Session 2

Reasons for inconsistencies
A compiler survey on the causes of inconsistency in the nonfinancial accounts
BOP-ROW survey 2017

- Based on October 2016 vintages
- Quarterly nonfinancial accounts
- Survey period 2010-2015
- Typology of causes aligned with ECB
- 22 Member States replied (79%)
- Ca. 94% of discrepancies explained
## Identified main causes

<table>
<thead>
<tr>
<th>Reason for inconsistency</th>
<th>%</th>
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</thead>
<tbody>
<tr>
<td>Vintage and revision differences</td>
<td>38.1</td>
</tr>
<tr>
<td>Different data sources</td>
<td>31.8</td>
</tr>
<tr>
<td>Methodological differences</td>
<td>10.8</td>
</tr>
<tr>
<td>Different estimation methods</td>
<td>6.0</td>
</tr>
<tr>
<td>Different balancing and reconciliation practices</td>
<td>5.1</td>
</tr>
<tr>
<td>Reclassifications Services and Goods</td>
<td>4.4</td>
</tr>
<tr>
<td>Errors identified</td>
<td>1.6</td>
</tr>
<tr>
<td>Different reading of standards</td>
<td>1.0</td>
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<tr>
<td>Merchanting</td>
<td>0.8</td>
</tr>
<tr>
<td>Different coverage</td>
<td>0.3</td>
</tr>
<tr>
<td>Other</td>
<td>0.1</td>
</tr>
</tbody>
</table>
Major patterns in causes

<table>
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<th>%</th>
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</thead>
<tbody>
<tr>
<td>Vintage and revision differences</td>
<td>38.1</td>
</tr>
<tr>
<td>Different compilation practices/systems</td>
<td>45.0</td>
</tr>
<tr>
<td>Methodological differences</td>
<td>10.8</td>
</tr>
<tr>
<td>Reclassifications Services and Goods</td>
<td>4.4</td>
</tr>
<tr>
<td>Errors identified + Other</td>
<td>1.7</td>
</tr>
</tbody>
</table>

- Revision and vintage bias
- Coordination of production processes
- Conflicting consistency requirements
- Methodological issues (!)
Methodological differences (1)

- Primary income, 38.1%
- Secondary income, 20.0%
- Services, 36.2%
- Capital account, 4.5%
- Goods, 1.3%

Eurostat BOP-ROW Survey 2017, nonfinancial accounts
Methodological differences (2)

- Implicit coordination issue?
- Implicit data source issue?
- Country-specific issue?

**Primary income**
- Property income (D4) – recording of super dividends, reinvested earnings of special purpose entities

**Services**
- Exports and imports (P62, P72) – treatment of IP Boxes

**Secondary income**
- Miscellaneous current transfers (D75) – Recording allocations from EU structural funds
Delineating goods and services – travel and government

- **Transaction-based services items**
  - Travel/business travel
  - Construction
  - Government goods and services n.i.e.

- **Classifying travel in the CPC**
  - P6/P7 consistency versus P61/P71 and P62/P72 consistency

- **Conflicting consistency requirements**
  - Input-Output tables

- **Imprecisions of the standards**
Conclusions

- Coordination of compilation processes plays a main role
- Different data sources foster different estimation practices
- Revision bias due to different release/revision calendars
- Standards do not always apply consistent terminology as claimed
  - Concept of travel/business travel
- Competing consistency requirements
  - Delineation of goods and services (CPC)
Questions and Answers?

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EUROPEAN COMMISSION
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Directorate C: National accounts, prices and key indicators

Unit C5: Integrated Global Accounts and Balance of Payments