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# I. INTRODUCTION

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The *Analysis of 1997 Coordinated Portfolio Investment Survey Results and Plans for the 2001 Survey (Analysis and Plans)* is intended to complement the *Results of the 1997 Coordinated Portfolio Investment Survey (1997 CPIS)*, which was published by the International Monetary Fund (IMF) in January 2000. This second publication, *Analysis and Plans*, presents an assessment of 1997 survey data and a summary of improvements introduced, as a result of countries' participation in the 1997 CPIS, into national systems for collecting data on international (cross-border) portfolio investment.<sup>1</sup>

The 1992 *Godeaux Report* presented proposed goals for the reporting of portfolio investment flows and stocks.<sup>2</sup> Identified in *Analysis and Plans* are actions still to be taken for full realization of these goals. In addition, there is a review of developments that have affected portfolio investment statistics since the *Godeaux Report* was published. Such developments include the focus on financial risk analysis, the increasing use—for the purpose of measuring external debt—of data from creditor and market sources, the IMF Special Data Dissemination Standard (SDDS), and revisions—pertaining to the treatment of financial derivatives—to the fifth (1993) edition of the *Balance Payments Manual (BPM5)*. It is in this context that the planning for the 2001 Coordinated Portfolio Investment Survey (2001 CPIS) has taken place.

The initial section (**LONG-TERM PERSPECTIVE ON PORTFOLIO INVESTMENT**) of the text reviews (a) developments that occurred in international financial markets in the 1980s and 1990s and (b) the *Godeaux Report* assessment and recommendations about global data on international portfolio investment flows and stocks. This section also presents a

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<sup>1</sup> This second publication was drafted by Mr. Simon Quin, Mr. Marco Committeri, and Mr. John Joice of the IMF Statistics Department. Messrs. Quin, Committeri, and Joice are also members of the Secretariat to the Task Force on the Coordinated Portfolio Investment Survey.

<sup>2</sup> *Final Report of the Working Party on the Measurement of International Capital Flows [Godeaux Report]* (Washington, DC: International Monetary Fund, 1992).

discussion of the changes (resulting from implementation of the *BPM5*) in the definition and classification of *portfolio investment*.

The section entitled **ANALYSIS OF 1997 CPIS RESULTS** covers the objectives set for the 1997 survey, the scope of survey results, and the process by which results were assessed. Gaps in survey coverage and in data on portfolio investment liabilities were filled by data compiled from a variety of sources and methods of estimation. These additional data and 1997 CPIS results were then used to prepare an estimate of the global discrepancy, at end-December 1997, in portfolio investment assets and liabilities. The implications of the discrepancy are discussed, and global and national achievements resulting from the 1997 CPIS are noted.

Described in the fourth section (**IMPORTANT POST-GODEAUX REPORT DEVELOPMENTS**) are some significant issues that have arisen since publication of the *Godeaux Report* in 1992. These include the compilation of statistics related to the assessment of financial risk, the treatment of financial derivatives, and the adequacy of data sources. The text covers the use of CPIS data to supplement (for the purpose of measuring the tradeable elements of external debt) data from other creditor and debtor sources. There is also, in the context of *portfolio investment*, a discussion of enhancements to SDDS data categories for the external sector. These enhancements pertain to transparency in reserves (some of which are classified by partner countries as portfolio investment liabilities), measurement of external debt (for which CPIS partner country data on debt securities may be useful), and annual international investment position (IIP) statements. (Annual CPI surveys could become parts of IIP statements or serve as benchmarks for the *portfolio investment* component of the statements).

The probable effects, on the 2001 CPIS and subsequent surveys, of the previously discussed developments, changes, and requirements are considered in section V of the text (**THE 2001 CPIS**), and relevant decisions made, in October 1999, by the

IMF Committee on Balance of Payments Statistics are outlined.<sup>3</sup> The committee decided

- to conduct a CPIS for the reference date of end-December 2001
- to make the reporting of short-term instruments mandatory
- to elicit survey participation by more countries (especially offshore financial centers)
- to improve, through the use of partner country data, the coverage of portfolio investments made abroad by households
- to enhance the value of 2001 CPIS results by identifying and encouraging the coverage of certain additional items
- to support the creation of centralized databases containing information on securities and to make such information available to all national compilers.

Section V also includes a discussion of the relevance of objectives established for the 2001 CPIS to (a) the compilation of reliable global data for portfolio investment assets, (b) the use of these data to facilitate assessments of country and currency risk, and (c) the identification of deficiencies in the reporting of portfolio investment liabilities (including elements of external debt). Arguments for conducting coordinated portfolio investment surveys on an annual basis are presented as well.

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<sup>3</sup> The IMF Committee on Balance of Payments Statistics was established in 1992 (a) to oversee the implementation of recommendations made by two IMF working parties that investigated the principal sources of discrepancies in global balance of payments statistics published by the IMF, (b) to advise the IMF on methodology and compilation issues in the realm of balance of payments and IIP statistics, and (c) to coordinate international data-gathering efforts.

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