

IFC Satellite meeting at the ISI World Statistics Congress on *"Assessing international capital flows after the crisis"*
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Measuring and Reporting Capital Flows: The Role of the New Statistical Standards and Data Initiatives¹

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¹ This presentation was prepared for the meeting. The views expressed are those of the author and do not necessarily reflect the views of the BIS, the IFC or the central banks and other institutions represented at the meeting.



*Assessing International Capital Flows After the Crisis
BCB/CEMLA/IFC Satellite Meeting at the ISI 60th World Statistical Congress
Rio de Janeiro, Brazil (July 24, 2015)*

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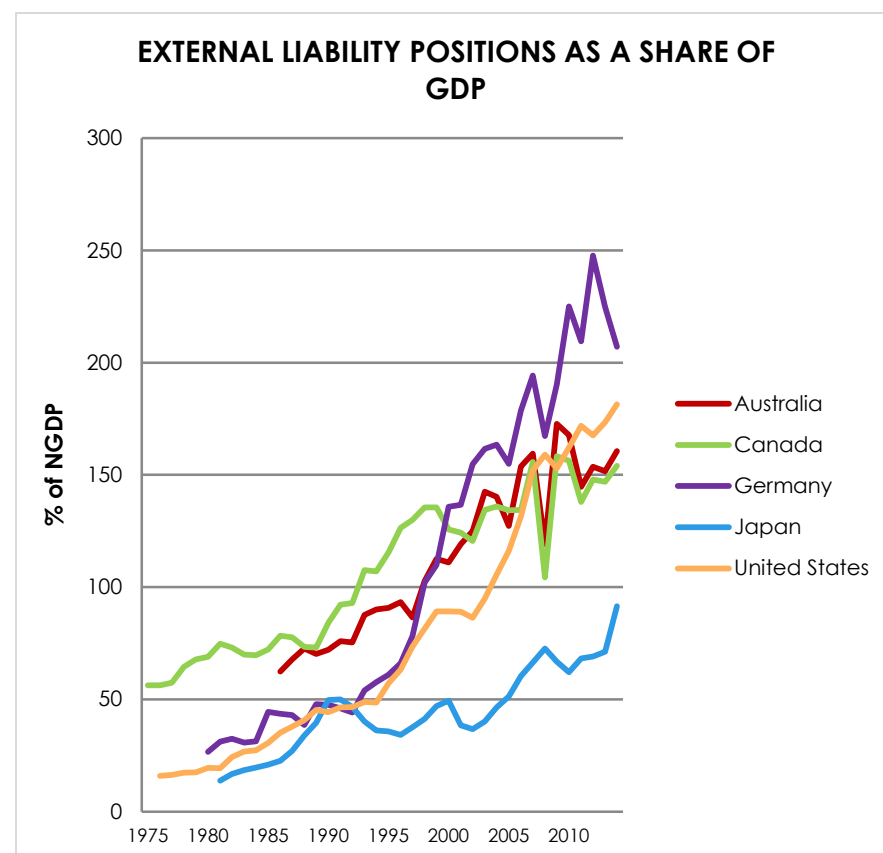
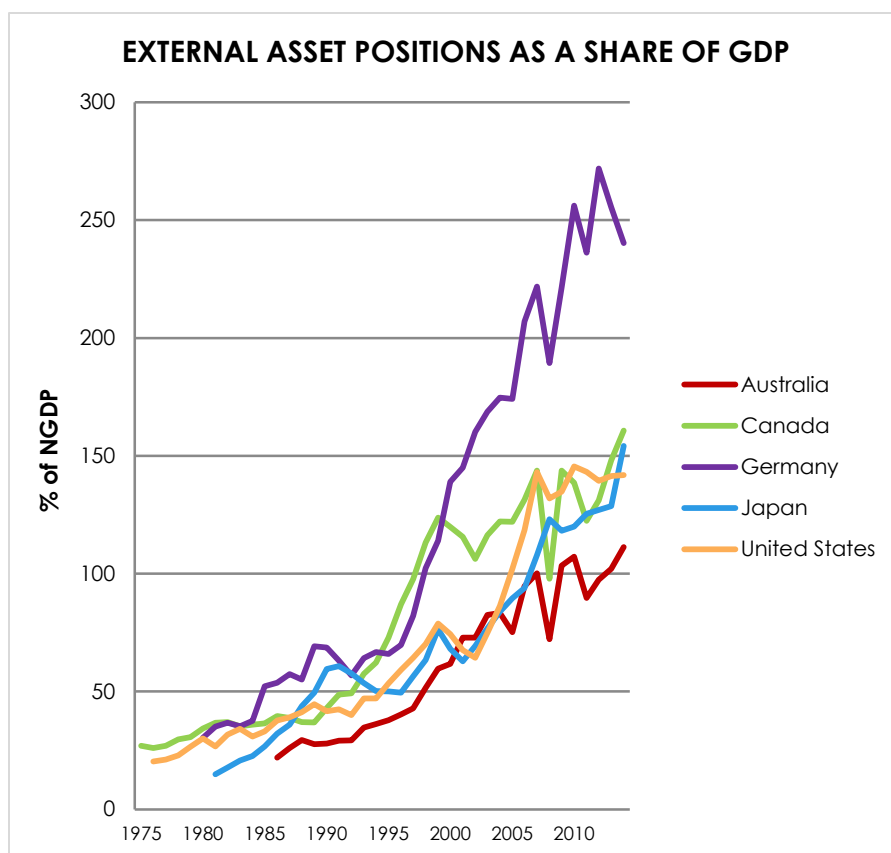
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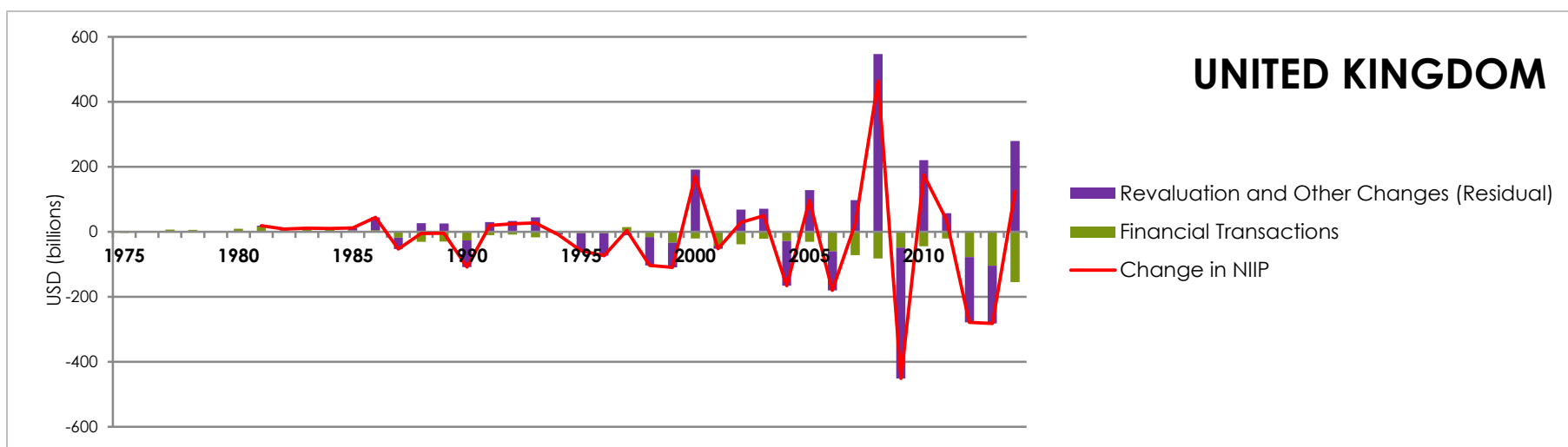
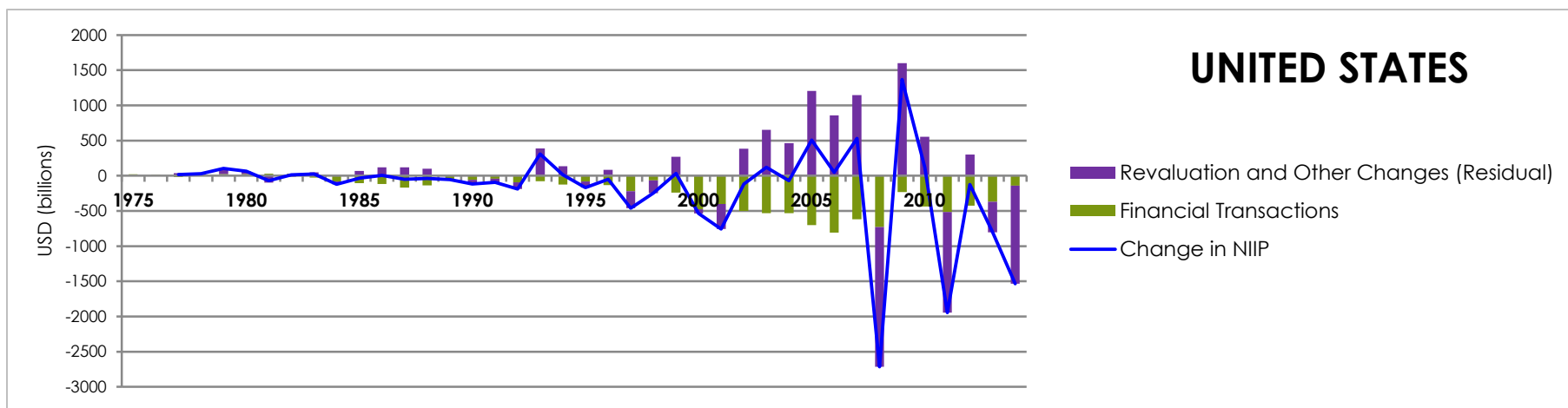
Outline of Presentation

- A Macroeconomic Data Framework for Capital Flows
- *BPM6*: Responding to the Dynamics of Capital Flows
- *BPM6* Implementation: Experiences and Challenges
- Other Data Initiatives
- Concluding remarks

External Asset and Liability Positions are Growing Faster Relative to the Real Economy



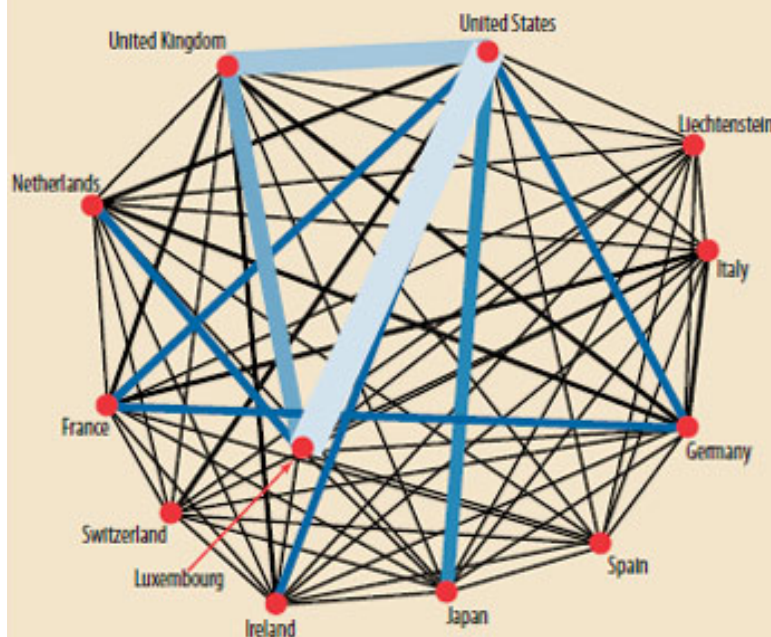
Revaluation and Other Flows are Important



Global Financial Networks Have Grown

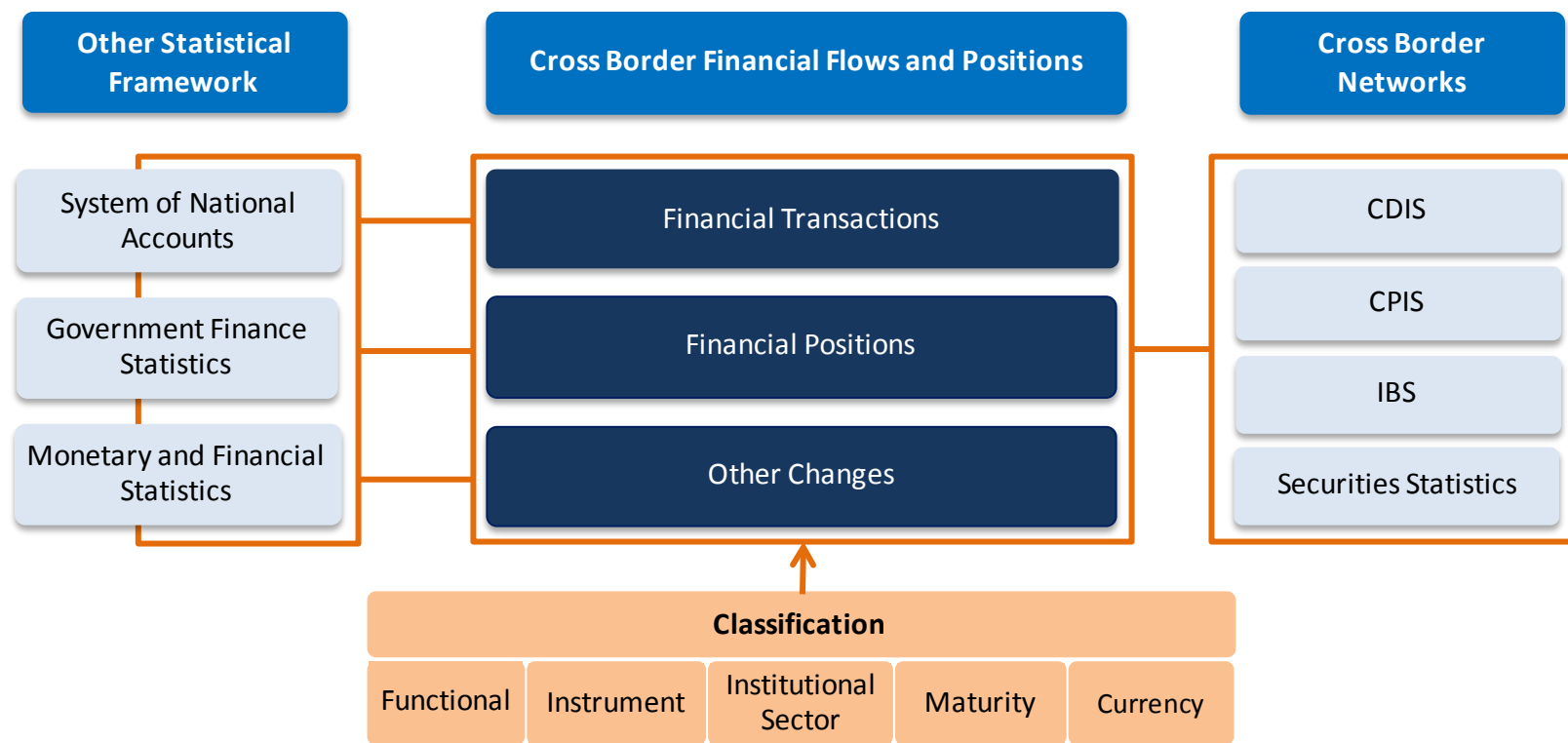
An interconnected world

The financial links between the United States, the United Kingdom, and Luxembourg are especially strong.
(countries with largest number of connections with other countries)



Sources: Lipper (Thomson Reuters); and IMF staff calculations (2010).
Note: Thicker lines signify greater exposure among countries.

Financial Flows and Positions: An Integrated Macroeconomic Data Framework





***BPM6*: Three thematic trends motivated the revisions...**

- **Balance Sheet Analysis (BSA):** *BPM6* builds on the growing interest in analyzing risks and vulnerabilities using balance sheet data.
 - International investment position (IIP) is at the center of *BPM6*, with extensive elaboration of balance sheet components.
- **Globalization:** new economic arrangements, globalized production processes, and heightened individual and corporate connections across economies posed new challenges for measuring capital flows.
- **Financial innovation:** the emergence of new financial instruments and arrangements among institutional units (e.g. securitization and SPEs)

How has *BPM6* enhanced the measurement of capital flows?

- Scope of financial assets and liabilities widened/clarified
 - Treatment of SPEs, SDRs, Guarantees, Derivatives, Pensions
- Broader sector classifications, consistent with *2008 SNA*
 - *Other financial corporations and nonfinancial corporations, households and NPISHs distinguished under other sectors. Central bank and deposit-taking corporations except the central bank introduced in BPM6.*
- Functional and instrument classifications expanded and better aligned with *2008 SNA*
 - Employee stock options, investment fund shares, insurance, pension, and standardized guarantee schemes
 - Direct investment identifies investment between fellow enterprises
 - Reserve-related liabilities introduced as a classification
 - Mergers and acquisitions, superdividends, undistributed branch profits, debt defeasance, share buybacks, index-linked debt instruments and one-off guarantees addressed/clarified

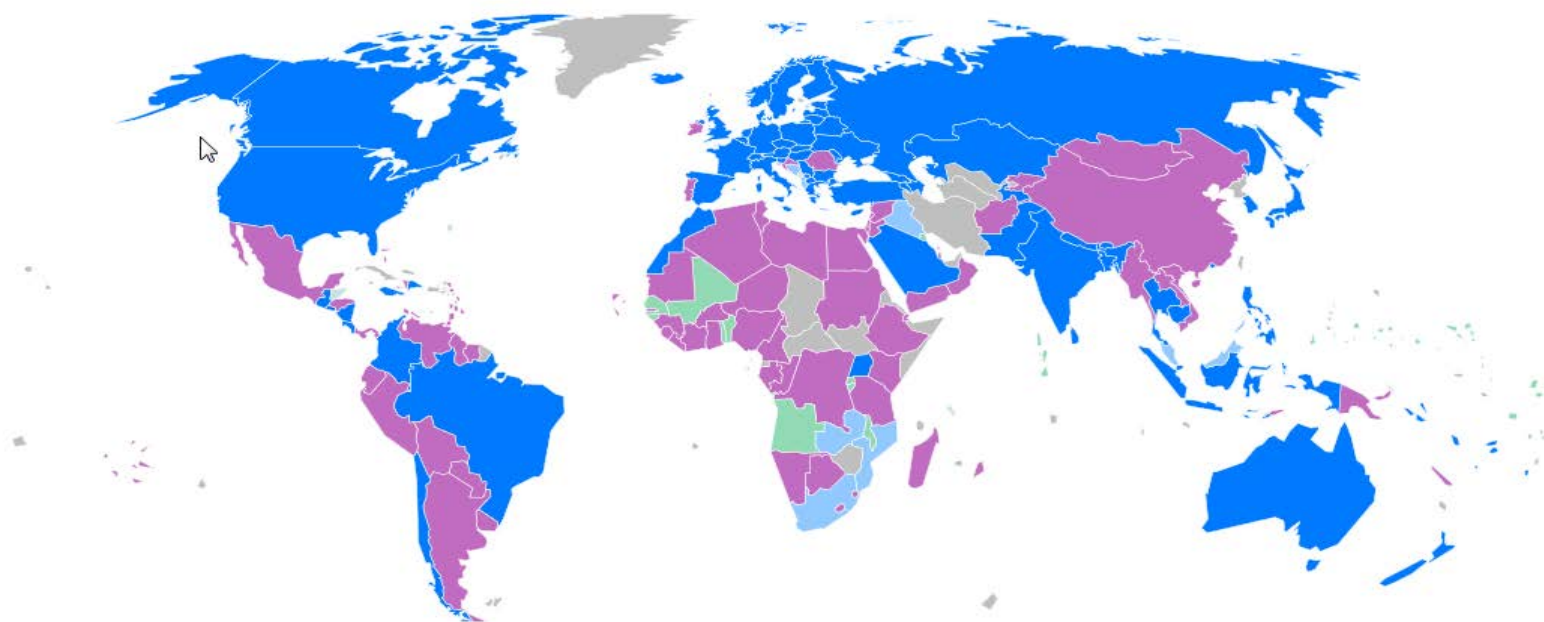


How has *BPM6* enhanced the measurement of capital flows?

- Greater focus on remaining maturity and currency classifications (memorandum items)
- Principle of ownership consistently applied (e.g., goods for processing and merchanting) with implications for financial flows (under *BPM5*, goods for processing transactions potentially distorted financial flows).
- Recording basis clarified for:
 - Arrears;
 - Transactor principle for traded financial instruments issued by nonresidents; and
 - Migrants transfers.

Implementation of *BPM6*

(based on data published in the IMF's *International Financial Statistics*, as of July 2015)



<i>BPM6</i> Reporters	106
of which:	
BOP Q - IIP Q	75
BOP Q - IIP A	7
BOP A - IIP A	16
BOP Only	8
BPM5 Reporters	86

Implementation of *BPM6*

- Data for **106 economies** published in *IFS* on a *BPM6*-basis
- Australia was the first country to implement *BPM6*
- ECB/Eurostat adopted a coordinated approach to *BPM6* Implementation for European Union countries.

Experiences and Challenges:

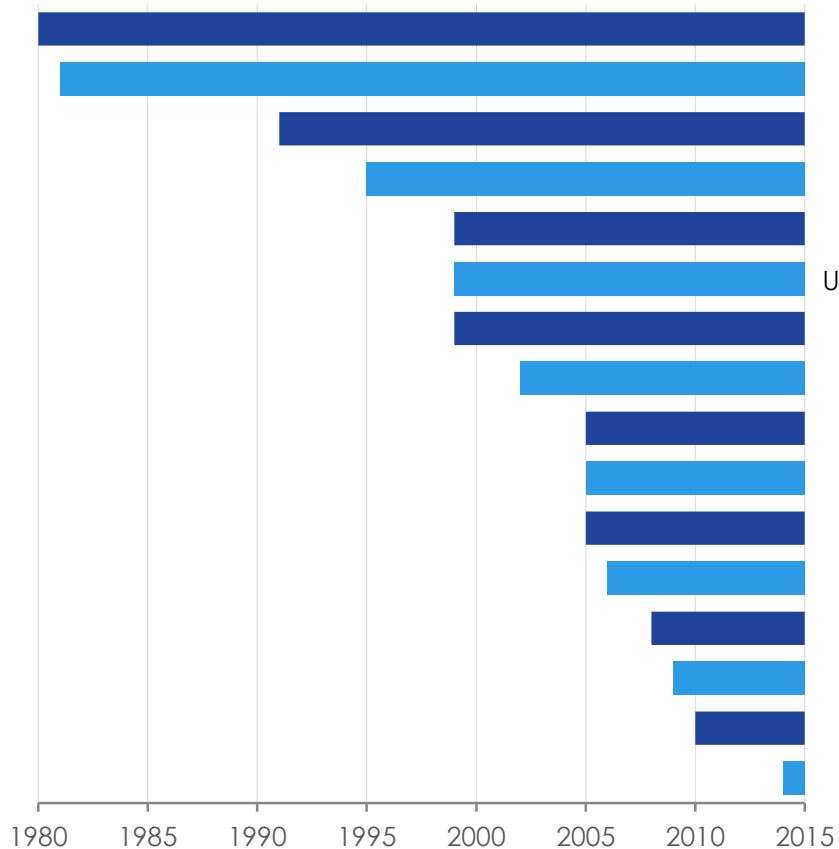
- Communication strategies (bringing data providers and users on board)
- Stepwise approach, starting with the most relevant changes
- Adapting data collection infrastructure (resource demands)



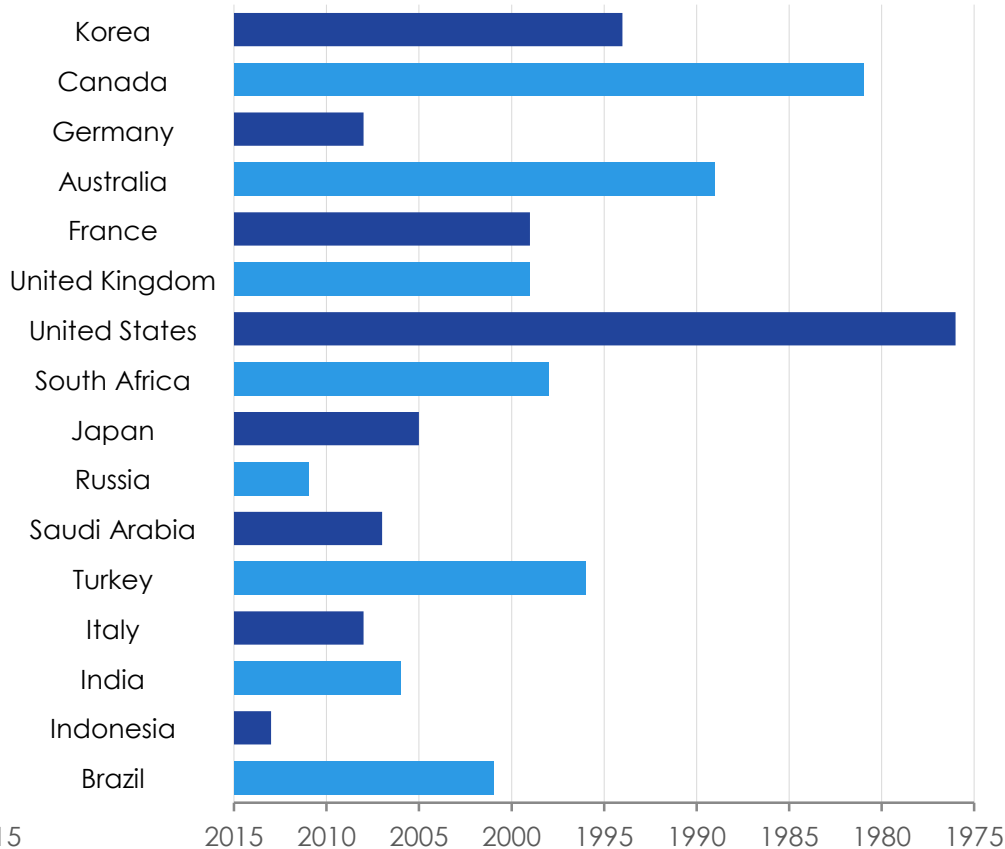
Length of *BPM6* Historical Series Varies

(Example: G-20 Economies)

Balance of Payments



International Investment Position



IMF's Work on *BPM6* Conversion

- Beginning with the August 2012 releases of the *IFS*, the IMF has been publicly disseminating data and metadata on external sector accounts with data from 2005 forward on a *BPM6* basis. Data were converted from a *BPM5*-based series using a generic conversion tool, unless countries provided their own *BPM6* series.
- In response to increasing demand for longer time series, the IMF will publish, beginning with the September 2015 releases of the *IFS*, the pre-2005 series. The data would be based on the generic conversion tool unless countries provided their own *BPM6* series.
- ***BPM6* data in surveillance:** *balance of payments data on BPM6* basis first launched in the April 2014 IMF's *World Economic Outlook (WEO)*. IIP data on a *BPM6* basis presented in *WEO* for the first time in its April 2015 edition.

Data Initiatives: Development of Major Balance Sheet Data

Data Categories	GDDS ¹		SDDS		SDDS Plus ²	DGI ³
	1997	2015 ⁴	1996	2015	2015 ⁴	2015
Data Categories						
Sectoral Balance Sheets				Q ⁵	Q	Q
Government Financial Balance Sheet						Q
Central Government Debt	Q	Q	Q	Q	Q	Q
General Government Gross Debt				Q ⁵	Q	Q
Depository Corporations Survey	M	M	M	M	M	
Central Bank Survey	M	M	M	M	M	
Official Reserves Assets	M	M	M	M	M	
Template on International Reserves and Foreign Currency Liquidity				M	M	
External Debt		Q		Q	Q	
International Investment Position (IIP)		A		Q	Q	Q
Coordinated Portfolio Investment survey (CPIS)					H	H
Coordinated Direct investment Survey (CDIS)					A	
Securities Statistics					Q	Q
G-SIBs						Q
International Banking Statistics (IBS)						Q
Financial Soundness Indicators (FSIs)		Q ⁵		Q ⁵	Q	Q
Number of countries participating/subscribing economies						
	15 ⁶	112	43	64	8	19

Note: 13 GDDS participants have moved to SDDS, and eight subscribers of SDDS have moved to the SDDS Plus.

"A" stands for annual data; "H" - semi-annual data; "Q" - quarterly data; and "M" - monthly data.

¹ Enhanced in 2015, now called e-GDDS.

² Launched in 2014.

³ Launched in 2009.

⁴ Some data categories were introduced in between the inception year and 2015.

⁵ Encouraged.

⁶ By end-2000.



Data Initiatives: Data Gaps Initiative (DGI)

- **The G-20 DGI has been a successful initiative, almost unique in its scope and implementation.**
- Launched in 2009 by the FSB and the IMF at the request of the G-20 and includes BIS, ECB, Eurostat, OECD, UN and World Bank.
- Twenty recommendations proposed under the DGI to close the information gaps revealed by the global financial crisis.
- Significant progress made in implementing the 20 recommendations; the majority of them expected to be implemented by end-2015/early 2016.
- Proposals for DGI Phase 2 to be presented for endorsement by the G-20 Finance Ministers and Central Bank Governors in September 2015.

Some Concluding Remarks:

- Cross border financial flows and positions now part of a more integrated data collection framework that supports analysis of **linkages within the domestic economy**, and with **global financial networks**.
- Globally, progress is being made in implementing *BPM6*, and in improving the scope and quality of financial network databases.
- The Road Ahead:
 - Demonstrating the value of data collections
 - Linking data gaps to policy relevance
 - Having a tailored and coordinated approach for improving data compilation across countries