



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

Item 2

Peter GAL, C2

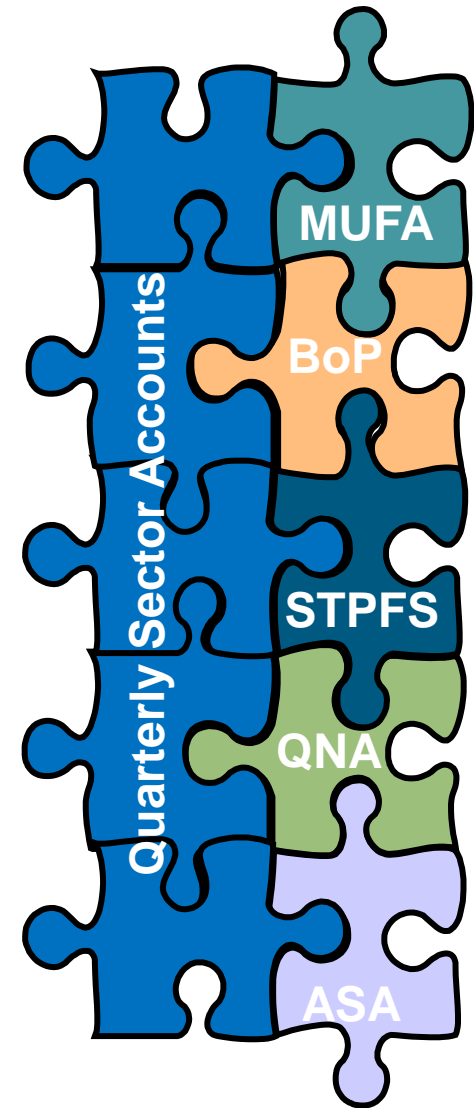
Based on the work of C5 and Robert OBRZUT

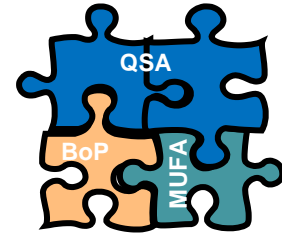
**Primera Reunión sobre armonización de Cuentas Nacionales (CCNN) ,
Balanza de Pagos y Posición de Inversión Internacional (BP y PII) en el
marco del SCN 2008 y el MBP6**

Brasilia- Brasil, 27-29 de Junio de 2017

CONTENT

- History and legal basis BoP and RoW
- Scope of the exercise
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- Conclusion

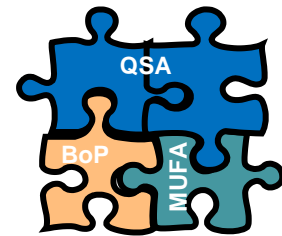




HISTORY AND LEGAL BASIS (1)

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

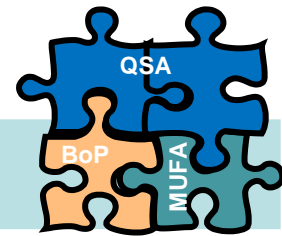


HISTORY AND LEGAL BASIS (2)

Legal Basis

- ESA 2010 Chapter 18 based on SNA2008
 - Rest of the World
- BPM6 Appendix 7
 - Balance of Payments

requires full consistency!

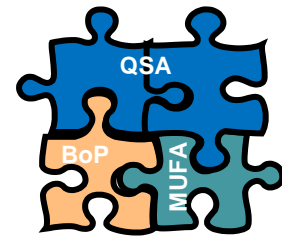


Discrepancies of non-financial accounts (1)

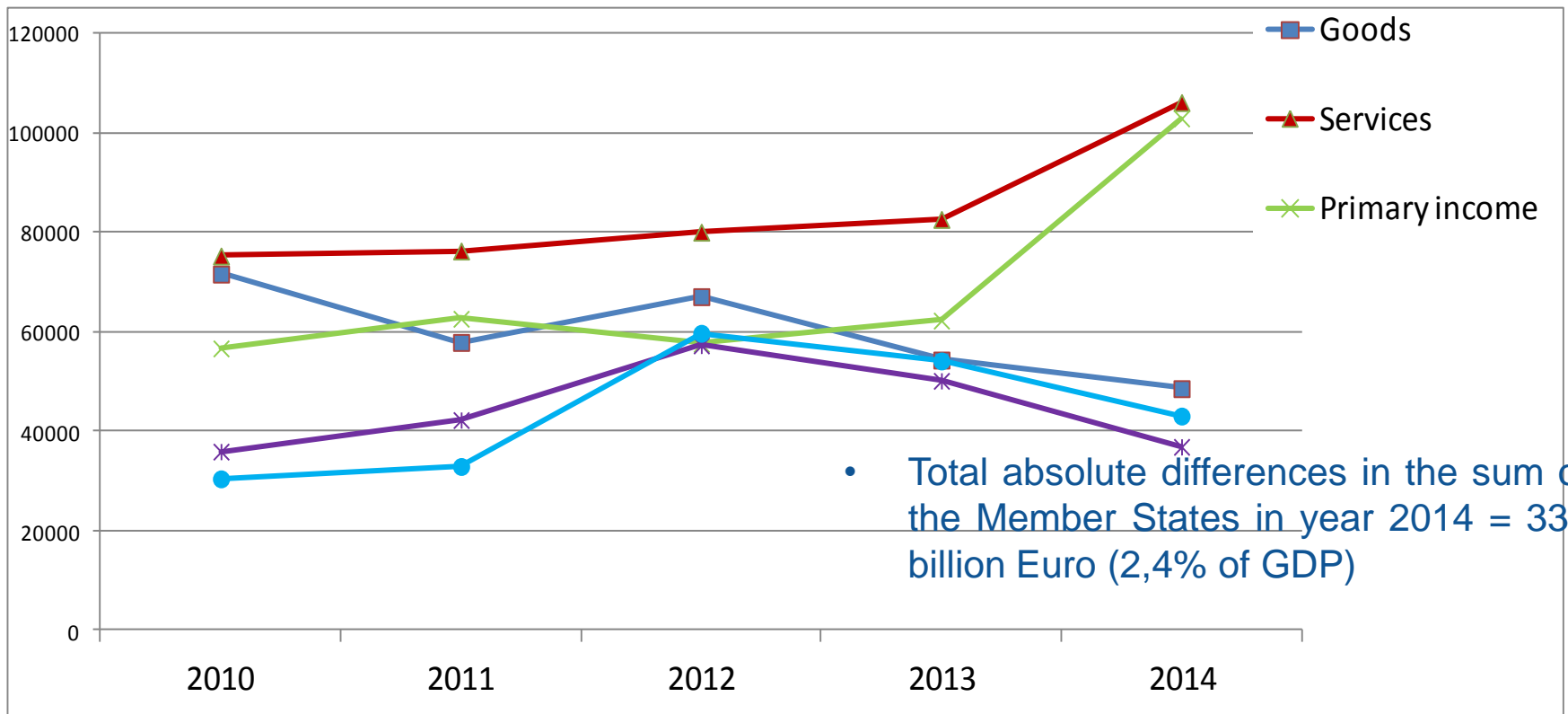
BOP component	NA item	Description
Goods	P61	Exports of goods
	P71	Imports of goods
Services	P62	Exports of services
	P72	Imports of services
Primary income	D1	Compensation of employees
	D2	Taxes on production and imports
	D3	Subsidies
	D4	Property income
Secondary income	D5	Current taxes on income and wealth
	D6	Social contributions and benefits
	D7	Other current transfers
	D8	Adjustment for the change in pension entitlements
Capital account	D9	Capital transfers
	NP	Acquisition less disposal of non-financial non-produced assets



European Commission



Discrepancies of non-financial accounts BoP vs. RoW sum of national data in the EU(2)

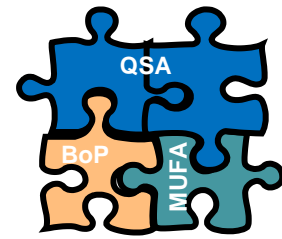


Absolute discrepancies, 2010-2014, sum of EU-28 MS (m€) – Oct.2015

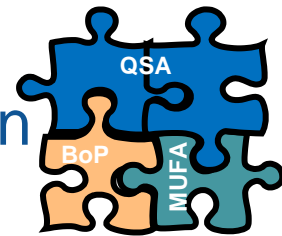


European Commission

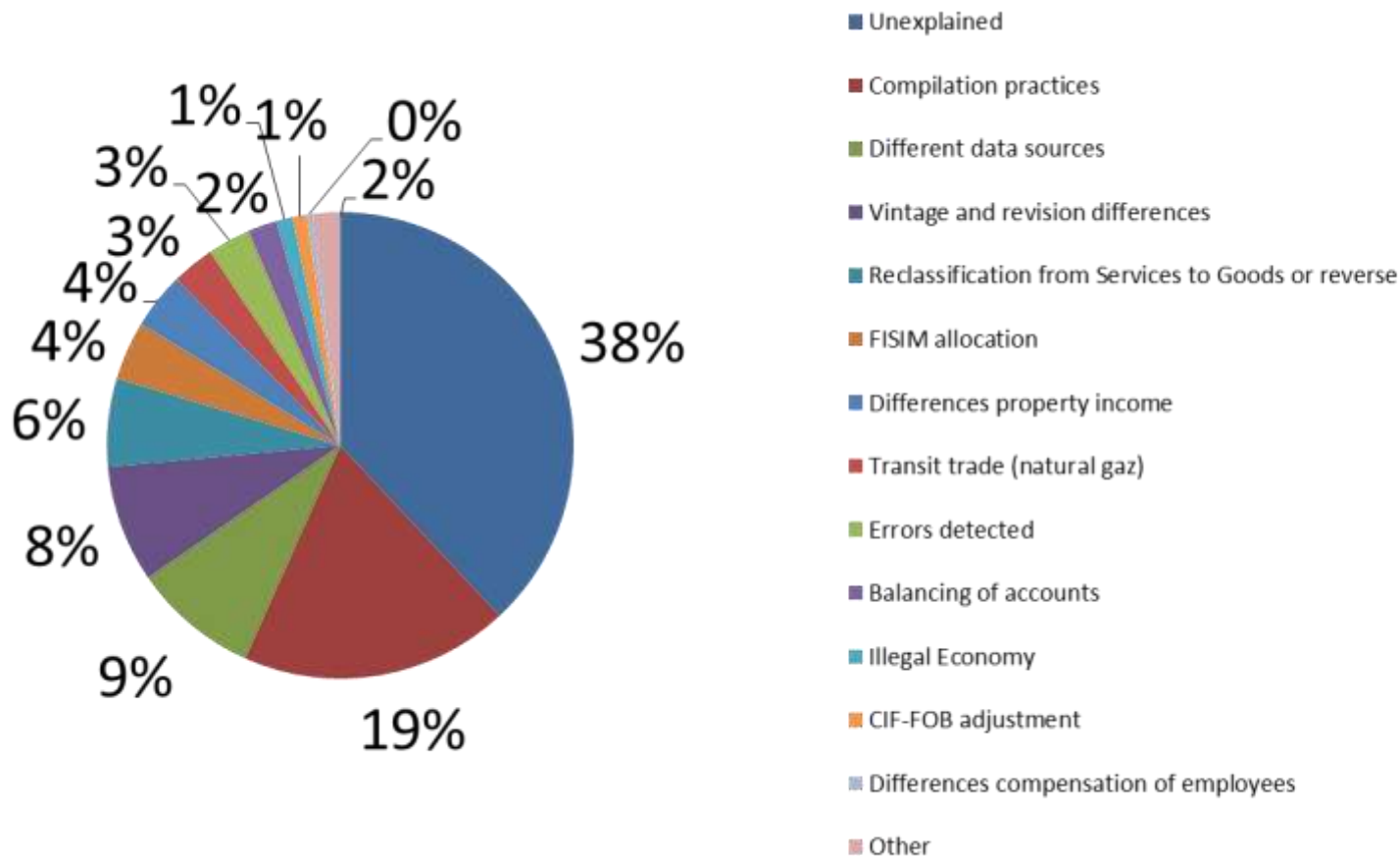
Discrepancies of non-financial accounts (3) share of top 5 countries in total of the EU



Total absolute differences in the sum of the Member States in year 2014 = 338 billion Euro (2,4% of GDP)

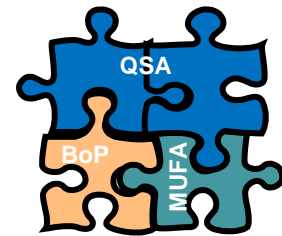


- Main issues (BoP/RoW) surveys possible explanation discrepancies given by EU Member States 2015

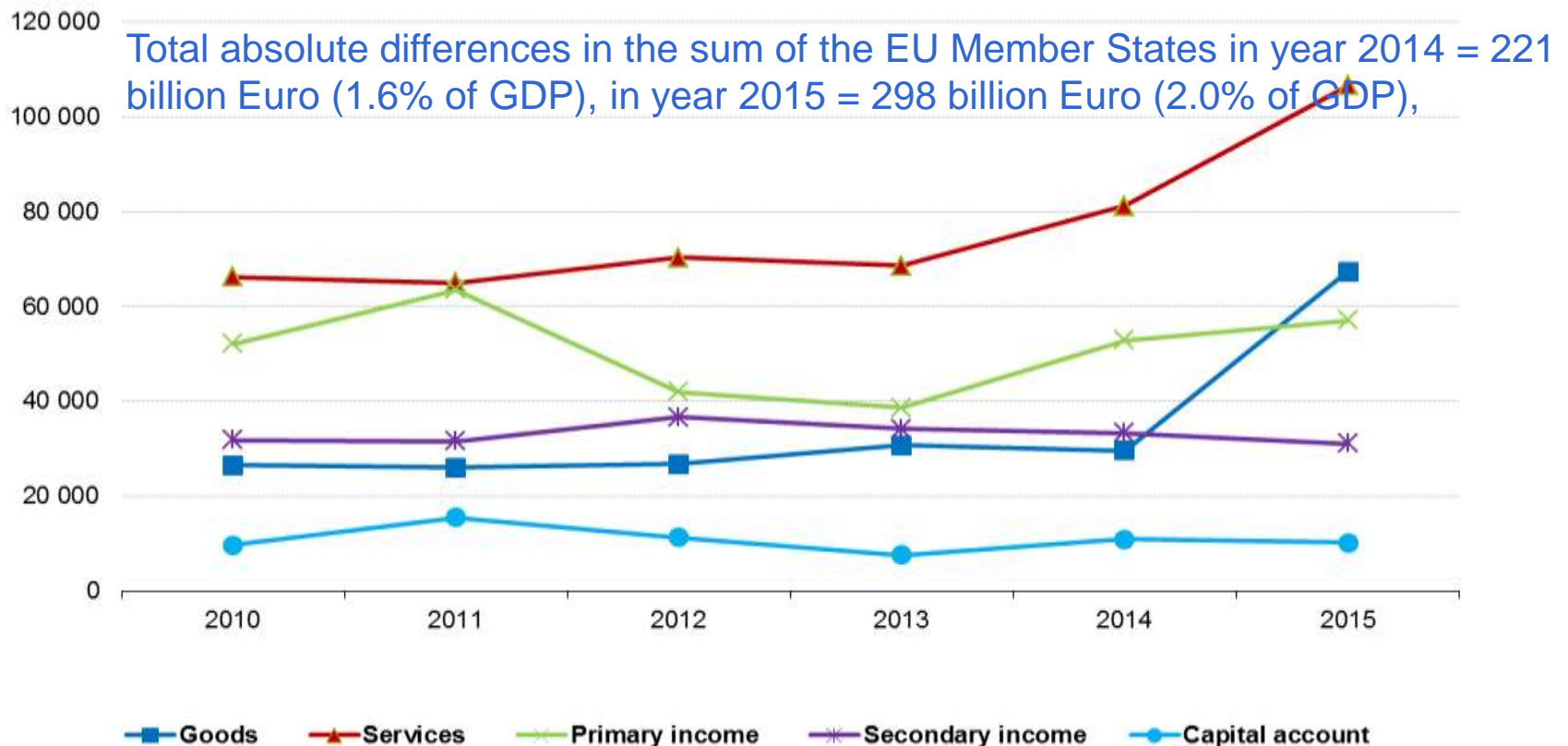




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Discrepancies of non-financial accounts BoP vs. RoW sum of national data in the EU(4)

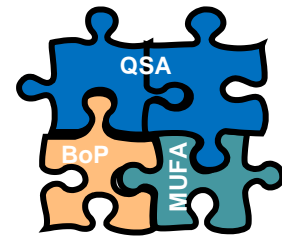


Absolute discrepancies, 2010-2015, sum of EU-28 MS (m€) – Jan.2017

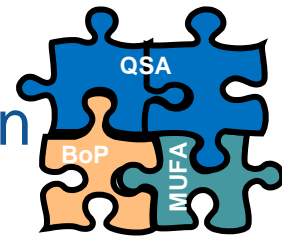


European Commission

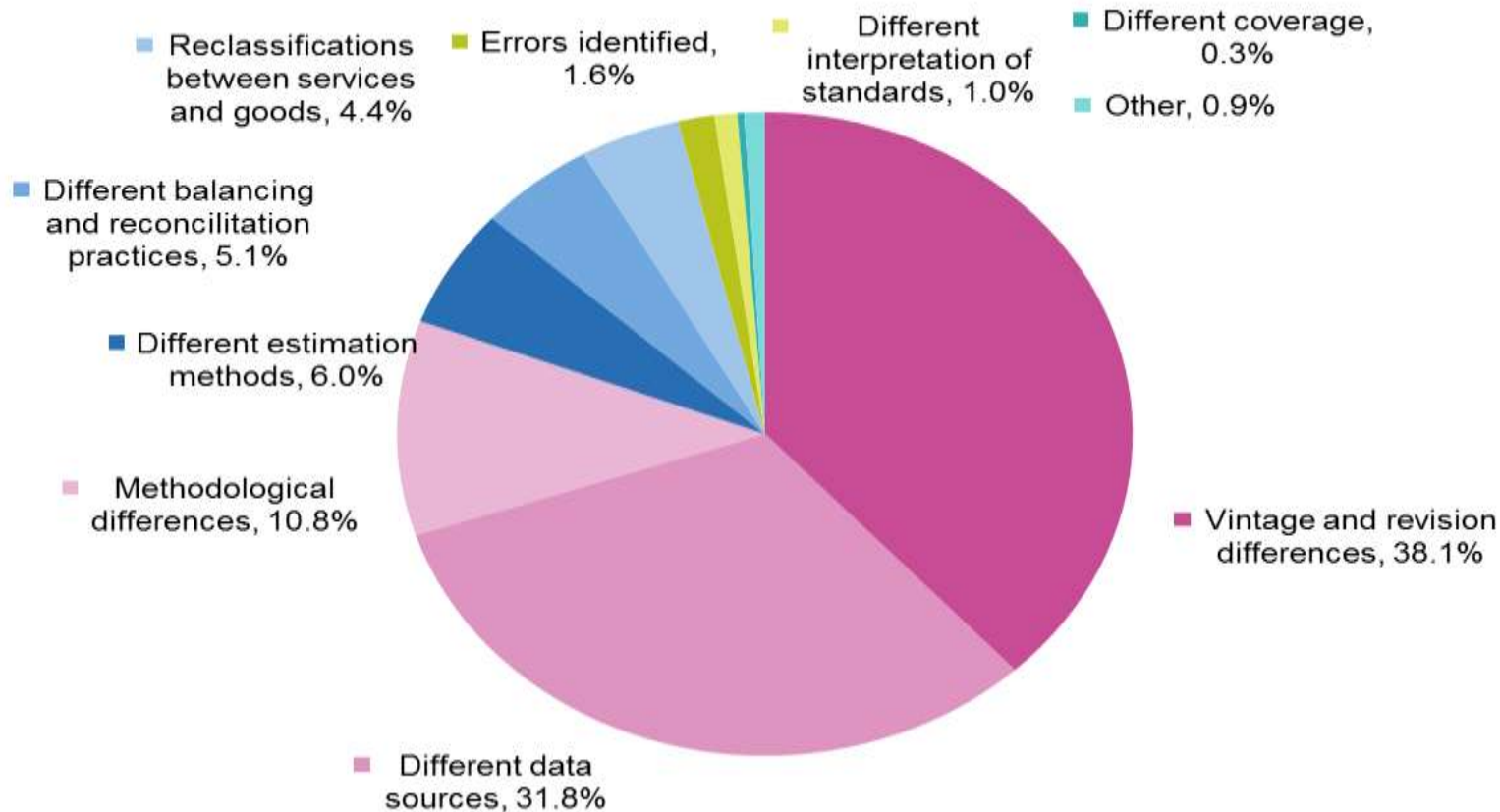
Discrepancies of non-financial accounts (5) share of top 5 countries in total of the EU



Total absolute differences in the sum of the Member States in year 2015 = 298 billion Euro (2,0% of GDP)

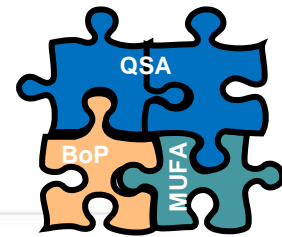


- Main issues (BoP/RoW) surveys possible explanation discrepancies given by EU Member States 2017

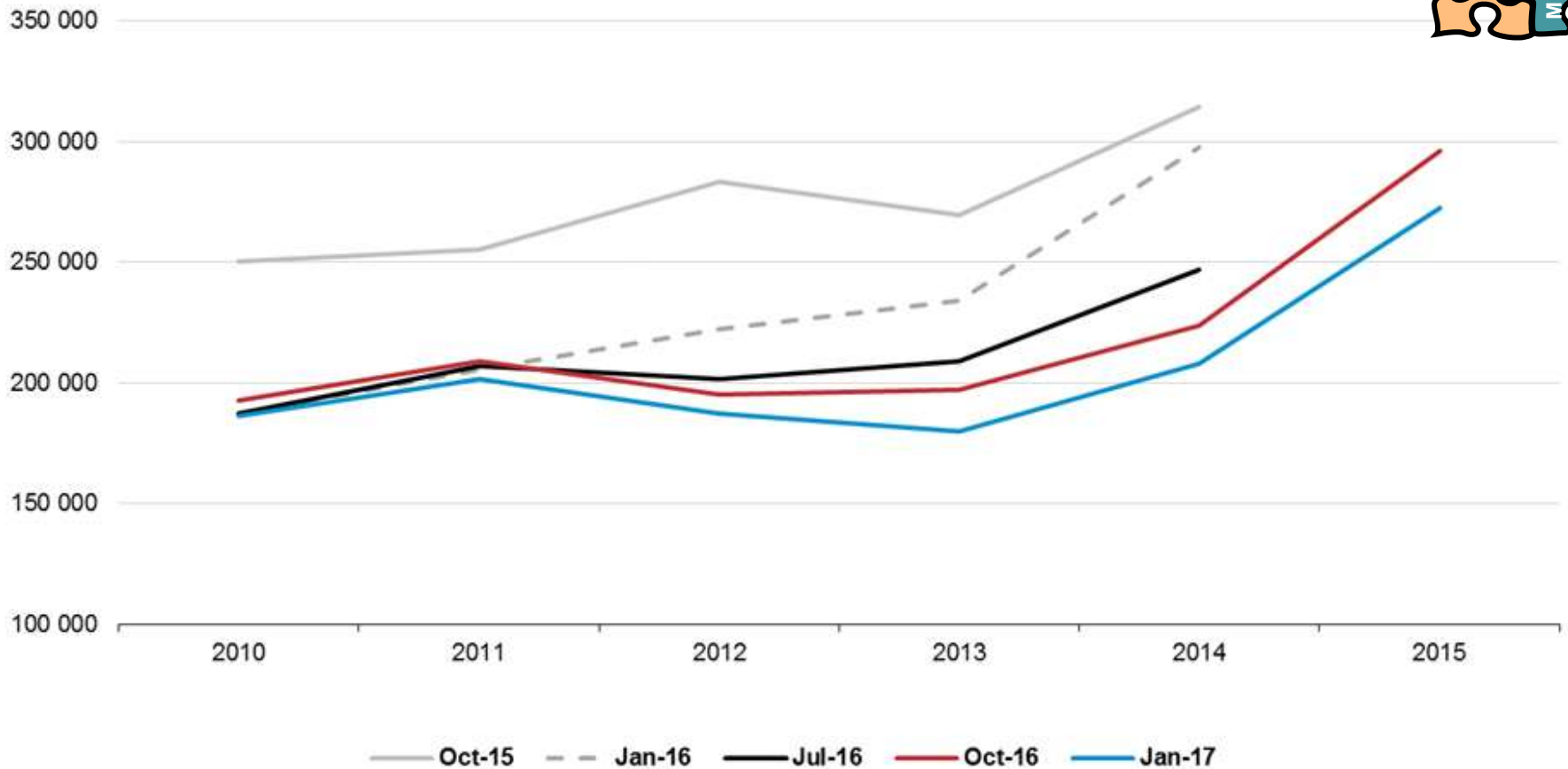




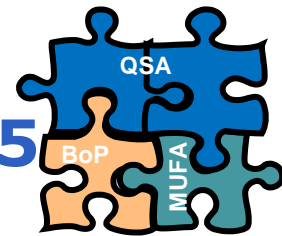
European
Commission



The impact of revisions

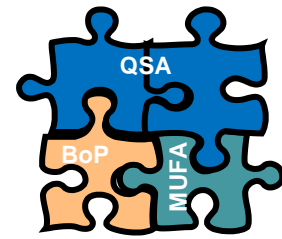


Absolute discrepancies, 2010-2015, sum of EU-28 MS (m€)



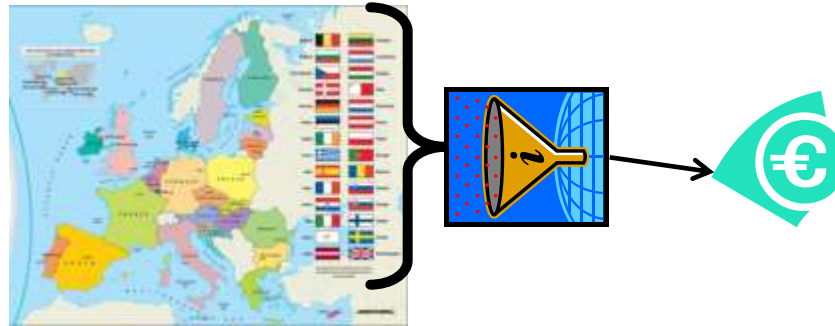
Opposite signs – 5 incidences in 2015

Item	Member State	b.o.p. balance (m€)	ROW balance (m€)
Goods	Luxembourg	-2 612	+1 651
Services	France	+8 803	-8 841
Primary income	Belgium	-869	+149
Secondary income	Poland	-848	+3 148
Capital account	France	+2 075	-114



Compiling European sector accounts (1)

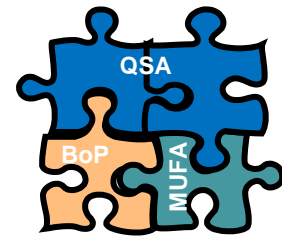
1. Member States' data including estimations of missing variables
2. Convert into Euro



3. Addition of the European institutions

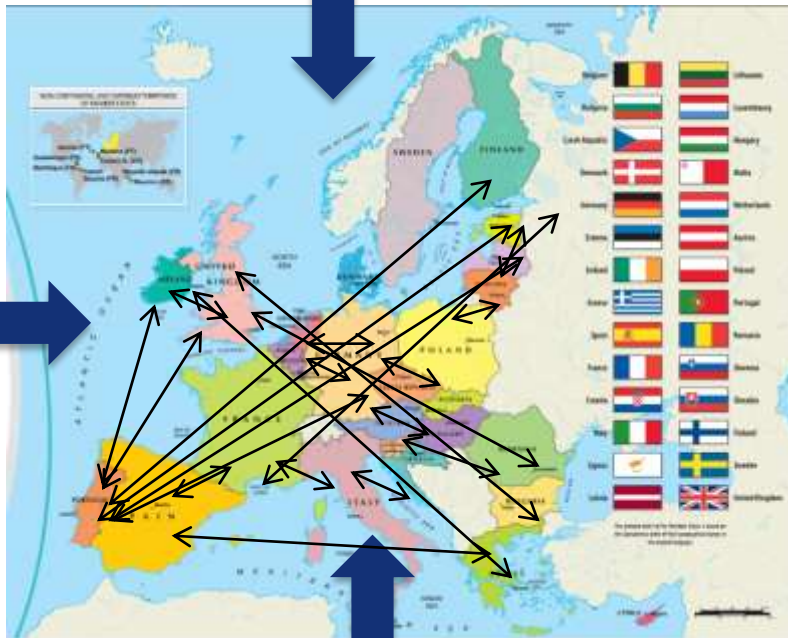


4. Removing the intra flows based on BoP data
5. Rebalancing (consolidation) of the European accounts



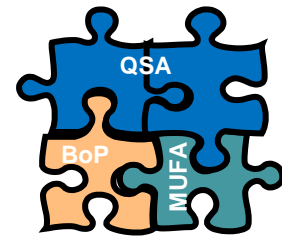
The rest of the world data (1)

National accounts RoW= BoP
extra and intra flows



European sector accounts need
only the extra flows of the BoP



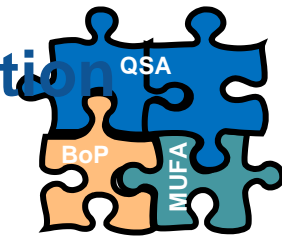


Impact of the rest of the world data on other sectors due to the balancing procedures (2)

- 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