CA model estimates a norm deficit of –0.3 percent of GDP, implying an (unadjusted) CA gap of –2.4 percent of GDP in 2024. As in previous years, measurement adjustments of 0.7 percent of GDP are made to account for differences between the statistical definition of income and the relevant economic concept.[2] Adjusting for this, IMF staff assesses the CA gap at –1.7 percent of GDP, within a range of –1.4 to –2.0 percent of GDP.</td></tr>
<tr><td>2024 (% GDP)</td><td>CA: –2.7</td><td>Cycl. Adj. CA: –2.7</td><td>EBA Norm: –0.3</td><td>EBA Gap: –2.4</td><td>Staff Adj: 0.7</td><td>Staff Gap: –1.7</td></tr>
<tr><td>Real Exchange Rate</td><td colspan="6">Background. The REER appreciated by close to 4.2 percent in 2024 compared to 2023, and stands 10 percent stronger than before the pandemic, weighing on price competitiveness. This has been driven primarily by an appreciation of the NEER, as interest rates remain, on average, higher in the UK than across other advanced economies, although the elevated relative inflation has also contributed to a smaller extent. The appreciation entails a partial reversal from the prepandemic period (2015–19) which saw a sustained depreciation in the REER, driven by expectations of restricted market access following Brexit. As of March 2025, the CPI-based REER was 2.6 percent above its 2024 average.
Assessment. The EBA REER level and index models suggest an overvaluation of 8.7 and 1.5 percent, respectively, for 2024. Consistent with the staff CA gap, staff assesses the REER gap to be 6.5 percent in 2024 (applying an estimated 0.26 elasticity), with a range of 5.5 to 7.6 percent.</td></tr>
<tr><td>Capital and Financial Accounts: Flows and Policy Measures</td><td colspan="6">Background. The UK has maintained a very open financial account, with limited capital flow measures. As a global financial hub, portfolio investment flows and other investment make up a large share of UK financial flows, often driven by intragroup bank transactions. Portfolio investment debt inflows were an important source of financing for the CA deficit in 2024, counterbalanced to an extent by increased direct investment asset outflows.
Assessment. Large fluctuations in capital flows are inherent in countries with a large financial sector. This volatility is a potential source of vulnerability, although it is mitigated by a robust financial stability framework overseen by the Financial Policy Committee (FPC) of the Bank of England, including a broad set of macroprudential tools.</td></tr>
<tr><td>FX Intervention and Reserves Level</td><td colspan="6">Background. The pound has the status of a global reserve currency. The share of global reserves in sterling has grown very slightly over the last several years, from averaging 4.5 percent prepandemic (2016–19) to close to 5.0 percent in 2024.
Assessment. Reserves held by the UK are typically low relative to standard metrics, and the currency is free floating. Reserve levels have been stable, with a minimal drawdown in 2024.</td></tr>
</table>

Table 3.30. United States: Economy Assessment

Overall Assessment: *The external position in 2024 was moderately weaker than the level implied by medium-term fundamentals and desirable policies.* A deterioration in the trade balance in 2024 was a result of an increase in the goods deficit and a shift in the primary income balance resulting in a CA deficit of 3.9 percent of GDP (versus 3.3 percent of GDP in 2023). The CA deficit is projected to decline to about 2½ percent of GDP over the medium term reflecting a gradual rise of private savings.

Potential Policy Responses: Over the medium term, fiscal consolidation aimed at achieving a general government primary surplus of about 1 percent of GDP should put the debt-to-GDP ratio on a downward path and adjust the external position to the level implied by medium-term fundamentals and desirable policies. Industrial policies should remain narrowly targeted to specific objectives where externalities or market failures prevent effective market solutions and avoid favoring domestic producers over imports. To promote external stability, policies should seek to constructively resolve trade tensions, promote a clear, stable and predictable trade environment, and pursue pragmatic cooperation and deeper integration through regional/cross-regional trade agreements or nondiscriminatory reduction of trade barriers.

Foreign Asset and Liability Position and Trajectory	**Background.** The NIIP stood at –89.9 percent of GDP at the end of 2024, weakening from –71.6 percent in 2023 and compared to the prepandemic (2016–19) average of about –46½ percent. The main driver of change was valuation adjustments stemming from a significant rise in US stock prices compared to foreign stocks (which led to a larger increase in the market value of US liabilities than US assets) and a small appreciation of the US dollar (by about 2.4 percent) that reduced the US dollar value of foreign-currency-denominated assets. **Assessment.** Despite the declining NIIP, the US gross external debt has stabilized at the 2016–19 average of about 95 percent of GDP (down from its 2020 peak of nearly 100 percent), driven by the postpandemic rebound in output and a strengthening of the dollar. About 60 percent of US assets are in the form of FDI and portfolio equity claims. The investment income balance shifted from positive to negative in 2024 (as dividend and interest payments surged amid strong domestic stock market performance and an increase in US yields). Importantly, the substantial share of external assets denominated in foreign currencies (which was about 70 percent in 2024)—combined with an even larger share of US-dollar-denominated external liabilities—remains a relevant channel for exchange rates to affect NIIP through valuation changes (a depreciation raises the NIIP). Financial stability vulnerabilities could arise from an unexpected decline in foreign demand for US fixed-income securities, possibly as a result of concerns over fiscal sustainability. However, this risk is mitigated by the dominant status of the US dollar as a reserve currency, strong institutions, deep and liquid asset markets, and diverse investment instruments.
2024 (% GDP)	NIIP: –89.9 | Gross Assets: 123.0 | Debt Assets: 35.9 | Gross Liab.: 212.8 | Debt Liab.: 79.5
Current Account	**Background.** The CA deficit was 3.9 percent of GDP in 2024, up from 3.3 percent in 2023 (the 2016–19 average deficit was about 2 percent). In 2024, the trade deficit increased moderately to 3.1 percent of GDP, primarily due to a rising goods deficit. The income balance deteriorated by 0.3 percent of GDP while the service surplus was broadly stable. **Assessment.** The EBA model estimates a cyclically adjusted CA balance of –3.6 percent of GDP against a CA norm of –2.2 percent, with a standard error of 0.7 percent. This implies a model-based CA gap of –1.4 percent of GDP for 2024, with an estimated contribution of identified policy gaps of –0.5 percent. The identified policy gaps primarily reflect the more expansionary fiscal policy in the US relative to the rest of the world (resulting in –0.6 percent of GDP contribution to the imbalance from the fiscal policy gap). IMF staff assesses a CA gap in a range of –2.0 to –0.7 percent of GDP, with a midpoint of –1.4 percent.
2024 (% GDP)	CA: –3.9 | Cycl. Adj. CA: –3.6 | EBA Norm: –2.2 | EBA Gap: –1.4 | Staff Adj.: 0 | Staff Gap: –1.4
Real Exchange Rate	**Background.** The REER appreciated by 2.4 percent in 2024, resulting in a cumulative appreciation of 12 percent relative to the prepandemic level in 2019. As of March 2025, the REER was 2.8 percent above its 2024 average. **Assessment.** The IMF staff CA gap implies a REER that is overvalued by 11.9 percent in 2024 (with an estimated elasticity of 0.11 applied). The EBA REER index model suggests an overvaluation of 10.9 percent, and the level model suggests an overvaluation of 20.9 percent. Considering all the estimates and their uncertainties, consistent with the CA gap, IMF staff assesses the 2024 midpoint REER overvaluation to be 11.9 percent, with a range of 6.1 to 17.8 percent (the range is obtained from the CA standard error using the estimated CA elasticity of 0.11).
Capital and Financial Accounts: Flows and Policy Measures	**Background.** In 2024, the financial account balance stood at –4.3 percent of GDP, a moderate deterioration from the –3.3 percent of GDP recorded in 2023. This reflected increased inflows of net direct investment, net portfolio investment, and net other investment. **Assessment.** The United States has an open capital account. Vulnerabilities are limited by the US dollar's status as a reserve currency.
FX Intervention and Reserves Level	**Assessment.** The US dollar has the status of a global reserve currency. Reserves held by the United States are typically low relative to standard metrics. The currency is free floating.

Technical Endnotes by Economy

Argentina

[1] Gross liabilities increased by over $60 billion in 2024, with only about $3 billion being due to the incurrence of new liability inflows.

[2] Despite a positive NIIP, and reflecting the IIP's high vulnerabilities, Argentina has a primary income deficit of about 2 percent of GDP.

[3] The CA norm is somewhat lower than in 2023 given better-than-projected reserves accumulation in 2024, as well as resident inflows, helping close the reserves gap without increasing gross external liabilities.

[4] Results from the EBA REER index model suggest an average REER gap of 18.9 percent, while the EBA REER level model estimates a gap of 8.7 percent.

[5] Gross reserve assets exclude the inactivated portion of the bilateral swap with the PBoC (about 2 percent of GDP).

Canada

[1] The statistical treatment of retained earnings on portfolio equity and of net interest outflows (which are recorded in nominal terms and thus artificially boosted by higher inflation during the period) is estimated to generate a downward bias in the income balance of 0.6 percent and 1 percent of GDP, respectively, totaling 1.6 percent of GDP.

China

[1] As of the end of March 2025, the total Qualified Domestic Institutional Investor quota stood at $167.8 billion. See 2023 IMF CFM Taxonomy for a list of China's existing CFMs and related policy advice.

Hong Kong SAR

[1] Includes debt securities, loans, trade credits, and other advances.

[2] Hong Kong SAR is not in the EBA sample as it is an outlier along many dimensions of the EBA analysis. While it is possible to use EBA-estimated coefficients and apply them to Hong Kong SAR without adjustments, there are obvious drawbacks. Following this approach, the CA norm in 2024 is estimated to be about 23.5 percent of GDP, implying a CA gap of –10.7 percent, which is almost entirely explained by the model residuals. The EBA CA gap is overstated as it does not properly reflect the measurement issues that are relevant for Hong Kong SAR, so two adjustments are made which reduce the CA norm by 10.2 percentage points of GDP. First, a deduction of 5.8 percentage points of GDP (midpoint of an estimated 5.3–6.4 percentage-points range) is made to the EBA model's implied contribution of the NIIP position. This is because the positive NIIP contribution in EBA captures average income effects that are less relevant for Hong Kong SAR since the income balance relative to its NIIP is systematically lower than other peer economies, because of a persistently higher share of debt instruments on the asset side than on the liability side. Second, a deduction of 4.4 percentage points of GDP is made to account for a decline in the gold trade balance that does not reflect changes in wealth but rather the increased physical settlement of gold futures contracts resulting from the opening of a Precious Metals Depository. The use of a third adjustor previously applied to account for increased onshoring of logistics and trading activity by the Chinese mainland, which led to a decline in logistics and trading activities in Hong Kong SAR, has been discontinued as the adjustment is assumed to be complete. (See "People's Republic of China—Hong Kong Special Administrative Region: Selected Issues" [Country Report No. 17/12] for more details). Cumulatively, these adjustments give an adjusted norm of 13.3 percent of GDP (the midpoint of a range of 12.7 to 13.8 percent of GDP).

[3] Based on the average for all countries in the EBA sample.

[4] The financial linkages with the Chinese mainland are deepening with the increase in cross-border bank lending, capital market financing, and the internationalization of the RMB, though this has reversed somewhat in recent years due to issues in the property sector on the mainland. As of the end of 2024, banking system claims on bank and nonbank entities on the Chinese mainland amounted to 99 percent of GDP, down from the 102 percent reported at the end of 2023.

[5] Based on data on the market activities of the Exchange Fund published by the HKMA. A withdrawal represents a sale of FX while an injection represents a purchase of FX.

Indonesia

[1] Indonesia is among a few countries with low life expectancy at prime age and demographic indicators are adjusted to account for this. As a result, the model-estimated CA norm is adjusted by subtracting 0.5 percentage points of GDP.

Japan

[1] While Japan needs medium-term fiscal consolidation, the required consolidation is smaller than in the rest of the world. Consistent with the continued gradual withdrawal of monetary accommodation, staff recommends allowing the credit-to-GDP gap to decline gradually over the medium term from its currently estimated level of 6.1 percent with a corresponding policy setting (P*) for the credit-to-GDP gap of 4 percent. This is consistent with the reduction envisaged in the *2022 External Sector Report*.

Saudi Arabia

[1] EBA models do not include Saudi Arabia. IMF staff considered two approaches of the EBA-Lite methodology: The EBA-Lite CA model and the EBA-Lite commodity module. The EBA-Lite commodity module includes the special intertemporal considerations that are dominant in economies in which exports of nonrenewable resources are a remarkably high share of output and exports.

[2] Based on authorities' May 2025 release of the new rebased GDP statistics.

[3] Using the EBA-Lite CA model, the cyclically adjusted CA norm is estimated at 0.56 percent of GDP (lower than the CA norm of 5.9 percent of GDP in 2023), which was mainly driven by changes in desirable fiscal variable (the result of a weakened longer-term oil price outlook), desirable increase

in social insurance policy, as well as revisions in macroeconomic fundamentals (for example, updated UN demographic data). The Consumption Allocation Rules assume that the sustainability of the CA trajectory requires that the net present value (NPV) of all future oil and financial and investment income (wealth) be equal to the NPV of imports of goods and services net of non-oil exports. Estimated CA norms from the Consumption Allocation Rules were 3.1 percent of GDP and 5.6 percent of GDP for the constant real annuity and constant real per capita annuity allocation rules, respectively. The Investment Needs Model takes account of the possibility that it might be desirable to allocate part of the resource wealth to finance investment, which was not explicitly considered by the consumption-based model and produced a CA gap of 0.54 percent over the medium term. The reliance of the consumption and investment models on projected oil prices beyond the medium-term macro framework subjects the results to high uncertainty. The CA gap in 2024 of –0.95 percent of GDP represents IMF staff's overall assessment, which is anchored on the EBA-Lite CA model. The range for the gap is calculated using the standard error of Norway (2 percent), a comparable oil-rich economy in the EBA sample.

Singapore

[1] Singapore has a negative income balance despite its large positive NIIP position, reflecting lower rates of return on its foreign assets relative to returns on its foreign liabilities, possibly because the composition of Singapore's assets is tilted toward safer assets with lower returns.

[2] Nonstandard factors make a quantitative assessment of Singapore's external position difficult and subject to significant uncertainty. Singapore is not included in the EBA sample because it is an outlier along several dimensions. One possibility, though with drawbacks, is to use EBA estimated coefficients and apply them to Singapore. Following that approach, the CA norm is estimated to be about 15.2 percent of GDP in 2024 (including the multilateral consistency adjustor). However, using this approach understates the CA gap. In order to account for Singapore specificities, several adjustments are needed. First, a downward adjustment of 1 percentage point is made to EBA's implied contribution of public health expenditures to the norm to account for the fact that Singapore's health expenditure is appropriate given its high efficiency, even though its desirable, as well as current, public health expenditure is significantly lower than in other EBA countries. Second, a downward adjustment of –3.4 percentage points to the norm is made to better account for the effect of NFA composition and component-specific return differentials on the CA. Third, notwithstanding possible partial double-counting with the NFA components adjustor, a downward adjustment of –2.1 percentage points of GDP is applied to the underlying CA to account for measurement biases that result from inflation (–5.5 percent of GDP) and portfolio equity retained earnings (+3.4 percent of GDP). Adjusting for these factors, the staff-estimated CA gap is about 5.1 percent of GDP, to which the fiscal gap contributes about 1.5 percent of GDP, the credit gap is about 2.1 percent of GDP, public health spending about 0.2 percent of GDP, and reserves about 0.2 percent of GDP.

[3] We apply the maximum range of +/-2.0 percent in the EBA sample for the CA gap reflecting the uncertainty around Singapore's assessment.

[4] The reserves-to-GDP ratio is also larger than in most other financial centers, but this may reflect in part that most other financial centers are in reserve-currency countries or currency unions. External assets managed by the government's investment corporation and wealth fund (GIC and Temasek) amount to at least 100 percent of GDP.

South Africa

[1] Because South Africa is among the few countries with relatively high adult mortality rates, the demographic indicators are adjusted to account for the younger average prime age and exit age from the workforce, resulting in a lower adjusted CA norm.

Sweden

[1] The upper and lower bounds are derived by adding/subtracting the standard deviation (6.7 percent) from the average outcome (midpoint) to reflect uncertainty around the EBA estimated norm.

Switzerland

[1] Valuation changes reflect fluctuations of exchange rates and prices of securities and precious metals that interact with differences among assets and liabilities in terms of currencies and instruments. As a result, an appreciation (depreciation) of the Swiss franc has a negative (positive) effect on the NIIP. Other stock-flow adjustments include changes in statistical sources, such as changes in the number of entities surveyed and items covered.

[2] Due to large revisions to historical BOP and NIIP data, particular caution is needed when comparing the external sector assessment results for different periods.

[3] The underlying CA is adjusted for Switzerland-specific factors in the income account: (1) retained earnings on portfolio equity investment that are not recorded in the income balance of the CA (or, the PE RE bias) under the sixth edition of the IMF *Balance of Payments and International Investment Position Manual (BPM6)*, and (2) recording of nominal interest on fixed income securities under the *Balance of Payments Manual* framework, which compensates for expected valuation losses (resulting from inflation or nominal exchange rate movements), even though this stream compensates for the (anticipated) erosion in the real value of debt assets and liabilities. The PE RE bias was estimated using the "stock method" and "flow method" as explained in "*The Measurement of External Accounts*" (IMF Working Paper 19/132), and it is similar in size to estimates based on the SNB's pilot *BPM7* data.

Türkiye

[1] The observed dynamics of the exchange rate since July 2022 prompted reclassification of Türkiye's de facto exchange rate regime by the IMF from "floating" to "crawl-like arrangement" as of the Article IV consultation in October 2024, while the de jure classification remained "free floating." The calculation of the IMF's ARA metric differs depending on the de facto classification of the exchange rate arrangement.

United Kingdom

[1] The BoE's December 2022 *Financial Stability Report* estimates that official statistics may understate the UK's NIIP position, as FDI stocks are measured at "own funds at book value," rather than market value. This stems from broader challenges in valuing unlisted equity and is not specific to the ONS approach. In addition, FDI statistics from quarterly surveys are currently not benchmarked with the statistics from the higher-quality annual FDI survey. Indicative estimates from ONS for 2023 suggest that net FDI could be approximately 14 percent GDP higher.

[2] This is primarily: (1) the effect of inflation on real income from debt assets that is due to the erosion in the real value of debt, from an economic conception, is not captured in the income account (contributing 0.6 percent of GDP to the adjustment), and (2) retained earnings on portfolio equity are not recorded in the income account (contributing 0.1 percent of GDP to the adjustment).

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