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Bank of Japan
International Department

Dissemination of External Debt Statistics*

Introduction

The Bank of Japan and the Ministry of Finance released a new data series, external debt statistics, starting in September 2003. Japan already compiles data related to its balance of payments (BOP) based on the *Balance of Payments Manual* (Fifth Edition) issued by the International Monetary Fund (IMF). The public release of this data is also governed by an international standard set by the IMF, known as the special data dissemination standard (SDDS).¹ The compilation and the release of the external debt statistics was decided based on the fact that the SDDS was recently broadened to cover the compilation and release of such statistics. The external debt statistics will be the third series data related to BOP, after the BOP statistics (flow statistics) and the international investment position (IIP, balance statistics).

The external debt statistics is issued quarterly, showing the current state of one country's liabilities with respect to other countries, with a breakdown by sector. Data are also broken down by maturity (short or long term) on an original maturity basis and by instrument. Compared with the annual IIP (liability side), the new series (1) is released more frequently and thus more timely, and (2) provides information that is not included in the IIP

* This paper was publicly released on August 8, 2003 (prior to dissemination of the statistics) in Japanese. In translating into English, some expressions were modified.

¹ The SDDS is a set of guidelines established by the IMF for member countries having or seeking access to international capital markets, regarding the kinds of financial and economic data that are commonly expected to be released, and how such statistics should be compiled and publicly released. The SDDS (which took effect in April 1996) covers 18 data categories, including national accounts and BOP, giving indications of the coverage of data, the frequency of release, and the timing. Although subscription of the SDDS is voluntary, once it is subscribed, the member country is obliged to abide by it regarding the economic and financial data that should be disclosed to the IMF.

concerning the liquidity and solvency of external debts. While such information is especially important with regard to net debtor countries, even for a net creditor country such as Japan the data will help observers maintain a steady grasp of the state of the external debt situation, and will prove their value in increasing the ability to check factors that might be vulnerable to external shocks. In the sections below, we explain the outline of the statistics and the methods by which we compile them, to enhance the understanding of users.

I. Outline of the External Debt Statistics

1. The importance of the dissemination of external debt statistics

The external debt statistics provides a systematic record of the amount and composition of one country's gross indebtedness with respect to nonresidents, based on current market values at a given point in time.² The use of these statistics will allow a faster, more detailed grasp, broken down by sector, maturity, and instrument, of the external debt balance of the economy than that provided in the annual IIP.

Based on the experience of the international financial crisis in the 1990s, the IMF has grown acutely aware of the need for a comprehensive set of data that would enable the comparison of external debt conditions in different countries. At its March 2000 executive board meeting, the IMF added external debt as a new category in the SDDS.³ Consequently, countries that subscribe to the SDDS⁴ are committed to release data on their external debt within three months (one quarter-year) from the last day of the reporting quarter, beginning with the April–June quarter of 2003. Based on this requirement, Japan released data on its external debt in September 2003, to include data as of end-June and end-March 2003.

² *External Debt Statistics: Guide for Compilers and Users*, which was compiled by the IMF and other international organizations, offers this definition: “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 nonresidents by residents of an economy” (paragraph 2.3).

³ IMF, “IMF Executive Board Reviews Data Standards,” *Public Information Notice*, No. 00/31.

⁴ A total of 53 countries as of September 2003.

External Debt Statistics to be Released Based on the SDDS

Data coverage	The SDDS requires the release of external debt data for the general government, monetary authorities, banks, and other sectors, to be compiled in accordance with the IMF's <i>Balance of Payments Manual</i> (Fifth Edition). Data should be also broken down by maturity (short or long term) on an original maturity basis and by instrument. ⁵
Frequency of release	Quarterly
Timing of release	Within three months from the end of the reporting quarter

2. The composition of Japan's external debt statistics

Japan's external debts can be divided into two categories: (1) indirect investment; and (2) direct investment (for details, see Appendix 1).

(1) Indirect investment is broken down into the following subcategories: "public sector," "banks," and "other sectors." Each of these categories is broken down by maturity (short or long term), and by instrument (money market instruments, loans, trade credits, and other liabilities, etc.).

(2) Direct investment consists of two subcategories: (i) liabilities to overseas affiliates related to outward direct investment (borrowings, etc., from the affiliates); and (ii) liabilities to overseas direct investors related to inward direct investment (borrowings, etc., from parent companies). These exclude equity investments.

The addition of the breakdown by maturity and recomposition of subcategories distinguish the external debt statistics from the IIP, which are similar and also compiled based on the SDDS. These additional items and organization specified by the SDDS will be beneficial in analyzing a country's liquidity and solvency by sector.

As data sources in the compilation of its external debt statistics, Japan uses the same reports employed to compile the BOP and IIP. This is because: (1) due consideration should be given to the reporting burden, and (2) existing reports and the estimation methodology for the BOP and IIP offer a sufficient degree of accuracy.

⁵ In both Japan's BOP and IIP, the categories "general government" and "monetary authorities" are combined as a single "public sector" category, due to the fact that subcategories are not required by the SDDS. In the external debt statistics, however, the SDDS requires these subcategories.

3. Related statistical series

Other statistical series are already available that reflect each country's external debt position, including the above-mentioned (1) IIP, and (2) the Joint BIS-IMF-OECD-World Bank Statistics on External Debt, which are compiled by a group of international organizations⁶ (see the table on the following page). The similarities and differences between these data series and the new external debt statistics are as follows.

(1) IIP

These data show the value and composition of each country's balance of external financial assets and liabilities at a given point in time, generally the year-end. These data are compiled in accordance with the IMF's *Balance of Payments Manual* (Fifth Edition). Based on the SDDS, each country is required to release its statistics in principle annually, within six months from the end of the reporting period.

The liability side of the IIP is similar to the external debt statistics, but differ in that they (i) include items such as equity securities and financial derivatives that are not classified as debt instruments; (ii) are not subcategorized by sector and maturity; and (iii) are issued less frequently, only once a year, as specified by the SDDS.

(2) Statistics on external debt compiled jointly by a variety of international organizations

The BIS, IMF, OECD, and World Bank jointly compile data on the external debt positions of all developing countries and countries in transition, using data provided mainly by creditor countries. The data are published quarterly, a minimum of two months after the reporting period.

This statistical series is released quarterly, which is the same frequency as the external debt statistics, but is only a partial representation of the external debt position as the following debt categories are omitted: nonofficially guaranteed suppliers credit, direct investment (intercompany lendings), private placements of debt securities, domestically issued debt held by nonresidents, deposits of nonresidents in domestic banks, and debts to governments that are not members of the OECD's Development Assistance Committee (DAC).

⁶ The Bank for International Settlements (BIS), IMF, Organisation for Economic Co-operation and Development (OECD), and World Bank.

Statistics on External Debt

	External debt statistics	IIP	Joint BIS-IMF-OECD-World Bank Statistics on External Debt
Release standards	SDDS	SDDS	Not specified
Outline	Value and composition of a country's gross debt to nonresidents at a given point in time.	Value and composition of a country's outstanding external financial assets and liabilities at a given point in time.	Compiled by international organizations based on data primarily provided by creditor countries, covering the outstanding of the external debt and the value and composition of its flow, mainly of developing countries.
Compilation standards	<i>Balance of Payments Manual</i> (Fifth Edition)	<i>Balance of Payments Manual</i> (Fifth Edition)	Not specified
Data coverage	External debt of the general government, monetary authorities, banks, and other sectors. Data are categorized by maturity (short or long term) on an original maturity basis and also by instrument.	<ul style="list-style-type: none"> •Outstanding amount of external assets and liabilities. Each of these amounts is subcategorized as direct investment, portfolio investment (equity/debt securities), other investment, and reserves (assets only). •In addition to the above required items, Japan breaks down these data into short- and long-term instruments, and by sector. Data on financial derivatives are also released. 	<ul style="list-style-type: none"> •Debt of all maturities: bank loans, debt securities issued abroad, Brady bonds,⁷ nonbank trade credits, debts to international organizations, and official bilateral loans from DAC creditors. •Debt due within a year: liabilities to banks, debt securities issued abroad, and nonbank trade credits. •Memorandum items: total liabilities to banks (on a locational and consolidated basis), total trade credits, total claims on banks, and international reserve assets excluding gold.
Frequency of release	Quarterly	Annual (quarterly recommended)	Quarterly
Timing of release	Within three months from the end of the reporting quarter	Within six months from the end of the reporting year (within three months is recommended)	A minimum of two months from the reporting quarter

⁷ Brady bonds are bonds newly issued by developing countries that have previously defaulted on loans and subsequently received a reduction and restructuring of their overseas bank loans.

II. Compilation Method

1. Principles of calculation

Japan's IIP is based on year-end reports; thus it is not possible to compile quarterly statistics on its external debts based solely on the same reports. Consequently, the external debt statistics are based on (1) reports showing data as of the end of a quarter, to the extent possible, and (2) estimates based on existing data from the IIP, as well as the BOP statistics (see below).

Market value is used for the calculations, despite the fact that debtors' burden of debt is on a book-value basis, in order to achieve compatibility with other statistics that are compiled based on the IMF's *Balance of Payments Manual* (Fifth Edition), which also use market value.

Method of Estimation (for details, see Appendix 2)

Current balance = market value of previous period-end balance of yen-denominated holdings
+ market value of previous period-end balance of foreign currency-denominated holdings (in yen)
+ market value of yen-denominated flow
+ market value of foreign currency-denominated flow (in yen).

The above formula is used for items to be estimated. Once a year, year-end data on external assets and liabilities are used as the beginning balance, which are adjusted for changes in foreign exchange rates and market values, then flow data are added (after adjusting for period-end foreign exchange rates and market values) to arrive at the estimated market value as of the end of each quarter.

2. Methods of calculating each component

The following methods are used to calculate the components of the external debt statistics.

(1) Debt securities

At the end of each quarter, the outstanding amount of inward portfolio investment is calculated, broken down into long term (bonds and notes) and short term (money market instruments).

(2) Trade credits

At the end of each quarter, the outstanding amount of trade credits is calculated, broken down into long term (long-term deferred-payment imports, installment purchases), and short term (short-term deferred-payment imports, advanced export receipts, bills for collection⁸).

(3) Loans

At the end of each quarter, the outstanding amount of borrowings from nonresidents is calculated, subcategorized into long term and short term on the basis of the contract term. Repurchase agreements are all classified as short term.

(4) Cash and deposits

At the end of each quarter, the outstanding amount of cash and deposits from nonresidents is calculated, and classified as short term.

(5) Other liabilities

At the end of each quarter, the outstanding amount of transactions categorized under “other investment” (BOP item in the financial account) excluding trade credits, loans, or cash and deposits is calculated, and classified as short or long term based on the contract term.

(6) Direct investment (intercompany lendings)

At the end of each quarter, the outstanding amount is calculated for liabilities from direct investors (nonresident) to affiliates (resident), and for liabilities from direct investors (resident) to affiliates (nonresident), excluding equities.

3. Revisions of published figures

In its external debt statistics, Japan releases a provisional estimate in the quarter following the reporting period, and a revised estimate in the quarter after that. The revised

⁸ When overseas exporters load their goods for transport, they draft bills for collection, addressed to their Japanese importers, and have these bills discounted by overseas banks, as a means of temporary deferment of settlement.

estimate reflects updated figures for the BOP. Year-end data are compiled based on the finalized figures of the IIP: thus, the updated version is considered as the final figures.

4. Estimates of Japan's external debt position as of the End of 2002

Appendix 3 shows the estimations of Japan's external debt position as of the end of 2002, based on the formulas and principles above. Of note is the fact that two categories, "short-term loans in banks" and "short-term loans in other sectors," amounted to 68 trillion yen, which is 47 percent of the 143 trillion yen total. This large portion is presumably due to Japanese banks' procurement of funds for foreign portfolio investments: the short-term bank loans are the result of foreign currency procurement by banks through their interoffice accounts, while the other short-term loans are the result of resident financial institutions' sale of securities, with repurchase agreements, to nonresidents.

III. Content of Data Release

As mentioned above, external debt statistics is first released as the provisional estimate, and then in the following quarter as the revised estimate. The data as of the calendar year-end are the final figures. Accordingly, in Japan, provisional estimates for April–June 2003 (the amount outstanding as of end-June) and revised estimates for January–March 2003 (the amount outstanding as of end-March) were released in September 2003. Subsequent provisional and revised data will then be released on a quarterly basis.

External debt statistics is released on the same date as the BOP statistics. The data are attached to the BOP statistics press release, distributed by the Bank of Japan and the Ministry of Finance. They are also released on the web sites of the Bank of Japan (<http://www.boj.or.jp/en/index.htm>) and the Ministry of Finance (<http://www.mof.go.jp/english/index.htm>). In addition, they are included in the Bank of Japan's *Balance of Payments Monthly*, in the January, April, July, and October issues.

In conjunction with the compilation and release of the external debt statistics, Japan also compiles on a quarterly basis, for reference, the major components of the IIP, which are currently compiled once a year (see Appendix 4). These data are also released as an attachment to the BOP press release with the external debt statistics, as well as on the web sites of the Bank of Japan and the Ministry of Finance.

Release Schedule for External Debt Statistics and BOP Statistics

Date of release	March	June	September	December
Coverage of period for external debt statistics	Provisional estimate for October–December	Provisional estimate for January–March	Provisional estimate for April–June	Provisional estimate for July–September
	Revised estimate for July–September	Final figures for October–December	Revised estimate for January–March	Revised estimate for April–June
Coverage of period for provisional BOP statistics	January	April	July	October

Conclusion

External debt statistics were originally included in the SDDS for the purpose of analyzing net debtor countries' liquidity and solvency. There has been active debate, however, at the IMF and other international venues⁹ concerning the importance of compiling such statistics in net creditor countries. Specifically, there were views that even net creditor countries may be net debtors in one crucial sector/item, or have a large proportion of short-term liabilities with a small proportion of liquid assets, and it would be helpful to have information about such situations. Others have noted that countries may move from a net creditor to a net debtor position over time, and thus it is important to monitor the debt position by compiling the external debt statistics.

The Bank of Japan and the Ministry of Finance will make efforts to compile external debt statistics and other data in line with global standards, while taking into account the reporting burden and improving the quality of the statistics.

⁹ IMF, "Summary of Proceedings," *Conference on Capital Flow and Debt Statistics: Can We Get Better Data Faster?* (<http://www.imf.org/external/pubs/ft/seminar/2000/capflows/summary.htm>).

Items included in IIP data

Assets	Liabilities
Direct investment	Direct investment
Equity capital	Equity capital
Reinvested earnings	Reinvested earnings
Other capital	Other capital
Portfolio investment	Portfolio investment
Equity securities	Equity securities
Public sector	Banks
Banks	Other sectors
Other sectors	Debt securities
Debt securities	Bonds and notes
Bonds and notes	Public sector
Public sector	Banks
Banks	Other sectors
Other sectors	Money market instruments
Money market instruments	Public sector
Public sector	Banks
Banks	Other sectors
Other sectors	Financial derivatives
Financial derivatives	Public sector
Public sector	Banks
Banks	Other sectors
Other sectors	Other investment
Other investment	Loans
Loans	Public sector
Public sector	Banks
Banks	Other sectors
Other sectors	[Long-term]
[Long-term]	[Short-term]
[Short-term]	Trade credits
Trade credits	Public sector
Public sector	Other sectors
Other sectors	[Long-term]
[Long-term]	[Short-term]
[Short-term]	Currency and deposits
Currency and deposits	Public sector
Public sector	Banks
Banks	Other sectors
Other sectors	Other assets
Other assets	Public sector
Public sector	Banks
Banks	Other sectors
Other sectors	[Long-term]
[Long-term]	[Short-term]
[Short-term]	Reserve assets
Reserve assets	Total liabilities
Total assets	Total net assets
	Public sector
	Private sector
	Of which: Banks

Items included in external debt statistic

Public sector
General government
Short-term
Money market instruments
Loans
Trade credits
Other liabilities
Long-term
Bonds and notes
Loans
Trade credits
Other liabilities
Monetary authorities
Short-term
Currency and deposits
Banks
Short-term
Money market instruments
Loans
Currency and deposits
Other liabilities
Long-term
Bonds and notes
Loans
Other liabilities
Other sectors
Short-term
Money market instruments
Loans
Trade credits
Other liabilities
Long-term
Bonds and notes
Loans
Trade credits
Other liabilities
Direct investment (intercompany lending)
Liabilities to affiliated enterprises
Liabilities to direct investors
Gross external debt

Note: The “direct investment (intercompany lending)” data in the external debt statistics are extracted from the “liabilities to affiliated enterprises” component of the “outward direct investment, other capital” item and from the “liabilities to direct investors” component of the “inward direct investment, other capital” item in the IIP data.

Estimation Method

(current period = end-March 2003, previous period = end-December 2002)

Current balance =

$$\begin{aligned} & \text{Amount at end of previous period} \times \text{ratio of yen-denominated holdings} \\ & \quad \times \frac{\text{price at end of current period}}{\text{price at end of previous period}} \end{aligned}$$

(calculating the market value of the yen-denominated portion of the total outstanding amount as of end-2002 [values of bonds and notes adjusted to reflect price changes])

$$\begin{aligned} + & \text{ amount at end of previous period} \times (1 - \text{ratio of yen-denominated holdings}) \\ & \quad \times \frac{\text{exchange rate at end of current period}}{\text{exchange rate at end of previous period}} \end{aligned}$$

(calculating the market value [in yen] of foreign currency denominated holdings as of end-2002)

$$\begin{aligned} + & \text{ current period flow} \times \text{ratio of yen-denominated holdings} \\ & \quad \times \frac{\text{price at end of current period}}{\text{average price throughout current period}} \end{aligned}$$

(calculating the current value of the yen-denominated portion of the January–March BOP flow, as of end of the current period [values of bonds and notes adjusted to reflect price changes])

$$\begin{aligned} + & \text{ current period flow} \times (1 - \text{ratio of yen-denominated holdings}) \\ & \quad \times \frac{\text{exchange rate at end of current period}}{\text{average exchange rate throughout current period}} \end{aligned}$$

(calculating the current value [in yen] of the foreign currency-denominated portion of January–March BOP flow, as of end of the current period)

- Note: 1. The above estimation method can be used to calculate the amount outstanding as of the end of each quarter. In other words, the balance for end-March 2003, as calculated in the above example, can be used as the amount at the end of the previous period for estimating the balance for end-June 2003, and so on.
2. The ratio of yen-denominated holdings is calculated based on the balance of yen-denominated holdings in the IIP statistics (provisional calculation).

Japan's External Debt as of End-2002 (Provisional Calculation)

(Unit: billions of yen)

		end-2002
Public sector		25,718
General government		24,347
Short-term		5,213
Money market instruments*		4,582
Loans		0
Trade credits		0
Other liabilities		630
Long-term		19,135
Bonds and notes*		19,135
Loans		0
Trade credits		0
Other liabilities		0
Monetary authorities		1,370
Short-term		1,370
Currency and deposits*		1,370
Banks		75,439
Short-term		64,303
Money market instruments*		0
Loans		47,912
Currency and deposits*		7,921
Other liabilities		8,470
Long-term		11,136
Bonds and notes*		1,138
Loans		9,588
Other liabilities		410
Other sectors		38,903
Short-term		24,882
Money market instruments*		50
Loans		19,911
Trade credits		1,211
Other liabilities		3,710
Long-term		14,021
Bonds and notes*		7,527
Loans		6,347
Trade credits		123
Other liabilities		25
Direct investment (intercompany lending)		3,206
Liabilities to affiliated enterprises		275
Liabilities to direct investors		2,931
Gross external debt		143,266

Note: Figures marked with an asterisk (*) represent final data for end-2002 already released as part of the IIP statistics.

Items for Quarterly Release as Part of the IIP

Assets	Direct investment	
		Equity capital
		Other capital
	Portfolio investment	
		Equity securities
		Bonds and notes
		Money market instruments
	Other investment	
		Loans
		Trade credits
		Currency and deposits
	Other assets	
Reserve assets		
Liabilities	Direct investment	
		Equity capital
		Other capital
	Portfolio investment	
		Equity securities
		Bonds and notes
		Money market instruments
	Other investment	
		Loans
		Trade credits
		Currency and deposits
	Other liabilities	