

The Chilean System of International Financial Statistics

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Flows and Debt Statistics:
Can we Get Better Data faster?
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FINAL OBJECTIVE

Reliable and timely compilation of statistics on the ***International Investment Position*** of Chile and its main institutional sectors, both in terms of stocks --Foreign Assets and Liabilities--, capital flows and adjustments (prices, exchange rates and others).

The assets and liabilities should be classified according to the defined functional categories and risk profiles: direct investment, portfolio investment, other investment and reserves. Additional risk information, including a currency breakdown is essential.

The main institutional sectors are: Monetary Authorities, General Government, Banks and other sectors.

PRESENT CONDITIONS

Assets

- Official International reserves
- Portfolio Investment: Banking system reports to the BCCH;
Non bank private assets will be estimated from the Coordinated Portfolio Investment Survey (CPIS), BIS statistics and regulatory agencies.
- Direct Investment: Flows only. Partial information on stocks to be supplemented by estimates.
- Trade Credits: Pending export returns => Data gaps being corrected through special programs.

Liabilities

- External loans: Debtors report to the BCCH
- Portfolio Investment: Bonds, ADRs, Foreign Investment Funds
- Direct Investment: Flows only. Partial information on stocks to be supplemented by estimates.
- Trade Credits : Short-term suppliers' credits => Gap to be closed using surveys.
- Loans used directly abroad => Gap to be closed using surveys.
Supplementary information on loan guarantees.

IMPROVEMENT INITIATIVES

Statistic System of International Transactions (SSIT)

Data compilation system using the structure of Foreign Exchange Regulations for statistical purposes. Based on a broad definition of “foreign currency transactions” rather than limited to sales and purchases of foreign exchange vis a vis the domestic currency, thus compatible with the liberalized exchange market.

Developing local surveys.

In areas not covered by the reporting system, such as liabilities related to international trade, and loans used directly abroad.

Chile and the BIS.

Preparing the ground to become a reporting country to the BIS
Already providing data on foreign exchange operations.

Using external Sources.

Some use of the CPIS. The IMF, BIS, OECD y W.B. Joint Indicators of external liabilities present problems due to their lack of detail that limits their reliability as a second source.

EXTERNAL SOURCES: SOME IMPROVEMENTS NEEDED

Clarifying methodology and conceptual definitions

Including concepts like residual term, foreign v/s domestic, debt v/s liabilities, and classification of instruments and the institutional breakdown. Not only in theory but as it is applied to reporting.

Supervision of the Reporting System

Complete reviews of the data and of the fulfillment of the methodology given by the reporting countries.

Transparency

Inform about the contents of the data, breakdowns are needed.

Develop a Compensation Chamber and a Centralized Consultation System to work out differences.

Appropriate Use of Statistics.

Make the selection of sources consistent; consult the countries directly involved. For instance, the World Bank uses since 1993, the series of short-term external debt published by BIS for Chile, but for the medium- and long-term keeps the series published by the BCCH. This is inconsistent and leads to double counting of debt liabilities.

DISCREPANCIES: BIS and BCCH DEBT DATA

Discrepancies arise from differences in definitions, coverage and sources:

-BCCH: External debt: loans of international banks reported by debtors.

-BIS: All claims on Chilean residents obtained from reporting banks, presented in the semi-annual report, even including local claims.

The liabilities measured by the BIS are higher, particularly those classified as short-term.

As of June 1999, **BIS** measurement as reported in the semi-annual statistics, which are compiled on a consolidated basis, exceeds that of **BCCH** in US\$ 5.4 billion for short-term liabilities and US\$ 1.5 billion for medium and long-term liabilities.

These discrepancies do not reveal that the Chilean external position is weaker than previously considered.

-The BIS measurement does not imply that the net foreign liability position of Chile is higher, because for each additional liability there is a corresponding additional foreign asset of similar value.

-The BIS measurement does not imply that the liquidity position of Chile is weaker than that presented in the traditional relationship between NIR and short-term debt. There are other liquid assets that match the additional liquid liabilities considered by the BIS. No evidence of the repayment of the large short-term liabilities is available, not even during the turbulent periods of 1998.

DISCREPANCIES: BIS and BCCH DEBT DATA

The country's position is more adequately assessed on a net basis. Under a broader framework, such as that of the IIP, a significant part of the discrepancy would disappear.

Bonds issued abroad.

Stock up to June, 1999: US\$ 4.1 billion. Part of them held by banks that report to the BIS, (estimated at around US\$ 0.9 billion). Measured in other debt item in the BCCH statistics.

Loans to Chilean companies used in investments abroad.

Funds directed at the financing of investments abroad. (estimated at US\$ 0.7 billion). Not to be serviced using local exports or GDP, backed by foreign assets. Not measured as Foreign Debt due to insufficient information, although it is a foreign liability.

Forfeiting: Short-term suppliers' credits.

Inasmuch as foreign commercial banks buy these claims, they are reported in the BIS statistics. BCCH statistics do not include them due to limitations of the reporting system, which only consider those whose maturity is over one year. Estimated stock as of June, 1999: US\$ 5.4 billion, of which US\$ 2 billion may have been reported to the BIS. It is worth noting that international trade generates both liabilities as well as claims (pending export returns).

DISCREPANCIES: BIS and BCCH DEBT DATA

Some discrepancies would not disappear, items included in the BIS data do not represent foreign liabilities. Local claims in Foreign Currency, net of loans by parent banks, estimated at US\$ 3.4 billion, (US\$ 2.5 billion short-term) are assets in foreign currency of the local branches of foreign banks. They represent positions between two Chilean residents, the local branch and the debtor. The financing for those assets may be foreign liabilities other than debt, such as equity capital or local liabilities, for example, deposits raised in the Chilean market. Thus, either foreign equity or even Chilean wealth are being measured as foreign liabilities.

Thus, the US\$ 5.4 billion discrepancy in short-term liabilities may be explained as follows:

- Half (US\$ 2.5 bill.), is explained by local claims, which are not really foreign liabilities,
- About US\$ 0.3 billion are bonds, which are recorded by the BCCH as a separate item, not as short-term external debt.
- About US\$ 0.1 billion is due to non registered foreign debt used in investments abroad, and to be serviced with non local flows.
- Around US\$ 2.0 billion is forfeiting or short-term suppliers' credits which should be registered by the BCCH.
- A residual of US\$ 0.5 billion is probably due to a difference in classification, either due to bond covenants or market liquidity.

CONCLUDING REMARKS

An informative statistical system is one that presents the complete picture.

Assets and liabilities differentiated not only by their functional classification, but also by their risk characteristics, are needed to represent the external position.

A statistical system that overstates vulnerabilities by focusing only on liabilities also leads to errors.

Additional work is needed to clarify methodologies, to ensure the quality and consistency of the data.

BIS-BCCH discrepancies arise from differences in definitions and sources.

These discrepancies do not reveal that the Chilean external position is weaker than previously considered.

Despite the limited information, it is apparent that under a broader framework for liabilities, like that in the IIP, a significant part of the discrepancy would disappear. Additional work with the banks reporting to the BIS is needed to further clarify the breakdown of the discrepancy. However, part of the discrepancy would not disappear, since some items included in the BIS data do not represent foreign liabilities.

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