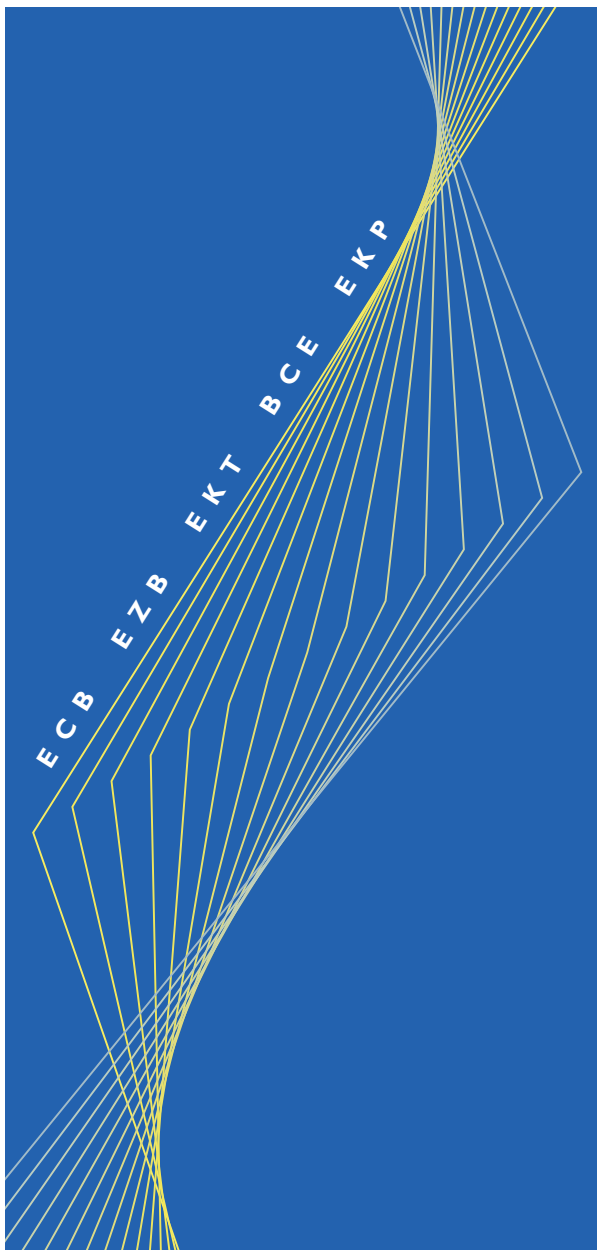




EUROPEAN CENTRAL BANK



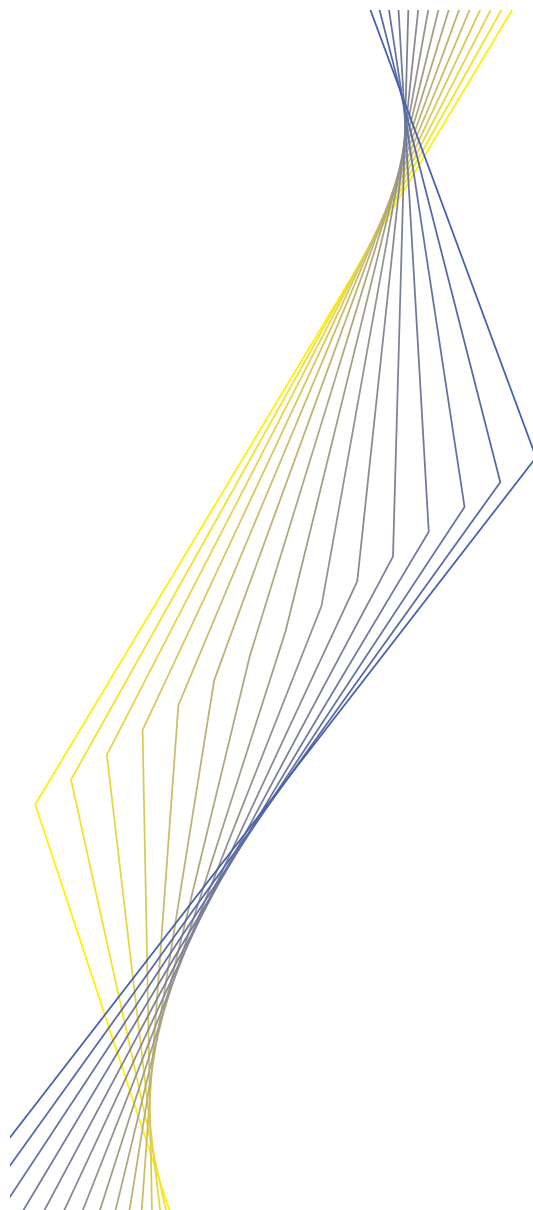
**ACCESSION COUNTRIES:
BALANCE OF PAYMENTS/
INTERNATIONAL
INVESTMENT POSITION
STATISTICAL METHODS**

February 2002





EUROPEAN CENTRAL BANK



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INTERNATIONAL
INVESTMENT POSITION
STATISTICAL METHODS**

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List of abbreviations and acronyms

ÁV Rt.	State Holding and Privatisation Company (Hungary)	DR	Data collection system planned for Malta based on direct reporting
b.o.p.	Balance of payments	DSBB	Dissemination Standards Bulletin Board
BIS	Bank for International Settlements	EAU	Estonian Authors' Society
BGN	Bulgarian leva	EBRD	European Bank for Reconstruction and Development
BNB	Bulgarian National Bank	ECB	European Central Bank
BoE	<i>Eesti Pank</i> , the Bank of Estonia	EDI	Electronic data interchange
BoL	<i>Lietuvos bankas</i> , Bank of Lithuania	EEK	Estonian kroon
BOPD	Balance of Payments Statistics Division (Estonia)	EFTA	European Free Trading Area
BOPED Division	Balance of Payments and External Debt Division (Bulgaria)	EU	European Union
BS	<i>Banka Slovenije</i> , Bank of Slovenia	EUR	Euro
BPM4	IMF Balance of Payments Manual (4th edition)	Eurostat	Statistical Office of the European Communities (Commission – DG ESTAT)
BPM5	IMF Balance of Payments Manual (5th edition)	f.o.b.	Free on board at the exporter's border
BUX	Index of the Budapest Stock Exchange (Hungary)	FDI	Foreign direct investment
CBC	Central Bank of Cyprus	GDC	General Directorate for Customs (Romania)
CBM	Central Bank of Malta	GDDS	IMF General Data Dissemination System
c.i.f.	Cost, insurance and freight at the importer's border	GESMES/CB	A message (with a GESMES profile) allowing the exchange of statistical time series, related attributes and structural metadata using a standardised format
CMFB	Committee on Monetary, Financial and Balance of Payments Statistics	GIRO Ltd.	Company operating the interbank clearing system (Hungary)
CNB	<i>Ceská národní banka</i> , the Czech National Bank	HCSO	Hungarian Central Statistical Office
CPIS	Co-ordinated Portfolio Investment Survey	HUF	Hungarian forint
CSB	Central Statistical Bureau of Latvia	IAS	International Accounting Standard
CSE	Cyprus Stock Exchange	IBRD	International Bank for Reconstruction and Development (World Bank)
CSO	Central Statistical Office (Poland)	IFS	International Financial Statistics (IMF)
CTO	Cyprus Tourism Organisation	i.i.p.	International investment position
CSSE	Commission of Securities and Stock Exchanges (Poland)	IMF	International Monetary Fund
CYSTAT	Statistical Service of Cyprus	ISIN	International Securities Identification Number
CZK	Czech koruna		
CZSO	Czech Statistical Office		
DMFAS	Debt Management and Financial Analysis System (Romania)		

ITRS	International Transaction Reporting System	OSA	Official Statistics Act (Estonia)
KELER	Central Clearing House and Depository (Budapest) Ltd. (Hungary)	PHARE	An EC technical assistance programme for the applicant countries of central Europe in their preparations for joining the European Union
L/C	Letter of credit	repo	Repurchase agreement
LCB	Law on the Central Bank of the Republic of Estonia	ROW	Rest of the world
LVL	Latvian lats	RPF	Reserve position in the (International Monetary) Fund
MÁK	Hungarian State Treasury	SAD	Single Administrative Document (Poland)
MFI_s	Monetary Financial Institutions	SDDS	IMF Special Data Dissemination Standard
MFSC	Malta Financial Services Centre	SDRs	Special drawing rights
MoF	Ministry of Finance	SIT	Slovene tolar
MSE	Malta Stock Exchange	SITC	Standard International Trade Classification
MTL	Maltese lira	SKK	Slovak koruna (Slovakia)
NACE	Nomenclature Générale des Activités Economiques dans les Communautés Européennes	SNA	System of National Accounts
NBH	<i>Magyar Nemzeti Bank</i> , National Bank of Hungary	SNA 93	The revised System of National Accounts
NBP	<i>Narodowy Bank Polski</i> , the National Bank of Poland	SOSR	Statistical Office of the Slovak Republic
NBR	<i>Banca Natională a României</i> , National Bank of Romania	SPE	Special-purpose entities
NBS	<i>Národná banka Slovenska</i> , National Bank of Slovakia	SORS	Statistical Office of the Republic of Slovenia
NCB	National Central Bank	SSO	State Statistical Office (Estonia)
NIS	National Institute for Statistics (Romania)	WIG	Warsaw Stock Exchange Index (Poland)
NSI	National Statistical Institute (Bulgaria)	USD	US dollar
NSO	National Statistical Office (Malta)	ZUNK	Government securities issued after the Law on Settlement of Non-performing Credits, negotiated prior to 31 December 1990 (Bulgaria)
OECD	Organisation for Economic Co-operation and Development		

I Foreword

This manual describes balance of payments (b.o.p.) and international investment position (i.i.p.) statistical methods in the accession countries (the countries that have applied to join the European Union namely Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, the Slovak Republic and Slovenia). It covers concepts and definitions and their adherence to international standards, notably those set by the 5th edition of the IMF Balance of Payments Manual, data collection, and compilation systems.

The manual provides a basis for monitoring harmonisation ahead of enlargement of the European Union and the euro area. The underlying methodological standards are briefly reviewed in Chapter 2. Chapter 3 contains the individual country presentations on the compilation of b.o.p. and related

statistics and takes stock of the existing data collection system and applied methodologies, the latter in comparison with the “benchmark” requirements set out in Chapter 2. Finally, a glossary is provided in the annexes (see list in Chapter 4.1).

This manual is published on the ECB’s website (www.ecb.int). The ECB’s Balance of Payments Statistics and External Reserves Division Bank takes responsibility for the overall presentation. The country chapters were drafted by the individual accession countries whose contributions are gratefully acknowledged.

Hard copies are available from the ECB’s Press Division on request. It is planned to update the manual regularly. Specific enquiries relating to individual countries should be addressed to the countries concerned.

2 Scope of the presentations by accession countries

2.1 Organisational and institutional settings

Each presentation (“country chapter”) starts with an outline of the institutional framework within which balance of payments (b.o.p.) and related statistics are compiled. *Organisation charts* presenting the structure of the b.o.p. compiler (usually the central bank), supplemented in some cases by the internal structure of the unit producing b.o.p. statistics, help to provide an insight into the institutional environment of b.o.p. compilation.

The country’s legislation, i.e. national laws, regulations and specific provisions (*legislative provisions*) which determine the role and functions of the b.o.p. compiler, forms another important aspect of the institutional setting. This applies, in particular, where reporting agents are subject to sanctions in the event of non-compliance with legal requirements.

Internal organisation focuses on the practical organisation of work, including the staff involved and the tasks performed by the units responsible for data collection, control and processing.

External co-operation describes the co-operation between the b.o.p. compiler and other statistical authorities/departments. In cases where the central bank is responsible for b.o.p. compilation, it closely liaises with the national statistical institute (NSI), e.g. to obtain trade data or ensure consistency with national accounts. Moreover, b.o.p. compilers are in contact with general government, national central banks (NCBs) (either in their own country if the b.o.p. compiler is not the central bank and/or in partner countries), economic research institutes and European (ECB and Commission (Eurostat)) and international (IMF, OECD) organisations.

The sub-section on users lists the main consumers of b.o.p. and related statistics,

both internally (i.e. other departments of the b.o.p. compiler or the NCB) and externally (i.e. the government, international organisations and research institutes).

2.2 Statistical system

The section on the statistical system aims to give a comprehensive picture of the compilation of b.o.p. and related statistics in terms of data collection, processing, control and, lastly, dissemination. It starts with a description of the existing *type of collection system*, for which a distinction can be made between two models. First, the system may be based on the indirect reporting of settlements by banks on behalf of their customers and may be either “closed”¹ or “open”². Second, the system may be based on direct reporting through surveys of enterprises and banks, which report their own transactions only. In this case, it is useful to learn about the exhaustiveness of such surveys (i.e. their coverage and frequency) and the sampling procedures applied to select the reporting agents. It should be noted that many countries have mixed systems with elements of both direct and indirect reporting.

A detailed description of the *reporting agents* and their reporting obligations is given. In most cases, b.o.p. and related statistics are compiled on the basis of data from the following sectors: (i) the monetary authority sector, mainly for compiling reserve asset data; (ii) the banking sector; (iii) the general government sector; and (iv) other sectors.

¹ All changes in the level of the external accounts of the banking or non-banking sectors are explained by the full reporting of transactions (“flows”). The balance of the external accounts at the beginning of the period plus the transactions during the period equals the balance at the end of the period.

² The changes in the level of the external positions of the banking or non-banking sectors cannot be fully explained by the reported cross-border transactions. The discrepancies are mainly due to (i) the presence of exemption thresholds in the reporting scheme and (ii) the use of different statistical sources for b.o.p. compilation.

Finally, the use of additional data sources such as other statistics (e.g. stock or banking statistics) or the media is also described.

Another important feature relates to *thresholds* of amounts below which reporting agents are not required to report any transactions (exemption thresholds) or below which the reporting agents may report transactions and positions in a simplified – e.g. aggregated – way (simplification thresholds).

The sub-section on the *availability of data* provides information about the compilation frequencies, the timeliness of data in days/weeks after the end of the reporting period and the available breakdowns, i.e. by instrument, sector, country or currency.

The *data controls* carried out by the b.o.p. compiler are explained both at the level of individual reports in the form of formal and plausibility checks and at the aggregate level by means of time series analysis or consistency checks with other statistics. Most countries have established built-in controls and perform automated checks, which are complemented by “intuitive” controls calling upon staff expertise.

The section on the statistical system finishes with an overview of the *revision policy*, focusing on the question of when data can be considered final, and the *dissemination* practices of the b.o.p. compiler.

2.3 Methodological standards applied in accession countries

The sub-sections on goods, services, income, current transfers, the capital account, direct investment, portfolio investment, other investment and reserve assets are structured in a similar way. *Data collection* is mentioned briefly, to the extent that it has not been covered in the section on the statistical system, and the availability of breakdowns, e.g. by geographical detail, sector or maturity, is described. Item-specific *estimation methods*

are also covered. The *definition* sub-section describes the methodological contents and coverage of the individual b.o.p. items and thus forms the basis for recognising *gaps* and *deviations* relative to the agreed international standards as laid down in the 5th edition of the IMF Balance of Payments Manual (BPM5). In this respect, countries may also specify their plans for methodological improvements (*intended harmonisation*). The sub-section on the i.i.p. is structured similarly and focuses on typical issues related to stocks such as valuation criteria and reconciliation with flows.

Following on from this general description of the country chapter structure, the paragraphs below recall the main concepts of the b.o.p./i.i.p. and highlight the particularities of the compilation of the individual sub-items as defined by the BPM5.

2.4 General principles of balance of payments and international investment position statistics

2.4.1 Balance of payments statistics

The b.o.p. is a statistical statement that systematically summarises, for a specific time period, the economic transactions of an economy with the rest of the world. A *transaction* itself is defined as an economic flow that reflects the creation, transformation, exchange, transfer or extinction of economic value and involves changes in ownership of goods and/or financial assets or liabilities, the provision of services or the provision of labour and capital.

Cross-border transactions are transactions between residents and non-residents of an economy. In this respect, the terms “resident” and “residing” mean having a centre of economic interest in the economic territory of a country. The following are examples of borderline cases in the determination of residence:

- (i) individuals from embassies and military bases should be classified as residents of their country of origin, thereby ensuring that a distinction is made between staff employed from among host country residents and those from the country which the embassy or military base represents;
- (ii) when undertaking cross-border transactions in land and/or buildings (e.g. holiday homes), the owner should be treated as if having transferred ownership to a notional institutional unit actually resident in the country where the property is located. The notional unit should be treated as being owned and controlled by the non-resident owner; and
- (iii) where an institutional unit operates in an offshore financial centre, it should be treated as a resident of the territory in which the centre is located.

Despite its name, which refers to standards applicable in the past following recommendations of the IMF Manuals up to the fourth edition, the b.o.p. is now less concerned with *payments*, as that term is generally understood, than with *transactions*. This shift from a financial towards an economic approach (i) fosters a sound economic interpretation of the figures, and (ii) makes the b.o.p. concepts compliant with the national accounts (the b.o.p. is also the rest of the world account). Therefore, a number of international transactions, which are of interest in a b.o.p. context, may not involve the transfer of money, and some are not paid for in any sense. The inclusion of these transactions, in addition to those matched by actual payments, constitutes a principal difference between a b.o.p. statement and a record of foreign payments.

2.4.2 International investment position statistics

Closely related to the flow-oriented b.o.p. framework is the stock-oriented *i.i.p.* Compiled at a specified date, the *i.i.p.* is a

statistical statement of (i) the value and composition of the stock of an economy's financial assets or claims on the rest of the world, and (ii) the value and composition of the stock of an economy's financial liabilities to the rest of the world. *Cross-border positions* comprise the stocks of financial claims and liabilities vis-à-vis non-residents. Also encompassed are land, other real property and other immovable assets, which are physically located:

- outside the economic territory and owned by residents (considered as assets, from the resident perspective); or
- inside the economic territory and owned by non-residents (considered as liabilities, from the resident perspective).

In addition, monetary gold and special drawing rights (SDRs) held by residents are included.

In some instances, it may be of analytical interest to compute the difference between the two sides of the balance sheet. The calculation would provide a measure of the net position, which would be equivalent to that portion of the resident area's net worth attributable to, or derived from, its relationship with the rest of the world. A change in stocks during any defined period can be attributable to transactions (i.e. b.o.p. flows), to revaluations reflecting changes in exchange rates, prices, etc., or to other adjustments (e.g. reclassifications, corrections or uncompensated seizures).

2.4.3 Accounting principles for transactions and stocks

2.4.3.1 Double-entry system

The basic convention applied in constructing a b.o.p. statement is that every recorded transaction is represented by two opposing entries with equal values. One of these entries is designated a *credit*; the other a *debit*. In principle, the sum of all credit entries is identical to the sum of all debit entries, and

the net balance of all entries in the statement is zero. In practice, however, the accounts frequently do not balance. Data for b.o.p. estimates are often derived independently from different sources and may be incomplete. Moreover, timing and valuation effects along with a variety of other factors tend to cause imbalances in the information recorded. As a result, individual b.o.p. accounts tend to aggregate to a summary net credit or net debit. A separate entry, equal to that amount with the sign reversed and labelled net errors and omissions, is then included to balance the overall b.o.p. account.

2.4.3.2 Time of recording transactions

The BPM5 principally requires recording on a transactions basis, meaning that transactions are recorded when economic value is created, transformed, exchanged, transferred or extinguished. Claims and liabilities arise when there is a change in ownership. The change may be legal or economic. In practice, when a change in ownership is not obvious, the change may be assessed at the time that parties to a transaction record it in their books.

2.4.3.3 Valuation of transactions and stocks

In principle, market prices should be used as the basis of valuation for both transactions and stocks. Thus, transactions are generally valued at the actual prices agreed upon by transactors, and stocks of assets and liabilities are valued at the market prices prevailing at the times to which the balance sheet relates. Market valuation provides the most meaningful measure of the economic value of the resources available to an economy. From a methodological point of view, alternatives to valuation at market prices should only be used if absolutely necessary.

In practice, however, some deviations from the market principle may occur. *Book values* from the reporting agents' balance sheets may, in some cases, be the only readily

available source for the valuation of assets and liabilities. In this case, owing to the accounting principles established by the appropriate authority and/or different investment policies, those book values may differ from the market value. Moreover, equity and debt securities are not always recorded on a security-by-security basis. Suitable means (e.g. indices) must then be chosen by either the data provider or the compiler to approximate the market value. The i.i.p. is valued at current market prices, with the exception of direct investment stocks where book values are used to a large extent.

2.4.3.4 Reconciliation of stocks and flows

The reconciliation of changes in stocks and b.o.p. flow data allows sets of data to be validated when they are collected independently and gives possible explanations for the changes in positions over a given period. These factors are:

- (i) the transactions that have taken place during the period;
- (ii) price changes;
- (iii) exchange rate changes; and
- (iv) other adjustments reflecting changes in stocks which are not due to the aforementioned factors.

The greater the level of detail of the basic information on both stocks and flows, the more precise the reconciliation is. In particular, the following information is necessary:

- (i) a currency breakdown to capture the *exchange rate effect*;
- (ii) a breakdown of applicable market prices, especially for portfolio investment instruments, to isolate the *market value effect*; and
- (iii) the *timing of transactions* to select the appropriate price and exchange rate.

2.4.4 Classification principles for balance of payments and international investment position statements

2.4.4.1 Standard components of balance of payments and international investment position statements

According to the BPM5, the two major classifications of transactions in the b.o.p. statement are the current account and the capital and financial account. In brief, the current account shows transactions in the real economy and relates to goods, services, income and current transfers, while the capital and financial account records the transactions in the financial economy.

The major classifications within the current account are:

- goods;
- services;
- income; and
- current transfers.

The capital account records an economy's capital transfers and its transactions in non-produced, non-financial assets (such as patents and copyrights).

The financial account records an economy's transactions in external financial assets and liabilities and is structured around five accounts, differentiated by the type of financial assets/liabilities involved in the transaction:

- direct investment;
- portfolio investment;
- financial derivatives;
- other investment; and
- reserve assets.

The i.i.p. is structured in the same way as the financial account of the b.o.p.

2.4.4.2 Institutional sectors

In addition, transactions within the portfolio investment, financial derivatives and other

investment accounts can be classified by sector, according to the institutional sector to which the resident undertaking the transaction belongs. This sectoral analysis also applies to the corresponding stock data for the i.i.p.

Four sectors are identified separately for b.o.p./i.i.p. statistics:

- (i) monetary authorities;
- (ii) general government;
- (iii) banking sector; and
- (iv) other sectors.

2.4.4.3 Classification of financial flows by credits/change in assets and debits/change in liabilities

Economic transactions are recorded (i) as credits or debits in the case of all items of the current and capital accounts, and (ii) as changes in assets or liabilities in the case of all items of the financial account. Credits and debits are shown as gross figures, i.e. inflows from non-residents will increase the amount of credits, while outflows to non-residents mean an increase of debits. By contrast, changes in assets and liabilities are shown as net figures: increases (decreases) in assets indicate that a net outflow (inflow) has occurred, since the payments by residents in respect of their acquisitions of assets issued by non-residents are larger (smaller) than the receipts derived from their sale or redemption. Increases (decreases) in liabilities indicate a net inflow (outflow), since the receipts from non-residents in respect of their acquisitions of assets issued by residents are larger (smaller) than the payments generated by their sale or redemption.

2.4.4.4 Geographical allocation principle for changes of ownership in the case of financial transactions and positions

For financial transactions/positions, there are two possible means of classification considered to be in accordance with the

change-of-ownership principle: the *debtor/creditor principle* and the *transactor principle*. In order to achieve a more precise geographical allocation, the BPM5 recommends, in principle, the application of the *debtor/creditor principle*, according to which transactions/positions in a country's external liabilities are classified according to the country of the owner of the claim (the creditor) and transactions/positions in a country's financial assets are classified according to the country that incurs the liability (the debtor). The *transactor principle*, however, means that transactions/positions are classified according to the country of the non-resident counterparty to the transaction.

2.5 Goods

The goods item of b.o.p. statistics covers general merchandise, goods for processing, repairs on goods, goods procured in ports by carriers and non-monetary gold. In accordance with general b.o.p. principles, change of ownership is the principle determining the coverage and time of recording of international transactions in goods. Exports and imports of goods should be recorded on an f.o.b./f.o.b. basis, i.e. at market value at the customs frontiers of exporting economies, including charges for insurance and transport services up to the frontier of the exporting country. Moreover, in line with the guidelines set out in the BPM5, the geographical allocation of exports should be based on the country of final destination and that of imports should be based on the country of origin.

Data for the b.o.p. goods item are mostly derived from trade data, which are collected by the national statistical institutes on the basis of customs reports. However, in cases where the trade data are not available in a timely manner, countries may use other sources, e.g. the settlements reported by the banking sector or estimates, to compile the goods item. Moreover, trade data are not fully in line with BPM5 requirements for the goods item, implying that further adjustments

have to be made. The most important one refers to imports, which are not available from trade statistics on an f.o.b. basis, meaning that the amounts of cost, insurance and freight have to be deducted from goods and allocated to the services item. Most countries use estimated ratios for this type of adjustment.

2.6 Services

The services account of the b.o.p. consists of the following items, which should be recorded according to their actual delivery:

- *Transportation* covers all transportation services (sea, air and other – including land, inland waterway, rail, space and pipeline) that are performed by residents for non-residents, or vice versa, and that involve the carriage of passengers, the movement of goods (freight), rentals (charters) of carriers with crew, and related supporting and auxiliary services. Excluded are passenger services provided to non-residents by resident carriers within the resident economies, or vice versa (these are included under travel).
- *Travel* includes primarily the goods and services which resident travellers acquire from non-residents or which residents provide to non-resident travellers during visits of less than one year, net of any purchases made with money earned or provided locally. Unlike other services, travel is not a specific type of service, but an assortment of goods and services consumed by travellers. Personal transport (only international transportation) in connection with travel is not included in this item but under transportation.
- *Other services* comprise those service transactions with non-residents which are not covered under transportation and travel, such as communications services, construction services, insurance services or financial services.

2.7 Income

Income covers two types of transactions between residents and non-residents:

- (i) those involving *compensation of employees*, which is paid to non-resident workers or received from non-resident employers; and
- (ii) those involving *investment income* receipts and payments on external financial assets and liabilities. Income derived from the use of tangible produced assets³ is excluded from income and classified, as appropriate, under leasing or rentals, under other business services or under transportation. Income from tangible non-produced assets is, however, classified as investment income under "other investment" income in general or direct investment income in the case of income from land (rent).

Compensation of employees comprises wages, salaries and other benefits (in cash or in kind) earned by individuals in economies other than those in which they are resident, for work performed for and paid for by residents of those economies (and conversely). Included are the contributions paid by employers, on behalf of employees, to social security schemes or to private insurance or pension funds to secure benefits for employees.

Investment income (property income in the SNA 93 and the ESA 95) is income derived from ownership of external financial assets and payable by residents of one economy to residents of another economy. It includes interest, dividends, remittances of branch profits, and direct investors' shares of the retained earnings of direct investment enterprises. Where separately identifiable, holding (capital) gains and losses are not classified as investment income, but as changes in the value of the investments due

³ *Tangible assets cover produced and non-produced assets. Tangible non-produced assets consist of assets that occur in nature and over which ownership may be enforced and transferred, such as land and water resources.*

to market price developments. For practical reasons, this requirement concerning holding gains and losses is often very difficult to fulfil. Settlement flows in respect of interest rate swaps and forward rate agreements (FRAs) are not regarded as interest income, but are recorded as transactions under financial derivatives in the financial account.

In line with the related financial accounts, the investment income account can be broken down into direct investment, portfolio investment and other investment components (income on reserve assets should be included in other investment income). Income on direct and portfolio investment can be broken down further into income on equity and income on debt. In the case of portfolio investment, income on debt can be subdivided into income on bonds and notes (long-term component) and income on money market instruments (short-term component). The most common types of investment income are dividends in the case of equity and interest in the case of debt.

2.7.1 Dividends

Dividends represent income that is payable without a binding agreement between the creditor and the debtor. Dividends may be paid out of *normal operating profits* or out of *realised or unrealised capital gains*. In principle, redistributed capital gains should be classified as other capital transfers.

The following borderline cases deserve attention: *stock dividends*, bonus shares and liquidating dividends. Distribution of earnings in the form of stock dividends is capitalisation of current earnings and an alternative to distributing cash dividends, and should be recorded in the same manner as reinvested earnings (i.e. as investment income in the current account and as offsetting equity investments in the financial account). General *bonus shares*, by contrast, represent the substitution of one type of equity (paid-up capital or capital stock) for another (reinvested earnings) and should thus not be

recorded in the b.o.p. Bonus shares reflect the transformation of reserves (which usually consist of accumulated, unremitted earnings) into voting power. *Liquidating dividends* refer to the distribution of assets in the form of a dividend from a corporation that is going out of business. Payment of liquidating dividends may take place when a firm goes bankrupt or when management decides to sell off a company's assets and pass the proceeds on to shareholders. As liquidating dividends represent a return of capital contributions rather than a remittance of earnings, they should be recorded as withdrawals of capital in the financial account and should consequently be excluded from investment income.

Dividends are recorded as of the date they are payable.

2.7.2 Interest

Interest is payable in accordance with a binding agreement between the creditor and the debtor. Interest is the amount that the debtor becomes liable, under the terms of the financial instrument agreed between them, to pay to the creditor over a given period of time without reducing the amount of principal outstanding. Interest income should be recorded on an accruals basis so as to ensure that the cost of capital continually matches the provision of capital. At the time interest accrues, the following entries are recorded: (i) accrued interest is recorded under investment income in the current account, either as a credit or as a debit, and (ii) an offsetting entry is made in the financial account according to the underlying instrument (e.g. portfolio investment – debt securities, or other investment – loans/currency and deposits) to reflect an increase in the claim associated with the non-payment of the accrued amount. When the actual interest payment occurs, a debit/credit is usually recorded under other investment – loans/currency and deposits. The offsetting entry to this payment should not be recorded under investment income, but should instead be recorded in the financial account as a debit or

credit entry, representing a reduction in the liabilities/assets (extinguishing the financial account entry made at the time interest accrued).

2.7.3 Reinvested earnings

Reinvested earnings appear in the context of income on equity and are defined as the direct investor's share of the total consolidated profits earned by the direct investment enterprise in the reference period covered (after allowing for tax, interest and depreciation), less dividends due for payment in the relevant period even if these relate to profits earned in earlier periods. Reinvested earnings should be recorded in the period in which they are earned and included in the b.o.p. statistics both (i) in the current account as imputed flows of undistributed income to the direct investor (credit) and (ii) in the financial account as additional equity capital for the direct investment enterprise (debit), the flows being equal and of opposite signs.

2.8 Current transfers and capital account

2.8.1 Distinction between current and capital transfers

The separation of capital and current transfers within the b.o.p. has been introduced for the purpose of achieving compatibility with national accounts statistics. For b.o.p. statistics, the sum of the balances on the current and capital accounts corresponds to the net lending/borrowing of the total economy. However, the current account balance as such is viewed as an important economic indicator and the classification of transfers as current or capital has an impact on the resulting surplus or deficit on the current account. It is therefore vital that transfers be recorded appropriately in the b.o.p. current or capital account.

Transfers are offsetting items required to balance unilateral transactions in which one

economic entity provides a real resource, such as goods or services, or a financial item to another entity without receiving any real resource or financial item in exchange.

Current transfers consist of transfers that are not transfers of capital. Current transfers directly affect the level of disposable income of the donor or recipient. They include those of general government, e.g. transfers relating to current international co-operation between different governments, payment of current taxes on income, wealth, etc., and other transfers, e.g. workers' remittances, insurance premiums (less service charges) and claims for non-life insurance.

Capital transfers may be in cash or in kind and consist of:

- (i) transfers involving transfers of ownership of fixed assets;
- (ii) transfers of funds linked to, or conditional upon, the acquisition or disposal of fixed assets; or
- (iii) the cancellation, without any counterparts being received in return, of liabilities by creditors.

In practice, the distinction between current and capital transfers is to be found in the use of the transfer by the recipient country.

2.8.2 Acquisition/disposal of non-produced, non-financial assets

In addition to capital transfers, the capital account also covers the acquisition/disposal of non-produced, non-financial assets which include the acquisition/disposal of non-produced, tangible assets (land and sub-soil assets) and the acquisition/disposal of non-produced, intangible assets, such as patents, copyrights, trademarks, franchises, etc., and leases or other transferable contracts. Only the purchase/sale, and not the use, of such assets, should be recorded in this category of the capital account. In the case of resident/non-resident transactions in land, an acquisition/disposal is deemed to occur

between resident units, and the non-resident acquires a financial claim on a notional resident unit. Therefore, changes of ownership in land usually are classified as financial transactions under direct investment. (The only exception concerns land purchased or sold by a foreign embassy, which is recorded under acquisition/disposal of non-produced, non-financial assets.)

2.9 Direct investment

Direct investment reflects the objective of a resident entity in one economy to obtain a lasting interest in an enterprise resident in another economy. In line with international standards (IMF/OECD), a "10% ownership criterion" should be applied in order to infer the existence of a lasting interest. Based on this criterion, a direct investment relationship can exist between related enterprises, regardless of whether the linkage involves a single chain or a number of chains. It can extend to a direct investment enterprise's subsidiaries, sub-subsidiaries and associates. Once the direct investment has been established, all subsequent financial flows⁴ between the related entities should be recorded as direct investment transactions, regardless of the financial instrument used, except in the case of transactions between affiliated banks and other financial intermediaries where direct investment transactions are confined to those of a permanent capital nature.

Special-purpose entities (SPEs) are enterprises in the form of holding companies, base companies, regional headquarters or other types of subsidiaries, which are established for the purpose of managing foreign exchange risks, facilitating the financing of investments or otherwise engaging in financial transactions. They are considered to be direct investors and/or direct investment enterprises. However, for SPEs with the sole purpose of acting as a financial intermediary (as is the case for banks and other financial

⁴ Including those related to securities and financial derivatives.

intermediaries, such as brokers), transactions recorded under direct investment are limited to those associated with permanent debt and equity (see above).

The components of direct investment transactions are equity capital, reinvested earnings and other capital associated with various inter-company debt transactions. *Real estate investment* including private, non-business real estate investment should be recorded as well. Private non-business real estate investment relates, in particular, to holiday and other residences owned by non-residents, whether for personal use or leased to others.

Equity capital comprises equity in branches, all shares in subsidiaries and associates (with the exception of non-participating preference shares which are treated as debt securities) and other capital contributions.

Reinvested earnings consist of direct investors' shares of earnings not distributed as dividends by subsidiaries or associates and earnings of branches not remitted to direct investors, but recorded under investment income.

Other capital covers all inter-company financial transactions (borrowing and lending of funds) – including debt securities and suppliers' credits (i.e. trade credits) – between direct investors and subsidiaries, branches and associates.

Following the recommendations of the IMF and Eurostat/OECD guidelines, direct investment relationships should be recorded using the *directional principle*, implying that the financial transactions between the resident direct investors and the non-resident direct investment enterprises are classified as direct investment abroad (negative or positive, depending on the direction of the flow). Symmetrically, the financial transactions between resident direct investment enterprises and non-resident direct investors are classified as direct investment in the reporting economy.

With regard to the valuation of direct investment *stocks*, the internationally

recommended approach is to use market prices. However, owing to practical difficulties, some compilers partly use book values or extended book values, e.g. based on the volume of own funds of the companies involved.

2.10 Portfolio investment

The portfolio investment account includes (i) equity securities and (ii) debt securities in the form of bonds and notes and money market instruments, except for those falling under the category of either direct investment or reserve assets. *Financial derivatives* should be excluded from portfolio investment and shown in a separate category of the financial account and in the i.i.p., in line with recent IMF recommendations.

Equity securities cover all instruments representing claims to the residual values of incorporated enterprises after the claims of all creditors have been met. Shares, stocks, preferred stock or shares, and participation or similar documents usually denote ownership of equity. Transactions in and holdings of shares of collective investment institutions, e.g. investment funds, are also included.

Bonds and notes are, in principle, securities issued with an initial maturity of more than one year which usually give the holder (i) the unconditional right to a fixed monetary income or contractually determined variable monetary income (payment of interest being independent of the earnings of the debtor) and (ii) the unconditional right to a fixed sum in repayment of principal on a specified date or dates. Transactions in and holdings of securities issued with a maturity of more than one year are always classified as bonds, even though their residual maturity at the time of the investment may be one year or less.

Unlike bonds and notes, *money market instruments* are securities issued with an initial maturity of up to one year. They generally give the holder the unconditional right to

receive a stated, fixed sum of money on a specified date. These instruments are usually traded, at a discount, in organised markets; the discount is dependent upon the interest rate and the time remaining to maturity. Examples of such instruments are Treasury bills, commercial and financial paper and bankers' acceptances.

Collateralised loans and other relevant transactions/holdings related to *repurchase agreements* involving debt securities are recorded in the other investment account.

The recording of portfolio investment transactions in the b.o.p. takes place when the creditors or debtors enter the claim or liability in their books. Transactions should be recorded, in principle, at the effective price paid or received, less commissions and expenses. Thus, in the case of securities with coupon interest, the interest accrued from the last payment of interest is included and, for securities issued at a discount, the interest accumulated since issue is included. Offsetting entries for interest accrued are required in the b.o.p. financial account and in the i.i.p., in line with the income account.

With regard to *stocks*, as financial instruments within portfolio investment are greatly affected by price adjustments, compilation based on market value is important in the i.i.p. Therefore, *market values* should be applied as far as possible in the case of equity and debt securities, on both the assets and the liabilities side, since the i.i.p. must show the economic value of the resources and not the redemption value. The relevant prices are those prevailing at the end of the reference period to which the reporting relates.

2.11 Financial derivatives

Financial derivatives are financial instruments that are linked to a specific financial instrument, indicator or commodity, and through which specific financial risks can be traded in financial markets in their own right.

Transactions in financial derivatives are treated as separate transactions, rather than as integral parts of the value of underlying transactions to which they may be linked. The transactions and positions recorded under the item financial derivatives should be those in *options, futures, swaps, forward foreign exchange contracts* and *credit derivatives*.

Net flows associated with *interest rate derivatives* are recorded under financial derivatives, not as interest flows, in line with recent international agreement.

Initial margin payments are regarded as changes in deposits and should be recorded, if identifiable, under other investment. The treatment of *variation margin payments* depends on the form of the variation margin: *options-style variation margins* are regarded, in principle, as changes in deposits and should be recorded, if identifiable, under other investment. *Futures-style variation margin payments* are regarded, in principle, as operations in derivatives and should be recorded under financial derivatives. In the case of options, the full premium (i.e. the purchase/sale price of the options and the implied service charge) is recorded.

The recording of transactions in financial items takes place when both creditor and debtor enter the claim and liability, respectively, in their books.

2.12 Other investment

The other investment item is a residual category that includes all financial transactions not covered under direct investment, portfolio investment, financial derivatives or reserve assets. It can be further subdivided into (i) trade credits, (ii) loans/currency and deposits and (iii) other assets/other liabilities. It also encompasses the offsetting entries for accrued income on instruments classified under other investment.

Trade credits consist of claims or liabilities arising from the direct extension of credit

relating to transactions in goods and services and advance payments for work in progress (or to be undertaken) associated with such transactions. There are two types of trade credit assets: (i) prepayments on imports and (ii) trade credit extended on exports. Assets represented by prepayments on imports are extinguished upon delivery of the goods or services and assets represented by trade credit on exports are extinguished by actual payment (postpayment). Trade credit liabilities arise from the prepayment of exports or trade credit received on imports. Delivery of exports extinguishes the former and actual payment (postpayment) extinguishes the latter.

Loans/currency and deposits comprise transactions in the following financial instruments: loans, i.e. those financial assets created through the direct lending of funds by a creditor (lender) to a debtor (borrower) through an arrangement in which the lender either receives no security evidencing the transaction or receives a non-negotiable document or instrument; deposits; repo-type operations; and currency (notes and coins which are in circulation and commonly used to make payments). Loans to finance trade, other loans and advances (including mortgages) are included, as are financial leases.

Other assets/other liabilities cover all items other than trade credits, loans and currency and deposits. Examples are: capital subscriptions to international non-monetary organisations, changes in insurance technical reserves and offsets in respect of unsettled securities transactions.

In the case of the other investment holdings (*stocks*), the discrepancies between the market value and the nominal or book value can be considered to be somewhat smaller than for other financial instruments, except in cases where there have been large write-downs or valuations are based on secondary market quotations. For these reasons, *book values* are accepted as the valuation criterion for other investment stocks, except for loans

that are negotiable at a discount in which case market value should be applied.

2.13 Reserve assets

Reserve assets must be under the effective control of the relevant monetary authority (e.g. the NCB or the Treasury) and refer to highly liquid, marketable and creditworthy foreign currency denominated claims on non-residents, plus monetary gold, SDRs and the reserve position in the IMF.

Reserve asset data are compiled on the basis of the information provided by the accounting or operations departments of the NCBs.

Against the background of the 1997 Asian financial crisis, the concept of *usable reserves* has gained importance. This concept supplements data on gross reserves with information about encumbrances on reserves, i.e. the so-called "reserve-related liabilities"⁵. Together with other foreign currency claims (e.g. on resident counterparts), these liabilities might constitute an important additional indicator of a country's ability to meet its foreign exchange obligations. Nonetheless, reserve assets presented on a *gross basis* without any netting-off of reserve-related liabilities remain the central indicator of a country's ability to meet its foreign exchange obligations.

Foreign currency claims on residents should not be included in official reserve assets, though they may be shown separately in the context of IMF dissemination standards⁵.

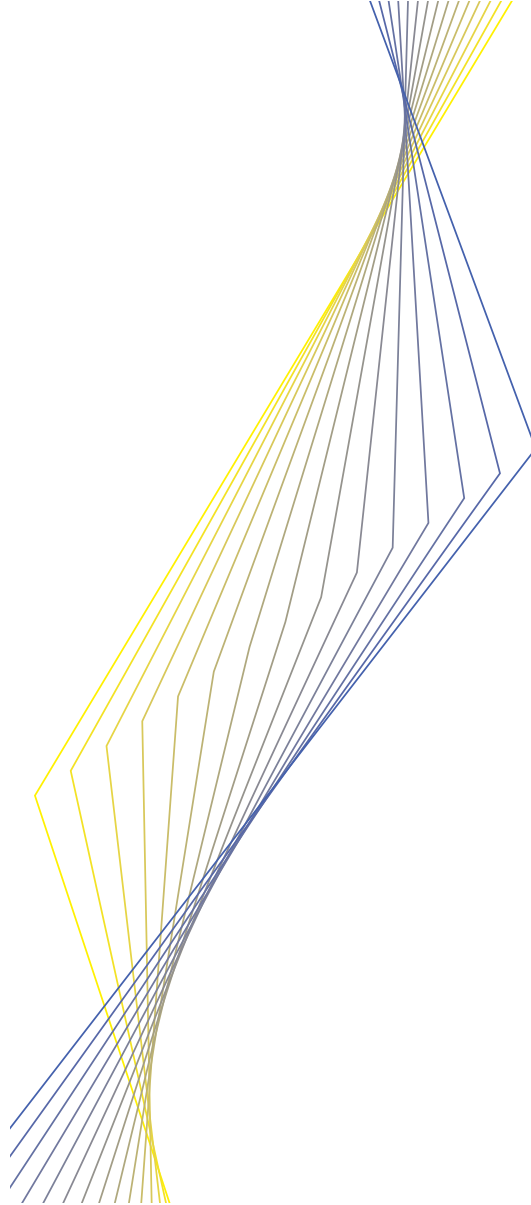
The offsetting entries for accrued interest on reserve assets should be recorded under the relevant reserve asset items.

⁵ This concept was developed by the IMF in the context of the *Special Data Dissemination Standard*. All this relevant information has been integrated into a common statistical layout in the form of the "IMF/BIS Common Template on international reserves and foreign currency liquidity".



EUROPEAN CENTRAL BANK

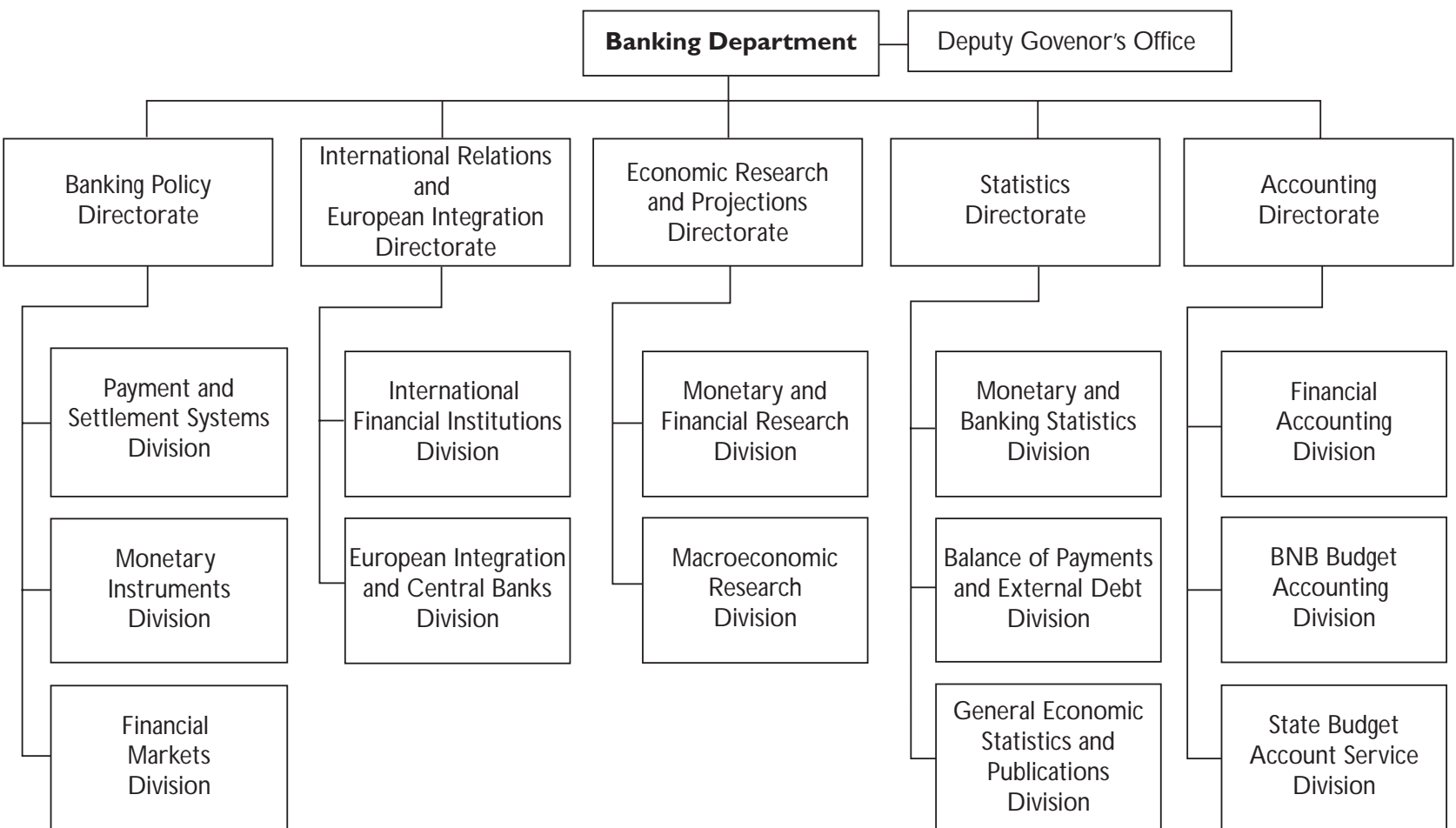
3 Country-specific details



Bulgaria

February 2002

I Organisation chart



2 Institutional aspects

2.1 Introduction

The Bulgarian National Bank (BNB) has been responsible for compiling the balance of payments (b.o.p.) since 1991. The legal basis for b.o.p. compilation in Bulgaria is provided for in Article 42 of the Law on the Bulgarian National Bank. Data for the purposes of this compilation are collected on the basis of this Article as well as on the basis of the Foreign Exchange Law. These data are processed by the Balance of Payments and External Debt (BOPED) Division within the Statistics Directorate of the BNB. At present, the BNB compiles and publishes monthly analytical presentations as well as standard presentations of the b.o.p. in accordance with the fifth edition of the IMF "Balance of Payments Manual" (IMF, 1993) (BPM5) and the "Balance of Payments Textbook" (IMF, 1996). In compiling the b.o.p., the Bank is fully independent from the general government and follows the methodological principles of the BPM5 as strictly as possible.

2.2 Legislative provisions

Since 1991 the BNB has borne responsibility for compiling the Bulgarian b.o.p. The role of the BNB was confirmed in Article 42 of the Law on the Bulgarian National Bank. With Decree No. 181 of 22 July 1996 of the Council of Ministers, a new Article was added to the existing Decree No 15, which set out the obligation that all information concerning the b.o.p. should be presented to the BNB directly or via the commercial banks.

The Foreign Exchange Law, in force since 1 January 2000, introduced the basis for significant improvements of the reporting system. It specified a number of procedures for the collection of data for b.o.p. statistics. Although the Law strengthened the ability of the BNB to collect information in some respects, minor gaps remained in the b.o.p. compilation methodology according to the BPM5. Attempts were made to cover them in

the regulations issued in compliance with the Foreign Exchange Law – Regulation No. 27 on the Registration by the Bulgarian National Bank of Transactions between Residents and Non-Residents; Regulation No. 29 on the Terms and Procedures for the Submission of Reports and Declarations on the Liabilities of Residents vis-à-vis Non-Residents; and the Regulation on the Collection of Information on Balance of Payments Statistics.

2.3 Internal organisation

At the BNB, b.o.p. statistics and the international investment position (i.i.p.) are compiled in the BOPED Division within the Statistics Directorate. The Directorate has three divisions, namely the BOPED Division, the Monetary and Banking Statistics Division and the General Economic Statistics and Publications Division.

At present, the BOPED Division, which has a total of eight staff, is made up of the following three sections:

- *Methodology and Compilation* – this section has three staff (one expert and two economists) and is mainly responsible for the collection of data for and the compilation of the b.o.p., the development and improvement of the methodology for data collection and compilation techniques, the adaptation of the compilation system to the various requirements of the international institutions, the maintenance of metadata concerning the b.o.p., etc. This section is also responsible for publishing the b.o.p. data.
- *Analyses and Forecasting of Foreign Trade and the BOP* – this section has two members of staff and its main responsibilities include the processing of foreign trade data, monthly analyses of current b.o.p. and foreign trade developments and short-term forecasting. The section is also responsible for publishing the foreign trade data.

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- *International Investment Position* – this section has two members of staff and is responsible for compiling the i.i.p. and private-sector external debt, providing monthly gross external debt information, monthly analyses of current debt developments, short-term and long-term projections for debt service, etc. It is also responsible for publishing external debt and i.i.p. data.

2.4 External co-operation

The BNB receives customs declarations' trade data from the Information Services Company. These data are supplemented with data from the National Statistical Institute (NSI) and are further processed by the BNB.

The data on travel are based on information from the Ministry of Internal Affairs on the number of travellers crossing the borders and on estimates of "per capita" receipts and expenditures elaborated by the BNB, together with the Ministry of Economy. The BNB receives information on current transfers in kind from the Bulgarian Red Cross, the Agency for Foreign Aid and in cash from the monthly commercial banks' reports.

The BNB also receives data on direct investments in the country from the Privatisation Agency, branch ministries, the Central Depository, commercial banks' reports, the Agency for Gambling and Insurance Supervision at the Ministry of Finance, the Pension Insurance Supervision Agency and from notaries public on private real estate investment of non-residents, as well as from the reports on inter-company debt transactions and the statistical survey carried out by the NSI among non-financial sector enterprises and from the commercial banks' annual financial and accounting reports (balance sheets and profit and loss statements). The BNB and the Foreign Investment Agency share information on direct investment in the country.

The BNB receives monthly data on direct investment abroad from the commercial banks' reports and annually from the survey carried out by the BNB among direct investors from the country.

The BNB works in close co-operation with the 35 existing commercial banks, which provide monthly aggregated reports on their transactions with the rest of the world, as well as with about 3,500 entities reporting their external liabilities directly to the BNB.

With respect to the b.o.p. methodology, the BNB works in close co-operation with the International Monetary Fund (IMF), Eurostat and the European Central Bank (ECB). Since 1995, technical missions from the IMF have visited the BNB. Since 1998, experts from the BOPED Division have taken part in the working parties organised by Eurostat. Since November 2000, regular meetings between the BNB and the ECB have been held with the aim of harmonising the methodology and getting the accession countries acquainted with the reporting requirements.

2.5 Users

B.o.p. data are supplied to various internal and external users. Within the BNB the main users of the b.o.p. are the Managing Board of the BNB, the Economic Research and Projections Directorate, the Monetary and Banking Statistics Division and the General Economic Statistics Division within the Statistics Directorate, the Treasury Directorate, the Accounting Directorate, the International Relations and European Integration Directorate and the Fiscal Services Department. Externally, the main users of b.o.p. data are the Council of Ministers, the Ministry of Finance, the Ministry of the Economy, government agencies, foreign embassies and international organisations. B.o.p. data are used as input in the rest of the world account in the System of National Accounts produced by the NSI. Quarterly b.o.p. data, annual i.i.p. data and monthly

trade data are sent electronically to the IMF in the requested format. Since mid-2000, a GESMES-CB message has been used for b.o.p. data dissemination to Eurostat. A test

exercise for the transmission of b.o.p. data in GESMES-CB messages to the ECB has recently been carried out.

3 Statistical systems

3.1 Type of collection system

The existing *open International Transactions Reporting System* (ITRS) was introduced in 1996 as a first step towards achieving a closed ITRS. It includes (i) commercial banks' reports and (ii) reports by enterprises which have bank accounts abroad pertaining to residents' international transactions. These reports cover all components of the b.o.p. table. In addition, the data on certain b.o.p. components collected by the ITRS are substituted for data from other sources: (i) exports and imports data, based on customs declarations, (ii) the annual survey of tourist agencies, (iii) the direct investment enterprise survey, (iv) administrative records and (v) reports by enterprises having borrowed from abroad and others.

3.2 Reporting agents

(i) *Banking sector* – historically, the banking sector has been the backbone of the reporting system. In the first quarter of 2000, following the adoption of the Foreign Exchange Law, the BNB developed and adjusted the existing collection system to the new requirements of this Law. Although residents are no longer obliged to conduct their transfers abroad solely through domestic banks (but may also use their accounts abroad), the majority of operations are still channelled via the domestic banking system. The banks should report monthly (Form IT-1) all transactions between residents and non-residents above a threshold of BGN 5000 (approximately EUR 2,556). In accordance with regulations, the banks provide the BNB with aggregated (by

economic code) information. They keep a register of all these transactions and are obliged to present the BNB with detailed information upon request. There are, however, some b.o.p. items, such as *direct investment in the reporting country and loans received from abroad*, for which the BNB receives monthly and quarterly detailed information, respectively.

(ii) *Corporate sector* – these are partial direct reporting companies (PDRCs) providing the BNB with monthly or quarterly information on selected b.o.p. items:

- enterprises holding bank accounts abroad provide monthly reports on all their transactions with non-residents channelled via their accounts abroad. The Foreign Exchange Law stipulates that as of January 2000, all enterprises and persons opening accounts abroad are obliged to register at the BNB;
- enterprises which have received financial loans from non-residents provide quarterly reports on all transactions connected with financial loans;
- enterprises which have extended financial loans to non-residents provide quarterly reports on all transactions connected with financial loans;
- enterprises that have other liabilities to non-residents (trade credits, etc.) provide quarterly reports on the amount of their liabilities other than financial loans to non-residents. Data are provided on the country of creditor and on the original currency. Flow data are derived from stocks;
- enterprises with direct investments abroad provide information on their

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Table I
Basic reporting forms for b.o.p. and i.i.p. data collection for BULGARIA

Target respondent	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
Commercial banks	Form IT-1	All transactions between residents and non-residents aggregated by economic code. Data are reported in USD and BGN. Conversion is made using the exchange rate at the date of transaction (if not available average monthly exchange rates are used).	Monthly	15 calendar days
Commercial banks	Form IT-1A	Reclassification of transactions between residents and non-residents above a threshold of BGN 5,000, which had previously (during the reporting period) been recorded as "non-classified", by economic code.	Quarterly	15 calendar days
Commercial banks	Form ED-1	Information about the credit – creditor and debtor data, type of credit, currency, date of disbursement, interest rates, repayment schedule, etc.	Upon registration	Upon registration
Commercial banks	Form ED-2	Information about the transactions during the reporting period – disbursements, principal payments, interest payments, principal in arrears, interest in arrears, repaid arrears, rescheduled principals, accrued interest, restructured debt, etc. Stock at the beginning and end of the quarter is reported. Data are reported in the original currency.	Monthly	15 calendar days
Commercial banks	Form FI-1	Information about direct and portfolio investment in the bank – equity capital and income on equity capital (dividends paid, reinvested earnings). Country breakdowns are also reported.	Monthly	15 calendar days
Commercial banks	Form CS	Currency breakdown both of commercial banks' assets in bonds and notes and currency and deposits and of their liabilities in currency and deposits	Monthly	15 calendar days
Enterprises holding bank accounts abroad	Form IT-1P	All transactions between residents and non-residents channelled through these accounts, aggregated by economic code. Transactions are reported in the original currency. Opening and closing balances are reported.	Monthly	15 calendar days
Enterprises which have liabilities other than financial loans to non-residents	Form PRL 1	Stock data on financial liabilities of residents to non-residents, aggregated by economic code, by country and by currency.	Quarterly	15 calendar days
Enterprises and individuals which have received/extended financial loans from/to non-residents	Form 1	Information about the credit – creditor and debtor data, type of credit, currency, date of disbursement, interest rates, repayment schedule, etc.	Upon registration	Upon registration
Enterprises which have received financial loans from non-residents	Form PD-2	Information about the transactions during the reporting period – disbursements, principal payments, interest payments, principal in arrears, interest in arrears, repaid arrears, rescheduled principals, accrued interest, restructured debt, etc. Stock at the beginning and end of the quarter is reported. Data are reported in the original currency.	Quarterly	15 calendar days
Enterprises which have extended financial loans to non-residents	Form PC-2	Information about the transactions during the reporting period – disbursements, principal payments, interest payments, principal in arrears, interest in arrears, repaid arrears, rescheduled principals, accrued interest, restructured debt, etc. Stock at the beginning and end of the quarter is reported. Data are reported in original currency.	Quarterly	15 calendar days

Table I (cont.)

Target respondent	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
Enterprises with direct investments abroad (sample)	Form DIA	Information about the direct investor and the direct investment enterprise, claims and liabilities of the direct investor, amount of equity capital, income on equity, inter-company loans, etc. Data are reported in the original currency. Monthly data are produced.	Annually	5 calendar months
Tourist agencies (sample)	Form T-B	Information about expenditures of Bulgarian tourists abroad (hotel accommodation, transportation, food and beverages, etc.), the duration of the stay and the purpose of travel (business, personal, etc.). Data are reported by country.	Annually	3 calendar months
Tourist agencies (sample)	Form T-1 (T-2)	Information about receipts from foreign tourists in Bulgaria (hotel accommodation, transportation, food and beverages, etc.), the duration of the stay and the purpose of travel (business, personal, etc.). Data are reported by country.	Annually	3 calendar months

foreign direct investment (FDI) abroad through the annual survey conducted by the BNB;

- tourist agencies provide information on the receipts and expenditure of foreign travellers in the country and Bulgarian travellers abroad through the annual sample survey conducted by the BNB and the Ministry of the Economy. The results of the survey are used as a basis for the estimation of “per capita” receipts and expenditure.

(iii) *Monetary authorities* – the Accounting Directorate at the BNB provides the BOPED Division with data on reserve assets as well as on its own transactions with non-residents.

(iv) *General government* – the Ministry of Finance provides the BNB with monthly information on government and government-guaranteed external debt. Data are reported through the System for Debt Registration, Service and Management of the Ministry of Finance and the BNB. Data on transactions made on behalf of the general government and its agencies are also obtained from the reporting forms of the BNB and the commercial banks. The

Agency for Foreign Aid provides the BNB with quarterly data on the current transfers in kind received by the Government. Monthly reports are also received from the Central Depository and from a number of branch ministries regarding their privatisation receipts.

3.3 Thresholds

A simplification threshold of BGN 5000 (approximately EUR 2556) was introduced with the Foreign Exchange Law. However, the amount of non-classified transactions is in fact relatively small. This is mainly due to the good co-operation of the domestic banks and reporting companies.

3.4 Availability of data

The BNB compiles a monthly b.o.p. The BNB's schedule is to publish the data within eight weeks after the close of the reference period.

Geographical and sectoral breakdowns are available on a monthly basis, but only for items such as foreign trade, direct investment in the reporting country, other investment/liabilities/trade credits and loans. For direct

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investment abroad, geographical and sectoral breakdowns are available on an annual basis.

The i.i.p. is compiled annually. First estimates are available within nine months after the end of the reporting year. They are subject to further revisions depending on the availability of the FDI in the reporting country stock data. Final i.i.p. data are available within 12 months after the end of the reporting year. Breakdowns by institutional sector and by instrument are available. For other investment liabilities and loans and for external reserves, a currency breakdown is available.

3.5 Data controls

At present, there are no built-in computerised controls of data, which is mainly due to the software used (Microsoft Excel and partially Access) for processing the incoming information. However, some systematic quality checks are made by comparing previous periods with current reports. Checks are also carried out using information obtained through regular contacts with banks and companies or even from newspapers and other media. Often, data controls are based on staff knowledge and expertise. For some items, reports from companies are cross-checked with reports from banks. Checks for consistency with money and banking statistics and the i.i.p. are made.

3.6 Revision policy

Revisions of published b.o.p. estimates are a common feature of b.o.p. compilation

4 Goods

4.1 Specific features of data collection

The data on imports and exports (f.o.b.) are based on customs declarations data from the Customs Agency and the Information Services Company, as the codes used in them are taken from the Harmonised System for the Description and Coding of Commodities of

systems. With the publication of revisions, the users are acquainted with the revised data on the relative items in a timely manner. The policy on revisions pursued by the BNB is based on the following principles:

- (i) concerning the most frequent data, each monthly publication includes revisions of the data for the previous three months and each quarterly publication includes revisions of the monthly data for the entire current year;
- (ii) when ongoing changes are made as a result of additional information collected and the elimination of errors, the BNB informs the users in a timely manner through the monthly press releases, as well as through the notes at the end of the b.o.p. table;
- (iii) when significant revisions are made as a result of changes in the methodology for the reporting of certain b.o.p. components or other reasons, the BNB publishes information on the changes in advance in order to assist the users of the data.

3.7 Dissemination

The BNB disseminates the monthly b.o.p. data to the subscribers through the Press Office and, within 24 hours after the press release, the data is published on the website of the BNB at <http://www.bnb.bg>. The data are also published in the BNB Monthly Bulletin. Data on the country's b.o.p. are included in the official semi-annual and annual reports of the BNB.

the World Customs Organisation. The BNB and the NSI receive the exports and imports data, supplement them with other information and process them. In accordance with the common methodology, before publishing the data the BNB and the NSI have to agree on them.

In accordance with the common methodology of the BNB and the NSI, exports and imports have, since 1999, been recorded under the special trade system where the moment of registration of a transaction coincides with the moment of the clearance of the customs declaration. The BNB has re-calculated and published imports and exports data in accordance with the new methodology for the period 1995-1998.

For the purposes of economic analysis, the BNB publishes the tables broken down by end-use (i.e. by commodity group, such as consumer goods, raw materials, investment goods, etc.). They are based on the four-digit codes of the harmonised system and grouped according to purpose and end-use of the respective commodity. The two basic principles for the allocation of the commodities to the respective groups are the purpose of their use and the degree of processing. In the tables entitled "Major trading partners and regions", only the most important countries and regions for the country's exports (imports) are included. The criteria for describing the partner countries are as follows: imports, by country of origin of the commodities; exports, by the commodities' recipient country, i.e. the last known country to which the commodities are to be delivered. The table entitled "Breakdown by commodities (end-use) and by regions" represent a cross-section of import and export data broken down by region and commodity. The table entitled "Structure of imports and exports by original currency" represent the relative shares of the different currencies in the export and import transactions. In all published trade tables, exports are reported f.o.b., while imports are reported c.i.f.

5 Services

5.1 Specific features of data collection

The BNB derives the data on freight transportation as a percentage of foreign trade data and those on *passenger*

Quarterly and annual time series for exports and imports broken down by "end-use" and by major trading partner are published on the BNB's website. Quarterly tables entitled "Breakdown by commodities (end-use) and by regions" and "Structure of imports and exports by original currencies" are published separately.

4.2 Definition

The goods component of the b.o.p. current account covers movable goods for which changes of ownership between residents and non-residents occur. The country's exports are reported f.o.b. and imports c.i.f. as, for the purposes of the b.o.p., total imports are re-calculated on an f.o.b. basis.

4.3 Deviations

None.

4.4 Gaps

For the time being, there are no estimates on the shuttle trade.

4.5 Intended harmonisation

No harmonisation is necessary.

4.6 Estimation methods

No estimations are necessary.

transportation as a percentage of travel data on the basis of estimates. The NSI provides the BNB with monthly data on receipt of transit fees.

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The data on travel are based on information from the Ministry of Internal Affairs on the number of travellers crossing the borders and on estimates of "per capita" receipts and expenditure. In 1999, the BNB, together with the Ministry of the Economy (formerly the Ministry of Trade and Tourism), developed a new methodology to estimate the receipts and expenditure from travel services, entitled "Methodology for the 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). For consistency, the data on the travel item for the period 1995-1999 have been revised. Estimates are updated every year on the basis of the results from the annual survey among travel agencies.

The main source of information on the other services item is the ITRS.

5.2 Definition

Following the BPM5, the services component comprises transportation, travel and other services. Transportation services cover freight and passenger transportation as well as transit fees on the credit side. No breakdown for means of transportation is available. Travel covers goods and services, including those related to health and education, acquired by

travellers for business and personal purposes. The other services item covers receipts and payments related to services other than transportation and travel (communication, construction, financial, leasing, insurance, cultural, sport and recreational services, government services n.i.e.,¹ etc.).

5.3 Deviations

None.

5.4 Gaps

Data availability in the required breakdown for certain items is limited.

5.5 Intended harmonisation

The BNB is currently working on a project for a new methodology to estimate receipts and expenditure from transportation services. The plans for the near future include the development and improvement of reporting on the insurance services.

5.6 Estimation methods

No estimations are necessary.

6 Income

6.1 Specific features of data collection and definitions

In line with the BPM5, income consists of two main categories, namely (i) compensation of employees and (ii) investment income.

6.1.1 Compensation of employees

Compensation of employees covers wages, salaries and other benefits paid to non-

resident workers in the country or received by resident workers abroad. The main source of information on this component is the ITRS.

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.

1 Not included elsewhere (see BPM5, paragraph 168).

6.1.2 Income on direct investment

In line with the BPM5, the direct investment income item in the Bulgarian b.o.p. comprises income on equity (dividends and reinvested earnings) and income on debt (interest). Breakdowns by country and by sector are available. The main sources of information on reinvested earnings (debit side) are the quarterly sample surveys conducted by the NSI and the quarterly data on commercial banks' net current profit/loss. These data are revised with the results from the annual survey conducted by the NSI and the data from the annual commercial banks' balance sheets and reports. An offsetting entry for reinvested earnings is recorded in the financial account, as defined in the BPM5. Reinvested earnings (credit side) are recorded annually on the basis of the survey conducted by the BNB. Income on inter-company loans is recorded monthly. The source of information on the debit side for non-financial enterprises is the Private Debt Register (in which inter-company loans are clearly distinguished at the moment of registration of the loan with the BNB), and for the banking sector – commercial banks' data. The sources of preliminary information on the credit side are commercial banks' monthly reports, and the data is later replaced by data from the annual survey on direct investment abroad. Only actual payments are recorded.

6.1.3 Income on portfolio investment

Income on portfolio investment covers income on equity, income on debt and income on financial derivatives, as defined in the BPM5. Data on the credit side are provided by enterprises holding bank accounts abroad, commercial banks, the BNB and the Ministry of Finance.

The main source of information on the debit side is the data provided by the Ministry of Finance, the BNB, commercial banks and enterprises holding bank accounts abroad.

For portfolio investment income, the accruals principle is applied to only a few instruments

– collateral on the Bulgarian Brady Bonds on the assets side and Bulgarian government securities on the liabilities side. For these cases, an offsetting entry is recorded with respect to the underlying financial instrument.

6.1.4 Income on other investment

Income on other investment includes income on loans and income on deposits. Data on the credit side (flows) are received mainly through the ITRS and through direct reporting from local companies which have extended loans to borrowers abroad. Data on the debit side of the loans item is received by the Ministry of Finance, the BNB, the commercial banks and directly by the enterprises that have borrowed from abroad. The accruals principle is not applied. Income on trade credits is not included. Income on reserve assets is recorded monthly on an actual basis.

6.2 Deviations from agreed definitions

The accruals principle is not applied to all items. Income on trade credits is not included. Income on financial derivatives is included under income and not recorded under financial derivatives.

6.3 Gaps

As the information on the actual number of residents' accounts abroad is incomplete, data on the income on these accounts could be considered incomplete.

6.4 Intended harmonisation

Further refinement of the compilation techniques is necessary, particularly with regard to the application of the accruals principle where possible.

6.5 Estimation methods

None.

7 Current transfers

The BNB receives information on current transfers from the monthly reports of commercial banks for transfers in cash. For current transfers in kind, quarterly data are

obtained from the Bulgarian Red Cross, the Agency for Foreign Aid, the Notary Offices and other occasional sources.

8 Capital account

8.1 Specific features of data collection

There are no specific features for data collection for this item: it is a part of the general reporting system (see Sub-section 3). Newspapers and other media are also used to identify capital account transactions.

The main sources of information on private transfers are the banks' and companies' reports. For government transfers, data are obtained directly from the Ministry of Finance or any other ministry concerned.

8.2 Definition

In line with the definition of the BPM5, the capital account consists of two categories: (i) capital transfers and (ii) the acquisition or disposal of non-produced, non-financial assets. 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 upon, the acquisition or disposal of fixed assets (e.g. an investment grant).

8.3 Deviations from agreed definitions

None.

8.4 Gaps

None.

8.5 Intended harmonisation

No harmonisation is necessary.

8.6 Estimation methods

None.

9 Direct investment

9.1 Specific features of data collection

For the compilation of direct investment in the country, the BNB uses data from the following sources:

- privatisation authorities – Agency for Privatisation and branch ministries;
- the Agency for Gambling and Insurance Supervision at the Ministry of Finance;
- the Pension Insurance Supervision Agency;
- notaries public;

- the Central Depository;
- financial sector enterprises;
- foreign investment enterprises from the non-financial sector; and
- the NSI;
- The Notary Offices.

The privatisation authorities provide monthly data on sales of the state's shares in the capital of Bulgarian enterprises to non-residents, and – for that reason – they are included in item 1 – equity capital. The BNB

only reports on what has actually been accomplished and not on contracted receipts on privatisation deals. This is necessitated both by the double-entry principle of b.o.p. compilation and by the presence of rescheduled or cancelled deals at which the contracted receipts have not been received at all or have been received only partially. The receipts are reported for the month in which they were actually paid to residents. When reporting the receipts, the market and not the nominal value of the financial instruments used (ZUNK, compensatory bonds, etc.) is considered. Any disregard of these principles would inevitably result in an increase in the b.o.p. errors and omissions item.

The Agency for Gambling and Insurance Supervision provides quarterly data on non-residents' participations in the capital of Bulgarian insurance companies. Flows are derived from the stock data and are included under item I – equity capital.

The Pension Insurance Supervision Agency provides quarterly data on non-residents' participations in the capital of Bulgarian pension insurance companies. Flows are derived from the stock data and are included under item I – equity capital.

Notaries public provide monthly data on non-residents' purchases of real estate in the country. Data are included under equity capital.

The Central Depository provides monthly data on the shares purchased and sold by non-residents, whose participation in the firm's capital is at least 10%, as well as on the average monthly market prices of the shares of the separate issues. The processed data are included in item 1 – equity capital.

Data from the financial sector enterprises are collected through the following forms, developed by the BNB: FI-1, ED-1, ED-2 and IT-1, as well as through the commercial banks' annual financial and accounting reports (balance sheets and profit and loss statements). The BNB receives data on non-

resident investment/disinvestment in the capital of commercial banks and their clients, on transactions connected with the inter-company indebtedness of commercial banks and their clients and on commercial banks' reinvested earnings.

Data from the non-financial sector enterprises are collected through the following forms, developed by the BNB: PD-1 and PD-2. Through these forms, the BNB receives data on transactions connected with inter-company indebtedness.

Since June 2000, the NSI has regularly provided data on non-privatisation transactions to the BNB from its quarterly and annual statistical surveys on FDI conducted among non-financial sector enterprises. Only the data that have not been reported by the other sources are included in the b.o.p.

The BNB receives monthly data on direct investments abroad from the ITRS and annual data from the survey conducted by the BNB among the country's direct investors. Since 2000, the BNB has conducted an annual survey of Bulgarian enterprises regarding their FDI abroad. The survey produces monthly data that are used for revisions both of the ITRS data and of the stock data.

At present, breakdowns by sector and by country are available for both direct investment transactions in the country and abroad as they are classified according to the economic activity of the resident enterprise.

9.2 Definition

When compiling the direct investment in the country, the BNB adheres to the international conventions and requirements set out in the BPM5 and in the OECD's "Benchmark Definition of Foreign Direct Investment", third edition, 1996. In accordance with these requirements, a direct investment in the country is an international investment, in which the direct investor, a resident of a foreign economy,

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acquires a lasting interest in an enterprise that is resident in the Bulgarian economy (direct investment enterprise). The direct investment includes both the initial transaction through which the relationship between the direct investor and the direct investment enterprise is established and all subsequent transactions between them. The transactions can involve both an increase/decrease in the liabilities of the direct investment enterprise vis-à-vis the direct investor and an increase/decrease in the claims of the direct investment enterprise on the direct investor. The BNB therefore reports both accomplished investment and disinvestment. The basic principles of the reporting of direct investment in the country are: first, only actually received and not contracted amounts are recorded and, second, when financial instruments are used for settlements, they must be recorded at their market price and not at their nominal value.

The presence of a lasting interest presupposes a long-term relationship between the direct investor and the direct investment enterprise as well as a considerable degree of influence on the part of the investor in the management of the direct investment enterprise. Owing to the need for international compatibility of the data from the different countries, the BPM5 has adopted the principle that the acquisition of 10% or more of the voting power in the management of the investment enterprise is considered an establishment of a direct investment relationship. The Bulgarian compilation methodology adheres strictly to these rules. In accordance with the standard presentation of the b.o.p., direct investment in the country and abroad items of the Bulgarian b.o.p. comprise:

(i) *Equity capital* – the acquisition/disposal of shares and equities (in cash and in kind) by direct investors in the share or equity capital of direct investment enterprises. The acquisition of equities and shares in the capital is reported as an increase and the disposal as a decrease in direct investment.

(ii) *Other capital* – the principal received and paid on loans (both short and long-term loans) between the direct investor and the direct investment enterprise. The receipt of a loan from the direct investor is treated as an increase of the direct investment and the repayment of the principal as a decrease. The extension of a loan by the direct investment enterprise to the direct investor is treated as a decrease in the direct investment and the repayment of the principal as an increase.

(iii) *Reinvested earnings* – the share of the direct investors in the undistributed earnings/losses of the enterprise for the reporting period. The share in the undistributed earnings is reported as an increase of the direct investment in the country and the share in the loss as a decrease. In line with requirements, an offsetting entry is recorded in the case of reinvested earnings.

9.3 Deviations from agreed definitions

The reinvested earnings are derived as the net profit/loss for the reporting period is decreased with the amount of dividends to be paid to shareholders.

9.4 Gaps

None.

9.5 Intended harmonisation

No harmonisation is needed.

9.6 Estimation methods

The reinvested earnings are derived as the net profit/loss for the reporting period less the amount of dividends to be paid to shareholders. However, the actual amount of dividends to be paid is not available until the

next year, when the decision to distribute dividends is made. For this purpose, the net profit/loss of non-residents for the current year is diminished by the amount of projected dividends (based on the net *profit/dividend* ratio in the previous year, which is used as an

estimation). That estimation of the net reinvested earnings for the current period is included as preliminary data in the balance of payments, and is replaced by final data when the actual amount of dividends to be paid is available.

10 Portfolio investment

10.1 Specific features of data collection

Data on the assets side of portfolio investment are provided by the enterprises holding bank accounts abroad, commercial banks, the BNB and the Ministry of Finance. The main source of information on the liabilities side of portfolio investment is the data provided by the Ministry of Finance, the BNB, commercial banks, enterprises holding bank accounts abroad and the Central Depository. For both the assets and the liabilities' sides, data are collected on an aggregated basis. Only for equity securities/liabilities are the ISIN codes available from the Central Depository database and, for Treasury securities, from the Fiscal Services Department of the BNB. For these items, a breakdown by country is available. For both assets and liabilities, currency breakdowns could be made on request.

10.2 Definition

In line with the BPM5, the portfolio investment item in the Bulgarian b.o.p. covers transactions in shares and equity if the investor's share in the capital is less than 10%, transactions in bonds, notes, money market and other tradable securities and transactions in financial derivatives. At present, transactions in financial derivatives are also included in the portfolio investment item.

The accruals principle for portfolio investment income is applied to only a few

instruments – collateral on Bulgarian Brady Bonds on the assets side and Bulgarian state securities on the liabilities side. For these cases, an offsetting entry is recorded with regard to the underlying financial instrument.

Due to the existing methodology for compiling the portfolio investment item, service charges and commissions are excluded and are recorded as services where identifiable.

10.3 Deviations from agreed definitions

At present, transactions in financial derivatives are also included in the portfolio investment item. The accruals principle is not followed for all items.

10.4 Gaps

None.

10.5 Intended harmonisation

None.

10.6 Estimation methods

Accruals (where applied) are estimated on the basis of the discount and interest rates of each separate issue.

11 Financial Derivatives

11.1 Specific features of data collection

There are no specific features for data collection for this item – it is a part of the general reporting system. The sources of information are the commercial banks' monthly reports.

11.2 Definition

See 11.1.

11.3 Deviations from agreed definitions

At present, transactions in financial derivatives are not recorded as a separate

item, but are included in the portfolio investment item.

11.4 Gaps

See 11.1.

11.5 Intended harmonisation

The BNB plans to design and implement a special survey on financial derivatives.

11.6 Estimation methods

See 11.1.

12 Other investment

12.1 Specific features of data collection

Data on trade credits on the assets side are obtained from the monthly reports of companies having accounts abroad. The main source of information on the liabilities side is the quarterly report (PRL1) from all companies with such liabilities. Since the first quarter of 2000, the BNB has received this form from about 3,500 companies reporting their stocks of external liabilities by country and by currency. The flow data are derived from these stocks.

Regarding loans, data on the asset side (flows) are received mainly through the ITRS and through direct reporting from local companies, which extended loans to countries abroad (according to Article 4 of the Foreign Exchange Law, these loans have to be registered and reported to the BNB). Data on the liabilities side of the loans item are received by the Ministry of Finance, the BNB, the commercial banks and directly by the enterprises that have borrowed from countries abroad. The banks report all

transactions concerning their financial credits received from abroad monthly via a special form (ED). According to Article 4 of the Foreign Exchange Law, all loans received by the local enterprises and households from abroad have to be registered and reported quarterly to the BNB. The BOPED Division keeps a register of non-guaranteed external debt, which contains detailed information on flows and stocks. This register allows a differentiation between intra-company and other debt, as well as sector, instrument, maturity, country and currency breakdowns. The same is true of sources of information on government and government-guaranteed loans. The main source of information is the System for Debt Registration, Service and Management of the Ministry of Finance and the BNB, to which the Balance of Payments and External Debt Division has direct access.

Data on flows from both registers are obtained in the original currencies and are

converted into US dollars using the average monthly exchange rates.

12.2 Definitions

In line with the definitions in the BPM5, other investment covers trade credits, loans, currency and deposits and other assets and liabilities. According to the b.o.p. conventions, trade credits arise from the direct extension of credit from a supplier to a buyer, i.e. this is a credit extended by a trade partner without a tradable security being issued.

The loans item includes received and paid principal on short and long-term loans between residents and non-residents if a tradable security is not issued with these loans.

The currency and deposits component on the assets side lists the changes in the residents' currency and deposits held abroad. Article 10 of the Foreign Exchange Law requires quarterly reporting on liabilities vis-à-vis non-residents, but the Law does not cover reporting of claims on non-residents, which opens a gap on the assets side of the b.o.p. and the i.i.p. For the time being, the data of the Bank for International Settlements (BIS) in Basel are used as a source of information for this item. On the liabilities side – the changes in the liabilities of resident commercial banks to non-residents in domestic and foreign currency – data are obtained directly from the banks' balance sheets. Following the basic accounting principle and conventions laid down in the BPM5, the BNB excludes any fluctuations in the exchange rate when compiling this item.

The other assets and other liabilities items include all transactions receivable and payable

13 Reserve assets

13.1 Specific features of data collection

The entries under this category pertain to transactions in the BNB's external holdings

on miscellaneous accounts not included elsewhere, as well as transactions in arrears.

12.3 Deviations from agreed definitions

The other foreign exchange deposits component (a sub-item of other investment, assets) is a specific feature of the Bulgarian b.o.p. presentation. It presents changes in the foreign exchange deposits held by households with domestic commercial banks. Increases in these deposits are denoted with a positive sign and decreases with a negative sign. The item was introduced in 1996 in order to capture the withdrawal of foreign currency deposits by the general public and private companies from the commercial banks. The methodology is subject to revision.

12.4 Gaps

Article 10 of the Foreign Exchange Law requires quarterly reporting on liabilities to non-residents – the Law does not cover reporting on claims on non-residents which opens a gap on the asset side of the BOP and the i.i.p.

12.5 Intended harmonisation

Revision of the methodology for including the foreign exchange deposits held by households with domestic commercial banks as b.o.p. transactions.

12.6 Estimation methods

None.

that are administered by the Issue Department. The data on reserve assets exclude exchange rate fluctuations.

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13.2 Definition

Reserve assets include those external assets that are readily available to and controlled by the central bank (government) for the direct financing of b.o.p. imbalances. The reserve assets comprise monetary gold, special drawing rights (SDRs), reserve positions in the IMF, foreign exchange assets (consisting of currency and deposits and securities) and other claims. Transactions with residents are excluded.

13.3 Deviations from agreed definitions

None.

13.4 Gaps

None.

13.5 Intended harmonisation

None.

14 International Investment Position

14.1 Specific features of data collection and definitions

14.1.1 General

The i.i.p. statement is compiled in general conformity with the international standards prescribed by the BPM5 and the "Balance of Payments Textbook" (IMF, 1996). The i.i.p. statement is compiled and published annually. The BNB has prepared and published annual i.i.p. statements representing Bulgaria's stocks of external financial assets and liabilities as of the end of 1998 and 1999.

The i.i.p. is the balance sheet of the country's stocks of external financial assets and liabilities at the end of a specific period. The external financial assets consist of direct investment, portfolio investment, financial derivatives, other investment and reserve assets. The external financial liabilities consist of direct investment, portfolio investment, financial derivatives and other investment and, therefore, they are a broader concept than the liabilities that constitute the country's gross external debt. The primary type of classification in the i.i.p. statement is the distinction between assets and liabilities. The second level of classification, fully consistent with the b.o.p. financial account, is by function. The functional types of assets and liabilities are (i) direct investment, (ii) portfolio investment, (iii) financial

derivatives and (iv) other investment. Included in assets are also the reserve assets held by the monetary authorities. The third level of classification is by investment instrument; instruments recorded as portfolio investment and other investment are further sub-divided by domestic sector, while the components of other investment are also cross-classified by original maturity.

14.1.2 Direct investment

Direct investment is a category of international investment in which a resident of one economy – a direct investor – holds a lasting interest (at least 10% of the ordinary shares or voting power) in an enterprise resident in another economy – a direct investment enterprise. It is recorded on a directional basis: direct investment abroad as an asset and direct investment in the reporting country as a liability. The *direct investment* stocks covers claims and liabilities in equity capital and reinvested earnings, as well as other capital (inter-company debt).

The stocks of the Bulgarian direct investment abroad are estimated on the basis of a special annual survey implemented for the first time by the BNB in March 2000. The stocks of the direct investment in Bulgaria are compiled on the basis of information provided by the NSI on direct investment in the non-banking

sector and information provided by the commercial banks on direct investment in the banking sector. Breakdowns by sector and by country for both FDI in Bulgaria and abroad are available. For FDI abroad, a breakdown by currency is also available.

14.1.3 Portfolio investment

Portfolio investment stocks comprise holdings of and liabilities on equity securities and debt securities; the latter are subdivided into bonds and notes (with an original maturity of one year or more) and money market instruments (with an original maturity of less than one year). The portfolio investment assets of the monetary authorities and the general government are compiled on the basis of information provided by the Fiscal Services Department of the BNB. These holdings of securities do not constitute a part of the reserve assets. The commercial banks' holdings of securities are compiled on the basis of balance sheet data, while the other sectors' portfolio investment assets are estimated as the cumulative sum of the flows recorded in the b.o.p. statement.

The stocks of portfolio investment liabilities cover securities issued by residents and held by non-residents. The main sources of information on the portfolio investment liabilities in equity securities are (i) the commercial banks' balance sheets on portfolio investment in the banking sector and (ii) the Central Depository which provides flow information on the portfolio investment in the non-banking sector. The stocks relating to the non-banking sector are estimated as the cumulative sum of the balance of payments flows. The System for Debt Registration, Service and Management of the Ministry of Finance and the Bulgarian National Bank and the commercial banks are the main sources of information on the portfolio investment liabilities in debt securities of the monetary authorities and the general government. The portfolio investment liabilities in debt securities of the commercial

banks and the other sectors are estimated as the cumulative sum of the b.o.p. flows.

14.1.4 Financial derivatives

Assets and liabilities in *financial derivatives* cover financial derivative instruments such as forwards, futures, swaps, options, etc. The BNB does not currently obtain stock information on this i.i.p. component.

14.1.5 Other investment

Other investment covers the stocks of assets and liabilities relating to short and long-term trade credits and loans, currency and deposits and other accounts receivable and payable.

According to the BPM5, *trade credits* consist of claims and liabilities arising from the direct extension of credit by suppliers and buyers for transactions in goods and services and advance payments for work in progress (or to be undertaken) that is associated with such transactions. Loans to finance trade are not considered trade credits. The BNB does not currently obtain information on the trade credit assets, but plans to implement a special survey. On the liabilities side, for the 2000 i.i.p. and onward, information obtained under Regulation No. 29 of the BNB are used for compiling the stock data of the trade credits received.

The BNB compiles stock data on *loans* extended by resident entities to non-residents, i.e. assets, on the basis of information in the BNB's and commercial banks' balance sheets. These data cover the monetary authorities, general government and commercial banks; data for the other sectors for the 2000 i.i.p. and onward are available from Form PC-2. On the liabilities side, the BNB compiles data on loans received by the monetary authorities and the general government on the basis of information from the System for Debt Registration, Service and Management of the Ministry of Finance and the Bulgarian National Bank. In accordance

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with the BPM5, the credit and loans from the IMF are recorded as liabilities of the BNB in both the b.o.p. statement and in the i.i.p. statement, regardless of whether they are extended to the BNB or to the Ministry of Finance. The commercial banks, the enterprises and the individuals provide data on the banks and other sectors. The enterprises and individuals report the loans received under the provisions of Regulation No. 29 of the BNB.

On the assets side, the currency and deposits component represents the stock of foreign currency and deposits held by residents. For the banking sector, data are obtained from the commercial banks' balance sheets; for the other sectors, information provided by the BIS is used. On the liabilities side, the deposits of non-residents held with domestic banks in both national and foreign currency are recorded on the basis of information from the commercial banks' balance sheets.

The other assets and other liabilities components cover miscellaneous claims and liabilities vis-à-vis non-residents not included in the other items. Included in these components are also arrears on both (i) loans provided by residents to non-residents, which are recorded under assets, and (ii) loans received by residents from abroad, which are recorded as liabilities.

14.1.6 Reserve assets

According to BPM5, *Reserve assets* consist of those external assets that are readily available to and controlled by monetary authorities for direct financing of payments imbalances, for indirectly regulating the magnitude of such imbalances through intervention in exchange markets to affect the currency exchange rate and/or for other purposes. The reserve assets comprise monetary gold, SDRs, the reserve position in the Fund, foreign exchange assets (consisting of currency and deposits and securities) and other claims. Claims on residents are excluded. Under the provisions of the currency board, the *reserve assets* of the BNB are equal to the assets of the Issue

Department as presented in its balance sheet. The valuation of the reserve assets is made in accordance with the National Accounting Standards and the Law on the BNB. According to Article 28 (3), item 6, of the Law on the BNB, the stock of monetary gold shall be valued at DEM 500 per troy ounce, or at the market value, whichever is lower.

14.2 Deviations from agreed definitions

For consistency between the b.o.p. statement and the i.i.p. statement, the foreign exchange deposits of resident households held with domestic banks are also included as a specific component of other investment; these are included under assets, other investment, other assets, other sectors, short-term. The respective changes in these deposits are shown in the b.o.p. statement under the other foreign exchange deposits component on the assets side. The recording of both the stocks and the flows associated with resident households' deposits with domestic banks is a specific feature of the Bulgarian b.o.p. and i.i.p. statements, and represents a departure from international methodology. However, since no other information is available on the foreign currency held by households, these stocks and flows are used as an approximation.

14.3 Gaps

None.

14.4 Intended harmonisation

The BNB plans to elaborate and implement a special survey on financial derivatives and to revise of the methodology for including the foreign exchange deposits held by households with domestic commercial banks as b.o.p. transactions.

14.5 Estimation methods

None.

15 Contacts

This country information was drafted by Bulgaria in agreement with the ECB's Balance of Payments and External Reserves Division. Enquiries of a general nature should be addressed to the Press Division of the ECB. Enquiries specific to Bulgaria should be addressed to:

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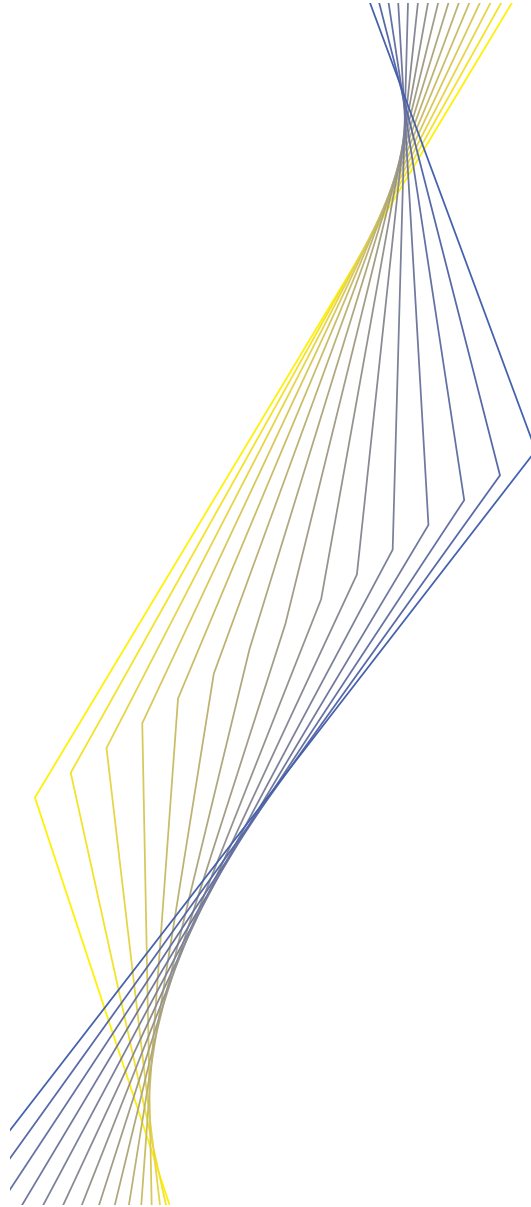
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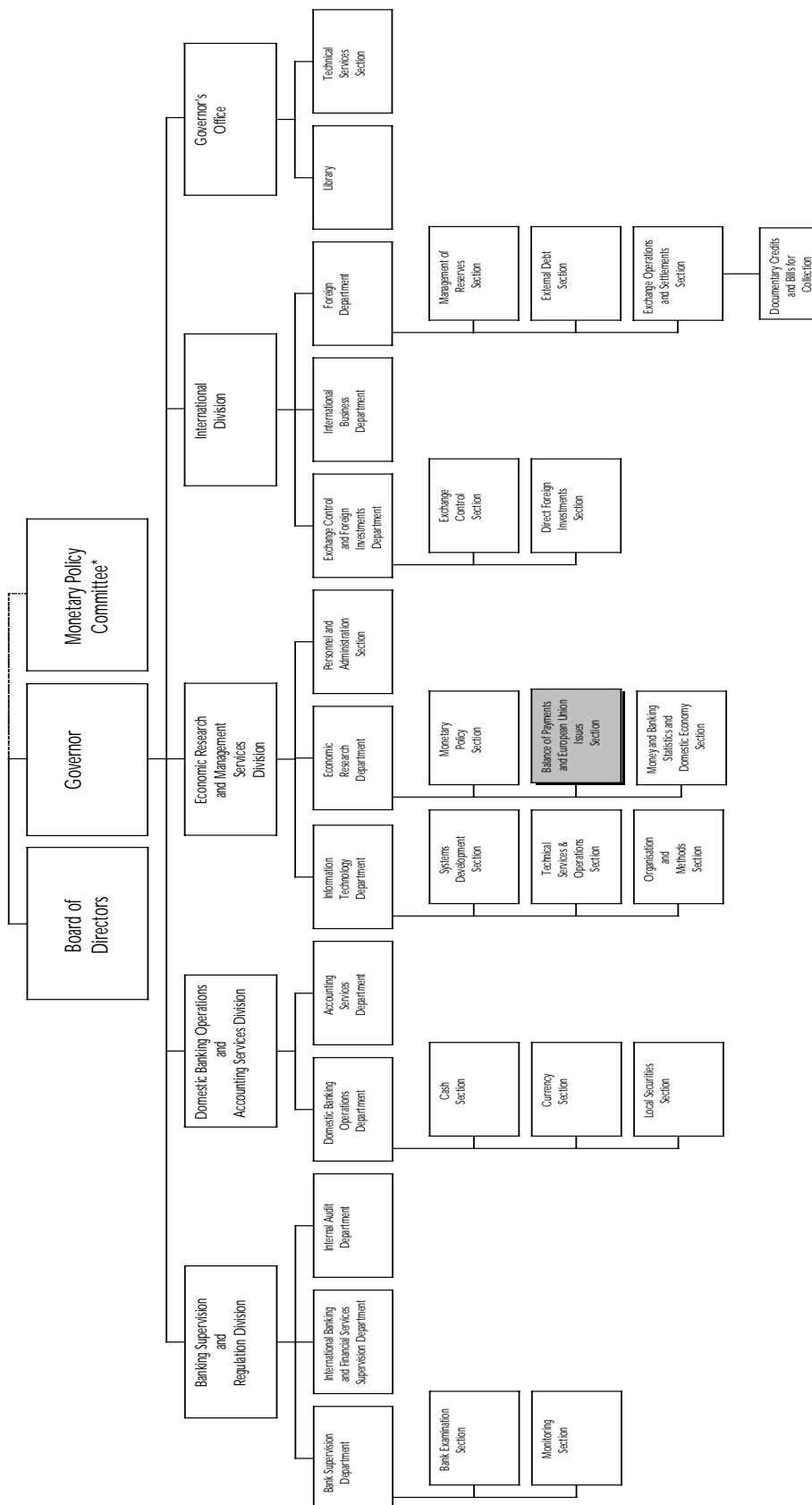
EUROPEAN CENTRAL BANK



Cyprus

February 2002

I Organisation chart



* Consultative body

2 Institutional aspects

2.1 Introduction

The Central Bank of Cyprus (CBC) is responsible for compiling the balance of payments (b.o.p.) statistics and the international investment position (i.i.p.) of Cyprus. The CBC was established in 1963 as a corporate body and, in practice, it has been virtually independent from the Government. The legal framework for the operations of the CBC will be strengthened with the expected enactment in 2002 of a new Central Bank of Cyprus Law, which will ensure the statutory independence of the CBC. The main purpose of the CBC, in accordance with its statute, is to foster monetary stability and such credit and balance of payments conditions as are conducive to the orderly development of the economy of Cyprus. The CBC is vested with the power and responsibility to regulate and supervise banks. It also administers exchange controls, which have traditionally formed the basis for the collection of b.o.p. data. As exchange controls are gradually being abolished, the CBC is developing a new statistical reporting system to counter the loss of data and to produce statistics in accordance with Eurostat and International Monetary Fund (IMF) requirements. More specifically, a settlements-based system has been set up, which will be complemented by direct reporting and surveys.

2.2 Legislative provisions

The legal basis for the collection and compilation of b.o.p. statistics is the Central Bank of Cyprus Law of 1963, as subsequently amended. In particular, the CBC (Amendment) Law of 1999 (Law 92(I)/1999) empowers the CBC to require any financial institution or other person to report to the CBC any data in their possession deemed necessary for the compilation of the b.o.p. and the i.i.p. of Cyprus. By virtue of this law, the CBC issues instructions concerning the data to be reported.

The same law provides for penalties in the case of non-compliance with the obligation to provide data. The Governor of the CBC is vested with the power to impose administrative fines. Moreover, any violation of the law is an offence punishable, on conviction, with substantial fines. The CBC's policy is to inform the banks and the public and persuade them of the necessity of reporting data for the compilation of the b.o.p. of Cyprus.

In December 2001, the ECB issued a directive to banks under the aforementioned law, concerning the implementation of the new b.o.p. reporting system as from 1 January 2002. A series of meetings and discussions between the CBC and the banks preceded the issue of the directive.

2.3 Internal organisation

B.o.p. statistics are compiled by the Balance of Payments Section in the Economic Research Department of the CBC, which is also responsible for data collection and data analysis. The Balance of Payments Section consists of five officers and five administrative/clerical staff, and is supported by one analyst and one programmer from the Information Technology Department. Statistical work is also carried out by the following other divisions/departments/sections of the CBC:

The Exchange Control and Foreign Investments Department collects data on the initiation of inward and outward foreign direct investment (FDI) relationships. Until the end of 2001 this department was also collecting data on other outward flows. With the amendment of the CBC Law and the subsequent issue of the relevant directive, the Balance of Payments Section of the Economic Research Department has started to collect these data.

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The Banking Supervision and Regulation Division collects monthly balance sheet returns, profit and loss accounts and other returns for both statistical and prudential supervisory purposes from all deposit money banks, other financial institutions and international banking units.

The Accounting Services Department produces a number of reports relating to the CBC's general ledger. These include the monthly balance sheet, the quarterly management accounts and the annual financial statements of the CBC.

The International Business Department monitors, regulates and supervises the activities of international business companies, which are required to submit to the CBC audited annual financial statements and other information, which are used for the preparation of an annual report on developments in the international business sector.

The External Debt Section keeps detailed statistics on the composition of government external debt by currency, creditor, interest rate type and maturity profile.

The Management of Reserves Section keeps statistics on the spot and forward exchange rates of the Cyprus pound and on the foreign currency deposits from local banks. It also produces various statistics for reserve management purposes.

Data collected from other departments or divisions of the CBC are forwarded to the Balance of Payments Section for processing.

2.4 External co-operation

The following institutions provide the CBC with data on b.o.p. transactions:

- (i) *The Statistical Service of Cyprus (CYSTAT)*: this service provides foreign trade statistics and the number of tourist arrivals on a monthly basis.

- (ii) *The Cyprus Tourism Organisation (CTO)*: this organisation is responsible for gathering monthly data on tourist expenditure and combining it with the number of tourist arrivals to calculate the revenue from tourists on a monthly basis.

- (iii) *The Cyprus Stock Exchange (CSE)*: this exchange provides data on purchases and sales of quoted securities by non-residents.

- (iv) *Various government departments*: these departments provide data related to different types of outward and inward flows.

The CBC also collects data directly from major companies on their international transactions.

2.5 Users

Internally, the b.o.p. statistics produced by the Balance of Payments Section are used by other sections/departments of the CBC (e.g. the Monetary Policy Section, the External Debt Section, the Management of Reserves Section and the International Business Department), as well as by the Monetary Policy Committee and the Board of Directors for policy formulation.

Externally, these statistics are used by CYSTAT in the production of national accounts and by the Ministry of Finance (particularly the Planning Bureau) for economic planning. The CBC maintains regular contact with these users and meetings are often held to discuss specific issues.

B.o.p. statistics are also supplied to European and international organisations such as Eurostat, the European Central Bank (ECB) and the IMF.

3 Statistical system

3.1 Type of collection system

With the planned abolition of the remaining controls on the flow of capital, a new reporting system has been introduced (as mentioned in Section 2) to counter the loss of data associated with the abolition of controls and to produce statistics in accordance with Eurostat and IMF requirements. The new system is an open settlements-based system, which will be complemented by direct reporting and surveys. Under the new system, as from 1 January 2002 reporting agents (banks) are required to record both credit and debit transactions broken down by country, currency and type of operation.

Furthermore, annual surveys of enterprises and banks will be conducted as of 2002 with regard to their own FDI and portfolio stocks.

As far as the definition of residency is concerned, the new system is based on the definition given in the 5th edition of the IMF Balance of Payments Manual (BPM5).

3.2 Reporting agents

Data are obtained from the following sources/agents:

- (i) *Commercial banks*: under the exchange control rules commercial banks used to report to the CBC cross-border debits on behalf of residents on a quarterly basis. Under the new system, as of 1 January 2002, commercial banks are required to report individual transactions, both debit and credit, between residents and non-residents, which are carried out on behalf of their resident customers or on their own behalf. Aggregate reporting is possible for banks' own transactions with non-residents. Data are transmitted to the CBC electronically at least twice a month.

- (ii) *Semi-governmental organisations*: this category includes large organisations which provide services (e.g. Cyprus Telecommunications Authority, Electricity Authority of Cyprus, etc.) and quite often borrow large amounts of money from abroad.

- (iii) *Government*: various government departments (including municipalities and sewage boards) report their transactions involving non-residents on a quarterly basis to the CBC.

- (iv) *Private sector*: this sector includes private companies, companies quoted on the CSE and colleges.

- (v) *Cyprus Stock Exchange*: data are obtained from the CSE on portfolio transactions of non-residents in companies quoted on the CSE, as well as on portfolio investments abroad by quoted investment companies.

Foreign currency operations may only be carried out by those credit institutions that have been designated as authorised foreign currency dealers under the Exchange Control Law. Hence, b.o.p. statistics are currently being and will continue to be collected from domestic commercial banks and international banking units.

3.3 Thresholds

Currently there are no exemption or simplification thresholds. However, once sufficient data have been gathered under the new system, thresholds will be introduced to reduce the reporting burden on banks, enterprises and individuals.

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3.4 Availability of data

Compilation of annual data is now taking place on the basis of BPM5 methodology and back data for the years 1995-1999 have also been compiled and communicated to the IMF and Eurostat. These data have been prepared according to the full BPM5 presentation. Quarterly and annual data are also being compiled on the basis of an older version of the IMF Balance of Payments Manual until the conversion to the new methodology is completed. Since the first quarter of 2001, quarterly data have been compiled on the basis of the BPM5 as well.

Quarterly data are being compiled within four months of the end of the reference period, while annual data are being compiled within six months of the end of the reference period.

With respect to i.i.p. data, Cyprus does not yet produce a full i.i.p. statement. Nevertheless, a partial i.i.p. statement has been produced for the period 1995-1999 and communicated to the IMF.

As far as the breakdowns are concerned, the following are or will be available:

- goods: full geographical breakdown;
- services: partial breakdown by type of service up to 2001; full breakdown by type of service, country and currency as of 2002;
- FDI (income and flows): full breakdown by economic activity, type of operation and country (as of 1997); and
- capital and financial account: partial breakdown by type of operation, sector and currency up to 2001, full breakdown as of 2002.

Details concerning data on external reserves can be found in Section 13.

3.5 Data controls

Concerning the construction of the new collection system and in relation to the recently completed FDI Pilot Project, a series of data content checks have been and are being introduced. Consistency checks have been built into the recently constructed b.o.p. database, while plausibility and data quality checks are carried out through other procedures.

3.6 Revision policy

Data used to be revised on an ad hoc basis. A new revision policy was adopted at the beginning of 2001, according to which annual data are revised annually and quarterly data are revised quarterly. Specifically, concerning quarterly data, each time data for a new quarter are compiled, the data for the corresponding quarter of the previous year are revised.

3.7 Dissemination

B.o.p. and external reserves data are published in the CBC's Annual Report and are also available on the internet at the following address: <http://www.centralbank.gov.cy>. These data used to be published in the CBC's Quarterly Economic Review, which was discontinued in December 2000 and was replaced by the Monetary Policy Report, as from September 2001.

Data are disseminated on an annual basis to Eurostat (using the Vademecum tables), the IMF (using the standard components included in the BPM5) and other international organisations.

4 Goods

4.1 Specific features of data collection

B.o.p. data concerning goods are compiled by the CBC on the basis of import and export statistics produced by CYSTAT. These figures record the physical movement of goods across the national frontier as declared by importers and exporters on the completed customs documents. Importers and exporters are usually required to present their documents before they can obtain customs clearance for the goods. Therefore, the import and export figures correspond fairly closely to goods actually imported and exported.

4.2 Definition

The import and export statistics are recorded on both a "general trade" and a "special trade" basis. Imports under the "general trade" recording system comprise goods entering directly for home consumption, together with goods imported and placed in bonded warehouses. Under the "special trade" system, the import statistics are restricted to those goods cleared directly for home consumption together with those withdrawn from bonded warehouses and destined for the local market. Total exports include both domestic exports and re-exports, whether or not from bonded warehouses. Domestic exports are defined as goods which have been produced, manufactured or partly manufactured in Cyprus, excluding goods originally imported and having undergone only repair or minor operations. Re-exports are defined as goods originally imported and re-exported in the same condition in which they were imported or after undergoing repair or minor operations.

Goods exported and imported are valued on an f.o.b. and a c.i.f. basis, respectively. For b.o.p. purposes, the customs data are adjusted for coverage (e.g. to exclude returned goods) and for reclassification (e.g. of freight and insurance on imports). In the case of imports where an amount in foreign currency is converted to its Cyprus pound equivalent, the rate of exchange used is that applicable at the time of lodgement of the customs entry.

As far as the geographical breakdown is concerned, data are available on a country-by-country basis. Country data are then grouped into various geographical areas.

4.3 Deviations

Before 2002, data on repairs on goods were included in the services category, not in the goods category.

4.4 Gaps

Goods for processing are not separately identifiable.

4.5 Intended harmonisation

Data on repairs are to be included in the goods item. CYSTAT will be contacted in order to explore the possibility of separately identifying goods for processing and all instances of repairs.

4.6 Estimation methods

Normally, trade data are available within the time frame for b.o.p. compilation.

5 Services

5.1 Specific features of data collection

(i) *Transportation*

This category covers freight and passenger services provided by sea and air transport operators. Freight services are derived from the estimates made to convert imports c.i.f. to imports f.o.b. Passenger fare data are obtained from a limited survey of major resident passenger transport operators.

(ii) *Travel*

Travel credits for tourism are obtained from the CTO, which conducts a monthly survey on tourist expenditure in Cyprus. Per person expenditure derived from the survey is combined with the number of tourist arrivals as given by the frontier survey conducted by CYSTAT. With regard to education-related revenue, an annual survey is conducted among colleges, which provide educational services to non-residents. The value of travel debits is based on monthly returns submitted quarterly by the commercial banks under the Exchange Control Law. Submitted data include spending on organised tours, travel allowances issued, foreign exchange issued for education, private medical spending abroad, and foreign exchange outflows through credit cards.

(iii) *Other services*

Communications: data are obtained from a survey of the major semi-governmental organisations in this field (i.e. the Cyprus Telecommunications Authority, the Cyprus Broadcasting Corporation and the Cyprus Postal Service), private broadcasting companies, couriers, etc. The survey is conducted on an annual basis, but quarterly data are obtained.

Insurance: merchandise insurance is estimated on the basis of the total c.i.f. value of imports. Data on non-merchandise insurance are obtained from data submitted by the commercial banks.

Royalties and licence fees: debit entries are available from data reported by the commercial banks. No data are as yet available on credits for this item, but these transactions are thought to be insignificant.

Other business services: data come from a variety of sources, the main one being the reports of the commercial banks. Revenue from all international business companies (offshore companies) was included under services not allocated until end-2001. As from 2002 those international business companies that have a physical presence in Cyprus are treated as residents and hence their transactions with non-residents are recorded in the appropriate service category.

Government services (not included elsewhere): entries for this category include foreign military expenditure in Cyprus, foreign embassy expenditure in Cyprus, the Cyprus Government's foreign service expenditure abroad, and other government expenditure abroad. Data are obtained from the Government's accounts (budget abstracts), commercial bank records and annual questionnaires sent to the entities involved.

5.2 Definition

The definitions applied in the compilation of services are generally in line with those of the BPM5 (see also Sub-section 5.1.).

5.3 Deviations

Before 2002 data on repairs on goods were included in the services category, not in the goods category.

5.4 Gaps

Data are not yet available on credits for a number of services, particularly for business services. No data have as yet been compiled on financial services (credit as well as debit).

5.6 Estimation methods

Both freight and merchandise insurance data are estimated on the basis of c.i.f. import data.

5.5 Intended harmonisation

The new b.o.p. reporting system has been designed to solve the problems mentioned above.

6 Income

6.1 Specific features of data collection and definitions

6.1.1 Compensation of employees

Currently, the debit figures for compensation of employees are obtained on a quarterly basis from the exchange control returns of the commercial banks. Credit figures are estimated on the basis of a limited survey.

6.1.2 Income on direct investment

As a result of the CBC's participation in Eurostat's FDI Pilot Project with Candidate Countries, Cyprus is now producing all Y5 and Y6 questionnaires of the BOP Vademecum, including Y5-3 and Y6-3. Breakdowns are available by instrument, country and economic activity. The definitions set out in the BPM5 are followed.

In particular, reinvested earnings are recorded annually on the basis of information contained in audited accounts of FDI companies. An offsetting entry in the financial account item direct investment is recorded. Income on inter-company loans is recorded as income on direct investment and is separately identified from other investment income, since the entities involved in each case are easily distinguished. The 10% rule is applied to separate FDI from portfolio investment income.

6.1.3 Income on portfolio investment

The available data on debits consist of interest payments on the Euro-commercial paper and Euro-medium-term notes issued by the Government and sold to non-residents, and on bonds issued by commercial banks and sold abroad. Interest paid is recorded on an accruals basis. Data on credits include interest received by commercial banks on foreign tradable securities.

6.1.4 Income on other investment

Credit entries include interest received by the CBC on international reserves, and interest received by commercial banks on balances with foreign banks and on loans to non-residents in foreign currency. Debit entries include interest paid on long-term foreign debt of the Government, semi-governmental institutions and the private sector, and interest paid by the CBC on foreign currency deposits of foreign banks. They also include interest paid by banks on foreign currency deposits of non-residents, on non-residents' deposits in local currency and on foreign currency deposits of foreign banks. Finally, interest paid on SDR allocations and IMF charges are also included.

6.2 Deviations from agreed definitions

Compensation of employees: the length of stay of Cypriots working abroad is difficult to determine, hence the one-year residency rule cannot be strictly followed and, as a result, a misclassification may arise between compensation of employees and transfers.

Income on other investment: in the b.o.p. statistics for the period 1995-2000, income on other investment included certain flows relating to portfolio investment income, namely interest received by commercial banks on foreign tradable securities. As from 2001, this item is included as income on portfolio investment, in accordance with agreed definitions.

6.3 Gaps

Compensation of employees: contributions paid by employers on behalf of employees for social security, medical treatment and other benefits are not taken into account.

Income on portfolio investment: coverage is limited and no breakdowns are available (see also Sub-section 6.1.3).

6.4 Intended harmonisation

With the implementation of the new b.o.p. collection system, coverage will be expanded and the required breakdowns will become available.

6.5 Estimation methods

None.

7 Current transfers

Covered by Section 8 on the capital account.

8 Capital account

8.1 Specific features of data collection

Data on general government transfers are collected from the Ministry of Finance and include transfers from the United Nations, the European Union, the United States, etc. Data on outward and inward transfers of other sectors, including migrants' transfers and current transfers (workers' remittances, cash gifts, inheritances, lottery winnings, etc.) are collected from banks.

8.2 Definition

In principle, the new b.o.p. compilation system will follow the definition of the capital account set out in the BPM5. With the data

available now, it is difficult to distinguish between current and capital transfers.

8.3 Deviations from agreed definitions

In the b.o.p. statistics up to 2001, outward migrants' transfers, which were insignificant in Cyprus, were recorded under current transfers (or services: other personal travel). Concerning current transfers, workers' remittances were recorded under income as compensation of employees, since foreign workers staying in Cyprus for more than one year were still considered as non-residents according to exchange control regulations. As of 2002 these deviations have been eliminated.

8.4 Gaps

Data on inward migrants' transfers, debt forgiveness by companies, investment grants, and acquisitions or disposals of non-produced non-financial assets are difficult to obtain. Government debt forgiveness is considered negligible.

8.5 Intended harmonisation

With the implementation of the new b.o.p. reporting system, deviations from agreed definitions will be minimised and more detailed data on the various items of the capital account should become available.

9 Direct investment

9.1 Specific features of data collection

The CBC is participating in Eurostat's FDI Pilot Project with Candidate Countries for the establishment of a regular reporting system on FDI statistics, in accordance with Eurostat's requirements. The CBC's participation in the first part of this project (concerning FDI flows) has already been completed successfully, as Cyprus has set up a regular FDI reporting system and is now producing all Y5 and Y6 questionnaires at the required geographical and economic activity levels of analysis. To this end, the NACE classification of economic activity has been adopted for resident and non-resident companies. This data set was successfully transmitted to Eurostat according to specified instructions, in GESMES/CB format. Information on the initiation of an FDI relationship is obtained directly from companies or from exchange control records. Data on flows are collected from banks on a monthly basis.

present, it has adopted the BPM5 residency definition upon the recommendation of Eurostat. More specifically, for the purpose of the project, companies in the international business sector (offshore companies) as well as international banking units (offshore banks) with a physical presence in Cyprus are considered as residents and their FDI flows are now included in the data. Nevertheless, the FDI data included in the b.o.p. for the period 1997-2001 were adjusted to bring them into line with the older definition of residency. As from 2002 the new definition is fully applied, for both FDI and other b.o.p. transactions.

9.2 Definition

The CBC applies the 10% OECD benchmark definition of FDI (in line with the BPM5).

As already mentioned, the CBC is participating in Eurostat's FDI Pilot Project with Candidate Countries and, within this project, which covers the period 1997 to

9.3 Deviations from agreed definitions

None.

9.4 Gaps

None.

9.5 Intended harmonisation

None.

9.6 Estimation methods

None.

10 Portfolio investment

10.1 Specific features of data collection

At present, inward portfolio investment figures include estimates of flows into resident public companies, to the extent that the individual non-resident participation remains below 10%. They also include the issue abroad of convertible bonds by the resident private sector and of short and medium-term securities by the Government of Cyprus. Since October 2000, transaction-by-transaction data on non-resident purchases and sales of securities listed on the CSE have been transmitted to the CBC by the CSE. Data are broken down by sector, instrument and country.

Outward figures include purchases of foreign tradable securities by resident banks and purchases of foreign bonds and stocks by resident insurance companies and investment companies listed on the CSE. Outward portfolio investment by other companies and households is still subject to exchange control restrictions.

10.2 Definition

See Sub-section 10.1.

11 Financial derivatives

11.1 Specific features of data collection

Transactions in financial derivatives are included under portfolio investment (debt securities) and not under a separate category. Raw data collected by the CBC's Banking Supervision Department include breakdowns by instrument, maturity, country and currency for the investments made by the banking sector. However, no such b.o.p. breakdowns are as yet compiled.

10.3 Deviations from agreed definitions

See Sub-section 10.1.

10.4 Gaps

See Sub-section 10.1.

10.5 Intended harmonisation

With the introduction of the new b.o.p. reporting system, outward flows related to securities issued by non-residents are to be collected through the banking system and through direct reporting. As far as the production of data on portfolio stocks is concerned, Cyprus is participating in the 2001 Co-ordinated Portfolio Investment Survey (CPIS). Within the framework of this project, Cyprus intends to produce portfolio positions on the assets side following – at least initially – the aggregate approach.

10.6 Estimation methods

See Sub-section 10.1.

11.2 Definitions

See Sub-section 11.1.

11.3 Deviations from agreed definitions

See Sub-section 11.1.

11.4 Gaps

Financial derivatives are not recorded as a separate category of the financial account.

11.5 Intended harmonisation

Data on financial derivatives will be presented in a separate category and breakdowns by instrument, sector, maturity, country and currency will be compiled.

12 Other investment**12.1 Specific features of data collection**

The entries for long-term trade credits on the assets side include prepayments made in respect of imports of military equipment and in respect of imports of aircraft by Cyprus Airways. On the liabilities side, trade credits comprise estimates of suppliers' credits calculated using a formula based on the pattern of imports. The loans item includes drawings on and principal repayments of loans made by the Government, banks and other sectors. Main sources of data are: (a) CBC records and government accounts for loans of the general government; (b) surveys, CBC records, Treasury and World Bank records for loans of public corporations and government agencies; and (c) statistical reports from domestic commercial banks and international banking units for the loans of the private sector. Finally, data on balances with foreign banks held by domestic commercial banks are obtained from the domestic commercial banks' balance sheets. Liabilities include deposits of foreign banks

(including international banking units) with the CBC and domestic commercial banks, plus non-resident deposits with domestic commercial banks.

12.2 Definition

See Sub-section 12.1.

12.4 Gaps

See Sub-section 12.1.

12.5 Intended harmonisation

None.

12.6 Estimation methods

None.

13 Reserve assets**13.1 Specific features of data collection**

The source of data on reserve assets is the Accounting Services Department of the CBC. Data are compiled monthly and are available one to two weeks after the end of the reference month. Breakdowns by instrument and by currency are available. A geographical breakdown is prepared quarterly and communicated to the IMF on a strictly confidential basis.

13.2 Definition

The definition used for reserve assets is in line with the recommendations of the BPM5 and with International Accounting Standards. Reserve assets are under the effective control of the monetary authority. Positions of the central government are separately identified, but are included in reserve assets. Positions vis-à-vis residents are excluded. Gold, SDRs and the reserve position in the IMF are included in the total figure.

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Reserve assets are compiled in accordance with the gross concept. Official reserves include accrued (receivable) interest, but no offsetting between assets and liabilities is undertaken. The CBC's gold is not used as collateral for loans. Gold exchange agreements are used in reserve asset management and, in such cases, the gold remains part of the official reserves. A separate category for financial derivatives (gold swaps) is included.

13.3 Deviations from agreed definitions

There are no deviations in reserve asset definitions from the BPM5.

14 International investment position

14.1 Specific features of data collection and definitions

14.1.1 General

A comprehensive set of data on the i.i.p. will become available when a series of surveys on stock positions is initiated and completed. With regard to this, Cyprus is participating in the second CPIS, as a result of which data on cross-border holdings of portfolio investment assets are going to be produced with reference to the end of 2001. In parallel to the CPIS, Cyprus is also planning to conduct a survey on FDI positions, which comprises the second leg of its participation in Eurostat's FDI Pilot Project with Candidate Countries. In the meantime, however, the CBC has already produced and communicated to the IMF a table including selected items of the i.i.p. statement (a partial i.i.p. statement) for which data on Cyprus are available.

14.1.2 Direct investment

See Sub-section 14.1.1.

13.4 Gaps

Breakdowns by maturity are not yet produced.

13.5 Intended harmonisation

Gaps in the compilation of reserve asset statistics will be eliminated with the implementation of the new b.o.p. compilation system.

14.1.3 Portfolio investment

See Sub-section 14.1.1.

14.1.4 Financial derivatives

See Sub-section 14.1.1.

14.1.5 Other investment

See Sub-section 14.1.1.

14.1.6 Reserve assets

See Section 13.

14.2 Deviations from agreed definitions

See Sub-section 14.1.1.

14.3 Gaps

See Sub-section 14.1.1.

14.4 Intended harmonisation

See Sub-section 14.1.1.

14.5 Estimation methods

See Sub-section 14.1.1.

15 Contacts

This country information was drafted by Cyprus in agreement with the ECB's Balance of Payments and External Reserves Division. Enquiries of a general nature should be addressed to the Press Division of the ECB. Enquiries specific to Cyprus should be addressed to:

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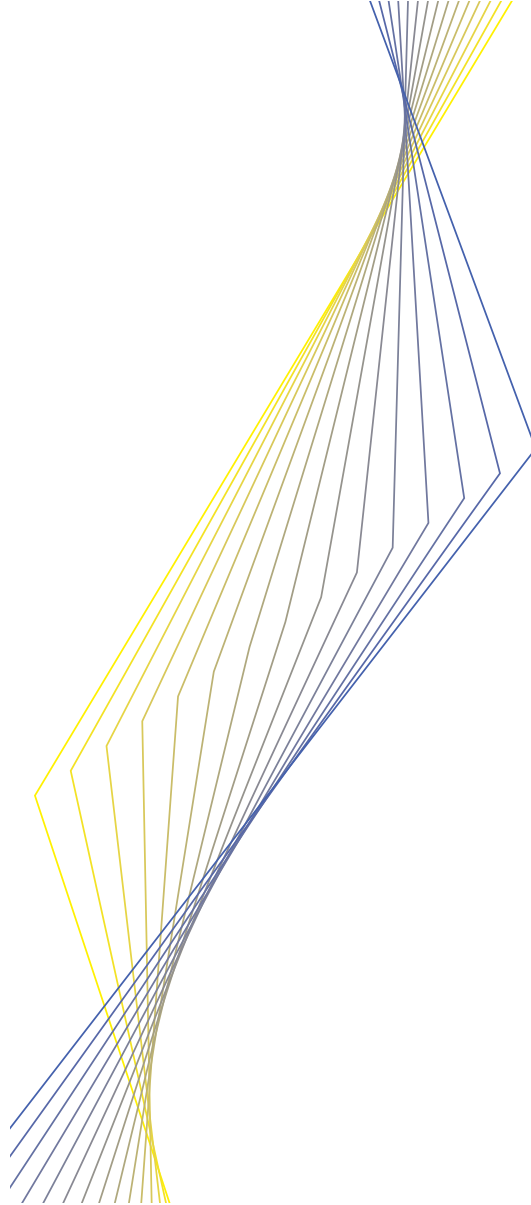
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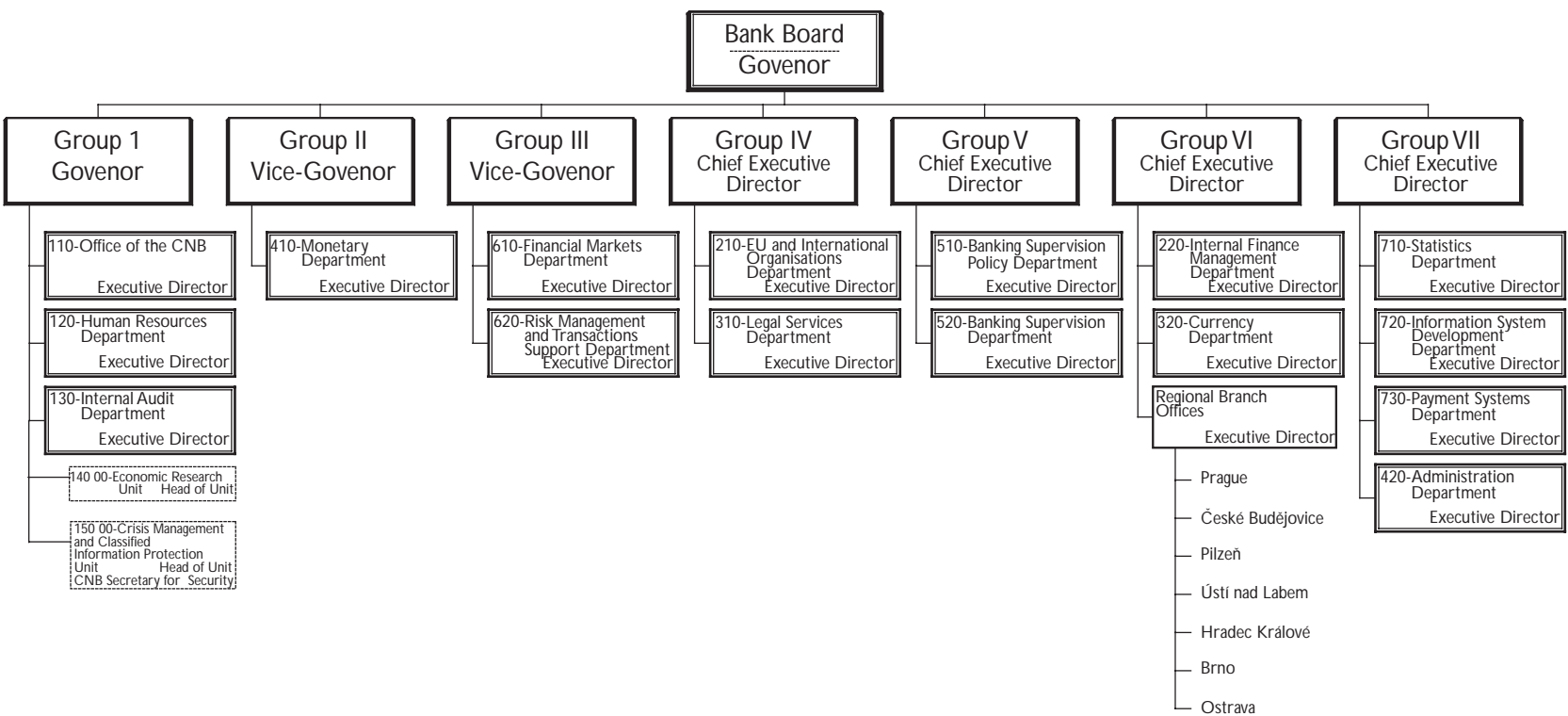
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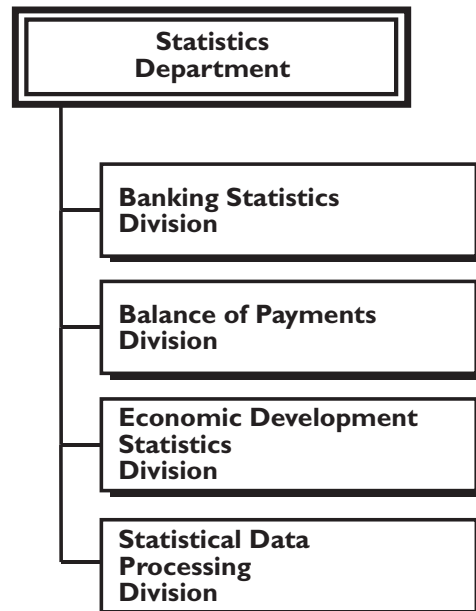
Czech Republic

February 2002

I Organisation chart(s)



Organisation chart of the CNB Statistics Department



2 Institutional aspects

2.1 Introduction

Following the division of the former Czechoslovakia into the Czech and Slovak Republics on 1 January 1993, *Česká národní banka*, the Czech National Bank (CNB), continued in its responsibility – as the central bank of the Czech Republic – for compiling balance of payments (b.o.p.) and international investment position (i.i.p.) statistics. The Balance of Payments Division of the CNB's Statistics Department collects data from a variety of sources, including foreign trade statistics, the banking sector, the Czech Statistical Office, government ministries (Ministry of Finance, Ministry for Regional Development, Ministry of Labour and Social Affairs, etc.), government agencies (e.g. the National Property Fund), securities traders/brokers and a large number of corporate sector units, including specialised units (services, etc.).

The b.o.p. and the i.i.p. are compiled quarterly and are published on the CNB website, in printed publications and also annually in the yearbooks of the Czech Statistical Office (CZSO). The data are compiled in Czech koruna (CZK) but are also published in euro (EUR) and US dollars (USD). The collection and compilation methods are being adjusted to comply with the recommendations of the 5th edition of the IMF Balance of Payments Manual (BPM5).

When compiling and publishing the b.o.p., i.i.p. and reserve assets, the CNB acts independently from the general government.

2.2 Legislative provisions

Under Act No. 6/1993 Coll.¹ on the *Czech National Bank*, as last revised by Act No. 442/2000 Coll., all banks – including branches of foreign banks and other entities holding information necessary for the compilation of the b.o.p. – are obliged to report this information to the CNB (Article 41). The

CNB defines the population of entities covered by this obligation as well as the content, form, dates and manner of submitting the information and documents required from them. Pursuant to Article 46, non-compliance with the rules laid down in the Act can result in a fine of up to CZK 1 million.

Article 5 of Act No. 219/1995 Coll., the *Foreign Exchange Act*, lays down the reporting obligations for non-residents who are foreign exchange entities² and for residents regarding financial claims and liabilities vis-à-vis non-residents and residents abroad, foreign direct investment (FDI) and other investment, financial credits, securities and associated collections, payments and transfers vis-à-vis non-residents and residents abroad, financial market operations, including operations performed through non-residents, and the establishment of and balances on their accounts abroad. The terms and manner of the reporting obligation are stipulated by order of the CNB and MoF, or when required by a foreign exchange authority.³

2.3 Internal organisation

A new organisational structure of the CNB came into effect on 1 June 1998. The head office, which is managed by the CNB Governor, consists of seven groups, which are divided into departments and divisions.

– The *Statistics Department* was restructured into four divisions (see Chart 2). It is responsible for methodological management, the collection of and accurate and comprehensive processing of monetary and banking statistics, statistical data on economic

¹ Collection of Laws.

² According to the *Foreign Exchange Act*, a foreign exchange entity refers to a bank with a seat in the Czech Republic or a branch office of a foreign bank which is authorised, within the scope of its banking licence, to trade in foreign exchange or effect payments and transfers abroad as well as a person granted a foreign exchange licence to trade in foreign exchange values or provide money services; or a person granted a licence to carry out bureaux de change activities.

³ These authorities are the Ministry of Finance and the CNB.

development, b.o.p. compilation and administration, and for the development of statistical data systems.

- The *Banking Statistics Division* is responsible for the concept, methodology and processing of Money and Banking Statistics (MBS) statements submitted by commercial banks and other monetary institutions. This Division provides banking statistical information to the Monetary Department, the Banking Supervision Department and other users in the CNB and to the general public.
- The *Balance of Payments (BoP) Division* is responsible for the concept, methodology and compilation of b.o.p. statistics, foreign direct investment (FDI) and portfolio investment statistics and the i.i.p. It is also responsible for providing data to international institutions and for co-ordinating the IMF's Special Data Dissemination Standard (SDDS) system. In order to compile the b.o.p. and i.i.p., statistical information from the banking sector, corporate sector and government institutions is used.
- The *Statistics of Economic Development Division* is responsible for collecting selected information on the economy, e.g. business surveys and inflation expectations. It also manages the database of macroeconomic data and the exchange of information between the CNB and the CZSO.
- The *Statistical Data Processing Division* is responsible for collecting and processing statistical data for CNB purposes. It also manages the development of the banking information system, including the meta-information system.

The BoP Division is responsible for the b.o.p., FDI, the i.i.p. and related statistical data compilation. Data collection, control and processing are carried out in close co-operation with the other divisions in the

department. BoP Division staff (around 17 in number) are responsible for data analyses and publications and for providing data to international institutions and domestic users.

Economic analyses of b.o.p. data are also compiled by the Monetary Department of the CNB.

2.4 External co-operation

The Czech Statistical Office (CZSO) is the most important external partner of the BoP Division, both as a provider and as a user of the data. The monthly foreign trade statistics, based on customs data provided by the CZSO, are a keystone for compilation of the b.o.p. goods item. The CZSO also provides some other complementary data for the b.o.p. and, reciprocally, CNB data are used by the CZSO for the compilation of the national accounts.

The CNB uses its own information on government assets and liabilities and also obtains information from other governmental institutions, e.g. the Directorate General of Customs (foreign trade statistics), the Ministry of Labour and Social Affairs (foreigners employed in the Czech Republic), the National Property Fund (non-resident investment in the Czech Republic) and the Securities Centre of the Czech Republic (ownership of securities by non-residents).

Outside the Czech Republic, the BoP Division maintains contacts with several central banks (e.g. Austria and Germany), mostly to consult on methodological, collection and compilation issues.

The BoP Division takes part in several b.o.p. working groups and has close contacts with EUROSTAT, the ECB and the Organisation for Economic Co-operation and Development (OECD). The International Monetary Fund (IMF) is also consulted regarding BPM5 and the SDDS.

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2.5 Users

B.o.p. data are published for the general public on a quarterly basis by issuing a press release. The data are also disseminated on the CNB's website. For all interested parties, the data are published in the following specialist publications: the quarterly "Inflation report", the annual "Balance of Payments Report", the "CNB Annual Report" and the "Statistical Yearbook of the Czech Republic". The data are used and analysed in the Monetary Department in particular.

Externally, all interested institutions in the Czech Republic are able to receive CNB publications.

As for international institutions, b.o.p., i.i.p. and FDI data are dispatched to:

- the IMF, to be published in the "International Financial Statistics", in the SDDS system, the reserves database, the "BoP Yearbook", etc.
- EUROSTAT, to be published according to vade-mecum requirements;
- the OECD;
- other institutions and research institutes on request or via the internet.

3 Statistical systems

3.1 Type of collection system

B.o.p. compilation is based on a mixed system, i.e. a combination of settlements and surveys. The greatest proportion comprises settlements by the banking sector that can be considered semi-open, based on transactions between residents and non-residents, and does not include a full explanation of the changes in the level of external positions of either the banking sector or the non-banking sector. The settlements are complemented with surveys from government, banks and the corporate sector. Only some reports include the recording of all credit and debit transactions and a country and currency breakdown. In some cases, flows are derived from stock statistics and vice versa.

This reporting system is furthermore complemented by other statistics provided by the CZSO (the trade balance and other information necessary for the compilation of the current account), the MoF (government current transfers), other ministries and by direct reporting institutions. Other sources are also used, e.g. newspapers and official information (FDI and portfolio investment). On the basis of this information, business registers are also kept).

3.2 Reporting agents

- (i) *The monetary authority sector:* the CNB provides data on reserve assets, liabilities and other transactions of monetary authorities (stock and flow data).
- (ii) *The banking sector:* this does not fully coincide with the ESCB definition of Monetary Financial Institutions – the sectoral breakdown of the ESA 79 is applied. A new sector classification in accordance with the ESA 95 is being prepared. Banks are required to report external transactions on behalf of residents and non-residents and on their own account (stock and flow data). The CNB is the sole agent in the Czech Republic that collects data from the banking sector. It is also authorised to request more detailed information or an explanation if the information submitted by a bank does not comply with the required methodology. For the purposes of b.o.p. compilation, the banks submit statements on their foreign currency and CZK positions, surveys of foreign currency payments and collections, securities statistics, etc.
- (iii) *The general government sector:* data are provided on assets (including

subscriptions to international non-monetary organisations) and liabilities and on the value of technical assistance provided to the Czech Republic.

- (iv) *The corporate sector – direct reporting institutions*: data on assets and liabilities of enterprises and transactions resulting from the export and import of goods, data on FDI abroad and in the Czech Republic, data on stocks and transactions in securities realised between residents and non-residents.

The response rates to surveys are 100% in the banking and government sector and approximately 85% in the corporate sector.

3.3 Thresholds

For transactions made by banks and other institutions, a threshold has generally not been set.

3.4 Availability of data

B.o.p. – the data are compiled quarterly within 65 days of the end of the quarter for the first three quarters, and within 85 days of the end of the quarter for the fourth quarter.

I.i.p. – data are compiled quarterly and are published within one quarter of the end of the reference quarter for the first three quarters, and within one quarter and ten days for the fourth quarter.

External reserves are compiled monthly and are published approximately one week after the reference month.

Only some categories of the b.o.p. and i.i.p. (e.g. FDI) have breakdowns by sector and by country.

3.5 Data controls

A validation procedure is incorporated into the electronic data collection system – the

report is not accepted unless it is both valid and consistent.

For other types of collection, checks for completeness and plausibility are carried out by the BoP Division. Unusual fluctuations in the data reported are monitored and the reporting agents are asked for an explanation.

Checks at the aggregate level are aimed at ensuring data quality and consistency with other statistics and time series. Any discrepancies are analysed and the source of the data is thoroughly checked again to uncover possible errors at a lower level of aggregation.

3.6 Revision policy

B.o.p. and i.i.p. data are revised and corrected every time new information becomes available. The revisions are usually made on an ongoing basis and are published in the subsequent quarterly issues. Most of the revisions and corrections to the b.o.p. result from trade balance data – when these data are final, all b.o.p. data can also be considered final.

3.7 Dissemination

The CNB publishes monthly data on external reserve assets and quarterly data on the b.o.p. and i.i.p.

B.o.p. and i.i.p. data appear in the following regular publications:

- the “Inflation Report” – available in Czech and English, free of charge;
- the “Balance of Payments Report” – in Czech, by subscription, free of charge;
- the “CNB Annual Report” – in Czech and English, free of charge; and
- the “Statistical Yearbook of the Czech Republic” – in Czech and English, for a fee (published by the CZSO – Information Service Division).

All the data on the b.o.p., i.i.p. and external reserves, including time series, are posted

Chapter 3.3 Czech Republic

under "Statistics" on the CNB's website: <http://www.cnb.cz>.

As a SDDS subscriber, the Czech Republic disseminates metadata on the IMF's Data

Dissemination Bulletin Board with a direct hyperlink to the real data in the national statistics (internet address: <http://dsbb.imf.org/country/czecats.htm>).

4 Goods

4.1 Specific features of data collection

The source of data relating to exports and imports of goods is the customs statistics data. The relevant document is the Uniform Customs Declaration completed by exporters (importers). The data from customs declarations are processed by the General Directorate of Customs. The CZSO publishes monthly data on exports and imports approximately 16 working days after the end of the month under review, which is also when the CNB receives the data. The definitive data for the year under review are usually published by the CZSO around August of the following year. In some years, the trade data on imports in the b.o.p. deviate from those officially reported by the CZSO, owing to the application of market prices to imports of natural gas.

4.2 Definition

Goods in the customs statistics are monitored in a way that allows them to be broken down into:

- general merchandise (including goods procured in ports by carriers);
- goods for processing and repairs of goods (repairs of goods have not as yet been separately recorded by the CZSO); and
- non-monetary gold.

Data on the export and import of goods (in accordance with the BPM5) cover the following:

- any change of ownership;
- the market value of goods;

- mostly f.o.b. prices; and
- a geographical breakdown.

4.3 Deviations

The b.o.p. of the Czech Republic deviates from the BPM5 in that it is not able to report separately on repairs of goods and goods procured in ports by carriers.

4.4 Gaps

Goods procured in ports by carriers are included under general goods and are not monitored separately in the customs statistics; from the point of view of the Czech Republic's trade, however, the volumes in this item are insignificant.

4.5 Intended harmonisation

The breakdown of goods data in the b.o.p. for 2001 will be extended to include the reporting of repairs of goods.

4.6 Estimation methods

For the non-market prices of a proportion of natural gas imports, estimates are based on market prices of natural gas. For b.o.p. purposes, the difference between the non-market and the market price of natural gas is added to the value of imports reported by the CZSO.

5 Services

5.1 Specific features of data collection

(i) *Transportation*

The data are taken from the banking foreign exchange statistics (the Monthly Statement of Foreign Exchange and CZK Collections and Payments, which records collections and payments effected to and from abroad through domestic banks in foreign currencies and in CZK as well as payments effected between residents and non-residents in foreign currencies in the Czech Republic) and directly from major carriers and pipeline operators. They are supplemented by an estimate in the area of the transportation of goods on export.

(ii) *Travel*

Credits and debits are measured by means of the instruments used to make travel-related payments. The data are taken from the banking foreign exchange statistics (bureau de change operations, settlements of entities operating in the travel area, settlements of payment cards) and are supplemented with information from non-bank bureaux de change and issuers of payment cards. When determining the travel item, we assume that all transactions by bureaux de change and executed using payment cards are related exclusively to travel.

(iii) *Other services*

The data are taken from the banking foreign exchange statistics. Services are recorded in the b.o.p. at the time when payment for the services provided is credited or payment for the services received is made (no potential receivables and payables from services are assumed).

5.2 Definition

Payment items (transaction codes) are assigned to the collections and payments effected to and from abroad through

domestic banks; these items are set in such a way as to cover all types of services according to the BPM5 (including financial services) and to correspond with it as regards content.

5.3 Deviations

Where transport costs form part of the price of imported goods (the c.i.f. value of imports), these costs are reported in the b.o.p. under the import item within the balance of trade.

5.4 Gaps

The difference between the transaction codes used in domestic and foreign payment systems complicates the recording of payments in CZK effected between residents and non-residents in the Czech Republic. Transactions effected through residents' accounts at foreign banks are not recorded. In the case of travel, only the credits and debits which can be registered statistically are recorded.

5.5 Intended harmonisation

It is envisaged that for the collection of data on the compilation of transport services connected with the export and import of goods, the conclusions and recommendations of the Eurostat Balance of Payments Working Party will be used.

5.6 Estimation methods

The costs connected with the transportation of goods on export (including insurance, storage, etc.), which form part of the export price, are estimated using surveys carried out among selected exporters. The share of these costs in overall exports is estimated on the basis of the final data of previous years.

No estimates are carried out for foreign travel and other services.

6 Income

6.1 Specific features of data collection and definitions

6.1.1 Compensation of employees

The compensation of employees item is estimated.

Credits from the work of Czech citizens abroad are estimated using information on the number of Czech citizens who work abroad in the short term and their average income.

To determine labour costs of foreigners in the Czech Republic, administrative data on the number of foreigners employed are used (work permits issued, registered foreigners for whom no work permit is required); these are supplemented with an estimate of the number of foreigners employed illegally and with information on the average wage.

In the case of both credits and debits, the average wage is adjusted for the costs of the person's stay in the host country (including deductions for social insurance, etc.).

6.1.2 Income on direct investment

Income on direct investment is recorded in the b.o.p., broken down into income on equity and income on debt (interest on credits between direct investors and direct investment enterprises).

As regards *income on equity*, the banking foreign exchange statistics recording the transfer of shares of earnings of direct investment enterprises (*dividends, etc.*) are used for the preliminary version of the b.o.p. *Reinvested earnings* are estimated according to their level in the preceding period and are also recorded as an offsetting entry in the financial account.

For the revised version of the b.o.p., in the case of dividends and reinvested earnings, data taken from a statistical survey carried

out once a year in companies with ownership holdings abroad and companies owned completely or partly by a non-resident are used. Reinvested earnings are available with a territorial breakdown.

Interest (on inter-company loans, trade credits and debt securities) is estimated both in the preliminary and in the final version of the b.o.p.

6.1.3 Income on portfolio investment

Income on portfolio investment is recorded in the b.o.p., broken down into income on equity and income on debt securities (bonds, banknotes and money market instruments).

In the case of *income on equity*, the banking foreign exchange statistics recording real transfers of dividends are used. The data obtained in this way are compared with the statements compiled by securities traders (for the debit side only). A breakdown by basic sector (central bank, government, commercial banks and other sectors) is available.

On the credit side, *income on debt securities* is estimated. On the debit side, in the case of domestic securities denominated in CZK, this is obtained from statements compiled by securities traders, and in the case of domestic securities denominated in foreign currencies it is calculated according to the interest rate and maturity of the interest (broken down by currency and sector).

The income on debt securities taken from the brokers' statements consists partly of real transfers of interest and partly of calculated interest (on an accruals basis).

In the case of the data obtained via the statements of securities traders, a breakdown by the sector of the domestic issuer and by the country of the registered office of the non-resident is available. Income on investment funds is included.

6.1.4 Income on other investment

Interest on central bank reserves (on deposits with foreign banks and income and expenses connected with repo operations) is taken from the accounting records, where it is recorded on an accruals basis.

Information on interest on government loans granted and received is taken from the foreign exchange statistics and reflects real transfers of funds.

Interest on deposits and loans of commercial banks is estimated. In the b.o.p., it is recorded on an accruals basis, with the assumption that interest will be paid at maturity.

In the case of other sectors, interest on trade credits and loans is estimated.

6.2 Deviations from agreed definitions

In the case of wages and salaries it is not possible to differentiate consistently between income resulting from a short-term stay in a host country and income connected with a long-term stay (potential transfers of which are to be recorded under current transfers according to the BPM5). Interest on swaps is recorded under income on investment. The accruals principle is not fully applied for interest. Part of the income on reserve assets (i.e. on securities) is classified under portfolio investment.

6.3 Gaps

Insufficient coverage of the household sector.

7 Current transfers

See Sub-section 8 on the capital account.

6.4 Intended harmonisation

Interest on swaps has until now been recorded under income on investment; the manner of reporting will be adjusted to ECB requirements.

Income on other investments will include all income on the reserves of the central bank; until now income on securities has been classified as portfolio investment, while interest received on deposits abroad formed part of income on other investment. The adjustment will also be carried out retroactively for the preceding period.

The accruals principle will be used for all items of the income balance where it is possible to create the prerequisites for it.

6.5 Estimation methods

Interest on credits between investors and their holdings (including interest on debt securities) is estimated according to the average level of the loans and credits received and granted in the reporting period and the average interest rates.

The estimate of interest on deposits and credits of commercial banks is based on the average level of the deposits and credits granted (or received) in the reporting period and the average interest rates (broken down by maturity of the deposits and credits).

When estimating interest on trade credits, information gathered from selected exporters (importers) of machinery is used.

8 Capital account

8.1 Specific features of data collection

The data for *current transfers* and the *capital account* are taken from the banking foreign exchange statistics. When compiling the foreign assistance item within current transfers, administrative sources are used.

Transfers are broken down into government (public) and private domains according to the institutional sector of the resident. All technical assistance from the European Union (provided under the Phare Programme) is included in government transfers.

8.2 Definition

The capital transfers item includes transfers of funds connected with the migration of the population and transfers (purchases and sales) of non-produced, non-financial assets (licences, etc.). In accordance with the BPM5, any acquisitions and disposals of land by representative offices of foreign governments are recorded under capital transfers.

9 Direct investment

9.1 Specific features of data collection

Information on direct investment is obtained primarily from the reports submitted by non-banks pursuant to the reporting obligation ensuing from the Foreign Exchange Act. The reports on FDI are effected through branches of commercial banks upon each transaction. These data are further revised on the basis of annual direct investment reports from non-banks.

Supplementary sources of information are:

- statements from banks;
- National Property Fund reports on foreign payments;
- information from the stock exchange;

8.3 Deviations from agreed definitions

The banking foreign exchange statistics do not allow consistent differentiation between current and capital transfers – for example, gifts and grants of a capital nature are included in current transfers together with other gifts.

8.4 Gaps

Non-financial transfers such as transfers of migrants' movable assets and gifts and grants in kind (an offsetting entry to goods) are not recorded.

8.5 Intended harmonisation

Any debt forgiveness (by contractual agreement) will be recorded under the capital transfers item.

- the commercial bulletin; and
- information from the press.

Information on inter-company loans and trade credits is obtained from the reports submitted by non-banks under the reporting obligation.

Preliminary data on direct investment stocks and flows are published quarterly. The flows of direct investment are available approximately 10–11 weeks after the end of the quarter, and the stocks and positions in the b.o.p. are available after 12–14 weeks. The data are revised with a 16-month delay on the basis of annual reports on the stocks of assets and liabilities of companies. The data are published on the CNB's website.

Direct investments are reported broken down as follows:

- (i) by instrument into equity capital, other capital and reinvested earnings;
- (ii) by territory and by sector; and
- (iii) by foreign direct investment in the Czech Republic and Czech direct investment abroad.

9.2 Definition

The definition of foreign direct investment is in line with the recommendations of the IMF (BPM5) and with the directives of both Eurostat and the OECD. This means that the following points are observed:

- 10% ownership criterion;
- directional principle for FDI;
- the data include inter-company financial transactions (borrowings and loans and trade credits);
- special-purpose entities are not monitored separately; and
- reinvested earnings form part of FDI.

When recording direct investment transactions, the actual operation concept is applied.

10 Portfolio investment

10.1 Specific features of data collection

The data on the inflows and outflows of portfolio investment are published quarterly, broken down by instrument (equity securities and debt securities). In the case of *liabilities* (domestic CZK securities owned by non-residents), breakdowns by the issuer's sector and by the country of the investor's registered office are also available. In the case of transactions in domestic securities issued abroad, breakdowns by sector and by currency are monitored. *Assets* (foreign securities owned by residents) have until now been broken down only by the creditor's sector; for 2001, however, the data on residents' portfolio investment abroad will

9.3 Deviations from agreed definitions

Transactions in securities and financial derivatives between direct investors and their subsidiaries and branches are not included in direct investment.

9.4 Gaps

None.

9.5 Intended harmonisation

None.

9.6 Estimation methods

Estimates are carried out only in the case of reinvested earnings – quarterly, with a view to one year. These are based on the data on reinvested earnings in individual sectors and in a territorial breakdown for the last period. The data are revised on the basis of surveys of annual statements after the closing of the annual accounts.

be available broken down by the country of the registered office of the issuer of the foreign security.

Securities operations between residents and non-residents are reported on an *aggregated basis*.

The CNB obtains data on the transactions of non-residents in domestic CZK securities and on their stocks in the form of quarterly statistical statements from domestic securities traders (banks and non-banks) that provide custody services to non-residents and from the Short-Term Bond Market Registration Centre maintained at the CNB. When elaborating the statistical statements,

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these respondents work with ISIN securities codes, which allow them to identify the issuer by sector and by type of security. Residents who issue securities abroad are obliged to report the necessary data on these issues to the CNB.

The CNB obtains data on foreign securities transactions from the banks' monthly statements on payments and collections, in which the operations executed on the bank's own account and the operations executed on the account of clients, broken down by sector, are recorded separately. The data on purchases and sales are reported at the purchasing and selling prices realised. Operations effected in foreign currencies are converted, using the average exchange rate (mid rate) for the reporting period.

10.2 Definition

The CNB defines portfolio investment in line with the BPM5. Portfolio investment includes equity securities (shares, participation certificates, interim certificates) and debt securities (bonds, bills of exchange, money market instruments), except for those included under direct investment or reserve assets. Neither financial derivatives nor repo operations (transactions in repurchase agreements) are included in portfolio investment. Service charges and brokerage fees are recorded as services. The breakdown of portfolio investment by country is based,

in the case of assets, on the principle of the country of the registered office of the issuer (debtor) and, in the case of liabilities, on the country of the registered office of the owner (creditor) of the domestic security.

10.3 Deviations from agreed definitions

None.

10.4 Gaps

Certain problems in data collection may occur if residents' assets are administered directly by a foreign securities trader (non-resident custodian).

10.5 Intended harmonisation

It is envisaged that in 2002 the Securities Centre will provide the CNB with data on the stocks of domestic securities held by non-residents broken down by ISIN. Domestic investors who use the services of foreign securities traders (non-resident custodians) will have to report data on operations in and stocks of foreign securities directly to the CNB.

10.6 Estimation methods

None.

II Financial derivatives

II.1 Specific features of data collection

The CNB began to report data on financial derivatives' transactions on a net basis as a separate financial account item at quarterly intervals from 2000. These data are derived from the differences in the stocks of financial derivatives in banks' positions between the beginning and the end of the period under review. Breakdowns of these transactions by sector and by country are not yet available.

Financial derivatives are recorded off the balance sheet in nominal values and in real values in the balance sheets of domestic banks.

Real values, either positive or negative, are monitored in the case of forward operations broken down by interest, currency, share, commodity and credit instrument. Positive or negative real values are also monitored in the case of options, the breakdown of which is

identical to that used for forward operations; options are broken down further into receivables from the margins on stock exchange derivatives.

For the time being, these values are projected into the financial derivatives' transactions for positive real value and negative real value as a whole.

11.2 Definitions

The CNB defines financial derivatives in line with the BPM5, i.e. it records transactions relating to options, futures, swaps, forward foreign exchange contracts and credit derivatives in the b.o.p. Accounting for these operations within the banking sector is fully harmonised with the IAS 32 and IAS 39. The identification of residents is fully in keeping with the ESA 95 methodology.

11.3 Deviations from agreed definitions

None.

12 Other investment

12.1 Specific features of data collection

Other investment is broken down into assets and liabilities, into long-term and short-term investment, and by basic sector into central bank, government, commercial banks and other sectors. A breakdown by instrument (trade credits, foreign currency and other cash, deposits, loans, other assets and liabilities) is available. Data allowing for a breakdown by territory and currency are reported only for the government sector.

Data sources:

- (i) *Central bank* – statement on foreign exchange and CZK positions; information from relevant units within the CNB on draw-downs and repayments of credits received.

11.4 Gaps

The system of data collection used until now does not cover transactions in financial derivatives that residents execute with entities other than domestic banks. The present system of accounting for transactions in financial derivatives in the corporate sector does not fully comply with the required accounting standards.

11.5 Intended harmonisation

It is planned to break down financial derivatives' transactions by instrument. The MoF is preparing a new methodology for calculating and accounting for transactions in financial derivatives in the corporate sector.

11.6 Estimation methods

None.

- (ii) *Commercial banks* – statement on foreign exchange and CZK positions; monthly statement on foreign exchange and CZK collections and payments (draw-downs and repayments of long-term credits received).
- (iii) *Government* – monthly specification of government credits and quarterly specification of credit agreements; survey of receivables and payables taken over by the Czech MoF; information from the MoF on capital subscriptions to international non-monetary organisations.
- (iv) *Other sectors* – statement on the foreign assets and liabilities of companies (buyer and supplier credits, financial leasing, movements on accounts abroad); information taken from the reports submitted under the reporting

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obligation pursuant to the Foreign Exchange Act (collections and payments relating to financial credits).

The b.o.p. includes records of flows for long-term central bank liabilities, for government and corporate sector assets and liabilities, and for long-term credits received by commercial banks. In the case of short-term central bank liabilities and assets and liabilities of commercial banks (except for long-term credits), the flows are derived from the changes between the opening and closing stocks (from the statement on foreign exchange and CZK positions).

12.2 Definition

The other investment item is basically in line with the BPM5. Both repo operations and trade credits are included.

12.3 Deviations from agreed definitions

During the most recent revision of the b.o.p. (March 2001), credits (loans and supplier credits) between direct investors and direct investment enterprises were transferred from

other investment to direct investment (other capital) for the years 1998 to 2000. A similar adjustment will be carried out for the period prior to 1998.

12.4 Gaps

The statement from which the data on credits linked with exports and imports of goods are drawn covers a select circle of respondents only (450–500 enterprises). Data are not collected from the household sector, which means that information on changes in technical life insurance reserves is not available. Transactions implemented through private accounts abroad are not adequately recorded.

12.5 Intended harmonisation

Within the framework of co-operation with the CZSO, available information will be acquired for the household sector.

12.6 Estimation methods

None.

13 Reserve assets

13.1 Specific features of data collection

The sole source for compiling CNB reserve asset transactions is the monthly data of the CNB Accounting Division. The analytical accounts comprise all breakdowns – by instrument, maturity, country and currency.

13.2 Definition

The definition of reserve assets is fully in line with the BPM5 and the Operational Guidelines of the IMF Data Template on International Reserves and Foreign Currency Liquidity within SDDS. All of these assets are

under the effective control of the CNB. The accounts of central government are not included in the reserve assets position.

The reserve assets refer to the CNB's highly liquid, market-valued claims on non-residents denominated in convertible foreign currencies (deposits, securities, cash). Claims on residents and domestic currency deposits are not included in the CNB's reserve assets.

In addition to foreign exchange, the financial instruments in the reserve assets include gold, special drawing rights (SDRs) and the reserve position in the IMF.

The reserve assets are compiled in accordance with the gross concept, i.e. there is no netting with CNB assets and liabilities.

13.4 Gaps

None.

Data on asset yields are included on an accruals basis.

13.5 Intended harmonisation

None.

13.3 Deviations from agreed definitions

None.

14 International investment position

14.1 Specific features of data collection and definitions

banking statistics and the periodical reports of the National Property Fund. The quarterly data on direct investment stocks are published within three months of the end of the reporting period.

14.1.1 General

The i.i.p. includes the stocks of financial assets and liabilities vis-à-vis non-residents corresponding to all financial account items. Stocks on the assets and liabilities sides of the position are recorded separately. The i.i.p. is compiled and disseminated with quarterly periodicity within three months of the end of the relevant reporting period (three months and ten days in the case of the fourth quarter). The already published quarterly and annual data are updated at the end of the year (within 18 months of the end of the reporting period) on the basis of the processing of definitive data on the i.i.p.

The data source used for the compilation of the i.i.p. at the end of the reporting year, and for the verification of the quarterly data, is the reports on the stocks of assets and liabilities of companies submitted at the end of the year, which are included in the direct investment database established and administered by the CNB. The direct investment database is updated on an ongoing basis through the addition of verified information obtained from the data subject to a reporting obligation, banking statistics data, commercial registers, stock exchange data, etc. Together with data on the extent and nature of the direct investment, these reports contain data on economic activity (for example, exports and imports of goods and services, the number of employees). The data on annual direct investment stocks are available within 18 months of the end of the reporting period.

14.1.2 Direct investment

The stocks of active and passive direct investments are compiled and disseminated quarterly. Direct investment data are broken down by instrument, sector of the economy and country of origin or of the recipient. A breakdown by currency is not available.

The methodological deviations between the quarterly and annual stocks compiled on the basis of surveys consist in the valuation method employed. For the quarterly stocks, the valuation is based on a summation of the market-valued transactions in the relevant period. In the case of the annual data obtained from company surveys, the basis is the

The data sources for the quarterly and annual data are different. In the case of the quarterly data, the direct investment stocks are derived using the accumulated flows method. The basis for this is the data reported under the reporting obligation for companies, the

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valuation in book or nominal values – only some of the companies are valued at their market value.

The material definition of the stocks of individual direct investment items is in line with the definition of the corresponding individual categories of direct investment transactions within the financial account.

With regard to the method for deriving the stocks from the flow data, the link between the reported flows and stocks in the area of direct investment with determination of the influence of price changes and other adjustments is not specified in great detail. The annual data obtained from surveys in companies are the starting point for retroactive adjustment of the quarterly data on stocks and flows in the area of direct investment.

14.1.3 Portfolio investment

The data on portfolio investment stocks are compiled and disseminated quarterly.

Portfolio investment is broken down by instrument, sector and maturity. Reporting of portfolio investment stocks broken down by country will start in due course. A breakdown by currency is not yet available.

The basic data source is data acquired quarterly directly from securities traders and major investors in the form of statements. The data are based on real stocks. Another source is data on short-term bond stocks from the database of the Short-term Bonds Register held at the CNB.

The data on portfolio investment stocks are published in the i.i.p. within three months of the end of the reporting period. The methodological definition of portfolio investment stocks is identical to that applied to the relevant financial account transactions.

Portfolio investments are valued using the market prices valid on the date to which the statement relates.

When reconciling b.o.p. flows and i.i.p. stocks in the field of portfolio investment, exchange rates and price changes are taken into consideration.

14.1.4 Financial derivatives

As in the financial account, the stocks of receivables and payables from financial derivatives in the i.i.p. are recorded only when a resident commercial bank participates in the transaction. In the other cases, financial derivatives are not monitored.

The daily and monthly positions of commercial banks vis-à-vis non-residents show the real stocks of financial derivatives which are recorded quarterly in the i.i.p. A more detailed breakdown by instrument is available and a breakdown by sector is in preparation. Data on the territorial and currency structure of these levels are not yet available. The levels of financial derivatives are available within 20 days of the last day of the reporting period.

Market price valuation is provided for in the banks' balance sheets.

14.1.5 Other investment

The stocks of financial assets and liabilities in the other capital item are compiled and disseminated monthly for commercial banks and quarterly for other sectors. The financial assets and liabilities of commercial banks and other monetary institutions and the positions of the government and corporate sector, including households, are reported quarterly within the i.i.p.

The stocks of other investments are broken down by instrument, sector and maturity. Breakdowns by country and by currency are not being recorded for the time, but are available for selected sectors (commercial banks and the government sector).

The following data sources are used:

- for the position of banks including the central bank: monthly statements on the position vis-à-vis non-residents;
- for the government sector position: surveys of the stocks of assets and liabilities of the government sector prepared for the needs of the Czech MoF by the CNB and by the commercial bank designated for the administration of government foreign assets and liabilities;
- for the position of other sectors: outputs from the fulfilment of the residents' reporting obligations prepared by the CNB on draw-downs and repayments of financial credits granted to residents from abroad and on turnovers of funds on residents' accounts maintained abroad, and the quarterly foreign assets and liabilities statements submitted by companies to the CNB.

In the case of the banking and government position, and partly also the position of other sectors, real stocks of receivables and payables are collected; in the case of selected items (for example, financial credits drawn down by companies from abroad), the accumulated flows method is used.

14.1.6 Reserve assets

Data on reserve assets stocks are compiled and disseminated monthly in accordance with the SDDS system within seven days of the reference month in preliminary form, based on data sources from the Accounting and Dealing Divisions of the CNB. The data become final approximately one month later in accordance with the CNB accounting data. The CNB reserve assets are broken down by type of instrument.

The coverage and concept of the reserve assets is in line with the BPM5 and the

Operational Guidelines of the IMF Data Template on International Reserves and Foreign Currency Liquidity, and all components, including gold, are valued in market prices monthly.

14.2 Deviations from agreed definitions

None.

14.3 Gaps

At present, there is incomplete statistical coverage of the financial derivatives item. Stocks held by sectors other than commercial banks and other monetary institutions are not reported. In the area of other investment, the household sector is not sufficiently covered statistically.

14.4 Intended harmonisation

In the area of securities trading, a security-by-security database will be established at the CNB. This database will improve the monitoring of portfolio investment in the required cross-sections. A preliminary phase is currently running which involves the reporting of the i.i.p. broken down by country. An improvement to the statistical coverage of the economic activities of the household sector is being prepared in co-operation with the CZSO.

14.5 Estimation methods

Estimates are currently used for the intra-year stocks of reinvested earnings for the direct investment item.

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15 Contacts

This country information was drafted by the Czech Republic and agreed with the ECB's Balance of Payments and External Reserves Division. Enquiries of a general nature should be addressed to the Press Division of the ECB. Enquiries specific to the Czech Republic should be addressed to:

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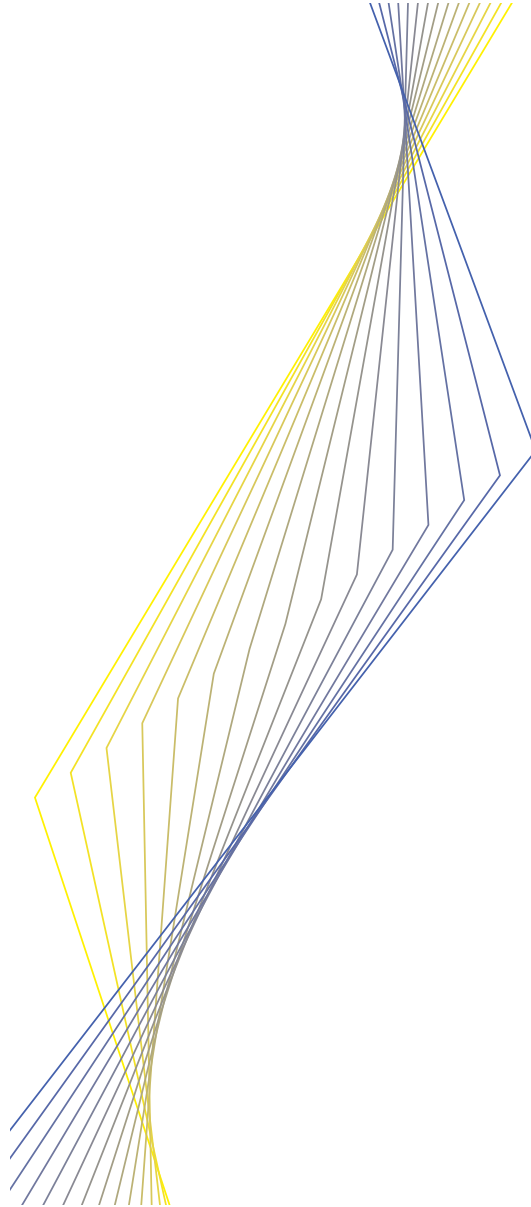
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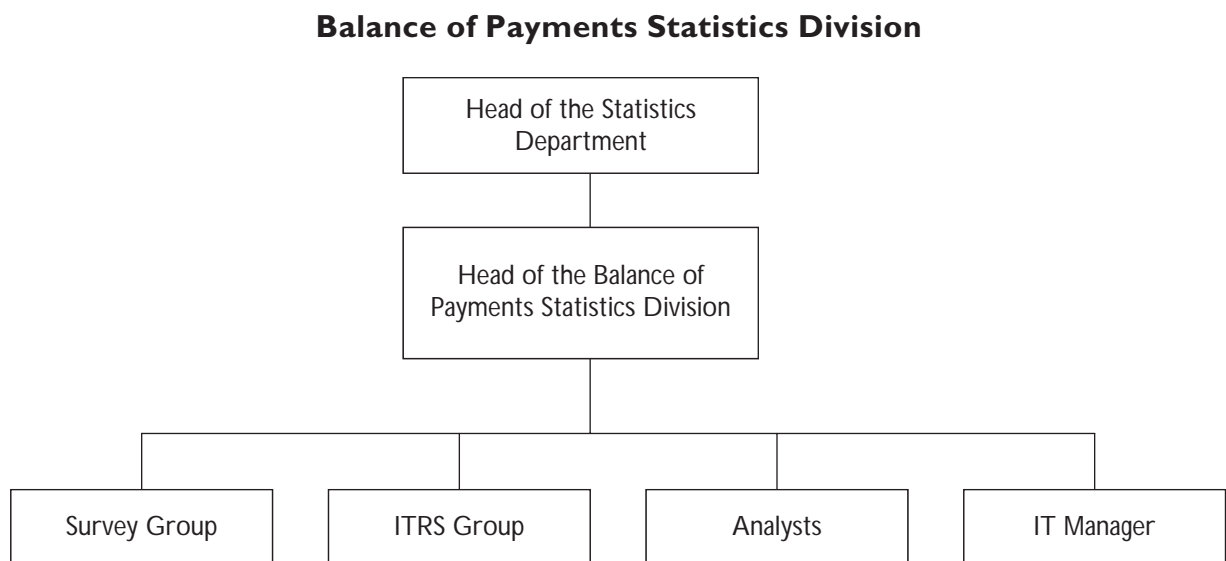
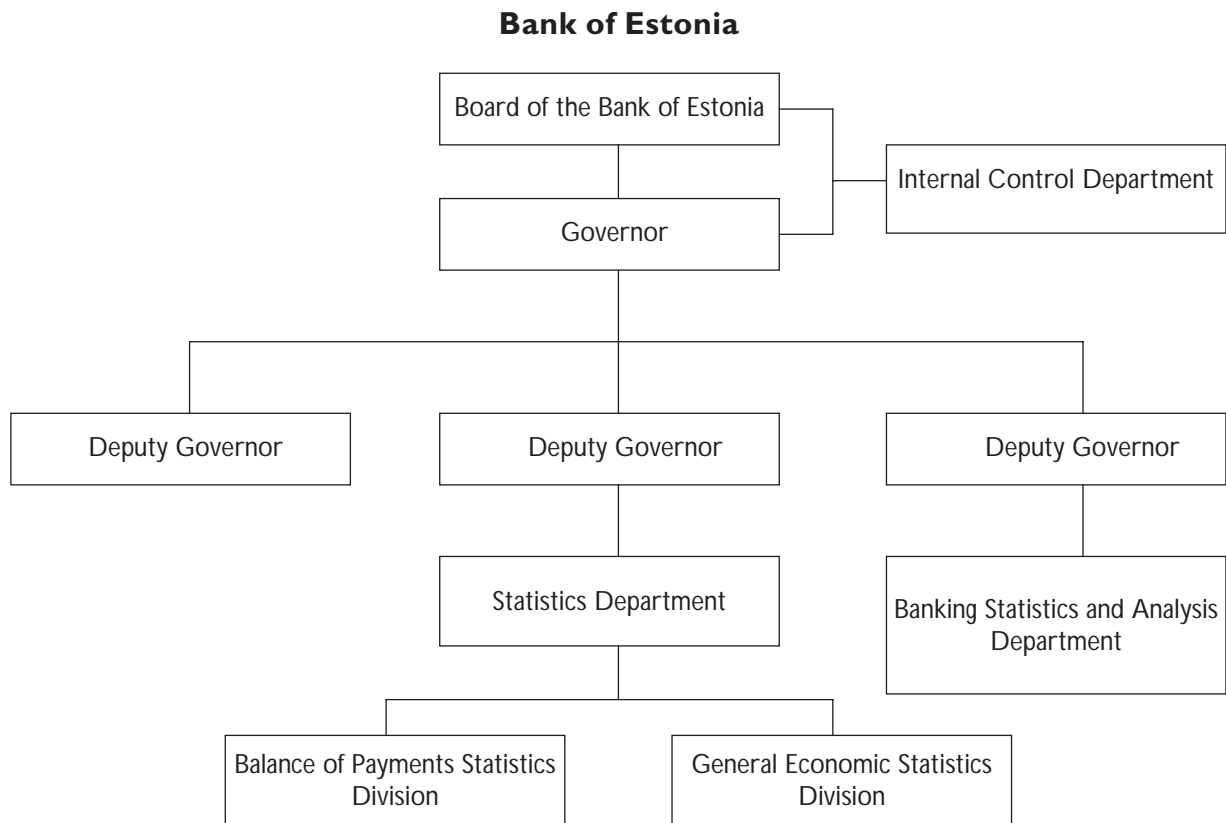


EUROPEAN CENTRAL BANK



February 2002

I Organisation chart(s)



2 Institutional aspects

2.1 Introduction

According to the Law on the Central Bank of the Republic of Estonia, *Eesti Pank*, the Bank of Estonia (BoE) is the only agency responsible – as a fully independent institution – for the compilation of the balance of payments (b.o.p.) and the international investment position (i.i.p.). The first comprehensive statement of the Estonian b.o.p. was published by the BoE in November 1992 and contained data for nine months. The first i.i.p. was compiled on a quarterly basis in 1996. The compilation system combines banking settlement reports, direct surveys of economic agents and administrative data. Data is collected for statistical purposes only; no foreign exchange control is practised in Estonia. The b.o.p. accounts are compiled according to the principles outlined in the 5th edition of the IMF Balance of Payments Manual (BPM5).

2.2 Legislative provisions

The external sector statistics are based on two main legal acts: the Law on the Central Bank of the Republic of Estonia (LCB) of 18 June 1993 and the Official Statistics Act (OSA) of 17 July 1997.

According to the LCB (Sections 2 and 34), the central bank shall be entitled to obtain, free of charge, all data necessary for compiling the b.o.p. from any state or municipal entity or from any other legal entity engaged in foreign economic operations and located within the Republic of Estonia.

The OSA defines the Bank of Estonia as an agency conducting official statistical surveys in the field of b.o.p. statistics (Section 4). It stipulates the duties (Section 5), the obligation to submit data collected through official statistical surveys (Section 7), the data protection and confidentiality requirements (Section 8), and the liability of respondents to comply with the requirements laid down (penalty for non-compliance) (Section 10).

Based on the above-mentioned legal mandates, the Governor of the BoE has issued regulations on the balance of payments reporting procedure for credit institutions (Decree No. 35 of 28 December 1995) and has also issued decrees by which various survey forms have been established.

In addition, the Law on Credit Institutions of 20 January 1995 sets the overall statistical obligation for resident commercial banks (Section 52). The collection of foreign trade data is based on the Estonian Customs Law of 19 January 1998.

2.3 Internal organisation

At the BoE, statistical data are compiled by the Balance of Payments Statistics Division (BOPD) in the Statistics Department. The BOPD is also responsible for compiling the i.i.p. and other statistical statements relating to the external sector (direct investment reports, external debt statements, the template of external reserves and foreign currency liquidity, etc.).

The BOPD itself collects most of the data directly from data providers using surveys, the International Transactions Reporting System (ITRS) and administrative data. Its main inter-agency partners are the Banking Statistics and Analysis Department and the Central Accounting Department, which provide initial data for external sector statistics on the banking and monetary authority sector, as well as the General Economic Statistics Division of the Statistics Department, which is responsible for the availability of foreign trade statistics.

In the BOPD there are ten people directly involved in the collection, control and processing of data as well as in output compilation. According to the nature of the working process, the BOPD is divided into four sections (as shown in the organisational chart of the BOPD):

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- the Survey Systems Group (two people) – responsible for data collection and processing via questionnaires and for creating and updating the enterprise sample;
- the Settlement Systems Group (four people) – dealing with data collection and processing with banking settlements;
- analysts (three people) – two economists are responsible for methodological issues relating to the data collection system design and data management, while an econometrician is responsible for methodological issues relating to statistics and to the modelling of monthly b.o.p. key items; and
- the IT manager – one person.

There is close co-operation between the above-mentioned sections. Final BOPD products are the result of teamwork.

Regular descriptive data analysis is carried out by the BOPD. The Economic Policy Division of the Central Bank Policy Department examines external sector accounts in the context of overall macroeconomic performance.

2.4 External co-operation

For the purposes of b.o.p. statistics, the BoE co-operates with other authorities in Estonia. An important partner is the State Statistical Office (SSO), both as a provider and as a user of data on the external sector. On one hand, foreign trade statistics provided by the SSO are used as the basis for the goods accounts; on the other hand, the b.o.p. is part of the national accounts compiled by the SSO in line with the System of National Accounts of 1993 (SNA 93).

The BoE maintains regular contacts with other institutions: the State Tourism Board, the Customs Board, the Ministry of Finance, the Ministry of Foreign Affairs, the Central

Business Register and the Central Depository for Securities as well as to credit institutions and major companies as the main data providers.

In order to provide adequate travel statistics, a regular border sampling survey has been vital. For this purpose, market research and polling institutes have been involved.

Close and regular co-operation is maintained with other providers of statistics: the Bank of Finland, Bank of Latvia, Bank of Lithuania, National Bank of Russia and Statistics New Zealand (data comparison, joint seminars, etc.).

Besides the International Monetary Fund (IMF), essential collaboration has been established with other European and international organisations such as the European Central Bank (ECB) and Eurostat (the Statistical Office of the European Union).

2.5 Users

The BoE is responsible both for disseminating all related statistics to the public and for informing international organisations.

The main internal users are the Central Bank Policy Department and the Research Department. The SSO uses b.o.p. data for the rest of the world account in the national account statistics. Other important external users are the Estonian Government, government ministries, research institutes and universities, credit institutions, international rating and auditing agencies, the World Bank, the European Bank for Reconstruction and Development (EBRD), etc.

B.o.p. and i.i.p. data, broken down into standard components, are supplied to international organisations such as the IMF and the European Commission (Eurostat).

3 Statistical system

3.1 Type of collection system

The BOPD collects most of the data directly from data providers, using mixed (dual) b.o.p. compilation systems, namely surveys and the ITRS. Data are supplemented with information from various sources and with estimates.

The survey system has been the main source of information for the compilation of the quarterly b.o.p. and i.i.p. since the External Sector Statistics Balance of Payments Division was established in 1992. The BOPD is responsible for all procedures related to the conduct of surveys, for keeping direct contact with respondents and for having input data on an individual company level. The main cornerstones of survey design are the following: to keep surveys close to accounting standards and as simple as possible so as to facilitate and ensure a high rate of response. At present, there are ten different survey forms, which have been specifically designed for enterprises engaged in various economic activities and which are sent to 3,000 respondents every quarter. Statistical sampling techniques are not in use because of the small size of the economy and the lack of statistical regularity. The enterprise sample is currently being updated, with the process based mainly on various other sources of information as mentioned below. The main obstacle to the use of monthly surveys is a high reporting burden and a non-concentrated economy (a large number of "small players", while the "big players" vary from period to period).

The ITRS was introduced in 1994 as a "partly open reporting system" with transaction-by-transaction reporting covering banks' settlements according to the debit and credit turnover of nostro, vostro and non-residents' accounts. Transactions made by companies via an account abroad are not reported. Given the limits of settlement data (no accrual flows, etc.), the ITRS is used mainly as a supplementary data source for the quarterly

b.o.p. Thanks to the speed of the ITRS data collection system, settlements are essential input for estimating and modelling monthly key b.o.p. items.

Other main inter-agency data sources, in addition to the two statistical systems mentioned above, are the internal databases maintained by the Banking Statistics and Analysis Department and the Central Accounting Department which provide initial data relating to external sector statistics on banking and the monetary authority sector.

Important data sources outside the BoE are as follows:

- the SSO – provides monthly external trade statistics;
- the Central Business Register – provides monthly updates on the register of legal entities, their owners and main audited annual economic indicators;
- the Central Depository for Securities – provides access to the official securities register, which comprises of relevant information on portfolio investments;
- other institutions: the State Tourism Board, the Ministry of Finance, the Ministry of Foreign Affairs, the Estonian Authors' Society (EAU), the State Privatisation Agency; and
- the media: press, internet, etc.

Breakdowns by country and currency are only provided by the ITRS and the banking statistics database; the survey system offers a partial country breakdown.

3.2 Reporting agents

- *Monetary authorities:* the BoE's Central Accounting Department provides the BOPD with data on the official reserve assets as well as the other transactions and stocks related to the activity of the central bank. Data are supplied according to the framework jointly developed by the

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BOPD, the Central Accounting Department and the Foreign Exchange Department;

- *Banking Sector*: the BoE's Banking Statistics and Analysis Department supplies the BOPD with data on the credit institutions' external activities through multi-user data warehouses. Banks report data to this Department for statistical and supervisory purposes, taking into account the interest in compiling external sector statistics.

In addition to reporting, credit institutions are responsible for ITRS data collection and reporting to the BOPD on transactions of banks and clients. Banks are obliged to enable resident clients to declare their incoming and outgoing international payments.

A credit institution is defined as a private legal entity that has the right to receive deposits of money or other repayable funds from the general public and to grant credits on its own account. Credit institutions can carry out the following transactions: accept deposits and other repayable funds from the general public, grant loans, conduct credit transactions,

carry out financial leasing, execute payment transfers, issue and administer non-cash means of payment, guarantee transactions, trade in securities both for their own account and for customers' accounts, be involved in organising securities' issues and provide related services as well as advise customers on economic issues, financial mediation activities, depository transactions and other similar transactions. Preparations for adopting the definition of Monetary Financial Institutions (MFIs) are currently in progress.

- *General government sector*: the various ministries and government departments supply information on their external transactions and positions. The most important are the Ministry of Finance, the Ministry of Foreign Affairs, the State Migration Fund, the EAU, the State Privatisation Agency, etc.
- *Other sectors*: besides the ITRS, the type of survey form issued to a company depends on the type of company being surveyed. Currently, nine different survey forms are used:

Table I

Name of the survey	Target group
BOP 2	Manufacturing or non-financial service companies with foreign ownership
BOP 3	Transportation companies without foreign ownership
BOP 4	Transportation companies with foreign ownership
BOP 5	Investment fund managers acting on behalf of investment funds
BOP 6	Manufacturing or non-financial service companies without foreign ownership
BOP 7	Established new companies with foreign ownership
BOP 8	Investment fund managers acting on behalf of legal entities or private individuals
BOP 9	Insurance companies
BOP 10	Other financial intermediaries (excluding insurance companies and credit institutions)

Accounting principles are taken into account when developing all the surveys used. The main information provided by the reporting forms are data on foreign assets and liabilities as well as income statements related to transactions with non-residents. Surveys are carried out quarterly and submitted to the BoE within 20 days after the end of the reference period. The rate of response has been high at around 90%.

3.3 Thresholds

With respect to the b.o.p., a general statistical reporting threshold of EEK 100,000 is currently applied to transactions involving all economic agents (i.e. exemption threshold).

The information is collected through the turnovers of banks' *nostro* and *vostro* accounts and non-residents' accounts in Estonia. In the case of *nostro* and *vostro* accounts the reporting threshold is a declaration threshold which means that all transactions above the threshold must be reported with detail.

The declaration obligation does not cover the domestic transactions between residents and non-residents made via non-residents accounts.

3.4 Availability of data

The b.o.p. and i.i.p. are compiled on a quarterly basis. Data are disseminated, in accordance with the advanced released calendar and the guidelines of the Special Data Dissemination Standard (SDDS) of the IMF, no later than three months after the end of the reference period.

Data are published according to the standard structure (including instruments) of the b.o.p. and i.i.p., as recommended in the BPM5. Not doing so would give rise to the problem of confidentiality. Quarterly data sets for the b.o.p. have been available since 1992; those for the i.i.p. and external debt have been available since 1996.

Geographical breakdowns are available only for trade data and foreign direct investment. Statistics broken down by currency are not published.

Since 1999, monthly key b.o.p. items have been compiled as a pilot project for internal use only.

3.5 Data controls

Control procedures are aimed at obtaining the highest reliability ratio. With the exception of built-in computerised controls (data processing errors, inconsistencies, etc.), systematic quality controls are carried out. Surveys, ITRS items and other information sources (securities register, business register, other statistics, media) enable complementary information to be derived for cross-checks, logical controls and in-depth analyses to pick out possible inaccuracies and inconsistencies in reported initial data as well as checks at an aggregated level.

Quality controls at a lower level start with checks of each individual report (surveys, ITRS items) for completeness and plausibility as well as checks whether surveys and ITRS transactions correspond. Supplementary information for comparison is received from the business register, the securities register and the media. If necessary, the staff contacts the reporting agents in order to clarify any doubtful details. All relevant changes or transactions are confirmed.

Quality controls at an aggregated level includes controls of the general consistency of the whole b.o.p. and i.i.p. as well as consistency checks at a macroeconomic level. Particular attention is paid to the monitoring of errors and omissions.

3.6 Revision policy

- *Regular revisions*: revisions of the provisional quarterly figures for the current year are published together with the provisional data

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for the following quarter. Revised annual data are published together with the provisional data for the first quarter. In this case data can be considered final.

- *Extraordinary revisions*: in some cases, if the need arises, extraordinary revisions are made although data have been considered final. Revisions of a more historical nature may also be made if there is an important methodological change to be incorporated.

A revision policy for the monthly key items is not in place.

3.7 Dissemination

Data are published according to the framework of the IMF's SDDS.

The data are released simultaneously to all interested parties by issuing an appropriate press release, namely "Eesti Pank Newsletter: Estonia's Balance of Payments" and "Eesti Pank Newsletter: International Investment Position and External Debt", which is also posted on the bank's website. Both press releases, which contain expanded analyses and tables, are regularly published in the BoE's Monthly Bulletin. The data template of Foreign Currency Reserves/Foreign Currency Liquidity is available on the BoE's website.

All data, as well as a one-year calendar containing the dates on which press releases are to be issued, are published on the BoE's website (<http://www.ee/epbe/>). The content and location of disseminated external sector statistics is as follows:

Table 2

Balance of Payments	http://www.ee/epbe/en/balance.html
– B.o.p. (long and short versions in EEK and USD)	
– Newsletters (press releases)	
– Analyses (bulletin articles)	
– Current account by year	
– Current account by quarter	
– Foreign direct investment by year	
– Foreign direct investment by quarter	
– Direct investment flows by country	
– Direct investment flows by field of activity	
International Investment Position and External Debt	http://www.ee/epbe/en/rip.html
– I.i.p. (long and short versions in EEK and USD)	
– Newsletters (press releases)	
– Gross external debt	
– Direct investment stock by country	
– Direct investment stocks by field of activity	
Data Template on International Reserves/Foreign Currency Liquidity	http://www.ee/epbe/fca/index.html.en
Advance Release Calendar	http://www.ee/epbe/sdds/cal.html.en

4 Goods

4.1 Specific features of data collection

The main source for data on trade in goods is customs statistics collected by the customs authorities, processed by the SSO and passed on to the BoE on a monthly basis. The special trade method is used.

4.2 Definition

Data on trade in goods are compliant with BPM5 standards. Data are not available on a transactions basis. They are broken down by commodity (up to ten-digit commodity codes) and by country. The imports are broken down by country of consignment (data by country of origin are also available but not published).

Exports and imports are valued on an f.o.b. basis. Imports are adjusted to an f.o.b. basis, using an average adjustment factor of currently 5% of the c.i.f. value. The information for this adjustment is derived from questionnaires drawn up by the BOPD.

4.3 Deviations

There are no deviations from BPM5 standards. Detailed information (by commodity and country) is available from customs' statistics on goods for processing, repairs and leasing.

4.4 Gaps

None.

5 Services

5.1 Specific features of data collection

Coverage of services corresponds to the requirements set out in the BPM5. Data collection for services is part of the general reporting system. There are also some

4.5 Intended harmonisation

None.

4.6 Estimation methods

The estimation method is used for quarterly foreign assistance (data on foreign assistance are available only on an annual basis). After the end of the reporting year, these data are adjusted to obtain the sum total.

The BoE also makes other adjustments to the foreign trade data issued by the SSO to reflect b.o.p. concepts. Information on these transactions is obtained from the questionnaires sent out to transportation companies. Often adjustments are also made for goods purchased abroad (e.g. fuel, lubricants, etc. for transportation vehicles) and for repairs of capital goods. Information on these items is also obtained from the transportation company surveys, and the relevant amounts are added to the SSO import total. In addition, an estimate is made for unidentified imports, which are becoming increasingly less significant. This adjustment is based on information provided by the customs authorities and other sources. At the end of 1997, the BoE concluded an in-depth study of foreign trade data in order to establish any possible under and/or over-declaration of exports and imports. Imports and exports of goods also include foreign assistance and gifts given to and by Estonia in the form of goods.

additional sources in the case of travel and government services. For travel services, the regular sample survey of different groups of visitors is carried out on a regular basis as a joint project of the BoE, the SSO, the State Tourism Board and market researchers.

5.2 Definition

Definitions and concepts used for services are in line with the BPM5.

5.3 Deviations

No major deviations.

5.4 Gaps

None.

5.5 Intended harmonisation

It is intended to improve the quality of statistical data on business travel expenditure.

5.6 Estimation methods

Expenses of visitors in the country of destination are calculated by a simplified model using the border crossing statistics and the sample survey.

6 Income

6.1 Specific features of data collection and definitions

6.1.1 Compensation of employees

Compensation of employees comprises wages, salaries and other benefits earned in less than one year by individuals in economies other than those in which they are resident. Included are border workers who have centres of economic interest in their own economies, irrespective of their length of stay, and earnings of local staff employed by foreign diplomatic missions. Income is recorded on a gross basis, before the deduction of income tax.

The main data sources are enterprise surveys, the ITRS and other administrative statistics.

6.1.2 Income on direct investment

Income on direct investment is income on equity and income on debt related to direct investors or affiliated or associated subsidiaries. The direct investment credit entry represents income earned from direct investment enterprises abroad. The direct investment debit entry represents income earned by non-resident direct investors from their Estonian direct investment enterprises.

Separate data are provided for income on equity and income on debt. Income on equity is further divided into "dividends and distributed branch profit" and "reinvested earnings and undistributed branch profit".

A country breakdown is only available in the area of reinvested earnings on a quarterly basis. The main source of data on reinvested earnings is the quarterly enterprise survey on the direct investment activities performed abroad by residents and in Estonia by non-residents. The offsetting entry for reinvested earnings is recorded under direct investment in the financial account.

Income on inter-company loans is recorded as income on direct investment and is derived from the quarterly enterprise survey on inter-company loans. Until now Estonia has not had income on debt securities between affiliates. If such a need arises, transactions will be recorded as income on direct investment debt and will be reported in the questionnaire. If income is calculated on an accruals basis, the offsetting entry will appear under direct investment and reinvested earnings in the financial account.

6.1.3 Income on portfolio investment

Separate data are provided for income on equity (dividends) and income on debt. In

portfolio investment income, dividends are attributed to the period in which they are declared payable. Interest income is accrued in the period in which it is earned.

A sectoral breakdown by main economic sector is available by instrument, but not by country or by currency.

Coverage of dividends is satisfactory. The main data source is the enterprise survey and the supplementary source is the ITRS. Statistics on income for collective investment institution funds are covered by special questionnaires.

In the case of bonds and notes, as well as money market instruments, income is recorded on an accruals basis and the data are available quarterly. Income on discounted securities is also recorded on an accruals basis. The accrued interest is equal to the difference between the acquisition price and the nominal value of the instrument, which is distributed to the reporting period on a pro rata basis.

6.1.4 Income on other investment

Income on other investment covers interest receipts and payments on all other resident assets and liabilities vis-à-vis non-residents. It

includes households' imputed income from net equity in life insurance reserves and pension funds.

Income on loans, deposits and reserve assets is recorded on an accruals basis. Income on trade credits is covered by enterprise surveys and the ITRS. The data source for income on reserve assets is an income statement from the BoE, which is available on a monthly basis.

6.2 Deviations from agreed definitions

None.

6.3 Gaps

Data availability on income on households' foreign assets is poor.

6.4 Intended harmonisation

The intention is to create assessment methods for households' income credits.

6.5 Estimation methods

Up to now there have been no estimation methods in this field.

7 Current transfers

See Sub-section 8 on the capital account.

8 Capital account

8.1 Specific features of data collection

Data collection is part of the general reporting system (see Sub-section 3.2). Data are mainly covered by the ITRS. Data on funds paid out to emigrants leaving Estonia are also reported by the State Migration Fund. The Ministry of Finance supplies data on public sector transfers.

8.2 Definition

In principle, definition of the capital account is in line with the definitions set out in the BPM5. The distinction between capital and current transfers is made taking into account the transaction code and all other details of payments. Current transfers directly affect the level of disposable income and

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consumption; the capital account covers transfers of fixed assets or debt forgiveness.

8.3 Deviations from agreed definitions

No deviations.

9 Direct investment

9.1 Specific features of data collection

Direct investment is understood as any investment undertaken by a resident of one economy in a resident enterprise of another economy, with the objective of obtaining or sustaining a lasting interest in the enterprise and exercising a significant degree of influence in its management. A direct investment relationship is deemed to exist between two enterprises or individuals and enterprises as well as international organisations and enterprises when one has an equity interest of at least 10% in the other. All transactions between direct investors and enterprises and among affiliated enterprises are recorded as direct investment flows. In the case of banks and other financial intermediaries in a direct investment relationship, only equity transactions and permanent debt are included under direct investment. Reverse equity investment is not allowed in Estonia.

A distinction is made between equity capital, reinvested earnings, other capital and financial derivatives. The directional principle has been implemented for all transactions involving direct investment.

The collection of direct investment data is part of the general reporting system. Information on direct investment is obtained from the following sources:

- the Estonian Business Register provides data on the registered owner's equity

8.4 Gaps

Capital transfers are considered insignificant. Data on capital transfers are covered to the extent reflected in the current reporting system.

8.5 Intended harmonisation

None.

- holdings in established companies as well as changes in registered ownership;
- the Estonian Privatisation Agency supplies information on non-resident participation in the privatisation of state-owned enterprises;
 - the BoE enterprise survey provides data on direct investment stocks and flows to operating enterprises;
 - the BoE Banking Statistics and Analysis Department supplies statistics on foreign direct investment by commercial banks; and
 - the Central Depository for Securities provides data on transactions and stocks of listed or registered companies.

The sectoral breakdown is geared to the resident economic sector, i.e. the investing sector for outward flows and the receiving sector for inward flows. All direct investment flows are broken down by the following instruments:

- equity capital;
- acquisition or disposal of real estate;
- reinvested earnings;
- trade credit;
- short-term and long-term loan capital; and
- other capital.

9.2 Definition

Estonia complies with the recommendations for direct investment items set out in the BPM5. The 10% rule is applied as well as the directional

principle. Inter-company loans are included under direct investment. Special-purpose entities are not significant in Estonia, and such transactions are not treated differently. Reinvested earnings are recorded in both the income account and the financial account.

Investment transactions are recorded when the transactions are entered in a transactor's books and a change of ownership has taken place. The debtor/creditor principle is used to govern the geographical allocation of investment.

9.3 Deviations from agreed definitions

None.

10 Portfolio investment

10.1 Specific features of data collection

The collection of portfolio investment data is part of the general reporting system. Additional information on listed companies is obtained from the Central Depository. Information on banking sector transactions is obtained from banking statistics data. Data on portfolio investment transactions are collected on an aggregated basis. There is no universal securities database available at the national level.

Portfolio investment can be broken down by type of instrument, into equity securities, bonds and money market instruments. No additional breakdowns are available, except for the banking sector.

10.2 Definition

Definitions for portfolio investment transactions are in line with the BPM5. Financial derivatives are excluded from portfolio investment and are treated as an independent category in the financial account. Transactions under repurchase agreements and related operations are not included under portfolio investment. Service charges, fees

9.4 Gaps

None.

9.5 Intended harmonisation

None.

9.6 Estimation methods

No estimation methods are used in the field of direct investment.

and commissions are excluded from the underlying financial instrument and are recorded as services. The debtor/creditor principle is used for portfolio investment transactions as the data are mainly obtained from surveys.

10.3 Deviations from agreed definitions

In some cases, when the market price is not available, the balance sheet value is used for portfolio investment assets. As the transactions are generally recorded as a change between an opening and closing position, it is sometimes difficult to eliminate the valuation changes from banking statistics data.

10.4 Gaps

No country breakdown for portfolio investment is currently available.

10.5 Intended harmonisation

It is intended to make country breakdowns for portfolio investment available in the near

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future. Banking sector data are also being improved.

11 Financial derivatives

11.1 Specific features of data collection

The collection of data on financial derivatives is part of the general reporting system. Information on banking sector transactions is obtained from banking statistics data. In general, data are available on a gross basis. In the banking statistics data forwards, futures, swaps and options are identified separately. In the enterprise surveys the data are highly aggregated and the types of instruments are not identified. All transactions involving financial derivatives are recorded in the financial account. There is no breakdown by instrument or by country.

11.2 Definitions

Definitions for financial derivative transactions are in line with the BPM5. Financial derivatives are recorded as a separate category in the financial account.

11.3 Deviations from agreed definitions

Interest payments related to financial derivatives are recorded under income in the current account.

12 Other investment

12.1 Specific features of data collection

The collection of other investment data is part of the general reporting system. For the banking sector, the balance sheet data from money and banking statistics are used. B.o.p. data are derived from changes between banks' opening and closing balances. Valuation changes are

10.6 Estimation methods

No estimations are used in the area of portfolio investment on a quarterly basis.

11.4 Gaps

As the data on financial derivatives received from surveys are in a highly aggregated form, the quality is difficult to assess.

11.5 Intended harmonisation

Improving the data on financial derivatives is an important issue. It is planned to make greater use of the ITRS to identify transactions involving financial derivatives, especially where the banking sector is concerned. Furthermore, some improvements in banking statistics are already being made, such as indicating the market value of the instruments and implementing the country breakdown. Changes in survey forms are also being considered in order to obtain a better quality of data.

11.6 Estimation methods

None.

excluded whenever possible. Trade credits are collected through enterprise surveys and are recorded at the time the goods are bought or sold or the service is provided. Advance payments are recorded as they are made. Transactions involving the household sector are covered by the ITRS.

Breakdowns of other investment are in line with the BPM5. No additional breakdown is available.

12.2 Definition

Definitions of other investment transactions implemented by the BoE are in line with the BPM5.

12.3 Deviations from agreed definitions

No country breakdown is available at the moment.

13 Reserve assets

13.1 Specific features of data collection

Data collection on reserve assets is part of the general reporting system. The source of the data is the BoE's Central Accounting Department. Reserve assets are calculated monthly on a gross basis, taking into account realised and unrealised changes in stocks.

13.2 Definition

Definitions of reserve assets are in line with the BPM5. Under the conditions of the Currency Board Arrangement, the BoE is the only institution to hold official international reserves in Estonia. Reserve assets refer only to highly liquid, marketable and creditworthy

12.4 Gaps

Information regarding trade credits of the government sector is currently not available.

12.5 Intended harmonisation

It is also intended to make a country breakdown available for other investment.

12.6 Estimation methods

Some estimations, based on exports and imports, are made for the trade credits of enterprises not covered by the survey system.

foreign currency-denominated claims (consisting of foreign exchange, deposits and securities) on non-residents.

13.3 Deviations from agreed definitions

None.

13.4 Gaps

None.

13.5 Intended harmonisation

None.

14 International investment position

14.1 Specific features of data collection and definitions

14.1.1 General

Estonian i.i.p. is a statistical statement summarising the stocks of Estonia's external

assets and liabilities at the end of each quarter. Data are compiled according to the IMF guidelines set out in the BPM5. The data include the following categories:

– direct investment: equity capital, reinvested earnings, other capital;

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- portfolio investment: equity securities, bonds and notes, money market instruments;
- financial derivatives;
- other investments: trade credits, loans, foreign exchange and deposits, other items; and
- reserve assets.

Data collection for the i.i.p. is part of the general reporting system, based mostly on surveys. Real stocks are used for its compilation. I.i.p. data are published on a quarterly basis. The data are available no later than the last working day of the quarter following the end of the reference quarter. Reconciliation exercises between i.i.p. stocks and b.o.p. flows are carried out regularly; adjustments relating to changes in exchange rates, prices and other factors are generally taken into account. There has been no intention to harmonise historical data on the basis of a reconciliation of b.o.p. flows and i.i.p. stocks because it is impossible to update stock data retroactively if flow data are revised.

14.1.2 Direct investment

The definition of direct investment in Estonia's b.o.p. corresponds with that of the BPM5. From the beginning of 2000, the benchmark for direct investment has been 10% of total equity capital, instead of 20% as previously used. Stock data and transactions are recorded at market prices and on an accruals basis. For listed or registered companies, the information obtained from surveys is supplemented with data from the Central Depository for Securities.

Direct investment is broken down into equity capital, reinvested earnings and other capital. A country breakdown is also available for direct investment positions.

Stocks are given at market value if listed on the stock exchange.

14.1.3 Portfolio investment

The major items of data on stocks of portfolio investments are obtained both from questionnaires designed especially for enterprises, investment funds and other financial intermediaries and from the Central Depository for Securities. The BoE's Banking Statistics and Analysis Department provides information on portfolio investment related to Estonian commercial banks. For listed or registered companies and securities, the information obtained from surveys is supplemented with data from the Central Depository for Securities.

The definition of portfolio investment in Estonia's b.o.p. corresponds with that of the BPM5. Stock data and transactions are recorded in market prices and on an accruals basis. Portfolio investments are broken down into equity securities, bonds and banknotes and money market instruments. No additional breakdown is available at the moment. The market value is used if the instrument is listed.

14.1.4 Financial derivatives

The collection of data on financial derivatives is part of the general reporting system. Information on the banking sector is obtained from banking statistics data. Definitions and concepts for financial derivatives are in line with the BPM5. Financial derivatives are recorded as a separate category in the i.i.p.

14.1.5 Other investment

The main sources of data are the Ministry of Finance, the BoE's Central Accounting Department and Banking Statistics and Analysis Department, and the enterprise survey. Data are controlled by the information published by enterprises in their press releases and annual reports.

The definition of other investment in Estonia's b.o.p. is in line with that of the BPM5. Other

investment is classified as trade credits, loans, currency and deposits and other items.

14.1.6 Reserve assets

Data collection on reserve assets is part of the general reporting system. The source of the data is the BoE's Central Accounting Department. Reserve assets are calculated monthly on a gross basis. Foreign currency assets and gold, included in reserves, are revalued monthly at the market price valid on the last business day of each month.

Definitions for reserve assets are in line with the BPM5. Under the conditions of the Currency Board Arrangement, the BoE is the only institution to hold official international reserves in Estonia. Reserve assets only refer to highly liquid, marketable and creditworthy foreign currency-denominated claims (consisting of foreign exchange, deposits and securities) on non-residents.

15 Contacts

This country information was drafted by Estonia in agreement with the ECB's Balance of Payments and External Reserves Division. Enquiries of a general nature should be addressed to the Press Division of the ECB. Enquiries specific to Estonia should be addressed to:

14.2 Deviations from agreed definitions

None.

14.3 Gaps

None.

14.4 Intended harmonisation

None.

14.5 Estimation methods

Some estimations are made for the trade credit of enterprises not covered by the survey system and also for accounts held abroad.

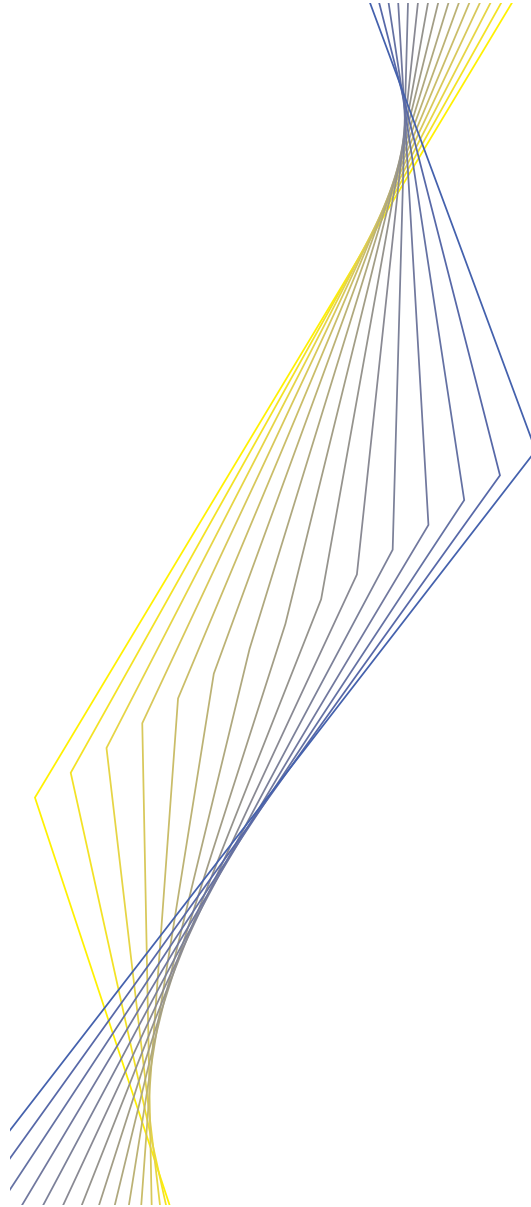
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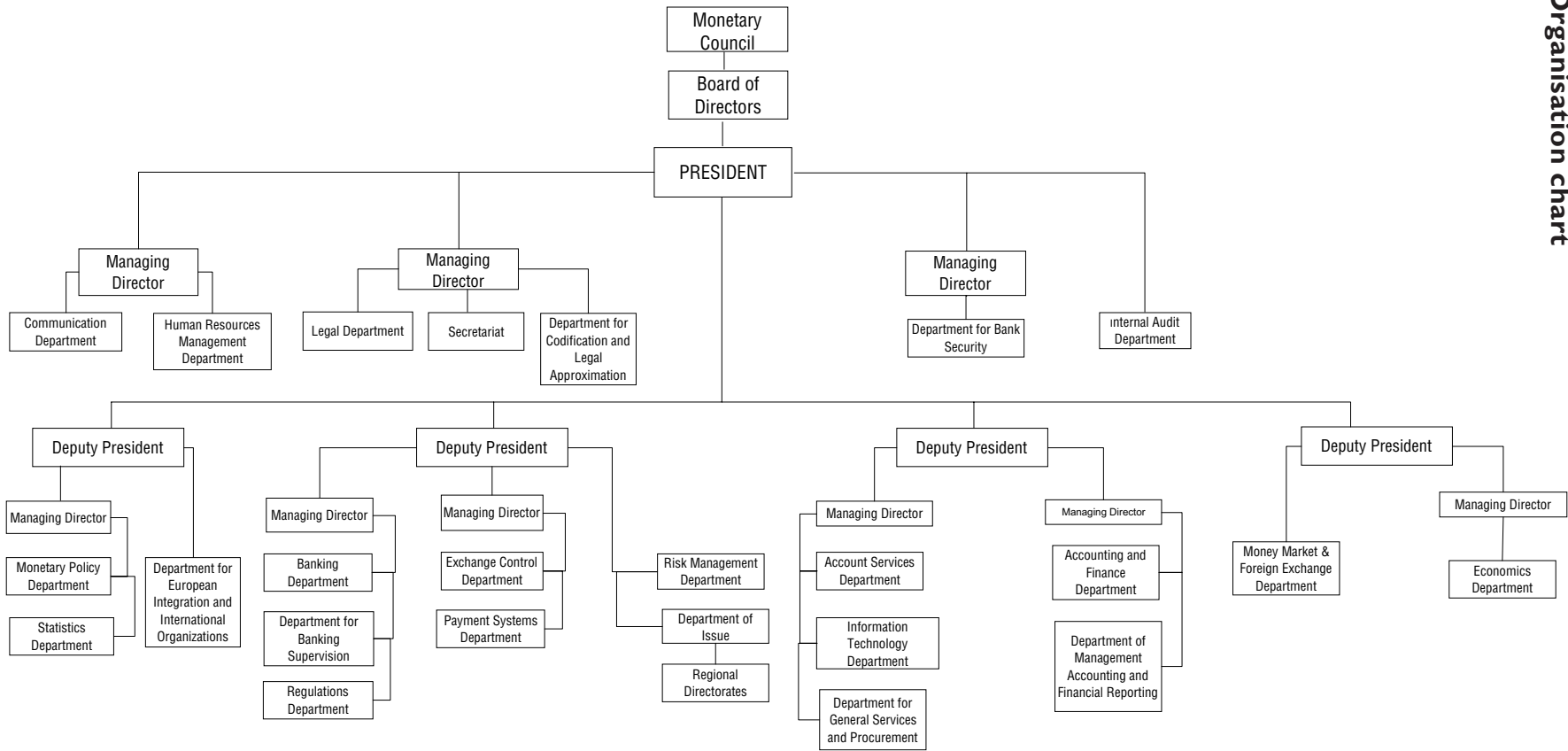
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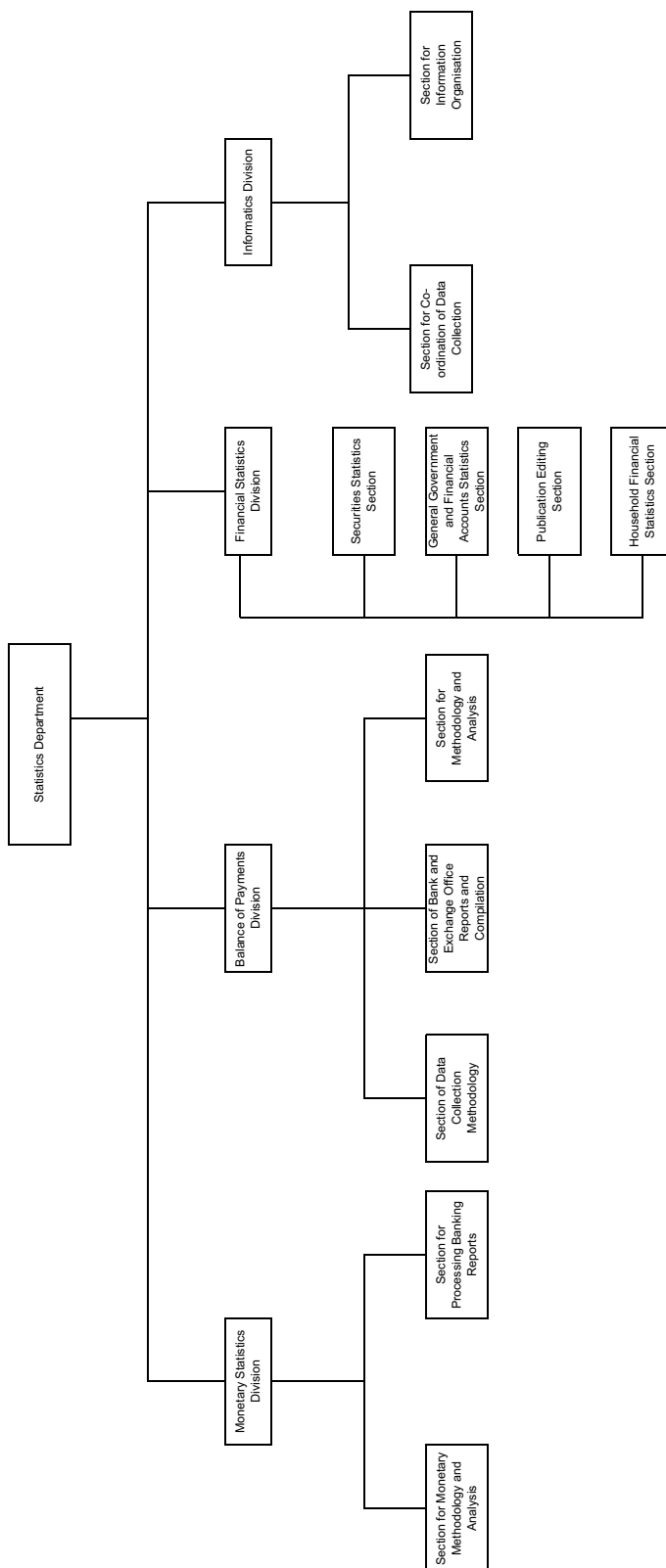
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I Organisation chart

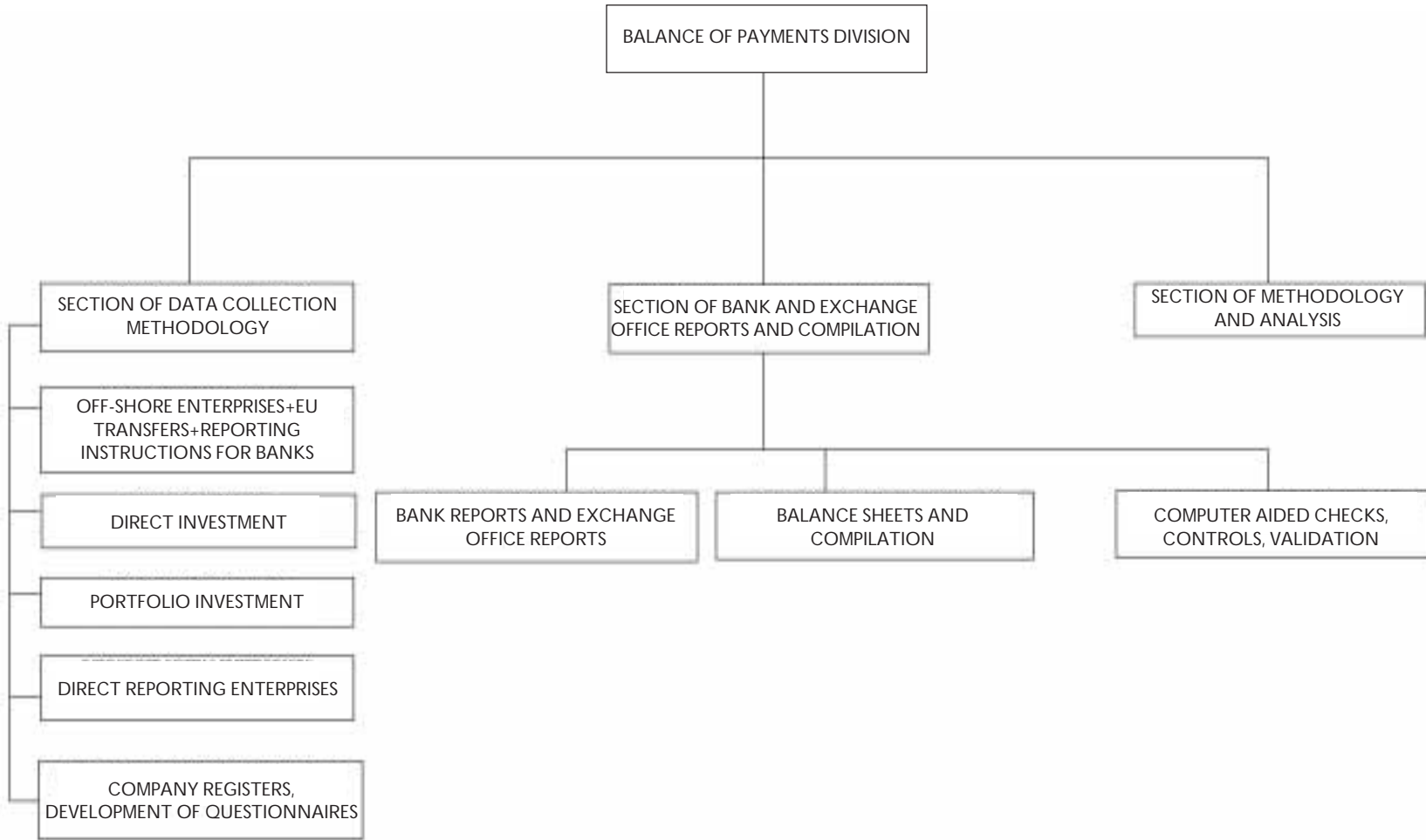
**Organisation chart of the National Bank of Hungary
November 1, 2001**



**Organisation chart of the Statistics Department of the National Bank of Hungary
November 1, 2001**



Organisation chart of the Balance of Payments Division



2 Institutional aspects

2.1 Introduction

In Hungary, the central bank is responsible for the compilation and official publication of balance of payments (b.o.p.) statistics and the international investment position (i.i.p.). Data collection is based on the International Transaction Reporting System (ITRS) combined with statistical surveys. A major restructuring of the compilation system took place in the mid-1990s in order to meet the international methodological standards set out in the 5th edition of the IMF Balance of Payments Manual (BPM5), the data needs of economic policy formulation, the business community, academic circles and other users, as well as the reporting requirements set by international organisations, such as Eurostat, the International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD). The main stages of this process were the setting-up of the Statistics Department within *Magyar Nemzeti Bank*, the National Bank of Hungary (NBH), as an independent organisational unit in 1994 and the launch of a new mainframe computerised system in 1997, forming the core of a five-year b.o.p. project designed to integrate the functions of the statistical process (data collection and processing with b.o.p. compilation and dissemination).

The following sections reflect the status of the compilation of b.o.p. and i.i.p. statistics in Hungary as at end-October 2001.

2.2 Legislative provisions

The general legal background of b.o.p. and i.i.p. compilation consists of the Act on the National Bank of Hungary (Act LVIII of 2001), the Act on Foreign Exchange (Act XCV of 1995) (amended in mid-June 2001 by the Government Decree 88/2001 (VI. 15.) on the execution of this Act, which resulted in full foreign exchange liberalisation), the Act on Statistics (Act XLVI of 1993) and related government decrees and orders of the President of the NBH.

The reporting obligations of credit institutions, exchange offices and security custodians are specified in orders by the President of the NBH. The reporting obligation on accounts held at non-resident banks, on direct corporate loans, on foreign direct investment (FDI) of residents abroad and on FDI of non-residents in Hungary is prescribed in the annually revised Government Decree on the National Statistical Data Collection Programme.

In the case of non-compliance with compulsory reporting requirements, legal sanctions are imposed on reporting agents.

2.3 Internal organisation

The Balance of Payments (BOP) Division of the Statistics Department has 29 staff, 19 of whom are professionals (holding university degrees or high-school diplomas) and 10 are support staff (with less advanced qualifications). As a result of computerisation, the ratio of professional to support staff has improved in recent years. Seven of the 19 professional staff have attended b.o.p. training courses offered by the IMF. Three staff members hold doctorates (two of which are in economics and one – in addition to the university degree in economics – is in law) and one staff member takes part in a PhD programme in economics. Members of the division are regularly invited to give lectures at different universities on topics such as the national accounts, the b.o.p. and the i.i.p.

There are three sections within the division (see annexed Chart 3): (i) the Data Collection Methodology Section; (ii) the Bank and Exchange Office Reports and Compilation Section; and (iii) the Methodology and Analysis Section.

- (i) *The Data Collection Methodology Section* receives and compiles data from directly reporting enterprises on: (a) their cross-border accounts at non-resident banks and

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transactions affecting these accounts; (b) direct borrowing and lending; and (c) inward and outward direct investment. In addition, this section is responsible for updating the guide for bank reports, which contains a detailed description of data needs, statistical tables that banks are required to report and instructions for each reportable data entry. The section has eight staff members (seven professionals and one support staff).

- (ii) The main *activity* of the *Bank and Exchange Office Reports and Compilation Section* involves receiving and processing bank and exchange office reports. This section is responsible for the compilation of data from different sources within an integrated statistical framework for the preparation of monthly b.o.p. and i.i.p. statistics for publication. There are built-in computerised logical and formal tests in both sections' data processing. This section has 14 staff members (six professionals and eight support staff).
- (iii) The *Methodology and Analysis Section* is composed of five staff members all with university degrees. It is responsible for methodological issues covering statistical and analytical (e.g. seasonal adjustment) fields of interest. B.o.p. statistical press releases and the related parts of the NBH's Monthly Report are also drafted by this section. Statistical time series analysis to check the feasibility of data is applied on a regular basis and integrated into the compilation process. The Economics Department carries out economic analysis and prepares projections for external accounts. It is mainly the staff of this section that maintain contacts with the different users of BOP Division statistics.

For administrative duties, one staff member directly supports the Head of Division.

2.4 External co-operation

The Act on Statistics (XLVI/1993) designates the NBH as a body of the official statistical service, thereby providing the legal basis for inter-agency co-ordination. The NBH has the overall responsibility for the compilation and publication of b.o.p. and i.i.p. statistics. At an operational level, all the source data are received and compiled by the NBH, based on the reporting of (i) credit institutions, (ii) other financial and non-financial enterprises and (iii) the Hungarian State Treasury (MÁK).

The NBH has undertaken joint initiatives with the Hungarian Central Statistical Office (HCSO). In 1999, they launched annual and quarterly surveys on inward and outward direct investment and they are also co-operating to establish a new data collection system for international trade in services (paying special attention within this area to the travel item).

With regard to international relations, the NBH's Statistics Department is represented at meetings of Eurostat's Balance of Payments Working Party, and the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB), as well as those of the OECD's Working Party on Financial Statistics and of the Joint OECD-Eurostat "Trade-in-services statistics" experts. NBH staff participate regularly in ad hoc international statistical meetings and seminars, including those organised by the IMF and the European Central Bank (ECB). Hungary is a subscriber to the IMF's Special Data Dissemination Standard (SDDS).

Between 1995 and 1998, the BOP Division received bilateral technical assistance from the Finnish, Austrian and Belgian central banks in its main fields of interests concerning the data collection system and the compilation process.

2.5 Users

The NBH disseminates b.o.p. and i.i.p. statistics through its website (www.mnb.hu) and updates them on a monthly basis. International investors, government bodies, academic circles and the general public are among the users of the BOP Division's statistics. In addition, this division reports

directly to international organisations such as Eurostat, the IMF, the OECD, the World Bank and the Bank for International Settlements (BIS). Other departments within the NBH (e.g. the Economics Department, the Monetary Policy Department, etc.) use BOP Division data, notably in macroeconomic analysis and monetary policy formulation.

3 Statistical system

3.1 Type of collection system

The primary data sources for Hungary's b.o.p. statistics are the monthly reports of (i) the NBH, (ii) credit institutions, (iii) enterprises on their direct borrowing from/lending to non-residents, (iv) enterprises on their stocks of overall assets and liabilities vis-à-vis non-residents held outside the resident banking sector and on accumulated transactions and other changes affecting these positions, (v) exchange offices on their accumulated turnover and cash holdings and (vi) the MÁK on the government sector's foreign currency-denominated liabilities (vis-à-vis non-residents).

Since 1998, credit institutions have separately reported all settlement transactions above a simplification threshold, set at USD 100,000 in 1998 and lowered to USD 50,000 in 1999. Below this threshold, credit institutions report all their own and their clients' transactions affecting their claims and liabilities vis-à-vis non-residents in aggregated form, broken down by currency, country and b.o.p. transaction type (under a closed system).

Since 2000, enterprises have been reporting their direct borrowing/lending activities for loans of USD 500,000 or more from/to non-residents on a monthly basis; annual reporting is required for loans below this threshold. (Before 2000, each loan transaction and position had to be reported on a monthly basis regardless of any threshold.) Enterprises also report on a monthly basis their stock of overall assets and liabilities held outside the resident banking sector vis-à-vis non-residents, as well

as their accumulated transactions and other changes affecting these positions.

The NBH, together with the HCSO, launched a joint set of four questionnaires in 1999, aimed at the statistical monitoring of the corporate sector's direct investment transactions and positions. The quarterly questionnaires for transactions are used mainly to check the settlement data from the banking sector, to obtain more detailed figures for transactions (geographic and economic activity breakdowns) and to supplement settlement data with non-cash transactions (for the time being, however, contributions in kind are excluded from the b.o.p.). These quarterly questionnaires enable the NBH to compile a breakdown by country and economic activity of equity capital investments for the period under review. The annual questionnaires are designed to obtain information on reinvested earnings and stock data. The first annual FDI survey was completed at the beginning of 2001. The results should be carefully analysed and checked against other available sources (i.e. tax records) and some pending methodological issues should be settled before the data are published.

As a supplementary source, reports by security traders and the Central Clearing House and Depository (Budapest) Ltd. (KELER) are also used for compilation purposes.

3.2 Reporting agents

- (i) The NBH provides data on reserve assets, other claims and liabilities vis-à-vis non-

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residents and all its own transactions affecting its claims and liabilities vis-à-vis non-residents in aggregated form, broken down by currency, country and b.o.p. transaction type (under a closed system). In addition, the NBH's report covers government transactions with non residents, which are channelled through the NBH.

- (ii) The *other monetary institutions sector* is composed of commercial banks, special credit institutions, co-operative credit institutions and building societies. They submit monthly reports on their assets and liabilities vis-à-vis non-residents and on all their own and their clients' transactions affecting their claims and liabilities vis-à-vis non-residents in aggregated form, broken down by currency, country and b.o.p. transaction type (under a closed system). Above a simplification threshold of USD 50,000, each transaction is reported separately (transaction-by-transaction reporting). All credit institutions conducting foreign exchange transactions or holding accounts in HUF for non-residents are obliged to meet the reporting requirements.
- (iii) The *general government sector comprises* the central and local governments, extra-budgetary funds and social security funds. The State Holding and Privatisation Company (ÁPV Rt.) also belongs to this sector. The sector's b.o.p. transactions are reported either indirectly by the NBH or directly by the MÁK for the transactions managed by institutions other than the NBH.
- (iv) *Other sectors* include non-financial corporations (corporations subject to the Act on Corporate Tax, except those with financial intermediation as their principal economic activity), other financial corporations (GIRO Ltd., KELER, insurance corporations and pension funds, and other financial intermediaries and auxiliaries), households and non-profit institutions serving households. Enterprises holding accounts at non-resident banks fill out a

structured b.o.p. and i.i.p. questionnaire, which is used for compilation of the monthly statistics. They submit the data in aggregated form, broken down by currency. Below a threshold of HUF 200 million of total annual current account (either credit or debit) transactions, details of current account transactions other than total credits and debits are not reported. For certain financial account items, the following supplementary sources are used: reports by enterprises directly borrowing from/lending to non-residents (other investment), reports by FDI companies and resident direct investors (direct investment), and reports by security traders and KELER (equity capital, equity securities, HUF-denominated government bonds).

3.3 Thresholds

Since 1998, credit institutions have separately reported all settlement transactions above a simplification threshold, set at USD 100,000 in 1998 and lowered to USD 50,000 in 1999. Below this threshold, credit institutions report all their own and their clients' transactions affecting their claims and liabilities vis-à-vis non-residents in aggregated form, broken down by currency, country and b.o.p. transaction type.

In 2000, enterprises started reporting their direct borrowing/lending activities for loans of USD 500,000 or more from/to non-residents on a monthly basis; annual reporting is required for loans below this threshold. (Before 2000, each loan transaction and position had to be reported on a monthly basis, regardless of any threshold.)

Enterprises holding accounts at non-resident banks submit their reports in an aggregated b.o.p.-structured form, broken down by currency. Below a threshold of HUF 200 million of total annual current account (either credit or debit) transactions, details of current account transactions other than total credits and debits are not reported.

3.4 Availability of data

Data category	Frequency	Timeliness	Comments
B.o.p.	Monthly	7 weeks	Standard BPM5 components, in HUF and EUR; preliminary data on the current account and selected components of the financial account are published no later than 35 days after the end of the reference month; data are available but not published by currency; a geographic breakdown is available, but not published regularly, except for FDI equity flows; upon request, both the currency and country breakdowns may be obtained.
I.i.p.	Monthly	7 weeks	Standard BPM5 components, in HUF and EUR; currency composition is available.
International reserves	Monthly	1 week	Standard BPM5 components and IMF Data Template on International Reserves and Foreign Currency Liquidity; the currency composition is available, but is highly confidential and restricted to authorised persons only.

3.5 Data controls

The b.o.p. project launched in 1997 sought to improve data management procedures through the development of computerised edit checks to identify coding and other errors in source data and to minimise processing errors in editing and coding. Formal computerised checks of individual reports are built into the compilation process.

The reporting formats, where feasible, allow for the verification of classification. Internal data processing checks are built into the ITRS to minimise classification errors. All the consistency requirements within one report and between different reports of a single reporting entity are clearly identified in the instructions attached to each reporting form. High-value transactions are routinely checked with respondents.

If possible, there are formal cross-checks between different reports of different reporting agents. For example: (i) a credit institution's report on a cross-border transfer between its customer's domestic and non-resident accounts is checked against the customer's report on its bank account held outside the resident banking sector; (ii) monthly reports of security traders, KELER and other custodians are also used for b.o.p. validation purposes: the changes in monthly closing-day positions for each security are used to check the credit institutions' transaction reports, (in the b.o.p., liabilities in equity and HUF denominated government and central bank securities are computed according to the monthly changes in security holdings); (iii) results of the quarterly FDI enterprise surveys are used to control settlement data from the banking sector and to obtain a detailed classification of transactions (e.g. geographic and economic activity breakdowns); (iv) loan

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transactions reported directly by enterprises are checked against the relevant transactions reported by the credit institutions; and (v) foreign currency cash transactions reported by exchange offices are checked against the data reported by banks.

Plausibility checks are also carried out on both individual reports and aggregate levels. At both these levels, time series analysis is an essential tool for this purpose. Consistency checks with other statistics are also carried out at an aggregate level. Should there be any inconsistency at this level, there is a feedback to the individual report level and the reporting entity is asked to clarify the reason for the inconsistency.

Staff closely monitor the scale of errors and omissions and seek to minimise them by carrying out cross-checks between current, capital and financial accounts. The behaviour of the b.o.p. statistical time series is routinely assessed against related series, e.g. financial flow data are validated with the corresponding stock of external debt data, and reported data on investment income are assessed in relation to the corresponding stock in the i.i.p. statistics. Information reported in the financial press is used to verify high-value FDI and other transactions.

3.6 Revision policy

Preliminary monthly data are available with a lag of 35 days, and final data are disseminated 15 days later or within seven weeks of the end of the reference month. For the time being, these monthly statistics are generally considered to be the final data.

A regular annual revision of late-reported direct borrowing and lending of enterprises has been announced. Up to the end of 1999, the statistical treatment of loan transactions reported late by enterprises depended on whether the transaction took place in the same calendar year or even before. In the former case, the transaction reported late was recorded in the financial account of the

month of the report. In the latter case, other volume changes in the i.i.p., but no financial account transaction, were recorded for this item. At the end of 1999, the time series for these late-reported transactions according to the original (or, failing this, the estimated) timing were revised retrospectively, back to 1996. From 2000, this correction has become regular, revising the flow and stock data at year-end, retrospectively. This revision normally affects only the monthly pattern of companies' other investment flows and stocks, but sometimes – in cases of misclassification due to misreporting – it might lead to the revision of other b.o.p. items as well. Apart from this revision, monthly statistics published within seven weeks of the end of reference period might normally be considered as final data.

In the event of any ad hoc revisions to final data (mainly as a result of changes in methodology), the changed status is notified in the monthly press release, and the actual time series and the methodological notes are posted on the NBH's website. The changed status is also clearly identified in the following issue of the Monthly Report of the NBH.

3.7 Dissemination

An advance release calendar giving the precise release dates for the next 12 months is disseminated through the NBH's website and published in the Monthly Report of the NBH. The calendar is updated twice a year, in June and December.

Statistics are released simultaneously to all interested parties via the press releases "Hungary's preliminary balance of payments" and "Hungary's final balance of payments" in Hungarian and English; detailed tables are posted at the same time on the NBH's website, and the components prescribed in the SDDS are disseminated on Hungary's National Summary Data page on the day of release. Unpublished, non-confidential, sub-aggregated data are made available upon request.

Detailed documentation on the concepts, scope, classifications, basis of recording, data sources and deviations from internationally accepted standards are disseminated, in Hungarian and English, through the NBH's website. Publications such as the IMF's Balance of Payments Statistics Yearbook and the HCSO's Annual Statistical Yearbook also

contain metadata identifying deviations from internationally accepted standards.

Detailed information on all components of the b.o.p. (current, capital and financial accounts) is available on the NBH's website in time series format and is published in the Monthly Report of the NBH (English and Hungarian versions).

4 Goods

4.1 Specific features of data collection

Goods are at invoice value and are recorded when settlement transactions appear in the reporting system of credit institutions or enterprises.

4.2 Definition

There is no adjustment of the invoice value for f.o.b. parity on either the credit or the debit side. In the current account, there is no breakdown of goods by category. Geographic and currency breakdowns of goods are available.

4.3 Deviations

Financial leasing is recorded according to the lease payments instead of the imputed market value of the given goods. As a consequence, no credit linked to the lease arrangement or income on such is recorded in the b.o.p.

Goods for processing and repairs on goods are not included in the goods category in accordance with the BPM5. Transactions for these items are recorded on a value-added basis under services.

4.4 Gaps

Data derived from the ITRS are based on the recording of transactions at the time of settlement instead of at the time of change in ownership. In general, transactions in goods that have no payment counterpart are excluded. However, in the event that any information (not necessarily an actual payment) on a timing inconsistency between change of ownership and settlement emerges in the reporting system (e.g. from a letter of credit (L/C) or a direct enterprise report), a timing adjustment is made to the figures by, for example, recording a trade credit as an offsetting item.

4.5 Intended harmonisation

The intention is to have b.o.p. statistics compiled on an accruals basis. With regard to goods, this would mean incorporating foreign trade data (customs statistics) into b.o.p. statistics. The types of issues to be resolved are mainly technical, e.g. the harmonisation of release dates for customs data and b.o.p. statistics, c.i.f./f.o.b. coefficients by country, commodity group and mode of transport, and incorporation of revisions anticipated at the time of first release into the first release of the customs data.

4.6 Estimation methods

None.

5 Services

5.1 Specific features of data collection

Services are recorded when the settlement transactions appear in the reporting system of credit institutions or enterprises. In addition, monthly reports by exchange offices are also used for the compilation of the travel item.

5.2 Definition

Seven separate sub-items are published under the services heading:

- (i) construction services (including repair and construction services);
- (ii) merchanting services (merchanting and other trade-related services, goods for processing (at value added));
- (iii) transportation services;
- (iv) travel (business and personal travel);
- (v) business services (insurance services, financial intermediary and auxiliary services);
- (vi) technical and cultural services (communication services, computer and information services, royalties and licence fees, rental fees, audio-visual and related services, miscellaneous business, professional and technical services (legal services, PR services, translation and interpretation services, security services, etc.), cultural and recreational services); and
- (vii) government services.

Rental fees for real estate paid by legal person tenants are recorded as technical and cultural

services, while such fees paid by natural person tenants are recorded as travel.

Rental fees paid by resident tenants to non-resident owners of real estate in Hungary and the rental fees paid by non-resident tenants to resident owners of real estate abroad are recorded under direct investment income.

5.3 Deviations

Goods for processing and repairs on goods are recorded under services at net value (value added).

5.4 Gaps

Transactions in services that either have no payment counterpart or are not reported are excluded.

5.5 Intended harmonisation

A joint project has been launched by the NBH and HCSO with the aim of establishing a new data collection system in the field of trade in services, with special attention to travel, in order to meet the methodological standards of the national accounts and the b.o.p.

5.6 Estimation methods

The balance of cash transactions affecting households' foreign exchange accounts held at resident banks is used as a proxy to capture cross-border cash transactions without banking intermediation and is therefore included as a credit in the travel item.

6 Income

6.1 Specific features of data collection and definitions

Part of the general reporting system. It is recorded on a cash rather than an accruals basis. As a result, direct investment income in the form of reinvested earnings is excluded from the b.o.p.

Since 1999, in line with the 1997 change in b.o.p. methodology, interest payments related to interest rate swaps and currency swaps have been recorded as financial derivatives in the financial account, instead of as income in the current account.

A sector, currency and country breakdown is available for each type of investment income. Income on international reserves is reported by the NBH and recorded under the underlying type of instrument.

6.1.1 Compensation of employees

Part of the general reporting system. No special source of information is used.

6.1.2 Income on direct investment

Part of the general reporting system. No special source of information is used. In line with the BPM5, any participation greater than or equal to 10% in a corporation's equity capital is classified as a direct investment. Contributions in kind and reinvested earnings are excluded from the b.o.p.

Since 1996, direct investment includes not only equity investment, but also other non-equity capital transactions (such as inter-company loans). There is a single item for each type of recorded direct investment income (i.e. income on equity and income on inter-company loans). Reporting agents use separate transaction codes for each income category.

6.1.3 Income on portfolio investment

Part of the general reporting system. No special source of information is used. Each recorded income transaction has a specific code in the bank reports and a separate heading in the direct company reports. Income on equity, income on bonds and notes and income on money market instruments are recorded separately. Since 1999, in line with the change in b.o.p. methodology, interest payments related to interest rate swaps and currency swaps have been recorded as financial derivatives in the financial account, instead of as income in the current account. Income actually paid is taken into account instead of accrued interest.

6.1.4 Income on other investment

Income on other investment is captured by the general reporting system and is supplemented by the direct enterprise reports on direct borrowing from/lending to non-residents. Each recorded income transaction has a specific code in the bank reports and a separate heading in the direct company reports. Income on short-term and long-term other investment is broken down by type of instrument (e.g. deposits, loans, etc.). Income actually paid is taken into account instead of accrued interest.

6.2 Deviations from agreed definitions

Income is recorded on a cash basis. No account is taken of accruals.

6.3 Gaps

Contributions in kind and reinvested earnings are excluded from the b.o.p.

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6.4 Intended harmonisation

The annual questionnaires (see Sub-section 3.1, paragraph 4) are designed to obtain information on reinvested earnings.

Accrual accounting for portfolio and other investment income is intended to be introduced from 2002.

6.5 Estimation methods

None.

7 Current transfers

Data for current transfers are compiled on the basis of the general reporting system outlined in the previous sections. As a supplementary source, MÁK reports cash transfers received on a monthly basis.

Transactions without banking mediation and not directly reported by enterprises are excluded.

In principle, the definition of current transfers is in line with the BPM5. The use of different transaction codes in the bank reports and a separate line in the direct enterprise reports enables a distinction to be made between current and capital transfers.

Since a significant amount of transfers are received from European Union (EU) institutions, the use of the Eurostat figures might be considered as an important supplementary source of information for validating the split between current and capital transfers.

8 Capital account

8.1 Specific features of data collection

As part of the standard classification of the b.o.p. harmonised with the revised System of National Accounts (SNA 93), the capital account in its recent form has been published since 1996.

transfers are published separately for the government sector and for other sectors.

Data for capital transfers and non-produced non-financial assets are compiled on the basis of the general reporting system outlined in the previous sections. As a supplementary source, MÁK reports cash transfers received on a monthly basis.

The category acquisition/disposal of non-produced non-financial assets emerged as a result of the split of property income in the BPM4 current account into the use and sale of intangible assets. Transactions related to the sale of intangible assets are recorded in the capital account. This item is published in net terms with no sector breakdown.

8.2 Definition

In principle, the definition of capital transfers is in line with the BPM5. The use of different transaction codes in the bank reports and a separate line in the direct enterprise reports enables a distinction to be made between current and capital transfers. Net capital

8.3 Deviations from agreed definitions

None.

8.4 Gaps

Transactions without banking mediation and not directly reported by reporting agents are excluded.

8.5 Intended harmonisation

Since a significant amount of transfers are received from the EU institutions, the use of

Eurostat figures might be considered as an important supplementary source of information for validating the split between current and capital transfers.

9 Direct investment

9.1 Specific features of data collection

As direct investment is covered by the general reporting system, no special source of information is used. Direct investment data mainly reflect cash contributions. Data for inter-company loans are checked and supplemented by the information from direct enterprise reports.

Subordinated loans of credit institutions received from their own direct investor have been classified as inter-company loans since 1999. Before 1999, this item was recorded under equity capital.

Breakdowns by sector (according to the debtor principle), instrument, country (according to the transactor principle) and industry are available for each component. The last two are based on the quarterly survey launched in 1999 (see Sub-section 3.1, paragraph 4).

9.2 Definition

In accordance with the BPM5, any participation greater than or equal to 10% in a corporation's equity capital is classified as a direct investment. Since 1996, direct investment not only includes equity investment, but also other non-equity capital transactions, such as inter-company loans. Real estate investments by natural persons are also classified under this heading.

As opposed to other types of investment recorded in the financial account, direct investment is primarily recorded on a directional basis, instead of under an asset/liability arrangement. Thus, direct investment in

Hungary and direct investment abroad are the two major sub-groups within the main heading.

Cross-participation in equity, as such, is not recorded under direct investment. If an affiliated company acquires a claim on equity in its direct investor, the transaction is recorded either under portfolio investment (if less than 10% of the equity capital) or as a separate direct investment transaction (if greater than or equal to 10%). Nevertheless, as far as inter-company loans are concerned, regardless of the direction of the equity investment, both the direct investor and the direct investment company may acquire claims on each other.

9.3 Deviations from agreed definitions

Instead of a fully consolidated system, only direct ownership relationships are classified as direct investment.

9.4 Gaps

Contributions in kind and reinvested earnings are excluded from the b.o.p.

9.5 Intended harmonisation

For the plans and the steps already taken, see Sub-section 3.1 (paragraph 4).

9.6 Estimation methods

None.

10 Portfolio investment

10.1 Specific features of data collection

Portfolio investment is covered by the general reporting system and is supplemented by monthly reports from security traders, KELER and other custodians, which are used for b.o.p. validation and compilation purposes. In the b.o.p. liabilities in equity and HUF-denominated government and central bank securities are computed according to the monthly changes in security holdings. However, the changes in monthly closing-day positions for each security are used to check the credit institutions' security transaction reports. Transactions in financial assets traded or tradable in organised or other financial markets (e.g. equity and debt securities, and financial derivatives) are recorded under this heading. Portfolio investment has been published as a separate item since 1996.

Except for HUF-denominated government securities, central bank securities and equity securities, data for other categories are compiled as credit institutions and enterprises report them. As for HUF-denominated government and central bank securities, transaction data are derived from changes in stocks at nominal value, net of other volume changes. Since January 2000, transactions in equity securities recorded in the financial account as liabilities have also been derived from changes in stocks – security-by-security at market prices – net of valuation and other volume changes.

A debit is recorded on the liability side of debt securities for transactions involving a purchase by residents on the secondary markets of foreign exchange-denominated bonds issued by residents abroad.

A transaction is recorded as a change in assets under financial derivatives in the following cases: premiums paid on purchased options (put or call), trading in derivative

positions, transactions related to derivative positions having a positive net present value at the time of transaction, and closing derivative positions with net gains.

A transaction is recorded as a change in liabilities under financial derivatives in the following cases: premiums received on written options (put or call), transactions related to derivative positions having a negative net present value at the time of transaction, and closing derivative positions with a net loss.

Since 1999, in line with the change in b.o.p. methodology, interest payments related to interest rate swaps and currency swaps have been recorded under financial derivatives in the financial account, instead of as income in the current account.

Breakdowns by sector (according to the debtor principle), instrument, country (according to the transactor principle) and currency are available for each data category, except for those where transaction is calculated from a change in position (HUF-denominated government securities, central bank securities and equities).

10.2 Definition

The following portfolio investment sub-items are published separately according to the asset/liability principle:

- (i) equity securities (<10%);
- (ii) bonds and notes;
- (iii) money market instruments; and
- (iv) financial derivatives.

Since 2000, repurchase agreements (repos) have been treated as collateralised loans in accordance with the BPM5.

10.3 Deviations from agreed definitions

Financial derivatives are classified under the heading of portfolio investment. Financial derivatives of the NBH are intentionally classified under portfolio investment instead of reserve assets.

10.4 Gaps

Accruals on underlying instruments are not recorded.

10.5 Intended harmonisation

The use of a security-by-security database is planned. Furthermore, the recording of

accruals on underlying instruments is foreseen, as is an instrument breakdown of derivatives.

10.6 Estimation methods

As for HUF-denominated government and central bank securities, transaction data are derived from changes in stocks at nominal value, net of other volume changes. Since January 2000, transactions in equity securities recorded in the financial account as liabilities have also been derived from changes in stocks – security-by-security at market price – net of valuation and other volume changes.

11 Financial derivatives**11.1 Specific features of data collection**

Financial derivatives are classified under portfolio investment (see Section 10).

11.2 Definitions

See Sub-section 11.1.

11.3 Deviations from agreed definitions

See Sub-section 11.1.

11.4 Gaps

See Sub-section 11.1.

11.5 Intended harmonisation

See Sub-section 11.1.

11.6 Estimation methods

See Sub-section 11.1.

12 Other investment**12.1 Specific features of data collection**

Other investment is covered by the general reporting system and is supplemented by the direct enterprise reports on direct borrowing from/lending to non-residents. Transactions in financial instruments not included under direct investment and portfolio investment, such as syndicated loans, interbank loans and trade credits, are recorded under this

heading, broken down by original maturity (short-term is classified as up to one year and long-term as over one year).

As far as assets and liabilities of non-financial enterprises are concerned, since 2000 the frequency of monthly (stock and flow) reporting obligations has remained unchanged only for commitments greater than or equal to USD 500,000. A report need only be submitted once

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annually on loans below this threshold, at the end of the year. There has been no change in the frequency of the reporting obligation for loans guaranteed by the Government, for which a monthly report is prescribed. Unlike in the past, since 2000 settlement data checked against direct reports and supplemented by non-cash transactions have been published in the statistics.

Up to the end of 1999, the statistical treatment of loan transactions reported late by enterprises depended on whether the transaction took place in the same calendar year or even before. In the former case, the transaction reported late was recorded in the financial account of the month of the report. In the latter case, other volume changes in the i.i.p., but no financial account transaction, were recorded for this item. At the end of 1999, the time series for these late-reported transactions according to the original (or, failing this, the estimated) timing were revised retrospectively, back to 1996. Since 2000, this correction has become regular, revising the flow and stock data at year-end, retrospectively.

Transactions affecting cash in foreign exchange, sight deposits and current accounts of banks are derived as changes in stocks, net of valuation and other volume changes. The same applies for such transactions by the enterprise sector.

Breakdowns by sector (according to the resident counterparty), instrument, maturity, country and currency are available for each

data category, except for transactions of non-financial enterprises channelled outside of the resident banking sector.

12.2 Definition

In principle, the definitions for other investment transactions are in line with the BPM5.

Up to the end of 1999, repos were recorded as transactions in underlying securities under portfolio investment (or change in international reserves). Since 2000, repos have been treated as collateralised loans and recorded under other investment (or change in international reserves).

12.3 Deviations from agreed definitions

None.

12.4 Gaps

Trade credits might not be captured if they are not reported by reporting agents.

12.5 Intended harmonisation

A survey of trade credits is planned.

12.6 Estimation methods

None.

13 Reserve assets

13.1 Specific features of data collection

Gross international reserves are external assets of the monetary authority that are readily available for directly financing payments imbalances, for indirectly regulating the magnitude of payments imbalances through intervention in foreign exchange markets to affect the HUF exchange rate,

and/or for other purposes. The change in international reserves is computed as the change in the stock of comprising instruments, net of valuation and other volume changes.

Instrument and currency breakdowns of reserve assets are available, although the latter breakdown is confidential.

13.2 Definition

The definition of international reserves is in line with the BPM5. These reserve assets are under the effective control of the monetary authority. They refer only to:

- highly liquid, marketable and creditworthy foreign currency-denominated claims (consisting of currency, deposits and securities) on non-residents; positions vis-à-vis residents and positions in local currency are excluded;
- monetary gold;
- special drawing rights (SDRs); and
- the reserve position in the Fund (RPF).

Reserve assets are compiled in accordance with the gross concept (i.e. no netting with monetary authorities' liabilities).

13.3 Deviations from agreed definitions

Financial derivatives are intentionally excluded from international reserves.

13.4 Gaps

None.

13.5 Intended harmonisation

Accounting for accruals on reserve assets is planned.

14 International investment position

14.1 Specific features of data collection and definitions

14.1.1 General

The i.i.p. is compiled and published on a monthly basis. The full sequence of data on opening positions, transactions, exchange rate changes, price changes, other volume changes and closing positions is compiled and published in HUF in hard copy for all standard components of the BPM5:

- (i) international reserves;
- (ii) direct investment (equity capital, inter-company loans);
- (iii) portfolio investment (equity securities, bonds and notes, money market instruments, financial derivatives); and
- (iv) other investment, broken down by original maturity.

Assets and liabilities are compiled separately.

Stocks of external assets and liabilities are disseminated in time series format in HUF and EUR through the NBH's website. External debt data are integrated into the i.i.p. framework (total liabilities less liabilities in equity).

Breakdowns by sector (according to the resident counterparty) and currency are available for all types of investment. Coverage and concepts are in line with the definitions used in the financial account.

A maturity breakdown of long-term debt instruments by sector (according to the debtor principle), which does not include the non-guaranteed debt component of enterprises and other sectors, is compiled and published quarterly.

14.1.2 Direct investment

The stock of resident direct investment abroad has been published since 1993. Data are derived from the aggregated flows by currency and are aggregated at month-end

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exchange rates into HUF. Owing to a lack of information, contributions in kind and reinvested earnings are excluded. The stock of assets in the form of inter-company loans is derived from accumulated flows. Since 1999, the subordinated loans of credit institutions extended to their own affiliates have been classified as inter-company loans. Before 1999, this item was recorded under equity capital.

The stock of non-resident direct investment in Hungary has been published since 1990. Since 1998, figures have been computed as accumulated flows, aggregated in HUF and – until May 2001 – adjusted monthly to the rate of crawl. Before 1998, as with assets, data were derived from the aggregated flows broken down by currency and converted at month-end exchange rates into HUF. On account of a lack of information, contributions in kind and reinvested earnings are excluded. Since 1996, the stock of liabilities in the form of inter-company loans has been directly reported by enterprises. As on the asset side, since 1999 subordinated loans of credit institutions received from their own direct investor are classified as inter-company loans. Before 1999, this item was recorded under equity capital.

An annual survey of inward and outward direct investment will provide information on the stock of equity capital at book value (quoted enterprise equity will be revalued at market prices), reinvested earnings and a geographic breakdown (see Sub-section 3.1, paragraph 4).

At present, stock data for inward and outward direct investment, broken down into equity capital and inter-company loans, are compiled on a sectoral basis and published at a monthly frequency with a timeliness of seven weeks.

14.1.3 Portfolio investment

With regard to portfolio assets, the NBH and credit institutions submit reports on their

portfolio transactions and stocks. Concerning the other sectors, given the lack of reports on stock data, positions are derived from accumulated flows. In these reports, the currency in which the transaction is reported is linked to the denomination of the settlement, rather than to the actual denomination of the securities. Stocks computed from flows in euro area legacy currencies have been recorded in EUR since January 1999.

The assets of the NBH and credit institutions in the form of debt securities are valued at historic cost. For the other sectors, stocks are recorded as accumulated flows at the actual transaction price.

The NBH and credit institutions have been reporting stock data for financial derivative positions at market (replacement) value since 1999. By contrast with transactions, there is no information on the derivative positions of enterprises and other sectors. Derivative positions are published in aggregated form with no breakdown.

As regards portfolio liabilities, the NBH and credit institutions submit reports not only on transactions, but also on their own and the government sector's portfolio stocks, except for equity securities.

As for the other sectors, owing to a lack of reported portfolio equity stock data, positions are derived from accumulated flows, aggregated and recorded in HUF. The figure is revalued on the basis of the change in the index of the Budapest Stock Exchange (BUX) at the end of each month.

Liabilities of the NBH, credit institutions and the government sector in the form of debt securities are recorded at face value. For the other sectors, stocks are recorded as accumulated flows at actual transaction price. The outstanding stock of foreign exchange-denominated bonds held by residents is subtracted from the stock issued by residents abroad.

The NBH and credit institutions have been reporting the stock of financial derivative positions at market (replacement) value since 1999. In contrast to transactions, there is no information on derivative positions of enterprises and other sectors. Derivative positions are published in aggregated form with no breakdown.

Stock data for assets and liabilities under portfolio investment, broken down by instrument, sector and currency, are compiled and published at a monthly frequency with a timeliness of seven weeks.

14.1.4 Financial derivatives

Financial derivatives are classified under portfolio investment (see Sub-section 14.1.3).

14.1.5 Other investment

The stock of claims of residents on non-residents is broken down by original maturity. All sectors, except households, report stock data for the statistics.

The stock of claims of non-residents on residents is broken down by original maturity. All sectors, except households, report stock data for the statistics.

The stock data for assets and liabilities under other investment, broken down by original maturity, sector and currency, are compiled and published at a monthly frequency with a timeliness of seven weeks.

14.1.6 Reserve assets

In accordance with international standards, reserve assets comprise:

(i) monetary gold;

(ii) liquid foreign exchange assets (cash, current accounts, sight deposits, securities, etc.);

(iii) SDRs; and

(iv) the RPF.

Data are obtained from the NBH's balance sheet.

Gold is valued at London fixing prices. Since 2000, securities have been valued at market prices, net of accrued interest. Up to 1999, securities were valued at historic cost.

The stock of reserve assets is published on a monthly basis with a one-week lag for the preliminary data and a seven-week lag for the final data. Instrument and currency breakdowns of reserve assets are available, although the latter breakdown is confidential.

14.2 Deviations from agreed definitions

Financial derivatives are intentionally excluded from international reserves.

14.3 Gaps

Liabilities are valued at nominal value and assets (other than reserves) are at historic cost.

14.4 Intended harmonisation

Plans include accounting for accruals on reserve assets and market valuation for all relevant instruments.

14.5 Estimation methods

None.

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15 Contacts

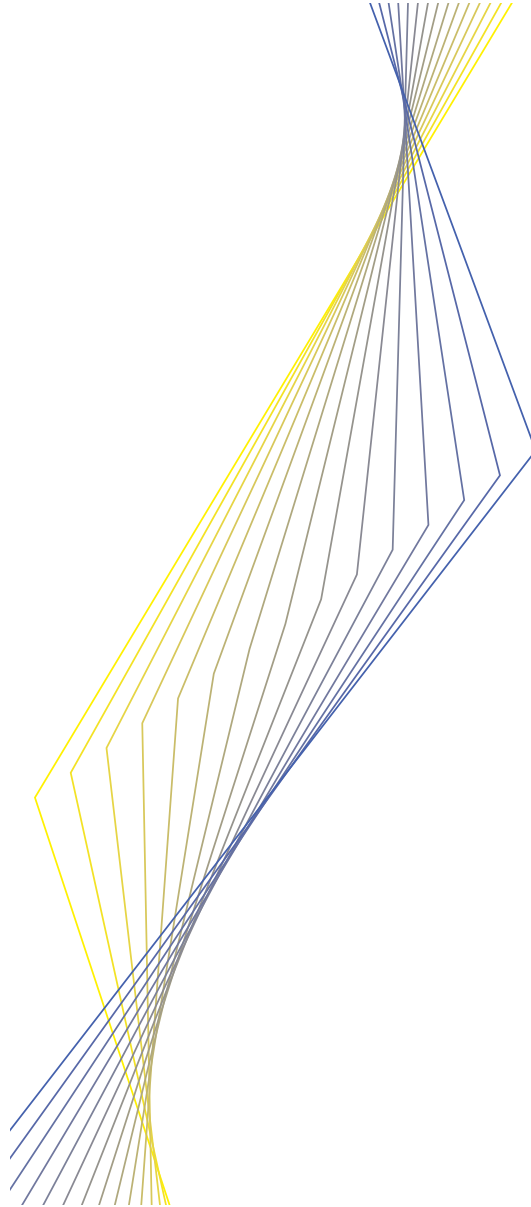
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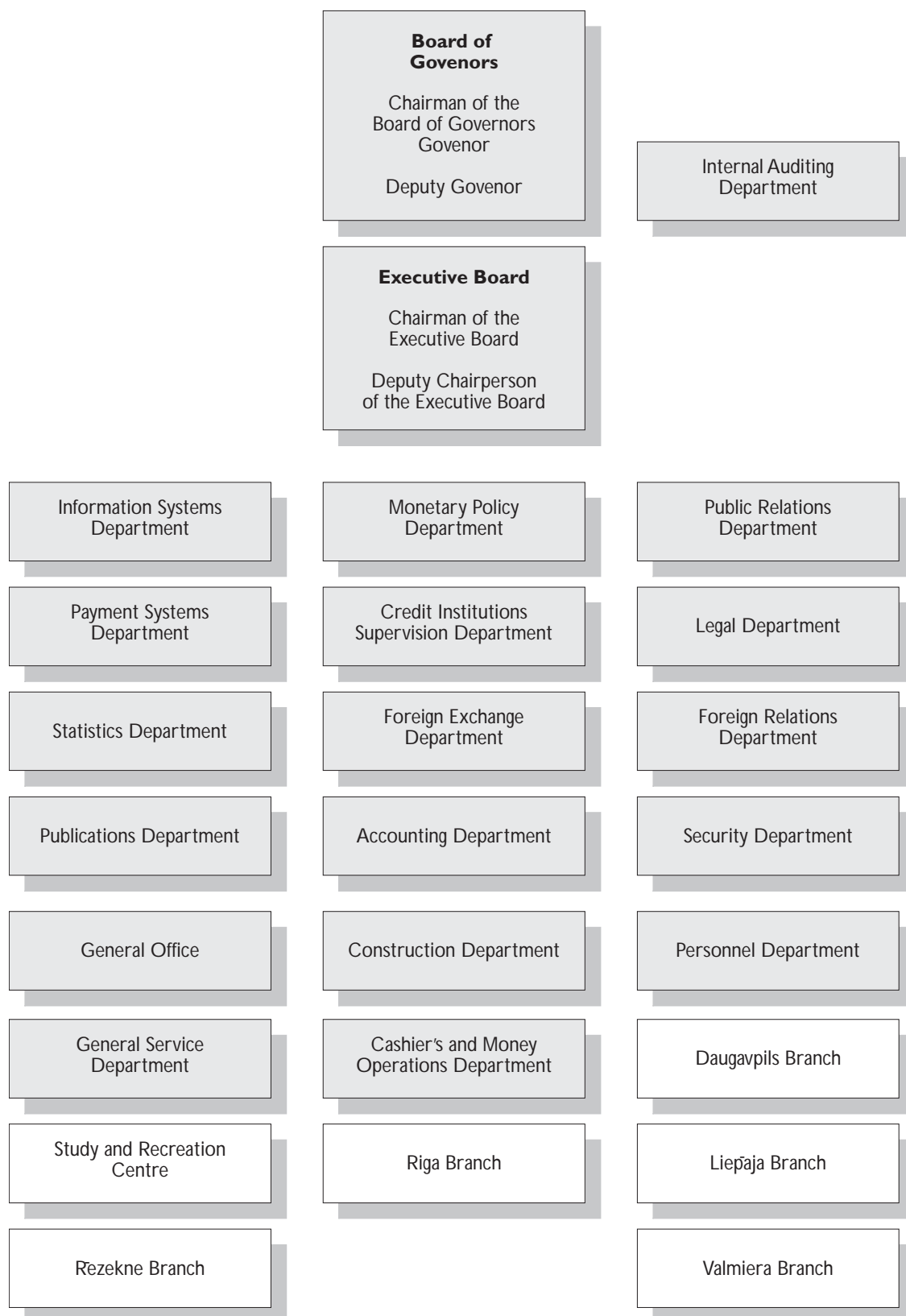
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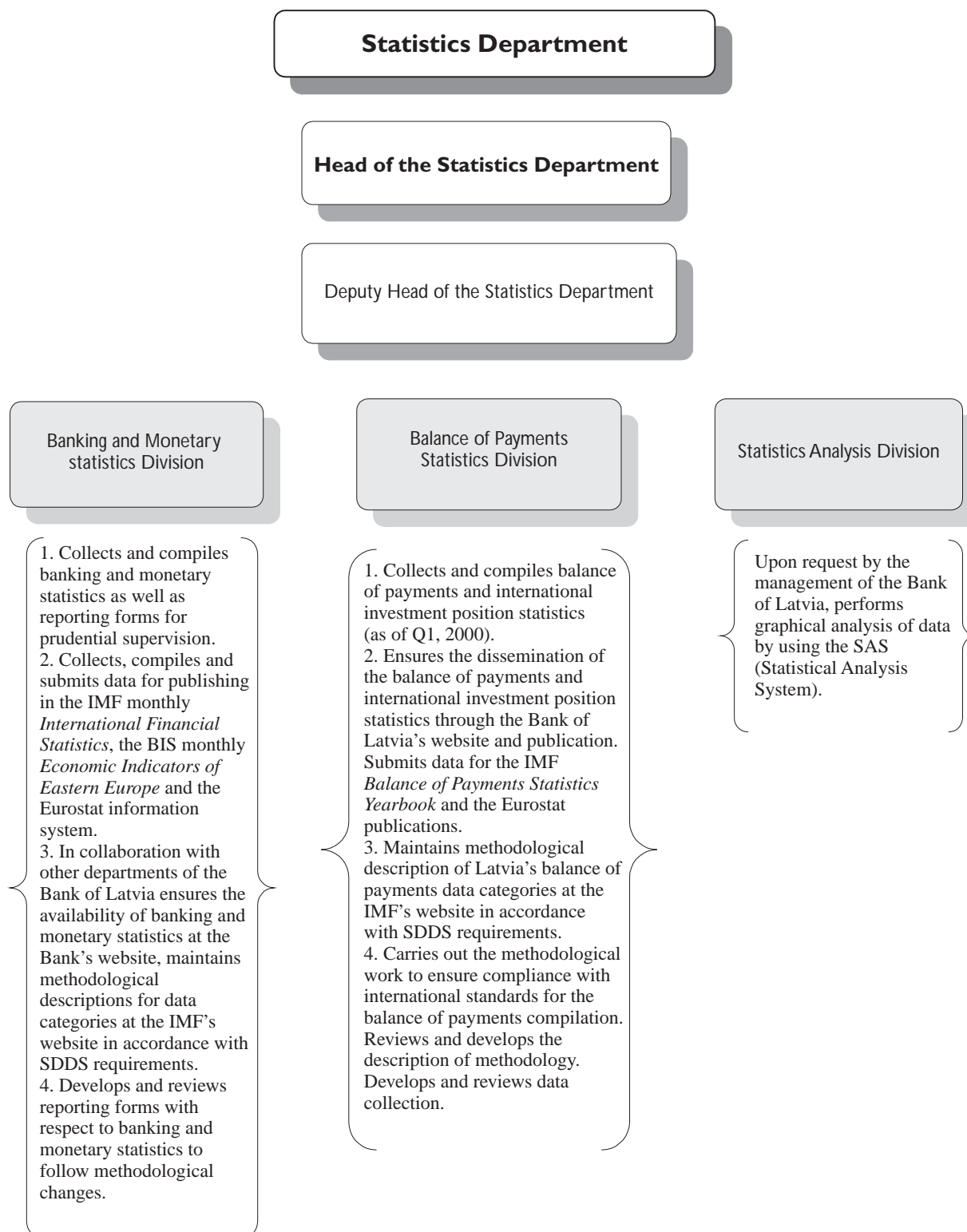
February 2002

I Organisation chart(s)

The Bank of Latvia's Structure



Structure of the Statistics Department of the Bank of Latvia



2 Institutional aspects

2.1 Introduction

Latvia's balance of payments (b.o.p.) has been compiled and published every quarter since 1992. In the period from 1992 until 2000, this was done by the Central Statistical Bureau of Latvia (CSB). Starting with the data for 2000, Latvia's b.o.p. has since been compiled and published by *Latvijas Banka* (the Bank of Latvia). Since 2001, the Bank of Latvia has also been publishing the key items of the monthly b.o.p.

The Bank of Latvia, Latvia's central bank, is a public law entity established by Parliament (the *Saeima*, the former Supreme Council) and operates under the Law on the Bank of Latvia (adopted on 19 May 1992 and subsequently amended in 1997, 1998 and 1999). Pursuant to Article 13 of this Law, the Bank of Latvia is independent in the adoption of its decisions and their practical implementation. More detailed information on the objectives of the Bank of Latvia is available on its website at www.bank.lv in the section "About the Bank of Latvia".

Under the Law on the Bank of Latvia, the Bank:

- implements monetary policy by controlling the amount of money in circulation with the aim of maintaining price stability in the State;
- is the sole bearer of the right to issue the national currency (banknotes and coins);
- sets the official exchange rate of the national monetary unit against foreign currencies;
- collects, registers and compiles financial and b.o.p. statistics, as well as publishes the compiled statistics;
- organises and ensures the operation of the settlement and payment systems in Latvia; and
- upon receipt of specific authorisation from the Government, is entitled to act as the Government's financial agent in banking transactions.

2.2 Legislative provisions

The Law on State Statistics (adopted on 6 November 1997) defines the organisational structure of state statistics in the Republic of Latvia and authorises the Bank of Latvia to organise and carry out the work related to national statistics in the Republic of Latvia (Articles 4 and 7). In accordance with Article 39 of the Law on the Bank of Latvia, the Bank approves statistical reporting forms and the procedure for submitting such reports. Article 40 of the Law requires the Bank of Latvia to collect, register and compile financial and b.o.p. statistics, as well as to publish the compiled statistics.

Article 61.2 of the Law on Credit Institutions (adopted on 5 October 1995 and subsequently amended in 1996, 1997 and 1998) stipulates that, for the purposes of macroeconomic analysis, credit institutions must submit to the Bank of Latvia statistical information on payments between residents and non-residents. Pursuant to the agreement signed between the Bank of Latvia and the CSB on 10 August 1999, the Bank of Latvia has been responsible for the compilation of the b.o.p. since the first quarter of 2000. To ensure compliance with the requirement to report statistical information, Article 166.6 of the Republic of Latvia's Administrative Offences Code (adopted on 7 December 1984) prescribes penalties for avoiding to provide statistical information, failing to do so in due time or reporting inaccurate data.

2.3 Internal organisation

The Statistics Department of the Bank of Latvia consists of three divisions: the Banking and Monetary Statistics Division, the Balance of Payments Statistics Division and the Statistics Analysis Division (see Chart 2). The b.o.p. is compiled by the Balance of Payments Statistics Division, which:

- (i) collects and compiles b.o.p. and international investment position (i.i.p.) statistics (as of Q1 2000);
- (ii) ensures the dissemination of b.o.p. and i.i.p. statistics through the Bank of Latvia's website and publications, and submits data for the Balance of Payments Statistics Yearbook of the International Monetary Fund (IMF) and Eurostat publications;
- (iii) maintains methodological descriptions of Latvia's b.o.p. data categories on the IMF's website in accordance with the Special Data Dissemination Standard (SDDS) requirements;
- (iv) carries out the methodological work to ensure compliance with international standards for b.o.p. compilation, and reviews and develops methodology descriptions; and
- (v) develops and reviews data collection techniques.

The Balance of Payments Statistics Division has a staff of 23 people, who are involved in developing data sources and estimation techniques, collecting, controlling and processing data for the monthly and quarterly statistics, and compiling and analysing the monthly and quarterly series. The staff of the Monetary Policy Department perform the data analysis.

2.4 External co-operation

For b.o.p. compilation purposes, the Bank of Latvia co-operates closely with other Latvian authorities. The Bank of Latvia has an agreement with the CSB on co-operation in the areas of statistics and statistical information exchange. The official foreign trade statistics compiled by the CSB have always been used in the b.o.p., while the CSB

uses b.o.p. and i.i.p. data for the national accounts. The two organisations discuss methodological issues and developments in the statistical field in joint task force meetings. Close contacts are also maintained with other institutions, such as the ministries of the Republic of Latvia, the Financial and Capital Market Commission (the financial supervisory authority), the State Revenue Service and the State Social Security Agency.

The Bank of Latvia also maintains contacts with other central banks in Europe, in particular those of the Baltic states.

The Bank of Latvia's b.o.p. experts regularly participate in the working groups organised by the European Central Bank (ECB) and Eurostat addressing b.o.p. statistical issues. Collaboration with the IMF aimed at improving b.o.p. statistics takes the form of consultations and co-operation related to the SDDS. Within the framework of the foreign direct investment (FDI) statistics project, the Bank of Latvia co-operates with Eurostat and the Organisation for Economic Co-operation and Development (OECD).

2.5 Users

B.o.p. and i.i.p. data are used by the Bank of Latvia (its Monetary Policy and Foreign Exchange Departments) and other institutions. The following are external users of b.o.p. and i.i.p. data: the CSB, the ministries of the Republic of Latvia, scientific research institutes (such as the Economics Institute of the Latvian Academy of Sciences and the Statistics Institute) and companies. B.o.p. data are also sent to Eurostat and the IMF. Any person wishing to can subscribe to the b.o.p. bulletins.

3 Statistical system

3.1 Type of collection system

Latvia's b.o.p. collection system is a mixed system, with surveys supplemented by the International Transaction Reporting System (ITRS), which has direct reporting elements, and administrative sources.

For the quarterly b.o.p. compilation, surveys are the main source of information for other sectors. There are two main quarterly surveys: one on foreign investment (covering data on direct investment stocks in Latvia and abroad and related income flows broken down by country, and data on portfolio investment and other investment stocks and related income flows), and the other on transportation and intermediary services (covering transportation services rendered/received by mode of transport).

The survey on foreign investment uses a sampling method. Enterprises are sorted in descending order by the total amount of their cross-border settlements and are sub-divided into three size groups. All enterprises in the first (largest) size group are included in the sample. Stratified simple random sampling is applied to select enterprises from the second and third size groups. The list of enterprises for the survey on transportation and intermediary services is drawn up using the register of enterprises involved in foreign settlements maintained by the ITRS.

Data from surveys are supplemented by monthly information from the ITRS, which is the main data source for the compilation of the monthly b.o.p. (key items). The ITRS is an open, settlement-based system, supplemented by direct reporting system elements. Information on non-bank residents' debit and credit settlements with non-residents via domestic banks is reported to the Bank of Latvia by domestic banks, unless the amount of the settlement is below the threshold of LVL 1,000. Information received from domestic banks is reconciled with the information from non-bank residents, which report directly to the Bank of

Latvia on credit settlements. In 2001, the direct reporting element was broadened by introducing a new reporting form under the ITRS, which non-bank residents use to report debit and credit settlements via foreign banks. When submitting information, non-bank residents have to specify the code of the external settlement in accordance with the List of External Payment Codes, as well as the country and currency codes. During the consolidation of data received from domestic banks and non-bank residents, the statistics on non-banks' external payments are compiled.

Information on the monetary authorities sector and reserve assets is provided by the Bank of Latvia. These data are broken down by country and currency. Information on the banking sector is derived from the banking statistics compiled by the Banking and Monetary Statistics Division (see Chart 2), which provides the residency split and the country and currency breakdowns for the main items of the balance sheet of credit institutions.

The household sector is covered by: aggregated data from the CSB on persons entering and leaving the country; data from the State Social Security Agency on the pensions received/paid in accordance with inter-governmental agreements; data from the State Revenue Service on the social tax paid by foreign embassies in Latvia for their local staff; and the monthly Bank of Latvia survey on the enterprises rendering intermediation services related to job contracts for working abroad. Data on natural persons' debit settlements with non-residents via domestic banks are included in the ITRS.

The Bank of Latvia also uses the data collected by the Ministry of Foreign Affairs, the Ministry of Finance, the Financial and Capital Market Commission, etc. Foreign trade statistics and labour statistics (wages and salaries paid to non-residents) are received from the CSB. Information from newspapers is also used.

3.2 Reporting agents

Information on the monetary authorities sector is derived from the Bank of Latvia's balance sheet and profit and loss account. Information on the banking sector is derived from banking statistics (the Monthly Financial Position Report). Reporting institutions are all credit institutions licensed in the Republic of Latvia. According to the Law on Credit Institutions, a credit institution is a business venture that has been established to accept deposits and other repayable funds, and to grant loans on its own behalf. A credit institution operates as a bank or credit union, or a branch of a foreign bank.

The general government sector includes all state and local government bodies (including embassies) and the state social security fund. Information is provided by various government departments, i.e. the State Treasury (on the Government's foreign debt, funds received under technical assistance programmes, contributions to international organisations, etc.), the Ministry of Finance, the Ministry of Foreign Affairs, the State Revenue Service, the State Social Security Agency, etc. Most of the government services and transfers are obtained as a by-product of the compilation of the government accounts and from official records.

Enterprises return two main reporting forms: the "Quarterly Report on Foreign Investment" and the "Quarterly Report on Transportation and Intermediary Services". Enterprises also provide two monthly reports under ITRS requirements on incoming payments received from non-residents via domestic banks and payments from/to non-residents through their accounts at foreign banks (see Sub-section 3.1).

3.3 Thresholds

An exemption threshold of LVL 1,000 is applied only to ITRS data collection.

3.4 Availability of data

- (i) B.o.p. data:
 - monthly data are available on the 30th business day following the reporting month;
 - quarterly data are available on the last business day of the quarter following the reporting quarter; and
 - annual data are available on the last business day of the quarter following the last quarter of the reporting year.
- (ii) I.i.p. data:
 - quarterly data are available on the last business day of the quarter following the reporting quarter; and
 - annual data are available on the last business day of the quarter following the last quarter of the reporting year.
- (iii) Official reserve assets and reserves template data:
 - monthly data are available one week after the end of the reference month for official reserve assets and 15 business days after the end of the reference month for the reserves template data. The reserves template used is the new IMF Data Template on International Reserves and Foreign Currency Liquidity.

Quarterly b.o.p. and i.i.p. data are broken down by sector and instrument in line with the 5th edition of the IMF Balance of Payments Manual (BPM5). A quarterly country breakdown is available for current account and FDI data.

3.5 Data controls

Formal data controls are carried out once data have been received from reporting agents. Individual reports are checked to verify their completeness, consistency and plausibility. Errors in individual reports are detected by computer programs and/or manual checking. This is immediately followed up with a phone conference with the

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reporting entity or, in the event that the problems persist, a visit to the entity to assist it in identifying data problems. All relevant transactions are checked individually for plausibility. The quality of individual data is also checked by comparing previous and current reports.

Checks at the aggregated level are carried out for each b.o.p. component. At the first aggregation level, data are broken down for each reporting agent, as well as by the type of report. Significant fluctuations are analysed to identify the underlying reasons and may lead to the uncovering of errors at a lower level of aggregation. Press information is used to detect possible reporting gaps.

In the context of the national account statistics, b.o.p. data are subject to further plausibility checks, as the results of b.o.p. statistics should be compatible with other data on the general economic situation.

3.6 Revision policy

Monthly data are subject to revision every quarter when quarterly data are published. Quarterly data are revised when the data for the following quarter are published, together with the data for the related months.

4 Goods

4.1 Specific features of data collection

The data source for general merchandise is foreign trade statistics compiled by the CSB. Exports include goods listed in customs cargo declarations for export and re-export, i.e. exports of goods previously imported for domestic consumption, and humanitarian and similar aid. Imports include goods declared for domestic consumption, goods imported from customs warehouses, and humanitarian and similar aid. Apart from data from customs cargo declarations, foreign trade statistics

3.7 Dissemination

A monthly bulletin entitled "Latvia's Balance of Payments (Key Items)" is used to publish the monthly key items. A quarterly bulletin entitled "Latvia's Balance of Payments" serves to publish quarterly and annual figures for Latvia's b.o.p., i.i.p. and FDI in Latvia broken down by kind of activity and investing country. These publications are first made available on the Bank of Latvia's website at www.bank.lv/izdevumi/English/index_BalanceofPayments.html. Hard copies are available on a free subscription basis (by sending a request by e-mail to info@bank.lv).

Official reserve assets and reserves template data are first published on the Bank of Latvia's website at www.bank.lv/FinancialData/English/sdds/index.htm.

B.o.p., i.i.p. and international reserves data are also disseminated on the Bank of Latvia's website at www.bank.lv/FinancialData/English/index_LB.html, in accordance with the IMF's SDDS. Since 1996, Latvia has been a subscriber to the IMF's SDDS.

include data on exports and imports of electricity and natural gas and extraterritorial trade by shipping vessels compiled by the CSB. Foreign trade statistics also serve as the data source on goods for processing and repairs on goods.

The data source for goods procured in ports by carriers is the quarterly survey on transportation and intermediary services. The data source for exports and imports of non-monetary gold is the statistics on non-banks' external payments.

4.2 Definition

The definition is in line with the BPM5. Goods cover exports and imports of general merchandise, goods for processing, repairs on goods, goods procured in ports by carriers, and non-monetary gold.

Foreign trade data are compiled in accordance with the Special Trade System. This means that where goods produced abroad are imported to and exported from customs warehouses, such imports and exports are excluded from the total. Some goods entering and leaving customs warehouses are, however, included in statistics on foreign trade with respect to general merchandise. These are goods produced in Latvia and exported from customs warehouses. Such goods are stated at their prices upon entering the customs warehouses. For this reason, export data differ from foreign trade statistics data. Data are available on a transactions basis. Imports are available on an f.o.b. basis. A geographical breakdown is also available.

4.3 Deviations

None.

4.4 Gaps

None.

5 Services

5.1 Specific features of data collection

The data sources for transportation services are the quarterly survey on transportation and intermediary services and the statistics on non-banks' external payments. Foreign trade statistics are also used to obtain, in accordance with the calculation methodology described in Sub-section 4.6, the difference between c.i.f. and f.o.b. values of imported goods. The share of transportation is set

4.5 Intended harmonisation

None.

4.6 Estimation methods

In customs cargo declarations, exported goods are valued f.o.b., whereas imported goods have been valued on a c.i.f. basis since 2000 (up to 2000, the latter were given on both an f.o.b. and a c.i.f. basis). To ensure compliance with international standards, which require that exports and imports be presented on an f.o.b. basis in the b.o.p., data for imports of goods have been adjusted every month by the CSB since January 2000. Adjustments are made using ratios giving the average relationship between f.o.b. and c.i.f. values in 1998 and 1999. To ensure that imports of goods can be broken down by country and to obtain correct information on freight, adjustments are made for each mode of transport and for each country of origin of the goods, separately stating resident and non-resident carriers.

Where the price of goods in a customs cargo declaration is stated in a foreign currency, it is translated into LVL, applying the Bank of Latvia's exchange rate on the day that the customs cargo declaration was filled out.

apart from the obtained figure and included under transportation in the b.o.p.

Data on travel are derived from the CSB aggregated data on persons entering and leaving the country. Travellers are polled at border control points four times a year to obtain information about non-residents' spending in Latvia and residents' spending

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abroad. The average spending of a traveller is calculated using mathematical methods and, thereafter, total spending of travellers is obtained. The number of travellers is available from the State Border Guard of the Republic of Latvia, which registers all persons entering and leaving the country.

Data on other services are mainly derived from statistics on non-banks' external payments. In addition, a number of other sources are used: banking statistics; aggregated data on the revenue and expenditure of the Republic of Latvia's embassies, representative offices and consulates, submitted by the Ministry of Foreign Affairs; data on funds received under technical assistance programmes from foreign governments and international organisations, submitted by the State Treasury and the Directorate of Foreign Assistance Programme Co-ordination; and data on reinsurance premiums and claims paid, submitted by the Financial and Capital Market Commission. Data on expenditure by foreign embassies, representative offices and consulates in Latvia are derived from the State Revenue Service's information on the value added tax repaid to foreign embassies, representative offices and consulates. Another source is the CSB foreign trade statistics.

6 Income

6.1 Specific features of data collection and definitions

6.1.1 Compensation of employees

Data sources for compensation of employees are the monthly survey on job contracts concluded by natural persons for working abroad, statistics on non-banks' external payments, labour statistics (wages and salaries paid to non-residents) and data on the revenue and expenditure of the Republic of Latvia's embassies, representative offices and consulates reported by the Ministry of Foreign Affairs.

5.2 Definition

The definition is in line with the BPM5.

5.3 Deviations

None.

5.4 Gaps

None.

5.5 Intended harmonisation

None.

5.6 Estimation methods

Data on passenger transportation by air are computed from data submitted by Riga international airport on the number of passengers departing by air, the CSB data on the monthly number of residents and non-residents crossing the state border by air and information on the average prices of airline tickets.

Estimates are made using data obtained from the State Revenue Service on the social tax paid by foreign embassies in Latvia for their local staff, from foreign embassies on work permits issued to Latvian residents, and from aggregated data on persons entering and leaving the country. Information from newspapers is also used.

6.1.2 Income on direct investment

Data sources for income on direct investment are the quarterly survey on foreign investment, statistics on non-banks' external payments and banking statistics. Data sources

provide breakdowns by country and instrument, distinguishing between income on debt and income on equity. The definitions set out for income on direct investment are in line with the BPM5.

Reinvested earnings are recorded when they are reinvested. Non-banks thus provide data on the retained profit or loss for the reporting quarter, which allows the calculation of the b.o.p. reinvested earnings item for each enterprise separately. For the banking sector, the calculation is made for each bank separately on a monthly basis using banking statistics (the retained profit or loss for the reporting month is given in the Monthly Financial Position Report) and information from the Financial and Capital Market Commission on the distribution of equity capital among shareholders. In addition, data on the distribution of the audited profit for the preceding year is used when estimating dividends. Adjustments to reinvested earnings are made upon receiving information on the audited profit and its distribution. An offsetting entry for reinvested earnings is made in the direct investment account.

Data sources provide a split between income on inter-company loans and other investment income, as well as between income on debt securities between affiliates and portfolio investment income.

6.1.3 Income on portfolio investment

Data sources for portfolio investment income are the quarterly survey on foreign investment, statistics on non-banks' external payments, banking statistics, the Bank of Latvia's profit and loss account and data submitted by the State Treasury. The definition is in line with the BPM5 and data

on portfolio investment income are broken down by instrument, also in accordance with the BPM5. Data sources provide a split between income on equity, bonds and notes, and money market instruments. Interest on debt securities is recorded on an accruals basis.

6.1.4 Income on other investment

Data sources for income on other investment are the quarterly survey on foreign investment, statistics on non-banks' external payments, banking statistics and data submitted by the State Treasury. The definition of income on other investment is in line with the BPM5. Data on income on trade credits are incorporated in reports as income on other investment. Income is recorded on an accruals basis. Data on income on reserve assets are derived from the Bank of Latvia's profit and loss account and are recorded on an accruals basis.

6.2 Deviations from agreed definitions

None.

6.3 Gaps

None.

6.4 Intended harmonisation

None.

6.5 Estimation methods

Estimation methods are used for calculating reinvested earnings (see Sub-section 6.1.2).

7 Current transfers

See Section 8 on the capital account.

8 Capital account

8.1 Specific features of data collection

The data source for the capital account is data on funds received under technical assistance programmes from foreign governments and international organisations provided by the State Treasury and the Directorate of Foreign Assistance Programme Co-ordination. These data are supplemented with statistics on non-banks' external payments. Information on acquisition/disposal of non-produced non-financial assets is derived from statistics on non-banks' external payments.

8.2 Definition

The definition of the capital account is in line with the BPM5. The split between current and capital transfers is provided by the information suppliers described in Sub-section

8.1. There are two separate codes for current and capital transfers in the List of External Payments Codes.

8.3 Deviations from agreed definitions

None.

8.4 Gaps

Certain capital transfers, such as migrants' transfers (excluding workers' remittances), investment grants in kind and debt forgiveness by companies, are not fully covered.

8.5 Intended harmonisation

None.

9 Direct investment

9.1 Specific features of data collection

Data sources for direct investment are the quarterly survey on foreign investment (for sampling methods, see Sub-section 3.1), banking statistics and statistics on non-banks' external payments. Information on inter-company loans (including short-term loans and trade credits) between affiliates is included. Data on direct investment are broken down by instrument and country. Data sources also provide a breakdown by sector.

9.2 Definition

Definitions are in line with the BPM5. Direct investment data cover transactions in equity, reinvested earnings (with an offsetting entry under reinvested earnings for income on direct investment), other capital (including short and long-term loans, debt securities between affiliates and trade credits) and financial derivatives between affiliates. The 10% ownership criterion is applied. The directional principle for direct participations is applied to data on other sectors. Data on transactions are derived from stock data and refer to the time of the actual operation. The geographical allocation is based on the debtor principle. Special-purpose entities are not

subject to different treatment, since they are not significant in Latvia.

9.3 Deviations from agreed definitions

Deviations concern the valuation of liabilities where data sources mostly provide book values rather than market values.

9.4 Gaps

None.

10 Portfolio investment

10.1 Specific features of data collection

Data sources for portfolio investment are the quarterly survey on foreign investment, banking statistics, statistics on non-banks' external payments, the State Treasury and the Bank of Latvia's balance sheet. Data on transactions are derived from stock data (see Sub-section 10.6 on estimation methods) on an aggregated basis.

The Bank of Latvia also uses data from the monthly survey on securities traded in the secondary market conducted by the Financial and Capital Market Commission, which includes aggregated transaction data and breakdowns by sector and instrument using market values.

Data on portfolio investment are broken down by sector and instrument in accordance with the BPM5.

10.2 Definition

The definitions used for portfolio investment are in line with the BPM5 (financial derivatives are excluded). Portfolio investment includes tradable securities, excluding those used in repurchase agreements. Service charges, fees and commissions are excluded and recorded as services.

9.5 Intended harmonisation

Intended harmonisation will involve the replacement of book values by market values from the Riga Stock Exchange's official price listings for publicly traded companies (see Sub-section 9.3).

9.6 Estimation methods

Estimation methods are used for calculating reinvested earnings (see Sub-section 7.1.2).

10.3 Deviations from agreed definitions

Deviations concern the valuation of liabilities where data sources mostly provide book values rather than market values.

10.4 Gaps

None.

10.5 Intended harmonisation

Intended harmonisation will involve the replacement of book values by market values from the Riga Stock Exchange's official price listings for publicly traded companies (see Sub-section 10.3).

10.6 Estimation methods

For the reconciliation with portfolio stocks, exchange rate changes are excluded on the basis of the data available on foreign currencies when transactions are compiled for the monetary authorities, the general government and the banking sector.

11 Financial derivatives

11.1 Specific features of data collection

Financial derivatives cover futures, forwards, options and similar instruments, where the counterparty to the transaction is a non-resident that is not a direct investor or direct investment enterprise. Financial derivatives are excluded from portfolio investment, however, since this sector is still somewhat underdeveloped. Most transactions are executed on a local basis between residents.

The main data source for financial derivatives is the monthly survey on securities traded in the secondary market conducted by the Financial and Capital Market Commission (see Sub-section 10.1). Transactions are recorded on a gross basis. Statistics on non-banks' external payments are also used. The data source for monetary authorities is the Bank of Latvia's balance sheet.

11.2 Definitions

All definitions are in line with the BPM5 and transactions related to income on interest

12 Other investment

12.1 Specific features of data collection

Data sources for other investment are banking statistics, the State Treasury, the quarterly survey on foreign investment (including trade credits) and the Bank of Latvia's balance sheet. Transaction data are derived from stock data (see Sub-section 12.6 on estimation methods). An additional data source is the statistics on non-banks' external payments, which include debits for the household sector.

Data on other investment are broken down by sector, instrument and maturity in accordance with the BPM5.

rate swaps and foreign exchange forward contracts are included under this item.

11.3 Deviations from agreed definitions

None.

11.4 Gaps

None.

11.5 Intended harmonisation

None.

11.6 Estimation methods

None.

12.2 Definition

Definitions are in line with the BPM5.

12.3 Deviations from agreed definitions

None.

12.4 Gaps

None.

12.5 Intended harmonisation

None.

12.6 Estimation methods

For the reconciliation with other investment stocks, exchange rate changes are excluded on the basis of the data available on foreign

currencies, when transactions are compiled for the monetary authorities, the general government and the banking sector.

13 Reserve assets

13.1 Specific features of data collection

The data source for reserve assets is the Bank of Latvia's balance sheet submitted by its Accounting Department. The Foreign Exchange Department provides breakdowns by instrument, maturity, country and currency. Data on reserve assets are compiled on a monthly basis and are broken down by instrument. Transaction data are derived from stock data. Exchange rate and price changes are excluded on the basis of the data available on foreign currencies when transactions are compiled.

Latvia controls the reserve assets and positions of the central government and/or the State Treasury are not included. Reserve assets are compiled in accordance with the gross concept. Reversible gold transactions are not excluded from loans and deposits. A separate category for financial derivatives has been introduced.

13.2 Definition

The definition is in line with the BPM5 and reserve assets refer only to highly liquid, marketable and creditworthy foreign currency-denominated claims on non-residents, gold, special drawing rights and the reserve position in the IMF. The Bank of

13.3 Deviations from agreed definitions

None.

13.4 Gaps

None.

13.5 Intended harmonisation

None.

14 International investment position

14.1 Specific features of data collection and definitions

and liabilities are presented separately for all items.

14.1.1 General

Latvia's i.i.p. is compiled and published quarterly in the quarter following the reference period. Data are compiled and published for: direct investment (Latvia's direct investment abroad and direct investment in Latvia); portfolio investment assets and liabilities; financial derivative assets and liabilities; other investment assets and liabilities; and reserve assets. Data on assets

The data sources for the i.i.p. are the same as those for the b.o.p.

14.1.2 Direct investment

The coverage and concepts of direct investment are in line with the definitions used in the financial account of the b.o.p. and the data sources are the same as those of b.o.p. data (see Sub-section 9.1). Information on direct

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investment is collected in the form of real stock data and refers to book values for liabilities. A reconciliation exercise between i.i.p. stocks and b.o.p. flows is carried out by making other adjustments.

Data on direct investment are broken down by instrument. Data on direct investment in Latvia broken down by kind of activity and investing country are disseminated quarterly one quarter after the end of the reference quarter.

14.1.3 Portfolio investment

The coverage and concepts of portfolio investment are in line with the definitions used in the financial account of the b.o.p. and the data sources are the same as those of b.o.p. data (see Sub-section 10.1). Information on portfolio investment is collected in the form of real stock data and refers to book values for liabilities, with the exception of data on securities traded in the secondary market. A reconciliation exercise between i.i.p. stocks and b.o.p. flows is carried out on the basis of exchange rate changes and other adjustments.

Data on portfolio investment are broken down by instrument and sector.

14.1.4 Financial derivatives

The coverage and concepts of financial derivatives are in line with the definitions used in the financial account of the b.o.p. and the data sources are the same as those of b.o.p. data (see Sub-section 11.1). The main data source is the monthly survey on securities traded in the secondary market carried out by the Financial and Capital Market Commission, which provides aggregated data on flows with an instrument and sectoral breakdown using market values. Therefore, financial derivative stocks are accumulated flows.

14.1.5 Other investment

The coverage and concepts of other investment

are in line with the definitions used in the financial account of the b.o.p. and the data sources are the same as those of b.o.p. data (see Sub-section 12.1). Data on other investment are collected in the form of real stocks and are broken down by instrument, sector and maturity.

14.1.6 Reserve assets

The coverage and concepts of reserve assets are in line with the definitions used in the BPM5 and with the financial account of the b.o.p. Data on reserve assets are compiled on a monthly basis in accordance with the gross concept and the data sources are the same as those of b.o.p. data (see Sub-section 13.1).

Gold and debt securities denominated in convertible foreign currencies are valued at the prevailing market prices. Gold is marked to market on a daily basis. Debt securities denominated in convertible foreign currencies are revalued on a monthly basis.

Data on reserve assets are broken down by instrument and sector in accordance with the BPM5. Data sources also provide breakdowns by currency and country.

14.2 Deviations from agreed definitions

See Sub-sections 9.3 and 10.3.

14.3 Gaps

None.

14.4 Intended harmonisation

See Sub-sections 9.5 and 10.5.

14.5 Estimation methods

None.

15 Contacts

This country information was drafted by Latvia in agreement with the ECB's Balance of Payments and External Reserves Division. Enquiries of a general nature should be addressed to the Press Division of the ECB. Enquiries specific to Latvia should be addressed to:

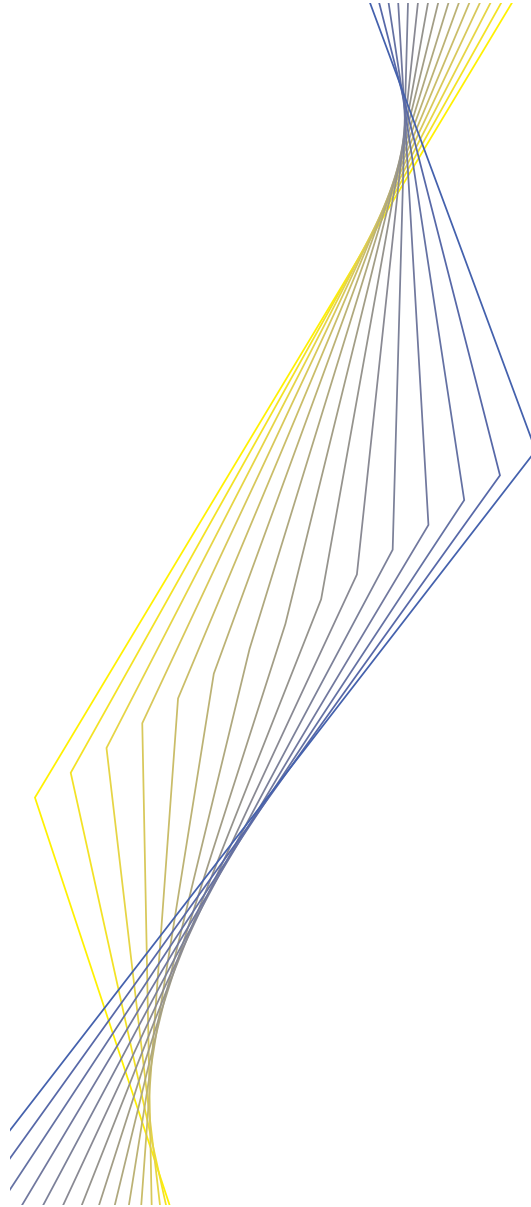
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Chapter 3.6 Latvia



EUROPEAN CENTRAL BANK

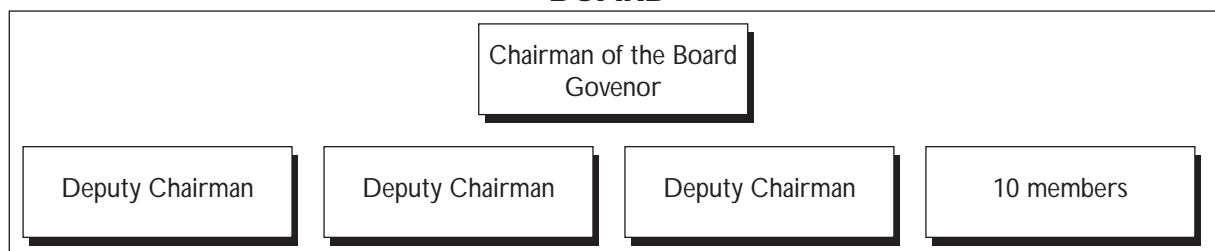


February 2002

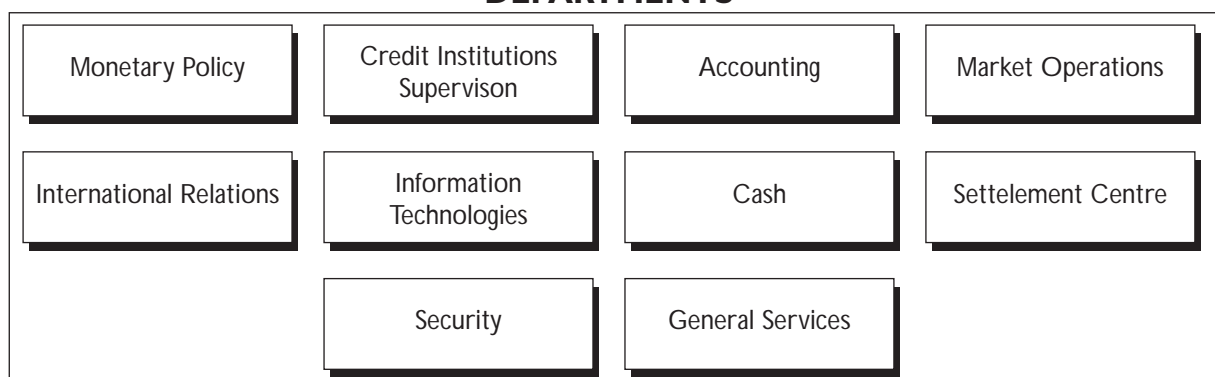
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The Bank of Lithuania

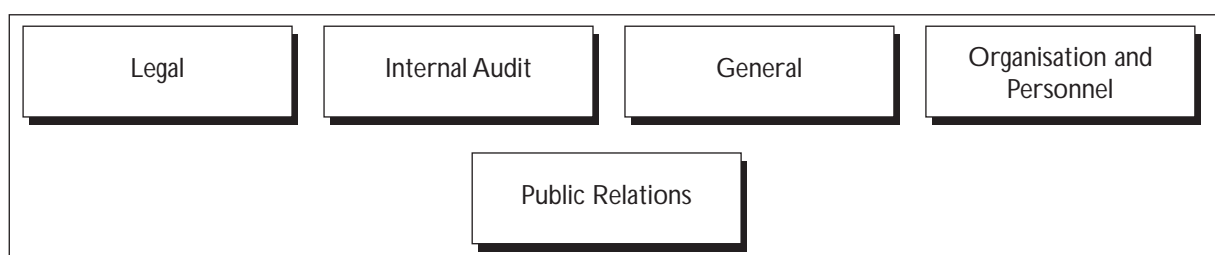
BOARD



DEPARTMENTS



AUTONOMOUS DIVISIONS



BRANCHES



2 Institutional aspects

2.1 Introduction

Since the beginning of 1995, *Lietuvos bankas*, the Bank of Lithuania (BoL), has prepared the national balance of payments (b.o.p.) statistics, has co-ordinated all work related to the collection of the information necessary for the compilation of these statistics and has systematically monitored this work. The b.o.p. is compiled according to the basic methodological requirements and standards of presentation and publication of the International Monetary Fund (IMF) and Eurostat. Lithuania's b.o.p. is compiled quarterly and annually.

2.2 Legislative provisions

The Republic of Lithuania's Law No. *viii-1511 Vilnius* (23 December 1999) *on the amendment of the Law on Statistics*, in particular the chapter entitled "Management of statistics" (Article 6., which deals with the agencies managing official statistics), stipulates that official statistics in the Republic of Lithuania are to be managed by the following agencies:

- government ministries;
- other state and local self-government institutions;
- agencies; and
- the BoL, if this is provided for in the work programme for official statistics.

Accordingly, responsibility for the compilation of the b.o.p. was transferred to the BoL in 1995. The following legislative provisions form the basis of the BoL's task in terms of compiling the b.o.p. and related statistics:

- (i) the *Law No. 1-678, (1994) on the Bank of Lithuania*, as amended by the *Law No. IX-205 (13 March 2001) on the Bank of Lithuania*, Article 8 on the "Functions of the Bank of Lithuania" which states that the BoL "shall draw up the balance of payments of the Republic of Lithuania ...";

- (ii) *Resolution No. 42/2 (1995) of the Government of the Republic of Lithuania and the Board of the Bank of Lithuania on the Compilation of the Balance of Payments of the Republic of Lithuania*, as supplemented by *Resolution No. 445/4 (1997)*, which (a) approved the "Procedure for the submission of the data necessary for the compilation of the b.o.p. of the Republic of Lithuania" and (b) established that the BoL is to prepare the quarterly and annual b.o.p., co-ordinate all the activities related to the compilation of the b.o.p. and manage these activities methodologically.

It further specifies that the b.o.p. must be compiled in line with the methodological requirements of the IMF and the European Union (EU), as well as standards of submission and publication of the b.o.p. Moreover, it stipulates that the information necessary to compile the b.o.p. according to the scope, structure and terms agreed upon with the BoL is to be presented to the BoL by the ministries, other public institutions and economic units listed in the "Procedure for the submission of the data necessary for the Compilation of the b.o.p. of the Republic of Lithuania" and approved by this Resolution. The BoL must resolve all matters on the preparation, implementation and organisation of new surveys (reporting forms) necessary to compile the b.o.p.

- (iii) *Resolution No. 94 (29 June 2000) of the Board of the Bank of Lithuania on approving the forms of statistical statements used for compilation of the b.o.p.*
- (iv) *Law on the National Debt (11 November 1997)*: "national debt means the amount of domestic and foreign debt of the Republic of Lithuania; national currency means Lithuanian litas (LTL), the standard monetary unit of the Republic of Lithuania; foreign currency means the currency of any foreign state or the

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- currency used by two or more foreign states, including the euro and special drawing rights (SDRs)".
- (v) *Resolution No. 1200/8 (30 October 1997,) of the Government of the Republic of Lithuania and the Board of the Bank of Lithuania on foreign loans procured on behalf of the state and guaranteed by the Government.*
 - (vi) *Procedure No. 1200/8 (30 October 1997) for granting, distributing and repaying foreign loans procured in the name of the state and guaranteed by the Government.*
 - (vii) *Procedure No. 77 (27 May 1999) for the registration with the Bank of Lithuania of foreign loans received without a guarantee of the Government by legal persons or enterprises without the status of a legal person in the Republic of Lithuania and of loans granted to foreign economic entities: "economic entities must register with the Bank of Lithuania foreign loans received without the guarantee of the Government by the Republic of Lithuania or loans granted to foreign economic entities within ten business days from the day of signing the loan agreement or other debt instruments".*
 - (viii) *Resolution No. 537 (2 June 1997) of the Government of the Republic of Lithuania on the application of the Special Data Dissemination Standard (SDDS) of the International Monetary Fund in Lithuania: "... to appoint the Bank of Lithuania as co-ordinator of the application of the Special Data Dissemination Standard of the International Monetary Fund in Lithuania. The BoL shall also be responsible for the application of this Standard to the data categories of the banking sector's analytical accounts (monetary survey) ... balance of payments, international investment position ...".*

The 2001 Law on the Bank of Lithuania governs the compilation of data on international reserves. The Law is available on the BoL's website (<http://www.lbank.lt>) in Lithuanian.

2.3 Internal organisation

The compilation of the b.o.p. is the responsibility of the Balance of Payments Division in the Monetary Policy Department. A small team of nine people is currently involved in this compilation, dealing with all activities relating to the b.o.p. process, from the methodology, the revision of questionnaires to analysis and the drafting of reports.

2.4 External co-operation

Please see Sub-section 3.2.

2.5 Users

Data on the b.o.p. are presented to the Government of the Republic of Lithuania, in particular to the Ministry of the Economy and the Department of Statistics of the Government of the Republic of Lithuania (Statistics Lithuania), as well as to the Committees of the *Seimas* (Parliament) of the Republic of Lithuania. The data are also submitted to international organisations such as the IMF, the World Bank, the Bank for International Settlements (BIS), the Organisation for Economic Co-operation and Development (OECD) and the Statistical Office of the European Union (Eurostat).

3 Statistical system

3.1 Type of collection system

B.o.p. statistics are compiled on a quarterly basis using a *survey method* from various data reporters.

All reports by reporting agents include:

- a record of all credit and debit transactions;
- flow and stock data; and
- a country breakdown.

For further details, please see the sub-sections on the individual b.o.p. items.

3.2 Reporting agents

B.o.p. compilation by the BoL is based on the statistical data collected from the following data sources and reporting agents:

- (i) *Statistics Lithuania* supplies the main sets of data, namely data on foreign trade (on the basis of customs declarations), on transactions of non-bank entities with non-residents (services, income, financial transactions, portfolio investment and loans, all of which are recorded on the same questionnaire (F06) by nearly 5,000 respondents), on international transportation, communication and tourism services (on the basis of specific forms (F08, F10, F11, F12, F13, F14) submitted by 2,000 respondents) and on flows and stocks of foreign direct investment (FDI) (on the basis of specific forms (TUI1) submitted by 3,000 respondents). The data on commercial financial relations include transactions by national economic entities of all ownership forms (excluding the banking sector) with non-residents, direct foreign investment in Lithuania and direct investment by economic entities in foreign countries, as well as foreign humanitarian aid;
- (ii) *commercial banks* submit statements on their own cross-border transactions (F06-02) directly to the BoL;
- (iii) the *Ministry of Finance* submits data on foreign loans on behalf of the state and guaranteed by the Government, on the use of loans and their servicing costs, on the inflows received from non-residents for privatised entities in the Republic of Lithuania, on membership fees paid to international financial organisations and on consulates' budgetary income;
- (iv) the *Ministry of Foreign Affairs* provides data on the expenditure of embassies and representative offices of the Republic of Lithuania, on the contributions of the country to international non-financial organisations (entry and membership fees), on technical assistance by foreign countries and international organisations and on the value added tax returned to foreign embassies and representative offices in Lithuania;
- (v) the *Ministry of the Economy* presents data on newly established joint companies and foreign capital companies (the amount of share capital and the structure of the established company);
- (vi) the *Border Police Department at the Ministry of the Interior* submits data on the number of people arriving in Lithuania and leaving it, broken down by nationality and mode of transport used;
- (vii) the *Board of the State Social Insurance Fund* submits data on pension funds received from and transferred abroad and on social insurance payments made by foreign diplomatic services residing in Lithuania for their local employees;
- (viii) the *Central Securities Depository of Lithuania* submits data on the distribution of securities (including Government securities) in the accounts of intermediaries for ascertaining the public distribution of securities between residents and non-residents (total, by country and by investor group); and

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(viii) the *Bank of Lithuania* provides data on the official international reserves and on its balance sheet.

3.3 Thresholds

In the case of the b.o.p., no thresholds are used.

3.4 Availability of data

The b.o.p. is currently compiled quarterly by the BoL, with input from Statistics Lithuania for the corporate sector and from public and international entities. The BoL is responsible, in particular, for collecting data from the banking sector.

Data on the reserve assets are compiled monthly both for official foreign reserves and for the reserves template data. Data on the reserve assets are available within one week after the end of the reference month for official foreign reserves and within one month after the end of the reference month for the reserves template data.

Lithuania's i.i.p. is compiled on a quarterly basis and is available 12 to 13 weeks after the end of the reference quarter.

Data are collected and classified according to the international standards recommended by the 5th edition of the IMF Balance of Payments Manual (BPM5) and the classification of Eurostat's Balance of Payments Vademecum of February 2000. Data are broken down by economic sector, activity and country.

3.5 Data controls

The BoL carries out checks of individual reports and of the quality of time series. It also cross-checks with other statistical sources.

3.6 Revision policy

All quarterly data are changed when the annual b.o.p. is compiled.

3.7 Dissemination

The comprehensive data (the b.o.p. and the i.i.p.) are published, along with short comments, in a special quarterly b.o.p. bulletin entitled "Balance of Payments of the Republic of Lithuania" and in the BoL's "Quarterly Bulletin". The data are also published on the BoL's website (http://lbank.lt/Eng/publications/mb00_.htm) and in the IMF's electronic bulletin, as well as on the National Summary Data Page which has a hyperlink to the home page of the IMF's Data Dissemination Bulletin Board (DSBB).

For the i.i.p., an advance release calendar that meets the SDDS requirements, giving precise release dates for at least one quarter ahead, appears on the BoL's website (<http://www.lbank.lt> in the section "Statistics: Advance Release Calendar") and on the IMF's DSBB, which can also be accessed via a hyperlink from the BoL's website (under the section entitled "Statistics: Special Data Dissemination Standard"). A note to this effect is published in each issue of the BoL's "Monthly Bulletin". The same publication also contains a "rolling" advance release calendar, which provides precise release dates one quarter ahead. The data are released simultaneously to all interested parties by posting them on the BoL's website at the same time as the b.o.p. data are posted. A note informing the public that the data have been released on the internet is published in each issue of the BoL's "Monthly Bulletin".

Two weeks later, the i.i.p. data are published in the quarterly "Balance of Payments of the Republic of Lithuania".

With regard to reserve assets, the BoL's "Monthly Bulletin" and "Quarterly Bulletin"

have contained end-of-month data for the current year, end-of-quarter data for the two previous years and end-of-year data for the following components since December 1992:

gold; holdings of SDRs; the position in the IMF; and foreign exchange (securities, currency and deposits, reverse repos).

4 Goods

4.1 Specific features of data collection

The primary data source is the foreign trade statistics prepared by Statistics Lithuania on the basis of data collected by the Customs Department on import and export declarations for goods. The Customs Department then presents the customs declarations of importers and exporters (SAD forms) to Statistics Lithuania.

Temporary exports and imports, repairs of goods, leasing goods and goods related to humanitarian aid are also included in the accounting item. Furthermore, besides customs data, trade with electricity and natural gas is also included in this item. The data on goods delivered to transport agencies at the ports are based on transport company reports.

4.2 Definition

The foreign trade volume is calculated on the basis of the General Foreign Trade Principles and the definition of the General Trade System and recommended methods by the Statistical Service of the United Nations. All goods that enter the country (imports) and all goods that leave the country (exports) are registered.

Imports are also compiled on an f.o.b. basis. In this respect, the BoL makes some adjustments in terms of freight (about 5% of total imports minus energy products).

4.3 Deviations

None.

The following items are considered imports:

- imports declared for use within the country;
- temporary imports for inward processing;
- imported goods after processing; and
- imports into customs warehouses.

4.4 Gaps

None.

4.5 Intended harmonisation

None.

The following items are considered exports:

- goods of Lithuanian origin;
- re-exports of goods after processing; and
- exports of goods from customs warehouses.

4.6 Estimation methods

The BoL makes some adjustments to foreign trade – part of which can be attributed to shuttle trade in goods and services – using data on cash purchases of foreign exchange and on personal deposits converted into foreign exchange.

Merchandise exports and imports are recorded at the time of customs clearance.

5 Services

5.1 Specific features of data collection

Data on the services provided by resident non-financial enterprises to non-residents and the services provided by non-residents to Lithuanian economic entities are received on the basis of statistical research carried out by Statistics Lithuania. All categories of services are divided up in the questionnaire to Statistics Lithuania (see Sub-section 3.2 (i)), which enables the available data to be aggregated according to the standard groups of services as defined in the BPM5 and the extended classification of services by Eurostat and the OECD. More than 5,000 enterprises complete the said questionnaire. Approximately 75% of the answers to this questionnaire are completed.

5.2 Definition

(i) *Transportation*

This category includes cargo and passenger transportation services using all means of transportation, including seaport and airport services. Data are based on quarterly statistical reports from Lithuanian enterprises engaged in the international transportation of goods and passengers. Data on the delivery of cargo by sea, air, road and rail as well as by pipelines are derived from the reports of these enterprises (approximately 460 responses).

(ii) *Travel*

Travel services include all goods and services acquired by travellers in foreign countries (a person living in a country in which he/she is not a resident for less than one year is considered a traveller). Services in the area of international passenger transportation – i.e. the transportation of passengers between countries – are not included in the travel item. Such services belong to the category of passenger transportation services. Data on travel services are

calculated on the basis of the monthly data on the number of incoming foreigners into and departing residents from Lithuania, as provided by the Border Police Department, and on the Department of Tourism's selective research on incoming foreigners and their average expenditure and length of stay.

(iii) *Other services*

The main source of information on income and expenditure related to other types of services is the quarterly report on non-financial enterprises by Statistics Lithuania. In this report, the economic entities submit data on receipts from and expenditure on such categories of services and payments abroad as construction, communications, finance, computers and information technology, royalties, insurance, government services, the acquisition of licences, leasing and business leases, other personal, cultural and entertainment services, other business services and other services. Data on government services are received from technical assistance projects provided by foreign governments and international organisations. The largest amount of information on government services is received from the Ministry of Foreign Affairs. Information is based on the data on the expenditure of Lithuania's embassies abroad and on salaries paid to Lithuanian employees working abroad. Data on financial services are obtained from commercial bank reports. Additional information on various services is collected from other official sources.

5.3 Deviations

None.

5.4 Gaps

None.

5.6 Estimation methods

See Sub-section 4.6.

5.5 Intended harmonisation

None.

6 Income**6.1 Specific features of data collection and definitions**

Data on income are obtained from the quarterly reports of non-banking enterprises and from the reports submitted by commercial banks, ministries and departments as well as the BoL.

The total sum of dividends paid (i.e. before tax) is reflected in the b.o.p. Dividends may be paid in cash or in shares (capitalisation of current income). Dividends on liquidation are excluded, since they reflect the return on invested capital and not a transfer of income. These dividends are shown as capital withdrawals. Where declared dividends have not been paid, the data presented as direct investments under other bank assets are increased by the respective sum.

6.1.1 Compensation of employees

Information on compensation of employees is obtained from reports of non-financial enterprises and the Ministry of Foreign Affairs (data on the expenditure of Lithuania's embassies abroad).

Reinvested earnings are recorded in full for both inward and outward investment. Reinvested earnings mean that a direct investor's profit (loss) is not distributed in the form of dividends but is retained by the enterprise concerned. Reinvested earnings are recorded for the period under review during which the respective profit was made (or loss incurred). They are calculated by deducting the tax due, the dividends payable (if declared) and the remuneration of board members from the profit made during the reporting period.

6.1.2 Income on direct investment

The main sources of data on investment income (expenditure) are as follows: quarterly reports by non-financial enterprises and banks and information from the Ministry of Finance on interest paid on loans received on behalf of the state and guaranteed by the Government.

6.1.3 Income on portfolio investment

Income from direct investments means income calculated on behalf of a direct investor on the capital invested by him in the form of direct investments. This income comprises:

Income (interest) on portfolio investment includes income on preference shares that grant the right to receive additional payments within a fixed amount (these payments are not considered dividends and are treated as interest). This income also comprises:

- dividends;
- distributed profits of foreign branches;
- reinvested earnings; and
- income (interest) on debt liabilities.

- dividends on preference shares that do not grant the right to the assets of an enterprise in liquidation; and

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- interest on other debt securities (bonds, bills, cheques and other similar liabilities).

The accruals principle is applied to income on portfolio investment on the basis of quarterly surveys. An offsetting entry is recorded in the underlying financial account item of portfolio investment.

6.1.4 Income on other investment

This item comprises:

- interest on loans;
- interest on liabilities for goods and services.

Interest on loans also comprises interest on loans on behalf of the state, interest on loans guaranteed by the government and other investment expenditure (penalties, forfeitures).

The main sources of data on investment income (expenditure) are as follows:

quarterly reports of non-financial enterprises, quarterly reports of banks and the information from the Ministry of Finance on interest paid for loans received on behalf of the state and guaranteed by the government.

6.2 Deviations from agreed definitions

None.

6.3 Gaps

None.

6.4 Intended harmonisation

None.

6.5 Estimation methods

None.

7 Current transfers

Data are received from various government agencies and the banking sector. Statistics Lithuania submits data on charity received (granted). The Ministry of Finance and the Ministry of Foreign Affairs submit data on entry and membership fees paid by the government to international organisations. The largest amount of information included in the b.o.p. under the current transfers item is received from the Ministry of Foreign Affairs, namely those on the technical

assistance projects carried out by foreign countries and international organisations and funds in Lithuania. The Ministry of Communications submits information on remittances to and from foreign countries. Data on pensions transferred from foreign countries (Russia, Ukraine) are submitted by the Savings Bank.

Also see Sub-section 8 below.

8 Capital account

8.1 Specific features of data collection

This item only includes the value of foreign investment projects. Data are received from the Ministry of Foreign Affairs.

8.2 Definition

See Sub-section 8.1.

8.3 Deviations from agreed definitions

None.

is no coverage of migrants' transfers and the acquisition/disposal of non-produced non-financial assets.

8.4 Gaps

No other items are recorded except those mentioned in Sub-section 8.1. Inter alia, there

8.5 Intended harmonisation

None.

9 Direct investment**9.1 Specific features of data collection**

The sources are:

- (i) Statistics Lithuania's consolidated quarterly and annual reporting data on financial and commercial activities of economic entities and non-financial corporations of all types of ownership with non-residents (the BoL collects banking sector data). Entities which have relationships (nearly 5,000 respondents) with non-residents must complete a questionnaire once every quarter. This questionnaire encompasses more than 100 items (outward and inward transactions – direct investment (equity capital holdings of more than 10%, debt securities, all types of loans, money market instruments, financial derivatives, trade credits, etc.)). Data are broken down by country and by activity.
- (ii) In line with OECD requirements, Statistics Lithuania has devised a questionnaire on FDI, which is circulated to more than 2,000 respondents four times a year. This questionnaire covers all components of FDI by direction of investment. It comprises resident direct investment abroad and non-resident direct investment in the Lithuania. Capital invested by a direct investment enterprise in its direct investor (reverse investment) is regarded as an offsetting item to capital invested by a direct investor and by related enterprises in the direct investment enterprise. In other words, such capital is considered

“disinvestment” by the direct investor, rather than an asset of the direct investment enterprise. The data are available in full broken down by country and activity.

- (iii) The Ministry of Finance provides data reported monthly, quarterly and annually, broken down by country and activity, on revenues received from non-residents for privatised entities in the Republic of Lithuania and on other subsidies and funds received from abroad.
- (iv) The Ministry of the Economy provides data reported quarterly and annually on joint ventures and enterprises established with foreign capital (i.e. the amount of an enterprise's authorised capital and the share of its capital that is owned by non-residents). For the b.o.p. purposes, the 25% of the percentage of foreign subscribed capital is taken into account at the time of the registration of joint ventures or enterprises established with foreign capital. In other words, those companies which are registered in current quarter are not included in the statistical survey and their data are included directly in FDI flows and stocks.
- (v) The Central Securities Depository of Lithuania provides data reported quarterly and annually on how securities are distributed among Lithuanian economic entities and non-residents (in total and broken down by country and type of investor) as reflected in the accounting of intermediaries in public securities trading.

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FDI data in the b.o.p. is broken down by geographical area (i.e. by country, namely EU 15, extra-EU 15, euro area, EFTA country, United States, Japan and Canada) and by economic activity (using ISIC/NACE codes corresponding to the economic activities used in the Eurostat/OECD codification for economic activity groups).

9.2 Definition

Foreign direct investment is understood, in line with the methodology of the IMF and the methodological directions of Eurostat, as investment creating long-term economic financial relations and interests between a foreign direct investor and a direct investment company. According to the recommendations of the OECD, a holding of 10% of the voting rights is recognised as the lowest limit under which a foreign direct investor is able to participate in the management of a direct investment company. Foreign investment holdings of less than 10% of the voting rights are attributed to portfolio investment, instead of to direct investment. Not only primary capital investment is attributed to foreign direct investment, but also all later operations between the investor and the direct investment company. Foreign direct investments consist of stock capital (shares valued at market price), reinvested earnings (the proportion of profit (loss) directly attributed to a foreign investor that was not distributed in the form of dividends during the period under review and remained in the company) and other capital (liabilities between the foreign direct investor and the direct investment company in borrowing and lending assets).

Foreign investors are understood to be foreign enterprises (legal persons) other than citizens of Lithuania (natural persons), or persons without citizenship, permanently residing abroad, whose capital at the time of investment is of foreign origin and who invest in the Republic of Lithuania.

Investments are understood as monetary funds and tangible, intangible and financial assets appraised in the manner established by laws and other legal acts, invested with a view to earning profit (income) from the object of investment. *Investing* means actions by investors whereby they acquire the right of ownership or of creditors against the investment object, or the right to manage and use this object.

Investors are understood as the Republic of Lithuania and foreign states, international organisations, legal and natural persons of the Republic of Lithuania, as well as enterprises without the rights of a legal person, who, in accordance with the procedures established by the law of the Republic of Lithuania, invest their own borrowed assets in trusts. *Strategic investors* are investors with whom the Government of the Republic of Lithuania, or an authority empowered by it, enters into an investment contract. *Investment objects* are understood as the ownership capital of an economic entity, all types of securities, fixed assets and long-term intangible assets.

In compliance with both the Law on Commercial Banks of Lithuania and the Companies Act, *paid-up but not registered capital* does not entail any awarding of property and non-property rights to a shareholder, so that the said capital may not be attributed to direct investment. It is treated like other liabilities and entered under *other investment* (portfolio investment, other investments). *Other bank assets* and *other liabilities* with respect to direct investment comprise:

- other debt securities (including preference shares that do not award any right to an enterprise's assets upon its liquidation);
- loans (when a direct investor awards a loan to a subsidiary enterprise, or vice versa);
- overdue loans (if their maturity is not extended);
- liabilities on goods and services, other financial assets and other liabilities to non-residents;

- calculated but unpaid dividends; and
- interest on loans (if not paid out).

9.3 Deviations from agreed definitions

Private non-business real estate investment is not included.

9.4 Gaps

None.

9.5 Intended harmonisation

None.

9.6 Estimation methods

Estimates are necessary in order to record some of the flows and stocks of stock companies which are not fully covered by the usual reporting system of Statistics Lithuania. In particular, if a new stock company is established in Lithuania, it is obliged, under the procedures for the registration of joint ventures and foreign capital enterprises, to deposit 25% of its total registered foreign capital with a Lithuanian bank. Since these flows are not captured by the usual reporting system of Statistics Lithuania, the BoL has to estimate these flows.

The estimation methods applied are as follows:

- (i) The BoL counts final FDI indicators – flows and stocks – on the basis of collected data. From Statistics Lithuania,

the BoL receives aggregated reports on FDI, total data on portfolio investments and, separately, the same kind of data on stock companies and commercial banks. The BoL aggregates all foreign direct and portfolio investment data on stock companies (except for data on corporations whose shares are not quoted on the stock exchange) and banks and calculates the shares of FDI and portfolio investment.

- (ii) The BoL uses data on foreign investment (buying and selling) in resident equity capital from the Central Securities Depository and Lithuanian Securities Commission. Although these data do not distinguish between FDI and portfolio investment and although the coverage of economic entities is lower, they indicate transactions with non-residents at market prices. From these data, the BoL deducts total FDI and portfolio data, which it has obtained from quarterly surveys of stock companies and banks (see item (i) above).
- (iii) If the final result is larger, i.e. if the sum total of FDI and portfolio investment at market prices exceeds that taken from the statistical surveys, the BoL makes adjustments – expands the survey data proportionally in the shares of FDI and portfolio investment.
- (iv) To the adjusted figure, the BoL adds data on privatisation and data on new registered foreign capital (25% of total registered foreign capital, as is required to deposit under the procedure for the registration of joint ventures and foreign capital enterprises) in the respective accounting period (see also Sub-section 9.1 (iv)).

10 Portfolio investment

10.1 Specific features of data collection

Primary sources of portfolio investment stock data are the quarterly reports of enterprises and commercial banks, as well as data from

the Central Securities Depository on the distribution of securities (including Government securities). These data are obtained from the accounts of intermediaries on transactions in securities between

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residents and non-residents. Portfolio investment stocks are broken down further by instrument, sector and maturity.

Investments in securities are reflected in the special monthly reports of intermediaries, which are requested under the General Regulations on Accounting for Investments in Securities in Credit Institutions (Resolution No. 253 of the Board of the Bank of Lithuania of 20 November 1997).

10.2 Definition

Portfolio investment is understood as foreign investment involving less than 10% of the voting rights and no extensive powers in corporate management decisions. Portfolio investment comprises acquired *debt securities* (shares confirming the participation of holders thereof in the capital and awarding less than 10% of the voting rights) as well as *market and investment securities* (bonds, bills, promissory notes, certificates of deposits, etc.) that confirm the issuer's debt and that will be repurchased within a certain time-frame.

11 Financial derivatives

11.1 Specific features of data collection

Banks account for *financial derivatives* in off-balance sheet items: amounts receivable are shown as off-balance-sheet claims, whereas amounts payable are shown as off-balance-sheet liabilities. Financial derivatives are accounted for when they are created or sold, or when other actions provided thereunder are effected. Purchase (sale) transactions are accounted for at the *market value*.

11.2 Definitions

Included are foreign exchange purchases (sales), interest rate, precious metals and liability-related financial derivatives transactions (forwards, swaps, futures and options).

In compliance with the b.o.p. compilation methodology, the remaining proportion of equity (including reserves) that awards property rights to a shareholder is excluded from portfolio investment.

10.3 Deviations from agreed definitions

None.

10.4 Gaps

None.

10.5 Intended harmonisation

None.

10.6 Estimation methods

None.

11.3 Deviations from agreed definitions

None.

11.4 Gaps

None.

11.5 Intended harmonisation

None.

11.6 Estimation methods

None.

12 Other investment

12.1 Specific features of data collection

The data sources are as follows:

- (i) the *banking sector*: specific quarterly questionnaire in accordance with b.o.p. requirements (real flows and stocks); and
- (ii) *trade credits*: quarterly surveys of non-financial enterprises and banks (25 days after the reference period).

Breakdowns are available by sector, instrument and maturity.

12.2 Definition

Other investment is classified by the type of financial instrument: deposits and cash, loans, debts for goods and services and other financial assets and liabilities that are not attributed to direct investment and portfolio investment.

Other investment of the banking sector is understood as all remaining financial operations, other than those included in direct investment and portfolio investment. They comprise liabilities for goods and services, loans, cash and deposits, as well as other assets and liabilities. Liabilities for goods and services are understood as financial claims and liabilities arising when goods and service flows differ from the time of actual settlement.

Loans cover all loans granted by banks to non-residents as well as loans received from non-residents (excluding loans raised on behalf of the state and guaranteed by the Government). *Loans* also include *leases, repos and overdrafts*. In the case a *lease*, the lessee covers expenditure incidental to the acquisition of goods. Other investment reflects the payment of the principal, whereas income and expenses are treated as interest payable or receivable on the lease. In

accordance with their economic intent, *repos* are attributed to collateralised loans, in which case the seller of securities grants the buyer a certain sum of money which is guaranteed by securities for the period of validity of the agreement, and subsequently, upon repurchase of the securities, receives interest on the fixed price. As a rule, ownership of the securities does not change and the seller does not have the right to sell them.

Cash and deposits comprise cash in foreign currency and travellers' cheques in banks (shown only in the financial assets part of commercial banks' monthly statements), demand deposits and correspondent account balances with foreign banks. Time deposits are attributed to loans for the purposes of the b.o.p.

Other assets and other liabilities cover operations not included in the aforementioned items. Other assets include non-resident loans that have not been repaid or extended, as well as outstanding dividends and interest, whereas other liabilities comprise outstanding loans to non-residents, outstanding dividends, etc. In line with both the Law on Commercial Banks of Lithuania and the Companies Act, paid-up but not registered capital of banks may not award property or non-property rights to a shareholder; therefore, this capital is attributed to other investment and is entered under other liabilities in commercial banks' monthly statements. This item includes *credit or debit liability* (i.e., miscellaneous payable and receivable accounts).

12.3 Deviations from agreed definitions

None.

12.4 Gaps

None.

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12.5 Intended harmonisation

None.

12.6 Estimation methods

None.

13 Reserve assets

13.1 Specific features of data collection

The data source is the BoL's Accounting Department. IMF data is used to compile the reserve position in the IMF.

Reserve assets are compiled in accordance with the gross concept, without any netting with monetary authorities' liabilities.

Reserve assets include interest accruals on securities.

13.2 Definition

Reserve assets are external assets that are readily available to and controlled by monetary authorities for the direct financing of payment imbalances, for indirectly regulating the magnitude of such imbalances through intervention in exchange markets to affect the exchange rate and/or for other purposes.

The BoL does not perform reversible transactions with gold, but such transactions would be treated as collateralised loans.

At present, there are no financial derivatives positions to be included in the reserve assets item.

Reserve assets refer to liquid, marketable and creditworthy foreign currency-denominated claims (consisting of foreign exchange and deposits, securities and reverse repos) on non-residents plus monetary gold, holdings of SDRs and the reserve position in the IMF.

13.3 Deviations from agreed definitions

There are no deviations from the BPM5 in reserve assets.

The reserve assets are under the effective control of the monetary authority.

13.4 Gaps

At present, there are no transactions that cannot be covered by the reporting system.

Positions vis-à-vis residents and positions in non-convertible and local currencies vis-à-vis non-residents are excluded.

13.5 Intended harmonisation

At present there are no plans for improving the data regarding reserve asset transactions.

14 International investment position

14.1 Specific features of data collection and definitions

data on the i.i.p. are disseminated in Lithuanian litas (LTL) and US dollars (USD) for each of the standard components according to the BPM5. The i.i.p. is compiled on the basis of real stock data.

14.1.1 General

Lithuania's i.i.p. is compiled on a quarterly basis and becomes available 12 to 13 weeks after the end of the reference quarter. The

The i.i.p. is compiled separately for assets and liabilities. The foreign assets component

includes direct investment abroad, portfolio investment, other investment and reserve assets. The foreign liabilities component includes direct investment in Lithuania, portfolio investment and other investment. Portfolio investment is broken down further by instrument, namely into equity securities and debt securities, and other investment is subdivided into trade credits, loans, foreign exchange and deposits, other assets and liabilities.

The data on the assets and liabilities positions are broken down further by sector (BoL, commercial banks, non-financial enterprises and government) and show the position as at the end of the reference period. The methodology used to compile the i.i.p. data is based on the BPM5. A country breakdown is also available.

Scope of the data

- (i) Institutional coverage:
 - banks: all banks are included;
 - non-banks: information on the financial and commercial relations of all national economic entities, irrespective of the form of ownership, with non-residents. Currently, data are collected from around 6,000 enterprises.
- (ii) Geographical coverage: no geographical regions are excluded from recording.

Accounting conventions

- (i) Conversion to unit of account: data are reported in LTL, in accordance with the Accountancy Act.
- (ii) Valuation: transactions are generally recorded at market prices.

Compilation practices

- (i) Verification and other practices: all i.i.p. components are analysed both for internal consistency and for consistency over time. In addition, data

are reconciled with those obtained through other sources and statistical frameworks.

- (ii) Adjustments to improve coverage/classification/timing/valuation: No adjustments are made to the values the BoL obtains from commercial banks, enterprises and Statistics Lithuania.

14.1.2 Direct investment

Direct investment data are derived from quarterly reports from enterprises and commercial banks. For further details on data collection, see Sub-section 9.1.

In principle, the basis for *valuation* is the market price, but a market price is often not available for enterprises whose shares are not quoted on the stock exchange. In practice, the book value is used to determine the proportion of the value of the direct investment stock.

Lithuania uses the *directional principle* for the calculation of FDI, which is in line with the BPM5. All transactions by the direct investor with the direct investment enterprise are *FDI abroad* and all transactions by the direct investment enterprise with the direct investor are *FDI in the reporting economy*. Capital invested by the direct investment enterprise in its direct investor (reverse investment) is regarded as an offsetting item to capital invested in the direct investment enterprises by a direct investor and its related enterprises. In other words, such capital is regarded as *disinvestment* by the direct investors, rather than as an asset of the direct investment enterprise.

Direct investment is broken down by country and activity.

The BoL carries out adjustments for changes in exchange rates, as well as other adjustments.

14.1.3 Portfolio investment

The primary sources of portfolio investment stock data are the quarterly reports of enterprises and commercial banks as well as the data of the Central Securities Depository of Lithuania on the distribution of securities (including Government securities). These data are obtained from the accounts of intermediaries on transactions in securities between residents and non-residents. Portfolio investment stocks are broken down further by instrument, sector and maturity.

For further details, please see Sub-sections 10.1 to 10.6.

14.1.4 Financial derivatives

Stocks for financial derivatives (assets and liabilities) are compiled separately.

14.1.5 Other investment

The primary sources of data are the quarterly reports from enterprises and commercial banks, as well as data from the BoL and the Ministry of Finance.

14.1.6 Reserve assets

The primary source of data is the BoL's accounts. The data are compiled monthly for both official foreign reserves and for the reserves template. Data on the reserve assets become available within a week after the end of the reference month with respect to the official foreign reserves and within a month after the end of the reference month with respect to the reserves template.

The gross official reserves data are fully reconciled with the b.o.p. data; both sets of data are published in the "Quarterly Bulletin". Historical data on gross official reserves and major reserve-related liabilities of the BoL can be found on the bank's website (<http://www.lbank.lt>).

Data on the total gross official foreign reserves are disseminated in USD millions. The data cover the reserves of the central bank and the position in the IMF, and are based on the accounting records of the BoL. The data are published with the following breakdown by instrument and currency:

- gold;
- convertible foreign currency (securities, currency and deposits and reverse repos);
- holdings of SDRs; and
- the position in the IMF.

International reserves are measured from stocks of claims on non-residents.

International reserves are valued at current market prices. Data on deposits with foreign banks do not include interest accrued but not yet credited to the BoL's accounts.

Monetary gold holdings are revalued once a year on the last working day, at the lowest value of the London gold fixing during a year, if this value is lower than the book value. Most recently, the gold holdings were revalued at USD 252.8 per fine ounce at the end of 1999. Holdings of foreign exchange (cash) are revalued on a daily basis. Coupon-bearing securities are revalued once a month on the last working day and discount securities are revalued once a year on the last working day using the bid prices prevailing on the secondary markets. The value of securities on the reference date includes accrued interest.

Data are converted into LTL or USD equivalents on the basis of the official exchange rates announced by the BoL.

Since the end of April 2000, Lithuania has disseminated data on the international reserves and reserve-related liabilities in the Data Template on International Reserves and Foreign Currency Liquidity (IMF Data Template). The IMF's Operational Guidelines provide the metadata for both the official reserve assets and the complete reserves template. For the template, stocks of major

reserve-related liabilities of the BoL are published, including banks' required reserves in foreign currency, central government deposits in foreign currency, IMF loans to the BoL and repos.

Reserve assets data comprise the official reserves of the BoL and government claims on the IMF. Template data also cover the activities of the central government, excluding social security funds. Foreign assets in non-convertible currencies, as well as all other assets that do not meet the definition of reserve assets, are excluded. At present, there are no financial derivatives positions to be included in the reserve assets.

14.2 Deviations from agreed definitions

None.

14.3 Gaps

In direct investment, private non-business real estate investment is not included.

14.4 Intended harmonisation

None.

14.5 Estimation methods

None.

15 Contacts

This country information was drafted by Lithuania in agreement with the ECB's Balance of Payments and External Reserves Division. Enquiries of a general nature should be addressed to the Press Division of the ECB. Enquiries specific to Lithuania should be addressed to:

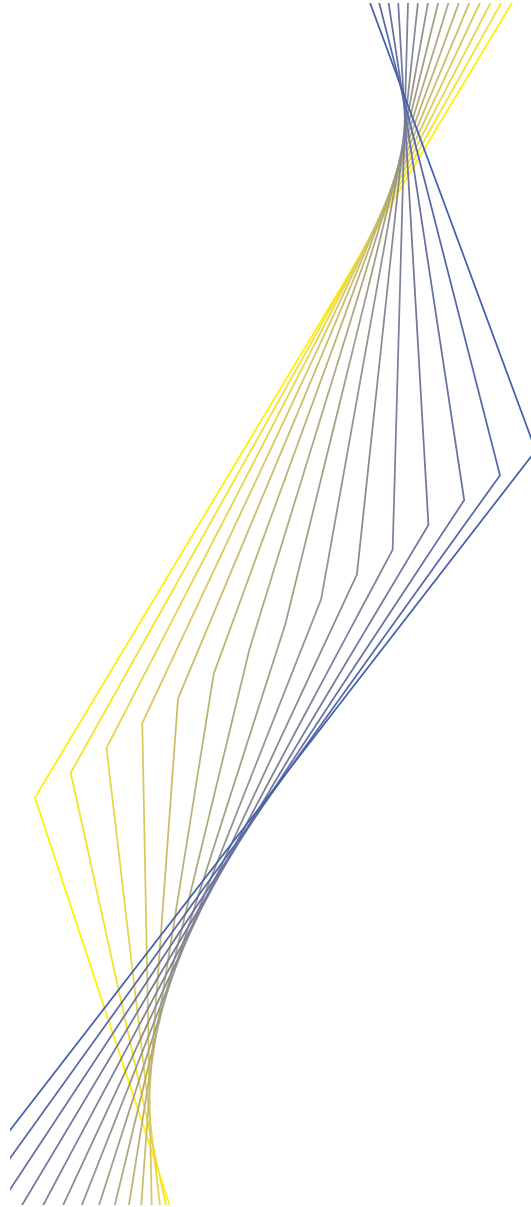
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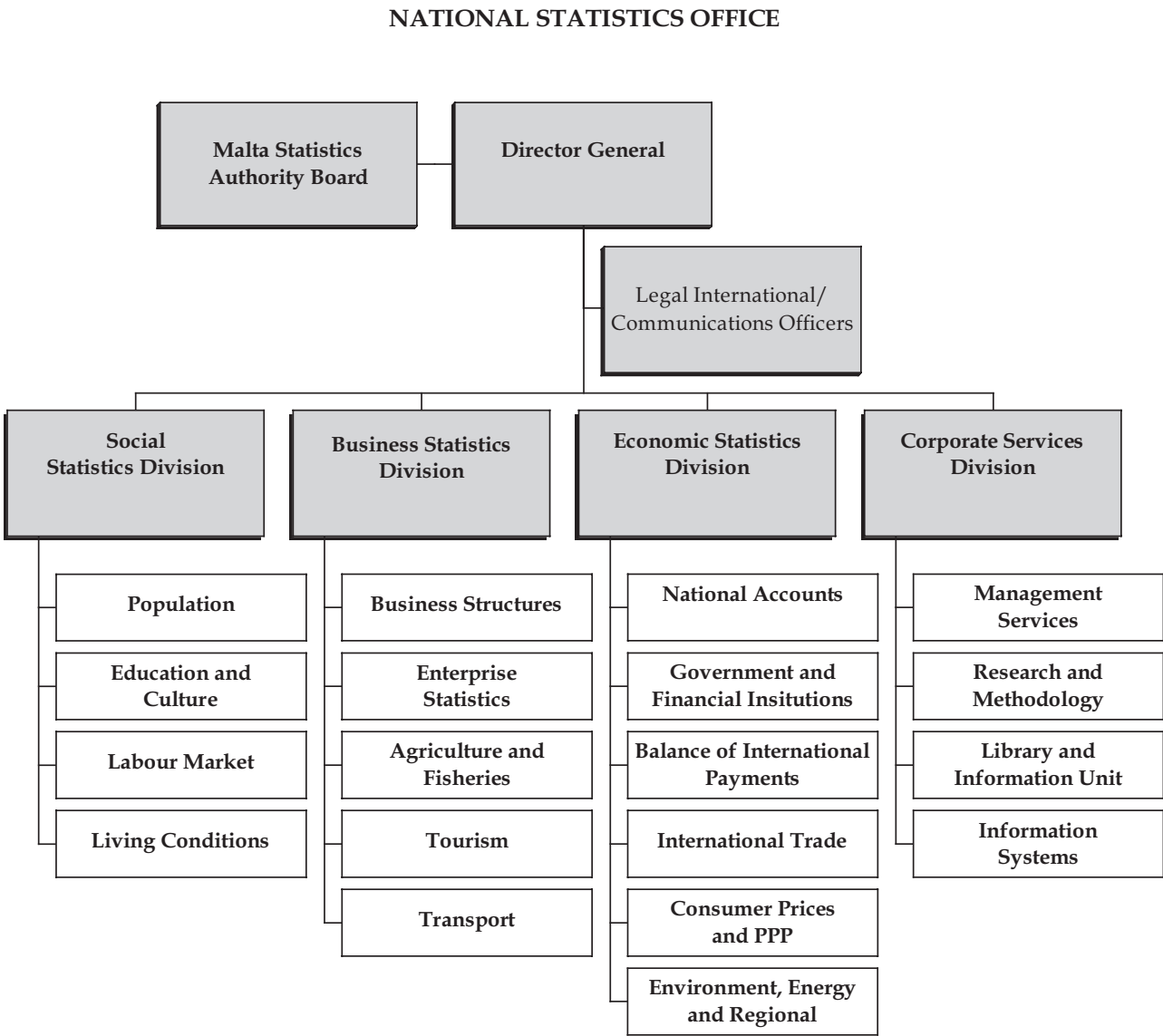


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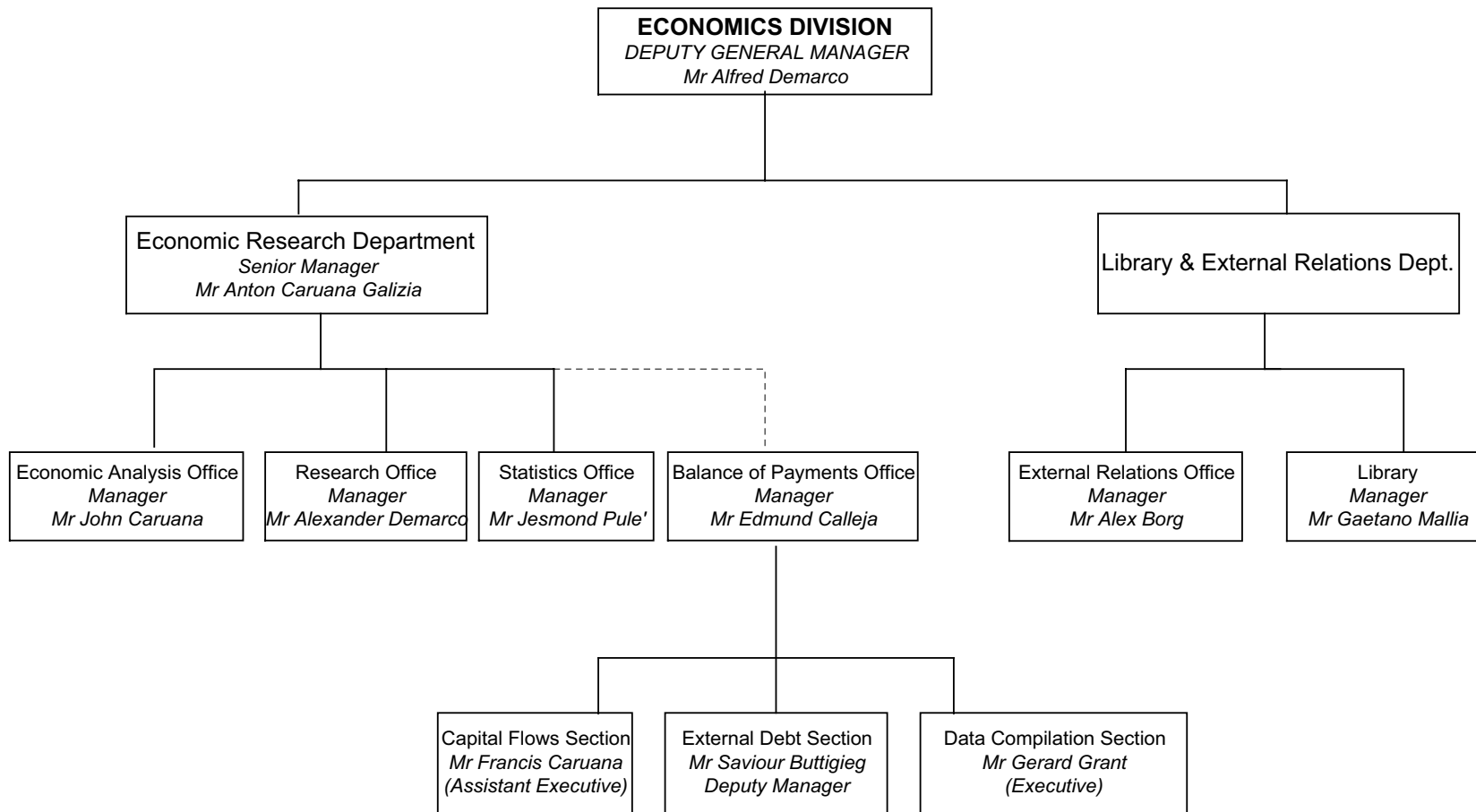


February 2002

I Organisation chart(s)



Central Bank of Malta



2 Institutional aspects

2.1 Introduction

The preparation and presentation of the balance of payments (b.o.p.) statement of Malta has been the responsibility of the National Statistical Office (NSO) since 1954, the year that such data started to be published by the statistical authorities in Malta. Since 1993, the compilation process has been enhanced by the participation of the Central Bank of Malta (CBM). The CBM, through its Balance of Payments Data Compilation Section, co-operates actively with the NSO in the collection, vetting and compilation of b.o.p. data throughout the year. The b.o.p. statement is compiled on a transaction basis. Both the current and the capital and financial accounts are published quarterly and annually.

The CBM has an additional role in the b.o.p. compilation process. It collects data on cash-based transactions between residents and non-residents, as recorded by local banks, on a monthly basis. It also collects and compiles data on the external financial assets and liabilities of the various sectors of the Maltese economy.

The CBM and NSO have shared competency in the compilation of the international investment position (i.i.p.). In 1999, the CBM and NSO undertook to align b.o.p. and related data with international standards. By March 2000, data covering the years 1995 to 1999 were revised and reclassified in accordance with the 5th edition of the IMF Balance of Payments Manual (BPM5).

At present, the NSO together with the CBM are developing a framework for a future direct reporting data collection system (DR), which will be based on statistical surveys. The system will be used for compiling both monthly and quarterly b.o.p. and i.i.p. statistics.

2.2 Legislative provisions

The Malta Statistics Authority Act (Act XXIV of 2000) provides for the establishment of an Authority to regulate functions regarding resources relating to the collection, compilation and publication of official statistics. The legislation also regulates the NSO and establishes its functions, which include the collection, compilation, extraction and release of official statistics. The Director General who heads the NSO is also an ex officio member of the Board of the Authority. He carries out the day-to-day operations of the office within the Authority in accordance with the general lines of policy established by the Authority (Section 9).

One of the main functions of the Authority is to regulate and generally supervise the production of official statistics in accordance with international requirements and standards (Section 7 (b)).

The First Schedule to the Act covers matters, including the b.o.p., in respect of which statistics may be collected, prepared and published. Section 43 of the Act outlines the administrative penalties. A person is liable to pay a penalty of MTL 50 (EUR 127)¹ for every month that elapses from the end of the deadline for the provision of requested information (Section 43-1 (a)). A person is liable to pay a penalty of MTL 100 (EUR 254)¹ if that person fails or refuses to provide information requested by the Director General (Section 43-1 (b)).

The CBM will be empowered to collect statistical information under the proposed draft amendments to the Central Bank of Malta Act 1994 (Section 24 (a)). In fact, "any person who holds external assets and liabilities or carries out cross-border transactions which the Bank determines are relevant to compile b.o.p. statistics or to

¹ Opening middle EUR/MTL exchange rate on 31 May 2001: MTL 2.5369.

establish the balance of the stock of external financial assets and liabilities for Malta, otherwise referred to as the "International Investment Position", may be required to submit such information". The CBM may, through the adoption of appropriate directives, provide for administrative penalties.

2.3 Internal organisation

The BOP Section of the NSO is responsible for the collection, checking and processing of data. A similar section at the CBM provides support in this task. There are nine staff members working in these units, four at the NSO and five at the CBM.

An analysis of the quarterly b.o.p. is given in the NSO News Release, which is published less than three months after the reporting period. Furthermore, an analysis of b.o.p. data is carried out by the Economic Analysis Office of the Economic Research Department of the CBM. This analysis is published in the CBM's Quarterly Bulletin. Annual data are also analysed and published by the CBM and the Economic Policy Division of the Ministry of Economic Services.

2.4 External co-operation

At the NSO, the BOP Section works closely with the National Accounts Section, particularly where GDP and GNP issues are concerned. As regards merchandise trade data (customs-based), these are received by the Trade Section of the NSO and passed on to the BOP Section every month. The BOP Data Compilation Section of the CBM in turn provides information about travel earnings and expenditure to the Travel Section of the NSO, as the latter is responsible for compiling tourism statistics. In addition, the BOP Data Compilation Section of the CBM receives data in line with specific requests made to the Ministry of Finance and the Treasury

Department. These data cover debt servicing, the acquisition of immovable property in Malta by non-residents and capital grants.

The BOP sections of the NSO and the CBM have recently been in close contact with a b.o.p. expert from De Nederlandsche Bank in connection with the development of a DR data collection system. The sections have also been working closely with Eurostat on electronic data interchange (EDI) requirements and with the European Central Bank (ECB) on new developments in the area of b.o.p./i.i.p. statistics. Technical missions from the International Monetary Fund (IMF) have also advised the Maltese statistical authorities on b.o.p. issues in recent years. The NSO sends b.o.p. data to the IMF and Eurostat on a regular basis.

2.5 Users

The main user within the NSO of b.o.p. and related statistics, where data on exports and imports of goods and services as well as investment income are concerned, is the National Accounts Section. Other internal users include the Travel Section of the NSO with regard to travel earnings and expenditure. The Economics Research Department of the CBM also uses b.o.p. and related statistics for economic analysis.

The external users of b.o.p. and related statistics at the government level are the Economic Policy Division of the Ministry of Economic Services. Outside the public sector, there are several organisations and enterprises in tourism, industry and the financial sector which frequently make use of such data. International organisations also using these data include the IMF and Eurostat and, recently, the ECB, the Organisation for Economic Co-operation and Development (OECD) and the United Nations. Further external users are credit rating agencies and financial institutions.

3 Statistical system

3.1 Type of collection system

The type of data collection system used to compile b.o.p. statistics is a mixed system based on enterprise survey data, a partial settlement system, customs data and other data sources. The partial settlement system captures cash-based transactions between residents and non-residents that pass through the local banking system. The data collected on services and the financial account are used in conjunction with other data sources.

Another important element of the collection system is the quarterly enterprise survey based on the top companies operating in the various sectors of the national economy and an annual survey sent to an even larger number of companies. This survey covers the services transactions of these enterprises and their financial account transactions. The changes in the short-term assets and liabilities of non-financial enterprises are derived from stock statistics, i.e. the changes in such assets and liabilities, as shown in the enterprises' balance sheet positions from year to year.

Merchandise trade data are provided to the NSO by the Government's Customs Department. Exports are reported f.o.b., while imports are given on a c.i.f. basis.

Financial account transactions of the banking sector are derived from changes in the stocks of assets and liabilities, as reported by banking institutions in the financial returns they submit to the CBM's Banking Supervision Office on a monthly and quarterly basis. Data on the current account transactions of the banking institutions are derived from their profit and loss accounts.

In addition, the b.o.p. compilers obtain further statistical information on specific current and financial account transactions from various government departments.

Data on external reserves are submitted to the b.o.p. compilers by the CBM's Finance

Office on a monthly basis. Supplementary information in this regard includes revaluation adjustments, investment income and service payments effected by the CBM.

The i.i.p. is compiled for all the various sectors of the economy. Details on data sources, concepts, methods and the coverage of the i.i.p. are given in Sub-section 14.1 below.

All b.o.p. and i.i.p. information submitted by reporting agents, except for the banking sector, includes a regional breakdown where services, financial account transactions and stock positions are concerned. In the case of merchandise trade data reported by the Trade Section of the NSO, a complete country breakdown is provided. However, a classification by currency of b.o.p. and i.i.p. data is not available.

Additional sources of information for b.o.p. purposes include:

- data on loans and portfolio investment abroad from the CBM's BOP Office;
- newspaper clippings on b.o.p. issues and developments;
- the aggregated balance sheet of collective investment schemes, which is provided by the Malta Financial Services Centre (MFSC). This institution is currently responsible for regulating and supervising all institutions involved in financial services in Malta except banking institutions; and
- annual financial reports of non-financial enterprises.

3.2 Reporting agents

- (i) The *monetary authority sector*: the CBM's statutory functions to conduct monetary policy, promote a sound financial system and advise the Government on economic

and financial matters are performed mainly on the basis of money and banking statistics compiled by the CBM's Statistics Office, and b.o.p. and related data compiled by the BOP sections of the CBM and NSO.

The Finance Office of the CBM prepares the Bank's monthly balance sheet, which is submitted to the Statistics Office for consolidation with the rest of the banking sector. The Finance Office also submits to the b.o.p. compiler data on external reserves and additional information on revaluation adjustments, investment income and service payments of the monetary authority.

The CBM's Statistics Office is responsible for preparing aggregated money and banking statistics on a monthly basis. It submits such data and selected aggregated items of reserve assets to the IMF for inclusion in the IMF's International Financial Statistics (IFS) publication. Monetary and related data, including details of reserve assets, are published monthly by the CBM in a report entitled "Release of Monetary Aggregates and their Determinants". Detailed tables on monetary and related data are also published quarterly and annually in the CBM's publications.

- (ii) The *banking sector*: the definition of the banking sector in Malta coincides with the European System of Central Banks' definition of Monetary Financial Institutions (MFIs), except for the fact that the CBM's definition does not currently include money market funds. The monthly statements and schedules that credit and financial institutions have to submit to the CBM are incorporated in a Banking Directive (BD 06) issued under the Banking Act of 1994 and in a Financial Institutions Directive (DO2) issued under the Financial Institutions Act of 1994. The documents submitted provide detailed information on the financial position of these institutions. They include a balance sheet, a profit and loss account and an

appropriation account. The statements and schedules are classified so that sub-divisions for resident and non-resident stocks and flows are indicated. Financial account transactions are derived from end-of-period stock positions. Current account transactions are derived from the profit and loss accounts.

- (iii) *General government*: general government is the central government for the purposes of b.o.p. and i.i.p. data collection. The Ministry of Finance is requested by the b.o.p. compiler to provide data on external loans and related interest payments. Moreover, the Ministry of Finance provides information on grants received from overseas by the Government, as well as on the acquisition of real estate by non-residents.
- (iv) *Other sectors*: the corporate sector is surveyed on a quarterly basis to provide data on financial and services transactions. The response rate for the top 100 companies surveyed, accounting for approximately 80% of total b.o.p. data, is 95%. The response rate for the remaining companies is about 30%.

3.3 Thresholds

There are no exemption thresholds stipulated by the b.o.p. compilers. However, the CBM does apply four simplification thresholds when collecting data from banking institutions in connection with its b.o.p. exercise based on banking transactions (partial settlements). These are:

- MTL 100,000 for merchandise trade transactions;
- MTL 10,000 for services transactions excluding travel;
- MTL 25,000 for travel transactions; and
- MTL 10,000 for financial account transactions.

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For transactions below these thresholds, no information is required concerning the nature of the underlying transaction or the country of the non-resident counterpart.

No simplification thresholds are applied to other data sources.

3.4 Availability of data

B.o.p. data on a transaction basis in line with the BPM5 are available quarterly. However, work is currently under way to compile b.o.p. data on a monthly DR basis. The quarterly b.o.p. data are available before the end of the three months following the end of that quarter. Classifications by sector and instrument are available. However, only in the case of the current account are data classified by region, i.e. the European Union (EU) and the rest of the world.

External reserves are compiled on a daily basis by the CBM and made available to the b.o.p. compilers both on a monthly basis and on a quarterly basis, in the latter case with additional information.

The i.i.p. data are currently compiled on an annual basis nine months after the end of the reporting period. The i.i.p. is currently classified by instrument and sector. The information submitted does not include a geographical or currency breakdown.

3.5 Data controls

Formal checking and vetting of enterprise survey responses is carried out on a regular basis. Data are verified using, inter alia, company balance sheets, permits issued by the Capital Flows Section of the CBM's BOP Office and newspaper clippings. Consistency checks of corporate data are built into the b.o.p. software program for enterprises.

The banking institutions' own financial transactions are derived from the change in their stock positions, adjusted for exchange

rate changes. The CBM questions the reporting institutions about large movements in stock positions.

On an aggregate level, checks are also undertaken to ensure consistency between data received from enterprise survey questionnaires and data received from banking institutions covering transactions of the corporate sector. Particular attention is paid to the magnitude of the errors and omissions item and to large transactions that significantly depart from past trends. The compilers try their best to discover the underlying causes of such movements in the data.

3.6 Revision policy

Quarterly b.o.p. accruals data are revised on an annual basis. The previous year's data remain subject to revision. Data are considered final once published in the annual publication of the NSO entitled "The National Accounts of the Maltese Islands". This is normally published one year after the end of the reporting period.

3.7 Dissemination

Users have access to b.o.p. data in regular publications issued by the NSO and the CBM. These include the NSO's news releases, national accounts publication and quarterly economic surveys (issued by the Ministry of Economic Services), and the CBM's quarterly reviews and annual reports. The b.o.p. data are published regularly in IMF and Eurostat publications. Data are also available on the NSO's website at www.nso.magnet.mt. B.o.p. data are disseminated in accordance with the IMF's General Data Dissemination System (GDDS).

Data on external reserve assets are published regularly on a monthly basis and in the CBM's quarterly and annual publications. They are also available on the CBM's website at www.centralbankmalta.com. In the near

future, a detailed statement of external reserve assets is expected to be submitted to the ECB by the CBM.

I.i.p. data are expected to be published regularly in the NSO news releases, the

national accounts publication, the IFS of the IMF and the CBM's publications. They will also be made available on the NSO's website at www.nso.magnet.mt. I.i.p. data are disseminated in accordance with the GDDS.

4 Goods

4.1 Specific features of data collection

- (i) General merchandise: the main source for merchandise trade data are the trade statistics compiled by the Trade Section of the NSO from records received from the Customs Department. Adjustments for coverage are subsequently made by the b.o.p. compiler to both imports (which are reported by Customs on a c.i.f. basis) and exports. Thus, merchandise trade data are reported on an f.o.b. basis.

The adjustments that are made to the customs data are also based on information obtained through the issuance of ad hoc letters to various respondents. In addition, deposits and advance payments made on large and exceptional items are also used to adjust the trade data.

- (ii) *Repairs on goods*: data on repairs on goods are collected from the quarterly survey of private and public entities. The data essentially include information about income earned on aircraft and ship repairs carried out locally, as well as expenditure on aircraft and ship repairs carried out abroad.

- (iii) *Goods procured in ports by carriers*: statistical data on goods sold in domestic ports to non-resident carriers are derived from trade statistics, whereas data on goods purchased by resident entities in foreign ports are compiled on the basis of the quarterly survey of resident shipping and airline companies.

- (iv) *Non-monetary gold*: data for non-monetary gold are derived from trade statistics.

4.2 Definition

Goods data conform with the definitions set out in the BPM5. Imports and exports are adjusted on an f.o.b. basis and merchandise trade statistics by country of destination are also compiled.

4.3 Deviation

There are no serious deviations from the BPM5, except for transactions related to ship repairs and shipbuilding. These are included under general merchandise, whereas in the compilation of cash-based foreign transactions reported by banks, ship repairs are included under services.

4.4 Gaps

None.

4.5 Intended harmonisation

None.

4.6 Estimation methods

10% of the c.i.f. value of merchandise imports is added to the amount shown under freight in the transportation account (see Sub-section 5.1 below).

5 Services

5.1 Specific features of data collection

- (i) *Transportation*: data for transportation services are subdivided into three identifiable categories, namely passenger, freight and other transportation.

Data on receipts and payments for passenger carriage are primarily retrieved from the quarterly b.o.p. enterprise survey carried out for both shipping and airline companies (including their representative agencies operating in Malta).

Data on revenue from freight are derived from the same survey. For freight payments, however, an estimate of 10% of the c.i.f. value of imports is made. Of this 10% estimate, 90% is allocated to freight and the remainder to the insurance payments item (which is included in the current transfers account). A statistical adjustment is made for freight on imports transported by domestic carriers.

Other transportation services are obtained from the quarterly b.o.p. enterprise survey, the monthly b.o.p. settlement-based statement prepared by the CBM and specific data requests sent to public authorities such as the Malta International Airport and the Maritime Authority.

- (ii) *Travel*: data on gross earnings from tourism and on gross expenditure by residents travelling abroad are derived mainly from foreign currency transactions reported by banking institutions and other authorised dealers to the CBM on a monthly basis.

During a joint exercise between the NSO and the CBM, it was found that there was a significant and persistent under-reporting of tourism-related foreign exchange transactions reported through the local banks. Subsequently, a study was carried out to identify the extent of the under-reporting. Consequently, an

upward adjustment of 15% to gross travel receipts reported by the banks was recommended and is being implemented.

- (iii) *Other services*: the primary sources of data for other services are the quarterly and annual b.o.p. surveys of non-financial enterprises. The data sources for government transactions are the Ministry of Finance and the CBM's settlement-based system. The latter is also the source of data in respect of transactions of the personal sector. The services transactions of the banking sector are obtained from banks' profit and loss accounts.

5.2 Definition

The reporting of services transactions conforms to the definitions and guidelines set out in the BPM5.

5.3 Deviations

There are no serious deviations from the BPM5, except for transactions in connection with financial services, which are currently classified under other services.

5.4 Gaps

Country data are not available.

5.5 Intended harmonisation

A more comprehensive classification of services on a country-by-country basis will be a feature of the proposed monthly DR data collection system.

5.6 Estimation methods

Data from the annual International Transactions in Services survey for

enterprises are used as a benchmark for the further breakdown of services transactions. Estimates for non-respondents are extrapolated from historical data.

As mentioned under Sub-section 5.1 above, the gross travel receipts reported by banks are inflated by 15%.

6 Income

6.1 Specific features of data collection and definitions

6.1.1 Compensation of employees

Data are obtained from the enterprise survey and from the CBM's monthly b.o.p. settlement-based statement.

6.1.2 Income on direct investment

There are two main sources of data on income from direct investment. The enterprise survey provides information on reinvested earnings, dividends and interest income. The investment income of credit and financial institutions is obtained from the banks' profit and loss accounts, which are submitted to the CBM.

Income is classified by type of financial instrument. A limited geographical classification, i.e. the EU or the rest of the world, is also provided.

Income on equity is recorded in accordance with BPM5 recommendations. Reinvested earnings of enterprises are reported on a quarterly basis in the b.o.p. questionnaire and are based on transactions reported in their management accounts. The reinvested earnings of banking institutions are based on stock statistics and are derived from their balance sheets every quarter.

When earnings are reinvested, an offsetting entry in the financial account is recorded under direct investment.

With regard to income on debt, income on inter-company loans is recorded as income on direct investment. The enterprise surveys

indicate whether the income on loans is derived from a foreign parent company, a subsidiary or other non-resident sources. Income on debt securities between affiliates is recorded as income on direct investment. To qualify as an affiliate, and thus be recorded as income on direct investment, the criterion of a minimum 10% shareholding is applied (see Sub-section 9.2 below for a detailed explanation). If any income on debt is not yet paid/received, an offsetting entry is recorded in the receivables/payables item under direct investment.

6.1.3 Income on portfolio investment

There are two main sources of data for income on portfolio investment. The enterprise survey provides information on interest on bonds, notes and money market instruments, as well as on dividends on equity. The investment income of credit and financial institutions is obtained from the banking institutions' profit and loss accounts, which are submitted to the CBM. The income on portfolio investment reported by banking institutions is classified according to the type of portfolio investment instrument. Information on the sectoral classification is also available. The geographical classification is limited to two regions, i.e. the EU and the rest of the world. The criterion applied in this regard is the country of the issuer. A currency classification is not available.

Income on equity and debt securities follows the definitions recommended in the BPM5, except for the accrued interest of other sectors. Dividends are obtained from the enterprise survey and the profit and loss accounts of banking institutions.

6.1.4 Income on other investment

There are three main data sources for income on other investment. Non-financial enterprises provide information on interest income and expenditure through the b.o.p. enterprise survey, which also includes information on income from trade credits. Income on other investment of the banking institutions is obtained from their profit and loss accounts. The income of the personal sector is derived from the CBM's monthly b.o.p. settlement-based statement. The Ministry of Finance provides data on interest payments on the Government's external debt. Income on the external reserve assets of the CBM is provided by its Finance Office and is recorded monthly on an accruals basis.

The definitions of the BPM5 are followed, except in the case of accrued interest of other sectors.

7 Current transfers

See the following section on the capital account.

8 Capital account

8.1 Special features of data collection

Current transfers

- (i) *General government*: data on official transfers, which are shown under this account, are obtained from the CBM's monthly b.o.p. settlement-based statement.
- (ii) *Other sectors*: aggregated data on personal remittances, pensions and other transfers are obtained on a quarterly basis from the CBM. Also included under this classification are non-life insurance premiums and claims reported by private

6.2 Deviations from agreed definitions

The accruals principle is not followed for all sectors of the economy.

6.3 Gaps

See Sub-section 6.2.

6.4 Intended harmonisation

The proposed DR data collection system will ensure that the accruals principle is applied to income transactions.

6.5 Estimation methods

In the absence of reliable statistics on the external financial assets and liabilities of the personal sector, estimates are made. An offsetting entry is recorded in portfolio investment and/or other investment.

and public entities in a quarterly survey; additional information is obtained through specific data requests.

As from 1995, following the recommendations set out in the BPM5, the data related to current and capital transfers were disaggregated. Hence, data on emigrants' capital transfers, debt forgiveness and government grants are currently included in the capital account. Data on government grants are provided by the Ministry of Finance, while other related data are obtained from the CBM.

8.2 Definition

The definitions of the BPM5 are adhered to. For the data sources, see Sub-section 8.1.

8.3 Deviations from agreed definitions

None.

8.4 Gaps

There are no gaps. Both migrants' transfers and the acquisition/disposal of non-produced non-financial assets are currently captured through the CBM's settlement-based system.

8.5 Intended harmonisation

None.

9 Direct investment**9.1 Specific features of data collection**

The enterprise survey is used to collect foreign direct investment (FDI) data from the corporate sector. The enterprise questionnaires are designed in such a way as to identify all inter-company transactions, including loans and trade credits. Data on the banking institutions are obtained from their balance sheets submitted to the CBM. Information on the acquisition of real estate in Malta by non-residents is provided by the Ministry of Finance. Acquisition of real estate by Maltese abroad is derived from exchange control forms submitted to the Capital Flows Section of the CBM. Direct investment abroad by households is captured through the CBM's monthly b.o.p. settlement-based statement and exchange control forms submitted to the CBM's Capital Flows Section.

The business register for the largest companies in Malta has been constructed on the basis of detailed information obtained from the CBM's monthly b.o.p. settlement-based statement. In addition, further information is obtained from the exchange control forms submitted to the Capital Flows Section of the CBM, historical data from the enterprise survey, trade data, annual reports of companies and newspaper clippings.

Data are available by sector and by instrument. A country breakdown is available for the banking sector. However, only limited

regional breakdowns are available for non-financial enterprises.

9.2 Definition

The 10% ownership criterion is used to distinguish between direct and portfolio investment. This guideline is applied to identify types of investment (i.e. direct or portfolio) relationships in the corporate sector. The enterprise survey is structured in such a way as to indicate the direction of the FDI relationship, with the exception of trade credits and debits. Inter-company loans and trade credits/debits with related enterprises are included in FDI. For the banking sector, the direction of FDI is determined on a case-by-case basis by the b.o.p. compiler.

Special-purpose entities (SPEs) are considered as non-residents and are included under other investment – currency and deposits. A small number of SPEs are nonetheless considered to have a centre of economic interest in the domestic economy and are therefore considered as residents.

All transactions between affiliated companies are included under direct investment. Moreover, an offsetting entry for reinvested earnings is shown as part of income and included under FDI. As a general rule, direct investment transactions are recorded when the transactions occur. Geographical allocation of FDI is based on the country of

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residence of the parent, subsidiary or affiliate, as the case may be.

households is not available (see Sub-section 9.3).

9.3 Deviations from agreed definitions

There are no serious deviations from the agreed definition, except for trade credits/debits with subsidiaries, which are currently included under direct investment in the reporting country. Furthermore, for certain FDI instruments, the accruals principle is not adhered to fully.

9.5 Intended harmonisation

The proposed monthly DR data collection system should ensure that FDI data are recorded by country. Furthermore, the direction of trade credits and debits should also be established. The DR system will also be based on the accruals principle. The statistical treatment of the residency of all SPEs is presently under consideration.

9.4 Gaps

Information on the switching of overseas assets between the FDI, portfolio investment and other investment categories by

9.6 Estimation methods

Estimates for non-respondents are extrapolated from historical data.

10 Portfolio investment

10.1 Specific features of data collection

Data on portfolio investment are collected on an aggregated basis. Surveys are used to collect portfolio investment data on the corporate sector. Data on the banking sector are obtained from the balance sheets submitted by the banking institutions to the CBM. Information on the portfolio investment transactions of households is obtained from exchange control forms submitted to the Capital Flows Section of the CBM and supplemented by information obtained through the CBM's monthly b.o.p. settlement-based statements. Information on portfolio investment transactions of collective investment schemes is aggregated from balance sheets submitted to the MFSC, which forwards them on to the b.o.p. compiler. Purchases of domestic equity and debt securities by non-residents on the Malta Stock Exchange (MSE) are reported directly to the b.o.p. compiler by the MSE.

Classifications by sector and instrument are available. No currency or country breakdowns are presently available.

10.2 Definition

The compilation of portfolio investment transactions is generally in line with the BPM5. However, the accruals principle is applied only to portfolio investment instruments held by the banking sector. Equity securities, bonds and notes as well as money market instruments are included in the definition. Service charges, fees and commissions are recorded separately under services. No geographical breakdown is available for the portfolio investment data of the banking sector. A regional breakdown is however available for non-financial enterprises (through the enterprise survey) and households (through the CBM's monthly b.o.p. settlement-based statements).

10.3 Deviations from agreed data

The only deviation from the BPM5 is the limited application of the accruals principle, particularly in the case of banking sector transactions.

10.4 Gaps

Information on the switching of overseas assets between the FDI, portfolio investment and other investment categories by households is not available. See also Sub-section 10.3 above in this regard.

10.5 Intended harmonisation

The proposed DR data collection system will ensure that the accruals principle is applied to portfolio investment transactions and will

also provide for a country breakdown. The new system should also provide for International Securities Identification Numbers. Under this new reporting system, surveys of custodians and partial end-investors will also be conducted.

10.6 Estimation methods

Estimates of the value of transactions carried out by non-respondents are made. These are based on historical data where these are available.

11 Financial derivatives**11.1 Specific features of data collection**

None.

11.2 Definitions

See Sub-section 11.1.

11.3 Deviations from agreed definitions

See Sub-section 11.1.

11.4 Gaps

See Sub-section 11.1.

11.5 Intended harmonisation

See Sub-section 11.1.

11.6 Estimation methods

See Sub-section 11.1.

12 Other investment**12.1 Specific features of data collection**

The enterprise survey is used to record the other investment transactions of companies. Data on the banking sector are derived from banks' balance sheets submitted to the CBM, while other investment holdings of collective investment schemes are aggregated from balance sheets submitted to the MFSC. The household sector is captured through the settlement system (see Sub-section 3.1) and exchange control forms submitted to the Capital Flows Section of the CBM.

Trade credits are reported in the quarterly b.o.p. enterprise survey. Other related

information is obtained from the balance sheets of the banking institutions.

Breakdowns are available by sector and instrument. No currency breakdown is available. A regional breakdown is only available for non-financial enterprises.

12.2 Definitions

Other investment transactions are generally in line with the BPM5, but the accruals principle is only applied to banking sector transactions. Transactions related to

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repurchase agreements and trade credits are included under other investment.

12.3 Deviations from agreed data

See Sub-section 12.2 above.

12.4 Gaps

Information on the switching of overseas assets between the FDI, portfolio investment and other investment categories by households is not available.

13 Reserve assets

13.1 Specific features of data collection

The Accounting Department of the Finance Office of the CBM is the source of data on reserve assets. Reserve assets are available by instrument, maturity, country and currency. Changes in reserve assets are calculated by the b.o.p. compiler on a quarterly basis.

Reserve assets are compiled in accordance with the gross concept. Offsetting entries for accruals are limited to the amortisation of discount and premium securities. No reversible gold transactions are carried out. The CBM transacts in financial derivatives, but these are not shown separately.

13.2 Definitions

The definition of reserve assets is in line with the BPM5. Reserve assets are under the effective control of the CBM. Reserve assets

12.5 Intended harmonisation

The proposed monthly DR data collection system should cater for the country breakdown and the accruals principle. Under this new reporting system, surveys of custodians and partial end-investors will also be conducted.

12.6 Estimation methods

Estimates of the value of transactions carried out by non-respondents are made. These are based on historical data where these are available.

include highly liquid claims on non-residents in foreign currency. Positions in local currency are excluded. Other reserve assets include gold, special drawing rights (SDRs) and the reserve position in the IMF.

13.3 Deviations from agreed data

See Sub-section 13.2.

13.4 Gaps

See Sub-section 13.2.

13.5 Intended harmonisation

The proposed monthly DR data collection system should cater for the country breakdown. Moreover, financial derivatives will be shown separately.

14 International investment position

14 Specific features of data collection and definitions

14.1.1 General

The i.i.p. is compiled annually to show the position at the end of the calendar year (i.e. the reporting period). However, not all financial account items for each sector are compiled. The following is a breakdown by sector of the financial account items, which are compiled:

- (i) *banking sector*: compiled for all financial account items, except financial derivatives;
- (ii) *non-financial enterprises (including public companies)*: based on the top 700 companies, all financial account items are compiled, except financial derivatives;
- (iii) *households*: the only information available with regard to households is the amount of borrowing/lending with non-residents; and
- (iv) *central government*: all financial account items are available with the exception of trade credits and debits.

Reserve assets are included.

Assets and liabilities are compiled separately and Malta's i.i.p. is published annually in the NSO's news releases and in the IMF's IFS.

14.1.2 Direct investment

The i.i.p. of the banking sector is compiled by instrument and is also available by country. No currency breakdown is available. The main data sources are the banking schedules submitted to the CBM's Banking Supervision Office. Data are available approximately a fortnight after the end of the quarter and are based on real stock positions.

There are no significant deviations from BPM5 definitions. The valuation criteria used for

equity securities are market values, but book values are used for the equity of those banks that are not listed on the MSE. However, all other direct investment instruments, such as inter-company loans, are recorded at the end-of-period exchange rates.

A reconciliation exercise is carried out taking into account the actual price movements in the equity of listed banks. The banks report a total revaluation amount due to exchange rate movements for all the financial accounts. An estimate is then made to allocate this amount to the different financial accounts and the various financial instruments.

The direct investment stock of the non-financial enterprises (including public companies) is compiled by instrument. No country or currency breakdowns are available. Data are compiled on the basis of the quarterly b.o.p. enterprise survey submitted to the NSO. Data are available approximately two months after the end of the quarter.

The stock of long-term financial instruments, with the exception of loans from abroad, is derived from accumulated flows. Short-term instruments are compiled from real stock positions. There are no deviations from BPM5 definitions.

Equity securities are given at book value, but all other direct investment instruments are recorded on the basis of market value. A reconciliation exercise is carried out for the loans of the public entities.

The government sector has no direct investment abroad and no data are available for the household sector.

14.1.3 Portfolio investment

The portfolio investment stocks of the banking sector are compiled by instrument. No maturity, country or currency

breakdowns are available. As in the case of FDI stocks, the portfolio investment position is available from the banking returns submitted to the CBM's Banking Supervision Office. Similarly, data on real stock positions are available approximately a fortnight after the end of the quarter and follow BPM5 definitions.

Trading securities are recorded at the lower of book value and market value, but investment securities are based on book value. As already indicated for FDI stocks, an estimate to apportion the total revaluation amount is made.

The portfolio investment stock position of non-financial enterprises (including public companies) is compiled by instrument. No maturity, country or currency breakdowns are available. Data for this sector are compiled from the quarterly b.o.p. enterprise survey submitted to the NSO. These survey data are available approximately two months after the end of the reference period. The initial portfolio investment stock position is compiled in accordance with the BPM5. However, subsequent stock data are based on accumulated flows. No reconciliation exercise is carried out for portfolio investment.

Data on the government sector is made available by instrument, but there are no country, maturity or currency breakdowns. Real stock positions are collected using the Government's Annual Financial Report (available six months after the end of the year) and replies to quarterly data requests to the MSE on government securities held by non-residents. Market valuation criteria are used and the compilation of the Government's portfolio investment position is in line with the definitions of the BPM5. A reconciliation exercise is carried out taking price changes into consideration.

No data are available for the household sector.

14.1.4 Financial derivatives

Data on financial derivatives are not shown separately.

14.1.5 Other investment

The other investment stock position of the banking sector is compiled by instrument. No maturity, country or currency breakdowns are available. As in the case of FDI and portfolio investment stocks, the other investment position is available from the banking returns submitted to the CBM's Banking Supervision Office. Similarly, data on real stock positions are available approximately a fortnight after the end of the quarter and are compiled in accordance with the BPM5. Market valuation criteria are used. As already indicated for FDI and portfolio investment stocks, an estimate to apportion the total revaluation amount is made.

The other investment stock position of non-financial enterprises (including public companies) is compiled by instrument. No maturity, country or currency breakdowns are available. Data for this sector are compiled from the quarterly b.o.p. enterprise survey submitted to the NSO. These survey data are available approximately two months after the end of the reference period. The stock of long-term financial instruments, with the exception of loans from abroad of public enterprises, is derived from accumulated flows. However, short-term assets and liabilities are compiled from real stock positions. A reconciliation exercise is carried out for the loans of public sector enterprises.

The government sector is compiled by instrument, with the exception of trade credits and debits, which are not available. Data for loans by currency are available, but there are no country or maturity classifications. Data on other investment are compiled from replies to specific data requests sent to the Ministry of Finance and information provided by the Statistics Office of the CBM. Data on real stock positions are

available approximately two months after the end of the quarter. There are no deviations from BPM5 definitions. Market valuation criteria are used and a reconciliation exercise is carried out taking exchange rate movements into consideration.

The only data available for the household sector are for loans from non-residents. These are compiled on a quarterly basis and based on exchange control forms submitted to the Capital Flows Section of the CBM. The only breakdown available is by currency.

14.1.6 Reserve assets

The source for these data is the Finance Office of the CBM. Data are in line with the BPM5 and a reconciliation is performed on a quarterly basis for price and exchange rate movements.

14.2 Deviations from the agreed definitions

See Sub-sections 14.1 to 14.1.5.

15 Contacts

This country information was drafted by Malta in agreement with the ECB's Balance of Payments and External Reserves Division. Enquiries of a general nature should be addressed to the Press Division of the ECB. Enquiries specific to Malta should be addressed to:

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14.3 Gaps

See Sub-sections 14.1 to 14.1.5.

14.4 Intended harmonisation

A proposed DR data collection system should be implemented whereby the different sectors would report a full i.i.p. on a monthly basis, including a reconciliation for price and exchange rate movements. The statement should also include a country breakdown. The proposed DR system should incorporate a security-by-security register.

14.5 Estimation methods

See Sub-section 14.1 on the banking sector.

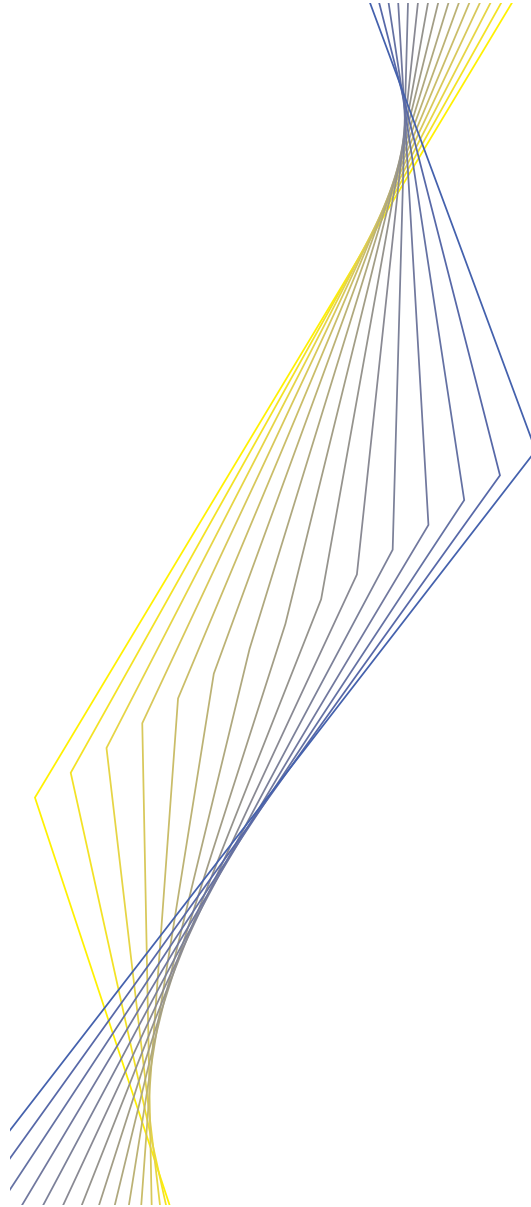
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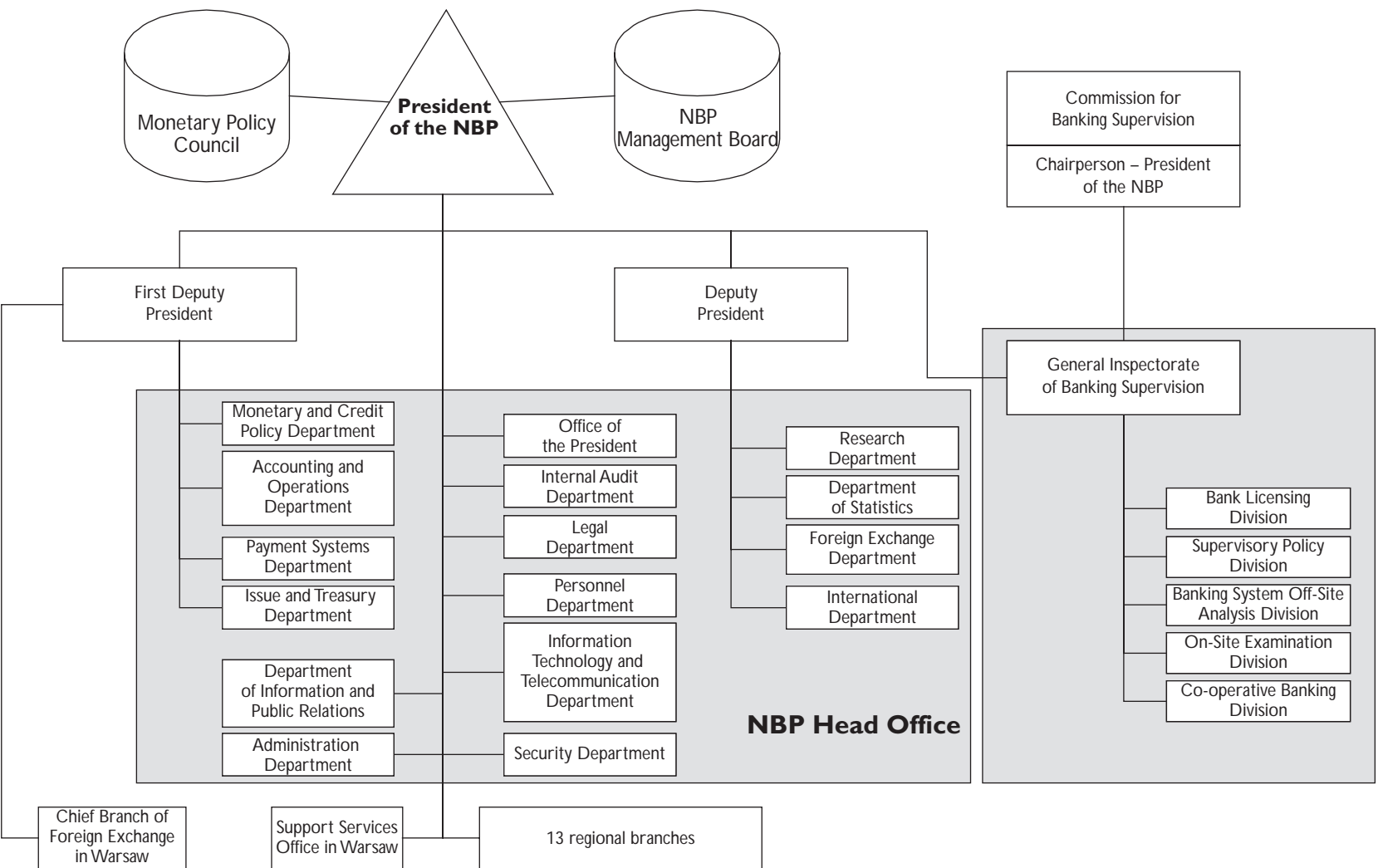
EUROPEAN CENTRAL BANK



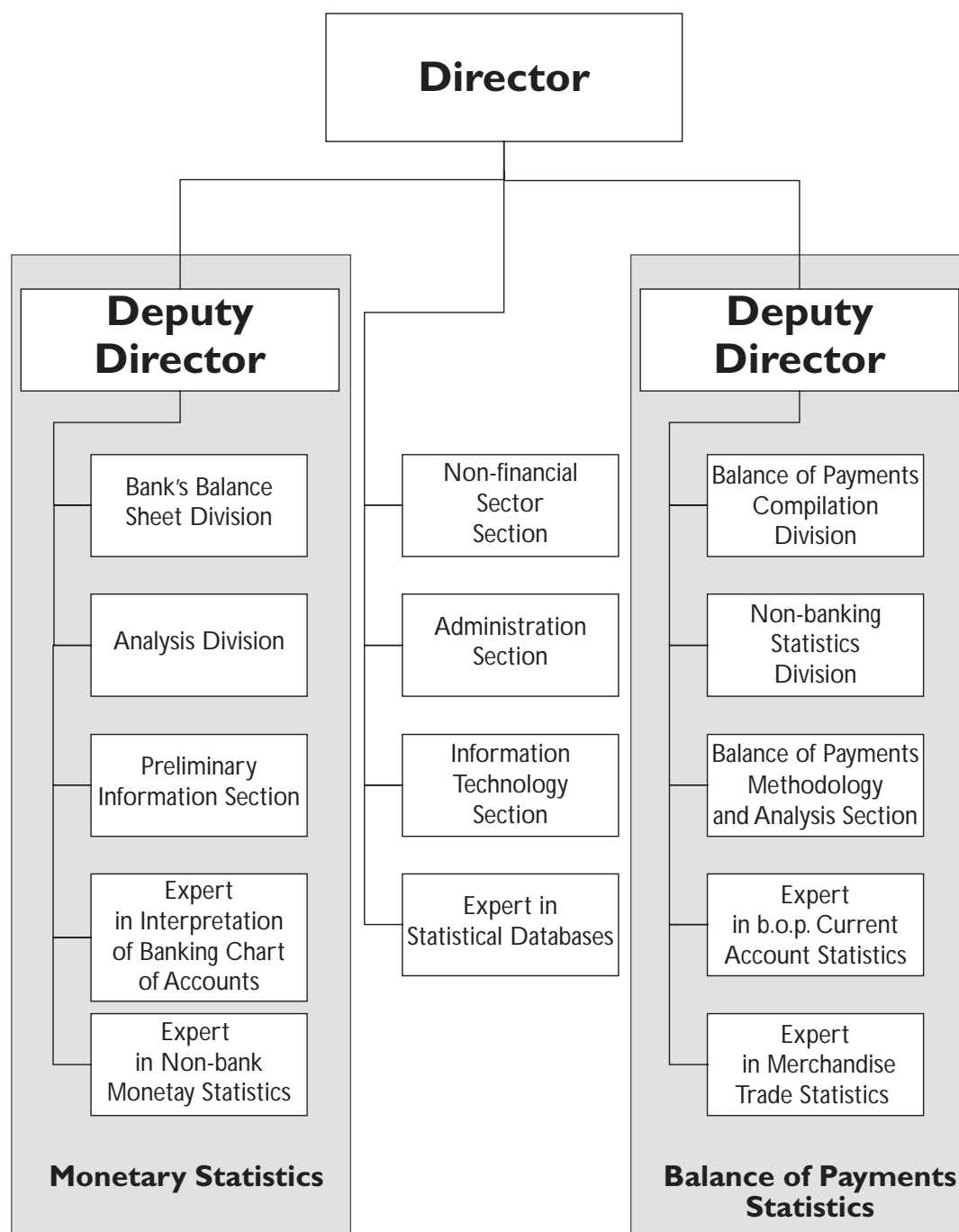
February 2002

I Organisation chart(s)

Organisation chart of the National Bank of Poland (NBP)



**Organisation chart of the Statistics Department of the
National Bank of Poland (NBP)**



2 Institutional aspects

2.1 Introduction

Narodowy Bank Polski, the National Bank of Poland (NBP), is responsible for compiling and publishing Poland's balance of payments (b.o.p.) and related statistics (e.g. the international investment position (i.i.p.), external debt, foreign direct investment (FDI) statistics, reserve assets).

The NBP is the central bank of the Republic of Poland. In line with its statute, the basic objective of the NBP's activity is to maintain price stability and to strengthen Poland's currency. This objective is pursued by:

- developing and implementing monetary policy;
- creating the institutional basis for ensuring the requisite level of financial safety and stability within the banking sector;
- regulating the relevant principles and mechanisms for guaranteeing the liquidity of monetary settlements within the economy.

Under the Constitution of the Republic of Poland of 2 April 1997 (Article 227), the NBP is the central bank of the State and has the exclusive right to issue legal tender as well as to develop and pursue monetary policy.

Responsibility for b.o.p. and related statistics lies with the Department of Statistics of the NBP.

The tasks performed involve:

- (i) maintaining statistical records on the basis of bank and non-bank reports (including collaboration with NBP regional branches in collecting and analysing the statistical data required);
- (ii) developing instructions and guidelines for, and providing ongoing guidance to, banks and other parties compiling statistical reports;
- (iii) conducting monthly analyses of movements and developments impacting

- particular items of b.o.p. and other related statistical statements,
- (iv) conducting methodological studies regarding the b.o.p. and related statistics,
 - (v) preparing and publishing data on b.o.p. and related statistics,
 - (vi) co-operating with domestic and foreign institutions in work on b.o.p. and related statistics.

2.2 Legislative provisions

According to the Act on the National Bank of Poland of 29 August 1997, as published in the *Dziennik Ustaw* (Journal of Laws) of 1997, No. 140, Item 938, the NBP is obligated to compile the b.o.p. and the i.i.p. and to report thereon to Parliament.

The Act on the National Bank of Poland and the *Prawo dewizowe* (Foreign Exchange Act), as published in the Journal of Laws of 1998, No. 160, Item 1063, specifies the reporting requirements. Under these acts and other legal regulations, namely (i) the Government's Decree dated 29 March 1999, as published in the Journal of Law of 1999 No. 27, Item 246, and (ii) the Resolution of NBP's Management Board dated 29 March 1999, as published in the *Dziennik Urzędowy NBP* (Official Journal of the NBP) of 1999, No. 8, the NBP is authorised to request data from residents for the purposes of compiling b.o.p. statistics.

In cases of non-compliance with legal requirements sanctions are imposed on non-reporting agents in the form of a fine that is regulated by the *Kodeks Karny Skarbowy* (Penal and Fiscal Code), as published in Journal of Law of 1999, No. 83, Item 930.

2.3 Internal organisation

Within the Statistics Department of the NBP, three divisions are in charge of the methodology, compilation, publication and analysis of b.o.p. and related statistics. These

are the Balance of Payments Methodology and Analysis Division, the Balance of Payments Compilation Division and the Non-banking Statistics Division. There are also two experts in charge of b.o.p. statistics: one for b.o.p. current account statistics and one for merchandise trade statistics.

The staff of NBP's regional branches are also involved in b.o.p. data collection and control.

2.4 External co-operation

The NBP co-operates with domestic organisations (mainly the Central Statistical Office (CSO) and the Ministry of Finance (MoF)) and foreign institutions in the exchange of data and other tasks related to b.o.p. statistics.

Several institutions provide the NBP with additional information on certain b.o.p. items. The CSO, as a result of co-operation in the methodology of statistical research, supplies trade figures corresponding to physical transactions for the goods item in b.o.p. on a transactions basis. The CSO uses NBP data for the production of national accounts, in particular data on income, current transfers and services for the compilation of the account for the rest of the world (ROW). The CSO also supplies the data on non-resident holdings of Polish securities registered on securities accounts with Polish brokerage houses and the information necessary to maintain a b.o.p. business register.

3 Statistical system

3.1 Type of collection system

The Polish b.o.p. system comprises:

- a system for the monthly b.o.p. on a cash/settlements basis;
- a system for the annual/quarterly b.o.p. on a transactions basis.

The Commission of Securities and Stock Exchanges (CSSE) supplies data on major non-resident shareholders in Polish public companies and data on resident holdings of securities issued on foreign markets.

The MoF supplies data on external transactions of the government sector.

Furthermore, the NBP is co-operating with EU institutions (the ECB and Eurostat) and international organisations (the International Monetary Fund (IMF), the Organisation for Economic Development and Co-operation (OECD) and the World Bank) regarding the b.o.p. methodology and reporting.

2.5 Users

Data on the b.o.p. on a cash basis, the b.o.p. on a transactions basis, the international investment position (i.i.p.), the external debt, the official reserve assets, the international reserves and foreign currency liquidity are posted on the NBP's internet website and are thus made available to all users.

Moreover, data are forwarded to Parliament, the MoF, the CSO and to private and public research institutes, universities, rating agencies, etc.

Data on b.o.p statistics, the i.i.p. and direct investment statistics are supplied to the European Commission (Eurostat), the IMF, the OECD and the World Bank on a regular basis.

The system for the monthly b.o.p. on a cash/settlements basis relies on payments recorded by the Polish banking system. The settlements comprise transactions realised by the banks on their own and on behalf of their clients. It is a closed system, i.e. all changes in the level of external accounts are explained. The balance on external accounts at the beginning of the period plus transactions

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during the period equal the balance at the end of the period. Transactions in cash through bureaux de change of banks are also covered and, in majority, recorded as unclassified transactions.

Thresholds are not applicable in banking reporting. The system provides for the compilation of the b.o.p. with detailed instrument/category and sector breakdowns. The reports include the reporting of all credit and debit transactions as well as currency and country breakdowns.

The system for the annual/quarterly b.o.p. on a transactions basis incorporates data from the b.o.p. on a cash basis, with data derived from surveys of enterprises and other entities in goods, services, income, FDI, trade credits and loans. It also includes transactions on accounts held by Polish residents with banks abroad. The transactions in cash through bureaux de change of banks (recorded as unclassified transactions in the monthly b.o.p.) are reclassified for appropriate b.o.p. items, i.e. goods, travel and workers' remittances. In general, it is a full-coverage system with a limited application of exemption and simplification thresholds. The system provides for the compilation of the b.o.p. with detailed breakdown by item. Credit and debit entries are available for all items except those that contain data estimated on a net basis. Data on trade credit flows are derived from pure stock data. For portfolio investment, data are compiled in the b.o.p. on a transactions basis, using banking statistics data with adjustments based on the i.i.p. (derived from stocks).

Currency and country breakdowns are available for selected items.

Flow data are reconciled with stocks. Other sources, such as information on relevant stocks, the central register of the Treasury bills database, internet and press information and data on privatisation are used for cross-checking.

3.2 Reporting agents

- (i) **Banks:**
 - self-balancing decade reports on stocks and flows on current accounts (vostro and nostro);
 - self-balancing decade reports on foreign borrowing/lending;
 - self-balancing monthly reports on foreign currency cash transactions;
 - monthly reports on assets/liabilities positions;
 - monthly reports on non-resident holdings of Polish equity securities registered on custody accounts.
- (ii) **Enterprises and individuals:**
 - self-balancing quarterly reports on stocks and flows on accounts with banks abroad;
 - self-balancing quarterly reports on stocks and flows of foreign lending/borrowing;
 - annual reports of enterprises with foreign participation on FDI to Poland;
 - annual reports on Polish direct investment abroad;
 - quarterly reports on trade credits and netting;
 - individual reports of Polish non-bank companies issuing securities on foreign markets.
- (iii) **NBP:** reports on self-balancing documents like other banks. Being the central government agent, the NBP reports on government transactions/accounts.
- (iv) **CSO:**
 - supplies trade figures corresponding to physical movements of goods for the goods item in the b.o.p. on a transaction basis;
 - quarterly reports on non-resident holdings of Polish securities registered on securities accounts with Polish brokerage houses.
- (v) **MoF:** reports data on the external transactions of the government sector and local government transactions.

(vi) *Commission of Securities and Stock Exchanges (CSSE):*

- monthly reports on resident holdings of securities issued on foreign markets;
- annual reports on major non-resident shareholders in Polish public companies (shareholdings of over 5%).

3.3 Thresholds

Thresholds are only applied in direct reporting by enterprises and individuals.

Exemption thresholds: for trade credits, data are supplied for stocks above EUR 25,000 at the quarter end. For foreign lending/borrowing by enterprises, a threshold of EUR 10,000 is applied.

Simplification thresholds: for foreign lending/borrowing by enterprises of an amount above EUR 10,000 but less than EUR 1,000,000, a simplified form is applied.

3.4 Availability of data

The b.o.p. on a cash basis is compiled monthly and published one month after the end of the reference period. Since 2001, the b.o.p. on a transactions basis has been compiled quarterly and distributed three months after the reference quarter. Until 2000, the b.o.p. on a transactions basis was compiled annually and published nine months after the reference year.

An advance release calendar, providing the precise release dates one quarter ahead, is available on the NBP's website (<http://www.nbp.pl>). A note to this effect is published in "Preliminary Information".

For the b.o.p. on a cash basis, a "detailed items" breakdown and a "sector breakdown" are available. The reports include all credit and debit transaction, as well as currency and country breakdowns. Information posted on the website covers limited breakdowns according to key items.

The b.o.p. on a transactions basis is available with detailed instrument/category and sector breakdowns. Currency and country breakdowns are available for selected items. Information posted on the website covers limited breakdowns.

3.5 Data controls

At the level of individual information, the data are checked for errors by means of an automatic procedure for the data sent by file transfer and on a PC for data sent in paper form.

The data are also controlled at an aggregated level for validation of classification errors as well as for an evaluation of time series for specific items.

Flow data are reconciled with relevant stocks.

Data derived directly from enterprises' reports and information derived from banks' reports on enterprises' transactions are cross-checked before being published in the b.o.p. on a transactions basis.

The data are cross-checked with other sources, e.g. information on relevant stocks, the central register of Treasury bills database, internet and press information, data on privatisation, etc.

3.6 Revision policy

Regarding the b.o.p. on a cash basis, the data are routinely revised. The first release of data (i.e. one month after the end of the reference month) is preliminary. Amendments are made in the next two disseminations when the data for the two following months are published. The second revision is considered to be final. However, in addition, once a year the data for the whole calendar year are revised.

In the b.o.p. on a transaction basis the first publication is considered to be final. However, amendments are made in the next quarters' publications, depending on whether

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reporting agents send further corrections or not.

3.7 Dissemination

The data are released simultaneously to all interested parties by posting them on the NBP's website (<http://www.nbp.pl>). Publishing timetables are available on the website in advance.

More detailed data on the b.o.p., i.i.p., external debt, reserve assets, direct investment, etc. are published as separate publications at quarterly/annual intervals. Only Polish versions are disseminated. The titles of the publications are:

- *Bilans płatniczy Rzeczypospolitej Polskiej* (Balance of Payments of the Republic of Poland) – on a quarterly basis;

4 Goods

4.1 Specific features of data collection

The goods item is compiled:

- in the monthly b.o.p. on a cash basis (banks records);
- in the annual b.o.p. on a transactions basis up to the end of 2000 (banks records plus surveys);
- in the quarterly b.o.p. on a transactions basis since 2001 (custom statistics plus estimations).

The sources of data on goods for the monthly b.o.p. relate to settlements made through the Polish banking system.

Until the year 2000, the banking statistics data in the b.o.p. on a transactions basis were supplemented with surveys submitted by enterprises and estimations of non-recorded foreign trade turnovers and adjustments for an f.o.b. basis.

- *Bilans płatniczy na bazie transakcji oraz bilans aktywów i pasywów zagranicznych Rzeczypospolitej Polskiej* (Balance of Payments on a Transactions Basis and the International Investment Position of the Republic of Poland) – on an annual basis;
- *Zagraniczne inwestycje bezpośrednie w Polsce* (Foreign Direct Investment in Poland) – on an annual basis.

The titles of other publications (both in Polish and in English) produced by the NBP that include information on b.o.p. statistics are:

- Preliminary Information – on a monthly basis;
- Information Bulletin – on a monthly basis;
- NBP's Annual Report – on an annual basis.

The methods and frequency of compilation of the b.o.p. on a transactions basis changed in 2001. The main source of data on goods for a quarterly b.o.p. on a transactions basis is customs statistics (data from Single Administrative Documents, SAD), which is also used by the CSO for the compilation of the International Trade Statistics. Data provided by the customs statistics are adjusted and converted in line with the definitions and methodology of the BPM5. The additional estimations are made concerning foreign trade flows not recorded by the customs statistics.

4.2 Definition

Data in the monthly b.o.p. include payments, which are recorded both on an f.o.b. and on a c.i.f. basis. The appropriate estimates are made in the quarterly and annual b.o.p., so that the data are presented on an f.o.b. basis.

Until the end of 2000, for the monthly b.o.p. on a cash basis and the annual b.o.p. on a transactions basis, a geographical breakdown is not available. The customs data can be broken down using the country of origin for imports and the country of destination for exports.

4.3 Deviations

Not all the transactions recorded as goods for processing may be made without a legal change of ownership.

4.4 Gaps

None.

5 Services

5.1 Specific features of data collection

Data on services for the monthly b.o.p. are based on settlements made through the banking system. The detailed breakdown of services is consistent with BPM5 recommendations. However, some transactions are recorded as the net balance amounts.

For the b.o.p. on a transactions basis, the data are supplemented with information derived from surveys of enterprises' transactions in services with non-residents. The surveys include reports on trade credits, loans, accounts held with banks abroad and also data on foreign services redounded with technical assistance programmes.

(i) *Transportation*

Data provided by the banking system on payments for transportation services include services broken down by type (sea, air, railway and other). These data are not broken down by passenger transportation, freight and other forms. In the b.o.p. on a transactions basis, detailed data on transportation services are obtained from surveys of domestic carriers. Adequate estimates are made

4.5 Intended harmonisation

Development of data-collection and estimation systems to enable a compilation and reclassification of credit and debit entries, which have been possible until recently only as the net balance for some components.

4.6 Estimation methods

Estimation of non-recorded foreign trade and adjustments for an f.o.b. basis are made.

for the reclassification of costs of foreign transport from goods items to services.

(ii) *Travel*

Foreign travel comprises data from the banking system on settlements between Polish travel offices and foreign counterparts on group and individual travel, settlements with non-resident banks on travellers' cheques, settlement of payments made through credit cards and settlement on business, training and health trip costs. In the b.o.p. on a transactions basis, these data are supplemented with data and estimates of travel transactions not covered by the banking statistics system, using researches of the Tourism Institute and the CSO. The transactions in cash through bureaux de change desks of banks (recorded as unclassified transactions in the b.o.p. on a cash basis) are reclassified for appropriate b.o.p. items, i.e. goods, travel and workers' remittances.

(iii) *Other services*

Data provided monthly by the banking system records, in b.o.p. on a transactions basis, supplemented with data from surveys of enterprises.

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5.2 Definition

Definitions and the detailed breakdown of services are generally in line with the requirements of BPM5. However, in the case of the b.o.p. on a cash basis, the quality of the services item classification by detailed category is questionable.

5.3 Deviations

Customs statistics include transaction codes, which enable the reclassification of some goods to services items.

5.4 Gaps

The geographical breakdown of data on services is not published, because estimated data are not available in this format.

6 Income

6.1 Specific features of data collection and definitions

6.1.1 Compensation of employees

Compensation of resident employees comprises wages, salaries and other benefits in cash, earned by individuals, paid by non-resident employers and transferred to Poland. Compensation of non-resident employees comprises wages, salaries and other benefits in cash, earned by individuals, paid by resident employers and transferred abroad. The data are derived from banking statistics.

6.1.2 Income on direct investment

The monthly b.o.p. includes information on settlements made through the domestic banks. The records cover data on interest and dividends paid. Income on reinvested earnings from direct investment is not covered in the banking system data.

5.5 Intended harmonisation

Development of data collection and estimation system to enable the compilation and reclassification of credit and debit entries, which have been available until recently only as the net balance for some components. The development of the estimations system would allow for a geographical reclassification of estimated data.

5.6 Estimation methods

Estimations of non-recorded foreign trade in services.

In the b.o.p. on a transactions basis, investment income on direct investment, both for inward and for outward investment, includes interest on inter-company loans and on equity (dividends, remittances of branch profits, reinvested earnings and undistributed branch profit).

The data on interest is collected from direct investors (outward investment) and direct investment enterprises (inward investment) in quarterly surveys and the information on income on equity through annual surveys.

Dividends and distributed branch earnings are recorded when payable, and reinvested earnings as well as undistributed profits are recorded in the period in which they are earned.

Reinvested earnings are calculated as profits earned (collected on an all-inclusive basis) during the period less dividends payable. The Fully Consolidated System is not applied: reinvested earnings are counted for directly-

owned enterprises only. Since 1996, direct investors' shares of losses have been introduced as negative reinvested earnings. The flows equal to reinvested earnings are recorded as additional equity capital in the financial account.

Interest on inter-company loans is recorded for both directly and indirectly owned enterprises as of the date on which they are due for payment. Capitalised interest is offset on a directional basis under other capital. Income on debt securities between affiliates is considered to be insignificant for the moment, and is recorded – if any – as a portfolio investment income.

Data are broken down by country, by region and by economic zone. The income is allocated to the countries as a result of the debtor/creditor principle of foreign assets and liabilities.

6.1.3 Income on portfolio investment

Data on portfolio investment income are derived from banking statistics. The information is available in a breakdown by instrument (equity, bonds and notes, money market instruments). There is also breakdown by domestic sector available (monetary authorities, general government, banks, other). For income on equity securities, only dividends are registered as income on portfolio investment; other gains on equity securities are classified as portfolio investment in the financial account.

No accrued interest (e.g. on zero-coupon bonds) is registered in the current account.

6.1.4 Income on other investment

Both in the b.o.p. on a cash basis and in the b.o.p. on a transactions basis, interest is

recorded on a settlement or due-for-payment basis.

In the b.o.p. on a cash basis, income from other investment includes interest on credits extended and received and interest on bank account deposits and repos. Interest flows on loans, deposits, etc. are provided by banks engaged in foreign exchange operations abroad. Income on reserve assets is also included under other investment income.

For the b.o.p. on a transactions basis, the banking statistics data are supplemented by interest on loans unrecorded by the banking system, and interest received on deposits of non-banking institutions held with banks abroad.

6.2 Deviations from agreed definitions

Data on investment income is not recorded on an accruals basis. Income on debt securities between affiliates is considered to be insignificant for the moment, and is recorded – if any – as a portfolio investment income.

6.3 Gaps

Reinvested earnings are not covered in the monthly b.o.p.

6.4 Intended harmonisation

None.

6.5 Estimation methods

None.

7 Current transfers

In the b.o.p. on a cash basis, data on current transfers comprise mainly workers' remittances, measured as payments into and withdrawals from specialised foreign currency accounts that cannot be used for operations related to business activities. The item also includes transfers associated with pension allowances, membership contributions and financial assistance from abroad. The data are recorded by the banking system.

In the b.o.p. on a transactions basis, the information on workers' remittance credits also includes estimates for net workers' cash remittances. The various data sources and estimations used only provide for adjustments on a net basis. The bank data are also supplemented with information on grants received in kind.

8 Capital account

8.1 Specific features of data collection

See Sub-sections 3.1 and 3.2. In the b.o.p. on a cash basis, data are derived from the banking statistics. For the b.o.p. on a transactions basis, the banking data are supplemented with information on debt forgiveness and grants in kind.

The acquisition/disposal of non-produced and non-financial assets refers to patents, copyrights, trademarks, etc. purchased by residents or sold to non-residents, and land sold to foreign embassies in Poland or purchased by Polish embassies abroad.

8.2 Definition

The capital account comprises:

- (i) capital transfers that include donations and grants to finance fixed assets, debt forgiveness;
- (ii) acquisition/disposal of non-produced and non-financial assets.

Capital transfers include donations and grants to finance fixed assets, debt forgiveness.

8.3 Deviations from agreed definitions

None.

8.4 Gaps

No information on migrants' transfers is provided.

8.5 Intended harmonisation

None.

9 Direct investment

9.1 Specific features of data collection

The monthly data on foreign direct investment are derived from the flows of international payments reported by the domestic banking sector. The data are broken down into equity and inter-company loans. Equity contributions without payment are not covered.

On a quarterly basis, the survey on external loans of more than EUR 10,000 to enterprises provides further details on inter-company loans in accordance with the directional principle.

Annual data on equity capital and reinvested earnings come from surveys of direct investment enterprises in Poland and from

Polish direct investors. Equity contributions without payment are covered. Enterprise surveys are a unique source from which to compile the data. Information from additional sources, e.g. press reports, published company accounts, bilateral sources, exchange control authorities, are used only to update the business register.

The data on direct investment flows are available by country, region, economic zone and industrial sector (the NACE nomenclature on the level of class).

9.2 Definition

The criterion of 10% ownership of directly-owned enterprises is used to identify a direct investment relationship. The flows of direct investment are recorded on a directional basis. Reverse capital investments are observed, but are negligible for the moment.

Inter-company loans are broken down by maturity. Financial leasing is also included. Trade credits between affiliated enterprises are derived from stock data. The information is collected, but recorded as trade credits under other investment.

Until now, special-purpose entities (SPEs) have not been established in the Polish economy, although resident enterprises establish enterprises abroad that have the sole purpose of serving as financial intermediaries. Only equity investments of

these SPEs are included in the direct investment item.

For banks, only equity capital, reinvested earnings and permanent debt are included.

The debtor/creditor principle serves as a basis for the geographical allocation of direct investment flows.

9.3 Deviations from agreed definitions

Trade credits between affiliated enterprises are included in other investment. Transactions in securities between affiliates are not included under FDI, but are recorded in the portfolio investment item. Monthly data do not include equity contributions without payments and reinvested earnings.

9.4 Gaps

No information is available on financial derivatives between affiliates.

9.5 Intended harmonisation

The recording of all claims and liabilities between affiliated enterprises is planned under direct investment item.

9.6 Estimation methods

None.

10 Portfolio investment

10.1 Specific features of data collection

The source of data for the b.o.p. on a cash basis is the Polish banking system. The data for the b.o.p. on a transactions basis are compiled using the banking statistics data with adjustments based on the stock data collected.

Data on flows and stocks of inward and outward portfolio investment are generally collected on an aggregated basis. There are, however, exceptions (see the i.i.p. section) for stocks of Polish securities issued abroad and Polish equity securities registered on custody accounts with Polish banks. These

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data are collected on a security-by-security basis, for the latter case using the ISIN codes.

Breakdowns by domestic sector of the issuer for liabilities and of the holder for assets are available.

10.2 Definition

Equity securities include all types of tradable shares, and, as regards data on stocks for the i.i.p., other types of non-tradable equity securities which bear ISIN codes, however (e.g. nominative shares). Shares in investment funds are also treated as equity. Debt securities include all kinds of long and short-term securities. The one-year original maturity criterion is applied to classify securities as long or short-term. Included are Treasury bonds and notes, corporate bonds, Treasury bills, commercial paper, negotiable certificates of deposit. Debt securities with embedded financial derivatives (e.g. convertible bonds or bonds with a put option) are also included.

Financial derivatives (tradable separately) are excluded from portfolio investment and are recorded in a separate item of the b.o.p. Transactions in repurchase agreements and related operations are also excluded from portfolio investment and are presented as currency and deposits in the other investment category.

11 Financial derivatives

11.1 Specific features of data collection

The source of data on financial derivatives for both the b.o.p. on a cash basis and the b.o.p. on a transactions basis is the Polish banking system.

All financial flows caused by the settlement of the transactions (except for repayable initial margins) are registered as financial derivatives. This means that variation and option margins are classified as financial derivatives. The data are collected on a gross

Data broken down geographically on the basis of the first known counterpart principle are collected, but not published.

10.3 Deviations from agreed definitions

Interest on debt securities is not accrued.

10.4 Gaps

Geographical and currency breakdowns – either of foreign issuers for assets or of foreign holders for liabilities – are available only for selected types of securities and data sources.

10.5 Intended harmonisation

The securities database and the security-by-security data compilation system are under construction.

10.6 Estimation methods

The data for the b.o.p. on a transactions basis are compiled using the banking statistics data with adjustments based on the stock data collected.

basis (except for foreign exchange options). For derivatives based on instruments other than foreign currencies, the data from Polish banks may not be of adequate quality. These data may not include flows resulting from forward-type transaction settlements. Compared with foreign exchange derivatives, registered financial flows on derivatives with other types of underlying instruments are very small.

Only a breakdown by underlying instrument (foreign exchange or other) is available.

11.2 Definitions

Financial derivatives constitute a separate category of financial account in the Polish b.o.p. statement. The definitions used by the NBP are generally in line with the BPM5 as regards foreign exchange derivatives (see Sub-section 11.1). The financial derivatives category includes all symmetric risk instruments such as futures, forwards, swaps and asymmetric risk instruments such as options. Income on foreign exchange derivatives transactions is classified as financial derivatives.

The first-known counterpart criterion is used to identify the residency of counterparts.

11.3 Deviations from agreed definitions

See Sub-sections 11.1 and 11.2.

12 Other investment

12.1 Specific features of data collection

Other investment covers trade credits, loans, currency and deposits and other assets and liabilities.

Trade credits are not covered in the b.o.p. on a cash basis. Data for trade credits are collected through quarterly surveys of major exporters and importers. The surveys provide quarter-end information on assets (prepayments on imports and trade credit extended to exports separately) and liabilities (prepayments on exports and trade credits received on imports). Data on trade credits regard the other sectors, although the low amount of credit received by local governments are covered. Geographical allocation is recorded. There is no maturity breakdown between long and short-term trade credits. They are all classified as short term.

Data regarding the external loans and borrowings of the general government are provided by the NBP and *Bank Handlowy w*

11.4 Gaps

Flows which are the result of the settlement of financial derivatives with underlying instruments other than foreign currencies are not fully captured.

11.5 Intended harmonisation

It is planned to clarify the definitions used in the data collection system and to construct more complete data collection systems.

11.6 Estimation methods

None.

Warszawie S.A. (both play the role of government agents). For the banking sector (including the monetary authority), the flow data (settled transactions) are provided by banks that are engaged in foreign exchange operations abroad. These flows are checked and reconciled with stocks. Data on financial leasing are recorded. Information reported by private individuals is also included. These data are used in the b.o.p. both on a cash basis and on a transactions basis. A breakdown by maturity is available.

For the b.o.p. on a cash basis, the data on enterprises' loans are obtained from bank reports and are broken down by maturity. The data published in the b.o.p. on a transactions basis are derived from a survey conducted on a quarterly basis. The information regards loans extended and repaid in cash, goods or services as well as a cancellation of the loan amount or a reorganisation of debt through rescheduling, debt forgiveness, refinancing or payments.

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Currency and deposits comprise transactions of Polish banks' assets and liabilities arising from current accounts and deposits as well as foreign currency banknotes and coins held in banks' vaults. The data are published in the b.o.p. on a cash basis. Quarterly, these data are supplemented with information on changes of stocks in accounts the Polish non-banking institutions hold with banks abroad and are presented in the b.o.p. on a transactions basis.

12.2 Definition

In principle, the definitions for other investment transactions are in line with the BPM5.

The other investment item in the monthly b.o.p. on a cash basis covers loans, currency and deposits and other assets and liabilities. Financial leasing is covered under loans. Foreign currency banknotes and coins, as well as repurchase agreements, are included under currency and deposits.

In the b.o.p. on a transactions basis, trade credits are also included.

13 Reserve assets

13.1 Specific features of data collection

Data on transactions in reserve assets are obtained from the NBP's records on a monthly basis.

A breakdown by instrument is available, but not published. The data on reserve assets are collected in currencies in which particular transactions were settled.

13.2 Definition

The NBP is the holder of the official Polish international reserves. In principle, the recommendations of the BPM5 are applied for the recording of reserve assets. The reserve assets comprise monetary gold, special drawing rights (SDRs), the reserve

12.3 Deviations from agreed definitions

Trade credits between affiliated enterprises are currently not recorded under direct investment but under other investment.

12.4 Gaps

In the monthly b.o.p., trade credits are not covered and in the b.o.p. on a transactions basis no maturity breakdown of trade credits is available.

12.5 Intended harmonisation

The recording of trade credits between affiliated enterprises under direct investment is planned.

12.6 Estimation methods

None.

position in the IMF, foreign exchange (currency and deposits, securities and financial derivatives) and other claims (repurchase agreements). Transactions with residents are excluded.

13.3 Deviations from agreed definitions

None.

13.4 Gaps

The accruals principle is not applied.

13.5 Intended harmonisation

None.

14 International investment position

14.1 Specific features of data collection and definitions

14.1.1 General

The i.i.p. is compiled for all financial account items (i.e. direct investment, portfolio investment, financial derivatives, other investment and reserve assets). Assets and liabilities are compiled separately.

The i.i.p. is compiled annually and published nine months after the end of the reference year. Components constituting external debt items are compiled quarterly. The information on external debt is published three months after the end of a reference quarter.

14.1.2 Direct investment

The data on direct investment stocks are derived from an annual survey among direct investors and direct investment enterprises resident in Poland. Data from the surveys cover information on investment in equity, contribution in kind, reinvested earnings and inter-company loans. The data on equity refer to the balance sheet value based on an interim but not current revaluation. Data on stocks of loans are based on the face value. Only pure stock data are used. The reconciliation exercise includes adjustments for exchange rate changes and other adjustments. In the near future, there are plans to compile a first proxy of the market value on a global basis.

A full geographical (by immediate country) and industrial allocation (NACE) can be provided.

14.1.3 Portfolio investment

Data on portfolio investment are generally supplied by intermediaries, i.e. custodian banks, brokerage houses and clearing houses (for Treasury bills). Data on government

assets in the form of securities and liabilities arising from securities issued abroad are obtained from banks operating as settlement agents to service the government's external debt. Data on securities issued on foreign markets by non-government and non-bank entities are reported individually to the NBP by Polish issuers. For liabilities, the information on equity securities is based, in general, on the market value and information on debt securities is based, in general, on the face value. For assets, information on both equity securities and debt securities is based on the book value in the case of most data sources and, exceptionally, on the market value.

For the separation of direct and portfolio investment in liabilities, the value of non-resident direct investors' holdings of equity securities registered on custody accounts with Polish banks is estimated by the use of data on major shareholders in Polish companies, provided by the Polish Securities and Exchange Commission. The 10% holding criterion is applied. This is a company-by-company estimation rather than a security-by-security estimation based on the assumption that preferred, nominative and other types of non-tradable shares of each public company are priced as ordinary shares of this company. No separation for corporate debt securities is made. They are classified as portfolio investment in the i.i.p. Assets separation is made only for selected data sources.

The i.i.p. stocks and b.o.p. flows are reconciled (only for liabilities) with regard to exchange rate changes and with regard to price changes (for equities only; estimated with the WIG – Warsaw Stock Exchange Index).

14.1.4 Financial derivatives

See Sub-section 14.3.

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14.1.5 Other investment

Other investment covers trade credits, loans, currency and deposits, as well as other assets and liabilities.

Trade credits data are based on the answers to a quarterly survey of major exporters and importers. The information is based on the nominal value. The data refer mainly to other sectors.

Information on loans is broken down by sector. The general government's loans are provided by settlement agents. Figures on banks' external loans are derived mainly from banking statistics. Data on corporate loans are obtained from quarterly surveys and are compiled on a loan-by-loan basis, and in the original currency. Information on any changes to individual loans, such as a cancellation of the loan amount or a reorganisation of debt through rescheduling, debt forgiveness, refinancing or repayments, is compiled. The information is based on the face value.

The data on currency and deposits are derived from the NBP's balance sheet for the NBP and from banking statistics for other banks. Data on assets of non-government and non-bank entities in the form of accounts with banks abroad are also included. The position covers repurchase agreement transactions. The data are based on the face value.

Other assets and liabilities cover data on assets and liabilities other than loans, debt securities, trade credits, currency and deposits.

14.1.6 Reserve assets

The information on stocks of official reserve assets is derived from the NBP's balance sheet and is available on a monthly basis. The NBP is the holder of the official Polish international reserves. The coverage and concepts are in line with the BPM5. Reserve assets are calculated at market or

approximate-to-market value and cover only actually existing assets denominated in foreign currencies. Claims on residents are excluded.

A detailed instrument breakdown is published monthly in a the Data Template on International Reserves and Foreign Currency Liquidity.

14.2 Deviations from agreed definitions

For direct investment, no other form of non-equity liabilities than those mentioned under Sub-section 14.1.2 are covered, i.e. neither debt securities nor trade credits between affiliated enterprises are included. These transactions are recorded under portfolio investment (debt securities) or under other investment (trade credits).

14.3 Gaps

With regard to portfolio investment (Sub-section 14.1.3), the current data collection system provides only for a partial coverage of Polish non-banks' holdings of foreign securities (e.g. data from insurance companies and investment funds). Work on a new portfolio investment system is being undertaken.

No data of publishable quality and methodologically consistent with the BPM5 on stocks of financial derivatives (for the i.i.p.) is available. The data collected from Polish banks are insufficient for the proper valuation of positions in financial derivatives. They are a measure of risk exposure only.

14.4 Intended harmonisation

None.

14.5 Estimation methods

None.

15 Contacts

This country information was drafted by Poland in agreement with the ECB's Balance of Payments and External Reserves Division. Enquiries of a general nature should be

addressed to the Press Division of the ECB. Enquiries specific to Poland should be addressed to:

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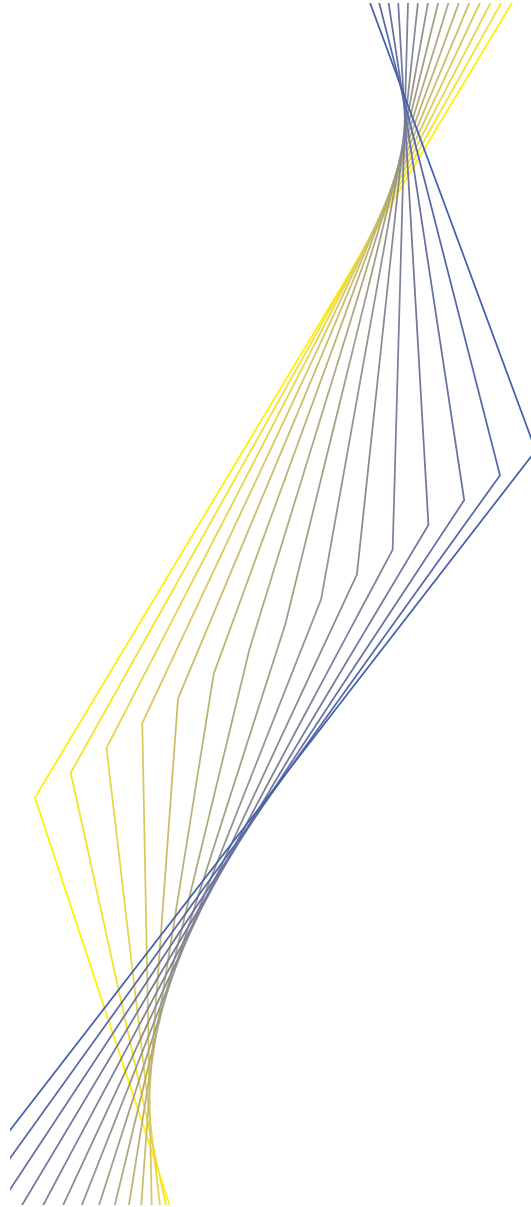
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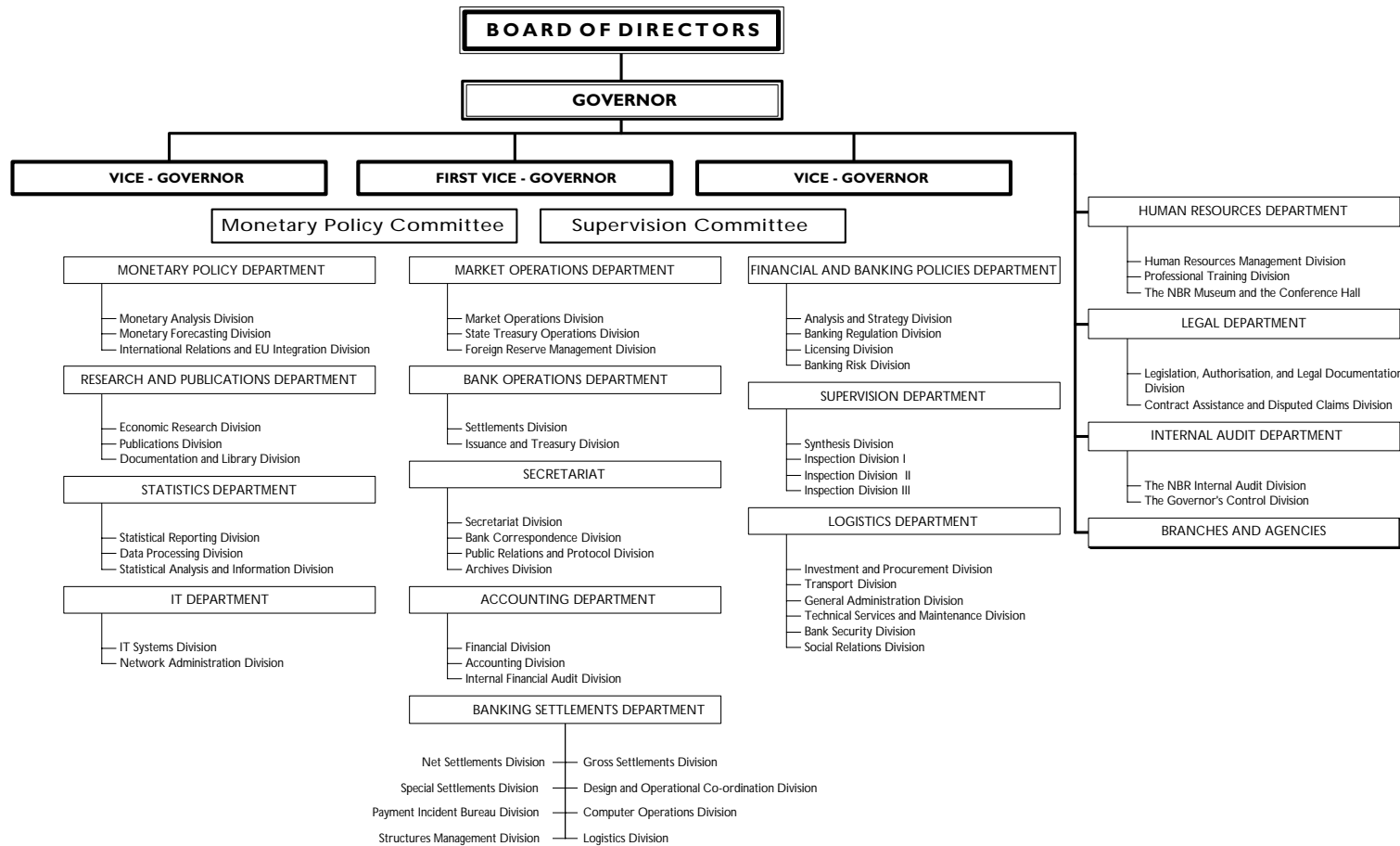


EUROPEAN CENTRAL BANK



February 2002

ORGANISATION CHART OF THE NATIONAL BANK OF ROMANIA*



* As at 31 December 1999.

2 Institutional aspects

2.1 Introduction

The institution responsible for the compilation of balance of payments (b.o.p.) and international investment position (i.i.p.) statistics in Romania is the *Banca Națională a României*, the National Bank of Romania (NBR), through its Statistics Department. Monthly and annual data have been compiled since 1993, following the recommendation of the 5th edition of the IMF Balance of Payments Manual (BPM5). The NBR, which is the national central bank, may act independently from the Government and co-operates with the central and local public authorities to achieve its targets. The Board of the NBR is appointed by the Romanian Parliament.

2.2 Legislative provisions

The legal basis for the compilation of the b.o.p. is provided by Law No. 101/1998 regarding the Statute of the NBR, which empowers the NBR to require information needed for b.o.p. compilation, and Circular No. 7/1994, which enables the NBR to collect b.o.p. data from the commercial banks. According to this regulation, the commercial banks must record and report b.o.p. transactions, as they are defined in the circular, to the NBR on a monthly basis. In the case of non-compliance with the legal requirements, the NBR may issue written warnings to and impose fines on reporting agents.

2.3 Internal organisation

The statistical activities of the NBR are centralised in the Statistics Department, which comprises three divisions – the Statistical Reporting Division, the Processing Division and the Analysis and Statistical Information Division. Statistical information flows horizontally through these three divisions, i.e. data related to money, banking and external sector statistics are collected by

the first division, processed by the second and disseminated by the third. At present, 11 people are involved with b.o.p. statistics: six are involved in compilation, one in IT, and four in analysis, methodology, etc. The Reporting Division collects data from all reporting banks and other sources (customs, Government, agencies, etc.), maintains contact with the reporting community and is responsible for methodological issues. It should be noted that, within the reporting community, banks codify transactions on the basis of the b.o.p. principle, applying double-entry accounting. The Processing Division receives the data in electronic format and is responsible for aggregating the information (one person from this division supervises the process). The Analysis and Statistical Information Division is responsible for the final compilation of the b.o.p., produces tables and analyses, and disseminates the data in the required format to Eurostat, the International Monetary Fund (IMF), users within the NBR, etc.

2.4 External co-operation

The NBR co-operates with the General Directorate for Customs (GDC) and the National Institute for Statistics (NIS) in the area of foreign trade statistics. The trade data are published monthly in the NIS's Statistics Bulletin. The classification of accounts and definitions regarding foreign trade statistics are largely in line with the recommendations of the BPM5. In the area of national accounts, the principles of the System of National Accounts (SNA) 1993 are used. The implementation of the European System of Accounts (ESA) 1995 in the NIS's classification of goods is also envisaged.

The Government provides information for specific b.o.p. items, such as:

- expenses of Romania's diplomatic missions abroad, submitted once a year by the Ministry of Foreign Affairs;

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- some information on grants received, available from the Ministry of Finance (MoF);
- estimates of general government debt forgiveness; and
- information on public and publicly guaranteed external debt, available from the MoF.

The NBR co-operates with Eurostat, the European Central Bank (ECB) and the IMF in the b.o.p. methodology area by participating in international meetings, working parties, seminars and statistical missions in order to harmonise national standards with the international criteria.

3 Statistical system

3.1 Type of collection system

The collection system used to report b.o.p. data is an International Transaction Reporting System (ITRS) of a semi-open type based on the collection of settlement data. Statistics are compiled from forms submitted monthly by commercial banks and containing aggregate figures on the external transactions of their customers, as well as transactions made for their own account. For each of these external transactions, it is assumed that an entry is made in the financial account to offset the corresponding changes in the bank's foreign currency account.

The data are prepared monthly on a cumulative basis.

For some b.o.p. components, additional data sources are used:

- the GDC and NIS for trade data;
- bureaux de change for tourism;
- the Debt Management and Financial Analysis System (DMFAS): a database which is the joint responsibility of the MoF and the NBR,

2.5 Users

The monthly b.o.p. is externally disseminated to the Government, the NIS, the Institute for Macroeconomic Studies and the branch offices of international organisations such as the International Bank for Reconstruction and Development (IBRD) and the IMF Mission in Bucharest. B.o.p. data are also provided on a regular basis to Eurostat in GESMES/CB format and to the IMF via the internet.

Within the NBR, it is distributed to the Monetary Policy Department and to the Research (Economic Studies) and Publications Department.

used for monitoring Romania's external debt. Borrowers report medium and long-term credits contracted from non-residents directly to the MoF and the NBR. While the MoF manages public and publicly guaranteed external debt, the NBR monitors the private sector's external debt. Information is keyed into the database on a transaction-by-transaction basis. Details regarding debt securities transactions and interest payable are also entered into the database. For b.o.p. purposes, real flow data are available. Transactions denominated in other currencies are converted into US dollars (USD) at the rates applicable at the time of transaction; and

- the NBR balance sheet and data provided by the Market Operations Department for estimated reserve asset transactions. Adjustments are made for changes in valuation due to exchange rate fluctuations.

The b.o.p. data are compiled in US dollars (USD). Wherever possible, transactions denominated in other currencies are converted into USD at the exchange rates applicable at the time. For data derived from the balance sheets, the exchange rate

applicable at the end of the period is used. A currency breakdown is only available for reserve assets and debt flows.

A geographical breakdown is available for exports and imports of general merchandise and for information obtained from the DMFAS (medium and long-term loans and credits received, income payable, debt securities, etc.).

3.2 Reporting agents

- (i) *Banking sector*: the banks are required to report all external transactions undertaken on behalf of their customers and for their own account. The banks themselves assess whether a transaction is a b.o.p. transaction or not, and allocate the operation by type of b.o.p. transaction. According to the double-entry principle, an entry should be made in the financial account for these external transactions in order to offset the corresponding changes in the bank's foreign currency account.
- (ii) *Monetary authority sector*: the NBR provides data on reserve assets and other transactions involving the monetary authorities.
- (iii) *General government sector*: data regarding the general government's medium and long-term liabilities are provided by the DMFAS (the primary source of these data is the MoF). An Aid Co-ordinating Unit was set up at the MoF with the aim of monitoring all the grants received by Romania.

3.3 Thresholds

For the time being, no thresholds are used in the Romanian data collection system.

3.4 Availability of data

Romania's b.o.p. data are compiled on a monthly basis by the Statistics Department of

the NBR and are disseminated approximately 45 days after the end of the reference period. Data are published on a cumulative basis as each month's data are produced. Revised annual figures are available approximately six months after the year-end. To the extent allowed by the data collection methodology, the classification of accounts and definitions used in Romania's b.o.p. follow the guidelines of the BPM5. While a geographical breakdown is available only for the trade balance and medium and long-term credits received, an institutional sector breakdown is available for all the components of the financial account.

Romania's i.i.p. is produced on a quarterly and annual basis by the NBR's Statistics Department. The quarterly i.i.p. is compiled approximately two months after the end of the reporting period and annual figures are available six months after the year-end.

The i.i.p. data are largely consistent with the corresponding financial account items in the b.o.p., in accordance with a recommendation of the BPM5.

3.5 Data controls

Banks report b.o.p. data on an aggregate basis, and it is therefore often difficult to check the data. Controls are carried out mainly on the items of the financial account; for example, it is possible to verify whether repayments of loans exceed disbursements. For some financial account transactions, such as transactions made by banks for their own account, monetary balance sheet data are compared with the information received from the banks, in accordance with the Romanian Balance of Payments Regulation.

3.6 Revision policy

If necessary, data are revised on a quarterly basis. Revised annual data, published in the NBR's Annual Report, are disseminated after approval by Parliament.

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3.7 Dissemination

Romania's b.o.p. data are disseminated through the NBR's website (<http://www.bnro.ro>) and are also published in the NBR's Monthly Bulletin, Annual Report, and Balance of Payments and International Investment Position Annual Report. The

information is posted on the NBR's website approximately two weeks before publication.

Romania participates in the IMF's General Data Dissemination System (GDDS) and uses this system as a framework for statistical development.

4 Goods

4.1 Specific features of data collection

Exports and imports of goods are recorded in the b.o.p. based on customs data provided on a monthly basis by the GDC. The GDC processes customs declarations (made on the Single Administrative Document for Europe) and statistical reports drawn up for some categories of goods transported by cable or pipeline (such as crude oil, natural gas and electricity). Customs statistics are based on the foreign trade methodology of the NIS, which is aligned with that of Eurostat.

4.2 Definition

The primary source of data is the foreign trade statistics, which is currently the only reliable data source. The data included in foreign trade statistics are classified according to the Combined Nomenclature of the European Union. The GDC passes these data on to the NIS for official dissemination.

Imports are available on a c.i.f. basis and are converted to an f.o.b. basis by the NBR, using a transformation coefficient (1.0834 at present) periodically calculated by the NIS (on the basis of a survey of key commercial companies).

The NIS groups the countries together by continent, according to Eurostat recommendations, and by the level of development, according to United Nations recommendations (developed countries, transition countries and developing countries).

4.3 Deviations

With the entry into force of the Romanian Customs Code (approved by Law No. 141/1997) on 1 October 1997, which brought the country's customs statistics into line with European Community regulations and procedures, the problem of goods identification was resolved thanks to the alignment of customs and statistical procedures. Nevertheless, there are still some codification problems. Goods for processing, repairs on goods and financial leasing can be derived from the general classification.

4.4 Gaps

None.

4.5 Intended harmonisation

None.

4.6 Estimation methods

No estimation methods are used for the goods item. A commodity breakdown is available when trade data are released by the NIS. Estimates are used for forecasting only. Nevertheless, in current account projections, trade data are estimated for each goods item in accordance with the "Combined Nomenclature" of international standards for foreign trade statistics compilation.

5 Services

5.1 Specific features of data collection

As a heterogeneous position, many data sources are implied, with the primary source being banking data flows. The items requiring the use of other sources are: merchandise transport, foreign exchange through bureaux de change, embassy and consulate-related services, other business services, and professional and technical services.

A special case is the travel item. Data reported by banks and bureaux de change have mainly been used for compiling the travel balance, although these two sources do not cover the whole range of transactions.

5.2 Definition

The current methodology for compiling services is largely in line with the BPM5. Data on financial services are collected through the banking system.

5.3 Deviations

None.

5.4 Gaps

Receipts related to business travel and transactions with credit cards are not covered by the data collection system. It is assumed that the travel debits estimate is overstated, as not all foreign exchange purchased by residents is used for travelling abroad.

6 Income

6.1 Specific features of data collection and definitions

Data regarding income balances are collected through banking and non-banking sources.

5.5 Intended harmonisation

To improve the quality of the travel data, supplementary data sources (such as reporting on accounts held abroad by enterprises and the reporting of transactions with credit cards) are envisaged in order to create a mixed data collection system in this field. A better estimation method will be introduced for compiling the debit entries regarding amounts of foreign exchange spent abroad by Romanian travellers.

5.6 Estimation methods

An estimate is made so that the amounts of foreign exchange sold/purchased by residents through bureaux de change, which are not related to travel, do not have to be recorded in the travel balance. The method of estimation is basically as follows:

- credit entries are calculated as the difference between the amounts of foreign exchange sold and purchased by non-residents; and
- for debit entries, an assumption is made on the amounts of foreign exchange spent by a resident abroad. In this respect, the amounts of foreign exchange spend in the previous year are taken as a basis and are weighted, in a second step, by the index of Romanian tourists who have travelled abroad in the reporting period (provided by the NIS).

Transactions involving compensation of employees, direct and portfolio investment income are covered by the data collection system.

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Bank reporting is the main source for compiling income data. Data are submitted monthly on an aggregated basis and are cumulated from the beginning of the year.

A non-banking source is used for compiling other investment income in the form of interest paid on medium and long-term credits. This source is the DMFAS, which is based on direct reporting by companies.

6.1.1 Compensation of employees

Data are collected from banks and mainly concern compensation paid to Romanian residents by foreign employers for seasonal or short-term work.

6.1.2 Income on direct investment

Direct investment income is derived from the ITRS. Consequently, the data only include dividends and interest paid in cash. Data for direct investment income paid in kind are not available. Reinvested earnings are not included in this item as, for the time being, these data are not being estimated. Data supplied by banks concern both income on equity and income on debt.

Compilation of direct investment income complies partially with the principles set out in the BPM5.

6.1.3 Income on portfolio investment

For income on equity, commercial bank reports are used. Dividends refer to shareholdings of less than 10% of an enterprise's total capital. The collection of data regarding income on debt is based on the ITRS, combined with information supplied by the DMFAS. This system measures actual interest payments to non-residents on medium and long-term debt securities during a specified period of time. In addition, the NBR provides information on its own receipts from the management of portfolio securities.

Data are available broken down by instrument and institutional sector.

6.1.4 Income on other investment

Data sources are in this case the ITRS, NBR reports and the DMFAS. The latter records income on both government debt (public and publicly guaranteed debt) and private sector debt. Further income flows are derived from reports submitted by commercial banks to the NBR and from the NBR's own records. Furthermore, interest on short-term trade credits is provided by bank reports and interest on long-term trade credits by the DMFAS.

6.2 Deviations from agreed definitions

Income receipts and payments are compiled on a cash basis. The data are derived from the ITRS, which does not allow data on interest to be compiled on an accruals basis.

Transactions related to income on interest rate swaps and foreign exchange forward contracts are recorded under income on portfolio investment (money market instruments and financial derivatives).

6.3 Gaps

Direct investment income paid in kind and reinvested earnings (and other undistributed earnings) are not included.

It is not possible to check income data provided by commercial banks. In addition, Romania's ITRS has only limited coverage of transaction types.

6.4 Intended harmonisation

A foreign direct investment (FDI) survey will be introduced with the aim of monitoring FDI in Romania and Romanian direct investment abroad. Data regarding reinvested earnings stocks will be provided via this survey.

As soon as this survey is introduced, an estimation method will be devised to compile monthly flows related to reinvested earnings.

6.5 Estimation methods

No estimation methods are currently used for income.

7 Current transfers

- (i) *General government*: data are obtained from bank reports and mainly cover subsidies granted by non-residents for current budget support, as well as the Government's contributions to the administrative budgets of international organisations.
- (ii) *Other current transfers*: additional information concerning aid, donations, contributions and technical assistance (under the PHARE programme, etc.) is recorded under private transfers. The Statistics Department obtains these data from import statistics.

8 Capital account

8.1 Specific features of data collection

Capital transfers:

- (i) General government debt forgiveness: this is estimated on the basis of the Government's budgetary documents and information from bank accounts. Debt forgiveness is not a regular occurrence in Romania.
- (ii) Private transfers: once a year, the Statistics Department receives information from the MoF on technical assistance received during the year. Depending on the nature of the assistance provided, transactions are assigned to capital transfers if, for example, equipment is acquired abroad (with an offsetting entry under imports), or to services (with an offsetting entry under current transfers for the total value of the technical assistance).

used to distinguish current transfers from capital transfers are linked to the definition of capital transfers:

- a transfer in kind is a capital transfer when it is related to the transfer of ownership of a fixed asset;
- a transfer in cash is a capital transfer when it is linked to, or conditional upon, the acquisition or disposal of a fixed asset by one or both parties to the transaction; and
- the forgiveness of a liability by a creditor is a capital transfer when no counterpart is received in return.

All other transfers are considered current transfers.

The definitions used for compiling current and capital transfers are theoretically in line with those recommended by the BPM5.

8.2 Definition

In Romania's b.o.p., current and capital transfers are compiled separately and they are recorded in the current and capital accounts, respectively. Following the recommendations of the BPM5, the criteria

8.3 Deviations from agreed definitions

A distinction between current and capital transfers is not always possible; some capital transfers may be included in current transfers.

8.4 Gaps

At present, it appears that some grants and other aid flows related to capital projects are not being recorded.

Estimates of migrants' transfers are recorded in the b.o.p. to the extent allowed by the data collection system, which is a settlements-based ITRS.

9 Direct investment

9.1 Specific features of data collection

As noted under income on direct investment above, data on FDI and Romanian investment abroad are derived mainly from banking data collected through the ITRS. Therefore, these data measure only cash transactions by direct investment enterprises with parent companies. In addition, in order to include non-cash direct investment (i.e. in kind), some adjusted customs data are taken into consideration. These data are to some extent approximate, as they cannot always be extracted from the general trade data. As for direct investment by the banking sector, some information about other capital is derived from bank balance sheets.

Data are available broken down into two of the three major components of direct investment: equity capital and other capital. However, the accuracy of the data, especially for other capital, is limited by two factors: the inadequate coverage of the ITRS and the sometimes inaccurate assessments by compilers at commercial banks. Some other information is captured through the mass media. Regarding the liabilities side of other capital, accurate data on medium and long-term borrowings are obtained from the DMFAS.

The collection system does not, for the time being, allow for any breakdowns, whether by region or by economic sector.

8.5 Intended harmonisation

An Aid Co-ordinating Unit was set up this year at the MoF, with the aim of monitoring all grants received by Romania using the DMFAS. The use of the DMFAS will enable the NBR to distinguish current transfers from capital transfers, which will lead to a greater concordance with the BPM5.

9.2 Definition

The 10% ownership rule for distinguishing direct from portfolio investment is observed by the Romanian methodology. The directional principle for recording transactions is also followed, with the exception of other capital, which is only included on a net basis for investment abroad and investment in Romania. Coverage of inter-company loans is limited to parent-subsidiary transactions. Furthermore, the current collection system is unable to capture intra-group transactions.

As mentioned in Sub-section 7.1.2, reinvested earnings are not included because no data source is available.

All transactions in cash effected through the banking system are included in the b.o.p. when payments are made.

9.3 Deviations from agreed definitions

As explained in Sub-sections 9.1 and 9.2, there are some deviations from BPM5 recommendations. For example, data on reinvested earnings are missing, only partial records exist in respect of the assets/liabilities principle for other capital, trade credits are not included in other capital, and securities between affiliates are not captured under direct investment.

9.4 Gaps

See Sub-section 9.3.

9.5 Intended harmonisation

The NBR is planning to conduct an annual survey in 2002 to more accurately measure direct investment. Furthermore, planned co-

operation with the Trade Register and the Foreign Investors' Council is expected to yield more complete information on direct investment in Romania.

9.6 Estimation methods

None.

10 Portfolio investment

10.1 Specific features of data collection

Several complementary sources are used to compile portfolio investment in order to obtain a more realistic picture of these transactions. Data on portfolio investment are derived from the ITRS, especially for transactions in equity shares on the assets side. These data are supplemented by data transmitted by the domestic financial market and the DMFAS, the main source for data on medium and long-term debt securities, including the NBR's own portfolio investments. For some items (e.g. portfolio securities held by banks), data are derived from asset holdings recorded in banks' balance sheets. At the same time, in the case of bank liabilities, the bank balance sheets and the DMFAS are cross-checked. With the exception of the DMFAS, all other sources provide data on an aggregated basis.

The present collection system allows for a full institutional sector breakdown and an instrument breakdown, the main distinction being between equity securities and debt securities.

A breakdown by country is available only for other sectors' medium and long-term debt securities.

10.2 Definition

The compilation of portfolio investment data by the NBR complies with the general

guidelines of the BPM5. Both equity securities and debt securities are recorded under portfolio investment. While equity securities are limited to equity shares, debt securities include various instruments such as bonds and notes, and money market instruments.

Service charges, fees and commissions are excluded from portfolio investment. Information on these items is obtained from the banking settlement system and is recorded under financial services.

The accruals principle for interest income is not applied to the compilation of portfolio income, meaning that no offsetting entry is recorded under portfolio investment.

No geographical allocation of assets is available.

10.3 Deviations from agreed definitions

There are no major deviations from the BPM5 with regard to portfolio investment, other than the neglect of the accruals principle and the inclusion of some financial derivatives.

10.4 Gaps

The collection system does not allow for recording on a security-by-security basis. Furthermore, an instrument breakdown on the assets side is not possible.

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10.5 Intended harmonisation

In the new data collection system, an annual survey will be conducted. Banks will submit detailed reports to the NBR on transactions for their own account.

10.6 Estimation methods

None.

11 Financial derivatives

11.1 Specific features of data collection

Transactions in financial derivatives are not recorded separately in the financial account. Transactions related to income on interest rate swaps and foreign exchange forward contracts are recorded under income on portfolio investment (money market instruments and financial derivatives).

options contracts and futures (flows and margins), or to record them under financial derivatives.

11.5 Intended harmonisation

A new data collection system is to be set up in order to meet IMF, Eurostat and ECB criteria. Under the new system, banks will report transactions with non-residents for their own account on special forms, including a specific one for recording financial derivative transactions. The form will gather details allowing a geographical breakdown.

11.2 Definitions

See Sub-section 11.1.

11.3 Deviations from agreed definitions

See Sub-section 11.1.

The approach for recording financial derivatives intended to be used in the new system is that presented in the Supplement to the BPM5.

11.4 Gaps

For the time being, it is not possible to separately identify transactions involving

11.6 Estimation methods

None.

12 Other investment

12.1 Specific features of data collection

Information regarding other investment is available by sector (monetary authority, general government, banking system and other), by maturity and by instrument (loans, trade credits, currency and deposits, and other).

and trade-related credits; for assets the data are obtained from banking flows and for liabilities from the DMFAS.

In the case of commercial banks, the stocks of liabilities reported by the DMFAS are reconciled with balance sheet information on a monthly basis.

Transactions in other assets and liabilities by banks cover medium and long-term credits extended or received by the banking system

Short-term liabilities of commercial banks are derived from balance sheet data. They are recorded on a net basis, and the data are

calculated as differences between opening and closing stocks.

For the monetary authority and banks, a reconciliation of the balance sheets of the commercial banks and the NBR with the transactions shown in the b.o.p. is carried out periodically.

General government assets cover the medium and long-term credits extended to the former centrally planned economies (which are now mainly residual). These data are obtained from the banking system. Data on the Government's medium and long-term liabilities are provided by the DMFAS.

Other sector assets and liabilities mainly comprise medium and long-term commercial credits contracted by the private sector. Private sector external debt is monitored on a loan-by-loan basis by the NBR using the DMFAS. This item also includes outstanding export and import bills, such as letters of credits, cash against documents, letters of guarantee, etc., which reflect a claim on or a liability to an importer or an exporter (taking into account the maturity distinction between medium and long-term and short-term), as well as other assets and liabilities not included elsewhere.

The Romanian b.o.p. contains a specific item recording changes in the clearing and barter accounts. The clearing and barter agreements

were concluded by the Romanian Government before 1989 and most of these accounts have now been liquidated. Clearing and barter transactions are denominated in non-convertible currencies and transferable roubles. For b.o.p. purposes, they are converted into USD. The gross changes are adjusted for exchange rate variations.

12.2 Definition

The definitions used for other investment are in line with the recommendations of the BPM5. For trade credits, see Sub-section 12.1.

12.3 Deviations from agreed definitions

None.

12.4 Gaps

None.

12.5 Intended harmonisation

None.

12.6 Estimation methods

None.

13 Reserve assets

13.1 Specific features of data collection

Reserve asset data are compiled and disseminated by the NBR on a monthly basis. The data are provided by the NBR's Accounting Department and appear in the Bank's balance sheet structured by instrument, except for the data on Treasury bills and foreign securities which are provided by the Market Operations Department. This department also provides the breakdown by currency. The monthly flows are obtained

from the difference between opening and end-month-positions. For b.o.p. requirements, exchange rate influences are deducted from the gross. The exchange rate changes are obtained from the currency structure of the assets.

13.2 Definition

In principle, the definitions are in line with the BPM5. Reserve assets comprise monetary

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gold, special drawing rights (SDRs), currency and deposits abroad, treasury bills and foreign securities. Foreign exchange assets with domestic banks are excluded.

The stock of monetary gold is valued using the price of an ounce gold on the London gold bullion market at the end of the month. Flows related to monetary gold include financial transactions only. Other reserve asset components are recorded on a net basis.

13.3 Deviations from agreed definitions

None.

14 International investment position

14.1 Specific features of data collection and definitions

14.1.1 General

The compilation of i.i.p. statistics follows, to the extent allowed by the data collection methodology, the guidelines of the BPM5, which was introduced as the framework for Romanian statistics in 1994.

The NBR's Statistics Department compiles the i.i.p. in USD on a quarterly basis. Selected i.i.p. items (international reserves, external debt and other) are published in the NBR's Monthly Bulletin. The i.i.p. data are sent electronically to the IMF via the internet with a time-lag of two months. Revised annual i.i.p. data are published six months after the year-end. Sectoral and instrumental breakdowns are possible. The i.i.p. includes the stocks of direct investment, portfolio investment, other investment and reserves.

The Balance of Payments and International Investment Position Annual Report published by the Statistics Department includes stocks, flows, changes in prices and exchange rates, and other adjustments of financial external assets and liabilities vis-à-vis the rest of the

13.4 Gaps

None.

13.3 Intended harmonisation

None.

13.4 Estimation methods

None.

world. A reconciliation between i.i.p. stocks and b.o.p. flows (including exchange rate and other adjustments) is carried out.

The data collected is a combination of pure stocks of external assets and liabilities and cumulative flows. The main statistical sources for compiling the i.i.p. are:

- commercial bank and NBR balance sheets;
- commercial bank reports; and
- the DMFAS.

Cumulative b.o.p. flows are recorded for direct investment and other investment.

14.1.2 Direct investment

The Statistics Department separately compiles asset and liability stocks of direct investment on a quarterly basis. The asset position includes resident investment and contributions to banks abroad, while the liability position includes FDI in the banking and non-banking sectors, private parent-subsidiary loans and medium and long-term deposits of foreign banks with their branches in Romania.

Breakdowns by instrument, country and currency are not available for the non-banking sector, which are mainly enabled by the cumulative b.o.p. flows. Direct investment stock data for the banking sector are obtained from commercial bank balance sheets. The DMFAS is the main source of data on private parent-subsidiary loans, both for banks and non-banks. Breakdowns by instrument, currency and country are possible using the DMFAS.

The commercial bank balance sheet data are available one month after the end of the reference period and the cumulative b.o.p. flows are available two months after the reference period. The coverage and concepts are in line with the definition used in the financial account of the b.o.p.

The valuation of direct investment (both assets and liabilities) of commercial banks is based on the relevant end-of-period exchange rates.

14.1.3 Portfolio investment

Portfolio investment data are compiled and disseminated on a quarterly basis, separately for both external assets and liabilities. The asset position includes capital subscriptions to international bodies (such as the IMF, the IBRD, the European Bank for Reconstruction and Development, the International Finance Corporation, the Multilateral Investment Guarantee Agency and the Bank for International Settlements) and debt securities held by commercial banks. The liability position includes capital subscriptions to international bodies in domestic currency, equity securities, and bonds and notes issued by all sectors.

Data on capital subscriptions to international bodies are provided by the NBR's Monetary Policy Department and the MoF. Breakdowns by instrument, currency and sector are available. Data for debt securities held by commercial banks are derived from their balance sheets.

Pure stocks of external liabilities in the form of bonds and notes are compiled using the DMFAS. Breakdowns by currency, sector, instrument, country, maturity and creditor are also available. Cumulative b.o.p. flows provided by the National Securities Commission are used for equity securities.

Balance sheet data are available one month after the end of the reference period and the cumulative b.o.p. figures are available two months after the reference period. DMFAS data are provided two to three months after the end of the reference period.

The coverage and concepts are in line with the definition used in the financial account of the b.o.p.

The valuation criterion used for individual portfolio investment instruments is book value for equity securities and nominal value for debt securities.

14.1.4 Financial derivatives

At present, the i.i.p. does not include data on financial derivatives, which are only used on a very small scale.

14.1.5 Other investment

The other investment position is compiled on a quarterly basis, including Romanian investment abroad and foreign investment in Romania. Residents' assets include external medium and long-term claims, accounts receivable related to exports, credits extended by banks to non-residents, residents' deposits abroad, the value of embassy buildings, and the balance on clearing accounts. Residents' liabilities comprise short, medium and long-term commercial credits and loans, accounts payable related to imports, non-residents' deposits, and the balance on clearing accounts.

External asset data are provided mainly by commercial banks, which record short,

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medium and long-term claims, accounts receivable related to exports, and the balance on clearing accounts. Breakdowns by country and maturity for external claims and by instrument for accounts receivable related to exports are also available. The pure stocks of currency and deposits of the banking sector abroad are derived from the balance sheets of commercial banks and the value of embassy buildings is recorded by the Ministry of External Affairs. Breakdowns by instrument and currency for commercial bank deposits and by country for the embassies are available.

Data on medium and long-term external loans and commercial credits received from non-residents are provided by the DMFAS. Breakdowns by currency, maturity, creditor, interest rate type and economic sector of the debtor are compiled on a monthly basis. Short-term liabilities of commercial banks are derived from balance sheet data.

Cumulative b.o.p. flows are used to obtain data for long-term export and import bills, such as letters of credit, cash against documents, letters of guarantee, etc., which reflect a claim on or a liability to an importer or an exporter of the non-banking sector, and credits extended by banks abroad.

The short-term external assets and liabilities of the banking sector, the value of embassy buildings and medium and long-term external loans are converted into USD at the end-of-period exchange rate. External claims are recorded at nominal value.

The analytical accounts of commercial banks are generally available one month after the end of the reference period, while medium and long-term external debt and external claims data are available two months after the reference period.

The coverage and concepts are in line with the definitions used in the financial account of the b.o.p.

14.1.6 Reserve assets

Reserve assets are defined as gross claims on non-residents and comprise holdings of SDRs and foreign exchange, deposits at foreign banks and holdings of securities and Treasury bills issued by foreign governments.

Reserve assets are compiled and disseminated on a monthly basis. Breakdowns by currency and instrument are available.

The main statistical source for reserve assets is the NBR's balance sheet. Moreover, the Treasury bills and foreign securities data are provided by the Market Operations Department. The analytical accounts of the NBR and the monetary survey are generally available one month after the end of the reference month; and the Treasury bill and foreign securities positions are available seven days after the end of the reference month.

The coverage and concepts are in line with the definitions used in the b.o.p. financial account.

In i.i.p., end-of-period market price valuation is used for the NBR's gold holdings and the valuation of foreign exchange is based on the relevant end-of-period exchange rate. Foreign securities held by the NBR are recorded at the original purchase price and holdings of SDRs are valued at the end-of-period USD/SDR exchange rate.

14.2 Deviations from agreed definitions

None.

14.3 Gaps

None.

14.4 Intended harmonisation

None.

14.5 Estimation methods

None.

15 Contacts

This country information was drafted by Romania and agreed with the ECB's Balance of Payments and External Reserves Division. Enquiries of a general nature should be addressed to the Press Division of the ECB. Enquiries specific to Romania should be addressed to:

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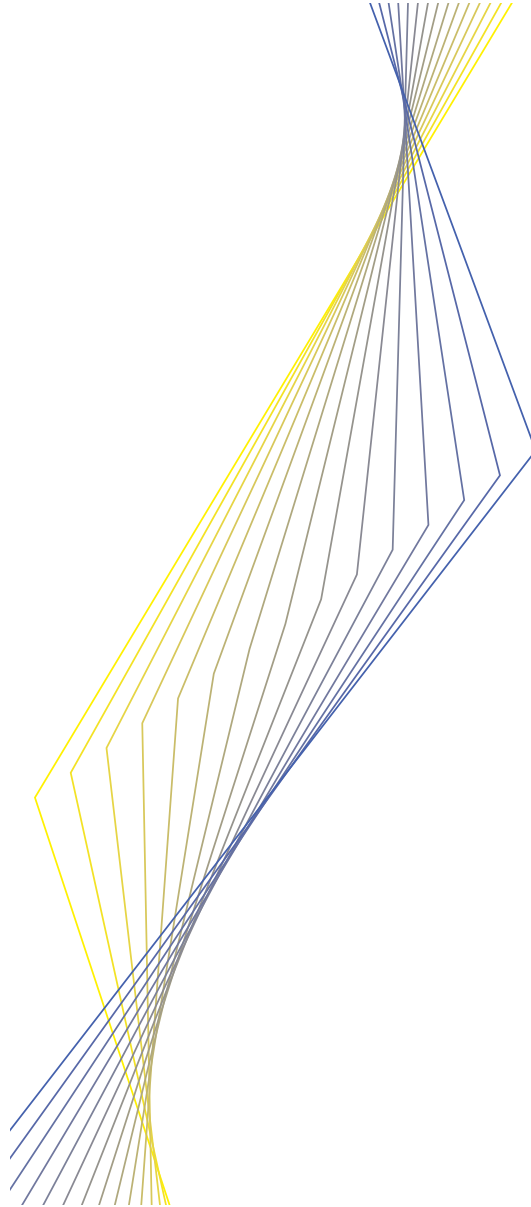
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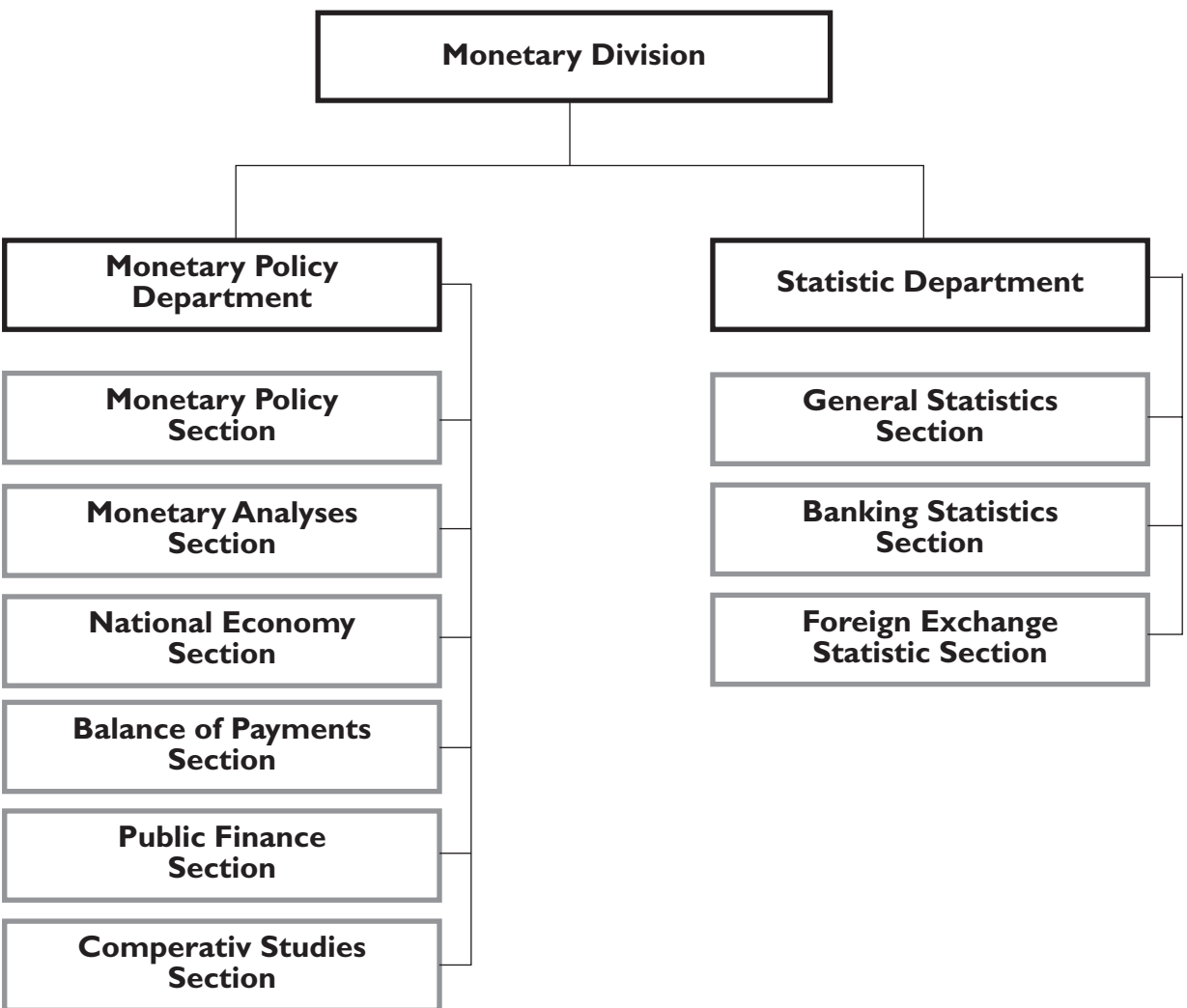


EUROPEAN CENTRAL BANK



February 2002

I Organisation chart



2 Institutional aspects

2.1 Introduction

Since 1 January 1993, *Národná banka Slovenska*, the National Bank of Slovakia (NBS) – as the central bank of the Slovak Republic – has been the institution responsible for compiling balance of payments (b.o.p.) and international investment position (i.i.p.) statistics. The Balance of Payments (BOP) Section of the NBS's Monetary Policy Department collects data from a variety of sources, including the banking sector, the Statistical Office of the Slovak Republic (SOSR), government ministries (such as the Ministry of Finance and the Ministry of the Economy), government agencies (such as the National Property Fund), stock market brokers and a large number of Slovak enterprises.

The b.o.p. is compiled monthly on a cumulative basis and is published in hard copy. Data are also disseminated through the NBS's website (www.nbs.sk) with a three-month lag. Reports are submitted to the Slovak Parliament twice a year. The data are compiled in Slovak koruna (SKK) and also published in US dollars (USD). The collection and compilation methods are being adjusted to bring them into line with the recommendations of the 5th edition of the Balance of Payments Manual (BPM5) of the International Monetary Fund (IMF). The i.i.p. is compiled on a yearly basis.

The b.o.p., i.i.p. and reserve asset data are compiled and published according to various Acts of the NBS, independently of the general government.

2.2 Legislative provisions

The data are compiled under the terms and conditions of the NBS Act (No. 566/1992), with subsequent amendments, the Banking Act (No. 21/1992), the Foreign Exchange Act (No. 202/1995) and the internal NBS Rule No. 34, amended in 1997.

- (i) NBS Act No. 566/1992
The NBS Act defines the independence of the NBS in deciding on methodology and the form and timing of data dissemination.
- (ii) Banking Act No. 21/1992
The Banking Act defines the reporting requirements of commercial banks vis-à-vis the NBS.
- (iii) NBS Rule No. 34
NBS Rule No. 34 ensures the confidentiality of individual banks' data and requires that only aggregate information be made available to the public.

2.3 Internal organisation

The *BOP Section* is responsible for conceiving, developing, compiling and analysing b.o.p. and i.i.p. statistics. The section is also responsible for providing data to international institutions, such as the IMF, Eurostat and the Organisation for Economic Co-operation and Development (OECD). The BOP Section operates within the Monetary Policy Department.

The *Statistics Department* consists of three sections, all of which co-operate in the task of collecting and processing accurate and comprehensive data.

- (i) The *Banking Statistics Section* is responsible for the collection, control and processing of money and banking statistics statements from commercial banks related to transactions in domestic currency.
- (ii) The *Foreign Exchange Statistics Section* is in charge of the collection, control and processing of money and banking statistics statements from commercial banks related to transactions in foreign currency.
- (iii) The *General Statistics Section* is responsible for methodological

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management and for the collection, control and processing of data from the Slovak corporate sector.

The *International Relations Department* is in charge of providing data on some of the NBS's liabilities (e.g. those to the IMF and the European Investment Bank).

The *Treasury Department* is responsible for compiling, controlling and processing data on the reserve assets of the NBS.

The *Banking Transactions Department* is in charge of providing stock and flow data on part of the NBS's liabilities (e.g. the portfolio investment of the NBS) and on government liabilities.

2.4 External co-operation

The *SOSR* provides the NBS with monthly data on foreign trade. These data are compiled in accordance with the BPM5 and individual data are obtained with geographical and commodity breakdowns according to the Standard International Trade Classification (SITC). Foreign trade figures are based on information from customs declaration forms.

The *Ministry of Finance* provides the NBS with data on the assets and liabilities of the general government sector.

The *National Property Fund* provides the NBS with data on non-resident investment in the Slovak Republic (for state-owned enterprises only).

3 Statistical system

3.1 Type of collection system

B.o.p. compilation is based on a mixed system, which uses a combination of settlement data and surveys. The reporting by the banking system does not include a full explanation of the changes in the level of external positions. The banking system settlements are

The BOP Section of the NBS maintains regular contacts and addresses methodological, collection and compilation issues with other central banks (e.g. in Austria, Germany and the Czech Republic).

The BOP Section's staff take part in several of Eurostat's b.o.p. technical groups and have close contacts with the European Central Bank (ECB) and the OECD. B.o.p. methodological issues are discussed regularly with the Statistics Department of the IMF and, on the basis of these discussions, the BOP Section continually develops its system.

2.5 Users

Data are first disseminated to the public via the NBS's website. The public are informed of this practice by a note in the NBS's monthly publication "Monetary Survey". The data are published a few weeks later in the relevant issue of the monthly "Monetary Survey", as well as in the "Statistical Information" publications and the "Annual Report of the NBS".

Internally, the data are used and analysed within the Monetary Policy Department and the Foreign Exchange Division of the NBS.

B.o.p. and i.i.p. figures are sent regularly to the IMF, Eurostat, the OECD and other institutions, according to their particular requirements.

complemented with surveys from the Government, the Ministry of Finance, the *SOSR*, the Customs Office (for trade balance purposes) and a large number of Slovak enterprises. Flows are derived from stock statistics for the operations conducted by banks' on their own account.

3.2 Reporting agents

- (i) The *SOSR* reports data on Slovak exports and imports of goods, which are derived from customs declarations. The external trade data record the physical movement of goods, which are valued at market prices and recorded at the time they cross the frontier of the Slovak Republic.
- (ii) All *commercial banks* submit data to the NBS in the required format and time. For the purposes of b.o.p. compilation, commercial banks submit statements on foreign exchange income and payments to and from non-residents in foreign and domestic currency, statements on their foreign exchange and SKK positions, and statistics on non-residents' holdings of securities in their custody departments.
- (iii) The *NBS* reports data on reserve assets and the liabilities of monetary authorities and government (flow and stock data are available).
- (iv) *Slovak enterprises* are direct reporting institutions. Each enterprise with foreign assets or liabilities exceeding SKK 1 million at the reference date is required by Slovak law (the Foreign Exchange Act) to provide the NBS with a monthly report on those foreign assets and liabilities. Currently, the NBS obtains data from approximately 3,500 enterprises. In the area of portfolio investment, all securities traders are obliged to submit data on their transactions with non-residents.
- (v) The *Ministry of Finance* provides the NBS with data on the assets and liabilities of the general government sector.

3.3 Thresholds

Generally, no threshold has been applied to the transactions of commercial banks. For the corporate sector, a threshold of SKK 1 million has been set, above which enterprises must submit a monthly report on foreign assets and liabilities.

3.4 Availability of data

B.o.p. data are compiled monthly in a cumulative form. Data are disseminated to the public no later than three months after the reporting period.

I.i.p. data are compiled yearly and published no later than six months after the end of the reference year. Since 2001, the BOP Section has been compiling the i.i.p. on a quarterly basis. These data are disseminated no later than six months after the reference period.

Reserve assets are compiled on a weekly basis and the reference day is always Wednesday, or the preceding working day if the Wednesday is a public holiday. Data are published on the following Monday, or the next working day if the Monday is a public holiday. On a monthly basis, data are structured according to the new IMF Data Template on International Reserves and Foreign Currency Liquidity (the IMF Data Template) and disseminated no later than one month after the reference period.

3.5 Data controls

Commercial banks return their data in electronic form. A closed control system is used to check individual reports and inter-report controls are also carried out.

Checks are also performed at the aggregate level to verify consistency with other statistics. For example, commercial bank statements are checked against enterprise surveys for selected items.

The NBS also checks that time series data are logical.

3.6 Revision policy

The b.o.p. and i.i.p. data are revised every time new information becomes available. Owing to the eight-month lag in obtaining final data, the trade balance is revised

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periodically. Commercial banks and enterprises revise their end-of-year data four months later after an internal audit has been performed.

3.7 Dissemination

Data are first disseminated to the public via the NBS's website. The public is informed of this practice by a note in the NBS's monthly publication "Monetary Survey". The data are disseminated a few weeks later in the relevant issue of the monthly "Monetary Survey", as well as in the "Statistical Information" publications and the "Annual Report of the NBS".

4 Goods

4.1 Specific features of data collection

The international trade statistics in Slovakia are based on a special trade system. The statistics refer to all merchandise entering or leaving the Slovak Republic free circulation area and premises for inward processing. Included are non-monetary gold, oil, electricity, military goods, goods bought under financial leasing arrangements, barter trade, postal consignments subject to customs formalities and, as of January 1998, goods for processing. The main exclusion is migrants' effects. Estimates are not made for unrecorded trade (e.g. smuggling and non-reported trade).

The Directorate of Customs of the Slovak Republic compiles monthly international trade statistics on a cumulative basis. Exports and imports are published on an f.o.b. basis. However, it is also possible to calculate trade data on a c.i.f. basis.

4.2 Definition

Slovak foreign trade statistics on goods are compiled according to the BPM5, which means that data are divided into:

Internally, the data are used and analysed by the Monetary Policy Department and the Foreign Exchange Division of the NBS.

B.o.p. and i.i.p. figures are sent regularly to the IMF, Eurostat, the OECD and other institutions, according to their specific requirements. The Slovak Republic is a subscriber to the IMF's Special Data Dissemination Standard (SDDS) and disseminates metadata on the IMF's Data Dissemination Bulletin Board with a hyperlink to the original data.

- general merchandise;
- goods for processing;
- repairs on goods; and
- non-monetary gold.

Data on Slovak exports and imports of goods are derived from customs declarations. The external trade data record the physical movement of goods, which are valued at market prices and recorded at the time they cross the frontier of the Slovak Republic.

A geographical breakdown of figures is available, as well as a commodity breakdown according to the SITC.

4.3 Deviations

The current system records the data at the time the border is crossed, and not at the time of the change of ownership.

4.4 Gaps

International trade statistics do not fully capture goods (e.g. fuels, including bunker fuel) procured abroad by resident carriers and those procured in the Slovak Republic by

non-resident carriers. These relate mainly to purchases of fuel by trucks.

4.5 Intended harmonisation

The gap mentioned in Sub-section 4.4 will be closed when the planned methodological changes are introduced in 2002.

5 Services

5.1 Specific features of data collection

Generally, data for services are obtained from the "Monthly report on foreign exchange income and payments" and the "Monthly report on receipts and payments for the account of non-residents". The first report contains transactions in foreign exchange, while the latter covers transactions in domestic currency. These reports are prepared by all commercial banks on the basis of the methodology prepared by the BOP Section. The commercial banks return the data electronically to the Statistical Department of the NBS. The reporting forms are designed on the basis of the BPM5 and also contain information needed by the compilers.

The data are collected on the basis of a system using specific transaction codes, under which income and payments have to be assigned the relevant code from a list.

5.2 Definition

Data are compiled according to the BPM5.

- (i) *Transportation*: data for transportation are generally obtained from the "Monthly report on foreign exchange income and payments" and the "Monthly report on receipts and payments for the account of non-residents", and several items are directly reported by pipeline operators.
- (ii) *Travel*: data for travel are obtained from the "Monthly report on foreign exchange

4.6 Estimation methods

The NBS does not make any estimates of trade statistics data, which are obtained from the SOSR.

income and payments" and the "Monthly report on receipts and payments for the account of non-residents". The collection system covers purchases and sales of foreign exchange and cashless payments (i.e. transfers from one account to- another), as well as transactions via credit cards.

- (iii) *Other services*: data for this item are obtained from the "Monthly report on foreign exchange income and payments" and the "Monthly report on receipts and payments for the account of non-residents".

5.3 Deviations

None.

5.4 Gaps

None.

5.5 Intended harmonisation

The NBS is planning to approve and implement a survey system for non-banking entities covering selected services items to complement the current banking statement system.

5.6 Estimation methods

None.

6 Income

6.1 Specific features of data collection and definitions

the International Relations and Treasury Departments of the NBS.

6.1.1 Compensation of employees

Data are recorded on a cash basis.

Data for compensation of employees are obtained from the "Monthly report on foreign exchange income and payments" and the "Monthly report on receipts and payments for the account of non-residents".

A geographical breakdown is not available for income on direct investment or income on portfolio investment. A breakdown by sector is available for income on portfolio investment.

6.1.2 Income on direct investment

6.1.4 Income on other investment

Income on direct investment is recorded in the b.o.p., broken down into income on equity securities and income on debt securities (interest on credits between direct investors and direct investment enterprises). Reinvested earnings data are also available.

Data on income on other investment are available in a sectoral breakdown. Data are obtained from the "Monthly report on foreign exchange income and payments", the "Monthly report on receipts and payments for the account of non-residents" and the monthly enterprise survey "Monthly report on foreign assets and liabilities". Data on interest received and paid by the NBS and general government are obtained from the External Debt Management Section and the International Relations and Treasury Departments of the NBS.

The NBS obtains data on direct investment income from the "Monthly report on foreign exchange income and payments" and the "Monthly report on receipts and payments for the account of non-residents" returned by banks, and from the monthly enterprise survey "Monthly report on foreign assets and liabilities".

6.2 Deviations from agreed definitions

A breakdown by sector is available for income on direct investment.

Interest is recorded on a cash basis.

6.1.3 Income on portfolio investment

6.3 Gaps

Income on portfolio investment is recorded in the b.o.p., broken down into income on equity securities (dividends) and income on debt securities (interest). Data for income on debt securities are divided into bonds and notes and money market instruments.

A geographical breakdown is not available for income on direct investment or income on portfolio investment.

Data are obtained from the "Monthly report on foreign exchange income and payments" and the "Monthly report on receipts and payments for the account of non-residents". Data on income received by general government and the NBS are obtained from the External Debt Management Section and

6.4 Intended harmonisation

The NBS is planning to improve the coverage of compensation of employees by implementing new estimation methods in order to complement current banking statements.

6.5 Estimation methods

None.

7 Current transfers

Data for current transfers are obtained from the "Monthly report on foreign exchange income and payments" and the "Monthly report on receipts and payments for the account of non-residents". The credit entries for general government cover amounts received under foreign technical assistance

projects and humanitarian aid. Debit entries cover contributions to the administrative budgets of international organisations. The entries for other sectors include workers' remittances, inheritances, alimony payments, gifts and pensions.

8 Capital account

8.1 Specific features of data collection

Data for capital transfers are derived from the same sources as data for current transfers and mainly include migrants' transfers and investment grants received and extended. Transfers are broken down into government and other according to the institutional sector of the resident. Transactions under the PHARE technical assistance programme are included.

8.2 Definition

Capital transfers are compiled according to the BPM5.

Data are obtained from the "Monthly report on foreign exchange income and payments" and the "Monthly report on receipts and payments for the account of non-residents".

8.3 Deviations from agreed definitions

In some cases, the banking foreign exchange statistics lead to inconsistencies between current and capital transfers (e.g. gifts in the form of capital are included in current transfers together with other gifts).

8.4 Gaps

Non-financial transfers are not recorded.

8.5 Intended harmonisation

The NBS is planning to introduce a new survey for non-financial transfers.

9 Direct investment

9.1 Specific features of data collection

Direct investment data are collected through a two-survey system. The first survey is based on monthly reporting and the second is the quarterly survey. The NBS has a list of approximately 1,500 respondents, which regularly return the required questionnaires to the NBS.

In addition to both these surveys, the NBS uses supplementary sources of information, such as commercial banking statements, the

National Property Fund, company reports and the press for information on new investors.

In both surveys, the column structure includes:

- the position of assets/liabilities at the beginning of the period;
- credits and debits for assets/liabilities;
- exchange rate changes, price changes and other adjustments; and
- the position of assets/liabilities at the end of the period.

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The row structure of both surveys contains direct investment abroad and direct investment in the reporting economy. The assets and liabilities under foreign direct investment (FDI) are broken down into:

- equity capital (claims/liabilities);
- reinvested earnings; and
- other capital (claims/liabilities).

The quarterly survey provides the NBS with country and economic activity breakdowns. The economic activity breakdown is in line with the International Standard Industrial Classification (ISIC).

The data on FDI are disseminated monthly via the NBS's website.

9.2 Definition

The definition of FDI is in line with the BPM5 and with the recommendations of Eurostat and the OECD. This means that the principles listed below are followed in the recording of FDI:

- the 10% ownership criterion;
- the directional principle for FDI;
- the inclusion of inter-company financial transactions (borrowing and lending –

loans and trade credits, securities and financial derivatives);

- data for special-purpose entities are not compiled separately; and
- reinvested earnings are included in FDI.

When recording direct investment transactions, the actual operation concept is applied.

9.3 Deviations from agreed definitions

None.

9.4 Gaps

Some gaps may occur in connection with the identification of branch/subsidiary relationships.

9.5 Intended harmonisation

None.

9.6 Estimation methods

None.

10 Portfolio investment

10.1 Specific features of data collection

The data on inward and outward portfolio investment are published monthly, broken down by instrument (into equity securities and debt securities). On the assets side, a breakdown by creditor sector is available for foreign securities owned by residents. On the liabilities side, a breakdown by issuer sector is available for Slovak securities held by non-residents. Data on portfolio investment are collected on an aggregated basis.

Portfolio investment figures are collected mainly from monthly banking statements. This data

collection system is complemented with a survey of Slovak securities held by non-residents. Commercial banks are the respondents in this survey, since they provide custody services for domestic securities held by non-residents. They therefore provide the NBS with monthly information on flows and stocks with the required breakdowns. This custody survey system combines with the monthly enterprise survey "Monthly report on foreign assets and liabilities". The combination of these different collection systems enables the BOP Section to obtain all the items of equity securities and debt securities at market prices, broken down by sector and instrument.

Currency and geographical breakdowns are not available at present.

10.2 Definition

The NBS defines portfolio investment in accordance with the BPM5. Portfolio investment includes equity securities (shares, participation certificates and interim certificates) and debt securities (bonds and notes and money market instruments). Neither financial derivatives nor repurchase agreements (repos) are included in portfolio investment. Service charges and brokerage fees are recorded as services.

10.3 Deviations from agreed definitions

None.

11 Financial derivatives

11.1 Specific features of data collection

Data on financial derivatives are compiled using commercial banking statements and the enterprise survey. Only monthly banking data are used for compilation purposes, because transactions in the corporate sector have not yet been liberalised, i.e. no company data are available because the corporate sector is not yet allowed to carry out such transactions. Statements are based on transactions on a net basis.

Geographical and sectoral breakdowns of financial derivative transactions are not yet available. Financial derivatives are recorded at market values.

11.2 Definitions

Financial derivatives are recorded as a separate item of the financial account. Financial derivative transactions are treated in line with the BPM5, which means that transactions relating to options, futures, swaps and forwards are recorded.

10.4 Gaps

If a resident's assets are sold directly by a non-resident custodian or bank, the portfolio investment collection system is unable to record such information.

10.5 Intended harmonisation

In 2002, the BOP Section is planning to approve and implement a new statement, which will enable it to obtain a geographical breakdown of portfolio investment.

10.6 Estimation methods

None.

11.3 Deviations from agreed definitions

None.

11.4 Gaps

The collection system covers transactions made by residents via domestic banks only. The transactions effected via foreign banks are not covered by the collection system.

11.5 Intended harmonisation

The NBS is planning to implement a breakdown of financial derivatives by type of instrument. The methodology for this will be developed in 2002.

11.6 Estimation methods

None.

12 Other investment

12.1 Specific features of data collection

Other investment data is collected according to the definitions of the BPM5 and is broken down primarily into assets and liabilities. Furthermore, a breakdown by sector (monetary authorities, general government, commercial banks and other sectors) and a breakdown by maturity (short versus long-term investment) are available.

For each sector, other investment is broken down into the following instruments:

- trade credits;
- loans;
- currency and deposits; and
- other assets/liabilities.

A breakdown by currency is available for the NBS, general government and the banking sector.

The data sources are as follows:

- (i) the *NBS*: the Treasury Department of the NBS provides the Bank's foreign exchange position. Information on the Bank's liabilities is provided by the relevant units of the NBS;
- (ii) the *Government*: information is provided by the relevant units of the NBS, which is the fiscal agent of the Government in the area of debt service. The NBS also receives supplementary information on assets from the Ministry of Finance;
- (iii) *commercial banks*: these return statements on foreign and domestic

currency positions vis-à-vis non-residents (assets/liabilities); and
(iv) *other sectors*: data from domestic enterprises is obtained from the monthly survey of foreign assets and liabilities.

12.2 Definition

The other investment item is basically in line with the BPM5. Trade credits and repos are also included.

12.3 Deviations from agreed definitions

None.

12.4 Gaps

A breakdown by country is not available.

12.5 Intended harmonisation

None.

12.6 Estimation methods

Transaction data from the banking sector are not available. Currently the transactions are estimated from stock data, but the NBS will introduce a new banking sector statement containing both stock and transaction data in 2002.

13 Reserve assets

13.1 Specific features of data collection

The source of the data for reserve assets is the Treasury Department (Operations) of the NBS, which compiles and provides data on a daily basis. However, the data are

disseminated to the international institutions and the public on a weekly basis and daily data are used only for internal analysis. The Treasury Department also provides breakdowns of reserve assets by type of instrument and currency.

13.2 Definition

Reserve assets are those external assets that are readily available to and controlled by monetary authorities for the direct financing of payments imbalances, for indirectly regulating the magnitude of such imbalances through intervention in exchange markets to affect the exchange rate and/or for other purposes. This definition is fully consistent with the BPM5.

The reserve assets are under the effective control of the NBS and the position of central government is excluded from these assets.

The reserve assets consist of:

- foreign exchange: highly liquid, marketable and creditworthy foreign currency-denominated claims (consisting of currency and deposits and securities) on non-residents. Positions vis-à-vis residents and positions in domestic currency are excluded from the reserve asset data;
- *gold*: total gold held by the NBS including reversible gold transactions (gold swaps). The total volume of gold is valued at its historical price (i.e. USD 42.22/oz.);
- *special drawing rights*;

- the *reserve position in the IMF*; and
- *other reserve assets*

Reserve asset data are compiled in accordance with the gross concept (i.e. no netting with monetary authorities' liabilities) and published according to the structure of the IMF Data Template.

13.3 Deviations from agreed definitions

There are some methodological discrepancies relative to the IMF Data Template in the areas of gold valuation, reporting of some transactions involving securities (e.g. repos and reverse repos) and gold swaps.

13.4 Gaps

All transactions in reserve assets are covered by the BOP Section's reporting system.

13.5 Intended harmonisation

The NBS is currently planning to change the methodology for reserve asset data to bring it fully into line with IMF Data Template and ECB requirements.

14 International investment position

14.1 Specific features of data collection and definitions

six months after the end of the reference year. In 2001, the NBS started to compile the i.i.p. on a quarterly basis.

14.1.1 General

The classification of the i.i.p. follows the recommendation of the BPM5 and corresponds to the standard presentation of b.o.p. statistics. The i.i.p. includes the stocks of financial assets and liabilities vis-à-vis non-residents. Data for assets and liabilities are recorded separately.

The i.i.p. is compiled on a yearly basis and is published on the NBS's website no later than

14.1.2 Direct investment

Direct investment stock data (on equity capital) are compiled on a monthly basis and published on the NBS's website. The breakdown by instrument is currently available on a monthly basis, but published on a yearly basis. Breakdowns by sector, country and economic activity are also available on a quarterly basis.

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The data sources are as follows:

- (i) the *banking sector*: banks send in monthly statements on foreign and domestic currency positions vis-à-vis non-residents (assets/liabilities). A geographical breakdown for this sector is also available on a quarterly basis; and
- (ii) *other sectors*: the monthly survey of the foreign assets and liabilities of approximately 1,500 domestic enterprises provides direct investment data. From this survey, the NBS obtains both transaction and stock data for all direct investment items (e.g. equity capital, reinvested earnings and other capital) according to the BPM5. The country and economic activity breakdowns of FDI are available through a separate quarterly survey, which has the same structure as a monthly report. The column structure of both enterprise surveys is as follows:
 - the position of assets/liabilities at the beginning of the period;
 - credits and debits for assets/liabilities;
 - exchange rate changes, price changes and other adjustments; and
 - the position of assets/liabilities at the end of the period.

Coverage and concepts are in line with the definitions used in the financial account of the b.o.p. Valuation approaches depend on the availability of market values.

14.1.3 Portfolio investment

Data on portfolio investment stocks are compiled and disseminated quarterly, broken down by instrument (into equity securities and debt securities). On the assets side, a breakdown by creditor sector is available for foreign securities owned by residents. On the liabilities side, a breakdown by issuer sector is available for Slovak securities held by non-residents. Currency and geographical breakdowns are not available at present.

The data sources are as follows:

- (i) the *banking sector*: banks send in monthly statements on foreign and domestic currency positions vis-à-vis non-residents (assets). The NBS obtains supplementary information on Slovak securities held by non-residents (liabilities) from a special survey of commercial banks, which provide custody services to non-resident holders of Slovak securities; and
- (ii) *other sectors*: the monthly survey of the foreign assets and liabilities of domestic enterprises is used as an additional source of information on portfolio investment stocks.

The NBS defines portfolio investment according to the methodology of the BPM5. Portfolio investment includes equity securities and debt securities (which include bonds and notes and money market instruments).

The stock figures in all the breakdowns are given at market values.

14.1.4 Financial derivatives

Data on financial derivatives are compiled on the basis of commercial banking statements and the enterprise survey. Only monthly banking data are used for compilation purposes, because transactions in the corporate sector are not yet liberalised.

The data sources are as follows:

- (i) the *banking sector*: banks send in monthly statements on foreign and domestic currency positions vis-à-vis non-residents; and
- (ii) *other sectors*: the monthly survey of the foreign assets and liabilities of domestic enterprises is used as an additional source of information on financial derivatives.

Geographical and sector breakdowns of these stocks are not yet available.

Financial derivative stocks are recorded at their real values and are treated in accordance with the BPM5.

14.1.5 Other investment

Data on other investment are collected according to the definitions of the BPM5. Other investment is primarily broken down into assets and liabilities. In addition, a breakdown by sector (monetary authorities, general government, commercial banks and other sectors) and a breakdown by maturity (short versus long-term maturity) are available.

For each sector, other investment is broken down into the following instruments:

- trade credits;
- loans;
- currency and deposits; and
- other assets/liabilities.

Breakdowns by currency are available for the NBS, general government and the banking sector.

The data sources are as follows:

- (i) the *NBS*: the Treasury Department of the NBS provides the Bank's foreign exchange position. Information on NBS liabilities is provided by the relevant units of the Bank;
- (ii) the *Government*: information is provided by the relevant units of the NBS, which is the fiscal agent of Government in the area of debt service. The NBS also receives supplementary information on assets from the Ministry of Finance;
- (iii) *commercial banks*: these return statements on foreign and domestic currency positions vis-à-vis non-residents (assets/liabilities); and
- (iv) *other sectors*: data from domestic enterprises is obtained from the monthly survey of foreign assets and liabilities.

The column structure of all statements (except those from commercial banks) and surveys contains:

- the position of assets/liabilities at the beginning of the period;
- credits and debits for assets/liabilities;
- exchange rate changes, price changes and other adjustments; and
- the position of assets/liabilities at the end of the period.

Coverage and concepts are in line with the definitions used in the financial account of the b.o.p.

14.1.6 Reserve assets

The source of reserve asset data is the Treasury Department (Operations) of the NBS, which compiles and provides data on a daily basis. However, the data are disseminated to the international institutions and the public on a weekly basis and daily data are used only for internal analysis. The Treasury Department also provides the breakdowns of reserve asset data by type of instrument and currency.

The definition of reserve assets is fully consistent with the BPM5.

The reserve asset data are published according to the structure of the IMF Data Template.

14.2 Deviations from agreed definitions

None.

14.3 Gaps

Currently, coverage of the household sector is insufficient.

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14.4 Intended harmonisation

The NBS is planning to compile and disseminate the i.i.p. on a quarterly basis.

14.5 Estimation methods

None.

15 Contacts

This country information was drafted by the Slovak Republic in agreement with the ECB's Balance of Payments and External Reserves Division. Enquiries of a general nature should be addressed to the Press Division of the ECB. Enquiries specific to the Slovak Republic should be addressed to:

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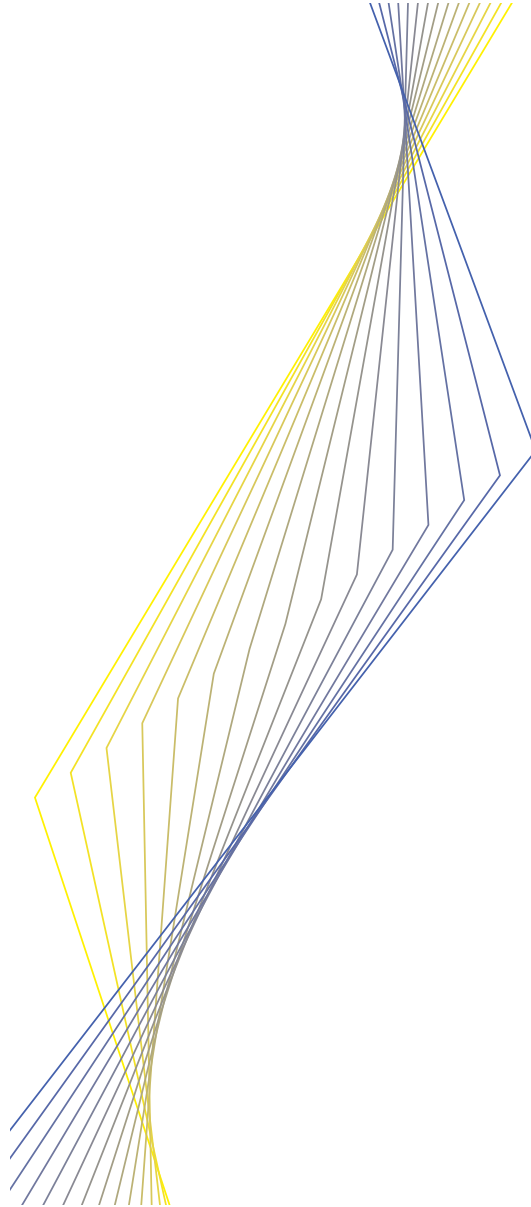
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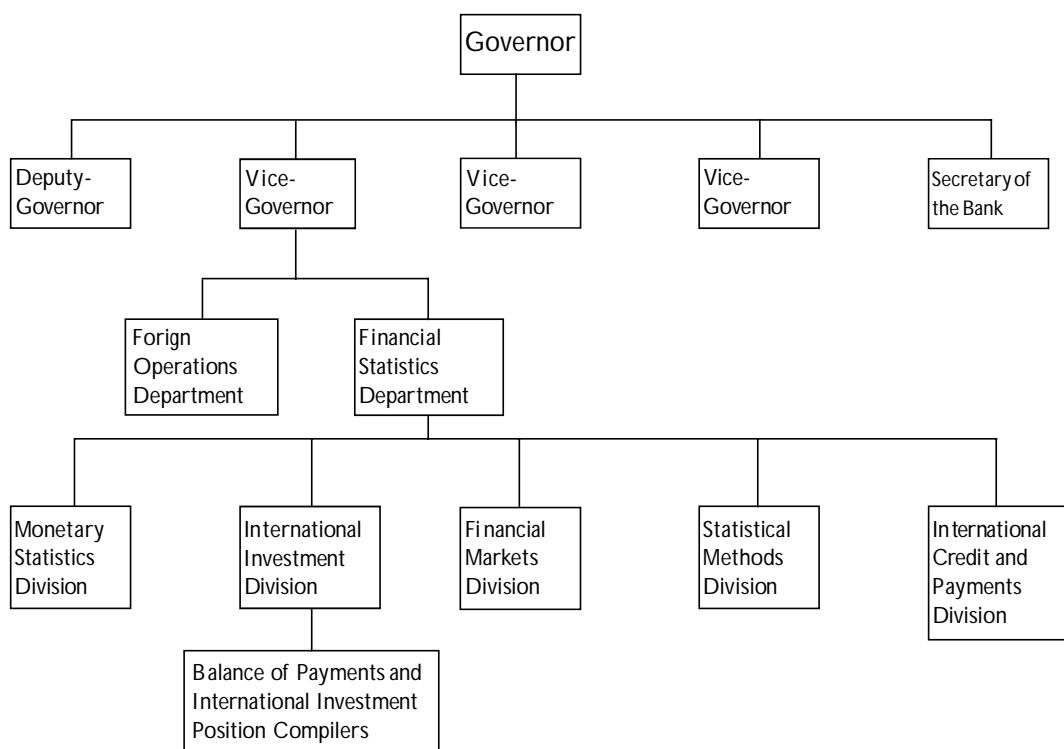
EUROPEAN CENTRAL BANK



February 2002

I Organisation chart

Bank of Slovenia departments, divisions and units involved in b.o.p. and i.i.p. compilation



2 Institutional aspects

2.1 Introduction

In accordance with the National Programme of Statistical Surveys and the Foreign Exchange Act, the official compiler of the Slovenian balance of payments (b.o.p.) is the *Banka Slovenije*, the Bank of Slovenia (BS).

The BS has been responsible for compiling the b.o.p. since 1991. Before then, Slovenia was part of Yugoslavia and its b.o.p. was compiled using a different methodology.

Slovenia's b.o.p. is compiled by the BS on the basis of the recommendations of the 5th edition of the IMF Balance of Payments Manual (BPM5) and under limitations as regards the availability of data.

Responsibility for the collection of the data necessary for b.o.p. compilation is shared between the Statistical Office of the Republic of Slovenia (SORS) and the BS. Such data is collected through Slovenia's International Transaction Reporting System (ITRS). Within the framework of the ITRS, the SORS is responsible for collecting trade statistics from customs declarations, while the BS collects reports on other transactions between residents and non-residents. Stock data for the international investment position (i.i.p.) are collected exclusively by the BS.

2.2 Legislative provisions

The compilation and publication of b.o.p. and i.i.p. data are governed by the Law of 1991 on the Bank of Slovenia and subsequent amendments (Official Gazette Nos. 1/1991, 17/1991 and 13/1993), the Law of 1995 on National Statistics (Official Gazette Nos. 45/1995 and 9/2001) and the Decree of 1992 on the Obligation of Residents to Report Data on the Stock of Claims and Liabilities and Transactions with Non-residents (Official Gazette No. 60/1992), which came into effect on 1 January 1993. The data are also affected by the BS's Guidelines on Payment Transfers

with Foreign Countries, which came into force in November 1991.

- (i) The *Law on the Bank of Slovenia* and subsequent amendments established the Bank's independence and provide for it to collect the data needed for its operations.
- (ii) The *Law on National Statistics* guarantees the confidentiality of individuals' personal data and established the annual National Programme of Statistical Surveys, under the terms of which the BS is obliged to publish b.o.p. data.
- (iii) The *Decree on the Obligation of Residents to Report Data on the Stock of Claims and Liabilities and Transactions with Non-residents* provides for the confidentiality of individuals' personal data.

2.3 Internal organisation

The BS is responsible for several sets of statistics provided by the Financial Statistics Department, which in turn comprises the following five divisions: the Monetary Statistics Division, the International Investment Division, the Financial Markets Division, the Statistical Methods Division and the International Credit and Payments Division. This last division is responsible for collecting data on transactions with non-residents settled via commercial banks. It also collects data on long-term loans and trade credits to and from non-residents, as well as short-term loans to and from non-residents. The International Investment Division, for its part, collects data on direct investment, short-term trade credits and accounts held by non-bank residents with foreign banks, as well as inter-company accounts with non-residents.

The Financial Statistics Department has a total of 53 staff, while the International Credit and Payments Division has 23. The International Investment Division has 17 staff, four of

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whom are responsible for compiling b.o.p. and i.i.p. reports.

2.4 External co-operation

The SORS is an important external partner of the Financial Statistics Department. It provides the b.o.p. compilers with foreign trade statistics that are used to derive data for transactions in goods for the Slovenian b.o.p.

Sources for some estimates are the SORS and institutions in neighbouring countries.

3 Statistical system

3.1 Type of collection system

The reporting system for the b.o.p. is the ITRS, which is a closed system. There is integrated reporting of the positions on non-resident accounts (these explain the changes in the assets or liabilities in the b.o.p.'s capital and financial accounts) and the transactions settled through these accounts (these principally explain the changes in the b.o.p.'s current account). In the reporting form, the position on each non-resident account at the end of the reporting period should equal the position at the beginning, plus the credit transactions minus the debit transactions. The transactions are classified on the basis of their description, as provided by the banks' customers, and the assignment of a transaction code. There are more than 300 of these transaction codes and a list of them is available from the BS on request. They form the basis of the methodology that allows banking forms (e.g. payment orders and forms relating to incoming payments) to be used in the compilation of b.o.p. statistics.

The main reporting pillars of the ITRS are:

- (i) *Reports on transactions* settled between residents and non-residents via bank accounts (so-called non-resident accounts). These accounts comprise:

2.5 Users

B.o.p. and i.i.p. statistics are sent to internal users at the BS and external users in Slovenia. The external users include the SORS, the Chamber of Commerce, the Ministry of Finance and some commercial banks.

The b.o.p. and i.i.p. data are also sent to the Organisation for Economic Co-operation and Development (OECD), the International Monetary Fund (IMF) and Eurostat according to their respective standards.

- the banks' foreign correspondent accounts (nostro and loro accounts, including the central bank); and
- non-bank resident accounts abroad.

Transactions are classified using descriptions provided by the banks' customers.

- (ii) *Customs declarations* as the main source for recording merchandise (compiled by the SORS).
- (iii) *Reports to the BS on registered credits granted and disbursed abroad.*
- (iv) *BS accounting data.*
- (v) *Commercial bank balance sheet data.*
- (vi) *Data on direct investment* (reinvested earnings).
- (vii) *Reports on goods sold to non-residents in duty-free and border shops.*

Some estimates are used in the b.o.p. and i.i.p. for the valuation of data on imports, incoming travel, labour income, short-term trade credits, foreign exchange and deposits of resident households in foreign banks.

For the i.i.p., data are collected from *residents' reports on inward and outward direct investment, reports of enterprises on short-term trade credits* and some of the other above-mentioned sources.

3.2 Reporting agents

The b.o.p. and i.i.p. are compiled on the basis of reports from the following agents:

- (i) *commercial banks*, which report transactions between resident and non-resident entities (banks, enterprises, individuals, etc.) as well as transactions for their own account;
- (ii) *non-bank residents* report data on their accounts held abroad, on inter-company accounts with foreign partners and on the sale of goods in duty free shops. They also report short-term trade credits to and from non-residents;
- (iii) *residents* report inward and outward direct investment stocks and transactions;
- (iv) *the SORS* provides data derived from customs declarations;
- (v) *the BS* provides its accounting data; and
- (vi) *residents* report data on loans and long-term trade credits to and from non-residents.

3.3 Thresholds

There is no special threshold for ITRS data.

3.4 Availability of data

The b.o.p. is compiled monthly and disseminated no later than seven weeks after the end of the reference month. Although the data have been available since 1988, only data for the key b.o.p. items are available for the period 1988-1993. Figures for the period

1988-1991 exclude transactions with the former Yugoslavia.

The i.i.p. is compiled yearly and disseminated no later than six months after the end of the reference year. Data have been available since 1994.

An advance release calendar is published on the BS's website (www.bsi.si) and in its Monthly Bulletin.

3.5 Data controls

The first type of controls are computerised. They are installed on the reporting programs used by the reporting agents. These controls warn the agents of processing errors.

The second type of controls are performed within the BS. They check the completeness of reports and their plausibility. If any data are missing from or incorrect in the reports, the reporting agents are contacted and the mistakes corrected. All discrepancies are checked directly with the reporting agent concerned.

The reports on flows are also compared with the external position of the reporting bank. With high-value transactions, a manual check is carried out.

The coding of data is also checked so that the flows and stocks are included under the correct item of the b.o.p.

3.6 Revision policy

For the current year, preliminary monthly b.o.p. data are revised each month.

An official annual b.o.p. is compiled and published when the final data from customs declarations are made available. The SORS usually provides the BS with the final data for the previous year in July of the current year, i.e. with a seven-month lag.

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The i.i.p. data are revised yearly.

3.7 Dissemination

The data are first released on the BS's website (at http://www.bsi.si/html/financi_podatki for the Slovenian version and at http://www.bsi.si/html/eng/financial_data for the English version). They are subsequently distributed

to all interested parties by fax or e-mail and are also published in the BS's Monthly Bulletin approximately one week later.

Detailed data on direct investment are published in the BS's annual publication "Direct Investment".

Details of data users are given in Sub-section 2.5.

4 Goods

4.1 Specific features of data collection

As explained in Sub-sections 3.1 and 3.2, the main data source for imports and exports of goods are customs declarations. However, some goods cross the border without customs declarations. The data on these goods are collected through transaction reporting systems and questionnaires returned by duty-free shops.

c.i.f. basis. Import data are therefore converted from a c.i.f. to an f.o.b. basis using a coefficient equal to the weighted average of coefficients between the c.i.f. and f.o.b. values of imported goods (for the available sample) and are calculated separately for each type of merchandise, means of transport and exporting country.

4.2 Definition

The definition of goods in the Slovenian b.o.p. complies with that given in the BPM5. Goods are classified as:

- general merchandise;
- goods for processing;
- repairs on goods;
- goods procured in ports by carriers; and
- non-monetary gold.

Coverage adjustments (for goods crossing the border without customs declarations) and valuation adjustments are made. A valuation adjustment is necessary because exports are valued on an f.o.b. basis and imports on a

4.3 Deviations

None.

4.4 Gaps

The most significant gap is in the b.o.p. coverage of free-trading zones.

4.5 Intended harmonisation

None.

4.6 Estimation methods

Besides valuation adjustment (see Sub-section 4.2), there are no estimation methods used for the goods component of the b.o.p. current account.

5 Services

5.1 Specific features of data collection

As explained in Sub-sections 3.1 and 3.2, the main data source for services is the transaction reporting in the ITRS. Some estimates are also included when compiling the services component of the current account.

5.2 Definition

The definition of services in the Slovenian b.o.p. complies with that stated in the BPM5. Services are divided into:

- transportation;
- travel;
- communications services;
- construction services;
- insurance services;
- financial services;
- computer and information services;
- royalties and licence fees;
- other business services;
- personal, cultural and recreational services; and
- government services (only for imports).

Each of these items is subdivided further.

5.3 Deviations

There are some deviations in the services section of the current account.

Business travel exports are not recorded separately, but are included in the personal travel component.

Short and long-term construction work is recorded under services. Long-term construction work is therefore not recorded as direct investment.

Exports of government services are included in other services.

Transaction reporting does not provide detailed enough data on transportation services. Therefore, in some cases, transportation services are overestimated, whilst in others they are underestimated.

5.4 Gaps

There are gaps in the coverage of exports of government services (e.g. expenditure of foreign embassies in Slovenia).

Similarly, coverage of transportation services is insufficient (see Sub-section 5.3).

5.5 Intended harmonisation

It is intended that a new transaction code for expenditure of foreign embassies be implemented and for these to be surveyed with a yearly questionnaire.

5.6 Estimation methods

An estimate of net sales of Slovene tolar (SIT) to non-residents in bureaux de change is used in the travel exports item, while estimates of the expenditure of Slovenian residents abroad are included in travel imports.

6 Income

6.1 Specific features of data collection and definitions

6.1.1 Compensation of employees

As explained in Sub-sections 3.1 and 3.2, the ITRS is the main source of data on the compensation of employees. Since wages for seasonal and cross-border workers are not paid through domestic banks, an additional estimate is made for these receipts from neighbouring countries (Austria and Italy).

6.1.2 Income on direct investment

As mentioned in Sub-sections 3.1 and 3.2, the ITRS is the main data source covering income on direct investment.

Reinvested earnings are derived from residents' reports on direct investment and an offsetting entry is made for them under direct investment in the financial account.

Income on equity and reinvested earnings are included in direct investment income, whereas income on debt (e.g. inter-company loans) is not.

6.1.3 Income on portfolio investment

As explained in Sub-sections 3.1 and 3.2, the ITRS is the main data source covering income on portfolio investment.

Income on debt is included in portfolio investment income, whereas income on equity is not.

A breakdown by sector is available for income on debt. This breakdown has four components: the BS, government, banks and other.

6.1.4 Income on other investment

As mentioned in Sub-sections 3.1 and 3.2, the ITRS is the main data source for income on other investment.

Income on other investment is broken down by sector into the BS, government, banks and other.

6.2 Deviations from agreed definitions

As explained in Sub-section 6.1, the most significant deviation from the BPM5 in the Slovenian b.o.p. is for income on direct investment and income on portfolio investment. In income on direct investment, only total income on equity is included and therefore income on debt is missing. In income on portfolio investment, only total income on debt is included, meaning that income on equity is not covered.

6.3 Gaps

None.

6.4 Intended harmonisation

None.

6.5 Estimation methods

An estimation of workers' income is made on the basis of data provided by neighbouring countries (Austria and Italy).

7 Current transfers

See Section 8 on the capital account.

8 Capital account

8.1 Specific features of data collection

The ITRS is the main source for data on capital account transactions.

8.2 Definition

The definition of the b.o.p. capital account complies with that given in the BPM5. Capital account transfers are classified under two sectoral components:

- government; and
- other sectors.

Current transfers, like capital transfers, are subdivided into two sectoral components:

- government; and
- other sectors.

Under other sectors, there are three groups of current transfers: first there are workers'

remittances, then there is insurance, and last there are other transfers. The main source for current transfers is also the ITRS.

8.3 Deviations from agreed definitions

None.

8.4 Gaps

Although included in the definition, capital transfers in the form of debt forgiveness are not covered. Debt forgiveness is not covered in the other sectors component of capital transfers abroad either. Furthermore, other sectors/other transfers are not covered in capital transfers.

8.5 Intended harmonisation

None.

9 Direct investment

9.1 Specific features of data collection

The ITRS is the main source for collecting data on direct investment. Direct investment is therefore recorded on the basis of transaction reporting and data from customs declarations.

The source for reinvested earnings is yearly resident reports on direct investment.

9.2 Definition

The definition of direct investment is in line with the recommendations set out in the BPM5. It is classified as:

- equity capital;
- reinvested earnings; and
- other capital.

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The 10% ownership criterion is applied to distinguish direct investment from portfolio investment.

Reinvested earnings are derived from the yearly reports and are entered in the b.o.p. as a single amount at the end of the year.

9.3 Deviations from agreed definitions

See Sub-section 9.4.

9.4 Gaps

The other capital and financial derivatives components are not included in the direct investment item. Other capital is included in the other investment item, while financial derivatives are not recorded.

10 Portfolio investment

10.1 Specific features of data collection

The ITRS is the main source for data on portfolio investment. Therefore, portfolio investment is recorded on the basis of data reported on payments made through domestic banks.

For portfolio investment, two types of breakdown are available: one by sector and one by instrument.

Until 1997 only data on sales and purchases of debt securities through banks were included in this item. Since February 1997, equity securities without the characteristics described in Section 9 on direct investment have also been included in portfolio investment.

10.2 Definition

The definition of portfolio investment complies with the recommendations set out

9.5 Intended harmonisation

With the introduction of new reports on short-term trade credits and the connection of the databases on loans to and from non-residents to the direct investment database, the other capital component will be compiled as foreseen in the BPM5.

The possibility of collecting data on financial derivatives is currently being explored.

9.6 Estimation methods

Before the results of the annual surveys become available, reinvested earnings are estimated on the basis of the previous annual survey data.

in the BPM5. Portfolio investment in the b.o.p. is classified as:

- equity securities;
- debt securities; and
- money market instruments.

All of the categories listed above are also subdivided into sectors (government, banks and other).

10.3 Deviations from agreed definitions

None.

10.4 Gaps

None.

10.5 Intended harmonisation

None.

10.6 Estimation methods

None.

11 Financial derivatives**11.1 Specific features of data collection**

In Slovenia, data for financial derivatives are not collected and are thus not included in the b.o.p.

11.4 Gaps

See 11.1.

11.2 Definitions

See 11.1.

11.5 Intended harmonisation

The possibility of collecting data on financial derivatives is currently being considered.

11.3 Deviations from agreed definitions

See 11.1.

11.6 Estimation methods

See 11.1.

12 Other investment**12.1 Specific features of data collection**

The ITRS is the main source for data on other investment. Other investment is therefore recorded on the basis of transaction reporting, commercial bank balance sheets, registered credits, BS accounting data, data from customs declarations and some estimates.

Furthermore, trade credits are subdivided into short and long-term credits. Short-term trade credits are recorded on a net basis.

Loans are recorded on a gross basis and are broken down by sector and maturity.

Foreign exchange and deposits and other assets and liabilities are broken down by sector.

12.2 Definition

The definition of other investment complies with the recommendations set out in the BPM5. Other investment in the b.o.p. is classified as:

- trade credits;
- loans;
- currency and deposits; and
- other assets and liabilities.

12.3 Deviations from agreed definitions

See Sub-section 12.4. It should also be noted that inter-company loans are included in other investment.

12.4 Gaps

Data on repurchase agreements are not recorded.

12.5 Intended harmonisation

Estimates of short-term trade credits will be replaced by data from new monthly reports.

12.6 Estimation methods

Short-term trade credits are estimated and recorded on a net basis.

Estimates of net sales of foreign exchange to residents in bureaux de change are used in the other assets/other sectors item.

13 Reserve assets

13.1 Specific features of data collection

Reserve assets are recorded on the basis of BS accounting data. As a monetary authority, the BS is the only source for data on reserve assets.

Foreign exchange assets are subdivided into foreign currency and deposits and securities. Transactions with residents are excluded.

13.3 Deviations from agreed definitions

None.

13.2 Definition

The definition of reserve assets is in accordance with the recommendations set out in the BPM5. Reserve assets in the b.o.p. are classified as:

13.4 Gaps

None.

- monetary gold;
- special drawing rights (SDRs);
- the reserve position in the IMF; and
- foreign exchange assets.

13.5 Intended harmonisation

None.

14 International investment position

14.1 Specific features of data collection and definitions

Data sources for the i.i.p. and b.o.p. are different. For some items, the i.i.p. and b.o.p. can be reconciled.

14.1.1 General

The i.i.p. methodology is based on the BPM5 recommendations.

14.1.2 Direct investment

The i.i.p. is compiled for all financial account items (direct investment, portfolio investment, other investment and reserve assets), except for financial derivatives. Assets and liabilities are compiled separately.

Data on direct investment are collected from residents' reports on inward and outward direct investment. In accordance with the recommendations of the BPM5, this item comprises investment where direct investors own 10% or more of the equity capital of an

enterprise. All claims on and liabilities to affiliated enterprises are included under direct investment in the i.i.p., except for short-term claims and liabilities of affiliated banks.

Data on investment by Slovenian enterprises in indirectly affiliated enterprises abroad have, since 1996, been included in the direct investment abroad item (in cases where enterprises abroad with Slovenian direct investment hold 10% or more of equity in other foreign enterprises). In the direct investment in Slovenia item, data on investment by foreign enterprises in indirectly affiliated enterprises in Slovenia are included (in cases where Slovenian enterprises with foreign direct investment hold 10% or more of equity in other Slovenian enterprises).

Direct investment data are recorded at book value.

14.1.3 Portfolio investment

The definition of the portfolio investment component of the i.i.p. is principally that recommended in the BPM5. Portfolio investment is classified as equity securities and debt securities. Money market instruments and financial derivatives are not included in the portfolio investment component of the i.i.p.

Data on equity securities and other equity shares are available (as are data on direct investment) from residents' reports on direct investment. However, these reports only include data where investors own less than 10% of an enterprise's equity.

Data on debt securities are available from credit registration forms and commercial bank balance sheets.

In the portfolio investment component of the i.i.p., two types of breakdown are available: one by instrument and one by sector.

Portfolio investment data on equity are recorded at book value.

14.1.4 Financial derivatives

Data on financial derivatives are not collected.

14.1.5 Other investment

The definition of the other investment component of the i.i.p. is in line with that recommended in the BPM5. The other investment component is subdivided into trade credits, loans, foreign exchange and deposits, and other assets and liabilities.

The sources for short-term trade credits are reports of enterprises on short-term trade credits and inter-company accounts between residents and non-residents.

The sources for long-term trade credits and loans are credit registration forms and are the same for the i.i.p. and the b.o.p. In the i.i.p., claims and liabilities between affiliated enterprises are recorded under direct investment and are excluded from the items trade credits and loans.

Data sources for currency and deposits, other assets and other liabilities are bank reports and BS accounting data and are the same as those for the b.o.p.

The assets/foreign exchange and deposits/other sectors sub-item of the i.i.p. also includes estimates based on data from the Bank for International Settlements (BIS) on deposits of Slovenian households in banks in BIS member countries.

The other liabilities/other sectors sub-item of the i.i.p. includes data on contractual joint ventures.

Other investment is broken down by instrument, sector and maturity.

14.1.6 Reserve assets

The definition of the reserve assets component of the i.i.p. is in line with that

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recommended in the BPM5. They are classified as: monetary gold, SDRs, the reserve position in the IMF and foreign exchange assets. Claims on residents are excluded.

The only source of data for the reserve assets item is BS accounting data.

14.2 Deviations from agreed definitions

See Sub-section 14.3.

14.3 Gaps

Neither financial derivatives nor money market instruments are covered by the Slovenian reporting system.

15 Contacts

This country information was drafted by Slovenia in agreement with the ECB's Balance of Payments and External Reserves Division. Enquiries of a general nature should be addressed to the Press Division of the ECB. Enquiries specific to Slovenia should be addressed to:

14.4 Intended harmonisation

At present, the possibility of collecting data on financial derivatives is being explored.

A full reconciliation of the i.i.p. and the b.o.p. is planned.

14.5 Estimation methods

See Sub-section 14.1.5.

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4 Annex

4.1 Glossary

The definitions of the terms included in this section are mainly taken from the IMF Balance of Payments Manual (5th edition). The terms are shown in alphabetical order.

Accruals principle – a continuous method of recording that matches the cost of capital with the provision of capital. This concept, which is broader than the actual payment of dividends and interests (on a cash or settlement basis), covers dividends due for payment, interest accrued, and unremitted profits (reinvested earnings) of direct investment enterprises.

Balance of payments (b.o.p.) – the statistical statement that systematically summarises for a specific time period (usually monthly, quarterly and/or annually) the economic transactions of an economy with the rest of the world. Transactions between residents and non-residents consist of those involving goods, services and income; those involving financial claims on and liabilities to the rest of the world; and those classified as transfers (such as gifts) which involve offsetting entries to balance – in an accounting sense – one-sided transactions.

Bonds and notes – these are securities issued with an initial maturity of more than one year which usually give the holder: (i) the unconditional right to a fixed monetary income or contractually determined variable monetary income (payment of interest being independent of the earnings of the debtor); and (ii) the unconditional right to a fixed sum in repayment of the principal on a specified date or dates.

Capital and financial account – the capital account covers all transactions that involve the receipt or payment of capital transfers and the acquisition or disposal of non-produced, non-financial assets, while the financial account covers all transactions associated with changes of ownership in the

foreign financial assets and liabilities of an economy, including the creation and liquidation of claims on or by the rest of the world.

Cash basis – see accruals principle.

C.i.f. (cost, insurance and freight at the importer's border) – valuation of the goods at the market value at the customs border of the economy into which they are imported, including in the import value the insurance and transportation costs.

Credits and debits – a credit in the b.o.p. records the provision of goods or services, a decrease in holdings of a financial asset or an increase in liabilities. Credits and debits form the two elements in the simple double-entry system used for recording the b.o.p.

Current account – the b.o.p. current account covers all transactions (other than those in financial items) between resident and non-resident entities that involve economic values. Also covered are offsets to current economic values provided or acquired without a reciprocal exchange (however some transactions of this kind are recorded in the capital account). The major classifications are goods and services, income and current transfers.

Debtor/creditor principle – foreign assets are geographically allocated to the country of the debtor (issuer), while liabilities are allocated to the country of the creditor (holder). This principle is the most appropriate choice if the interest concerns a change in the geographical distribution of the items on the nation's balance sheet.

Direct investment – the category of international investment that reflects a lasting interest of a resident entity in one economy in an enterprise resident in another economy. The resident entity is the direct investor and the enterprise is the direct investment enterprise. The lasting interest implies the

existence of a long-term relationship between the direct investor and the enterprise and a significant degree of influence by the investor on the management of the enterprise.

Direct investment enterprises – an incorporated or unincorporated enterprise in which a direct investor, who is resident in another economy, owns 10% or more of the ordinary shares or voting power (of the incorporated enterprise) or the equivalent (of the unincorporated enterprise).

Direct investors – these may be individuals, incorporated or unincorporated private or public enterprises, associated groups of individuals or enterprises, governments or government agencies, or estates, trusts, or other organisations that individually own 10% or more of the ordinary shares or voting power of an incorporated enterprise or the equivalent of an unincorporated enterprise in economies other than those in which the direct investors reside.

Directional principle – the recording of direct investment flows according to the directional principle means, in general, that all capital transactions with foreign direct investment enterprises are recorded by the country of the direct investor as direct investment abroad; all capital transactions of resident direct investment enterprises with foreign direct investors are recorded by the country of the direct investment enterprise as direct investment in the reporting country. The status of the resident enterprise (i.e. direct investor or direct investment enterprise) in relation to its counterpart in the transaction is essential for the recording of direct investment flows.

Equity – covers all instruments and records acknowledging, after the claims of all creditors have been met, claims on the residual value of incorporated enterprises. Shares, stocks, preference stock or shares, participation, or similar documents usually denote ownership of equity. Transactions in shares of collective investment institutions, e.g. investment funds, are also included.

Euro area – the area encompassing those Member States in which the euro has been adopted as the single currency in accordance with the Treaty establishing the European Community and in which a single monetary policy is conducted under the responsibility of the ECB. The euro area comprises Belgium, Germany, Greece (as from 2001), Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal, Finland, and for statistical purposes, the ECB.

European Central Bank (ECB) – the ECB is the centre of the ESCB and the Eurosystem and has legal personality under Community law. It ensures that the tasks conferred upon the Eurosystem and the European System of Central Banks (ESCB – composed of the ECB and NCBs of all EU Member States) are implemented either by its own activities pursuant to its Statute or through the national central banks.

European System of National and Regional Accounts (ESA 95) – this is an internationally compatible accounting framework for a systematic and detailed description of a total economy (that is a region, country or group of countries), its components and its relations with other total economies. The ESA 95 is fully consistent with the SNA 93 (see below), but focuses more on the circumstances and data needs in the European Union. The ESA 95 was adopted in the form of a Council Regulation dated 25 June 1996.

European Union (EU) – comprises the Member States of the EU and the EU institutions. All EU institutions besides the ECB are considered non-euro area resident units.

Eurosystem – comprises the ECB and the national central banks of the Member States which have adopted the euro in Stage Three of EMU (see also euro area). There are currently 12 national central banks in the Eurosystem. The Eurosystem is governed by the Governing Council and the Executive Board of the ECB.

Financial derivatives – financial instruments that are linked to a specific financial instrument, indicator or commodity, and through which specific financial risks can be traded in financial markets in their own right.

F.o.b. (free on board at the exporter's border) – valuation at the market value of the goods at the customs border of the economy from which they are exported, excluding the respective insurance and transportation services incurred.

Goods – covers general merchandise, goods for processing, repairs on goods, goods procured in ports by carriers and non-monetary gold.

International investment position (i.i.p.) – the statistical statement of the value and composition of the stock of an economy's financial assets or financial claims on the rest of the world, and of an economy's financial liabilities to the rest of the world.

Investment income – incorporates income derived from a resident entity's ownership of a foreign financial asset (credits) and, symmetrically, income derived from a non-resident entity's ownership of a domestic financial asset (debits).

Loans/currency and deposits – comprise transactions in the following financial instruments: loans, i.e. those financial assets created through the direct lending of funds by a creditor (lender) to a debtor (borrower) through an arrangement in which the lender either receives no security evidencing the transactions or receives a non-negotiable document or instrument; deposits; repo-type operations; and currency (notes and coins that are in circulation and commonly used to make payments). Included are, inter alia, loans to finance trade and other loans and advances (including mortgages). In addition, financial leases are covered.

Money market instruments (MMIs) – securities issued with an original maturity of

one year or less. They generally give the holder the unconditional right to receive a stated, fixed sum of money on a specified date. These instruments are usually traded, at a discount, in organised markets; the discount is dependent upon the interest rate and the time remaining to maturity.

Other assets/other liabilities – sub-item of other investment which covers all items other than trade credits, loans and currency and deposits.

Other investment – the residual category of the b.o.p. which therefore includes all financial transactions with non-residents not covered in direct investment, portfolio investment, financial derivatives or reserve assets. It is subdivided into trade credits, loans/currency and deposits, and other assets/other liabilities.

Other services – those service transactions with non-residents which are not covered under transportation and travel, such as communications services, construction services, insurance or financial services.

Portfolio investment – this covers investment in equity securities (quoted shares) and debt securities (bonds and notes, and money market instruments). Excluded are any of these instruments which are included in direct investment or reserve assets.

Reinvested earnings – appear in the context of income on direct investment. They are defined as the direct investor's share of the total consolidated profits earned by the affiliated company in a certain period (after allowing for tax, interest and depreciation) less dividends due for payment in the relevant period, even if these dividends relate to profits earned in earlier periods.

Reserve assets – consist of external assets that are readily available to and controlled by monetary authorities for the direct financing of payment imbalances, for the indirect regulation of the magnitude of such imbalances through intervention in exchange

markets which affects the currency exchange rate and/or for other purposes. Reserve assets of the euro area are foreign currency-denominated claims on non-euro area residents which are held by the Eurosystem.

Residents – these comprise the general government, individuals, private non-profit making bodies serving households, and enterprises, whose centre of economic interest lies within the territory of a given economy.

Services – consists of transportation, travel and other services.

Settlement basis – the recording of flows according to payments.

System of National Accounts of the United Nations (SNA 93) – this is the international standard for a comprehensive and systematic framework for the collection and presentation of the economic statistics of an economy. It encompasses transactions, other flows, stocks, and other changes affecting the level of assets and liabilities from one accounting period to another. These guidelines have been produced under the joint responsibility of the United Nations, the IMF, the Commission of the European Communities, the OECD and the World Bank.

Trade credits – consist in claims or liabilities arising from the direct extension of credit by resident suppliers or buyers, respectively, for transactions in goods and services and advance payments for work in progress (or to be undertaken) that is associated with such transactions.

Transaction – an economic flow that reflects the creation, transformation, exchange, transfer or extinction of economic value and involves changes in ownership of goods and/or financial assets, the provision of services, or the provision of labour and capital.

Transaction basis – the recording of flows according to the change in ownership and

not according to settlements. In the context of securities, the term “transactions basis” is identical to “accruals” principle.

Transactor principle – this principle allocates a transaction between a resident and a non-resident to the country of the direct counterparty to the transaction. The transactor principle provides information on the immediate direction of flows resulting from international settlements.

Transportation – covers all international transportation services (sea, air and other – including land, internal waterway, space and pipeline) that are performed by residents of one economy for residents of another economy and that involve the carriage of passengers, the movement of goods (freight), rentals (charters) of carriers with crew, and related supporting and auxiliary services. Excluded are passenger services provided to non-euro area residents by euro area carriers within the euro area economies, or vice versa (these are included under travel).

Travel – comprises primarily the goods and services that travellers consume from one economy during visits of less than one year to that economy. It differs from other components of services in that it is a demand-oriented activity. Thus, unlike other services, travel is not a specific type of service, but an assortment of services consumed by travellers.

4.2 Contributors

The individual country information was drafted by the country concerned and agreed with the ECB's Balance of Payments Statistics and External Reserves Division. Enquiries of a general nature should be addressed to the Press Division of the ECB. The following list of points of contact within the central banks/compiling institutions is included to help readers direct their country-specific enquiries in the most appropriate way.

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