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Bilateral Asymmetries Between EU and US: Basic Features

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BILATERAL ASYMMETRIES BETWEEN EU AND US: BASIC FEATURES¹

INTRODUCTION

This paper focuses on the EU's current international transactions with the USA:

- for the main items of the *current account*,
- for credit, debit and net flows,
- for the period 1999 to 2001.

This preliminary exercise presents basic features of the discrepancies observed annually between EU data compiled by Eurostat and US data published by the BEA.

FEATURES

The *current account* of the EU with the USA registered an increasing surplus along the period 1999 to 2001, according to the latest figures published by Eurostat and the BEA. The net asymmetry (measured as the balance reported by the USA minus that reported by the EU) was positive in all three years, meaning that the deficit reported by the USA was higher than the surplus declared by the EU.

The total net asymmetry (*current account*) should however be considered cautiously because of the *income* component, whose methodology prevents bilateral comparisons between EU and US figures (see note (5)). As a matter of fact, in the period considered, the discrepancies between EU and US reported data show a significant instability in the balance: the *income* net asymmetry, (reaching EUR 12.3 bn in 2001 up from -3.3 bn in the previous year) was the main responsible for the dramatic increase in the asymmetry of the current balance, from EUR 4.0 bn to EUR 14.0 bn.

For the other components of the *current account*, the asymmetry was somehow steady along the three-year period.

The net asymmetry in goods averaged EUR 18 bn in the period 1999-2002. The bilateral deficit reported by the USA in trade in *goods* tends to be considerably higher than the EU surplus (in 2001, EUR 71.1 bn as compared to a surplus of 52.0 bn declared by the EU). This resulted from the fact that:

- for EU exports:

the amounts reported by the USA were 4% higher than those of the EU in 2000 and 2001 (difference of EUR 9.7 and 10.4 bn respectively), and relatively close to EU data in 1999,

¹ This paper was drafted by Yann Marcus for Eurostat in co-ordination with Elena Caprioli (Eurostat, Unit B5).

- for EU imports:

US data were between 5% and 7% lower than those of the EU. The difference ranged between EUR -8.7 bn and EUR -14.0 bn.

The net asymmetry in *services* (EUR -14.9 bn on average) tended to offset that of *goods*. It displayed a regular increase from EUR -12.2 bn to EUR -16.9 bn between 1999 and 2001.

These discrepancies in the balance hide higher asymmetries in gross flows, for which US reported data were constantly lower than those of the EU. The average annual discrepancy was EUR -33.3 bn for EU exports and EUR -18.4 bn for EU imports. With respect to gross flows, the item *services* is the component of the *current account* registering the highest average asymmetry (with the exception of *income*, see above).

Within *services*, all gross flows (both exports and imports) reported by the EU are larger than US mirror data for all three components (*transportation*, *travel*, and *other services*). For *transportation* and *travel*, the average annual asymmetry between US and EU figures were respectively EUR -5.8 bn and -5.3 bn for the EU's credits and EUR -7.1 bn and EUR -1.5 bn for debits. In general, the harmonisation of US *travel* data (see note (4)) would probably reduce the asymmetry, although it may not be the case on the debit side where discrepancies are remarkably low.

The asymmetry was particularly high for the item *other services*: it averaged EUR -22.3 bn for the EU's exports and -9.8 bn for imports. The situation would even get worse if we considered that some reclassifications (described in notes (3) and (4)) should be operated from *other services* to *goods* and *travel* for US data to comply with IMF guidelines.

As it was suggested above, *income* data reflect mostly *investment income* flows for which comparisons are not feasible between US and EU sources. As regards *compensation of employees*, 2001 data are not yet available for the EU. From the two periods available, one can observe that in both credit and debit, transactions reported by the EU are relatively much larger than those of the USA: the latter represented around 20% of the former for EU credits, and 8% for debits. The amounts involved are however relatively low and their impact on the total current balance remains limited.

Only net flows are available from the BEA for *current transfers*. This component shows a relatively important asymmetry but the balances reported by both institutions are so close to equilibrium that it shall not be considered significant. An analysis of bilateral gross flows would be more relevant.

CONCLUSION

Eurostat thinks that these differences, especially for *services*, would be worthwhile addressing in an in-depth study co-ordinated between Eurostat and the BEA.

CREDIT EU WITH USA

(EUR Bn)

Post		Flows			Source USA as a % of EU reported data (2)			Av. asy. (2)
Item	Source (1)	1999	2000	2001	1999	2000	2001	99 - 01
Current account	EU	377,6	483,8	479,7				
	USA							
Goods (3)	EU	180,7	228,4	234,6				
	USA	182,6	238,1	245,1	101%	104%	104%	7,4
Services	EU	95,1	120,6	120,5				
	USA	65,1	88,8	82,3	68%	74%	68%	-33,3
Transportation (3)	EU	22,8	30,1	31,0				
	USA	17,7	25,2	23,7	77%	84%	77%	-5,8
Travel (4)	EU	21,8	27,4	27,3				
	USA	17,1	22,4	21,3	79%	82%	78%	-5,3
Other services (3)(4)	EU	50,6	63,0	62,2				
	USA	30,3	41,2	37,3	60%	65%	60%	-22,3
Income	EU	91,2	121,3	112,0				
	USA	113,5	152,8	136,1	125%	126%	122%	26,0
Compensation of employees	EU	2,3	2,6					
	USA	0,4	0,5	0,6	19%	20%		
Investment income (5)	EU	88,8	118,6					
	USA	113,1	152,3	135,5	127%	128%		
Current transfers	EU	10,7	13,5	12,5				
	USA							

DEBIT EU WITH USA

(EUR Bn)

Post		Flows			Source USA as a % of EU reported data (2)			Av. asy. (2)
Item	Source (1)	1999	2000	2001	1999	2000	2001	99 - 01
Current account	EU	346,3	433,3	425,8				
	USA							
Goods (3)	EU	149,0	189,9	182,6				
	USA	139,8	176,0	173,9	94%	93%	95%	-10,6
Services	EU	101,0	118,6	120,3				
	USA	83,2	102,3	99,0	82%	86%	82%	-18,4
Transportation (3)	EU	18,1	22,3	25,1				
	USA	12,9	16,0	15,3	71%	72%	61%	-7,1
Travel (4)	EU	23,1	26,1	25,4				
	USA	21,0	26,1	23,0	91%	100%	90%	-1,5
Other services (3)(4)	EU	59,8	70,2	69,8				
	USA	49,3	60,2	60,8	82%	86%	87%	-9,8
Income	EU	84,9	112,1	110,6				
	USA	104,6	147,0	122,5	123%	131%	111%	22,2
Compensation of employees	EU	1,7	1,9					
	USA	0,1	0,2	0,2	8%	8%		
Investment income (5)	EU	83,2	110,2					
	USA	104,5	146,9	122,3	126%	133%		
Current transfers	EU	11,4	12,6	12,3				
	USA							

NET EU WITH USA

(EUR Bn)

Post		Flows			Source USA - EU reported data (2)			Av. asy. (2)
Item	Source (1)	1999	2000	2001	1999	2000	2001	99 - 01
Current account	EU	31,4	50,5	53,9				
	USA	33,5	54,6	67,9	2,2	4,0	14,0	6,7
Goods (3)	EU	31,7	38,5	52,0				
	USA	42,8	62,2	71,1	11,1	23,7	19,1	18,0
Services	EU	-5,9	2,0	0,2				
	USA	-18,1	-13,5	-16,7	-12,2	-15,5	-16,9	-14,9
Transportation (3)	EU	4,7	7,8	5,9				
	USA	4,8	9,2	8,4	0,0	1,3	2,5	1,3
Travel (4)	EU	-1,4	1,4	1,9				
	USA	-3,9	-3,7	-1,7	-2,5	-5,1	-3,6	-3,7
Other services (3)(4)	EU	-9,2	-7,2	-7,6				
	USA	-18,9	-18,9	-23,5	-9,7	-11,7	-15,9	-12,4
Income	EU	6,3	9,1	1,4				
	USA	8,9	5,8	13,6	2,6	-3,3	12,3	3,8
Compensation of employees	EU	0,6	0,7					
	USA	0,3	0,4	0,4	-0,3	-0,3		
Investment income (5)	EU	5,7	8,4					
	USA	8,6	5,4	13,2	2,9	-3,0		
Current transfers	EU	-0,7	0,9	0,3				
	USA	-0,1	0,1	-0,1	0,6	-0,8	-0,4	-0,2

NOTES

(1) Source:

- EU: Eurostat B5 – data for 2001 are preliminary. Data for all three years will be revised by November;
- USA: Bureau of Economic Analysis (BEA) web site, table 10 of the international transactions accounts as of 20 June 2002.

Concerning the latter source (data reported by the USA):

- figures in table "Credit EU with USA" correspond to the debit reported by the USA with partner EU,
- "Debit EU with USA" to the reported credit and
- "Net EU with USA" to the opposite of the reported balance.

(2) Indicators

- Source USA as a % of EU reported data: ratio mirror data (source USA) to EU reported flow;
- Source USA - EU reported data: difference between EU's mirror balance (reported by the USA) minus EU's balance reported by the EU;
- "Av. asymmetry": average annual difference between mirror data (source USA) minus EU reported flow.

(3) Source USA: *goods procured in ports by carriers (goods)* are included in *transportation services*.

Source USA: *repairs on goods (goods)* are included in *other services*. An estimate of these amounts based on IMF data would be approximately:

- EUR 0.5 bn for US credit with the EU,
- no adjustment for US debit.

(4) Source USA: health-related expenditures, education-related expenditures, and business travel (travel) are included in *other services*. An estimate of these amounts based on additional detail on trade in services published by the BEA, and IMF data would be approximately:

- EUR 2 bn for US credit with the EU,
- EUR 1 bn for US debit with the EU.

(5) The methodology for the geographical breakdown does not allow for comparability of source: Data shown under the heading *investment income*, source USA, comprise *income receipts on US assets abroad* and *income payments on foreign assets in the US*. This concept differs from the principle in force in the EU, for which a large part of the *investment income* component reflects actual income flows, with the last known counterpart.