

IMF COMMITTEE ON BALANCE OF PAYMENTS STATISTICS
CURRENCY UNION TECHNICAL EXPERT GROUP (CUTEG)

ISSUES PAPER (CUTEG) # 4

DISTINCTION BETWEEN CURRENCY UNION AND REGIONAL STATEMENTS

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1. A chapter on regional statements appears in *BPM5*. The chapter makes it clear that the concepts for compilation of statements vis-à-vis the rest of the world also apply to regional statement. (Chapter XXIV). It guides compilers in dealing with regional allocation of transactions and stocks of external assets and liabilities. By this, it allows the classification of entities by a compiling economy according to the residence of a foreign economic entity. Nonetheless, a currency union statement raises additional issues to that of the type of regional statement set out on *BPM5*. How should the revised Manual address the difference between currency union and other types of regional statements?

I. Current international standards for the statistical treatment of the issue

2. The *BPM5* discusses some aspects of regional statements in Chapter XXIV. It mentions that the importance of regional statements derive theoretically from the need to identifying and assessing large imbalances vis-à-vis specific counterpart countries or regions and the growing emergence of forms of economic and monetary cooperation or integration.
3. Moreover, *BPM5* clarifies that the conceptual framework supporting the compilation of national balance of payments statements also supports the compilation of regional statements.
4. Finally, the *BPM5* also explains that some approaches followed in distinguishing between residents and nonresidents of a single country, may not be satisfactory when dealing with regional statements. The most important example is the allocation of financial flows and stock to either the creditor/debtor or the transactor principle.

II. Concerns/shortcomings of the current treatment

5. The concepts followed in *BPM5* in assisting compilers compile regional statements are a basis, but not fully adequate, for compiling currency union's statement.
6. For instance, *BPM5* fails to explain how, in a currency union, transactions between members and the currency union central bank or other supra-national institutions in charge of managing aspects of the currency unions are recorded in both the national and currency union data. From a national viewpoint, such institutions can be considered as resident of the currency unions, but not part of each member's territory.
7. Further, transactions relating to banknotes, reserve assets, and settlement of intra currency union financial transactions are also features that require discussion in dealing with balance of payments data for a currency but not necessarily for regional statement regional allocation issues.
8. Also, *BPM5* does not recognise that for economic and monetary analysis guiding policy decisions, the statistical statements of the union as a whole are meaningful within a

single currency area. Also, the interpretation of the national statements in the context of a currency union becomes complex; for instance, when there are intra-union transactions that cancel out (netted out) in a single financial market at the union, but not national, level. These relationships between national and currency union data generally do not similarly apply when discussing regional statements.

9. Also, there is an ambiguity in the current wording of *BPM5* where “regional statement” either refers to the geographical allocation of a single economy’s flows and stocks or to the compilation of these aggregates for a group of economies.

III. Possible alternative treatments

10. The suggestion would be that two chapters will be needed; one refers to currency union balance of payments data and the other to regional statement. The updated *BPM5* could acknowledge the existence of a currency union concept of residence, which is not simply the sum of member countries or jurisdictions, but include the currency union regional central bank and other supra-national institutions in charge of aspects of the union’s policies.

11. As in *BPM5 Chapter XXIV*, special attention could be considered for the compilation of the currency union liabilities flows and stocks in securities. Compiling this item on the liabilities side is particularly difficult because of the existence (and concentration) of secondary markets either located within or outside the currency union itself. This undermines the compiler’ ability to implement the currency union (as well as domestic) resident/nonresident breakdown.

IV. Points for discussion

(1) *BPM5 Chapter XXIV provides a starting point for compiling data on regional statements but is a separate chapter on currency union balance of payments statements required?*

(2) *Recognize that currency union (as opposed to regional) balance of payments statements residence is not simply the sum of member countries or jurisdictions, but include the currency union regional central bank and other supra-national institutions in charge of aspects of the union’s policies.*

(3) *As in BPM5 Chapter XXIV, does the allocation of securities liabilities stock and flows data require special attention?*

References

BPM5 (Chapter XXIV).