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January 30, 1987

To: Members of the Executive Board

From: The Secretary

Subject: Final Report of the Working Party on the Statistical Discrepancy
in World Current Account Balances

The attached note prepared by the staff is intended to help provide a focus for the Executive Board discussion scheduled for Monday, February 9, 1987. It also indicates some of the areas in which possible follow-up actions to the Working Party's report are proposed.

Mr. Pizer (ext. 6805) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

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INTERNATIONAL MONETARY FUND

Final Report of the Working Party on the Statistical
Discrepancy in World Current Account Balances

Note by Fund Staff

January 29, 1987

The Final Report of the Working Party on the Statistical Discrepancy in World Current Account Balances was circulated to Executive Directors on January 12, 1987, and is scheduled for discussion by the Executive Board on February 9, 1987. As a framework for discussion of the substance of the Report, there are several major areas that the staff believes warrant special attention:

1. The Report suggests specific improvements in statistical methods for reducing the discrepancy in the world investment income accounts, and provides guidance for reducing over time the discrepancies in the shipping, transportation, and unrequited transfer accounts. Executive Directors may wish to comment on the Working Party's analyses leading to these suggestions, and on the issues that may be raised in encouraging national compilers to adopt these suggestions.
2. Executive Directors may wish to convey the reactions of statistical offices in member countries to the recommendations addressed to them contained in the Report.
3. The Report includes a geographic distribution of the adjustments related to the discrepancies studied by the Working Party. Such distributions involve a considerable degree of judgment at this stage, and Executive Directors may wish to raise any questions resulting from these preliminary allocations.
4. A principal conclusion of the Report is that the corrections to the published balance of payments statistics that are indicated by the research of the Working Party do not invalidate the analyses of world economic developments that have been prepared by the Fund staff. Since the possibility of error in those analyses was an important factor motivating this special study, the Executive Directors may wish to react to this aspect of the Report.

In addition to commenting on the contents of the Report, Executive Directors may care to give their views on a number of possible follow-up actions designed to encourage implementation of the Report's recommendations.

1. Following Board consideration, the Report could be prepared for as wide circulation as possible. It could be delivered to the appropriate national authorities with a covering letter from the Managing Director emphasizing the importance attached by the Fund to carrying through the general and specific statistical improvements identified in the Report.

2. To underline the high priority accorded to this activity, the documentation prepared for the Interim Committee (e.g., in the Managing Director's note on the World Economic Situation) could include a reference to the Working Party's conclusions and recommendations. This could be supported by an appropriate reference in the Communique of the Committee.

3. The major responsibility for carrying through the recommendations of the Report falls on the Bureau of Statistics, ranging from enhancements of particular analytical responsibilities to a review of the contents and format of basic publications. The Bureau of Statistics has prepared a plan of action for implementing its central role in carrying out the provisions of the Report. That plan of action includes reorganizing and strengthening the operations of the Balance of Payments Division, improved communication with national compilers, removal of gaps in national data reporting for certain categories of international transactions, and a broad review of the contents of the Balance of Payments Manual and related publications of the Bureau in order to achieve greater clarity, stronger emphasis on practical data problems, and closer relevance to contemporary practices in international financial markets. As part of this Program, the Bureau plans to convene a meeting of balance of payments statisticians late in 1987. Also, panels of experts on particular topics could be organized to act in an advisory capacity. It would be helpful to have the views of the Executive Directors on the recommendations in the Report that bear on this increased activity by the Bureau.

4. The Research Department, in collaboration with the Bureau of Statistics, will carry forward the adjustments suggested by the Working Party in preparing its analyses of the World Economic Outlook, and will harmonize these results with data published in the Balance of Payments Statistics Yearbook. Initially, the adjusted data would be presented for groups of countries and would supplement, not replace, the existing balance of payments series presented in the WEO.

5. The conclusions reached by the Working Party, as they apply to particular countries, could be the subject of discussion between the staff and national authorities as part of Article IV consultations.

Regarding the allocation of Fund resources needed to carry out the provisions of the Report, it is planned to make as much use as possible of existing in-house staff resources and to keep to a minimum the need

for additional resources in the form of extra staff, consultants, and provision for the hosting of meetings. Accordingly, requests for budgetary resources in connection with the implementation of the Report will be carefully reviewed in the light of these guidelines as well as the overall budget stance for the coming financial year, and proposals in that respect will be included in the FY 1988 Administrative Budget.

