Methodological Notes of the Historical Statistical Series: Exchange Rates and the External Sector

Must reads Historical Statistical Series for Colombia



Exchange ratesRepresentative market exchange rate (TRM in Spanish)

The exchange-rate series presents the historical behavior of the price of the U.S. dollar vis-à-vis the Colombian peso.

As mentioned by the Study Group of Colombian Economic Growth (GRECO), official statistics on exchange rates began to be kept officially in 1905. Their records until 1919 are found in the texts of López (1914) and Urrutia and Arrubla (1970). Official exchange-rate data are available since 1919.

Between 1923 and 1969, it referred to the selling rate, and since 1970, it referred to the buying rate, known as the “official exchange rate”. As of July 1991, the weighted average discount of exchange certificates (Resolution 55 of the Monetary Board and Resolution 03 of the Board of Directors) with maturities between 85 and 90 days is applied to the official exchange rate. As of November 1991, the discount of exchange certificates (Resolution 10 of the Board of Directors) with maturities between 345 and 360 days traded on the Bogotá stock exchange. Since December 1991, it refers to the Representative Market Exchange Rate defined in External Resolution 15 of 27 November 1991 of the Board of Directors of *Banco de la República* (the Central Bank of Colombia).

The Representative Market Exchange Rate (TRM) is the reference exchange rate of the average daily price of the U.S. dollar, which depends exclusively on the supply and demand of each of the agents that carry out transactions. It is calculated as the weighted average by amount of the purchase and sale transactions of U.S. dollars in exchange for Colombian legal tender, agreed for compliance in both currencies on the same trading day, carried out by the Foreign Exchange Market Intermediaries within the schedule established by *Banco de la República* through general regulations.

As of 1991, the Board of Directors of *Banco de la República* (BDBR) empowered the Office of the Banking Superintendency, today the Financial Superintendency of Colombia (SFC in Spanish), to calculate and certify the TRM through the External Resolution of 15 November 1991, following the methodology indicated by *Banco de la República*. The calculation was the simple arithmetic average of the rates for the purchase and sale operations of foreign currency and exchange certificates carried out by commercial banks and financial corporations in the cities of Bogotá, Barranquilla, Cali, and Medellín, excluding over-the-counter and interbank transactions.

Over the years, some modifications have been made to the methodology for calculating the TRM to bring the reference indicator in line with the operation of the foreign exchange market and international standards. Among the most significant modifications are the following:

On 21 September 2004, commercial finance companies and stock brokerage firms were included in the sample used to calculate the Representative Market Exchange Rate (TRM).

In September 2015, it was clarified which days the TRM is not calculated, as well as the treatment of holidays in Colombia and the United States. Subsequently, in December of the same year, it was determined that the calculation of the TRM will only include the purchase and sale operations of US dollars in exchange for Colombian legal currency, that is, only direct negotiations between these currencies will be included. Additionally, it was established that as of 01 February 2016, transactions for amounts of less than five thousand dollars (USD 5,000) would be excluded.

As of 2017, the certification of the Representative Market Exchange Rate (TRM) includes only the value of this indicator, so the average buying and selling rates, the average buying and selling rates over the counter, and the volatility of the TRM would no longer be published.

Through External Resolution 01 of 2018 of the BDBR, Article 40 establishes that "the Representative Market Exchange Rate (TRM) is the weighted average by amount of the purchase and sale operations of United States dollars in exchange for Colombian legal tender, agreed for compliance in both currencies on the same day of its negotiation, carried out by the Foreign Exchange Market Intermediaries within the schedule established by *Banco de la República* through general regulations" and, in addition, "derivatives transactions must be excluded, as well as transactions carried out by the Foreign Exchange Market Intermediaries with institutions different from those overseen by the Financial Superintendency of Colombia and the Nation through the Ministry of Finance and Public Credit." Finally, it is established that "the TRM will be calculated daily and be certified by the Financial Superintendency of Colombia based on the available information and the regulations issued by *Banco de la República*" and that "in those cases in which the TRM cannot be calculated according to the criteria indicated by *Banco de la República*, the TRM on the day will correspond to the last rate calculated and certified by the Financial Superintendency of Colombia."

For more information, see the regulatory background of the TRM, published by the Financial Superintendency of Colombia, as well as External Resolutions 15 and 16 of 1991 and External Circular 02 of 1991 (only in Spanish), Bulletin number 33 of 21 September 2004 (only in Spanish), Bulletin number 49 of 30 September 2015 (only in Spanish), and Regulatory Circular DOAM-146 of 04 November 2020 (only in Spanish).

Real exchange rate index
The real exchange rate index (RERI) for Colombia is an indicator that represents the relationship between the price of goods and services in Colombia and the price of goods and services in the rest of the world. It is constructed from the price and nominal exchange rate information for Colombia and its trading partners or competitors and these countries' importance (weights) in Colombian foreign trade.

The RERI was created as a tool to measure the performance and evolution of the purchasing power of the Colombian peso against a set of external currencies and the price competitiveness of goods produced in the country compared to those produced abroad.

Based on the reference prices, the selection of countries, and the basket of products used to assess competitiveness, *Banco de la República* constructs five real exchange rate indicators:

RERI PPI NT
Calculated using producer price indexes and considering non-traditional trade with the 22 main trading partners.

RERI PPI T
Calculated using producer price indexes and considering total trade with the 22 main trading partners.

RERI CPI NT
Calculated using consumer price indexes and considering non-traditional trade with the 22 main trading partners.

RERI CPI T

Calculated using consumer price indexes and considering total trade with the 22 main trading partners.

RERI-C
Calculated using consumer price indexes and considering the 24 main competing countries in the trade of 4 products (coffee, flowers, textiles, and bananas) in the U.S. market.

In addition, this repository also exhibits the real exchange rate index calculated by the International Monetary Fund (IMF) for Colombia:

RERI-IMF
Calculated using consumer price indexes and considering the 24 main competing countries in the trade of 4 products (coffee, flowers, textiles, and bananas) in the U.S. market.

The RERI has been calculated by *Banco de la República* since 1982. The periodicity of this first indicator was quarterly, with a selection of 18 countries, and used total foreign trade between 1975 and 1980 as weights. The base period was the average of 1975=100.

In 1984, the CPI was changed to WPI (Wholesale Price Index) as a deflator, and global trade without coffee between 1982 and 1983 was used as a weight. The base period was retained.

Subsequently, in 1988, the base was changed to December 1986, and the weights were calculated based on 1986 global trade without coffee, which included border trade with Venezuela. In 1991, the WPI deflator was changed to PPI, and a RERI deflating with CPI began to be calculated simultaneously.

As of 1998, an indicator was calculated on a new 1994 geometric average basis, which included 20 countries. RERIs were constructed with weightings according to total and non-traditional global trade (excluding coffee, oil, coal, ferronickel, emeralds, and gold).

In 2003, a new measure of the real exchange rate was included, which considers competing countries in the main foreign market for Colombian exports: the United States. During the 1990s the U.S. accounted for over 40% of Colombian exports. The indicator initially considered 23 competitor countries for the four main export products from 1990 to 2002: flowers, coffee, textiles, and bananas. Therefore, the weights are calculated considering both the importance of the product in Colombian exports and the share of each of these competing countries in U.S. imports for each good.

With the inclusion of the 23 competitor countries, more than 90% of U.S. imports of bananas, coffee, and flowers were covered. However, the coverage of the textile market was only 60% due to the lower concentration of textile exporting countries and the absence of China in the calculation, due to the lack of monthly CPI information. This last issue was resolved in 2004, and China was included in the calculation, with RERI-C now considering 24 competing countries.

As of 2014, China and Korea were included in the calculation of the RERI of trading partners since, reflecting the substantial increase in trade between Colombia and these two countries in the 2000s. In addition, a change was made in the calculation of the weights; from that moment on, the classification of imports by country of origin is considered instead of the classification by country of purchase to better measure competitiveness. This series has been available on a monthly basis since January 1970.

Technical issues
The annual series of the RERI CPI NT and RERI CPI T since 1967 were constructed with data from the compilation of macroeconomic statistics of the Study Group of Colombian Economic Growth (GRECO) of *Banco de la República* for the period 1967-1969 and with information from the current RERI from 1970

onwards.

To calculate the annual figure since 1970, the monthly indexes for each year were averaged. Subsequently, a backward splice was made to 1969 with the annual variations of the GRECO data.

For more information, please refer to the Real Exchange Rate Index (RERI) methodology sheet (only in Spanish).

Terms of trade index
The Terms of Trade Index reflects the purchasing capacity of domestic goods sold by the country to the rest of the world compared to the goods demanded by the country from the rest of the world. This type of indicator makes it possible to monitor and analyze the evolution and vulnerability of the country's external sector, since foreign trade is the main source of foreign currency.

Banco de la República calculates and discloses the terms of trade index according to two sources of information and methodologies: according to chained indexes of export and import prices and according to producer price indexes (PPI).

The first, called the **terms of trade index according to chained indexes of export and import prices (ITI in Spanish)**, is calculated from microdata on foreign trade transactions of goods supplied by the National Administrative Department of Statistics (DANE in Spanish) and the National Directorate of Taxes and Customs (DIAN in Spanish). The series has been available since 1995 and is published on a monthly basis with a two-month lag with respect to the reference month.

The ITI is defined as the ratio between the implicit price of exports and the implicit price of imports and indicates how many units of the imported product the exporter can acquire with one unit of its product.

On the other hand, the **terms of trade index according to PPI, ITI-PPI**, is calculated based on the statistical operation producer price index, PPI, currently produced by DANE, and the foreign trade data whose sources are DANE and DIAN. The monthly frequency series has been available since 1980 and is published with a 12-day lag of the reference month.

Using information from price indexes for different groups of goods and their weighting in Colombia's foreign trade, the price index of imported goods and the price index of exported goods are constructed. The terms of trade index is the ratio of these two price indexes and, as in the ITI, it represents how many units of the imported product the exporter can purchase with one unit of its product.

For the construction of the historical series of the terms of trade index according to PPI, it is necessary to splice the series each time the PPI changes the composition of its basket of goods. Thus, the ITI-PPI index was calculated for each of these baskets between 1980 and January 1991, between 1991 and June 1999, then from that point until 2014, and finally as of December 2014. These four series are spliced using their monthly variations to obtain the historical series since 1980.

For methodological details of calculation and sources of information, please refer to the Terms of Trade Index Statistics Methodological Guide (only in Spanish).

The definition of each indicator is presented below:

- Terms of trade index: ratio between the implicit export price index and the implicit import price index, multiplied by 100.

- Export price index: the index that measures the change in the implicit prices of goods sold by residents of the country to buyers in other economies in each period.
- Import price index: the index that measures the change in the implicit prices of goods purchased by residents of the country from sellers in other economies in each period.

Remittances

Workers' remittances are personal transfers between resident and non-resident households. Therefore, they represent household income from foreign economies, generated mainly by the temporary or permanent migration of individuals to those countries. Complementing the above definition, remittance statistics can be classified according to the type of transaction into i) inflows: receipt of remittances by resident households, sent by non-residents, and ii) outflows: sending remittances from residents in Colombia to non-residents (definition based on the sixth edition of the Balance of Payments Manual by the International Monetary Fund, IMF).

Workers' remittance inflows are the most important component of the transfer income account. They gained importance as a result of the migration of Colombians abroad, the intensity of which was accentuated by the economic crisis of the late 1990s. This made it necessary to adapt the instruments for collecting information to the new economic reality.

Thus, at the end of the 1990s, *Banco de la República* visited banks and foreign exchange companies to learn about the main characteristics of the operation of this market in Colombia. This research concluded that remittances until then were mainly paid through foreign exchange companies. Their operations did not generate a foreign exchange report and, therefore, were not included in the exchange database. Subject to prior compliance with regulatory conditions, foreign exchange companies were authorized to operate as exchange intermediaries, and their transactions became exchange transactions supported by exchange declarations that must be reported to *Banco de la República*. A specific numeral was also created to allow a more precise measurement of these flows, numeral 1809, foreign currency income from workers' remittances. With this, the coverage of remittance transactions made through the foreign exchange market intermediaries (FXI or IMC in Spanish) (formal market) was completed. The foreign exchange database became the source of information for constructing the balance of payments remittances data and the monthly value of remittances. Based on previous years' reports sent by the foreign exchange companies, a review of remittance information since 1994 was carried out.

The statistic of remittances (balance of payments) is constructed using the exchange declarations sent to *Banco de la República* by FXI as sources of information. According to Resolution 01 of 2018 (Formerly Resolution 08 of 2000), authorized FXI are composed of banks, financial corporations, commercial finance companies, Bancoldex, the National Development Finance Agency (FDN in Spanish), stock brokerage firms, financial cooperatives, foreign exchange intermediation and special financial services companies (SICSFE in Spanish)—(formerly currency exchange companies)—and Companies Specialized in Electronic Deposits and Payments (SEDPE in Spanish) that meet the equity requirements demanded by *Banco de la República* to operate as an FXI.

Additionally, a quarterly report is sent by remittance payers to *Banco de la República*, which complements the information in the exchange declarations with variables such as country of origin, receiving department, and form of payment. This information has made it possible to understand the main characteristics of remittances in Colombia and the factors that explain the evolution of these foreign currency flows, topics that have been described and published in different Bank reports.

Banco de la República (Banrep) calculates and discloses workers' remittances statistics considering the international standard set forth in the IMF Balance of Payments Manual in force at any given time, and uses the following sources of information: i) foreign exchange records reported to Banrep and ii) quarterly remittances

report that expands the information in the foreign exchange declarations.

The remittance inflows series has been published annually since 1994 and monthly since 2000. In turn, the remittance outflows series has been published annually since 1996 and quarterly since 2000. The above data, estimation methodology, and sources of information are available on the Workers' Remittances web page (only in Spanish).

International investment position

The international investment position (IIP) is the statistical balance sheet that exhibits, at any given point in time, the value of the financial assets of an economy's residents that constitute claims on assets of non-residents and the liabilities of an economy's residents against non-residents. The difference between external financial assets and liabilities is the net IIP, which may be positive or negative. Changes in IIP balances arise from financial transactions recorded in the Balance of Payments (BOP) and adjustments in prices and exchange rates that affect the market value of financial assets and liabilities during the measurement period.

The IIP allows analyzing an economy's external risk and vulnerability. For example, its results make it possible to know and analyze the structure of external financing in terms of financial instruments, terms, and institutional sector involved, its sustainability, and the balance of an economy's net debtor or creditor position.

The conceptual and methodological criteria under which the IIP is compiled follows the parameters of the sixth edition of the IMF's Balance of Payments and International Investment Position Manual. According to this manual, the IIP is organized by functional categories comprising direct investment, portfolio investment, financial derivatives (other than reserves), other investment, and reserve assets.

Colombia's IIP is calculated and published quarterly by *Banco de la República* with a two-month lag concerning the cut-off date. The IIP statistical series presents annual data since 1996 and quarterly data since 2000. Find detailed statistical information on this indicator (only in Spanish), where you can also find the technical details of the latest methodological revision (only in Spanish).

External trade

International merchandise trade statistics record the movement of merchandise between Colombia and other countries, both in volume and value. This information is obtained from customs declarations filed with the country's different customs administrations.

The statistics on exports of goods record the outflow of goods to another country or a Colombian free trade zone, while the statistics on imports record the inflow of goods from another country or free trade zone. DIAN collects both statistics in customs declarations. In addition, the trade balance is calculated, which is the difference between the exported value and the imported value of a country.

Disaggregated statistics are also presented for exports and imports. In the case of exports, the main products sold by the country are shown: oil and its derivatives, coal, ferronickel, gold, coffee, bananas, flowers, industrial products, and others; and in the case of imports, three disaggregated are presented according to their use or destination: consumption, intermediate, and capital, which respond to the classification by economic use or destination (CUODE in Spanish).

In Colombia, the production of foreign trade information began in 1905, under the responsibility of the General Directorate of Statistics, attached to the Office of the Comptroller General of the Republic. Subsequently, the information on both exports and imports of goods was the responsibility of the National Statistics Directorate, which was replaced by the National Administrative Department of Statistics (DANE).

According to DANE, between 1916 and 1951, export statistics were prepared by the General Directorate of Statistics attached to the Office of the Comptroller General of the Republic through the publication of the Foreign Trade Yearbooks. Then, between 1951 and August 1953, these figures were calculated by the National Directorate of Statistics, which was attached to the Presidency of the Republic and later became DANE, assuming the functions corresponding to the production and dissemination of these statistics until 2005. Another relevant fact is that, from 1993 until today, the National Directorate of Taxes and Customs (DIAN) has been in charge of the production of import and export information, while DANE is in charge of the validation and dissemination processes. In addition, since 2005, DANE has been in charge of consolidating, validating, and verifying the information received from DIAN and the Sectional Customs Directorates, which are the input for calculating foreign trade statistics.

The statistics on exports of goods record the exit of goods to another country or to a Colombian free trade zone and are collected through DIAN Form 600 1. For methodological details of the calculation, sources of information, and nomenclatures of the export statistics, visit DANE's website on Exports.

In turn, import statistics record the entry of goods from another country or free trade zone and are collected using DIAN form 500. For methodological details of the calculation, sources of information, and nomenclatures of the import statistics, visit DANE's website on imports.

The trade balance, which is the difference between the exported value and the imported value of a country, is calculated from the two statistics described above. The institution in charge of disclosing the trade balance calculations is DANE, and its results can be found on its Trade Balance website.

Balance of payments

Banco de la República is responsible for producing and disclosing Colombia's balance of payments, thus enabling to monitor and analyze the vulnerability of the country's external sector as revealed in the performance of current flows and financial and capital flows. Balance of payments data are currently published quarterly with a sixty-day lag after the end of the quarter and are available in annual series since 1946 and quarterly since 1996.

The balance of payments records the current and financial transactions of an economy with the rest of the world during a given period. It comprises two major accounts: the current account and the financial account. The current account records income (credits), and expenses (debits) from foreign trade in goods and services, factor income, and current transfers. The current account balance may be in deficit or surplus and is the result of the net balance of the component accounts. In turn, the financial account presents financial and capital flows in functional categories 2: direct investment, portfolio investment, financial derivatives, other investment, and reserve assets. For each of them, assets and liabilities are recorded, the first being the financial rights or credits of the Colombian economy vis-à-vis non-residents, and the second, Colombia's financial obligations or commitments with the rest of the world. The net balance corresponds to the difference between assets and liabilities.

The methodology used for calculating the balance of payments in Colombia applies the international standard published by the International Monetary Fund (IMF) in the Balance of Payments Manual (BPM), which has had several versions (first edition in 1948, second edition in 1950, third edition in 1961, fourth edition in 1977, fifth edition in 1993, and the sixth edition published in 2009).

Banco de la República uses, in general, the following sources of information to prepare the country's balance of payments: i) administrative records (customs declarations, reports, and foreign exchange records, among others); ii) companies' financial statements; iii) direct surveys to companies that carry out transactions abroad; iv) reports on the external debt of government and public institutions; v) statistics published by international financial institutions (Bank for International Settlements, United States Federal Reserve, among others); and vi) estimates that follow the methodological parameters established in the International Monetary Fund's Balance of Payments

Manual in cases where direct information is not available.

The following series are available:

Balance of payments from 1946 to 1969: The balance of payments series from 1946 to 1969, which is being published for the first time, used the first three versions of the BPM. For this publication, the sources of information used correspond to physical archives and data published in the "*Revista de 75 años del Banco de la República*" (1998). A bibliographic review (compilers' explanatory notes, Governor's notes, articles, etc.) was made on the results recorded in the annual balance of payments reports between 1946 and 1969, with which the different accounts were organized and grouped according to the international standards of the time. Based on available information, the current account presents a structure that records exports and imports of foreign trade transactions (goods and services account), net investment income, and income and expenses of current transfers, each with the greatest possible disaggregation. Regarding the capital account, data were grouped by institutional sector such as banks, official institutions, and private institutions. Each sector is broken down into assets and liabilities.

Balance of payments from 1970 to 1993: the information presented follows the guidelines of the BPM in its fourth edition. The data is disaggregated for the current account in its main accounts (goods, financial and non-financial services, and transfers), discriminating between income, expenses, and net value. The capital account (now called financial account) is disaggregated by functional category and term, presenting the net value for each one of them. The following link provides statistical information on the balance of payments from 1970 to 1993 (only in Spanish).

Balance of payments from 1994 to 1999: The data in this version follows the guidelines of the fifth version of the BPM, which, compared to its previous version, includes a greater disaggregation for foreign trade in services and the "factor income" account. Additionally, it redefines the capital account as “capital and financial account” and eliminates the item “offsetting entries,” among others. The information can be consulted in the balance of payments section of the statistics catalog (only in Spanish) as well as the corresponding methodological note (only in Spanish).

Balance of payments since 2000: For this period, the information follows the guidelines of the sixth edition of the BPM and is published in greater detail on the Balance of Payments section of the statistics catalog (only in Spanish). The information is disaggregated for the current account and its main accounts (goods and services, primary and secondary income) and for the financial account considering the established functional categories. For further details, please refer to the methodology document and sources of information on the Colombian Balance of Payments (only in Spanish).

Balance of foreign exchange cash flows and of resident’s clearing accounts abroadBalance of foreign exchange cash flows
The balance of foreign exchange cash flows shows the flows of foreign currency received or sent by the Colombian economy from or to foreign countries through financial institutions 3 and *Banco de la República*, detailing the different concepts for which such transactions were performed (for example, foreign trade of goods, financial and non-financial services, transfers, indebtedness, direct and portfolio investment, among others). Transactions are classified based on the exchange statements made by those who received or sent such foreign currency. Specifically, transactions are organized in such a way as to distinguish flows related to current account transactions and to financial account transactions.

The balance of foreign exchange cash flows should not be confused with the balance of payments (although their presentation is similar), mainly for the following reasons 4:

- The balance of foreign exchange cash flows records transactions whenever cash movements occur 5 and includes foreign exchange movements only. As for the balance of payments, records are made according to

accruals, and it is not relevant whether the flows are in foreign currency or not; that is, transactions that do not imply cash movements are also considered 6.

- The balance of foreign exchange cash flows does not consider the concept of residence 7, although the grouping of some transactions (such as direct or portfolio investment flows) may identify resident and non-resident flows. In contrast, the balance of payments records transactions between residents and non-residents of the country.

Although these differences with respect to the balance of payments mean that its nature and coverage are, in many cases, limited for the analysis of the Colombian external sector, the timeliness with which the foreign exchange balance is known and disclosed is one of its main strenghths 8.

It is worth mentioning that, due to its purpose and definition, since its inception, the balance of foreign exchange cash flows statistics have been closely linked to Colombia's foreign exchange regime in force at any given time, and to *Banco de la República*'s power to collect information as the foreign exchange authority. Therefore, changes in the foreign exchange regime have generally had an impact on the input used for the construction of statistics and how they are presented to the public.

For instance, with Law 06 and Decree 444 of 1967, the foreign exchange regime in Colombia was characterized by the control and centralization of foreign currency transactions in the Central Bank, since it was mandatory to negotiate foreign currency only with such institution, with certain exceptions. In this way, at the beginning, the balance of foreign exchange cash flows showed the foreign currency channeled mainly through *Banco de la República*. With the issuance of Law 09 in 1991 and its development, foreign exchange market intermediaries were authorized, hence the channeling of foreign exchange ceased to be centralized and the financial system took over this function. However, the requirement to report information to *Banco de la República* through the "Exchange Statement" remained.

At present, balance of foreign exchange cash flows received or sent by the Colombian economy from or to foreign countries that involve a Colombian peso/foreign currency conversion are mainly negotiated with the financial insitutions authorized to do so 9, therefore, the use of their administrative recor 10 (specifically the exchange statement) constitutes the main source of statistics. In addition, the balance of foreign exchange cash flows includes *Banco de la República*'s foreign currency flows, including those of the Colombian Government that are channeled through the Central Bank 11.

The balance of foreign exchange cash flows series presented here corresponds mainly to an update of those included in the book *Principales Indicadores Económicos, 1923-1997* 12, published by the Bank in commemoration of its 75th anniversary 13. Thereafter, information has been published annually since 1960 and monthly since 1980.

Should you require a greater disaggregation of the concepts in the statistics, you can consult the regular publication of the balance of foreign exchange cash flows (only in Spanish), which contains data since 2001.

Cuentas de compensación

The balance of resident's clearing accounts held abroad records the flows of foreign currency received or sent from bank accounts held abroad by Colombian residents, which, according to foreign exchange regulations 14, report these flows to *Banco de la República*. Since funds are channeled through foreign bank accounts, payments received or sent through such accounts do not involve a Colombian peso/foreign currency transaction.

In this balance, foreign currency flows are broken down by the economic concepts that originated them (for example, foreign trade of goods, financial and non-financial services, transfers, indebtedness, and direct and portfolio investment, among others) based on the declarations made by the holders of such foreign accounts. Specifically, transactions are organized in such a way as to distinguish flows related to current account transactions and to financial account transactions.

Similar to the balance of foreign exchange cash flows, the balance of resident's clearing accounts held abroad only records foreign exchange flows and registries according to the cash methodology, so it should not be confused with the balance of payments. In addition, these statistics constitute a complementary source for the analysis of the Colombian external sector with timely information, with greater frequency, and a shorter publication lag than that of the balance of payments 15.

The series presented here contain information since 1993 when they were regulated 16, and correspond mainly to an update of those included in the periodical publication of the previous version of *Banco de la República*'s Journal, published by the Bank on its website.

Should you require a greater disaggregation of the concepts in the statistics, please consult the regular publication of the balance of resident's clearing accounts held abroad (only in Spanish), which contains information since 2002.

External debt
External debt comprises outstanding liabilities of residents to non-residents. Liabilities include the amount outstanding at a given point in time of current (non-contingent) liabilities assumed by residents of an economy vis-à-vis non-residents. This statistic is limited to transactions between residents and non-residents, regardless of the currency of denomination of the debt. For example, foreign currency debt contracted between residents does not constitute external debt. Likewise, debt denominated in legal tender (pesos) with non-residents constitutes external debt.

The economic growth of countries uses, among other sources of financing, external loans and credits, which generate future commitments and liabilities that affect the performance of the economies. External debt statistics provide information on the characteristics and financial conditions of these liabilities, as well as an analysis of the vulnerability of economies and companies to solvency and liquidity problems.

Banco de la República is responsible for the calculation and publication of Colombia's external debt statistics following the guidelines contained in the Guide for Compilers and Users (including the 1998, 2003, and 2013 versions) prepared by the IMF with the collaboration of other international organizations such as the World Bank. Among the sources of information used in its calculation are the external debt records of the government and public institutions provided by the Ministry of Finance and Public Credit, the World Bank, and the Inter-American Development Bank; and for the private sector, foreign exchange records that companies report to *Banco de la República*, customs records, and direct reports from credit institutions, among others.

Statistical information on external debt has been available annually since 1970 and monthly since January 2001 and is currently published monthly with a two-month lag. This journal disaggregates information on balances (amount payable at a given moment in time) and flows (accumulation of transactions, disbursements, or amortizations in a given period of time) according to economic sector (public and private) and terms (short and long). For more detailed information, methodology, and sources of information, see the External Debt (public and private) website (only in Spanish).

Direct investmentColombian direct investment abroad (IDCE in Spanish) and foreign direct investment in Colombia (FDI)
Measuring direct investment flows has been a constant need for countries to have information on their debtor or creditor positions with the rest of the world, as well as to study the impact of these flows on their economies. These capital flows are characterized as a stable and long-term source of financing. Given the effects of these flows on the receiving economy (e.g., spillovers), their calculation and analysis is greatly important for economic policy decisions.

Direct investment (DI) statistics include Foreign Direct Investment in Colombia (FDI, also known as inward direct investment) and Colombian foreign direct investment abroad (IDCE, also known as outward direct investment). FDI corresponds to direct investments made by non-residents in companies residing in Colombia. In turn, the IDCE is the direct investment made by investors residing in Colombia in companies residing abroad (non-residents).

Banco de la República calculates the DI statistics considering international standards (Balance of Payments Manual of the International Monetary Fund (IMF) and Benchmark Definition of Foreign Direct Investment of the Organization for Economic Cooperation and Development (OECD)) and uses a combination of sources of information for its calculation, such as foreign exchange records and reports (FX Information System), financial and accounting statements, and economic activity indicators.

The aggregate series has been available since 1970 (included in the balance of payments statistics) and since 1994, disaggregated by economic activity and country of origin. Figures are disclosed in millions of US dollars. The information is published quarterly, with a three-month lag with respect to the current quarter. For more details, see the methodology for calculating direct investment (only in Spanish).

1 Flows to or from free trade zones are included in foreign trade statistics because, although they are part of the country's economic territory, they are considered outside the national customs territory for duty and tax purposes (International Merchandise Trade Statistics, IMTS. 2010. Chapter II, Section 2.4.)

2 “Functional categories are the primary classification used for financial transactions, positions, and income items from international accounts." Balance of Payments Manual, sixth edition, IMF. P. 105.

3 In the current regulations, framed, among others, in External Resolution 1 of 2018 issued by the Board of Directors of *Banco de la República*, the group of entities authorized to channel foreign currency are called Foreign Exchange Market Intermediaries (IMC). By regulation, in the country foreign currency related to foreign trade transactions of goods, capital investments, indebtedness transactions, among others, must be channeled through IMCs (in case a peso-currency conversion is required) or through foreign accounts previously registered with *Banco de la República* (clearing accounts).

4 For further information, it is recommended to consult the Issuer's Reports number 47 (Foreign exchange balance: definition, structure and recent evolution) and number 131 (Direct investment flows to and from Colombia: concepts, measurement, and their behavior in 2009) published by *Banco de la República*, which develop in greater detail the characteristics of the foreign exchange balance and its conceptual differences with the balance of payments.

5 Thus, for example, an export is recorded in the balance of payments at the time indicated in the customs records. In contrast, in the foreign exchange balance, they are included when the foreign currency is received (which may be before or after the shipment of the goods).

6 For example, a company can make a direct investment in the country by shipping machinery, in which case, there is no flow of foreign currency. This transaction would be reflected in the balance of payments but not in the foreign exchange balance.

7 The foreign exchange balance may eventually record flows where two residents are involved (for example, the payment of a foreign currency credit to a Colombian IMC).

8 Currently, the balance of payments is available quarterly and is disclosed with a one-quarter lag. For example, information for the fourth quarter of year t is published on 31 March of year t+1. In turn, at present, the foreign exchange balance is available monthly and weekly, and its disclosure to the public occurs with a two-week lag.

9 In accordance with current regulations, foreign currency related to non-financial services is not required to be channeled. See further footnote 1.

10 In accordance with current exchange regulations, Foreign Exchange Market Intermediaries (IMC) send daily information to *Banco de la República* on the exchange transactions carried out through them.

11 Since *Banco de la República* is the Government's fiscal agent, government payments are channeled through the Bank. It should be noted that as of June 2019, the Government's dollar resources at *Banco de la República* are recorded in different accounts from those of the foreign reserves, and as of December 2019, all foreign currency resources of the Government in *Banco de la República* are accounted outside the Bank's balance sheet; therefore, they are not part of the foreign reserves.

12 *Banco de la República*, Principales indicadores económicos 1923-1997, first edition, 1998.

13 In those cases where the information published at present differed from the one reflected in the publication, the current publication figure was retained.

14 Law 9 of 1991 contemplates the constitution by nationals of deposits in checking accounts abroad. The above was regulated by Resolution 21 of 1993 of the Board of Directors of *Banco de la República*, which defined that these accounts can be used for foreign exchange market transactions, in which case they must be registered with *Banco de la República* under the modality of clearing checking accounts. In addition, it was regulated that the holders of these accounts report their flows monthly, which allows to monitor the flows of foreign currency related to external transactions that are not monetized. Subsequently, with the December 2010 amendment of External Resolution 8 of 2000, residents were authorized to make deposits in bank accounts abroad without limiting this authorization to checking accounts.

15 Clearing account balance information is usually disclosed with a lag of less than 2 months.

16 See note 12.

Fuente: https://www.banrep.gov.co/en/historical-statistical-series/exchange-rates-external-sector