



IMF COMMITTEE ON BALANCE OF PAYMENTS STATISTICS 2017 ANNUAL REPORT

February 5, 2018

EXECUTIVE SUMMARY

The 2017 Annual Report of the IMF Committee on Balance of Payments Statistics (Committee) provides an overview of recent trends in global balance of payments and international investment position statistics, summarizes the Committee's work during 2017, and presents the work program of the Committee in the coming year.

During 2017, the IMF Statistics Department (STA), in consultation with the Committee, continued work in addressing statistical issues emerging from globalization, global value chains and digitalization; from global and national coverage gaps, including the coverage of special purpose entities (SPEs) and of the informal economy; and from the implementation of the strategy for countries with low statistical capacity to enhance their external sector statistics (ESS). On the availability of ESS for surveillance and analytical purposes, STA continued work on addressing data gaps on cross-border financial interconnectedness and balance sheet analysis; significant steps included an examination of the feasibility of increasing the frequency of the Coordinated Portfolio Investment Survey to quarterly as well as of the possibility to set up a centralized database to exchange information on the institutional sector of non-resident issuers of securities. STA continued providing guidance on emerging conceptual and methodological issues.

In 2018, the top priorities of the Committee's work program will be the impact in ESS of globalization and global value chains; emerging technologies and digitalization; SPEs and the informal economy; and emerging issues such as how to record cryptocurrencies in ESS. The Committee will also focus on the provision of methodological guidance on emerging issues identified in its research agenda; the implementation of a strategy to compile ESS in countries with low statistical capacity; and closing data gaps for reducing global and bilateral asymmetries.

The full set of papers presented at the Committee's 2017 meeting is available at <http://www.imf.org/external/pubs/ft/bop/2017/30.htm>.

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Glossary

<i>BOPSY</i>	<i>Balance of Payments Statistics Yearbook</i>
<i>BPM6</i>	<i>Balance of Payments and International Investment Position Manual, sixth edition</i>
CDIS	Coordinated Direct Investment Survey
CLSCs	Countries with low statistical capacity
COFER	IMF's survey on Currency Composition of Official Foreign Exchange Reserves
Committee	IMF Committee on Balance of Payments Statistics
CPIS	Coordinated Portfolio Investment Survey
DGI	Data Gaps Initiative
IIP	International investment position
IOs	International organizations
OECD	Organisation for Economic Co-operation and Development
RMB	Chinese renminbi
SPEs	Special purpose entities
STA	IMF Statistics Department

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 cover: (i) improving the availability, consistency, and reliability of balance of payments and international investment position (IIP) statistics; (ii) closing data gaps on financial interconnectedness and balance sheet analysis; (iii) fostering greater coordination of data compilation and dissemination among countries; and (iv) facilitating the exchange of statistics.¹
2. **The Committee held its thirtieth meeting during October 24–26, 2017, in Paris, France, hosted by Banque de France.** The participants in the meeting 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 2017; and outline the Committee's work program for 2018, respectively.

RECENT TRENDS IN GLOBAL BALANCE OF PAYMENTS AND IIP DATA

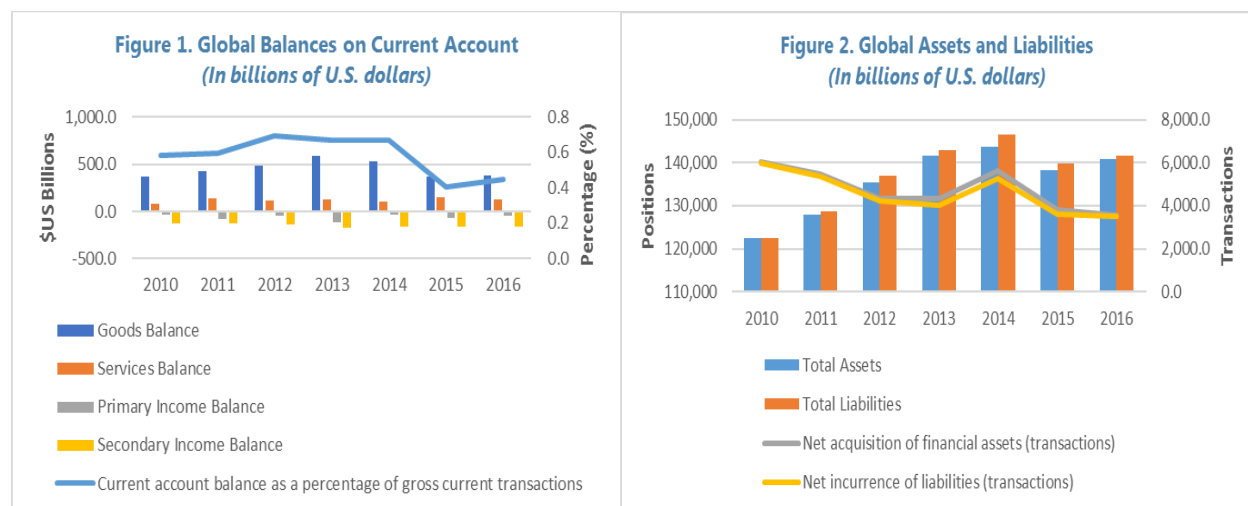
4. **A growing number of economies submit external sector statistics (ESS) to the IMF.** Annual balance of payments and IIP statistics for the period 2010–16 are published in the 2017 *Balance of Payments Statistics Yearbook* ([BOPSY 2017](#)). For the *BOPSY 2017*, 192 economies² submitted balance of payments data and 164 also submitted IIP data (of which 111 reported quarterly IIP, compared to 106 in 2016). The balance of payments data reported by 162 of these countries followed the sixth edition of the *Balance of Payments and International Investment Position Manual* (*BPM6*), as compared to 136 in 2016. Data for countries that reported following previous to the *BPM6* versions were converted by the IMF Statistics Department (STA) using standardized conversion formulas.
5. **According to data published in *BOPSY 2017*, the global current account balance³ (reflecting the difference between current account receipts and payments) was consistently positive in 2010–16** (see [BOPSY 2017](#), Table A-1). The balance slightly increased by 5 percent to \$294.5 billion in 2016, compared to \$280.1 billion in 2015. In 2016 (as in every year since 2010), the overall current account balance is mostly driven by the positive balance on trade in goods and

¹ The Committee's Terms of Reference are available at <http://www.imf.org/external/bopage/bopindex.htm>.

² Includes 177 IMF members, 12 economies—non-IMF members, and three currency unions.

³ 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, and asymmetric valuation that, when large, could lead to analytical mistakes.

services (excess of exports over imports), while the balances on primary and secondary incomes were negative. The global current account balance represents 0.4 percent of the total gross current account (credits plus debits) transactions in 2016 and remained at the same level as in 2015 (see Figure 1).



6. The global financial account balance⁴ decreased by 50 percent in 2016 to a positive \$85.1 billion balance, from a positive \$171.9 billion balance in 2015 (see [BOPSY 2017](#), Table A-1). This overall positive balance indicates that at the global level the net acquisition of financial assets is overestimated and/or the net incurrence of liabilities is understated (see Figure 2). In 2016, the balances on portfolio investment, financial derivatives, and other investment were positive, while the balances on direct investment and reserve assets were negative.

7. World IIP assets increased by 1.8 percent from \$138.3 trillion at end-2015 to \$140.8 trillion at end-2016, and IIP liabilities by 1.2 percent from \$139.9 to \$141.5 trillion respectively (see [BOPSY 2017](#), Table E-2), **with a net (negative) balance (liabilities higher than assets) that decreased by 51.3 percent from \$-1,605 to \$-782 trillion respectively** (see [BOPSY 2017](#), Table E-1). The balances of IIP assets and liabilities for all economies and 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.⁵ At the global level though, the overall negative balance indicates incomplete coverage, asymmetries in the time of recording, and/or asymmetric valuations.

⁴ 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.

⁵ 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 US\$ 1.2 trillion at end-2016.

WORK UNDERTAKEN BY THE IMF STATISTICS DEPARTMENT AND THE COMMITTEE IN 2017

A. Globalization and Financial Interconnectedness: Challenges for ESS

8. There is continued internal and external interest in enhancing data on capital movements to support analysis of spillovers and interconnections. As part of the efforts to enhance the Coordinated Portfolio Investment Survey (CPIS), STA proposed at the 2016 Committee meeting a centralized exchange of information across economies to improve the sectorization of nonresident issuers. Such information would be key to gauge risks and vulnerabilities on a from-whom-to-whom basis with data on securities broken down by (i) economy and sector of the holder (who finances), and (ii) economy and sector of the issuer (who is financed). Following the STA proposal, two Committee members—ECB and the US Federal Reserve Board—conducted a pilot exercise to exchange data on securities and issuer sectors. The pilot proved that, for the initiative to be operationally successful, the exchange should be based on as standardized information as possible. In addition, the initiative would require removing any legal obstacles for the data exchange. Countries without individual securities' information would be invited to provide the sector of a limited number of the national issuers accounting for the largest cross-border positions. The Committee agreed that STA will launch a survey among CPIS reporters to gauge interest in the project and evaluate the cost and benefits of such a centralized database.

9. The G-20 Data Gaps Initiative (DGI) Phase II called for an examination of the feasibility of increasing the reporting frequency of the CPIS. At its 2016 meeting, the **Committee supported the proposed CPIS enhancements on frequency, timeliness, and scope. STA has been taking steps for moving to quarterly CPIS by 2019** and initiated an internal assessment of these proposals, including to identify their technical and resource requirements. STA, in consultation with the Committee, **continued work on updating the second edition of the CPIS Guide** and created a [CPIS Guide Update webpage](#) on the CPIS portal.

10. As part of the efforts to improve the quality of **from-whom-to-whom direct investment data**, the OECD and the IMF conducted a cooperation program to compare bilateral direct investment data and metadata reported to both IOs. Data are generally consistent despite different data requests. Some differences due to data vintages were identified and resolved. Whereas further harmonization in data requests by IOs would be desirable, the Committee agreed it is not a priority.

11. With respect to globalization, the Global Value Chains (GVCs) pose particularly challenges in compiling and interpreting the traditional ESS indicators. The expansion of GVCs leads to increasing trade in intermediate products, intra-group trade, foreign direct investment, as well as to new forms of trade finance. In addition, one area requiring further investigation concerns the treatment of factory-less goods production and its delineation from/relationship to merchanting and manufacturing services transactions.

12. To advance the work and overcome the challenges, the OECD will create and lead, in coordination with STA, and with the participation of interested Committee members, a Working Group to identify components in the balance of payments framework that are relevant to develop indicators on GVCs. In addition, STA will prepare a proposal on how to measure trade finance focusing on Fintech-related modalities for discussion at the next Committee meeting, and the United Nations will lead the work on the *Handbook on GVCs Accounting*.

13. Preliminary Report of the Task Force on Special Purpose Entities (TFSPes). The Committee had set up the TFSPes in 2016 to develop an IMF statistical strategy for addressing existing data gaps on special purpose entities (SPEs), and assess the data collection approach and the need to disseminate internationally-comparable statistics. During the first year of its two-year mandate, the TFSPes conducted a fact-finding exercise among its members and prepared a preliminary report on the progress made and conclusions reached. The key preliminary recommendations are to (i) adopt a definition and a typology of SPEs consistent with other statistical domains, and (ii) separately identify SPEs cross-border transactions and positions in IMF statistics. The Committee supported the preliminary findings and recommendations of the TFSPes, and endorsed its work program for the second year of the mandate.

14. Digital economy. There are concerns about whether digital trade is accurately and comprehensively reflected in macroeconomic statistics. Various steps towards developing a conceptual and measurement framework are currently being undertaken by various international organizations (IOs) and the “digital trade” topic is high on the G-20’s agenda. In 2017, the OECD and IMF conducted a stocktaking survey that revealed that a number of countries are already exploring a variety of pilot studies for data compilation. The Committee suggested to carefully consider the perimeter of digital trade, and, more broadly, of the digital economy, in order to avoid considering a large majority of transactions as digital, and to ensure that various policy needs are met. More work led by the OECD and the IMF was deemed necessary and both institutions will present a draft *Handbook on Digital Trade* at the 2018 Committee meeting.

B. Emerging Issues and Implementing the 2017 Research Agenda

15. There is an increasing need for developing an appropriate strategy for addressing existing **data gaps** in the coverage of the informal economy in ESS.

16. Challenges in Covering the Informal Economy in ESS. The informal economy covers a broad typology comprising informal, underground, and illegal activities. Its coverage in ESS poses numerous challenges, including the lack of a consistent measurement framework across countries and the cost of data collection. The Committee agreed to **establish a task force on the informal economy** centered on identifying best practices in compilation methods, building on the existing conceptual framework.

17. 2017 Research Agenda. The Committee members’ active work on the research agenda contributed to maintaining the relevance of ESS concerning new economic and financial developments. The progress in advancing the research agenda was facilitated by the new

Committee's working procedures, which enable more continuous communication by electronic means throughout the year.

18. At the 2017 meeting, the Committee discussed the statistical treatment to be applied to (i) currency swap agreements between central banks, (ii) international mobile money transfer services, (iii) letters of credit, (iv) precious metals accounts, and (v) the reserve position in the IMF.

19. The increasing importance of **currency swap agreements between central banks** underscored the need for uniform statistical treatment; the IMF, in coordination with the Committee, will finalize a clarification note on the statistical treatment of these instruments and post it on the *BPM6* and Committee's websites. To advance the work on developing guidance in compiling data on **international mobile money transfer** services, a pilot survey will be launched by three Committee members to collect data from telecommunication companies on cross-border mobile money transfers. The OECD and the IMF will consider the pilot results in the broader discussion on digital economy.

20. Discussions on the statistical treatment of **letters of credit** proposed by the Committee members revealed that, for preparing a methodological guidance note, further investigations are needed on how such transactions are recorded in banks' accounting. The Committee agreed on the guidance proposed by the IMF for recording transactions and positions related to **allocated and unallocated precious metals accounts**, as well as on the classification of **reserve position in the IMF**. The next step will be to post clarification notes on the *BPM6* and Committee's websites.

21. STA will continue gathering research topics that require either clarification or more structural changes to the *BPM6*.⁶

C. Progress in Other Initiatives

22. During 2017, STA continued the work on implementing the strategy for compiling ESS in countries with low statistical capacity ([CLSCs](#)). The strategy, endorsed by the Committee at its 2016 meeting, includes a prioritization of the balance of payments and IIP components to be compiled, aimed at reducing the reporting burden, while ensuring minimum data requirements needed for surveillance and policy making. During the first six months of the fiscal year 2018, technical assistance missions in ESS were conducted in nine targeted CLSCs. Besides working on the prioritized balance of payments and IIP components, the missions focused on strengthening data sources and inter-agency cooperation as well as integrating data collection frameworks.

23. To respond to users' requests for data to support balance sheet analysis, the *BPM6* introduced **enhancements to the IIP including the reporting of currency composition of**

⁶ The latter topics will be tackled when launching the process of revisiting the Balance of Payments Manual. Among others, IMF departments have identified topics such as developing stock-flow reconciliation tables, revisiting the definition of income, and assessing additional data needs on the currency composition of cross-border flows and stocks.

financial assets and liabilities; reporting of remaining maturity of debt liabilities; and reporting of data for other financial corporations. With Committee's support, STA approached economies that already compile currency composition data to encourage their reporting to STA. As a result, ten economies started reporting these data to STA.⁷

24. Following the IMF's Executive Board decision to include the Chinese renminbi (RMB) in the basket of currencies of the Special Drawing Right, effective October 1, 2016, and the approval for the **separate identification of reserves in RMB** in the IMF's survey on Currency Composition of Official Foreign Exchange Reserves (COFER), the RMB joined the currencies identified in the survey. The first [COFER](#) survey results that separately identified the RMB were released on March 31, 2017.

25. Following the 2016 Committee meeting agreement to coordinate international initiatives on **bilateral asymmetries** and explore synergies in direct investment data sharing, a workshop on CDIS bilateral asymmetries was organized by STA, in coordination with the Bundesbank with the participation of IOs and selected Committee members. The workshop hosted discussions on best practices and facilitated the bilateral exchange of information on direct investment data with a view to reducing bilateral asymmetries and providing valuable input into Recommendation 20 of the DGI-2 on promoting international data sharing.

26. Recent discussions on the future role of the Interagency Task Force on Finance Statistics led to the IMF **proposal to the Committee to add to its mandate the methodological work related to external debt statistics**. The Committee members supported the initiative and the IMF will follow the formal procedure to present this proposal to the United Nations Statistical Commission.

2018 WORK PROGRAM

27. **The top priorities of the Committee for 2018** are: (i) measuring **digital economy** in ESS, including trade finance; (ii) improving the coverage of the **informal economy** in ESS developing guidance on data collection and compilation; (iii) closing data gaps through strengthening **SPEs** coverage in ESS; (iv) measuring the **GVCs** under *BPM6* framework; and (v) developing the statistical framework for treatment of **cryptocurrencies** in ESS.

28. The proposed three **medium priority topics** include: (i) addressing remaining issues of the 2018 **research agenda** for ESS; (ii) reducing global and bilateral **asymmetries**, including through the sectorization of nonresident issuers in CPIS of foreign securities held by national holders, supporting the bilaterally-focused approach to addressing statistical discrepancies in global balance of payments statistics, and monitoring the implementation of the strategy to compile ESS in CLSCs; and (iii) finalizing the work on updating the **CPIS Guide**. The 2018 work program of the Committee is available at [BOPCOM-17/16](#).

⁷ STA will start disseminating currency composition data when they are reported by a critical mass of countries.

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

(As of December 31, 2017)

Chair

Louis Marc Ducharme
IMF, Statistics Department

Members

Grace Akrofi¹
Bank of Ghana

François Mouriaux
Banque de France

Malik Bani Hani
Central Bank of Jordan

Naglaa Nozahie
Central Bank of Egypt

Pim Claassen
De Nederlandsche Bank

Robert Pupynin
Central Bank of the Russian Federation

Kenneth Egesa
Bank of Uganda

Gabriel Quirós
IMF, Statistics Department

Paul Farello
Bureau of Economic Analysis
United States

Fernando Rocha
Banco Central do Brasil

Keiji Fukuzawa
Bank of Japan

Yangchen Tshogyel
Royal Monetary Authority of Bhutan

Rosabel B. Guerrero
Bangko Sentral ng Pilipinas

Carlos Sánchez-Muñoz
IMF, Statistics Department

Jian Han
State Administration of Foreign Exchange
People's Republic of China

Ursula Schipper
Deutsche Bundesbank
Germany

Miyuki Izumiyama
Ministry of Finance, Japan

Consuelo Soto
Central Reserve Bank of Peru

¹ Did not attend the October 2017 Committee meeting.

***Representatives of International
Organizations***

Bank for International Settlements
Philip Wooldridge

European Central Bank
Caroline Willeke

European Commission-Eurostat
Ales Capek

*Organization for Economic Co-operation and
Development*
Fabienne Fortainer

*United Nations Conference on Trade and
Development*
Astrit Sulstarova

United Nations Statistics Division
Ivo Havinga

Secretariat (IMF, Statistics Department)

Alicia Hierro
Tamara Razin