

Interpreting “External Debt”

It is important to remember when interpreting the data that gross external debt represents only a very small part of Germany’s total financial relations to non-residents. The external debt is more than offset by Germany’s external assets. Moreover, the statistics on external debt do not include any financial claims arising from participation rights, ie shares and investment fund certificates, equity capital and reinvested earnings in the case of direct investment, and ownership of property. The International Investment Position, which the Bundesbank publishes and analyses regularly, provides a comprehensive overview of Germany’s financial relations to non-residents, including the aforementioned items.

The new statistics on the external debt are based, in principle, on the same methodology as the International Investment Position. The individual items are stocks which – where necessary – are valued at the market prices or exchange rates applying on the respective reporting date. The external liabilities resulting from the issue of debt securities are established for the reporting period following the last International Investment Position reporting date by updating them on the basis of the transactions recorded in the balance of payments. The direct investment loans which are raised by resident companies and which, in contrast to equity capital, represent borrower liabilities are shown separately and – again in contrast to the International Investment Position, for which the *directional principle* is used – are classified according to the debtor-creditor relationship.