

## ***1. General Information***

### *Name*

External debt

### *Supervisor of statistics*

Central Bank of Iceland, Statistics

### *Purpose*

The purpose of statistics on external liabilities is to itemize Iceland's external debt position in greater detail than is done in statistics on the international investment position (IIP). Liabilities are itemized by residual maturity and by the debtor's sector. Equity liabilities and financial derivatives that are included with the IIP are not included in data on external debt. Statistical reporting is carried out in accordance with the 2014 edition of the International Monetary Fund's (IMF) *External Debt Statistics: Guide for Compilers and Users*. The *Guide* defines presentation, methodology, valuation, and concepts.

### *Sources*

The commercial banks and other financial undertakings, the Treasury, the Central Bank, and other credit institutions and large non-financial firms provide monthly and quarterly or yearly information. Data from the Directorate of Internal Revenue and the Register of Annual Accounts are used as well.

### *Statutory authority*

The compilation of data and the calculation and publication of external liabilities is based on the authority contained in Chapter IX of the [Act on the Central Bank of Iceland, no. 92/2019](#) and the Foreign Exchange Act, no. 87/1992. These Acts (and the respective regulations, [Rules on the Obligation to Provide Information in respect of Foreign Exchange Transactions and CrossBorder Capital Movements, no. 13/1995](#)) contain provisions on resident entities' disclosure requirements and on the obligation of Central Bank employees to observe confidentiality concerning the data compiled for statistical reporting.

## ***Methodology***

### *Concepts and definitions*

#### ***Residents and non-residents***

The definition of *resident* and *non-resident* as set forth in the BPM6 accords with that in the Foreign Exchange Act, no. 70/2021 and Law on legal domicile and residence no. 80/2018. A resident is any individual and legal entity permanently residing in Iceland, irrespective of nationality. Students and embassy employees are exempt from the residency requirement. Therefore, Icelandic students and their families who reside abroad are considered residents, and foreign embassy employees are considered non-residents. *Non-residents* shall mean all parties except residents.

#### ***External debt***

External debt at any given time is defined as the outstanding amount of contractual liabilities that must be repaid with instalments and/or interest in the future. External debts are nonresidents' claims against residents, as in statistics on the international investment position (IIP), except that here they exclude equity and derivatives.

#### ***Classification system***

Where possible, individual statistical items are broken down by sector (for resident entities) and type of financial instrument. In addition, credit instruments are classified as long- or short-term, depending on whether the original maturity is one year or more, or less than a year. Within each category, debt is itemised by type: currency and deposits, debt instruments, loans, trade credit and advances, and other debt. Debt in FDI is classified according to the relationship between debtor and lender, which falls into three categories: loans from related parties abroad, loans from non-resident investors, and loans from fellow enterprises.

The same classification system is used for the IIP and the balance of payments. This makes it easier for users to compare positions, transactions, and revenues or expenditures deriving from the item in question. In processing the statistics, attempts are made to prepare and publish as detailed a classification as possible. On the other hand, there are instances when only one or two entities fall under the category in question. In those cases, a detailed breakdown is not published. This is done to avoid revealing information on individual entities, as the Central Bank is under a stringent obligation to observe confidentiality vis-à-vis those

who provide information for statistical reporting. As a general rule, each category must contain at least three entities, and no single entity may constitute more than 80% of the total.

### ***Institutional sector classification***

**Central Bank**

**Deposit-taking corporations**

**General government**

**Other sectors**

Other financial corporations

Money market funds (MMF)

Non-MMF investment funds

Other financial intermediaries

Financial auxiliaries

Captive financial institutions and money lenders

Insurance companies

Pension funds

Non-financial corporations, households, and non-profit institutions serving households (NPISHs)

Non-financial corporations

Households

Non-profit institutions serving households (NPISHs)

### ***Integrity of data***

Extensive data collection is required for the preparation of statistics, as data are collected from a large number of resident entities. The reliability of the data is based entirely on correct, timely submittal of reports to the Central Bank. Submitters' circumstances vary. For example, most commercial enterprises cannot provide final figures until after their annual accounts

have been prepared – usually 6-12 months after the end of the fiscal year. As a result, there could be a 2- to 3-year time lag before final information on transactions can be included in the statistics. However, the Central Bank collects quarterly data from firms that do extensive overseas business; therefore, this time lag applies only to smaller companies.

### ***Schedule for revisions***

The statistics observe a fixed revision schedule, where previously published figures are revised as new information is received. If new information of significance for the statistics is received, attempts are made to update the statistics as soon as possible. The revision schedule is shown in the table below.

<b>Time:</b>	<b>March</b>	<b>June</b>	<b>September</b>	<b>December</b>
Quarters	Max. 15 quarters	Max. 4 quarters	Max. 17 quarters	Max. 6 quarters

Additionally, the statistics undergo a major revision (benchmark revision) every 5 years.

### ***Coverage***

The Central Bank attempts to collect information on external debt from all relevant parties. If coverage is limited, the figures are estimated based on given assumptions. On the other hand, this is not possible in all cases, primarily where the scope and expense of data collection is too great in comparison with the importance of the data concerned. An example is loans taken by individuals from foreign banks and financial undertakings.

The FDI sample is taken from operating entities' tax returns and the Register of Annual Accounts. This provides information on parties falling under the definition of FDI. The Central Bank collects the necessary information directly from the parties in the sample. Attempts are made to have parties representing 80% of total FDI positions (excluding SPEs) submit quarterly reports to the Bank. Information from the majority of other undertakings is received via annual reports. For smaller entities, data are compiled directly from tax returns and annual accounts. Other supporting data are used as well if they are considered reliable. The tax return and annual accounts data for smaller entities are not as suitable for statistical reporting as those obtained directly from firms.

In general, most FDI statistics on positions have good coverage<sup>1</sup> when the fiscal year has been closed out, while smaller entities' flows, as well as the loan positions and flows between fellow enterprises, are underestimated to some degree.

Information on SPEs is taken from the companies' annual accounts and from annual reports submitted to the Bank, if available.

For entities that do not respond to the Central Bank's requests for data, estimated are prepared from older figures and other available data and adjusted for exchange rate differences.

### ***Publication***

External debt is calculated quarterly, and the time series extends back to 1995. It is published on [the Central Bank's Statistics pages](#) about two months after the end of each quarter. The Bank submits the same data to the World Bank. The data can be found on the World Bank website about 1-2 months after publication in Iceland.

---

<sup>1</sup> The coverage of position figures is nonetheless limited by whether assets and liabilities are correctly entered in the tax return and in reports submitted to the Register of Annual Accounts.