DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

October 19, 1987

To: Members of the Executive Board

From: The Secretary

Subject: Final Minutes of Executive Board Meeting 87/26

The following correction has been made in the final minutes of EBM/87/26 (2/9/87):

Page 7, para. 2, line 1: for "the Balance of Payments Manual"
read "Balance of Payments Statistics"

A corrected page is attached.

Att: (1)

Other Distribution:
Department Heads

Many of the recommendations concerned cost aspects of the work to be done by the Bureau of Statistics as distinct from additional work required of national compilers, the Director said. In response to those recommendations, the Bureau of Statistics initially hoped to add to the resources of the Balance of Payments Statistics Division, if possible. If it were not possible to add to that division's manpower for budgetary reasons, a redeployment of existing resources would have to take place. The Bureau would then have to address more general questions concerning resources available for technical assistance, the frequency of contacts with member countries, and IMF Institute courses on balance of payments statistics. The staff hoped that the focus of technical assistance on balance of payments data collection and analysis would be sharpened in response to the Working Party's report. The goal would be to emphasize data collection techniques and to pay more attention to the specific problems concerning sources and compilation of data facing individual countries and with less emphasis on strict adherence to the Balance of Payments Manual definitions and classifications. The staff would wish to strike a balance between those two objectives.

Part 2 of Balance of Payments Statistics contained adjustments consistent with those incorporated in the world economic outlook paper but not reflected in those incorporated in Part 1, which provided data on individual countries, the Director noted. Those adjustments, if carried down to the individual country level--as distinct from more aggregated data--would have to be discussed with the individual countries prior to their publication. If agreement was reached with the Fund's statistical correspondents, Part 1 would also incorporate such adjustments at the individual country level.

The present practice with respect to the appropriate unit of account in presenting balance of payments statistics was to emphasize the use of the SDR, rather than the U.S. dollar or some other major currency, the Director said. However, some major Fund publications--such as IFS and the World Economic Outlook--included balance of payments summary statements expressed in terms of the U.S. dollar. The choice of the SDR versus the dollar had been intensely debated for a long time by the staff individually and in committees, but the results had been inconclusive. Some statistics, by their very nature, had to be expressed in SDRs, such as SDR holdings in the context of international reserves. At the same time, any presentation of statistics should be oriented toward the user of the data and therefore preferably should be expressed in a unit of account that was helpful to the user. There were advantages and disadvantages to the use of the SDR as opposed to the dollar. The staff felt that a conclusion should be reached soon within the Fund that the U.S. dollar should be made the common unit of account rather than the SDR, wherever feasible.

Apparently, Executive Directors favored the circulation or publication of the Working Party's report, the Director of the Bureau of Statistics commented. Accordingly, the report could be amended to exclude the mention of certain internal issues that need not be included in the published version. The Bureau of Statistics intended to circulate the report to the international network of official Fund correspondents on statistics and within the appropriate offices in the UN system.

The Deputy Director of the Research Department noted that the Working Party had concluded that its findings did not invalidate the main thrust of the qualitative analysis in previous world economic outlook exercises. Some Executive Directors had wondered why that conclusion had been drawn when Table 4 on page 16 of the report showed that there was a concentration of the suggested adjustments in developing countries. The staff believed that the Working Party's findings did not invalidate the main thrust of the staff's general analysis of international economic trends for several reasons. First, the proposed adjustments for industrial countries--whose substantial imbalances had been one of the main concerns of the Fund in recent years--would change only marginally the size of the surpluses and deficits for those countries on which the staff had focused its analysis in the past. Second, the debt problems facing developing countries would not be eased in any practical sense by a more accurate recording of the relevant statistics. It was true that an accurate reporting of the statistics as suggested by Table 4 would show a much smaller external current account deficit for the developing countries; indeed, it might even show a surplus in 1984 and 1985. However, those data would represent balance of payments flows that were not directly available to the authorities for the purpose of managing their foreign exchange position and, therefore, would not change the constraints facing those countries or the nature of the policies that the Fund would wish to recommend to the authorities concerned. Hence, the more accurate data presentation would not change the thrust of the staff's analysis, although it would change qualitatively in the sense that the more accurate data would suggest that developing countries had received a smaller volume of net capital inflows than was implied by the balance of payments deficit that was shown in the recorded statistics.

The staff intended to incorporate the adjusted statistics in the forthcoming and subsequent world economic outlook papers, the Deputy Director of the Research Department said. It was not possible on the basis of available information to allocate a substantial portion of the discrepancy at the individual country level. The staff would of course examine that issue and would make additional attempts at a later stage, to the extent possible, to allocate the discrepancy at the individual country level. Meanwhile, the staff intended to make adjustments at the regional level in the form of a supplemental table, perhaps in an appendix to the main world economic outlook paper. The Executive Directors could examine and comment on the table, and the staff's analysis in the main body of the world economic outlook paper would refer to the table when the relevant data seemed to have significant implications for the interpretation of economic trends.

Mr. Goos commented that he agreed that it was premature to expect the staff to provide specific quantification of the potential costs that might be encountered as a result of the increased work of the Bureau of