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### Work on Bilateral Asymmetries in CDIS – Philippines' Experience



## **Work on Bilateral Asymmetries in CDIS – Philippines’ Experience**

The Bangko Sentral ng Pilipinas (BSP) has been participating in the annual Coordinated Direct Investment Survey (CDIS) initiative of the International Monetary Fund (IMF) since its launch in 2009. The initial survey results were submitted to the IMF in 2010 for position data as of end-2009.

In addition to submission of the survey results to the IMF as part of an undertaking to improve the quality of global direct investment position statistics, the BSP makes use of the data generated from the survey for its compilation of the balance of payments (BOP) and the international investment position (IIP). Thus, the BSP collects information on both inward and outward investments in the CDIS to cover the assets and liabilities side in the external accounts. Beginning the first quarter of 2015, the CDIS has been conducted on a quarterly basis to replace the Survey on Foreign Direct Investments and Related Data as a data support for the BOP and IIP as well as reduce the reporting burden on respondents by consolidating all data requirements for direct investment compilation into one survey instrument.

### **Dissecting survey results**

On 12 May 2016, the BSP received information from the IMF about the bilateral asymmetries between the CDIS reported by the Philippines and by the counterpart economies (or the mirror estimates) for end-2014 which were disseminated in the 2015 CDIS release. Table 1 provides details on the largest bilateral discrepancies between inward investments reported by the Philippines and outward investments reported by the counterpart economy. Meanwhile, Table 2 shows the largest bilateral discrepancies between outward investments reported by the Philippines and inward investments reported by counterpart economy for the period 2009-2014.

As the data show, the biggest discrepancies in inward investments into the Philippines are those with Japan, the Netherlands, and China P.R.: Hong Kong for all the years covered in the report. For outward investments from the Philippines, the largest differences were observed with Singapore and China, P.R.: Mainland. In most cases, data reported by the Philippines were consistently lower than those of the counterpart economies.

### **Causes of the large bilateral asymmetries**

The BSP staff responsible for CDIS reporting investigated the possible sources of the discrepancies observed using the CDIS metadata of participating countries, including detailed information on the collection and compilation practices adopted by CDIS reporting countries. The review of information gathered indicated that the bilateral asymmetries could be due to differences in the following:

1. Data sources – use of census, sample or both;
2. Estimation methodology for non-responding firms – use of historical cost, own funds at book value, transaction price, ratios derived from reported data, carry over, estimates based on latest available percentage shares of foreign stockholders and net worth as reported in the financial statements, or a combination thereof;
3. Valuation principles for each type of instrument – market value, historical cost, or nominal value; and
4. Collection methods – by enterprise, local enterprise group or both.

In addition, reporting economies encounter issues on sharing of confidential data, particularly as they apply to specific investments or statistical units. In the case of the Philippines, a major constraint faced by the BSP is the absence of legal authority to collect data from or conduct statistical inquiry with non-financial corporations which comprise the bulk of CDIS target respondents. The response rates to the BSP's cross border surveys that are intended for BOP and IIP compilation are quite low because participation is not mandatory.

### **Addressing bilateral asymmetries**

Recognizing the low participation/response rate to the CDIS, the BSP relies on various data sources for its BOP and IIP compilation. The BSP makes use mainly of the International Transactions Reporting System (ITRS). Other data sources include the CDIS, Cross Border Transactions Survey, External Debt Statistics, Financial Reporting Package of banks,<sup>1</sup> investment registration records, and other administrative data.

Enhancing the reliability of the CDIS results is however a priority of the BSP with the view of making the survey a major data source for the compilation of direct investment statistics in the BOP and IIP. Admittedly, undercoverage in terms of the sample and the response rate to the CDIS is the primary problem of the BSP. To address this concern, the BSP is undertaking the following measures:

1. Improvement of the response rate
  - a. The BSP's lack of legal authority to collect data from non-financial corporations continues to be the main reason for the generally low response rate to its cross-border transactions surveys (including the CDIS) that require financial data from the said corporations. To deal with this issue, the BSP entered into a Memorandum of Agreement with the Philippine Statistics Authority (PSA) for the joint conduct of the Cross Border Transactions Surveys. The PSA is the central statistical authority of the Philippine government on primary data collection. The joint conduct of the survey is expected to encourage participation of target respondents since the surveys will now be covered by the provisions of Section 25 (on obligation to provide information and respond to a statistical inquiry) and Section 27 (on penalties to be imposed for non-response to a statistical inquiry) of Republic Act. No. 10625 or the Philippine Statistical Act of 2013 which also created the PSA.
  - b. The development of an electronic system is currently underway that includes a user-friendly online questionnaire, a database, and an application for data maintenance and consolidation. The use of a web-based questionnaire is envisioned to encourage participation to the survey. This will also facilitate faster processing of survey results, thus giving the staff more time to follow up on survey responses.
  - c. Consultative meetings and advocacy activities with industry associations are being done to solicit the cooperation of member companies to the surveys.
  - d. Company visits to non-responding companies are conducted to explain the importance of participating in the survey and the relevance of data gathered from the companies.

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<sup>1</sup> A set of financial statements for prudential reporting purposes composed of the balance sheet, income statement and supporting schedules.

## 2. Improvement of the sampling frame

The list of respondents to the CDIS is taken from the Top 25,000 Corporations of the Philippines in the 2010 publication of the Securities and Exchange Commission (SEC). Currently, the list of target respondents for inward investments is updated based on the Top 1,000 Corporations of the Philippines generated by the Business World, a leading business newspaper. Institutional coordination with the SEC is being done for the development of the corporate sector database, which will include ownership structure of multinational corporations that will allow for the regular updating of the CDIS sampling frame.

A long-term solution to the problem of low participation rate to the BSP's surveys is the proposed amendment of the BSP Charter (Republic Act No. 7653). Among the amendments being submitted to the Congress of the Philippines is the grant of authority to the BSP to obtain data and information from non-financial corporations. The current provisions allow the BSP to obtain data from government agencies and financial corporations only. The proposed amendments were already approved by the House of Representatives but will have to pass the Senate.

**Table 1. Inward Direct Investment Positions as Reported by Philippines and  
Outward Direct Investment Positions as Reported by Counterpart Economy  
In Million US\$**

Investment from:	Direct Investment Positions																	
	Inward Reported by Economy						Outward Reported by Counterpart Economy						Difference in Absolute Value					
	2009	2010	2011	2012	2013	2014	2009	2010	2011	2012	2013	2014	2009	2010	2011	2012	2013	2014
Australia	123	219			492		368	620			882		244	401	0	0	390	0
Canada		67						760					0	694	0	0	0	0
China, P.R.: Hong Kong	329	1,498	1,792	3,196	2,032	2,590	1,784	2,303	2,551	3,988	2,955	3,938	1,455	805	759	792	922	1,348
France	1,060	1,002	1,333	484	1,579	967	1,003	1,077	979	1,072	1,313	1,304	-57	75	-354	587	-266	337
Germany	346		550	606	405	366	500		653	2,171	706	1,491	154	0	103	1,565	302	1,125
Japan	6,397	6,140	7,172	5,833	5,562	6,415	8,192	8,693	10,206	10,352	10,759	11,087	1,795	2,553	3,033	4,518	5,197	4,671
Korea, Republic of	649	784	801	2,210	566	1,703	1,304	1,590	1,398	2,739	2,605	2,479	655	806	597	529	2,039	776
Malaysia	76						483						407	0	0	0	0	0
Mexico				543	-4	-5				716	692	711	0	0	0	173	696	717
Netherlands	3,434	4,671	5,538	1,528	7,420	5,272	6,148	6,551	6,452	2,889	4,660	3,774	2,713	1,879	914	1,361	-2,760	-1,498
Switzerland	804	1,320	1,290	1,682	1,554	1,670	1,108	1,561	1,647	1,044	2,436	1,159	304	241	358	-638	883	-511
Thailand			258						467				0	0	209	0	0	0
United Kingdom		323	719	343		833		946	793	448		431	0	622	74	105	0	-403
United States	3,653	3,456	2,996	6,999	4,138	4,204	4,602	5,399	4,897	6,679	4,180	5,071	949	1,943	1,901	-319	42	867
	Equity Positions (Net)																	
Australia	120	220		481	516		265	356		C	C		145	135	0	C	C	0
Canada		39											0	-39	0	0	0	0
China, P.R.: Hong Kong	301	1,514	1,689	2,108	2,051	2,588	1,673	2,268	2,489	2,689	2,990	67	1,372	754	800	581	939	-2,521
France	1,053	995	1,300	1,645	1,494	958	932	1,009	1,030	1,093	1,359	4	-121	14	-270	-551	-135	-954
Germany	323		579	580	493	511	527		651	689	644	501	204	0	72	109	151	-9
Japan	5,604	4,989	5,200	5,305	5,689	6,392	7,535	8,234	9,352	9,612	9,899	1,004	1,931	3,245	4,153	4,306	4,210	-5,388
Korea, Republic of	648	767	778	579	535	1,696	1,125	1,427	1,192	1,951	2,247	210	477	660	414	1,372	1,712	-1,486
Malaysia	64			236									-64	0	0	-236	0	0
Mexico					0	0					628	39	0	0	0	0	628	39
Netherlands	3,356	4,555	4,620	5,997	6,467	4,614	4,452	4,302	3,810	4,250	2,905	635	1,095	-253	-810	-1,747	-3,563	-3,979
Switzerland	736	306	482	539	676	725	1,038	1,192	1,459	2,678	2,226	213	303	886	976	2,139	1,550	-512
Thailand			249						269				0	0	21	0	0	0
United Kingdom		327	693			908		C	1,156			C	0	C	464	0	0	C
United States	3,439	3,419	2,875	3,376	4,124	4,179	4,130	4,719	4,250	3,610	3,884	665	691	1,300	1,375	234	-240	-3,514

	Debt Instruments Positions (Net)																	
Australia	3	-1		4	-24		102	264		C	C		99	265	0	C	C	0
Canada		28											0	-28	0	0	0	0
China, P.R.: Hong Kong	28	-16	103	101	-19	3	111	34	62	50	-36	67	83	50	-41	-51	-17	64
France	7	7	33	37	85	9	71	68	-51	-50	-46	4	64	62	-84	-87	-131	-5
Germany	23		-30	-37	-88	-145	-27		2	28	63	501	-50	0	31	65	151	646
Japan	793	1,151	1,973	528	-128	23	652	459	853	740	860	1,004	-141	-692	-1,120	212	987	981
Korea, Republic of	1	17	23	28	31	7	179	163	206	221	358	210	178	146	183	193	327	203
Malaysia	13			107									-13	0	0	-107	0	0
Mexico					-4	-5					65	39	0	0	0	0	69	45
Netherlands	78	116	919	1,002	952	658	1,696	2,249	2,642	2,430	1,755	635	1,618	2,133	1,724	1,428	803	-23
Switzerland	68	1,014	807	989	878	945	70	369	188	211	211	213	1	-645	-619	-778	-667	-732
Thailand			9						198				0	0	188	0	0	0
United Kingdom		-4	26			-74		C	-363			C	0	C	-389	0	0	C
United States	214	36	121	-180	14	25	471	680	648	378	295	665	257	644	527	558	281	640

Data Source: Coordinated Direct Investment Survey (CDIS) Release from IMF Data Warehouse

**Table 2. Outward Direct Investment Positions as Reported by Philippines and Inward Direct Investment Positions as Reported by Counterpart Economy In Million US\$**

Investment from:	Direct Investment Positions																	
	Outward Reported by Economy						Inward Reported by Counterpart Economy						Difference in Absolute Value					
	2009	2010	2011	2012	2013	2014	2009	2010	2011	2012	2013	2014	2009	2010	2011	2012	2013	2014
Brazil		0	0					35	32				0	35	32	0	0	0
China, P.R.: Mainland	C	C	518	545	845	1,070	2,009	2,306	2,410	2,280	2,223	1,978	C	C	1,892	1,735	1,378	909
Hungary	0	0	0	0	C	0	93	113	125	139	198	217	93	113	125	139	C	217
India		C	0	1	2	C		978	341	401	624	1,346	0	C	341	400	622	C
Indonesia	14					0	35					116	22	0	0	0	0	115
Japan	C	2	-3	-3	0	1	60	68	71	65	61	61	C	66	75	68	61	59
Korea, Republic of	7	0					37	35					30	35	0	0	0	0
Mauritius			0						58				0	0	58	0	0	0
Mexico				C	0	0				193	339	207	0	0	0	C	339	207
Netherlands	183	C	C				1,954	2,018	1,389				1,772	C	C	0	0	0
Pakistan				0	0	0				90	169	89	0	0	0	90	169	89
Singapore	144	1,949	4	-285	-186	632	1,558	2,257	2,862	2,963	2,521	3,085	1,414	308	2,858	3,248	2,707	2,453
South Africa	0			0	0	0	39			51	149	70	39	0	0	51	149	70
Thailand	23	C	C	0	0	C	174	190	223	255	312	287	151	C	C	255	312	C
United Kingdom	0	41	38	51	101	450	C	C	6	C	C	17	C	C	-31	C	C	-433
United States	11	228	369	112	186	815	131	103	115	263	317	211	120	-125	-254	151	131	-604
	Equity Positions (Net)																	
Brazil		0	0					28	25				0	28	25	0	0	0
China, P.R.: Mainland	C	C	293	305	207	136	2,009	2,306	2,410	2,280	2,223	1,978	C	C	2,117	1,975	2,016	1,842
Hungary	0	0	0	0	C	0	10	28	42	53	111	130	10	28	42	53	C	130
India		C	0	0	0	C		978	341	401	626	1,349	0	C	341	401	626	C
Indonesia	0					0	35					119	35	0	0	0	0	118
Japan	C	1	-2	-2	-3	-1	17	68	71	65	61	54	C	67	73	67	63	55
Mauritius			0						58				0	0	58	0	0	0
Mexico				C	0	0				87	87	74	0	0	0	C	87	74
Netherlands	15	C	C				1,275	1,206	1,055				1,260	C	C	0	0	0
Pakistan				0	0	0				89	168	88	0	0	0	89	168	88
Singapore	8	1,925	199	324	276	657							-8	-1,925	-199	-324	-276	-657
South Africa	0			0	0	0	11			10	130	9	11	0	0	10	130	9
Thailand	0	C	C	0	0	C	40	54	55	65	70	86	40	C	C	65	70	C
United Kingdom	-1	41	37	47	93	119	C	C	5	8	C	C	C	C	-32	-39	C	C
United States	-2	141	351	103	181	171	C	C	C	C	C	C	C	C	C	C	C	C



	Debt Instruments Positions (Net)																		
Brazil		0	0					7	7					0	7	7	0	0	0
China, P.R.: Mainland	C	C	225	240	638	934								C	C	-225	-240	-638	-934
Hungary	0	0	0	0	C	0	83	84	83	86	86	87	83	84	83	86	C	87	
India		C	0	0	2	C		0	0	0	-2	-4	0	C	0	0	-4	C	
Indonesia	14					0	0					-3	-13	0	0	0	0	-3	
Japan	C	1	-1	0	3	2	43	0	0	0	0	7	C	-1	2	1	-3	4	
Korea, Republic of	7	0					0	0					-7	0	0	0	0	0	
Mauritius			0						0				0	0	0	0	0	0	
Mexico				C	0	0				106	252	134	0	0	0	C	252	134	
Netherlands	168	C	C				679	812	333				511	C	C	0	0	0	
Pakistan				0	0	0				1	1	1	0	0	0	1	1	1	
Singapore	136	25	-195	-609	-462	-25							-136	-25	195	609	462	25	
South Africa	0			0	0	0	28			42	19	61	28	0	0	42	19	61	
Thailand	23	C	C	0	0	C	134	136	168	190	242	201	111	C	C	190	242	C	
United Kingdom	1	0	1	3	8	331	C	C	2	C	C	C	C	C	1	C	C	C	
United States	13	87	18	9	5	644	C	C	C	C	C	C	C	C	C	C	C	C	

Data Source: Coordinated Direct Investment Survey (CDIS) Release from IMF Data Warehouse