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International Financial Integration: The Intersection between Policy and Measurement Needs

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At the core of the International Monetary Fund's (IMF) mandate is the stability of the international monetary system and promoting sustainable economic growth. This requires understanding and monitoring external- large current account and international investment position- imbalances. In this context, the stability work of the IMF needs to distinguish between healthy imbalances and excessive imbalances in its global and country policy recommendations. Among the key challenges is how multinational enterprises (MNEs) impact measurement and interpretation of the international accounts. Growing international integration in trade and finance- with MNEs as key drivers- bring new challenges to the international accounts. In the past, the impact of MNEs on the international accounts was mainly through transfer pricing – impacting the allocation between trade in goods and services versus income (gross domestic product (GDP) versus gross national income (GNI)). Nowadays, the growth of MNEs has also increasingly impacted the financial account, including through the complexity of balance sheet structures, such as the use of special purpose entities (SPEs) and their significant role in foreign direct investment (FDI) positions, and the ease of shifting intangible capital across borders. In addition, the increasing digitization of the economy, with a growing importance of intangible assets and innovative cross-border payments has added complexity to the interpretation of the cross-border flows and stocks. What statistics are needed for effective policy analysis? This paper will revisit the statistics needed and will look into potential future directions for the next generation of international statistical standards.