Twentieth Meeting of the
IMF Committee on Balance of Payments Statistics
IMF, Washington D.C,
October 29 – November 1, 2007

INTERNATIONAL INVESTMENT POSITION STATISTICS—PROGRESS MADE AND
PLANS FOR FURTHER DEVELOPMENT

Prepared by the Statistics Department
International Monetary Fund

Contents   **Page**

INTERNATIONAL INVESTMENT POSITION STATISTICS—PROGRESS MADE AND PLANS FOR FURTHER DEVELOPMENT[1]

A. Background

1.   The purpose of this paper is to update the Committee on the ongoing work in the IMF Statistics Department (STA) on International Investment Position (IIP) statistics, and to follow-up on the outcome of the discussion at the Committee meeting in 2006 on the paper *International Investment Position: Introducing Currency Composition and Remaining Maturity into the Standard Components* (BOPCOM-06/06). The paper starts with a brief overview of recent developments in the policy use of IIP data.

B. Policy Use of IIP data

2.   In June 2007, the Executive Board approved a new *Decision on Bilateral Surveillance* (2007 Decision), replacing its predecessor adopted thirty years ago. Updating the Surveillance Decision is an important element in the IMF's Medium-Term Strategy. The concept of *external stability* is central to the 2007 Decision, encompassing the need for data on both the balance of payments and IIP.[2] Indeed, a companion paper discussed the relevance of an economy's net external asset position and the level and structure (e.g., composition by instrument or holder, maturity, currency composition) of gross assets and liabilities.[3]

3.   Also, at the present time the IMF is reviewing the allocation of quotas among its members in the context of a program of quota and voice reform. One relevant indicator is financial openness. Many Executive Directors considered that IIP data are the best measure of financial openness but the lack of comparable IIP data across the membership resulted in a search for proxy indicators, such as investment income. Increasing the number of countries reporting comprehensive IIP data to a level comparable to data currently used for quota calculation purposes is essential if IIP data are to be considered for use in quota calculations going forward.

4.   In addition, work continues within the IMF on the Balance Sheet Approach (BSA), (described in detail in BOPCOM-06/06), of which the IIP is a central component.

C. STA Plans for Further Development

5.   Against this background, STA has developed a strategy for further development of IIP statistics. This strategy includes plans to (i) continue the momentum to increase the number of countries compiling and reporting IIP data to STA for publication; (ii) promote consistency across external datasets and sectors; and (iii) develop IIP world and regional tables.

---

[1] This paper was primarily drafted by Colleen Cardillo.

[2] IMF Factsheet – June 2007: *IMF Surveillance – The 2007 Decision on Bilateral Surveillance, Box 1.*

[3] The companion paper is available at http://www.imf.org/external/np/pp/2007/eng/062107.htm.

Increasing the number of countries reporting IIP data to STA

6.   The number of economies reporting IIP data to STA for publication at end-September 2007 totaled 111, an increase of seven from the total reported to the Committee last year. The new reporters by region are as follows: the Middle East (3), Asia (1), Africa (1), Europe (1), and Western Hemisphere (1).

7.   Notwithstanding this progress, over seventy economies do not currently report IIP data for the *Balance of Payments Statistics Yearbook* (*BOPSY)*. To encourage even more countries to compile IIP statistics and disseminate them through STA publications in standard international format, the STA is taking the following approach.

8.   As a first step, a priority list of countries that are considered to be in the *pipeline* to compile IIP data has been developed. The selection criteria are countries in the pipeline for SDDS (within 2-3 years), countries in recent IMF run BOP/IIP training courses or IMF technical assistance missions that have shown potential for developing an IIP, and countries already producing some stock data, such as portfolio investment assets for the Coordinated Portfolio Investment Survey (CPIS).

9.   To support this project, in collaboration with the Fund's area departments, the availability and quality of existing external stock data from various sources, such as the Joint External Debt Hub (JEDH) will be assessed. On the basis of this assessment, initial contact would be made with the authorities, with the purpose of setting out a collaborative approach to compiling an IIP statement for the country. In moving forward, resources already committed for technical assistance projects would be drawn upon and the existing network of statistical advisors utilized. The work plan would also involve long-distance technical assistance and perhaps short follow-up missions to complete the work when experts are in the region. The upcoming Coordinated Direct Investment Survey (CDIS) could also help in this effort. Further, our technical assistance program will increasingly look for opportunities to promote IIP compilation where it is presently lacking.

10.   After six months, progress will be reviewed and the results assessed. The goal would be to keep the list of pipeline countries "live" by updating it on a regular basis. As intelligence develops on the capacity and willingness of additional countries to compile and disseminate IIP, these countries could be added to the pipeline list.

11.   Given existing resources, it is feasible to maintain a core group of ten countries on the pipeline list—countries would rotate out as they disseminate IIP data through STA and new pipeline countries will be added. Any expansion of the numbers of countries on the list would require additional resources.

Promoting consistency across external datasets and sectors.

12.   As more countries develop IIP statistics, it is important to assess the consistency of these data with other external datasets and with the *nonresident/foreign* component of data reported in monetary and government sector statistics.

13.   In 2006, STA implemented a project to assess the consistency of external debt data reported to the World Bank's Quarterly External Debt Statistics (QEDS) by SDDS subscribers and corresponding data series in the IIP reported to STA. The objective of the project was to improve countries' external debt and IIP data for effective use in economic surveillance work, and it was repeated during the first half of 2007. In general, countries' response to the comparison was positive. Results from the exercise revealed that a number of countries had already overcome the different treatment of debt instruments and the differences between both datasets were reduced significantly. Other countries identified next steps for closing the gaps. In addition, IMF and the World Bank, as members of the Task Force on Finance Statistics (TFFS), are developing a project intended to extend the QEDS to a selected group of low-income countries (LICs) and this would provide an opportunity for comparative work on IIP and external debt statistics for these countries.

14.   Other comparisons with external datasets include IIP asset positions in portfolio equity and debt positions with data reported to the IMF for the CPIS. The CPIS results also help countries that issue securities to identify the counterpart countries holding their securities (liability positions in portfolio equity and debt positions derived from partner country asset data).

15.   Also, the upcoming CDIS could be expected to improve IIP data, through the implementation of international guidelines and by highlighting asymmetries in bilateral foreign direct investment positions.

16.   Reserve assets in the IIP should be comparable to *total reserves* reported in international liquidity data in *IFS* and *official reserves* for those countries reporting the Data Template on International Reserves and Foreign Currency Liquidity (Data Template). If differences exist in these datasets, such as for valuation, they should be explained in relevant country notes. For SDDS countries, the IMF monitors the comparison between data in the Data Template and in *IFS* on a monthly basis, and follows up with countries as appropriate.

17.   Comparisons of IIP data across other sector datasets can also be made. More countries are reporting monetary statistics to the IMF based on the new standardized report forms (SRFs), which were designed to facilitate the compilation and dissemination of monetary data in accordance with international methodology. The *nonresident* components of the SRFs for central banks (SR1) and for depository corporations (SR2) can be compared, in large part, with data for banks and monetary authorities in the IIP. In addition, countries that follow the *Government Finance Statistics Manual 2001* can compare IIP data for the general government sector, in large part, with data for the *foreign* component of the government finance statistics. Countries are encouraged to make these comparisons for cross-sector consistency checks to improve data quality.

Introducing IIP World and Regional Tables

18.   Also, IMF staff have been considering the idea of developing IIP world and regional tables, similar to the balance of payments world and regional tables published in the *BOPSY, Part 2*. Given that the number of countries reporting IIP now exceeds 100, this is an opportune time to consider whether such a project is feasible. As with the balance of

payments world tables, such tables would help identify weaknesses and gaps in reported IIP data.

19.   The first phase of the project would be to produce IIP world tables from data *reported by countries* to STA. The above strategy to increase the number of countries reporting IIP data to STA would complement this phase of the project by providing more reported IIP data for the world tables over time. Approximately twelve core tables are anticipated covering all the functional categories, total assets and liabilities, and net IIP. Although this phase is relatively straightforward, resources across the balance of payments divisions and Statistical Information Management Division are needed. Depending on the outcome of this initial work, it is thought that data for twelve core tables could be available during 2008, at which time progress would be reviewed.

20.   The second phase of the project would include *estimations* for nonreporters and late reporters to produce world aggregates for asset and liability positions similar to the coverage in the BOP world tables. The estimation process used to produce the aggregates in the BOP world tables relies heavily on World Economic Outlook's (WEO) BOP database.[4] Since there is no similar WEO database for IIP data, producing IIP world estimates would be resource intensive as sources for estimations would need to be researched, system development work undertaken, and estimates calculated for each country and for international organizations.

D. Currency Composition of IIP

21.   To support policy analysis of IIP data, at the Committee meeting in 2006 (BOPCOM-06/38), it was agreed that currency composition and remaining maturity should be encouraged (or supplementary) items to the IIP. IMF staff proposed to work with the Committee to incorporate currency composition data into IMF reporting forms for the IIP for the *BOPSY*. To facilitate this work, and following consultation with members subsequent to the Committee meeting, supplementary tables on currency composition and remaining maturity were included in the March 2007 draft of *BPM6* with *Table I* labeled as proposed for the *BOPSY*.

22.   There were only two comments from the worldwide consultation on the set of additional tables. One was a general concern about how the tables fitted into the appendix, while the other comment noted the importance of the data but also the potential reporting burden.

23.   Against this background, we would welcome the Committee's views on adopting *Table I* for *BOPSY* reporting, once *BOPSY* switches to *BPM6*. (*Table I* of the September 2007 draft is attached)

24.   The supplementary tables in Appendix VII of the September draft of *BPM6* include sector detail for central bank, general government, deposit-taking corporations, *other sectors*,

---

[4] Details of this process are set out in the *Introduction* to the *Balance of Payments Statistics Part 2: World and Regional Tables.*

and lending among affiliated companies. Given the increasing interest in data on other financial corporations, highlighted by recent market developments, and consistent with the sectorization in the standard components of the IIP, it is proposed that in the more detailed supplementary tables—specifically, *Table III* for currency composition and *Table IV* for remaining maturity—"Other sectors" be split into two categories; (i) *Other financial corporations,* and (ii) *Nonfinancial corporations, households, and NPISH.* If the Committee supports this change, it will be highlighted when the revised *BPM6* is posted on the Fund's external website early next year.

E. Questions for Committee Members

1. *Do Committee members have comments on STA's strategy to increase the number of countries compiling and reporting IIP data?*

2. *Do Committee members support the development of IIP world tables?*

3. *What are Committee members' views on the use of supplementary Table I on currency composition in Appendix VII of the September draft BPM6 as a basis for BOPSY reporting?*

4. *What are the views of Committee members on splitting "Other sectors" in the supplementary currency composition (Table III) and remaining maturity tables (Table IV) to separately identify "Other financial corporations"?*

ADDITIONAL ANALYTICAL POSITION DATA

(a) Currency Composition

Table I. Currency Composition of External Assets and Liabilities [at a reference date][5]

Table I-1: Debt claims on nonresidents

Year ...(latest year under review)

	Central bank***	General government	Deposit taking corporations	Other sectors****	Lending among affiliated companies	TOTAL
Total*						
Domestic currency						
Foreign currency						
USD						
Euro						
Yen						
Other currencies						
Unallocated						
Of which one year or less**						
Domestic currency						
Foreign currency						
USD						
Euro						
Yen						
Other currencies						
Unallocated						

Reserve assets

in SDR basket	
not in SDR basket	

Foreign currency derivatives: notional value of contracts with nonresidents

Receive foreign currency						
USD						
Euro						
Yen						
Other currencies						

---

[5] Table I is supplementary.

* excluding reserve assets
** original maturity
*** covers monetary authorities
**** other financial corporations, non financial corporations (except claims on affiliated), households, and NPISHs
Lending among affiliated companies is excluded from data for the other sectors.

Table I-2: Debt liabilities to nonresidents

Year ...(latest year under review)

	Central Bank**	General government	Deposit taking institutions	Other sectors***	Lending among affiliated companies	TOTAL
Total						
Domestic currency						
Foreign currency						
USD						
Euro						
Yen						
Other currencies						
Unallocated						
Of which one year or less*						
Domestic currency						
Foreign currency						
USD						
Euro						
Yen						
Other currencies						
Unallocated						

Foreign currency derivatives: notional value of contracts with nonresidents

Pay foreign currency						
USD						
Euro						
Yen						
Other currencies						

* original maturity
** covers monetary authorities
*** other financial corporations, non financial corporations (except claims on affiliated), households and NPISHs
Lending among affiliated companies is excluded from data for the other sectors.