

Milestones in Singapore's External Accounts

The external accounts provide an important statistical framework for the measurement of the economic transactions of an economy with the rest of the world. Singapore's external accounts have been developed and improved over the last 40 years to meet the need for sound, timely, reliable and comprehensive economic statistics reflecting the important relationships between external and domestic economic developments.

The first set of external accounts estimates of Singapore was compiled by the Singapore Department of Statistics (DOS) in 1957 for the period 1955 to 1957. These early estimates were essentially basic annual balance of payments (BOP) aggregates relating to trade and capital flows. As Singapore has a very open economy, relatively large errors and omissions were persistently recorded in the BOP in the 1960s. This prompted the establishment of a committee in 1968, with representatives from the Development Division of the Ministry of Finance, the Monetary Authority of Singapore (MAS) and DOS to identify and bridge data gaps.

Based on recommendations of the review committee, MAS implemented the "Ticketing System" to collect statistics on Singapore's overseas transactions through banks operating in Singapore in July 1973. DOS also carried out special studies to review the system of data collection and to explore supplementary and additional data sources for both the current and financial accounts. The *Survey of*

Foreign Investment in Singapore and Study of the Financial Structure and Operations of Companies in Singapore were initiated in 1971 to collect data on foreign investments in Singapore.

With the rapid growth and complexities of external economic transactions, data collected through the "Ticketing System" had become increasingly inadequate. The "Ticketing System" was consequently abolished in June 1981 and DOS had to identify and develop new data sources to collect the necessary data for the compilation of the BOP. Among these was the *Survey of Singapore's Investment Abroad*, which was launched in 1981 to collect data on Singapore's outward investments as these had gained growing importance.

To meet the need for more timely data in the monitoring of the external economy, quarterly BOP estimates commencing from the fourth quarter of 1990 were introduced in the second quarter of 1992.

The last decade has seen several other methodological and conceptual improvements to Singapore's BOP. The most significant was the adoption and implementation of the fifth edition of the International Monetary Fund (IMF)'s *Balance of Payments Manual (BPM5)* which marked an important milestone in the compilation of Singapore's BOP. BPM5, which was introduced in 1993 by the IMF as the new standard in compilation and dissemination of external economic statistics, addresses many important changes and innovations

that have occurred since the release of the last BPM (fourth edition) in 1977. An important change introduced by the BPM5 was the expansion of the conceptual framework to include the international investment position (IIP), which measures the stock of a country's external financial assets and liabilities.

In its implementation of BPM5, DOS adopted a two-stage approach. Stage 1 involved the reclassification of existing data into the respective BPM5 components and was completed in 1998.

Stage 2 is an on-going process and involves the identification and development of new data sources and compilation methodologies. In conjunction with this, several new surveys have been introduced in recent years to collect data on Singapore's external debt, and foreign investments in Singapore made through local fund managers and custodians.

With the enhancements facilitated by the identification and development of new data sources,

DOS met the requirements of IMF's Special Data Dissemination Standard (SDDS) to release an annual IIP by June 2002 and quarterly external debt statistics by September 2003.

The introduction of a new reporting format for the services account in the BOP in December 2003 is the most recent significant development in Singapore's external accounts. The improvement to the BOP's services account was facilitated by the incorporation of data from the Survey of International Trade in Services (TIS), which was launched in 1996 as an additional data source. By incorporating data collected from the annual TIS surveys, DOS successfully compiled a new set of services statistics which complied with BPM5's recommendations and guidelines. The new reporting format, which shows all the standard services components in BPM5, significantly enhances the analytical usefulness of the BOP's services account.

New Reporting Format for the Services Account in Singapore's Balance of Payments

The incorporation of data from the Survey of International Trade in Services (TIS) has facilitated the introduction of an expanded reporting format for the services account in Singapore's balance of payments (BOP).

The new format, which was adopted since the 2003 *Annual Economic Survey* released in February 2004, shows 10 components. In contrast, the previous reporting format showed only 5 components. These additional components include financial services and computer and information services.

The following methodological improvements and conceptual revisions were also introduced in the BOP along with the incorporation of data from TIS :

- (a) inclusion of merchanting stocks in the goods account;
- (b) reclassification of processing fees from the services to the goods account, and
- (c) expansion of the scope of financial services to include implicit service charge on foreign exchange transactions carried out by financial institutions on behalf of their clients.

The successful incorporation of TIS data and related methodological and conceptual revisions have improved the quality of BOP estimates. It also facilitated the provision of more dis-aggregated data in services statistics through an expanded reporting format for the services account.

Further information and documentation are provided in the information paper on *Singapore's Balance of Payments Methodological Improvements and New Reporting Format for the Services Account (December 2003)*. This paper is available in our Department's website (www.singstat.gov.sg).