

METHODOLOGICAL NOTES ON THE COMPILATION OF THE GROSS EXTERNAL DEBT OF BULGARIA¹

For the compilation of the Gross External Debt, the Bulgarian National Bank (BNB) follows the international standards and requirements set in the External Debt Statistics: Guide for Compilers and Users, IMF 2014² and in the Balance of Payments Manual, IMF, 6-th edition, 2008³. That ensures international compatibility of the data on one hand, and on the other hand - consistency between the external debt statistics and the balance of payments, international investment position and national accounts. The data on the gross external debt are an important source of information for given items in the balance of payments and in the international investment position.

The BNB compiles and disseminates monthly statistical data on the gross external debt presented by institutional sectors.

Publications comprise monthly data on gross external debt stock by sectors and instruments, short-term debt structure by remaining maturity, currency and branch structure of the gross external debt, etc.

I. ACCOUNTING PRINCIPLES AND CONVENTIONS

When compiling the debt statistics, the BNB follows the international definition of gross external debt - "Gross external debt, at any given time, is the outstanding amount of those actual current, and not contingent, liabilities that require payment(s) of principal and/or interest by the debtor at some point(s) in the future and that are owed to non-residents by residents of an economy"⁴.

The main criterion for a liability to be included in the gross external debt of the country is that it is issued by a resident and is owed to a non-resident⁵, regardless of whether it is issued on domestic or international, money or capital markets.

¹ Last updated: July 2021

² *External debt statistics – guide for compilers and users*, IMF 2014 (Bank for International Settlements, The Commonwealth Secretariat, Eurostat, International Monetary Fund, Organization for Economic Co-operation and Development, The Paris Club Secretariat, The United Nations Conference on Trade and Development, the World Bank)

³ Balance of Payments and International Investment Position Manual (BPM6) IMF 2008

⁴ *External Debt Statistics: Guide for Compilers and Users*, стр. 5, para 2.3.

⁵ For a definition of resident and nonresident see the "Balance of Payments Manual", IMF, 6-th edition

The stock of the liabilities is recorded at nominal, not market value, excluding tradable debt securities. Tradable debt securities are presented with their market value according to the requirements of the current *Guide*. Accrued but still unpaid interest on financial loans is added to the liabilities recorded under Loans. The Gross External Debt of Bulgaria is reported in EUR.

The distinction between short-term and long-term debt is based on the original, not residual maturity of the liability. The long-term debt includes all liabilities with original maturity of more than a year, liabilities without predefined maturity date as well as liabilities related to direct investment, and the short-term - those with original maturity of one year or less. All arrears of principals and interests are recorded as short-term debt. In addition, the short-term remaining maturity by sector and instrument is presented. It is divided by short-term debt with original maturity, which includes liabilities with maturity of one year or less and long-term maturity including all liabilities with remaining maturity of one year or less.

II. GROSS EXTERNAL DEBT COMPONENTS

A. By institutional sectors:

The structure of the gross external debt table by institutional sectors is in compliance with the requirements of the "External Debt Statistics: Guide for Compilers and Users, IMF 2014.

The main components of the gross external debt tables classified by sectors are General Government, Central Bank, Other monetary and financial institutions (MFIs) and Other sectors. Other sectors comprise of other financial institutions different from other MFIs, nonfinancial corporations and households and NPISH. Debt liabilities related to direct investments are presented separately due to their specificity. They are divided into debt liabilities of direct investment enterprises to direct investors, debt liabilities of direct investors to direct investment enterprises and debt liabilities between fellow enterprises. The classification by institutional sectors is in compliance with the Sixth edition of the Balance of Payments Manual (2008). Within the sectors the external debt liabilities are classified by maturity – short-term and long-term and by instruments.

General Government

General Government debt includes: (1) central government debt, (2) local government debt, (3) debt of social security funds and (4) debt of all nonmarket nonprofit institutions that

are controlled and mainly financed by government units. Debt of credit institutions and non-bank corporations, that function as if they were corporations (so called quasi-corporations), with more than 50% government ownership is explicitly excluded from the general government sector debt and are allocated to other MFIs or other sectors as appropriate. The debt liabilities of the General Government sector are classified by instruments – *Loans* and *Debt securities*. All General government liabilities that are not securitized with tradable securities are included in *Loans*.

The central government liabilities on debt securities issued on the domestic and on the international markets are recorded under *Debt securities*, as the principle that only debt owed to non-residents is external debt is followed. The item comprises the entire stock of the issue abroad.

The government securities and compensation notes, issued by the government on the domestic market and held by non-residents, are also recorded under item *Debt securities*.

Data sources: The main source of data is the Register of Government and Government-guaranteed Debt of the Ministry of Finance. Other sources are Government and Government Guaranteed Debts Depository Directorate with the BNB, the Central Depository and the banks. The source of data on government securities issued abroad and held by residents are the banks, nonbank financial institutions, insurance corporations, pension funds and general government institutions.

Central bank

In accordance with international methodology on external debt statistics, the debt of the sector comprises of loans granted to BNB and liabilities concerning *Currency and deposits*, *Trade credit and advances*, *Other debt liabilities* and allocated *Special drawing rights*. Data sources are Register of Government and Government-guaranteed Debt of the Ministry of Finance, Government and Government Guaranteed Debts Depository Directorate with the BNB, the Central Depository and the banks.

Other monetary financial institutions

Short-term liabilities of credit institutions include non-residents' deposits with domestic banks, trade credit and advances and other payables to non-residents. In sub-item *Deposits* are included deposits in foreign currencies and in Bulgarian lev of non-residents

with domestic banks. Long-term liabilities of credit institutions include currency and deposits, as well as debt securities issued by them and held by nonresidents. Subordinated debt between credit institutions and loans between other financial intermediaries (except insurance corporations and pension funds) are not in the scope of the intercompany lending, because this is accepted as a usual operation between financial intermediaries and is presented in other MFIs sector. Financial loans between monetary financial institutions are recorded as deposits, not as loans.

Data sources: Data on the amount on external loans is received monthly directly from the credit institutions through a statistical form on their external liabilities. Monetary and Financial Statistics Division with the Statistics Directorate of the BNB provides monthly data for the Deposits and Other liabilities items. Source for the data on Debt securities item is the Central Depository.

Other sectors

In the Other sectors the debt of private and state-owned non-bank enterprises (incl. Government guaranteed debt) as well as external liabilities of the households are recorded. There is aggregated information and also a breakdown of the sector into three sub-sectors: Financial corporations, Nonfinancial corporations, Households and NPISH.

Short-term liabilities of the Other sectors include short-term loans received by non-residents, trade credit and advances, as well as other payables to non-residents. Long-term liabilities is comprised of loans, debt securities, trade credit and advances and other liabilities of domestic companies to non-residents.

All liabilities of the domestic financial corporations to non-residents are included in the scope of Other sectors. Implementing the changes concerning *The Guide* leads to reporting the received loans interest on an accrual basis. The interest is accrued monthly on the basis of the loan terms and conditions reported by the respondents (with Declaration – form SPB-1). These are interest rate, payment schedule and the reported loan balance. Following the previous reporting, the accrued interest was reported by the respondents quarterly (with reporting forms SPB-4 and SPB-4A). The interest represents loan liabilities increase, according to the accrual principle.

Data sources: Data on financial loans (initially registered with an amount over BGN 500,000 or the equivalent in foreign currency) is collected through the statistical Form SPB-4

Report on the Financial Credit Liabilities of Residents to Non-residents, which covers data on the stock and the various types of transactions on the credits. As the Foreign Exchange Law envisages quarterly reporting of these liabilities, for the first two months of each quarter the BNB publishes estimations on the non-bank enterprises, based on the debt service schedules provided by companies on the loans extended to them and on estimations. Under the *Trade credit and advances* sub-item are recorded the respective liabilities of residents to non-residents. This information is collected from the BNB through Form SPB-6B Report on the liabilities of local bodies to non-residents. As the Foreign Exchange Law envisages quarterly reporting of these liabilities, for the first two months of each quarter the BNB publishes estimations for the stock of trade credits. Data on liabilities of the households is collected through the annual statistical Form SPB-8 Report on the Assets and Liabilities of Resident Physical Persons to Non-residents. Data on financial loans initially registered with an amount between BGN 50,000 and BGN 500,000 or the equivalent in foreign currency is also collected annually. The Register of Government and Government-guaranteed Debt of the Ministry of Finance is the source of information about Government-guaranteed debt of private corporations and those with participation of the Government.

Direct investment: Intercompany lending

In accordance with the international methodology on external debt statistics, liabilities concerning intercompany lending are presented on a separate row. The item is with the following detail: debt liabilities of direct investment enterprises to direct investors, debt liabilities of direct investors to direct investment enterprises and debt liabilities between fellow enterprises. Liabilities related to equity capital (equity capital and reinvested earnings), excluding preferred shares, are not a part of the external debt. Direct investment liabilities are included in the long-term external debt. The interest on financial loans (incl. intercompany lending) is accrued monthly on the basis of the loan terms and conditions reported by the respondents (with Declaration – form SPB-1). These are interest rate, payment schedule and the reported loan balance. Following the previous reporting, the accrued interest was reported by the respondents quarterly (with reporting forms SPB-4 and SPB-4A). The interest represents loan liabilities increase, according to the accrual principle.

III. PERIODICITY, FREQUENCY AND TIMELINESS OF THE GROSS EXTERNAL DEBT PUBLICATIONS

The Bulgarian National Bank compiles and publishes data on the stock of the gross external debt of the country, the debt service payments and the disbursements on a monthly basis. The external sector debt indicators, including external debt indicators, are also disseminated monthly.

The Bulgarian National Bank publishes the data according to its advance release calendar. In the case of a change, the BNB informs the users on the new release date at least a week before the advance date.

IV. DATA REVISION POLICY

Data on gross external debt are subject to revisions in the following occasions:

- 1) due to additional information collected, as well as resulting from elimination of errors;
- 2) due to changes in the methodology.

The data revised are indicated by the BNB in the footnotes of the external debt monthly press releases and tables.

When significant revisions are made due to changes in the methodology for reporting of certain external debt components or for other reasons, the Bulgarian National Bank publishes in advance information on the changes, in order to facilitate the users of the data.

V. DATA DISSEMINATION

The Bulgarian National Bank publishes the monthly gross external debt data on the web site of the Bulgarian National Bank – <http://www.bnb.bg>. The data are published also 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 gross external debt 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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