

## ICI VIEWPOINTS

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## The IMF Quietly Changes Its Data, but Not Its Views

By Chris Plantier

*Part of a [series of ICI Viewpoints](#) about problems in the IMF's analysis of the asset management industry.*

On Friday, April 10, we [pointed out](#) that the International Monetary Fund (IMF) apparently had vastly overstated the size and growth of bond fund holdings of emerging market bonds in its latest [Global Financial Stability Report](#) (GFSR). The figures reported in the GFSR's [original figure 3.6](#) were contradicted by other data in the same report, as well as by independent sources.

The IMF now appears to agree—at least to a point. On April 17, we noticed that the IMF had quietly revised [its estimate](#) of emerging market bonds held by bond funds in 2014 from [\\$2.93 trillion](#) to [\\$1.14 trillion](#)—a whopping 61 percent reduction. Unfortunately, the IMF does not appear to have adjusted its analysis or policy recommendations to reflect the more-accurate data.

### IMF Estimate Still Too High, but Not Rising Anymore

We believe that the revised figure for bond fund holdings is still too high to reflect just the holdings of regulated mutual funds and exchange-traded funds (ETFs) domiciled in the United States and Europe. More significantly, the revised data clearly no longer support the IMF's claim that bond funds and their investors have rushed into emerging markets in a search for yield over the past few years.

The revised estimates show that bond fund holdings of emerging market debt rose by only 9 percent over the three years since 2011—and have actually fallen since 2012. So the revised data do not support the “search for yield” narrative laid out in the GFSR.

### Revised Data Show That IMF Focus on Regulated Funds Is Misplaced

However, the IMF hasn't taken aboard the effect of its data revision. None of the text surrounding the revised figure has been changed—despite the fact that the data now contradict the story their analysis is telling. If the IMF believes in its own revised estimates of fund holdings of emerging market bonds over the past few years, it will need to look outside the regulated fund industry to find the “search for yield” that it hypothesizes.

Challenged in 1970 for the changing view of inflation in his influential textbook, Nobel Prize–winning economist Paul Samuelson replied, “Well, when events change, I change my mind. What do you do?” The IMF has changed its data to be closer to accurate; now it needs to adjust its opinions, too.

#### Other Posts in this Series:

- [The IMF Is Entitled to Its Opinion, but Not to Its Own Facts](#)
- [The IMF Quietly Changes Its Data, but Not Its Views](#)
- [The IMF on Asset Management: The Perils of Inexperience](#)
- [The IMF on Asset Management: Which Herd to Follow?](#)
- [The IMF on Asset Management: Sorting the Retail and Institutional Investor “Herds”](#)
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Chris Plantier is a senior economist in ICI's Research Department.

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