IMF Committee on Balance of Payments Statistics: Annual Report 2019

INTERNATIONAL MONETARY FUND

**IMF COMMITTEE ON BALANCE OF PAYMENTS STATISTICS
2019 ANNUAL REPORT**

EXECUTIVE SUMMARY

The 2019 Annual Report of the IMF Committee on Balance of Payments Statistics (the Committee) provides an overview of recent trends in global balance of payments and international investment position statistics, summarizes the Committee's work during 2019, and presents the work program of the Committee in the coming year.

During 2019, the IMF Statistics Department (STA), in consultation with the Committee, proposed the strategic direction for updating the international standards for external sector statistics (ESS), particularly the framework around which the research agenda should be structured in coordination with the system of national accounts. The Committee advanced the work in measuring the effects of globalization and digitalization by: (i) agreeing on the need to develop a template for global value chains data collection and a framework to identify multinational enterprises' activities in the current account; (ii) endorsing the creation of a task force on intellectual property products (IPPs); and (iii) contributing with other international organizations to the ongoing work for establishing a framework to define and measure digital trade. To address global and national data gaps, the Committee endorsed a plan for collecting separate ESS data on special purpose entities (SPEs) as well as the Final Report of the Task Force on Informal Economy with the launch of the informal economy webpage which identifies encouraged compilation practices. The Committee also continued the work on emerging conceptual and methodological issues.

In 2020, the Committee's work will continue giving priority to the forthcoming review of external sector statistics (ESS) manuals. The Committee will also work on reducing global and bilateral data asymmetries; developing guidance on recording IPPs in ESS; and preparing for the launch of the SPEs data collection. Medium priorities include, among others, exploratory work for measuring cross border flows and positions on sustainable finance to better inform financial stability analysis, including potential risks from climate change.

The full set of papers presented at the Committee's 2019 meeting is available at
https://www.imf.org/external/pubs/ft/bop/2019/32.htm

Approved By Louis Marc Ducharme	Prepared by Carlos Sánchez-Muñoz, Paul Austin, Alicia Hierro, and Tamara Razin of the Statistics Department

CONTENTS

Glossary

BOPSY	*Balance of Payments Statistics Yearbook*
BPM6	*Balance of Payments and International Investment Position Manual, sixth edition*
Committee	IMF Committee on Balance of Payments Statistics
CPIS	Coordinated Portfolio Investment Survey
ESS	External sector statistics
GVCs	Global value chains
IE	Informal economy
IIP	International investment position
IOs	International organizations
IPP	Intellectual property products
NA	National accounts
PoC	Proof of concept
SPEs	Special purpose entities
STA	IMF Statistics Department
TFIE	Task force on informal economy
TFSPEs	Task force on special purpose entities

INTRODUCTION

1.   **The IMF Committee on Balance of Payments Statistics (Committee) was set up by the IMF Executive Board in February 1992.** Initially, its main purpose was to oversee the implementation of the recommendations of two studies on imbalances in the recorded world current account and financial flows. The Committee's mandate has broadened over the years to (i) advise on setting methodological standards on external sector statistics (ESS); (ii) improve the availability, consistency, and reliability of balance of payments and international investment position (IIP) statistics; (iii) address data gaps on financial interconnectedness and balance sheet analysis; (iv) foster greater coordination of data compilation and dissemination among countries; and (v) facilitate the exchange of statistics.[1]

2.   **The Committee held its thirty-second meeting during October 29– November 1, 2019, in Thimphu, Bhutan, hosted by the Royal Monetary Authority of Bhutan.** The meeting attendees are listed in Appendix I.

3.   **The following three sections of this Annual Report** examine recent trends in global balance of payments and IIP data; review the work undertaken by the Committee in 2019; and outline the Committee's work program for 2020.

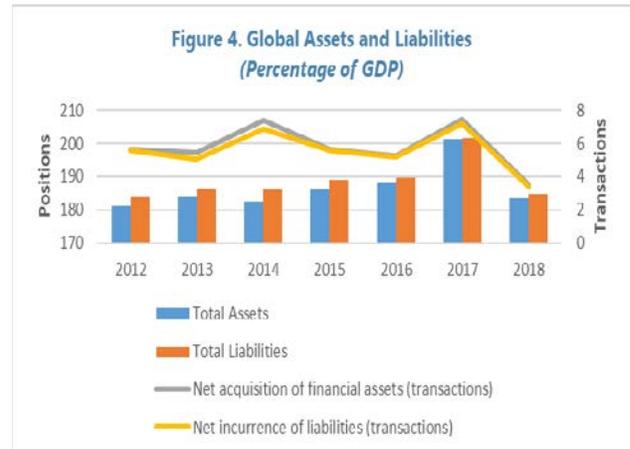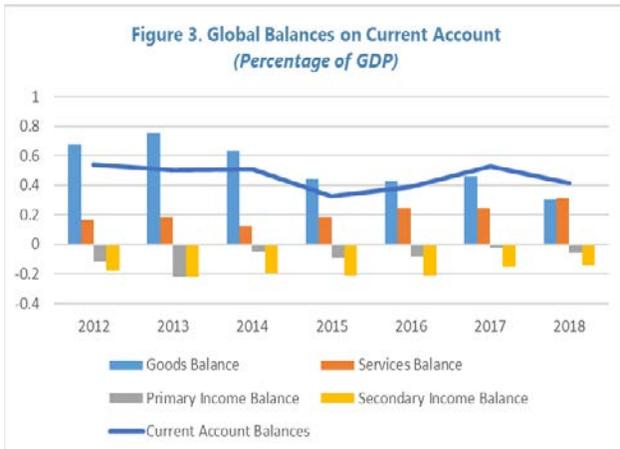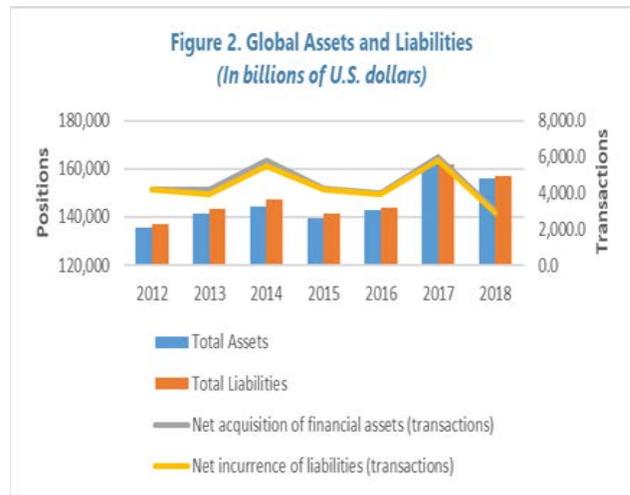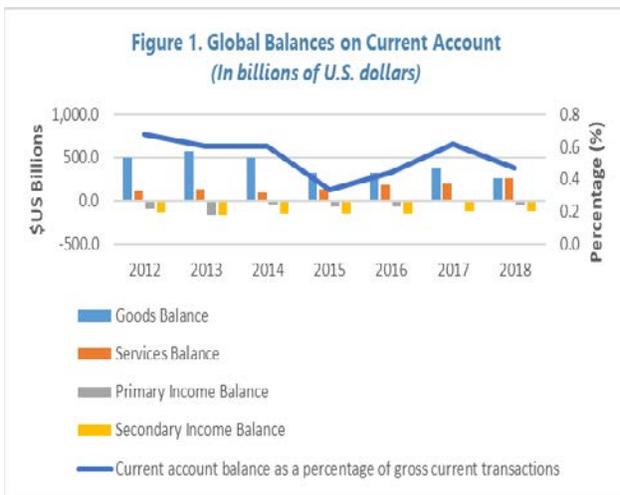# RECENT TRENDS IN GLOBAL BALANCE OF PAYMENTS AND IIP DATA

4.   **The number of economies submitting ESS to the IMF continued increasing in 2019.** Annual balance of payments and IIP statistics for the period 2012–18 are published in the 2019 *Balance of Payments Statistics Yearbook* (*BOPSY 2019*) electronic release. For the *BOPSY 2019*, 196 economies[2] submitted balance of payments data and 168 also submitted IIP data (of which 117 reported quarterly IIP, compared to 115 in 2018). The balance of payments data reported by 172 of these countries followed the sixth edition of the *Balance of Payments and International Investment Position Manual* (*BPM6*),[3] as compared to 169 in 2018. Data for countries that reported following the *BPM5* version were converted by the IMF Statistics Department (STA) using standardized conversion formulas.

---

[1] The Committee's Terms of Reference are available at https://www.imf.org/external/bopage/pdf/terms.pdf.

[2] Includes 179 IMF members, 14 economies—non-IMF members, and three currency unions.

[3] Includes 157 IMF members, 12 economies—non-IMF members, and three currency unions.

5.   According to data published in *BOPSY 2019*, current account asymmetries decreased in 2018. The global current account balance (reflecting the difference between current account receipts and payments) was consistently positive in 2012–18 [4] (see *BOPSY 2019* World and Country Tables, Table A-1). The balance decreased by 16.9 percent to $352.0 billion in 2018, compared to $423.7 billion in 2017, or from 0.5 to 0.4 percent of global GDP. The changes coincided with a significant decrease in current account balances. In 2018 (as in every year since 2012), the overall current account balance resulted from the positive balance on trade in goods and services (excess of exports over imports), while the balances on primary and secondary incomes were negative. The global current account balance represents 0.5 percent of the total gross current account transactions (credits plus debits) in 2018 compared to 0.6 percent in 2017 (see Figures 1 and 3).

Figure 1. Global Balances on Current Account
(In billions of U.S. dollars)

Figure 2. Global Assets and Liabilities
(In billions of U.S. dollars)

Figure 3. Global Balances on Current Account
(Percentage of GDP)

Figure 4. Global Assets and Liabilities
(Percentage of GDP)

---

[4] While, at the global level, the balance of payments current account balances for all economies and international organizations (IOs) combined should be zero, in practice, they are not. Global current account imbalances are of interest to the Committee, as they are a symptom, among others, of estimation errors, incomplete coverage (e.g., missing data for a number of economies that do not report to the IMF, including some offshore centers), and asymmetric valuation that, when large, could lead to analytical mistakes.

6.   Financial account asymmetries also decreased in 2018. The global financial account balance[5] decreased by 31 percent to a positive $147.6 billion in 2018 from a positive $214.8 billion in 2017, or to 0.2 (from 0.3) in percentage of global GDP (see *BOPSY 2019,* Table A-1). This overall positive balance indicates more financial outflows than inflows at the global level, that is the net acquisition of financial assets is overestimated and/or the net incurrence of liabilities is understated (see Figures 2 and 4). One of the causes of financial account imbalances remains the undercoverage of offshore centers. In 2018, the balances on direct and portfolio investment registered opposite trends—switching from positive to negative for the former and from negative to positive for the latter. The sign of balances on financial derivatives, other investment, and reserve assets followed the 2017 trend: negative for other investment and positive for the other two components.

7.   Asymmetries between IIP assets and liabilities significantly increased in 2018. World IIP assets decreased by 3.6 percent from $161.7 trillion at end–2017 to $155.9 trillion at end-2018, and IIP liabilities by 3.1 percent from $161.9 to $156.8 trillion, respectively (see *BOPSY 2019,* Table E-2), with a net (negative) balance (liabilities higher than assets) that increased five-fold from $-182.5 to $-904.3 billion (from -0.2 to -1.1 in percentage of global GDP), respectively (see *BOPSY 2019,* Table E-1).[6] At the global level, the overall negative balance indicates incomplete coverage (e.g., undercoverage of offshore centers), asymmetries in the time of recording, and/or asymmetric valuations.

WORK UNDERTAKEN BY THE IMF STATISTICS DEPARTMENT AND THE COMMITTEE IN 2019

A.   Strategic Direction of the Next Review of International Standards

8.   The Committee agreed on a strategy for updating the ESS manual in coordination with national accounts (NA), by scoping out the key conceptual, methodological, and measurement issues pivotal to the IMF's role in providing cutting-edge analysis and policy advice for its membership. The position paper discussed at the 2019 meeting describes the overarching framework around which the Committee's research agenda will be structured linking it to the main policy priorities in a fast-changing global economic and financial environment. The

---

[5] As in the case of the current account global balance, global financial flows should also cancel out and sum up to zero since any positive financial account balance of any country vis-à-vis the rest of the world (except for holdings of monetary gold bullion) should be offset by a negative financial account balance of its counterparts altogether.

[6] The balances of IIP assets and liabilities for all economies and international organizations (IOs) combined should be a net positive figure at the world level, corresponding to the value of holdings of gold bullion included in monetary gold (i.e., an asset with no corresponding liability). Gold bullion included in monetary gold is recorded as an asset in the IIP accounts, and there is no corresponding liability. Based on data published in the World Tables in *International Financial Statistics,* holdings of monetary gold were around US$1.4 trillion at end-2018 (i.e., significantly above the difference between global external assets and liabilities).

Committee and the Inter-secretariat Working Group on National Accounts will establish a coordination mechanism for dealing with cross-cutting topics.

9.   **The main priorities identified in the position paper are globalization, digitalization, drivers from the evolution of financial and payments systems, and other issues in the research agendas of the national and international accounts.** The strategy identifies areas of work in progress, including those of other IOs; and underscores that the aspiration of a one-statistical-standard-fits-all approach needs to be weighed against manifold (and sometimes competing) needs, especially concerning a varied statistical capacity across the IMF membership.

B.   Globalization, Digitalization, and Financial Interconnectedness: Challenges for ESS

10.   **The Committee discussed ways of advancing the work in measuring the effects of globalization.** With the increasing fragmentation of production across borders, more detailed data are needed to understand global value chains (GVCs). The Committee endorsed the development by the IMF and the OECD of a reporting template for GVCs data collection identifying two reporting levels with (i) core or minimum set of items for countries with low statistical capacity and (ii) extensions accomplishable for more statistically developed economies. For multinational enterprises, a framework should provide supplementary data that highlight their role in the current account.

11.   **The Committee endorsed a collection plan for data on special purpose entities (SPEs) and the need for the IMF to develop guidelines for compilers.** In a complex global financial system, SPEs play an important role. In 2016, the Committee had mandated a Task Force on SPEs (TFSPEs) to develop a strategy to address existing data gaps. The work of the TFSPE resulted in an internationally-agreed definition of SPEs plus a typology of SPEs and plans to establish a data collection framework to identify separately SPE external transactions and positions. The implementation plan endorsed by the Committee at its 2019 meeting targets the release of annual data around end-2021 for reference year 2020. STA will develop operational guidelines to assist national compilers implement the SPE data collection.

12.   **The Committee endorsed the creation of a task force (TF) on intellectual property products (IPPs).** The rising importance of IPPs in production processes, large transactions associated with the reallocation of IPPs within multinational groups, rapid development of high-end technological production and digital trade, and new forms of IPPs result in growing IPP transactions. Compilers face challenges in covering these data due to their complexity and intangible nature. The TF will develop guidance for IPPs compilation in coordination with NA, building on work done by the OECD and Eurostat.

13.   **The need for digital trade definitions and compilation guidance will be addressed with the launch of the *OECD/WTO/IMF Handbook on Measuring Digital Trade* (*The Handbook*).** Digitalization is changing the way firms produce and market goods and services across borders, and its measurement is of critical importance. *The Handbook* sets out the

conceptual framework and provides the definition of digital trade, and compilation guidance on digital trade measurement. For addressing data gaps, the Committee sought the IMF's help for countries to gain access to e-commerce data from large digital platforms.

14. **The work of the Task Force on Informal Economy (TFIE) established by the Committee in 2017 culminated with its final report and the launch of the informal economy (IE) Webpage.** The coverage of the IE in ESS continues to be a challenge, particularly for low-income economies. The TFIE was established for addressing data gaps in covering informal, underground, and illegal activities in the international accounts; its work was centered on identifying "encouraged practices" in IE data compilation, building on the conceptual frameworks defined by different IOs. The webpage disseminates available information on the economies' compilation practices enabling peer learning; and will be routinely updated to take account of practices shared by IMF member countries.

15. **Reducing global and bilateral data asymmetries remains challenging.** Asymmetries in the global balance of payments accounts signal a lack of statistical capacity in some countries to adequately measure the cross-border transactions, and have the potential to misguide policy making. The Committee agreed that further research is needed to tackle known and emerging triggers for these asymmetries and supported a more bilaterally focused approach for addressing statistical discrepancies. Some Committee members (in particular US, Germany, and the Netherlands) volunteered to study their bilateral asymmetries and report their results at the 2020 Committee meeting.

16. **The Committee continued efforts to enhance the data needed to support analysis of financial interconnectedness.** With the support of the Committee, STA undertook a proof of concept (PoC) of a potential centralized database hosted by the IMF enabling the exchange of information on main securities' issuers and their institutional sector. The database would significantly contribute to disaggregating coordinated portfolio investment survey (CPIS) data by country and sector of securities' issuers and holders (i.e., who finances whom). Based on the PoC's successful outcome, STA invited CPIS reporting economies to participate in the centralized exchange of information and will take a final decision on whether to build up the database based on a critical mass of positive responses and a reasonable coverage of total CPIS assets.

17. **In 2019, the Committee conducted a study on the feasibility of improving data availability on stock/flow reconciliation and IIP currency composition in the context of the IMF's External Sector Report (ESR) to support external vulnerabilities analysis.** The IMF's initiative to compile and disseminate currency composition data was introduced in *BPM6* and strongly recommended by the second phase of the G20 Data Gaps Initiative (DGI 2); however, its compilation remains challenging for many countries.[7] Based on the study, a gradual approach is

---

[7] A DGI-2 Workshop on IIP Currency Compilation is planned for March 2020 to share national experiences in compiling the dataset, with a view to improving source data and estimation techniques particularly for those economies with compilation challenges.

proposed allowing partial data reporting as well as lower-exigence requirements, particularly for countries with low statistical capacity. STA asked the Committee members representing External Balance Assessment (EBA)/ESR countries to report the requested data for the next collection round, launched in December 2019.[8]

C. Implementing the 2019 Research Agenda

18.   The Committee's work on the research agenda contributes to maintaining the relevance of ESS for new economic and financial developments until the revision of statistical manuals is launched. The list is not closed and STA will continue gathering research topics that require either clarification or more structural changes to the *BPM6*—including supplementary frameworks where feasible.

19.   Several clarification notes on emerging methodological issues were prepared and posted on the *BPM6* and Committee's websites in recent years. As an outcome of 2019 Committee meeting discussions, clarification notes will be posted on the treatment of participations in the capital of IOs and respective income; negative equity in direct investment statistics; and recording of letters of credit in ESS. The proposed 2020 research agenda includes topics to be addressed before/for the 2020 Committee meeting such as the treatment of centralized currency unions in macroeconomic statistics; recording IPPs in ESS; and compiling statistics on greenfield investment and sustainable finance to better inform financial stability analysis, including potential risks from climate change.

2020 WORK PROGRAM

20.   The top priorities of the Committee for 2020 are (i) continuing the work on identifying overarching research topics for designing the *BPM6* update strategy; (ii) reducing global and bilateral data asymmetries; (iii) recording IPPs in ESS; and (iv) undertaking preparatory work for launching the data collection on SPEs.

21.   The proposed **medium priority topics include (i) providing guidance on the treatment of centralized currency unions in macroeconomic statistics; (ii) continuing work on GVCs measurement issues under current *BPM6* framework; (iii) enhancing balance sheet statistics and global flow of funds to provide more detailed insights on financial interconnectedness through a first full exchange of information for a centralized database on sectors and issuers of securities; and (iv) developing guidance on the remaining issues of the ESS research agenda, including exploratory work on the feasibility of measuring cross border flows and positions on sustainable finance. The 2020 work program of the Committee is available online (see BOPCOM 19/19).

---

[8] Data reporting for EBA/ESR was initiated in 2017.

Appendix I. Membership of the IMF Committee on Balance of Payments Statistics and Representatives of IOs

(As of November 30, 2019)

Chair

Louis Marc Ducharme
IMF, Statistics Department

Members

Grace Akrofi
Bank of Ghana

Mher Barseghyan
Central Bank of Armenia

Kenneth Egesa
Bank of Uganda

Paul Farello
Bureau of Economic Analysis
United States

Fabienne Fortanier
De Nederlandsche Bank

Perry Francis[1]
Bank of England

Hu Hong
State Administration of Foreign Exchange
People's Republic of China

Yutaka Matsushita
Ministry of Finance, Japan

Shinya Nakamura
Bank of Japan

Robert Pupynin
Central Bank of the Russian Federation

Gabriel Quirós
IMF, Statistics Department

Norhayati Razi
Bank Negara, Malaysia

Mounir Rhandi
Office des Changes
Morocco

Fernando Rocha
Banco Central do Brasil

Yangchen Tshogyel
Royal Monetary Authority of Bhutan

Carlos Sánchez-Muñoz
IMF, Statistics Department

Ursula Schipper
Deutsche Bundesbank
Germany

Consuelo Soto
Central Reserve Bank of Peru

---

[1] Did not attend the October 2019 Committee meeting.

Representatives of IOs

Bank for International Settlements
Patrick McGuire

European Central Bank
Olga Monteiro

European Commission-Eurostat
Lena Frej Ohlsson

Organization for Economic Co-operation and Development
David Brackfield

United Nations Conference on Trade and Development [2]

United Nations Statistics Division
Herman Smith

Secretariat (IMF, Statistics Department)
Alicia Hierro
Tamara Razin

---

[2] Did not attend the October 2019 Committee meeting.