

Consistency Between Balance of Payments and National Accounts: Experience and Perspectives

**Workshop on Harmonization of
Balance of Payments and National Accounts**
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Outline

- Improving the quality of macroeconomic statistics
- STA's **Experience** with consistency
 - Data Assessment Quality Framework and ROSC missions
 - Cross-Sector Consistency Group
 - Balance Sheet Approach

Perspectives

- BOP and NA consistency (Financial Balance Sheet vs IIP)
- Some conceptual issues
- Source data considerations –example of ITRS (insurance, FISIM)
- Final Remarks



Improving the Quality of Macroeconomic Statistics

- IMF's Statistics Department (STA) aims at improving the quality of macroeconomic statistics in member countries
- High-quality statistics support IMF surveillance and are prerequisites for the formulation of appropriate macroeconomic and financial policies

Data Quality

- Five dimensions under data quality assessment framework (DQAF) of IMF
- **One of them is serviceability and covers**
 - Periodicity and timeliness
 - Consistency**
 - revision policy and practice



STA's Experience

- Focus on consistency across all macroeconomic datasets
- For identified datasets
- Not specific to BOP and NA consistency
- Data Assessment Quality Framework (DQAF 2013)
- Cross-Sector Consistency Group
- Balance Sheet Approach



DQAF - Consistency

- **4.2.3: Statistics are consistent or reconcilable with those obtained through other data sources and/or statistical frameworks.**

BOP: The balance of payments statistics are consistent or reconcilable with the international merchandise trade, national accounts, monetary and financial statistics, external debt, and/or IIP statistics.

NA: The statistics are consistent or reconcilable with other statistical frameworks.

-largely consistent with balance of payments, government finance statistics, and other statistical frameworks, as relevant

Refer to Annex (Table on DQAF 4.2.3) for countries present in the workshop



ROSC Missions

- Some insights from recent ROSC missions –assessment based on DAQF
- Uruguay (2014) –National Accounts

-National accounts statistics are largely consistent with balance of payments statistics.

-Monetary statistics and government finance statistics (GFS) are reconcilable with national accounts

-The central bank has carried out reconciliation exercises between national accounts statistics and balance of payments and GFS

You may like to provide an update in country presentation.



ROSC Missions

■ Oman (2015) – National Accounts /Balance of Payments

National Accounts

- Consistent with balance of payments published by the central bank (net exports of goods and services broadly identical)
- Meetings of central bank and statistical office prior to release of national accounts to ensure consistency of published data

Balance of Payments

- Net lending/borrowing reconcilable with national accounts
- Net primary income identical
- Net current transfers: minor differences
- External trade have discrepancies



STA Cross-Sector Consistency Group

- Scope limited to pairs of indicators reported and published by STA, which are considered important for IMF surveillance for an analysis of cross-sector consistency
- Mainly G-20 countries and other countries with systemically important financial centers, and economies represented in the IMF's Balance of Payments Statistics Committee (BOPCOM)
- Analysis primarily covered the period 2008-10 (and 2011 when available)
- Findings reported to BOPCOM in 2011 and 2012, and IMF's Executive Board in 2013



STA Cross-Sector Consistency Group

- Identified countries, for which major inconsistencies (in terms of both percentage (above 25 percent) and absolute value) were followed up
- The work is conducted: from headquarters and during TA missions
- Several member countries have identified and implemented ways to address inconsistencies



STA Cross-Sector Consistency Group

- For example:
 - in the case of Brazil, difference between deposit taking corporations foreign liabilities in MFS and IIP for 2011 reduced from **91 billion USD to 21 billion USD**
 - Similar differences for Mauritius were resolved, which were resulted from inclusion of global license companies in IIP and not in MFS.



STA Cross-Sector Consistency Group

- Common reasons for inconsistencies
 - Coverage of institutional units and/or of financial instruments
 - Valuation of financial instruments
 - Accrual versus cash recording
 - Errors in source data
 - Different time of recording; etc.



Balance Sheet Approach

- Matrix showing asset and liability positions in and between key sectors
- A comprehensive BSA matrix requires consistency across sectors
- IMF published a Board Paper on Balance Sheet Analysis in 2015

<https://www.imf.org/external/np/pp/eng/2015/061215.pdf>



BOP and NA consistency: Financial Balance Sheet of ROW vs IIP

- Some of the countries participating in the workshop are developing sectoral accounts (Brazil, Colombia ?)
- Sectoral balance sheets under SDDS plus: consistency between financial balance sheet (ROW) and IIP came into prominence
- Users may raise questions on differences between Financial Balance Sheet (ROW) and IIP reported to IMF
- Let us discuss two examples: USA and Canada



BOP and NA consistency: Financial Balance Sheet of ROW vs IIP

United States

- Large differences.
- No relevant information available on DQAF.
- Some observed differences are due to:
 - Financial derivatives not included in ROW, but covered in IIP
 - Most of the debt securities at book value in ROW and at market value in IIP

Note that two different agencies responsible for IIP and ROW accounts



BOP and NA consistency: Financial Balance Sheet vs IIP

Canada

- Minor differences observed
- As per DQAF, Canada's IIP is consistent with the rest of the Canadian system of macroeconomic accounts and there is a complete concordance in the data with Canada's National Balance Sheet Accounts.
- Note that the same agency (Statistics Canada) responsible for compilation of sectoral accounts (financial balance sheet) and IIP



BOP and NA consistency: Financial Balance Sheet of ROW vs IIP

- Mapping of BOP/IIP functional categories to financial instruments in ROW needs careful consideration
- Some countries make errors in mapping that lead to large discrepancies
 - Good understanding of both the concepts, i.e. functional categories (DI, PI, RA, and OI) and financial instruments necessary to implement a correct mapping
 - DI Debt instruments: some assumption based on expert judgement needed to map them to financial instruments in ROW
 - Reserve assets: detailed data required
 - Reserve position in the Fund: currency and deposits
 - Forex reserves: mainly debt securities, and currency and deposits



Some Conceptual Differences

- May lead to discrepancies.

For example:

- Valuation methods
 - equity liabilities of financial corporations
- Consolidation
 - nonconsolidated presentation (2008SNA/BPM6)
 - consolidated presentation GFSM 2014 and MFSMCG
- Sectorization – differences in subsector of offshore banks



Source Data Considerations

- International Transactions Reporting system (ITRS)

Some examples

- Insurance

- ITRS data can't be used directly in BOP. Shall be supplemented with administrative data
- Cooperation with national accounts compilers to avoid discrepancies relating various entries of insurance (service credit/debit, current transfer credit/debit, and IIP)

- Interest on loans /deposits and FISIM

- ITRS data requires adjustments, reconcile BOP and NA recording

- FDI related goods imports



Final Remarks

- Given the linkages of ROW account with other sectors in sectoral accounts framework, consistency of ROW and BOP/IIP – needs coordination with agencies responsible for BOP, NA, and also other macroeconomic statistics (GFS and MFS)



Important References

Improving cross-sector consistency, May 2013

<https://www.imf.org/external/np/pp/eng/2013/053013.pdf>

DQAF for Balance of Payments and IIP, May 2012

https://dsbb.imf.org/images/pdfs/dqrs_bop.pdf

DQAF for National Accounts, May 2012

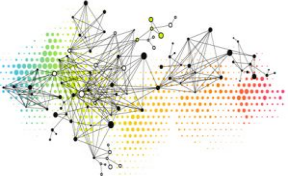
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Uruguay: Report on the Observance of Standards and codes –data module, 2014

<https://www.imf.org/external/pubs/ft/scr/2014/cr1442.pdf>

Oman: Report on the Observance of Standards and codes –data module, 2015

<https://www.imf.org/external/pubs/ft/scr/2015/cr15159.pdf>



Thank you for your attention!

Questions ?