



EUROPEAN CENTRAL BANK

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# Quality in the external account

UNECE Workshop on BOP/ROW  
consistency

Minsk October 2017.

# Overview

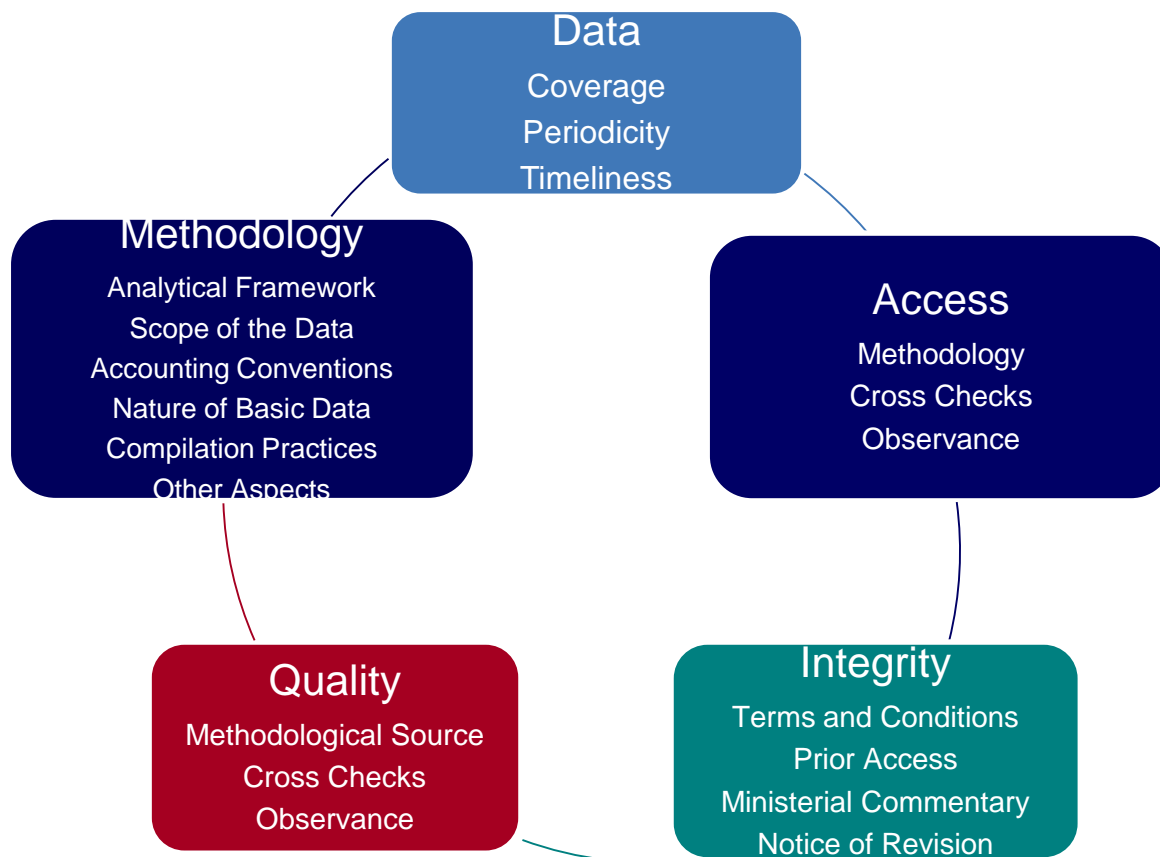
**1** Dissemination Standards and Quality Frameworks.

**2** Quality dimensions and indicators

**3** BOP ROW comparison quality dimensions

**4** Consistency dimensions

# Statistical Data Dissemination standard (SDDS)

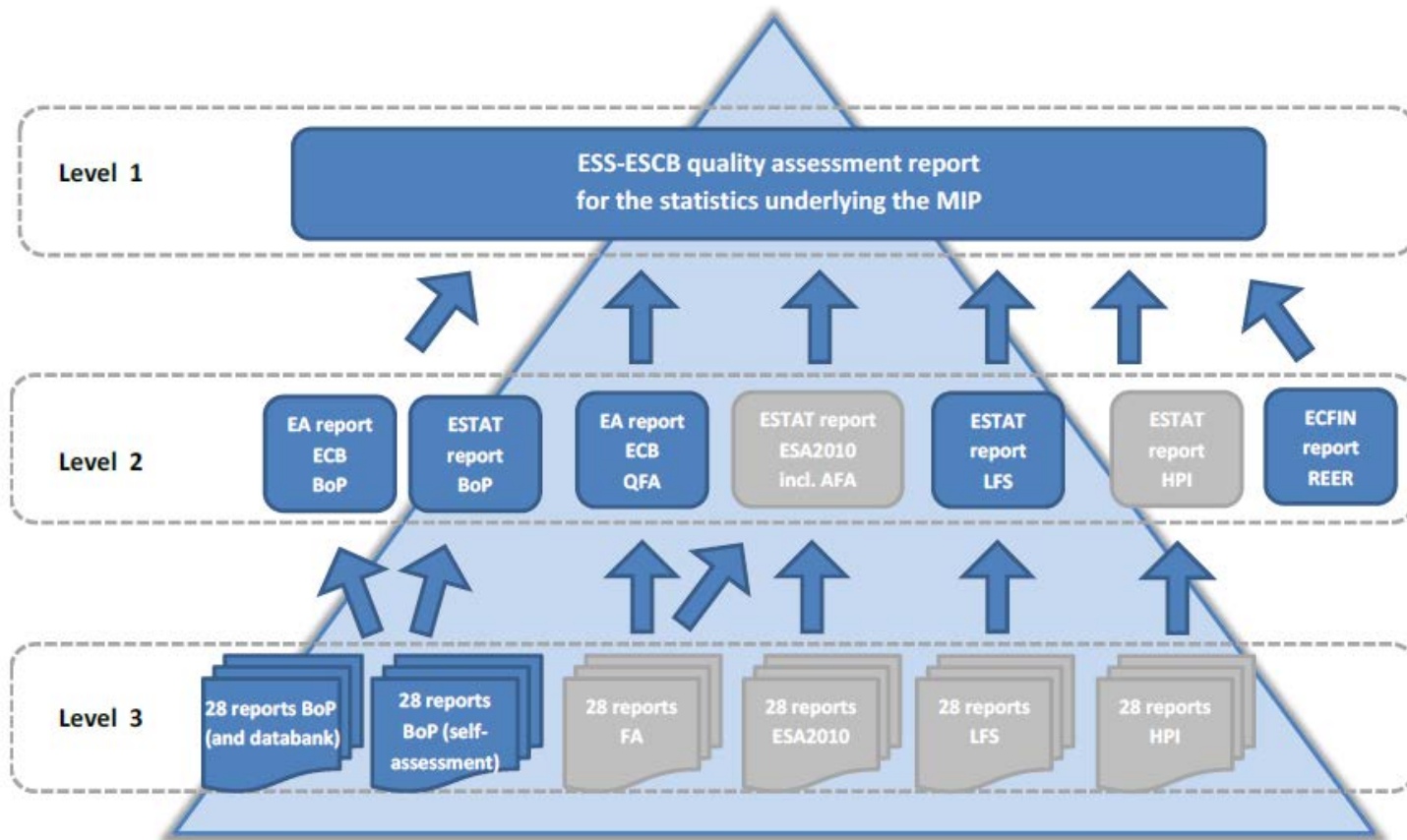


<http://dsbb.imf.org/pages/sdds/home.aspx>

## CMFB Quality framework operates at EU level

- **Close cooperation** between ESS and ESCB for MIP purposes;
- 3 level approach to reporting on the quality of MIP indicators

**Figure 1: Domain specific quality reports for statistics underlying the MIP: the 3 level reporting structure**



# Levels of quality reporting (CMFB framework)

## **Level 3 quality reports:**

- B.o.p./i.i.p.: National quality reports: pre-filled templates sent by Eurostat to countries and the national self-assessment reports (CMFB Level 3 reports)
- ESA 2010 country reports for FA to be introduced between 2017 and 2021 (also containing information on sources and methods)

## **Level 2 quality reports:**

- Domain specific quality report for both b.o.p./i.i.p. and FA
- Eurostat and ECB have separate Level 2 quality reports due to different legal frameworks; the reports are harmonised
- ECB has a level 2 report for AFA
- As of 2018 the reports will be available to the general public (including a list of country recommendations); the exact structure to be approved by the ESCB STC during September 2017

## **Level 1 report:**

- ESS-ECB quality assessment report for statistics underlying the MIP
- Covers several statistical domains: b.o.p./i.i.p., QFA, AFA, LFS, HPI, REER

# Contents of the reports (b.o.p./i.i.p. and FA)

**Executive summary**

**Methodological soundness and statistical procedures**

**Timeliness and punctuality**

**Data availability**

**Accuracy and reliability**

**Internal consistency**

- Validation/integrity rules

- Net errors and omissions (n.e.o.)

**External consistency**

- Consistency with MFI Balance sheet data

- Coherence with ITGS

- Consistency with money market fund statistics

- Consistency with IVF

- Consistency with sector accounts**

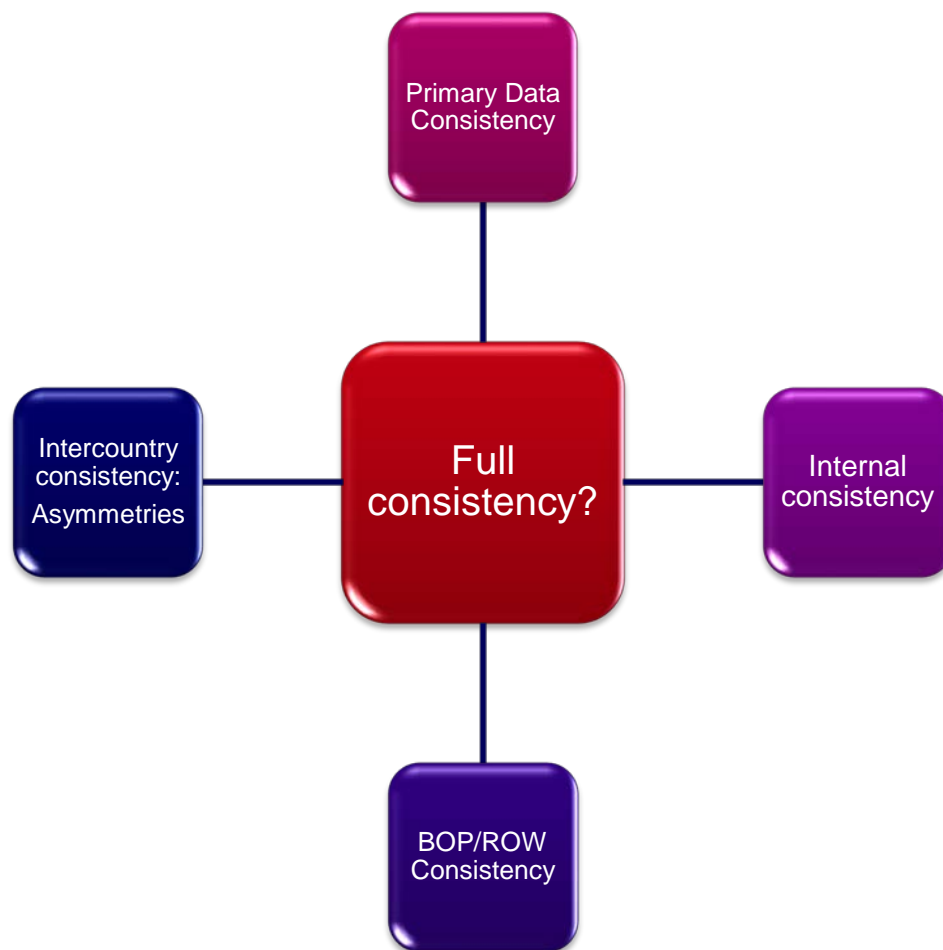
- Consistency with SHSS/CSDB

**Asymmetries**

**Annexes**

- Once a year the ECB transmits to Eurostat metadata templates on data quality according to the [Memorandum of Understanding](#)
  - Provide summary information on level of quality of country data for MIP purposes (countries can provide feedback on the templates)
  - Not published
- Level 3 reports by Eurostat: pre-filled template mirroring the elements of the L2 reports (as of 2017 Eurostat shares templates with ECB)
  - Not published
- European Union Balance of Payments and International Investment Position statistical sources and methods: [“B.o.p./i.i.p. book”](#)
  - Covers sources and methods for each country in the EU
  - Available to the general public

# Dimensions to consistency





# Primary Data Consistency I

- Many, partially overlapping data sources. Selection and weighting problems
- Methodologies differences
- Different methods of observing
  - Administrative Sources
  - Censuses
  - Surveys
  - Counterpart data (e.g. banks observing other sectors)
- Consequence: primary data consistency only in key areas possible, without adjustment, and with compatible methodology
  - Government finance according to NA methodology (not IMF methodology)
  - Banking statistics
  - Trade in services -> BOP (Methodological consistency MSITS, IF... )
- No direct consistency possible with primary sources
  - Merchandise trade (methodological differences and necessary adjustments)
  - Household surveys (Often partial, lack of detail, miss relevant part)

# Primary data consistency II

- How to address in National Accounts and Balance of Payments
  - Completeness : make sure you describe the whole economy
  - Compliance : make sure you follow the methodological manuals evenly
  - Consistency : make adjustments to primary data to ensure consistency inside the NA and BOP
- Where possible share/align data sources for BOP and NA (especially on large enterprises, banks and governments)

# Internal and BOP-ROW Consistency

The problem in national accounts : where to adjust?

Sector Accounts													BOP				BOP/ROW Differences								
Uses/Assets								Resources / Liabilities						Horizontal Discrepancy	Debits/Liabilities	Credits/Assets	Balance/ Net	Debits/Liabilities	Credits/Assets						
		Non-financial Corporations	Financial Corporations	Government	Households	External Account	Total	Non-financial Corporations	Financial Corporations	Government	Households	External Account	Total												
Non-Financial Accounts	Goods and	60	2	76	280	230	648	280	20	76	72	180	628							20	180	230	50	0	0
	Primary	225	30	90		10	355		42		283	30	355							0	30	10	-20	0	0
	Secondary	30	20		30	10	90			40		30	70	20	30	10	-20	0	0						
Financial Account	C&D	10		10	110	10	140		160			10	170	-30	10	10	0	0	0						
	Debt		290			0	290	35		75	70	60	240	50	60	0	-60	0	0						
	Equity	30		15	5	50	100	40	120			-20	140	-40	-20	50	70	0	0						
Total		355	342	191	425	310	1623	355	342	191	425	290	1603	20	290	310	20	0	0						
Vertical discrepancy								0	0	0	0	20	20			-20	-20	0							

# Internal and BOP-ROW Consistency

The problem in national accounts : adjust in households?

Sector Accounts													BOP				BOP/ROW Differences								
Uses/Assets								Resources / Liabilities						Horizontal Discrepancy	Debits/Liabilities	Credits/Assets	Balance/ Net	Debits/Liabilities	Credits/Assets						
		Non-financial Corporations	Financial Corporations	Government	Households	External Account	Total	Non-financial Corporations	Financial Corporations	Government	Households	External Account	Total												
Non-Financial Accounts	Goods and	60	2	76	260	230	628	280	20	76	72	180	628							0	180	230	50	0	0
	Primary	225	30	90		10	355		42		283	30	355							0	30	10	-20	0	0
	Secondary	30	20		10	10	70			40		30	70	0	30	10	-20	0	0						
Financial Account	C&D	10		10	140	10	170		160			10	170	0	10	10	0	0	0						
	Debt		290				290	35		75	120	60	290	0	60	0	-60	0	0						
	Equity	30		15	45	50	140	40	120			-20	140	0	-20	50	70	0	0						
Total		355	342	191	455	310	1653	355	342	191	475	290	1653	0	290	310	20	0	0						
Vertical discrepancy								0	0	0	-20	20	0			-20	-20	0							

# Internal and BOP-ROW Consistency

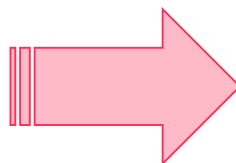
The problem in national accounts : Adjust in ROW?

Sector Accounts													BOP				BOP/ROW Differences								
Uses/Assets								Resources / Liabilities						Horizontal Discrepancy	Debits/Liabilities	Credits/Assets	Balance/ Net	Debits/Liabilities	Credits/Assets						
		Non-financial Corporations	Financial Corporations	Government	Households	External Account	Total	Non-financial Corporations	Financial Corporations	Government	Households	External Account	Total												
Non-Financial Accounts	Goods and	60	2	76	280	210	628	280	20	76	72	180	628							0	180	230	50	-20	0
	Primary	225	30	90		10	355		42		283	30	355							0	30	10	-20	0	0
	Secondary	30	20		30	-10	70			40		30	70	0	30	10	-20	-20	0						
Financial Account	C&D	10		10	110	40	170		160			10	170	0	10	10	0	30	0						
	Debt		290				290	35		75	70	110	290	0	60	0	-60	0	50						
	Equity	30		15	5	90	140	40	120			-20	140	0	-20	50	70	40	0						
Total		355	342	191	425	340	1653	355	342	191	425	340	1653	0	290	310	20	30	50						
Vertical discrepancy								0	0	0	0	0	0			-20	-20	20							

# Asymmetries :

consistency between countries in the external account

Assets							Transposed Liabilities							Absolute differences							
Counterparty							Reporter														
R e p o r t e r	A	B	C	D	E		C o u n t r y	A	B	C	D	E				A	B	C	D	E	
	A	0	-35	-288	-1	-31		A	0	-391	167	8	-15			A	0	356	455	9	16
	B	-66	0	3124	0	-351		B	38	0	2261	4	-101			B	104	0	863	4	250
	C	834	1631	0	5	218		C	115	1252	0	11	292			C	719	379	0	6	74
	D	-1	3	20	0	4		D	-1	1	8	0	2			D	0	2	12	0	2
	E	78	474	1741	1	0		E	-8	151	662	-2	0			E	86	323	1079	3	0



## Asymmetries

- Importance of consistent recording of external transactions between countries
  - Comparability and accuracy of National Accounts
  - Quality of external account
  - Importance for regional aggregates
- Mirror studies
  - Goods, Services and FDI
  - IMF : CPIS, CDIS
  - Challenge : foreign holdings of portfolio investment
  - Challenge : foreign holdings of reserves : confidentiality

# BOP/ROW consistency

- Impact of BOP/ROW consistency on other types of consistency
  - Inconsistencies / incomparability may increase
    - With primary data: (probably a good thing)
    - Internal consistency may break down (consequence of errors and omissions in BOP for rest of the world account in sector accounts)
    - Asymmetries may increase. (Large adjustments coming from NA onto BOP/IIP will lead to increased asymmetries)
- Balanced approach to BOP ROW consistency sought.
- Consistency as a quality mark **must** be addressed in a holistic way
- Institutional dimension to BOP ROW consistency is an added dimension :who does what.

# Institutional aspects to consistency

Area	Country	BOP/IIP	National Accounts Aggregates	Non-financial sector accounts	Financial Sector Accounts	Consistency Info
euro area	Austria	NCB	NSI	NSI	NCB	All discrepancies with financial accounts have been eliminated . Any discrepancies with non-financial accounts are due to different vintages and will be eliminated, except re-insurance due to use of different sources.
euro area	Belgium	NCB	NCB	NCB	NCB	Differences may exist due to differing data sources and revision timetables, e.g. investment income; in such cases, a working group with representatives of the two units tries to harmonise the different approaches.
euro area	Cyprus	NCB	NSI	NSI	NCB	Differing revision timetables may still produce some differences in practice.
euro area	Germany	NCB	NSI	NSI	NCB	Differing data sources and revision timetables may still produce some differences in practice.
euro area	Estonia	NCB	NSI	NSI	NCB	NCB and NSI harmonised the revision policy, there should be no vintage issues.
euro area	Spain	NCB	NSI	NSI	NCB	Most differences removed by permanent WG with members from NCB and NSI; Some differences in some instruments/sectors still under investigation
euro area	Finland	NSI	NSI	NSI	NSI	Discrepancies remain mostly due to different revision policies and data sources.
euro area	France	NCB	NSI	NSI	NCB	Discrepancies may subsist in particular for current account due to different data sources and revisions timetable.
euro area	Greece	NCB	NSI	NSI	NCB	Previous discrepancies due to different data sources or compilation methods have been removed.
euro area	Ireland	NSI	NSI	NSI	NCB	Discrepancies with FA only
euro area	Italy	NCB	NSI	NSI	NCB	Previous discrepancies due to different data sources or compilation methods have been removed.
euro area	Lithuania	NCB	NSI	NSI	NCB	Inconsistencies may still occur due to different methodological interpretations (e.g. treatment of ESM contribution) or different release calendars.
euro area	Luxembourg	NSI/NCB	NSI	NSI	NCB	Vintage issues may affect the comparability
euro area	Latvia	NCB	NSI	NSI	NCB	B.o.p. data used as building block for NA.
euro area	Malta	NSI	NSI	NSI	NCB	B.o.p. data used as building block for NA.
euro area	Netherlands	NCB	NSI	NSI	NSI	Differences remain which can be largely attributed to different sources and revision timetables.
euro area	Portugal	NCB	NSI	NSI	NCB	B.o.p. data used as building block for NA (Non-FA and FA).
euro area	Slovakia	NCB	NSI	NSI	NCB	
euro area	Slovenia	NCB	NSI	NSI	NCB	
Other EU	Bulgaria	NCB	NSI	NSI	NCB	Differing data sources and revision timetables may still produce some differences in practice.
Other EU	Czech Rep.	NCB	NSI	NSI	NCB	Differing data sources and revision timetables and different sectorisation (e.g. reclassification of 2 banks in the context of EDP) may still produce some differences in practice.
Other EU	Denmark	NCB	NSI	NSI	NSI/NCB	
Other EU	UK	NSI	NSI	NSI	NSI	Fully integrated and consistent.
Other EU	Hungary	NCB	NSI	NSI	NCB	Vintage issues may occur due to different release calendars.
Other EU	Croatia	NCB	NSI	NSI	NCB	B.o.p. data used as building block for NA.
Other EU	Poland	NCB	NSI	NSI	NCB	Goods, services and primary income are fully consistent <i>[this suggests the rest is not?!]</i> .
Other EU	Romania	NCB	NSI	NSI	NCB	Differences remain due to different data sources, revision timetables and sectorisation.
Other EU	Sweden	NSI	NSI	NSI	NSI	Differences may subsist due to different data sources and methods. Revision timetables are coordinated.
NSI		5	27	27	4	
NCB		22	1	1	23	
NSI/NCB		1	0	0	1	



# Reserve Slides

## IMF standards

SDDS purpose: “enhance the availability of timely and comprehensive statistics and therefore contribute to the pursuit of sound macroeconomic policies; the SDDS is also expected to contribute to the improved functioning of financial markets.”

SDDS+ purpose: “builds on the SDDS to guide member countries on the provision of economic and financial data to the public in support of domestic and international financial stability”

- SDDS monitorable elements: **coverage, periodicity, timeliness, access by the public, integrity and quality of the disseminated data**
- SDDS: 21 data categories that provide coverage for the four sectors of the economy
- SDDS+: SDDS + 9 additional data categories
- 74 SDDS subscribers and 14 SDDS+ subscribers

# Focus on consistency between b.o.p./i.i.p. and FA

### Consistency with national accounts:

- At national level the b.o.p. and sector account to be fully consistent (all countries follow an agreed implementation table to achieve consistency)
- Identical sections in both reports

### *Mock-up chart:*

**Average absolute and relative difference (as a percentage of respective b.o.p. and RoW items), for the period 14Q3-16Q2 (b.o.p. vs EAA)**

