

FEDERAL RESERVE BANK
OF NEW YORK

at archive. 85744

March 26, 1979

**“Manual on Statistics Compiled By International Organisations
On Countries’ External Indebtedness”**

To the Chief Executive Officer of the Bank Addressed:

Following is the text of a statement issued by the Bank for International Settlements announcing the publication of a new statistical compilation for your use:

At the request of the Central-Bank Governors of the Group of Ten countries and Switzerland, the B.I.S. has prepared, with the help of the other organisations concerned, a “Manual on Statistics Compiled by International Organisations on Countries’ External Indebtedness”. The Manual is intended to provide for the use of banks and other institutions that engage in international lending, as well as for other interested parties, a description of the information on stocks and flows of individual countries’ external indebtedness that is at present made publicly available by the World Bank, the Organisation for Economic Co-operation and Development, the International Monetary Fund and the Bank for International Settlements.

The Manual is in two parts. Part One describes the main characteristics of the different systems operated by these international organisations under which information about countries’ external indebtedness is published, and indicates where this information can be obtained. The different systems are classified into three groups:

- Systems based on reports from debtor countries (the World Bank’s debt reporting system).
- Systems based on reports from creditor countries or institutions (the OECD Development Assistance Committee’s (DAC) statistics, the B.I.S. statistics on banks’ international lending, the OECD international capital market statistics and the World Bank’s capital market statistics).
- Other systems (the IMF statistics on governments’ external indebtedness, on the external assets and liabilities of countries’ financial institutions, and on the capital accounts of countries’ balances of payments).

Part Two of the Manual attempts to set out the present scope and limitations of the information available from these systems. It first shows, in summary form, which elements of the external debt of particular countries or groups of countries are available and from which of the sources considered in Part One. It then goes on to describe the principal gaps that at present exist in information on the external debt of particular countries or groups of countries, together with the degrees of overlapping that at present exist between the data produced by the different reporting systems. A third section discusses the possibilities for, and present limits on, aggregating published data from the different reporting systems, and to conclude there is a brief consideration of the use of external debt statistics in the evaluation of country risk and credit risk.

Enclosed is a copy of the Manual. Also enclosed is a letter, dated today, from Chairman Miller of the Board of Governors of the Federal Reserve System, advising further regarding the Manual.

Questions on this matter should be directed to the Bank for International Settlements. However, our Foreign Department would be pleased to forward any questions to the appropriate parties at the B.I.S.

PAUL A. VOLCKER,
President.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

March 26, 1979

G. WILLIAM MILLER
CHAIRMAN

The rapid growth in international bank lending in recent years has increased the problems of financial management both for authorities of borrowing countries and for managers of private financial institutions engaged in lending. International lending usually involves not only a commercial risk but a country risk as well -- the risk that the overall external financial position of the borrowing country may interfere with the punctual servicing of its foreign financial obligations when they fall due. In order to ensure that international lending be conducted on the soundest possible basis, banks and borrowers alike must be well-informed on all important aspects of current and prospective economic conditions in borrowing countries.

The expansion in international lending has focussed increased attention on the need for information on external indebtedness of borrowing countries. The enclosed manual on statistics on foreign indebtedness has been compiled by the Bank for International Settlements in Basle. It is the outgrowth of a study made by the Bank in 1977 and 1978, which included discussions with banks in a number of financial centers and with the staffs of international organizations. The manual describes the information on external indebtedness that is available from the various international sources -- the World Bank, the International Monetary Fund, the Organization for Economic Cooperation and Development (OECD) and the Bank for International Settlements. It also seeks to set forth the scope and limitations of the information on indebtedness that is obtained from these different sources. Banks engaged in international lending will, I believe, benefit substantially from considering carefully the different sources of data in reaching judgments on individual credits.

The data listed in the manual are, of course, only a part of the information that banks should assemble in conducting their country analysis. Each bank, whether acting for itself or as a member of a syndicate, must determine the suitability of any particular loan for its portfolio. The circumstances of particular banks differ widely, and loans that may be suitable for one bank may not be appropriate for another.

The BIS plans to update the information in the manual from time to time. The manual is being sent by the respective central banks and the Bank for International Settlements to commercial banks in principal lending countries. I am sure that your bank will find the manual useful in your international lending.

Sincerely,

A handwritten signature in dark ink, appearing to read "G. W. ...". The signature is fluid and cursive, with a long horizontal stroke at the end.