METHODOLOGICAL NOTES ON THE COMPILATION OF THE BALANCE OF PAYMENTS OF BULGARIA

(in accordance with the sixth edition of the Balance of Payments and International Investment Position Manual)

The Bulgarian National Bank is in charge of the compilation of the balance of payments of the country. The legal basis for the balance of payments compilation in Bulgaria is provided for in Article 42 of the Law on the Bulgarian National Bank. Data for the purposes of the BOP compilation are collected on the basis of Article 42 of the Law on the Bulgarian National Bank as well as on the basis of the Currency Law. These data are processed by the “Balance of Payments and External Debt” Division within the Statistics Directorate of the BNB. At present, the Bulgarian National Bank compiles and publishes standard presentation as well as analytic presentation of the balance of payments in accordance with the Sixth Edition of the “Balance of Payments and International Investment Position Manual” (IMF, 2008), the “Balance of Payments Textbook” (IMF, 1996), and the “Recommendation of the European Central Bank of 23 January 2014 amending Recommendation ECB/2011/24 on the statistical reporting requirements of the European Central Bank in the field of external statistics (ECB/2014/2).

The balance of payments’ methodology is conceptually related to that of the System of National Accounts (SNA). The items of the balance of payments correspond closely to the relevant categories of the rest of the world account in the SNA.

There is a close relationship between the International Investment Position and the balance of payments as well. The BOP financial account measures an economy's transactions in external financial assets and liabilities, which affect the stock of external financial assets and liabilities measured in the international investment position.

I. ACCOUNTING PRINCIPLES AND CONVENTIONS

The basic convention applied in the construction of Bulgaria's balance of payments is the implementation of the vertical double entry bookkeeping from the perspective of the residents of that economy. According to it, each transaction leads to at least two corresponding entries, traditionally referred to as a credit entry and a debit entry, in the books of the transactor. As each transaction is either an exchange or a transfer, it requires two entries. This principle ensures that the total of all credit entries and that of all debit entries for all transactions are
equal, thus permitting a check on consistency of accounts for a single unit. The international accounts use the following conventions and terminologies for recording flows. In the current and capital accounts, a credit denotes entries from exports, primary income receivable, transfers receivable, and disposals of nonproduced nonfinancial assets. A debit is used to record entries for imports, primary income payable, transfers payable, and acquisitions of nonproduced nonfinancial assets. Financial account items are recorded on a net basis separately for each financial asset and liability i.e., they reflect changes due to all credit and debit entries during an accounting period. A positive change indicates an increase in assets or liabilities and a negative change indicates a decrease in assets or liabilities.

Each transaction should be recorded according to the accrual basis, which determines to which time period it should be attributed. Accrual accounting records flows at the time economic value is created, transformed, exchanged, transferred, or extinguished. This means that flows that imply a change of economic ownership are recorded when ownership passes and services are recorded when provided. In other words, the effects of economic events are recorded in the period in which they occur, irrespective of whether cash was received or paid or was due to be received or paid.

Transaction valuations are based on market prices. If the actual market prices are not available, the average market prices are used as approximation.

Valuation (exchange rate or price) changes of the country’s external assets and liabilities are not included in the balance of payments.

The units of account for the balance of payments of Bulgaria are the EUR and the BGN. The conversion into the unit of account is made using the exchange rate at the time of transaction. If not available, or inapplicable for other practical reasons, the average exchange rate for the reporting month is used.

II. BALANCE OF PAYMENTS COMPONENTS

The balance of payments components are compiled using the International Transactions Reporting System (ITRS), which includes (i) reports by enterprises which have bank accounts abroad, pertaining to the residents’ international transactions, and (ii) banks’ reports. These reports cover all components of the balance of payments table. As of January 1, 2010 the threshold under which transactions, reported by payment service providers are exempted from balance of payments reporting has risen from 25 000 BGN to 100 000 BGN. In addition, the data on certain BOP components collected by the ITRS is substituted for data
from other sources: (i) monthly exports and imports of goods, provided by the NSI (ii) BNB estimations for the items Travel, Transportation, Compensation of employees, credit and Workers remittances, credit (iii) direct investment enterprise survey and quarterly reports of Bulgarian FDI abroad (iv) monthly reports by banks, other non-bank financial institutions, insurance companies and pension funds on their Portfolio investments, assets (v) data from the Central Depository on the Portfolio investments, liabilities (vi) administrative records, (vii) reports by enterprises having financial loans borrowed from and lent to non-residents and (viii) enterprise reports regarding their assets and liabilities (different from financial loans) with non-residents.

In the standard presentation the balance of payments components are classified in the following main categories:

A. **Current Account**

The current account shows flows of goods, services, primary income, and secondary income between residents and nonresidents. The current account is an important grouping of accounts within the balance of payments. The balance on these accounts is known as the current account balance. The current account balance shows the difference between the sum of exports and income receivable and the sum of imports and income payable (exports and imports refer to both goods and services, while income to both primary and secondary income).

The flows on the debit side represent the gross product created in the rest of the world and acquired by the domestic economy (imports of goods and services), as well as the acquisition of factors of production expressed by income payable. Recorded are also offsets to non-refundable real and financial resources provided.

*Goods* are physical, produced items over which ownership rights can be established and whose economic ownership can be passed from one institutional unit to another by engaging in transactions. They may be used to satisfy the needs or wants of households or the community or used to produce other goods or services. The production of a good can be separated from its subsequent sale or resale. Goods cover: General merchandise, Goods under merchanting and Nonmonetary gold.

**General merchandise on a balance of payments basis** covers goods whose economic ownership is changed between a resident and a nonresident and that are not included in the following specific categories. International merchandise trade statistics, compiled by the National Statistical Institute are the main data source for general merchandise.
The data on imports and exports FOB (Free on board) is based on customs declarations, as the
codes used in them are after the Harmonised System for Description and Coding of
Commodities of the World Customs Organisation, introduced in 1988 and supplemented in
1992. With the January 2006 data the Bulgarian National Bank and the National Statistics
Institute jointly apply developed by them methodology for compilation of imports at FOB
prices and receipts and payments regarding the freight transportation.¹ The methodology is
based on the analysis of the CIF-FOB correlations for the imports of goods depending on the
different imports delivery categories, as well as on the different mode of transportation and
nationality of the carrier.
The geographical breakdown of the Goods item of the BOP is based on the following
principles:
For the intra EU trade in goods:
- In case of exports (or dispatches) is the country (or Member State) of final destination of the
goods
- In case of imports (or arrivals) is the country (or Member State) of consignment of the
goods.
For the trade with third countries (outside EU)
- In case of exports – partner country is the country of final destination of the goods
- In case of imports - partner country is the country of origin of the goods.

¹ The 2002 – 2005 data are based on this methodology for compilation of imports at FOB prices and receipts and payments
regarding the freight transportation.
data are sent to the National Statistical Institute for further processing. The NSI reports to EUROSTAT aggregated monthly data (without breakdowns by trade partners and by type of goods) within 42 days after the close of the reporting month. The detailed intra trade data on dispatches and arrivals of goods are reported to EUROSTAT within 70 days after the close of the reporting month.

The BNB receives aggregated data from the NSI (without breakdowns by trade partners and by type of goods) on the country trade with the other EU member states within 35 days after the close of the reporting month, and these data are supplemented by the data of the Customs Agency on trade with third countries. Before that with the publication of the report on the balance of payments for the reporting month only aggregated data on exports and imports are published. The BNB receives from the NSI within 60 days after the close of the reporting month detailed data on dispatches and arrivals of goods.

As a result of these changes the schedule for external trade data reporting by the BNB is the following:

- Preliminary aggregated data (without breakdowns by trade partners and by type of goods) for the reporting month are published within 42 days after the close of the reporting month in the balance of payments table.

- Preliminary detailed data (with breakdowns by trade partners and by type of goods) for the reporting month are distributed to users not earlier than 73 days after the close of the reporting month.

The published series of data on exports and imports of the country on the web site of the BNB are updated not earlier than 73 days after the close of the reporting month.

In accordance with the common methodology, before publishing the data, the BNB and the NSI have to agree upon the data.

**Merchanting** is defined as the purchase of goods by a resident (of the compiling economy) from a nonresident combined with the subsequent resale of the same goods to another nonresident without the goods being present in the compiling economy. Merchanting occurs for transactions involving goods where physical possession of the goods by the owner is unnecessary for the process to occur.

Goods under merchanting are recorded in the accounts of the owner in the same way as any other goods it owns. However, the goods are shown separately in international accounts.
statistics of the economy of the merchant because they are of interest in their own right and because they are not covered by the customs system of that economy.

The acquisition of goods by merchants is shown under goods as a negative export of the economy of the merchant;

The sale of goods is shown under goods sold under merchanting as a positive export of the economy of the merchant;

The difference between sales over purchases of goods for merchanting is shown as the item “net exports of goods under merchanting.” This item includes merchants’ margins, holding gains and losses, and changes in inventories of goods under merchanting. As a result of losses or increases in inventories, net exports of goods under merchanting may be negative in some cases.

Merchanting entries are valued at transaction prices as agreed by the parties, not FOB.

If there is no change of ownership of the goods, there is no merchanting transaction, but there may be manufacturing services on physical inputs owned by others for a fee.

Sources: Regular quarterly survey among enterprises trading internationally in goods and services.

- **Services** are the result of a production activity that changes the conditions of the consuming units, or facilitate the exchange of products or financial assets. Services are not generally separate items over which ownership rights can be established and cannot generally be separated from their production. The Services component comprises Manufacturing services on physical inputs owned by others, Maintenance and repair services not included elsewhere, Transport, Travel, Other services.

Manufacturing services on physical inputs owned by others cover processing, assembly, labeling, packing, etc., undertaken by enterprises that do not own the goods concerned. The manufacturing is undertaken by an entity that does not own the goods and that is paid a fee by the owner. In these cases, the ownership of the goods does not change, so no general merchandise transaction is recorded between the processor and the owner.

Sources: Regular quarterly survey among enterprises trading internationally in goods and services.

Maintenance and repair services n.i.e. cover maintenance and repair work by residents on goods that are owned by nonresidents (and vice versa). The repairs may be performed at the site of the repairer or elsewhere. Repairs and maintenance on ships, aircraft, and other transport equipment are included in this item. The value recorded for maintenance
and repairs is the value of the work done—not the gross value of the goods before and after repairs.

Sources: Regular quarterly survey among enterprises trading internationally in goods and services.

Transport is the process of carriage of people and objects from one location to another as well as related supporting and auxiliary services. Transport services cover freight transport, passenger transport, other transport and postal and courier services.

Sources: The Bulgarian National Bank derives the data on freight transportation from foreign trade data and the data on passenger transportation from travel data on the basis of estimates.

Since 2006 the freight transportation receipts have been set up on the basis of estimated receipts of resident carriers related to the country exports of goods. The payments are calculated as an estimation of the payments made by residents on behalf of non-resident carriers related to the country imports of goods. The receipts and payments are estimated according to mode of transportation and nationality of the carrier. With the introduction of the system INTRASTAT with the January 2007 data changes in the way of compilation of receipts and payments regarding the freight transportation of Bulgaria with the rest of the EU member states took place. Due to the delay in receiving the detailed data on trade of Bulgaria with the rest of the EU member states from the NSI, as of the date of publication of the preliminary balance of payments report for the corresponding month (42 days after the close of the reporting period) the preliminary compilation of receipts and payments of freight transportation is based on data for preceding years. These estimates are subject to revisions after receiving the preliminary detailed data (with breakdown by trade partners and by type of goods) on trade with the rest of the EU member states for the reporting month.

The source for postal and courier services is the Regular quarterly survey among enterprises trading internationally in goods and services.

Travel credits cover goods and services for own use or to give away acquired from an economy by nonresidents during visits to that economy.

Travel debits cover goods and services for own use or to give away acquired from other economies by residents during visits to these other economies. Travel excludes goods for resale, which are included in general merchandise. The acquisition of valuables (such as jewelry), consumer durable goods (such as cars and electric goods), and other consumer
purchases for own use or to give away that are included in customs data in excess of customs thresholds, are included in general merchandise.

By the end of 2006 the data on travel is based on data from the Ministry of Internal Affairs on the number of travellers crossing the borders and on estimates of per capita expenditures, the latter based on the methodology for estimation of the receipts and expenditures from travel services – “Methodology For Estimation of the Receipts and Expenditures from Travel in the Bulgarian Balance of Payments” (Bulgarian National Bank, Ministry of Trade and Tourism, 18 November 1999).

As of the beginning of 2007 data for the number and the structure of foreigners who visited the country are based on information from the border police and NSI estimates. With the January 2010 data the BNB applies new methodology for estimation of the receipts and expenditures for travel and passenger transportation. The estimation model for the Travel item is based on the product of the number of travellers and the expenditure respective for a certain type of purpose of the travel (for more detailed information and questions, related to the methodologies applied, please contact us through the following e-mail: press_office@bnbank.org). The estimates of the expenditures (receipts) by purpose of the travel are based on the data collected during the Border Survey among Traveling Bulgarians and Foreigners conducted by the BNB during the period July 2007 – August 2008. The new methodology was applied for the first time with the data for January 2010, with back data revisions for the months of 2007, 2008 and 2009.

Other services item covers receipts and payments related to services other than Manufacturing services on physical inputs owned by others, Maintenance and repair services not included elsewhere, Transport, Travel (communication, construction, financial, leasing, insurance, cultural, sport and recreational services, etc.).

By end 2009 the main sources of information on this item were the banks' reports and the reports of enterprises having accounts abroad, as well as BNB estimates for the transactions below the threshold of 100 000 BGN. In accordance with Regulation (EC) No 924/2009 of the European Parliament and of the Council of 16 September 2009 on cross-border payments in the Community and repealing Regulation (EC) No 2560/2001 with effect from January 2010, the settlement-based national reporting obligations on payment service providers for balance of payments statistics related to payment transactions of their customers up to EUR 50 000 were removed. The quality and the scope of the data collected by the banks depend to a great extent on the threshold above which they report the transactions between
residents and non-residents to the BNB. Raising the threshold without alternative source for these data would have considerably deteriorated the quality of the balance of payments data and particularly of the current account. The analysis showed that the loss of information for some services items could reach up to 90%. For that reason the BNB has changed the methodology for collection and compilation of data on other services and other items in the current account that still relied on the settlement data. As of the beginning of 2010 the BNB started conducting regular quarterly survey among enterprises trading internationally in services. Based on the results of the survey, with the publication of January 2011 balance of payments figures, data on other services for 2010 are revised. For the purpose of the monthly publications data on other services item is based on the settlement data from banks for the transactions above the threshold of BGN 100 000 and BNB estimations for transactions below the threshold. After the quarterly reports by enterprises are processed data is to be revised.

*Primary income* represents the return that accrues to institutional units for their contribution to the production process or for the provision of financial assets and renting natural resources to other institutional units. Two types of primary income are distinguished: (a) income associated with the production process. Compensation of employees is income for the contribution of labor inputs to the production process. Taxes and subsidies on products and production are also income related to production; and (b) investment income - income associated with the ownership of financial and other nonproduced assets.

Compensation of employees covers wages, salaries and other benefits paid to non-resident workers in the country or received by resident workers abroad. The compensation of employees comprises also income due to illegal employment. By the end of 2006 the BNB estimates this flow in accordance with the *Methodology for Estimation of Flows due to Illegal Employment (14 March 2006)*. With the January 2010 data the BNB applies new methodology for estimation of the Compensation of employees, credit. The new methodology was applied for the first time with the data for January 2010, with back data revisions for the months of 2007, 2008 and 2009.

Investment income covers receipts and payments of income associated with external financial assets and liabilities. Included are receipts and payments on direct investment, portfolio investment, other investment, and receipts on reserve assets.

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2 The data as from April 2001 are based on this methodology.
The main sources of information on the Income component are the banks' reports and the reports of non-bank financial institutions, insurance companies, pension funds, enterprises, the Ministry of Finance, and the Bulgarian National Bank.

*The secondary income account shows current transfers between residents and nonresidents.* Various types of current transfers are recorded in this account to show their role in the process of income distribution between the economies. Transfers may be made in cash or in kind. Capital transfers are shown in the capital account. Whereas primary income affects national income; secondary income, together with primary income, affect gross national disposable income. Capital transfers do not affect disposable income, and hence, are recorded in the capital account.

Included in the *Current transfers* are current taxes on income, wealth, etc., social contributions, social benefits, net nonlife insurance premiums, nonlife insurance claims, current international cooperation, personal transfers and miscellaneous current transfers, etc. *Workers’ remittances are current transfers made by employees to residents of another economy.* They are included as a supplementary item.

*Sources:* The Bulgarian National Bank receives information on current transfers from the Ministry of Finance, the Bulgarian Red Cross, the Agency for Foreign Aid, and from the reporting system of banks on transactions between residents and non-residents.

The item *Workers remittances, credit* is a sub-item of the *Current transfers, credit* in the Current account of the balance of payments and is a balancing item for transfers without a quid-pro-quo in cash or in kind.

Applying of a new methodology for estimation of these flows became necessary not only because the above described circumstances demanded it but because of the necessity to capture inflows transferred through both official and unofficial channels.

The estimates of the workers’ remittances are based on the product of the number of Bulgarian emigrants, transferring money to their relatives and the amount of the average transfer. Such calculations are made separately for the official and the unofficial transfer channels. The sum of the money transferred via those two channels is recorded as the amount of Workers’ remittances to Bulgaria.

The data on the number of the Bulgarian emigrants are based on information from the *State Agency for Bulgarians abroad,* from the Bulgarian embassies and from Eurostat. The
data on the percentage of the Bulgarian emigrants, transferring money; the shares of the
official and unofficial channels and the average transfer for each of the channels used are
based on the data collected via the Border survey.

The new methodology was applied for the first time with the data for January 2010,
with backdata revisions for the months of 2007, 2008 and 2009.

B. Capital Account

The capital account shows (1) capital transfers receivable and payable between
residents and nonresidents; and (2) the acquisition and disposal of nonproduced nonfinancial
assets between residents and nonresidents.

If in kind, a capital transfer consists of (i) a transfer of ownership of fixed assets, or (ii)
forgiveness of a liability by a creditor when no counterpart is received in return. If in cash, a
transfer is a capital transfer when it is linked to, or conditional on, the acquisition or disposal
of fixed assets (for example, an investment grant).

Nonproduced nonfinancial assets consist of natural resources; contracts, leases, and
licenses; and marketing assets (and goodwill).

Sources: The Bulgarian National Bank receives information on the capital account
from the Ministry of Finance (for capital transfers from the EU funds), from the quarterly
reports of the enterprises in the non-financial sector, the monthly reports of the notaries and
others.

C. Financial Account

The financial account records transactions that involve financial assets and liabilities and
that take place between residents and nonresidents. The financial account indicates the
functional categories, sectors, instruments, and maturities used for net international financing
transactions. Included in Financial Account are Direct investment, Portfolio investment,
Financial derivatives (other than reserves) and employee stock options, Other investment and
Reserve assets.

- Direct investment is a category of cross-border investment associated with a resident
  in one economy having control or a significant degree of influence on the management of an
  enterprise that is resident in another economy. As well as the equity that gives rise to control
  or influence, direct investment also includes investment associated with that relationship.

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3 For more detailed information, please see “Methodology for estimation of the item Workers’ Remittances (Bulgarian National Bank, March 2010). In case of further questions, related to the methodologies applied, please contact us through the following e-mail press_office@bnbank.org
including investment in indirectly influenced or controlled enterprises, investment in fellow enterprises, debt and reverse investment.

Direct investment covers most financial transactions and positions between affiliates resident in different economies. Investment income associated with direct investment positions is also included in direct investment.

*Intercompany lending is used to describe direct investment debt positions between affiliated enterprises.* It includes debt instrument transactions and positions other than those between selected affiliated financial corporations (it is not classified as direct investment because it is not considered to be so strongly connected to the direct investment relationship). The financial corporations covered by this case are: deposit-taking corporations (both central banks and deposit-taking corporations other than the central bank); investment funds and other financial intermediaries except insurance companies and pension funds.

*The Direct investment has two presentations: Asset/Liability presentation (used in the balance of payments statistics) and Directional Principle presentation.* The directional principle is a presentation of direct investment data organized according to the direction of the direct investment relationship. It can be contrasted with the asset/liability presentation of aggregates used in the presentation of the balance of payments, which are organized according to whether the investment relates to an asset or liability.

The difference between the asset-liability and directional presentations arises from differences in the treatment of reverse investment and some investment between fellow enterprises. Under the directional principle, direct investment is shown as either direct investment abroad or direct investment in the reporting economy:

(a) *Direct investment abroad covers assets and liabilities between resident direct investors and their direct investment enterprises. It also covers assets and liabilities between resident and nonresident fellow enterprises if the ultimate controlling parent is resident.* Direct investment abroad is also called outward direct investment.

(b) *Direct investment in the reporting economy includes all liabilities and assets between resident direct investment enterprises and their direct investors. It also covers assets and liabilities between resident and nonresident fellow enterprises if the ultimate controlling parent is nonresident.* Direct investment in the reporting economy is also called inward direct investment.

Under the directional principle, direct investment abroad and direct investment in the reporting economy include both assets and liabilities, and thus, negative values may arise.
Data on both the asset/liability and directional principle bases of compilation are useful for different kinds of analysis:

- Data on an asset/liability basis are consistent with monetary, financial, and other balance sheet data, so facilitating comparison between the datasets. These data are needed on an immediate counterparty basis to adequately monitor flows and positions. For instance, if a jurisdiction of convenience that is the home to large SPEs were to experience a currency or other financial crises, data users would find data sets that look through SPEs (or that net data for SPEs without separate identification of gross levels) to be of limited help. SPEs and other entities may transform debt to equity, long-term to short-term, local currency to foreign currency, fixed to variable rates, etc., and these transformations alter risk characteristics in important ways.

- Data on a directional principle basis assist in understanding the motivation for direct investment and take account of control and influence. In the directional presentation, reverse investment can be seen as equivalent to the withdrawal of investment. The directional principle may be particularly useful for an economy with large values of pass-through funds or round tripping, because the large investment flows into and out of a economy may not be of primary interest to analysts of direct investment.

The balance of payments presentation uses direct investment assets and direct investment liabilities (so that reverse investment is not netted in totals).

The BNB publishes FDI data according to both presentations=

Sources: The Bulgarian National Bank receives monthly data on direct investments in the country from the Privatisation Agency, from the Central Depository, from the reporting system of banks on transactions between residents and non-residents, from notaries and registry offices; quarterly data from the Financial Supervision Commission, from the direct investment enterprises, from the National Statistical Institute, from the Banking Supervision Department of the BNB, from the insurance companies and pension insurance companies; annual data from the NSI on foreign direct investment stock in enterprises from the non-financial sector.

For data on direct investments abroad the Bulgarian National Bank uses the information from FDI declaration forms, from quarterly reports of non-financial sector enterprises and from the reporting system of banks on transactions between residents and non-residents.
- **Portfolio investment** includes *portfolio investment, assets and portfolio investment, liabilities.*

*Portfolio investment is defined across-border transactions and positions involving debt or equity securities or investment fund’s shares, other than those included in direct investment or reserve assets.*

Securities are debt and equity instruments that have the characteristic feature of negotiability.

Sources: The main sources of information on the liabilities side of the *Portfolio investment* is the data provided by the Ministry of Finance, the Bulgarian National Bank, banks and the Central Depository. Data on the assets side of the *Portfolio investment* is provided by banks (which give information about their and their clients’ portfolio investments), custodians, non-bank financial institutions, insurance companies and pension funds, the Bulgarian National Bank and the Ministry of Finance.

- **Other investment** covers other equity, currency and deposits, loans, trade credits and advances, and other accounts receivable/payable.

The **Currency and Deposits** component presents on the assets side the changes in the residents’ currency deposits held abroad, and on the liabilities side – the changes in the liabilities of the resident banks to non-residents in domestic and foreign currency. Following the basic accounting principle and conventions set in the “*Balance of Payments Manual*” (IMF, 1993), when compiling that item the Bulgarian National Bank excludes any changes therein due to exchange rate changes.

*Loans* item includes received and paid principals on short- and long-term loans between residents and non-residents if no issue of a tradable security is involved with these loans.

Data on the item *Loans* is received by the Ministry of Finance, the Bulgarian National Bank, the banks and directly by the enterprises that have lent to or borrowed from abroad. The companies report on a quarterly or an annual basis to the BNB. The monthly data on *Loans, Other sectors* (assets and liabilities) is revised upon receipt of the respondents’ reports.

According to the balance of payments conventions trade credit arises from the direct extension of credit from a supplier to a buyer, i.e. this is a credit extended by a trade partner without issue of a tradable security.

The main source of information on trade credits-assets and liabilities are the quarterly reports of enterprises on their assets/liabilities to non-residents.
Items *Other accounts receivable/payable* include all transactions on miscellaneous accounts receivable and payable not included elsewhere and transactions in arrears.

**D. Net errors and omissions**

The *Net errors and omissions* component is an offsetting item. This component exists in the BOP presentation because the compilation system used by the Bulgarian National Bank is not a closed one but is a combination of different sources of information. Unlike other statistical reports, such as for example the monetary statistics, the collecting of the data necessary for the balance of payments compilation could not be restricted to the accounting records of the banks as the only source of information. Net errors and omissions are equal to the difference between the Net financial account and the net Current and capital account balances.

The fluctuations in the *Net errors and omissions*, both in sign and in size, are mainly due to: (i) revisions of export and import data, (ii) the development of the methodology for compilation of certain balance of payments’ components and (iii) the existence of objective obstacles to the collection of data on certain balance of payments’ items.

**E. Reserves and related items**

- *Reserve assets* include those external assets that are readily available to and controlled by the central bank (government) for direct financing of balance of payments imbalances. The reserve assets comprise monetary gold, SDRs, reserve position in the Fund, foreign exchange assets (consisting of currency and deposits and securities), and other claims. The entries under this category pertain to transactions in the BNB’s external holdings which are administered by the Issue Department. The data on reserve assets changes included in the BOP table exclude valuation changes (due to exchange rate and market price changes).

In the analytic presentation of the balance of payments this group includes also *Use of Fund credit* and the item *Exceptional Financing*.

**III. PERIODICITY, FREQUENCY AND TIMELINESS OF THE BALANCE OF PAYMENTS PUBLICATIONS**

The Bulgarian National Bank compiles and publishes the balance of payments of the country on a monthly basis. The schedule of the Bulgarian National Bank is to publish the data within six weeks (42 calendar days) after the close of the reference period.
IV. DATA REVISION POLICY

Revisions to the preliminary balance of payments data are mandatory international practice. They are particularly important in compiling the balance of payments and international investment position because of the short deadline after the end of the reporting period, in which the data is compiled and published. Various sources (banks, non-bank financial enterprises, direct investment enterprises, the Central Depository, the National Statistical Institute, etc.) are used for the data compilation. The incoming data from these sources are with different frequency, timeliness (deadline for submitting the information after the reporting period) and coverage. The different frequency and timeliness of the incoming information necessitate these revisions.

The periodic data revisions that the BNB implements are in compliance with the ECB Timetable for Exchange of Balance of Payments, International Investment Position and Reserve Assets Statistics within the ESCB (which includes a data revision timetable), as well as with the Eurostat Timetable for Exchange of data and policy of revisions in the European Union. Observing this policy of revisions ensures the comparability of statistics between Member States of the European Union and the European System of Central Banks. These revisions provide users with timely information on the updated data by separate items. Following the requirements of the ECB and Eurostat Timetables, the policy on revisions pursued by the Bulgarian National Bank is based on the following principles:

(i) With the report for the first month of each quarter the monthly data for the whole current year are revised. With the reports for the second and the third month of each quarter, only the data for the previous month are revised. With the January data, published in March, and the July data, published in September of the current reporting year, the timetables give opportunity for revising the data for the previous up to four years, if necessary. In December with the publication of the data for October, a data revision for the current and previous year is possible, if necessary.

(ii) When on-going changes are made due to additional information collected, as well as resulting from elimination of errors, the Bulgarian National Bank timely informs the users through the monthly press releases as well as through the notes at the end of the balance of payments table.

4 The annual data on foreign direct investment in the country are revised 15 months after the close of the reporting period (after the annual NSI data on the nonfinancial sector are received in the BNB).
(iii) When significant revisions are made due to changes in the methodology for reporting of certain BOP components or other reasons, the Bulgarian National Bank publishes in advance information on the changes to facilitate the users of the data.

V. DATA DISSEMINATION

The Bulgarian National Bank disseminates the monthly balance of payments data on its web site – http://www.bnb.bg.

The data is published also in the Bulgarian National Bank Monthly Bulletin.

Data on the balance of payments of the country is included in the semi-annual and in the annual official reports of the Bulgarian National Bank.

Data are simultaneously released to all interested parties.

VI. CONTACTS

If you have any questions on the methodology applied by the Bulgarian National Bank or on the balance of payments data published, please do not hesitate to contact BNB’s Press Office (press_office@bnbank.org) or send them by mail to the following address:

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