

SELECTED DECISIONS AND SELECTED DOCUMENTS OF THE INTERNATIONAL MONETARY FUND



Articles of Agreement



Bank Sound and Macro Policy

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## INTERNATIONAL RESERVES

This appendix reviews recent developments in official measures of international reserves and liquidity. Changes in the main components of official reserves are briefly examined. The currency composition of foreign exchange reserves and their distribution across different groups of countries are also analyzed.

### Recent Evolution of Official Reserve Assets

During 1996, total international reserves increased by 11 percent and stood at SDR 1,320 billion at the end of the year (Table I.1). Nongold reserves increased by 15 percent to SDR 1,088 billion, while the market value of the official holdings of gold declined marginally to SDR 232 billion. The rates of increase for both total and nongold reserves were similar to those observed in 1995 and much higher than the rates of increase in the early 1990s. The growth of nongold reserves can be attributed primarily to increases in foreign exchange reserves held by both industrial and developing countries. Fund-related assets remained essentially unchanged during 1996.

### Foreign Exchange Reserves

Foreign exchange reserves constitute the largest component of nongold reserves, accounting for 91 percent of total nongold reserves for industrial countries and 98 percent for developing countries. Total foreign exchange reserves were valued at SDR 1,032 billion at the end of 1996, representing an increase of 15 percent relative to the level at the end of 1995. Developing countries held 51 percent of total foreign exchange reserves in 1996. During 1996, the stock of foreign exchange reserves rose by SDR 61 billion (an increase of 14 percent since 1995) for industrial countries and by SDR 77 billion (an increase of 17 percent) for developing countries. Net debtor countries accounted for about 75 percent of foreign exchange reserves held by developing countries. Reflecting private capital inflows, the stock of foreign exchange reserves held by net debtor countries grew by 22 percent in 1996, an increase similar to the average annual rate of increase for these countries since 1990. Foreign exchange reserves of countries without debt-servicing problems, which represent 70 percent of net debtor countries' reserves, increased by 20 percent. Foreign exchange reserves of oil exporting developing countries rose by SDR 11 billion during 1996 (a 26 percent increase), after remaining essentially unchanged over the previous four years. Non-oil exporting developing countries increased their foreign exchange reserves by SDR 67 billion (16 percent).

### Holdings of Fund-Related Assets

The ratio of Fund-related reserve assets to total nongold reserves has declined steadily during the 1990s. Fund-related reserves represented about 5 percent of total nongold reserve assets at the end of 1996 compared with an average ratio of about 11 percent over the previous decade. Total holdings of Fund-related assets remained unchanged during 1996 and stood at SDR 56 billion at year end. Industrial countries currently hold about 83 percent of total Fund-related reserves. Members' reserve positions at the Fund, which comprise their reserve tranche positions and their creditor positions, increased by about SDR 1 billion to SDR 38 billion at the end of 1996, representing an increase of about 4 percent during 1996.

Members' holdings of SDRs, which had been drawn down substantially during 1992 to pay for the reserve asset portions of quota increases under the Ninth General Review, appear to have stabilized after a sharp increase from 1992 to 1995 resulting from the Fund's policy of decreasing its SDR holdings in order to replenish members' holdings. Fund member countries now hold 18.5 billion of the total of 21.4 billion SDRs allocated by the Fund in two allocations since 1970. At the end of 1996, the Fund held 1.7 billion SDRs, compared with 8.6 billion SDRs at the end of 1992, and other prescribed institutions held the remaining 1.2 billion SDRs.

### Gold Reserves

The market value of the stock of official gold reserves declined by 2 percent during 1996 and stood at SDR 232 billion at the end of the year. The stock of gold reserves declined by 3.8 million troy ounces during 1996. In addition, the SDR market price of gold declined marginally during this period. The share of gold as a ratio to total reserves has declined steadily since the 1980s, when the average for the decade was 44 percent, to 18 percent in 1996. Industrial countries hold 83 percent of the world's gold reserves; gold holdings accounted for about 26 percent of their total reserves in 1996. Gold holdings accounted for only 7 percent of the total reserves of developing countries in 1996.

### Developments in the First Quarter of 1997

In the first quarter of 1997, total international reserves increased by SDR 37 billion. Nongold reserves rose by SDR 45 billion, almost entirely attributable to an increase in foreign exchange reserves. Fund-related assets fell by SDR 2 billion, reflecting a decline in industrial countries'

Table I.1

**Official Holdings of Reserve Assets, End of Year 1991–March 1997<sup>1</sup>**  
*(In billions of SDRs)*

	1991	1992	1993	1994	1995	1996	March 1997
<b>All countries</b>							
Total reserves excluding gold							
Fund-related assets							
Reserve positions in the Fund	25.9	33.9	32.8	31.7	36.7	38.0	36.2
SDRs	20.6	12.9	14.6	15.8	19.8	18.5	18.7
<b>Subtotal, Fund-related assets</b>	<b>46.4</b>	<b>46.8</b>	<b>47.4</b>	<b>47.5</b>	<b>56.4</b>	<b>56.5</b>	<b>54.9</b>
Foreign exchange	625.4	646.9	718.4	776.9	893.5	1,031.5	1,078.2
<b>Total reserves excluding gold</b>	<b>671.8</b>	<b>693.7</b>	<b>765.9</b>	<b>824.4</b>	<b>949.9</b>	<b>1,088.0</b>	<b>1,133.0</b>
Gold <sup>2</sup>							
Quantity (in millions of troy ounces)	938.0	927.5	921.7	917.7	908.4	904.6	892.8
Value at London market price	231.9	224.8	262.1	240.9	236.3	232.3	224.1
<b>Total reserves including gold</b>	<b>903.7</b>	<b>918.5</b>	<b>1,028.0</b>	<b>1,065.3</b>	<b>1,186.3</b>	<b>1,320.3</b>	<b>1,357.1</b>
<b>Industrial countries</b>							
Total reserves excluding gold							
Fund-related assets							
Reserve positions in the Fund	22.8	29.5	28.3	27.4	31.6	32.6	31.0
SDRs	17.5	10.5	11.5	12.5	15.0	14.5	14.7
<b>Subtotal, Fund-related assets</b>	<b>40.2</b>	<b>40.0</b>	<b>39.8</b>	<b>39.9</b>	<b>46.6</b>	<b>47.1</b>	<b>45.7</b>
Foreign exchange	360.4	356.8	373.7	393.9	441.1	501.7	515.3
<b>Total reserves excluding gold</b>	<b>400.7</b>	<b>396.7</b>	<b>413.4</b>	<b>433.8</b>	<b>487.7</b>	<b>548.8</b>	<b>561.0</b>
Gold <sup>2</sup>							
Quantity (in millions of troy ounces)	793.7	785.2	770.8	768.0	755.1	747.7	736.1
Value at London market price	196.2	190.3	219.2	201.6	196.5	192.0	184.8
<b>Total reserves including gold</b>	<b>596.9</b>	<b>587.1</b>	<b>632.7</b>	<b>635.5</b>	<b>684.1</b>	<b>740.8</b>	<b>745.8</b>
<b>Developing countries</b>							
Total reserves excluding gold							
Fund-related assets							
Reserve positions in the Fund	3.1	4.4	4.5	4.3	5.0	5.4	5.2
SDRs	3.1	2.4	3.2	3.3	4.8	4.0	4.0
<b>Subtotal, Fund-related assets</b>	<b>6.2</b>	<b>6.8</b>	<b>7.7</b>	<b>7.6</b>	<b>9.8</b>	<b>9.4</b>	<b>9.2</b>
Foreign exchange	264.9	290.2	344.8	383.0	452.5	529.8	562.8
<b>Total reserves excluding gold</b>	<b>271.2</b>	<b>296.9</b>	<b>352.4</b>	<b>390.5</b>	<b>462.3</b>	<b>539.1</b>	<b>572.0</b>
Gold <sup>2</sup>							
Quantity (in millions of troy ounces)	144.3	142.3	150.8	149.6	153.3	156.9	156.7
Value at London market price	35.7	34.5	42.9	39.3	39.9	40.3	39.3
<b>Total reserves including gold</b>	<b>306.8</b>	<b>331.4</b>	<b>395.3</b>	<b>429.8</b>	<b>502.1</b>	<b>579.4</b>	<b>611.4</b>
<b>Net debtors</b>							
Total reserves excluding gold							
Fund-related assets							
Reserve positions in the Fund	1.2	2.8	2.7	2.9	3.5	3.9	3.8
SDRs	2.4	1.7	2.3	2.4	3.8	2.9	2.9
<b>Subtotal, Fund-related assets</b>	<b>3.6</b>	<b>4.5</b>	<b>5.0</b>	<b>5.2</b>	<b>7.3</b>	<b>6.9</b>	<b>6.7</b>
Foreign exchange	166.2	184.9	233.1	264.8	329.3	400.2	428.5
<b>Total reserves excluding gold</b>	<b>169.8</b>	<b>189.4</b>	<b>238.1</b>	<b>270.0</b>	<b>336.6</b>	<b>407.0</b>	<b>435.2</b>
Gold <sup>2</sup>							
Quantity (in millions of troy ounces)	118.1	116.1	124.6	123.4	127.6	131.3	131.0
Value at London market price	29.2	28.1	35.4	32.4	33.2	33.7	32.9
<b>Total reserves including gold</b>	<b>199.0</b>	<b>217.6</b>	<b>273.5</b>	<b>302.4</b>	<b>369.8</b>	<b>440.7</b>	<b>468.1</b>

Table I.1 (concluded)

	1991	1992	1993	1994	1995	1996	March 1997
<b>Countries without debt-servicing problems</b>							
Total reserves excluding gold							
Fund-related assets							
Reserve positions in the Fund	1.1	2.3	2.3	2.4	3.1	3.5	3.4
SDRs	1.5	1.1	1.2	1.3	2.8	1.8	1.8
<b>Subtotal, Fund-related assets</b>	<b>2.7</b>	<b>3.4</b>	<b>3.5</b>	<b>3.7</b>	<b>5.9</b>	<b>5.3</b>	<b>5.2</b>
Foreign exchange	116.7	119.2	155.4	179.8	234.6	280.3	304.3
<b>Total reserves excluding gold</b>	<b>119.4</b>	<b>122.6</b>	<b>158.9</b>	<b>183.5</b>	<b>240.4</b>	<b>285.5</b>	<b>309.4</b>
Gold <sup>2</sup>							
Quantity (in millions of troy ounces)	72.5	70.2	78.6	77.1	79.8	83.3	83.1
Value at London market price	17.9	17.0	22.4	20.3	20.8	21.4	20.9
<b>Total reserves including gold</b>	<b>137.3</b>	<b>139.6</b>	<b>181.3</b>	<b>203.8</b>	<b>261.2</b>	<b>306.9</b>	<b>330.3</b>

Note: Components may not sum to totals because of rounding.

Source: International Monetary Fund, *International Financial Statistics* (various issues).

<sup>1</sup>"Fund-related assets" comprise reserve positions in the Fund and SDR holdings of all Fund members. The entries under "Foreign exchange" and "Gold" comprise official holdings of those Fund members for which data are available and certain other countries or areas.

<sup>2</sup>One troy ounce equals 31.103 grams. The market price is the afternoon price fixed in London on the last business day of each period.

reserve positions at the Fund. Foreign exchange reserves rose by 3 percent for industrial countries and by 6 percent for developing countries since the end of 1996. The market value of official gold holdings fell by SDR 8 billion, reflecting a 1 percent decline in the quantity of gold holdings and a 6 percent decline in the SDR price of gold.

### Currency Composition of Reserves

During the past ten years there have been few significant changes in the degree of diversification in the currency composition of foreign exchange reserves (Table I.2). The U.S. dollar remains the dominant international reserve currency, accounting for 59 percent of the identified foreign exchange reserves in 1996.<sup>1</sup> The U.S. dollar share of total foreign exchange reserves declined from 1987 through 1990; this decline had been reversed by 1993, and the share has remained relatively stable since then. The shares of the deutsche mark and the Japanese yen in total foreign exchange reserves have declined gradually from their respective peaks of 18 percent and 9 percent in the early 1990s to 14 percent and 6 percent, respectively, in 1996. The increases in the share of unspecified currencies in foreign exchange reserves in 1995 and 1996 principally reflect data problems.<sup>2</sup> In particular, many transition economies that have become members of the Fund in recent years report only their total holdings of foreign exchange reserves and do not provide information on the currency composition of those reserves. The unspecified

currency component of foreign exchange reserves stood at 10 percent at the end of 1996, indicating that the evolution of currency shares discussed below needs to be interpreted with considerable caution.

At the end of 1996, the share of U.S. dollars in the foreign exchange reserves of the industrial countries was 56 percent, representing an increase of 12 percentage points since 1991. The U.S. dollar share of developing country foreign exchange reserves has been relatively stable during the 1990s and stood at 63 percent at the end of 1996. The shares of the deutsche mark and the Japanese yen in foreign exchange reserves have declined gradually during the 1990s for both industrial and developing countries. Their combined share in industrial country foreign exchange reserves stood at 22 percent in 1996 compared with 29 percent in 1990; their combined share in foreign exchange reserves of developing countries stood at 17 percent in 1996. The shares of other identifiable national currencies in total foreign exchange reserves have not changed significantly during the past ten years.

In the calculation of currency shares in Table I.2, the European currency unit (ECU) is treated as a separate currency. Official ECU reserves, which are held mainly by European countries, are in the form of claims both on the private sector and the European Monetary Institute (EMI). The ECU reserves that represent claims on the EMI are issued in exchange for deposits equal to 20 percent of both gold and dollar reserves. These swaps are renewed every three months, and changes in member's holdings of dollars and gold, as well as changes in the market price of gold and in the foreign exchange value of the dollar, affect the amount of ECUs outstanding.<sup>3</sup> Quantity changes in ECU holdings therefore depend in part on the evolution of the two components of

<sup>1</sup>Table I.2 includes European currency units (ECUs) as a separate currency except in the last column, where the dollar-swap component of ECU liabilities of the European Monetary Institute (EMI) is classified as dollars and all other ECUs are omitted from the calculation.

<sup>2</sup>Unspecified currencies include currencies other than those listed in Table I.2 as well as foreign exchange reserves for which no information on currency composition is available from the reporting country or from other sources. For developing countries as well as transition economies that have recently become members of the Fund, a large share under this classification probably indicates a lack of information on currency composition.

<sup>3</sup>In calculating the value of the gold holdings of the EMI in terms of ECUs, the ECU swap price is set equal to the lower of two values: the average of the prices recorded daily at the two London price fixings during the previous six calendar months, and the average price at the two price fixings on the penultimate working day of the period.

Table I.2

**Share of Currencies in Total Identified Official Holdings of Foreign Exchange, End of Year 1987-96<sup>1</sup>**  
(In percent)

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	Memorandum: ECU-Dollar Swaps Included with Dollars <sup>2</sup> 1996
<b>All countries</b>											
U.S. dollar	55.7	55.1	51.8	50.1	50.6	54.7	56.1	56.0	56.6	58.9	63.7
Pound sterling	2.1	2.5	2.5	3.1	3.4	3.2	3.1	3.3	3.2	3.4	3.5
Deutsche mark	13.3	14.5	18.0	17.3	15.9	13.7	14.2	14.3	13.7	13.6	14.0
French franc	0.8	1.0	1.4	2.3	2.8	2.5	2.2	2.1	2.0	1.6	1.6
Swiss franc	1.8	1.8	1.4	1.3	1.2	1.0	1.1	0.9	0.8	0.7	0.8
Netherlands guilder	1.2	1.0	1.1	1.0	1.0	0.6	0.6	0.5	0.4	0.3	0.4
Japanese yen	6.9	7.0	7.3	8.1	8.7	7.7	7.7	7.9	6.5	6.0	6.2
ECU	13.6	11.7	10.8	10.1	10.6	10.1	8.6	8.1	7.0	5.9	...
Unspecified currencies <sup>3</sup>	4.6	5.4	5.8	6.7	5.7	6.3	6.3	6.9	9.8	9.5	9.8
<b>Industrial countries</b>											
U.S. dollar	54.8	54.5	48.4	45.7	43.7	48.9	50.3	51.0	52.1	55.5	64.9
Pound sterling	1.0	1.3	1.3	1.7	1.8	2.4	2.2	2.3	2.1	2.0	2.1
Deutsche mark	14.1	15.6	20.7	19.8	18.3	15.1	16.4	16.3	16.4	16.4	17.5
French franc	0.3	0.7	1.1	2.3	3.0	2.8	2.5	2.1	2.1	1.6	1.7
Swiss franc	1.5	1.5	1.1	0.9	0.8	0.4	0.3	0.2	0.1	0.1	0.1
Netherlands guilder	1.1	1.0	1.1	1.1	1.1	0.4	0.4	0.2	0.2	0.2	0.2
Japanese yen	6.3	6.4	7.6	8.8	9.7	7.6	7.9	8.3	6.7	5.9	6.2
ECU	19.0	16.3	15.3	14.5	16.6	16.7	15.2	14.6	13.3	11.5	...
Unspecified currencies <sup>3</sup>	2.0	2.8	3.5	5.2	4.9	5.7	4.8	5.0	7.1	6.8	7.3
<b>Developing countries</b>											
U.S. dollar	58.2	56.7	60.0	60.1	62.7	63.8	63.7	62.0	61.6	62.5	62.5
Pound sterling	5.1	5.5	5.6	6.4	6.2	4.5	4.2	4.7	4.5	4.9	4.9
Deutsche mark	11.2	11.6	11.4	11.7	11.7	11.5	11.2	11.8	10.7	10.6	10.6
French franc	2.0	2.0	2.1	2.3	2.5	2.1	1.9	2.2	2.0	1.5	1.5
Swiss franc	2.6	2.3	2.2	2.0	2.0	2.0	2.2	1.8	1.5	1.4	1.4
Netherlands guilder	1.2	1.0	0.9	0.8	1.0	1.0	0.9	0.8	0.6	0.5	0.5
Japanese yen	8.3	8.6	6.6	6.6	7.0	7.9	7.6	7.5	6.4	6.2	6.2
ECU	—	—	—	—	—	—	—	—	—	—	...
Unspecified currencies <sup>4</sup>	11.3	12.2	11.2	10.0	7.0	7.3	8.3	9.3	12.7	12.3	12.3

Note: Components may not sum to totals because of rounding.

<sup>1</sup>Note that European currency units (ECUs) are treated as a separate currency except in the last column. Only Fund member countries that report their official holdings of foreign exchange are included in this table.

<sup>2</sup>This column is for comparison and indicates the currency composition of reserves when ECUs issued against dollars are assumed to be dollars and all other ECUs are ignored.

<sup>3</sup>The residual is equal to the difference between total foreign exchange reserves of Fund member countries and the sum of the reserves held in the currencies listed in the table.

<sup>4</sup>The calculations here rely to a greater extent on Fund staff estimates than do those provided for the group of industrial countries.

the EMI swaps.<sup>4</sup> The other component of ECU foreign exchange reserves is official claims on the private sector, usually in the form of ECU deposits and bonds.

The share of ECUs in total foreign exchange reserves of industrial countries has declined gradually from 19 percent in 1987 to 12 percent at the end of 1996. Most of the recent fall in the share of ECUs is a result of the decline in official ECU reserves in the form of claims on the private sector.

In the last column of Table I.2, the SDR value of ECU swaps issued against dollars is counted as a part of the dollar component of foreign exchange reserves. This increases the share of U.S. dollars to 64 percent of total foreign exchange reserves for all countries and to 65 percent for industrial

<sup>4</sup>The quarterly swaps are arranged at the end of the first weeks of January, April, July, and October. Changes in the number of ECUs outstanding thus depend on the exchange rate and the gold price on these dates, whereas changes in the SDR value of ECU holdings are calculated at the SDR-ECU exchange rate at the end of each quarter.

Table I.3

**Currency Composition of Official Holdings of Foreign Exchange, End of Year 1988-96<sup>1</sup>***(In millions of SDRs)*

	1988	1989	1990	1991	1992	1993	1994	1995	1996
<b>U.S. dollar</b>									
Change in holdings	18,218	11,350	18,396	15,822	33,946	47,476	30,463	71,971	100,608
Quantity change	5,864	5,716	39,003	18,120	21,921	46,111	53,740	76,595	83,658
Price change	12,354	5,634	-20,607	-2,298	12,024	1,365	-23,277	-4,624	16,950
Year-end value	242,194	253,543	271,940	287,762	321,708	369,184	399,647	471,617	572,225
<b>Pound sterling</b>									
Change in holdings	2,263	1,500	4,546	2,477	-624	1,346	3,779	2,953	6,152
Quantity change	2,078	2,653	3,045	3,006	3,071	1,706	3,913	3,524	2,263
Price change	185	-1,153	1,502	-529	-3,695	-360	-134	-571	3,889
Year-end value	10,902	12,403	16,949	19,426	18,802	20,148	23,927	26,880	33,032
<b>Deutsche mark</b>									
Change in holdings	10,049	24,341	6,265	-3,798	-9,768	12,637	8,962	11,956	18,030
Quantity change	13,755	17,862	1,649	-1,846	-8,081	18,513	4,332	5,771	23,925
Price change	-3,706	6,480	4,616	-1,952	-1,687	-5,875	4,629	6,186	-5,894
Year-end value	63,545	87,886	94,151	90,353	80,585	93,223	102,184	114,141	132,171
<b>French franc</b>									
Change in holdings	1,235	2,494	5,478	3,545	-1,321	-58	572	1,726	-1,818
Quantity change	1,519	2,026	5,104	3,528	-1,112	877	31	612	-1,279
Price change	-284	469	374	18	-209	-935	541	1,114	-539
Year-end value	4,497	6,992	12,469	16,015	14,694	14,635	15,208	16,934	15,116
<b>Swiss franc</b>									
Change in holdings	576	-776	-51	-137	-626	1,345	-1,054	112	685
Quantity change	1,333	-764	-728	232	-453	1,433	-1,490	-605	1,543
Price change	-757	-12	677	-369	-173	-87	436	717	-858
Year-end value	7,746	6,969	6,919	6,782	6,156	7,501	6,447	6,559	7,244
<b>Netherlands guilder</b>									
Change in holdings	-237	866	331	294	-2,237	300	-519	-258	129
Quantity change	73	515	93	370	-2,240	559	-704	-471	285
Price change	-310	351	238	-76	3	-258	186	213	-157
Year-end value	4,401	5,267	5,598	5,892	3,655	3,955	3,437	3,178	3,307
<b>Japanese yen</b>									
Change in holdings	3,240	4,761	8,482	5,449	-4,172	5,597	5,548	-2,078	3,890
Quantity change	2,227	8,778	8,716	2,243	-6,262	434	2,745	805	8,854
Price change	1,013	-4,018	-234	3,207	2,090	5,162	2,803	-2,882	-4,964
Year-end value	30,857	35,618	44,100	49,550	45,377	50,974	56,522	54,444	58,334
<b>European currency unit</b>									
Change in holdings	-3,082	1,207	1,974	5,360	-498	-2,820	957	1,147	-1,132
Quantity change	-419	-1,079	-724	6,283	3,845	1,503	-1,037	-1,654	-294
Price change	-2,663	2,287	2,697	-923	-4,342	-4,323	1,994	2,801	-838
Year-end value	51,431	52,638	54,611	59,971	59,473	56,654	57,610	58,758	57,626
<b>Sum of the above<sup>2</sup></b>									
Change in holdings	32,261	45,743	45,423	29,013	14,699	65,824	48,708	87,530	126,543
Quantity change	26,429	35,705	56,157	31,935	10,688	71,136	61,530	84,576	118,955
Price change	5,832	10,038	-10,735	-2,922	4,011	-5,312	-12,822	2,954	7,589
Year-end value	415,573	461,316	506,738	535,751	550,450	616,274	664,982	752,512	879,055
<b>Total official holdings<sup>3</sup></b>									
Change in holdings	38,399	50,763	48,584	31,760	21,543	71,526	58,426	116,638	136,849
Year-end value	494,271	545,034	593,618	625,378	646,921	718,447	776,873	893,511	1,030,361

Note: Components may not sum to totals because of rounding.

<sup>1</sup>The currency composition of foreign exchange is based on the Fund's currency survey and on estimates derived mainly, but not solely, from official national reports. The numbers in this table should be regarded as estimates that are subject to adjustment as more information is received. Quantity changes are derived by multiplying the changes in official holdings of each currency from the end of one quarter to the next by the average of the two SDR prices of that currency prevailing at the corresponding dates. This procedure converts the change in the quantity of national currency from own units to SDR units of account. Subtracting the SDR value of the quantity change so derived from the quarterly change in the SDR value of foreign exchange held at the end of two successive quarters and cumulating these differences yields the effect of price changes over the years shown.

<sup>2</sup>Each item represents the sum of the eight currencies above.

<sup>3</sup>Includes a residual whose currency composition could not be ascertained, as well as holdings of currencies other than those shown.

countries. However, the broad trends in the currency composition of foreign exchange reserves are unaffected by this alternative treatment of ECU reserves.

Changes in the SDR value of foreign exchange reserves can be decomposed into quantity and valuation (price) changes for each of the major currencies as well as the ECU (Table I.3). In 1996, total official holdings of reserves in the major identifiable currencies increased by SDR 127 billion, reflecting a quantity increase of SDR 119 billion and a valuation increase of SDR 8 billion.

Official reserves held in U.S. dollars increased by SDR 101 billion in 1996, attributable to an increase of SDR 84 billion in the quantity of dollar holdings and an

increase of 4 percent in the SDR value of the U.S. dollar during 1996. The quantity of reserves held in deutsche mark increased by SDR 24 billion during 1996, although this was partially offset by a decrease of SDR 6 billion in the value of those reserves. An increase of SDR 9 billion in the quantity of Japanese yen reserves was partially offset by a 9 percent decline in the SDR value of the Japanese yen. Of the other major currencies, only the pound sterling rose in value relative to the SDR during 1996; the quantity of pound sterling reserves rose by SDR 2 billion. French franc and ECU reserves experienced both quantity and valuation decreases during 1996, resulting in total declines of SDR 2 billion and SDR 1 billion, respectively.