METHODOLOGICAL NOTES ON THE COMPILATION OF THE BALANCE OF PAYMENTS OF BULGARIA[1]

(in accordance with the sixth edition of the Balance of Payments and International Investment Position Manual)

The Bulgarian National Bank (BNB) is in charge of the compilation of the balance of payments of the country. The legal basis for the balance of payments compilation in Bulgaria is provided for in Article 42 of the *Law on the Bulgarian National Bank*[2]. Data for the purposes of the BOP compilation are collected on the basis of Article 42 of the Law on the Bulgarian National Bank, as well as Articles 7–10 of the Currency Law[3]. These data are processed by Macroeconomic Statistics Division within the Statistics Directorate of the BNB, while strictly respecting data confidentiality. At present, the BNB compiles and publishes both analytic and standard presentation of the balance of payments in accordance with the *Sixth Edition* of the ***"Balance of Payments and International Investment Position Manual"*** **(IMF, 2008)**, the ***"BPM6 Compilation Guide"*** **(IMF, 2014),** and the ***"Recommendation of the European Central Bank"***[4] .

The balance of payments' methodology is conceptually related to that of the *System of National Accounts (SNA),* as the balance of payments items correspond closely to the relevant categories of the *rest of the world* account in the SNA.

There is a close linkage between the *International Investment Position* and the balance of payments as well. The BOP financial account measures an economy's transactions in external financial assets and liabilities, which affect the stock of external financial assets and liabilities measured in the international investment position.

I. ACCOUNTING PRINCIPLES AND CONVENTIONS

The basic convention applied in the construction of Bulgaria's balance of payments is the vertical double entry bookkeeping, according to which each transaction leads to at least two corresponding entries, traditionally referred to as a credit entry and a debit entry, in the books of the transactor. In the current and capital accounts, a credit denotes entries from exports of goods and services, primary income receivable, transfers receivable, and disposals of

---

[1] Last updated on October 2021 г.
[2] Prom. SG No. 46 of 10 June 1997; latest amendment SG No. 12 of 2021.
[3] Prom. SG No. 83 of 21 September 1999; latest amendment SG No. 14 of 18 February 2021.
[4] "Recommendation of the European Central Bank" of 23 January 2014 amending Recommendation ECB/2011/24 on the statistical reporting requirements of the European Central Bank in the field of external statistics (ECB/2014/2)

nonproduced nonfinancial assets. A debit is used to record entries for imports of goods and services, primary income payable, transfers payable, and acquisitions of nonproduced nonfinancial assets. Financial account items are recorded on a net basis separately for each financial asset and liability, i.e., they reflect changes due to all credit and debit entries during an accounting period. A positive change indicates an increase in assets or liabilities and a negative change indicates a decrease in assets or liabilities.

Each transaction should be recorded according to the accrual basis, which determines to which time period it should be attributed. *Accrual accounting records flows at the time economic value is created, transformed, exchanged, transferred, or extinguished*. This means that flows that imply a change of economic ownership are recorded when ownership passes and services are recorded when provided. In other words, the effects of economic events are recorded in the period in which they occur, irrespective of whether cash was received or paid or was due to be received or paid.

Transaction valuations are based on market prices, except for *loans* and *currency and deposits* which are recorded at nominal value.

Valuation changes (exchange rate or price changes) of the country's external assets and liabilities, as well as other changes, e.g. arising from changes in residence, are not included in the balance of payments.

The units of account for the balance of payments of Bulgaria are the EUR and the BGN. The conversion into the unit of account is made using the exchange rate at the time of transaction. If not available, or inapplicable for other practical reasons, the average exchange rate for the reporting month is used.

II. BALANCE OF PAYMENTS COMPONENTS

The balance of payments components are compiled through direct reporting of resident legal entities and physical persons having external assets and/or liabilities, and administrative sources. Prior to August 2016, data from the *International Transactions Reporting System* (ITRS) were used, comprising (i) banks' report, and (ii) direct reporting by enterprises with bank accounts abroad, on residents' external transactions s. As of August 1, 2016, the requirement for payment service providers to maintain registers for the purposes of balance of payments statistics was abolished, as well as the obligation to provide information to the BNB on transactions between residents and nonresidents and on cross-border transactions equal to or exceeding BGN 100,000, or their foreign currency equivalent. In addition, data on certain BOP components are collected from other sources: (i) monthly exports and imports of goods, provided by the NSI; (ii) BNB estimates of items *travel*, *transportation*, *compensation of employees, credit* and *workers remittances, credit;* (iii) quarterly sample surveys on direct investment enterprises and on Bulgarian direct investment abroad, as well as on legal entities on services, remuneration and transfers/grants to/from abroad; (iv) reports by financial and government institutions; (v) data from the Central Depository on *portfolio investments, liabilities;* (vi) reports from other institutions; (vii) reports of legal entities and physical persons on cross-border loans; (viii) reports of legal entities on cross-border trade credits and other claims/liabilities (except loans).

Balance of payments data can be published using the analytic[5] presentation and the standard presentation. Under the standard presentation, the balance of payments components are classified in the following main categories:

A. Current Account

The current account shows flows of goods, services, primary income, and secondary income between residents and nonresidents. It encompasses important balance of payments items forming the current account balance. The current account balance shows the difference between the sum of exports and income receivable and the sum of imports and income payable (exports and imports refer to both goods and services, while income refers to both primary and secondary income).

Credit entries represent the gross domestic product provided to the rest of the world (exports of goods and services), as well as provision of factors of production expressed by income receivable on compensation of employees and investment income (interest, dividends, etc.). Recorded herein are also offsets to received non-refundable real and financial resources (transfers).

Debit entries represent the gross domestic product created in the rest of the world and acquired by the domestic economy (imports of goods and services), as well as the acquisition of factors of production expressed by income payable. Recorded herein are also offsets to provided non-refundable real and financial resources (transfers).

***Goods** are physical, produced items over which ownership rights can be established and whose economic ownership can be passed from one institutional unit to another by engaging in transactions.* They may be used to satisfy the needs or wants of households or the community, or used to produce other goods or services. The production of a good can be

[5] See Standard and analytical concepts of the balance of payments

separated from its subsequent sale or resale. Goods cover: *general merchandise***,** *goods under merchanting,* and *nonmonetary gold.*

General merchandise on a balance of payments basis *covers goods whose economic ownership is changed between a resident and a nonresident and that are not included in the following specific categories.* International merchandise trade statistics, compiled by the National Statistical Institute are the main data source for general merchandise.

The data on imports and exports FOB (Free on board) are based on customs declarations coded after the Harmonized Commodity Description and Coding System of the World Customs Organisation, introduced in 1988 and supplemented in 1992. Starting with the January 2006 data, the BNB and the NSI have been applying a jointly developed methodology for estimation of imports at FOB prices and freight transportation receipts and payments[6]. That methodology is based on analysis of the CIF-FOB correlations for imports of goods depending on different imports delivery categories, as well as on the different mode of transportation and carrier nationality.

The geographical allocation of *goods* is based on the following principles:

Following European regulations, for intra-EU trade in goods:

- In case of imports (or arrivals), counterpart is the exporting country (or Member State);
- In case of exports (or dispatches), counterpart is the country (or Member State) of final destination.

For extra-EU trade:

- In case of imports - partner country is the country of origin of the goods.
- In case of exports – partner country is the country of final destination of the goods.

Sources: The source of data as from the beginning of 2003 until the end of 2006 was the Customs Agency, and for preceding years - the Information services (at the Informational Computing Centre Directorate). The BNB and the NSI received the exports and imports data, supplemented it with other information and processed it further. With the implementation of the INTRASTAT system (introduced with the *Law on Statistics of Intercommunity Merchandise Trade*, SG. No. 51 of 2006) with the January 2007 data, changes in the way of reporting the external trade of Bulgaria with the rest of the EU member states took place.

The introduction of the INTRASTAT system led to changes in the deadlines for receiving and processing of the data. The information on exports (dispatches) and imports (arrivals) of

[6] The 2002 – 2005 data are based on this methodology for compilation of imports at FOB prices and receipts and payments regarding the freight transportation.

goods are reported by INTRASTAT operators (the firms obliged to report) to the National Revenue Agency. These data are sent to the National Statistical Institute for further processing. The NSI reports to EUROSTAT aggregated monthly data (without breakdowns by trade partners and by type of goods) within 42 days after the close of the reporting month. The detailed intra trade data on dispatches and arrivals of goods are reported to EUROSTAT within 70 days after the close of the reporting month.

The BNB receives aggregated data from the NSI (without breakdowns by trade partners and by commodity groups) on the country's trade with other EU member states within 35 days after the close of the reporting month, and these data are supplemented with data from the Customs Agency on trade with third countries. Thus, with the balance of payments for the reporting month only aggregated data on exports and imports are published. Detailed data on dispatches and arrivals of goods are submitted by the NSI within 60 days after the close of the reporting month.

As a result of these changes, external trade data are reported as follows:

- Preliminary aggregated data (without breakdowns by trade partners and by commodity groups) for the reporting month are published in the balance of payments table within seven weeks after the close of the reporting month.
- Preliminary detailed data (with breakdowns by trade partners and by commodity groups) for the reporting month are published not earlier than 75 days after the close of the reporting month.

The data series on exports and imports of the country available on the web site of the BNB are updated in accordance with the BNB Data dissemination calendar.

In accordance with the common methodology, the data has to be mutually agreed upon by the BNB and the NSI before being published.

Since March 2016, NSI estimates of illegal trade receipts and payments have been used to supplement data on goods, as well as to revise the data series starting from January 2010.

Merchanting *is defined as the purchase of goods by a resident (of the compiling economy) from a nonresident combined with the subsequent resale of the same goods to another nonresident without the goods being present in the compiling economy.* Merchanting occurs for transactions involving goods where physical possession of the goods by the owner is unnecessary for the process to occur.

Goods under merchanting are recorded in the accounts of the owner in the same way as any other goods it owns. However, the goods are shown separately in international accounts statistics of the economy of the merchant because they are of interest in their own right and because they are not covered by the customs system of that economy.

The acquisition of goods by merchants is shown under goods as a negative export of the economy of the merchant;

The sale of goods is shown under goods sold under merchanting as a positive export of the economy of the merchant;

The difference between sales over purchases of goods for merchanting is shown as the item "net exports of goods under merchanting." This item includes merchants' margins, holding gains and losses, and changes in inventories of goods under merchanting. As a result of losses or increases in inventories, net exports of goods under merchanting may be negative in some cases.

Merchanting entries are valued at transaction prices as agreed by the parties, not FOB.

If there is no change of ownership of the goods, there is no merchanting transaction, but there may be manufacturing services on physical inputs owned by others for a fee.

Sources: Regular quarterly survey among enterprises on external transactions on services, remuneration and transfers /grants trading internationally in goods and services.

- ***Services*** *are the result of a production activity that changes the conditions of the consuming units, or facilitate the exchange of products or financial assets. Services are not generally separate items over which ownership rights can be established and cannot generally be separated from their production.* The *Services* component comprises *Manufacturing services on physical inputs owned by others, Maintenance and repair services not included elsewhere, Transport, Travel, Other services.*

Manufacturing services on physical inputs owned by others cover processing, assembly, labelling, packing, etc., and undertaken by enterprises that do not own the goods concerned. The manufacturing is undertaken by an entity that does not own the goods and that is paid a fee by the owner. In these cases, the ownership of the goods does not change, so no general merchandise transaction is recorded between the processor and the owner.

Sources: External trade data compiled by the NSI.

Maintenance and repair services n.i.e. cover maintenance and repair work by residents on goods that are owned by nonresidents (and vice versa). The repairs may be performed at the site of the repairer or elsewhere. Repairs and maintenance on ships, aircraft, and other transport equipment are included in this item. The value recorded for maintenance and repairs is the value of the work done—not the gross value of the goods before and after repairs.

Sources: Regular quarterly survey among enterprises on external transactions on services, remuneration and transfers /grants.

Transport is the process of carriage of people and objects from one location to another as well as related supporting and auxiliary services. Transport services cover freight transport, passenger transport, other transport and *postal and courier services*.

Sources: The Bulgarian National Bank derives the data on *freight transportation* from foreign trade data, and the data on *passenger transportation* are estimated from travel data.

Since 2006, freight transportation receipts have been compiled on the basis of estimated receipts of resident carriers related to exports of goods, and payments are estimates of residents' payments on behalf of nonresident carriers related to imports of goods. The receipts and payments are estimated according to mode of transportation and nationality of the carrier. With the introduction of the INTRASTAT system with the January 2007 data, changes in the compilation of freight transportation receipts and payments with the rest of the EU member states took place. Due to the larger delay in receiving detailed data on trade with the rest of the EU member states from the NSI, the preliminary balance of payments for the reporting month (which is 42 days after the close of the reporting period) is compiled with freight transportation receipts and payments based on data for preceding years. These estimates are revised when the preliminary detailed data (with breakdown by trade partners and by commodity groups) on trade with the rest of the EU member states for the reporting month are available.

The source for *postal and courier services* is the regular quarterly survey among enterprises on transactions related to services, remunerations, transfers/grants..

Travel credits cover goods and services for own use or to give away acquired from an economy by nonresidents during visits to that economy.

Travel debits cover goods and services for own use or to give away acquired from other economies by residents during visits to these other economies. Travel excludes goods for resale, which are included in general merchandise. The acquisition of valuables (such as jewellery), consumer durable goods (such as cars and electric goods), and other consumer purchases for own use or to give away that are included in customs data in excess of customs thresholds, are included in general merchandise.

With the January 2010 data the BNB has adopted a new methodology for estimation of the receipts and expenditures for travel and passenger transportation. The estimation model for *travel* is based on the product of the number of cross-border travels multiplied by the respective expenditure by type of purpose of travel. The estimates of the expenditures (receipts) by purpose of travel are based on the data collected from the Border Survey among Traveling

Bulgarians and Foreigners conducted by the BNB in the period July 2007 – August 2008. The new methodology was applied for the first time with the data for January 2010, with back data revisions for 2007to 2009. More detailed information on that methodology is available in the paper on *Methodology for Estimation of Travel, Passenger Transportation and Compensation of employees, credit.*

Other services cover receipts and payments related to services other than *Manufacturing services on physical inputs owned by others, Maintenance and repair services not included elsewhere, Transport, Travel* (communication, construction, financial, leasing, insurance, cultural, sport and recreational services, etc.).

By end 2009 the *main sources* of information on this item were banks' reports on imports and exports of nonfactor services and the quarterly reports of enterprises on their accounts abroad, as well as BNB estimates for the transactions below the threshold of 100 000 BGN. In accordance with Regulation (EC) No 924/2009 of the European Parliament and of the Council of 16 September 2009 on cross-border payments in the Community and repealing Regulation (EC) No 2560/2001 with effect from January 2010, the settlement-based national reporting obligations on payment service providers for balance of payments statistics related to payment transactions of their customers up to EUR 50 000 were removed. Implementation of a EUR 50,000 threshold without alternative source for these data would have considerably deteriorated the quality of the balance of payments data and particularly of the current account. The analysis showed that the loss of information on some types of services could reach up to 90%. For that reason the BNB changed the methodology for collection and compilation of data on services and other items in the current account that still relied on the settlement data. At the beginning of 2010 the BNB started conducting a regular quarterly survey among enterprises trading internationally in services, compensation of employees paid to nonresidents, and current transfers. Based on the results of the survey, with the publication of January 2011 balance of payments figures, the data for 2010 are revised.

Primary income represents the return that accrues to institutional units for their contribution to the production process or for the provision of financial assets and renting natural resources to other institutional units. Two types of primary income are distinguished: (a) income associated with the production process (*compensation of employees and taxes and subsidies on products and production*; and (b) *investment income* - income associated with the ownership of financial and other nonproduced assets.

Compensation of employees covers wages, salaries and other benefits paid to non-resident workers in the country or received by resident workers abroad. The compensation of employees comprises also income due to illegal employment. For the period April 2001 – December 2006 the BNB estimated this flow in accordance with the *Methodology for Estimation of Flows due to Illegal Employment (14 March 2006).*[7] With the January 2010 data, a new methodology was adopted for estimation of *compensation of employees, credit* (see *Methodology for estimation of Travel, Passenger Transportation and Compensation of employees, credit,* BNB, March 2010). The new methodology was applied for the first time with the data for January 2010, with back data revisions for the period 2007–2009.

Data on *compensation of employees, debit* are provided by the National Revenue Agency.

Investment income covers receipts and payments of income associated with external financial assets and liabilities. Included are receipts and payments on direct investment, portfolio investment, other investment, and receipts on reserve assets.

The *main sources* of information on *income* are reports from banks, non-bank financial institutions, nonfinancial enterprises, the Ministry of Finance, other government institutions, and the Bulgarian National Bank.

The secondary income account shows current transfers between residents and nonresidents. Various types of current transfers are recorded in this account to show their role in the process of income distribution between the economies. Transfers may be made in cash or in kind.

Capital transfers are shown in the capital account. Whereas primary income affects national income; secondary income, together with primary income, affect gross national disposable income. Capital transfers do not affect disposable income, and hence, are recorded in the capital account.

Included in *current transfers* are current taxes on income, wealth, etc., social contributions, social benefits, net nonlife insurance premiums, nonlife insurance claims, current international cooperation, personal transfers and miscellaneous current transfers, etc. *Workers' remittances are current transfers made by employees to residents of another economy.* They are included as a supplementary item.

Sources: The Bulgarian National Bank receives information on current transfers from the Ministry of Finance, State Fund Agriculture, the BNB, the Bulgarian Red Cross, and from the regular quarterly survey among enterprises trading internationally in services, compensation of employees paid to nonresidents, and current transfers.

---

[7] The data as from April 2001 are based on this methodology.

Workers remittances, credit is a sub-item of *current transfers, credit* in the Current account of the balance of payments and is a balancing item for transfers without a quid-pro-quo in cash or in kind.

The estimates of the workers' remittances are based on the product of the number of Bulgarian emigrants, transferring money to their relatives and the amount of the average transfer[8]. Such calculations are made separately for the official and the unofficial transfer channels. The sum of the money transferred via those two channels is recorded as the amount of workers' remittances to Bulgaria.

The data on the number of Bulgarian emigrants are based on information from the *State Agency for Bulgarians abroad,* from Bulgarian embassies abroad, BNB estimates, and data from Eurostat. The data on the percentage of the Bulgarian emigrants, transferring money; the shares of the official and unofficial channels and the average transfer for each of the channels used are based on the data collected via the Border Survey among Traveling Bulgarians and Foreigners The new methodology was applied with the data for January 2010, with backdata revisions for 2007– 2009.

Workers remittances, debit is a sub-item of *current transfers, debit* shows *current transfers abroad by immigrants.* The calculation methodology for this item is based on data from banks and the monthly inflation for the country on a year-on-year basis.

B. Capital Account

The capital account shows (1) capital transfers receivable and payable between residents and nonresidents; and (2) the acquisition and disposal of nonproduced nonfinancial assets between residents and nonresidents.

If in kind, a capital transfer consists of (i) a transfer of ownership of fixed assets, or (ii) forgiveness of a liability by a creditor when no counterpart is received in return. If in cash, a transfer is a *capital transfer* when it is linked to, or conditional on, the acquisition or disposal of fixed assets (for example, an investment grant).

Nonproduced nonfinancial assets consist of natural resources; contracts, leases, and licenses; and marketing assets (and goodwill).

[8] For more detailed information, please see "Methodology for estimation of the item Workers' Remittances (Bulgarian National Bank, March 2010). In case of further questions, related to the methodologies applied, please contact us through the following e-mail press_office@bnbank.org

Sources: The Bulgarian National Bank receives information for the capital account from the Ministry of Finance, State Fund Agriculture (on capital transfers from the EU funds), from the quarterly reports of non-financial enterprises, the monthly reports of the notaries, etc.

C. Financial Account

The financial account records transactions that involve financial assets and liabilities and that take place between residents and nonresidents. The financial account indicates the functional categories, sectors, instruments, and maturities used for net international financing transactions. Included in *Financial Account* are direct investment, portfolio investment, financial derivatives (other than reserves) and employee stock options, other investment, and reserve assets.

- *Direct investment is a category of cross-border investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise that is resident in another economy.* As well as the equity that gives rise to control or influence, direct investment also includes investment associated with that relationship, including investment in indirectly influenced or controlled enterprises, investment in fellow enterprises, debt and reverse investment.

Direct investment covers most financial transactions between affiliates resident in different economies. Investment income associated with direct investment positions is also included in direct investment.

Intercompany lending is used to describe direct investment debt positions between affiliated enterprises. It includes debt instrument transactions other than those between selected affiliated financial corporations (it is not classified as direct investment because it is not considered to be so strongly connected to the direct investment relationship). The financial corporations covered by this case are: deposit-taking corporations (both central banks and deposit-taking corporations other than the central bank); investment funds and other financial intermediaries except insurance companies and pension funds.

The Direct investment has two presentations: Asset/Liability presentation (used in the balance of payments statistics) and *Directional Principle presentation (used in the direct investment statistics).* The directional principle is a presentation of direct investment data organized according to the direction of the direct investment relationship. It can be contrasted with the *asset/liability presentation* of aggregates used in the presentation of the balance of payments, which are organized according to whether the investment relates to an asset or liability. The difference between the asset-liability and directional presentations arises from differences in the treatment of reverse investment and some investment between fellow enterprises.

Under the directional principle, direct investment is shown as either direct investment abroad or direct investment in the reporting economy:

(a) *Direct investment abroad covers assets and liabilities between resident direct investors and their direct investment enterprises. It also covers assets and liabilities between resident and nonresident fellow enterprises if the ultimate controlling parent is resident, as well as assets of resident enterprises in foreign affiliates, when the residence of the ultimate controlling parent is unknown.* Direct investment abroad is also called outward direct investment.

(b) *Direct investment in the reporting economy includes all liabilities and assets between resident direct investment enterprises and their direct investors. It also covers assets and liabilities between resident and nonresident fellow enterprises if the ultimate controlling parent is nonresident, as well as liabilities of resident enterprises to foreign affiliates, when the residence of the ultimate controlling parent is unknown..* Direct investment in the reporting economy is also called inward direct investment.

Under the directional principle, direct investment abroad and direct investment in the reporting economy include both assets and liabilities, and thus, negative values may arise.

Data on both the asset/liability and directional principle bases of compilation are useful for different kinds of analysis:

• Data on an asset/liability basis are consistent with monetary, financial, and other balance sheet data, facilitating comparison between the datasets. These data are compiled on an immediate counterparty basis to adequately monitor flows and positions (as in the cases of .special purpose entities or vehicles).

• Data on a directional principle basis assist in understanding the motivation for direct investment and take account of control and influence. In the directional presentation, reverse investment can be seen as equivalent to the withdrawal of investment. The directional principle may be particularly useful for an economy with large values of pass-through funds or round tripping, because the large investment flows into and out of an economy may not be of primary interest to analysts of direct investment.

The balance of payments presentation uses direct investment assets and direct investment liabilities (so that reverse investment is not netted in totals). The BNB publishes FDI data according to both presentations.

Sources: The Bulgarian National Bank receives monthly data on direct investments in the country from banks (balance sheet data) and from the Banking Supervision Department of the BNB, from the Central Depository, from notaries and registry offices, and from the Agency for Public Enterprises and Control (formerly the Privatisation Agency, as well as from the reporting system of banks on transactions between residents and non-residents until August 2016), quarterly data from the direct reporting of FDI enterprises, the Financial Supervision Commission, i, , from the insurance companies and pension insurance companies; and annual data from the NSI on foreign direct investment stock in enterprises from the non-financial sector.

For data on direct investments abroad the BNB uses the information from FDI declaration forms, from quarterly reports of non-financial sector enterprises, and until August 2016, from the reporting system of banks on transactions between residents and non-residents.

Portfolio investment is defined as cross-border transactions involving debt or equity securities or investment fund' shares, other than those included in direct investment or reserve assets. Securities are debt and equity instruments that are tradable. Sources: The *main sources* of information on the liabilities side of *portfolio investment* is the data provided by the Ministry of Finance, the BNB, and the Central Depository, monthly and quarterly statistical reports of resident legal entities. Data on the assets side of *portfolio investment* is provided by banks and investment intermediaries (on investment in securities both for their own account and on behalf of their customers), direct reporting by residents investing abroad without intermediation of a resident investment intermediary, , non-bank financial institutions, insurance companies and pension funds, the Bulgarian National Bank and the Ministry of Finance.

- Financial derivatives (other than reserves) and employee stock options comprise derivative financial instruments such as forwards, futures, swaps, options, etc. *Sources*: financial derivatives data are mostly provided by banks.
- *Other investment* comprises other equity, currency and deposits, loans, trade credits and advances, insurance, pension, and standardized guarantee schemes, and other accounts receivable/payable.

Currency and deposits present on the assets side changes in the residents' currency deposits held abroad, and on the liabilities side –changes in the liabilities of the resident banks to non-residents in domestic and foreign currency. Following the basic accounting principle and conventions set in the "*Balance of Payments and International Investment Position Manual"* (IMF, 2009), when compiling that item the BNB excludes any changes therein due to exchange rate changes.

Data on *currency and deposits* are compiled on the basis of data provided by local banks, data published by the Bank for International Settlements – Basel (BIS) on its site, as well as annual balance sheet data of non-financial enterprises.

Loans comprise principal received and paid on short- and long-term loans between residents and non-residents if no issue of a tradable security is involved with these loans, as well as interest accrued but not paid on loans.

Data on *loans* are provided by the Ministry of Finance, the BNB, by banks, and through direct reporting by enterprises that have lent to or borrowed from abroad on a quarterly or annual basis, as well as through physical persons annual direct reporting. The monthly data on *loans, other sectors* (assets and liabilities) are revised on a quarterly basis.

From the balance of payments perspective, trade credits are directly extended by the suppliers of goods and services to their customers, i.e. these are credits extended by trade partners without issue of a tradable security.

The main source of information on trade credits are the quarterly reports of resident enterprises on their assets and liabilities with nonresidents, and balance sheet data of banks and nonbank financial institutions.

Other accounts receivable/payable include all transactions on miscellaneous accounts receivable and payable not included elsewhere.

Insurance, pension, and standardized guarantee schemes comprise insurance technical reserves, life insurance policies and annuity entitlements, pension entitlements, pension funds, nonpension benefits, and provisions for calls under standardized guarantees.

Sources: quarterly balance sheet data of insurance and pensions companies.

E. Reserves and related items

- *Reserve assets* include those external assets that are readily available to and controlled by the central bank (government) for direct financing of balance of payments imbalances. Reserve assets comprise monetary gold, SDRs, reserve position in the Fund, other reserve assets (consisting of currency and deposits, securities, and financial derivatives, and other claims, including on interest accrued but not paid on these instruments). The entries under this category pertain to transactions in the BNB's external assets which are administered by the Issue Department. The data on reserve asset changes included in the BOP exclude valuation changes (due to exchange rate and market price changes).

In the analytic presentation of the balance of payments this category includes also items *Use of Fund credit* and *Exceptional Financing*.

D. Net errors and omissions

Net errors and omissions is the balancing item of the balance of payments. This component exists in the BOP presentation because the compilation system is not a closed one but is a combination of different sources of information. Unlike other statistical reports, such as monetary statistics for example, the collecting of the data necessary for the balance of payments compilation cannot be restricted to the accounting records of banks as the only source of information. Net errors and omissions are equal to the difference between the *net financial account* balance and the *net Current and capital account* balance.

The fluctuations in *net errors and omissions,* both in sign and in size, are mainly due to: (i) revisions of data, (ii) improvement in the methodology for compilation of certain balance of payments components, and (iii) the existence of objective obstacles to the collection of data on certain balance of payments items. Due to the quarterly and annual reporting frequency, the preliminary data are subject to revisions with the complete data provided by reporting entities.

III. PERIODICITY, FREQUENCY AND TIMELINESS OF THE BALANCE OF PAYMENTS PUBLICATIONS

The Bulgarian National Bank compiles and publishes the balance of payments of the country on a monthly basis, within seven weeks after the close of the reference period, following the *Statistics* calendar.

IV. DATA REVISION POLICY

Revisions to the preliminary statistic data are mandatory international practice. They are particularly important in the compilation of the balance of payments and international investment position because of the short deadline after the end of the reporting period, in which the data are compiled and published. Various sources (banks, non-bank financial enterprises, direct investment enterprises, the Central Depository, the National Statistical Institute, *etc.*) are used for the data compilation. The incoming data from these sources are with different frequency, timeliness (deadline for submitting the information after the reporting period), and coverage. The different frequency and timeliness of the incoming information necessitate these revisions.

The periodic data revisions that the BNB implements are in compliance with the ECB *Timetable for Exchange of Balance of Payments, International Investment Position and Reserve Assets Statistics within the ESCB* (which includes a data revision timetable), as well as with the *Eurostat Timetable for Exchange of data and policy of revisions in the European Union*.

Observing a common policy of revisions ensures the comparability of statistics between Member States of the European Union and the European System of Central Banks. These revisions provide users with timely information on the updated data by separate items[9]. Following the requirements of the ECB and Eurostat Timetables, the policy on revisions pursued by the BNB is based on the following principles:

(i) With the report for the first month of each quarter the monthly data for the whole current year are revised. With the reports for the second month of each quarter, only the data for the previous month are revised. With the reports for the third month of each quarter, the data for the previous two months are revised. With the January data, published in March, and the July data, published in September of the current reporting year, the timetables allow for revision of the data for the previous up to three years, if necessary. In December, with the publication of the data for October, a data revision for the current and previous year is possible, if necessary.

(ii) When on-going changes are made due to additional information collected, as well as resulting from correction of errors, the BNB timely informs the users through the monthly press releases as well as in the footnotes at the balance of payments table.

(iii) When significant revisions are made due to changes in the methodology for reporting of certain BOP components or other reasons, the BNB publishes in advance information on the changes to facilitate the users of the data.

V. DATA DISSEMINATION

The Bulgarian National Bank disseminates the monthly balance of payments data on its web site – *http://www.bnb.bg*.

The data are published also in the semi-annual and in the annual official reports of the Bulgarian National Bank, in the statistical databases of the ECB and Eurostat, as well as at the national site of aggregated data at the IMF Special Data Dissemination Standard Plus. Data are released simultaneously to all users.

VI. CONTACTS

If you have any questions on the methodology applied by the Bulgarian National Bank or on the balance of payments data, please do not hesitate to contact BNB's Press Office (press_office@bnbank.org) or send them by mail to the following address:

---

[9] The annual data on foreign direct investment in the country are revised 15 months after the close of the reporting period (after the annual NSI data on the nonfinancial sector are received in the BNB).

Bulgarian National Bank
Statistics Directorate
Macroeconomic Statistics Division
1 Knyaz Alexander I Square
1000 Sofia
BULGARIA