

STATE BANK OF PAKISTAN

STATISTICS & DWH DEPARTMENT

(International Investment Position Division)

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Revision Study on External Debt Statistics

The compilation of external debt statistics is the joint responsibility of Economic Affairs Division (EAD) of Ministry of Economic Affairs and Statistics & Data Warehouse Department (S&DWD) of State Bank of Pakistan (SBP).

Among the four sectors of Pakistan's external debt statistics (general government, monetary authority, bank and other sectors), EAD are the source of data for the general government and partially of other sectors external debt statistics. EAD maintains the data base for disbursements, stock and repayment schedule on a world recognized Debt Management and Financial Analysis System (DMFAS).

International Investment Position (IIP) division of S&DWD is responsible for the compilation of debt statistics for the remaining sectors and consolidation of statistics for dissemination purpose. The external debt statistics of Pakistan are disseminated on quarterly frequency on the website of the central bank <http://www.sbp.org.pk> under "Economic Data" with links under the heading "Pakistan's Debt Profile". The commitment of the State Bank of Pakistan for enhancing data integrity, usefulness, and adhering to international standards keeping in view the data consistency among other macroeconomic statistics and within data series; the changes related to compilation, dissemination and methodological changes are put to practice. In the compilation of external debt statistics methodology, concepts, definitions, and guidelines provided in the "External Debt Statistics – Guide for Compilers and Users 2003 of IMF" are followed accompanied with the guidelines of Balance of Payments Manual (BPM6) of IMF.

The provisional data on external debt is compiled and disseminated on quarterly basis around 45 days of reference quarter. Revisions for errors and omissions are carried out with the dissemination of following quarter's data or in subsequent quarters when come to the notice. The annual revisions are carried out with the finalization of balance of payment statistics and international investment position (IIP) statistics.

In lines with the SBP efforts in adapting the international best practices we have reviewed our compilation and dissemination practices of external debt statistics and carried out following revisions/changes.

1. Revision in External Debt Stock Dissemination Format

International Investment Position (IIP) represents the statistical presentation of external financial assets and liabilities of a country at a certain point of time. According to IMF's external debt guide 2003 chapter # 2 and chapter # 3:

"From the viewpoint of the national accounts, the definition of external debt is such that it includes all financial liabilities recognized by the 1993 SNA as financial instruments—except for shares and other equity, and financial derivatives—that are owed to nonresidents".

“On the classification of financial instruments, the Guide gives prominence to four categories of instruments in particular: debt securities, trade credits, loans, and currency and deposits. There is also other debt liabilities category; this would include items such as accounts payable”.

Hence external debt position can be derived from IIP statement. The existing table of debt stock available on SBP website has been reviewed to align it with quarterly IIP being disseminated on SBP website. Accordingly, the coverage has been enhanced by adding the debt instruments such as nonresident deposits with central bank or banks, private sector trade credits, other debt liabilities, intercompany debt liabilities to direct investors etc. The external debt table reconciles with quarterly IIP and balance of payments financial account, however overdrawn nostro accounts being recorded on net basis in IIP and BOP would be converted to gross basis on annual revision of data. The data has been updated w.e.f March 31, 2010 and the pre revised and revised external debt with enhanced coverage tables of stock are given below:

| Pakistan's External Debt and Liabilities - Outstanding | |
|---|---|
| (Million US\$) | |
| ITEM | Pre Revised 31-Mar- 2012^P |
| 1) Public debt (a+b+c) | 56,032 |
| a) Government Debt | 45,435 |
| <u>i). Long term(>1 year)</u> | 45,028 |
| Paris club | 14,935 |
| Multilateral | 25,280 |
| Other bilateral | 2,428 |
| Euro/Sukuk global bonds | 1,550 |
| Military debt | 135 |
| Commercial loans/credits | 0 |
| Local Currency Securities (PIBs) | 0 |
| Saudi fund for development. (SFD) | 200 |
| SAFE China deposits | 500 |
| NBP/BOC deposits | 0 |
| <u>ii). Short term (<1 year)</u> | 407 |
| IDB* | 400 |
| Local Currency Securities (TBills) | 7 |
| b. From IMF | 8,066 |
| i) Federal government | 1,942 |
| ii) Central bank | 6,124 |
| c. Foreign exchange liabilities | 2,531 |
| i) Central bank deposits | 1,000 |
| ii) Foreign currency bonds (NHA / NC) | 0 |
| iii) Other liabilities (SWAP) | 0 |
| iv) Allocation of SDR | 1,531 |
| 2. PSE guaranteed debt | 236 |
| Paris club | 0 |
| Multilateral | 38 |
| Other bilateral | 198 |
| Commercial loans | 0 |
| Sandak metal bonds | 0 |
| 3. PSE non-guaranteed debt | 919 |
| i) Long term(>1 year) | 878 |
| ii) Short term (<1 year) | 41 |
| 4. Scheduled banks' borrowing | 697 |
| i) Long term(>1 year) | 101 |
| ii) Short term (<1 year) | 596 |
| 5. Private guaranteed debt | 0 |
| 6. Private non-guaranteed debt | 2,274 |
| i) Long term(>1 year) | 2,265 |
| ii) Short term (<1 year) | 9 |
| 7. Private non-guaranteed bonds | 124 |
| Total external debt (1+2+3+4+5+6+7) | 60,283 |
| Official liquid reserves | 12,075 |
| ^P Provisional | |

| Pakistan's External Debt and Liabilities - Outstanding | |
|--|------------------------------|
| | (Million US\$) |
| ITEM | 31-Mar-12^P |
| Public debt (1+2+3) | 56,035 |
| 1. Government debt | 45,435 |
| i) Long term(>1 year) | 45,028 |
| Paris club | 14,935 |
| Multilateral | 25,280 |
| Other bilateral | 2,428 |
| Euro/Sukuk global bonds | 1,550 |
| Military debt | 135 |
| Commercial loans/credits | 0 |
| Local Currency Securities (PIBs) | 0 |
| Saudi fund for development. (SFD) | 200 |
| SAFE China deposits | 500 |
| NBP/BOC deposits | 0 |
| ii) Short term (<1 year) | 407 |
| IDB | 400 |
| Local Currency Securities (TBills) | 7 |
| 2. From IMF | 8,066 |
| i) Federal government | 1,942 |
| ii) Central bank | 6,124 |
| 3. Foreign exchange liabilities | 2,534 |
| i) Central bank deposits | 1,000 |
| ii) Foreign currency bonds (NHA / NC) | 0 |
| iii) Other liabilities (SWAP) | 0 |
| iv) Allocation of SDR ¹ | 1,531 |
| v) Nonresident LCY deposits with central bank | 3 |
| 4. Public sector enterprises (PSEs) | 1,463 |
| a. Guaranteed debt | 236 |
| Paris club | 0 |
| Multilateral | 38 |
| Other bilateral | 198 |
| Commercial loans | 0 |
| Sandak metal bonds | 0 |
| b. Non guaranteed debt | 1,227 |
| i) Long term(>1 year) | 878 |
| ii) Short term (<1 year) | 349 |
| 5. Banks | 1,895 |
| a. Borrowing | 697 |
| i) Long term(>1 year) | 101 |
| i) Public sector | 0 |
| ii) Private sector | 101 |
| ii) Short term (<1 year) ² | 596 |
| i) Public sector | 392 |
| ii) Private sector | 204 |
| b. Nonresident deposits (LCY & FCY) | 1,198 |
| i) Public sector | 56 |
| ii) Private sector | 1,142 |
| 6. Private Sector | 4,254 |
| a. Guaranteed debt | 0 |
| b. Non guaranteed debt | 4,254 |
| i). Loans | 2,274 |
| i) Long term(>1 year) | 2,265 |
| ii) Short term (<1 year) | 9 |
| ii) non-guaranteed bonds | 124 |
| iii) Trade credits | 1,551 |
| iv) Other debt liabilities ³ | 305 |
| 7. Debt liabilities to direct investors - Intercompany debt | 2,106 |
| Total external debt (1+2+3+4+5+6+7) | 65,753 |
| Public debt (1+2+3+4++5.a.i.i+5.a.ii.i+5.b.i) - Incl. PSEs | 57,946 |
| Official liquid reserves⁴ | 12,075 |
| ^P Provisional | |

2. Public External Debt

The classification of public debt has been aligned with the guidelines of IMF's external debt guide, by incorporating the debt of public sector entities (financial or non financial) w.e.f March 2010 that is part of other sectors debt under the classification of IMF's Balance of Payments manual. The external debt guide 2003 defines public sector as:

“The public sector includes the general government, monetary authorities and those entities in the banking and other sectors that are public corporations”.

The comparative positions of the pre-revised and revised public external debt have been provided in the tables above.

3. Reclassifications

1. The local currency debt securities include treasury bills (T-Bills) and Pakistan Investment Bonds (PIBs). T Bills are issued with short term (less than or equal to one year) original maturity. Therefore, the stock of T-Bills has been reclassified under short-term government debt and the series has been revised w.e.f June 2006. The comparative position for the latest quarter ended March 31, 2012 is given below:

| (Million US\$) | | | | |
|--------------------------------|---|---|------------------------------------|---|
| Description | Before Reclassification | | After Reclassification | |
| Local Currency Debt Securities | 1) Public debt | | 1. Government debt | |
| | a. Government debt | | i) Long term(>1 year) | |
| | i) Long term(>1 year) | | Local Currency Securities (PIBs) | 0 |
| | Local Currency Securities (Tbills & PIBs) | 7 | ii) Short term (<1 year) | 7 |
| | | | Local Currency Securities (TBills) | 7 |

2. Banks register short-term (less than or equal to one year) private non-guaranteed loans. The stock of private non-guaranteed debt has been reclassified into the categories of short-term and long-term in December 2011. The comparative position for latest quarter ended March 31, 2012 is given below:

| (Million US\$) | | | | |
|------------------------------|--------------------------------|-------|--------------------------|-------|
| Description | Before Reclassification | | After Reclassification | |
| Private Non-Guaranteed Loans | 6. Private non-guaranteed debt | 2,274 | 6. Private Sector | |
| | | | b. Non guaranteed debt | |
| | | | i). Loans | 2,274 |
| | | | i) Long term(>1 year) | 2,265 |
| | | | ii) Short term (<1 year) | 9 |

3. Banks has been borrowing short term and long term loans from nonresidents. Keeping intact the conventional classification of short and long term, bank borrowings has been further classified into the categories public sector and private sector banks. The data has been updated w.e.f March 31, 2010 and the comparative position for latest quarter ended March 31, 2012 is given below:

| (Million US\$) | | | |
|-----------------|------------------------------|-----|--------------------------|
| Description | Before Reclassification | | After Reclassification |
| Bank Borrowings | 4.Scheduled banks' borrowing | 697 | 5.Banks |
| | i) Long term(>1 year) | 101 | a. Borrowing |
| | ii)Short term (<1 year) | 596 | i) Long term(>1 year) |
| | | | i) Public sector |
| | | | ii) Private sector |
| | | | ii) Short term (<1 year) |
| | | | i) Public sector |
| | | | ii) Private sector |

4. Allocation of Special Drawing Rights (SDRs)

As per latest version of Balance of Payment Manual (BPM 6) – chapter#5 which states:

“Holdings of SDRs by an IMF member are recorded as an asset, while the allocation of SDRs is recorded as the incurrence of a liability of the member receiving them (because of a requirement to repay the allocation in certain circumstances, and also because interest accrues)”.

Therefore, the coverage of external debt has been enhanced and allocation of SDRs has been recorded as part of external debt liability from the dissemination of end September 2011 data and the series has been revised w.e.f March 31, 2010. The comparative position of old methodology and new methodology for the month of March 31, 2012 is given below:

| (Million US\$) | | | |
|---|---|---------------------------------|-------|
| Description | Old Methodology | New Methodology | |
| Allocation of Special Drawing Rights (SDRs) | Not covered in External Debt Statistics | 3. Foreign exchange liabilities | |
| | | iv) Allocation of SDR | 1,531 |

5. Non-resident Deposits with Depository Corporations (Central Bank, Banks and Deposit taking Non Bank Financial Institutions- NBFIs)

The nonresident deposits with State Bank of Pakistan (SBP) and other depository corporations of Pakistan whether in local currency or foreign currency is a debt liability. The deposits of non-residents were previously not being included in external debt position. Therefore, following the guidelines of external debt guide 2003 and BPM 6 these deposits have been reflected in external debt position w.e.f March 31, 2010. The comparative position of old methodology and new methodology for the month of March 31, 2012 is given below:

| (Million US\$) | | | |
|-----------------------|---|---|-------|
| Description | Old Methodology | New Methodology | |
| Non Resident Deposits | Not covered in External Debt Statistics | 3. Foreign exchange liabilities | |
| | | v) Nonresident LCY deposits with central bank | 3 |
| | | 5.Banks | |
| | | b. Nonresident deposits (LCY & FCY) | 1,198 |
| | | i) Public sector | 56 |
| | | ii) Private sector | 1,142 |

6. Private Sector Trade Credits

As per external debt guide 2003 which states:

“Trade credits consist of claims or liabilities arising from the direct extension of credit by suppliers for transactions in goods and services, and advance payments by buyers for goods and services and for work in progress (or to be undertaken). Long-term and short-term trade credits are shown separately. Trade-related loans provided by a third party, such as a bank, to an exporter or importer are not included in this category but under loans”.

Trade credits of private sector are compiled for Annual International Investment Position (IIP) of Pakistan and as part of external debt stock coverage would be enhanced with the inclusion of such trade credits in the external debt position w.e.f March 31, 2010. The comparative position of old methodology and new methodology for the month of March 31, 2012 is given below:

| (Million US\$) | | | |
|---|---|------------------------|-------|
| Description | Old Methodology | New Methodology | |
| Private Sector Trade Credit Liabilities | Not covered in External Debt Statistics | 6. Private Sector | |
| | | b. Non guaranteed debt | |
| | | iii) Trade credits | 1,551 |

7. Overdraft (OD) Balances of Non Financial Corporations

As per latest version of Balance of Payment Manual (BPM 6) which states:

“An overdraft (OD) arising from the overdraft facility of a transferable deposit account is classified as a loan”.

Therefore, the OD balances of Non Financial Corporations would be included in external debt stock as short term loan in the external debt position w.e.f March 31, 2010. It includes short term pure loans already being published in existing debt stock table since September 30, 2009. The comparative position of old methodology and new methodology for the month of March 31, 2012 is given below:

| (Million US\$) | | | |
|---|---|-------------------------------------|-----|
| Description | Old Methodology | New Methodology | |
| Overdraft (OD) balances of Non Financial Corporations | Not covered in External Debt Statistics | 4. Public sector enterprises (PSEs) | |
| | | b. Non guaranteed debt | |
| | | ii) Short term (<1 year) | 349 |

8. Other Debt Liabilities

According to IMF's external debt guide 2003 which states:

“Other assets/other liabilities cover items other than trade credit, loans, and currency and deposits. Such assets and liabilities include liabilities of pension funds and life insurance companies to their nonresident

participants and policyholders, claims on nonlife companies; capital subscriptions to international nonmonetary organizations and accounts receivable and payable, such as in respect of taxes, dividends declared payable but not yet paid, purchases and sales of securities, and wages and salaries. Short-term and long-term other liabilities are shown separately as other debt liabilities in the gross external debt presentation”.

Such liabilities are also reported as “Other liabilities” in IIP statement. These liabilities would be included in the external debt position w.e.f March 31, 2012. The comparative position of old methodology and new methodology for the month of March 31, 2012 is given below:

| (Million US\$) | | | |
|------------------------|---|----------------------------|-----|
| Description | Old Methodology | New Methodology | |
| Other Debt Liabilities | Not covered in External Debt Statistics | 6. Private Sector | |
| | | b. Non guaranteed debt | |
| | | iv) Other debt liabilities | 305 |

9. Debt liabilities to Direct Investors – Intercompany Debt

According to IMF’s external debt guide 2003 which states:

“Intercompany lending between entities in a direct investment relationship is separately presented because the nature of the relationship between debtor and creditor is different from that for other debt, and this affects economic behavior. Whereas a creditor principally assesses claims on an unrelated entity in terms of the latter’s ability to repay, claims on a related entity may be additionally assessed in terms of the overall profitability and economic objectives of the multinational operation”.

Therefore, following the guidelines of external debt guide 2003, the debt liabilities with such special relationship between borrower and lender have been reflected in external debt position w.e.f. March 31, 2010. The comparative position for the month of March 31, 2012 is given below:

| (Million US\$) | | | |
|--|---|---|-------|
| Description | Old Methodology | New Methodology | |
| Debt Liabilities to Direct Investors - Intercompany Debt | Not covered in External Debt Statistics | 7. Debt liabilities to direct investors - Intercompany debt | 2,106 |

10. Introduction of Special Data Dissemination Standards (SDDS) format of external debt position

The presentation of external debt stock at link <http://www.sbp.org.pk/ecodata/pakdebt.pdf> is designed to cope with the requirements of the policy makers and researchers of the country. The dissemination follows the timeliness and frequency of Special Data Dissemination Standards (SDDS) of IMF and the coverage to a larger extent; however the format of presentation differs from the recommended SDDS format. In order to align our presentation with the recommended format we would introduce dissemination of external debt stock table showing position of End March 2012 on the SDDS recommended format so that our dissemination practices fully comply with these standards.

The external debt statistics as per SDDS format has been compiled w.e.f March 31, 2010 and for the latest quarter ended March 31, 2012 is given below:

| Gross External Debt Position by Sector - SDDS Format | |
|---|------------------------------|
| | (Million US\$) |
| Gross External Debt Position | 31-Mar-12^P |
| General government | 47,377 |
| Short-term | 407 |
| Money market instruments | 7 |
| Loans | 400 |
| Trade credits | 0 |
| Other debt liabilities | 0 |
| Long-term | 46,970 |
| Bonds and notes | 1,550 |
| Loans | 45,420 |
| Trade credits | 0 |
| Other debt liabilities | 0 |
| Monetary authorities | 8,658 |
| Short-term | 253 |
| Money market instruments | 0 |
| Loans | 0 |
| Currency and deposits | 253 |
| Other debt liabilities | 0 |
| Long-term | 8,405 |
| Bonds and notes | 0 |
| Loans | 6,124 |
| Currency and deposits | 750 |
| Other debt liabilities | 1,531 |
| Banks | 1,895 |
| Short-term | 1,795 |
| Money market instruments | 0 |
| Loans | 596 |
| Currency and deposits | 1,198 |
| Other debt liabilities | 0 |
| Long-term | 101 |
| Bonds and notes | 0 |
| Loans | 101 |
| Currency and deposits | 0 |
| Other debt liabilities | 0 |
| Others sector | 5,717 |
| Short-term | 2,133 |
| Money market instruments | 0 |
| Loans | 359 |
| Currency and deposits | 0 |
| Trade credits | 1,551 |
| Other debt liabilities | 223 |
| Long-term | 3,585 |
| Bonds and notes | 124 |
| Loans | 3,379 |
| Currency and deposits | 0 |
| Trade credits | 0 |
| Other debt liabilities | 82 |
| Direct investment: Intercompany lending | 2,106 |
| Debt liabilities to affiliated enterprises | |
| Debt liabilities to direct investors | 2,106 |
| Gross External Debt | 65,753 |
| P:Provisional | |

11. External Debt Servicing

External debt servicing data is important part of external debt statistics. Countries are generally not in practice of disseminating debt servicing data with such details as we are disseminating on our website. They disseminate consolidated figure of debt servicing representing the principal and interest payments of long and medium term external debt and interest payments of short-term debt. The changes carried in the debt servicing dissemination have already been notified at link <http://www.sbp.org.pk/departments/stats/Notice/Notice-17-May-2012.pdf>.