

**Fifteenth Meeting of the  
IMF Committee on Balance of Payments Statistics  
Canberra, Australia, October 21–25, 2002**

**Nonperforming Loans**

**Prepared by the Statistics Department  
International Monetary Fund**

## **Nonperforming Loans**

An Electronic Discussion Group (EDG) on “The Treatment of Nonperforming Loans in Macroeconomic Statistics” has been established at the recommendation of the Intersecretariat Working Group on National Accounts. Its purpose is to work toward an acceptable treatment for nonperforming loans in macroeconomic statistics. The EDG can be found on the world wide web at: <http://www.imf.org/external/np/sta/npl/eng/discuss/index.htm>  
A copy of the introductory page is attached.

The EDG currently includes three papers. They include the paper presented at the October 2001 BOPCOM meeting (by Art Ridgeway of Statistics Canada BOPCOM-01/ 23). In addition, there are two papers by IMF Statistics Department staff, “The Treatment of Nonperforming Loans in Macroeconomic Statistics” by Adriaan Bloem and Cor Gorter and “International Standards for Impairment and Provisions and their Implications for Financial Soundness Indicators” by Russell Krueger.

The EDG is part of a process of discussion leading to a draft report and final document. However, so far, there had been very limited response from the statistical community. Balance of payments statisticians are invited to participate in the EDG.

The general approach to nonperforming loans in the Bloem/Gorter paper is that the principles of symmetry and the definition of transactions in national accounting require that loans be valued at their full value, without deducting any provisions for impairment, until the loan is written off by the lender. However, it is also recognized that the value of nonperforming loans is useful for understanding the financial position of the creditors, so it is proposed that data be obtained from lenders on the value of nonperforming loans and the data be published as a memorandum item. Because the criteria used to identify nonperforming loans vary over time, between different types of creditors, and between countries in, it would also be useful for information to be collected on the definitions used for nonperforming loans. It is expected that the required data would be generally available from creditors, including the proportion relating to nonresident debtors. However, the information on nonperforming loans may be more difficult to obtain from debtors.

### **Question for the Committee:**

**Does the Committee agree with the proposed treatment of nonperforming loans?**



[Read](#) what others have said

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[IMF Statistical Topics](#)

## The Treatment of Nonperforming Loans in Macroeconomic Statistics

### Electronic Discussion Group

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[Background](#)  
[Timetable](#)

### Reference documents

As a starting point for the discussion, the following papers have been prepared:

- [International Standards for Impairment and Provisions and their Implications for Financial Soundness Indicators](#), Russell Krueger, IMF, July 2002 (231 K pdf file)
- [The Treatment of Nonperforming Loans in Macroeconomic Statistics](#) (IMF), 2001, (157 K pdf file)
- Treatment of Allowances for Loan Losses and Non-performing Loans, [\(BOPCOM-01/23\)](#), 2001, (94 K pdf file)

### Comments

Note that postings to this discussion are moderated and will not appear on the web until after the moderator has approved them.

### The Treatment of Nonperforming Loans in Macroeconomic Statistics

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Intersecretariat Working Group on National Accounts (ISWGNA). The purpose is to work towards an acceptable treatment for nonperforming loans in macroeconomic statistics.

### **Background:**

The serious financial crises that affected several countries since the mid 1990s have led to renewed interest in the question of how macroeconomic statistics should account for nonperforming loans.<sup>1</sup> The original criteria used in the *System of National Accounts 1993 (1993 SNA)* for the treatment of loans were based on important considerations such as the desirability of avoiding entries in the accounts for which there is no sound basis in observable transactions, the need for accounting practices to facilitate comparisons between different economic agents and countries, the need for valuation of loans to be consistent with the debtor's legal obligations, and the need for recommendations to be useful in measures of solvency. However, such criteria have resulted in many cases where the national accounts do not reflect the existence of nonperforming loans in either the flow accounts or balance sheets.

The purpose of the EDG is to determine if additional criteria should be applied to the treatment of nonperforming loans and to make sure that they are consistent with the other major macroeconomic statistical systems (balance of payments, government finance, and money and banking statistics). Such a treatment needs to consider all aspects, such as the definition and valuation of loans in general and nonperforming loans in particular, loans as assets and liabilities, when such loans should be written off, and how interest accruing and arrears should be measured.

The conclusion of the group will be documented in a report that will be circulated for consideration by bodies such as the ISWGNA and the [IMF Balance of Payments Statistics Committee](#).

### **Timetable:**

April 2002: Contact potential members in countries with a particular interest in the topic of nonperforming loans and seeking opinions from the general public via the IMF website.

End of September 2002: Complete an initial draft report by the end of September 2002. To be circulated to members and posted on the website for further discussion.

February 2003: Complete a final document.

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<sup>1</sup> Also dubbed impaired, nonaccrual, or bad loans.