Consistency in Balance of Payments and Rest of the World possible reasons and a country integration project in the EU
Item 4
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Based on the work of C5 and Robert OBRZUT
CONTENT

• Inconsistencies between National Accounts and Balance of payments the possible reasons in the EU
• Ensuring consistency a way forward: a country example BOP / NA integration project
• Recommendation
Main issues (BoP/RoW) surveys possible explanation to 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%
Methodological differences (1)

- **Primary income**: 38.1%
- **Secondary income**: 20.0%
- **Capital account**: 4.5%
- **Goods**: 1.3%
- **Services**: 36.2%
Methodological differences highlights (2)

- BPM6 and SNA provide different guidance for the coverage of transportation costs and different **CIF/FOB imputation** practices generate discrepancies.

- The requirement of exhaustiveness for the compilation of **illegal trade** is not fully complied.

- SNA/ESA do not include a concept and an explicit definition of “**travel**”

- SNA/ESA do **not** include a concept like “**government goods and services**” in BoP.
Methodological differences highlights (3)

• SNA/ESA and BPM6 are not precise enough and show methodological discrepancies in the recording of transactions related to package tour expenditures.

• Conceptual discrepancies between ESA and BPM6: FIs definition; treatment of interbank loans and negative FISIM. ESA and BPM6 provide different guidance for computation of external reference rates.

• in some extent, BoP and NA do not have a consistent statistical treatment of SPEs.
Country A integration example (1)

• In 2013, it was decided that external statistics (BoP, IIP) were to be moved from Bank to Statistics Institute

• In the transitory phase (2014 - 2016) they have been compiling these statistics in the NSI using Bank’s system remotely

• In 2017, BoP compilation will be completely integrated into NA compilation system
The integration project country A(2)

Pre-assessment project
Gave proposals for planning of the IT project

Implementation project
Launching integrated BoP compilation in line with the organization

Integration project
- IT system, source data processing, compilation schedule, revision policy

- Project manager, 4 product owners, project secretary, 3 architects, 8 software developers, numerous experts from both BoP and NA units

- Budget around 900,000 € and 13-person-years over slightly less than two years
The integration project country A (3)

Integration will bring great benefits:
- Harmonized compilation schedule will notably reduce vintage differences.
- Automated data transfers ensure consistency.
- Shared processes and work community of NA and BoP staff contribute to better quality.
- Integrating BoP into existing NA system is probably easier than building a whole new system for the two statistics.
- Integrated compilation process requires extensive planning and some speeding-up of compilation processes.

BUT
- A very large amount of work.
- The project demands both technical and substance expertise => personnel risks are notable.
The integration project, lessons learned country A (4)

- Integrating BoP into existing NA system is probably easier than building a whole new system for the two statistics
- If they achieve to integrate the compilation and publication timetables, there should not be vintage differences
- Integrated compilation process requires extensive planning and some speeding-up of compilation processes
Country B integration example (1)

• BOP/IIP compilation (Bank)
Since 2003 based on direct reporting of transactions and stocks by all sectors (but households), with full geographical detail, on a monthly basis. Some additional reporting on FDI earnings and FDI stocks annually.

Sector accounts compilation (Statistics Institute)
• Quarterly and annual cycles integrating multiple sources (surveys as well as administrative), including information from the Bank concerning financial sectors and BOP/IIP. Financial as well as non-financial accounts.

Significant differences between BOP/IIP and ROW account due to:
• Different (use of) sources
• Adjustments to integrate ROW data in sector accounts
• Different revision practices (actuality vs. continuity)
The integration project country B (2)

Full consistency between BOP and ROW-account as integrated statistics

- A new survey for all financial sectors (operated by the Bank) and NFCs (operated by Statistics Institute) serving sector statistics, sector accounts and the BOP/IIP. Surveys are primarily based on statistical definitions from ESA2010/BPM6
The integration project country B (3)

Full consistency between BOP and ROW-account as integrated statistics

- The Bank responsible for compiling financial sectors (“ESA-compliant”), The Statistics Institute for non-financial sectors and overall set of sector accounts. Joint responsibility for the ROW account and BOP/IIP on a quarterly and annual basis

- Joint integration of BOP and ROW account within sector accounts. Close cooperation of National accounts experts, BOP/IIP experts as well as financial sector experts in integration process is expected to foster the quality of both institutions’ statistics
The integration project country B

lessons learned conclusion (4),

• The Bank and Statistics Institute's management has committed to realise full consistency between the country BOP/IIP and ROW account, giving one uniform message to users
• Quality of financial sector statistics, sector accounts and BOP/IIP is expected to improve by close cooperation of NA experts and Bank experts in the sector accounts integration
• Processes will be aligned and more efficient
• The bank and Statistics Institute will spend much less time comparing and reconciling double reported data
• Respondents have to complete only one survey (which is a bit more elaborate)
• Clear choice for focusing on quarterly data of good quality, supplemented with monthly trade in goods, MFI and securities statistics
Recommendation for the way forward

- 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