

Methodological Commentary to External Debt Statistics of the Russian Federation

Conceptual and methodological basis of external debt statistics is set out in the joint document of international organizations «*External Debt Statistics: Guide for Compilers and Users*» and also in the sixth edition of IMF's «*Balance of Payments and International Investment Position Manual*» (*BPM6*).

General terms of external debt statistics

In accordance with the international methodology, external debt as of the reporting date represents the outstanding amount of those actual current, and not contingent, liabilities of residents of the Russian Federation that are owed to nonresidents and require payment of interest accrued as of the reporting date and principal at some point in the future.

The definition of residence in external debt statistics corresponds with *BPM6*: an institutional unit is a resident of the Russian Federation if the economic territory of the Russian Federation is its center of predominant economic interest. Institutional units are grouped into institutional sectors.

External debt statistics cover all types of indebtedness of all sectors of the economy to nonresidents irrespective of the currency of debt denomination and its form of repayment. External debt statistics also include data on arrears which are accounted for together with the financial instrument under which they have originated.

Key characteristic of debt is the unconditional commitment of the debtor to repay the principal and pay interest; therefore, external debt does not include guarantees, open lines of credit, and other conditional obligations as well as instruments of participation in equity. Preferred shares owed by nonresidents and classified as an external debt component represent an exception, and they are included in debt securities. Positions under financial derivative instruments are not covered in external debt data.

Composition and characteristics of external debt

External debt data are classified as follows:

➤ By institutional sectors and subsectors: General Government with separate identification of Federal Government and Local Government of the Russian Federation; Central Bank; Banks; Other Sectors with further breakdown into Other Financial Corporations (except banks), Nonfinancial Corporations, Households, and NPISHs (nonprofit institutions serving households).

➤ There is also a sectoral classification of data on external debt of the Russian Federation with the use of the concept of public sector broadly defined. In contrast to the classification by institutional sectors, public sector broadly defined includes external debt of General Government, Central Bank, and of institutional units of the banking and other sectors which are state corporations. The latter include banks and nonbank corporations in which General Government and Central Bank directly or indirectly own 50 percent and more of the voting shares or control them otherwise. Debt liabilities to nonresidents of other institutional units not meeting this definition are classified as private sector external debt.

➤ By maturity: short-term liabilities (with the original maturity of one year and less or payable upon demand) and long-term liabilities (with the original maturity of more than one year and without maturity).

➤ By category of debt instruments: debt securities, loans, trade credits, current accounts and deposits, and other liabilities. Financial leases are classified as loans and in some presentations are identified as a separate item.

➤ By currency: external debt in national currency and in foreign currencies.

Debt in national currency is defined as debt denominated in the national currency. The remaining debt represents debt in foreign currency.

- By functional category: in some presentations data on debt liabilities within the framework of direct investment relationship are identified in a separate item with breakdown into:
 - Investments of direct investor in debt instruments of direct investment enterprise;
 - Investments of direct investment enterprise in debt instruments of direct investor (reverse investment);
 - Investments in debt instruments between fellow enterprises.

Accounting principles and data coverage

Statistical data on external debt of the Russian Federation are compiled in US dollars. In calculating outstanding foreign liabilities as of the beginning and the end of the reporting period, if they are denominated in other currencies, data are converted into US dollars using the official exchange rates set by the Bank of Russia for these dates and cross-rates.

Residents' debt liabilities are evaluated as follows.

- Tradable debt instruments (issued securities):
 - of General Government are valued in the amount of principal debt outstanding;
 - of Banks and Other Sectors are valued at market values.
- Non-tradable debt instruments:
 - of General Government, Central Bank and Banks are valued in the amounts of principal debt outstanding with accrued interest;
 - of Other Sectors are valued in the amount of principal debt outstanding.

Indebtedness of Federal Government is represented by two categories: «*New Russian debt*» and «*Debt of the former USSR*».

New Russian debt includes:

- Loans drawn from international financial organizations;
- Loans drawn from governments of foreign states;
- Eurobonds issued by the Government of the Russian Federation denominated in foreign currencies or in Russian rubles and owned by nonresidents;
- Federal treasury bonds denominated in Russian rubles and owned by nonresidents;
- Other accounts payable.

Debt of the former USSR:

- Debt under loans drawn by the USSR from Paris Club member countries' official creditors;
- Debt under loans drawn by the USSR from socialist countries' official creditors;
- Debt under loans drawn by the USSR from other official creditors;
- Other indebtedness of the USSR on clearing accounts, trade credits, letters of credit, under loans drawn by foreign trade organizations.

Debt of Local Government of the Russian Federation:

- Debt under loans drawn by local governments of the Russian Federation from abroad;
- Bonds issued on the domestic and external markets by local governments of the Russian Federation and owned by nonresidents.

Debt of Central Bank:

- Debt under loans including direct repurchase (REPO) agreements concluded by the Bank of Russia with nonresidents;
- Cash national currency held by nonresidents;

- Deposits of nonresidents with the Bank of Russia;
- Indebtedness of the Russian Federation to the International Monetary Fund on cumulative SDR allocations (special drawing rights).

Debt of Banks:

- Loans drawn by banks from nonresidents that are not banks under transactions with securities provided as collateral without the transfer of their ownership (direct REPO);
- Current accounts and deposits placed with banks by nonresidents. The category includes loans and other borrowed funds drawn from nonresident banks;
- Debt securities and preferred shares issued by banks and owned by nonresidents;
- Other accounts payable representing dividends payable, indebtedness arising as a result of the transfer of claims, other indebtedness.

Debt of Other Sectors:

- Loans and deposits represent indebtedness under loans drawn by financial corporations (except banks), nonfinancial corporations and households from nonresidents, indebtedness under direct REPO transactions, current accounts, and deposits with nonbank credit organizations placed by nonresidents;
- Debt securities and preferred shares issued by financial corporations (except banks) and by nonfinancial corporations and owned by nonresidents;
- Trade credits represent accounts payable to nonresidents under transactions related to supplies of goods and provision of services;
- Indebtedness under financial leases represents indebtedness under equipment leasing contracts with nonresidents for a period of more than 1 year;
- Other indebtedness represents dividends payable; liabilities of insurance companies arising at the conclusion of insurance contracts with nonresident individuals and legal entities; liabilities of insurance companies arising at the conclusion of reinsurance contracts with nonresident insurance companies; indebtedness arising as a result of the transfer of claims to nonresidents; other accounts payable.