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PROGRESS REPORT ON BALANCE OF PAYMENTS STATISTICS

(Memorandum prepared by the International Monetary Fund)

1. The International Monetary Fund's report last year on balance of payments statistics discussed in detail the progress which had been made in this field up to the end of 1952, and set forth the objectives toward which the Fund expected to work, with the co-operation of its members and other participating countries, as well as with other international organizations. Since these broad objectives remain unchanged, the present report will deal only with the progress made toward achieving them during 1953.

2. The principal development of the past year was the decision taken to revise radically the form in which the Fund's balance of payments statistics are to be made generally available. In the first four volumes of the Balance of Payments Yearbook the data were presented in two forms. First the statements for each country were shown in a standard form comparable from country to country and maintaining rigidly the classifications of the Balance of Payments Manual. Secondly, for most countries the data were also rearranged into an analytic form, adapted to the characteristics of each country's economic structure and pattern of payments. This form focused attention on a surplus or deficit of selected accounts which was matched by compensatory official financing, i.e., movements in official reserves (including related movements such as variations in an EPU credit or debit balance) and official grants and loans covering an imbalance in the rest of the balance of payments. In the fourth volume the presentation in the standard form had generally been confined to the most recent year for which definitive statistics were available, whereas the analytic presentation in most cases covered the whole of the post-war period.

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3. The decision to revise the form of presentation was reached after discussions in Washington in September 1953 at which compilers of official balance of payments statistics in ten countries were invited to make detailed suggestions for improving the usefulness of the balance of payments statistics published by the Fund. The consensus of this group of technicians was that a full and detailed statement, uniform for all countries and covering several years, should be given primary emphasis. The standard form of presentation used in earlier volumes of the Yearbook was considered broadly suitable for this purpose, but it was suggested that it could be improved by varying sub-items in the basic tables from country to country within the uniform scheme of the Fund's Balance of Payments Manual. This method would permit a more flexible adaptation of the statistical presentation to the transactions of individual countries as well as the inclusion in the basic tables of much information that had previously been relegated to the explanatory notes.

4. The experts also reviewed a series of tables in which the Fund's staff had proposed various modifications in the analytic presentation used hitherto. The group felt that an even wider range of analytic tables than was presented by the staff would provide valuable aid in the analysis and understanding of balance of payments data and that the analytic tables should be accompanied by more textual analysis of balance of payments developments.

5. The recommendations of this expert group are being carried out in the Fund's fifth Balance of Payments Yearbook. Another important innovation is that the Yearbook will be published as a looseleaf volume, individual country sections being released as soon as they are ready in final form. This format is particularly suitable for the prompt publication of quarterly and half-yearly statements, an increasing number of which are becoming available. A somewhat fuller description of these and other features of the fifth Yearbook is contained in the attached "Brief Description of Balance of Payments Yearbook, Volume 5." The first country sections for the new Yearbook are now in press, and copies will be available in time for distribution at the meeting of the Statistical Commission.

6. Since the preparation of the fourth Yearbook, which contained data on 65 countries, material suitable for publication has been received from three additional countries or areas - the Hashemite Kingdom of Jordan, Netherlands Antilles, and the colonies of the United Kingdom. This small increase in the number of countries reporting balance of payments information reflects the fact that virtually all major countries outside Eastern Europe now furnish such data regularly. The quality of the statements received continues to improve steadily, and an increasing number of countries find it possible to supply regional statements and quarterly or semi-annual reports.

7. Publication of a revised version of the Manual, originally scheduled for 1953, has been postponed as a result of the changes introduced in the Yearbook. Many of the most urgent changes, however, have already been put into effect by issuing special instructions to the countries concerned. For example, the treatment of transactions with the European Payments Union, the European Coal and Steel Community, and the North Atlantic Treaty Organization has been clarified with the co-operation of representatives of the Organization for European Economic Cooperation and individual OEEC countries. Some small modifications are still required to bring the Manual into complete harmony with the United Nations system of national accounts, and these and some other technical changes will be embodied in a revised version of the Manual, the preparation of which is now scheduled for 1954.

ANNEX

BRIEF DESCRIPTION OF BALANCE OF PAYMENTS YEARBOOK, VOLUME 5

1. In order to expedite the flow of balance of payments data to the public, the Fund's Balance of Payments Yearbook will henceforth be issued in a series of looseleaf sections. Once a year the sections will be brought together in a bound volume.
2. Volume 5 of the Yearbook will cover about 68 countries. For most of the countries, the over-all balance of payments will be shown for the years 1947-52; and for about half the number of countries, a regional classification will be shown for the years 1951 and 1952. Preliminary statistics for 1953 that become available before 1 July 1954 will also be included in Volume 5.
3. There will be a basic presentation, characterized by uniform categories to facilitate international comparison; and, wherever they will help analysis of the foreign exchange problems of the country, there will also be one or more analytic tables in which the presentation will be adapted to the particular country. Consolidated regional statements will be given for such areas as the OEEC countries and the Latin American Republics. Full notes will be provided in explanation of the make-up and content of all the tables. In addition, as an entirely new feature, this volume will include Fund staff commentaries on balance of payments developments in a number of countries. Those commentaries will generally be based on the analytic tables.

INCREASE IN VOLUME OF STATISTICS

4. The number of countries for which balance of payments statements are available has been increasing steadily since the war. The annual volumes published in this field by the League of Nations covered 25-30 countries. The first Balance of Payments Yearbook published by the Fund covered 51 countries; since then the number has been increased each year. Not only has there been steady growth in the number of reporting countries, but the range, accuracy, and international comparability of the data also have been greatly increased. Moreover, regional classifications which were rare before the war are now available for

well over 30 countries. These classifications are of particular importance in a world in which currencies are often not convertible and quotas or other direct controls tend to channel transactions to particular areas; but, even if all these obstructions were removed, the regional classification of a country's transactions with the rest of the world would still contribute to an understanding of the economic forces at work. While the Fund's regional tables are designed to show transactions by geographic areas, they are so constructed as to reveal also most of the pattern of currency settlements.

5. In addition to the annual statements, an increasing number of reports is becoming available for half-yearly or quarterly periods. For such reports the looseleaf system of prompt publication will be particularly appropriate.

BASIC PRESENTATION

6. The basic presentation has been developed from the Fund's Balance of Payments Manual. In the 1950-51 Yearbook (Volume 4), it was called the standard classification; and in that volume the capital transactions section of the table was considerably telescoped to avoid repetition of the rather detailed capital data provided in the analytic table, which was shown as the first table of each country section. In Volume 5, the basic presentation contains more detailed data than was given in Volume 4, particularly in the capital section. For all countries there are 19 uniform categories with sub-items varying from country to country.

7. The basic tables in Volume 5 contain a considerable amount of information that in previous volumes was relegated to the explanatory notes. Also, the range of years for which statistics are presented in this form has been substantially expanded. In Volume 5 final statistics will generally be given for the years 1947-52, and preliminary statistics for 1953. The regional classifications will be presented in the new basic form and, accordingly, will include more detail than hitherto. In particular, all the goods and services accounts by areas will be given on a gross credit-debit basis when available. Regional data in the basic form will generally be confined to the years 1951 and 1952, but some preliminary data will be given for 1953.

8. The classifications are all in accordance with the Fund's Balance of Payments Manual and have been extensively described in the first three volumes of the Yearbook. A comprehensive discussion of concepts and principles underlying the statistical presentation will be issued in due course as a section of Volume 5. Until this section is available, the following list of item numbers used in the basic tables of Volume 5 in relation to the corresponding categories used in the first three volumes is presented for reference purposes.

<u>Item Number and Description in</u> <u>Volume 5</u>	<u>Item number in First</u> <u>Three Volumes</u>
A. Goods and Services	
1. Merchandise	1
2. Non-monetary gold movement (net)	2
3. Foreign travel	3
4. Transportation	4
5. Insurance	5
6. Investment income	6
7. Government, not included elsewhere	7
8. Miscellaneous	8
B. Donations	
9. Private	9.1 and 9.2
10. Official	9.3 and 9.4
Net total (1 through 10)	10, net credit
C. Capital and Monetary Gold (net)	16, net assets
Private, excluding banking institutions	
11. Long-term liabilities	11, liabilities
12. Short-term liabilities	12, liabilities
13. Long-term assets	11, assets
14. Short-term assets	12, assets
Official and Banking Institutions	
15. Long-term liabilities	13, liabilities
16. Short-term liabilities	14, liabilities
17. Long-term assets	13, assets
18. Short-term assets	14, assets
19. Monetary gold	15

ANALYTIC PRESENTATION

9. For many countries the analysis of foreign exchange problems can be facilitated by a quite different presentation of their balance of payments - one that disregards the rigidly uniform major categories of the basic table. Such a treatment makes it possible to show, for example, the net effect on a country's exchange position of the operations of a particular sector of the economy, say, foreign-owned oil or mining companies; or expenditures of foreign military forces can be shown as a group that cuts across goods and services. Private capital movements may be analyzed from the standpoint of their behavior (investment, floating, blocked, etc.), irrespective of whether they are movements in short- or long-term assets or liabilities. Wherever official grants and loans play a significant role, they can be brought together for study apart from private donations and capital movements. Again, official financing may be subdivided on the basis of the function of the transactions rather than their form, e.g., into movements in reserves and similar monetary movements (which may cover both long- and short-term capital), extraordinary economic aid (donations or loans), and other types. Such distinctions facilitate the study of balance of payments problems.

10. In earlier Yearbooks, analytic tables were given in which the transactions recorded in the final group of the table represented the Fund staff's best judgment as to the financing (whether in the form of reserves, grants, or loans) that was brought in play primarily to compensate for a surplus or deficit in the rest of the balance of payments. Transactions in the rest of the balance of payments were classified as undertaken largely for commercial, personal, contractual, or other purposes dissociated from the purpose of balancing the international transactions of the country as a whole. The reserves, grants, and loans that were presumed to perform the balancing function were called "compensatory financing".

11. In the current series of tables, somewhat similar grouping will frequently be employed; but to emphasize the tentative character of analytic classifications of this kind, no use is made either of the term, surplus or deficit, or of its counterpart, compensatory financing. The transactions previously described as compensatory financing will be entered under such specific titles as "extraordinary economic aid", "monetary movements", etc., and no attempt will be made to determine whether or not individual transactions within such broad groups perform a balancing function. The groupings will be supplied because it is believed that users of the Yearbook will find them helpful in appraising a country's balance of payments position. For some countries, several cumulative totals will be shown in order to bring out different aspects of a country's position; in many cases the final total will then approximate that previously labeled surplus or deficit. A cumulative total of this character will not be recorded if the transactions appear to be so mixed that such a total would hardly be useful. Moreover, in some cases an analytic table would add so little to the basic table that none need be shown.

12. Whenever analytic tables are employed cross-references will be provided for each item to reconcile it with the data published in the basic tables or their notes. Moreover, for many of the countries for which analytic tables are given, a discussion of balance of payments developments will also be provided. This is an entirely new feature of the Yearbook. While the discussion will be focused on the analytic balance of payments tables, it will necessarily relate the balance of payments to developments in the domestic economy and foreign markets, and other tables will be employed where helpful.

13. It is evident that all the analytic material, both tabular and textual, will involve so large an interpretative element that the Fund's staff must take full responsibility for it. It will be presented, not as something demonstrable or even as a judgment on which general agreement has been reached by technicians of member countries and the Fund, but rather as an approach which it is believed will facilitate analysis of a country's foreign exchange problems. Since the basic presentation, the analytic tables, and the discussion of balance of payments developments will seldom be completed simultaneously, it may, for some countries, be necessary to issue a Yearbook section in several installments.

RECONCILIATION OF TRADE FIGURES WITH THOSE IN INTERNATIONAL FINANCIAL STATISTICS

14. The figures given for a country's merchandise trade in the tables in the Yearbook may differ from the figures published in the Fund's monthly publication, International Financial Statistics, because of the different purposes served by the two sets of figures. The Yearbook data have to be comparable from year to year and also have to be consistent with other items in the balance of payments for the year. This need for internal consistency in an accounting balance may mean that, for the balance of payments, data are based on exchange control records, rather than on customs returns; that certain transactions (e.g., freight and insurance on imports) are classified as services rather than merchandise; or that other adjustments are made for coverage, timing, and valuation. The IFS data, on the other hand, are time series measuring changes in trade, which is the largest part of most countries' international transactions. The series need to be comparable from period to period and available on a current, up-to-date basis. To meet these requirements, customs returns are used, with adjustments made only if there are large differences between the customs figures as reported and those figures that would meet the IFS definition of merchandise as given in International Financial Statistics, Volume VII, No. 1 (January 1954), page ix.

15. Details which explain the differences between the trade data in the Yearbook and those in IFS are given in the table included with the notes to the merchandise item in each country section in the Yearbook. The reconciliation is based on data available as of the time the Yearbook is printed. Since subsequent revisions of the trade data would be published in later issues of IFS, the figures in the Yearbook may not agree with those in the current IFS.
