



EUROPEAN CENTRAL BANK

BALANCE OF PAYMENTS STATISTICS

AND EXTERNAL RESERVES DIVISION

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**DEVELOPMENTS IN BALANCE OF PAYMENTS AND
INTERNATIONAL INVESTMENT POSITION STATISTICS
IN THE EUROPEAN CONTEXT**

For information of the IMF BOP Committee

1. In line with the agreements reached since January 2001 by the Working Group on Balance of Payments and External Reserves Statistics (WG-BP&ER) and the ESCB¹/Statistics Committee (STC), the following projects have recently been implemented or will be addressed in the coming months.

**CONCEPTUAL WORK IN THE CONTEXT OF THE DISCUSSION ON THE
FUTURE OF B.O.P./I.I.P. DATA COLLECTION SYSTEM**

Task Force on Portfolio Investment Collection Systems (TF-PICS)

2. In its first meeting, the TF-PICS founded two subgroups to study features of data collection systems based on (i) direct and (ii) indirect reporting. These reported in April 2001 and five follow-up groups were established. A maximum of three data collection models are currently being investigated in a “merits and costs” analysis, under current output requirements. At its May 2001 meeting, the WG-BP&ER encouraged the TF-PICS to continue working in this direction, somewhat more emphasising the knowledge of and possible reporting by custody industry, the approach to break down transactions and positions between direct and portfolio investment, and the way to overcome coverage gaps on assets side (e.g. households’ holdings). The final report by the TF-PICS to the WG-BP&ER is planned for January 2001. The STC is expected to consider the report in its February 2002 meeting.

¹ The European System of Central Banks is composed of the European Central Bank (ECB) and the national central banks of all 15 European Union Member States

Workshop on foreign direct investment (FDI)

3. The workshop on direct investment in April 2000 has resulted in further harmonised treatment of complex transactions; in this context, a regular bilateral exchange of information for direct investment transactions above a certain threshold was encouraged among euro area/EU Member States, though some EU-wide legal coverage may be needed. A second workshop focusing on issues related to stocks in equity capital and the treatment of “other capital”, including the directional principle is planned for December 2001.

4. A task force on FDI is likely to be commissioned next year in co-operation with Eurostat and the BOP Working Party. The mandate for this task force would be considered by the WG-BP&ER in due course pending on the preliminary outcome of the workshop. The mandate would include the following topics: sharing of information on mergers and acquisitions; FDI stocks valuation; business case for a legal provision covering the exchange of information within the European statistical community; and best practice on reinvested earnings, plus possibly the actual treatment of the “directional principle”.

Quality of the euro area b.o.p./i.i.p. statistics

5. With a view to clarifying the framework for new or revisited b.o.p./i.i.p. data collection systems in EU Member States, the ECB and the Commission are jointly working to set up minimum quality standards, based on agreed definitions², in close co-ordination with the BOP Working Party and the WG-BP&ER. An ECB paper on the definition and measurement of quality was discussed at the WG-BP&ER meeting in November 2000 with the conclusion that data quality should be measured, to the extent possible, or assessed in the dimensions of *accuracy*, *stability*, *consistency* (internal and external) and *plausibility* under the required *timeliness*. In its February 2001 meeting, the WG-BP&ER principally agreed on developing and monitoring indicators for these dimensions, in part or in full, in order to assess the quality of data contributions to the euro area aggregates already in the context of the current data collection systems. In addition, a fact finding exercise was carried out on Member States' national practices and experiences in dealing with data quality. The ECB has developed, as a contribution to this overall framework, an indicator to assess the stability of the euro area aggregate and data submissions to the ECB.

COMPILATION OF THE EURO AREA AGGREGATES

“MFI/non-MFI” split on a monthly basis

6. Following the regular production of a “Monetary Financial Institutions (MFI)/non-MFI” split on a monthly basis for direct investment as from mid-June 2001, a similar split, including (i) monetary authorities, (ii) MFIs and (iii) non-MFIs, has been agreed by the WG-BP&ER for portfolio investment and is planned to be implemented from early 2002.

² The work done by the IMF on data quality came in parallel and served as backbone to set up a consistent framework.

Enlargement of the euro area

7. From January 2001 onwards, the b.o.p. and related statistical data refer to the Euro 12 (euro area plus Greece). In order to allow a comparison of the current and financial accounts for the Euro 11 and Euro 12, Greece and the former euro area countries provided the ECB with the data necessary for the construction of the Euro 12 aggregates relating to the years 1999 and 2000 for all b.o.p. items. Back data for the b.o.p. current and capital account are shown from 1997. I.i.p. data will be published for Euro 12 in November 2001.

Geographical breakdown of the euro area b.o.p./i.i.p. statistics

8. According to the ECB Guideline on b.o.p./i.i.p. and international reserves statistics (ECB/2000/4), the relevant geographical breakdown for extra-euro area transactions/positions geographically broken down (so-called “step 3” approach) should be defined in the course of 2001. In this respect, the ECB's Balance of Payments Statistics and External Reserves Division (ST/BP) run a fact-finding exercise in order to get a precise picture of the available country breakdowns in Member States and the deadlines to be envisaged for the implementation of step 3 data for b.o.p. flows. Level of breakdown for the various b.o.p./i.i.p. items at the quarterly and annual frequency, and overall timetable were discussed in a workshop held on 5 September 2001. Besides, most EU Member States have also agreed to participate in the Co-ordinated Portfolio Investment Survey 2001.

Seasonal adjustment

9. The seasonal adjustment of the euro area b.o.p. current account has now been carried out along the broad lines set out in the report³ on monetary aggregates and HICP agreed by the STC (and forwarded to the CMFB⁴). The approach followed is the indirect adjustment of the total current account, i.e. by calculating the seasonal adjustment for each sub-item, credit and debit, and then accumulating them; the net figures are obtained by using credits and debits of each item. The seasonal adjustment for the goods and services includes a working day (including Easter effect) adjustment. The seasonal adjustment of the total current account is carried out indirectly by aggregating the seasonally-adjusted euro area series for goods, services, income and current transfers. Direct adjustment on the current account results, in practice, in small differences. Seasonal factors will be revised at annual intervals, or when required. The method applied will ensure internal consistency in the presentation of the data. No adjustments have been done to equal seasonally-adjusted and non-seasonally-adjusted annual data. X12-ARIMA is used as the main tool to implement the analysis, whereas TRAMO/SEATS is used for checking purposes. The data for Euro 12 are published from July 2001.

³ See ECB Monthly Bulletin Table 8.2.2 and ECB web site, section Statistics.

⁴ The Committee for Monetary, Financial and Balance of Payments Statistics is composed of senior statisticians from national central banks and national statistical institutes from the 15 EU Member States, European Economic Area (EU + Iceland, Liechtenstein and Norway), from international organisations such as the European Commission (Eurostat), the ECB, IMF, OECD and BIS and, as observers, from EU candidate countries (Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovenia, the Slovak Republic and Turkey).

Revision practice

10. The WG-BP&ER discussed changes in the revision practice and supported the idea of revising (i) monthly data on the occasion of the publication of the corresponding quarterly data, (ii) quarterly data on the occasion of the publication of the following quarter, together with the related months and (iii) annual data in September, i.e. quarters and months of the corresponding year, in connection with the submission of (i.i.p. data. Moving to this direction may foster consistency with the practices followed by Member States in the provision of data to other international organisations, in particular the Commission (Eurostat) and IMF. The amended revision practice for the euro area aggregate has been approved by the WG-BP&ER. Accordingly, on 30 July 2001, revisions were published for the fourth quarter of 2000 (incl. the corresponding months) and for the monthly data relating to January to March 2001.

ADDITIONAL CONCEPTUAL WORK ON B.O.P./I.I.P. AND INTERNATIONAL RESERVES STATISTICS

Application of the accruals principle

11. The WG-BP&ER has examined features with regard to the practical application of the accruals principle in Member States. Recommendations for improvement were principally agreed but seen as difficult to be implemented in the context of current data collection. Further work on accruals, possibly through a task force, is foreseen at a later stage, once the conclusions of the TF-PICS are available (see above paragraph 2).

Valuation methods for FDI stocks

12. Concerning the valuation of FDI stocks for the compilation of aggregates under the national (so called “step 1”) approach, the WG-BP&ER has agreed on the use of extended book values, which include the total amount of own funds of a company, as the only possible harmonised valuation method for euro area FDI stocks at present (end-2000 positions). For the compilation of aggregates in the long run, the STC decided that listed companies will be valued on the basis of stock exchange prices, whereas non-listed companies will continue being valued using book values. The WG-BP&ER currently investigates the feasibility of continuing compiling book values for listed companies that would be shown as a memorandum item. In addition, the WG-BP&ER also assesses, in co-ordination with colleagues involved in Monetary Union financial accounts (euro area “flow of funds”), the best practice(s) for estimating the market value of unlisted companies (also to be shown as a memorandum item).

CENTRALISED SECURITIES DATABASE PROJECT

13. The Feasibility Study Document for the Centralised securities database (CSDB) was approved by the ECB's Project Steering Group in early June 2001. Furthermore, work following the invitation to tender for the CSDB system is ongoing with the short-list of bidders; and discussions with various potential data sources (including commercial data providers) are being carried out. Subject to the final approval of the

project, the CSDB system is planned to be developed in the first half of 2002. The European System of Central Banks is closely involved in the project and Eurostat and National Statistical Institutes may be granted access to the database in due course, where relevant.

B.O.P. BOOK

14. The 2001 edition of the ECB publication "European Union Balance of Payments/International Investment Position Statistical Methods" (so-called "B.o.p. Book") was released in November 2001, providing in particular further information on the current account and including issues relating to the financial account where further methodological harmonisation has been achieved.

CO-OPERATION WITH ACCESSION COUNTRIES

15. A manual similar to the "B.o.p. Book" is currently being drafted in close co-operation with the national central banks of the accession countries. Moreover, the ECB has set up a timetable for visiting these countries by the end of 2003 with the aim of better understanding their compilation systems. Finally, another seminar with accession countries in the field of b.o.p., external reserves and i.i.p. statistics was held in Frankfurt in November 2001.