

**EXECUTIVE
BOARD
MEETING**

SM/16/51
Correction 1

April 27, 2016

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Behind the Scenes with Data at the IMF—An IEO Evaluation**

Board Action:

The attached corrections to SM/16/51 (2/26/16) have been provided by the IEO:

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

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Questions:

Ms. Wagner, IEO (ext. 38847)
Mr. de Las Casas, IEO (ext. 39022)

1990s.¹⁶ It is also highly likely that many data-induced shortcomings have left no traces in Fund documentation, and that in most such cases, the Fund could not have detected data problems that might affect its analysis, absent the explicit admission of the member country. ~~As one such example,~~ Australia's Bureau of Statistics, generally considered among the best, is one notable example. It admitted to ~~an error~~ a benchmarking issue in its 2010 and 2011 official employment figures, overstating the strength and the weakness, respectively, in the labor market, ~~supporting.~~ This led to perceptions that the Reserve Bank's decision to push up rates in 2010 and to reverse course the following year could have been influenced.¹⁷

19. The most common reason for data deficiencies, according to the survey of staff, is a country's limited capacity (including cost constraints), but a more troubling reason, cited by close to 20 percent of staff survey respondents, is the authorities' unwillingness to provide the data. While in some cases non-provision was due to cost considerations, more than half of such instances were due to confidentiality concerns about how the IMF would handle the data. The survey of data providers also indicated a strong regional component, with about 40 percent of respondents from Asia and from Middle Eastern oil-exporting countries expressing concerns about confidentiality. Worse still, 10 percent of IMF staff (with higher numbers for those working on emerging markets) claimed that intentional manipulation of data was responsible for data inadequacies.¹⁸

The IMF has a broad-ranging toolkit to address data deficiencies ...

20. What instruments does the IMF have at its disposal to question official statistics and to address data deficiencies during the conduct of bilateral surveillance? In addition to staff judgment and experience, data inconsistencies are often discovered through the use of the IMF's financial programming framework.¹⁹ Problems can also be detected by checking flow data against stock data. In about half of country cases with data deficiencies, staff survey respondents said that they had to come up with their own estimates for the problematic data.

¹⁶ Most cases where the Fund has documented data that have undermined analysis have occurred in the context of Fund-supported programs, reflecting the much greater attention the Fund gives to data when its own financial resources are at risk.

¹⁷ *Sydney Morning Herald*, July 3, 2012. See also on this issue:
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/Previousproducts/6202.0Main%20Features2Apr%202012?opendocument&tabname=Summary&prodno=6202.0&issue=Apr%202012&num=&view> and
<http://www.rba.gov.au/publications/smp/2012/aug/box-e.html>.

¹⁸ Intentional manipulation is often a case of Goodhart's Law, the popular formulation of which is "When a measure becomes a target, it ceases to be a good measure." Goodhart's Law (named after an economist who was a member of the Bank of England's Monetary Policy Committee) refers to the vulnerability of a statistical indicator to manipulation once it is used to define a policy target.

¹⁹ Until recently, financial programming was typically not applied to advanced economies, a factor which may have contributed to the undetected buildup of the large imbalances prior to the financial crisis.