Korea’s Experience in Compiling Public Sector Debt Statistics

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I. Introduction
Introduction

- Guidelines for compiling public sector debt statistics have been prepared by international organizations in the aftermath of the Global Financial Crisis.

- Against this backdrop has come a growing recognition that debt statistics also need to be compiled on the home front in order to capture the financial soundness of the public sector.

- Accordingly, in February 2014, the government began for the first time to compile and release annual public sector debt statistics with internal transactions excluded, in accordance with the standards set out in the IMF’s Public Sector Debt Statistics Guide for Compilers and Users.
Ⅱ. Current Status of Korea’s Public Sector Debt Statistics Compilation
Last year, the Korean government released for the first time **Annual public sector debt** statistics in conformity with the PSDS Guide, which is the accepted international standard.

- A closing balance sheet on an accrual basis was used for the basic data and internal transactions among institutions were deducted.

- Hitherto, the government had calculated debt statistics in accordance with the IMF’s 86 GFS Manual, which stipulates a cash basis of recording, and the institutional coverage could not but comply with Budgetary Central and Local Government and Extrabudgetary funds.
Institutional Coverage

- IMF recommends GL3 as the institutional coverage for public sector debt statistics to heighten international comparability.

- Korea currently compiles GL4 which includes not only general government, but also nonfinancial public corporations.
IMF The IMF recommends D4 for instrument coverage.

- Korea, however, publishes D3 and disseminates pension obligations as a memorandum item separately from the public sector debt statistics.
At 899 trillion won as of end-2013, Public sector debt had risen by 9.5% over the year before.

- Public sector debt-to-GDP ratio stood at 62.9% as of end-2013, as against 59.6% as of end-2012.

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<th>2011</th>
<th>2012</th>
<th>2013</th>
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<tr>
<td>Central Government (A)</td>
<td>425.9</td>
<td>466.7</td>
<td>522.5</td>
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<td>Local Government (B)</td>
<td>51.4</td>
<td>53.7</td>
<td>54.6</td>
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<td>18.1</td>
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<td><strong>General Government (G=A+B-C)</strong></td>
<td><strong>459.2</strong></td>
<td><strong>504.6</strong></td>
<td><strong>565.6</strong></td>
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<td>363.9</td>
<td>389.2</td>
<td>406.5</td>
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<td>Internal Transactions between general government and non-financial public corporations (I)</td>
<td>69.8</td>
<td>72.8</td>
<td>73.4</td>
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<td><strong>821.1</strong></td>
<td><strong>898.7</strong></td>
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<tr>
<td>Debt-to-GDP ratio (%)</td>
<td>56.5</td>
<td>59.6</td>
<td>62.9</td>
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In a bid to enhance the timeliness and reliability of public sector debt statistics, the Korean government requested that the Bank of Korea join it in compiling quarterly debt statistics.

The government and the Bank of Korea agreed to adjust debt figures in previously released Flow of Funds data in accordance with the newly adopted standards.

- Joint compilation are expected to heighten the accuracy of the statistics through cross-checking of the basic data.
- IMF also recommends that individual countries release quarterly public sector debt statistics by 2019 in conformity with the revised Special Data Dissemination Standard Plus.
III. Quarterly Statistics
Compilation Methods

1. Calculation based on Flow of funds Statistics

2. Combination of Aggregation and Estimation Methods

3. Retrospective Adjustment of Preliminary quarterly figures
Unlike Annual statistics in which public sector debt is calculated based on closing balance sheets, Quarterly statistics calculate public sector debt by adjusting figures from Flow of funds statistics.

Quarterly statistics reflect differences between the 2008 SNA and the PSDS Guide in terms of internal transactions, the value of claims and the concept of liabilities.

① Internal transactions excluded from Flow of funds statistics
② Financial derivative liabilities excluded
③ Values of debt securities are estimated at nominal values
According to the 2008 SNA, the **nominal value** of a debt instrument can be calculated by discounting future interest and principal payments at the existing contractual interest rate on the instrument.

- In practice, the nominal value is composed of the item interest accrued but not paid and the book value of the debt security.

- Because those reporting financial-market book values tend to think of them in terms of clean prices that exclude interest accrued since the most recent coupon payment.
Combination of Aggregation and Estimation methods

- In the compilation of quarterly statistics, both aggregation and estimation methods are used, depending on the quantity of basic data collected.

- For other accounts payable, it is difficult to get figures on an accrual basis.
  
  - accrual accounting ex) construction-related accounts payable, interest accrued but not paid, etc.
  
  - for budgetary central and local government, the figure for other accounts payable are estimated on its trend line.
  
  - for other sectors, they are estimated by extension.
Comparison between Annual and Quarterly Statistics Compilation

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<td>Aggregation of relevant items in closing balance sheet</td>
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<td>Estimation based on trend line</td>
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<td></td>
<td>Other accounts payable¹) of other sectors²)</td>
<td>Aggregation of relevant items in closing balance sheet</td>
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<td>Extension of final annual amount by applying the rate of change in related basic data</td>
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Notes: ¹) trade payables, advances, etc. ²) extrabudgetary funds, non-profit institutions controlled by government, and nonfinancial public corporations.
● When final annual figures for the previous year are released in December each year, a difference is apparent between the final figure for other accounts payable and the already released preliminary quarterly figure for other accounts payable.

● In order to enhance the accuracy of quarterly statistics, the preliminary figures for the current year and the previous year need to be adjusted retrospectively.

• Reset the trend line of other accounts payable
References


Q&A Question & Answer