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**Summary of Discussions at the Workshop on Short-term External Debt
Basel, 16-17 April 2002**

Prepared by the Bank for International Settlements



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1. The joint BIS-IMF-OECD-World Bank statistics on components of external debt

During the Asian crisis in 1997, efforts to monitor short-term external debt had revealed limitations in existing debtor data (coverage, consistency and timeliness). Private sector bank risk managers indicated that the usefulness of the BIS banking statistics for assessing risk could be enhanced through an analysis of how they are related to other international financial statistics and a more user-friendly presentation¹. Under the auspices of the Interagency Task Force on Finance Statistics (TFFS), it was therefore decided to publish as of March 1999 existing components of total and short-term external debt from creditor and market sources (on the websites of the BIS, IMF, OECD and World Bank) for more than 175 developing economies. The website introduction and metadata explain that these are components of external debt, which can overlap and which do not provide a comprehensive measure of external debt. Because they are not meant to replace national (debtor) data, no aggregates are provided.

According to the OECD, where the joint website is managed, the joint debt statistics table is one of the most popular pages on their web site. Numerous questions of users are regularly handled.

2. Comparison of debtor and creditor data on short-term external debt

In 2000, a working group of the Financial Stability Forum² identified important gaps in creditor and market-based statistics and urged continued efforts to fill these. In particular, the possibility of adding a maturity breakdown in the BIS locational international banking statistics should be explored. The coverage of reporting by offshore centres should be improved and enlarged and the number of reporters should be increased. The Working Group drew attention to substantial discrepancies between the creditor-based BIS International Banking Statistics and debtor-based sources for some countries. While a complete reconciliation was not feasible for various methodological and practical reasons, including the different objectives of debtor-side and creditor-side data, efforts to reconcile as much as possible or at least to explain the differences were considered essential for the credibility of these data.

In responding to these recommendations, the BIS asked a consultant³ to collect detailed unpublished external debt data for a number of countries to enable a better understanding of differences between creditor and debtor data. In the autumn of 2000, detailed external debt data were obtained from 22 emerging economies. Eight countries in central Europe (Hungary and Slovakia), in Latin America (Argentina, Chile and Mexico) and in Asia (India, Korea and Thailand) were visited to collect further data and to discuss discrepancies with creditor data.

During 2001, statisticians at the BIS and the consultant analysed the data. The results of the comparison were written up in a working paper. The paper summarizes the progress that has been achieved in filling gaps highlighted by the FSF. It discusses the feasibility of providing maturity estimates for the locational banking data. It also demonstrates that once appropriate adjustments are made, creditor and debtor data on short-term bank loans and deposits at end-1999 tended to be quite similar, falling within a 10% range of each other in most cases. The BIS then organized this

¹ Bank for International Settlements (1998): "On the use of information and risk management by international banks." *Report of a Working Group established by the Euro-currency Standing Committee of the central banks of the Group of Ten countries*, p 9.

² Financial Stability Forum (2000): "Report of the Working Group on Capital Flows", p 49-50.

³ J.M. Kertudo, a former BIS staff member.



workshop, to enable external debt experts from the countries which had provided the data to discuss and comment on the results of the comparison.

The IMF and the OECD noted that from the user side the most important improvement of creditor statistics would be the introduction of a maturity breakdown in the BIS locational statistics. The BIS reported that this request had been discussed at recent meetings of reporting central banks but that the additional costs of such a breakdown to banks and data compilers were viewed to be too high.

3. The new Guide for Compilers and Users of External Debt Statistics

A presentation by the IMF highlighted the importance of good data on external debt. It noted that liberalization has raised the profile of private sector external debt statistics. The international community saw the need for a new debt guide, and a strengthening of the IMF's data dissemination standards. The new Debt Guide (posted on IMF's website in December 2001) was produced by the Inter-Agency Task Force on Finance Statistics (TFFS). Countries were consulted on the new guide in seven regional seminars conducted over a two-year period, and there was a public comment period on an earlier draft. Examples of good country practice are provided in the guide.

4. Country experiences in collecting and improving short-term debt statistics

Each country contributed a presentation of between 15 and 30 minutes to the workshop. Three main topics were covered:

- How statisticians in each country collect external debt data. Which difficulties they experience and what progress in the collection of short-term external debt data they expect in the near future.
- The extent to which creditor data on bank and bond lending published by the BIS and other international organisations is or may be helpful to cross-check and improve the coverage of external debt reporting. For example, developed countries have found that creditor data on the external liabilities and assets of non-banks are useful to their compilers of external debt and balance of payments statistics.
- Further steps envisaged to enhance the reporting of external debt, taking into account the newly published international external debt guide for compilers and users.⁴

From the presentations, the following gaps were identified which hamper full and comparable reporting of external debt on the debtor side:

A. In a number of countries, there are no published short-term external debt data on a remaining maturity basis. If the amounts of long-term debt maturing during the next 12 months are not known, the amounts which need to be repaid or rolled-over can be understated by a substantial amount.

B. The reporting coverage of a number of countries is not complete. Foreign deposits with domestic banks are sometimes not included in external debt. Domestic holdings of international securities are sometimes not deducted from external debt because of limited data. Offshore banking units may not be considered as residents and their liabilities are therefore not included in external debt. Inter-company loans may not be separated from bank loans, making creditor and debtor data comparisons difficult.

Of particular significance in most countries are the difficulties in achieving complete coverage of short-term trade credit and of the external positions of the non-bank sector in general. In those countries where foreign borrowing is subject to official approval, full coverage is largely achieved. But as countries liberalize their foreign exchange controls, exempt transactions below thresholds from authorization or even abolish reporting requirements, it becomes progressively more difficult to

⁴ (<http://www.imf.org/external/pubs/ft/eds/Eng/Guide/index.htm>)



achieve full coverage of the non-bank sector at reasonable cost. Sample surveys are not necessarily effective because of the cost involved to sample respondents.⁵

C. The coverage of derivatives positions is limited. As Mexico and Poland noted, forward transactions and swaps are increasingly used by banks and other residents as convenient instruments for short-term borrowing. Borrowers may use derivative instruments to circumvent reporting requirements and restrictions on short-term borrowing. Although positions in these instruments are not included in the official definition of external debt, the new Guide recommends to collect data on residents' open positions in derivatives as memorandum items.

D. The gaps and data overlaps in creditor data, discussed in the BIS comparison paper, were also noted. Positions of banks not reporting to the BIS are necessarily omitted. Direct investment loans and non-bank inter-company loans in general are not covered by the joint statistics. Locally funded local foreign currency claims included in the BIS consolidated banking data are not external debt. Discrepancies between the locational and consolidated statistics are growing because of the increasing presence of foreign banks in emerging markets. Data on resident holdings of securities issued abroad are not available, but should in principle be subtracted from creditor data. For some countries the broad-brush assumptions the comparison paper needed to make on the maturity of some debt components were not necessarily correct.⁶

5. Follow-up to the BIS report: Comparison of creditor and debtor data on components of short-term external debt

It was agreed that the following steps would provide a useful follow-up to the workshop:

- The BIS would continue to take steps to reduce gaps in, and improve the quality of, creditor statistics. Double-counting of securities could be reduced further by providing estimated data for two offshore centres (Bahrain, Netherlands Antilles). Additional reporting economies would be added (eg India, Jersey, Guernsey and the Isle of Man in 2002). The BIS would investigate potential overlaps between BIS consolidated banking data and OECD data on officially guaranteed trade credits and the extent to which reporting by official lending agencies might overlap with bi- and multilateral official loans.
- Comments and revised data provided by the workshop participants would be incorporated into the BIS paper.
- Given the major progress countries were reporting in current efforts to improve the coverage and quality of external debt reporting, it would be useful to incorporate in the paper comparative debtor and creditor data for end-2000 for a subsample of countries where these data are available. This would enable users to understand better whether the relationships between the two sets of data tended to be stable or even closer over time.
- The results of the workshop would be discussed at the Inter-Agency Task Force on Finance Statistics (TFFS) in May 2002.⁷
- The BIS would publish its report including the results of the workshop. Participants would consult with their respective authorities whether their contribution to the workshop could be written up and published as an addendum to the BIS report.

⁵ A number of industrialised countries use counterparty creditor data as a cost-effective way of improving their IIP coverage of non-bank positions. For a discussion of the use of BIS data by the United States, see Bach, Christopher L (2001): "US international transactions, revised estimates for 1989–2000", *Survey of Current Business*, US Department of Commerce, July, pp 30–36.

⁶ These exceptions will be noted in a revised version of the paper.

⁷ The Interagency Task Force on Finance Statistics is an important forum at which the needs of the main official users of statistics are raised. The FSF Working Group underlined the importance of taking such views fully into account in consideration of developing creditor-based statistics. (FSF 2000, p 49).



**WORKSHOP ON SHORT-TERM
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