



Balance of Payments Statistics

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

*Template and
Operational
Guidelines
facilitate
reporting.*

Countries Publish More Detailed International Reserves Data on Internet

As of midyear 2000, 43 of the 47 subscribers to the Special Data Dissemination Standard (SDDS) are publishing data on international reserves and foreign currency liquidity according to an internationally agreed template. The information, which is available on the Web sites of the countries' central banks or finance ministries, provides comprehensive and timely data on these countries' international reserves and related obligations. In addition, one country that does not subscribe to the SDDS also publishes data according to the template.

The list of Web sites is attached. These sites are hyperlinked to the IMF's Dissemination Standards Bulletin Board (DSBB), which is accessible to the public on the IMF's external Web site at <http://dsbb.imf.org>.

The template on international reserves and foreign currency liquidity was developed jointly by the IMF and a working group of the Committee on the Global Financial System of the Group of Ten central banks. The template provides for improved disclosure of countries' data on international reserves and related items. (See also *Balance of Payments Statistics Newsletter*, midyear 1999 and year-end 1999.)

The template calls for data that cover both the monetary authorities and central government. It provides for data on the authorities' liquid foreign currency resources (encompassing official reserve assets and other foreign currency assets); their short-term foreign currency obligations (including those arising from foreign currency liabilities, financial derivative positions, and other obligations and commitments); and their short-term contingent foreign currency liabilities. Detailed supplementary information appears in most countries' templates under the rubric of memorandum items. Subscribers disseminate their template data at least once a month, with a lag of no more than one month.

The IMF Executive Board decided in March 1999 to make this template part of the SDDS, with a transition period to run through March 31, 2000. The SDDS, established by the IMF in 1996, specifies good practices in the dissemination of economic and financial data. Subscribers to the SDDS do so on a voluntary basis.

The IMF has issued the *Operational Guidelines for the Data Template on International Reserves and Foreign Currency Liquidity* to assist subscribers in compiling the template data. The IMF has also provided countries a sample form to facilitate such reporting and to promote data comparability among countries. Both the *Guidelines* and the sample form have been posted on <http://dsbb.imf.org/guide.htm>.



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Contents

Countries Publish More Detailed International Reserves Data on Internet	1
External Debt Statistics Made Prescribed Data Category of Special Data Dissemination Standard	4
Training Seminars on Balance of Payments and External Debt Statistics Addressing New Needs	8
Compiling Data on International Investment Position, the U.S. Experience	11

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official views of the IMF. Draft submissions are welcome and should be addressed to Anne Y. Kester, 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.

Web sites on which SDDS-subscribers disseminate data on international reserves and foreign currency liquidity

- Argentina:** <http://www.bcra.gov.ar/english/contad/econ0100.htm> (under Data Template on International Reserves/Foreign Currency Liquidity for the relevant month.)
- Australia:** http://www.rba.gov.au/media/mr_regular.html (under Monthly).
- Austria:** <http://www.oenb.at/sdds/template/>
- Belgium:** <http://www.nbb.be/DQ/E/dq3/SDDS/TEMPLATE-200004.htm#21801>
- Canada:** <http://www.fin.gc.ca/newse00/00-043e.html>
- Chile:** http://www.bcentral.cl/Indicadores/liquidez/planilla_de_liquidez.htm
- Colombia:** <http://www.banrep.gov.co/estad/dsbb/indpliultimo.htm>
- Croatia:** <http://www.hnb.hr/> (under Contents, Special Data Dissemination Standards, External Sector, International Reserves)
- Czech Republic:** http://www.cnb.cz/en/_statistika/statistika/devrez_struktura.htm (under International Reserves and Foreign Currency Liquidity)
- Denmark:** http://www.nationalbanken.dk/nb/nb.nsf/alldocs/Fsdds_uk
- El Salvador:** <http://www.bcr.gob.sv/erinfcl000.htm>
- Estonia:** <http://www.ee.epbe/fca/index.html.en>
- Finland:** <http://www.bof.fi/env/eng/tp/template.pdf>
- France:** http://www.banque-france.fr/gb/actu/main.htm?menu2=menu_m31.htm&page=ecofi/6.htm
- Germany:** http://www.bundesbank.de/index_e.html (under Statistics, Regularly Updated Economic Data)
- Hong Kong, SAR:** <http://www.info.gov.hk/hkma/eng/press/2000/20000531e4.htm> (under Annex)
- Hungary:** <http://www.mnb.hu/index-a.htm> (under Financial Data, Statistical Time Series, section v)
- Indonesia:** <http://www.sdds.or.id/apr00.htm>
- Ireland:** <http://www.centralbank.ie/stats.html>
- Italy:** <http://www.bancaditalia.it> (under Releases, Italy's international reserves and foreign currency liquidity)
- Japan:** <http://www.mof.go.jp/english/e1c006.htm>
- Korea:** <http://www.nso.go.kr/stat/imf/reserve.htm>
- Latvia:** <http://www.bank.lv/FinacialData/english/sdds/index.html>
- Lithuania:** <http://www.lbank.lt/Eng/Statistics/irl/>
- Malaysia:** <http://www.bnm.gov.my/stats/reserves.htm>
- Mexico:** <http://www.banxico.org.mx/sitebanxicoingles/eInfoFinanciera/infekon/cuadros/tvii-12.htm>
- Netherlands:** <http://www.statistics.dnb.nl/indexuk.html> (under Official reserve assets)
- Norway:** http://www.norges-bank.no/english/statistics/intres/intres_eng.xls
- Peru:** <http://www.bcrp.gob.pe/english/fr-estad.htm>
- Philippines:** http://www.bsp.gov.ph/Statistics/sdds/res_apr.htm
- Poland:** <http://www.nbp.pl/en/statistics/index.html> (under Time Series)
- Portugal:** http://www.bportugal.pt/stats/docs_ing/Months/template.htm
- Singapore:** https://secure.mas.gov.sg/factsfig/factsfig_intlreservesindex.html
- Slovak Republic:** <http://www.nbs.sk/SDDS/DRNBSEN.HTM> (under International Reserves and Foreign Currency Liquidity)
- Slovenia:** http://www.bsi.si/html/eng/finacial_data/hit/int_liquid_curr.html
- South Africa:** <http://www.resbank.co.za/Economics/TEMPLATE1.doc>
- Spain:** <http://www.bde.es/estadis/bp/templae.pdf>
- Sweden:** <http://www.riksbank.com/upload/3973/Liquidity0003.xls>
- Switzerland:** <http://www.snb.ch/e/publikationen/publi.html> (under Statistical Monthly Bulletin)
- Thailand:** http://www.bot.or.th/bothomepage/databank/EconData/Sdds_e/Template_e.htm
- Turkey:** <http://www.tcmb.gov.tr/die/rc/rc99irmdata.htm>
- United Kingdom:** <http://www.bankofengland.co.uk/mfsd/reserves/index.htm>
- United States:** <http://www.ustreas.gov/press/releases/> (under Treasury Press Releases)

Note:

New Zealand is not an SDDS subscriber. Nonetheless, it has disseminated the template data on its central bank's Web site at www.rbnz.govt.nz

External Debt Statistics Made Prescribed Data Category of Special Data Dissemination Standard

As evidenced by the international financial crises of the late 1990s, the timely dissemination of accurate and comprehensive economic and financial statistics is crucial for anticipating and responding to such crises. Against this background, the IMF has strengthened the specifications of the Special Data Dissemination Standard (SDDS)¹ in a number of areas. These have included the incorporation of the data template on international reserves and foreign currency liquidity as a prescribed element of the SDDS and the introduction of a new data category on external debt statistics in the SDDS. The inclusion of the data template in the SDDS has been reviewed in previous issues of the *Newsletter*.² (See also previous article.) This article describes the coverage of external debt statistics in the SDDS.

The dissemination data standard for external debt statistics

The IMF's Executive Board decided in March of this year to include external debt statistics as a separate data category in the SDDS. The SDDS prescribes dissemination of quarterly external debt data with a one-quarter lag, covering four domestic sectors (the general government, the monetary authorities, the banking sector, and other sectors). The data are to be disaggregated by short-term and long-term maturity, and provided on an original maturity basis and by instrument, as set out in the fifth edition of the *Balance of Payments Manual (BPM5)*. A three-year transition period has been provided that began April 1, 2000, and will end on March 31, 2003.

In addition, countries are encouraged to disseminate data on (1) prospective debt service obligations (with a disaggregation between principal and interest) twice yearly for four quarters and two semesters ahead, with a lag of one quarter; the data are to be disaggregated by the four domestic sectors identified above and (2) the domestic/foreign currency breakdown of external debt.

To facilitate compilation and promote data consistency across macroeconomic data sets, the concept of external debt adopted in the SDDS is that delineated in the framework for the international investment position (IIP) as set forth in the *BPM5*. The IIP presents a country's balance sheet of its external financial assets and liabilities. Under this framework, external debt refers to a country's non-equity liabilities to nonresidents, regardless of the currency in which the liabilities are denominated.³

The prescription to report external debt data on the basis of the original maturity of the instrument also aims to harmonize different data sets: the present international statistical standards for the balance of payments, the IIP, and the national accounts are based on this concept of maturity. In addition, the quarterly dissemination of external debt data on an original maturity basis for countries that have—or might have—ready access to the international capital markets

New standard will promote dissemination of more detailed external debt data.

would provide frequent observations of the extent to which member countries rely on external short-term finance, as opposed to longer-term finance. The data also would provide insights on how their reliance is changing over time, which is important consideration in external vulnerability analysis.

Nonetheless, a measure of short-term indebtedness based on original maturity would not reveal the amortization on long-term debt to be paid in the near term, say within a period of one year. Thus, in addition to the dissemination of external debt data based on the original maturity concept, the SDDS encourages the dissemination of supplementary information on prospective debt service obligations.

The efforts of countries to develop their external debt statistics will be supported by the Inter-agency Task Force on Financial Statistics (TFFS). The TFFS is an IMF-chaired inter-agency group comprising representatives from the BIS, the Commonwealth Secretariat, the ECB, Eurostat, the IMF, the OECD, the Paris Club Secretariat, UNCTAD, and the World Bank. To assist countries in improving their external debt statistics, the TFFS is preparing a new and comprehensive guide entitled *External Debt Statistics: Guide for Compilers and Users (Debt Guide)*, which will update a 1988 inter-agency publication.⁴ The *Debt Guide* will provide international statistical standards for the measurement of external debt, guidance in the analytic use of the data, and the sources and methods for their compilation. The target date for publication of the *Debt Guide* is sometime after the middle of June 2001. A draft of the core chapters of the *Debt Guide* has been circulated to SDDS-subscribing countries. The IMF, in collaboration with other institutions, has been conducting a series of regional seminars and workshops to familiarize compilers with the improved data concepts and methods of collection contained in the *Debt Guide*.⁵ Other support will be in the form of technical assistance provided by agencies participating in the work of the TFFS.

Consultations with data compilers and users

The IMF introduced the external debt data category in the SDDS after undertaking extensive consultations with member countries, market participants and other users, and international organizations. The prescription of this new data category in the SDDS is intended to strike a balance between the need for more timely and comprehensive information on external debt and the difficulties faced by compilers in producing such data.

The consultations took a number of forms and focused on coverage, timeliness and periodicity of data dissemination, and the desired length of the transition period. In mid-1999, for example, the IMF sent a questionnaire to SDDS-subscribing countries seeking information on their compilation and dissemination practices for external debt statistics. The questionnaire was posted on the DSBB for the benefit of other countries and data users.

The compilers' responses to the external debt questionnaire showed that 70 percent of the developing/emerging market economies that subscribe to the SDDS currently compile and disseminate either monthly or quarterly external debt and/or IIP statistics. Only 35 percent of the industrial countries disseminated monthly or quarterly data in either of these areas. The coverage of the sta-

Debt Guide to be published next year for data compilers and users.

Compilers consulted through questionnaire.

Views of data users also considered.

tistics varied. The industrial countries that did not disseminate monthly or quarterly external debt/IIP data most often disseminated annual IIP statistics. They indicated that some external debt data were available on a more frequent basis, mainly relating to the banking sector and the monetary authorities.

Those countries that do not disseminate monthly or quarterly external debt/IIP data provided a range of responses regarding required transition periods for their countries. Approximately a third indicated a year or less would be required, and another third stated that a period of between one and three years would be needed. Most of the other countries did not specify a suitable transition period for this work. Several of the countries that said they disseminated quarterly debt information also indicated that they required a short transition period. Many of the industrial countries stressed that, in order to compile quarterly external debt statistics, some data components would have to be estimated.

Many of the compilers from the industrial countries saw little need for an amortization schedule for their countries. They also indicated that the development of such data would entail substantial changes to national compilation systems, which would require resources and increase the reporting burden. In contrast, many compilers from developing/emerging market countries expressed fewer reservations about such an initiation. Overall, compilers had difficulty specifying transition periods for developing such data.

Compilers preferred a sectoral presentation to the functional presentation (direct investment, portfolio investment, and other investment) emphasized in the *BPM5*.

Compilers identified potential problems in compiling comprehensive external debt statistics, such as providing coverage of the external obligations of the private sector, measuring short-term trade credit, determining residency of holders of domestically issued debt securities, and recording repurchase agreements.⁶

In February of this year, the IMF convened a conference on capital flow and external debt statistics at its headquarters.⁷ The event provided an opportunity for policymakers, data users in the private sector, and statistical compilers to exchange views on what they see as pressing requirements for external debt data and how any new requirements can be met.

At the conference, policymakers and data users stressed the need for improved data on external debt as well as supplementary information related to these statistics, such as prospective amortization schedules and information on the currency composition of external debt. Data compilers from many of the industrial countries and from some offshore financial centers, however, viewed dissemination of quarterly external debt statistics and data on prospective amortization payments as a low priority for their countries. This reflected national statistical priorities as well as concerns about resources, compilation difficulties, and the burden on reporters that the new collections would entail. The discussion underscored the fact that national statistical priorities can differ from international priorities driven by the data needs of policymakers and market participants.

Participants at the conference stressed the importance of a domestic/foreign currency breakdown of debt, which may be of help in assessing vulnerabili-

ties in connection with exchange rate changes. They recognized, however, that the use of financial derivatives to hedge exchange rate risk can significantly alter the effective currency composition of short-term debt and limit the usefulness of information on the domestic/foreign currency breakdown.

¹ For more information on the SDDS, see p. 9 of this *Newsletter*.

² See the midyear and year-end 1999 issues, which are also available on the IMF external Web site <http://external/pubs/ft/bop/news/index.htm>.

³ See also article on "Compiling Data on International Investment Position: the U.S. Experience" on pp. 11 of this *Newsletter*.

⁴ See *External Debt: Definition, Statistical Coverage and Methodology*, The World Bank, International Monetary Fund, Bank for International Settlements, and Organization for Economic Cooperation and Development, Paris, 1988.

⁵ See also article on "Training Seminars on Balance of Payments and External Debt Statistics Addressing New Needs" on pp. 8-10 of this *Newsletter*.

⁶ Results of the questionnaire were presented in the year-end 1999 issue of this *Newsletter*.

⁷ Information on "The Conference on Capital Flows and Debt Statistics: Can We Get Better Data Faster?" is accessible on the IMF external Web site at <http://www.imf.org/external/pubs/ft/seminar/2000/capflows/index.htm>. The conference was sponsored by the IMF, in cooperation with the Financial Stability Forum Working Group on Capital Flows.

Training Seminars on Balance of Payments and External Debt Statistics Addressing New Needs

Since the beginning of this year, the IMF's Statistics Department (STA), in conjunction with the IMF Institute, the Joint Vienna Institute (JVI), the IMF-Singapore Regional Training Institute (STI), and other organizations, has conducted a number of seminars on balance of payments and external debt statistics in various parts of the world.¹ Such training has supported the IMF's efforts to enhance the coverage and dissemination of countries' external sector statistics, an aim that has received priority in the aftermath of the international financial crises that occurred in the late 1990s. Such crises exposed deficiencies in publicly available information on countries' international reserves and external debt and underscored the importance of timely, accurate, and comprehensive data for policy formulation and other purposes.

Related IMF initiatives have included updating concepts and methods of data collection for international reserves and external debt. These, in turn, have entailed the development of the data template on international reserves and foreign currency liquidity and the preparation of improved guidelines for the compilation of external debt data. The IMF has made both the data template and external debt statistics part of its Special Data Dissemination Standard (SDDS) and its General Data Dissemination System (GDDS).

Timely, accurate, and comprehensive financial and economic statistics can be compiled only when those involved are familiar with the data concepts and methods of collection. Over the past decade, through training seminars, STA has offered guidance to country officials on concepts and methods for compiling macroeconomic statistics.² Such technical assistance has contributed to institution building in many transition economies and, more generally, has had a positive influence on countries' compilation practices, their adherence to methodological standards, and the quality of their data reporting to the IMF.

Participants at recent balance of payments and external debt seminars have come from IMF member countries' central banks, national statistical offices, and other relevant agencies. All have been responsible for the compilation and analysis of balance of payments and external debt data.

Balance of payments seminars

The balance of payments seminars have centered on a series of lectures providing a systematic exposition of the conceptual underpinnings of balance of payments as set out in the fifth edition of the *Balance of Payments Manual*. The seminars also have covered practical aspects of data compilation as elaborated in the Fund's *Balance of Payments Compilation Guide* and the *Balance of Payments Textbook*.

In addition, the seminars have explained the usefulness of balance of payments data as a tool of economic analysis and examined the linkages of these data

Seminars reflect international policy priorities, participants' needs.

to other macroeconomic statistics such as national accounts, money and banking statistics, and government finance statistics. Furthermore, to enrich the participants' understanding of the material covered in the lectures, the seminars have included several workshops designed to illustrate the data concepts and collection methods with practical exercises. Case study sessions on the current account and the capital and financial accounts of balance of payments have been conducted to review statistical practices of countries represented at the seminars. Participants have been introduced to the data template on international reserves and foreign currency liquidity, the SDDS, and the GDDS. (See also pp. 1–2 of this issue of the *Newsletter* and, for information about the SDDS and GDDS, the IMF external Web site at <http://dsbb.imf.org/sddsindex.htm> and <http://dsbb.imf.org/gddsindex.htm>, respectively.)

During January–March of this year, STA held a six-week balance of payments methodology course for 40 participants from around the world at the IMF Institute located at the IMF headquarters in Washington, D.C. In April and May, STA conducted a balance of payments methodology seminar at the STI located in Singapore. The seminar lasted three weeks, and 30 officials from the Asian and Pacific region attended.

In May and June of this year, a three-week seminar was held at the Eastern Caribbean Central Bank in Basseterre, St. Kitts and Nevis, for 30 participants from the central banks and finance ministries of the Caribbean region. In June, a similar seminar was held at the JVI in Vienna, Austria. Thirty participants from the Baltic countries, Russia, and other countries of the former Soviet Union, Eastern Europe, and the former centrally planned economies of Asia attended. Another three-week balance of payments methodology seminar is to be held in September this year at the Arab Monetary Fund located in Abu Dhabi.

Seminars on external debt statistics

In March of this year, STA, along with staff from the Australian Bureau of Statistics, the Singapore Department of Statistics, and the United Nations Conference on Trade and Development, presented a three-day seminar at the STI. Twenty-four participants from Asia attended. The seminar was intended in part to raise awareness of evolving international needs for improved measurement of external debt. It allowed participants to exchange views with colleagues from other countries on compilation procedures. Among other topics addressed were how to enhance the quality of national external debt data and how international agencies might assist in this work. Much of the discussion at the seminar was focused on the draft document entitled *External Debt Statistics: Guide for Compilers and Users (Debt Guide)*, prepared by the IMF-chaired Inter-Agency Task Force on Finance Statistics. The document is being developed to provide international statistical guidelines for the measurement of external debt, guidance in the analytic use of the data, and sources and methods of their compilation.³

In late August of this year, STA conducted a second seminar on external debt statistics at the JVI. As was the case in Singapore, the main purposes was to provide countries in the region with an understanding of the conceptual

Seminars, lectures, case studies, and workshops provide practical lessons.

Seminars held in different regions and are ongoing.

framework involved in the compilation and dissemination of external debt data, to explain the coverage of external debt statistics in SDDS and GDDS, and to discuss institutional and other issues relating to external debt statistics both at the national and international levels. STA anticipates staging seminars for Latin American and African countries in early 2001.

Usefulness of training seminars

The success of the seminars has been reflected in the improved quality of data that participants are providing to the IMF, in attendees' positive evaluations of the seminars, and in the many requests STA has received for places at the sessions. Participants have noted that, as a result of their participation, they are better able to perform their data compilation work and have a better appreciation of the importance of macroeconomic statistics in public-policymaking. Among specific benefits of the seminars they have cited are these:

- Enhancing their understanding of evolving data needs arising from developments in international trade and finance and of data concepts and methods required to produce data that best meet users' needs.
- Becoming more familiar with statistical methodologies and compilation guidance set forth in the *BPM5*, the IMF's *Operational Guidelines for Data Template on International Reserves and Foreign Currency Liquidity*, and other key documents.
- Becoming more knowledgeable, in part, through practical exercises, about how to solve specific work-related compilation problems, particularly new and challenging ones.
- Providing participants a forum for valuable exchanges of ideas and sharing of experiences with seminar colleagues.

Seminar participants cite numerous benefits.

¹ In addition, as part of its technical assistance program, STA regularly provides in-country technical assistance related to the major macroeconomic statistical systems on balance of payments, money and banking, national accounts, and government finance.

² See also footnote 1.

³ See also article on "External Debt Statistics Made Prescribed Data Category of Special Data Dissemination Standard" on pp. 4 of this issue of the *Newsletter*.

Compiling Data on International Investment Position, the U.S. Experience

The international investment position (IIP) of a country refers to the balance sheet of its external financial assets and liabilities.¹ In recent years, data on the external financial positions of countries have become increasingly important in view of heightened concern about countries' external vulnerability. This article elaborates on the concept of IIP and illustrates how IIP data can be compiled using a combination of collection methods and computation techniques, as shown in the case of the United States.

Concept of IIP

The IIP shows the external financial assets and liabilities of a country by major types of financial instruments, maturities of the instruments, and domestic sectors of the economy. Components of financial assets and liabilities included in the IIP are the same as those covered under the financial account of the balance of payments. Subsumed under assets are direct investment, portfolio investment, financial derivatives, other investment, and reserve assets. Liabilities are classified in the same way except that for reserve assets there is no corresponding data category under liabilities. Reserves-related liabilities are included in relevant components listed under liabilities. Selected financial instruments are distinguished by their original short-term and long-term maturities. The domestic sectors are classified into four categories: the monetary authorities, general government, banks, and other sectors. Table 1 shows the major components of the IIP.

As with the balance of payments, the conceptual framework of IIP is residency based. External financial assets refer to a country's financial claims on non-residents and, accordingly, external liabilities refer to nonresidents' financial claims on the country.² The assets and liabilities in the IIP are valued at market prices.³

Balance of payments accounts and the IIP constitute the key sets of international accounts of an economy. While the financial account of the balance of payments depicts an economy's international financial transactions over a period of time (the so-called flow data), the IIP shows the economy's external financial assets and liabilities at a point in time (the so-called stock data). The IIP and the balance of payments are linked in the following way: changes in a country's IIP from the beginning of a period to the end of the specified period reflect (1) the country's financial transactions that have taken place in the period, as shown in the country's balance of payments accounts; (2) changes in the values of the assets and liabilities as affected by price and exchange rate changes during the period; and (3) other adjustments such as changes in classification and coverage (for example, expropriations of assets and unilateral cancellations of indebtedness).

The difference between total external financial assets and total external financial liabilities shown in the IIP represents the country's net international investment position. This is to be distinguished from external debt, which is not a separate component of the IIP but can be derived by summing the non-equity liability components (see Table 1, footnote 2).

IIP and balance of payments data are complementary.

IMF publishes countries' IIP and balance of payments data.

The IMF publishes countries' annual IIP data, along with their balance of payments statistics, in its monthly *International Financial Statistics*. Detailed information on countries' balance of payments and IIP are available in the IMF's annual *Balance of Payments Statistics Yearbook*. To strengthen the Special Data Dissemination Standard (SDDS) to meet emerging data needs, the IMF Executive Board in March 1999 decided to set a three-year transition period, to end on December 21, 2001, for SDDS subscribers to disseminate IIP data.⁴ The data are to be disseminated on an annual basis within two quarters of the reference period. Dissemination of quarterly data within one quarter is encouraged.

Currently, approximately 170 countries report quarterly or annual balance of payments data to the IMF for publication, but only about 50 countries compile IIP data and report them to the IMF. As illustrated by the U.S. experience, to compile IIP data, countries need to enhance their balance of payments statistical systems.

Table 1. International Investment Position: Key Components¹

A. Assets	B. Liabilities
<i>1. Direct investment</i>	<i>1. Direct investment</i>
1.1 Equity capital and reinvested earnings	1.1 Equity capital and reinvested earnings
1.2 Other capital ²	1.2 Other capital ²
<i>2. Portfolio investment</i>	<i>2. Portfolio investment</i>
2.1 Equity securities	2.1 Equity securities ^{2,3}
2.2 Debt securities	2.2 Debt securities ^{2,3}
<i>3. Financial derivatives</i>	<i>3. Financial derivatives</i>
<i>4. Other investment</i>	<i>4. Other investment</i>
4.1 Trade credits	4.1 Trade credits ²
4.2 Loans	4.2 Loans ²
4.3 Currency and deposits	4.3 Currency and deposits ²
4.4 Other assets	4.4 Other liabilities ²
<i>5. Reserve assets</i>	
5.1 Monetary gold	
5.2 Special drawing rights	
5.3 Reserve position in the Fund	
5.4 Foreign exchange	
5.5 Other claims	

¹ A complete list of IIP components showing disaggregation by domestic sector (monetary authorities, general government, banks, and other sectors) and by original maturity (long-term/short-term) can be found on pp. 108–111 of the BPM5.

² These components comprise external debt.

³ Includes long-term bonds and notes and money market instruments. Financial derivatives were previously included under portfolio investment but are now identified as a separate functional category for both balance of payments and IIP compilation.

Countries need to upgrade statistical systems to compile IIP data.

The IIP of the United States

The Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce compiles data on the IIP of the United States on an annual basis.⁵ The statement shows the value of outstanding U.S.-owned assets abroad and foreign-

owned assets in the United States. The data published show that the BEA accounts for the changes in price and exchange rates, as well as international financial transactions in compiling the U.S. IIP. According to the BEA, a number of methods and data sources are used in the compilation. The most recent publicly available data on the U.S. IIP and their compilation methods are highlighted below.⁶

IIP data reflecting transactions and changes in price and exchange rates

As reported by the BEA, at year-end 1999, the net international investment position of the United States was a negative \$1,082.5 billion with direct investment valued at the current cost of replacement of tangible assets⁷ and the net position was a negative \$1,473.7 billion with direct investment valued at the current stock market value of owners' equity⁸ (Table 1).

In 1999, financial inflows from foreign acquisitions of private-sector assets in the United States increased substantially. Net foreign purchases of U.S. securities other than U.S. Treasury securities and financial inflows from foreign direct investment in the United States accelerated to new records. In addition, U.S. liabilities to foreigners reported by U.S. banks and by U.S. nonbanks for the year increased strongly. Partly offsetting these financial inflows were net foreign private sales of U.S. Treasury securities.

In the same year, financial outflows to acquire U.S.-owned assets abroad increased substantially, reflecting record outflows for U.S. direct investment abroad and large merger-related net U.S. purchases of foreign securities. Outflows from U.S. claims on foreigners reported by U.S. banks and U.S. non-banking concerns also increased strongly.

According to the BEA, strong price appreciation resulted from a larger price increase in U.S.-owned assets abroad than in foreign-owned assets in the United States. Price appreciation in U.S.-held foreign stocks from year-end 1998 to year-end 1999 was widespread and significantly increased the value of U.S. holdings of foreign stocks and the value of U.S. direct investment abroad when measured on a market value basis. Price appreciation in foreign-held U.S. stocks significantly increased the value of foreign holdings of U.S. stocks and the value of foreign direct investment in the United States when measured on a market value basis, but was partly offset by price depreciation in U.S. bonds, as U.S. interest rates rose steeply in 1999.

The values of the U.S. external financial assets and liabilities were also affected by exchange rate changes. Net exchange rate depreciation, principally on U.S.-held foreign stocks, reflected depreciation of the euro that was partly offset by the appreciation of Japanese and Canadian currencies against the dollar from year-end 1998 to year-end 1999. Data on major components of the U.S. IIP for 1999 are shown in Table 2.

Various methods used in data compilation

In compiling U.S. IIP data, the BEA obtains primary data from a variety of sources. They include the U.S. Department of the Treasury, other U.S. government agencies such as the Federal Reserve Board, international organizations, and industry and trade associations. In addition, the BEA conducts its own surveys.

U.S. experience in compiling IIP data may hold lessons.

*U.S. Bureau of
Economic Analysis
(BEA) uses
multiple sources
in compiling IIP
data.*

Direct investment. The BEA conducts benchmark surveys that are the basis for the IIP estimates of U.S. direct investment abroad and of foreign direct investment in the United States. The accumulated stock of direct investment is carried forward from the latest benchmark survey by adding net capital flows (equity capital flows, intercompany debt flows, and reinvested earnings) and valuation adjustments to the previous year's position. Valuation adjustments consist of currency conversion adjustments, adjustments for capital gains and losses, and other adjustments. Adjustments to historical-cost data are made for market valuation and for current replacement costs.

The direct investment position is equal to the parent companies' contributions to the total assets of their affiliates in the form of debt and equity. Thus, the position measures the parent's share of the affiliates' assets, not the total value of the affiliates.

Portfolio investment. Data on U.S. holdings of foreign securities are based on U.S. Treasury Department benchmark surveys and accumulated transactions reported in the Treasury International Capital (TIC) Reporting System. The positions are adjusted periodically based on research conducted by the BEA. For nonbenchmark years, the positions are adjusted for price and exchange rate changes to derive outstanding holdings at market value. The price adjustment for foreign bonds is based on market indices. The price adjustment for foreign stocks is developed from indices of stock prices in the relevant foreign countries. Exchange rate adjustments are applied to foreign stocks and foreign-currency-denominated bonds.

Data on foreign holdings of U.S. securities, other than U.S. Treasury securities, are based on periodic U.S. Treasury benchmark surveys and accumulated transactions reported in the TIC Reporting System. For nonbenchmark years, the positions are adjusted for price and exchange rate changes to reflect market values. For U.S. corporate and federally sponsored agency bonds, year-end values are adjusted by market price indices. An adjustment for exchange rate changes is used for U.S. corporate bonds that are denominated in foreign currencies. For stocks, the measure of price changes is the Standard and Poor's Index of 500 stocks. Foreign holdings include those of foreign official agencies and those of other foreign residents. Foreign holdings of U.S. Treasury securities (by foreign official agencies and by other foreign residents) are based on data from a U.S. Treasury benchmark survey and accumulated transactions reported in the TIC Reporting System. Positions are adjusted for price changes to reflect market values.

Other investment. Other investment covers "other foreign assets and liabilities" consisting of bank and nonbank claims on, and liabilities to, unaffiliated foreign residents. The source data, which are maintained in terms of outstanding amounts, are obtained from data reported in the TIC Reporting System, from data provided by other U.S. Government agencies, and from some foreign institutions. Most claims and liabilities are denominated in U.S. dollars; where claims and liabilities are denominated in foreign currencies, adjustments for exchange rate changes are made to amounts originally reported in foreign currencies. Liabilities also include U.S. currency held by nonresidents.

Reserve assets. U.S. official reserve assets consist of foreign currency assets held by the U.S. Treasury Department and the Federal Reserve System. The BEA

adjusts the value of official U.S. gold holdings for price changes; the values of all other reserve assets are converted to U.S. dollar equivalents at end-of-period exchange rates; they thus reflect the influence of exchange rate changes.

Revision procedures. The BEA reviews the IIP data and adjusts the historical series annually to improve coverage and accuracy. For example, in publishing the 1999 data, the estimates for previous years were revised back to 1976. For year-end 1998, the negative net IIP was revised from \$1,239.2 billion to \$1,111.8 billion with direct investment at current cost, and from \$1,537.5 billion to \$1,407.7 billion with direct investment at market value. The major sources of these revisions were:

- Estimates of U.S. holdings of foreign securities were revised for 1997 and 1998, reflecting incorporation of final results of the U.S. Treasury Department's Benchmark Survey of U.S. Portfolio Investment Abroad as of December 31, 1997. Previously, only preliminary results were available. The benchmark survey covered U.S. ownership of outstanding foreign long-term securities as of December 31, 1997.
- Position estimates of U.S. holdings of foreign securities were also adjusted based on revised estimates of financial flows for 1995–99. These revised net purchases were the result of a more complete accounting for large-scale foreign acquisitions of U.S. companies accomplished via exchanges of stock, and of increases to account for transactions that were not completely captured by the statistical reporting system.
- Estimates of U.S. direct investment abroad and foreign direct investment in the United States positions on the current-cost basis were revised back to 1976 to incorporate improved estimates of current-cost adjustments. Revised estimates of prices for equipment and structures were incorporated into such adjustments.

BEA periodically reviews and revises data to ensure statistics are as accurate and comprehensive as possible.

¹ See Chapter XXIII of the fifth edition of the *Balance of Payments Manual (BPM5)*, International Monetary Fund, September 1993.

² Nonresidents are generally defined as entities outside the geographical boundaries of the domestic economy. Residency as used in the balance of payments framework is based not on nationality or legal criteria but on the location of the economic interest of the transactor.

³ This generally refers to the market value on the reference date. Where the market value is not available, a proxy can be used.

⁴ For more information on SDDS, see p. 4 and p. 5 of this *Newsletter*.

⁵ The BEA also compiles data on the U.S. balance of payments accounts on a quarterly basis.

⁶ For additional information, readers may refer to "The International Investment Position of the United States at Year-end 1999," Survey of Current Business, Bureau of Economic Analysis, U.S. Department of Commerce, July 2000. The information is also available on the BEA Web site at <http://www.bea.doc.gov/bea/pub/0799cont.htm>.

⁷ The "current-cost" method values the U.S. and foreign parents' share of their affiliates' investment in plant and equipment using the current cost of capital equipment, in land using general price indexes, and in inventories using estimates of their replacement cost.

⁸ The "market-value" method values the owners' equity position using indexes of stock market prices.

Table 2.—Major Components of International Investment Position of the United States at Year-end, 1998 and 1999

[Millions of dollars]

Type of investment	Position, 1998 ^F	Changes in position in 1999 (decrease (-))					Position, 1999 ^P
		Attributable to:				Total (a+b+c+d)	
		Financial flows (a)	Valuation adjustments				
			Price changes (b)	Exchange rate changes ¹ (c)	Other changes ² (d)		
Net international investment position of the United States:							
With direct investment positions at current cost	-1,111,813	-323,377	344,215	-60,235	68,702	29,305	-1,082,508
With direct investment positions at market value	-1,407,670	-323,377	301,897	-57,364	12,829	-66,015	-1,473,685
U.S.-owned assets abroad							
With direct investment positions at current cost	5,079,056	430,187	455,115	-71,115	-4,215	809,972	5,889,028
With direct investment positions at market value	6,045,544	430,187	755,413	-63,035	5,264	1,127,829	7,173,373
U.S. official reserve assets	146,006	-8,747	642	-1,500	17	-9,588	136,418
U.S. Government assets, other than official reserve assets	86,768	-2,751	...	7	202	-2,542	84,226
U.S. private assets:							
With direct investment at current cost	4,846,282	441,685	454,473	-69,622	-4,434	822,102	5,668,384
With direct investment at market value	5,812,770	441,685	754,771	-61,542	5,045	1,139,959	6,952,729
Direct investment abroad:							
At current cost	1,207,059	150,901	5,475	-17,646	-14,602	124,128	1,331,187
At market value	2,173,547	150,901	305,773	-9,566	-5,123	441,985	2,615,532
Foreign securities	2,052,929	128,594	448,998	-47,135	...	530,457	2,583,386
U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns	565,466	92,328	...	-8,037	-6,010	78,281	643,747
U.S. claims reported by U.S. banks, not included elsewhere	1,020,828	69,862	...	3,196	16,178	89,236	1,110,064
Foreign-owned assets in the United States							
With direct investment at current cost	6,190,869	753,564	110,990	-10,880	-72,917	780,667	6,971,536
With direct investment at market value	7,453,214	753,564	453,516	-5,671	-7,565	1,193,844	8,647,058
Foreign official assets in the United States	837,701	42,864	-11,231	...	...	31,633	869,334
Other foreign assets:							
With direct investment at current cost	5,353,168	710,700	122,131	-10,880	-72,917	749,034	6,102,202
With direct investment at market value	6,615,513	710,700	464,747	-5,671	-7,565	1,162,211	7,777,724
Direct investment in the United States							
At current cost	928,645	275,533	1,766	-5,209	-75,521	196,569	1,125,214
At market value	2,190,990	275,533	344,382	...	-10,169	609,746	2,800,736
U.S. Treasury securities	729,738	-20,464	-48,552	...	...	-69,016	660,722
U.S. securities other than U.S. Treasury securities	2,012,431	331,523	168,917	-3,549	...	496,891	2,509,322
U.S. currency	228,250	22,407	...	...	...	22,407	250,657
U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns	437,973	34,29	...	-1,050	2,604	35,852	473,825
U.S. liabilities reported by U.S. banks, not included elsewhere	1,016,131	67,403	...	-1,072	...	66,331	1,082,462

Source: Bureau of Economic Analysis, U.S. Department of Commerce.

^F Revised.

^P Preliminary.

¹ Represents gains or losses on foreign-currency-denominated assets due to their revaluation at current exchange rate.

² Includes changes in coverage, statistical discrepancies, and other adjustments to the value of assets.