



November 2023

## THE FUND'S INCOME POSITION FOR FY 2023— ACTUAL OUTCOME

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- The **Staff Report** prepared by IMF staff and completed on August 16, 2023 for the information of the Executive Board. The paper was prepared following completion of the IMF's FY 2023 external audit.

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**International Monetary Fund**  
**Washington, D.C.**



August 16, 2023

## THE FUND'S INCOME POSITION FOR FY 2023—ACTUAL OUTCOME

### EXECUTIVE SUMMARY

This paper reports on the Fund's income position for FY 2023 following the closing of the Fund's accounts for the financial year and completion of the external audit. Overall net income of the General Department was SDR 1.7 billion, SDR 0.1 billion lower than estimated in April, mainly reflecting a decrease in the remeasurement gain reported under IAS 19 (the accounting standard for employee benefits) offset partly by higher-than-anticipated returns from the investment subaccounts compared with earlier projections.

GRA net income increases the Fund's reserves and, in accordance with decisions taken by the Executive Board in April 2023, a net transfer of currencies of SDR 1.6 billion will be made from the GRA to the Investment Account during FY 2024. The Fund's precautionary balances, following the placement of net income to the Fund's reserves and the pension-related adjustments for the year, reached SDR 22.6 billion at the end of FY 2023, in line with the April projection.

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## CONTENTS

<b>REVIEW OF THE INCOME POSITION FOR FY 2023</b>	<b>3</b>
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### FIGURE

1. FY 2023 Highlights	6
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### TABLES

1. Income and Expenditures for FY 2023	5
2. Reconciliation of Pension-related Gains/Losses—FY 2023	7
3. Reconciliation of Administrative Expenses—FY 2023	7
4. Net Transfer of Currencies from the GRA to the Fixed-Income Subaccount for FY 2023	8

## REVIEW OF THE INCOME POSITION FOR FY 2023

1. **This paper presents the Fund's net income position for FY 2023.** The actual outcome reported in this paper follows the closing of the Fund's accounts for the financial year and completion of the FY 2023 external audit.<sup>1</sup>
2. **The FY 2023 comprehensive net income of SDR 1,730 million was SDR 99 million lower than the April projection (Table 1).**<sup>2</sup> The main contributor to the decrease was the remeasurement gain reported under IAS 19 (SDR 346 million lower than anticipated). This was offset by operational income that was SDR 161 million higher due mainly to the higher-than-anticipated gains from the Fixed-Income Subaccount; and lower than expected losses in the Endowment Subaccount. The results are highlighted in Figure 1 and discussed below:
  - **Lending income.** Lending income, comprising margin income, service charges, commitment fees, and surcharges, totaled SDR 2,659 million for the year, broadly in line with the April estimates.
  - **Income (loss) of the Investment Account.** The investment income from the Fixed-Income Subaccount was SDR 216 million for the year, higher than the SDR 66 million gain anticipated in April, reflecting mainly the decline in US treasury yields in the final two months of FY 2023 that contributed to higher-than-anticipated returns. The investment loss from the Endowment Subaccount of SDR 116 million was lower than the SDR 210 million loss projected in April. The subaccount recorded gains during the final two months of the year, reflecting the decline in bond yields and stronger equity market performance, while the slight appreciation of the US dollar against the SDR also had a positive translation effect on the portfolio.<sup>3,4</sup>
  - **Expenses.** Total expenses of SDR 1,139 million were broadly in line with the April estimates. The slightly higher administrative expenditures reflect the variance between projected and actual USD/SDR exchange rates.

Table 3 provides a reconciliation between the net administrative budget outturn and the administrative expenses reported in the FY 2023 audited financial statements.<sup>5</sup>

<sup>1</sup> See [Audited Financial Statements for the Financial Years Ended April 30, 2023 and 2022](#).

<sup>2</sup> See [Review of the Fund's Income Position for FY 2023 and FY 2024](#).

<sup>3</sup> The assets of the Endowment Subaccount (EA) are invested in a globally diversified portfolio between global fixed-income and equity instruments. In the *Review of the Investment Account and Trust Assets Investment Strategy* in January 2022, the Board approved a new Strategic Asset Allocation (SAA) for the EA consisting of a 45/55 percent split between global fixed-income and equity instruments.

<sup>4</sup> The performance of the Endowment Subaccount is measured in US dollars as the base currency and translated into SDRs for financial reporting.

<sup>5</sup> The administrative expenses reported in the audited financial statements include non-operational costs, i.e., the pension cost accrual.

- **Pension-related remeasurement gain** (Table 2). The remeasurement gain was SDR 346 million lower than projected due mainly to: (i) the decline in the discount rate from the 5.03 percent estimated in April to the actual year-end rate of 4.72 percent, which reduced the remeasurement gain by SDR 427 million;<sup>6</sup> and (ii) other costs being higher than estimated by about SDR 114 million. This was offset partly by improved plan asset returns reducing anticipated portfolio losses from the earlier estimate by about SDR 195 million; as positive financial market performance across most asset classes for the last two months of the year surpassed April estimates.
3. **Precautionary balances.**<sup>7</sup> Precautionary balances amounted to SDR 22.6 billion at year end, in line with the earlier projection in April.

**No decisions are required at this time.** The Executive Board took all necessary decisions in April 2023 during the review of the Fund's income position for FY 2023 and FY 2024.<sup>8</sup> The income of SDR 216 million earned by the Fixed-Income Subaccount and loss from the Endowment Subaccount of SDR 116 million are retained in the respective subaccounts.<sup>9</sup> A portion of the FY 2023 GRA net income equivalent to the pension-related remeasurement gain was placed to the Fund's special reserve, and the remainder of GRA net income was allocated equally between the Fund's general reserve and special reserve.<sup>10</sup> A transfer of currencies of SDR 1,630 million, equivalent to the GRA net income for FY 2023, is scheduled to be made from the GRA to the Fixed-Income Subaccount during FY 2024 (see Table 4).

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<sup>6</sup> See page 32 of [Audited Financial Statements for the Financial Years Ended April 30, 2023 and 2022](#).

<sup>7</sup> As of April 30, 2023, the GRA's precautionary balances consist of its reserves (excluding SDR 4.4 billion currently held in the special reserve, attributable to the profits from gold sales), adjusted to exclude the pension-related gains and losses included in accounting income.

<sup>8</sup> Decisions No. 1 through No. 5, see [Review of the Fund's Income Position for FY 2023 and FY 2024](#).

<sup>9</sup> Decision No. 2, [Review of the Fund's Income Position for FY 2023 and FY 2024](#), states that the income of the Fixed-Income Subaccount and Endowment Subaccount, if any, shall be retained in the Fixed-Income Subaccount and Endowment Subaccount, respectively.

<sup>10</sup> See page 36 of [Audited Financial Statements for the Financial Years Ended April 30, 2023 and 2022](#). See also Decision No. 3, [Review of the Fund's Income Position for FY 2023 and FY 2024](#).

**Table 1. Income and Expenditures for FY 2023**  
(in SDR millions)

	April Projections <sup>1</sup>	Actual Outcome	Difference
	(a)	(b)	(c=b-a)
<b>A. Operational income</b>	<b>2,822</b>	<b>2,983</b>	<b>161</b>
Lending income	2,650	2,659	9
Margin for the rate of charge	939	941	2
Service charges	112	115	3
Commitment fees	197	196	-1
Surcharges	1,402	1,407	5
Investment income	66	216	150
Fixed-Income Subaccount investment income	66	216	150
Endowment subaccount payout <sup>2</sup>	0	0	0
Interest free resources <sup>3</sup>	97	99	2
Reimbursements	9	9	0
SDR Department	9	9	0
PRG Trust	0	0	0
RST	0	0	0
<b>B. Expenses <sup>4</sup></b>	<b>1,131</b>	<b>1,139</b>	<b>8</b>
Net administrative expenditures	972	979	7
Capital budget items expensed	25	24	-1
Depreciation	60	59	-1
Net periodic pension cost after funding (IAS19)	74	77	3
<b>C. Net operational income before provision (A-B)</b>	<b>1,691</b>	<b>1,844</b>	<b>153</b>
Provision for loan impairment losses	0	0	0
<b>D. Net operational income</b>	<b>1,691</b>	<b>1,844</b>	<b>153</b>
Pension-related (IAS19) remeasurement gain <sup>5</sup>	348	2	-346
<b>E. Net operational income after IAS 19 gain</b>	<b>2,039</b>	<b>1,846</b>	<b>-193</b>
Endowment Subaccount investment income/(loss)	-210	-116	94
<b>Net income position <sup>6</sup></b>	<b>1,829</b>	<b>1,730</b>	<b>-99</b>
<u>Memorandum items:</u>			
Fund credit (average stock, SDR billions)	93.9	94.1	
SDR interest rate (average, in percent)	2.1	2.2	
US\$/SDR exchange rate (average)	1.33	1.32	
Precautionary balances (end of period, SDR billions)	22.6	22.6	

Source: Finance Department and Office of Budget and Planning.

<sup>1</sup> See [Review of the Fund's Income Position for FY 2023 and FY 2024](#).

<sup>2</sup> Based on staff's proposal to delay the decision initiating the EA payout in FY 2023 by one year.

<sup>3</sup> Interest free resources reduce the Fund's costs and therefore provide implicit returns. Since the Fund invests its reserves in the Investment Account to earn a higher return, the interest free resources retained in the GRA are mainly attributable to unremunerated reserve tranche positions not represented by gold holdings and GRA income for the year not yet transferred to the Investment Account. These resources reduce members' reserve tranche positions and the Fund's remuneration expense or increase interest income if reflected in SDR holdings of the GRA, resulting in implicit income for the Fund.

<sup>4</sup> See Table 3 for a reconciliation to the administrative expenses reported in the financial statements for FY 2023.

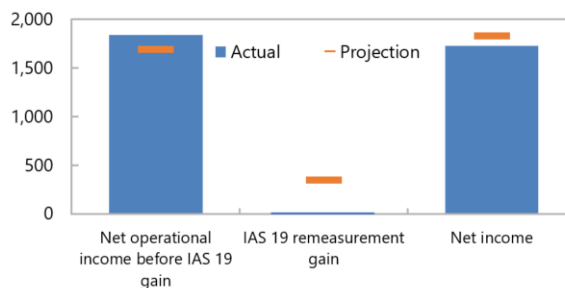
<sup>5</sup> IAS 19 is the accounting standard that prescribes the accounting treatment of pensions and employee benefit expenses and involves actuarial valuations (see Table 2).

<sup>6</sup> See "Total comprehensive income" reported in [Audited Financial Statements for the Financial Years Ended April 30, 2023 and 2022](#).

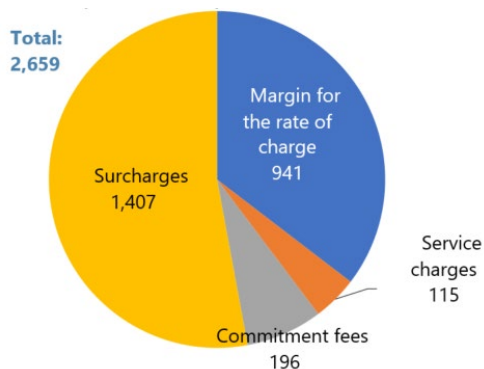
**Figure 1. FY 2023 Highlights**

**Actual vs. April Projections (in SDR millions)**

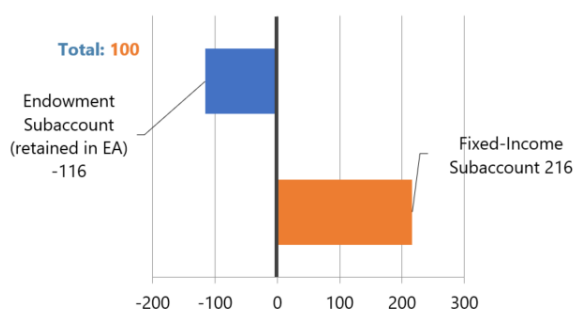
	Actual	Projection	% Chg.
Lending income	2,659	2,650	0%
Investment income (FI)	216	66	227%
Investment (loss) (EA)	(116)	(210)	-45%
Interest free resources	99	97	2%
Reimbursements	9	9	0%
Expenses	1,139	1,131	0%
Net operational income before remeasurement gain	1,844	1,691	9%
Pension-related remeasurement gain	2	348	-99%
Net income	1,730	1,829	-5%



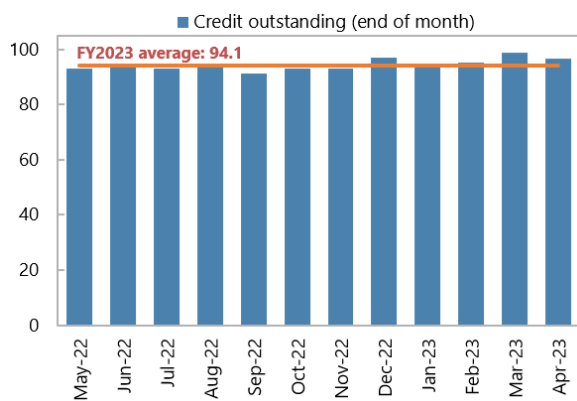
**Lending Income (in SDR millions)**



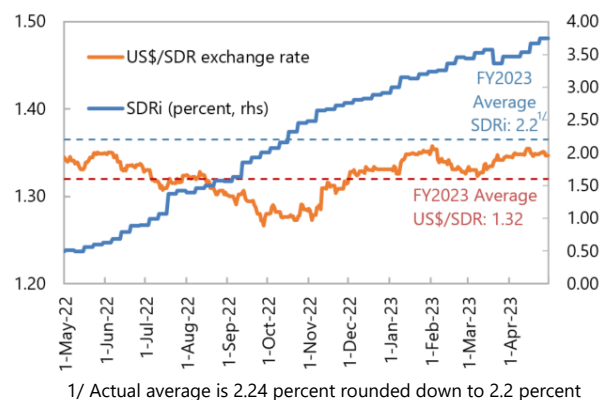
**Investment Income (in SDR millions)**



**Average Credit Outstanding (in SDR billions)**



**SDR Interest Rate and Exchange Rate**



**Table 2. Reconciliation of Pension-related Gains/Losses—FY 2023**  
(in SDR millions)

	April Projections <sup>1</sup>	Actual Outcome
<b>Net periodic pension cost</b>	<b>-74</b>	<b>-77</b>
Pension cost accrual	-225	-225
Pension funding	151	148
<b>Remeasurement (Actuarial) gain</b>	<b>348</b>	<b>2</b>
Discount rate change	1,298	871
Excess return on assets	-882	-687
Other <sup>2</sup>	-68	-182
<b>Total pension-related gains and losses</b>	<b>274</b>	<b>-75</b>
Discount rate at end of year (in percent)	5.03	4.72

Source: Willis Towers Watson and IMF Finance Department

Totals may not add up due to rounding differences.

<sup>1</sup> See [Review of the Fund's Income Position for FY 2023 and FY 2024](#).

<sup>2</sup> The actual outcome incorporated a 6.9 percent salary increase adjustment approved in April 2023.

**Table 3. Reconciliation of Administrative Expenses—FY 2023**  
(in U.S. dollars millions, unless otherwise stated)

<b>Net administrative budget outturn<sup>1</sup></b>	<b>1,293</b>
Net periodic pension cost after funding - timing difference (IAS 19) <sup>2</sup>	102
Depreciation	78
Capital budget items expensed	31
Reimbursement from SDR Department	-12
<b>Total administrative expenses (USD millions)</b>	<b>1,492</b>
<b>Total administrative expenses per the audited financial statements (SDR millions)<sup>3</sup></b>	<b>1,130</b>

Source: Finance Department and Office of Budget and Planning.

Totals may not add up due to rounding differences.

<sup>1</sup> See [FY2023—Output Cost Estimates and Budget Outturn](#).

<sup>2</sup> Reflects the difference between the IAS 19 expense and the actual funding in FY 2023 (see Table 2, which shows the net periodic pension cost of SDR 77 million, equivalent to US\$102 million).

<sup>3</sup> Based on the weighted average FY 2023 U.S. dollar/SDR exchange rate of 1.32 (rounded) for all expenses; the effective average exchange rate for individual expenditure components may differ due to the timing of exchange rate movements during the year. Presented net of SDR 9 million reimbursement from the SDR Department.



**Table 4. Transfer of Currencies from the GRA to the Fixed-Income Subaccount for FY 2023**  
(in SDR millions)

<b>Transfer of currencies (GRA to Fixed-Income Subaccount) <sup>1</sup></b>	
GRA reserves at April 30, 2023	28,154
Less: GRA reserves at April 30, 2022	26,524
	<b>1,630</b>

Source: Finance Department

Totals may not add up due to rounding differences.

<sup>1</sup> Decision No. 4, [Review of the Fund's Income Position for FY 2023 and FY 2024](#), provides for the transfer of currencies from the GRA to the Investment Account equivalent to the increase of the special and general reserves following the placement of FY 2023 net income. The amount is equivalent to GRA net income and excludes the current year investment income retained in the Fixed-Income Subaccount.