

## Update of the international standards for external sector statistics and the system of national accounts

The external sector statistics and the system of national accounts provide key macroeconomic indicators, such as the current account balance, net international investment position and gross domestic product, which can be used to assess a country's economic and financial situation. They form an indispensable foundation for monetary and economic policy decision-making, enterprises' business policy considerations, and also analysis and forecasting in research and academia. As, in the world of today, economic relationships between individual economic agents as well as between entire national economies are in a constant state of flux, the underlying statistical measurement concepts and methodologies behind these indicators must be reviewed on a regular basis in order to determine, for example, whether the increasing development of international production chains by multinational enterprise groups is being correctly captured and appropriately reflected in the macroeconomic core indicators. In March 2020, the International Monetary Fund (IMF) and the United Nations Statistical Commission initiated a comprehensive update of the underlying macrostatistical framework, which is formed by the Balance of Payments and International Investment Position Manual (BPM6) and the System of National Accounts (SNA 2008).<sup>1,2</sup> These international statistical standards are subject to extensive updates of this kind around every 20 years.

The overarching aim is to enable the external sector statistics and the system of national accounts to more accurately depict more recent and increasingly relevant macroeconomic developments such as globalisation, digitalisation, fintech, and

sustainability. At the same time, the gaps and ambiguities that have become apparent since the last revision process are intended to be rectified. In order for this to be achieved, existing concepts (model assumptions) need to be reassessed and adjusted if necessary, and the data collection and estimation methodologies must be expanded and refined.<sup>3</sup>

The update process is divided into two phases. In Phase I, which will run until the spring of 2022, task teams of international experts recruited from national central banks and statistical offices as well as international organisations around the world are developing proposals for adjustments,

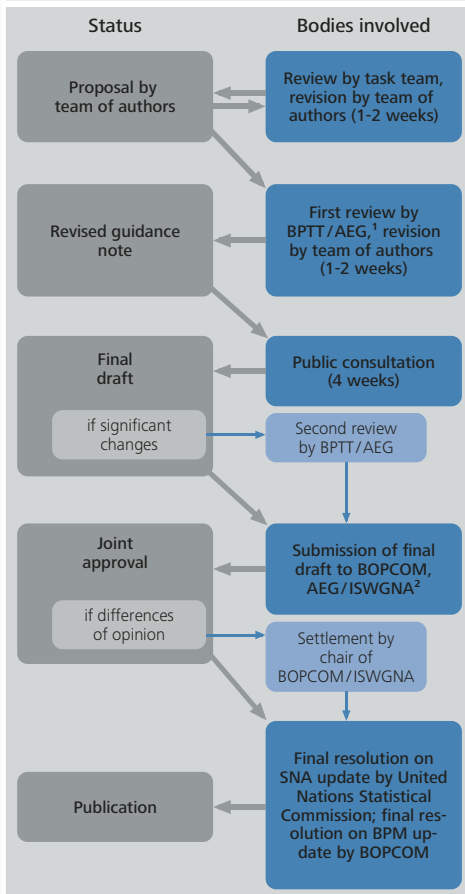
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<sup>1</sup> These international manuals set out statistical concepts and methodologies. The principal document governing the balance of payments and international investment position is the IMF's Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6). See International Monetary Fund (2009). The framework governing the national accounts is the United Nations' System of National Accounts (SNA 2008). See European Commission et al. (2009).

<sup>2</sup> For EU Member States, the statistical reporting requirements based on these are laid down in regulations adopted by the European Commission (Regulation (EC) No 184/2005 of 12 January 2005 and amending regulations, most recently (EU) 2016/1031 of 8 June 2016). Moreover, the reporting requirements for Eurosystem national central banks vis-à-vis the European Central Bank (ECB) are stipulated in detail in an ECB guideline. As of March 2021, reporting requirements are governed by Guideline (EU) 2018/1151 of the European Central Bank of 2 August 2018 amending Guideline ECB/2011/23 on the statistical reporting requirements of the European Central Bank in the field of external statistics (ECB/2018/19).

<sup>3</sup> With regard to the respective national practices for producing external sector statistics, it should be taken into account that the international manuals as well as the EU Regulation and ECB Guideline are conceptual parameters for the respective statistical output ("output orientation"). The question of which data collection methods provide the conceptually desired information in each individual case is a matter for each national producer of official statistics and their own statistical expertise and depends not least on the economic structures of the respective country.

### The procedure from draft to approval of a guidance note



<sup>1</sup> Advisory Expert Group on National Accounts. Guidance notes from the DITT are also reviewed by the Working Group on International Investment Statistics (WGIIIS). <sup>2</sup> Intersecretariat Working Group on National Accounts.  
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amendments and additions to each manual. The guidance notes drawn up by these task teams will then undergo a multi-stage approval process, which also includes a public consultation period in which all stakeholders can participate via the IMF website.<sup>4</sup> Phase II will involve incorporating the approved guidance notes into the draft versions of the new manuals as well as conducting additional rounds of consultation; this phase is scheduled to be completed in spring 2025. In the years thereafter, European data reporting requirements will be adjusted and, finally, the German external sector statistics will be switched over to the

new system. The complex organisational structure and the approval process in the current update cycle are intended to ensure extensive consistency between the external sector statistics and the system of national accounts. This will be crucial for amalgamating and comparing statistical results at both the national and international levels.

The variety of topics identified over recent years have been divided into a number of blocks. The three topic areas that primarily concern the external sector are the responsibility of the IMF Committee on Balance of Payments Statistics (BOPCOM).<sup>5</sup> Due to the thematic overlap with the national accounts, statisticians from both fields are represented in five additional task teams.<sup>6</sup> The Bundesbank also participates in these committees and task teams.

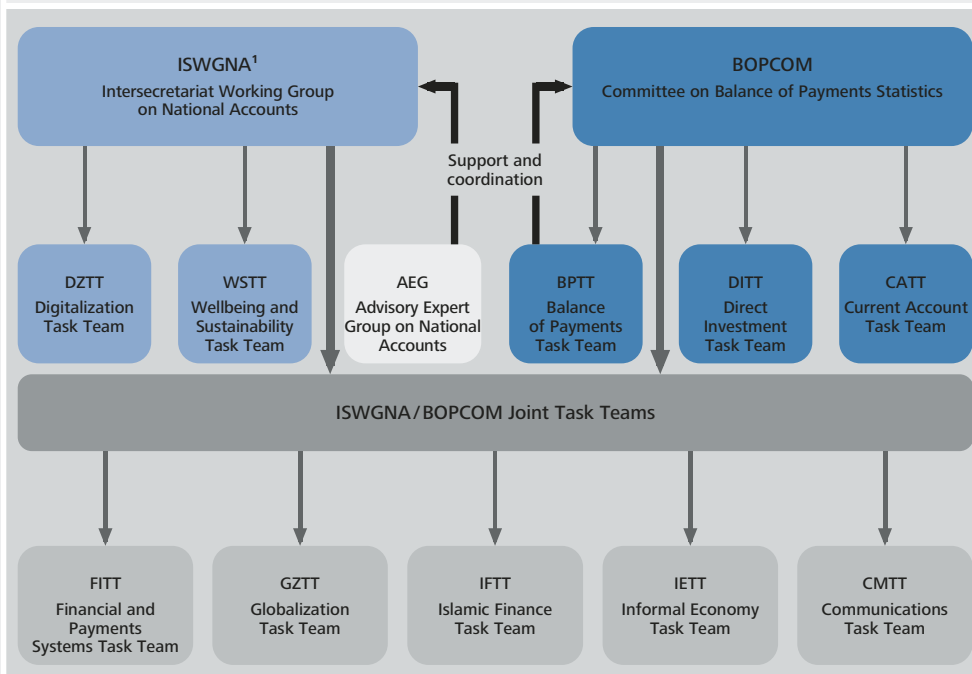
The Balance of Payments Task Team (BPTT) is responsible for overarching conceptual issues concerning external sector statistics. In particular, additions to the international investment position aim to improve its analytical potential, including with regard to assessing a country's asset and debt pos-

<sup>4</sup> See <https://www.imf.org/en/Data/Statistics/BPM>. Comments can be submitted via the websites of the individual task teams. A public consultation period of four weeks, which will begin at different times depending on the progress of the work, is scheduled for each guidance note.

<sup>5</sup> The committee, which was established in 1992, advises the IMF on methodological and conceptual issues in the context of balance of payments and international investment position statistics. At present, its membership consists of 15 external sector statisticians from national central banks and additional representatives from international organisations. For more information, see <https://www.imf.org/external/bopage/bopindex.htm>.

<sup>6</sup> Alongside the BOPCOM, these five task teams also work in conjunction with the Intersecretariat Working Group on National Accounts (ISWGNA). The ISWGNA is an interagency body set up by the United Nations Statistical Commission in the early 1980s which coordinates the statistical work of international organisations. The five members of the ISWGNA are the European Commission, the IMF, the Organisation for Economic Co-operation and Development (OECD), the United Nations (UN), and the World Bank.

### Committees and task teams in the update process



<sup>1</sup> Joint committee consisting of the European Commission, International Monetary Fund, Organisation for Economic Co-operation and Development, United Nations and World Bank.  
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itions. A detailed account explaining balance sheet changes in the international investment position is envisaged as a new standard component of the statistics and, at the international level, is intended to be incorporated into the IMF’s External Sector Report, amongst other publications. While this is already standard practice in most European countries, the Bundesbank expects that valuable analytical insight will be gained from regularly publishing these data in other countries as well. Furthermore, for the first time, the new balance of payments manual will discuss the introduction of a standardised definition of net international reserves as well as how these are reported. Net international reserves are a metric that also play a major role in the context of IMF lending programmes. The goal is to more transparently capture the international reserves actually available to a given country. The task team is also investigating the possibilities of recording “sustainable financing

instruments” separately in the accounting systems. This is part of a topic area that the Bundesbank is working on with high priority at various levels.

The Current Account Task Team (CATT) provides consultation on issues including how global phenomena – such as the growing cross-border activities of what are known as “factoryless goods producers” – can be measured more effectively. Likewise, the multifaceted impacts of globalisation and digitalisation have necessitated, amongst other things, clearer delineation between trade in goods and trade in services as well as an expanded depiction of trade according to enterprise characteristics in order to better identify the role of multinational groups. As the current account reflects the global production structures of these agents and their corresponding repercussions on national value added, there is broad cross-over with the Globalization Task Team

(GZTT) in this subject area. In light of Germany's significant degree of interconnectivity in global trade and international value chains, the treatment of these topics plays a key role for the Bundesbank since they have an impact on Germany's macroeconomic results and indicators as well.

A major challenge facing the Direct Investment Task Team (DITT) is establishing a clearer distinction between foreign direct investment flows and foreign direct investment stocks with regard to business objectives. This comprises topics such as the definition and identification of the country of ultimate ownership of a corporate association or the actual country of investment, differentiated treatment of direct investment for the purpose of creating new production capacity as compared with pure corporate restructuring, and the statistical recording of corporate inversions of multinational groups. Alongside improved possibilities for analysis, this also presents potential repercussions on real economic indicators – such as the current account (via income flows) – that must likewise be taken into consideration and weighed up appropriately.

Of the approximately 75 total guidance notes that need to be drawn up by the various task teams, around 20 have been submitted at present. The guidance notes that have already been subject to discussion illustrate the fact that the authors mostly do not want to change the conceptual principles of the statistical accounting system, but would prefer to maintain the existing framework, including the territorial system and the measurement of transfers of economic ownership. Instead, they are proposing additions and adjustments to the breakdowns that need to be reported in order to meet new analytical requirements. From the Bundesbank's perspective, this is a funda-

mentally welcome development, as the existing conceptual principles continue to be analytically relevant despite the more recent phenomena mentioned above. However, care must be taken to avoid overloading the macroeconomic accounting systems with excessively detailed requirements. In this regard, the Bundesbank believes that the relevant data should be taken from the baseline statistics, such as the foreign trade statistics or trade in services statistics, or that adjustments should be made to those statistics instead, if necessary.