Consistency in Balance of Payments and Rest of the World in the EU

Item 2
Peter GAL, C2
Based on the work of C5 and Robert OBRZUT

Primera Reunión sobre armonización de Cuentas Nacionales (CCNN), Balanza de Pagos y Posición de Inversión Internacional (BP y PII) en el marco del SCN 2008 y el MBP6
Brasilia- Brasil, 27-29 de Junio de 2017
CONTENT

• History and legal basis  BoP and RoW
• Scope of the exercise  
  ➢ Discrepancies non-financial accounts
• Conclusion
HISTORY AND LEGAL BASIS (1)

History

• First BoP/RoW survey presented by TF RoW in 2007 based on BPM5/ESA95
  ➢ Reported to CMFB

• New methodological basis BPM6/ESA2010 revamps BoP/RoW survey 2014 TF BoP and 2015 exercise
  ➢ Reported to CMFB

• Current state of consistency Jan 2017, presented by BoP working Group in April 2017, April 2017 will be reported to CMFB in June 2017

• Parallel work done by the dedicated TF BoP NA consistency started in January 2016 focused on the Goods and Services

• TF BoP NA ongoing on financial account + primary income
HISTORY AND LEGAL BASIS (2)

Legal Basis

• ESA 2010 Chapter 18 based on SNA2008
  ➢ Rest of the World

• BPM6 Appendix 7
  ➢ Balance of Payments

requires full consistency!
### Discrepancies of non-financial accounts (1)

<table>
<thead>
<tr>
<th>BOP component</th>
<th>NA item</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods</td>
<td>P61</td>
<td>Exports of goods</td>
</tr>
<tr>
<td></td>
<td>P71</td>
<td>Imports of goods</td>
</tr>
<tr>
<td>Services</td>
<td>P62</td>
<td>Exports of services</td>
</tr>
<tr>
<td></td>
<td>P72</td>
<td>Imports of services</td>
</tr>
<tr>
<td>Primary income</td>
<td>D1</td>
<td>Compensation of employees</td>
</tr>
<tr>
<td></td>
<td>D2</td>
<td>Taxes on production and imports</td>
</tr>
<tr>
<td></td>
<td>D3</td>
<td>Subsidies</td>
</tr>
<tr>
<td></td>
<td>D4</td>
<td>Property income</td>
</tr>
<tr>
<td>Secondary income</td>
<td>D5</td>
<td>Current taxes on income and wealth</td>
</tr>
<tr>
<td></td>
<td>D6</td>
<td>Social contributions and benefits</td>
</tr>
<tr>
<td></td>
<td>D7</td>
<td>Other current transfers</td>
</tr>
<tr>
<td></td>
<td>D8</td>
<td>Adjustment for the change in pension entitlements</td>
</tr>
<tr>
<td>Capital account</td>
<td>D9</td>
<td>Capital transfers</td>
</tr>
<tr>
<td></td>
<td>NP</td>
<td>Acquisition less disposal of non-financial non-produced assets</td>
</tr>
</tbody>
</table>
Discrepancies of non-financial accounts BoP vs. RoW sum of national data in the EU(2)

- Total absolute differences in the sum of the Member States in year 2014 = 338 billion Euro (2.4% of GDP)

Absolute discrepancies, 2010-2014, sum of EU-28 MS (m€) – Oct.2015
Discrepancies of non-financial accounts (3) share of top 5 countries in total of the EU

Total absolute differences in the sum of the Member States in year 2014 = 338 billion Euro (2.4% of GDP)
Main issues (BoP/RoW) surveys possible explanation discrepancies given by EU Member States 2015
Discrepancies of non-financial accounts BoP vs. RoW sum of national data in the EU(4)

Total absolute differences in the sum of the EU Member States in year 2014 = 221 billion Euro (1.6% of GDP), in year 2015 = 298 billion Euro (2.0% of GDP),

Absolute discrepancies, 2010-2015, sum of EU-28 MS (m€) – Jan.2017
Discrepancies of non-financial accounts (5) share of top 5 countries in total of the EU

Total absolute differences in the sum of the Member States in year 2015 = 298 billion Euro (2,0% of GDP)
Main issues (BoP/RoW) surveys possible explanation discrepancies given by EU Member States 2017

- Reclassifications between services and goods, 4.4%
- Errors identified, 1.6%
- Different interpretation of standards, 1.0%
- Different coverage, 0.3%
- Other, 0.9%
- Different balancing and reconciliation practices, 5.1%
- Different estimation methods, 6.0%
- Methodological differences, 10.8%
- Vintage and revision differences, 38.1%
- Different data sources, 31.8%
The impact of revisions

Absolute discrepancies, 2010-2015, sum of EU-28 MS (m€)
### Opposite signs – 5 incidences in 2015

<table>
<thead>
<tr>
<th>Item</th>
<th>Member State</th>
<th>b.o.p. balance (m€)</th>
<th>ROW balance (m€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods</td>
<td>Luxembourg</td>
<td>-2 612</td>
<td>+1 651</td>
</tr>
<tr>
<td>Services</td>
<td>France</td>
<td>+8 803</td>
<td>-8 841</td>
</tr>
<tr>
<td>Primary income</td>
<td>Belgium</td>
<td>-869</td>
<td>+149</td>
</tr>
<tr>
<td>Secondary income</td>
<td>Poland</td>
<td>-848</td>
<td>+3 148</td>
</tr>
<tr>
<td>Capital account</td>
<td>France</td>
<td>+2 075</td>
<td>-114</td>
</tr>
</tbody>
</table>
Compiling European sector accounts (1)

1. Member States' data including estimations of missing variables
2. Convert into Euro
3. Addition of the European institutions
4. Removing the intra flows based on BoP data
5. Rebalancing (consolidation) of the European accounts
The rest of the world data (1)

National accounts  RoW = BoP
extra and intra flows

European sector accounts need only the extra flows of the BoP
Impact of the rest of the world data on other sectors due to the balancing procedures (2)

- The European sector accounts are not the sum of national accounts transmitted by the Member States and imbalances mainly caused by cross border flows need to be eliminated.
- Removing the intra flows discrepancies have impact on the key indicators through the balancing (allocation) procedures.
CONCLUSION from the surveys and data confrontation (1)

• Active monitoring of consistency
• Organisational impact-national coordination issues, integrated compilation
• Synchronization of production and revision cycles
• Mediating between national counterparts
• Methodological follow up in BPM and ESA revisions
• Forthcoming work to eliminate BoP/RoW inconsistencies at the national level would (hopefully) have a positive impact on cross border consistency when compiling the EA/EU aggregates