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For discussion

C.3 International Trade Classified by Currency: Outcome of the Public Consultation

Prepared by the Current Account Task Team (CATT)

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The outcome of the public consultation showed solid support for the proposal to collect information on international trade classified by currency. Most respondents agreed to append this additional information onto the balance of payments' goods and services account. A clear majority favored reporting of the currency composition for the gross totals of the imports and exports of both goods and services, and all welcomed an annual data collection. There was unanimous consent to use the currency of denomination for compilation, and almost all respondents accepted the proposed currency breakdown. A more detailed summary of results is presented below.

Collecting Information on Trade Classified by Currency

1. Do you support the need to develop a voluntary data collection template for international trade classified by currency?

Most respondents supported the development of a template to collect data for international trade classified by currency. In Europe, this approach is in line with an existing similar request from the European Central Bank. At the same time, many respondents noted that methodological guidance for compilers needed to be further developed. Respondents that were against this proposal raised issues about the missing data sources and complicated compilation and felt that this topic should be included within the International Merchandise Trade Statistics (IMTS) and the Manual of International Trade in Services (MSITS) framework rather than within the Balance of Payments Manual (BPM).

Transactions that are Relevant for International Trade Classified by Currency

2. Do you agree that international trade classified by currency should be appended onto the balance of payments' goods and services account?

A clear majority (78 percent) of respondents were in favor of appending the international trade by currency onto the BOP goods and services account. Main reasons in support of the proposal considered the usefulness of this information to be based on the goods and services account, for both compilers and users, and to avoid confusion with other BOP transactions that are recorded in the financial account but that are not directly related to trade.

Data for Compiling Trade by Currency

3. Do you agree that the classification used to compile international trade by currency should be based on the currency of denomination?

There was unanimous agreement for the use of the currency of denomination. Respondents noted that for comparisons and risk analysis, such as the assessment of exchange rate vulnerabilities, the currency of denomination is a better indicator than the currency of settlement. Moreover, it is more aligned with the principle of change of ownership and, therefore, also with appending trade classified by currency onto the goods and services account.

Level of Detail for Trade Classified by Currency

4. Which option do you prefer for the reporting template of international trade classified by currency?

- Option 1: Report the currency composition only for the gross totals of the imports and exports of international trade in goods.
- Option 2: Report the currency composition for the gross totals of the imports and exports of both goods and services.
- Option 3: Report more detailed currency breakdowns according to the balance of payments standard components of goods and services.

Most respondents (61 percent) were in favor of Option 2, while 33 percent supported Option 1, and 6 percent preferred Option 3. Respondents that favored Option 2 argued that Option 1 would exclude services that have recently become more important in international trade, and that Option 3 would be too burdensome to compile.

Periodicity of Reporting

5. Do you support quarterly or annual reporting for collection of international trade classified by currency?

All respondents preferred an annual collection of information on trade by currency. It was pointed out that the inherent structure of the currency composition should not change considerably between annual and quarterly figures because the currency composition of international trade is not expected to show frequent or sudden changes, and that annual reporting takes into account the compilation burden, as well as related costs and benefits.

Disaggregation of Currencies

6. Do you agree with the proposed currency breakdown to be included in the template?

The large majority of respondents agreed with the currency breakdown that was proposed by the authors of this Guidance Note. It was mentioned that this disaggregation is not too burdensome, reflects a clear and good compromise to cover the main currencies for international trade, and in addition, considers worldwide specificities.