



STATISTICS

INTER SECRETARIAT
WORKING GROUP ON
NATIONAL ACCOUNTS

F.2 Asymmetric Treatment of Retained Earnings: Testing and Experimental Calculations (BOPCOM VM1 22/05)

Joint (Virtual) Thirty-Eighth Meeting of the IMF Committee
on Balance of Payments Statistics and Eighteenth Meeting
of the Advisory Expert Group on National Accounts

March 7–10, 2022

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Outline

- **Background and Main Results**
- **Survey of External Sector Statistics Compilers**
- **Experimental Compilation Exercise on
Portfolio Investment**
- **Survey of National Accounts Compilers**
- **Conclusions and Recommendations**
- **Questions for Discussion**

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BOPCOM and AEG Requested Testing of the Recommended Supplementary Tables

▪ Main Recommendation of the GN

- ▶ Option 2: Leave the core BOP accounts and national accounts unchanged but add supplementary information on portfolio investment RIE to the BOP and national accounts and supplementary information on public corporations RIE and overall investment in resident enterprises RIE to the national accounts.

▪ June 2021 Committee Meeting and July 2021 AEG Meeting

- ▶ BOPCOM requested to test the supplementary data collection proposed in Option 2 with a sample of volunteer countries, covering at least portfolio investments.
- ▶ Subject to AEG views, the testing was to be extended to domestic equity relationships.

Testing Design

▪ Two-stage Testing Among External Sector Statistics Compilers

- ▶ First stage: Survey on data availability and interest in practical testing (2021)
- ▶ Second stage: Experimental compilation exercise (2022)

▪ Testing Among National Accounts Compilers

- ▶ Survey on data availability and importance of the data (2021)
- ▶ Practical compilation exercise (will be conducted by the end of 2022)

Main Outcomes of the Testing

- The overall testing results for ESS support the feasibility of the recommendation of Option 2 to introduce supplementary tables for RIE in portfolio investments assets and liabilities.
- The second phase of the testing among the national accountants is planned to be completed by the end of 2022.
- In view of the overall support from the testing exercise, the introduction of supplementary information on portfolio investment RIE in the BOP (part of GN F.2 Option 2) is proposed for final decision.
- The decision on the RIE for domestic equity and public corporations will be made once the results of testing from national accounts community are available.

Survey on Data Availability and Interest in Practical Testing (BOP) 1/2

- **The Questionnaire**
 - ▶ Source data availability.
 - ▶ Volunteering to participate in the second stage (experimental compilation).
 - ▶ Plans to develop relevant data sources.
- **Survey Results**
 - ▶ 81 institutions from 75 countries participated.
 - ▶ 31 countries agreed to participate in the experimental compilation.
 - ◆ A few countries agreed to make calculations only for liabilities, several countries were interested in calculations in assets.
 - ◆ One country had performed such calculations in the past.
 - ▶ Only 33 percent reported to have relevant data sources for assets, 47 percent for liabilities.

Survey on Data Availability and Interest in Practical Testing (BOP) 2/2

Data availability/participation status for PI assets

Participation	Source data availability	
	Available	Not available
Will participate	14	14
Will not participate	2	44

Data availability/participation status for PI liabilities

Participation	Source data available	
	Available	Not available
Will participate	18	12
Will not participate	8	35

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Experimental Compilation Results (BOP) 1/2

▪ Response Rate

- ▶ Only 4 compilers submitted data.
- ▶ Three countries indicated difficulties in making calculations.

▪ Methods Used by Compilers

- ▶ Two countries used performance indicators and aggregated portfolio investment stocks.

1. (a) $RIE\% = (1 \div PER) - DY$ (b) $RIE = (RIE\% \div 4) \times ((St0+St1) \div 2)$

MSCI excluding US index for assets, S&P 500 for PI liabilities

2. $RIE = \text{Payout ratio} \times \text{aggregated stocks} - \text{Dividends paid}$

Average Payout ratios from Blumberg

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Experimental Compilation Results (BOP) 2/2

▪ Other Methods Used by Compilers

- ▶ One country calculated RIE for liabilities on individual enterprise level, based on financial statements (balance sheets, income & loss statements, structure of the shareholders).
- ▶ One country used different methods for portfolio investment assets and liabilities.
 - ◆ For liabilities, data from direct investment surveys and the weight of portfolio investors shares.
 - ◆ For assets, a model was used based on performance indicators (from CSDB) and detailed stock breakdown.

Consultation on Data Availability for National Accounts

- The survey was conducted by the UNSD as the first phase of testing the recommendations of the Option 2.
- Survey Results
 - ▶ Forty-four respondents contributed to the consultation.
 - ▶ Fifty-six percent of respondents have source data available to compile RIE for public corporations.
 - ◆ Sixteen respondents agreed to participate in the practical compilation exercise of RIE in public corporations.
 - ▶ Fifty percent of all respondents have relevant source data to compile RIE for private domestic equity stakes.
 - ◆ Fourteen respondents agreed to participate in practical compilation exercise of RIE in private domestic equity stakes.

As the next step, the compilation challenges for domestic equity and public corporations will be tested with selected compilers that agreed to participate in the second phase of testing by the end of 2022.

Conclusions and Recommendations

- The testing among the BOP compilers, while confirming the significant importance of the RIE for countries, at the same time pointed to challenges in obtaining the necessary source data, as anticipated.
- The overall testing results on the BOP side support the feasibility of the recommendation for ESS under Option 2 to introduce supplementary tables for RIE in portfolio investments assets and liabilities. Challenges in implementation need to be addressed.
- This approach may be revisited during the next round of the update of international statistical standards, taking into account the actual reporting by countries of the proposed supplementary tables on RIE in portfolio investments.
- The decision on the RIE for domestic equity and public corporations will be made once the results of testing from national accounts community are available.

Questions for Discussion

1. *Do the Committee and AEG agree that the outcome of the testing among the balance of payments compilers confirms the feasibility of the recommendation for ESS under Option 2 to introduce supplementary tables for RIE in portfolio investment?*
2. *Do the Committee and AEG agree that the second phase of testing among the national accountants be completed by the end of 2022, before confirming the application of the recommendation on the domestic relationships, based on the results?*