

Savenaca Narube: Balance of payments - a central banker's view

Opening address by Mr Savenaca Narube, Governor of the Reserve Bank of Fiji, at the Regional Course on Balance of Payments and International Investment Position, Suva, 11-22 April 2005.

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Introduction

Mr Jon Craig and Mr Michael Andrews at PFTAC

Our Course Facilitators - Mr Jens Reinke of the IMF, Mr Mahinder Gill - a former division chief of the Balance of Payments and External Debt at the IMF) and Mr Paul Mahoney of the Australian Bureau of Statistics.

Distinguished Delegates

On behalf of the Government of Fiji and the Reserve Bank I would like to welcome you to and the workshop participants to this regional training course on Balance of Payments. This is the first regional course and supplements the existing courses held by the IMF in Washington D.C. and at the Singapore Training Institute. I would like to extend my appreciation to the IMF and PFTAC for organizing this course. These forums provide an excellent opportunity for statisticians and economists in the region to exchange knowledge and experiences.

Why is the Balance of Payments important?

The Balance of Payments show a country's transactions with the rest of the world. The Balance of Payments records all the flows of goods and services of a country with the rest of the world, and flows of other types of income into and out of the country.

The current account brings all these flows together. It is important for domestic policy making because it shows that calls on a country's foreign savings equals net savings in the domestic economy. So a deficit can reflect domestic conditions. This may be good - if it comes about because investment exceeds domestic savings, but it's bad if it's due to excess consumption.

Regardless of the cause of a deficit, a deficit has impact on debt and this can lead to crisis if debt becomes too large and reserves become too low. Debt and reserves are recorded in the international investment position.

So the balance of payments system is vital in economic policy making, because of the important relationship between external and domestic economic developments, timely, reliable, and comprehensive balance of payments statistics are an indispensable tool for economic analysis and policy making. Indeed, with the growing interdependence of the world's economies, the need for such statistics - which reflects in part the underlying movement towards greater liberalization and integration of markets - has increased over time.

Also, balance of payments and international investment position data constitute an indispensable link in the compilation of data for various components of the national accounts (e.g., production accounts, income accounts, capital and financial accounts, and the related measurement of national wealth). The balance of payments is directly aligned and integrated with the system of national accounts. For example, trade statistics used in the balance of payments are also included in the measure of expenditure on GDP.

What is the purpose of course?

This course has been arranged to help countries to build their capability to compile balance of payments statistics. The conceptual framework will be explained, sources and methodologies for the various components described, and discussions held on the many issues that are of particular concerns to the Pacific island countries. The fishing industry, for example, provides the opportunity to discuss many issues including the definitions of residency and national boundaries, flows of goods, services, royalties, salaries of fishermen and so on.

I realise that there is a very wide spread of experience of participants - from countries that have been compiling Balance of Payments for many years including quarterly statistics, through to those that do not currently compile any Balance of Payments statistics. This will be a particular challenge for the presenters and the participants to ensure everyone gains what they want from the course. The outcomes aimed for in the course will therefore range from increased knowledge to enable participants to return to their countries and make refinements to existing estimates, through to an increased awareness of the benefits from compiling BOP which will hopefully lead to plans for development of Balance of Payments stats in future for countries not yet producing them.

What resources are available to Balance of Payments compilers?

There are a number of manuals and handbooks available to assist in developing and compiling Balance of Payments and International Investment Position statistics. These include both conceptual materials and very practical guidance in terms of sources and methods that are most suitable for the various elements of the system.

PFTAC here in Suva has provided a significant amount of technical assistance to Balance of Payments compilers in the region for about 12 years. Staff at the IMF headquarters in Washington provides backstopping support to PFTAC and can also provide additional advice and assistance.

I wish you well in this course, and hope that you will learn enough of the concepts and practical issues involved in the Balance of Payments to take home to your countries and work toward improving the range and quality of the statistics you produce. I also hope you have an enjoyable stay here in Suva.

Thank You.