

**EXECUTIVE  
BOARD  
MEETING**

SM/20/105  
Correction 2

July 28, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **2020 External Sector Report—Chapter 1**

Board Action: The attached corrections to SM/20/105 (7/9/20) have been provided by the staff:

**Factual Errors Not  
Affecting the  
Presentation of Staff's  
Analysis or Views**

**Pages 6, 40, 41, 42**

Questions: Mr. Leigh, RES (ext. 34747)  
Mr. Adler, RES (ext. 35648)  
Mr. Rabanal, RES (ext. 36784)



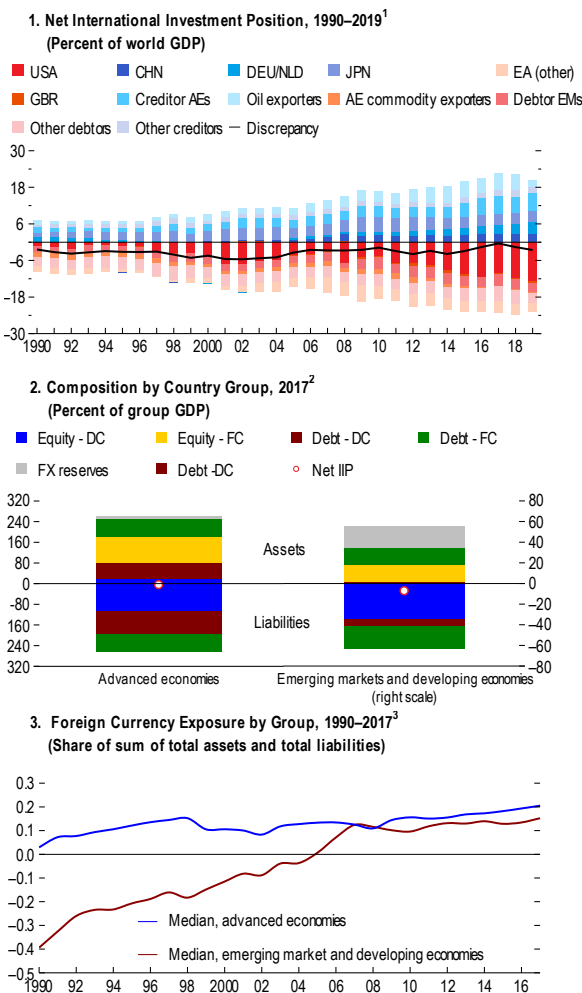
GDP to 1.0 percent of GDP, reflecting the economic slowdown, lower commodity and semiconductor import prices, and the import response to expected and realized tariff hikes, which lowered the trade balances in 2018, with an unwinding in 2019. Current account balances also rose toward surplus in some emerging market and developing economies (Argentina, South Africa, Turkey) in 2019 as a result of tighter financial conditions, lower domestic demand, and or currency depreciation. Other systemic economies' external balances moved little. The US current account deficit decreased by 0.1 percentage point of GDP to 2.3 percent of GDP, and Japan's surplus remained at 3.6 percent of GDP.

Currency movements were generally modest, with a number of exceptions. The US dollar and the Japanese yen appreciated about 3 percent in 2019 in real effective terms, while the euro and the renminbi depreciated by 3 percent and 0.6 percent, respectively. Some emerging market and developing economies (India, Indonesia, Mexico, Thailand) saw their currencies appreciate by 3 percent to 6 percent in real effective terms, reflecting a partial rebound from sharp depreciations in 2018. A number of emerging market and developing economies with preexisting vulnerabilities experienced large currency depreciations. In Argentina, the peso depreciated almost 42 percent vis-à-vis the US dollar, although relatively high inflation limited the real effective depreciation to 11 percent. The currencies of Brazil, South Africa, and Turkey depreciated vis-à-vis the US dollar by 8 percent to 14 percent, also with smaller real effective depreciations.

Trade tensions contributed to currency and financial market fluctuations. US–China trade tensions escalated for much of 2019, with the average US tariff on Chinese imports increasing from 12.0 percent to 21.0 percent, and China's average tariff on US imports rising from 16.5

Figure 1.2. External Assets and Liabilities, 1990–2019

Net creditor and debtor positions have increased three times since 1990. In emerging and developing economies, foreign exchange reserves are about 40 of external assets, while foreign-currency-denominated debt is about 79 percent of total external debt. Emerging market foreign exchange positions turned long in the mid-2000s and have continued to increase since the global financial crisis.



Sources: Bénétix, and others (2019); External Wealth of Nations database; IMF, *World Economic Outlook (WEO)*; and IMF staff estimates.

Note: AEs = advanced economies; DC = domestic currency; EA = euro area; EMs = emerging markets; FC = foreign currency; FX = foreign exchange; IIP = international investment position. Data labels use International Organization for Standardization (ISO) country codes.

<sup>1</sup>Creditor AEs comprise Hong Kong SAR, Korea, Singapore, Sweden, Switzerland, Taiwan Province of China; AE commodity exporters comprise Australia, Canada, New Zealand; deficit EMs comprise Brazil, India, Indonesia, Mexico, South Africa, Turkey; oil exporters comprise WEO definition plus Norway.

<sup>2</sup>Comprises 50 countries which are part of the IMF External Balance Assessment model and/or *External Sector Report*, except Costa Rica and Saudi Arabia.

<sup>3</sup>Aggregate foreign currency exposure is defined as net foreign assets denominated in foreign currency as a share of total assets and total liabilities.

Table 1.2. Selected Economies: Net International Investment Position, 2016–19

	Billions of USD				Percent of World GDP				Percent of GDP			
	2016	2017	2018	2019	2016	2017	2018	2019	2016	2017	2018	2019
<b>Advanced Economies</b>												
Australia	-712	-752	-731	-632	-0.9	-0.9	-0.9	-0.7	-56.2	-54.2	-51.4	-45.6
Belgium	249	293	199	199	0.3	0.4	0.2	0.2	52.4	58.1	36.7	37.6
Canada	306	576	575	767	0.4	0.7	0.7	0.9	20.0	34.9	33.5	44.2
France	-306	-547	-506	-507	-0.4	-0.7	-0.6	-0.6	-12.4	-21.1	-18.1	-18.7
Germany	1,697	2,162	2,381	2,718	2.2	2.7	2.8	3.1	48.9	59.0	60.3	70.7
Hong Kong SAR	1,154	1,421	1,283	1,563	1.5	1.8	1.5	1.8	359.6	416.5	354.6	427.4
Italy	-213	-158	-100	-33	-0.3	-0.2	-0.1	0.0	-11.4	-8.1	-4.8	-1.6
Japan	2,902	2,915	3,033	3,393	3.8	3.6	3.5	3.9	58.9	59.9	61.2	66.8
Korea	281	262	436	501	0.4	0.3	0.5	0.6	18.7	16.1	25.3	30.4
Netherlands	458	519	623	809	0.6	0.6	0.7	0.9	58.5	62.3	68.1	89.0
Singapore	754	867	770	896	1.0	1.1	0.9	1.0	236.7	253.7	206.3	240.8
Spain	-1,004	-1,176	-1,098	-1,024	-1.3	-1.5	-1.3	-1.2	-81.5	-89.6	-77.3	-73.5
Sweden	-9	8	43	112	0.0	0.0	0.1	0.1	-1.7	1.4	7.8	21.0
Switzerland	811	857	883	826	1.1	1.1	1.0	0.9	120.7	126.0	125.2	117.4
United Kingdom	9	-268	-368	-713	0.0	-0.3	-0.4	-0.8	0.3	-10.0	-12.8	-25.2
United States	-8,192	-7,743	-9,555	-10,991	-10.8	-9.6	-11.2	-12.6	-43.8	-39.7	-46.4	-51.3
<b>Emerging Market and Developing Economies</b>												
Argentina	48	17	65	118	0.1	0.0	0.1	0.1	8.6	2.7	12.6	26.2
Brazil	-567	-645	-594	-732	-0.7	-0.8	-0.7	-0.8	-31.6	-31.3	-31.5	-39.8
China	1,950	2,101	2,146	2,124	2.6	2.6	2.5	2.4	17.4	17.1	15.5	14.4
India	-394	-424	-437	-455	-0.5	-0.5	-0.5	-0.5	-17.2	-16.0	-16.1	-15.0
Indonesia	-334	-323	-318	-350	-0.4	-0.4	-0.4	-0.4	-35.8	-31.8	-30.5	-31.2
Malaysia	16	-8	-18	-5	0.0	0.0	0.0	0.0	5.2	-2.4	-4.9	-1.5
Mexico	-532	-556	-591	-655	-0.7	-0.7	-0.7	-0.7	-49.4	-48.0	-48.4	-52.1
Poland	-274	-350	-314	-298	-0.4	-0.4	-0.4	-0.3	-58.1	-66.4	-53.4	-50.3
Russia	220	281	374	357	0.3	0.3	0.4	0.4	17.2	17.8	22.4	21.0
Saudi Arabia	597	624	632	683	0.8	0.8	0.7	0.8	92.6	90.6	80.3	86.1
South Africa	22	35	45	29	0.0	0.0	0.1	0.0	7.5	9.9	12.3	8.0
Thailand	-33	-36	-11	-10	0.0	0.0	0.0	0.0	-7.9	-8.0	-2.2	-1.8
Turkey	-368	-463	-371	-345	-0.5	-0.6	-0.4	-0.4	-42.6	-54.2	-48.2	-45.8
<b>Memorandum item:</b>												
Euro Area	-984	-1,044	-607	-70	-1.3	-1.3	-0.7	-0.1	-8.2	-8.3	-4.4	-0.5
Statistical Discrepancy	-1,733	-912	-2,020	-1,979	-2.3	-1.1	-2.4	-2.3	...	...	...	...
Overall Creditors	14,085	15,817	16,432	18,316	18.6	19.6	19.2	20.9	...	...	...	...
Of which: Advanced Economies	10,797	12,325	12,732	14,568	14.2	15.3	14.9	16.7	...	...	...	...
Overall Debtors	-15,818	-16,729	-18,453	-20,295	-20.9	-20.8	-21.6	-23.2	...	...	...	...
Of which: Advanced Economies	-11,715	-12,102	-13,870	-15,426	-15.5	-15.0	-16.2	-17.6	...	...	...	...

Sources: Bureau of Economic Analysis; IMF, *World Economic Outlook*; and IMF staff calculations.<sup>1</sup>Overall creditors and debtors (and the "of which" advanced economies) include non-*External Sector Report* economies.

Table 1.3. Selected Economies: Foreign Reserves, 2017–19<sup>1</sup>

	Gross Official Reserves <sup>2</sup>						IMF Staff Estimated Change in Official Reserves <sup>3</sup>			Gross Official Reserves in Percent of ARA metric (2019) <sup>4</sup>	FXI Data Publication
	(Billions of USD)			(Percent of GDP)			(Percent of GDP)				
	2017	2018	2019	2017	2018	2019	2017	2018	2019		
Advanced Economies											
Australia	67	54	59	4.8	3.8	4.2	-0.1	0.1	0.5	...	Yes/Daily
Canada	87	84	85	5.3	4.9	4.9	0.0	-0.1	-0.1	...	Yes/Monthly
Euro Area	803	823	914	6.3	6.0	6.9	0.0	0.2	0.0	...	Yes/Quarterly
Hong Kong SAR	431	425	441	126.4	117.4	120.7	9.3	0.6	-0.7	...	Yes/Daily
Japan	1,264	1,270	1,322	26.0	25.7	26.0	0.3	0.5	0.3	...	Yes/Monthly
Korea	389	403	409	23.9	23.4	24.8	0.7	0.1	0.0	110	Yes/Quarterly
Singapore	285	293	285	83.4	78.4	79.0	14.7	5.0	-1.7	...	Yes/Semiannually
Sweden	62	61	56	11.5	10.9	10.5	0.0	-0.1	-1.2	...	No
Switzerland	811	787	855	119.3	111.6	114.0	9.1	2.0	2.5	...	Yes/Annually
United Kingdom	151	173	174	5.7	6.0	6.1	0.4	0.8	-0.1	...	Yes/Monthly
United States	451	450	517	2.3	2.2	2.4	0.0	0.1	0.0	...	Yes/Quarterly
Emerging Market and Developing Economies											
Argentina	55	66	45	8.6	12.7	10.0	2.3	-3.3	-8.4	45	Yes/Daily
Brazil	374	375	357	18.1	19.9	19.4	0.3	-2.2	-0.6	154	Yes/Daily
China	3,236	3,168	3,223	26.4	22.9	21.9	1.1	0.1	0.1	133	No
India	413	399	492	15.6	14.7	16.2	2.6	-1.3	2.3	163	Yes/Monthly
Indonesia	130	121	129	12.8	11.6	11.5	1.7	-1.4	0.7	119	No
Malaysia	102	101	104	32.1	28.3	28.4	0.7	-2.5	2.9	116	No
Mexico	175	176	183	15.1	14.4	14.5	-0.4	0.0	0.2	117	Yes/Monthly
Poland	113	117	128	21.5	19.9	21.7	-1.4	1.2	1.7	144	No
Russia	433	469	555	27.5	28.1	32.6	1.7	2.0	3.9	310	Yes/Daily
Saudi Arabia	509	509	500	74.0	64.8	63.0	-5.8	0.1	0.5	375	No
South Africa	51	52	55	14.5	14.0	15.7	0.4	-0.1	0.4	76	No
Thailand	203	206	224	44.4	40.6	41.3	8.1	0.8	2.4	221	No
Turkey	108	93	106	12.6	12.1	14.0	-1.1	-1.5	-1.3	85	Yes/Daily
Memorandum item:											
Aggregate <sup>5</sup>	10,703	10,674	11,218	13.3	12.5	12.8	0.5	0.1	0.2	...	...
AEs	4,801	4,821	5,117	6.0	5.6	5.8	0.2	0.2	0.0	...	...
EMDEs	5,902	5,852	6,101	7.3	6.8	7.0	0.3	-0.1	0.2	...	...

Sources: IMF, Assessing Reserve Adequacy data set; IMF, International Reserves and Foreign Currency Liquidity (IRFCL); IMF, *International Financial Statistics* (IFS); IMF, *World Economic Outlook* (WEO); and IMF staff calculations.

Note: AEs = advanced economies; ARA = assessment of reserve adequacy; EMDEs = emerging market and developing economies; FX = foreign exchange; FXI = foreign exchange intervention.

<sup>1</sup>Sample includes *External Sector Report* economies excluding individual euro area economies. Euro area is reported as aggregate.

<sup>2</sup>Total reserves from IFS, includes gold reserves valued at market prices.

<sup>3</sup>This item is not necessarily equal to actual FXI, but it is used as an FXI proxy in External Balance Assessment model estimates. The estimated change in official reserves is equivalent to the change in reserve assets in the financial account series from the WEO (which excludes valuation effects, but includes interest income on official reserves) plus the change in off-balance-sheet holdings (short and long FX derivative positions, and other memorandum items) from IRFCL minus net credit and loans from the IMF.

<sup>4</sup>The ARA metric reflects potential balance of payments FX liquidity needs in adverse circumstances and is used to assess the adequacy of FX reserves against potential FX liquidity drains (see IMF 2015). The ARA metric is estimated only for selected EMDEs and Korea, and includes adjustments for capital controls for China. Additional adjusted figures are available in the Individual Country Pages in Chapter 3.

<sup>5</sup>The aggregate is calculated as the sum of *External Sector Report* economies only. The percent of GDP is calculated relative to total world GDP.

Table 1.4. External Sector Report Economies: Summary of External Assessment Indicators, 2019

Economy	Overall Assessment	Current Account (Percent of GDP)		Staff CA Gap (Percent of GDP)		Staff REER Gap (Percent)		International Investment Position (Percent of GDP) <sup>1</sup>			CA NFA Stabilizing (Percent of GDP) <sup>2</sup>	SE of CA Norm (Percent) <sup>3</sup>
		Actual	Cycl Adj.	Midpoint	Range	Midpoint	Range	Net	Liabilities	Assets		
Argentina	Weaker	-0.8	-1.7	-2.0	+/-1	-1.5	+/-5	26	63	89	0.6	0.8
Australia	Broadly in line	0.6	0.3	0.8	+/-0.5	-4.0	+/-2.5	-46	197	151	-2.3	1.0
Belgium	Weaker	-1.2	-1.1	-3.5	+/-1	8.5	+/-2.5	38	387	425	1.3	0.5
Brazil	Moderately weaker	-2.7	-3.7	-1.2	+/-0.5	3.5	+/-7.5	-40	88	49	-1.4	0.9
Canada	Moderately weaker	-2.0	-1.9	-1.8	+/-1.5	7.1	+/-5.6	44	209	253	1.7	0.9
China	Broadly in line	1.0	0.8	1.0	+/-1.5	-2.0	+/-10	14	38	52	1.1	1.5
Euro Area <sup>4</sup>	Moderately stronger	2.7	2.7	1.2	+/-0.8	-2.8	+/-2.9	-1	244	243	-0.3	0.8
France	Moderately weaker	-0.7	-0.5	-1.1	+/-0.5	4.1	+/-1.9	-19	318	299	-0.7	0.5
Germany	Substantially stronger	7.1	7.3	4.3	+/-1	-11.0	+/-5	71	203	273	2.1	0.8
Hong Kong SAR	Broadly in line	6.2	...	0.8	+/-1.5	-2.5	+/-5	427	1109	1537	...	...
India	Broadly in line	-0.9	-1.4	1.0	+/-1	-5.6	+/-5.5	-15	40	25	-2.4	1.3
Indonesia	Broadly in line	-2.7	-2.7	-1.0	+/-1.5	3.9	+/-5.1	-31	64	33	-2.2	1.3
Italy	Broadly in line	3.0	2.7	0.0	+/-1	4.0	+/-4	-2	165	163	-0.3	0.8
Japan	Broadly in line	3.6	3.5	0.0	+/-1.2	0.0	+/-9	67	132	198	3.6	1.2
Korea	Broadly in line	3.6	3.3	0.0	+/-1	0.0	+/-3	30	73	103	1.2	0.8
Malaysia	Stronger	3.4	3.5	3.3	+/-1	-7.2	+/-2	-1	113	111	-0.4	0.7
Mexico	Broadly in line	-0.3	-0.7	0.9	+/-1.1	-7.0	+/-8	-52	100	48	-1.9	1.1
Netherlands	Substantially stronger	10.2	10.5	4.9	+/-2	-7.0	+/-2.9	89	1037	1126	2.5	0.9
Poland	Stronger	0.5	0.6	2.7	+/-1	-6.0	+/-2	-50	99	49	-2.8	0.6
Russia	Broadly in line	3.8	3.8	0.1	+/-1	-0.4	+/-5	21	68	89	0.9	1.6
Saudi Arabia	Weaker	5.9	...	-3.0	+/-1.2	13.0	+/-3	86	60	146	...	...
Singapore	Substantially stronger	17.0	...	4.0	+/-3	-8.0	+/-6	241	894	1135	...	...
South Africa	Moderately weaker	-3.0	-3.2	-1.5	+/-1.1	5.7	+/-4	8	129	137	0.4	1.2
Spain	Broadly in line	2.0	2.2	0.2	+/-1	-0.9	+/-4	-73	250	176	-3.0	0.8
Sweden	Stronger	4.2	4.5	3.2	+/-1.5	-10.0	+/-5	21	263	284	0.3	1.1
Switzerland	Moderately stronger	11.5	11.5	1.8	+/-2	-3.5	+/-3.9	117	644	761	8.7	1.3
Thailand	Substantially stronger	7.0	6.6	6.1	+/-1.5	-9.5	+/-2.5	-2	99	98	-0.2	1.6
Turkey	Moderately stronger	1.2	0.8	1.6	+/-1.8	-15.0	+/-8	-46	79	34	-3.1	1.8
United Kingdom	Weaker	-3.8	-3.8	-2.9	+/-2	7.5	+/-7.5	-25	534	509	-0.5	0.7
United States	Moderately weaker	-2.3	-2.0	-1.3	+/-0.5	11.0	+/-3	-51	188	137	-0.8	1.0

Sources: Bureau of Economic Analysis; IMF, *World Economic Outlook (WEO)*; IMF, *International Financial Statistics*; and IMF staff assessments.

Note: CA = current account; NFA = net foreign assets; NIIP = net international investment position; REER = real effective exchange rate; SE = standard error.

<sup>1</sup>The NIIP estimates come from the *WEO* and the Bureau of Economic Analysis.<sup>2</sup>The current account balance that would stabilize the ratio of NFA to GDP at the benchmark NFA/GDP level.<sup>3</sup>The standard error of the 2019 estimated current account norms.<sup>4</sup>The staff-assessed euro area CA gap is calculated as the GDP-weighted averages of IMF staff-assessed CA gaps for the 11 largest euro area economies.