Balance of Payments Statistics

A NEWSLETTER FROM THE BALANCE OF PAYMENTS AND EXTERNAL DEBT DIVISIONS • STATISTICS DEPARTMENT • IMF

Updating the Fifth Edition of the IMF's *Balance of Payments Manual*

The IMF's Statistics Department has begun work on updating the fifth edition of the ***Balance of Payments Manual (BPM5)****. It is expected that an updated manual will be finalized by the end of 2008.*

Although major changes to the framework are not proposed, it is expected that this new manual will clarify, modify, and extend BPM5 in a number of areas. It will make the international investment position (IIP) more central to the framework than does BPM5, and will also incorporate clarifications and changes that have already been agreed—such as the clarification of some direct investment transactions[1] and the treatment of financial derivatives.[2] As a first step, an annotated outline of the new manual will be circulated widely, including to balance of payments compilers, early in 2004.

Background

At its meeting in 1999, the IMF Committee on Balance of Payments Statistics (the Committee) first raised the possibility of updating *BPM5*. It was felt that there were important issues arising from the Committee's work that suggested that it might be appropriate to clarify, modify, and extend *BPM5* in a number of areas. As a result, for the 2000 meeting of the Committee, IMF staff produced a list of topics that might be reviewed.

The list was expanded for the 2001 meeting of the Committee and the Committee agreed to a set of guidelines to be followed whenever updates to *BPM5* were necessary. Also at the 2001 meeting, the Committee agreed that it would be appropriate to work toward an update to *BPM5*, although some amendments to *BPM5* could be promulgated as soon as they had been agreed. At its 2002 meeting, the Committee agreed to a target date of 2008 for producing an update to *BPM5*, and additionally agreed on a draft structure for the new manual. This target date fits well with the proposal to complete a review of the *System of National Accounts 1993* (*1993 SNA*) by 2008; it is important that the two systems remain consistent to the maximum extent possible. As a first step, an annotated outline of this new manual will be produced and finalized early in 2004, when it will be circulated to balance of payments compilers.

The Balance of Payments Committee agreed to a target date of 2008 for producing an update to BPM5.

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[1] See Vol. IX, Number 1 (Midyear 2002) of the Newsletter.

[2] See *Financial Derivatives: A Supplement to the Fifth Edition (1993) of the Balance of Payments Manual* (IMF, 2000).

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(http://www.imf.org/external/pubs/ft/bop/news/index.htm)

The IMF *Balance of Payments Statistics* newsletter is published twice a year by the Statistics Department of the International Monetary Fund. The purpose of the newsletter is to inform balance of payments data compilers and users about national and international developments in the collection of such data. Editions are published in Chinese, English, French, Russian, and Spanish. The opinions and material contained in this newsletter do not necessarily reflect the official views of the IMF. Draft submissions are welcome and should be addressed to Paul Austin, Editor, IMF Balance of Payments Statistics Newsletter, Balance of Payments and External Debt Division II, Statistics Department, Room IS5-300, International Monetary Fund, Washington, D.C. 20431, U.S.A. Telephone: (202) 623-7922 • Fax: (202) 623-8017. Graphic design for this newsletter is provided by Kathy Tilmans.

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Annotated outline

The annotated outline of the new manual, to be circulated early in 2004, will propose a structure and description of the content for the new manual, identify the issues to be resolved, and indicate possible solutions in some cases. It will be a discussion document that will provide guidance in the development of the new manual.

A draft of the annotated outline will be produced by IMF staff for circulation to the Committee, the Inter-Secretariat Working Group on National Accounts (ISWGNA), and other interagency groups at the end of August 2003, for comment by the beginning of November 2003. Following this, the annotated outline will be discussed by the Committee at its next meeting in December 2003, where agreement on the final form of the outline will be reached.

The annotated outline of the new manual, to be circulated early in 2004, will provide a structure and description of the content for the new manual.

Structure of the new manual

The annotated outline will propose a structure for the new manual that is somewhat different from that of *BPM5* in order to present the IIP as a central element of the framework. Further, the outline will propose a sequence of chapters that describes financial instruments before discussing financial positions (and flows). The income flows derivable from these assets and liabilities will be addressed subsequently in the manual.

The manual will also clearly set out the basic principles, using examples where appropriate. This approach to the structure and chapter sequencing received strong support from several members of the Committee at its meeting in 2002, based in part on their own experiences in learning about the balance of payments and the IIP. The new manual will also discuss how balance of payments and IIP data can be used.

Timetable for producing the new manual

Box 1 provides a summary of the proposed timetable for updating *BPM5*. Once the annotated outline has been produced, IMF staff will follow a process of research, drafting, and consultation to produce a complete draft manual by December 2006. This process will involve the preparation of position papers, followed by discussion (with the Committee, a technical review group,[3] and other interested groups including the ISWGNA), and then the preparation of the draft text for the manual.

When the first draft of the new manual is ready at the end of 2006, it will be provided to the Committee and interagency groups, including the ISWGNA, for initial review and comment. Following this review, scheduled for completion in August 2007, the second draft of the new manual will be circulated worldwide, including to balance of payments compilers, for review and comment by December 2007.

Once the new manual is available, the revision of the Balance of Payments Textbook and the Balance of Payments Compilation Guide will be addressed.

[3] The IMF is intending to set up a technical review group (TRG) that will look at more complex issues in greater depth than might be possible at Committee meetings. Individuals will be asked to participate in the TRG on the basis of their technical expertise, so that its composition may change depending on the issues under consideration at any given time.

A third, and near-final, draft of the manual, incorporating comments from this worldwide review, will be produced in May 2008, with final text to be agreed by the Committee in September 2008. The final draft of the manual, subject only to editing, will be completed by the end of 2008 and placed on the IMF website. The new manual will be made available in hard copy in 2009 in English, with publication in other languages to follow.

Once the new manual is available, the revision of the *Balance of Payments Textbook* and the *Balance of Payments Compilation Guide* will be addressed. While ideally these two documents should be produced concurrently with the new manual, IMF resource constraints do not permit this.

Questions related to the updating of *BPM5* may be sent to *bpm5update@imf.org*.

Box 1. Summary of Proposed Timetable for Updating *BPM5*

December 2002 – August 2003	IMF staff to produce the draft annotated outline
End-August 2003	Draft annotated outline to be provided to the Committee, the ISWGNA, and other interagency groups for comment by the beginning of November
December 2003	Draft annotated outline to be discussed by the Committee, and agreement to be reached on final form
Early 2004	Circulate annotated outline widely, including to balance of payments compilers, for information and for comment
December 2003 – December 2006	Prepare draft of the new manual, in discussion with interested parties such as the ISWGNA
December 2006	Completed first draft to be provided to the Committee and in teragency groups for review and comment by end-March 2007
First – third quarters of 2007	Regional presentations on the draft manual
May 2007	Incorporate comments on the first draft
June 2007	Committee to discuss and agree changes to the first draft
August 2007	Worldwide circulation, including to balance of payments cor respondents, of the second draft of the manual for comment by mid-December 2007
February 2008	Incorporate comments on the second draft of the new manual
May 2008	Third (and near-final) draft manual sent to the Committee and other interested parties
September 2008	Committee to discuss and agree final text
December 2008	Final draft manual, subject only to editing, made available on the website in English.[1]

[1] It is expected that the final manual will be published in hard copy in English in 2009, with publication in Arabic, Chinese, French, Russian, and Spanish to follow.

The *Manual on Statistics of International Trade in Services*

The Manual provides a framework and a set of recommendations to guide the compilation of a range of statistics on international trade in services.

*A new manual, the **Manual on Statistics of International Trade in Services**, has been produced jointly by the Statistical Office of the European Communities, the IMF, the Organisation for Economic Co-operation and Development, the United Nations Statistical Division, the United Nations Conference on Trade and Development, and the World Trade Organization.*

It is available on the UNSD website at http://unstats.un.org/unsd/tradeserv/manual.asp, and in hard copy.[1] Translations into Arabic, Chinese, French, Russian, and Spanish will be produced. Further information and other links may be found at http://www.imf.org/bop.

Why do we need this *Manual*?

The *Manual* was developed to meet the needs of a variety of producers and users of such statistics—particularly statistical compilers, but also governments and international organizations that use statistics in connection with negotiations pertaining to international trade in services, as well as those businesses and individuals who wish to observe and monitor developments in international services markets.

In recent years, trade agreements have tended to cover services as well as goods; the most well-known and far-reaching of these agreements is the General Agreement on Trade in Services, or GATS, which became effective in 1995. A new round of negotiations, GATS 2000, is now under way, and it is clear that a statistical framework for international trade in services will help to support these negotiations and the agreements that are reached as a result of these negotiations.

What does the *Manual* contain?

The *Manual* provides a framework and a set of recommendations to guide the compilation of a range of statistics on international trade in services. These recommendations are summarized in Chapter 1 and elaborated on in the remainder of the *Manual*. Chapter 2 proposes the framework and describes its links to existing international standards and frameworks. Chapter 3 focuses on the compilation of statistics relating to resident–nonresident trade in services, building on the balance of payments framework described in the fifth edition of the *Balance of Payments Manual (BPM5)*. Chapter 4 recommends standards for compiling statistics on "foreign affiliates trade in services," or FATS, drawing to a considerable extent on the concepts and definitions of the *System of National Accounts 1993 (1993 SNA)*.

[1] Manual on Statistics of International Trade in Services, United Nations, New York, 2002.

How does the *Manual* relate to *BPM5*?

While the *Manual* features important new areas in the field of international services statistics, it does so by building upon, rather than by modifying, internationally agreed standards for statistical compilation.

The *Manual* recommends the same concepts and principles as *BPM5* and the *1993 SNA* for the statistical measurement of resident–nonresident trade in services—in particular, it uses the same concepts of residence, economic territory, and center of economic interest, and has the same recommendations for valuation, time of recording, and conversion to the unit of account.

The classification of services that is recommended in the *Manual* (the Extended Balance of Payments Services, or EBOPS, classification) is more detailed than, but consistent with, that of *BPM5*, with the exception of small, but fully reconcilable differences in the treatment of *construction services*.

Where does it move beyond *BPM5*?

The *Manual* describes four modes through which services may be traded internationally. It does so by considering the location of the supplier and consumer of the traded service. The first of these modes, mode one or *cross-border supply*, applies when suppliers of services in one country supply services to consumers in another country without either supplier or consumer moving into the territory of the other.

Mode two, *consumption abroad*, describes the process by which a consumer resident in one country moves to another country to obtain a service. Further, enterprises in an economy may supply services internationally through the activities of their foreign affiliates abroad. This mode of supply, mode three, is called *commercial presence*.

The last of these modes of supply, mode four or *presence of natural persons*, describes the process of supply of service when the producer moves to the country of the consumer in order to provide the service. Resident–nonresident transactions in services, as covered in balance of payments statistics, generally occur through modes one, two, and four.

Mode three, *commercial presence*, describes the transactions in services of enterprises located in an economy with more than 50 percent foreign ownership. This is a subset of enterprises that are classified as direct investment enterprises in *BPM5*. In addition, mode four, *presence of natural persons*, includes the activities of individuals who move on a nonpermanent basis to take up employment in another economy. These are regarded as either short-term workers or migrants in *BPM5*.

Where can I get more information?

The IMF balance of payments and international investment position website has a section devoted to international trade in services, with links to the *Manual*, and to other useful information. In addition, questions may be sent to:

bopmethodology@imf.org; or

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The *Manual on Statistics of International Trade in Services* is available on the United Nations Statistical Division website at:

http://unstats.un.org/unsd/tradeserv/manual.asp.

Additional information on International Trade in Services can also be found at the IMF's balance of payments and international investment position website at:

http://www.imf.org/bop

IMF Publishes 2001 Global Portfolio Investment Survey

The Coordinated Portfolio Investment Survey (CPIS), which is undertaken under the aegis of the IMF, asks economies to report their cross-border holdings of portfolio investment assets at current market prices, separately for equities, long-term debt securities, and short-term debt securities, and broken down by the country of residence of the issuer.

Cross-border holdings of equity and debt securities in 2001 reached US$12.5 trillion in the 67 economies that participated in the 2001 CPIS.

In addition, in the 2001 CPIS, economies were encouraged to report a breakdown of their holdings of portfolio investment assets according to the institutional sector of the holder, their holdings of portfolio investment assets according to the currency of denomination, and their holdings of portfolio investment liabilities according to the country of residence of the holder.

To extend the comprehensiveness of the results, the IMF also collected data on securities held as reserves through a separate survey (known as SEFER). SEFER was undertaken to maintain the confidentiality of data reported by individual economies. Accordingly, these data are included in the CPIS database only as a single row or column vector.

Also in conjunction with the CPIS, the IMF conducted a survey of securities held by international organizations. The CPIS excludes securities held by direct investors—those which hold a minimum of 10 percent of the shares of the entity that issues the securities.

The results of the 2001 CPIS

Cross-border holdings of equity and debt securities in 2001 reached US$12.5 trillion in the 67 economies that participated in the 2001 CPIS (see Box 2). Of the total cross-border holdings reported in the CPIS, US$5.1 trillion was in equity securities and US$7.4 trillion in debt securities.

Eight economies were among both the top ten issuers and the top ten holders of securities that were traded internationally. They were the United States, the United Kingdom, Japan, Luxembourg, Germany, France, Italy, and the Netherlands. These economies accounted for about 65 percent of cross-border holdings of equity and debt securities.

The CPIS also permitted the compilation of portfolio investment liabilities based on partner country creditor sources. Using these data sources, these same eight economies accounted for about 68 percent of cross-border liabilities to nonresidents in the form of equities and debt securities.

The U.S., the U.K., and Japan were the largest investing economies, accounting for 38 percent of total cross-border holdings of securities. The member countries of the European Monetary Union accounted for 35 percent of cross-border holdings. The U.S. and the U.K. predominantly held equity securities (72 percent and 48 percent, respectively) while Japan predominantly held debt securities. Japan was the largest investor in fixed-income instruments, holding more than 82 percent of its cross-border holdings as debt securities, about 8 percent of the total reported by all countries.

Box 2. Economies that Participated in the 2001 CPIS

Argentina *	Netherlands Antilles	Greece
Japan *	Chile *	Spain *
Aruba	New Zealand *	Guernsey
Jersey	Colombia	Sweden *
Australia *	Norway *	Hong Kong SAR of China
Kazakhstan	Costa Rica	Switzerland
Austria *	Panama	Hungary
Korea, Republic of *	Cyprus	Thailand *
Bahamas, The	Philippines	Iceland *
Lebanon	Czech Republic	Turkey
Bahrain	Poland	Indonesia *
Luxembourg	Denmark *	Ukraine
Belgium *	Portugal *	Ireland *
Macao SAR of China	Egypt	United Kingdom *
Bermuda *	Romania	Isle of Man
Malaysia *	Estonia	United States *
Brazil	Russian Federation	Israel *
Malta	Finland *	Uruguay
Bulgaria	Singapore *	Italy *
Mauritius	France *	Vanuatu
Canada *	Slovak Republic	Venezuela, Republica Bolivariant de *
Netherlands *	Germany	
Cayman Islands, The	South Africa	

* Participated in the 1997 CPIS.

Partner countries reported that the U.S, the U.K., and Germany were the economies that had the largest amounts of cross-border portfolio investment liabilities, accounting for some 40 percent of the value of securities held by nonresidents.

The U.S., the U.K., France, and Luxembourg accounted for some 48 percent of the value of portfolio investment equities reported held by nonresidents. The U.S. and Germany accounted for some 28 percent and 12 percent, respectively, of the value of debt securities that were reported held by nonresidents.

Based on a comparison of the data for equity securities with other sources on the value of publicly issued equity securities, the CPIS indicated that at least 20 percent of total equity securities on issue are held by nonresidents of the issuing economy.

How to access the CPIS data

The preliminary results of the 2001 CPIS, together with corresponding data from the 1997 CPIS (in which 29 economies participated) were made available on the IMF's website on February 11, 2003 (*http://www.imf.org/external/np/sta/pi/datarsl.htm*). The website provides compilers and users with free electronic access to the CPIS database in the form of EXCEL CSV files that facilitate the downloading of data. The data are also presented in PDF files.

Starting with the 2001 CPIS, the CPIS will become an annual survey. The results of the 2002 CPIS are expected to be published on the IMF's website by the end of 2003.

The use of the CPIS data

The CPIS provides users with access to individual economy data for both portfolio investment assets and liabilities (the latter derived from creditor sources) in a database that allows them to analyze the data at both the economy and global levels.

CPIS data should be useful in studies of regional concentration, contagion, and globalization.

The data should be useful in studies of regional concentration, contagion, and globalization; provide a reliable creditor country data source for an economy's portfolio investment liabilities; and provide a useful complement to the Bank of International Settlements (BIS) International Banking Statistics and the Joint BIS-IMF-Organisation for Economic Co-operation and Development–World Bank statistics on external debt.

An annual CPIS database should help assess the volatility of capital flows over time, facilitate the improved estimation of portfolio investment and associated income flows over time, and promote analysis of the links between portfolio investment flows and changes in the prices of securities.

The quality of the CPIS data

The CPIS provides methodologically sound, and internationally comparable, data because of the coordinated approach to choice of methodology and the identification of best practices in survey design and implementation. These best practices are described in the IMF's *Coordinated Portfolio Investment Survey Guide: Second Edition* (*http://www.imf.org/external/np/sta/pi/cpisgd.htm*).

Considerable synergies were released by conducting national surveys for the same reference period, using common definitions and methodologies, and organizing regional CPIS workshops for national compilers.

There was complete participation in the 2001 CPIS by industrial economies and a substantial participation by transition economies, emerging market economies, and small economies with international financial centers. Middle East oil-exporting countries were the only group not well represented.

Most economies had difficulty including securities held by the household sector with nonresident custodians. For some economies this was a significant omission.

Classification in the Balance of Payments and the International Investment Position (IIP) Statement of Financial Derivatives Involving Affiliated Enterprises

The final decision of the IMF Committee on Balance of Payments Statistics (the Committee) promulgated in 2002 is that financial derivative transactions involving affiliated enterprises should be classified under the financial derivatives category of the balance of payments statistics and the IIP. In reaching this decision, the Committee noted that some such financial derivatives may not be able to be identified and would therefore be included indistinguishably in the data for direct investment other capital.

In 2000, the IMF published *Financial Derivatives: A Supplement to the Fifth Edition (1993) of the Balance of Payments Manual*, which, among other things, changed the structure of the balance of payments financial account and the IIP to include a new functional category for financial derivatives.

The *Supplement* also reflected a provisional decision of the Committee to include financial derivative transactions involving affiliated enterprises (other than those between affiliated banks and financial intermediaries)[1] in the direct investment category under a new sub-category for financial derivatives. In making the provisional decision, the Committee recognized that the continued classification of financial derivatives within direct investment would depend on country experience in implementing the recommendations.

The IMF subsequently sought the advice of regional groups of balance of payments compilers on their country experience in implementing the provisional recommendations on the classification of financial derivative transactions in direct investment. The issue was discussed at meetings of the European Central Bank (ECB) Working Group on Balance of Payments and External Reserves, and the Organisation for Economic Co-operation and Development (OECD) Working Party on Financial Statistics, as well as within the Committee itself. The member countries of the ECB and OECD groups did not support the creation of a separate component for financial derivative transactions within the direct investment category. Consequently, in October 2001 the Committee decided to update its provisional decision on this issue, and reached the final decision that financial derivative transactions involving affiliated enterprises should be classified under the financial derivatives category of the balance of payments statistics and the IIP. In reaching this decision, the Committee noted that some such financial derivatives may not be able to be identified and would therefore be included indistinguishably in the data for direct investment other capital.

[1] "Affiliated enterprises" means enterprises that are in a direct investment relationship. Direct investment excludes transactions between affiliated banks and financial intermediaries, except those transactions that involve equity and permanent debt. The amount of financial derivatives transactions either between affiliated enterprises, or between an affiliated enterprise and an affiliated bank or financial intermediary, is therefore considered to be relatively small.

The final decision regarding the classification of financial derivatives was promulgated in 2002 in a letter from the IMF to the official Balance of Payments Correspondents of each IMF member country. At the same time, the official Correspondents were also sent a document that indicated the relevant changes to the text of Part II of the 2000 *Supplement*[2] that reflect the final decision on the classification of financial derivatives in the balance of payments and IIP.

[2] Changes to the text of pages 19, 20, 23, 30, 33, 34, 41, 43, and 45 of Part II of the 2000 Supplement (Financial Derivatives: A Supplement to the Fifth Edition (1993) of the Balance of Payments Manual).

Results of the 2001 Update of the Survey of Implementation of Methodological Standards for Direct Investment

The results of the 2001 update of the Survey of Implementation of Methodological Standards for Direct Investment (SIMSDI) show that there have been marked improvements since 1997 in the availability and coverage of foreign direct investment (FDI) statistics. However, the 2001 SIMSDI results also show that, despite improvements since 1997, the majority of the 61 countries surveyed do not yet follow the international standards in a number of key aspects.

In 1997, the IMF and the OECD launched the SIMSDI, a comprehensive survey of data sources, collection methods, and dissemination and methodological practices for FDI statistics. The information obtained from the 1997 SIMSDI was updated in 2001 for 61 selected countries, which included all subscribers to the IMF's Special Data Dissemination Standard and all the 30 OECD member countries.

The results of the 2001 SIMSDI update show that there have been marked improvements since 1997 in the availability of FDI statistics, particularly position data, income data (including reinvested earnings), and geographic and industrial sector breakdowns. The results also indicate significant improvements in the coverage of the FDI statistics, especially the inclusion of data on the noncash acquisition of equity, intercompany loans and financial leases, real estate owned by nonresidents, and the activities of Special Purpose Entities (SPEs).

Encouragingly, the 2001 SIMSDI results indicate that more than 75 percent of the 61 countries surveyed now follow the international standards applicable to their economy in a number of areas, including the use of the 10 percent ownership rule as the basic criterion for defining FDI relationships, the inclusion of equity capital transactions between affiliated banks and between affiliated financial intermediaries, the recording of reverse investment equity transactions when two FDI relationships have been established, the inclusion of data on real estate owned by nonresidents, and the inclusion of data on the activities of SPEs and offshore enterprises.

However, the 2001 SIMSDI also shows that, despite improvements since 1997, the majority of the 61 countries do not yet follow the international standards in a number of important aspects, such as the inclusion of the activities of indirectly owned direct investment enterprises, the use of the recommended method to measure direct investment earnings, and the valuation of FDI assets and liabilities in the IIP statistics. The key findings of the 2001 SIMSDI update are set out in Box 3.

Fifty-six of the 61 countries that participated in the 2001 SIMSDI update agreed to the dissemination of their detailed country information to the general public. The IMF prepared summary metadata for each of the 56 countries, in consultation with the authorities of each country. Cross-country comparison tables, organized by issue, were also prepared for these countries.

The summary metadata and cross-country comparison tables have been posted on the IMF website at *http://www.imf.org/bop* under the section on direct investment. The text of the full report on the 2001 SIMSDI results is to be published during 2003.

A new SIMSDI survey, which will take account of the changes in the recommended methodology that have been promulgated in recent years is to be conducted in late 2003. All IMF member countries that compile balance of payments statistics will be invited to participate in that survey.

Box 3. Highlights of the 2001 SIMSDI Results

Areas where there have been marked improvements since 1997:

- Availability of FDI statistics, particularly:
  - Position data
  - Income data (including reinvested earnings)
  - Geographic and industrial sector breakdowns
- Coverage of the FDI statistics, particularly the inclusion of:
  - Noncash acquisitions of equity
  - Intercompany loans and financial leases
  - Real estate owned by nonresidents
  - Activities of special purpose entities (SPEs)
  - Activities of offshore enterprises in the outward FDI statistics
  - Expenditure on natural resource exploration

Areas where more than 75 percent of countries now follow the international standards applicable to their economy:

- Use of the 10 percent ownership rule as the basic criterion for defining FDI relationships
- Equity capital transactions between affiliated banks and between affiliated financial intermediaries
- Recording of reverse investment equity transactions when two FDI relationships have been established
- Inclusion of data on real estate owned by nonresidents
- Inclusion of data on activities of SPEs
- Inclusion of data on activities of offshore enterprises

Areas where, despite improvements, the majority of countries do not yet follow the international standards:

- Inclusion of activities of indirectly owned direct investment enterprises – the Fully Consolidated System
- Use of the Current Operating Performance Concept to measure direct investment earnings
- Time of recording FDI income on equity and income on debt
- Recording of reverse investment transactions when the FDI relationship is in one direction only
- Valuation of FDI positions (assets and liabilities)

Statistics Department Releases Guide on International Investment Position

Recent experience with financial crises has underscored the importance of timely information on countries' external asset and liability positions as an important indicator of external vulnerability. There is considerable interest both within and outside the IMF in countries' external asset and liability positions as important elements in vulnerability assessment.

The International Investment Position (IIP), which is the recognized framework for the presentation of a country's stock of external assets and liabilities, was formally introduced when the fifth edition of the *Balance of Payments Manual* was issued in 1993. The need for asset and liability position data has been underscored at several IMF Executive Board meetings, most recently at the June 2002 meeting on data provision to the IMFfor surveillance purposes, when Directors noted the importance of timely and comprehensive statistics on a country's IIP.

Recently, the Statistics Department of the IMF, which encourages countries to improve the preparation of IIP data, has prepared a document entitled *International Investment Position: A Guide to Data Sources* to assist member countries. The main purpose of the guide is to give practical advice on existing data sources that could readily be used to build an IIP statement within a relatively short time.

The guide has been sent to countries not reporting IIP statistics to the IMF as well as those producing partial IIP statements. A cover letter from the IMF's Managing Director encouraged countries to strengthen their efforts to compile IIP statements.

It is expected that the guide will make an important contribution to an increase in the number of countries reporting IIP data to the IMF. By year-end 2002, over 80 countries were reporting these data to the IMF. The guide is available on the IMF website at *http://www.imf.org/external/np/sta/iip/iip.htm*.

IMF Releases *2002 Balance of Payments Statistics Yearbook*

The IMF has released its volume 53 of the Balance of Payments Statistics Yearbook (Yearbook). The 2002 Yearbook has three parts. ***Part 1*** *presents data on balance of payments statistics for 164 countries and international investment position (IIP) data for 81 countries. The IIP of a country is a balance sheet of its external financial assets and liabilities. Countries in the early stages of IIP compilation were encouraged to submit partial IIP statements thus resulting in a significant increase of published IIP data compared to previous years.*

For most countries, balance of payments data are presented in Tables 1 and 2, and IIP data is presented in Table 3. Table 1 is an analytical summary of the more detailed data of Table 2, which provides an array of balance of payments components to highlight the financing items (the reserves and related items). The balance of payments and IIP data are presented in the *Yearbook* in accordance with the standard components described in the fifth edition of the *Balance of Payments Manual (BPM5),* published by the IMF in September 1993.

Part 2 of the *Yearbook* aggregates country data by major balance of payments components. For each component,[1] data for countries, country groups, and the world are provided. In addition to data reported by countries as shown in Part 1 of the *Yearbook,* the tables in Part 2 also include data for international organizations.[2]

Data on IMF transactions—for example, transactions in SDRs and of the IMF's General Resources Account—are obtained from IMF sources. In addition, missing data have been estimated for countries by IMF staff. The estimation procedure is based largely on the use of the IMF's *World Economic Outlook* (*WEO*) database.

Tables presenting "global discrepancies" in balance of payments statistics by major components are included in Part 2. Global discrepancies refer to the discrepancies between the sum of the debit and credit entries of corresponding components reported by countries and estimated by the IMF staff. In principle, under the balance of payments convention, global aggregates for exports should equal global aggregates for imports, and global trade surpluses should mirror global trade deficits, with the global trade balance equal to zero.

For a variety of reasons, however, countries generally do not correctly record all transactions, or they classify corresponding transactions differently. Under these circumstances, errors and omissions in the national data and asymmetries (discrepancies) in the global statistics arise. Figures thus presented in the tables reflect such net global asymmetries for the different balances. The net errors and omissions shown in the tables represent the difference between the global discrepancy figure for the current account and that for the combined capital and financial accounts.

[1] Except for financial derivatives.

[2] From 1996 forward, the data for international organizations include data provided by the European Economic Community.

Within the current account, a negative global imbalance or discrepancy indicates a net excess of recorded debits, which may reflect an under-recording of credits, an overstatement of debits, or both. A positive discrepancy in the financial account suggests a net understatement of capital outflows (increase in assets or decrease in liabilities), and / or a net overstatement of recorded inflows (decrease in assets or increase in liabilities).

Part 3 presents descriptions of methodologies, compilation practices, and data sources used by individual member countries in compiling their balance of payments and IIP statements. Both the country data and related metadata that appear in the 2002 *Yearbook* are largely based on information countries provided to the IMF.

The metadata are intended to facilitate users' use of the data presented in the *Yearbook* and to enhance their understanding of the data coverage, as well as the data limitations. They are also intended to inform national balance of payments compilers of the data sources and compilation practices used by their counterparts in other countries.

There are six annexes in the *Yearbook* presenting the standard components of balance of payments and IIP data, the accompanying data codes, and the conceptual frameworks of the balance of payments and the IIP. The annexes also explain the coverage of major components of the balance of payments accounts, as set forth in the *BPM5*.

Statistics published in Parts 1 and 2 of the *Yearbook* are also available on CD-ROM. The monthly CD-ROM provides updates and revisions of Part 1 data as they become available. Inquiries about the *Yearbook* should be addressed to:

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International Transactions Reporting System: e-Reporting and Quality Control

. . . A new reporting method adopted in China[1]

China first introduced an International Transactions Reporting System (ITRS) in 1996, with assistance from the Statistics Department of the International Monetary Fund. At the time, banks began to report all transactions between residents and nonresidents cleared through the banking system to the State Administration of Foreign Exchange (SAFE).

With the introduction of the ITRS, enterprises were required to fill reporting forms provided by the banks, and return them to the banks where the data would be manually inputted and then submitted to the SAFE. This method of reporting however posed numerous problems. Among those: enterprises complained about the additional burden of having to go to the banks simply for retrieving the report forms; long time-lags developed between the submission of the forms and the reporting to SAFE; data quality problems existed mainly as a result of having to manually key in data; and no clear responsibility for the data quality was established.

In an effort to address some of these problems and to improve on the data quality within the context of renewed data dissemination efforts, SAFE in conjunction with some banks based in Shanghai introduced an ITRS e-reporting system (e-ITRS).

The e-ITRS combines the entire reporting system in a uniquely integrated computer software and process. For the recording of receipts, the reporting entity gets the e-ITRS form from the banks partially filled-in with information on currency, amount of the transaction, payer, paying bank and receiving date by the banks. The reporting entity is required to input information relating to the transaction code, the country of origin of the funds, and a description of the transaction.

For the recording of payments, the process is reversed with the transactor first sending the information to the bank where it is verified, and the date and amount of currency is inputted. For both receipts and payments transactions, the completed ITRS form is then sent automatically back to the bank. There, final edit checks are made and the data are then automatically transferred to the SAFE, with a copy sent to the reporting entity.

In order to enforce quality management in the whole process, certain quality control functions such as mandatory field and logic checks, and an auto-response time reminder is built into the e-reporting system. In addition, clear reporting responsibility between banks and reporting entities is established by dividing the e-ITRS form into two parts, and each party can only view but not modify the other party's information. If the information is found to be incorrect, the e-ITRS form must be sent back to the responsible party to correct or verify.

[1] Provided by the State Administration of Foreign Exchange of China.

For convenience and in an effort to save time, the system also establishes certain interfaces to accept data importation from other computer systems. The banks and reporting entities can use these interfaces to improve working efficiency. For instance, they can simply finish their reporting job by downloading the main elements from their own accounting system and exporting them into the ITRS e-reporting system; and the SAFE can use these interfaces to import data from the Registrar of Companies and other government institutions. By making available information such as the conversion rate for statistics purposes, currency codes, country codes etc. to the banks, the ITRS e-reporting system establishes an information sharing mechanism.

In addition to the reporting entity staff being able to easily fulfill their reporting obligations at their office instead of the hand delivery of reporting forms, the adoption of this ITRS e-reporting system now means that the SAFE staff can easily identify who should be responsible for the data quality and timeliness and can take quick action to correct any problems. Also, the banks can save labor cost as originally thousands of paper reporting forms had to be manually keyed in.