

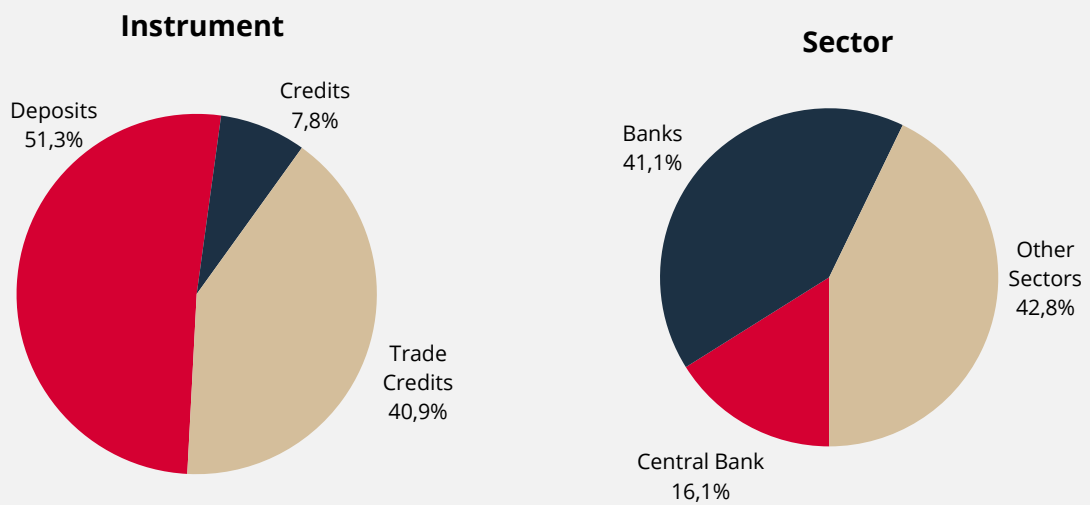
## Box 2.5

### Possible Biases in Short-Term External Debt Statistics

The short-Term External Debt (STED) stock, at any given time, is the outstanding amount of those actual current and not contingent liabilities that require payment(s) of principal and/or interest within one year of the drawings by the debtor and that are owed to non-residents by residents of an economy.

STED Statistics published monthly by the CBRT are classified under four sectors on the basis of borrowers: the Central Bank, the General Government, Banks and Other Sectors. In terms of instrument type, the data are broken down into three sections: deposits, loans and trade credits. Chart 1 shows the instrument and sectoral breakdown of STED stock for the first quarter of 2021.

**Chart 1: Short-Term External Debt by Instrument and Sector (2021Q1, %)**



Source: CBRT.

Biases can be detected over time in STED statistics compiled from various sources, for reasons such as updates in international standards, access to new data sets, and developments in data sharing technologies. As a result, STED data can be updated in accordance with international standards and the revision policy for statistics. In this context, possible biases identified on the basis of relevant instruments are summarized below.

#### Deposits

Deposit balances at the CBRT are composed of FX Deposit Accounts with Credit Letters and Super FX Accounts of the Turkish citizens residing abroad, which have been quite low in recent years, liabilities arising from bilateral currency swap agreements with other central banks, and deposit accounts of non-resident banks held at the CBRT.

Deposit balances at the banks consist of foreign currency and TL deposits of real and legal persons residing abroad, and all of them are assumed to be short term. However, the bank trial balance data allows for a distinction based on the maturity, up to one year and above one year. In this context, if the deposit items in the current STED data are broken down into short and long term, long term deposits will not be covered by STED.

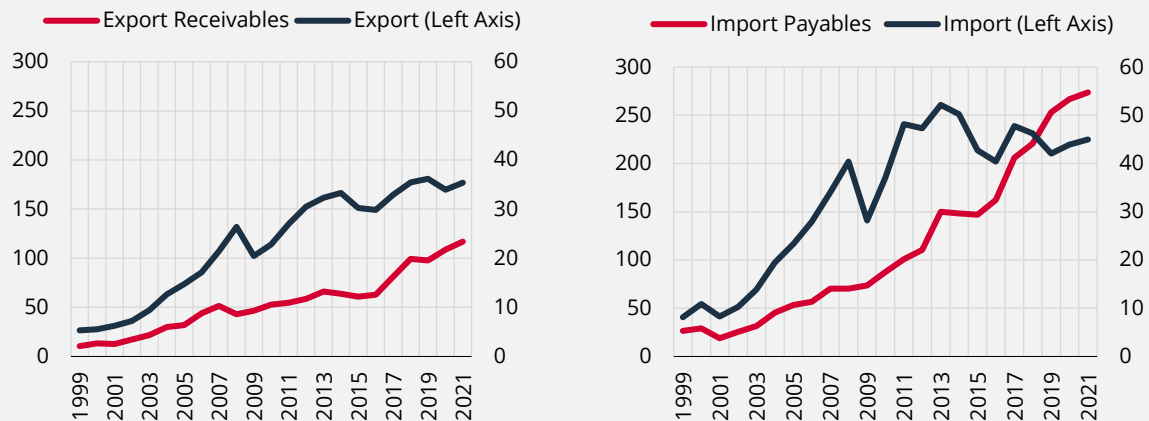
## Loans

Loans obtained by banks and other sectors from abroad include cash loans with an original maturity of up to one year. The data source for cash loans is foreign loans compiled monthly by the CBRT, and short/long term maturity breakdown can be made. The international methodology<sup>1</sup>, suggests that funds provided by banks from non-residents via security repurchase agreement (repo) should be classified as loan obligations. In the event of such an adjustment for repo transactions with non-residents for securities (Eurobond, GDDS, etc.), an increase in banks' short-term loans may be expected.

## Trade Credits

Trade credit liabilities consist of two components: One is import payables, and the second is cash-in-advance and pre-export financing for export. Import payables are the loans that importers receive directly from foreign exporters and the cost of the goods/services are paid on a deferred basis. Cash-in-advance and pre-export financing for export is the provision of the cost of the goods from the foreign customer (importer) in advance and in cash, and fulfilling the obligation to the other party by exporting after a certain period of time.

**Chart 2: Foreign Trade and Trade Credits\*** (Billion USD)



Source: CBRT.

\* Export receivables and import payables figures are as of 2021 Q1, export and import figures are annualized as of March 2021.

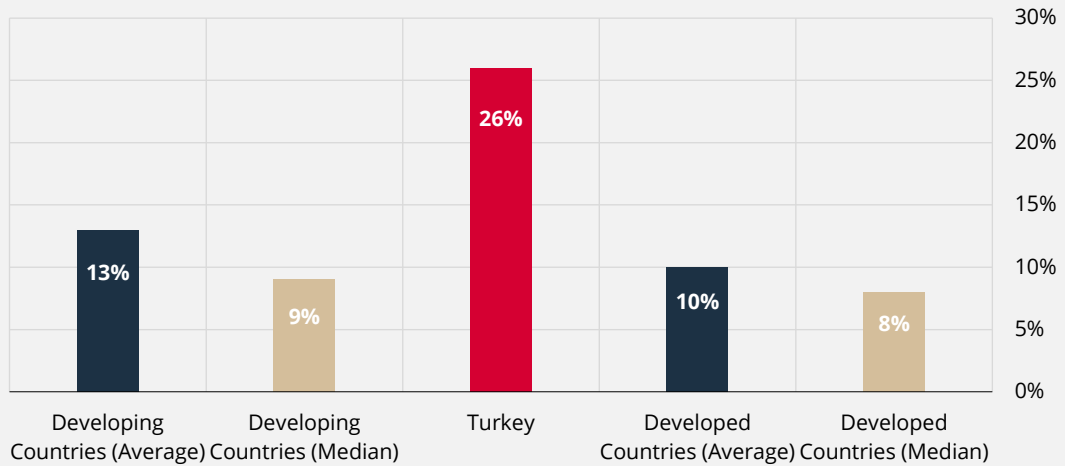
When the course of import and import payables is analyzed considering the relationship between export receivables and exports, a remarkable increase is observed in import payables in recent years although there has been no structural change in Turkey's imports and trade credits for imports (Chart 2).

A comparison with other countries also reveals that Turkey's import payables to imports ratio is considerably higher than the average and median values of developed and developing countries (Chart 3).<sup>2</sup>

<sup>1</sup> See IMF BOP and IIP Manual 6th Edition (BPM6, p 5.53); BIS-ECB-IMF Handbook on Securities Statistics (p 3.40). Moreover, within the context of G20 DGI countries are expected to disseminate debt securities statistics based on "economic ownership" instead of "legal ownership".

<sup>2</sup> Developed countries: Austria, Belgium, Canada, Czechia, Denmark, Finland, France, Germany, Greece, Hong Kong, Israel, Italy, Japan, Korea, Netherlands, Norway, Portugal, Singapore, Slovak Republic, Sweden, Switzerland, United Kingdom and United States.

Developing countries: Argentina, Belarus, Brazil, Bulgaria, Chile, China, Colombia, Costa Rica, Egypt, El Salvador, Guatemala, Hungary, India, Indonesia, Jordan, Kazakhstan, Kyrgyz Republic, Mexico, Morocco, Nicaragua, Pakistan, Philippines, Poland, Romania, Russian Federation, South Africa, Thailand and Turkey.

**Chart 3: Import Payables / Import Ratio (2020)**

Source: CBRT, World Bank, IMF IFS.

Note: In the calculation of Import Payables / Import ratios for the countries, the stock of import payables as of 4th quarter of 2020 and the total import figures in 2020 are used.

The fact that Turkey's trade credits due to imports are relatively high compared to other countries further indicates a possible bias and makes it necessary to enhance compliance with international standards by reviewing the current data sources and the calculation method currently in use.

To this end, a study was initiated in 2020, in cooperation with the Central Bank of the Republic of Turkey and the Turkish Statistical Institute, to compile data at the firm level with the direct reporting technique, which is widely used in many countries. Those companies that represent at least eighty percent of total imports and exports on a quarterly basis are requested to report their export receivables and import payables on a domestic – international basis, including their foreign currency composition. In addition to the STED Statistics, the findings to be obtained from this study, carried out with technical support from international organizations, are also expected to contribute to the correction of possible biases in the Gross External Debt Stock of Turkey, International Investment Position, Foreign Exchange Assets and Liabilities of Non-Financial Companies and Balance of Payments statistics, where import payables and export receivables data serve as inputs.