RECENT WORK CARRIED OUT BY THE ESCB WORKING GROUP ON BALANCE OF PAYMENTS AND EXTERNAL RESERVES STATISTICS

For information of the IMF BOP Committee

Following the agreements reached at the last meetings of the Working Group on Balance of Payments and External Reserves Statistics (WG BP&ER) in February and June 2000, the following issues were already implemented recently or will be addressed in the coming months:

THEMATIC MEETING ON THE FUTURE OF COLLECTION SYSTEMS

1. In order to comply to the specific ECB needs related to the compilation of the euro area balance of payments (BOP) and international investment positions (IIP) statistics, the WG BP&ER agreed on a thematic meeting in mid-September 2000. A draft mandate will be ready in due course, which should be dedicated to possible features of future data collection (“input-oriented”) as regards the following items:

- priorities in the collection of extra data on a monthly basis;
- investigation of steps to harmonise the data collection for the euro area financial account, in particular in portfolio investment.
COMPILATION OF THE EURO AREA AGGREGATES

(i) Estimation methods for the monthly key items

2. Given the number of revisions in the past, the members of the WG BP&ER agreed to further refine the forecasting methods currently in place for the items in respect of the extra-euro area contribution which have to be estimated. With regard to the goods item, the Member States were requested to contact their local customs authorities in order to investigate the possibility of obtaining real transactions data for the reference period (e.g. for two to three weeks) which would mean that only the remainder of the period would need to be estimated.

(ii) Change of the compilation method for investment income

3. As agreed by the Statistics Committee (STC) in April 1999, a new compilation method has been implemented as from mid-March 2000 (relating to the January 2000 monthly key items) on the income account, including back data for the periods of 1997 and 1998. Accordingly, data for income on portfolio investment are provided in the same way as for transactions to and from the financial account, i.e. the geographical allocation is made based on the issuer. The new breakdown enables the ECB’s Balance of Payments Statistics and External Reserves (BP&ER) Division to compile the euro area debits for portfolio investment income the same manner as for the euro area transactions on the liabilities side.

(iii) Change of the data requests for direct investment

4. In line with a further STC agreement of April 1999, Member States are providing data for direct investment broken down into the sub-items “equity capital”, “reinvested earnings” and “other capital” for both sides, for direct investment abroad and for direct investment in the euro area since mid-March 2000 (relating to the January 2000 monthly key items). The new breakdown has to be applied to all frequencies (i.e. monthly and quarterly BOP, annual IIP) and will be published in the near future.

(iv) The treatment of intra-ESCB transactions in the BOP/IIP statistics

5. By the end of June 2000, the WG BP&ER will approve the homogenous statistical treatment of various intra-ESCB transactions which affect the euro area BOP These transactions are related to Target transfers/intra-ESCB balances derived from: a) reallocation of monetary income; b) distribution of the European Central Bank (ECB) profit to National Central Banks (NCBs) and coverage of ECB financial losses by NCBs; c) remuneration of intra/ESCB balances: the specific case of TARGET; d) proceeds from sanctions imposed by the ECB; e) remuneration of the claims on the ECB resulting from the transfer by NCBs of pooled reserve assets; f) collateral exchanged under the Correspondent Central Banking Model (CCBM) in the event of redemption, coupon payments, fees, etc.; g) redistribution or sale of assets.
(v) Fact-finding exercise in respect of the enlargement of the euro area

6. In order to assess the impact of possible joiners to Monetary Union, the BP&ER Division carried out a fact-finding exercise both for the current euro area and for pre-in Member States with respect to the construction of back series in case of an enlargement of the euro area. The ECB internal users request to cover the longest time series possible, in particular in the current and capital account, to meet both analytical and econometric needs. While the reconstruction of the current account seems to be fairly possible, the compilation of consistent back data for the financial account suffers from the high amount of missing data and from the insufficient results of estimates, in particular for monthly data. In some cases, under the assumption that the financial flows of the euro area countries vis-à-vis the joining country are of a limited amount, it might be advisable to keep the historical series unchanged. This item is still under consideration.

(vi) Definition of quality

7. The WG BP&ER has initiated a discussion on the definition and the measurement of quality in the context of BOP/IIP statistics. There was a general agreement that “fitness to users requests” was a major prerequisite for defining and assessing data quality. Further consideration will be given on the basis of a background paper in the near future.

THE EUROSYSTEM’S INTERNATIONAL RESERVES

8. The WG BP&ER (and the STC) agreed on further practical and conceptual issues on international reserves such as the application of the accrued interest for debt securities on the basis of the NCBs’ accounting statements, the determination of country of location of the non-resident counterparty’s headquarters for non-resident branches only (and not for non-resident subsidiaries), the treatment of transactions settled in gold, the frequency of revaluation of reserve assets stocks, and the compilation of nominal values for indexed instruments. The treatment of unsettled spot foreign exchanged operations has been endorsed by the WG BP&ER and is pending on final approval by the STC.

9. With regard to the transmission and dissemination of the Eurosystem’s reserves, the ECB has started to publish the aggregated data for the Eurosystem and (separately) the ECB corresponding to the template on international reserves and foreign currency liquidity as jointly developed by the IMF and the BIS, including data relating to the periods as from end-December 1999 onwards. Since April 2000, a complete set of the template is disseminated at the end of each month on the ECB web site.

10. A compilation guide containing all relevant documentation regarding the statistical treatment of reserve-related statistics within the euro area will be presented very soon.
DIRECT INVESTMENT

(i) Foreign direct investment (FDI) workshop

11. A workshop was organised by the ECB BP&ER Division and Eurostat’s Unit B5 in the second half of April 2000 to study bilateral recordings of investment flows on the basis of individual transactions. The purpose of this workshop was twofold:

- To ensure that there is full agreement on the recommended and theoretically agreed methodological treatment of FDI transactions, especially with regard to certain “complex” cases;
- To define the detailed treatment of transactions which is currently applied in the reporting systems of the Member States, in particular, for significant bilateral capital flows between Member States.

12. Participants welcomed the opportunity to compare their own recording of individual major transactions with the corresponding treatment by the counterpart country. A draft report on the outcome is going to be prepared during this summer and another meeting to continue the exercise is planned for autumn 2000.

(ii) Implementation of “MFIs/other sectors”

13. As a prerequisite for the monetary presentation of the BOP statistics, the WG BP&ER approved the implementation of an “MFIs/other sectors” sectoral breakdown for the direct investment account (equity capital and other capital) in the quarterly BOP and the annual IIP data. An initial submission of the data should take place by end-June 2001 and refer to data for Q1 2001 and to Q1 to Q4 for 2000 and 1999. For annual IIP, the first submission should be made by end-September 2002 and refer to end-year positions from 1998 to 2001.

(iii) Valuation methods for FDI stocks

14. On the valuation of FDI stocks the WG BP&ER has (i) taken stock of present possibilities regarding a harmonised valuation criteria for the compilation of aggregates under the step 1 approach; and (ii) discussed valuation criteria for the compilation of the aggregates under the step 2 approach. The use of extended book values which include the total amount of own funds of a company was considered by a majority of the WG members as the only possible proxy for market values in the near future. Nevertheless, the WG BP&ER will, in co-operation with Monetary and Financial accounts statisticians, investigate on practical solutions for the application of market values or equivalents on direct investment stocks.
APPLICATION OF THE ACCRUALS PRINCIPLE

15. Following an initiative by the Banque de France, the WG BP&ER will investigate the practical implementation of the accruals principle. A questionnaire that will be circulated to Member States beforehand together with the corresponding section of the compilation guide (see paragraph “B.o.p. Book”) in this field will provide the material for initiating the process. A workshop under the umbrella of the WG BP&ER may be set up if it reveals necessary to finalise the work in this area.

PROJECT OF THE “CENTRALISED SECURITIES DATABASE”

16. In order to create a single authoritative source for reliable information on securities traded in the euro area, the centralised securities database project has been initiated by all statistical areas within the ECB with the objective of holding, in particular, complete, accurate, consistent and up-to-date information on:

(i) the different types of securities relevant for statistical purposes issued in euro or in other currencies (notably in the currency of non-participating Member States), by residents of the euro area/EU and by non-residents (if held by euro area residents), broken down by the sector of the (resident) issuers, instruments, maturities, etc.; and

(ii) (as far as possible) the holders of these securities (broken down by sectors for residents of the euro area or by country for non-residents). This, however, is a difficult aspect and will require careful consideration and implementation in a second phase.

17. As a first step, a feasibility study will be carried out by autumn of this year. In this respect, the needs and suggestions which were put forward by potential user groups at the ECB and widespread feedback from Member States addressed via the STC were summarised. An “ad hoc” group including statisticians from Member States of all statistic areas was set up. Following the feasibility study, the project team will investigate various options for the implementation of the centralised securities database.
EURO AREA IIP STEP 2/STEP 3 ISSUES

18. The WG BP&ER agreed to amend the ECB Guideline ECB/1998/17 to include a concrete obligation to compile data on annual pure stocks of portfolio investment holdings as from end-2001 in line with the specifications of the so-called IMF’s Co-ordinated Portfolio Investment Survey project. This implies:

- assets/liabilities and geographical breakdown of the euro area IIP by:
  - provision of data on the assets side of portfolio investment to facilitate the compilation of a euro area IIP indicating separate assets/liabilities positions, i.e. the so-called Step 2 of implementation (start: end-September 2002 – data referring to end-2001); and
  - provision of extra-euro area data on the assets side of portfolio investment to allow the compilation of an euro area IIP indicating positions by country/region, i.e. the so-called Step 3 of implementation (start: end-September 2004 – data referring to end-2003); and

- portfolio investment stocks – as a prerequisite to achieve the above-mentioned objective, collection of real stock data related to end-year holdings of equity and short and long-term debt securities issued by non-euro area residents. (Start: end-September 2002 – data referring to end-2001.)

B.O.P. BOOK

19. The next release of the B.o.p. Book is planned for autumn 2000. In addition to an update of the individual country chapters which should basically be confined to reporting on the changes which have taken place in the national BOP/IIP compilation systems, the new version of the B.o.p. Book will provide a “compilation guide” as an extension of Chapter 3 “Euro area: concepts, definitions and agreed practices”.