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**United Kingdom Current Account Asymmetries with the European Union**

**Prepared by the UK Office for National Statistics**

# UK Balance of Payments Current Account asymmetries with the European Union

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Current account asymmetries occur when one country's data does not correspond to the same data for the same transaction reported by its partner countries. The following analysis looks at asymmetries between the UK current account and the rest of the European Union (EU) based on data published in the *United Kingdom Balance of Payments Pink Book 2004*. The UK consistently reported lower current account credits and debits with the EU than were reported by EU countries with the UK. Asymmetries are not confined to countries within the EU. Some additional data is also presented regarding asymmetries between the UK and the US. The analysis explores asymmetries within components of the current account and looks at some of the reasons why asymmetries occur.

## Background

This article is the first in a series of annual reports on what are known as current account asymmetries. Trade and current account transactions are (in principle) reported twice, by both countries which are a party to the transactions. Asymmetries occur when one country's data does not correspond to the same data for the same transaction reported by its partner countries. For example, credits and debits reported by one country to and from another should, in theory, correspond with the debits and credits of that counterpart country. In reality, however, this is rarely, if ever, the case and in practice there exists a global current account asymmetry in that the sum of all countries' debits exceeds the sum of all countries' credits.

Asymmetries may be caused by a number of different factors including differences in the classification of items within the accounts, discrepancies in the time of recording transactions or may be a symptom of more serious problems such as the VAT Missing Trader Intra-Community fraud recently identified in goods statistics (Caplan, Ruffles, *et al.*, 2003).

International guidelines and standards exist to provide a common framework for the compilation of balance of payment statistics. Such publications include the International Monetary Fund's (IMF) Balance of Payments Manual (BPM5), Eurostat's European System of Accounts (ESA95) and the System of National Accounts (SNA93). The implementation of these standards across different countries aims to minimise asymmetries due to basic methodological differences. These guidelines, however, are still open to a certain degree of interpretation and it is likely that an element of systematic mis-reporting remains.

As guardian of the BPM5, the IMF tries to ensure that the guidance should result in symmetric balance of payments (BoP) reporting by all countries. They also take various initiatives to improve consistent reporting in specific areas; for example over 60 countries now participate annually in the global Co-ordinated Portfolio Investment Survey. The IMF collects data from all member countries and analyses the global aggregates for the main components of the balance of payments accounts. Total global credits for each component should equal total global debits. The IMF analyses the asymmetries by the global imbalance as a percentage of the gross transactions for each component. For 2002 the global current account asymmetry was about -0.5 per cent (debits higher than credits) – since 1997 it has fluctuated between 0.1 per cent to -0.7 per cent. The global goods asymmetry was around 0.2 per cent for 2002, fluctuating between 1.1 per cent and less than 0.1 per cent since 1997. The corresponding figures for the EU in 2002 are 0.8 per cent for the current account and 2.5 per cent for goods.

The following analysis looks at asymmetries between the UK current account and the rest of the European Union (EU). Credits and debits are analysed separately. Analysis is based on figures printed in the *United Kingdom Balance of Payments*

*Pink Book 2004*. Some additional data is also presented regarding asymmetries between the UK and the US. It will also summarise the work undertaken by HM Customs and Excise in recent years to investigate and address possible causes for asymmetries of trade in goods with the EU. Bilateral meetings with our European partners are often held to discuss potential causes of asymmetries in other BoP components.

## Data

Data for the European Union has been supplied by Eurostat and relates to data for 1999–2002 reported by member states as of January 2004. Data for the USA cover the same period reported as of September 2004 and have been supplied by the Bureau of Economic Affairs. Tables 3 and 4 contain details of the UK's asymmetries with the US. All UK figures include the major revisions made to UK trade in goods figures to account for the impact of VAT Missing Trader Intra-Community Fraud. No other member states' estimates include any adjustments for VAT fraud.

Throughout this analysis, asymmetries are calculated as data reported by the UK less data reported by the rest of the EU (or US). The percentages shown represent the asymmetry (calculated as above) relative to the average of the two reported figures. All figures are in € millions.

## Current Account Overview

### Asymmetries with the European Union

For total current account credit and debits, the UK had a negative asymmetry in each of the four years with the rest of the EU. In other words, the UK consistently reported lower

credits and debits than the corresponding countries in the EU. The size of the asymmetries fluctuated somewhat over the period, from a low of –€15.5bn to –€31.5bn for credits and –€27.4bn to –€48.9bn for debits. In percentage terms, however, the largest discrepancies were equivalent to 9 per cent and 13 per cent of the average of the two reported figures for credits and debits, respectively. It should be noted that a large asymmetry in cash terms does not necessarily correspond to a high asymmetry in percentage terms.

Trade in goods had consistently relatively small asymmetries for all years for both credits and debits. For exports of goods, the UK figure was continually higher than the rest of the EU, resulting in an increasing positive asymmetry for all years. In contrast, the UK always reported lower imports of goods compared with the data reported from the rest of the EU, with the asymmetry increasing for the first three years before falling to its lowest level in 2002. Despite these asymmetries, the same patterns over time present in the UK data were mirrored in the EU counterpart data.

Of current account components, trade in services had one of the largest asymmetries, with the asymmetry for service credits increasing each year between 1999 and 2002. In 2002 the asymmetry was equivalent to 40 per cent of the underlying data. Service debits had equally large asymmetries, increasing from 1999 to 2001 before narrowing slightly in 2002. In one sense this is not surprising, as services are more difficult to measure than goods.

Asymmetries for income were mixed over time. In 1999, the asymmetry for income credits was equivalent to 20 per cent of the average reported figures whilst for the following three years it fell to around 5 per cent.

Table 1  
UK asymmetries with the EU, by current account component<sup>1</sup>

	UK Asymmetry (€ million)				UK Asymmetry (per cent)			
	1999	2000	2001	2002	1999	2000	2001	2002
Current Account								
Credits	–26,323	–20,575	–15,549	–31,467	–9	–6	–4	–9
Debits	–36,427	–27,418	–48,860	–46,658	–12	–8	–13	–13
Goods								
Credits	6,621	6,355	8,861	11,836	5	4	5	7
Debits	–10,214	–14,738	–15,015	–9,548	–6	–8	–7	–5
Services								
Credits	–16,046	–17,042	–22,527	–25,610	–32	–28	–35	–40
Debits	–18,257	–20,028	–27,943	–26,611	–33	–31	–40	–37
Income								
Credits	–14,044	–4,741	5,382	–4,202	–20	–5	5	–5
Debits	–3,711	12,583	2,000	8,433	–6	17	3	14
Current Transfers								
Credits	–2,854	–5,148	–7,267	–9,713	–20	–35	–39	–55
Debits	–4,245	–5,235	–7,905	–11,831	–20	–23	–36	–47

Figure 1  
Asymmetries of current account component credits

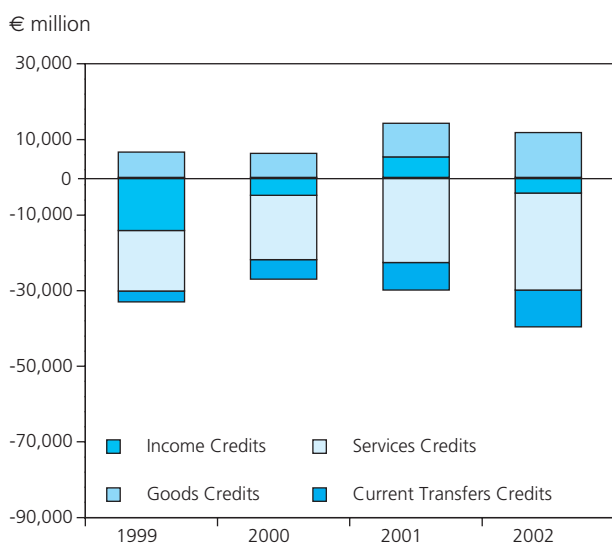
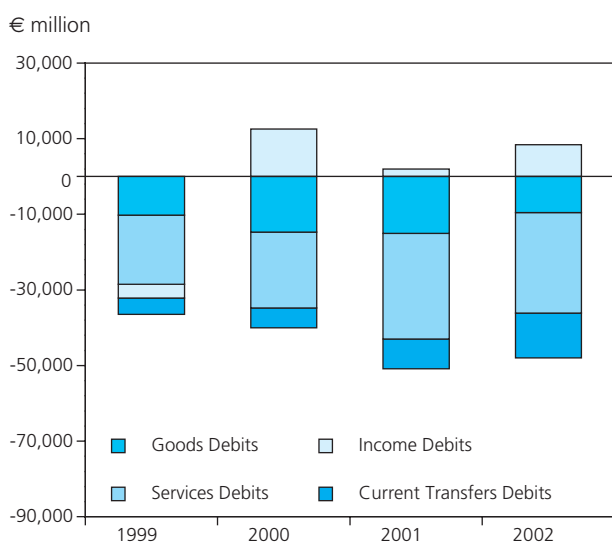


Figure 2  
Asymmetries of current account component debits



For all years except 2001, the UK underestimated income credits in comparison with EU reported figures, giving a negative asymmetry three years out of four. In contrast, asymmetries for income debits were negative in 1999 and positive for the remaining three years.

As with service credits, UK/EU current transfers were subject to an ever-increasing asymmetry across the period. For both credits and debits, the UK consistently reported figures lower than the corresponding data from the EU. In 1999, the asymmetry was equivalent to 20 per cent of the underlying data for both credits and debits whilst by 2002 this had risen to 55 and 47 per cent, respectively.

Table 2 shows the balance, as reported by the UK and the rest of the EU, for each component from 1999 to 2002. In all four years, the UK reported a much lower current account deficit with the EU than the rest of the EU reported with the UK. The magnitude of the asymmetry fluctuated substantially from €6.8bn in 2000 to €33.3bn in 2001 where the UK reported a current account surplus of €1.7bn with the EU compared to a counterpart deficit of €31.6bn.

Table 2  
Reported balances, by current account component<sup>1</sup>

€ million

	Balance and UK Asymmetry			
	1999	2000	2001	2002
<b>Current Account</b>				
UK balance	-13,200	-7,723	1,677	-24,646
EU counterpart	-23,304	-14,565	-31,634	-39,837
Asymmetry	10,104	6,842	33,311	15,191
<b>Goods</b>				
UK balance	-12,735	-8,645	-18,774	-32,198
EU counterpart	-29,570	-29,738	-42,650	-53,582
Asymmetry	16,835	21,093	23,876	21,384
<b>Services</b>				
UK balance	-2,947	-3,260	-3,258	-6,875
EU counterpart	-5,157	-6,246	-8,675	-7,875
Asymmetry	2,210	2,985	5,417	1,001
<b>Income</b>				
UK balance	8,308	12,634	27,020	20,532
EU counterpart	18,642	29,957	23,638	33,167
Asymmetry	-10,333	-17,323	3,382	-12,635
<b>Current Transfers</b>				
UK balance	-5,826	-8,452	-3,311	-6,105
EU counterpart	-7,217	-8,538	-3,949	-8,223
Asymmetry	1,391	87	638	2,118

Whilst the asymmetries for goods credits and debits were consistently small, the interaction of positive and negative asymmetries meant that, as with the total current account, net goods data from the rest of the EU showed the UK to have a much larger deficit than the UK data implied. The asymmetry was largest in 2001 when there was a discrepancy of €23.9bn.

In contrast to trade in goods, despite large differences in both credits and debits, the trade in services balance displayed relatively small asymmetries. EU data again suggested higher deficits for each of the four years with the largest difference again being present in 2001.

For net income, in three of the four years the EU reported a larger surplus for the UK than did the UK. Only in 2001 was the UK reported surplus larger than its EU counterpart. In all four years, UK estimates for net current transfer with the EU showed a smaller deficit than that reported by EU countries with the UK. The asymmetry was largest in 2002, totalling €2.1bn. This compared with just €0.1bn in 2000.

### Asymmetries with the US

For comparison, the UK had positive asymmetries with the US on both goods credit and debits that increased over time, from €0.1bn in 1999 to €2.0bn in 2002 for credits and from €1.6bn in 1999 to €5.7bn in 2002 for debits (Tables 3 and 4). For service credits, the UK had both positive and negative asymmetries with the US, but of a much smaller magnitude than those recorded with the EU. On debits, asymmetries with

Table 3  
UK current account with the US, by component

€ million

	Reported by the US				Reported by the UK			
	1999	2000	2001	2002	1999	2000	2001	2002
Current Account								
UK Credits	-	-	-	-	101,225	129,935	133,431	126,080
UK Debits	-	-	-	-	95,103	113,221	119,913	102,586
UK Balance	16,981	19,575	22,487	31,667	6,122	16,714	13,519	23,494
Goods								
UK Credits	36,394	46,977	45,759	42,792	36,494	48,034	47,537	44,833
UK Debits	35,332	44,094	44,329	33,931	36,980	46,623	47,581	39,602
UK Balance	1,062	2,883	1,430	8,861	-486	1,411	-43	5,230
Services								
UK Credits	25,525	31,317	31,309	29,462	26,335	31,035	29,690	34,278
UK Debits	28,491	35,031	34,855	34,560	19,056	20,947	21,260	20,700
UK Balance	-2,966	-3,715	-3,546	-5,098	7,279	10,087	8,429	13,578
Income								
UK Credits	61,104	82,703	74,262	64,959	35,563	48,884	52,222	44,673
UK Debits	40,223	61,075	45,878	35,818	35,882	43,276	46,827	39,628
UK Balance	20,881	21,627	28,384	29,141	-319	5,608	5,395	5,046
Current Transfers								
UK Credits	-	-	-	-	2,833	1,982	3,983	2,296
UK Debits	-	-	-	-	3,185	2,374	4,245	2,656
UK Balance	-1,997	-1,221	-3,782	-1,237	-352	-392	-262	-359

the US were also less than those with the EU, but still ranged from -€9.4bn to -€13.9bn. The largest asymmetries between the UK and the US were present in income credits, with the US reporting much higher payments to the UK than the UK reported as receipts from the US.

The US only publishes net current transfers and, as such, total current account is also available on a net basis only. For net current account the UK consistently reported a lower surplus with the US than the US figures suggested, offsetting, to some extent, the asymmetry with the EU. On a component basis, however, only the net goods asymmetry with US had a minor offsetting effect on the UK/EU asymmetry, while the asymmetries between the UK and the US on net service and income compounded the UK's asymmetries with the EU.

### Current Account by EU country

Figure 3 shows the current account credit asymmetries between the UK and each country in the EU. There was no clear trend or pattern across all countries. Holland had the largest positive asymmetry in each of the four years, growing steadily from 1999 to 2001 before falling in 2002. The UK had a negative credit asymmetry with most countries (that is, the UK reported lower receipts from a country than the payments recorded by that country to the UK). For three out of the four years the largest of these was with Italy (-€13.7bn in 2002) followed by Germany (-€10.6bn also in 2002). The countries with the smallest asymmetries were Portugal and Sweden.

Figure 4 shows the UK's current account debit asymmetries by country. As with credits, there is a relatively mixed picture with no apparent trend over time.

Table 4  
UK current account asymmetries with the US, by component

€ million

	UK Asymmetry with the US			
	1999	2000	2001	2002
Current Account				
Credits	-	-	-	-
Debits	-	-	-	-
Balance	-10,858	-2,860	-8,968	-8,172
Goods				
Credits	100	1,057	1,778	2,041
Debits	1,648	2,530	3,252	5,671
Balance	-1,548	-1,472	-1,474	-3,631
Services				
Credits	810	-282	-1,619	4,816
Debits	-9,435	-14,084	-13,595	-13,860
Balance	10,245	13,802	11,976	18,676
Income				
Credits	-25,541	-33,818	-22,040	-20,285
Debits	-4,341	-17,799	949	3,810
Balance	-21,200	-16,019	-22,989	-24,095
Current Transfers				
Credits	-	-	-	-
Debits	-	-	-	-
Balance	1,644	829	3,520	878

Figure 3  
Asymmetries of current account credits, by EU country

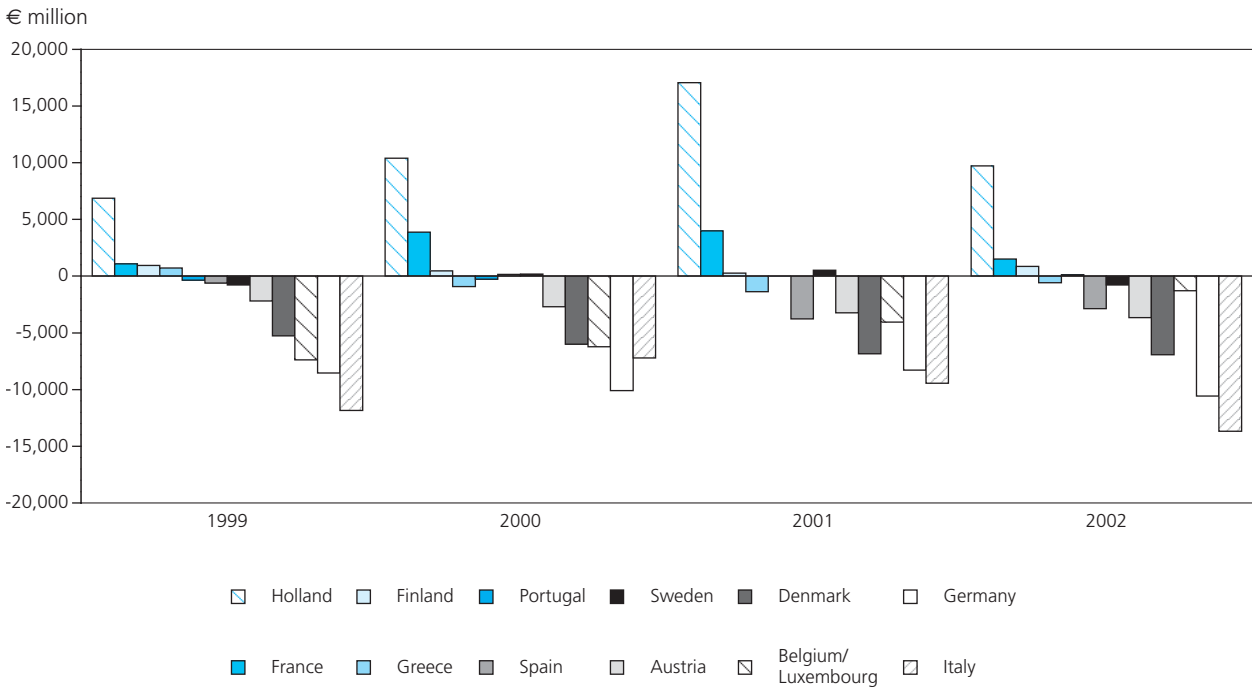
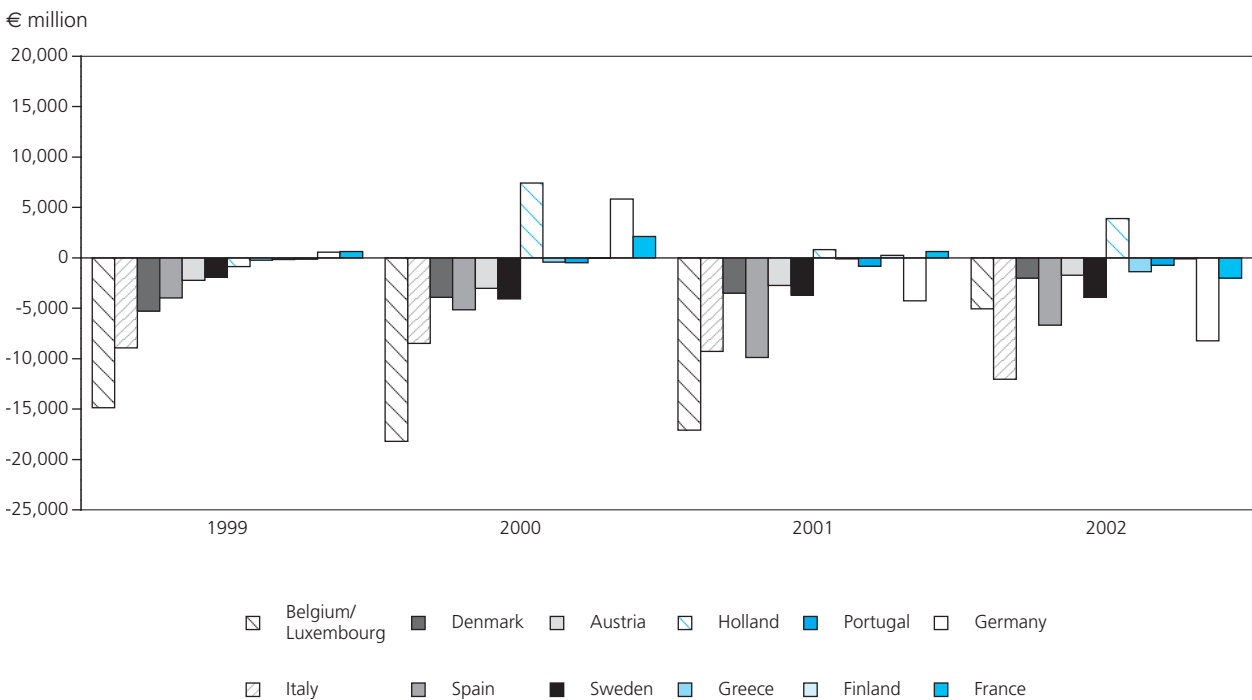


Figure 4  
Asymmetries of current account debits, by EU country



UK debit asymmetries are predominately negative with the largest asymmetry generally being with Belgium/Luxembourg (in 2002 this fell sharply leaving the UK/Italian asymmetry as the largest.)

**Trade in Goods**

In order to establish a more complete picture, the goods asymmetries were looked at by country. Figure 5 shows the

goods credit asymmetries between the UK and each country in the EU. The UK/Dutch asymmetry was the largest for three of the four years, growing from €2.7bn in 1999 to €4.3bn in 2001 before falling in 2002.

Part of this discrepancy may be explained by what is known as the Rotterdam-Antwerp effect. Export figures from country (A) to a country (B) may overestimate the value of goods actually consumed in that country if the importer forwards

Figure 5  
Asymmetries of goods credits, by EU country

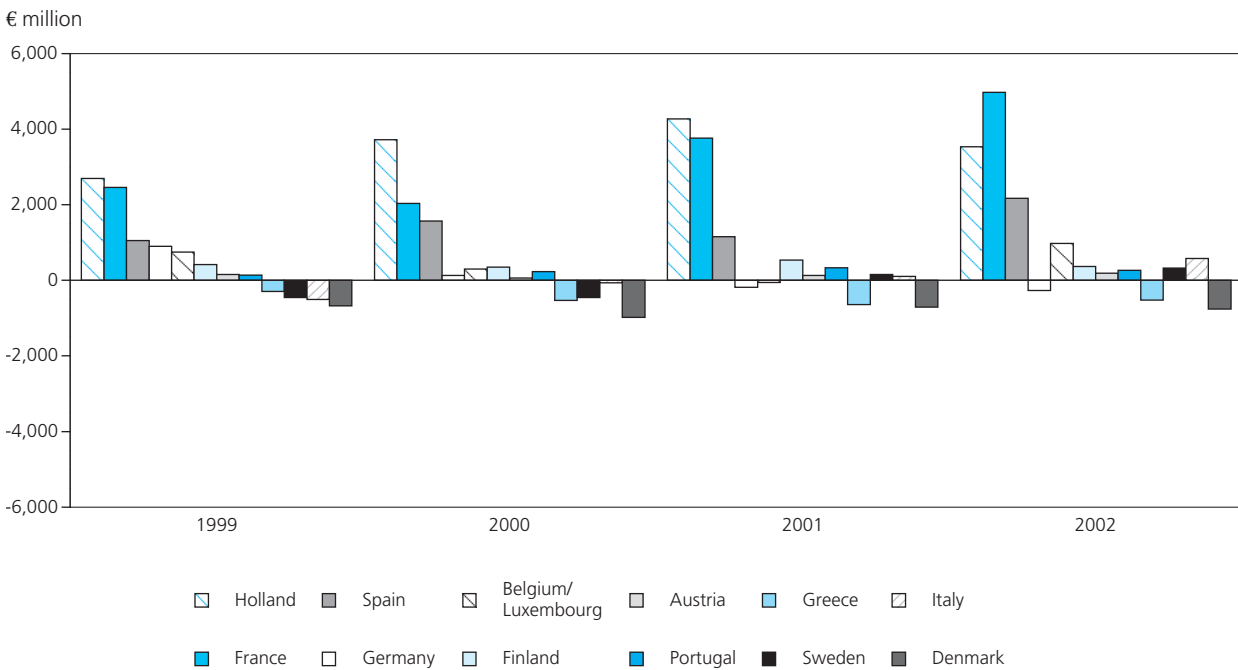
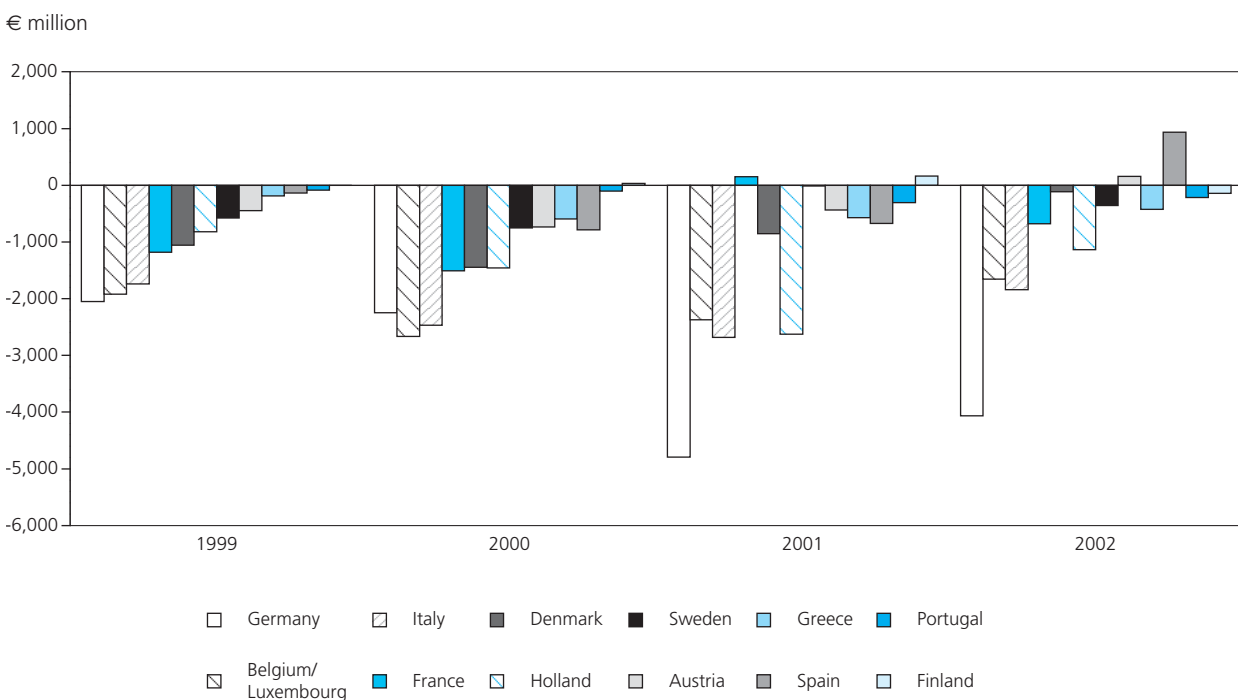


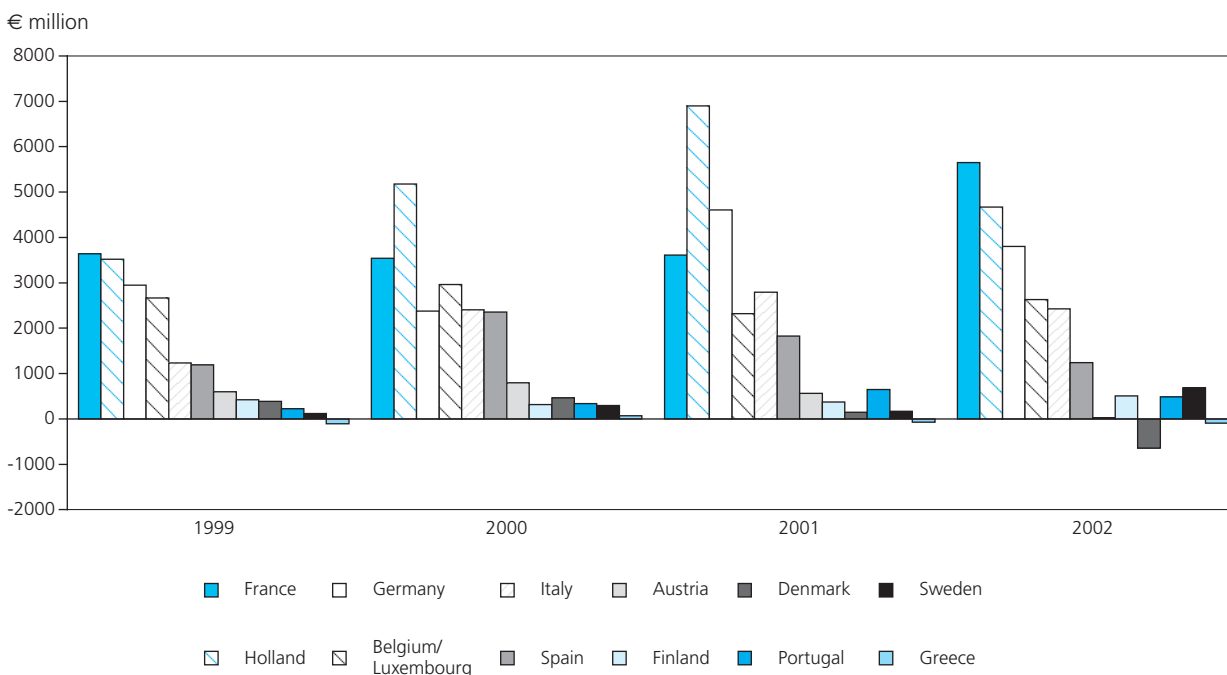
Figure 6  
Asymmetries of goods debits, by EU country



the goods on to another country (C). The goods may or may not cross the customs boundary. If they do, then country (A) will record an export to country (B), country (B) will record an import from country (A) and an export to country (C), while country (C) will record an import from country (B). If they do not, then country (B) should not record either the import or export. The original exporter in country (A) may not know this arrangement and will legitimately record

exports to the country (B). Meanwhile country (C) would record an import from country (B). There will then be an asymmetry between countries (A) and (B) and between countries (B) and (C), even though the export and import forms have been completed properly in all three countries. This is a particular issue with UK exports to Holland and Belgium. No information is available on the value of UK exports that are subsequently shipped on to other countries.

Figure 7  
Asymmetries of goods balances, by EU country



In 2002 the largest asymmetry was with France, with the UK reporting €5.0bn more exports to France than France recorded as having imported from the UK. The UK/French asymmetry was also relatively large in the preceding three years. This may be due to differences between the two countries in the recording of trade in one particular commodity, namely large civil aircraft.

Figure 6 shows the UK’s goods debit asymmetry with the EU broken down by country. The UK had a negative asymmetry with almost all countries across the time period. In three of the four years the UK had the largest asymmetry with Germany. At its peak in 2001 the UK reported €4.8bn less imports from Germany than Germany reported having exported to the UK. The UK also had notable asymmetries with Belgium/Luxembourg and Italy for all four years.

Figure 7 shows the asymmetries for the UK goods balance by EU country. Overall, the UK generally had a positive asymmetry with all EU countries, that is, the UK had a lower deficit or higher surplus than reported by the counterpart country; the only exceptions being with Greece and Denmark. Consistently large asymmetries were present with France, Holland, Germany and Belgium/Luxembourg, and to a lesser extent, Italy. The largest asymmetry was in 2001 with Holland, totalling €6.9bn.

**Trade in Services**

Using the data supplied by Eurostat it was possible to breakdown the service account into three separate components: transportation, travel and other.<sup>2</sup> Figure 8 and Figure 9 show the cash value of asymmetries for both credits and debits of each component for the four years 1999–2002, while Table 5 shows the asymmetries both in cash terms and as a percentage of the average of the two reported estimates.

Overall, service credit asymmetries saw a year-on-year increase, with the UK consistently reporting lower service credits than its EU counterparts. Looking at the component breakdown it can be seen that this was predominately due to increases in other credit asymmetries. For all years, excluding 2000, other credits accounted for the majority of the total service credit asymmetry. In 1999 and 2000 asymmetries for transportation and other credits were similar in magnitude, but in 2001 and 2002 other credit asymmetries increased significantly while asymmetries for transportation credits remained relatively stable over the period. Travel credit asymmetries were relatively small in comparison, accounting for between 5 and 12 per cent of the total services asymmetry.

Figure 8  
Asymmetries of service component credits

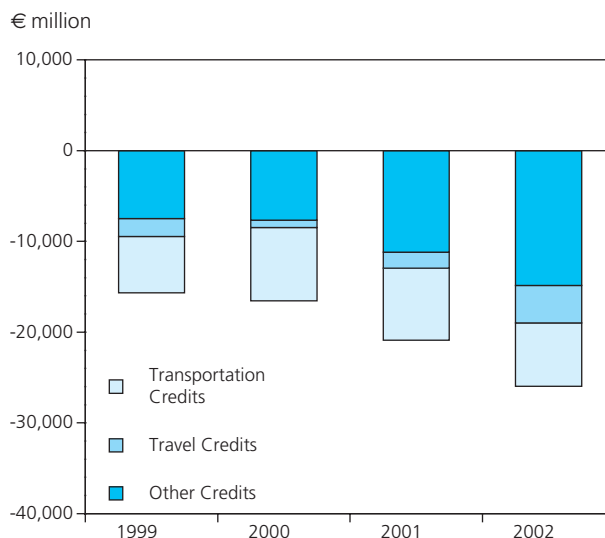
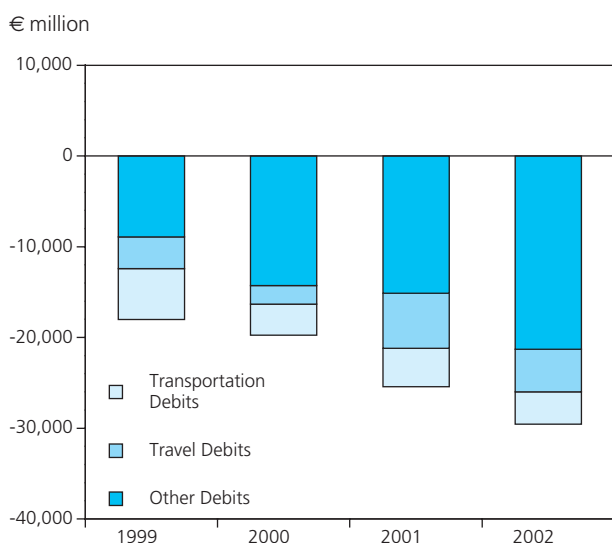




Figure 9  
Asymmetries of service component debits



Whilst in cash terms other services' credit asymmetries were generally the largest, in percentage terms the transportation asymmetry was the largest. Even at their greatest, other service asymmetries were equivalent to only 34 per cent of the two reported estimates, while the transportation asymmetry ranged between 60 and 67 per cent of the underlying estimates. For travel, whilst in cash terms the credits asymmetry was relatively small, percentage-wise it fluctuated from nine per cent of the reported data in 2000 to 51 per cent in 2002.

As with the service credits components, one of the main drivers behind increases in service debits asymmetries appeared to be other services asymmetries. The other services asymmetry again grew every year from –€8.9bn in 1999 to –€21.3bn in 2002 – equivalent to 73 per cent of the average of the two reported estimates. The travel debit asymmetries were generally larger than the corresponding credit asymmetries, though percentage-wise, with the exception of

2002, they were similar in size. In contrast, transportation debit asymmetries were much smaller than the asymmetries present in transportation credits; this was also reflected in the percentage figures.

To gain a better understanding of the source of service asymmetries, transportation and travel asymmetries were split down by country. Figure 10 and Figure 11 show the six countries with the largest asymmetries with the UK for transportation credit and travel debits respectively. (Note: the scales are different for the two figures).

Looking at transportation credits, of the six reporting countries with the largest asymmetries all had negative asymmetries with the UK – that is, they reported higher imports of transportation services from the UK than the UK figures for exporting the same services to those countries. In fact, all countries had negative asymmetries with the UK for all four years with the exception of Spain with whom the UK had a positive asymmetry in 2002. In contrast, for travel debits the picture was more mixed with several countries having both positive and negative asymmetries with the UK and just five consistently having negative asymmetries – that is, those EU countries reported higher imports from the UK than the UK estimates for exports to those countries.

For transportation credits, in 1999 the largest asymmetry was between the UK and Holland, closely followed by Denmark. Over the next three years the UK/Dutch asymmetry systematically decreased while the UK/Danish asymmetry increased sharply in 2000 before falling slightly in both 2001 and 2002. At its height in 2001, Denmark reported €2.9bn more of imports from the UK than the UK reported having exported to Denmark.

For travel debits, by far the country with the largest asymmetry with the UK for all four years was Spain. The Spanish/UK travel asymmetry was particularly large in 2001, with Spain reporting €6.7bn more of travel service exports to the UK than the UK recorded as having imported from Spain.

Table 5  
UK asymmetries with the EU, by service component

	UK Asymmetry (€ million)				UK Asymmetry (per cent)			
	1999	2000	2001	2002	1999	2000	2001	2002
Services								
Credits	-16,046	-17,042	-22,527	-25,610	-32	-28	-35	-40
Debits	-18,257	-20,028	-27,943	-26,611	-33	-31	-40	-37
Transportation								
Credits	-6,207	-8,068	-7,958	-6,963	-62	-66	-67	-60
Debits	-5,594	-3,441	-4,204	-3,580	-42	-23	-28	-23
Travel								
Credits	-1,999	-821	-1,743	-4,137	-22	-9	-21	-51
Debits	-3,488	-2,047	-6,066	-4,688	-16	-8	-23	-17
Other								
Credits	-7,473	-7,652	-11,195	-14,862	-24	-20	-26	-34
Debits	-8,934	-14,265	-15,145	-21,288	-44	-56	-56	-73

Figure 10  
Asymmetries of transportation credits, by country

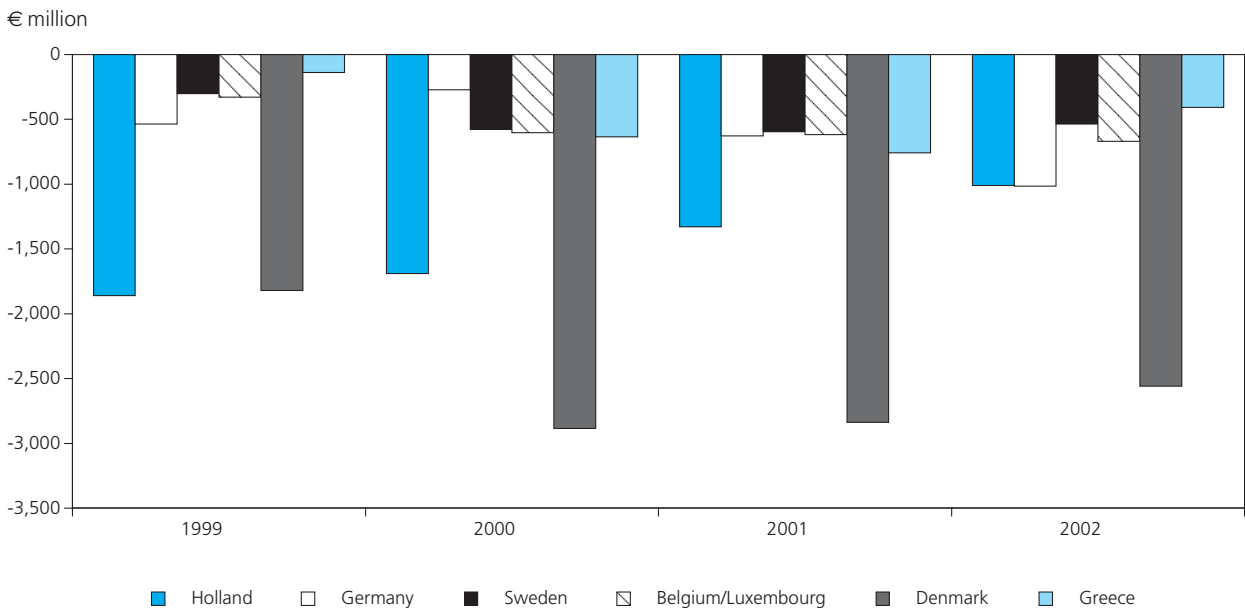
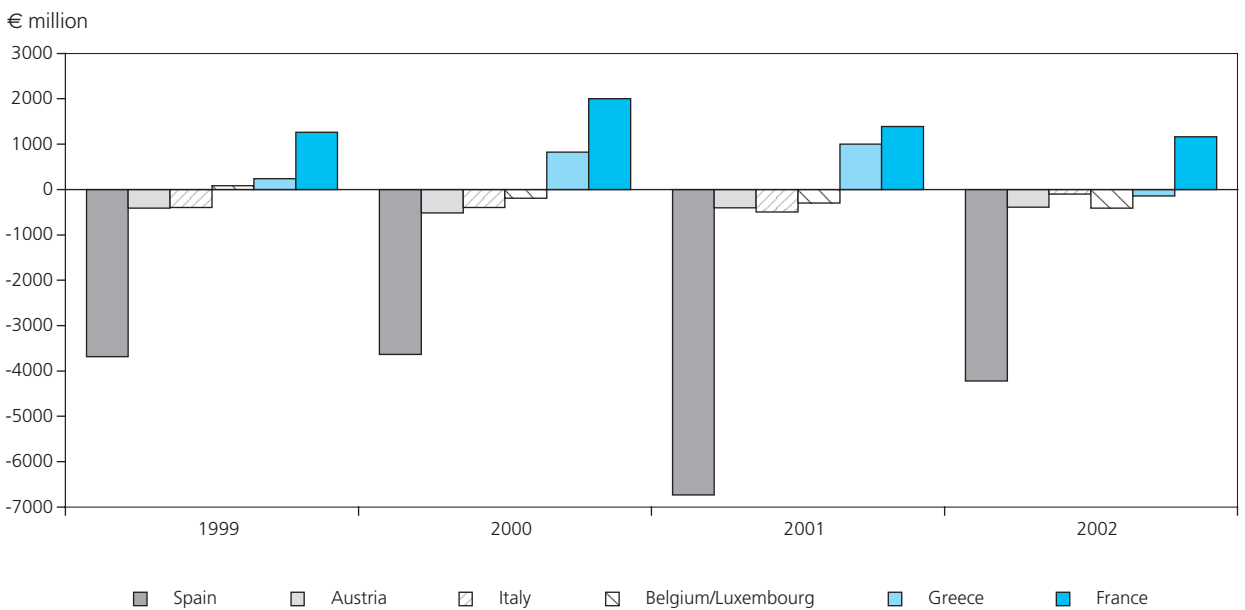


Figure 11  
Asymmetries of travel debits, by country



This was almost five times the magnitude of the French/UK asymmetry – the second largest asymmetry that year. Whilst the French/UK asymmetry was small in comparison to the Spanish/UK one, it still totalled between €1.2bn and €2.0bn.

### HM Customs and Excise Work

In addition to the general work on asymmetries carried out by ONS, Customs have undertaken several detailed investigations both with Eurostat and individual member states in an attempt to identify and address the inconsistencies

present in UK bilateral trade data as reported on an Overseas Trade Statistics (OTS) basis. Customs identified the most common causes of discrepancies in the reporting of trade in goods. These include:

#### Timing difference

Exports may be recorded as taking place in one reporting period with the corresponding import being recording in a subsequent period. The impact, however, is likely to be greatest on monthly data rather than quarterly or annual data.

### c.i.f. vs. f.o.b.

OTS imports are valued on a cost, insurance and freight (c.i.f.) basis. In contrast, exports are valued on a free on board (f.o.b.) basis, which excludes insurance premiums and freight services. Thus for OTS data the import value should always exceed the counterpart export value. Since, however, BoP records both exports and imports on, f.o.b. basis, there should be no discrepancy.

### Special trade vs. general trade

General trade records all merchandise that crosses national boundaries and, as such, does not distinguish imports of goods for use within the importing country from goods to be re-exported. Under the special trade system of reporting, goods are only recorded when they pass across the customs boundary. All data reported to Eurostat, however, must now be reported on a special trade basis. Analysis by Customs also suggests that, in the case of the UK, differences between data recorded on a general and special trade basis were very small. It is the general trade system data that underlies BoP trade in goods in the UK.

### Exchange rates

Transactions should be recorded in the national currency of the reporter, even if it was completed in another currency. Use of different exchange rates by the importer and exporter could result in discrepancies. It is unlikely, however, that this would significantly distort figures enough to affect the trade balance in a large way.

### Fraudulent declarations

One of the most significant outcomes of the work by HM Customs and Excise was the identification of VAT Missing Trader Intra-community (MTIC) Fraud as a problem in the UK. A fuller explanation of MTIC fraud and its effect on the trade figures was published as an article in *Economic Trends* in 2003 (Ruffles, 2003). Whilst steps are being taken to tackle this kind of fraud in the UK it is known that this practice affects several other countries in the EU.

Other work carried out by HM Customs and Excise included a detailed analysis of some OTS asymmetries at a commodity level as well as bilateral investigations with French, Dutch and German counterparts. These OTS asymmetries are broadly similar to those seen in the BOP asymmetries. Customs has also reviewed its internal procedures as part of the National Statistics *Quality Review of Balance of Payments and Trade Statistics* and continues to work with traders to ensure the data supplied is as accurate as possible. In addition to the regular quarterly analyses, HM Customs and Excise will be carrying out two, more detailed, analyses during 2004–05. The first will look at asymmetries jointly with Germany whilst the second will assess the impact of the Rotterdam-Antwerp effect at both a macro and commodity level. Both of these initiatives will be partly funded by the EU.

Investigations into the impact of MTIC fraud have continued. These have focused on improvements to the broad

methodology currently used to estimate the impact of the fraud as well as researching the potential of available data to extend coverage to other types of MTIC fraud. The work has confirmed that we are making as much use as we can of all available information. The adjustments made to the imported goods figures relate to carousel fraud – a particular type of MTIC VAT fraud. Acquisition fraud is another variation of MTIC fraud, but the investigation work did not identify any data source or broad methodology that could be used to estimate the impact on the trade figures. A fuller report on this work will be published separately.

### Summary

The UK consistently reported lower current account credits and debits with the EU than was reported by EU countries with the UK. For credits the asymmetry varied between –€15.5bn in 2001 and –€31.5bn 2002, whilst for debits the asymmetry ranged between –€27.4bn in 2000 and –€48.9bn in 2001.

The current account credit asymmetry was predominately driven by large negative asymmetries with Italy and Germany, offset by large positive asymmetries with Holland. For debits, the main driver was the large negative asymmetry with Belgium and Luxembourg followed, to a lesser extent, by asymmetries with Italy.

The UK reported a much lower current account deficit with the EU than the EU reported with the UK for all four years. The largest asymmetry was present in 2001 with the UK having reported a current account surplus of €1.7bn with the EU compared to an EU reported surplus with the UK (that is, UK deficit) of €31.6bn.

Trade in goods credits and debits had the smallest relative asymmetries of all current account components. The UK always reported higher credits and lower debits than the EU counterpart figures. The credit asymmetry was predominately driven by large positive asymmetries with Holland and France, offset slightly by smaller negative asymmetries with Denmark and Greece, whilst the drivers of the debit asymmetry were a large negative asymmetry with Germany, Belgium/Luxembourg, and Italy. On a net basis the UK consistently reported a lower goods deficit with the EU than the EU reported with the UK.

Trade in services credits and debits had particularly large negative asymmetries, with the UK credit asymmetries increasing year-on-year (from –€16.0bn in 1999 to –€25.6bn in 2002). Credits asymmetries were driven by other services, and transportation, especially with Denmark, while the debit asymmetries were also driven by other services, and the travel account with Spain in particular. Despite the large credit and debit asymmetries, on a net basis service asymmetries were relatively small.

UK asymmetries were not confined to countries within the EU. The UK also had sizeable asymmetries with the United States, particularly on income credits and, to a lesser extent, on service debits. On a net basis, the asymmetry with the US on both service and income compounded the UK's asymmetries with the EU, whilst the net goods asymmetry

between the UK and America slightly offset the asymmetry with the EU. Overall, the UK consistently reported a lower surplus with the US for the current account as a whole than the US figures suggested, offsetting, to a large extent, the asymmetry with the EU.

## Concluding remarks

- Asymmetries will be an ever-present feature of bilateral data comparisons and are not confined to the current account.
- Whilst asymmetries cannot be eliminated, neither can they be ignored.
- Asymmetries are a global issue and one that cannot be resolved by a single country.
- In some cases, asymmetries may arise for legitimate reasons.
- There is no evidence to suggest that UK data is of less quality than any other country and the work carried out by HM Customs and Excise shows the effectiveness of UK quality assurance.
- UK MTIC revisions are an excellent example of what can be achieved, but to investigate all asymmetries would be very time-consuming and resource intensive and are likely to require bilateral co-operation.
- There are, at present, no plans to make any adjustments to balance of payments estimates, in addition to those already made to trade in goods as a result of VAT fraud.

## Notes

- 1 EU data for total current account credits in 1999 and 2001 have been amended to equal to the sum of the available components; this is in place of the mirror data used for the current account totals in the original data tables supplied by Eurostat. In 2002, however, the components do not sum to the total; whilst Ireland provided estimates for total current account with the UK they did not provide this broken down by component, therefore total current account asymmetries are greater than the sum of the components.
- 2 In the EU counterpart data the sum of the three components do not equal total services. This is due to the use of mirror data for some countries.

## Reference

Caplan D, Ruffles D, Tiley G, Tudor S (2003) VAT missing trader intra-community fraud: the effect on the Balance of Payments statistics and UK National Accounts. *Economic Trends* No. 597, pp 56–74. Available at <http://www.statistics.gov.uk/cci/article.asp?ID=402>