Session 1
Consistency between National Accounts and Balance of Payments statistics in the EU
The state of consistency in the nonfinancial accounts
**Rationale**

- **BPM6, Appendix 7 and SNA2008, Chapter 26**
  - Full harmonisation of BOP and NA

- **Accounting system**
  - Transactions: BOP resident view – NA nonresident view (ROW)
  - BOP credits (inflows) = ROW payables
  - BOP debits (outflows) = ROW receivables
  - Current+Capital account balance = Net lending/net borrowing (B9)

- **Classification**
  - BOP Services consistent with Central Product Classification (CPC) – except: travel, construction, government goods and services n.i.e.
  - BOP Functional category – NA Instrument classification (investment income, financial account)
## Reconciling the nonfinancial accounts

<table>
<thead>
<tr>
<th>BOP component</th>
<th>ROW item</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods</td>
<td>P61</td>
<td>Exports of goods</td>
</tr>
<tr>
<td></td>
<td>P71</td>
<td>Imports of goods</td>
</tr>
<tr>
<td>Services</td>
<td>P62</td>
<td>Exports of services</td>
</tr>
<tr>
<td></td>
<td>P72</td>
<td>Imports of services</td>
</tr>
<tr>
<td>Primary income</td>
<td>D1</td>
<td>Compensation of employees</td>
</tr>
<tr>
<td></td>
<td>D2</td>
<td>Taxes on production and imports</td>
</tr>
<tr>
<td></td>
<td>D3</td>
<td>Subsidies</td>
</tr>
<tr>
<td></td>
<td>D4</td>
<td>Property income</td>
</tr>
<tr>
<td>Secondary income</td>
<td>D5</td>
<td>Current taxes on income &amp; wealth</td>
</tr>
<tr>
<td></td>
<td>D6</td>
<td>Social contributions and benefits</td>
</tr>
<tr>
<td></td>
<td>D7</td>
<td>Other current transfers</td>
</tr>
<tr>
<td></td>
<td>D8</td>
<td>Adjustment for the change in pension entitlements</td>
</tr>
<tr>
<td>Capital account</td>
<td>D9</td>
<td>Capital transfers</td>
</tr>
<tr>
<td></td>
<td>NP</td>
<td>Acquisition less disposal of nonfinancial nonproduced assets</td>
</tr>
</tbody>
</table>
Measuring inconsistency

- **Absolute/nominal differences**
  - Picture of current situation "as is"
  - But: countries with high transaction volumes have higher exposure

- **Relative differences**
  - In % of GDP
  - In % of total transaction volumes
  - Simulating little significance in countries with high GDPS, high significance in countries with low GDPS

- **Revision and vintage bias**
  - Risk of overestimating the problem
  - Research in causalities required
  - Every country is different
Consolidated discrepancies in the EU28

1.3 – 2.0% of GDP

Absolute discrepancies, 2010-2016, sum of EU28 (m€) – Apr.2017
The impact of revisions in general

Absolute discrepancies, 2010-2015, sum of EU28 (m€)

-23.5% ø2010-15
The impact of revisions by components

2014

The geographical image of EU inconsistencies

- 6 Member States with full consistency
- 12 Member States with low inconsistencies; 8%
- 4 Member States with moderate inconsistencies; 16%
- 6 Member States with high inconsistencies; 76%
Organisational setup

- **Centralised**
  - One compiler – two statistics

- **Decentralised**
  - Two compilers – two statistics
  - Different degrees of coordination

- **Can decentralised compilation processes produce consistent statistics?**
  - Data sources
  - Estimation practices (e.g. CIF-FOB, FISIM)
  - Institutional autonomies
  - Historic traditions
## Worst case: Directional inconsistencies

<table>
<thead>
<tr>
<th>Item</th>
<th>Member State</th>
<th>BOP balance (m€)</th>
<th>ROW balance (m€)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goods</strong></td>
<td>Luxembourg</td>
<td>-2 612</td>
<td>+1 651</td>
</tr>
<tr>
<td><strong>Services</strong></td>
<td>France</td>
<td>+8 803</td>
<td>-8 841</td>
</tr>
<tr>
<td><strong>Primary income</strong></td>
<td>Belgium</td>
<td>-869</td>
<td>+149</td>
</tr>
<tr>
<td><strong>Secondary income</strong></td>
<td>Poland</td>
<td>-848</td>
<td>+3 148</td>
</tr>
<tr>
<td><strong>Capital account</strong></td>
<td>France</td>
<td>+2 075</td>
<td>-114</td>
</tr>
</tbody>
</table>

Source: Eurostat
Conclusions

- Some components are more exposed than others
  - data sources
  - heterogeneity

- Decentralised compilation can work with a high degree of coordination

- Objective: full consistency?
  - Revision and vintage bias
  - Consistent statistics as quality indicator
  - Multidimensional aspects (geographical asymmetries, input-output tables)
Questions and Answers

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EUROSTAT

Directorate C: National accounts, prices and key indicators
Unit C5: Integrated Global Accounts and Balance of Payments