

METHODOLOGICAL NOTES ON THE COMPILATION OF THE DATA TEMPLATE ON INTERNATIONAL RESERVES AND FOREIGN CURRENCY LIQUIDITY IN ALBANIA

In the context of compiling the statistics for the external sector of the economy, Bank of Albania has the responsibility for compiling the Data Template of International Reserves and the Foreign Currency Liquidity. The necessary data for this Data Template are gathered, and compiled by the Balance of Payments Sector in the Department of Statistics in the Bank of Albania, in general conformity with the international standards prescribed by the *Fifth Edition* of the “*Balance of Payments Manual*” (IMF, 1993), and *International Reserves and Foreign Currency Liquidity: Guidelines for a Data Template* (IMF, 2001). The Data Template on International Reserves and Foreign Currency Liquidity is an important macroeconomic statistic, and it is obligatory to be reported as of the SDDS standard.

I. MAIN CONCEPTS ABOUT THE DATA TEMPLATE

The Data Template for the International Reserves and Foreign Currency Liquidity is based on two main concepts which are related with each other: (1) international reserves, and (2) foreign currency liquidity.

The fifth edition of the Balance of Payments Manual, defines a country’s *international reserves* as: “Those external assets that are readily available to and controlled by monetary authorities for direct financing of payments imbalances, for indirectly regulating the magnitudes of such imbalances through intervention in exchange markets to affect the currency exchange rate, and/or for other purposes.”¹ The concept of international reserves doesn’t include external liabilities of the monetary authorities. Types of reserve assets that are included in this category cover foreign exchange assets (consisting of foreign currencies and foreign currency deposits in non-

¹ BPM5, paragraf 424

resident banks and securities issued by non-residents), monetary gold, special drawing rights (SDRs), reserve position in the IMF, and other claims.

Foreign currency liquidity's concept is broader than that of international reserves, it refers to (1) the foreign currency resources and (2) contingent (potential) demands (referred to as “net drains”) on foreign currency resources predetermined (known or scheduled). These net drains result from the short-term foreign currency liabilities and off-balance-sheet activities of the authorities.

That is, the authorities' foreign currency liquidity position refers to the amount of foreign exchange resources that is readily available, taking into account both predetermined and potential net drains on such resources.

II. MAIN ELEMENTS OF THE DATA TEMPLATE

A. Institutions Covered

This Data Template is applied for all the entities of the public sector that are responsible for the administration of currency crisis. Practically here are included the monetary authorities, which manage or hold international reserves and the central government, that together with the monetary authorities hold the major part of official financial liabilities in foreign currency. The Data Template in Albania includes Bank of Albania and the Central Government.

B. Financial activities Covered

In this Template are included only those instruments issued and paid in foreign currency. External assets in unconvertible currencies, and also all the assets that do not meet the criteria of the definition of the reserves assets are not included in the template.

C. Evaluation Principles

The data in the tables of the Data Template on International Reserves and Foreign Currency Liquidity are reported in million USD. The position of instruments invested in other currencies is converted in USD according to the official exchange rate of the last date of the reporting period.

In the template, the value of the sources in foreign currency ought to reflect the value which is going to be obtained from their immediate liquidation in the market – that is the market value in the reference date. In the cases when the market value of the instruments cannot be evaluated, the standard requires the calculation of the approximate market value of the instrument.

The drains from the sources in foreign currency, predetermined (known or scheduled), are evaluated according to their nominal value; that is the value of the cash flows when these flows occur.

The time horizon covered by the template is 12 months after the reference date. This horizon is divided into several sub-periods for providing the evaluation of the liquidity position along the year. These sub-periods are specified as “up to one month”, “above one month and up to three months”, “up to one year”. The data for the positions are referred to the pending positions of the assets and liabilities in the reference date. The data that are reported for the flows are the future foreign currency flows known practically in the reference date, which are related with pending predetermined (known or scheduled) positions in the reference date.

III. THE STRUCTURE OF THE DATA TEMPLATE MODUL

The Data Template on International Reserves and Foreign Currency Liquidity has four sections:

(1) Official reserve assets and other foreign currency assets

In part A of this section are presented the official reserve assets including: foreign currency cash and deposits, nonresident securities, monetary gold, SDR-s and the reserve position in the IMF of the monetary authorities.

In part B of this section, are presented other liquid foreign currency assets (not included in official reserves). Included here are only assets settled in convertible currencies that can be claims on residents and nonresidents. These assets are reported both for the monetary authorities and for the central government (excluding social security funds).

Data sources and compilation methods:

Instruments in part A of the section are recorded with their market value and as information source serves the data gathered from the reports of the Monetary Operations Department in the Bank of Albania (the daily table of exchange currency reserves). As a data' source for the instruments of the part B of the section, serves the accounting records of the Ministry of Finance. Actually, the Ministry of Finance doesn't have instruments that meet these criterions.

(2) Predetermined short-term net drains on foreign currency assets

Predetermined short-term drains on foreign currency assets are contractual pre-known (pre-scheduled) liabilities in foreign currency. Short-term drains refer to contractual foreign currency obligations scheduled to become due during the 12 months ahead. Net drains are calculated as a difference of outward flows with the inward flows.

Data sources and compilation methods:

As information source for this table serves the debt and other payment schedules of the Ministry of Finance and Bank of Albania, and also the data about the inward flows related to securities and deposits in non-resident

banks, provided by the Monetary Operations Department in the Bank of Albania.

(3) Contingent short-term net drains on foreign currency assets

This section covers only contingent short-term net drains on foreign currency resources. Contingent flows refer to contractual obligations that give rise to future additions or depletions of foreign currency assets. The flows presented here can be derived from assets and liabilities created in 12 prospective months from the reference period. Contingent flows are related only with off-balance-sheet activities and are conditioned from the occurrence of a specified event.

(4) MEMO items

In Memo Items is reported additional information that covers:

- flows and stocks not included in Sections I-III of the template, but important in assessing the authorities reserves, foreign currency liquidity and currency risk;
- additional details on positions and flows disclosed in Sections I-III; and positions and flows according to a breakdown or valuation criteria different from those found in Sections I-III.

Actually, in Albania there are no instruments that would create flows or positions that meet the criterions for the registration in the section (3) and (4) of the template.

IV. PERIODICITY AND DELAYS IN THE PUBLICATION OF THE MODUL

According to the recommendations of the SDDS standard, the Bank of Albania compiles the data template modul in a monthly frequency, and publishes it within three weeks from the reference date.