

INTERNATIONAL MONETARY FUND



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INTRODUCTION

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1. Overview

The Fund's principal statistical publication, *International Financial Statistics (IFS)*, has been published monthly since January 1948. In 1961, the monthly was supplemented by a yearbook, and in 1991 and 2000, respectively, *IFS* was introduced on CD-ROM and the Internet.

IFS contains country tables for most Fund members, as well as for Anguilla, Aruba, the Central African Economic and Monetary Community (CEMAC), the Eastern Caribbean Currency Union (ECCU), the euro area, Montserrat, the Netherlands Antilles, the West African Economic Monetary Union (WAEMU), and some nonsovereign territorial entities for which statistics are provided internationally on a separate basis. Also, selected series are drawn from the country tables and published in area and world tables. The country tables normally include data on a country's exchange rates, Fund position, international liquidity, money and banking accounts, interest rates, prices, production, labor, international transactions, government accounts, national accounts, and population. Selected series, including data on Fund accounts, international reserves, and international trade, are drawn from the country tables and published in world tables as well.

The monthly printed issue of *IFS* reports current monthly, quarterly, and annual data, while the yearbook reports 12 observations of annual data. Most annual data on the CD-ROM and Internet begin in 1948; quarterly and monthly data generally begin in 1957; most balance of payments data begin in 1970.

The following sections describe conceptual and technical aspects of various data published in *IFS*. The reader will find more detailed descriptions—about coverage, deviations from the standard methodologies, and discontinuities in the data—in the footnotes in the individual country and world tables in the monthly and yearbook issues of *IFS*, in the Print_Me file on the CD-ROM, and in the PDF pages on the Internet. (Where references are made in this introduction to notes in monthly issues, they refer to notes files on the CD-ROM and Internet as well.)

2. Exchange Rates and Exchange Rate Arrangements

Exchange rates in *IFS* are classified into three broad categories, reflecting the role of the authorities in determining the rates and/or the multiplicity of the exchange rates in a country. The three categories are the **market rate**, describing an exchange rate determined largely by market forces; the **official rate**, describing an exchange rate determined by the authorities—sometimes in a flexible manner; and the **principal, secondary, or tertiary rate**, for countries maintaining multiple exchange arrangements.

In *IFS*, exchange rates are expressed in time series of national currency units per SDR (the unit of account for the Fund) and national currency units per U.S. dollar, or vice versa.

The exchange rates in SDRs are classified and coded as follows:

Series **aa** shows the end-of-period national currency value of the SDR, and series **ac** shows the end-of-period SDR value of the national currency unit.

Series **sa**, **sb**, **sc**, and **sd**—provided on the country table for the United States—show the SDR value of U.S. dollars. Series **sa** and **sc** refer to end-of-period values of U.S. dollars per SDR and SDRs per U.S. dollar, respectively, while series **sb** and **sd** are geometric averages of values within the period.

The exchange rates in U.S. dollars are classified and coded as follows:

Series **ae** shows end-of-period national currency units per U.S. dollar, and series **ag** shows end-of-period U.S. dollars per unit of national currency.

Series **rf** shows period-average national currency units per U.S. dollar, and series **rh** shows period-average U.S. dollars per unit of national currency. Series **rf** and **rh** data are the monthly average of market rates or official rates of the reporting country. If those are not available, they are the monthly average rates in New York. Or if the latter are not available, they are estimates based on simple averages of the end-of-month market rates quoted in the reporting country.

The country tables contain two of the U.S. dollar series—either **ae** and **rf** or **ag** and **rh**—depending on the form in which the exchange rate is quoted.

Reciprocal relationships are the following:

The end-of-period rates **aa** and **ac**, **ae** and **ag**, and **sa** and **sc** are reciprocals of each other. The period-average SDR rates in terms of the U.S. dollar (**sb** and **sd**) are also reciprocals of each other, because they are calculated as geometric averages. Other period average rates (**rf** and **rh**) are calculated as arithmetic averages and are not reciprocals.

The relationship between trade figures in *IFS* and exchange rates is the following:

All trade figures in *IFS* are converted from national currency values to U.S. dollars and from U.S. dollar values to national currency, using series **rf**. Conversions are based on the data available for the shortest series, and these data are summed to obtain data for longer periods. Conversion is based on longer period rates of only the difference, if any, between the longer period data and the sum of the shorter period data. The country table notes in the monthly issues identify the exchange rates used.

For members maintaining dual or multiple exchange rate systems, which often reflect wide ranges of exchange rates in effect in a

country, lines w, x, and y are presented. Notes on the tables in the monthly issues for these countries describe the current exchange rate systems and identify the exchange rates shown.

European Currency Unit (ECU) and the Euro

For periods before January 1999, the exchange rate sections in tables for members of the European Union (EU)—Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom—Norway and the United States contain a time series on the value of the European currency unit (ECU).

The ECU was issued by the European Monetary Institute (EMI)—successor to the European Monetary Cooperation Fund on January 1, 1994—against gold and foreign exchange deposits by the central banks of the EU member states. The ECU was defined as a basket of currencies of the EU member countries. The share of each currency in the basket was based on the gross national product and foreign trade of the country issuing that currency. The equivalent of the ECU was calculated—first in US dollars and then in the currencies of the member countries—by using representative market exchange rates for the US dollar, as reported by the member countries. In *IFS*, series ea and ec refer to end-of-period values of national currency units per ECU and ECUs per unit of national currency, respectively; series eb and ed are the arithmetic averages of values within the period.

On January 1, 1999, the euro replaced the ECU, at a rate of one euro per one ECU. Irrevocable conversion factors for the euro, adopted for the eleven countries in the euro area, fixed the central rates between the euro and the currencies participating in the exchange rate mechanism. The irrevocable fixed factors, legally mandated to have six significant digits, are the following: Austria (S 13 7603), Belgium (BF 40.3399), Finland (Fmk 5 94573), France (F 6 55957), Germany (DM 1 95583), Ireland (IR£0 787564), Italy (Lit 1936 27), Luxembourg (Lux F 40.3399), the Netherlands (f 2 20371), Portugal (Esc 200 482), and Spain (Pta 166.386).

An accord established compulsory intervention rates for the Danish krone (± 2.25 percent around the euro central rate) and the Greek drachma (± 15 percent around the euro central rate) from January 1, 1999 onwards. Greece joined the euro area on January 1, 2001, adopting the euro as its currency, with a conversion factor of 340 750 drachmas per euro.

In addition, from January 1, 1999 onwards, the member countries of the Bank of Central African States and the Central Bank of West African States changed the peg of their currencies from the French franc to the euro, at a rate of CFAF 655 957 per euro. A few other countries also have pegged their currencies to the euro.

On January 1, 2002, euro banknotes and coins were issued. National currencies continued to be accepted in trade for a short transition period that ended in all member countries by the end of February 2002. The statistical treatment of euro banknotes and coins and outstanding national currencies is described in the section *European Economic and Monetary Union* in Section 5—Money and Banking.

Effective Exchange Rates

The country tables, euro area tables, and world tables provide measures of effective exchange rates, compiled by the IMF's Research Department, Policy Development and Review Department, Statistics Department, and area departments.

A nominal effective exchange rate index represents the ratio (expressed on the base 2000=100) of an index of a country's period-average exchange rate to a weighted geometric average of exchange

rates for the currencies of selected countries and the euro area. A real effective exchange rate index represents a nominal effective exchange rate index adjusted for relative movements in national price or cost indicators of the home country, selected countries, and the euro area.

Line ahx

For ease of comparison between the nominal effective exchange rate index and the real effective exchange rate index, the average exchange rate expressed in terms of US dollars per unit of each of the national currencies (line ah) is also given as an index form based on 2000=100 (line ahx). In both cases of the indices, an increase in the index reflects an appreciation. Because of certain data-related limits, particularly where Fund estimates have been used, data users need to exercise considerable caution in interpreting movements in nominal and real effective exchange rates.

The Fund publishes calculated effective exchange rates data only for countries that have given their approval. Please note that similar indices that are calculated by country authorities could cause different results.

Lines neu and reu

The nominal effective exchange rate index (line neu) and the real effective exchange rate index (line reu) are published in the country tables for approximately 18 industrial countries and the euro area, for which data are available for normalized unit labor costs in manufacturing.

For the nominal effective exchange rate index, weights are derived from trade in manufactured goods among industrial countries over the period 1999–01. For the real effective exchange rate index for these countries (excluding Australia and New Zealand) and the euro area (excluding Ireland and Portugal), data are compiled from the nominal effective exchange rate index and from a cost indicator of relative normalized unit labor costs in manufacturing. The reu and neu indices are discussed more fully in the world table section of this introduction.

A selection of other measures of real effective exchange rates for these countries and the euro area, using alternative measures of costs and prices, is shown in the world table *Real Effective Exchange Rates Indices*.

Lines nec and rec

The country tables for selected other countries include a nominal effective exchange rate index in line nec. This index is based on a methodology that takes account of each country's trade in both *manufactured* goods and *primary* products with its partner, or competitor, countries.

For *manufactured* goods, trade by type of good and market is distinguished in the database. So it is possible to allow at a disaggregated level for competition among various exporters in a foreign market (i.e., third-market competition) as well as that arising from bilateral trade links.

For *primary* products, the weights assigned depend principally on a country's role as a global supplier or buyer of the product. Trade in crude petroleum, petroleum, and other energy products is excluded. For some countries that depend heavily on tourism, bilateral exports of tourism services averaged over 1999–01 are also included in calculating the competitiveness weights.

From January 2006 onwards, the line nec index is weighted based on disaggregate trade data for manufactured goods and primary products covering the three-year period 1999–01. Before that, the weights are for the three-year span 1989–91. The series based on the old weights and the new weights are linked by splicing at December 1995, and the reference base is shifted to 2000=100.

The real effective exchange rate index in line rec is derived from the nominal effective exchange rate index, adjusted for relative changes in consumer prices. Consumer price indices, often available monthly, are used as a measure of domestic costs and prices for these countries. This practice typically reflects the use of consumer prices by the reference and partner, or competitor, countries in compiling these indices.

For countries where multiple exchange rates are in effect, Fund staff estimates of weighted average exchange rates are used in many cases. A weighted average exchange rate is constructed as an average of the various exchange rates, with the weights reflecting the share of trade transacted at each rate. For countries where a weighted average exchange rate cannot be calculated, the principal rate, generally line ahx, is used.

The notes to the country tables in the monthly issues provide information about exceptions in the choice of the consumer price index (generally line 64) and the period average exchange rate index (generally line ahx). For a relatively small number of countries, notes in the country tables in the monthly issues indicate 1) where alternative price indices, such as the wholesale/producer price index or a weighted average of several price indices, are used; 2) where data constraints have made it necessary to use weighting schemes based on aggregate bilateral non-oil trade data; and 3) where trade in services (such as tourism) has been taken into account.

The world table section of this introduction provides a description of the effective exchange rates tables. In addition, a Fund working paper entitled "A Primer on the IMF's Information Notice System" (WP/97/71), distributed in May 1997, provides background on the concepts and methodology underlying the effective exchange rates. Another Fund working paper "New Rates from New Weights" (WP/05/99), provides background on the methodology underlying the new weights.

SDR Value

Before July 1974, the value of the SDR (unit of account for the Fund) was fixed in terms of U.S. dollars. Over time, the value changed as follows: SDR 1 = U.S. dollar 1 through November 1971; SDR 1 = U.S. dollar 1.08571 from December 1971 through January 1973; and SDR 1 = U.S. dollar 1.20635 from February 1973 through June 1974.

Since July 1974, the Fund has determined the value of the SDR daily on the basis of a basket of currencies, with each currency being assigned a weight in the determination of that value. The currencies in the basket are valued at their market exchange rates for the U.S. dollar. The U.S. dollar equivalents of each currency are summed to yield the rate of the SDR in terms of the U.S. dollar. The rates for the SDR in terms of other currencies are derived from the market exchange rates of these currencies for the U.S. dollar and the U.S. dollar rate for the SDR.

Although the method of calculating the U.S. dollar/SDR exchange rate has remained the same, the currencies' number and weight have changed over time. Their amount in the SDR basket is reviewed every five years.

From July 1974 through June 1978, the currencies in the basket were of the countries that averaged more than 1 percent share in world exports of goods and services from 1968–72. This established a basket of 16 currencies. Each currency's relative weight was broadly proportionate to the country's exports but modified for the U.S. dollar to reflect its real weight in the world economy. To preserve the continuity of valuation, the amount of each of the 16 currencies was such that on June 28, 1974 the value of SDR 1 = U.S. dollar 1.20635.

From July 1978 through December 1980, the composition of the basket was changed on the basis of updated data for 1972–76. The

weights of some currencies were also changed. The amount of each of the 16 currencies in the revised basket was such as to ensure that the value of the SDR in terms of any currency on June 30, 1978 was exactly the same in the revised valuation as in the previous valuation.

Since January 1, 1981, the value of the SDR has been determined based on the currencies of the five member countries having the largest exports of goods and services during the five-year period ending one year before the date of the latest revision to the valuation basket. Broadly reflecting the currencies' relative importance in international trade and finance, the weights are based on the value of the exports of goods and services of the members issuing these currencies and the balances of their currencies officially held by members of the Fund.

From January 1981 through December 1985, the currencies and currency weights of the five members having the largest exports of goods and services during 1975–79 were the U.S. dollar, 42 percent; deutsche mark, 19 percent; French franc, Japanese yen, and pound sterling, 13 percent each.

From January 1986 through December 1990, reflecting the period 1980–84, the weights had changed to U.S. dollar, 42 percent; deutsche mark, 19 percent; Japanese yen, 15 percent; French franc and pound sterling, 12 percent each.

From January 1991 through December 1995, reflecting the period 1985–89, the weights were U.S. dollar, 40 percent; deutsche mark, 21 percent; Japanese yen, 17 percent; French franc and pound sterling, 11 percent each.

On January 1, 1996, the weights were U.S. dollar, 39 percent; deutsche mark, 21 percent; Japanese yen, 18 percent; French franc and pound sterling, 11 percent each.

On January 1, 1999, the currency amount of deutsche mark and French francs were replaced with equivalent amounts of euros, based on the fixed conversion rates between those currencies and the euro, announced on December 31, 1998 by the European Council. The weights in the SDR basket were changed to U.S. dollar, 39 percent; euro, 32 percent (in replacement of the 21 percent for the deutsche mark and 11 percent for the French franc); Japanese yen, 18 percent; and pound sterling, 11 percent.

On January 1, 2001, the weights had changed to U.S. dollar, 45 percent; euro, 29 percent; Japanese yen, 15 percent; and pound sterling, 11 percent.

As of January 1, 2006, the value of the SDR has been determined based on the four currencies included in the valuation basket in the following proportions: U.S. dollar, 44 percent; euro, 34 percent; Japanese yen and pound sterling, 11 percent each.

World Tables on Exchange Rates

Tables A, B, C, and D on exchange rates, described below, are presented in *IFS*. Daily exchange rates are not yet provided on the CD-ROM or Internet.

Table A of exchange rates gives the monthly, quarterly, and annual SDR rates in terms of U.S. dollars and reciprocals of these rates.

Table B reports for the latest available month the daily rates and the monthly averages, both in terms of currency units per U.S. dollar (af) and U.S. dollars per currency unit (ah) of (1) 16 major currencies, other than the U.S. dollar, as quoted in the markets of these countries, (2) the SDR, and (3) the euro.

Table C gives daily rates of currencies in terms of national currency units per SDR for the latest available month.

Table D provides, in terms of national currency units per SDR, end-of-period rates for the currencies of Fund members—including

Hong Kong (Special Administrative Region as of 1997)—and the Netherlands Antilles

Method of Deriving IFS Exchange Rates

For countries that have introduced new currencies, the rates shown in *IFS* for the period before the introduction of the most recent currency may be used as conversion factors—they may be used to convert national currency data in *IFS* to US dollar or SDR data. In such cases, the factors are constructed by chain linking the exchange rates of the old and the new currencies. The basis used is the value of the new currency relative to the old currency, as established by the issuing agency at the time the new currency was introduced. Footnotes about the introduction of new currencies are to be found on individual country tables in the monthly issues of *IFS*.

For countries that are members of the euro area, the exchange rates shown are expressed in national currency units per SDR or per US dollar through 1998, and in euros per SDR or per US dollar thereafter.

A detailed description of the derivation of the exchange rates in *IFS*, as well as technical issues associated with these rates, is contained in the *IFS Supplement on Exchange Rates*, No. 9 (1985).

3. Fund Accounts

Data on members' Fund accounts are presented in the Fund Position section in the country tables and in 12 world tables. Details about Fund Accounts terms and concepts and the time series in the country and world tables follow:

Terms and Concepts in Fund Accounts

Quota

When a country joins the Fund, it is assigned a quota that fits into the structure of existing quotas. Quotas are considered in the light of the member's economic characteristics relative to those of other members of comparable size. The size of the member's quota determines, among other things, the member's voting power, the size of its potential access to Fund resources, and its share in allocations of SDRs.

Quotas are reviewed at intervals of not more than five years. The reviews take account of changes in the relative economic positions of members and the growth of the world economy. Initial subscriptions, and normally subscriptions associated with increases in quotas, are paid mainly in the member's own currency, and a smaller portion, not exceeding 25 percent, is paid in reserve assets (SDRs or other members' currencies that are acceptable to the Fund).

General Resources Account

The General Resources Account (GRA) resources consist of the currencies of Fund member countries, SDRs, and gold. These resources are received in the form of subscriptions (which are equal to quotas), borrowings, charges on the use of the Fund's resources, income from investments, and interest on the Fund's holdings of SDRs. Subscriptions are the main source of funds.

Borrowing Arrangements

Borrowings are regarded as a temporary source of funds. The Fund has the authority to borrow the currency of any member from any source with the consent of the issuer.

General Arrangements to Borrow

The Fund's first borrowings were made under the General Arrangements to Borrow (GAB). The Arrangements were established

in 1962 initially for four years but, through successive extensions, have been continuously in force since then. The original Arrangements permitted the Fund to borrow the currencies of ten industrial country members (those forming the Group of Ten) to finance purchases by any of these ten countries.

The Fund also had an agreement with Switzerland, under which Switzerland undertook to consider making loans to the Fund to finance additional purchases by members that made purchases financed by the GAB.

The revised GAB, that became effective in December 1983, permits the Fund under certain circumstances to extend GAB resources to members that are not GAB participants, authorizes participation of the Swiss National Bank, and permits certain borrowing arrangements between the Fund and nonparticipating members to be associated with the GAB. The GAB decision was amended on December 22, 1992 to take account of Switzerland's membership in the Fund.

Temporary Arrangements

The Fund has also entered into borrowing arrangements to finance purchases under its temporary lending facilities.

Oil Facilities: The Fund arranged in 1974 and 1975 to borrow from the principal oil exporting countries and other countries with strong external positions to finance two special facilities—the 1974 and 1975 Oil Facilities. Under these facilities, repayments were completed in May 1983.

Supplementary Financing Facility: In 1977 the Fund initiated bilateral borrowing arrangements with 14 countries or their institutions to finance commitments under the Supplementary Financing Facility. This facility was established in 1979, and its funds were fully committed by March 1981.

Policy on Enlarged Access: The first borrowing agreement under the Policy on Enlarged Access to the Fund's resources was reached in March 1981 between the Fund and the Saudi Arabian Monetary Agency.

Others: Since then, additional agreements have been entered into with central banks and official agencies of a number of countries, and with international agencies. In December 1986 the Fund entered into a borrowing arrangement with the government of Japan, under which resources were made available for use by the Fund in support of members' adjustment programs, including under the Enlarged Access Policy.

All of the above borrowing arrangements were disbursed and used by December 1991, except for the GAB, which remains intact. Meanwhile, in December 1987 the Fund, as "Trustee," was authorized to enter into borrowing arrangements with official lenders from a wide range of countries to finance loans under the Enhanced Structural Adjustment Facility, renamed Poverty Reduction and Growth Facility in November 1999.

New Arrangements to Borrow

The New Arrangements to Borrow (NAB), which became effective on November 17, 1998, is a set of credit arrangements between the Fund and 25 members and institutions to provide supplementary resources to the Fund. These resources are to forestall or cope with an impairment of the international monetary system or to deal with an exceptional situation that poses a threat to the stability of that system. The NAB does not replace the GAB, which remains in force.

The total amount of resources available to the Fund under the NAB and GAB combined will be up to SDR 34 billion, double the amount available under the GAB alone. By strengthening the Fund's