

**FOR
AGENDA**

SM/14/171
Supplement 1
Correction 1

July 15, 2014

To: Members of the Executive Board

From: The Secretary

Subject: **People's Republic of China—Macao Special Administrative Region—Staff Report
for the 2014 Article IV Consultation Discussions—Informational Annex**

The attached corrections to SM/14/171, Sup. 1 (6/23/14) have been provided by the staff:

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

Page 2, first paragraph, line 6: for "in 2011, STA provided technical assistance on the balance of payments in 2008, and LEG provided advice" read "in 2011, and LEG provided advice"

second paragraph, line 1: for "Since 1977" read "Since 1989"

second paragraph, lines 5–7: for "Effective January 2, 1979, the central rate of the pataca was set at MOP 1.0025/HK\$, and the transaction rates were to take place within a band not exceeding 4 percent on either side of the central rate. This arrangement continued through May 10, 1987." read "Effective January 1979, the central rate of the pataca was set at MOP 1.038/HK\$, and in September 1983, was adjusted to MOP 1.03/HK\$, and the transaction rates were to take place within a narrow band on either side of the central rate. This arrangement continued through May 1987."

Page 3, fourth paragraph, line 2: for "35" read "39"

fifth paragraph, line 4: for "which embody the IMF-recommended methodology for compiling monetary statistics." read "monetary aggregates (5SR) and interest rates and share prices (6SR), which embody the IMF-recommended methodology for compiling monetary statistics."

Page 4, line 1: for "The authorities have agreed to begin, by the end of May 2014, regular reporting of FSIs to STA for dissemination on IMF website." read "The authorities have, since May 2014, regularly reported FSIs to STA for dissemination on the IMF website."

line 11: for "Direct investment abroad by Macao SAR residents is not covered in" read "Direct investment abroad by Macao SAR household sector is not covered in"

Page 5, Table, row 6, column 1: for "Feb-2014" read "Mar-2014"
row 7, column 1: for "Feb-2014" read "Mar-2014"
row 14, column 2: for "13-May" read "Jan-2014"

Questions may be referred to Mr. Syed (telephone number 202-758-7495), Ms. Myrvoda (ext. 38150), and Mr. Sun (ext. 36239) in APD.

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Att: (4)

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INTERNATIONAL MONETARY FUND

PEOPLE'S REPUBLIC OF CHINA— MACAO SPECIAL ADMINISTRATIVE REGION

STAFF REPORT FOR THE 2014 ARTICLE IV CONSULTATION DISCUSSIONS—INFORMATIONAL ANNEX

June 20, 2014

Prepared By

Asia and Pacific Department (in consultation with other
departments)

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FUND RELATIONS

Membership Status

As a Special Administrative Region of the People's Republic of China, Macao SAR is not a member of the Fund. The only previous Article IV consultation discussions were concluded on March 25, 1999 before the territory's handover from Portugal to China at the end of that year. However, the Fund has maintained a relationship with Macao SAR, focused mainly on technical assistance and training. STA provided technical assistance with compiling FSIs in 2013 and on the balance of payments in 2008, MCM completed an FSAP in 2011, and LEG provided advice on AML/CFT issues resulting in new legislation in 2006.

Exchange Rate Arrangement

Since 1989, Macao SAR has been operating under a currency board arrangement. On April 9, 1977, the exchange rate of Macao SAR's currency, the pataca, was formally delinked from the Portuguese escudo and linked to the Hong Kong dollar at a central rate of MOP 1.075/HK\$, and the transaction rates were allowed to deviate from this rate as long as they were within a band of +/-1 percent of the central rate. Effective January 1979, the central rate of the pataca was set at MOP 1.038/HK\$, and in September 1983, was adjusted to MOP 1.03/HK\$, and the transaction rates were to take place within a narrow band on either side of the central rate. This arrangement continued through May 1987.

Since then, the pataca has been tied to the Hong Kong dollar at a rate of MOP1.03/HK\$, and is therefore also in effect linked to the US\$, at around MOP8/US\$. Notes are issued by two banks, which deliver Hong Kong dollars to the AMCM in return for noninterest bearing certificates of indebtedness, which serve as the backing for the banknote issue. The Hong Kong dollars are then counted as part of the official foreign exchange reserves held at the AMCM. Under the currency board arrangement, the pataca is 100 percent backed by foreign assets. There are no exchange restrictions on current and capital account transactions. With capital freely mobile, monetary conditions in MSAR are strongly influenced by conditions in Hong Kong SAR and the United States market.

STATISTICAL ISSUES

Data provision is adequate for surveillance purposes. Macao SAR has been participating in the IMF's General Data Dissemination System (GDDS) since August 2007.

National accounts. Macao SAR compiles quarterly and annual estimates of GDP by expenditure category, at current prices and in volume terms. The volume measures are derived using annual chain linking methods. The estimates by type of activity are compiled in current prices only, due to the unavailability of relevant deflators. A major revision of the compilation process was undertaken in 2010. The key changes include the adoption of chain linking to derive volume estimates and the introduction of data from the 2007/08 household income and expenditure survey to estimate private final consumption expenditure. Macao SAR reports annual and quarterly GDP to the IMF for publication in *International Financial Statistics (IFS)*. STA has not provided technical assistance in national accounts to Macao SAR over the past ten years.

Price statistics. Macao SAR compiles a monthly consumer price index (CPI) with a base period of April 2008 to March 2009. The index is rebased every five years and has been available since October 2009. The weights were derived from the 2007/08 household income and expenditure survey. Macao SAR releases a composite CPI, which reflects price changes for the general population of households, CPI-A that covers households with an average monthly expenditure of MOP 6,000 to MOP 18,999 (about 50 percent of households), and a CPI-B that covers households with an average monthly expenditure of MOP 19,000 to MOP 34,999 (about 30 percent of households). Macao SAR submits CPI data to the IMF for publication in *IFS*.

Government finance statistics. Macao SAR reports detailed annual consolidated general government accounts (budget, 39 extra budgetary units, and one social security fund) in the *GFSM 2001* format for inclusion in the *Government Finance Statistics Yearbook*, along with summary quarterly general government accounts for publication in *IFS*. These data could be usefully augmented by the reporting of a financial balance sheet, as outlined in the 2010 Board decision regarding government finance statistics to strengthen fiscal analysis.

Monetary and financial statistics. The Monetary Authority of Macao (AMCM) reports, on a timely basis, monthly monetary data to STA for publication in *IFS*. These data are reported in the format of the Standardized Report Forms (SRFs) for central bank (1SR) and other depository corporations (2SR), monetary aggregates (5SR) and interest rates and share prices (6SR), which embody the IMF-recommended methodology for compiling monetary statistics.

Financial sector surveillance. In the area of financial soundness indicators (FSIs), the AMCM has compiled selected time series of FSIs, which are published in its semi-annual publication *Monetary and Financial Stability Review*. A statistics mission on FSIs visited AMCM in July 2013 and assisted the authorities in establishing procedures for compiling FSIs in accordance with the

IMF-recommended framework. The authorities have, since May 2014, regularly reported FSIs to STA for dissemination on the IMF website.

External sector statistics. The AMCM compiles and disseminates annual balance of payments (BOP) statistics. IIP statistics are not available. Since 2012, the BOP of Macao SAR has been compiled following the methodology and classification of the sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)*. BOP data for 2002–11 were originally compiled under the format of the fifth edition of the *Balance of Payments Manual (BPM5)* and converted to the *BPM6* format. Although, external sector statistics are not yet compiled on a quarterly basis, Macao SAR participates in major Fund Statistical Initiatives, such as the General Data Dissemination System (GDDS), the Coordinated Portfolio Investment Survey (CPIS), and the Coordinated Direct Investment Survey (CDIS). Direct investment abroad by Macao SAR household sector is not covered in external sector statistics. Household financial investment abroad (portfolio and other investments, except deposits abroad that can be collected from the BIS data) only covers those transactions going through local authorized financial institutions, and hence, transactions outside the local financial channel are not recorded. In addition, compensation of Macao SAR employees earned abroad is not covered in the BOP. Due to the implementation of the *BPM6* methodology in 2012, personal effects, financial assets, and liabilities of persons changing residence are no longer covered by a capital transfer in the capital account.

Macao SAR: Table of Common Indicators Required for Surveillance

(As of May 13, 2014)

	Date of Latest Observation	Date Received	Frequency of Data ⁵	Frequency of Reporting ⁵	Frequency of Publication ⁵
Exchange rates	May-2014	May-2014	D	D	D
International reserve assets and reserve liabilities of the monetary authorities ¹	Mar-2014	Apr-2014	M	M	M
Reserve/base money	Mar-2014	Apr-2014	M	M	M
Broad money	Mar-2014	Apr-2014	M	M	M
Central bank balance sheet	Mar-2014	Apr-2014	M	M	M
Consolidated balance sheet of the banking system	Mar-2014	Apr-2014	M	M	M
Interest rates ²	Apr-2014	Apr-2014	D	D	D
Consumer price index	Mar-2014	Apr-2014	M	M	M
Revenue, expenditure, balance and composition of financing—general government	Q3/13	Apr-2014	Q	Q	Q
Stocks of central government and central government-guaranteed debt ³
External current account balance	2012	Jan-2014	A	A	A
Exports and imports of goods and services ⁴	Mar-2014	May-2014	M	M	M
GDP/GNP	Q4/13	Mar-2014	Q	Q	Q
Gross external debt	NA	NA	NA	NA	NA
International investment position	NA	NA	NA	NA	NA

¹ Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

² Both market-based and officially-determined, including discount rates, money market rates, rates on monetary bills.

³ Macao SAR has no government debt.

⁴ Goods trade data are provided monthly. Services trade data are released annually with the current account statistics.

⁵ Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A); Irregular (I); Not Available (NA).