



Balance of Payments Statistics

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

Refining the Special Data Dissemination Standard

The recent financial turmoil in Asia and elsewhere has underscored the importance of having timely and reliable economic and financial data for crisis detection and management. The IMF's Special Data Dissemination Standard (SDDS) is being refined to promote the dissemination of such data. Specifically, consideration is being given to modifying the coverage, timeliness, and periodicity prescribed in the SDDS for data on international reserves and external debt. To enable subscribing countries to meet the enhanced standard, new transition periods are being introduced. The modifications to the SDDS will take into account the responses of data users and compilers who participate in the IMF's ongoing consultations on reserves and external debt data. This article highlights some of the proposed modifications.

Background

The IMF established the SDDS in March 1996 after extensive consultations with data users and compilers. The SDDS, which provides a set of data dissemination standards, represents an effort to codify existing good practices to which countries may voluntarily subscribe. The SDDS presents dissemination standards for data coverage, timeliness, and periodicity as well as for data access, integrity, and quality. The SDDS was introduced in the wake of the economic turbulence in 1994/95, which demonstrated how information deficiencies could exacerbate market turmoil. (See also the June 1996 and June 1997 issues of this *Newsletter*.)

In September 1996, the IMF opened the Dissemination Standards Bulletin Board (DSBB) on the World Wide Web. This electronic bulletin board, which is accessible at <http://dsbb.imf.org>, provides information about data compilation and dissemination practices of SDDS subscribers. In addition, hyperlinks from the DSBB to country websites displaying country data described in the DSBB were introduced beginning in April 1997.¹



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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 English, French, Spanish, and Russian. 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 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 Isabelle Grohol.

The IMF's Executive Board in its recent reviews of experience with the SDDS and of member countries' provision of data to the IMF, particularly in light of the Asian financial crisis, identified international reserves and external debt as areas in which the SDDS could make a significant contribution to improving countries' data quality and dissemination practices. In early 1998, the IMF created an interdepartmental task force to examine ways to enhance such data. The task force has since then coordinated its work with other international groups studying similar issues. These groups have included the Working Group on Transparency in Foreign Exchange Reserves of the G-10 Euro-currency Standing Committee (ECSC) and the working parties of the finance ministers and central bank governors of the G-22. In addition, the IMF Committee on Balance of Payments Statistics and the Inter-Agency Task Force on Finance Statistics have collaborated on this work.²

As part of this effort, data users and compilers were invited on the DSBB and through other means to comment on how best to refine the SDDS with respect to international reserves and external debt data. The DSBB invitation was wide, including the financial community and international organizations.

Consistent with such consultations as well as reflecting deliberations by the Executive Board, a number of modifications to the SDDS are being considered to strengthen the quality of data available on countries' international reserves and external debt.

International Reserves

With respect to international reserves, experience has revealed the need to disseminate more comprehensive and disaggregated data on reserves and related items, including reserve-related liabilities, financial derivative positions, and other supplementary information that would make countries' reserve positions and potential demands on reserves more transparent. Country authorities already compile most of this information, but they would need to make it publicly available in a more timely manner.

The proposed modifications to the SDDS would prescribe that data on international reserves be disseminated on a more timely and frequent basis than is presently the case. This requirement would be implemented with a transition period. The IMF has been developing a disclosure template on international reserves and related items. The template is designed to enhance the transparency of information on countries' international reserves position and potential drains on these resources. The template would also address the existing data gaps on the on- and off-balance sheet activities of the monetary authorities and the public sector.

Modifications to the SDDS will focus on international reserves and external debt

Concepts will be clarified and new guidelines set for data coverage, periodicity, and timeliness

The proposals would provide for more timely and frequent disclosure for key components of, and potential drains on, reserves than for the supporting details.

The IMF will work with countries to clarify concepts and develop guidelines to improve the compilation of reserves and the related data. It will seek international agreement on them next year working with national compilers and involved international organizations.

External Debt

International developments also have underscored the need for more comprehensive and timely data on countries' external debt. In contrast to the situation with regard to international reserves, however, many countries at present lack adequate systems for collecting and compiling data on external debt. Establishing new ones, especially to capture private sector external debt, will require considerable time and effort. On the other hand, substantial information on countries' external debt is available from existing international databases that draw upon creditor sources. Recognizing such constraints and opportunities, the IMF would undertake two initiatives to improve the availability of data on countries' external debt.

One initiative is intended quickly to help meet the international community's need for more comprehensive, more accessible, and more timely data on countries' external debt. It builds upon information available on existing international databases, such as those of the BIS (on international banking and securities positions) and the OECD (on official credits and nonbank export credits), as well as information from the World Bank and the IMF. The near-term objective of this initiative is to construct a single database that includes information on these selected components of countries' external debt and makes it available on the websites of the participating international organizations beginning in February 1999 covering data through September 1998. Later, consideration could be given to establishing a hyperlink from the DSBB to a website containing the external debt data.

The second initiative would enhance the specifications of the SDDS that pertain to external debt data to improve coverage, periodicity, and timeliness. This initiative would take time to complete, since it would necessitate that many countries build new statistical infrastructure. Under this initiative, a three-year transition period would be established for countries to meet the dissemination standard for annual international investment position (IIP) data with a lag of two quarters, as presently prescribed in the SDDS. Quarterly periodicity and quarterly timeliness would be encouraged. The IIP shows a country's balance sheet of its external assets and external liabilities at a particular point in time. External debt data, therefore, are subsumed under the IIP framework.

In addition, this second initiative would involve the introduction of a separate data category for external debt in the SDDS. It would prescribe the periodicity for dissemination of data on external debt as quarterly, with the prescribed information to be disaggregated among debt of the general government, the monetary authority, bank, and other (nonfinancial public and private enterprises) sectors. Consultations with data users, compilers, and other international agencies would be undertaken in the near term on these proposed changes to external debt data in the SDDS, focusing on transition periods. Meanwhile, countries would be encouraged to disseminate data on external debt as appropriate and feasible. □

¹A hyperlink is a direct electronic link from one website to another.

²Represented on the Inter-Agency Task Force on Finance Statistics (ITFFS) are the Bank for International Settlements (BIS), the European Central Bank (ECB), the Statistical Office of the European Union (EUROSTAT), the IMF, the Organization for Economic Cooperation and Development (OECD), the World Bank, and the Statistics Division of the United Nations (UNSD). The ITFFS was created in 1992 with the endorsement of the UN Statistical Commission to better coordinate activities in the area of finance statistics. The IMF reconvened the ITFFS in July 1998 to discuss the implications of financial crises for statistics, to review work priorities, and to collaborate more closely on work concerning external debt statistics.

The IMF Committee on Balance of Payments Statistics' Reported on Its Accomplishments To Date

The eleventh meeting of the IMF Committee on Balance of Payments Statistics was held at IMF headquarters in Washington, D.C. on October 21–23, 1998. Participants had a heavy agenda, reviewing, among other issues, (1) ways to improve data on countries' international reserves and external debt, (2) progress on the coordinated portfolio investment survey, and (3) results of the IMF/OECD survey of countries' compilation practices for foreign direct investment (FDI) statistics.

International Reserves and External Debt

At its meeting in 1997, the Committee considered the issue of improving countries' data on international reserves and external debt to take account of lessons learned from the Asian financial crisis. At that time, it reviewed the need to develop operational guidelines for reporting reserve assets and for clarifying the concept of reserve-related liabilities. The Committee returned to these subjects during its 1998 meeting. It considered papers prepared by the IMF Task Force on External Debt and Reserves and international working groups on ways to promote transparency in reporting on international reserves and related items. One approach examined to accomplish this aim involved developing a disclosure template to facilitate dissemination of data on reserves and potential drains on reserves. (See also article on pp. 1–5.)

The Committee's view on such issues was that a clear distinction should be made between data required for compiling balance of payments and international investment position statistics under existing international standards and additional data that might be needed. With regard to the existing data, the Committee noted that existing statistical standards might, in some cases, need to be clarified to help countries report data with greater periodicity and on a more timely basis. This could be accomplished, for example, by clarifying how various types of reserve assets are measured and how gold loans, repurchase agreements, and pledged assets are to be treated by the monetary authorities in reporting their reserve assets.

The Committee recognized that new standards would have to be developed to capture much of the supplementary reserve-related data. This would require, for example, developing operational guidelines with regard to data on the mone-

A distinction was drawn between data needed for balance of payments compilation and for broader surveillance work

tary authorities and the central government with respect to their contingent liabilities, financial derivative activities, and domestic debt denominated in foreign currency. The Committee emphasized that this effort should not adversely affect the quality or quantity of data currently provided.

With respect to external debt data, the Committee drew attention to the difficulty many national data collection systems face in producing reliable, high-frequency data on external debt because of the many forms of countries' external indebtedness and the amorphous nature of nonbank private sector debt. The Committee expressed concern that the development of new statistics in this area might come at the expense of existing statistics, or be accompanied by a lowering of the quality of existing statistics, unless the authorities of the countries involved recognized that more resources might have to be committed to such statistical work. The Committee will explore further ways to improve data on external debt in the coming year. (See also article on pp. 1–5.)

Coordinated Portfolio Survey

Under the auspices of the IMF, 31 countries have undertaken a coordinated survey of their portfolio investment abroad in long-term bonds and equities at year-end 1997. It is the first internationally coordinated survey of portfolio investment held abroad by participating countries. (See also article on pp. 10–11.) The survey has three stages: design, implementation, and analysis of results. Participating countries have now completed the first two stages, and they will submit their results to the IMF by early 1999. A meeting of national compilers of the participating countries is to be held in Washington in March 1999. The survey results are to be supplemented by information on securities held as part of international reserves of major reserve-holding countries. Results of the survey are to be published. Depending on the results, a task force is to be set up that will review the contents of the final report and establish guidelines for a similar future survey.

Survey of Direct Investment Compilation Practices

The Committee reviewed progress on the joint IMF/OECD survey on implementation by IMF member countries of international standards for the measurement of direct investment. No fewer than 114 countries had completed the comprehensive survey forms, and a metadatabase is being developed to store the information collected. The Committee agreed that mechanisms should be established to keep these metadata current, and it encouraged the IMF and the OECD to consider developing links between the metadata and the actual data that countries publish. (The metadata provide methodological information about the actual data.) (See also article on pp. 12–15.)

The Committee is closely monitoring progress made on two key surveys

Other Projects

The Committee continued to monitor development of the manual on trade-in-service currently prepared by the Inter-Agency Task Force on Statistics of International Trade in Services,¹ the extent to which global imbalances in current and capital transfers could be reduced by the use of the OECD's Development Assistance Committee's (DAC) database, and a proposal that the treatment of accrued interest on debt securities be standardized across all macroeconomic statistics. It was apprised of progress that countries are making in reporting their balance of payments and international investment position data to the IMF on the basis of the classification system of the fifth edition of the *Balance of Payments Manual (BPM5)*. It also monitored progress being made to develop a database on individual securities by the Ufficio Italiano dei Cambi. Among the subjects of other papers the Committee reviewed were on (1) the treatment of "shuttle trade"; (2) France's experience in measuring reinvested earnings; (3) the changes in Japan's laws on foreign exchange transactions; (4) the European Monetary Union (EMU) countries' development of common balance of payments and international investment position statistics based on the conceptual framework contained in *BPM5*; (5) the UK's and Australia's experiences in recording financial derivative activities; and (6) the UK's and Singapore's implementation of the *BPM5*. The Committee also was apprised of statistical work the Asia-Pacific Economic Cooperation (APEC) is undertaking. Selected papers reviewed by the Committee are available on the Committee's website at <http://www.imf.org/external/bopage/bopabout.htm>. □

¹The Task Force was established by the United Nations Statistical Commission in 1994. Membership includes the Organization for Economic Cooperation and Development (OECD), the Statistical Office of the European Union (EUROSTAT), the IMF, the United Nations Conference on Trade and Development (UNCTAD), the United Nations Statistics Division (UNSD), the World Bank, and the World Trade Organization (WTO). The primary work program of the task force is the development of a manual on statistics of international trade in services.

About the IMF Committee on Balance of Payments Statistics Website

The IMF Committee on Balance of Payments Statistics was established in 1992 to oversee the implementation of the recommendations contained in the reports of the two IMF Working Parties¹ that investigated the principal sources of discrepancy in global balance of payments statistics published by the Fund, advise the Fund on methodological and compilation issues in the context of balance of payments and international investment position statistics, and foster greater coordination of data collection among countries.

Information on the Committee and its related work program is available on its website at <http://www.imf.org/external/bopage/bopabout.htm>, as are the Committee's annual reports and selected working papers reviewed by the Committee.

¹The two reports are: (1) *Report on the World Current Account Discrepancy*, IMF, 1987 and (2) *Report on the Measurement of International Capital Flows*, IMF, 1992.

Coordinated Portfolio Survey Well Underway

Under the auspices of the IMF, 31 countries have conducted a coordinated portfolio investment survey on their investment in foreign long-term bonds and equities at year-end 1997. The objectives of the survey are (i) to improve countries' statistics on cross-border holdings of securities as well as those on related financial flows and investment income; and (ii) to facilitate the exchange of data among participating countries, while respecting confidentiality constraints, in order to improve estimates of their external portfolio investment liabilities, associated financial flows, and investment income data. The survey results should shed light on the large discrepancies in the global balance of payment statistics on portfolio investment capital flows and reveal difficulties many countries are encountering in accurately recording the growing volume of cross-border activity in portfolio securities. (See also the December 1996 issue of this newsletter.)

An Update on the Survey

By the end of 1998 or early 1999, all countries involved in the survey will have reported their results on either a provisional or final basis. All participating countries will have provided data on their holdings of nonresident-issued long-term bonds and equities. In addition, 11 countries will have reported their holdings of short-term debt instruments (that is, those with an original maturity of less than one year). Of the 11, one country will have provided data on its holdings of financial derivatives. In addition, six countries are to provide estimates of their equity and long-term bond liabilities to nonresidents, three are to report their short-term debt liabilities, and two are to show liabilities in financial derivatives.

In a separate but related exercise, major reserve-holding countries have been invited to report to the IMF on securities they held as on December 31, 1997, in their reserve assets. Many countries regard details on their reserve assets as sensitive. Therefore, their securities holdings are being reported to the IMF on a confidential basis and will be aggregated so that no one country's holdings will be identifiable. This additional information will be useful in reconciling global external assets and liabilities.

Taken altogether, the survey results will cover a large proportion of the long-term bonds and equities held on a cross-border basis, though some gaps will remain. The IMF in the future will be examining how these gaps can be filled.

In conducting the survey, national compilers chose the methods they considered effective to achieve comprehensive coverage of resident investment in foreign securities. They had the option of surveying primarily *end-investors* (banks, security dealers, pension funds, insurance companies, mutual funds, etc.), *custodians* (who hold or manage securities on behalf of the original owners), or *both*. They also

Preliminary survey results will be available early in 1999 . . .

could pursue a *security-by-security approach* (whereby respondents provide information relating to each individual instrument held) or an *aggregated approach* (whereby foreign securities are reported in aggregate for each counterpart country in a common currency). Eleven countries opted for a security-by-security strategy, mainly relying on data provided by custodians.

Of the 31 countries that have conducted the survey, almost two-thirds already compile international investment position (IIP) statements on a regular basis. The IIP refers to a balance sheet of a country's external financial assets and liabilities at a particular point in time.

Way Forward

Earlier this year, the IMF sent countries participating in the survey a proposed *proforma*; that is, a standardized format for reporting details of the statistical approaches used, methods employed, survey coverage, response rates, and related issues as well as experiences in dealing with particular problems encountered. The IMF has now formalized the *proforma* and sent it to all participating countries to complete.

The survey results will be available in early 1999, at which time they will be forwarded to participating countries for review. National compilers are to meet in March 1999 to discuss the results and the lessons learned from conducting the survey.

A task force will be established to review a final report on the survey results, which are to be published. The task force also may be charged with examining the feasibility of a follow-up survey in year 2000 or 2001. Given the useful results obtained thus far and the survey mechanisms in place, a follow-up survey could be beneficial. □

*... with a final
report to follow
within two years*

Countries Participating in the Coordinated Portfolio Survey

| | | |
|-----------|-------------|-----------|
| Argentina | Greece | Norway |
| Australia | Iceland | Portugal |
| Austria | Indonesia | Singapore |
| Belgium | Ireland | Spain |
| Bermuda | Israel | Sweden |
| Brazil | Italy | Thailand |
| Canada | Japan | U.K. |
| Chile | Korea | U.S.A. |
| Denmark | Malaysia | Venezuela |
| Finland | Netherlands | |
| France | New Zealand | |

IMF/OECD Survey Shows Statistics on Direct Investment Improving

The IMF and the Organization for Economic Cooperation and Development (OECD) will soon release a joint report on countries' foreign direct investment (FDI) statistics. The report will address the extent to which IMF and OECD member countries have adopted the international guidelines for compiling FDI statistics.¹ The report is based on the results of a survey launched by the two organizations in May 1997,² which has generated a wealth of information on data sources, collection methods, and dissemination practices for FDI statistics of nearly 100 countries. (See also the December 1997 issue of this Newsletter.) The report will identify major improvements that countries have made since a similar survey was last conducted in 1991. The report will soon be released on the website of the IMF Committee on Balance of Payments Statistics under <http://www.imf.org/external/bopage/bopin-dex.htm> (see also page 9).

At a later date, based on the information gathered from the survey, the IMF and the OECD will present countries' metadata (information on compilation methods and practices) on their FDI statistics on the same website.³

Findings on OECD and non-OECD countries confirm data improving

Results of the IMF/OECD Survey

Some 114 countries responded to the 1997 IMF/OECD survey, which was intended to promote the proper recording of various FDI activities in the balance of payments accounts. (See table on p. 14.) Among these countries, 96 provided detailed information on which the IMF/OECD report is based.

Notably, the report highlighted the following:

- The recommendation in the international standard that 10 percent or more of the ordinary shares or voting power (for an incorporated enterprise) or the equivalent (for an unincorporated enterprise) establishes a direct investment relationship is generally observed: 77 of 96 countries in 1997, compared with only 10 of 38 in 1991, reported they apply this guideline.
- The recording of reinvested earnings, as required by the *BPM5*, is becoming more common: 67 countries include reinvested earnings on inward direct investment and 52 countries, on outward direct investment.

- There has been improvement in the measurement of real estate investment, which is considered as a form of direct investment. In 1997, 19 OECD countries, and 47 countries in total, reported covering some inward real estate transactions by enterprises and 18 OECD countries, and 36 in total, reported covering outward transactions in real estate by enterprises. As concerns transactions involving individuals, the numbers were somewhat smaller.
- Only four OECD countries and 15 countries altogether recorded investment by resident affiliates in their direct investor as “claims on direct investors.” Such treatment should be applied in the instances when the equity participation of the direct investment enterprise in its direct investor is not sufficient to establish a direct investment relationship in its own right.
- Almost 80 percent of the OECD countries and more than 60 percent of the non-OECD countries that were covered under the survey correctly include short-term loans between affiliated enterprises in FDI statistics. Notwithstanding some progress, many OECD countries still erroneously include these flows in the *other investment* component of the financial account.
- The *BPM5* recommends that only equity and permanent debt be recorded as direct investment between affiliated banks and between affiliated financial intermediaries. The survey found that 68 countries correctly recorded equity as direct investment between affiliated banks and between affiliated financial intermediary affiliates, and 49 also included permanent debt.
- The *BPM5* recommends that direct investment statistics cover all enterprises in which the investor directly or indirectly has a direct investment interest. This means that when a direct investor attains a 10-percent equity ownership in a “cross-border” enterprise, certain other enterprises “down the line” related to the first “cross-border” enterprise also will be regarded as direct investment enterprises with respect to the direct investor. As a result, FDI statistics should cover transactions between the direct investor and the first direct investment enterprise and certain of the latter’s affiliates and among the affiliates themselves if they are in different countries. The 1997 survey indicates that 23 OECD countries and 36 non-OECD countries take account of indirectly owned direct investment enterprises in compiling their FDI statistics. However, the procedures to determine the existence of indirect relationships between enterprises and the coverage of transactions between indirectly owned concerns vary considerably among countries.

*Results compared
with those of 1991
survey also
indicate progress*

Countries Participating in the 1997 IMF/OECD Survey

| OECD Countries <i>(29 respondents)</i> | Africa <i>(22 respondents)</i> | Asia <i>(16 respondents)</i> | Europe <i>(18 respondents)</i> | Middle East <i>(6 respondents)</i> | Western Hemisphere <i>(23 respondents)</i> |
|--|--|--|--|--|--|
| Australia | Botswana | Bangladesh | Albania | Israel | Antigua & Barbuda |
| Austria | Burundi | Brunei Darussalam | Armenia | Jordan | Argentina |
| Belgium | Côte d'Ivoire | Cambodia | Azerbaijan | Kuwait | Bahamas, The |
| Canada | Ethiopia | China, P.R.: Mainland | Bulgaria | Lebanon | Bolivia |
| Czech Republic | Gambia, The | China, P.R.:Hong Kong | Croatia | Saudi Arabia | Brazil |
| Denmark | Guinea | Fiji | Cyprus | Syrian Arab Rep. | Chile |
| Finland | Lesotho | India | Estonia | | Colombia |
| France | Madagascar | Indonesia | Kazakhstan | | Costa Rica |
| Germany | Malawi | Maldives | Kyrgyz Rep. | | Dominica |
| Greece | Mauritius | Nepal | Latvia | | Ecuador |
| Hungary | Morocco | Papua New Guinea | Lithuania | | El Salvador |
| Iceland | Namibia | Philippines | Macedonia, former | | Grenada |
| Ireland | Nigeria | Singapore | Yugoslav Rep. of | | Guatemala |
| Italy | Rwanda | Thailand | Malta | | Haiti |
| Japan | Seychelles | Tonga | Moldova | | Honduras |
| Korea | South Africa | Vanuatu | Romania | | Nicaragua |
| Luxembourg | Sudan | | Russia | | Paraguay |
| Mexico | Swaziland | | Slovak Republic | | Peru |
| Netherlands | Tanzania | | Slovenia | | St. Kitts & Nevis |
| New Zealand | Tunisia | | | | St. Lucia |
| Norway | Uganda | | | | St. Vincent and The Grenadines |
| Poland | Zimbabwe | | | | Uruguay |
| Portugal | | | | | Venezuela |
| Spain | | | | | |
| Sweden | | | | | |
| Switzerland | | | | | |
| Turkey | | | | | |
| United Kingdom | | | | | |
| United States | | | | | |

- In 1997, 25 OECD countries and 57 countries in all reported that they compile inward direct investment flows by country.
- The measurement of income of direct investment enterprises after charging for consumption of fixed capital is correctly recorded by 45 countries while 42 countries incorrectly include capital gains or losses in direct investment income.
- The *BPM5* recommends that enterprises in special trade zones are to be treated as residents and their transactions with their nonresident affiliates are to be recorded in direct investment activities. Thirty one countries in the survey properly applied such measurement concepts and methods. Similarly, 35 countries adopted such treatment for transactions between special purpose entities and their nonresident affiliates. Special purpose entities include offshore financial institutions that serve primarily as intermediaries for flows of funds from one country to another.

To present countries' metadata on their FDI statistics, the IMF/OECD will establish two metadatabases.⁴ The first metadatabase will provide information on a country-by-country basis. The second will provide a set of tables on the subjects covered in the survey. Users of the tables will be able to select metadata for various country groupings. The metadata should inform national compilers of their counterparts' experience and facilitate the exchange of bilateral information.

Countries' metadata will be updated as the IMF and the OECD receive more current information from countries and as additional countries provide the needed information. □

¹As published in the fifth edition of the IMF *Balance of Payments Manual (BPM5)* and the third edition of the OECD *Benchmark Definition of Foreign Direct Investment*.

²This refers to the Survey of Implementation of International Methodological Standards for Direct Investment.

³See "About the IMF Committee on Balance of Payments Website" on page 10 of this publication.

⁴Initially, only officials of IMF member countries as well as the secretariats of other international organizations will be provided access to the metadatabases, which will be password-protected. However, the IMF and the OECD later will seek authorization from the countries that participated in the survey to make the information available to all interested users.

United Kingdom—Major Improvements Made in Balance of Payments and National Accounts

The U.K. Office of National Statistics (ONS) has recently made a number of major changes in compilation practices that have significantly improved the country's balance of payments statistics and its national accounts. The changes were introduced in order to implement concurrently the guidelines contained in the 1995 European System of Accounts (ESA95) and the fifth edition of the IMF Balance of Payments Manual (BPM5). One of the objectives of this approach to implementing international guidelines was to produce an integrated set of economic accounts and thereby to enhance their analytical usefulness. In September 1998, the ONS released the improved set of economic accounts in a family of publications. This article highlights the major data improvements and the steps that the ONS took to meet the challenge head on. This article presents edited excerpts of a paper entitled "Implementing ESA95 and BPM5 in the UK," contributed by Stuart Brown, Divisional Director of the Balance of Payments and Financial Sector Division of the ONS.

The Main Changes

The ONS decided in late 1995 that the accounts published in 1998 (with reference to all years up to and including 1997) would reflect the following:

- a. Full implementation of the *ESA95* and *BPM5*
- b. Information obtained from the new inter-departmental business register (IDBR)
- c. Rebasing of constant-price data to 1995 prices
- d. Improvements in estimation of public sector output at constant prices, and
- e. Long-run revisions to individual data series.

Since then, the ONS has adopted the new concepts, definitions, terminology, coverage, and accounting structures specified in the international manuals. Sectors have been redefined, financial instruments reclassified, and the full treatment of insurance and pension fund transactions introduced consistently across the national accounts and the balance of payments accounts. New data sources have also been sought. Dialogues have been held with the Bank of England and the British Bankers' Association to reach agreement on a completely revised set of forms for collection of all the required banking statistics and the establishment of a timetable for the provision of data.

ONS undertook concurrently to conform to ESA95 and BPM5 guidelines

With regard to the balance of payments accounts, the main changes have been these:

- Refining the current, capital, and financial accounts
- Providing detailed data on international services
- Making a clearer distinction between services and income
- Using a new sign convention for the financial account consistent with the sectoral accounts of *ESA95*
- Excluding U.K. offshore islands
- Developing and centralizing all processing systems and providing an improved geographical breakdown.

Specifically, the new IDBR register has replaced all previous business registers. It is more comprehensive than previous ones and not subject to double counting. For example, there has been a significant increase in the coverage of service industries. The IDBR has made a major contribution to ensuring that all economic activity is covered on as broad a basis as possible.

Regarding rebasing, before September 1998, constant-price data used 1990 prices as the benchmark. New constant-price data now have been published on a 1995 price base. Rebasing is accomplished every five years.

In addition, the ONS has developed an improved method for measuring government output at constant prices. It relies on outputs rather than inputs and, in this way, takes account of productivity changes. Education, health, and social security are the main areas covered (representing about 50 percent of the public sector) using a range of performance indicators. The longer term aim is to cover the rest of government output, improve performance indicators, and reflect changes in quality of output.

The ONS has devised methods to revise historical data to conform with the *ESA95* and *BPM5* guidelines in order to produce coherent sets of accounts over time. The exclusion of U.K. offshore islands also is intended to enhance coherence in data sets.

Managing the Process

An important element in managing the implementation of the international guidelines was the development and maintenance of a master plan in the form of a well-defined chart showing interrelationships among all of the separate activities the projects encompass. The plan was monitored and updated as necessary, and it provided reassurance that the overall effort was feasible. A number of other project management techniques were used informally. For example, informal liaison and networking was identified as an area requiring attention. A small team was given the crucial role of regularly circulating among all the compilers and co-

*Creation of a new
business register
and other
initiatives
reinforced the
effort*

Careful planning and consultation with users led to a new family of publications

ordinators to check on progress, to discuss concerns, and to encourage teamwork and mutual support. A set of “strategic statements” to guide the work to completion were agreed upon and distributed to everyone involved. Throughout the process, internal “walk-through” sessions were held allowing a particular sector/transaction/instrument statistician to explain the detailed changes to colleagues. This process delivers guidance in such a way that ensures consistency across the new accounts and gives people an opportunity to pose questions.

Consulting and Educating Users

There also was an extensive program to consult users and help them prepare for the changes. A series of seminars began in the autumn of 1996 for users inside and outside government to explain the nature of the *ESA95/BPM5* guidelines. A set of “dummy” publications was published in November 1997, which provided early versions of the new family of publications. They showed how the layout and terminology would appear. Comments were invited from users and incorporated in the final publications.

The frequency of seminars increased throughout 1998 to cover user groups, business fora, and government colleagues, particularly at the H.M. Treasury and the Bank of England. The ONS used its site on the Internet to inform users that changes were coming. A leaflet outlining the major changes has been inserted in all ONS publications since June 1998. In addition, the ONS has published a series of articles in its monthly *Economic Trends* on specific areas of change.

About four weeks before publication day, the ONS made two disks available to users. One contained data descriptions and identifiers. The other provided specimen annual data up to 1995. The ONS also held a workshop on the format of the new-style press releases. It is planning a series of post-publication seminars for key users.

Family of Publications

In September 1998, a family of publications was released, comprising the following:

- *UK National Accounts* (Blue Book)
- *UK Balance of payments* (Pink Book)
- *National Accounts Concepts, Sources, and Methods*
- *Introducing the ESA95 in UK*
- *Sector Classification for the National Accounts*
- *Input-Output Supply and Use Tables*

The Blue Book includes a change series showing old series together with *ESA95/BPM5* changes and new series for each GDP component data series. The Pink Book presents U.K. balance of payments statistics in a series of detailed tables. Three of the publications provide documentations to explain the new accounts. *Concepts, Sources and Methods* describes the underlying concepts and how they are applied in the U.K., which will be updated annually. *Introducing the ESA95* explains the application of key *ESA95/BPM5* guidelines in a U.K. context. *Sector Classifications* is not a new publication but has been expanded to cover the full impact of *ESA95* on the classification of enterprises to sectors. □

Announcing . . .

1998 Balance of Payments Statistics Yearbook

The Fund has released Volume 49 of the *Balance of Payments Statistics Yearbook (Yearbook)*. As in Volumes 46 through 48, balance of payments data are presented in the *Yearbook* in accordance with the standard components of the fifth edition of the *Balance of Payments Manual (BPM5)*, published in September 1993. The new *Yearbook* once again presents international investment position (IIP) data in the *BPM5* format for those countries that compile such data. The IIP of a country is a balance sheet of its external financial assets and liabilities at a particular point in time. The *Yearbook* includes, for most countries, descriptions of their compilation methods and data sources used. These descriptions, which are largely based on information countries provide to the Fund, are intended to enhance users' understanding of the coverage, as well as of the limitations, of the country data. They also apprise compilers of data sources and practices of their counterparts in other countries.

As a result of the Fund staff's data conversion work, the *Yearbook* is able to present in the *BPM5* format both historical data from the Fund's database and more recent statistics reported by member countries still compiling data in the format of the fourth edition of the *Balance of Payments Manual (BPM4)*.

The 1998 *Yearbook* has three parts. Part 1 presents annual balance of payments data for 160 countries and IIP data for 48 countries. Part 2 contains regional and world totals for major components of the balance of payments. Part 3 provides metadata (methodological descriptions) relating to the balance of payments of 140 reporting countries. Part 1 is separately bound, and Parts 2 and 3 are published together.

In addition to an introduction that highlights salient features of the data set shown in the *Yearbook*, six annexes present the standard components of balance of payments and IIP data, the accompanying data codes, and the conceptual framework of the balance of payments. The annexes also explain the coverage of major components of the balance of payments accounts, as set forth in the *BPM5*.

Statistics published in the *Yearbook* are also available on CD-ROMs. The number of countries and time series covered in the CD-ROM version is somewhat larger than that appearing in the printed version of the *Yearbook*, as is the number of periods for which data observations of time series are provided. Quarterly data reported by countries are also available on the CD-ROM. The CD-ROM includes updates and revisions of data as they become available. Inquiries about the *Yearbook* or CD-ROMs should be addressed to:

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