



Thirty-Second Meeting of the IMF Committee on Balance of Payments Statistics

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BOPCOM—19/12

Reply by the IMF Committee on Balance of Payments Statistics to the Survey of the Friends of the Chair

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The UN Statistical Commission has asked the Friends of the Chair on the Future of Economic Statistics (FOC) to convene meetings over the next year to discuss whether the current planned updates to the system of economic statistics considers user-identified priority areas of development or whether gaps exist. The Commission also asked the FOC to examine whether the current governance and infrastructure supporting the system of economic statistics is sufficient to meet the need for an increasingly responsive and comprehensive system of economic statistics. The FOC has been asked to report back at the fifty-first session of the United Nations Statistical Commission with a list of recommendations aimed to improve the overall effectiveness and efficiency of the system of economic statistics. In order to help formulate their recommendations to the fifty-first UN Statistical Commission the FOC is requesting your feedback on questions related to:

- *global priorities in need of statistical development;*
- *global initiatives that could help with NSO transformation;*
- *the governance of economic statistics;*
- *and whether or not the program of economic statistics needs to be more responsive.*

Background

The UN Statistical Commission has asked the Friends of the Chair on the Future of Economic Statistics (FOC) to convene meetings over the next year to discuss whether the current planned updates to the system of economic statistics considers user-identified priority areas of development or whether gaps exist. The Commission also asked the FOC to examine whether the current governance and infrastructure supporting the system of economic statistics is sufficient to meet the need for an increasingly responsive and comprehensive system of economic statistics. The FOC has been asked to report back at the fifty-first session of the United Nations Statistical Commission with a list of recommendations aimed to improve the overall effectiveness and efficiency of the system of economic statistics. In order to help formulate their recommendations to the fifty-first UN Statistical Commission the FOC is requesting your feedback on the following questions. Please provide your thoughts in the space provided below each question.

By way of background, the system of economic statistics is defined to be:

- An overarching framework presently being the System of National Accounts along with the related macroeconomic manuals such as Balance of Payments, Government Finance Statistics, System of Economic-Environment Accounts.
- Concepts and statistical methods pertaining to statistical (multi) domains such as for statistics on businesses, trade, labour, prices, globalisation, entrepreneurship, technology, living conditions.

- Methodology on the statistical production process related to data collection, processing, dissemination and analysis including supporting classification systems and statistical registers and frames.
- Institutional infrastructure related to institutional policies (such as policies around data sharing), principles, organisation and management, and quality frameworks.

Q1. The Friends of the Chair Group identified several priority areas for the update of the system of economic statistics. These included digitalization, globalization, economic well-being, economic inequalities, sustainability, climate change, intangible assets, household production, human capital and the informal sector. It was acknowledged that most of these priority areas are currently being addressed through global initiatives. ***In addition to the above, are there gaps / issues that have a global reach that need to be addressed?***

Committee’s answer:

The main priority areas for a future update of external sector statistics (ESS) manuals are covered in the following document of the IMF Committee on Balance of Payments Statistics (hereinafter, the Committee): “*A Backbone Strategy for Updating BPM6*” (BOPCOM—19/10). This document is to be discussed by the Committee at its annual meeting on October 29–November 1, 2019.

Our sense is that most of the ESS priority areas identified so far can be grouped into one or more of the above-mentioned broad categories. Key issues like the treatment of multinational enterprises (MNEs) and Special Purpose Entities (SPEs); economic ownership and the recording of Intellectual Property Products (IPPs); global value chains (GVCs); and (cross-border) digital trade can be considered part of the globalization theme, with close linkages with other broad areas (e.g., intangible assets in the case of IPPs or digitalization, in the case of digital trade). Other themes such as trade finance, nonbank financial intermediation, centralized currency unions, Islamic finance, net international reserves, crypto assets, etc. may be more difficult to classify in either of those broad areas and may rather pertain to another broad category: “*Drivers from Evolving Financial and Payments Systems*”.

The informal economy is also one of the priority areas in the ESS research agenda. In this regard, we would suggest using this denomination as opposed to the one used in this questionnaire, namely informal sector. The use of the word “sector” (the same goes for the use of “digital sector”), may lead to confusion with the standard institutional sectors of macroeconomic statistics.

The Committee’s research agenda (BOPCOM—19/17) contains much more granular information about ongoing work undertaken by the Committee to address methodological and data collection issues. In this regard, in the last three years much work has already been carried out by the Committee to respond to user needs in an agile way: work on SPEs, GVCs, the informal economy, etc. has been undertaken in close coordination with other International Organizations (IOs) and IMF member countries and is available on the Committee’s website (<https://www.imf.org/external/bopage/bopindex.htm>).

Both International Organizations and National Statistical Organizations have a robust infrastructure to engage data users. This infrastructure (advisory committees, bilateral meetings, task groups) ensures that new and emerging issues and data needs are known,

prioritized and acted upon. While identification of new demands does not seem to be a significant issue, some economies have limited resources to comply with the numerous demands to update ESS accordingly.

Q2. NSOs are also being required to undertake significant institutional transformation including increasing use of new data sources, improving timeliness, addressing accuracy issues, introducing new data linking methods and processes, undertaking more granular analysis on the social and environmental impact of economic activity, and taking on new roles as data custodians for the use of administrative and big data. ***There are several global initiatives (such as UNECE work on Data Sharing, the Eurostat work on Global Registers, High Level group on Modernization) currently underway supporting NSOs in their transformation? Is there a need for additional global initiatives that could support NSOs in their transformation?***

Committee's answer:

IOs may provide important services to national statistical compilers, particularly in areas where national initiatives alone are unable to address global phenomena. For instance, IOs are best placed to organize multilateral exchanges of data: examples are the IMF Centralized Portfolio Investment Survey (which provides compilers with mirror data on their portfolio liabilities from the holdings of their counterparts); the IMF Centralized Direct Investment Survey (which provides mirror information about inward and outward direct investment from counterpart economies) or the most recent centralized exchange of information on issuer sectors (which provide countries with input data to compile from-whom-to-whom portfolio stocks broken down by country and sector of issuers and holders). Initiatives by the OECD or the IMF to facilitate dialogue across compilers to address the existence of bilateral asymmetries (e.g., in cross-border financial flows and stocks and in trade statistics) are also important contributions that IOs can make to their membership. Unfortunately, in some cases the level of aggregation of the data or national legal restrictions do not allow to identify the reasons for discrepancies. Additional efforts by IOs to develop approaches to permit micro data exchanges between countries circumventing barriers related to information confidentiality and data anonymization would be very welcome.

Another example of a service that IOs could provide to national compilers is by establishing a dialog with large digital companies to retrieve aggregate information from their raw/disaggregated data (without the need to get direct access—to avoid confidentiality concerns) and provide the results to their member countries. If so requested, IOs may also facilitate contact between such companies and national producers of official statistics, and possibly coordinate international exchanges of such data. For ESS, this could be an important source of information for tracing e-commerce, since the volume of such transactions is increasing exponentially due to digitalization but many of these transactions remain below statistical reporting thresholds thus creating a significant data gap. A global initiative duly coordinated across IOs could carry a strong weight with these digital companies.

Similarly, a global initiative would be desirable to support national compilers in getting the necessary information from MNEs to compile macroeconomic statistics.

IOs may also continue insisting on the need to facilitate statistical compilers' access to administrative data as well as to improve the communication and exchange of data with other national institutions.

In addition to the above, IOs could help to insure consistency of the economic statistics compiled at the national level. Multisectoral assistance would also be a channel to facilitate inter- and intra-agency collaboration at the national level (e.g., all macroeconomic datasets should follow the same definitions and scope of the public sector, for instance, instead of diverse sectorization of the same economy by different stakeholders—MOFs, Central Banks, and National Statistical Organizations. From the Fund's perspective, this collaboration is being facilitated through an intensive capacity development program in its member countries as well as through consultation with policy makers to secure political commitment and enough resources to improve macro statistics.

Q3. The system of economic statistics (involving numerous institutions, committees and other governance arrangements) has developed somewhat organically over time, guided by common principles aiming to deliver a complete and coherent set of data on the economy. *Does the governance structure supporting the key macroeconomic accounting frameworks (SNA, BOP, GFS, SEEA) need to be re-examined? If so, can you provide suggestions as to how the governance structure could be made more efficient and effective?*

Committee's answer:

No. We believe that the current governance structure has worked well. The roles and areas of focus of the various IOs are clear and aligned well with the expertise the IOs provide. We also believe that full integration under a supranational body could put at risk the dynamism and efficiency with which different bodies interact with different types of national compilers (central banks, ministries of finance, statistical offices) and users to address important policy demands under their respective remits.

Having said this, we see room for improvement in the coordination of activities across IOs to avoid duplications and uncoordinated initiatives. There should be a more continuous dialogue between the different bodies and IOs with a view to exchanging information and avoiding overlaps. One possible step in this direction could be by having the international bodies (BOPCOM, ISWGNAs/AEG, GFSAC, etc.) share their annual work programs and longer-term research agendas and publish these at the beginning of each year.

Apart from better coordinating the agendas, common procedures would be desirable to ensure joint discussions on topics that are relevant for all macroeconomic accounting frameworks. For example, if a clarification note is issued on a specific topic related to ESS (either a new emerging issue that is not yet covered by *BPM6* guidance or where conceptual ambiguity warrants a clarification), guidance should have in mind the consequences for the other macroeconomic accounting frameworks. Such a common procedure could be a written consultation process involving all other macroeconomic accounting frameworks.

Q4. Most of the current settings are focused on supporting the production of macro-economic data whereas increasingly users are demanding more granular insights. ***Given the increasing availability of disaggregated and microdata and notwithstanding challenges related to microdata access, how can the current mechanisms be reinforced or adapted to meet these needs, or are new mechanisms needed?***

Committee's answer:

In the area of ESS, demands for more granular data usually relate to additional breakdowns such as by type of product (in the case of trade data); by currency and geography in the case of other balance of payments (BOP) or international investment position (IIP) components; by specific types of units (SPEs, affiliates of MNEs); or by alternative classifications that cut across the functional categories of BOP/IIP (e.g., informal economy, digital economy, trade finance, etc.).

As we mentioned in our response to Q2, we see a major challenge in individual countries trying to get access to new sources of information such as big data or data from large digital firms. We see room for streamlining access to these data via public-private partnerships which could more likely come to fruition if strongly backed by international initiatives, which should be properly coordinated across IOs and country compilers.

For developing economies, the increased adoption of the use of technology in many government agencies some of which are centralised provides scope for increased usage of administrative data sources which had been abandoned due to reliability issues.

There is also a need for further research in small domain/area estimation. New methods need to be developed that will take national level benchmark information and decompose these estimates into significantly smaller domains using alternative and often unstructured data. Providing the detailed information users are demanding via traditional survey taking is not viable. The international community should sponsor research into how to disaggregate survey data by 'linking' it to alternative data sources to address user needs with respect to granularity and timeliness.

With regard to demands for more granular/micro-data by researchers for other purposes than those specified in existing statistics legislation, procedures need to be considered to receive political approval for expanding the legal basis and thus ensuring adequate allocation of resources.

Q5. The system of economic statistics is often portrayed as reactive and slow in adjusting. *Do you agree? if so, are new institutional arrangements needed to make it more responsive to changes in user and policy needs?*

Committee's answer:

We agree that reactions to user demands could and should be more agile in between manual updates. In this regard, since 2017 the Committee started producing so-called “clarification notes” which tried to respond to questions from compilers and users, in some cases related to new financial instruments (e.g., crypto assets) that didn’t exist when the sixth edition of the *Balance of Payments Manual (BPM)* was released.¹ The release of such clarification notes permits compilers to react much more dynamically/incrementally to new phenomena instead of having to wait until the “big bang” adoption of a new version of the statistical manuals. We see this as a way of ensuring that statistical standards remain up-to-date without creating uncertainty with users (like it could be created if changes to the manuals were introduced on an ongoing basis on some sort of digital-only version of the *BPM*).

There is a need to speed up the ‘guidance’ process and become comfortable with publishing interim guidance even if all the conceptual issues have not been addressed or agreed upon. Currently it takes one or two years to provide guidance on the conceptual and methodological treatment of a specific issue. The international community needs to speed up this process. Furthermore, once the guidance has been issued there needs to be a concerted effort to encourage as many countries as possible to apply the guidance and develop experimental estimates to their national user community.

Standard setters should develop a ‘future’ agenda which predicts/anticipates significant transformation changes and develops guidance before the change is material. For example, how would our frameworks deal with a situation where individuals continue to volunteer significant amounts of their time post-retirement.

In addition, we see room for improving timeliness via the provision of some early indicators (e.g., of cross-border e-commerce) possibly by using estimates and/or unstructured data. Such early estimates could be released in the form of confidence intervals (instead of data points) and should be accompanied by proper warnings on the methodology used and/or the accuracy of the data/estimates.

¹ See <https://www.imf.org/external/bopage/bopindex.htm>

Q6. Finally, there is significant innovation and experimentation of new methods and processes that take place outside of the realms of official statistics agencies, for example in academia. *Do NSOs and International Organizations need to accelerate its pace of innovation and degree of experimentation?*

Committee's answer:

We agree that many of the challenges for ESS included on the Committee' research agenda may sometimes challenge the way statistics are compiled and may thus require innovative ways to provide supplementary presentations of the same reality based on different principles. For instance, investments channeled via offshore centers may call for the provision of separate information on SPEs and/or information on ultimate investing/investee countries; globalization and the spread of different stages of production processes across different countries (GVCs) may call for the provision of information on a trade-in-value-added basis; MNE activities may call for the provision of complementary information based on nationality (rather than on residence); etc.

Furthermore, whenever there exist important data gaps (e.g., the informal economy), it may be necessary to complement official sources of information with estimates and/or via the use of alternative data sources (e.g., mobile money data from telecommunication companies).

Finally, as mentioned in Q5 the increasing demand for early indicators may also call for testing more experimental approaches that may go beyond the standard way of producing official statistics. In this regard, wider use of model-based estimation techniques could help. Nowadays, the availability of data has exploded exponentially and the possibility of extracting very timely indicators from, for example, Google searches, scanner data, geospatial images, etc. is there. If statistical compilers do not take the lead in defining such indicators others will do it. A reinforced involvement of statistical compilers in producing (some of) these indicators could ensure that they be produced more transparently and with a sound methodological framework behind.

A lot of innovative projects dealing with specific topics are already set up with involvement of academia in both National Statistical Organizations and IOs to accelerate progress of statistical development. The results of this cooperation are sometimes not presented to users as they do not comply in all cases with the aim of high-quality official data. To further encourage statistical innovation, it could be considered to establish common rules for publishing experimental statistics which are clearly separated from high quality official data.

Annex. Friends of the Chair on the Future of Economic Statistics

The 50th United Nations Statistical Commission noted the proposal to create a high-level group on economic statistics and agreed to create a Friends of the Chair group consisting of economists and statisticians to consider the merit of the proposal. Specifically, the UNSC requested that:

- the Friends of the Chair group be established for a period of not more than two years to undertake an assessment on the efficiency, effectiveness and responsiveness of the governance of the current system of economic statistics, without creating more bureaucracy or adding undue burden on national statistical offices and international organizations;
- the Friends of the Chair group to take stock of existing initiatives and make a recommendation to take these forward in an update of the system of economic statistics through a broad user consultation;
- the Friends of Chair group to take forward issues of the statistical update that have already reached a high level of maturity;
- the Friends of the Chair group to report back to the Statistical Commission at its fifty-first session with a clear plan on how to move forward;

At the first meeting of the Friends of the Chair in May 2019 the FOC agreed to convene meetings over the next year to discuss whether the current planned updates to the system of economic statistics considers user-identified priority areas of development or whether gaps exist. The meetings will also be used to examine whether the current governance and infrastructure supporting the system of economic statistics is sufficient to meet the need for an increasingly responsive and comprehensive system of economic statistics. The FOC would like to report back at the 51st session of the United Nations Statistical Commission with a list of recommendations aimed to improve the overall effectiveness and efficiency of the system of economic statistics.

In order to engage a broad set of stakeholders in this discussion the FOC would like to partner with existing groups where issues of economic statistics are discussed. The FOC is requesting that at your next regularly scheduled meeting you set aside time on your agenda to discuss “The Future of Economic Statistics”. In order to help facilitate this discussion the FOC has prepared 1) an abstract to be included in your agenda; 2) a series of questions to be considered in your group discussion; 3) a series of short background notes on the various issues that can be circulated to your members prior to the meeting; 4) a summary of the discussion of the first meeting of the FOC; 5) a questionnaire that can be circulated to your membership in the event that you do not have a meeting scheduled before October 30th, 2019.

Following your meeting or consultation period we request that you consolidate the feedback of your group and send the consolidated feedback to the FOC secretariat. If you are unable to consolidate the feedback, we are happy to receive the individual feedback from your members. We require this feedback by October 30th, 2019 so that information can be included in the discussion of the FOC meeting scheduled for mid-November 2019. This feedback will help the FOC formulate their recommendations to the 51st UNSC.