



EUROPEAN CENTRAL BANK
EUROSYSTEM

European Union Balance of Payments and International Investment Position statistical sources and methods

“B.o.p. and i.i.p. book”

Please note, that there is a new version of this publication available on the ECB website.

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Euro area

1 Introduction

The European Central Bank (ECB) compiles and publishes the balance of payments (b.o.p.) and the international investment position (i.i.p.) of the euro area with the support of the ESCB's Statistics Committee. These statistics depict the economic relations of the euro area as a whole vis-à-vis the rest of the world. The euro area is, therefore, considered as a single economy.

The euro area b.o.p. and i.i.p. are compiled by summing up the individual b.o.p. and i.i.p. statistics of each euro area country vis-à-vis non-euro area countries (with some exceptions, as explained in Section 2.5 on the methods for compiling the euro area aggregates). Cross-border transactions/positions of euro area countries vis-à-vis each other are therefore excluded.

B.o.p. and i.i.p. statistics provide important indicators of economic performance of the euro area. The ESCB analyses the euro area b.o.p. and i.i.p. in the context of its tasks, particularly monetary policy, macro prudential analysis and reserve assets management. B.o.p. and i.i.p. statistics for the individual European Union (EU) Member States also provide crucial indicators of economic performance. These are closely monitored e.g. by the IMF in Article IV reports, the European Systemic Risk Board (ESRB) in the Risk Dashboard and in the context of the European Commission's macroeconomic imbalances procedure (MIP).

This publication, commonly referred to as the "B.o.p. and i.i.p. book", aims at providing users with an overview of the main features of the b.o.p. and i.i.p. methodological framework and of the data sources and compilation methods used in the euro area and in the individual EU Member States.

Chapters 2 and 3 focus on the methodological aspects drawing on the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6), the worldwide reference standard for the compilation of b.o.p. and i.i.p. statistics. This last edition was revised in parallel with the System of National Accounts 2008¹ (2008 SNA) to ensure consistency between external and domestic macroeconomic statistics. Chapters 2 and 3 describe the concepts, classifications and special conventions that euro area countries observe when compiling their contributions to the euro area external statistics, as legally defined in the ECB Guideline (ECB/2011/23) of 9 December 2011 on the statistical reporting requirements of the ECB in the field of external statistics (as amended by Guidelines ECB/2013/25 and ECB/2015/39).²

¹ The European System of Accounts 2010 (ESA 2010) constitutes the European version of the SNA2008, and is thus also fully consistent with the BPM6.

² Other EU countries also follow these concepts, classifications and special conventions when sending data to the ECB on a voluntary basis.

Chapter 4 provides for each EU Member State a brief description of the data sources used and of the collection and compilation methods implemented by national compilers. This description is not exhaustive and focuses primarily on potential deviations from the agreed international statistical standards and on borderline classification cases. This description also offers relevant information on the institutional framework and on data availability and dissemination policy and tools.

2 Compilation of euro area balance of payments and international investment position statistics

2.1 Legal framework

The production of European statistics is organised around two separate pillars, the European System of Central Banks (ESCB) and the European Statistical System (ESS), with separate legal frameworks and governance structures. The ESCB is a system enshrined in the Treaty on the Functioning of the European Union (TFEU).³ It is composed of the ECB and the national central banks (NCBs); the ECB's Governing Council is its highest decision-making body.

According to its statute,⁴ the ECB, assisted by the NCBs, may collect the statistics necessary to undertake the ESCB's tasks, including for monetary policy and financial stability purposes, either from the competent national authorities or directly from economic agents. The data collected may also be used for banking supervision purposes. The Council of the European Union has defined the natural and legal persons subject to reporting requirements by the ECB, the statistical principles to be followed, the confidentiality regime and the appropriate provisions for enforcement.⁵ The actual statistics that are collected, compiled and disseminated by the ESCB are determined by the ECB's Governing Council. They are reflected in the ESCB's statistical work programme, which is approved by the ECB's Governing Council and supported by comments from its General Council. These are largely financial but also economic statistics, such as b.o.p. statistics and i.i.p. statistics, money and banking (including interest rates) statistics, banknotes statistics, payments and payment systems statistics and financial stability statistics. More specifically, Article 2 of the Council Regulation (EC) No 2533/98 empowers the ECB to collect information from legal and natural persons residing in a Member State, to the extent that they hold cross-border positions or have carried out cross-border transactions relevant for producing balance of payments statistics.

³ See Article 282(1) TFEU.

⁴ See Article 5 of Protocol (No 4) of the Statute of the ESCB and of the ECB.

⁵ Council Regulation (EC) No 2533/98 of 23 November 1998 concerning the collection of statistical information by the European Central Bank (OJ L 318, 27.11.1998, p. 8), amended by Council Regulation (EC) No 951/2009 of 9 October 2009 (OJ L 269, 14.10.2009, p. 1) and Council Regulation (EU) No 2015/373 of 5 March 2015 amending Regulation (EC) No 2533/98 concerning the collection of statistical information by the European Central Bank (OJ L 64, 7.3.2015, p. 6).

The ECB collects the statistical data, assisted by the NCBs and with the support of the ESCB's Statistics Committee. It then produces the statistics, conducts quality assurance and disseminates them in conformity with the statistical principles of impartiality, objectivity, professional independence, cost-effectiveness, statistical confidentiality, minimisation of the reporting burden and high output reliability.⁶ These statistical principles are reflected in the ESCB's Public Commitment on European statistics by the ESCB.⁷

The statistical requirements of the ECB in the field of external statistics (b.o.p. and i.i.p., as well as the international reserves template and cross-border shipments of euro banknotes) are defined in Guideline ECB/2011/23 of 9 December 2011⁸ (as amended), which is addressed to euro area NCBs, in accordance with Council Regulation (EC) No 2533/98⁹ of 23 November 1998 (as amended). Recommendation ECB/2011/24 of 9 December 2011 (as amended) complements Guideline ECB/2011/23 by addressing other competent national authorities that are entrusted with the collection and/or compilation of external statistics in their respective countries.

The members of the ESCB and the ESS need to cooperate closely to maximise synergies, minimise the reporting burden and ensure the production of complete and coherent European statistics. The two statistical pillars also cooperate closely through the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB), as well as through the European Statistical Forum (ESF). The CMFB, composed of senior representatives of NCBs, National Statistical Institutes (NSIs), the ECB and the European Commission (Eurostat), was set up by the Council of the European Union in 1991 and provides a platform to support the operational cooperation between the two statistical pillars, particularly in statistical areas in which they have shared responsibilities, such as the production of national accounts and balance of payments statistics.

2.2 Cooperation between Eurostat and the European Central Bank/Directorate General Statistics

Close collaboration between the European Commission and the ECB in the field of statistics is not only a Treaty obligation but it is key in ensuring that the quality of European statistics is serving the objectives and policies of the European Union, such as the single monetary policy or the Macroeconomic Imbalance Procedure (MIP). Since the indicators used for the MIP are provided by Eurostat on the basis of statistics compiled in Member States either by NSIs or NCBs, close cooperation is

⁶ The statistical principles of the ESCB are referred to in Article 3a of Council Regulation (EC) No 2533/98 (OJ L 318, 27.11.1998, p. 8).

⁷ See <http://www.ecb.europa.eu/stats/html/pcstats.en.html>

⁸ OJ L 65, 3.3.2012, p. 1.

⁹ OJ L 318, 27.11.1998, p. 8

necessary to ensure the highest quality standards for producing accurate and reliable statistics underlying these indicators¹⁰.

To this aim, the ECB Governing Council agreed to a Memorandum of Understanding (MoU)¹¹ that mutually recognises the respective quality assurance standards for European statistics and, at the same time, lays down working arrangements and procedures that shall ensure the quality of European statistics underlying the MIP indicators. The provisions of the MoU cover b.o.p./i.i.p. statistics as they are supporting the MIP.

2.3 Statistical reporting requirements for national compilers

In the field of b.o.p. and i.i.p. statistics, the ECB requires that NCBs report data on international transactions and international reserve assets (including revaluations) at monthly frequency. Reports on more detailed international transactions, on international positions and respective revaluations are due on a quarterly basis.

From a euro area perspective, international transactions encompass all transactions that create or redeem, in full or in part, claims or debts, or any transaction that implies the transfer of a right over an object between residents of a euro area country or institution and non-residents of the euro area. International positions are the stocks of financial assets and liabilities of euro area residents towards non-residents of the euro area.

Revaluations are (realised and unrealised) holding gains and losses on international positions arising from changes in the exchange rate and/or in asset prices.

2.3.1 Monthly requirements

2.3.1.1 Monthly b.o.p.

The ECB requires NCBs to provide, on a monthly basis, a selection of the main items of the b.o.p., as well as data on the revaluations of euro area reserve assets. These data are made available to the ECB within 44 calendar days after the end of the month to which they relate. The collection of data from reporting agents is organised by the national authorities, who take this deadline into account, thereby striking a balance between accuracy and the reporting burden. Therefore, owing to the nature of the data and to this short reporting period, it is common practice to use

¹⁰ Please refer to the [ECB Opinion CON/2013/72](#) of 10 October 2013 on a proposal for a Regulation of the European Parliament and of the Council on the provision and quality of statistics for the macroeconomic imbalances procedure.

¹¹ Please refer to the "[Memorandum of Understanding between Eurostat and the European Central Bank/Directorate General Statistics on the quality assurance of statistics underlying the Macroeconomic Imbalances Procedure](#)", signed in Frankfurt and Luxembourg on 4 and 7 November 2016, respectively.

time series modelling or indirect estimation methods in the compilation of some components of the monthly b.o.p.¹²

The aim of the monthly b.o.p. is to provide an overall picture of major developments quickly enough to be of use for monetary policy decisions. This is notably reflected in the monetary presentation of the b.o.p. (see the [ECB's website](#)), which is aimed at linking developments in euro area broad money (M3) with the cross-border transactions of non-Monetary Financial Institutions (MFIs) resident in the euro area.

As shown in the table below, transactions in the net external assets of the Monetary Financial Institutions (MFI) sector can be presented as the mirror image of non-MFIs' b.o.p. transactions with non-euro area residents.

Monetary presentation of the euro area balance of payments

| | |
|----------|---|
| + | Current account |
| + | Capital account |
| + | Balance of financial transactions by the non-MFI sector (assets minus liabilities) |
| + | Errors and omissions |
| = | Balance of payments of the non-MFI sector |
| = | - Balance of payments of the MFI sector |
| = | Transactions in the net external assets of the MFI sector |

Hence, changes in the monetary aggregate M3 can be presented as the arithmetic result of changes in its counterparts, namely: (i) credit to euro area residents; (ii) net external assets of euro area MFIs; (iii) long-term financial liabilities; and (iv) other counterparts (residual).

2.3.1.2 Template on international reserve assets and foreign currency liquidity

The ECB requires NCBs to report monthly data to compile the stock of international reserves held by the Eurosystem (the ECB and the NCBs of the euro area countries). The reserve assets of the Eurosystem are the financial assets held and effectively controlled by the ECB and the euro area NCBs, which are issued by residents outside the euro area and denominated in currencies other than the euro. This definition, approved by the ECB's Governing Council in March 1999, conforms to the BPM6 (Appendix 3 on regional arrangements, paragraph A3.29).

In addition to the BPM6 standards components, (i) the foreign currency-denominated claims (i.e. claims denominated in any currency other than the euro) not included under official reserve assets, mainly claims on euro area residents held by the Eurosystem and (ii) the predetermined net drains are shown as memorandum items in the ECB Statistics Bulletin. The purpose of this approach is to support an analysis

¹² See Chapter 4 for more details on the national data sources and compilation practices.

for monetary purposes as well as to permit the reconciliation of the Eurosystem's international reserves with its foreign currency liquidity position.

In addition to the information provided in the ECB Statistics Bulletin, the ECB publishes, on its website, Eurosystem and ECB data in line with the [Template on International Reserves and Foreign Currency Liquidity](#), set out in early 2000 in the context of the IMF's Special Data Dissemination Standard (SDDS). This information covers not only data on reserve assets included in the euro area b.o.p. and i.i.p., but also data on other foreign currency assets not included as official reserve assets and the reserve-related liabilities of the Eurosystem.¹³

2.3.2 Quarterly requirements

The quarterly requirements are the ECB's main statistical product in the field of b.o.p. and i.i.p. statistics. With the introduction of the BPM6, these requirements are comprehensive and detailed, covering to a large extent the standard components of the b.o.p. and i.i.p., as specified in the BPM6 Annex 9.

The ECB requires quarterly data on b.o.p., i.i.p., and revaluations to be reported within 85 calendar days after the end of the reference quarter.

In terms of breakdowns, the structure of the i.i.p. is broadly equivalent to the structure of the b.o.p. financial account.

2.4 The ECB's contribution to the euro area aggregates

The ECB's own transactions and positions vis-à-vis non-euro area counterparts are also reflected in the external statistics of the euro area.

In practice, the ECB's main contributions to the euro area b.o.p. and i.i.p. are related to the following items:

- **Reserve assets:** reserve assets of the ECB are claims on non-residents of the euro area pooled in accordance with Article 30 of the Statute of the ESCB and thus under the direct and effective control of the ECB. As long as no further transfer of ownership takes place, in accordance with Article 30.4, external assets retained by the NCBs are under their direct and effective control and are treated as reserve assets of each individual NCB.
- **Other investment:** transactions between the ECB and the NCBs of EU Member States not participating in the euro area related to the operation of the TARGET2¹⁴ system; repo transactions with non-residents of the euro area in euro or in foreign currency (the latter only refers to liabilities, because reverse

¹³ For more details see the publication entitled "[Statistical treatment of the Eurosystem's international reserves](#)", October 2000 (to be updated).

¹⁴ TARGET2 is the second generation of TARGET and was launched in 2007.

repos are included in reserve assets); non-euro area participations in the ECB's capital; deposits taken from other NCBs outside the euro area.

- **Portfolio investment:** debt securities denominated in euro and issued by non-residents of the euro area (the ECB's holdings of debt securities denominated in foreign currency, which were issued by non-euro area residents, are included in the ECB's reserve assets).
- **Income on portfolio investment, other investment and reserve assets:** income received (paid) by the ECB from (on) the above-mentioned investment assets (liabilities).
- **Financial derivatives:** transactions and positions in financial derivatives, e.g. from foreign exchange interventions or foreign currency providing liquidity programs.

2.5 Methods of compiling the euro area aggregates

The ECB compiles the figures for the euro area b.o.p. and i.i.p. by summing up the euro area countries' transactions/positions vis-à-vis non-residents of the euro area, excluding the euro area portfolio investment liabilities and related income.

The compilation of portfolio investment liabilities (positions, flows and related income) follows a different approach. According to the debtor/creditor principle,¹⁵ transactions and positions in foreign assets should be allocated vis-à-vis the country of the debtor (issuer), while liabilities should be allocated vis-à-vis the country of the creditor (the holder). However, in practice it is difficult to identify the residency of the holders of securities issued by euro area residents. This is because these instruments are openly traded in secondary markets and often transacted/held via intermediaries resident in the euro area on behalf of their non-resident clients. In such cases, the first counterpart – the resident custodian or other intermediary – may be known, but the final investor often is not. Identifying residency becomes increasingly complicated as the length of the chain of intermediaries increases.

To circumvent this difficulty, portfolio investment liabilities of the euro area (broken down by resident sector) are estimated residually by deducting the holdings by residents in the euro area from the total securities issued by euro area residents.

The same logic applies to the estimation of income paid to the non-euro area holders of securities issued by euro area residents. These income payments are calculated as total payments made by euro area residents minus the component received by residents in the euro area countries.

¹⁵ For additional details, see Chapter 3, Section 3.1.5.3 on the geographical allocation principle for change of ownership.

2.6 Geographical breakdown

A detailed geographical breakdown of the euro area b.o.p. and i.i.p. is available for data from the first quarter of 2008 onwards for some items vis-à-vis main partner countries, namely non-euro area EU countries (Bulgaria, Czech Republic, Denmark, Hungary, Croatia, Poland, Romania, Sweden, and the United Kingdom) and non-EU countries (Brazil, Canada, China, Hong Kong, India, Japan, Russian Federation, Switzerland and the United States) and counterpart groupings (namely offshore financial centres, EU institutions, and other international organisations).

2.7 Revision practice

A harmonised EU revision practice for b.o.p. and i.i.p. and national accounts (including government finance statistics) has been introduced for quarterly data. This practice aims at achieving consistency at three levels: (i) within EU Member States (aligning revision practices between national accounts and b.o.p. and i.i.p.); (ii) across EU Member States (common revision practices for the different blocks of statistics reported to the European institutions according to BPM6 and ESA 2010); and (iii) at the European level, among the various statistical domains of the euro area/EU b.o.p. and i.i.p. and national accounts.

In this context, two distinct concepts of major revisions and routine revisions have been introduced; the latter are further subdivided into monthly, quarterly and annual cycles.

Major revisions require coordination across domains and across EU Member States. Therefore, it entails a clear coordination role at the European level, particularly to ensure the correct timing across the two statistical domains. In the context of major revisions the full series can be revised.

Monthly routine revisions affect only monthly data (b.o.p. and the international reserves template). When reporting monthly data, EU Member States may revise all months for which no quarterly data has yet been reported. For example, when reporting monthly b.o.p. data with reference to the month of October (around mid-December), EU Member States may revise all reference months from July to September, since quarterly data are only available up to the second quarter; however, when reporting data with reference to the month of November (around mid-January of the following year), EU Member States can only revise data for the reference month of October. This practice ensures permanent consistency between monthly data and published quarterly data.

Quarterly and annual routine revisions allow the revision of a variable number of periods (quarters), but never the full series:

- When reporting quarterly data for the first quarter of year T: EU Member States may revise all observations of year T-1.

- When reporting quarterly data for the second quarter of year T: EU Member States may revise all observations of year T and all observations of years T-1, T-2, T-3 and T-4.
- When reporting quarterly data for the third quarter of year T: EU Member States may revise all observations of year T and all observations of year T-1.
- When reporting quarterly data for the fourth quarter of year T: EU Member States may revise all observations of year T and all observations of years T-1, T-2, T-3 and T-4.

Guideline ECB/2011/23 does not require full consistency between monthly and quarterly data; while quarterly data are requested on a full accruals basis, best estimates (e.g. partly on a cash basis) are accepted for the monthly b.o.p., as it constitutes a first preliminary assessment. Nonetheless, EU Member States are strongly encouraged to ensure consistency between different frequencies and between different breakdowns. Therefore, the revision of monthly b.o.p. data is highly recommended when quarterly data are first reported or revised.

EU Member States may report revisions to the ECB at any time, particularly if a slightly different revision practice is followed at the national level. These revised data would be reflected in the ECB publications of national data. However, only revisions within the defined practice described above are taken on board for the compilation of euro area aggregates. In general, data revisions received by the ECB outside the defined windows will be “frozen” until the revision practice allows for the incorporation of these data in the compilation of euro area aggregates.¹⁶

2.8 Publication

The euro area b.o.p. and i.i.p. are primarily published in the ECB’s [press releases](#) and other ECB publications, including the [Economic Bulletin](#) and the [Statistics Bulletin](#). More detailed and longer time series are available in the “[Statistics](#)” section of the ECB’s website and in the [Statistical Data Warehouse](#).

2.9 Contribution to other statistics

The euro area b.o.p. and i.i.p. statistics are used as a “building block” in the compilation of the “rest of the world” account in the quarterly euro area (financial and non-financial) accounts.

¹⁶ This practice may be loosely applied in the first few years after the introduction of the new BPM6 requirements.

3 Concepts, definitions and agreed practices

3.1 General principles of balance of payments and international investment position statistics

The euro area b.o.p. and i.i.p. statistics follow the BPM6 classifications and principles with very few exceptions or deviations. These are presented in Section 3.12.

3.1.1 Balance of payments

The **balance of payments** is a statistical statement of the economic transactions between residents and non-residents in an economy over a specific period of time. A transaction is an interaction between two institutional units which occurs by mutual agreement or through the operation of the law and involves an exchange of economic value or a transfer thereof.

Despite its name, which refers to standards applied in the past in accordance with the recommendations of the IMF Manuals up to the fourth edition, the b.o.p. is now less concerned with payments, as that term is generally understood, than with **transactions**. In fact, international transactions recorded in the b.o.p. may not involve the transfer of money, and some are not paid for in any sense: "change in ownership" is the relevant concept for recording transactions. This development from a financial towards an economic approach was deemed more appropriate to: (i) foster a sound economic interpretation of the figures; and (ii) make the b.o.p. concepts compliant with the national accounts (the b.o.p. corresponds to the "rest of the world" account).

The b.o.p. is organised in three main accounts:

- Current account.
- Capital account.
- Financial account.

The current account shows transactions in goods, services and income between residents and non-residents. The capital account shows transaction in non-produced, non-financial assets, and capital transfers between residents and non-residents. The financial account shows net acquisitions of financial assets and net incurrences of liabilities between residents and non-residents. The financial account is organised in five functional categories:

- Direct investment.
- Portfolio investment.
- Financial derivatives.

- Other investment.
- Reserve assets.

The current and capital accounts record gross transactions (or commonly denominated “flows”); the inward flows are classified as credits, whereas the outward flows are classified as debits. By contrast, the financial account records transactions in net terms, separately for each financial asset and liability (i.e. they reflect net changes arising from all credit and debit entries during the accounting period). The net acquisition of financial assets records all acquisitions minus disposals of assets, whereas the net incurrence of liabilities records all incurrences minus redemptions of liabilities.

The sum of the current and capital accounts' balances corresponds to the net lending (surplus) or net borrowing (deficit) of an economy vis-à-vis the rest of the world. The same concept can be derived from the financial account as the net acquisition of financial assets minus the net incurrence of liabilities. Differences between these two alternative measures of net lending/net borrowing are commonly identified as b.o.p. “errors and omissions”.

3.1.2 International investment position

The **international investment position** is a statistical statement that shows, at a specific point in time, the value of the stocks of residents' financial assets that are non-contingent claims on non-residents in that economy or gold bullion held as reserve assets, and of the non-contingent liabilities of the residents to non-residents in that economy. As with the b.o.p. financial account, financial assets and liabilities are grouped into the same five functional categories (see above).

The difference between the financial assets and liabilities is the net i.i.p. It represents either a net claim on or a net liability to non-residents. Changes in the i.i.p. between consecutive periods can be due to transactions, as recorded in the b.o.p. financial account during that period, or to “other flows” (see below).

Associated with the i.i.p. is the concept of **gross external debt**, which is the outstanding amount of current, rather than contingent, liabilities that require payment(s) of principal and/or interest by the debtor at some point(s) in the future and that are owed to non-residents by residents of an economy.¹⁷ A **net external debt** concept can also be derived by subtracting gross external assets in the form of debt instruments from the gross external debt concept. In practice, the concept of “debt” corresponds to debt securities, currency, deposits, loans, insurance technical reserves, trade credits and advances and other accounts receivable/payable.

¹⁷ For more details on the concept of external debt please consult the IMF publication entitled “[External Debt Statistics: Guide for Compilers and Users](#)”.

3.1.3 Reconciliation of positions and flows

Changes in positions between consecutive points in time are explained by the following flows during that period:

- Transactions in the b.o.p. financial account.
- Revaluations (changes in the euro exchange rate vis-à-vis the currencies in which the assets/liabilities are denominated and/or in the price of the assets/liabilities).
- Other changes in the volume of assets and liabilities (such as reclassifications or write-offs).

The greater the level of detail of the basic information on both stocks and flows – namely currency breakdown, applicable market prices (especially for portfolio investment) and the timing of the transaction (using the price and exchange rate for that date) – the more precise the reconciliation of consecutive positions will be.

For equity shares of unlisted companies, the transactions recorded in the b.o.p. financial account may differ from the change in the own funds at book value (OFBV) recorded in the i.i.p. Such differences are recorded as revaluations due to price changes.

For non-negotiable instruments, namely loans, deposits and other accounts receivable/payable, financial account transactions, which are valued at market prices, will differ from the change in the nominal values recorded in the i.i.p. Such differences are recorded as other price changes during the period in which the transaction occurs.

Other changes in the volume of assets and liabilities are recorded when new assets that were not in the beginning-of-period balance sheet appear in the end-of-period balance sheet, or when existing assets that were in the beginning-of-period balance sheet disappear from the end-of-period balance sheet, and these appearances/disappearances are not the result of transactions. These include write-offs of claims by creditors, statistical reclassifications (of instruments, sectors, country of residency, etc.), and monetisation and demonetisation of gold bullion.

When writing off financial instruments that are valued at nominal values, the value recorded in the other changes in volume should correspond to their nominal value prior to being written off. For reclassifications (e.g. a sector reclassification), the values of both the new and the old instruments should be in general identical.

3.1.4 The main accounting principles for transactions and positions

3.1.4.1 Quadruple-entry system

The accounting system for national and international accounts relies on quadruple-entry bookkeeping, which results from the simultaneous application of both vertical and horizontal double-entry bookkeeping.

Vertical double-entry bookkeeping implies that each transaction is recorded with two entries in the books of the respective unit, one **credit** and one **debit**. In the current and capital accounts, a credit corresponds to exports, primary income receivable, transfers receivable, or disposals of non-produced, non-financial assets; a debit corresponds to imports, primary income payable, transfers payable, or acquisitions of non-produced, non-financial assets. In the financial account, transactions are recorded separately for assets and liabilities on a net basis, i.e. all credits minus all debits during the accounting period, and are, therefore, classified as **net acquisition of financial assets** and **net incurrence of liabilities** respectively. This means that, in principle, the total for all credit entries is equal to the total for all debit entries, which allows the “vertical” consistency of the accounts for a single resident unit to be checked.

Horizontal double-entry bookkeeping ensures recoding consistency between resident units and their (non-resident) counterparties. For example, an export recorded by a resident unit should be recorded as an import by a non-resident unit. This is useful for compiling accounts that reflect the mutual economic relationships between different institutional units in a consistent manner.

The quadruple-entry system deals in a coherent manner with multiple transactors or groups of transactors, each of which practises vertical double-entry bookkeeping. A single transaction between two counterparties thus gives rise to four entries, as a liability of one unit is mirrored by a financial asset of another unit.

Although the total of all the credit entries and all the debit entries should, in principle, be equal, imbalances occur in practice due to imperfections in source data and compilation systems. This imbalance is known as “net errors and omissions”. A positive value for net errors and omissions indicates that the total value of debits is higher than the total value of credits recorded in the current and capital accounts of the b.o.p., or/and the value of net increases in assets in the financial account is too high; and/or the value of net increases in liabilities in the financial account is too low. Negative net errors and omissions indicate the opposite.

Following a careful review of the **euro area net errors and omissions**, the ECB introduced a statistical methodology for the correction of these errors and omissions in 2009. However, the introduction of BPM6 forced the reassessment of the empirical and methodological assumptions used in this process, which will only be possible once a sufficiently long time series in BPM6 format has been estimated.

3.1.4.2 Time of recording of transactions

In line with the BPM6, the ECB requires, as a general principle, that flows be recorded on an accrual basis, meaning that flows are recorded when economic value is created, transformed, exchanged, transferred or extinguished. Flows that imply a **change of economic ownership** are recorded when ownership passes, and services are recorded when provided.

However, it is not mandatory to report the monthly b.o.p. on a full accrual basis, due to the short time frame for the collection and reporting of monthly data. In agreement with the ECB, the NCBs and other national compilers may provide monthly b.o.p. statistics that are partially based on other recording principles, such as cash basis (flows are recorded when the respective payment/receipt occurs). However, national compilers are invited to review these data once quarterly data are available on a full accrual basis (see also Section 2.7 on revision practices).

3.1.4.3 Valuation

Market prices are in general the basis for valuation in the international accounts.

The market price of a transaction is the amount of money that buyers are willing to pay to acquire something from willing sellers. If these prices cannot be observed, valuation according to **market-equivalent prices** – market prices of the same or similar items, taken from the markets in which the same or similar items are currently traded in sufficient numbers and in similar circumstances – provides an acceptable approximation of market prices.

Imports and exports of general merchandise are recorded at free on board (f.o.b.) values (for details see Section 3.2 on goods).

For transactions between affiliated enterprises, replacing book values (transfer prices) with market-equivalent values is, in principle, recommended if the distortions are large and if the availability of data (from tax authorities or counterpart economies) makes it feasible.

Transactions of financial assets and liabilities should be recorded excluding commissions, fees, and taxes. These should be recorded separately under the appropriate categories.

Positions in financial assets and liabilities should, in general, be valued as if they were acquired in the market on the balance sheet reporting date. Many financial assets are traded in markets on a regular basis and, hence, can be valued directly by using the quotations from these markets. If the financial markets are closed on the balance sheet date, the market prices on the closest preceding date should be used.

Valuation according to the **market-value equivalent** is necessary for financial assets and liabilities that are not traded in financial markets or that are traded too seldom. **Fair values** that approximate market prices should be estimated for these

assets and liabilities. The **present value of future cash flows** is one of the valid approximations.

To increase consistency in the valuation of assets and liabilities of **equity positions in unlisted direct investment companies in Europe**, these positions are generally valued on the basis of a common definition of OFBV. Exceptions to this rule are possible (see Section 3.7.3. on special valuation issues).

Positions on loans, deposits, trade credits and advances and other accounts receivable/payable are recorded at nominal value.

3.1.4.4 Geographical allocation principle for change of ownership

In order to achieve a more precise geographical allocation from a risk analysis perspective, BPM6 requires the application of the **debtor/creditor principle**. This principle is also fundamental for ensuring bilateral symmetry in the transmission of country contributions to euro area aggregates. According to this principle, transactions/positions in a country's financial assets are assigned to the country that incurs the liability (the debtor) and transactions/positions in a country's financial liabilities are assigned to the country of residence of the creditor.

3.1.4.5 Aggregation and netting

Aggregations or combinations in which all elementary items are shown for their full values are called gross recordings (e.g. all interest credits are aggregated separately from all interest debits). The international accounts show the gross recording in their current and capital accounts.

The international accounts show the net recording in their financial account and other respective changes, meaning aggregations or combinations that show net changes (increases minus reductions) in a particular financial asset or liability. In general, the net recording of flows in financial assets and liabilities is recommended in the international accounts from both an analytical and a pragmatic perspective. Net acquisition of external financial assets and net incurrence of external liabilities are generally of more analytical interest than the gross flows. Moreover, gross reporting of data may not be possible for different classes of units and for some financial instruments. Furthermore, net transactions in some financial assets and liabilities often have to be derived from balance sheet data because gross transactions are not available.

3.1.4.6 Imputations

While most transactions can be clearly observed, some transactions do not reflect the actual financial flows and need to be rearranged so that the accounts portray economic reality.

In the imputation of transactions, entries are created in the accounts when no separate transactions are identified by the parties involved. As a general rule, transactions are to be imputed only in specific cases to reflect underlying economic relationships.

The following are the most notable cases of imputation of transactions in the international accounts.

- Retained earnings of direct investment enterprises are attributed to direct investors as if the retained earnings had been distributed in proportion to direct investors' shares in the earnings of the direct investment enterprises and then reinvested back in the direct investment enterprise. The rationale behind this treatment is that because a direct investment enterprise is, by definition, subject to control or influence by a direct investor or investors, the decision to retain some of its earnings within the enterprise represents an investment decision on the part of the direct investor or investors. The treatment of the retained earnings of direct investment enterprises are described in Section 3.4.2.3.
- Investment income earned on technical reserves held by insurance corporations is deemed to be payable to policyholders, who are then deemed to return the funds back to insurance corporations as premium supplements even though in terms of actual cash flows the property income is retained by the insurance corporations. The same treatment is applied for the income earned by investing the technical reserves for standardised guarantees. Investment income earned on technical reserves held by life insurance corporations and defined contribution pension schemes, as well as the increase in entitlements during the period for defined benefits pension schemes, are also deemed to be payable to policyholders, who are then deemed to acquire financial claims on the life insurance corporations and pension funds.
- Retained earnings of investment funds are treated as if they were distributed to shareholders, who are then deemed to reinvest in the fund. The treatment and recording of these transactions are explained in Section 3.4.2.4.

3.1.5 Euro area residency

In general, the term **resident** means having one's centre of predominant economic interest in the economic territory of a country.

For the euro area, the **economic territory** comprises: (i) the economic territory of those EU Member States whose currency is the euro (the euro area countries); and (ii) the ECB and the European Stability Mechanism (ESM), which are regarded as resident units of the euro area. **The b.o.p. of the euro area** is therefore the statistical statement of the economic transactions between residents in the euro area (seen as one economic territory) and residents outside the euro area. Similarly, the **i.i.p. of the euro area** is the statistical statement of the positions in financial assets and liabilities of the residents in the euro area vis-à-vis residents outside the euro area.

The **rest of the world (RoW)** comprises all third countries and international organisations, including those physically located within the euro area (except the ECB and ESM). Consequently, all transactions of euro area countries vis-à-vis EU institutions are classified as vis-à-vis non-euro area residents and hence included in the euro area b.o.p. and i.i.p. statistics.

Some territories belonging to, or associated with, euro area countries might give rise to difficulties in the statistical classification. These can be divided into the following groups:

Territories which are part of the euro area:

- Helgoland: Germany.
- Canary Islands, Ceuta and Melilla, Balearic islands: Spain.
- Monaco, French overseas departments (Guyana, Guadeloupe, Martinique, Réunion and Mayotte), Saint Pierre and Miquelon, Saint Barthélémy, Saint Martin: France.
- Madeira, the Azores: Portugal.
- The Åland Islands: Finland.

Territories associated with euro area countries which are to be included in the RoW:

- Büsingen: not Germany.
- Andorra: neither Spain nor France.
- Aruba, Bonaire, Sint Eustatius and Saba, Curaçao and Sint Maarten: not the Netherlands.
- French overseas territories (French Polynesia, New Caledonia and the Wallis and Futuna Islands): not France.
- San Marino and the Vatican City: not Italy.

A **centre of economic interest** exists when a unit engages and intends to continue engaging, either indefinitely or over a finite but long period of time, in economic activities and transactions on a significant scale in or from a location, dwelling, place of production or other premises within a territory. For practical reasons, actual or intended location for **one year or more** is used as an operational threshold. However, the following are examples of borderline cases in the determination of residency.

- **Students** who go abroad to study full-time generally continue to be resident in the territory in which they were resident prior to studying abroad. This treatment is adopted even though their course of study may exceed a year.

- **Patients** who go abroad for medical treatment maintain their predominant centre of interest in the territory in which they were resident before they received the treatment, even if the treatment lasts one year or more.
- **Crews** of ships, aircraft, oil rigs, space stations or other similar equipment which operate outside a territory or across several territories are treated as being resident in their home country.
- **National diplomats, peacekeeping and other military personnel, and other civil servants employed abroad in government enclaves**, as well as members of their households are considered to be residents of the economic territory of the employing government.
- **Staff of international organisations**, including those with diplomatic status and military personnel are resident in the territory of their principal dwelling.
- **Border workers, seasonal workers and other short-term workers** who cross borders for a short period to undertake a job are considered residents in the economic territory in which they maintain a dwelling used by members of the household as their principal dwelling.

When undertaking international transactions in **land and/or buildings** (e.g. holiday homes), property owners are treated as if they have transferred their ownership to a notional institutional unit resident in the country where the property is located. The notional unit is treated as being owned and controlled by the non-resident owner.

A legal entity is resident in the economic territory under whose laws the entity is incorporated or registered. This applies also to **legal entities with little or no physical presence**, e.g. investment funds (as distinct from their managers), securitisation vehicles, and some special purpose entities (SPEs). If the entity is not incorporated, it is considered to be resident in the country whose legal system governs the creation and continued existence of the entity.

Subsidiaries are separate institutional units with independent legal status, either wholly owned or with majority ownership held by another entity (the parent institution). **Branches** are entities without independent legal status (they are wholly owned by the parent). However, when branches are located in a country other than the one in which the company controlling them is located, they are deemed to be separate institutional units.

3.1.6 Allocation to institutional sectors

The sector breakdowns of the euro area b.o.p. and i.i.p. are consistent with the European System of Accounts (ESA) 2010. Monthly b.o.p. data are required using the following sector breakdown of the resident units:

- Central banks.
- Other monetary financial institutions (MFIs):

- Deposit-taking corporations except the central bank.
- Money market funds.
- General government.
- Other sectors.

For the quarterly b.o.p. and i.i.p. data, the ECB requests the “other sectors” category further broken down into:

- Financial corporations other than MFIs.
- Non-financial corporations, households, and non-profit institutions serving households.

The full BPM6 sector breakdown will be implemented gradually, with the split of **other sectors** into **financial corporations other than MFIs and non-financial corporations, households, and non-profit institutions serving households** becoming available in 2016.

Central banks

The central banks sector of the euro area b.o.p. and i.i.p. consists of the Eurosystem, i.e. the ECB and the NCBs of euro area countries.

Other MFIs

The other MFIs sector identified in the euro area b.o.p. and i.i.p. coincides with the other MFIs sector for money and banking statistics, i.e. it comprises deposit-taking corporations except the central bank and money market funds, as defined in Regulation (EU) No 1071/2013¹⁸ of the ECB of 24 September 2013 concerning the balance sheet of the monetary financial institutions sector (ECB/2013/33).

The ECB maintains a list of MFIs based on information provided regularly by all members of the ESCB, which can be downloaded from the [ECB's website](#).

General government

The general government sector consists of the following sub-sectors:

- **Central government (excluding social security funds):** all administrative departments of the state and other central agencies whose competence normally extends over the entire economic territory (with the exception of the administration of social security funds – see below).
- **State government (excluding social security funds):** institutional units exercising some of the functions of government at a level below that of central

¹⁸ OJ L 297, 7.11.2013, p. 1.

government and above that of local government (with the exception of the administration of social security funds – see below).

- **Local government (excluding social security funds):** those types of administrative departments, agencies, etc. of countries, the competence of which covers only a restricted part of the economic territory of a country (excluding the local agencies for social security funds – see below).
- **Social security funds:** central, state and local institutional units whose principal activity is to provide social benefits and which fulfil the following criteria:
 - By law or by regulation certain groups of the population are obliged to participate in the scheme or to pay contributions.
 - General government is responsible for the management of the institution in respect of the settlement or approval of the contributions and benefits, independent of its role as supervisory body or employer.

Public non-financial corporations and quasi-corporations that are market producers principally engaged in the production of goods and non-financial services should be classified as non-financial corporations (**other sectors**). This also applies to public producers involved in the aforementioned activities and recognised as independent legal entities by virtue of special legislation. If included in the MFI list, public sector credit institutions should be included in the **other MFIs sector**, not under **general government**.

Other sectors

The **other sectors** category comprises:

- Financial corporations other than MFIs:
 - Non-money market investment funds: collective investment institutions (CII) not considered as money market funds (MMFs) and therefore not classified as MFIs.
 - Other financial intermediaries, except insurance corporations and pension funds: financial corporations and quasi-corporations that are principally engaged in financial intermediation by incurring liabilities in forms other than currency, deposits, investment fund shares or in relation to insurance, pension and standardised guarantee schemes (includes financial vehicle corporations engaged in securitisation transactions, security and derivative dealers, financial corporations engaged in lending, and specialised financial corporations).
 - Financial auxiliaries: financial corporations and quasi-corporations that are principally engaged in activities closely related to financial intermediation but that are not financial intermediaries themselves.

- Captive financial institutions and money lenders: financial corporations and quasi-corporations that are engaged neither in financial intermediation nor in providing financial auxiliary services, and where most of either their assets or their liabilities are not transacted on open markets.
- Insurance corporations: financial corporations and quasi-corporations that are principally engaged in financial intermediation as a consequence of the pooling of risks, mainly in the form of direct insurance or reinsurance.
- Pension funds: all financial corporations and quasi-corporations that are principally engaged in financial intermediation as the consequence of the pooling of social risks and needs of the insured persons (social insurance). Pension funds as social insurance schemes provide income in retirement, and often also provide benefits in the case of death or disability.
- Non-financial sub-sectors:
 - Non-financial corporations (public, national private, and foreign controlled): institutional units that are independent legal entities and market producers, and whose principal activity is the production of goods and non-financial services.
 - Households: individuals or groups of individuals as consumers and as entrepreneurs producing market goods and non-financial and financial services (market producers), provided that the production of goods and services is not carried out by separate entities treated as quasi-corporations. It also includes individuals or groups of individuals as producers of goods and non-financial services for exclusively own final use.
 - Non-profit institutions serving households: non-profit institutions that are separate legal entities that serve households and that are private non-market producers. Their principal resources are voluntary contributions in cash or in kind from households in their capacity as consumers, from payments made by general government and from property income.

Transactions and positions in external financial assets are assigned to the institutional sector to which the resident creditor (owner of the asset) belongs. Transactions and positions in external financial liabilities are assigned to the institutional sector to which the resident issuer of the liability belongs.

With regard to other investment flows and stocks, it should be added that:

- Government-guaranteed and/or bank-insured trade credits should be treated as private operations rather than as government or bank lending and should, therefore, be included under “other sectors”. In these cases the debtors have incurred liabilities, but have not as yet failed to discharge them; liability for such loans would not be transferred to the government or bank that guaranteed them until the loan recipient defaulted in payment. Guarantees and financial intermediation in which the intermediary is not in fact the legal creditor or debtor

should not be taken into account in statistical reporting (see also standardised guarantee changes in Section 3.10.1).

- Loans and deposits connected to repo-type agreements must be classified under the institutional sector to which the resident that extends or receives the financing belongs, regardless of the nature of the issuer of the securities acting as collateral. The residence of the borrower and lender is the decisive factor, not the residence of the issuer of the collateral.

In addition to classifying transactions and positions in financial assets/liabilities by sector of the resident creditor/debtor, the ECB requires euro area countries to classify quarterly flows and positions in portfolio investment assets by the sector of the counterpart issuer. The same principles of sector classification apply.

3.1.7 Additional classification of financial assets and liabilities

Besides the functional categories presented in the previous section, transactions and positions of euro area residents in financial assets and liabilities are classified according to three broad categories of instruments in the BPM6: (i) equity and investment fund shares, (ii) debt instruments, and (iii) other financial assets and liabilities.

Equity and investment fund shares include listed and unlisted shares, other equity, and investment fund shares units as components.

Debt instruments comprise an extensive array of financial instruments such as special drawing rights, currency and deposits (including repos), debt securities (bills, bonds, notes, negotiable certificates of deposit, commercial paper, debentures, asset-backed securities and money market instruments), loans (including financial leases), insurance technical reserves, pension and related entitlements, provisions for calls under standardised guarantees, trade credits and advances, and other accounts receivable/payable.

Other financial assets and liabilities include monetary gold, financial derivatives and employee stock options.

Transactions and positions in debt instruments are also classified by original maturity, into **short-term** (if payable on demand or with an original maturity of one year or less) and **long-term** (if it has a maturity of more than one year or no stated maturity). Positions in debt securities are also broken down by currency of denomination into euro-denominated, US dollar-denominated and other-currency-denominated.

3.2 Goods

Goods are physical, produced items for which a change of ownership occurs between residents and non-residents. The goods item of the euro area b.o.p.

statistics covers general merchandise, net exports of goods under merchanting, and non-monetary gold. In accordance with general b.o.p. principles, change of ownership is the principle which determines the coverage and time of the recording of international transactions in goods.

General merchandise on a b.o.p. basis covers goods, for which a change of economic ownership occurs between a resident and a non-resident and that are not included in other specific categories, such as goods under merchanting and non-monetary gold, or as part of some transactions in services. Exports and imports of goods are recorded on a free on board (f.o.b.) basis, i.e. at market value at the customs frontiers of exporting economies (including charges for insurance and transport services up to the frontier of the exporting country).

The BPM6 recommends that the geographical allocation for exports be based on the country of final destination and that of imports be based on the country of origin. Nevertheless, for the purpose of compiling euro area aggregates, country contributions are to be reported according to the "country-of-consignment" principle, i.e. according to the immediate counterpart. In this way, transactions in goods are recorded as extra-euro area transactions only by that euro area country in which the goods enter or leave the euro area borders. This treatment aims to avoid double-accounting (which would occur in the euro area aggregate if the different euro area countries through which the goods are channelled would record the transactions vis-à-vis the country of final destination/origin) or omissions. Ultimately, all intra-euro area merchandise transactions should cancel each other out and the euro area aggregates should conform to the international statistical standards.

Quasi-transit trade is a term used to define goods imported into a EU Member State which are cleared through customs for free circulation within the European Union (EU), and subject to import duties, by an entity that is not considered a resident institutional unit, which are then dispatched to another EU Member State. When applicable, **branding** is to be recorded by EU Member States affected by **quasi-transit trade** in order to report the gap between the value of general merchandise declared when the goods are initially imported from a third country and their value when dispatched to another EU Member State. The geographical breakdown should be compiled on the basis of the country of residence of the parent enterprise controlling the company that manages the customs procedure related to these goods in the reporting economy.

Merchanting is defined as the purchase of goods by a resident (of the compiling economy) from a non-resident, combined with the subsequent resale of the same goods to another non-resident without the goods being present in the compiling economy. Net exports of goods under merchanting represent the difference between sales over purchases of goods under merchanting. This item includes merchants' margins, holding gains and losses, and changes in inventories of goods under merchanting. Acquisitions and subsequent resale of crude oil products when in transit between the production country and its final destination are typical examples of merchanting. The **goods acquired under merchanting** are shown as a negative export/credit of the economy of the merchant. The sale of goods is shown under

goods sold under merchanting as a positive export/credit of the economy of the merchant.

Non-monetary gold covers all cross-border transactions in gold other than monetary gold (monetary gold is owned by monetary authorities and held as reserve assets). Non-monetary gold can be in the form of bullion (i.e. coins, ingots, or bars with a purity of at least 995 parts per 1,000, including such gold held in allocated gold accounts), gold powder, and gold in other unwrought or semi-manufactured forms.

3.3 Services

Services are the result of a production activity that changes the conditions of the consuming units, or facilitates the exchange of products or financial assets. Services are not generally separate items over which ownership rights can be established and they cannot generally be separated from their production.

The services account of euro area b.o.p. statistics consists of the following items, which are to be recorded the moment they are delivered.

- **Manufacturing services on physical inputs owned by others** cover processing, assembly, labelling, packaging, etc. undertaken by an enterprise that does not own the goods concerned (the ownership of the goods does not change) and is paid a fee by the owner. The value of the fees charged is not necessarily the same as the difference between the value of goods sent for processing and the value of goods after processing. Assembly of prefabricated constructions (included in **construction**) and labelling and packaging incidental to transport (included in **transport**) are excluded.
- **Maintenance and repair services not included elsewhere (n.i.e.)** covers maintenance and repair work by residents on goods that are owned by non-residents (and vice versa). The repairs may be performed at the site of the repairer or elsewhere. Repairs and maintenance on ships, aircraft and other transport equipment are included in this item. Cleaning of transport equipment is included in **transport**. Construction maintenance and repairs are included under **construction**. Maintenance and repairs of computers are included under **telecommunications, computer and information services**.
- **Transport** covers all transportation services (sea, air, and other – including land, inland waterway, rail, space and pipeline) that are performed by euro area residents for non-residents, or vice versa, and that involve the carriage of people or objects from one location to another, as well as related supporting and auxiliary services. Postal and courier services are also included. Passenger services provided to non-residents in the euro area by euro area carriers within euro area economies, or vice versa (these are included under **travel**) are excluded.

- **Travel** includes goods and services which euro area travellers acquire from non-residents of the euro area, or which euro area residents provide to travellers resident outside the euro area during visits of less than one year, net of any purchases made with money earned or provided locally. Unlike other services, travel is not a specific type of service, but an assortment of goods and services consumed by travellers. Travel includes local transport (i.e. transport within the economy being visited and provided by a resident of that economy) but excludes personal international transport in connection with travel which is included under **transport**. Travel excludes goods for resale or other goods in excess of customs thresholds, which are to be included in general merchandise.
- **Construction** covers the creation, renovation, repair or extension of fixed assets in the form of buildings, land improvements of an engineering nature and other engineering constructions (including roads, bridges, dams, etc.). It includes related installation and assembly work; site preparation and general construction; specialised services such as painting, plumbing and demolition; and management of construction projects. The construction contracts covered in international trade in services are generally of a short-term nature. A large-scale construction project contracted by a non-resident enterprise that takes a year or more to be completed will usually give rise to a resident branch.
- **Insurance and pension services** comprise direct insurance, reinsurance, auxiliary insurance services, pensions and standardised guarantee services. These services are estimated or valued by the charges included in total premiums rather than by the total value of the premiums.
- **Financial services** cover intermediary and auxiliary services, excluding insurance and pension fund services, usually provided by banks and other financial corporations. In euro area b.o.p. statistics these services are broken down into: (i) **explicitly charged and other financial services**; and (ii) **financial intermediation services indirectly measured (FISIM)**.
 - Many financial services are **explicitly charged** and require no special calculation. They include fees for deposit-taking and lending, fees for one-off guarantees, early or late repayment of fees or penalties, account charges, fees related to letters of credit, credit card services, commissions and charges related to financial leasing, factoring, underwriting, and clearing of payments. Financial advisory services, custody of financial assets, financial asset management, monitoring services, liquidity provision services, risk assumption services (other than insurance), merger and acquisition services, credit rating services, stock exchange services and trust services are also included. Dealers in financial instruments may charge, in full or part, for their services by having a spread between their buying and selling prices; these margins on buying and selling transactions are also included in explicitly charged and other financial services.

- Actual interest can be considered as including both an income element and a charge for a service. Lenders and deposit-takers operate by providing rates of interest to their depositors that are lower than the rates that they charge to their borrowers. The resulting interest margins are used by the financial corporations to defray their expenses and to provide an operating surplus. By convention, these indirect charges in respect of interest apply only to loans and deposits, and only when those loans and deposits are provided by, or deposited with, financial corporations. For loans from financial corporations, **FISIM** is the difference between the interest actually payable on loans and the amount that would be payable if a reference rate were used; for deposits with financial corporations, FISIM is the difference between the interest that would be earned if a reference rate were used and the interest actually earned. Such a reference rate should not contain a service element and should reflect the risk and maturity structure of deposits and loans (the rate prevailing in interbank borrowing and lending is usually a suitable choice).
- **Charges for the use of intellectual property n.i.e.** include: (i) charges for the use of proprietary rights (such as patents, trademarks, copyrights, industrial processes and designs including trade secrets and franchises), that can arise from research and development, as well as from marketing; and (ii) charges for licences to reproduce or distribute intellectual property embodied in produced originals or prototypes (such as copyrights on books and manuscripts, computer software, cinematographic works and sound recordings) and related rights (such as for live performances and television, cable, or satellite broadcast).
- **Telecommunications, computer, and information services** encompass the transmission of sound, images or other information by telephone, telex, telegram, radio and television cable and broadcasting, satellite, electronic mail, facsimile services etc., including business network services, teleconferencing and support services. They do not include the value of the information transported. Mobile telecommunication services, internet backbone services and online access services, including provision of access to the internet are also included. Installation services for telephone network equipment are excluded, since they are included in construction.
- **Computer services** consist of hardware and/or software-related services, and data-processing services. Hardware and software consultancy and implementation services; maintenance and repair of computers and peripheral equipment; disaster recovery services, provision of advice and assistance on matters related to the management of computer resources; analysis, design and programming of systems ready to use (including web page development and design), and technical consultancy related to software; licences to use non-customised software; development, production, supply and documentation of customised software, including operating systems made to order for specific users; systems maintenance and other support services, such as training provided as part of consultancy; data-processing services, such as data entry,

tabulation and processing on a time-sharing basis; web page hosting services (i.e. the provision of server space on the internet to host clients' web pages); and computer facilities management are also included. Charges for licences to reproduce and/or distribute software which are included in charges for the use of intellectual property n.i.e. are excluded. Leasing of computers without an operator is included in technical, trade-related and other business services.

- **Information services** comprise news agency services, database services (database conception, data storage and the dissemination of data and databases, including directories and mailing lists), both online and through magnetic, optical or printed media; and web search portals (search engine services that find internet addresses for clients who input keyword queries). Direct, non-bulk subscriptions to newspapers and periodicals, whether by mail, electronic transmission or other means; other online content provision services; and library and archive services are also included. Bulk newspapers and periodicals are included under general merchandise.
- **Other business services** are further broken down into: (i) research and development services; (ii) professional and management consulting services; and (iii) technical, trade-related, and other business services.
- **Research and development services** are associated with basic research, applied research, and experimental development of new products and processes. In principle, such activities in the physical sciences, social sciences and humanities are covered within this category, including the development of operating systems that represent technological advances. Commercial research related to electronics, pharmaceuticals and biotechnology is also included.
- **Professional and management consulting services** include: (a) legal services, accounting, management consulting, managerial services and public relations services; and (b) advertising, market research, and public opinion polling services.
- **Technical, trade-related, and other business services** comprise: (a) architectural, engineering, scientific and other technical services; (b) waste treatment and de-pollution, agricultural and mining services; (c) operating leasing services; (d) trade-related services; and (e) other business services n.i.e.
- **Personal, cultural and recreational services** include audio-visual and related services, and other personal, cultural and recreational services. **Audio-visual and related services** are services and associated fees related to the production of motion pictures (on film or videotape), radio and television programmes (live or on tape) and musical recordings. Rentals of audio-visual and related products, and access to encrypted television channels (such as cable or satellite services); mass-produced audio-visual products purchased or sold for perpetual use that are delivered electronically (downloaded); fees received by performing artists (actors, musicians, dancers), authors, composers, etc. are included. Charges or licences to reproduce and/or

distribute audio-visual products are excluded, as these are included in charges for the use of intellectual property n.i.e. **Other personal, cultural and recreational services** are: (a) education services; (b) health services; (c) heritage and recreational services; and (d) other personal services.

- **Government goods and services n.i.e.** is a residual category covering government transactions (including those of international organisations) in goods and services which cannot be classified under other items. All transactions (in both goods and services) by enclaves such as embassies, consulates, military bases and international organisations with residents of economies in which the enclaves are located are included. Transactions of the enclaves with residents of the home economies are excluded.

3.4 Primary income

Primary income is the return that accrues to institutional units for their contribution to the production process, either for providing labour or for providing financial assets and renting natural resources to non-resident institutional units. It therefore comprises compensation of employees, investment income and other primary income.

3.4.1 Compensation of employees

Compensation of employees is the total remuneration, in cash or in kind, payable by resident/non-resident employers (the producing units) to non-resident/resident employees in return for work. The contributions paid by employers, on behalf of employees, to social security schemes or to private insurance or pension funds to secure benefits for employees are included. It is important to establish whether an employer-employee relationship exists; if not, the payment constitutes a purchase of services.

3.4.2 Investment income

Investment income is derived from a resident's ownership of a financial asset issued by a non-resident (credit) or conversely, from a non-resident's ownership of a financial asset issued by a resident (debit). Investment income includes income on equity (dividends, withdrawals from income of quasi-corporations, reinvested earnings and investment income attributable to investment fund shareholders) and on debt (interest), as well as investment income attributable to policyholders in insurance, pension schemes, and standardised guarantee schemes. Capital holding gains and losses (realised or unrealised) are not classified as income on investments, but as revaluations (due to exchange rate or other price changes).

In euro area b.o.p. statistics, investment income is broken down according to the functional category of the underlying investments (as in the b.o.p. financial account

and the i.i.p.), i.e. income on direct investment, portfolio investment, other investment or on reserve assets, and further detailed according to the type of instrument. Financial derivatives and employee stock options do not give rise to investment income.

3.4.2.1 Dividends

Dividends are the distributed earnings allocated to the owners of equity shares for placing funds at the disposal of corporations. Dividends should be recorded the moment that shares go ex-dividend, gross of any withholding taxes. The following borderline cases apply.

- Distribution of earnings in the form of **stock dividends** (when stockholders elect to receive payments of dividends in the form of the issuance of new shares) is a capitalisation of current earnings and an alternative to distributing cash dividends. Distributions of such earnings are recorded in the euro area b.o.p. in the same manner as reinvested earnings (i.e. as investment income in the current account and as offsetting equity investment in the financial account).
- **Bonus shares** (new shares distributed to all stockholders in proportion to existing ownership) are not treated as transactions or income as no new resources are involved, i.e. the claim of the shareholders on the entity remains the same after the issuance of these shares.
- **Liquidating dividends** refer to the distribution of assets in the form of a dividend from a corporation that is going out of business. Payment of liquidating dividends may take place when a firm goes bankrupt or when a company's assets are sold and the proceeds passed to shareholders. As liquidating dividends represent more of a repayment of capital than a distribution of earnings from current income, they should be recorded as withdrawals of equity in the financial account and should, consequently, be excluded from investment income.
- **Super-dividends** are exceptional payments by corporations (including quasi-corporations such as branches) to their shareholders that are made up of accumulated reserves or sales of assets. These are to be recorded as withdrawals of equity in the financial account and should consequently be excluded from investment income.

3.4.2.2 Withdrawals from income of quasi-corporations

Withdrawals from income of quasi-corporations (unincorporated enterprises that behave as if they were corporations which, in legal terms, cannot distribute income in the form of dividends)¹⁹ are income that the owners withdraw from their profits. From

¹⁹ For example, these are branches, notional resident units for land and other natural resources owned by non-residents, joint ventures, trusts, etc.

an economic point of view, the withdrawal of such income is equivalent to the distribution of corporate income through dividends and is treated the same way.

Withdrawals of funds realised by the sale or disposal of the quasi-corporation's assets are excluded; these (so-called super-dividends) should be recorded as a reduction in the equity of quasi-corporations in the financial account.

3.4.2.3 Reinvested earnings on foreign direct investment

Reinvested earnings are associated with the concept of attributing retained earnings of corporations to their ultimate owners. In macroeconomic statistics, corporations are defined as entities separate from their owners and able to take economic decisions. Owners receive dividends and face other financial gains and losses arising from the activity of the corporations they own. For corporations, the notion that the institutional units are decision-making entities implies that retained earnings are treated as the income and saving of that entity, rather than those of its owners. So the undistributed income arising from the net operating surplus, net property income and net current transfers is recorded as retained earnings or net saving of corporations.

However, when owners decide to deliberately retain earnings to reinvest, treating them as if they were retained by corporations would not reflect economic reality. Although most economic relationships between a corporation and its owners may be considered to take place "at arm's length", the distribution of its net earnings to its owners may, in some cases, be subject to the control and influence that the owners have on corporate decisions. Therefore, earnings retained by investment funds or by direct investment enterprises are imputed to their owners and shown in the primary income account as "reinvested earnings" and the corresponding flows are recorded in the financial account as the "reinvestment of earnings". These reinvested earnings are to be recorded in the period in which they are earned.

Reinvested earnings on **foreign direct investment** represent the direct investors' proportion, in terms of equity held, of the earnings that foreign subsidiaries, associates and branches do not distribute as dividends. They are defined as the direct investor's share of the total consolidated profits earned by the direct investment enterprise in the reference period (after allowing for tax, interest and depreciation – see below) minus dividends due for payment in the reference period, even if these dividends relate to profits earned in previous periods.

The estimation of reinvested earnings on foreign direct investment is rather challenging to estimate. It is based on:

- The **net operational profit** of the direct investment corporation, which is subject to various estimation methods in case of: (i) delays in obtaining the definitive data; or (ii) the total absence of a recording procedure to collect them.
- **Interpolation** procedures to adjust the (typically annual) data to the required frequency.

- The inclusion of any **uncovered losses** by the direct investor as negative reinvested earnings (and decrease in the claims of the affiliate for the offsetting entry in the financial account).

3.4.2.4 Investment income attributable to investment fund shareholders

Investment income attributable to investment fund shareholders, including mutual funds and unit trusts, consists of the following separate components: i) dividends paid to collective investment fund shareholders; and ii) retained earnings attributable to collective investment fund shareholders.

The dividend component is recorded in the same manner as dividends for individual corporations, as described above. The retained earnings component is recorded using the same principles as those described for foreign direct investment enterprises.

Earnings from **investment funds** can be viewed as being passed on to their shareholders (or unit holders) as they are earned in the form of investment income on their equity. Investment funds earn income by investing the money received from shareholders. Shareholders' income from investment funds is defined as the investment income earned on the fund's investment portfolio after deducting operating expenses. Where only a part of the net earnings is distributed to shareholders as dividends, the retained earnings should be treated as if they were distributed to the shareholders and then deemed reinvested. As for other income components, holding gains and losses of investment funds on their portfolio are recorded in the revaluation account.

3.4.2.5 Interest

Interest is a form of investment income that is receivable by the owners of certain kinds of financial assets (debt instruments), namely deposits, debt securities, loans and other accounts receivable, for putting these financial assets at the disposal of another institutional unit. Income on special drawing rights (SDR) holdings and SDR allocations are also classified as interest.

Interest is recorded on an **accrual basis**; that is, interest is recorded as accruing continuously over time to the creditor on the amount outstanding. Depending on the contractual arrangements, the rate at which interest accrues can be a percentage of the amount outstanding, a predetermined sum of money, a variable sum of money dependent on a defined indicator, or some combination of these methods. In the euro area monthly b.o.p., deviations from accrual accounting are tolerable and methods such as cash recording are acceptable. The primary income account records so-called "pure interest", by excluding its FISIM component (see a description in Section 3.3 on services).

As interest accrues before it is actually paid, the amount of the respective claim must be recorded under investment income in the current account with an offsetting entry

in the financial account in the underlying instrument (e.g. other investment loans). When the actual payment occurs, it should not be recorded again under investment income (where the respective value has already been accruing), but should instead be recorded in the financial account as a reduction in the underlying instrument (such as, as in the example above, other investment loans), cancelling out the interest that had been accruing. For the creditor, the actual receipt of interest on, for example, loans would typically correspond to an increase in deposits as a counterpart to a reduction in loans.

For the purpose of defining and measuring interest, it is useful to distinguish between the following two types of arrangements: i) fixed-rate instruments (the contracting parties determine at inception all future cash flows that the debtor must make in domestic currency); and ii) index-linked instruments (the indexation mechanism links the amount to be paid at maturity, periodic payments – such as coupons – or both to indicators agreed by the parties; the values of the indicators are not known in advance).

In general, the interest accrual on deposits, loans and accounts receivable/payable is determined by applying the relevant interest rate, as specified in the contractual arrangements between parties, to the amount outstanding at each point in time throughout the accounting period. For each period, the relevant interest rate should be used to calculate interest accrued in that period.

Fees for securities lending without cash collateral and gold loans are payments for putting a financial instrument at the disposal of another institutional unit. Accordingly, fees for securities lending (equity securities as well as debt securities) and for gold loans accrue to the owner of the security/gold and are treated as interest (with the corresponding entry in other investment – other accounts receivable/payable).

Amounts outstanding of non-performing debt remain a legal liability of the debtor, so interest should continue to accrue unless the liability has been extinguished (e.g. repaid, written off or rescheduled as a result of a bilateral arrangement between debtor and creditor). Following the accrual principle, arrears on debt repayments (both periodic payments and amount to be paid at maturity) that are not paid on due dates should continue to be shown in the same instrument until the liability is extinguished. Income on non-participating preference shares is treated as interest rather than as dividends and is generally recorded under direct investment income on debt instruments.

- **On debt securities traded in secondary markets:** Defining and measuring interest on debt securities traded in secondary markets is not straightforward. While debtors have obligations to settle according to the terms and conditions set at the inception of the debt instruments, holders of securities acquired in the secondary markets may not know about the interest rate at the time of issue. Therefore, there are three approaches for defining and measuring interest for these debt instruments. However, in the international accounts, interest is recorded using the so-called **debtor approach**:

- Interest is equal to the amounts the debtors will have to pay to their creditors over and above the repayment of the amounts advanced by the creditors. Interest accrual on a debt instrument is determined for its entire life by the conditions set at the inception of the instrument. Interest accrual is determined using the original yield-to-maturity. A single effective yield, established at the time of security issuance, is used to calculate the amount of accrued interest in each period to maturity.
- **With known cash flows:** For debt securities for which the issue and redemption prices are the same (i.e. issued at par), total interest accruals over the whole life of the securities are given by the periodic coupon payments. If coupon payments are fixed, accrued interest can be calculated by allocating the coupon payment to the relevant period using a daily compound formula.
- Certain debt securities, such as short-term bills of exchange and zero-coupon bonds, are such that the debtor is under no obligation to make any payments to the creditor until the liability matures. In effect, the debtor's liability is discharged by a single payment covering both the amount of the funds originally borrowed and the interest accrued and accumulated over the entire life of the liability. Instruments of this type are said to be **discounted** because the amount initially borrowed is less than the amount to be repaid. The difference between the amount to be repaid at the end of the contract and the amount originally borrowed is interest that must be allocated over the accounting periods between the beginning and end of the contract. A slightly more complicated case is a **deep-discount bond**, which is a discounted instrument that also requires periodic coupon payments. In such cases, the interest accrual is the amount of the coupon payable periodically plus the amount of interest accruing in each period attributable to the difference between the redemption price and the issue price.
- In some cases, debt **securities are issued at a premium** rather than at a discount. The method of determining the interest accrual is identical to the case of a discounted instrument except that when issued at a premium, the difference between the redemption and issue price is amortized over the life of the instrument and reduces (rather than increases as in the case of the discounted instrument) the amount of interest accruing in each period.
- **Index-linked debt securities:** In the case of index-linked debt securities, an indexation mechanism links the amount to be paid at maturity or coupon payments (or both) to indicators agreed by the parties. The values of the indicators are not known in advance. Therefore, in order to estimate interest accruals before the values of the reference indicators are known, some proxy measures need to be used.
- When only **coupon payments are index-linked**, the full amount resulting from indexation is treated as interest accruing during the period covered by the coupon. It is most likely that by the time data are compiled for a reporting period, the date for the coupon payment would have passed and hence the value of index is known. When the date for the coupon payment has not

passed, the movement in the index during that part of the reporting period covered by the coupon can be used to calculate the interest accrual.

- When the **amount to be paid at maturity is index-linked**, the calculation of interest accruals becomes uncertain, because the redemption value is unknown; in some cases the maturity time may be several years in the future. Two approaches can be followed to determine the interest accrual in each accounting period: i) interest accruing in an accounting period due to the indexation of the amount to be paid at maturity may be calculated as the change in the value of this amount outstanding between the end and the beginning of the accounting period due to the movement in the relevant index; and ii) interest accruals may be determined by fixing the rate of accrual at the time of issue. Accordingly, interest is the difference between the issue price and the market expectation, at inception, of all payments that the debtor will have to make, which is recorded as accruing over the life of the instrument.
- For **debt securities with embedded derivatives**, such as call, put, or equity conversion options, the accounting for accrued interest is the same as for securities that do not have such features. For all periods leading up to the exercise of the option, the interest accrual is unaffected by the presence of the option.

3.4.2.6 Investment income and the functional categories

Direct investment income includes all investment income arising from direct investment positions between resident and non-resident institutional units (see also Section 3.7). Debt between selected affiliated financial intermediaries is not included in direct investment, so the corresponding income on those instruments is also classified as portfolio or other investment income. Rare cases of other primary income, such as compensation of employees and rents between direct investors and direct investment enterprises, are not included under direct investment income. Dividends, withdrawals from income of quasi-corporations and interest can apply for any of the types of direct investment relationships.

Transfer pricing at values that differ significantly from “arm’s length” prices is usually associated with shifting resources between related enterprises, so it relates to direct investment income measures. Transfer pricing may be motivated by income distribution (hidden dividends), or equity build-ups or withdrawals. Examples of this include the provision of goods and services without explicitly charging, or at understated or overstated values. Where transfer pricing is identified and quantified with a high degree of certainty, the relevant income entries should be adjusted to an “arm’s length” value.²⁰

²⁰ The adjustments for transfer pricing have implications for reinvested earnings and for the data of the counterpart economy. It is therefore useful to exchange information with counterpart economies to as great an extent as possible, in order to avoid asymmetrical recordings.

Portfolio investment income includes income flows between residents and non-residents arising from positions in equity and debt securities other than those classified under direct investment or reserve assets. Three types of portfolio investment income are distinguished at the first level, namely as, income on equity securities (dividends), income attributable to investment fund shareholders, and income on debt securities (interest). The income attributable to investment fund shareholders includes both dividends and reinvested earnings. Interest is further classified by type of debt security and by maturity. Such a detailed classification of portfolio investment income ensures consistency with both instrument and functional classifications of financial assets and liabilities.

Income from investments in investment fund shares is, by assumption, always classified in the portfolio investment functional category, independently of the existence of a direct investment relationship (see also Section 3.7.1).

Ideally, portfolio investment income in the euro area should be compiled on a security-by-security basis, using information available in the Centralised Securities Database. As specified in Annex VI of Guideline ECB/2011/23, stocks of securities reported to the national compiler on an aggregate basis, i.e. not using standard (ISIN or similar) codes, should not exceed 15% of the total portfolio investment stocks of assets or liabilities; the same threshold should apply for the compilation of the respective portfolio investment income. The centralised securities database (CSDB) shall provide security-by-security information on dividends paid (for equity and investment funds shares) and income accrued (for debt securities and investment funds shares), in addition to price, maturity, market capitalisation and outstanding amounts. These data allow b.o.p. compilers to calculate the income flows related to their countries' assets and liabilities on those portfolio investment instruments.

Other investment income covers flows between resident and non-resident institutional units with regard to interest on deposits, loans, trade credits and advances, and other accounts receivable/payable; income on other equity not classified in direct investment;²¹ and investment income attributable to policyholders of insurance, standardised guarantees and pension funds. Fees for non-monetary gold loans should also be included in interest under other investment income.

Investment income on reserve assets includes income on equity and investment fund shares, and interest from securities included in reserve assets. Fees on securities lending and monetary gold loans, and interest on unallocated gold accounts are also included under interest on reserve assets. Interest on SDR holdings is also shown on a net basis under income on reserve assets. That is, the value of interest payable on SDR allocations (other investment) is deducted. The major practical problem regarding the compilation of income on reserve assets on an accruals basis arises from the discrepancies between the concept of income in the statistical standards and the accounting rules, since, in many cases, national

²¹ Equity participations in some incorporated or unincorporated enterprises (such as partnership or joint ventures) that do not qualify either as direct investment (because the equity participation is below the 10% threshold).

compilers collect information on reserve assets from the accounting departments of their respective NCBs.

3.4.3 Other primary income

Other primary income comprises rents, taxes and subsidies on products and production. Rents and investment income (see above) together correspond to the national accounts concept of property income. This component is presented in the primary income account to maintain consistency with national accounts and it is broken down by institutional sector of the compiling economy (general government and other sectors).

3.4.3.1 Taxes and subsidies on products and production

Taxes on production and imports consist of compulsory, unrequited payments, in cash or in kind, which are levied by general government or by the institutions of the EU in respect of the production and import of goods and services, the employment of labour, and the ownership or use of land, buildings or other assets used in production (such taxes are payable irrespective of profits made). Conversely, subsidies are current unrequited payments which general government or the institutions of the EU make to resident producers. Cross-border taxes and subsidies on products and production are normally not significant, except in the case of economic unions such as the euro area.

In the euro area, taxes on production and imports paid to EU institutions include the following taxes collected by national governments on behalf of EU institutions: receipts from the common agricultural policy (levies on imported agricultural products; monetary compensatory amounts levied on exports and imports; sugar production levies and the tax on isoglucose; co-responsibility taxes on milk and cereals; and receipts from trade with third countries) and customs duties levied on the basis of the Integrated Tariff of the European Communities (TARIC). The taxes on production and imports paid to the institutions of the EU do not include the VAT-based third own resource, which is included in other current transfers (see Section 3.5.4). Subsidies granted by the institutions of the EU cover only current transfers made directly by them to resident producer units.

3.4.3.2 Rents

Rents cover income receivable for putting natural resources at the disposal of non-resident institutional units. Examples of rents include amounts payable for the use of land for extracting mineral deposits and other subsoil assets, and for fishing, forestry, and grazing rights. The regular payments made by the lessees of natural resources, such as subsoil assets, are often described as royalties, but they are classified as rents.

Notional direct investment enterprises (i.e. “fictitious” institutional units) created for holding land and leases on land for long periods will normally generate rent (or travel or operational leasing services if there is a building on the land). If the land or buildings are used by the owners (who are non-residents) of the notional unit, an imputation for rent (in the case of use of land), travel services (e.g. in territories that have a large number of vacation homes owned by non-residents) or operational leasing (if non-resident enterprises own premises for their own use) would be necessary. These imputations are recorded under relevant categories of the current account (mostly services). The income arising from the notional direct investment enterprise is recorded under direct investment income (see Section 3.4.2.6). For example, if a vacation home is rented, the notional unit receives the payment for accommodation and generates net earnings that are considered withdrawals from income of quasi-corporations.

3.5 Secondary income

The secondary income account shows **current transfers** (in cash or in kind) between residents and non-residents. Various types of current transfers are recorded in this account to show the different roles in the process of income distribution between the economies.

A transfer is an entry that corresponds to the provision of a good, service, financial asset, or other non-produced asset by an institutional unit to another institutional unit when there is no corresponding return of an item of economic value (or much below its value).

Current transfers consist of all transfers that are not transfers of capital (which are shown in the capital account – see Section 3.6). Current transfers directly affect the level of disposable income of the donor or recipient. They include transfers typically related to general government, e.g. transfers relating to current international cooperation between different governments, payment of current taxes on income and wealth, etc., and transfers related to other sectors, e.g. personal transfers (or workers’ remittances) or non-life insurance premiums and claims (excluding the service charges).

The distinction between current and capital transfers is that in the case of the latter, the ownership of an asset (other than cash or inventories) changes from one party to another, or one or both parties acquire or dispose of an asset (other than cash or inventories), or a liability is forgiven by the creditor. Moreover, a capital transfer results in a commensurate change in the stocks of assets of one or both parties to the transaction without affecting the savings of either party. Capital transfers are typically large and infrequent, but they cannot be defined in terms of size or frequency.

In the euro area b.o.p., a primary distinction is made between transfers of general government and transfers of other sectors, while BPM6 distinguishes primarily between personal transfers and other current transfers. For simplicity, a more detailed description of current transfers is provided by type of transfer.

3.5.1 Current taxes on income and wealth, etc.

Current taxes on income and wealth, etc. in the international accounts consist mainly of taxes levied on the income earned by non-residents from the provision of their labour or financial assets. Taxes on capital gains arising from non-residents' assets are also included. Taxes on income and capital gains from financial assets are generally payable by other sectors (individuals, corporations and non-profit institutions) and receivable by general government. Inheritance taxes are treated as capital transfers (see Section 3.6.2) and refunds of taxes to taxpayers are treated as negative taxes, that is, the amount of taxes is reduced by tax refunds.

3.5.2 Social contributions and benefits

Social contributions are the actual or imputed contributions (including contribution supplements, which represent investment income payable on pension entitlements) made by households to social insurance schemes to make provisions for social benefits to be paid. Social contributions in the international accounts are recorded when a resident makes contributions to social security and pension schemes in another economy (or a non-resident makes contributions to social security and pension schemes in the resident economy) for his or her employment in that economy, or when an employer makes actual or imputed contributions on behalf of the employees. While in practice are the employers who actually transfer social contributions to general government, in national accounts these contributions are recorded as paid to employees (as compensation of employees – see Section 3.4.1), who then transfer them to general government and pension funds.

Social benefits include benefits payable under social security and pension schemes. It includes pensions and non-pension benefits for events or circumstances such as sickness, unemployment, housing and education, and may be in cash or in kind.

3.5.3 Net non-life insurance premiums and non-life insurance claims

Non-life insurance premiums consist of both the gross premiums payable by policyholders to obtain insurance during the accounting period (premiums earned) and the premium supplements payable out of the investment income attributable to insurance policyholders (see Section 3.1.4.6) after deducting the service charges of insurance enterprises arranging the insurance. The service charges constitute purchases of services by the policyholders and are recorded as insurance services. Non-life insurance cover against various events or accidents resulting in damage to goods or property or harm to persons as a result of natural or human causes – fires, floods, crashes, collisions, sinking, theft, violence, accidents, sickness and so forth – or against financial losses resulting from events such as sickness, unemployment, and accidents.

Non-life insurance claims are the amounts payable in settlement of claims that become due during the accounting period. Claims become due at the moment when the event occurs thus giving rise to a valid claim.

Net premiums and claims on standardised guarantees are also included, although they are expected to be rather minor in international accounts. On the contrary, non-life reinsurance is expected to be rather significant for international accounts. A life policy that provides a benefit in the event of death within a given period but in no other circumstances, usually called term insurance, is regarded in the national accounts as non-life insurance, because a claim is payable only if a specified contingency occurs.

3.5.4 Other current transfers

Other current transfers comprise current internal cooperation, adjustments for change in pension entitlements, value added and gross national income (GNI)-based EU own resources, and miscellaneous current transfers, including personal transfers. When analysing residual current transfers categories, in particular when comparing BPM6 standard components data with euro area b.o.p., particular attention should be paid to the respective content of these categories.

Current international cooperation consists of current transfers in cash or in kind between the governments of different countries or between governments and international organisations. Part of current international cooperation is vis-à-vis EU institutions. Generally, the funding of technical assistance or international aid has characteristics of current transfers. However, technical assistance that is tied to, or part of capital projects, is classified as capital transfers, because investment grants are capital transfers (see Section 3.6.2).

The adjustment for the change in pension entitlements is an imputed item which is necessary to reconcile the treatment of pensions as current transfers with the treatment of pension entitlements as financial assets. After the adjustment, the current account balance is the same as it would have been if social contributions and pension receipts were not recorded as current transfers.

The VAT and GNI-based third and fourth EU own resources are current transfers paid by the general government of each EU Member State to the EU institutions.

Miscellaneous current transfers, in cash or in kind, include current transfers between households (personal transfers), current transfers to non-profit institutions serving households, fines and penalties, payments of compensation (for injury to persons or damage to property caused by the former that are not settled as payments of non-life insurance claims) and others (e.g. gifts and donations of a current nature).

3.5.4.1 Personal transfers

Personal transfers between resident and non-resident households consist of all current transfers in cash or in kind made or received by resident households to or from non-resident households. This is independent from the source of income of the sender or the relationship between the households. Personal transfers also include **workers' remittances**, which consist of personal transfers made by employees to residents of another economy and vice versa.

Personal transfers also include current transfers that are payable from gamblers to winners and, in some cases, to charities; these transfers are regarded as taking place directly from those participating in the lottery or gambling to the winners and charities.

3.6 Capital account

The capital account covers the acquisition/disposal of non-produced, non-financial assets and capital transfers. The sum of the current and capital account balances can also be shown as a balancing item, which is labelled as net lending (+)/net borrowing (-).

3.6.1 Acquisition and disposal of non-produced non-financial assets

Non-produced, non-financial assets consist of: (i) natural resources (land, mineral rights, forestry rights, water, fishing rights, air space, and electromagnetic spectrum); (ii) contracts, leases and licences; and (iii) marketing assets (brand names, trademarks) and goodwill. Acquisitions and disposals of non-produced, non-financial assets are recorded separately on a gross basis, rather than netted. Only the purchase/sale of such assets, but not their use, is to be recorded in this item of the capital account. International transactions in land and other natural resources do not usually arise, because notional resident units are generally identified as the owners of these immovable assets. Therefore, changes of ownership in land (typically including real estate) are usually classified as financial transactions under direct investment (see also Section 3.7).

3.6.2 Capital transfers

Capital transfers consist of: (i) transfers of ownership of fixed assets; (ii) transfers of funds linked to, or conditional on the acquisition or disposal of fixed assets; and (iii) the cancellation, without any consideration being received in return, of liabilities by creditors (such as debt forgiveness). The distinction between current and capital transfers, in practice, rests in the use of the transfer by the recipient country (see also Section 3.5 on secondary income). As is the case for current transfers, capital transfers in the euro area b.o.p. are classified according to the institutional sector making or receiving the transfer in the compiling economy (general government or

other sectors) and are further broken down into: (i) capital taxes; (ii) investment grants; and (iii) other capital transfers.

Capital taxes consist of taxes levied at irregular and infrequent intervals on the values of the assets or net worth owned by institutional units, or on the values of assets transferred between institutional units. These include inheritance taxes and taxes on gifts between persons that are levied on the capital of the beneficiaries.

Investment grants consist of capital transfers, in cash or in kind, made to finance all or part of the costs of acquiring fixed assets. The recipients are obliged to use investment grants received in cash for the purposes of gross fixed capital formation; the grants are often tied to specific investment projects, such as large construction projects. A direct investment stake is distinguished from a project funded by an investment grant in that the direct investor owns voting power in the enterprise and has a right to future benefits, such as dividends or the right to sell the asset, which is not the case with investment grants. An investment grant in cash may be paid in instalments if the investment project continues over a long period of time. Payments of instalments continue to be classified as capital transfers even though they may be recorded in a succession of different accounting periods.

Other capital transfers include: (i) debt forgiveness;²² (ii) large non-life insurance claims (e.g. in the context of catastrophes); (iii) one-off guarantees and other debt assumptions; (iv) major non-recurrent payments as compensation for extensive damages or serious injuries not covered by insurance policies; (v) large gifts, donations and inheritances (legacies), including those to non-profit institutions; and (vi) some capital contributions to international organisations or non-profit institutions (if they do not give rise to ownership rights - equity).

3.7 Direct investment

3.7.1 Definition and coverage

Foreign direct investment (FDI), or simply direct investment, is the functional category used to record cross-border investment associated with a resident in one economy having control, or a significant degree of influence, over the management of an enterprise resident in another economy. In addition to the equity that gives rise to control or influence, FDI also includes investment in indirectly influenced or controlled enterprises, investment in fellow enterprises, debt (except between affiliated financial corporations) and reverse investment.

A direct investor is the entity or group of related entities that is able to exercise control or a significant degree of influence over another entity that is resident of a different economy. Conversely, a direct investment enterprise is the entity subject to

²² Debt forgiveness is the voluntary cancellation of all or part of a debt obligation within a contractual agreement between the creditor and the debtor.

the control, or significant degree of influence, from a direct investor. Fellow enterprises are those enterprises that are under the control or influence of the same immediate or indirect investor, but neither fellow enterprise controls or influences the other. In some cases, a single entity may at the same time be a direct investor, a direct investment enterprise, and a fellow enterprise in different relationships to other enterprises. All these enterprises are so-called affiliates and are in a direct investment relationship with each other.

The OECD Framework for Direct Investment Relationships (FDIR) provides criteria based on control and influence for determining whether cross-border ownership results in a direct investment relationship.²³ Control or influence may be gained directly by owning equity that gives voting power in the enterprise, or indirectly by having voting power in another enterprise which has voting power in that enterprise. There are two types of direct investment relationships:

- Immediate direct investment relationships arise when a direct investor directly owns equity that entitles it to 10% or more of the voting power in the direct investment enterprise.
- Indirect direct investment relationships arise through the ownership of voting power in one direct investment enterprise that owns voting power in another enterprise or enterprises, that is, an entity is able to exercise indirect control or influence through a chain of direct investment relationships (under special rules).

Accordingly, there are two ways of having control or influence:

- Control exists if the direct investor owns (directly or indirectly) more than 50% of the voting power in the direct investment enterprise.
- A significant degree of influence exists if the direct investor owns (directly or indirectly) from 10% to 50% of the voting power in the direct investment enterprise.

Once the direct investment relationships have been established, all subsequent financial flows between affiliates resident in different economies are recorded as direct investment, with the exception of: (i) transactions in SDRs, currency and pension related entitlements; (ii) transactions between some affiliated financial corporations (deposit taking corporations, investment funds, and other financial intermediaries except insurance corporations and pension funds)²⁴ where direct investment transactions are confined to equity, with debt investments being recorded as portfolio or other investment; and (iii) financial derivatives and employee stock options, which should be reported under the functional category financial derivatives (other than reserves).

²³ This definition is in line with BPM6 and the OECD Benchmark Definition of Foreign Direct Investment, fourth edition (BD4).

²⁴ In other words, the usual direct investment definitions apply for captive financial institutions and money lenders, insurance corporations, pension funds, and financial auxiliaries.

The components of direct investment transactions and positions are: (i) equity (including reinvestment of earnings); and (ii) debt instruments associated with various inter-company debt transactions. Real estate investment, including investment properties and vacation homes (whether for personal use or leased to others) are also included. Equity in international organisations is excluded from direct investment, even in cases in which voting power is 10% or more; these equity contributions are included in portfolio investment (if they are in the form of securities) or other investment otherwise.

Theoretically investment funds may be direct investors or direct investment enterprises. A fund of funds is an investment fund that invests in other investment funds which may thus become a direct investor in one or more of the funds. In a master-feeder fund arrangement, one or more investment funds (feeder funds) pool their portfolio in another fund (the master fund). In this case, a feeder fund that has 10% or more of the voting power in the master fund would meet the FDIR definition of a direct investor. Similarly, retail funds that hold 10% or more of voting power in an enterprise are direct investors. However, investment funds in the context of euro area b.o.p. are never in a direct investment relationship, therefore all investments by and in investment funds are classified within portfolio investment (see Section 3.8).

Direct investment is also classified according to the relationship between the investor and the entity receiving the investment on a gross basis, namely:

- Investment by a direct investor in its direct investment enterprise (whether in an immediate relationship or not).
- Reverse investment by a direct investment enterprise in its own immediate or indirect direct investor.
- Investment between resident and non-resident fellow enterprises.

In the euro area b.o.p. and i.i.p. statistics, data on reverse investment and investment between fellow enterprises are published separately in order to assist users in understanding the nature of direct investment (so-called asset/liability presentation). However, direct investment data can also be organised according to the direction of the direct investment relationship (the so-called “extended directional principle”). Under the extended directional principle, direct investment is shown as either direct investment abroad or direct investment in the reporting economy.

- Direct investment abroad covers assets and liabilities between resident direct investors and their direct investment enterprises. It also covers assets and liabilities between resident and non-resident fellow enterprises if the ultimate controlling parent is a resident. Direct investment abroad is also called outward direct investment.
- Direct investment in the reporting economy includes all assets and liabilities between resident direct investment enterprises and their direct investors. It also covers assets and liabilities between resident and non-resident fellow enterprises if the ultimate controlling parent is a non-resident. Direct investment in the reporting economy is also called inward direct investment.

3.7.2 Entities with little or no physical presence

Special purpose entities (SPEs) or vehicles (SPVs), conduits, international business companies, shell companies, shelf companies, and brass plate companies are all labels that are used when referring to legal entities registered in jurisdictions which offer various benefits, such as lower tax rates, speedy and low-cost incorporation, limited regulatory burden, and confidentiality.²⁵ Although there is no international standard definition of such companies, typical features of these entities are that their owners are not residents of the jurisdiction of incorporation; significant parts of their balance sheets are claims on, or liabilities to, non-residents; they have few or no employees; and they have little or no physical presence. Such companies are typically used to hold and manage the wealth of private individuals, hold assets for securitisation (as securitisation vehicles), issue debt securities on behalf of related companies (conduits), or hold shares in subsidiaries without actively directing them.

Where SPEs have the sole purpose of acting as financial intermediaries (as is the case for banks and other financial intermediaries), transactions with the direct investors (parent companies) or with direct investment companies that are also financial intermediaries are limited to those associated with equity. Transactions or positions in other instruments are recorded in portfolio investment (if they involve securities) or other investment (see Section 3.10).

3.7.3 Special valuation issues

Equity securities listed on stock exchanges are valued at market prices using the quotations from those exchanges. In the case of equity of unlisted direct investment companies, positions are valued on the basis of book values using a common definition of own funds at book value (OFBV) comprising the following accounting items:

- Paid-up capital (shares effectively paid for excluding own shares and including share premium accounts).
- All types of reserves (including investment grants where accounting guidelines consider them to be company reserves).
- Non-distributed profits net of losses (including results for the current year).

To increase consistency in the valuation of assets and liabilities, equity stocks in unlisted direct investment companies can be valued according to one of the alternative valuation methods mentioned in BPM6 (Paragraph 7.16) if at least one of the following cases applies:

- At least one enterprise in a direct investment chain is listed on the stock exchange, while at least one does not, leading to a significant distortion in the

²⁵ The “captive financial institutions and money lenders” institutional sector class encompasses many of these entities (see Section 3.1.6).

net i.i.p. of a company in the chain; in this case the market price of the listed company may be used as a reference for the valuation of the related unlisted companies.

- Differences occur in the recording of acquired goodwill along a chain of direct investment enterprises, leading to a significant distortion in the net i.i.p. of the country in which the company in the middle of the chain is resident.
- The accounts of enterprises in a direct investment chain are denominated in different currencies and exchange rate fluctuations lead to a significant distortion in the net i.i.p. of the country in which the company in the middle of the chain is resident.

Euro area countries should compile foreign direct investment equity stocks and reinvested earnings on the basis of the results of foreign direct investment surveys to be collected at least annually. The following practices are not acceptable: (i) leaving the choice of the valuation criterion to reporting agents (market values or book values); and (ii) the accumulation of b.o.p. flows to compile stocks.

For equity shares of unlisted companies, the transactions recorded in the financial account may differ from the OFBV recorded in the i.i.p. Such differences are recorded as revaluations due to other price changes.

3.8 Portfolio investment²⁶

3.8.1 Definition and coverage

Portfolio investment includes transactions and positions involving equity securities, and investment fund shares and debt securities other than those included in direct investment or reserve assets. Transactions as repurchase agreements and securities lending are excluded from portfolio investment.

Portfolio investment transactions and positions are valued at market prices. For portfolio investment in unlisted securities, however, differences in the valuation of transactions and positions may occur, as in the case of direct investment in unlisted shares.²⁷ Such differences should be recorded as revaluations due to other price changes.

²⁶ For a more in-depth discussion of measurement issues related to portfolio investment, see the June 2002 [report](#) of the ESCB Task Force on Portfolio Investment Collection Systems.

²⁷ For debt securities that are not readily tradable, the net present value of the expected stream of future payments/receipts could be a good proxy. Otherwise, the market price of a security that closely approximates the tenor, risk and payment characteristics of the unlisted security could be an alternative. Finally, a price index based on similar maturities in the same currency could also be used to approach the market value of these types of securities. In all cases, the closing mid-market exchange rates prevailing at the end of the reference period should be applied to the instruments denominated in foreign currency in order to convert them into euro.

Portfolio investment is distinctive owing to the nature of the funds raised, the largely anonymous relationship between the issuers and holders, and the degree of trading liquidity in the instruments. In the euro area, portfolio investment is represented by instrument, original or remaining maturity (when applicable) and institutional sector (both resident and counterpart).

Equity securities are all instruments representing claims on the residual value of a corporation or quasi-corporation after the claims of all creditors have been met. By contrast to debt, equity does not generally provide the owner with a right to an amount which is predetermined or determined according to a fixed formula. Equity securities can be listed on a recognised stock exchange, on any other form of secondary market (listed shares), or can be not listed on any stock exchange (unlisted shares).

Investment fund shares are equity securities issued by investment funds. They are known as units if the fund is a trust. Investment funds are collective investment undertakings through which investors' pool funds for investment in financial and/or non-financial assets. Investment fund shares have a specialised role in financial intermediation as a kind of collective investment in other assets so they are identified separately from other equity shares. In addition, their income is treated differently, because reinvested earnings need to be imputed.

Debt securities are negotiable instruments that require the payment of principal and/or interest at some point(s) in the future. They include bills, bonds, notes, negotiable certificates of deposit, commercial paper, debentures, asset-backed securities, money market instruments, non-participating preferred stocks, convertible bonds and similar instruments normally traded in the financial markets. Transactions and positions in debt securities are broken down by original maturity into short-term and long-term.

Short-term debt securities are payable on demand or issued with an initial maturity of one year or less. They generally give the holder the unconditional right to receive a stated, fixed sum of money on a specified date. These instruments are usually traded, at a discount, in organised markets; the discount depends on the interest rate and the time remaining to maturity. Examples of such instruments are treasury bills, commercial and financial paper and bankers' acceptances.

Long-term debt securities are issued with an initial maturity of more than one year or with no stated maturity (other than on demand, which is included in short-term). They generally give the holder: (a) the unconditional right to a fixed monetary income or contractually-determined variable monetary income (payment of interest being independent from the earnings of the debtor); and (b) the unconditional right to a fixed sum in repayment of principal on a specified date or dates.

3.8.2 Euro area particularities in the compilation of portfolio investment

Given the difficulties inherent in compiling portfolio investment statistics in the euro area, in particular according to harmonised geographical and sector classifications

among euro area countries, it was considered necessary to define common approaches for the collection of this information across the euro area. A centralised securities database (the CSDB) is essential for this purpose. The CSDB is a database owned by the ESCB that contains detailed data on the features of individual debt and equity securities issued worldwide, such as currency of denomination, country and sector of issuer, amounts outstanding, maturity, dividend payments, coupon structures, prices, etc. Euro area countries collect data on a security-by-security basis on securities held by residents in their country, i.e. the amounts held by residents on each individual security. On the basis of the respective security identifiers (mostly ISIN), this information is combined with the individual securities data stored in the CSDB to compile portfolio investment assets.

Flows and stocks of portfolio investment assets are broken down by sector of the resident issuer and, in the case of assets, also by sector of the counterpart. The latter, in combination with national portfolio investment liabilities, allows for the compilation of euro area portfolio investment liabilities broken down by the sector of the euro area resident issuer.

Portfolio investment stocks of assets and liabilities within the i.i.p. are compiled purely from stock data. Euro area portfolio investment collection systems have to conform to one of the following models:

- Monthly stocks (security-by-security) + monthly flows (security-by-security).
- Quarterly stocks (security-by-security) + monthly flows (security-by-security).
- Monthly stocks (security-by-security) + derived monthly flows (security-by-security).
- Quarterly stocks (security-by-security) + monthly flows (aggregate).

Derived flows are equal to the change in stocks during the reference month, adjusted for movements in exchange rates, prices and other identified changes in volume.

The target coverage is defined as follows: stocks of securities reported to the national compiler on an aggregate basis, i.e. not using standard (ISIN or similar) codes, should not exceed 15% of the total portfolio investment stocks of assets or liabilities. This threshold should be used as a guide in the assessment of the coverage of euro area countries' systems. The CSDB should sufficiently cover portfolio investment securities worldwide, so as to enable the compilation of statistics from security-by-security data on holdings.

The recording of portfolio investment transactions in the euro area b.o.p. takes place when euro area creditors or debtors enter the claim or liability in their books. Transactions should be recorded, in principle, at the effective price paid or received, less commissions and expenses. Thus, in the case of securities with coupon, the interest accrued from the last payment of interest is included and, for securities issued at a discount, the interest accumulated since issue is included. Offsetting entries for interest accrued is required in the quarterly b.o.p. financial account and in

the i.i.p. (see Sub-section 3.1.4.2); in the monthly b.o.p., the same treatment is recommended (but not required), in line with the income account.

In practice, for euro area statistics, portfolio investment transactions and stocks are valued on the basis of the prices available in the CSDB for each individual security (with the exception of the maximum 15% of total assets/liabilities for which data might be available on an aggregated basis only).

3.9 Financial derivatives and employee stock options (other than reserves)

3.9.1 Definition and coverage

The functional category financial derivatives and employee stock options (other than reserves) largely coincides with the corresponding financial instrument class, the exception being the financial derivatives included in reserve assets.

A financial derivative contract is a financial instrument that is linked to another specific financial instrument, indicator or commodity, and through which specific financial risks (such as interest rate risk, foreign exchange risk, equity and commodity price risks, credit risk, etc.) can be traded in their own right in financial markets. Transactions and positions in financial derivatives are treated separately from the underlying items to which they are linked. Unlike other functional categories, no primary income accrues on financial derivatives; net flows associated with interest rate derivatives are recorded as financial derivatives, not as investment income.

There are two broad types of derivatives contracts: options and forward-type contracts. A **forward-type contract** is an unconditional contract by which two counterparties agree to exchange a specified quantity of an underlying item (real or financial) at an agreed-upon contract price (the strike price) on a specified date. Forward-type contracts include futures, forwards and swaps. In an **option contract**, the purchaser acquires from the seller the right to buy or sell (depending on whether the option is a call (buy) or a put (sell)) a specified underlying item at a strike price on or before a specified date. The main difference between the two categories is that in an option contract, one of the counterparties acquires a right without having an obligation towards the other party.

There are some special cases of financial derivatives. Swap contracts, which involve the counterparties exchanging, in accordance with prearranged terms, cash flows based on the reference prices of the underlying items. Swap contracts classified as forward-type contracts include, e.g. currency swaps, interest rate swaps, and cross-currency interest rate swaps; other types of arrangements also called swaps, but that do not meet the definition above, include gold swaps, central bank swap arrangements and credit default swaps. Credit derivatives, which are financial derivatives whose primary purpose is to trade credit risk. They are designed for trading loans and securities default risk. Credit derivatives take the form of both

forward-type (total return swaps) and option-type contracts (credit default swaps). Under a credit default swap, premiums are paid in return for a cash payment in the event of a default by the debtor of the underlying instrument.

Margins are payments of cash or deposits of collateral that cover actual or potential obligations incurred. The classification of margins depends on whether they are repayable or non-repayable. Repayable margin payments consist of cash or other collateral deposited to protect a counterpart against default risk. They are classified as deposits under other investment (if the debtor's liabilities are included in broad money) or in other accounts receivable/payable. Non-repayable margin payments (also known as variation margin) reduce the financial liability created through a derivative; they are therefore classified as transactions in financial derivatives.

The valuation of financial derivatives positions should be performed on a marked-to-market basis. The accumulation of transactions should never be used to estimate financial derivative positions. Transactions relate largely to those in options and to settlements. Settlements eliminate positions, while the value of derivatives positions emerges largely from revaluation. Changes in the prices of derivatives are recorded as holding gains or losses (revaluations due to price changes). The value of derivatives contracts can switch from positive to negative and vice versa throughout the life of the contract, depending on how the price of the underlying behaves in comparison to the contractual price.

Owing to practical problems involved in separating the asset and liability flows in a meaningful way for some derivative instruments, all financial derivative transactions in the euro area b.o.p. are recorded on a net basis. Financial derivative asset and liability positions in the i.i.p. statistics are recorded on a gross basis (with the exception of those financial derivatives that fall into the category of reserve assets, which are recorded on a net basis).

Financial instruments with embedded derivatives are not financial derivatives. If a primary instrument, such as a security or loan, contains an embedded derivative, the instrument is valued and classified according to its primary characteristics. However, detachable warrants are treated as separate financial derivatives, because they can be detached and sold in financial markets.

Employee stock options are options to buy the equity of a company offered to employees of the company as a form of remuneration. If a stock option granted to employees can be traded on financial markets without restriction, it is classified as a financial derivative.

With regard to the geographical allocation of financial derivative transactions and positions, the following cases need to be distinguished:

- For financial derivatives traded in specifically organised markets (e.g. futures and options, with the exception of over-the-counter (OTC) paper), information on the residency of the ultimate investor is usually not available. The clearing houses search the market for opposite orders which match each other. Since each market participant holds a position vis-à-vis the market, which requires all

participants to provide margins for open positions, usually day-by-day, the ultimate risk of the counterpart is determined solely by the central clearer. Therefore, as a practical solution, the country in which the clearing house is located should determine the geographical allocation of assets and liabilities associated with such financial derivatives. Where such practices are significant, it is recommended that the clearing houses themselves are included in the population of reporting agents in order to ensure full coverage and a correct allocation between domestic and external transactions/positions.

- Non-negotiable OTC financial derivatives (e.g. most types of swaps and forward rate agreements (FRAs)) are, in principle, not traded in organised markets, since they are designed to meet the specific needs of the parties involved. For these kinds of contracts, the counterpart and its actual location can usually be identified.
- Other negotiable financial derivatives (e.g. some types of options, warrants, etc.) are instruments which may be actively traded in secondary markets. Identifying the ultimate holder of liabilities poses the same problem as identifying the ultimate holder of financial instruments in the portfolio investment account, meaning that only the first counterparty to which the financial derivative was initially sold might be known.

3.10 Other investment

3.10.1 Definition and coverage

Other investment is a residual category that includes positions and transactions other than those included in the other functional categories. Therefore, to the extent that the following classes of financial assets and liabilities are not included under direct investment or reserve assets, other investment includes: (a) other equity; (b) currency and deposits; (c) loans (including use of IMF credit and loans from the IMF); (d) insurance, pension and standardised guarantee schemes; (e) trade credits and advances; (f) other accounts receivable/payable; and (g) SDR allocations (SDR holdings are included in reserve assets).

The valuation of positions in non-negotiable instruments, i.e. loans, deposits and other accounts receivable/payable (including trade credits and advances) is at nominal value. Nevertheless, transactions in loans, deposits and other accounts receivable/payable should be valued at market prices. The use of nominal values for positions is partly influenced by pragmatic concerns about data availability and the need to maintain symmetry between debtors and creditors. These instruments should be recorded at their nominal value until they are written off. However, when loans, deposits, and other accounts receivable/payable are sold, the transaction values recorded in the financial account may differ from the nominal values recorded in the i.i.p. Such differences are recorded as valuation changes in the other changes in financial assets and liabilities account.

Other equity includes equity not in the form of securities and therefore not included in portfolio or direct investment. Participation in the capital of some international organisations is generally not in the form of securities and thus is classified as other equity.

Currency and deposits include currency in circulation and deposits. Deposits are standardised, non-negotiable contracts generally offered by deposit-taking corporations which allow the placement and the later withdrawal of a variable amount of money by the creditor. Deposits usually involve a guarantee by the debtor to return the principal amount to the investor.

Loans are financial assets that are: (a) created when a creditor lends funds directly to a debtor; and (b) evidenced by documents that are not negotiable. This category includes all loans, including mortgages, financial leases and repo-type operations. All repo-type operations, i.e. repurchase agreements, sell/buy-back operations and securities lending (with exchange of cash as collateral), are treated as collateralised loans, not as outright purchases/sales of securities, and are recorded under other investment within the resident sector that carries out the operation. This treatment, which is also in line with the accounting practice of banks and other financial corporations, is intended to more accurately reflect the economic rationale behind these financial instruments (see Section 3.10.2).

The distinction between “loans” and “currency and deposits” depends on the nature of the borrower. On the asset side, this implies that money granted by residents to non-resident banks is to be classified as deposits and money granted to non-resident non-banks is to be classified as loans.²⁸ On the liability side, money taken by resident non-banks is always to be classified as loans and money taken by resident banks is to be classified as deposits. Interbank transactions are always classified as deposits.

Insurance, pension schemes, and standardised guarantee schemes include the following: (a) non-life insurance technical reserves; (b) life insurance and annuity entitlements; (c) pension entitlements, claims of pension funds on pension managers, and entitlements to non-pension funds; and (d) provisions for calls under standardised guarantees.

Trade credits and advances are financial claims arising from the direct extension of credit by the suppliers of goods and services to their customers, and from advances for work that is in progress or yet to be undertaken, in the form of prepayment by customers for goods and services not yet provided. Trade credit and advances arise when payment for goods or services is not made at the same time as the change in ownership of a good or the provision of a service.

Other accounts receivable or payable comprise financial assets and liabilities created as counterparts to transactions where there is a timing difference between these transactions and the corresponding payments. This includes temporary liabilities for taxes, purchase and sale of securities, securities and gold lending fees,

²⁸ In this context the word “banks” is used as a synonymous of “deposit taking corporations”.

wages and salaries, dividends, and social contributions that have accrued but have not yet been paid.

SDRs allocations to IMF members is shown as a liability incurred by the recipient of the SDRs in other investment, with a corresponding entry under SDRs (holdings) in reserve assets.

3.10.2 Repurchase agreements, bonds lending and other related instruments

Repurchase agreements (repos), securities lending with cash collateral, and sale-buybacks are different terms for arrangements with the same economic effect as a securities repurchase agreement: all involve the provision of securities as collateral for a loan or deposit. These transactions are often a way of raising or lending short-term capital which is secured against securities.

Under repos and sale-buybacks, there is an obligation to return the securities. Such instruments are “genuine” repurchase agreements. In some EU Member States, there are instruments which appear to be similar to genuine repos or have the same name, but which do not entail an obligation to return the underlying securities; instead, there is an “option” to return them. These instruments are, for example, “*unechte Wertpapierpensionsgeschäfte*” or “spurious repurchase agreements” (Germany, Luxembourg, Austria and Italy), “*Réméré*” (France) and “outright sale with an option to buy back” (Denmark and Portugal). Such transactions should be recorded under portfolio investment.

Under a **repo**, the holder of a security provides it in exchange for cash with the commitment to repurchase the same or an equivalent security at a fixed price. The commitment may be to repurchase either on a specified future date (often one or a few days hence, but also further in the future) or an “open” maturity. There is a formal contract between the two parties which sets out the legal standing of the transaction. If a coupon is paid during the life of the repo it is passed on to the original holder (lender) of the securities.

Bond lending may or may not involve the provision of cash or marketable paper as collateral or the payment of the fee for the bonds lent without any capital transfer involved. Under lending of securities collateralised by cash or marketable paper, the borrower can sell or hold these securities, or deliver the securities under a futures or options contract. The collateral, if it is cash, will most likely be invested and the borrower of the securities will be paid a rate of interest. Coupon payments on the bonds belong to the original owner.

The supply and receipt of funds under a securities repurchase agreement is treated as a loan or deposit. It is generally a loan, but it is classified as a deposit if it involves the liabilities of a deposit-taking corporation and is included in national measures of broad money, which is the case in the euro area. Margin calls in cash under a repo are also classified as loans.

The securities provided as collateral under securities lending, including a securities repurchase agreement, are treated as not having changed economic ownership. This treatment is adopted because the cash receiver is still subject to the risks and rewards of any change in the price of the security. The same treatment is adopted for repurchase agreements without cash collateral, in which case there is no transaction in the securities and no loan.

The treatment recommended by the ECB is based on the notion of the transfer of “economic” or “beneficial” ownership as distinct from the transfer of “legal” ownership. All repo-type operations, i.e. “genuine” repos, sale-buyback operations and bond lending with cash collateral are treated as collateralised loans in the euro area b.o.p. and i.i.p., not as outright purchases/sales of securities, and are recorded under other investment. This treatment, which is also in line with the accounting practices of banks and other financial corporations, is intended to reflect the economic rationale behind these financial instruments. The firm commitment to repurchase the securities implies that the economic ownership remains with the original owner, who retains the risks and rewards associated with that ownership, while not necessarily retaining legal title. Such a procedure is, in addition, consistent with the recommended treatment in money and banking statistics and with the general practice in the MFI sector.

3.10.3 Treatment of intra-ESCB transactions

Among the transactions between the members of the European System of Central Banks (“intra-ESCB” transactions), only those involving the NCB of a euro area country and the NCB of a non-euro area country are, in principle, relevant for the compilation of the euro area aggregates. However, in some areas, asymmetric statistical treatment, even within the Eurosystem, would lead to distortions in the euro area b.o.p. as a result of the method used to compile some of the euro area aggregates (e.g. portfolio investment and income on portfolio investment).

All intra-ESCB transactions are settled via TARGET (Trans-European Automated Real-time Gross settlement Express Transfer) system. Therefore, the treatment of the required offsetting entries, as required by the quadruple-entry structure of the b.o.p., is conducted in line with the agreed treatment of changes or positions in TARGET balances, as described in Section 3.10.4.

The treatment of specific intra-ESCB transactions (and positions where appropriate) is the following:

- **Initial transfer of reserve assets:** EUR claims on the ECB resulting from the initial transfer of international reserves from NCBs to the ECB should be recorded under **“other investment/ currency and deposits/ central bank/ long-term/ financial assets”** (see also paragraph A3.45 of BPM6).
- **Remuneration of the claims on the ECB resulting from the transfer by NCBs of pooled reserve assets** is considered to be an intra-euro area income

payment and recorded under “**current account/ primary income/ investment Income/ other Investment/ interest/ central bank**”.

- **Shares of the ECB:** the NCBs should record their paid-up participation in the ECB’s capital under “**other Investment/ other equity/ central bank/ financial assets**” (see also paragraph A3.44 of BPM6). The treatment corresponding to the ECB’s capital should be also applied to any increase or decrease of the ECB’s shares derived from the quinquennial review of the ECB capital keys according to Article 29.3 of the ESCB Statute, from the accession of new countries to the European Union, or from the total disbursement when a new country joins the euro area.
- **Distribution of ECB profit to NCBs and coverage of ECB financial losses by NCBs** are considered as positive or negative income (as appropriate) accruing on the share of each NCB in the capital of the ECB. Thus, they are recorded as intra-euro area transactions under “**current account/ primary income/ investment income/ other investment/ withdrawals from income of quasi-corporations**”.
- The **reallocation of monetary income** is a process of redistribution of the pooled income accrued by the euro area NCBs on the assets they hold mostly against banknotes in circulation. Each NCB receives the difference between the amount to which it is entitled (determined by its share in the ECB capital) and the amount of monetary income it has generated during the year. As a result of the redistribution process, some euro area NCBs will have to transfer part of the monetary income they have generated to the ECB, whereas some others will receive net transfers from the ECB. The b.o.p. concept should exclusively be applied to those redistribution transfers and should be recorded under “**current account/ secondary income/ other sectors/ miscellaneous current transfers**”.
- The difference between the value of euro banknotes allocated to each NCB in accordance with the banknote allocation key and the value of the euro banknotes that such NCB actually puts into circulation gives rise to so-called intra-Eurosystem “technical” balances. The ECB holds intra-Eurosystem claims on NCBs in proportion to their shares in the subscribed capital key, for a value equivalent to the total value of euro banknotes in circulation that are allocated to the ECB (8%). The Intra-Eurosystem “technical” balances should be recorded under “**other investment/ currency and deposits/ central bank/ short-term**” as an asset or liability vis-à-vis the Eurosystem. Any remuneration related to intra-Eurosystem “technical” balances should be treated as “**current account/ primary income/ investment income/ other investment/ interest/ central bank**” credit or debit, respectively.
- **Proceeds from sanctions imposed by the ECB:** in accordance with Article 3.9 of Council Regulation (EC) No 2532/98 of 23 November 1998 concerning the powers of the ECB to impose sanctions, these proceeds belong to the ECB. The NCB which holds the account of the market participant concerned debits the latter’s current account for the amount of the financial sanction and transfers

this amount to the ECB. In b.o.p. statistics, NCBs consider these transactions under **“current account/ secondary Income/ other sectors/ miscellaneous current transfers”**.

- **Collateral exchanged under the correspondent central banking model (CCBM)** in the event of redemption, coupon payments, fees, etc.: in line with ECB recommendations, the NCBs of the countries of residence of the issuer and the ultimate holder record these b.o.p. transactions as intra-euro area or extra-euro area flows, respectively, and allocate them to the relevant sector under **“financial account/portfolio investment/underlying security”**. Countries that do not yet fully apply the accruals principle should record coupon payments under **“current account/investment income on portfolio investment”**. The transactions derived from CCBM fees paid to the correspondent NCB will be recorded as intra/extra transactions (as appropriate) under **“current account/ services/ financial services/ explicitly charged and other financial services”**.

3.10.4 Balances from TARGET operations

Since the start of Stage Three of EMU in 1999, cross-border transactions within the ESCB have largely been executed via TARGET, giving rise to daily intra-ESCB balances. The economic and functional rationale behind these intra-ESCB transactions/balances, which are denominated in euro, is similar to that behind the movements of "nostro/vostro" accounts.

In order to simplify the recording procedures, it was agreed that, as of 30 November 2000, all TARGET-related bilateral claims and liabilities would be netted at the end of each day within the ESCB in such a way that each participant would hold only one single (net) position exclusively vis-à-vis the ECB. The ECB performs the role of a central clearing house within the Eurosystem and is the sole holder of overnight TARGET balances vis-à-vis the NCBs of the non-euro area countries. In other words, the TARGET balances of the ECB represent the euro area TARGET balances vis-à-vis those EU Member States which are not participating in the euro area.

The changes in the intra-Eurosystem balances should be recorded in the national b.o.p. under **“other investment/ currency and deposits/ central bank/ short-term”**; the intra Eurosystem account should be recorded as an asset when the balance is positive and as a liability when the balance is negative. The TARGET2 account balances should be consistently treated in the i.i.p.

The remuneration of TARGET2 balances should be recorded consistently with the net basis treatment of the TARGET2 balance, i.e. as income credit when the balance is positive (assets) and as income debit when the balance is negative (liability). The income should be reported under **“current account/ primary income/ investment income/ other investment/ Interest/ central bank”**.

For the non-euro area countries, the TARGET2 account balances will always be positive by law, therefore these TARGET2 account should always be recorded as an asset by the non-euro area NCB. This asset should be reported under **“other investment/ currency and deposits/ central bank/ short-term/ financial assets”** or under **“reserve assets/ other reserve assets/ currency and deposits”**. The remuneration of these balances should be recorded consistently with the net basis treatment of the TARGET2 balances; these transactions are evidently considered extra euro area transactions.

3.10.5 Operations providing liquidity in foreign currency

On 12 December 2007 the European Central Bank (ECB) together with the Bank of Canada, the Bank of England, the Bank of Japan, the US Federal Reserve, and the Swiss National Bank announced special measures designed to address elevated pressures in short-term funding markets. A network of temporary bilateral liquidity swap arrangements between the 6 above mentioned central banks was created.²⁹ On October 2013 it was announced that the existing temporary bilateral liquidity swap arrangements were being converted to standing arrangements, i.e. arrangements that will remain in place until further notice.

The structure of the common framework to provide liquidity in foreign currency has the following steps: (i) USD-EUR swap between the ECB and the US Federal Reserve, (ii) USD-EUR swap between the NCBs and the ECB depending on the results of the liquidity tender, (iii) the NCBs distribute the USD from the US Federal Reserve account to the resident banks; and (iv) the NCBs receive ECB-eligible collateral in EUR that is not reflected in the NCBs balance sheet (treated as a reverse repo).

Due to the structure of the operation, the inflows and outflows of USD in the ECB and NCBs USD accounts should net-out, however, in case of mismatch they should not be considered official reserve assets of the NCBs or of the ECB as the purpose of the swap is to inject liquidity in the financial system, i.e. monetary policy purposes, it should be considered deposits under other investment.

The NCBs involved in the swap agreement will record a payment in EUR vis-à-vis the ECB through the TARGET2 balances. Simultaneously, the NCBs will distribute the USD to their resident banks, therefore the immediate counterpart of the TARGET2 flow will thus be reflected in the Deposit-taking corporations sector as an increase of assets under **“other investment/ currency and deposits/ other MFIs/ short-term”**.

The ECB will record an increase of other investment assets due to the TARGET2 balances and the counterpart of this increase can be found in an increase of

²⁹ Additionally, on 10 October 2013, a 3-year bilateral currency swap agreement between the ECB and the People's Bank of China was announced.

liabilities with the US Federal Reserve under “other investment/ currency and deposits/ central bank”.

At the maturity of the swap, the transactions will be reversed, and the resulting differences due to the evolution of the exchange rate as well as the interest rate element associated with the cross currency swaps should be reflected under “financial derivatives (other than reserves) and employee stock options/ central bank”.

3.10.6 Non-euro area holdings of euro banknotes

Both the b.o.p. and the i.i.p. of the euro area incorporate an adjustment for the holdings of euro banknotes by non-euro area residents. This adjustment is recorded under “other investment/ liabilities/ currency and deposits/ central bank”. Initially, the adjustment was mostly intended to take into account the effect of the euro cash changeover on b.o.p. transactions in 2002 and was based on euro banknote shipments from/to euro area MFIs.

Since 2003, holdings of euro banknotes by non-residents have been estimated using a statistical method. The method is based on a weighted average of two components:

- Fixed proportion of non-resident holdings to total euro banknotes in circulation
- This component (accounting for 75%) is based on the assumption that the ratio between the holdings of banknotes inside and outside the euro area has remained stable since 2002. Under that assumption, the proportion of non-resident holdings to the total circulation of banknotes (seasonally adjusted) was set to 9.39% on the basis of banknote shipments data as at end-2002.
- Fixed proportion of coins to banknotes in circulation inside the euro area
- This component (accounting for 25%) is based on the proportion of coins to banknotes in circulation inside the euro area. The estimation relies on two assumptions: (i) coins do not circulate outside the euro area; and (ii) the proportion of coins to banknotes circulating inside the euro area remains stable over time. The fixed proportion (4.16%) was calculated on the basis of the weighted average of the currency in circulation before the changeover to the euro in those euro area countries whose legacy currencies were not frequently circulating outside their respective countries (i.e. all original euro area countries excluding DE and FR). By using the actual coins in circulation (seasonally adjusted) and deriving the proportion of this to the total banknotes issued (also seasonally adjusted), banknotes in circulation outside the euro area can be obtained as a residual.

3.11 Reserve assets

3.11.1 Definition of the Eurosystem's reserve assets

The definition of Eurosystem's international reserves was approved by the ECB's Governing Council in March 1999. The reserve assets of the euro area consist of the Eurosystem's reserve assets, i.e. the ECB's reserve assets and the reserve assets held by the NCBs of the participating Member States.³⁰

Reserve assets are those external assets that are readily available to, and controlled by, monetary authorities and that are used for meeting b.o.p. financing needs, intervening in exchange markets to manage the currency exchange rate, and other related purposes (such as maintaining confidence in the currency and the economy or serving as a basis for foreign borrowing). Reserve assets must be foreign currency assets, claims vis-à-vis non-residents and assets that actually exist; potential assets are excluded. Underlying the concept of reserve assets are the notions of "control" and "availability for use" by the monetary authorities. Reserve assets must: (i) be under the effective control of the relevant monetary authority, either the ECB or the NCBs of the participating Member States; and (ii) be highly liquid, marketable and creditworthy foreign (i.e. non-euro) currency-denominated claims on non-residents of the euro area, in addition to monetary gold, SDRs and IMF reserve positions. This definition expressly excludes foreign-currency claims on residents of the euro area, and euro-denominated claims on non-residents of the euro area from being considered reserve assets either at the national or at the euro area level.

Although governments may hold working balances and other assets in foreign currencies, foreign exchange positions of central governments and/or of the ministries of finance are not included in the reserve assets definition for the euro area in accordance with the institutional arrangements in the Treaty establishing the European Community. Article 105 (2) of the Treaty, in conjunction with Article 116 (3), gives the Eurosystem the exclusive right to hold and manage the official foreign reserves of the participating Member States from the beginning of Stage Three of EMU.

Reserve assets of the ECB are pooled in accordance with Article 30 of the Statute of the European System of Central Banks and are thus considered to be under the direct and effective control of the ECB. As long as no further transfer of ownership takes place, reserve assets retained by the NCBs are under their direct and effective control and are treated as reserve assets of each individual NCB.

Against the background of the financial crisis of the late 1990s, the concept of usable reserves has gained importance. This concept supplements data on the gross reserves with information about commitments relating to reserves, i.e. the so-called

³⁰ See also the ECB publication entitled "[Statistical treatment of the Eurosystem's international reserves](#)", October 2000, (to be updated).

reserve-related liabilities³¹, and might be an important indicator of a country's ability to meet its foreign exchange obligations. However, it was agreed that reserve assets presented on a gross basis without any netting-off of reserve-related liabilities should remain the central indicator of a country's ability to meet its foreign exchange obligations.³²

Monthly data on (gross) reserve assets of the Eurosystem are therefore supplemented with information on other foreign currency assets, and on predetermined and contingent short-term net drains on the gross reserve assets classified according to residual maturity. Moreover, a currency distinction between gross reserve assets denominated in SDR currencies (in total) and other currencies (in total) with a quarter's lag is also required.

The valuation of reserve assets (and other foreign currency assets) is no different from similar instruments classified in the other functional categories, i.e. it is based on market prices for all tradable instruments and nominal value (for positions) in non-tradable instruments. Gold is valued at the closing market price prevailing at the end of the reference period. The ECB uses the gold market reference price published by the ECB for end-month quoted in terms of EUR per fine troy ounce. The offsetting entries for accrued interest on reserve assets should be recorded within the relevant reserve assets items with the exception of SDRs accrued interest which are only included at payment following the updated international reserve assets guidelines.

Prevailing market exchange rates at the time when the transaction takes place and closing mid-market exchange rates at the end of the reference period are used for the conversion of transactions and holdings of foreign currency-denominated assets into euro, respectively.

3.11.2 Specific issues related to gold

Monetary gold is gold to which the monetary authorities (or others who are subject to the effective control of the monetary authorities) have title and is held as reserve assets. It includes gold bullion and unallocated gold accounts of non-residents that give title to claim the delivery of gold.

Gold bullion takes the form of coins, ingots or bars with a purity of at least 995 parts per 1,000, including such gold bullion held in allocated gold accounts.

Unallocated gold accounts represent a claim against the account operator to deliver gold. For these accounts, the account provider holds title to a reserve base of physical allocated gold and issues claims to account holders denominated in gold. Unallocated gold accounts not classified as monetary gold are included as currency and deposits in other investment.

³¹ This concept has been developed by the IMF in the context of the Special Data Dissemination Standard.

³² The only exception relates to the sub-category of financial derivatives, which are recorded on a net basis.

Gold bullion can be a financial asset (monetary gold) or a good (non-monetary gold), depending on the holder and the motivation for holding. Monetisation is the change in the classification of gold bullion from non-monetary to monetary. De-monetisation is the change in the classification of gold bullion from monetary to non-monetary.

With regard to **outright purchases and sales of gold**, only gold transactions in which both counterparts belong to the “monetary authorities” institutional sector (including international monetary organisations) should be recorded under reserve assets (sub-item “monetary gold”) in the b.o.p. When at least one counterpart is not a monetary authority, gold transactions vis-à-vis non-residents should be recorded under the goods item of the b.o.p. **current account**. The consequent monetisation/de-monetisation of the gold would induce increases/decreases in the monetary gold position of the monetary authority involved. This reclassification of the gold should be recorded as “other flows (other changes in volume)”, not in the b.o.p. as a transaction.

As regards **reversible transactions in gold (swaps, repos, loans and deposits)**, the statistical treatment of the gold is similar to that of securities: neither lending of gold nor delivery of securities as collateral involve any recording in the b.o.p. or the i.i.p., i.e. holdings of monetary gold should remain unchanged in all reversible gold transactions. Only the foreign exchange cash delivered in gold swaps/repos is recorded under reserve assets (sub-item “foreign exchange/currency and deposits” matched by an entry in “other investment/ central bank/ liabilities”).

3.11.3 Specific issues related to the positions vis-à-vis the IMF (including SDRs)

For statistical purposes, SDR accounts reflect the same rationale as traditional correspondent bank accounts, i.e. variations in SDR holdings may constitute offsetting entries for the rest of the cross-border b.o.p. flows. Transactions/positions in these accounts should be recorded under reserve assets (sub-item “SDRs”). Allocation/cancellation of SDRs should be recorded as b.o.p. transaction as well as an increase/decrease in the i.i.p. under “other investment/ SDRs”. The operations related to the reserve position in the IMF should be recorded under the sub-item of the same name. Consequently, no entry under sub-item “SDRs” should be derived from movements in this position, despite their being denominated in SDRs.

Purchases of foreign currency using the Fund’s General Resources Account by drawing on the position in the Fund do not alter the total level of reserves. Such transactions cause increases in holdings of foreign exchange and symmetrical decreases in the reserve position in the Fund. Repurchases represent reverse transactions and would therefore give rise to similar but reverse entries.

Claims on the IMF arising from Fund financing under the New Arrangements to Borrow (NAB) and the General Arrangements to Borrow (GAB) should be reflected in the sub-item “Reserve position in the IMF”. However, claims arising from

commitments under the Enhanced Structural Adjustment Facility (ESAF)³³ should be treated statistically as loans to non-banks, and should thus be allocated to the sub-item “other reserve assets/other claims”.

3.11.4 Euro area b.o.p. and i.i.p. deviations from BPM6

The required principles and classifications of the quarterly b.o.p. and i.i.p. statistics replicate, to a large extent, the standard components of the BPM6, which is now consistent with the System of National Accounts 2008 (SNA 2008) and the European System of National and Regional Accounts 2010 (ESA 2010). Exceptions to the application of BPM6 standards in the euro area are:

- The classification of all transactions/position in/from investment funds in portfolio investment, instead of following the agreed rules for the classifications of transactions/positions as foreign direct investment.
- The classification of the exchange of external financial assets between two resident institutional units as external transactions instead of “other changes in volume”: in other words, country contributions to the euro area/EU aggregates follow the “pure” debtor/creditor approach to ensure consistency between national and euro area treatments, as well as vis-à-vis quarterly euro area accounts on a from-whom-to-whom basis.

³³ Replaced from 2000 onwards by the Poverty Reduction and Growth Facility (PRGF).

Belgium

1 Institutional environment

1.1 Professional Independence

The National Bank of Belgium acts as an independent data collecting, compiling and dissemination agency for the b.o.p. and the i.i.p. statistics.

The independence of the Bank with regard to the Belgian State is guaranteed at both national and European level.

This independence consists of several aspects, specifically: institutional (no instructions in the execution of its tasks), operating (principal objective of price stability), personal (protection against dismissal and minimum term of directors) and financial independence.

The independence of the National Bank of Belgium, in its capacity as a member of the ESCB, is further emphasized in Article 130 of the EU Treaty and Article 7 of the Statute of the ESCB and of the ECB.

1.2 Mandate for data collection

The development, production and dissemination of statistics by the National Bank of Belgium are governed by Article 5 of the Statute of the ESCB and of the ECB, as well as [Regulation \(EC\) No 2533/98](#); whereas the Statistics Belgium are governed by the statistical principles laid down in article 2 of [Regulation \(EC\) No 223/2009](#). The National Bank of Belgium as a member of the ESCB, conducts quality assurance and disseminates statistics in conformity with the principles of the ESCB's Public Commitment on European statistics by the ESCB.

Under the intergovernmental agreement, dated 23 November 1998, between Belgium and Luxembourg, the Belgian-Luxembourg Exchange Institute was in charge of the collection of data from the Belgian-Luxembourg Economic Union (BLEU) until December 2001. The National Bank of Belgium was in charge of the compilation of the BLEU b.o.p. and i.i.p. statistics, covering data until 2001, and has been responsible for the Belgian b.o.p. and i.i.p. statistics since January 2002.

The b.o.p. statistics and the i.i.p. statistics are collected, compiled and disseminated under the law regarding the b.o.p., the i.i.p., the international trade of services and the foreign direct investments of Belgium, dated 28 February 2002 ([Legal Basis](#)).

Under this law, the National Bank of Belgium is responsible for data collection, compilation and dissemination. This law has been amended in May 2006, in the scope of a comprehensive reform of the Belgian collection, compilation and

dissemination system in external statistics, linked to international developments. The new provisions provide for the recourse to data collection surveys. Further implementation measures have been enacted by a Royal Decree dated 7 February 2007. Under this Royal Decree, the National Bank of Belgium is entitled to determine specific regulations, which have to be enacted by ministerial order.

2 Statistical processes

2.1 Methodological principles and national specificities

B.o.p. and i.i.p. statistics are compiled in accordance with the standards set forth in the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6). Furthermore, specific compilation recommendations from relevant international bodies are observed. In particular, as specified in the ECB [Guideline \(ECB/2011/23](#) of 9 December 2011, as amended) and [Regulation \(EC\) No 184/2005](#) of the European Parliament and of the Council of 12 January 2005 (as amended), as well as the relevant guidance presented in chapters 2 and 3 of this book.

Belgium's economy is highly dependent on international trade. From year-to-year, foreign trade accounts for approximately 70 percent of the nation's economy. The nation's main trade partners are in the EU. Thus, exports of services broadly linked to trade in goods have grown steadily in Belgium. These activities have blossomed thanks to the favourable geographical position at the heart of Europe, Belgium's attractiveness for multinationals and the presence of the European Union institutions.

Foreign direct investment (FDI) flows between Belgium and the rest of the world have, broadly speaking, followed relatively similar trends to FDI flows observed worldwide. But at the same time they have shown some specific characteristics, such as the influence of a few sporadic operations involving large amounts and significant differences within the various components making up FDI inflows and outflows, the former consisting essentially of capital injections in companies and the latter mainly taking the form of intercompany loans. This particular structural pattern stems from the presence of financial centres in Belgium. Apart from the investment flows attributable to the financial centres, a large part of the FDI inflows recorded in the b.o.p. concern investment by multinationals in third countries, for which resident companies act as intermediaries.

The complete b.o.p. and i.i.p. back data under BPM6 methodology are available from the reference period 2008Q1 onwards. MIP back data are available from 2003 (b.o.p.) or 2005 (i.i.p.) onwards.

Until 2012, BPM6 aggregates were derived from BPM5 subcomponents without using the BPM6 compilation system. Since 2013, detailed input data are directly derived from raw survey data.

2.1.1 Residency

The general principles laid down in the BPM6 are applied.

Special purpose entities are considered residents if incorporated in Belgium.

2.1.2 Institutional unit definition

The general principles on institutional units (centre of economic interest, decision-making autonomy, and complete set of accounts) are applied.

Data collection and compilation are based on institutional units as defined in BPM6.

2.1.3 Geographical allocation

The country of the co-contracting party/counterpart is the country of residence or establishment of the non-resident co-contracting party engaged in a transaction with a resident.

2.1.4 Allocation to institutional sectors

Institutional sectors' definition and delimitation follow the practice of BPM6 and Belgian national and financial accounts. The lack of data sources implies however that no data are available for money market funds.

2.1.5 Valuation

The compilation system is based on the collection of actual transactions/positions which are mostly reported at market price.

Nominal valuation is used for positions in non-negotiable instruments, namely loans, deposits and other accounts receivable/payable. For direct investment positions listed equity stocks are valued at market prices and unlisted equity stocks are valued at book value.

For portfolio investment, the use of ISIN-codes is highly recommended in the security-by-security data collection. However, other codes or fictitious codes are also accepted, in cases where there is no ISIN-code available. In this case, the security characteristics are estimated based upon the information given by the reporting agents. The reporting agents are asked to report the nominal value (for debt securities) or the number of securities (for equity), as well as a best estimate for the market valuation of the holdings.

Recording in clean price: debt securities are recorded in clean price. BPM6 advises that accrued interest be included in the valuation of debt securities, which

corresponds to the concept of dirty price. Accrued interest is neither included nor estimated.

No c.i.f./f.o.b. conversion of goods is undertaken and there is no reallocation to transportation and insurance services.

2.1.6 Time of recording

All revenues and expenditures are recorded on a transaction basis.

2.1.7 Coverage gaps and room for improvement

There is no direct data collection from resident households. Data on the assets of households held abroad are estimated with some delay by using mirror data, notably the Bank of International Settlements statistics on the liabilities of non-resident banks vis-à-vis Belgian residents.

No use is made of the concept payable/receivable income. Only the paid/received investment income is taken into account.

Registration of financial lease: no registration is made neither in the b.o.p. financial account, nor in the i.i.p.

Trade credits in FDI: no trade credits are computed separately for the other capital component of FDI; the concerned amounts are included in the trade credits component of other investment.

Long term constructions and mobile equipment operated in another economy: no registration is made in the FDI components for the value of long term construction contracts and for mobile equipment operated in another economy for more than one year.

Currently, there are no concrete plans for improvement at short term.

2.1.8 Seasonal adjustment

There is no seasonal adjustment.

2.2 Statistical procedures, sources and methods

2.2.1 Overview of data collection system

The collection system in use since January 2006 to report statistical data for the full b.o.p., the i.i.p. and the other related outputs is of a matrix type, based on a

combination of different surveys on the financial and nonfinancial sectors and of external sources.

The data collection has been fully automated using "OneGate" an internet tool that offers the respondents different possibilities for uploading their data (data entry, CSV files, XML files).

The National Bank of Belgium produces monthly a full b.o.p. on a transaction basis with a limited geographical breakdown. This b.o.p. is based on the following data that are collected monthly:

- Goods (including estimates provided by the National Accounts Institute).
- Transactions in services by the major enterprises.
- Transactions in FDI and other investment by the major enterprises.
- Transactions in securities as derived from the positions collected.

These data are supplemented by different estimates for:

- Transactions in services by the enterprises participating in the quarterly surveys.
- Transactions in FDI and other investment by the enterprises participating in the quarterly and yearly surveys.
- Income on other investment and reinvested earnings.
- Trade credits (from a monthly sample survey).
- Compensation of employees; and other primary and secondary income.

The monthly b.o.p. is produced monthly, following the instructions of the ECB. It is published quarterly, together with the quarterly b.o.p.

The quarterly b.o.p. is produced with a full geographical breakdown using the results of the monthly and quarterly surveys, supplemented with some estimates of income.

The quarterly b.o.p. is available after approximately 90 days.

The yearly b.o.p. is produced in the same way as the quarterly one using the results of all surveys, including the yearly ones.

The quarterly and yearly i.i.p. and other statistics on positions are based on the surveys on stocks of financial assets/liabilities.

2.2.2 Detail by accounting item

2.2.2.1 Goods

Foreign trade statistics (FTS) are the main data source for the b.o.p.'s goods account. FTS are collected and compiled by the Belgian National Accounts Institute (NAI). In practice, the National Bank of Belgium performs this task as an associated institution to the NAI. In accordance with the Commission regulations (EU) No 222/2009 of 11 March 2009 and No 1093/2013 of 4 November 2013, the coverage rate for intra-EU exports is 97% and the coverage rate for intra-EU imports is 93%. Extrapolations are based on VAT data. Missing data (nonresponse) is estimated on individual basis, based on previous reporting. At t+85 there is an average response rate³⁴ of 99%. Customs declarations are the main source for the valuation of extra EU-trade. These are exhaustive.

Adjustments to FTS are necessary to comply with BPM6 methodology. More detailed information on the necessary adjustments to convert FTS to "general merchandise" on a b.o.p. basis is available in section 2.3.2.1 "Consistency with foreign trade statistics".

Foreign trade statistics are c.i.f./f.o.b. valued: imports are c.i.f.-valued and exports are fob-valued. The imports are not converted to fob-values for b.o.p. purposes because the majority of the trade is with neighbouring countries, making the adjustment unnecessary.

Besides general merchandise, the goods account consists of net exports of goods under merchanting and non-monetary gold:

- Merchanting is collected through a specialised monthly/quarterly survey. The selection is based on the activity code and the declarations for FTS. Enterprises have to report at the latest 15 days after the reference period. The non-response rate at t+85 is 4%. Estimations for non-response are the same as for the services surveys, as described in section 2.2.2.2 Services.
- Non-monetary gold is included in FTS when there is physical delivery of the gold. FTS is supplemented with information stemming from the services survey of credit institution in case of no physical delivery.

³⁴ All non-response rates are based on number of missing declarants, not missing value.

2.2.2.2 Services

The services account is based on a survey system.

| Population | Specific criteria | Selection | Frequency | Average response rate at t+85 |
|--|---|------------|--------------------------------|-------------------------------|
| Non-financial sector – important enterprises | Export of import in VAT declaration > 1 million euro | Exhaustive | Monthly or quarterly | 97% |
| Non-financial sector – smaller enterprises | Export of import in VAT declaration < 1 million euro | Sampling | Quarterly | 94% |
| Tour operators and travel agencies | Turnover > 10 million euro | Exhaustive | Monthly or quarterly | 98% |
| Insurance brokers | Full model annual accounts or >10 employees | Exhaustive | Monthly or quarterly | 97% |
| Credit institutions | Registered as credit institution | Exhaustive | Monthly | 100% |
| Insurance and reinsurance companies | Registered as (re)insurance company | Exhaustive | Monthly or quarterly | 99% |
| Other financial institutions | Institutions for occupational retirement provision, collective investment undertakings, stockbroking firms and asset management companies | Exhaustive | Monthly, quarterly or annually | 100% |

The timeliness for all services surveys - financial and non-financial - is 15 working days after the end of the reference period. Estimations for non-response are based on the weight of the missing enterprise in the sample. Extrapolation and non-response estimations are performed by an in-house developed statistical tool. Validation is done on a micro-level by staff carrying out the validation work (comparison with VAT, time series approach, outlier detection) and on a sub-aggregate level prior to the estimation and publication. The declarations in the services surveys are based on the bookkeeping of the respondents. In Belgium transactions are reported when they occur, not when they are paid (accrual basis).

For certain specific services, surveys are supplemented with other data sources:

- Data from European Commission (Eurostat) concerning imports and exports of services from and to European institutions.
- Adjustments for under coverage of manufacturing services on physical inputs owned by others and maintenance and repair services (in the compiling economy) are based on foreign trade statistics.

- Information collected from the credit/payment card issuers to supplement transport services.
- Travel statistics are also based on the surveys organised by the National Statistical Institute, information provided by the National social security office and the National institute for sickness and disability insurance and information collected from the credit/payment card issuers.
- Prostitution services: on the export side, an estimate is added to account for non-residents visiting resident prostitutes in Belgium. The visits of Belgian residents to non-resident prostitutes abroad are assumed to be implicitly included in the credit/payment card information. On the import side, an estimate is added to the import side of personal, cultural and recreational services to account for Belgian residents visiting non-resident prostitutes in Belgium.
- Financial Intermediation Services Indirectly Measured (FISIM) is computed by the Nation Accounts unit of the National Bank of Belgium. The majority of the data used for FISIM calculation originate from quarterly financial accounts (Financial Accounts unit) and from interest matrices, which give information by counterpart sector (who-to-whom).
- Asset management costs taken out of income are included in the financial services and in the primary income account. For the resident undertakings of collective investment (UCI) the annual accounts are available. Based on these, an imputed production is computed by the National Accounts unit. The imputed production is the sum of the expenses of the UCI not covered by commissions explicitly charged to shareholders.
- Government goods and services are collected from the main ministries and major municipalities. Data provided by international institutions are also used.

2.2.2.3 Primary income

Compensation of employees

Different sources are used to compile data on compensation of employees:

- Border workers resident in Belgium but working in France, Germany and the Netherlands: the estimates are based on the number of border workers published by the social security agency and the average remuneration in those counties.
- Border workers resident in Belgium but working in Luxembourg: partner country data.
- EU workers: European Commission (Eurostat) data.
- Staff of embassies and other international institutions: reporting is on a voluntary basis.

- Others: the data can partly be derived from the trade in services surveys; these also include inquiries on the compensation of employees.

Investment income

Data on investment income are partly collected and partly calculated.

- **Direct investment income:** the necessary information is collected via the direct investment surveys. The information related to dividends allocated is attributed to the income account. The dividends paid/received and the profit and loss data collected are used to calculate reinvested earnings. Interest paid is attributed to the income account. The production of a full geographical and sector breakdown is possible with the collected data.
- Regarding **portfolio income**, for both equity and investment fund shares as for debt securities, income is calculated based upon monthly positions and Centralised Securities Database (CSDB) reference data. For non-ISIN securities, an estimate of the investment income is made, based upon the investment income rates for ISIN securities. Calculations are on a security-by-security basis. As a result, for assets, a full geographical and sector breakdown is available (resident and counterpart sector). For liabilities, only a sector breakdown (resident sector) is available.

For dividends on equity securities and investment fund shares, dividend attributes from the CSDB are used. For quoted shares issued by residents, this information is complemented with information from other sources. The recording of dividend payments is based upon their settlement date.

For reinvested earnings of investment funds, an estimate is made, based upon the investment income rate for investment funds which distribute earnings.

For the interest on debt securities, coupon attributes from the CSDB are used. Interest on debt securities is recorded on an accrual basis.

- **Income on other investment** is estimated as a residual, in correspondence with the National Accounts unit.

The remuneration related to intra-Eurosystem “technical” balances on euro banknotes in circulation is recorded in other investment income and data is provided via the Accounting unit of the National Bank of Belgium, based on data stemming from the ECB.

Other primary income

Other primary income is calculated in correspondence with the statistics on public finances of the National Accounts unit.

2.2.2.4 Secondary income

The most significant government transfers, such as subsidies from and contributions to EU institutions, are collected directly and on a monthly basis from the Ministry of Finance.

Pensions paid abroad are gathered from the social security office.

Other government transfers are based on the general government finances statistics and are collected on a quarterly basis through the National Accounts unit, on behalf of the NAI.

Data concerning private current transfers are gathered through the surveys on trade in services. Data on workers' remittances are estimated.

2.2.2.5 Capital account

The necessary information concerning the acquisition/disposal of non-financial assets is gathered through the surveys related to trade in services, allowing a complete country breakdown. The other components of the capital account are covered by information stemming from administrative sources and by estimates.

2.2.2.6 Direct investment

Direct investment data are collected using a set of integrated surveys. The main survey deals with direct investment entities. Based on the identification of individual entities and on the existing percentage of ownership (%) between these entities, the direct investment entities are automatically selected following a predefined direct investment algorithm. The direct investment algorithm used in the data collection system applies the 10% principle for direct or indirect voting rights in an enterprise. The selected entities are all non-resident subsidiaries, associates and branches owned directly or indirectly by the reporting enterprise, as well as the direct and indirect non-resident shareholders. Fellow enterprises are also selected.

Additional data, e.g. sector of activity, quoted or unquoted, are also gathered in the main survey. This information is used to calculate equity capital at book value for quoted and unquoted enterprises.

The other direct investment surveys are along the same lines as the main survey:

- FDI flow survey: for equity capital, other capital and direct investment income.
- FDI stock survey: for equity capital and other capital.
- FDI profit and loss survey: for reinvested earnings.
- FATS survey.

The selected resident entities are obliged to report the data. The geographical breakdown is based on the residency of the individual identified direct investment entities or direct investors abroad.

The frequency of surveys on relationships and on FDI flows is monthly or yearly. The survey on positions is yearly. The profit and loss and FATS surveys are yearly.

The data collection system does not record equity capital on a security-by-security basis. Concerning this component, both cash and noncash transactions are recorded.

The instruments covered by the surveys are loans (very short-term, short-term, long-term), deposits (very short-term, short-term, long-term), factoring, inter-company bank accounts, interest (accrued, paid, received), dividends (allocated, paid, received) and short and long-term debt instruments. The instruments required are also sector-dependent. Each survey item is precisely formulated and defined as a claim or liability (credit/debit).

The institutional sector breakdown and a detailed industry breakdown for both resident and non-resident enterprises are possible using the information collected.

All data have to be reported in the original currency so that the exchange rate variation and the stock variation can be calculated separately. When reported, real estate data are broken down by currency and country and not by direct investment entity.

The following groups of enterprises are covered exhaustively by the direct investment surveys: credit institutions, insurance companies and investment firms. Concerning the non-financial sector, the reporters are selected on a cut-off basis.

2.2.2.7 Portfolio investment

For portfolio investment, security-by-security positions are collected monthly or quarterly and variation factors are derived, i.e. net transactions, net exchange rate changes and net price changes (and possibly net other adjustments).

On the assets side of portfolio investment, a mixed approach is used. This mixed approach combines direct reporting and custodian reporting. Direct reporting comes from MFIs including the central bank, stock broking companies, investment funds, insurance corporations, pension funds, and some other financial and non-financial corporations (the selection is based on balance sheet criteria). Custodian reporting comes from MFIs and from stock broking companies, with the following breakdown for the holder sector: financial vehicle corporations (FVCs), other financial intermediaries (excluding FVCs), financial auxiliaries, captive financial institutions and money lenders, non-financial corporations, general government and households and non-profit institutions serving households. For the other financial and non-financial corporations, duplications are filtered out.

On the **assets side** in portfolio, net positions in foreign securities are taken into consideration vis-à-vis the issuer countries irrespective of the nationality of legal entities or individuals that sell these foreign securities to residents; the sellers can be non-residents or residents. Therefore, transactions are derived as a net concept vis-à-vis the issuer countries as well, once again irrespective of the nationality of the sellers, and other changes are not generated. This is an application of the so-called debtor/creditor principle.

On the **liabilities side** of portfolio investment, the residual approach is applied for debt securities. Outstanding amounts of most domestic issued securities are retrieved from the security-by-security reporting system for portfolio investment. Holdings of the same domestic securities by residents also flow from this reporting system. The difference between outstanding amounts of issued securities and holdings by residents provides estimates of holdings by non-residents. For quoted shares and investment fund shares, two other approaches are applied to the liabilities side of portfolio investment. On the one hand, custodian data relative to non-residents are used; on the other hand, estimates by resident issuers of the percentage of their issues held by non-residents are used.

In the security-by-security data collection, the use of ISIN-codes is highly recommended. In this case, CSDB information is used for the security characteristics. However, other codes or fictitious codes are also accepted, in cases where there is no ISIN-code available. In these cases, the security characteristics are estimated based upon the information given by the reporting agents.

The reporting agents are asked to report the nominal value (for debt securities) or the number of securities (for equity), as well as a best estimate for the market valuation of the holdings.

2.2.2.8 Financial derivatives

Financial derivatives are part of the surveys on other investments and are broken down in four instruments: options, futures, swaps and forward contracts and other derivatives. There is a separate reporting on transactions (premiums, gains and losses) and on positions (net present value). The MFIs report on options, swaps and forward contracts in their survey on transactions on their own account.

2.2.2.9 Other investment

Data on other investment are collected via specific surveys: the other investment flow survey, with monthly or yearly frequency and the other investment stock survey with yearly frequency. Both are broken down by currency and country.

Insurance and reinsurance companies, investment firms, pension funds and collective investment institutions are covered exhaustively by the surveys. For the MFI sector, the money and banking statistics contain all breakdowns necessary to fulfil the b.o.p. and i.i.p. requirements for other investment. For this reason, credit

institutions do not have to reply to the surveys on other investment. Concerning the non-financial sector, the reporters are selected on a cut-off basis.

The instruments included in the surveys are loans (very short-term, short-term, long-term), financial leasing (classified as long-term), current accounts, factoring, deposits (very short-term, short-term, long-term) and interest (accrued, paid, received). The instruments required are sector-dependent. Each survey item is also precisely formulated and defined as a claim or liability (credit/debit). All data have to be reported in the original currency to allow the exchange rate variation and the stock variation to be calculated separately.

After five months, data on the asset side of currency and deposits is reconciled with BIS-data because the household sector is out of the scope of the surveys.

Data on trade credits are collected through a specific monthly survey. The sample is drawn from the frame population of FTS and is updated yearly. The survey is stratified by type of trader (Intra-EU, extra-EU and a mixture of both) and by size. Each stratum has a threshold above which the data collection is exhaustive³⁵. Beneath the threshold, the number of selected respondents is determined by the "Neyman allocation", with a minimum of ten respondents per stratum. Auxiliary variables (FTS) are available for extrapolation.

The data concerning the import and export of EUR banknotes is provided by the Accounting unit of the National Bank of Belgium, supplemented with data from the Financial Accounts unit and from the ECB.

2.2.2.10 Reserve Assets

Most of the information concerning the reserve assets is provided by the Accounting unit of the National Bank of Belgium, including a detailed list of assets on a security-by-security basis.

Financial derivatives are recorded on a net basis. Embedded financial derivatives are recorded together with the underlying financial instruments and are not recorded and valued separately.

All transactions in reserve assets are registered at market price and converted into euro using the market exchange rates at the time of the transaction.

2.2.2.11 Borderline cases

Long term construction projects (over one year) are considered as construction services, not direct investment.

³⁵ Traders with NACE-code related to electricity or diamond trade are part of the exhaustive selection.

Holdings of investment fund shares are always considered as portfolio investment, regardless of the percentage of ownership.

Debt between affiliated financial corporations is excluded from direct investment and included in other investment.

2.2.2.12 Additional information

Information on the sources and methodology of the Belgian b.o.p. and i.i.p. can be found in the IMF's Balance of Payments Statistics Yearbook (BOPSY) as well as in the metadata description of the IMF's SDDS and on the website of the National Bank of Belgium ([link to methodology](#)).

An overview of the specific changes due to BPM6 is available on [the website of the National Bank of Belgium](#).

2.3 Coherence and comparability

2.3.1 Internal consistency

Consistency across frequencies is ensured by the revision of monthly data whenever quarterly data are produced/ revised and the revision of monthly and quarterly data whenever annual data are produced.

Errors and omissions remain at a low level, both in absolute and relative terms and are not persistently positive or negative. Sometimes an adjustment is made based on expert judgement when a profound analysis of the figures shows where a correction might be necessary.

Belgium started to review its compilation process in order to improve the b.o.p. and i.i.p. consistency. It is the intention to examine one by one the different items where the evolution of the i.i.p. is not yet fully explained, in order to review the sources that should be taken into account.

2.3.2 Consistency with other statistical domains

B.o.p. data can be related with some of the data published by other statistical domains, namely, foreign trade statistics, national accounts and balance sheet information of the financial sub-sectors.

2.3.2.1 Foreign trade statistics

B.o.p. and foreign trade statistics generally show discrepancies, due to different methodologies. Foreign trade statistics are the main data source for the goods account of the b.o.p. The following transactions are excluded in order to convert foreign trade statistics to “general merchandise” on a b.o.p. basis:

- Returned goods.
- Goods for processing (value of the goods before and after processing).
- Goods exported by resident enterprises for construction projects abroad.
- Gaseous natural gas.
- Non-monetary gold (separate goods item, not included in general merchandise).

Foreign trade statistics are supplemented with data on specific transactions:

- Postal consignments to/from private individuals: these data stems from the credit/payment card issuers.
- Goods delivered to EU institution in Belgium: data is provided by Eurostat on their website.
- Goods procured in ports by carriers not already included in FTS: included in the services surveys and supplemented with data from credit/payment card issuers. Only the imports are registered because the exports are already captured through FTS.
- Gaseous natural gas: A special b.o.p. survey was introduced in 2013 to record from 2014 onwards the actual change of ownership of natural gas in gaseous state. The cross border movements of FTS are excluded from the b.o.p. The monthly survey is mandatory for all the resident enterprises that have a license to supply natural gas and for all the resident member of the trading point in Zeebrugge. Enterprises have to report at the latest 15 days after the reference month. At t+85 there is a 100% response rate.
- Goods changing ownership entering/leaving the territory illegally: estimations provided by the National Accounts unit.

2.3.2.2 National/sectoral accounts

The comparability between b.o.p. and national accounts is ensured by the application of common definitions (BPM6 and ESA2010).

Regarding national accounts, consistency efforts have been made for the changeover to BPM6 and ESA 2010. However, differences may subsist due to differing data sources and revision timetables.

This is for instance the case for investment income where national accounts make use of a macroeconomic framework whereas b.o.p. developed a more microeconomic type of approach to maximize the use of the direct reporting of resident enterprises. In such cases, a working group with representatives of the two units tries to harmonize the different approaches as much as possible.

2.3.2.3 Balance sheet information of the various financial sub-sectors

Consistency with financial statistics is ensured, although there may be remaining differences for methodological reasons or due to the use of different data sources. Portfolio investment and Securities Holding Statistics rely on the same data collection and are generally consistent (except for possible differences in revision timetables).

2.4 Accessibility and Clarity

2.4.1 Release calendar and revision policy

The National Bank of Belgium publishes an advanced release calendar on its website ([link to publication calendar](#)).

B.o.p. and i.i.p. data are subject to regular revisions, in accordance with the revision calendar for data transmissions to the ECB/Eurostat:

- Monthly data (b.o.p.) are revised in the next quarterly data production cycle.
- Quarterly data (b.o.p. and i.i.p.) are revised in the next quarterly data production cycle.
- Yearly data (b.o.p. and i.i.p.) are revised for three years in the b.o.p. and i.i.p. yearly revision cycle in September.

The final version of the data for all periods of year N is published in September N+3. The revision of a year or a quarter involves the revision of every month concerned.

Changes in methodology are explained on the website of the National Bank of Belgium, [Balance of payments](#).

2.4.2 Data availability

2.4.2.1 Frequency of the b.o.p. and i.i.p. data compilation and publication

The monthly b.o.p. is published quarterly on the website of the National Bank of Belgium and in the Quarterly Statistical Bulletin on the last working day of the quarter

after the end of the reference quarter. The i.i.p. is published quarterly on the website of the National Bank of Belgium. The series are available on and can be downloaded from the website of the National Bank of Belgium ([link to b.o.p. data](#), [link to i.i.p. data](#)). The National Bank of Belgium's Quarterly Statistical Bulletin is available [online](#).

The complete b.o.p. and i.i.p. back data according to BPM6 methodology are available from the reference period 2008Q1 onwards. MIP back data are available from 2003 (b.o.p.) or 2005 (i.i.p.) onwards.

2.4.2.2 Seasonally adjusted data

There are no seasonally adjusted data.

Bulgaria

1 Institutional environment

1.1 Professional Independence

The independence of the Bulgarian National Bank, from political and other external interference in developing, producing and disseminating official statistics is guaranteed by law.

The statutory provisions under which statistics are compiled by the BNB are adequate to ensure its professional independence in performing statistical activity. Statutory provisions in the Law on BNB provide the legal basis for institutional independence and are a base for professional independence in the area of statistics. The BNB is also financially independent and provides the necessary resources to meet its statistical obligations.

The independence of the Bulgarian National Bank, as a member of the ESCB, is further emphasized in Article 130 of the EU Treaty and Article 7 of the Statute of the ESCB and of the ECB, which stipulate that “when exercising the powers and carrying out the tasks and duties conferred upon them..., neither the ECB nor a national central bank nor any member of their decision making bodies shall seek or take instructions from Community institutions or bodies, from any government of a Member State or from any other body. The Community institutions and bodies and governments of the Member States undertake to respect this principle and not to seek to influence the members of the decision making bodies of the ECB or of the national central banks in the performance of their tasks.”

The Bulgarian National Bank has an annual statistical work programme which is currently not made public. The annual and semi-annual BNB’s reports contain reports on the implementation and the activity of the Bank in the field of statistics for the respective periods. The Reports are available at the [BNB’s website](#) (Research and Publications/BNB Periodical Publications).

1.2 Mandate for data collection

The development, production and dissemination of statistics by the Bulgarian National Bank are governed by Article 5 of the Statute of the ESCB and of the ECB, as well as [Regulation \(EC\) No 2533/98](#); whereas the Bulgarian Statistical Institute are governed by the statistical principles laid down in article 2 of [Regulation \(EC\) No 223/2009](#). The Bulgarian National Bank as a member of the ESCB, conducts quality assurance and disseminates statistics in conformity with the principles of the ESCB’s Public Commitment on European statistics by the ESCB.

Under Art. 42 of the BNB Law, the Bank compiles the b.o.p. of Bulgaria. It stipulates that “The Bulgarian National Bank shall compile the b.o.p., monetary and interest rate statistics, as well as financial account statistics of Bulgaria. For this purpose, all government and municipal authorities, as well as legal entities and physical persons, shall provide information to the Bulgarian National Bank in accordance with a procedure established by the Bulgarian National Bank.”

Reporting requirements as well as sanctions for not following the requirements are stipulated for by the Foreign Exchange Law (art.7-10) and by Regulation 27 (Ordinance No. 27 on the Balance of Payments, International Investment Position and Securities Statistics, issued by the Bulgarian National Bank, last update July 2016).

Based on the legal requirements, detailed instructions for the respondents are published at the BNB’s website [Reporting forms and Instructions](#).

2 Statistical processes

2.1 Methodological principles and national specificities

B.o.p. and i.i.p. statistics are compiled in accordance with the standards set forth in the sixth edition of the IMF’s Balance of Payments and International Investment Position Manual (BPM6). Furthermore, specific compilation recommendations from relevant international bodies are observed. In particular, as specified in the ECB [Guideline \(ECB/2011/23](#) of 9 December 2011, as amended) and [Regulation \(EC\) No 184/2005](#) of the European Parliament and of the Council of 12 January 2005 (as amended), as well as the relevant guidance presented in chapters 2 and 3 of this book.

Bulgarian economy is a small and open economy. The current account developments are mainly driven by the trade in goods and services. The main factors in services are Travel and Telecommunications, computer, and information services.

Back data in accordance with the BPM6 methodology are available since January 2007 for the b.o.p. and since 2010 for i.i.p.

The bridging between BPM5 and BPM6 was made in two periods:

- 2007–2009 – aggregates were mainly derived from BPM5 using some additional estimates for Goods (Net exports of goods under merchanting and Non-monetary gold) and Services (Manufacturing services on physical inputs owned by others and Maintenance and repair services not included elsewhere (n.i.e.)).
- 2010– to date – BPM6 aggregates are compiled using detailed input data.

The BNB compiles and disseminates both the b.o.p. (standard and the analytical presentations) and the i.i.p. based largely on the framework recommended in BPM6.

The national sources and methods are explained in detail in the [Methodological notes](#) accompanying the release of the b.o.p. and i.i.p. data. They are updated on a monthly basis if needed. A description of the Bulgarian b.o.p. and i.i.p. compilation system can also be found within the metadata description of the IMF's SDDS: [IMF/SDDS Plus/Metadata/BOP/Bulgaria](#) and [IMF/SDDS Plus/Metadata/IIP/Bulgaria](#).

Source data are consistent with the definitions, scope and classifications, and time of recording of the b.o.p. and i.i.p. No major or systemic deviations from the requirements in view of residency, sectorisation and sector definition, valuation and time of recording (accrual principle is applied for all required items) are observed.

2.1.1 Residency

The general principles laid down in the BPM6 are applied.

2.1.2 Institutional unit definition

The general principles on institutional units (centre of economic interest, decision-making autonomy, and complete set of accounts) are applied. The statistical coverage of SPEs is in line with the conclusion of the Eurostat/ECB/OECD 2013 [Task Force on Head Offices, Holding Companies and SPEs](#).

2.1.3 Geographical allocation

The counterpart country collected (in particular in the surveys described under § 2.2.1) is the immediate counterpart. The geographical zone of the ultimate counterpart is also collected in the FDI survey (operations vis-à-vis sister companies for extended directional principle). Residual approach is applied in the calculation of Portfolio investment liabilities.

2.1.4 Allocation to institutional sectors

Allocation to institutional sectors is done at the lowest level of detail. Detailed instructions for the respondents, including description of border cases are published at the BNB's website (here: [Institutional sectors](#)). Accuracy and harmonisation between different statistics produced by the BNB is granted by using an internally developed register which contains various attributes (among which institutional sector, NACE rev.2 code, etc.).

2.1.5 Valuation

In general, the valuation is based on market prices prevailing when transactions take place. Stocks are valued at the market price as of the end of the reporting period.

Current account transactions on goods are valued at actual transaction prices.

For MFIs, asset and liability transactions that are derived from stocks exclude the exchange rate and other effects. MFIs report stocks, reclassifications, exchange rate and price changes, which allows for calculating the transactions. Regarding non-MFIs' short-term financial transactions, including trade credits, other accounts receivable/payable and derivatives, which are derived from monthly stocks, no information on exchange rate effects is available.

For deposits of resident non-MFIs held with non-resident banks, which are derived from the Bank for International Settlements (BIS) mirror statistics on the liabilities of non-resident banks vis-à-vis Bulgarian residents, exchange rate effects can also be excluded.

FDI of non-listed companies are valued following accounting standards for balance sheet data for companies. OFBV is applied. Dividends on FDI equities are derived from quarterly profit and loss account information.

2.1.6 Time of recording

Services and income are reported on accrual basis.

Accrual principle is applied also for loans, deposits, reserve assets and securities in the financial account.

2.1.7 Coverage gaps and room for improvement

The main current coverage gaps are:

- Accounting for Insurance, pension schemes, and standardised guarantee schemes.
- FISIM.

The development and implementation of a methodology for accounting for Insurance, pension schemes, and standardised guarantee schemes is planned for 2016.

2.1.8 Seasonal adjustment

No seasonal adjustment is currently applied.

2.2 Statistical procedures, sources and methods

2.2.1 Overview of data collection system

The Bulgarian b.o.p. and i.i.p. collection system can be classified as a direct reporting system.

Primarily b.o.p. and i.i.p. compilation is based on actual collected data (data collection on a monthly or quarterly frequency), except in some cases where data are only available on an annual frequency, sometimes with a delay. This is the case for Equity and Reinvestment of earnings in Bulgaria (FDI), where the largest companies are subject to quarterly direct reporting, but data for smaller companies comes from an annual census survey, available only at the end of year Y+1.

Monthly data

B.o.p. and i.i.p. collected at monthly frequency includes:

- Monetary Authorities, Other MFIs and General Government sectors in the financial account.
- Loans (F4), both assets and liabilities for other MFIs and General Government.
- Portfolio investment, both assets and liabilities (on a security-by-security basis).
- Notaries Public (on sales and purchases of land in Bulgaria by non-residents).
- Data from banks on a transaction-by-transaction basis above a reporting threshold of EUR 50 000.

Those data are used only for the monthly b.o.p. compilation and replaced by data from the quarterly direct reporting when compiling the quarterly frequency data. This practice shall continue till end-December 2015. From January 2016 onwards data shall be collected on a monthly basis from National Revenue Agency.

Quarterly data

Data collected directly on a quarterly basis includes:

- Services.
- Equity capital (F5) and reinvestment of earnings of the largest FDI companies.
- Loans (F4), both assets and liabilities for other sectors.
- Trade credits and advances (F81), both assets and liabilities for other sectors.
- Other accounts payable/receivable (F89), both assets and liabilities for other sectors.
- Deposits of other sectors abroad (F2).

- Direct investment abroad (reporting is based on initial registration of the investments in the BNB).

Annual data

B.o.p. and i.i.p. annual data are consistent with quarterly data. The annual sources of data are:

- The Bulgarian NSI for Equity and Reinvestment of earnings in Bulgaria. Upon receipt, data are verified with the already available data from the largest FDI companies and complemented with the data for the small companies.
- The annual report of physical persons (for loans, accounts abroad and investments in securities through foreign custodians).

For all data frequencies, some items such as c.i.f./f.o.b. adjustment, workers' remittances and travel are estimated using statistical methods and are only partly based on actual data (including administrative data or mirror data).

2.2.2 Detail by accounting item

2.2.2.1 Goods

International merchandise trade statistics, compiled by the National Statistical Institute are the main data source for general merchandise.

The data on imports and exports FOB (Free on board) is based on customs declarations, as the codes used in them are after the Harmonised System for Description and Coding of Commodities of the World Customs Organisation, introduced in 1988 and supplemented in 1992. The Bulgarian National Bank and the National Statistics Institute jointly apply methodology developed by them for compilation of imports at FOB prices and receipts and payments regarding the freight transportation. The methodology is based on the analysis of the CIF-FOB correlations for the imports of goods depending on the different imports delivery categories, as well as on the different mode of transportation and nationality of the carrier.

The geographical breakdown of the Goods item of the B.O.P. is based on the following principles:

For the intra EU trade in goods:

- In case of exports (or dispatches) is the country (or EU Member State) of final destination of the goods.
- In case of imports (or arrivals) is the country (or EU Member State) of consignment of the goods.

For the trade with third countries (outside EU):

- In case of exports – partner country is the country of final destination of the goods.
- In case of imports - partner country is the country of origin of the goods.

Merchanting entries are valued at transaction prices as agreed by the parties, not FOB. Regular quarterly survey among enterprises trading internationally in goods and services is the source of data on merchanting.

2.2.2.2 Services

The Bulgarian National Bank derives the data on **freight transportation** from foreign trade data and the data on passenger transportation from travel data on the basis of estimates.

The freight transportation receipts have been set up on the basis of estimated receipts of resident carriers related to the country which exports the goods. The payments are calculated as an estimation of the payments made by residents on behalf of non-resident carriers related to the country which imports the goods. The receipts and payments are estimated according to mode of transportation and nationality of the carrier. Due to the time lag in receiving the detailed data on trade of Bulgaria with the rest of the EU Member States from the NSI (42 days after the close of the reporting period) the preliminary compilation of receipts and payments of freight transportation is based on data for preceding year. These estimates are subject to revisions after receiving the preliminary detailed data on trade with breakdown by trade partners and type of goods.

The acquisition of valuables (such as jewellery), consumer durable goods (such as cars and electric goods), and other consumer purchases for own use or to give away that are included in customs data in excess of customs thresholds, are included in general merchandise.

As of the beginning of 2010 the BNB started conducting regular quarterly survey among enterprises trading internationally in services. It is the main source of data on **Manufacturing services on physical inputs owned by others, Maintenance and repair services n.i.e.** and **Other services**. For the purpose of the monthly publications data on other services item is based on the settlement data from banks for the transactions above the threshold of BGN 100 000 and BNB estimations for transactions below the threshold. After the quarterly reports by enterprises are processed data is to be revised.

The source for **postal and courier services** is the Regular quarterly survey among enterprises trading internationally in goods and services.

The BNB applies methodology for estimation of the receipts and expenditures for travel and passenger transportation. Data on the number and the structure of foreigners who visit the country are based on information from the border police and

NSI estimates. The estimation model for the **Travel** item is based on the product of the number of travellers and the expenditure respective for a certain type of purpose of the travel. The estimates of the expenditures (receipts) by purpose of the travel are based on the data collected during the "Border Survey among Traveling Bulgarians and Foreigners" conducted by the BNB during the period July 2007–August 2008.

2.2.2.3 Primary income

The BNB applies methodology for estimation of the Compensation of employees, credit. The methodology was applied for the first time with the data for January 2010, with back data revisions for the months of 2007, 2008 and 2009. The source of information for this item is the "Border Survey among Traveling Bulgarians and Foreigners" conducted by the BNB during the period July 2007–August 2008. The questionnaires for Bulgarians included two blocks with special questions for travellers who seasonally worked abroad (less than 1 year) and for those who travel regularly to their workplace abroad. These questions comprised additional information for number of trips with such a reason in the last year, number of days working abroad with such a reason in the last year, money earned during their stay abroad and residency of the employer.

For the travellers that answered those questions an Average Income per day (DI) indicator was calculated.

For the **seasonal workers** the indicator was calculated as follows:

$$DI_s = YIs/YDs,$$

Where:

- **DI_s** is the income for a day for a traveller with the purpose of seasonal work abroad.
- **YIs** is the income from the last year from seasonal workers.
- **YDs** is the number of days during the last year which the traveller spent abroad with the purpose of seasonal work.

For the **travellers with regular (usual) workplace abroad** the indicator was calculated as follows:

$$DI_r = LIr/LDr,$$

Where:

- **DI_r** is the income for a day for a traveller with the purpose of regular work abroad.
- **LI_r** is the income from the last travel with this purpose.

- **LDr** is the number of days during the last travel abroad with this purpose.

The residency of the employer is also taken into consideration as the resident employers are excluded.

The other indicator which was calculated was the **duration of a period of working abroad (ND)**. Again the calculation is made for both purposes separately.

For the purpose of regular workplace abroad the NDr is the duration of the last stay.

For the seasonal workers it is calculated as follows:

$$\mathbf{NDs=YDs/NTs,}$$

Where:

- **NDs** is the number of days of a single travel for the purpose of seasonal work abroad.
- **YDs** is the number of days in the last year in which the person has been abroad for this purpose.
- **NTs** is the number of travels abroad for the last year which the person has made with this purpose.

Then the calculation for the item CoE (by destination country), credit is made as follows:

$$\mathbf{CECcm=NBcm+Dlcm+NDcm+NREc,}$$

Where:

- **CECcm** is the estimate of CoE, credit for a country (**c**) in month (**m**).
- **NBcm** is the number of travels of Bulgarian residents in month (**m**) to country (**c**) (the number is provided by the NSI on a monthly basis).
- **Dlc** is the estimate (explained above) of the income per day during one travel abroad to country (**c**) with the purpose of temporary employment.
- **NDc** is the estimate of the duration of the stay in country (**c**) with the purpose of temporary employment.
- **NREc** is the estimate of the share of the non-resident employers of resident temporary workers abroad in country (**c**).

The main sources of information on the **Income** component are the banks' reports and the reports of non-bank financial institutions, insurance companies, pension funds, enterprises, the Ministry of Finance, and the Bulgarian National Bank. Accrued principle is applied for all functional categories of investment income.

2.2.2.4 Secondary income

The Bulgarian National Bank receives information on current transfers from the Ministry of Finance, the Bulgarian Red Cross, the Agency for Foreign Aid, and from the reporting system of banks on transactions between residents and non-residents. The estimates of the workers' remittances are based on the product of the number of Bulgarian emigrants, transferring money to their relatives and the amount of the average transfer³⁶. Such calculations are made separately for the official and the unofficial transfer channels. The sum of the money transferred via those two channels is recorded as the amount of Workers' remittances to Bulgaria.

The data on the number of the Bulgarian emigrants are based on information from the State Agency for Bulgarians abroad, from the Bulgarian embassies and from Eurostat. The data on the percentage of the Bulgarian emigrants, transferring money; the shares of the official and unofficial channels and the average transfer for each of the channels used are based on the data collected via the Border survey.

2.2.2.5 Capital account

The Bulgarian National Bank receives information on the capital account from the Ministry of Finance (for capital transfers from the EU funds), from the quarterly reports of the enterprises in the non-financial sector, the monthly reports of the notaries and others.

2.2.2.6 Direct investment

The Bulgarian National Bank receives monthly data on direct investments in the country from the Privatisation Agency, from the Central Depository, from the reporting system of banks on transactions between residents and non-residents, from notaries and registry offices; quarterly data from the Financial Supervision Commission, from the direct investment enterprises, from the National Statistical Institute, from the Banking Supervision Department of the BNB, from the insurance companies and pension insurance companies; annual data from the NSI on foreign direct investment stock in enterprises from the non-financial sector.

For data on direct investments abroad the Bulgarian National Bank uses the information from FDI declaration forms, from quarterly reports of non-financial sector enterprises and from the reporting system of banks on transactions between residents and non-residents.

FDI includes also debt instrument transactions and positions other than those between selected affiliated financial corporations (it is not classified as direct investment because it is not considered to be so strongly connected to the direct

³⁶ For more detailed information, please see "Methodology for estimation of the item Workers' Remittances (Bulgarian National Bank, March 2010). In case of further questions, related to the methodologies applied, please contact us through the following e-mail: press_office@bnbank.org

investment relationship). The financial corporations covered by this case are: deposit-taking corporations (both central banks and deposit-taking corporations other than the central bank); investment funds and other financial intermediaries except insurance companies and pension funds. Data on the item Loans is received directly by the enterprises that have lent to or borrowed from abroad. The companies report on a quarterly or an annual basis to the BNB. The monthly data on Loans, Other sectors (assets and liabilities) is revised upon receipt of the respondents' quarterly reports. Interest on loans received or extended, including on intercompany loans is accrued monthly on the basis on respondents' declaration of loan specifications (interest rate, repayment schedule, outstanding amount on the reported loan). In accordance with the double-entry principle, interest accrued is included in the financial account as well as an increase in claims/liabilities on loans (including on intercompany loans).

The main source of information on trade credits-assets and liabilities and Other accounts receivable/payable in FDI are the quarterly reports of enterprises on their assets/liabilities to non-residents.

In the compilation process Listed equities (F511) (equity that is listed on a stock exchange / organised secondary market) are valued at market prices. Unlisted equity (equity that is not listed on a stock exchange organized secondary market and Other equity (F519) (equity that is not in the form of securities that include equity in branches, trusts, limited liability and other partnerships and notional units for ownership of real estate and other natural resources) are valued using the Own funds at book value (OFBV) method.

2.2.2.7 Portfolio investment

The main sources of information on the liabilities side of the Portfolio investment is the data provided by the Ministry of Finance, the Bulgarian National Bank, banks and the Central Depository. Residual approach is applied.

Monthly data on the assets side of the Portfolio investment on a security-by-security basis is provided by banks and custodians (which report information about their and their clients' portfolio investments), investment funds, non-bank financial institutions, insurance companies and pension funds, the Bulgarian National Bank and the Ministry of Finance.

2.2.2.8 Financial derivatives

Data obtained from the banks on a monthly basis.

2.2.2.9 Other investment

Currency and deposits

The source of data for MFIs is the monthly sector balance sheet provided by Money and banking statistics Division. For MFIs, asset and liability transactions that are derived from stocks exclude the exchange rate and other effects. MFIs report stocks, reclassifications, exchange rate and price changes, which allows for calculating the transactions.

Deposits of resident non-MFIs held with non-resident banks are derived from the Bank for International Settlements (BIS) mirror statistics on the liabilities of non-resident banks vis-à-vis Bulgarian residents.

Loans

Data on the item Loans is received by the Ministry of Finance, the Bulgarian National Bank, the banks and directly by the enterprises that have lent to or borrowed from abroad. The companies report on a quarterly or an annual basis to the BNB. The monthly data on Loans, other sectors (assets and liabilities) is revised upon receipt of the respondents' reports.

Trade credits and advances and other accounts receivable/payable

Trade credits and advances and other accounts receivable/payable are reported on a quarterly basis (transactions and stocks). Regarding non-MFIs' short-term financial transactions, including trade credits, other accounts receivable/payable and derivatives, which are derived from monthly stocks, no information on exchange rate effects is available.

No estimation method is currently used for calculating "exporting/importing" of EUR banknotes

2.2.2.10 Reserve Assets

Data obtained from the MBS and Accounting Department of the Bulgarian National Bank.

2.2.2.11 Borderline cases

All transactions and positions related to investment fund shares (including those larger than 10%) are recorded under portfolio investment. All loans (irrespective of their maturity) between deposit-taking corporations are reported as deposits in the compilation of b.o.p. and i.i.p. statistics.

2.2.2.12 Additional information

A description of the Bulgarian b.o.p. and i.i.p. compilation system can also be found within the metadata description of the IMF's SDDS: [IMF/SDDS Plus/Metadadata/BOP/Bulgaria](#) and [IMF/SDDS Plus/Metadadata/IIP/Bulgaria](#).

2.3 Coherence and comparability

2.3.1 Internal consistency

The data on Bulgaria's i.i.p. are consistent with the financial account movements in the b.o.p. data, as well as with the international reserves and foreign currency liquidity template and external debt data, published at the Bulgarian National Bank's [website](#).

Consistency between the frequencies is ensured by the revision of monthly data whenever quarterly data are produced or revised.

Average relative E&O are high, however still at the level of the EU 3-rd quartile for EU28 for the periods analysed. Resources for the analyses of the net errors and omissions shall be dedicated after the full implementation of BPM6.

2.3.2 Consistency with other statistical domains

B.o.p. data can be related with some of the data published by other statistical domains, namely, foreign trade statistics, national accounts and balance sheet information of the financial sub-sectors.

2.3.2.1 Foreign trade statistics

B.o.p. and foreign trade statistics generally show discrepancies, due to different methodologies. In particular, certain monthly transactions not covered by foreign trade statistics are added to b.o.p. figures, namely:

- Net exports of goods under merchanting.
- Maintenance and repair services not included elsewhere (n.i.e.).
- Goods, procured in ports (imports).

The BNB reconciles exports and imports of goods with foreign trade data on a monthly basis and disseminates the results internally. No inconsistencies exist, except for methodological reasons.

2.3.2.2 National/sectoral accounts

The comparability between b.o.p. and national accounts is ensured by the application of common definitions (BPM6 and ESA2010).

Data are consistent for the rest-of the world account. In practice, differences may occur with the rest-of the world account due to different data sources or revision practices.

2.3.2.3 Balance sheet information of the various financial sub-sectors

Balance sheet information from MBS, IF statistics, insurance companies and pension funds are used as a source for the compilation of b.o.p. and i.i.p. statistics. Some inconsistencies may occur due to data vintages.

2.4 Accessibility and Clarity

2.4.1 Release calendar and revision policy

Advance notice is given on release calendars and on major revisions or changes in methodologies, data sources and techniques.

B.o.p. and i.i.p. statistics are published according to the [BNB's Statistical Data Release Calendar](#) available at BNB's website in the section Press Office/Events/Calendar Advance release calendar is also available at [Advance Release Calendar](#). Both calendars provide the exact date and time of the data releases.

The revision policy is explained in the [Methodological notes](#) accompanying the release of the b.o.p. and i.i.p. data.

The revision cycle is predetermined by the ESCB's and Eurostat's Calendars for data transmission and revisions.

Documentation of revisions is included in the periodic publication of the statistical series and in the database accessible to users.

When revisions outside the regular cycle are implemented, they are communicated to the public.

Preliminary and revised data are identified in footnotes.

2.4.2 Data availability

Back data time series for the b.o.p. are available since January 2007. Series back to 1996 are subject to conversion from BPM5 to BPM6, although some breaks are expected due to missing data sets.

Back data time series for the i.i.p. are available since March 2010. Series back to 2004 are subject to conversion from BPM5 to BPM6, although some breaks are expected due to missing data sets.

The b.o.p. statistics are disseminated via press releases, tables and data series. In order to facilitate proper analysis, the press releases include data interpretation, charts and tables. A detailed publication on b.o.p. contains information with various levels of detail in order to meet a broad range of users' needs. A separate publication on foreign direct investment is prepared on a monthly basis in order to meet users' interest in direct investment data.

Data on b.o.p. and i.i.p. data are disseminated in millions of euros and Bulgarian leva.

B.o.p. statistics are disseminated in various formats so as to meet different users' needs. Each month the BNB publishes on its website:

- B.o.p. press release that consists of data interpretation, charts and tables.
- B.o.p. publication that includes a short analysis, disaggregated tables and methodological notes.

The i.i.p. statistics are disseminated via tables and data series.

Additionally, b.o.p. and i.i.p. data are published in the Monthly Bulletin, in the Semi-annual and Annual Report of the BNB.

Time series are accessible through an electronic database on the BNB website.

2.4.2.1 Frequency of the b.o.p. and i.i.p. data compilation and publication

B.o.p. data are compiled and published on a monthly basis and the i.i.p. data – on a quarterly basis.

2.4.2.2 Seasonally adjusted data

No seasonally adjusted data are published.

Czech Republic

1 Institutional environment

1.1 Professional Independence

[Article 9](#) (Relationship to the government and to other bodies) of Act No. 6/1993 Coll., on the Czech National Bank (CNB), as amended, establishes the CNB's independence from other government authorities and bodies in exercising its powers, thereby guaranteeing, among other things, the absence of interference in respect of the compilation and dissemination of statistical information.

The CNB has a yearly and medium-term statistical work programme that is not available to the public. Nevertheless, the essential statistical activities of the CNB are described in the [CNB Annual Report](#) in the chapter dedicated to statistics.

1.2 Mandate for data collection

The development, production and dissemination of statistics by the Czech National Bank are governed by Article 5 of the Statute of the ESCB and of the ECB, as well as [Regulation \(EC\) No 2533/98](#); whereas the Czech Statistical Office are governed by the statistical principles laid down in article 2 of [Regulation \(EC\) No 223/2009](#). The Czech National Bank as a member of the ESCB, conducts quality assurance and disseminates statistics in conformity with the principles of the ESCB's Public Commitment on European statistics by the ESCB.

The responsibility for collecting, processing and disseminating the Czech Republic's b.o.p. statistics is assigned to the CNB by the Act on the Czech National Bank. A General Agreement with the Czech Statistical Office (CZSO) was signed on cooperation in statistics, including b.o.p. statistics (data sharing and data exchange are specified in a Partial Agreement).

Articles 41 and 42 of the Act on the Czech National Bank govern the data collection for b.o.p. purposes. The Act also identifies the CNB as the authority responsible for the data collection. The Act authorises the issuance of decrees on reporting requirements for specific purposes, including for compiling the b.o.p. of the Czech Republic. Accordingly, Decree No. 215/2014 Coll. amending Decree No. 314/2013 Coll., on the submitting of statements to the CNB by entities that belong to the financial institutions sector and Decree No. 235/2013 Coll. pertaining to the submission of statements to the CNB by statistically significant reporting entities for the purposes of preparing b.o.p., i.i.p. and debt service statistics specify in detail these reporting requirements, which form the core of the b.o.p. data collection system.

In addition, information used for b.o.p. statistics is collected on the basis of Article 8a of Act No. 15/1998 Coll., on Supervision in the Capital Market Area, as amended, and Act No. 277/2015 Coll., and according to Article 15 of the Act on Bureau-de-Change Activity.

The responsibility for disseminating b.o.p. statistics is defined in Article 42b of the Act on the Czech National Bank.

2 Statistical processes

2.1 Methodological principles and national specificities

B.o.p. and i.i.p. statistics are compiled in accordance with the standards set forth in the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6). Furthermore, specific compilation recommendations from relevant international bodies are observed, in particular as specified in the ECB [Guideline \(ECB/2011/23](#) of 9 December 2011, as amended) and [Regulation \(EC\) No 184/2005](#) of the European Parliament and of the Council of 12 January 2005 (as amended), as well as the relevant guidance presented in chapters 2 and 3 of this book.

The Czech Republic is an export-oriented economy with a goods and services balance surplus. Exports of machinery and transport equipment and electrical engineering products are the main driving force of the trade balance surplus. Foreign direct investment (FDI) has a significant impact on all sectors of the Czech economy, and FDI statistics (including dividends and reinvestment of earnings) are an important factor in the current and financial accounts.

Consistent time series of b.o.p. and i.i.p. statistics are made available as far backwards as possible, partly dating back to 1993 on a BPM6 basis. B.o.p. and i.i.p. time series on a quarterly basis in the period 1993 to 2007 were converted from BPM5 to BPM6 using the IMF conversion table ("generic b.o.p. data"). Breaks in the time series have occurred, in some instances, when changes in source data, methodology, or statistical techniques could not be reconstructed backwards owing to a lack of data. This is the case, for example, for a number of detailed breakdowns that were implemented with BPM6 methodology. Nevertheless, backward consistency of detailed data in BPM6 methodology to 2008 is guaranteed.

2.1.1 Residency

The general principles laid down in BPM6 are applied.

2.1.2 Institutional unit definition

The general principles on institutional units (centre of economic interest, decision-making autonomy, and complete set of accounts) are applied. The statistical coverage of Special Purpose Entities (SPEs) is not relevant for the Czech Republic, because no institutional unit has been classified as SPE yet.

2.1.3 Geographical allocation

The counterpart country in surveys is the immediate counterpart, but in the case of Foreign Direct Investment (FDI) surveys also the country of the ultimate controlling parent (UCP) is collected.

2.1.4 Allocation to institutional sectors

Resident sector allocation of financial institutions in b.o.p. statistics follows the ECB recommendation for the banking sector (the list of Monetary financial institutions (MFIs)], insurance corporations, investment funds and pension funds. For sector allocation of custodian data (asset side), data from the Companies Register by respondents are used to identify the sector of the domestic client.

2.1.5 Valuation

For the valuation of FDI flows and positions, market prices are used where available (listed shares), while for unlisted shares OFBV (Own Funds at Book Value) is used. FDI dividends are frequently recorded when paid rather than on an accrual basis, and interest is monitored on an accrual basis.

2.1.6 Time of recording

In general, transaction reporting is based on an accrual basis. Dividends are frequently recorded when paid rather than on an accrual basis. Interest income is adjusted for exports and imports of Financial Intermediation Services Indirectly Measured (FISIM) where relevant.

2.1.7 Coverage gaps and room for improvement

Portfolio investment income is compiled on an accrual basis following the implementation of security-by-security (s-b-s) reporting (90% coverage of portfolio investment statistics) in all sectors except insurance companies. The current situation, which is not expected to change (after SOLVENCY II implementation), is maintaining a monthly aggregated report for insurance companies for b.o.p. and i.i.p.

purposes and using quarterly s-b-s reporting for insurance companies, for supervisory needs and for securities holdings statistics needs.

Compensation received by residents of the Czech economy employed by international organisations and foreign embassies is not estimated. Dividends are frequently recorded when paid rather than on an accrual basis.

Pension and standardised guarantee schemes (flows and stocks) have not been calculated yet and are being tested for statistical significance.

Reporting gaps exist for the portfolio and deposit transactions (and positions) of resident individuals with banks (or in custody) abroad. The positions and transactions of other financial intermediaries (OFIs), except insurance corporations and pension funds, in financial derivatives are not covered, because they are not significant.

2.1.8 Seasonal adjustment

B.o.p. data are published at current prices only, not seasonally adjusted.

2.2 Statistical procedures, sources and methods

2.2.1 Overview of data collection system

The Czech Republic's data collection system is based on a direct reporting system involving resident financial and non-financial enterprises and public authorities. The monthly and quarterly information is collected through the direct reporting system and complemented by other sources:

- Monthly foreign trade statistics compiled by the CZSO for merchandise data based on national and Community principles.
- A quarterly survey on services and specific operations in goods conducted by the CZSO.
- Monthly reports to the CNB on the external positions of banks and non-banks for deriving short-term and long-term items.
- The CNB's reserve and other assets.
- Data from a CNB survey of non-bank and bank bureaux de change for the travel item (credits and debits).
- A CNB quarterly survey of selected companies (the biggest players) on their cross-border assets and liabilities – export and import credits, loans, deposits abroad (also in a direct investment enterprise relationship) and financial derivatives.

- Annual balance sheet data of direct investment enterprises for direct investment stock data and the corresponding reinvested earnings.
- Monthly s-b-s surveys of banks, investment funds, pension funds and custodians on securities holdings for portfolio investment and subsequently derived income and transactions data.
- Quarterly s-b-s surveys of insurance companies and monthly aggregated surveys of insurance companies and investment firms on their own account transactions.
- Administrative data (e.g. from the Ministry of Finance for the general government sector and data from the land registry).

The monthly and quarterly surveys are collected from selected companies (the biggest players) and cover only 450–500 companies. Data on stocks and flows of short-term and longer-term financial loans are collected on a monthly basis. Stock data on accounts held abroad are available on a monthly basis, but flows are estimated.

On a quarterly basis, stocks of short-term and long-term trade credits are collected and flows are derived from stocks. The results of a sample survey are used to estimate total flows and stocks of trade credits, accounts held abroad and short-term or long-term financial loans. Quarterly estimates are also made for reinvestment of earnings (e.g. new companies). The calculation of reinvestment of earnings is based on the average rate of return in a given economic sector from the previous year. The (estimated) data are revised on the basis of annual FDI surveys, which cover approximately 3,800 companies.

2.2.2 Detail by accounting item

2.2.2.1 Goods

Goods of non-resident companies registered in the Czech Republic for value added tax (VAT) payments only are excluded from exports and imports of goods (International Merchandise Trade Statistics (IMTS) data) for [compilation of national balance of payments](#) provided to the ECB, Eurostat and the IMF. Nevertheless, the community principle is also applied in the goods item and these data are transmitted to Eurostat and the ECB (branding and quasi-transit trade adjustment is included). The data sources for the goods item are mostly provided by the CZSO on a monthly or quarterly basis and in a geographical breakdown. The sources are as follows (the sign shows the direction of adjustment):

General merchandise

- IMTS data set at Free on Board (FOB) and Cost, Insurance and Freight (CIF) values.

- Data set for non-monetary gold (-).
- Operational leasing, e.g. airplanes (-).
- Goods for processing (-).
- “Inverse” merchanting by non-residents on the internal market without crossing borders – VAT forms (imports on net basis +).
- Goods procured in ports – quarterly services survey (+).
- Adjustment between goods and services – quarterly services survey (+/-).
- Smuggled goods – quarterly SNA estimate (tobacco, oil, drugs, textile) (+).
- Value of goods of postal consignments from e-commerce under the customs limit – provided by Czech Post (+).

Goods under merchanting

- Goods under merchanting – quarterly services survey.

Non-monetary gold

- Data set for non-monetary gold on a monthly basis.

2.2.2.2 Services

The CZSO is responsible for primary data collection on exports and imports of services. The CNB collects data on financial services provided by resident financial institutions including the calculation of margins charged for trading in securities and exports and imports of FISIM and travel revenues and expenditures.

The CZSO calculates the CIF/FOB adjustment and allocates it between transport and insurance services. The compilation of exports of life and non-life insurance services and exports and imports of reinsurance is imputed into the b.o.p. from SNA statistics. The CZSO has not provided pension and standardised guarantee schemes yet and is testing their statistical significance.

The CNB collects and compiles data on financial services provided and acquired by the domestic banking sector. The monetary and financial statistics are the data source. Commercial banks report fees charged for exports and imports either for their own financial transactions or on behalf of their clients.

The CNB obtains data on margins on portfolio investment sales and purchases as an output of an s-b-s portfolio investment database taking into account monthly changes in stocks of individual securities and an estimated selling and buying margin percentage on the main financial markets.

The calculation of exports and imports of FISIM takes into account a calculated external reference interest rate as a ratio of interest received and paid by domestic

commercial banks vis-à-vis foreign banks related to relevant stocks of deposits and loans. Exports of FISIM then include:

- The difference between the interest rate received by resident banks from loans extended to non-resident non-financial institutions compared to the calculated external reference interest rate.
- The difference between the interest rate paid by domestic banks on deposits of non-resident non-financial institutions comparing to the calculated external reference interest rate.

For imports of FISIM, the external reference interest rate is compared to:

- The interest rate paid by the government and other (non-financial) sectors on financial loans received from non-resident banks.
- The interest rate received by resident non-financial institutions and households on deposits held with non-resident banks.

The territorial allocation of exports and imports of FISIM reflects the geographical structure of the underlying assets/liabilities.

The CNB is responsible for compiling the travel item in the Czech Republic's b.o.p. in co-operation with the CZSO. To compile total travel (credit/debit side), the CNB uses surveys, administrative sources and other sources. The CNB has an internal database for bank exchange office data and also the electronic statistical and supervisory internal database (SIPReS) was established to collect data for non-bank exchange offices. Data on business and personal travel are provided by the CZSO, including seasonal workers as a part of business travel (see 2.2.2.3 on data sources and calculation). Educational statistics data are taken as primary source for personal travel. These statistics are shared with the CZSO based on information from the Ministry of Education on the number of non-resident students studying in the Czech Republic and on the number of resident students studying abroad. Non-resident and resident health-related expenses are provided by the Centre for International Reimbursements on a yearly basis. Data on using credit cards for travel purposes (cash and non-cash transactions) are commonly provided by the Bank Card Association on its [website](#).

Passenger transport payable by border, seasonal and other short-term workers, which is not estimated as separate item, is a gap in the services balance. Total services transactions between related enterprises are also not estimated because of a lack of information on the nature of counterparty ownership.

2.2.2.3 Primary income

The data on direct investment income are calculated for all required components – income on equity (dividends and reinvested earnings) and income on debt (interest). Dividends are frequently recorded when paid rather than on an accrual basis. Reinvested earnings are recorded in the period when they are accrued and income

on debt is compiled on an accrual basis. Revisions of preliminary data are based on annual stock surveys.

Information on dividends on non-debt securities are taken from the Centralised Securities Database (CSDB), income on debt securities is recorded on an accrual basis.

For MFI sector income, the monetary and financial statistics are the source of information, providing quarterly data resulting from holdings of underlying assets and liabilities (loans, deposits). Interest revenues and expenditures are calculated on an accrual basis. The geographical allocation is provided according to geographical assets/liabilities composition.

The data sources and methods regarding interest payments and receivables differ according to individual sectors. Where relevant, the compilation of “pure” interest (without the impact of FISIM) is provided (see 2.2.2.2 for the calculation of FISIM).

Primary income on other investment of non-financial corporations is collected by direct reporting on an accrual basis with financial loans or credits received or paid on deposits. Primary income on trade credits is calculated on the basis stocks.

Data on yields on reserve asset and other assets/liabilities of the CNB is provided on a cash basis.

The data source for compensation of employees is the CZSO, where data regarding wages, salaries, remittances, taxes and social security schemes are collected and compiled quarterly.

Traditional own resources as customs duties on imports, sugar/isoglucose production levies and taxes on products involving EU institutions are recorded under other primary income on net payment basis. Data are monitored monthly on the accounts of the Ministry of Finance, the Directorate General of Customs and the Ministry of Agriculture. Transfers from EU institutions linked to operational programmes from EU funds in various areas are recorded under current international cooperation involving EU institutions or other capital transfers involving EU institutions. The split of transactions with EU institutions into current and capital transfers within the b.o.p. is based on the recommendation and result of the Task Force. The “net positions” – the difference between total revenue from EU institutions and contributions to EU institutions are compared with data from the Ministry of Finance twice a year. Data connected with EU transfers are recorded on a settlement basis in b.o.p.

2.2.2.4 Secondary income

As regards EU transfers recorded in secondary income, see 2.2.2.3.

Secondary income account data are based on data sources obtained from the CZSO, the General Finance Directorate (on deposits of natural persons abroad), The Ministry of Foreign Affairs (ODA – Official Development Assistance:

bilateral/multilateral contributions) and the CNB Banking Supervision (money transfers operators).

2.2.2.5 Capital account

Capital transfers include debt forgiveness (contractual agreement between countries), investment grants other (a source of data from the Ministry of Foreign Affairs regarding investment projects (ODA)), gross acquisitions/disposals of non-produced non-financial assets (a source of data from the Ministry of the Environment regarding the auctions of emission permits) and other capital transfers, other (capital transfers from pension scheme created by the CZSO) (see 2.2.2.4). For EU transfers recorded on the capital account, see 2.2.2.3.

2.2.2.6 Direct investment

Information on direct investment is obtained on the basis of the Act on the Czech National Bank and [Decree No. 235/2013 Coll.](#) Direct investment data on financial corporations (banks, insurance companies, pension and investment funds) are stored in the internal CNB database together with statistical reports on non-financial corporations. SPEs have not been identified in the Companies Register yet in the case of the Czech Republic.

Supplementary data sources are:

- Information from the stock exchange.
- The courts and the Companies Register.
- The commercial bulletin and other commercial data sources.
- Information from the press.
- An inward cross-border real estate holdings report.
- The EGR (EuroGroup Register).
- The FDI Network (bilateral exchange and cross-checks of FDI data).

In connection with the introduction of NACE Rev. 2 into FDI statistics, data on real estate owned by non-resident natural persons are included. Administrative data on buildings (i.e. dwelling houses and family houses) and units (apartments) obtained from the Cadaster Information System (ISKN) are assessed at market value using the paid (conceded) average prices released in the CZSO annual publication. The Ministry of Finance's Price Bulletin (and Act No. 151/1997 Coll., on Valuation of Property) as well as price maps and asking prices on the internet are used for the prices of the individual types of sites.

2.2.2.7 Portfolio investment

All portfolio investment data are reported on a monthly basis. Starting from January 2009, data from the MFI sector, bank custodians, investment funds and pension funds are reported on the security by security principle (monthly stocks and derived monthly flows). Respondents who issue bonds abroad send relevant information to the CNB no later than on the date of issue (this duty is based on Article 8a of Act No. 15/1998 Coll., on Supervision on the Capital Market, as amended). Stock data from other respondents are collected in an aggregate format and their volume is compared with the data for the previous months to verify them.

2.2.2.8 Financial derivatives

Financial derivative data sources:

- Monthly cross-border stocks for banks are taken from the “Monthly statement of the foreign exchange and CZK positions of the CNB and commercial banks”.
- Monthly cross-border transactions for banks are taken from the “Monthly statement on cross-border transactions of banks”.
- Quarterly cross-border stocks for Czech government are taken from the database of Ministry of Finance (SP PAP).
- Quarterly cross-border transactions are taken from the “Quarterly statement on cross-border transactions of central government”.
- Stocks and transactions for non-bank entities are taken from the “Monthly and quarterly statement of foreign assets and liabilities of non-bank entities”.

2.2.2.9 Other investment

Monetary authorities – CNB data sources:

- Stock, transaction and income data are taken from the Accounting Division of the Czech National Bank. Data on asset yields are included on a cash basis.

MFI sector data sources:

- Financial and monetary statistics provide detailed data on domestic banks’ stocks of assets and liabilities vis-à-vis non-residents on a monthly basis. As data are available in currency and geographical structure, the monthly flows are derived from the changes in stocks adjusted for foreign exchange rate movements. The reconciliation between flow and stock data is provided. The respondents are MFIs (commercial banks and a limited number of money market funds). The CNB updates and publishes the MFI list each month on the CNB website. The number of money market funds classified as MFIs is very limited with no holdings of external other assets/liabilities in the last two years.

Central and local government data sources:

- Quarterly cross-border asset/liabilities stocks for Czech government are taken from the database of Ministry of Finance SP PAP.
- Monthly information on cross-border transactions and income is taken from the administrators of government assets.
- Quarterly information on government liabilities transactions is taken/derived from the database of Ministry of Finance (SP PAP).
- Information on liabilities income is monitored monthly from the accounts of the Ministry of Finance.

Financial corporations (other than banks) and non-financial corporations:

- Monthly cross-border direct reporting on asset/liabilities stocks of foreign accounts (flows are estimated), and stocks and flows of financial loans.
- Quarterly cross-border direct reporting on asset/liabilities stocks of trade credits with maturity of up to and including one year (flows are estimated), and stocks and flows of trade credits with maturity of over one year.

Stocks of technical reserves assets and liabilities are taken from quarterly surveys of insurance companies. Flows are calculated on the basis of data obtained from the Czech Statistical Office.

Stocks of the deposits of Czech residents (households) abroad are estimated on a yearly basis using data obtained from the General Finance Directorate (according to the Directive 2003/48/EC).

2.2.2.10 Reserve Assets

The reserve assets are compiled on a gross basis, i.e. there is no netting-off. Data on asset yields are recorded on a cash basis. The main source of stock, transaction and income data is the Accounting Division of the Czech National Bank.

2.2.2.11 Borderline cases

Cross-border holdings of investment funds shares that would qualify to be a direct investment are marginal in volume and are compiled solely within portfolio investment statistics due to technical and pragmatic reasons (in line with the agreement at the European level).

2.2.2.12 Additional information

The main data sources and methodological documents are available at http://www.cnb.cz/docs/ARADY/HTML/index_en.htm and <https://apl.cnb.cz/ewi/> (statements for respondents in Czech).

2.3 Coherence and comparability

2.3.1 Internal consistency

Internal consistency checks focus on MFI statistics, portfolio investment statistics, insurance companies' data, reserve assets and exports and imports of goods and services. Adjustments influencing the size of errors and omissions are performed where appropriate if a sudden b.o.p. item fluctuation is observed. In most cases this usually concerns financial account data in other investment of other sectors (sectors of non-financial corporations and other financial corporations – holding companies) based on availability of a monthly or quarterly survey sample of 500 companies the biggest players (see 2.2.1 for details). Nevertheless, according to the b.o.p. Quality Reports, the size of errors and omissions in the Czech b.o.p. has not exceeded the acceptable level.

2.3.2 Consistency with other statistical domains

B.o.p. data can be related with some of the data published by other statistical domains, namely, foreign trade statistics, national accounts and balance sheet information of the financial sub-sectors.

As far as the MFI sector is concerned, financial and monetary statistics provide detailed data on domestic banks' stocks of assets and liabilities vis-à-vis non-residents on a monthly basis. The reconciliation between flow and stock data is provided. The respondents are MFI (the CNB, commercial banks and money market funds). The CNB updates and publishes the MFI list on the CNB website each month. The number of money market funds classified as MFIs is very limited with negligible holdings of external assets/liabilities in the last two years. Consistency with trade statistics, exports and imports of services, and remittances is based on data sharing between the CZSO and the CNB during the compilation of the b.o.p. and SNA (see 1.2 – partial agreements govern the exact terms and persons responsible for data sharing in each relevant item). B.o.p. and i.i.p. statistics are used as components for compilation of the non-financial and financial accounts of the SNA statistics.

2.3.2.1 Foreign trade statistics

B.o.p. and foreign trade statistics generally show discrepancies, due to different methodical concepts. In particular, certain monthly transactions not covered by foreign trade statistics are added to b.o.p. figures. See 2.2.2.1 Goods for a detailed description of adjustments. The Czech Republic prepares a special annex in the Quality Reports concerning consistency in goods in b.o.p. and foreign trade statistics (including the national concept in “Goods”).

2.3.2.2 National/sectoral accounts

The comparability between b.o.p. and national accounts is ensured by the application of common definitions (BPM6 and ESA2010). With the implementation of BPM6 and ESA 2010 in 2014, the Czech Republic's b.o.p. statistics and national accounts are conceptually consistent. However, differing data sources and revision timetables and different sectorisation may still produce some differences in practice. These are regularly assessed and documented. The Czech Republic is dealing with the reclassification of two banks (the Czech Export Bank and the Czech-Moravian Guarantee and Development Bank) into the government sector for an Excessive Deficit Procedure (EDP) purposes in spite of the fact that these banks are on the list of Czech MFIs. This is creating sectorisation differences in the Czech statistics produced for the purposes of the national accounts and the b.o.p. (where the list of Czech MFIs is followed).

2.3.2.3 Balance sheet information of the various financial sub-sectors

Transactions and stocks of the banking and financial sectors are used in b.o.p. statistics. The CNB Balance of Payments Division checks with money and financial statistics every month for transactions in assets and liabilities including portfolio investment. It ensures consistency vis-à-vis the BSI, IF and securities issues statistics.

2.4 Accessibility and Clarity

2.4.1 Release calendar and revision policy

An advance release calendar that gives the precise release dates on a monthly basis for the coming year, and preliminary ones for the first quarter of the following year, is disseminated at the end of October each year on the [CNB website](#).

The data are released on the CNB website at 10 a.m. CET on the announced dates.

Methodological changes are generally communicated around the publication date of new data as part of the methodological notes on the commentary on the CNB website.

At the time of the first publication of data, users are informed on the methodological changes. Similarly, at the time of data dissemination, users are informed whenever data are revised.

2.4.2 Data availability

More information on the Czech Republic's b.o.p. and i.i.p. data can be found on the [CNB website](#).

The data can be accessed and downloaded via the [time series database \(ARAD\)](#).

2.4.2.1 Frequency of the b.o.p. and i.i.p. data compilation and publication

The monthly commentary on b.o.p. statistics contains a table with the major b.o.p. aggregates accompanied by a short commentary on recent developments. The table includes preliminary data for the current reporting month. Preliminary monthly b.o.p. data are revised on a quarterly basis, when quarterly data are commented upon and presented to the public.

The i.i.p. is available on a quarterly basis.

2.4.2.2 Seasonally adjusted data

The b.o.p. data are published at current prices only, not seasonally adjusted.

Denmark

1 Institutional environment

1.1 Professional Independence

In b.o.p. statistics competency is divided between Danmarks Statistik and Danmarks Nationalbank, see also 2.2.1.

According to the Act on Danmarks Statistik, Section 2: "Danmarks Statistik is an independent institution under the direction of a Board consisting of the National Statistician as chairman, and six other members with insight into social and economic conditions".

Danmarks Nationalbank is an independent institution cf. [the National Bank of Denmark Act](#).

1.2 Mandate for data collection

The development, production and dissemination of statistics by the Danmarks Nationalbank are governed by Article 5 of the Statute of the ESCB and of the ECB, as well as [Regulation \(EC\) No 2533/98](#); whereas the Danmarks Statistik are governed by the statistical principles laid down in article 2 of [Regulation \(EC\) No 223/2009](#). The Danmarks Nationalbank as a member of the ESCB, conducts quality assurance and disseminates statistics in conformity with the principles of the ESCB's Public Commitment on European statistics by the ESCB.

For Danmarks Statistik the mandate for collecting information for European Statistics is specified in the Act on Danmarks Statistik (Section 3a).

For Danmarks Nationalbank, the [National Bank of Denmark Act](#) gives Danmarks Nationalbank the legal right to collect and disseminate data for the financial account, see paragraph 14a.

2 Statistical processes

2.1 Methodological principles and national specificities

B.o.p. and i.i.p. statistics are compiled in accordance with the standards set forth in the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6). Furthermore, specific compilation recommendations from relevant international bodies are observed. In particular, as specified in the ECB

[Guideline \(ECB/2011/23](#) of 9 December 2011, as amended) and [Regulation \(EC\) No 184/2005](#) of the European Parliament and of the Council of 12 January 2005 (as amended), as well as the relevant guidance presented in chapters 2 and 3 of this book.

Denmark has an open economy with high exports and imports compared to the size of the economy. In 2014, total exports of goods amounted to 32.6 percent of GDP and total exports of services to 21.3 percent of GDP. The main trading partners were Germany, Sweden, United States, United Kingdom and Norway.

The Danish economy is diversified with the largest contributions to net exports coming from medicinal and pharmaceutical products, general industrial machinery and equipment, power generating machinery and equipment, meat and meat preparations, and sea transport (freight).

Simultaneously with the improvement in the Danish i.i.p., net investment income has risen in the past decade. Conversely, current expenditures are substantially higher than current receipts for compensation of employees and for secondary income, particularly due to large remittances.

Denmark has compiled b.o.p. data since 1934. From 1949 the statements have been adapted to the form used by the IMF with the limitations imposed by the primary statistical material. Up to 1997 there are very long series for the main items without any noticeable breaks. In 1998, the compilation was adapted to the IMF balance of payments manual from 1993 (the fifth manual). Back data to 1988 for the most important items are available. In 2014, the compilation was adapted to the IMF balance of payments manual from 2009 (the sixth manual). Back data to 2005 are available.

The compilation was moved from an International Transaction Reporting System (ITRS) to a survey-based system in 2004/05. The publicly available databases contain current account data from 1978 onwards and financial account data from 1999 onwards. Data compiled on the basis of BPM5 have been converted into the BPM6 framework so that BPM6-consistent data are available from 2005 onwards.

Danmarks Nationalbank has published i.i.p. since 1991 (annual data). Quarterly data are available from fourth quarter 1998 and onwards. Main series are available without noticeable breaks in series.

2.1.1 Residency

The general principles laid down in the BPM6 are applied. Greenland and the Faroe Islands are not considered part of Danish territory in the compilation of b.o.p. and i.i.p., but were included in the data until September 2000. The enterprise behind the bridge connecting Denmark and Sweden, Øresundsbron, is treated as a multi-territory enterprise in line with BPM6, and all transactions and positions are prorated on a 50/50 basis, reflecting the joint ownership and seamless operation of the enterprise between the two countries.

2.1.2 Institutional unit definition

The general principles on institutional units (centre of economic interest, decision-making autonomy, and complete set of accounts) are applied. The statistical coverage of SPEs is in line with the conclusion of the Eurostat/ECB/OECD 2013 [Task Force on Head Offices, Holding Companies and SPEs](#). Data for Special Purpose Entities (SPEs) are shown separately in the presentation of Foreign Direct Investment (FDI) statistics. In the presentation of the financial account, part of the b.o.p., SPEs are not shown separately. The same goes for the presentation of the i.i.p.

2.1.3 Geographical allocation

The geographical allocation in the financial account of the b.o.p. and in the i.i.p. is based on the debtor-creditor approach rather than the transactor principle. This approach implies that cross-border transactions in financial claims are allocated to the economy of residence of the non-resident debtor, and cross-border transactions in liabilities are allocated to the economy of residence of the non-resident creditor.

2.1.4 Allocation to institutional sectors

The external transactions and holdings of financial corporations are covered by surveys carried out by Danmarks Nationalbank. The data from these surveys are also used to produce separate sets of monetary and financial statistics as well as investment funds statistics. Data for investment funds statistics is collected quarterly, while data for all other financial corporations is collected monthly. For investment funds statistics monthly flows are estimated.

Data for general government and non-financial corporations are covered by surveys. Households and non-profit institutions serving households are not surveyed for b.o.p. and i.i.p. purposes, but their holdings of foreign securities in domestic custody, as well as their loans and deposits with foreign subsidiaries and branches of domestic banks, are covered through the surveys of financial corporations. Information from the tax authorities is used to estimate the value of households' real estate investments abroad.

2.1.5 Valuation

Transactions are measured at market prices, and positions of financial assets and liabilities are, in general, valued as if they were acquired in market transactions on the balance sheet reporting date. Holdings of securities are reported on a security-by-security basis with information on International Security Identification Number (ISIN) codes, which allows Danmarks Nationalbank to compile positions, transactions and accrued investment income at market values for each security.

Loan positions and positions on deposits and accounts receivable/payable are recorded at nominal value as prescribed by BPM6.

When actual market values are not available, estimates are made. For unlisted and illiquid issues without a current market value, or shares that have not been booked at market value, the best estimate of market value is supplied by the reporting entity. FDI positions of non-listed enterprises are recorded according to the own funds at book value method.

2.1.6 Time of recording

Transactions (purchase/sale) are stated based on the trading date, which is the time when the trade is concluded – not when it is settled. Dividends are recorded when they are distributed.

2.1.7 Coverage gaps and room for improvement

Small enterprises' and households' holdings of securities in custody abroad, as well as their loans and deposits with foreign-owned banks abroad, are not covered by the sample survey. Non-residents' holdings of equity securities issued by Danish enterprises, which are held in custody abroad and not re-deposited in Danish banks, are not covered either.

In the period of the ITRS system, banks were required to report information on all transactions above a certain threshold. This was a valuable tool for identifying the reporters when the survey-based system was launched in 2004/05. The population has since been maintained by using information from commercial databases, media and reports collected for other sets of official statistics. In order to minimise the response burden, non-financial corporations with limited external transactions and holdings do not report. Grossing-up factors are applied to account for these gaps, and the factors typically vary between 0 and 15 percent, depending on instrument and sector.

2.1.8 Seasonal adjustment

Seasonal adjustments are made for the main items of the current account based on the X-12-ARIMA algorithm. The adjustments take into account calendar effects such as leap year, moving public holidays, etc. Seasonal adjustments are not performed on the financial account items.

2.2 Statistical procedures, sources and methods

2.2.1 Overview of data collection system

In b.o.p. statistics competency is divided between Statistics Denmark and Danmarks Nationalbank. The former conducts the compilation of the current and the capital account and the latter the financial account (property income included). B.o.p. statistics are published by Danmarks Statistik. I.i.p. statistics are compiled and published by Danmarks Nationalbank.

Danmarks Nationalbank's system for collection of information on the i.i.p. and the financial account of the b.o.p. is based on the following main sources:

- Reporting by enterprises.
- Statistics on balance sheets of banks and mortgage banks including flows and income.
- Investment funds statistics.
- General-government statistics.
- Securities statistics including information from the ECB's Centralised Securities Database (CSDB).

Information on instrument, counterpart country, sector (and a number of other dimensions) is an integrated part of the collection. Information on counterpart country is used to identify cross-border flows.

At Danmarks Statistik the statistics for the current account and capital transfers are prepared on the basis of the foreign trade statistics, cf. External trade in goods and International trade in services, and information from public authorities, cf. General Government Finances. Supplementary information from other statistics is used. Some of the sources are used as they stand while others are used as indicators of development.

External trade in goods

Intrastat and Extrastat: The primary data on which the statistics are compiled are collected from the Intrastat and Extrastat systems.

Intrastat is based on data reported by Danish enterprises with total annual imports of goods and/or exports of goods over respectively 6 million Danish Kroner and 5 million Danish Kroner in 2015. The threshold for reporting data is fixed annually for imports and exports separately for the purpose of ensuring coverage of 93 percent and 97 percent of respectively total imports and exports as laid down by EU legislation. Furthermore, a small transaction threshold is applied in Intrastat. If the total sum of homogeneous transactions within a calendar month has a value of not

more than 1,500 Danish Kroner and a weight of not more than 1,000 kg, these goods can be reported as a whole under a special commodity item (other goods).

Extrastat is based on data reports concerning customs and supplies collected from the Danish tax authorities in connection with imports and exports of goods to/from Denmark and from/to non-EU countries. A statistical threshold, which can be compared to the transaction threshold in Intrastat, is applied. If the value of a transaction is not over 7,500 Danish Kroner and the weight is not over 1,000 kg, these goods can be recorded under a special commodity item (other goods). All transactions related to imports must be stated, whereas it is possible to state orally transactions related to exports under the statistical threshold. This oral reporting is not recorded, but the amount of trade is insignificant.

External trade in services

The most important source of the statistics is a combination of monthly reports from approx. 390 enterprises and annual reports from approx. 1,300 enterprises. Supplementary information from other sources on travel as well as on other items is used. Most important source for travel revenues is the interviews with foreign travellers in Denmark which is carried out in cooperation with VisitDenmark. Travel expenditure is compiled using different information on consumption by Danes abroad, number of nights abroad, and transport abroad from statistics from other countries. Information on public services is provided through statistics on public finance.

Private consumers' import of electronic services from abroad is based on various user surveys of consumer spending on streaming subscriptions, International Federation of the Phonographic Industry's (IFPI) statement of music purchased as downloaded, turnover in Appstore and Google Play, the statement of income from betting, lotteries and casino business from the Danish gaming authorities and an investigation of the revenues from computer games sold in Denmark. Other sources are estimates of illegal trade across the border.

2.2.2 Detail by accounting item

2.2.2.1 Goods

See 2.2.1.

2.2.2.2 Services

See 2.2.1.

2.2.2.3 Primary income

Interest income

Payments of interest income can be referred to two types of instruments: Loans and deposit and debt instruments. In Denmark the information for these two categories are as follows.

Loans and deposits: Main sources are the reporting of banks and mortgage banks and direct reporting by enterprises. Grossing up is used to estimate total figures for Denmark vis-à-vis Rest of the World.

Bills, bonds and other debt instruments: Securities statistics and direct reporting by banks and mortgage banks and direct reporting by enterprises. We use data from the ECB's Centralised Securities Data Base (CSDB) for each individual security (by ISIN code) to calculate interest income. In accordance with BPM6 we calculate accrued interest on discounted and premium bonds, e.g. where the issuance price is either lower or higher than the amount to be repaid when the liability matures. The calculation used is based on debtors approach, cf. BPM6 paragraph 11.52, and are applied on both Danish residents' holdings of bonds issued by non-residents and non-residents' holdings of bonds issued by Danish residents.

There is no correction for tax withheld at source of interest income received from and paid to Rest of the World. There is no such tax in Denmark and it is not common in other countries either. Also the information is not available from the CSDB.

Distributed income of enterprises

Distributed income of Danish enterprises is collected by Danmarks Nationalbank. For listed enterprises we receive the information from VP Securities (Danish central depository custodian) and for non-listed enterprises we collect the information by direct reporting.

Distributed income paid to Danish investors holding securities issued by non-residents is calculated by using reported information of their holdings (stocks) and information from the CSDB about the distributed income for each security.

No correction is made for withholding tax on income distributed to or received from Rest of the World. It's implicitly assumed that these taxes are always refunded to the relevant dividend recipients in either Denmark or Rest of the World.

Reinvested earnings on foreign direct investment

Reinvested earnings on FDI are based on the direct reporting by Danish enterprises owned by non-residents (liabilities) or by Danish enterprises with foreign subsidiaries (assets). The population is updated by using information from an external data provider (Bureau van Dijk) on all transactions involving Danish enterprises and non-resident enterprises.

In the direct reporting an ownership share on 20 percent is being used even though BPM6 states that it should be 10 percent. The 20 percent threshold is in line with the

Danish rules for an enterprise's annual financial report. Very few investments between Denmark and Rest of the World are between 10 and 20 percent.

Reinvested earnings are calculated as the reported total profit/loss less reported distributed dividend. In accordance with BPM6 a correction is made for net extraordinary revenue or expenditure to exclude holding gains/losses.

Distributed income and reinvested earnings on investment fund shares

In accordance with BPM6 we calculate reinvested earnings for investment fund shares. Data reported by Danish investment funds can be used to calculate total investment income excluding holding gains and losses. The Danish investment funds also report distributed income and thus reinvested earnings can be calculated as total income less distributed income. Information on resident/non-resident is an integrated part of the reporting.

For Danish residents' holdings of investment fund shares issued by non-resident we have no information on the total income generated by these investment funds. An estimation for reinvested income attributed to Danish residents' holdings of investment fund shares issued by non-resident is being done based on data reported by Danish investment funds. We assume that the implicit rate of return for Danish and non-resident investment funds with the same investment profile are the same and then the total income attributed to Danish residents from non-resident investment funds is calculated and distributed income is subtracted in order to estimate reinvested earnings.

Investment income attributable to insurance policy holders

Investment income attributable to insurance policy holders is reported by Danish insurance companies in a quarterly survey. The distinction between resident and non-resident policy holders are reported in an annual survey. The information about resident/non-resident from the annual survey is used to distribute the quarterly data.

Investment income payable on pension entitlements

Investment income payable on pension entitlements is reported by Danish pension funds and life-insurance companies in a quarterly survey. The distinction between resident and non-resident policy holders is reported in an annual survey. The information about resident/non-resident from the annual survey is used to distribute the quarterly data.

Compensation of employees

Data is collected by Statistics Denmark and is based on data from "eIndkomst", an automated system hosted by the Danish Tax Authorities.

2.2.2.4 Secondary income

The Danish statistics on b.o.p. and i.i.p. are compiled according to the guidelines of the BPM6.

2.2.2.5 Capital account

The Danish statistics on b.o.p. and i.i.p. are compiled according to the guidelines of the BPM6.

2.2.2.6 Direct investment

Since January 2013 our data collections cover borrowing and lending between fellow enterprises.

2.2.2.7 Portfolio investment

Follows ECB Guideline and BPM6. Data is collected on a security-by-security level and we use information from CSDB to calculate flows and investment income on security level.

2.2.2.8 Financial derivatives

Follows ECB Guideline and BPM6. For valuation changes no distinction is made between exchange rate changes and other price changes. In accordance with ECB guidelines all valuation changes are categorised as other price changes, except write-offs and cancellations which are classified as other volume changes.

2.2.2.9 Other investment

Calculating export/import of EUR banknotes is not relevant since Denmark is not part of the euro area.

2.2.2.10 Reserve Assets

Follows ECB Guideline and BPM6.

2.2.2.11 Borderline cases

All holdings of investment fund shares are classified as portfolio investment (both assets and liabilities).

2.2.2.12 Additional information

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2.3 Coherence and comparability

2.3.1 Internal consistency

2.3.2 Consistency with other statistical domains

B.o.p. data can be related with some of the data published by other statistical domains, namely, foreign trade statistics, national accounts and balance sheet information of the financial sub-sectors.

2.3.2.1 Foreign trade statistics

B.o.p. and foreign trade statistics generally show discrepancies, due to different methodologies. In particular, certain monthly transactions not covered by foreign trade statistics are added to b.o.p. figures.

Imports in the foreign trade statistics are calculated Cost, Insurance and Freight (c.i.f.), while they are calculated Free on Board (f.o.b.) in the b.o.p. by deducting transport and insurance charges. But otherwise goods in the b.o.p. statistics are delimited slightly differently than in the foreign trade statistics due to different definitions. The transition is regularly updated (www.dst.dk/bopdok). The most important difference is due to procurements in foreign ports, in particular bunkers.

I.i.p. is consistent with Rest of the World account in the quarterly national accounts.

2.3.2.2 National/sectoral accounts

The comparability between b.o.p. and national accounts is ensured by the application of common definitions (BPM6 and ESA2010).

2.3.2.3 Balance sheet information of the various financial sub-sectors

In the Danish b.o.p. information from Banking Statistics, investment fund statistics and securities statistics are used as input in the b.o.p. and i.i.p. statistics. This ensures consistency between the different statistics and helps lower the reporting burden.

2.4 Accessibility and Clarity

2.4.1 Release calendar and revision policy

The Release Calendar can be accessed on Statistics Denmark's English website: Release Calendar.

Release Calendar for Danmarks Nationalbank can be accessed on Danmarks Nationalbanks English website: Release calendar.

The publication date appears from the release calendar.

Statistics Denmark revises published figures in accordance with the Revision Policy for Statistics Denmark. The common procedures and principles of the Revision Policy are for some statistics supplemented by a specific revision practice.

Danmarks Nationalbank revises published figures in accordance with the Revision Policy of Danmarks Nationalbank that can be accessed on the website.

2.4.2 Data availability

Data on both the b.o.p. and i.i.p. are available from January 2005 and onwards. Until December 2012 data are converted from BPM5 data.

2.4.2.1 Frequency of the b.o.p. and i.i.p. data compilation and publication

Data for the current account and most financial flows are reported on a monthly basis. Investment funds statistics, which are used as input to both the financial account and the primary income as well as the i.i.p., is reported only on a quarterly basis. Estimation of monthly flows, stocks and income is being carried out.

B.o.p. is disseminated with monthly, quarterly and annual frequency while i.i.p. data is disseminated on a quarterly basis.

2.4.2.2 Seasonally adjusted data

The main series for Goods, services, income and transfers are seasonally adjusted, see also 2.1.8.

Germany

1 Institutional environment

1.1 Professional Independence

Article 12 (Relations between the Bank and the Federal Government) of the Deutsche Bundesbank Act, which is available on the [Deutsche Bundesbank website](#), establishes its independence from other government authorities in exercising its powers, thereby guaranteeing, among other things, the absence of interference in respect to the compilation and dissemination of statistical information.

The Deutsche Bundesbank has a statistical work programme that is not made public.

1.2 Mandate for data collection

The development, production and dissemination of statistics by the Deutsche Bundesbank are governed by Article 5 of the Statute of the ESCB and of the ECB, as well as [Regulation \(EC\) No 2533/98](#); whereas the Statistisches Bundesamt are governed by the statistical principles laid down in article 2 of [Regulation \(EC\) No 223/2009](#). The Deutsche Bundesbank as a member of the ESCB, conducts quality assurance and disseminates statistics in conformity with the principles of the ESCB's Public Commitment on European statistics by the ESCB.

The statistical activity of the Deutsche Bundesbank is in compliance with the Deutsche Bundesbank Act (1957) as amended, the Federal Statistics Act (1987) as amended, and the EU/ECB legislation concerning the activity of the bank as a member of the European System of Central Banks.

The responsibility for collecting, processing, and disseminating the German b.o.p. statistics is assigned to the Deutsche Bundesbank (Bundesbank) by an agreement between the Federal Ministry of Economics, the Federal Ministry of Economic Cooperation, the Federal Ministry of Transportation, the Federal Statistical Office (FSO), and the predecessor of the Bundesbank – Bank Deutscher Länder. Likewise, the Bundesbank is responsible for the compilation of other external statistics such as the German i.i.p. or the foreign direct investment stocks statistics, both introduced in the 1970 years.

The agreement on the compilation of the German b.o.p. statistics dates back to 1954. An administrative agreement between the Federal Government (represented by the Ministry of Economics) and the Bundesbank dating from October 1961 further specifies the sharing of tasks and the obligation to coordinate between the Federal Government and the Bundesbank in executing the Foreign Trade and Payments Act.

Article 11 (2) of the Foreign Trade and Payments Act governs the data collection for b.o.p. purposes. The Act enables the government to enact reporting regulations for specific purposes, including for compiling the b.o.p. of the Federal Republic of Germany. Accordingly, the Foreign Trade and Payments Regulation specifies in detail these reporting requirements, which form the core of the b.o.p. data collection system. The regulation also identifies the Bundesbank as the authority responsible for the data collection.

In addition, on the basis of Article 18 of the Bundesbank Act and the Regulation of the European Central Bank (ECB) concerning the consolidated balance sheet of the monetary financial institutions sector, the Bundesbank may collect statistics in the field of money and banking from all credit institutions to fulfil its tasks. Such data are also used partly for b.o.p. statistics purposes.

Although the responsibility for disseminating b.o.p. statistics is not defined in the Foreign Trade and Payments Act, the Bundesbank Act, or the Federal Statistics Act, the Bundesbank has assumed primary responsibility for this task.

2 Statistical processes

2.1 Methodological principles and national specificities

B.o.p. and i.i.p. statistics are compiled in accordance with the standards set forth in the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6). Furthermore, specific compilation recommendations from relevant international bodies are observed. In particular, as specified in the [ECB Guideline \(ECB/2011/23](#) of 9 December 2011, as amended) and [Regulation \(EC\) No 184/2005](#) of the European Parliament and of the Council of 12 January 2005 (as amended), as well as the relevant guidance presented in chapters 2 and 3 of this book.

Germany is highly intertwined with the world economy in many ways. The German economy focuses on industrially produced goods and services. In particular German mechanical engineering products, vehicles, and chemicals are highly valued internationally and therefore exported.

In accordance with the data requirements of the ECB and EUROSTAT, time series back to 1991 under BPM6 methodology are available. B.o.p. time series will gradually be extended back to 1971, depending on availability, reasonableness, and sufficient quality. For i.i.p. time series under BPM6 methodology are available back to 1999. Data prior to 1999 are estimates based on BPM5.

2.1.1 Residency

The concept of residency applied in the German b.o.p. and i.i.p. follows the international standards. Resident institutional units are defined in conformity with BPM6 as those that have a centre of predominant economic interest in Germany.

International or supranational organizations that are located in Germany, such as the ECB, are not considered residents of the German economy, whereas their employees are treated as German residents. General government units (e.g., embassies, military bases) located abroad, including their German staff, are considered as German residents. Conversely, such units belonging to foreign governments and located in Germany are treated as non-residents. The residence of enterprises operating in German free trade zones, unincorporated branches and special purpose entities located in Germany are all attributed to the German economy.

2.1.2 Institutional unit definition

The general principles on institutional units (centre of economic interest, decision-making autonomy, and complete set of accounts) are applied. The statistical coverage of SPEs is in line with the conclusion of the Eurostat/ECB/OECD 2013 [Task Force on Head Offices, Holding Companies and SPEs](#).

In principle, Germany's b.o.p. and i.i.p. statistics cover all positions and transactions between residents (of the Federal Republic of Germany) and non-residents. Resident institutional units are defined in conformity with the BPM6 concepts of economic territory and centre of predominant economic interest.

2.1.3 Geographical allocation

With the exception of b.o.p. portfolio investment liabilities, the geographical allocation follows the debtor / creditor principle. For PI transactions in securities issued by residents, the country of the first known counterpart (non-resident seller / buyer) is recorded. This geo data thus displays international settlement and trading structures rather than the country allocation of German creditors.

A detailed geographical allocation of German portfolio investment liabilities (i.i.p.) is available on a yearly basis only. In this respect, the county of the final holder of German issuances is estimated by using the outcome of the IMF Coordinated Portfolio Investment Survey (CPIS) as mirror data.

For FDI debt positions and derived flows, information on the residency of the Ultimate Controlling Parent (UCP) is extracted from the reporting agents' reference data base. Discrepancies between reported and derived flows (for long-term debt instruments) are allocated to the "UCP unknown" or, if not applicable, to the "UCP resident outside the EU" sub-item.

2.1.4 Allocation to institutional sectors

In principle, coverage of sectoral data in b.o.p. and i.i.p. should be complete. A notable exception is securities held in custody abroad by resident private households, for which no estimates are available. Private households have also been exempted from reporting loans and deposits vis-à-vis non-residents as coverage had been low and positions sub-totals were relative minor in relation to economy totals. Where available, estimates, for example from Bank for International Settlements (BIS) mirror statistics, are being incorporated to supplement reported data.

In cases where the data source does not allow a full BPM6-sectoral breakdown, values are allocated to the most important sub-sector(s).

For reported transactions, the allocation to ESA2010 (BPM6) sectors is being approximated by the reporting agents NACE Rev. 2 code of economic activity. The direct use of ESA2010 sector reference data will be possible with the planned introduction of a new IT system.

2.1.5 Valuation

The valuation principles applied for the German i.i.p. generally follow the recommendations of BPM6. Hence market prices are used for:

- All securities, both in portfolio investment and in reserve assets.
- Equity capital of listed companies.
- Monetary gold.
- Real estate.
- Financial derivatives.

The valuation is composed of recent (i) exchange rates and (ii) information on other prices ("market prices"). The exchange rates used correspond to the ECB fixings. Market prices for securities are largely retrieved via the ISIN from the CSDB or, if not available, via the Internet. Prices for monetary gold stem from Eurosystem sources. Real estate can be valued on the basis of BIS indices and information on domestic real estate prices. Financial derivatives are collected as market prices. Book values are applied for instruments not officially traded, such as loans, currency and deposits and equity capital of unlisted companies.

For b.o.p., the valuation is, in general, based on market prices prevailing when transactions take place.

Current account transactions are valued at actual transaction prices which, in most cases, should be a good proxy for market price. Exceptions may exist for transactions between affiliated enterprises.

Regarding loans as well as currency and deposits, asset and liability transactions are partly derived from stocks excluding exchange rate and other changes (where available).

For short-term deposits of resident non-MFIs held with non-resident banks, which are derived from the BIS mirror statistics on the liabilities of non-resident banks vis-à-vis German residents, exchange rate effects can also be separated.

2.1.6 Time of recording

Transactions are in principle recorded in the German b.o.p. when the change in ownership occurs. However, the accrual basis is only approximately achieved in the sources used in the German b.o.p. data. For merchandise trade statistics, the change in ownership of goods is approximated by when goods cross the frontier in the case of non-EU countries (Extrastat data based on customs declaration). It is approximated at the time when the transaction is recorded in the books of the enterprise in the case of trade with other EU Member States (Intrastat data based on enterprise reporting).

Depending on the specific reporting arrangements, services are recorded either at the time when the payment occurs or when the transaction is recorded in the books of the reporting entity. Some exceptions apply, in particular for those services that are compiled on the basis of estimates or data sources other than through the direct reporting system (e.g., travel). In those cases, recording occurs at the time the service is actually rendered. For the bulk of transfers to and from the European Community an accrual basis is approximated.

For the recording of other investment interest income on an accrual basis, estimations of accrued interest are based on aggregated stocks and corresponding yields. Monthly stocks of other investment are calculated from the latest available i.i.p. and cumulated b.o.p. transactions. Interest on debt securities is compiled on a security-by-security basis using the ECB's Centralised Securities Database as from beginning of 2015 onwards.

Portfolio investment dividends are recorded on the basis of reported and estimated income flows as of the date they are paid.

Reinvested earnings are attributed to the year in which the earnings arose based on balance sheet information of the direct investment enterprises. Until the balance sheet data become available, the current operating profits are estimated on an aggregated basis and allocated "pro rata temporis".

Loan drawings are entered in the accounts at the time of actual disbursement. Loan repayments are recorded when paid, because the German compilation system provides no information on a due-for-payment recording basis. Therefore, short-term

liability entries are not made in the b.o.p. when loan repayments are due but not yet paid.

2.1.7 Coverage gaps and room for improvement

Coverage gaps and the data quality of the overall compilation systems as well as its sub-components are monitored on a regular basis. Examples of coverage gap issues are securities held in custody abroad by resident non-banks or indirect reinvested earnings. Where possible, internal estimates are developed to assess the importance of a gap over time.

2.1.8 Seasonal adjustment

Seasonal adjustment is based on the Census X-12-ARIMA method.

Time series of seasonally adjusted data concerning:

- Current account.
- Exports and imports of goods and its components.
- Exports.
- Imports.
- Service transactions and primary income.
- Foreign trade (long term time series).

Can be found on the [website](#) in the folder "Seasonally adjusted business statistics".

2.2 Statistical procedures, sources and methods

2.2.1 Overview of data collection system

The German data collection system can be classified as a Direct Reporting System. Primarily, the compilation of Germany's b.o.p. is based on direct reporting by resident financial and non-financial enterprises, individuals and public authorities. Residents are obliged to report all transactions with non-residents. The monthly information collected through the direct reporting system are complemented by other sources, such as: (1) monthly foreign trade statistics compiled by the FSO for merchandise data; (2) monthly reports to the Bundesbank on the external positions of banks and non-banks for deriving short-term items of the other investment account; (3) Bundesbank accounts for the reserve assets; (4) survey data on travellers for the travel item (debit side); (5) annual balance sheet data of direct

investment enterprises for direct investment stock data and the corresponding reinvested earnings; (6) a monthly custodian survey on securities holdings for portfolio investment and subsequently derived income and transactions data (7) administrative data and (8) partner country data (BIS statistics, CPIS, bilateral data exchange).

Transactions below the exemption threshold of EUR 12,500 are estimated where relevant.

Banks, in addition to their reporting obligations as resident economic agents, are also subject to special reporting requirements on a monthly basis.

For details:

- [External sector forms centre](#)
- [Annexes to AWV incl. explanatory notes for financial institutions](#)

2.2.2 Detail by accounting item

2.2.2.1 Goods

The source for data on trade in goods is the foreign trade statistics compiled by the FSO on a monthly basis. The method of data collection differs for trade among EU countries (Intrastat) and trade with non-EU countries (Extrastat). For Intra-Community trade, where no customs border exists since 1993, the exporting and importing enterprises are obliged by law to send monthly declarations directly to the FSO. FSO's monthly data on foreign trade data statistics include coverage adjustments for the loss of information associated with the Intrastat threshold reporting and for missing or late reports. Monthly data on value added tax (VAT) declarations are the basis for these adjustments. Extrastat data are based on customs declarations. Data obtained from foreign trade statistics are adjusted to change imports from a c.i.f. to an f.o.b. basis. For conformity with the concepts of BPM6, further adjustments are made by the Bundesbank for coverage and valuation (e.g., to deduct goods exported and imported for processing). These adjustments are based on additional information available from trade statistics, through the direct reporting system and other sources.

The foreign trade statistics include goods for processing, goods procured in domestic ports by carriers, repairs of goods, and transactions in non-monetary gold. The direct reporting system provides data on repairs of mobile equipment and of other goods, as well as expenditures in foreign ports.

2.2.2.2 Services

Manufacturing services on physical inputs owned by others: service fees for processing of goods that are owned by the client. The service fee includes all components that the service provider has purchased and used for the manufacturing. Data are obtained from the direct reporting system.

Transportation: It covers transportation of passengers and transportation of goods with a full geographical and mode of transport breakdown in line with the international requirements.

Information for transportation of goods and passengers is obtained from the regular b.o.p. reporting system (direct reports). However, due to the methodological requirements of the b.o.p. Manual to value imports and exports of goods not in line with the change of ownership principle but use a single point of valuation at the border of the exporting country (so called f.o.b. value), the collected data on freight transport related to imports and exports of goods cannot be used as they are. Therefore, the transportation costs are adjusted by multiplying the transported weight with the corresponding freight rates and the distance for each mode of transport and country since 2005.

Additional Sources used for the adjustment:

Travel: The calculation for the travel debit data is based on the results from a household survey which refers to the population of the Federal Republic of Germany. The survey is conducted by telephone under random selection conditions. The initial results are available five months after the reporting period at the earliest. Therefore, to publish monthly and quarterly results preliminary figures are estimated by using an ARIMA-forecasting model.

On the credit side information on bank settlements, debit- and credit cards transactions build the basis for the estimations of the travel item. For cross-checking purposes partner country data and accommodation statistics are used. Concerning commuters and students, data from the German social security system and the statistics of higher education are used for the estimation of the travel expenses.

Insurance and pension services: Exports are estimated in close collaboration with the FSO on the basis of the production value of German insurers derived from annual data provided by the insurance supervisory authority and calculated as the difference between premiums and expected claims. Premiums also encompass premium supplements representing income of policyholders from insurance technical reserves and taken into account when calculating the services component. Reinsurance services are calculated in the same way as non-life insurance services.

Financial services: Financial services cover explicit fees paid or received in connection with financial transactions as well as financial intermediation services indirectly measured (FISIM). FISIM is calculated by the FSO within the framework of the national accounts using a designated model where the deviation of the actual interest rate from the respective reference rate (which does not include a service fee) serves as the price component and is multiplied by the deposit or credit volume as

the volume component. Fees related to the purchase or sale of securities are partly included in portfolio investment, because they are reported as a lump sum together with the purchase price of the securities. Some entities report fees related to the purchase or sale of securities separately. These figures are used as a basis for estimations to separate fees and commissions from the transaction value.

Charges for the use of intellectual property: All transactions entailing the right to reproduce or commercially distribute intellectual property are shown in this service category. This includes license fees allowing the use of the outcomes of research or commercial property rights, e.g. for trademarks. Fees for the use of software and audio-visual media are recorded under “computer services” and “personal, cultural, and recreational services” respectively. Data are collected from direct monthly reports.

Maintenance and repair services: Data are collected from direct monthly reports.

Construction: These services include those transactions that are related to construction sites that exist for less than one year. Construction for longer-term projects is recorded as direct investment. Data for construction services are collected from direct monthly reports. The distinction between direct investment and construction services is made only since mid-2013 in the data collection framework. Therefore, for earlier reporting periods it is assumed that cross-border construction has occurred predominantly for longer-term projects and has therefore been recorded as direct investments.

Telecommunications, computer, and information services: Data are collected from the monthly direct reports.

Other business services: A further services item is identified, to record transactions in product or business related services such as research and development services, translation services, facility management and similar services.

Personal, cultural, and recreational services: This item covers mainly the distribution rights for sport events, rights for organizing sport events, concerts or other cultural events. Other personal, cultural, and recreational services are mostly included under the travel item.

Government services: Transfers of funds to German embassies abroad, reported by the Department for Foreign Affairs, are used as a proxy for their purchases from non-residents. Salaries paid to local staff are deducted and classified under compensation of employees.

2.2.2.3 Primary income

Compensation of employees: It consists of the gross income before taxes and other deductions, mainly of border workers, commuters and seasonal workers. For commuters, data are either derived from partner-country data or calculated with a model based on the number of employees, the average salary of the economic

sector involved and rates for taxation and social security contributions based on information from the Federal Employment Agency. The data also include income of resident employees of foreign military agencies, embassies and international organizations.

Direct investment: For distributed earnings and interest on loans between affiliated enterprises, the basic source of information is collected by direct reporting. Reinvested earnings are calculated as the residual of current operating profits of direct investment enterprises and dividends distributed. Current operating profits are approximated using balance sheet information on total and extraordinary earnings of direct investment enterprises which are available with a time lag of 15 to 18 months. Direct investment, including reinvested earnings, is attributed to the year in which the earnings arose. Interest on other capital is recorded on an accrual basis. Dividends are recorded when paid.

Portfolio investment: Estimations of accrued interest for debt securities is compiled on a security-by-security basis using the ECB's Centralized Securities Database as from beginning 2015 onwards. No offset is recorded in the underlying instrument in the financial account.

Other investment: Estimates of interest income on an accruals basis are based on aggregated stocks and corresponding yields. The data include income on insurance technical reserves. The data on income from (short-term) trade credits are incomplete and no estimates are made.

Other primary income: Data including taxes on production and subsidies for/from the EU are reported monthly directly from the Ministry of Finance. Data also include rents, which are collected from direct monthly reports.

Income on reserve assets (securities, deposits, and Special Drawing Rights) are provided by the Bundesbank's internal accounting.

2.2.2.4 Secondary income

General government: The bulk of the government transfers received and paid are transfers to and from the EU. Most of the payments to the EU are contributions to the EU budget and are, according to specific recommendations of the European working groups, classified as secondary income. Payments received from the EU are classified either as secondary income or as capital transfers depending on their nature.

Other sectors: Data cover insurance premiums and claims (without life insurance). On the debit side, personal transfers include predominantly data on workers' remittances which are based primarily on reports on cash transfers by banks and post offices. They are supplemented with estimates on the basis of statistics from the Federal Employment Agency on the number of employed and unemployed foreign nationals who are subject to social security contributions. Using this information,

annual transfers by foreign workers to their countries of origin can be estimated on an annual basis and are allocated "pro rata temporis."

2.2.2.5 Capital account

Non-produced non-financial assets: Data include purchases and sales of non-produced non-financial assets such as trademarks or emission permits. Data are collected from direct monthly reports.

Capital transfers: Data include investment grants from development aid, capital transfers due to financial crises rescue programs and debt forgiveness. Data are collected from direct monthly reports.

2.2.2.6 Direct investment

Direct investment transactions for equity capital are obtained through the direct reporting system. Direct investment transactions are presented according to the asset/liability principle. Data according to the extended directional principle are available from supplementary tables. Short-term inter-company loans are derived from monthly stock statistics on assets and liabilities of affiliated companies since 1996. Included in equity abroad are exploration expenses for crude oil and natural gas.

If one affiliate belongs to the MFI sector, transactions and positions are not included under FDI, but recorded as other investment. In addition, transactions (and related positions) in securities between affiliates are not included here, but under portfolio investment. Credit relationships between fellow enterprises, which have no direct investment relationship but belong to the same group, are recorded separately within direct investment transactions.

The main data source for i.i.p. positions is balance sheet data on foreign and domestic direct investment enterprises from the Bundesbank's annual direct investment statistics. However, since the results of this annual survey are available only with a time-lag of 15 months after the end of the reporting date, preliminary FDI positions have to be compiled from: a) accumulated flows in the case of equity capital; b) monthly stock statistics on the external assets and liabilities of domestic enterprises, which distinguish between loans between affiliated and non-affiliated enterprises, in the case of other capital. Both components, i.e. equity capital and other capital, have to be revised when the annual statistics on foreign direct investment stocks becomes available due to the greater detail and accuracy of this data source. Moreover, adjustments between the quarterly intra-annual data and the yearly outcome have to be made.

Stock data on real estate are accumulated from flows, taking into account price changes and exchange rate changes. Claims arising from the acquisition of real estate abroad are shown as financial assets. Both private and commercial real estate are shown under direct investment.

2.2.2.7 Portfolio investment

B.o.p. data on portfolio investment are obtained through the direct reporting system and, from March 2002 onwards, based on a security-by-security data collection. In principle, banks report portfolio investment transactions on their own account and on behalf of their customers. Data from German custodians are used to cross-check the results regularly. Some estimations for the income items are made to cover the gap in reporting of resident private households' portfolio transactions carried out via banks or custodies abroad. From 1999 onwards, securities sold for cash collateral, to be repurchased on a subsequent agreed date, are classified as loans.

Portfolio investment covers long-term debt securities (original maturity of more than one year), short-term debt securities (original maturity of up to one year), investment fund certificates and shares. Portfolio investment assets as well as the portfolio investment liabilities relating to bank shares are compiled using real stocks from the monthly securities holdings statistics; The portfolio investment liabilities relating to German investment fund certificates are compiled using real stocks from the investment fund statistics. All other portfolio investment liabilities are derived from the modified accumulation of b.o.p. transactions.

In order to estimate market values for portfolio investment liabilities positions, b.o.p. transactions during the reporting period are converted into nominal transactions and added to the nominal stocks of the previous reporting date. The conversion is performed using average market prices and exchange rates for individual countries/regions, instruments and sectors. Finally, the new nominal stocks are converted into market values using the market prices and exchange rates as at the reporting date.

2.2.2.8 Financial derivatives

Data on cross-border derivative transactions are collected as part of an open international transactions reporting system (ITRS) with much of the data being collected directly from companies. Responsible for the delivery of reports is the resident economic entity, bank or non-bank, which carries out a transaction with a non-resident. Banks also report financial derivative transactions on behalf of their customers. The general reporting threshold of Euro 12,500 also applies to derivative data. For transactions a breakdown by type of instrument is available.

Position data are taken from the monthly stock statistics on the external assets and liabilities of domestic MFIs and of domestic enterprises and general government. These data also include foreign branches and foreign subsidiaries. The overall derivative instrument position is broken down by country and sector of the respective non-resident creditors and debtors (no breakdown by instrument-type). Only trading book positions are included in the reporting. Resident non-banks report quarterly derivative positions if aggregated external claims or liabilities arising from financial activities amount to more than €500 million (or the equivalent in other currencies). A

breakdown by sector is available (vis-à-vis foreign banks / foreign non-banks; the non-bank category is further split into “affiliated” and “other” enterprises).

Derivative positions data for investment funds is taken from investment funds statistics. Private households are not covered by the reporting system.

2.2.2.9 Other investment

Transactions on long-term loans and deposits are derived through the direct reporting system with the exception of long-term loans of the banking sector, which are derived from banks' monthly stock statistics. Short-term loans and deposits, as well as trade credits are obtained from monthly stock statistics of banks and non-banks on their external assets and liabilities. Quarterly statistics of the BIS on the liabilities of foreign banks vis-à-vis German non-banks are used to complete missing reports of residents on private accounts held abroad.

Positions are compiled from the following main data sources:

- Data for loans, currency and deposits, and trade credits are taken from the monthly stock statistics on the external assets and liabilities of domestic MFIs and of domestic enterprises and general government. (I.i.p. recording of MFI trade credits currently in consideration).
- BIS data are used as “counterpart” information to identify assets held with foreign banks which were not reported directly by residents.
- All data for Bundesbank's other investment positions are, in general, extracted from the Bundesbank's balance sheet. Only data for euro currency held abroad are partly estimated due to time lags.
- Finally, all other data for other investment are compiled on the basis of accumulated flows. However, data for insurance, pension and standardised guarantee schemes are regularly cross-checked with the stocks from the FSO.

2.2.2.10 Reserve Assets

For compiling the Official Reserves, the Reserves Template, and the reserves transactions of the b.o.p. statistics, data are mainly used from two data sources, i.e. the Bundesbank's Payments System Division, which acts as a back office settling market operations, and the Bundesbank Accounting Division. The detailed data from the Payments System Division are used for separating valuation changes from changes due to transactions, for a geographical allocation of the transactions, and to value the stocks on a monthly basis. These data are reconciled with the Daily Accounting Balance Sheet of the Bundesbank.

2.2.2.11 Borderline cases

Holdings of investment fund shares larger than 10% are classified as FDI only in case of closed-end real-estate funds. All other investments, even if they exceed the FDI threshold are classified as portfolio investment (open-end funds) or other investment (closed-end funds, except real-estate funds) respectively.

2.2.2.12 Additional information

More detailed information can be found in the [SDDS Plus metadata](#).

2.3 Coherence and comparability

2.3.1 Internal consistency

Regarding aggregated b.o.p. time series, checks with other statistics are carried out to assess plausibility and to evaluate possible gaps of the reporting system. Some of these independent sources are available with a lag and may therefore lead to revisions to the b.o.p. at a later stage. The main checks are as follows:

- Financial account transactions of banks are monthly verified with money and banking statistics data.
- Direct investment: annual balance sheet data of direct investment enterprises in Germany and abroad are used for cross-checking purposes. The Bundesbank actively participates in the ECB and Eurostat's FDI Network initiative aiming at reducing bilateral asymmetries in foreign direct investment transactions between EU countries.
- Portfolio investment: Portfolio investment data are verified with monthly figures from securities holdings statistics and are also reconciled security-by-security with figures on securities' issues and redemptions.
- Other investment: The Bundesbank compares its data with counterpart data compiled by international organizations. BIS data are used as "counterpart" information to identify assets held by German residents with foreign banks (i.e., holdings abroad that were not reported directly by residents); and CPIS data are used to correct the geographical allocation of German portfolio investment liabilities in the i.i.p. (this breakdown is not published as a standard information).

Germany's quarterly and annual b.o.p. data are derived by aggregating monthly data. Generally, the underlying concepts, definitions, and classifications are therefore identical across series of differing periodicity.

Concerning errors and omissions, analyses of internal discrepancies remain an ongoing task. Planned improvements in data sources could reduce the magnitude of

the errors and omissions item over time. Adjustments to reduce errors and omissions had been necessary for reference years 2000 to 2008. Since then, such adjustments were neither necessary nor justified.

Stocks and flows are reconciled whenever i.i.p. data are compiled, that is quarterly.

2.3.2 Consistency with other statistical domains

B.o.p. data can be related with some of the data published by other statistical domains, namely, foreign trade statistics, national accounts and balance sheet information of the financial sub-sectors.

2.3.2.1 Foreign trade statistics

The Bundesbank reconciles on a monthly basis between foreign trade and b.o.p. statistics and publishes these reconciliations in the Statistical Supplement to the Monthly Report No 3. Original foreign trade statistics are published together with the supplementary trade items that allow for the calculation of b.o.p.-based goods estimates.

2.3.2.2 National/sectoral accounts

With the implementation of BPM6 and ESA2010 in 2014, the German b.o.p. statistics and national accounts are conceptually consistent. However, differing data sources and revision timetables may still produce some differences in practice. These are regularly assessed and documented.

2.3.2.3 Balance sheet information of the various financial sub-sectors

For b.o.p. transactions of the banking sector, the Bundesbank checks with money and banking statistics monthly for transactions in assets and liabilities of other investment and for assets in long-term debt securities as well as in direct investment and portfolio investment shares to solve and explain any major discrepancies between the two datasets. B.o.p. data transmitted to the ECB also undergo similar consistency checks with money and banking statistics at the ECB.

To a lesser extent, b.o.p. and i.i.p. also uses investment funds and securities issues statistics data. Cross-domain analysis are also facilitated on an aggregated basis, for example, in order to compare the plausibility of non-resident holdings of domestic securities compiled by accumulation of transactions, by subtracting holdings, or by CPIS mirror data.

2.4 Accessibility and Clarity

2.4.1 Release calendar and revision policy

Advance release calendar

Balance of payments

An advance release calendar that gives the approximate ("no later than") monthly release dates for the coming year, and for January of the following year, is disseminated at the end of September each year on the [website of the Bundesbank](#).

The precise release dates are announced on the Bundesbank's website by 11 a.m. CET on the last business day of the week prior to the release of the data.

International investment position

An advance release calendar that gives release dates for the coming year is disseminated at the end of September each year on the [website of the Bundesbank](#).

Information about revision policy is available on the [website](#) under "General information, publication dates, and revision policy".

When first publishing the provisional i.i.p. figures for the most recent quarter, data for the previous reporting quarter are revised. Simultaneously to the dissemination in September, all i.i.p. data for the four previous years and for the quarter of the actual year are revised due to the availability of more detailed data sources. Further revisions may occur due to exceptional circumstances. The revised i.i.p. data are reconciled with b.o.p. data.

2.4.2 Data availability

In accordance with the data requirements of ECB and EUROSTAT, time series back to 1991 (b.o.p.) are available.

B.o.p. time series will gradually be extended back to 1971, depending on availability, reasonableness, and sufficient quality. I.i.p. data in line with BPM6 are available back to 1999. Back data prior to 1999 are estimates based on BPM5 concept.

2.4.2.1 Frequency of the b.o.p. and i.i.p. data compilation and publication

The Bundesbank produces and disseminates monthly b.o.p. statistics.

The i.i.p. is compiled quarterly by the Bundesbank and published at the end of each quarter with a time lag of one quarter.

- [Balance of payments](#)

- [International investment position](#)
- [Time series](#)
- [Publications](#)

2.4.2.2 Seasonally adjusted data

For more information (than in 2.1.8) see the explanatory notes of the Statistical Supplement 4 to the Monthly Report „Seasonally adjusted business statistics“ for the respective month that can be found in [publications](#).

Estonia

1 Institutional environment

1.1 Professional Independence

According to the [Official Statistics Act](#) (see § 8), the producers of official statistics are Statistics Estonia, and the Bank of Estonia (BoE) to the extent provided for in subsection 34 (1) of the [Bank of Estonia Act](#). The producers of official statistics shall be independent in their choice of statistical methodology but shall coordinate the methodology within the limits of their competence.

Pursuant to the Official Statistics Act (Chapter 3), the official statistics programme is compiled, which consists of the lists of statistical surveys of Statistics Estonia and the BoE, the agencies conducting official statistics in Estonia. The list of statistical surveys conducted by the BoE is established for five years in the [Bank of Estonia Governor's decree](#). The statistics programme establishes a legal basis for statistical surveys, including the right for the BoE to collect statistical source data from natural and legal persons and register, and the obligation for respondents to submit data when required and to assume responsibility for these data.

The official statistics conducted by the BoE is outlined in the [list of statistical tasks](#), a part of the official statistics programme, established in the Bank of Estonia Governor's decree.

1.2 Mandate for data collection

The development, production and dissemination of statistics by the Bank of Estonia are governed by Article 5 of the Statute of the ESCB and of the ECB, as well as [Regulation \(EC\) No 2533/98](#); whereas the Statistics Estonia are governed by the statistical principles laid down in article 2 of [Regulation \(EC\) No 223/2009](#). The Bank of Estonia as a member of the ESCB, conducts quality assurance and disseminates statistics in conformity with the principles of the ESCB's Public Commitment on European statistics by the ESCB.

The BoE compiles and publishes Estonia's national b.o.p., and collects and discloses the statistics necessary for the performance of its functions (see § 2 of the Bank of Estonia Act). Pursuant to § 34, the BoE is entitled to obtain, free of charge, the information necessary for drawing up the nation's b.o.p. from all agencies of the government and of local authorities and from any person who, in the territory of Estonia, conducts cross-border economic transactions. The BoE collects data on the basis and following the procedure provided in the Official Statistics Act.

2 Statistical processes

2.1 Methodological principles and national specificities

B.o.p. and i.i.p. statistics are compiled in accordance with the standards set forth in the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6). Furthermore, specific compilation recommendations from relevant international bodies are observed. In particular, as specified in the [ECB Guideline \(ECB/2011/23](#) of 9 December 2011, as amended) and [Regulation \(EC\) No 184/2005](#) of the European Parliament and of the Council of 12 January 2005 (as amended), as well as the relevant guidance presented in chapters 2 and 3 of this book.

Estonia is a very open economy – both the exports and imports of goods and services exceed 80% of GDP at an average of the last five years. Banking and insurance corporations sector are mainly held by foreign investors. There is no corporate income tax on reinvested profits. The resident companies and permanent establishments have to pay tax only on dividends and other distributed profits. That kind of phenomenon has an impact on the sub-components of the current account.

Back data of the quarterly b.o.p. under BPM6 methodology are available from 1993Q1 onwards and for monthly b.o.p. from January 2008. Time-series of the i.i.p. are available from 1996Q1 onwards. Since 2013 detailed BPM6 data are available from relevant data sources. For previous years, BPM5-BPM6 bridging was made on the basis of BPM5 components that were converted into BPM6.

2.1.1 Residency

The general principles laid down in the BPM6 are applied. The institutional units having little or no physical presence (SPEs) are considered to be residents of the jurisdiction where the unit has its legal domicile and/or which regulates its activities.

2.1.2 Institutional unit definition

The general principles on institutional units (centre of economic interest, decision-making autonomy, and complete set of accounts) are applied. The statistical coverage of SPEs is in line with the conclusion of the [Eurostat/ECB/OECD 2013 Task Force on Head Offices, Holding Companies and SPEs](#). Cross border legal units with little or no physical presence (holding companies, SPEs) are considered to be institutional unit on their own rights i.e. the location and production criteria are not meaningful.

2.1.3 Geographical allocation

As for geographical breakdowns, b.o.p. items are classified according to the country of the immediate foreign counterparty (when relevant). In case issuance of securities in foreign stock exchange, the country of non-resident counterparty is derived by using estimations. While using the ITRS, there can be rare cases where the residence of the actual owner remains unknown. Then the residency is determined by residency of the settlement bank.

2.1.4 Allocation to institutional sectors

In order to help respondents (banking groups) to specify the economic activity of customers or business partners, the list of institutional units of financial sector and general government are compiled and published twice a year (in December and in June) by the Statistics Estonia in close co-operation with the BoE. It includes economic units that have been economically active for the past three years. The list of units of the financial sector includes all relevant units (incl. economically inactive units).

Counterpart sector of Portfolio Investment assets is derived from the CSDB (in case of ISIN-securities). For non-ISIN securities, the counterpart sector is taken from b.o.p. reporting.

2.1.5 Valuation

The general principle is to apply market values or the best available proxies. Loans and deposits are recorded at nominal value. For direct investments, the value of reinvested earnings is derived from the consolidated profit or loss of the entity (the rest of the items are non-consolidated), and the COPC concept is applied.

Market values are used for transactions and positions in the equity of listed companies, and the difference between transactions and any change in positions is recorded as a change in value.

For unlisted companies, the actual transaction price is used, and own funds at book value (OFBV) is used for positions. Where the actual transaction price of the equity of unlisted companies is unknown, the nominal value is used as a proxy. The transactions recorded in the financial account for equity shares of unlisted companies may differ from the own funds at book value recorded in the i.i.p. Such differences are recorded as revaluations due to other price changes.

Non-ISIN securities are valued according to the accounting standards (acquisitions at their acquisition costs and interests accrued during the reporting period, disposals at market value, closing value is taking into account any realised/unrealized gains/losses).

In direct investments, dividends accrued but not paid are recorded under direct investment – other capital. In portfolio investment income, dividends are attributed to the period in which they are declared payable.

2.1.6 Time of recording

In general, the accrual principle applies in the Estonian b.o.p. statistics for the time of recording. Data supplied by the respondents to b.o.p. surveys are typically based on business accounting records, and are considered to be close approximations to the accruals principle. If book-keeping data are not readily available, estimates may be provided.

2.1.7 Coverage gaps and room for improvement

Financial assets and liabilities' positions of households are planned to revise due to the fact that so far estimations were covered with the ITRS on a cumulative basis. That kind of approach might not provide sufficient basis on those positions. The phenomenon is noticed e.g. for FISIM of households where substantial positions can cause negative FISIM due to their impact through external reference rate. Therefore, revisions of deposits and loans of households would have also an impact on FISIM of households regardless of relatively insignificant cross-border FISIM.

2.1.8 Seasonal adjustment

Data are not seasonally adjusted. Main aggregates of the quarterly current account are planned to adjust seasonally since 2017.

2.2 Statistical procedures, sources and methods

2.2.1 Overview of data collection system

The compilation system combines statistical surveys of economic agents, ITRS and administrative data sources. Most of the data are collected directly by the BoE from data providers using surveys (survey system of enterprises, census survey for credit institutions, central bank) and the ITRS. The data are supplemented with information from various administrative sources (e.g. statistics of investment funds, CSDB, Central Depository for Securities, Public Sector Financial Statements System, Tax and Customs Board etc.) and with estimates.

The survey system of enterprises is the main source of information for the compilation of the **quarterly b.o.p. and i.i.p.** The main cornerstones of survey design are the following: to keep surveys close to accounting standards and as

simple as possible so as to facilitate and ensure a high rate of response. At present, there are three survey forms, which have been specifically designed for enterprises engaged in various economic activities and which are sent to 3,000 respondents every quarter, basing on the “cutting-off the tail” principle. More sophisticated statistical sampling techniques are not in use because of the small size of the economy and the lack of statistical regularity. The enterprise sample is currently being updated, with the process based mainly on various other sources of information as mentioned below. The main obstacle to the use of monthly surveys is a high reporting burden and a non-concentrated economy (a large number of “small players”, while the “big players” vary from period to period).

The ITRS is used mainly as a supplementary data source to replace “the tail” for the quarterly b.o.p., given the limits of settlement data (only readily available payments information, no accrual flows, etc.), Thanks to the speed of the ITRS data collection system, settlements are essential input for estimating and modelling monthly key b.o.p. items. ITRS data are processing and classifying is mostly automatized, basing on pre-defined business rules and algorithms.

Other main inter-agency data sources, in addition to the two statistical systems mentioned above, are the internal databases of the BoE that provide mostly monthly data relating to external sector statistics on banking and the monetary authorities sector.

Important data sources outside the BoE are as follows:

- The Statistics Estonia – provides monthly foreign trade statistics.
- The Ministry of Justice's Centre of Registers – provides monthly updates on the register of legal entities, their owners and main audited annual economic indicators.
- The Central Register of Securities – provides access to the official securities register, which comprises of monthly information on securities issues registered in register including data on current ownership, market prices, interest/dividends payable etc.
- Public Sector Financial Statements System – provides quarterly information on government sector entities' transactions and positions with non-residents.
- The Register of Real Estate – provides information concerning real estate purchased by non-residents in Estonia.
- OÜ Positium LBS – provides data based on roaming activities of mobile phone traffic positioning services, giving the number of non-residents' visits in Estonia and residents' visits abroad by country.
- Other institutions: the CSDB (used for enrichment of securities data of other sources on quantity and nominal value, the Ministry of Foreign Affairs, the Estonian Tourist Board, the Estonian Tax and Customs Board.

Whereas the quarterly b.o.p. is compiled using a representative combined system of sources including company surveys, the monthly b.o.p. relies on a much narrower information base. Even though maximum use is made of the available information on the reporting month such as reports of international payments and administrative sources of information (i.e. sources mentioned above), estimations play a considerable role. Estimates derived from statistical models make use of many indirect economic indicators or the annual changes in them.

2.2.2 Detail by accounting item

Survey system of enterprises (manufacturing or non-financial services, transportation companies, other financial intermediaries) has a cut of the tail approach. Survey response rate is approximately 92-98%. Missing surveys are replaced either by actual transactions of the ITRS or by an "average" report from previous period(s). Grossing-up is made in accordance with the ITRS register. Sample coverage is between 80-95% (depending on the b.o.p. item) in terms of variable used for crossing-up. Census is used for insurance companies.

2.2.2.1 Goods

The BoE uses three main sources for data on trade in goods: (1) for trading of goods between EU Member States, the monthly data are based on the Intrastat declarations collected and processed by Statistics Estonia; (2) for trading with non-EU Member States, the monthly data are based on the customs statistics collected by the customs authorities and processed by Statistics Estonia; (3) for goods under merchanting, goods acquired for own use and goods procured in ports by carriers, the BoE's enterprise survey is used.

To meet the b.o.p. concepts, the BoE adjusts the official foreign trade data issued by Statistics Estonia:

- Goods for/after processing without change of ownership are eliminated from foreign trade statistics.
- The purchase and sale of goods under merchanting are added.
- Goods not declared in customs, which are those not leaving the free circulation area but which have been b.o.p. transactions, are added.
- Goods purchased for means of transport abroad, such as fuel, provisions and merchandise are added.
- Import is translated into FOB prices (free on board) by the BoE, meaning transportation and insurance costs are subtracted from the total cost of goods and included in the services account. The model is based on incoterms (that gives a reference whether imports contain CIF or FOB prices) and one-time

survey among enterprises which gave information about the share of costs in CIF price, related to transportation and insurance.

- Price distortions from the export of goods through customs warehouses and free zones are taken into account.
- Estimates made by Statistics Estonia on the smuggled goods are added. Estimates of trafficking of drugs are based on seized doses, prices of different drugs and the assumption on seizure rates. The amount of imported drugs in physical quantities is estimated using the information from the police on percentage of imported drugs total supply. Estimates of the imports of illegal alcohol are mostly based on the research by Estonian Institute of Economic Research, number of confiscated alcoholic beverages obtained from the Tax and Customs Board and the assumption on seizure rates. The same principle is used for estimates of illegal imports of tobacco products.

2.2.2.2 Services

The services items are compiled mainly from the BoE's enterprise survey and supplemented by data from the ITRS. Data from mobile positioning are used for travel and the Public Sector Financial Statements System is used for government services.

Manufacturing services on inputs owned by others

The value of exports and imports of manufacturing services is derived mainly from the BoE's enterprise survey system. An additional estimation is made using foreign trade statistics.

Maintenance and repair

The value is derived from the BoE's enterprise survey system and supplemented by data from the ITRS.

Travel

Inward and outward travellers transportation costs are estimated from the BoE's enterprise survey system. Tour operators are asked to report on sales of tourist packages with data on purchases of international passenger transport services separately from non-resident and resident transportation companies. Use of the internet trade for international passenger transport tickets is estimated additionally from the household travel survey by Statistics Estonia. The number of non-residents' visits to Estonia and number of visits abroad by residents are estimated using mobile positioning data provided by in co-operation with OÜ Positium LBS (this includes geographical breakdown). Inward and outward travel expenditures per capita are estimated from the household survey and the travel motivation survey conducted by Statistics Estonia.

Financial services (FISIM and Insurance)

The compilation process uses the stock and interest income figures that are available through credit institutions statistics (exports), the enterprise survey system (exports by S.125 and imports by non-banking sector) and investments funds and general government reports (imports).

In order to compile FISIM, the average interbank rate is derived to calculate and apply for stock figures. For the external reference rate, the data are compiled using the reports from credit institutions on the balance of loans and resources, from which the stocks against non-resident financial intermediaries are taken by currency and by maturity. Each stock is multiplied by the corresponding contractual interest rates from the same reports. The amounts to be paid or received are then divided by the stocks. The result from this compilation represents the average weighted interbank rate, which is used as a reference rate. Domestic subsector S.125 is not included in the calculation of the external reference rate as it has a very negligible impact on the reference rate.

FISIM is the difference between the interest actually charged and the adjusted interest or vice versa, depending on whether the point of view of the lender or the borrower is taken.

Information on insurance services is obtained mainly from the various surveys of companies and insurance companies (including branches and insurance brokers). Respondents report premiums and claims. For residents with non-resident insurance firms, a simplified approach is used and a pre-defined share of services to premiums is used.

Services component for non-resident with resident firms is estimated using the ratios calculated from annual total Estonian insurance sector data. The main assumption is that non-residents behave in the same way as the total sector. Aggregated reports on profits and losses and balance sheets, and previously calculated information from Statistics Estonia on insurance output (=services) and intermediate consumption (~reinsurance) and its components is used. B.o.p. compilers then use that information to estimate the ratios of services to gross premiums and premium supplements to gross premiums. Life and non-life insurance and reinsurance are calculated separately.

Cross-border provision of pension and standardised guarantee services does not currently exist or is quite insignificant.

Government services

Most of the government gross-border services are recorded under specific service categories (business services, construction etc.). Government services are compiled using Public Sector Financial Statements System data.

Construction Services

Construction contracts for international trade in services are usually short-term, and a large-scale construction project contracted by a non-resident enterprise that takes a year or more to be completed is usually considered to be a resident project. All construction services carried out abroad in case of Estonia are treated as being less than one year. Services for more than one year are provided through units that have FDI relationships with Estonia's parent companies.

Transportation

Data on transportation services are broken down by mode of transport and by passenger, freight and other forms of transportation. Electricity transmission includes transfer charges if they can be distinguished from the cost of the production and distribution of electricity; excluded is the cost of the electricity being transmitted and of distribution services to consumers.

In most cases the cost of transportation by resident carrier on behalf of non-residents is derived from the BoE's enterprise survey. The cost of transportation of imported goods by a resident carrier:

- Up to the frontier of the exporting country when the goods are valued FOB to offset the transportation value included in the FOB value and
- Up to the frontier of the importing country when the goods are valued CIF to offset the transportation value included in the CIF value is obtained from the enterprise survey where these amounts are reported separately. In the second case the share of the resident carrier in imports is subtracted from the total amount of the transport imports. To derive the cost of transport imports from goods imports (CIF), coefficients for countries and modes of transport are calculated from customs statistics and Intrastat (where the value of goods is given in CIF).

For transportation of goods that do not leave the country as exports or the transport of goods outside the domestic territory, the system of surveys covers the credit side while the amount on the debit side are insignificant. For international or national passenger transport on behalf of non-residents by resident carriers, the amounts are covered using the survey system and the sample survey of visitors carried out by Statistics Estonia. Passenger transport on behalf of non-residents by resident carriers outside the reporting country is included in transport services and the value is derived from the BoE's enterprise survey.

2.2.2.3 Primary income

Compensation of employees

Income is recorded on a gross basis, before the deduction of income tax and social contributions. Information for non-residents is based on Tax and Customs Board data i.e. quarterly income statements from private individuals on an aggregated

basis with country breakdown. The calculation of the social contribution in Estonia is made in accordance with Estonian tax legislation. Estimates of compensation for non-registered workers (construction services, restaurants) are added. Information for residents abroad is based on annual income statements of private individuals on an aggregated basis with country breakdown. By comparing the official data to the data published by the press or received via the ITRS, an expert estimate is made about non-official workers. Estonian Labour Force Survey (quarterly) is used as additional data source for compensation of employees. Data on embassies expenditures, including wages and salaries paid to non-resident workers are obtained from the Public Sector Financial Statements Database.

Investment income

Direct investment income: Country and activity breakdowns are available for all items of direct investment income. Reinvested earnings are recorded using of the current operating performance concept (COPC). The offsetting entry for reinvested earnings is recorded under direct investment in the financial account. Income on intercompany loans is recorded as income on direct investment and is derived from the BoE's enterprise survey. The corresponding calculation in the income account is made on an accrual basis and includes withholding income tax. Interest or dividends accrued but not paid are recorded under direct investment – debt instruments.

Portfolio investment income

Separate data are provided for income on equity (dividends) and investment fund shares and income on debt. The investment income attributable to investment fund shareholders is further divided into dividends and reinvested earnings. In portfolio investment income, dividends are attributed to the period in which they are declared payable. Interest income is accrued in the period in which it is earned. A sectoral breakdown by main economic sector is available by instrument and by country, but not by currency. For bonds and notes, and money market instruments, income is recorded on an accrual basis. Income on discounted securities is also recorded on an accrual basis. The accrued interest is equal to the difference between the acquisition price and the nominal value of the instrument, which is distributed to the reporting period on a pro rata basis. With portfolio investment income, the debtor principle is used.

Other investment income

Income on other investment covers interest receipts and payments on all other resident assets and liabilities vis-à-vis non-residents. It includes imputed investment income attributable to policyholders in insurance, pension schemes and standardized guarantee schemes. Income on loans and deposits is recorded on an accrual basis.

Income on reserve assets

Separate items are calculated for income on equity and investment fund shares and interest.

Other primary income

Other primary income is classified by type of distributive transaction (taxes on production and on imports, subsidies and rent) and by the domestic institutional sectors (government and other sectors). This item mainly consists of EU subsidies to the agricultural sector and taxes collected by the national government on behalf of the institutions of the EU. Information is obtained from the Statistics Estonia.

2.2.2.4 Secondary income

General government

Information on current taxes on income, wealth, etc., and on social contributions and social benefits is obtained from the Estonian Tax and Customs Board and the Public Sector Financial Statements System, which is created and held by Statistics Estonia. Information on current international cooperation is obtained from Statistics Estonia and Ministry of Finance reports. This item consists primarily of EU grants and foreign assistance received by Estonia in the form of cash and goods. The foreign assistance received is recorded on an accrual basis. The difference between cash and accrual flows is recorded in the financial account as a change in other assets and liabilities of the government sector.

Other sectors

Information on current taxes on income, wealth, etc., and on social contributions and social benefits is obtained using data models, and supplemented by the data from the ITRS. Information on non-life insurance premiums and claims is mostly obtained from the insurance companies' survey. Data on private transfers are obtained from data models and the ITRS. This item also includes foreign assistance received from the EU funds and used by the other sector. The data are obtained from Statistics Estonia and the ITRS.

2.2.2.5 Capital account

The most significant part of the capital account is based on data provided by the Statistics Estonia on resources received from the EU funds. The detailed analysis of EU grants is made by the Statistics Estonia and division of EU grants between primary, secondary income and capital accounts is done by them. In addition, BOE's enterprise survey and ITRS provide data on private sector capital flows.

2.2.2.6 Direct investment

Transactions between fellow enterprises are covered by the BoE's enterprise surveys. Instead of direct investments debt between selected affiliated financial corporations are classified under portfolio or other investments. Other equity is defined as equity not in the form of securities. Other equity is included in other

investment if it is not direct investment or reserves assets (e.g. participation in some international organizations).

- Equity for listed entities: the Central Register of Securities and CSDB.
- Equity for unlisted entities: The Ministry of Justice Centre of Registers (official business register) provides data on the owners' equity in registered companies and on changes in registered ownership. The Estonian Land Board is the administrative source for real estate transactions in Estonia.

2.2.2.7 Portfolio investment

The major part of data on securities is obtained from the CSDB, the BoE, the Central Register of Securities, and the BoE's surveys of other financial intermediaries and other enterprises. These sources are supplemented by data from the ITRS.

The debtor/creditor principle is used for portfolio investment transactions. The market value is used for transactions where the instrument is listed. For transactions of unlisted shares, the principle of own funds at book value is used. For debt securities, accrual interests have been also taken into account. Since 2011 the compilation method consists of security-by-security data reporting, where the price, currency, interest rate and issuer country information is obtained from the CSDB that has been set up by the ESCB.

2.2.2.8 Financial derivatives

The main data source is the BoE's enterprise survey and credit institutions' statistics. Any unrealised gains/losses proceeding from exchange rate or price changes are asked separately that enables to derive realised gains/losses. In addition, the BoE's enterprise survey asks also information about any acquisitions related to derivatives, e.g. option premia paid.

2.2.2.9 Other investment

The main data sources are the BoE's enterprise survey, the Public Sector Financial Statements System, credit institutions' statistics and ITRS. The difference between amounts put into circulation according to the banknote key (capital share) and actually put into circulation is considered to be in the hands of non-residents and are recorded as an "export" of euro banknotes.

2.2.2.10 Reserve Assets

Data are based on the balance sheet and the income statement of the BoE.

2.2.2.11 Borderline cases

All investments by and in investment funds (except real-estate) are classified as portfolio investment.

2.2.2.12 Additional information

Methodological overviews are available on the [BoE's website](#).

2.3 Coherence and comparability

2.3.1 Internal consistency

Estonia uses a combined system to compile the quarterly b.o.p. Two parallel databases – based on the ITRS and survey system - complement each other and facilitate the identification of errors. Statistical errors are relatively small although during recent years they tend to be positive.

2.3.2 Consistency with other statistical domains

B.o.p. data can be related with some of the data published by other statistical domains, namely, foreign trade statistics, national accounts and balance sheet information of the financial sub-sectors. Consistency process and discrepancies with the corresponding domains are described in the following sub-items.

2.3.2.1 Foreign trade statistics

B.o.p. and foreign trade statistics generally show discrepancies, due to different methodologies. In particular, certain monthly transactions not covered by foreign trade statistics are added to b.o.p. figures, namely:

- **Merchanting:** for merchanting, the main data source is the BoE's enterprise survey.
- **Maintenance and repair:** data are collected via the BoE's enterprise survey and supplemented by the ITRS.
- **Cross-border e-commerce on goods:** the main data source is Statistics Estonia foreign trade statistics where goods ordered via Internet and delivered via post offices or courier companies are covered.
- **Goods procured in ports:**

- Export (fuel sold in the national economy to non-resident carriers): data are collected via the BoE's enterprise survey.
- Import (fuel procured by resident transport operators to non-resident transport providers): data are collected via the BoE's enterprise survey.
- Sales and purchases of non-monetary gold when there is no physical delivery (in many cases there is no physical delivery because the gold is held at specialized bullion storage centres): data are collected via the BoE's enterprise survey.

2.3.2.2 National/sectoral accounts

The comparability between b.o.p. and national accounts is ensured by the application of common definitions (BPM6 and ESA2010). The b.o.p. data are harmonized with the rest of world account in national accounts compiled by Statistics Estonia. The BoE and Statistics Estonia have harmonised the revision policy of the b.o.p. and national accounts statistics and there should not be any vintage issues due to different revision policy.

2.3.2.3 Balance sheet information of the various financial sub-sectors

Portfolio investment and SHS rely on the same data collection and are consistent. Consistency with financial statistics and IF statistics are also considered, using single data sources.

2.4 Accessibility and Clarity

2.4.1 Release calendar and revision policy

Upon collection of additional information and changes in methodology, the data of previous periods are revised by using regular principles (accommodate new or corrected data or additional information) or extraordinary revisions. The latter is used in exceptional cases or when the methodology or the data collection system changes.

Release calendar is available on the [BoE's website](#).

Principles for the data dissemination and revision are available on the [BoE's website](#).

2.4.2 Data availability

2.4.2.1 Frequency of the b.o.p. and i.i.p. data compilation and publication

B.o.p. and i.i.p. data are disseminated on the Bank's website, mainly in the form of various tables. Simultaneously with the quarterly data dissemination, two short press releases are disseminated – one on current account and another on financial account, i.i.p. and gross external debt. The Balance of Payments Yearbook gives a comprehensive analysis of the b.o.p. statistics with various tables and charts and a detailed description of the methodology.

[Time-series of quarterly balance of payments](#) are available from 1993Q1 onwards.

[Time-series of monthly balance of payments](#) are available from 2008 onwards.

[Time-series of the international investment position](#) are available from 1996Q1 onwards.

2.4.2.2 Seasonally adjusted data

Data are not seasonally adjusted.

Ireland

1 Institutional environment

1.1 Professional Independence

The independence of Central Bank of Ireland (CBI) is provided for by its founding law, in line with Article 130 of the EU Treaty and Article 7 of the Statute of the ESCB and of the ECB available on the [CBI website](#).

The independence of the Central Statistics Office (CSO) is in line with the [Statistics Act, 1993](#).

1.2 Mandate for data collection

The development, production and dissemination of statistics by the Central Bank of Ireland are governed by Article 5 of the Statute of the ESCB and of the ECB, as well as [Regulation \(EC\) No 2533/98](#); whereas the Central Statistics Office are governed by the statistical principles laid down in article 2 of [Regulation \(EC\) No 223/2009](#). The Central Bank of Ireland as a member of the ESCB, conducts quality assurance and disseminates statistics in conformity with the principles of the ESCB's Public Commitment on European statistics by the ESCB.

A formal written agreement exists between the CBI and the CSO, signed by the Governor of the CBI and the Director General of the CSO. The agreement covers the interactions between the two organisations concerning b.o.p. and i.i.p. matters in considerable detail. Both institutions have close formal and informal working relationships as regards the general compilation and interpretation of b.o.p. and i.i.p. results and in relation to interactions with the ECB and Eurostat.

Under this agreement, the CBI collects data from the financial sector for b.o.p. and i.i.p. purposes with all other data collected directly by the CSO. The CSO is the official compiler of these statistics for Ireland. The CSO currently disseminates to the ECB through the CBI. The CBI is the competent authority for the compilation and publication of the International Reserves Template and the Official External Reserves.

A Statistical Liaison Committee (SLC) comprising representatives from both institutions has existed since 1995. Its purpose is to enable the discussion of items relevant to both institutions, not only in terms of the b.o.p. and i.i.p., but also in relation to the relevant aspects of the national accounts and the financial accounts.

In 2005, this Committee established the Working Group on Data Collection and Compilation (WGDC) to address the conceptual and practical aspects involved in streamlining and integrating certain financial enterprise data collection arrangements

operated by the two organisations. This was an important initiative aimed at reducing the reporting burden on financial data.

Finally, a specific b.o.p. and i.i.p. sub-group was constituted between the two organisations in early-2015 to facilitate a number of issues, including data sharing and a review of the aforementioned written agreement.

2 Statistical processes

2.1 Methodological principles and national specificities

B.o.p. and i.i.p. statistics are compiled in accordance with the standards set forth in the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6). Furthermore, specific compilation recommendations from relevant international bodies are observed. In particular, as specified in the [ECB Guideline \(ECB/2011/23](#) of 9 December 2011, as amended) and [Regulation \(EC\) No 184/2005](#) of the European Parliament and of the Council of 12 January 2005 (as amended), as well as the relevant guidance presented in chapters 2 and 3 of this book.

Ireland has a large financial industry including banks, Investment Funds and Securitisation Vehicles. Ireland also has a large Aircraft Leasing sector. In recent years there has been a large number of re-domiciled Public Limited Companies (PLC's) which also have a sizeable impact on the economy.

Beginning in 2008, possibly as a reaction to proposed changes to corporate tax in the United Kingdom and the United States, a number of multinational corporations relocated their group headquarters to Ireland. Many of these companies conduct little manufacturing or service activity in Ireland, but hold substantial investments overseas. By locating their headquarters in Ireland, the profits on these overseas investments are payable to the company in Ireland, even though under double taxation agreements their tax liability arises in other jurisdictions. These profit inflows are retained in Ireland with a corresponding outflow only arising when a dividend is paid to the foreign shareholders.

The standard statistical treatment of profit inflows and outflows is adhered to. Direct investors are entitled, in proportion to their equity share, to the profit generated by their subsidiaries, associates and branches. This is irrespective of whether the income is distributed in the form of dividends (or branch profits) or retained as reinvested earnings. Reinvested earnings are calculated as the difference between the company's net profit and distributed dividends. Profits of the overseas subsidiaries are recorded as 'direct investment – income on equity – credits'.

Fully detailed back data under the BPM6 methodology is available from Q1 2008 onwards with selected series available from 1998.

From Q1 2012 all data was collected on a BPM6 basis. For 2008 to 2011 the BPM6 data was derived from BPM5 components.

2.1.1 Residency

The general principles laid down in the BPM6 are applied.

2.1.2 Institutional unit definition

The general principles on institutional units (centre of economic interest, decision-making autonomy, and complete set of accounts) are applied.

With regard to the statistical coverage of Special Purpose Entities (SPEs), data on the Financial Vehicle Corporations (FVC) sector is collected under Regulation ECB/2013/40 (concerning statistics on the assets and liabilities of FVC's engaged in securitisation transactions).

The survey of Special Purpose Vehicles (SPVs) will be collected under Section 18 of the Central Bank Act, 1971 and will begin in late 2015.

2.1.3 Geographical allocation

For ISIN coded portfolio investment assets collected security-by-security basis, the issuer counterpart is obtained from the CSDB using the ISIN code.

For all other portfolio investment assets the issuer counterpart is collected directly from the respondents.

For all other items the immediate counterpart is collected directly from the respondents.

The ultimate controlling parent is also collected for use in the classification of Direct Investment.

2.1.4 Allocation to institutional sectors

For portfolio investment assets and liabilities a significant proportion would be made up of Investment Funds.

For direct investment there is a significant contribution from the re-domiciled PLC's.

2.1.5 Valuation

As most of our data is collected by direct survey, all items not collected security-by-security or without an ISIN code are valued by the respondent at market value.

As of end June 2015, 85 per cent of Portfolio Investment Assets are collected security-by-security.

Reserve Assets are valued by the CBI at market value.

2.1.6 Time of recording

The general principles laid down in the BPM6 are applied.

2.1.7 Coverage gaps and room for improvement

External transactions and financial stocks of resident households are only partially covered. However, the impact of these is small.

At present we collect investment funds and deposit taking corporations portfolio investment data security-by-security. Data on transactions and stocks is collected monthly for money market funds and quarterly for other investment funds and deposit taking corporations.

A project is ongoing to move to security-by-security reporting for the insurance sector also.

2.1.8 Seasonal adjustment

No seasonal adjustment is performed on the output.

2.2 Statistical procedures, sources and methods

2.2.1 Overview of data collection system

Central Bank of Ireland data collection

Data collection with regard to the Irish financial industry is primarily undertaken by the Statistics Division of the Central Bank of Ireland. The approach taken encompasses Balance Sheet positions – with associated transactional information (sales, purchases, FX changes and market price changes) – alongside Profit & Loss data (in some cases).

This direct survey model covers the following sectors of the Irish financial industry:

- (i) Credit Institutions (deposit taking corporations).
- (ii) Money Market Funds.
- (iii) Other Investment Funds.
- (iv) Financial Vehicle Corporations.
- (v) Insurance Corporations (commencing early-2016).³⁷

All such entities registered with the CBI – for instance, all (i) and (v) holding a banking licence – are covered by these surveys.

The Central Bank of Ireland will also commence a new survey of Special Purpose Vehicles (SPVs) from late-2015 with the objective of increasing data coverage.

The current direct collection methodology has two distinct streams, as follows:

- Monthly collection: this covers sectors (i) and (iii) above.

The Central Bank collects a monthly Balance Sheet from each credit institution resident in Ireland³⁸. A high-level Balance Sheet with a breakdown by main asset and liability categories, counterparty residency and currency is collected. This is supplemented by more detailed information on counterparty residency and currency; reserve requirements; amortisation; write-downs and off-Balance Sheet items.

The Central Bank also collects a monthly Money Market Fund return. This provides information on the transactions and positions of these funds vis-à-vis residents and non-residents and includes security-by-security information on equities, debt securities and derivatives.

- Quarterly collection (security-by-security positions and associated transactions): this covers all sectors above (with the exception of (iii)).

These various returns provide granular security-by-security data with counterparty and instrument information for resident Credit Institutions, Investment Funds (Collective Investment Undertakings, both undertakings for the collective investment in transferable securities (UCITS) and non-UCITS)) and Financial Vehicle Corporations. This information is either derived, for securities with an ISIN, or collected directly, for securities without an ISIN. Therefore, reporting burden is much lower in the case of debt and equity securities with an ISIN code.

³⁷ This arises on foot of the implementation of Solvency II with data to be collected on a home basis with an annual home: host reconciliation.

³⁸ This refers to the Resident Offices Return (RS2 alongside a RV2 (revaluation adjustment) and RC2 (reclassification adjustment)). A quarterly RS2 is also collected. These returns are not based on security-by-security reporting.

With regard to securities with an ISIN, positions³⁹ and transactions are collected. These data are then enriched with CSDB information on issuer country, issuer sector, issue date, maturity date and pricing information.

For non-ISIN securities, the above mentioned enrichment cannot be performed using CSDB information and consequently, the remaining variables are directly collected.

Central Statistics Office data collection

The quarterly b.o.p. and i.i.p. compilation system is based on surveys and administrative data and is closely integrated with the compilation of the rest of the world (RoW) account in the national accounts. The system was designed to meet the requirements of BPM6, as well as those of the ECB, Eurostat and the OECD.

The CSO does not operate a full monthly data collection system, largely because of the additional heavy burden it would place on b.o.p. and i.i.p. survey respondents and, more generally, because of resource constraints concerning the collection and compilation of b.o.p. and i.i.p. statistics. As a result, the monthly estimates which are prepared by the CSO largely rely on data collected by the CBI along with some supplementary data collected by the CSO. The latter also uses a modelling approach for some elements of the monthly current account. The portfolio and other investment elements of the financial account are based primarily on monthly statistical and regulatory data collected by the CBI from credit institutions (MFIs) and from collective investment institutions (CIIs). Data on transactions of the monetary authority sector are also provided by the CBI. The additional monthly data collected by the CSO cover elements of direct, portfolio and other investment, the enterprises covered being outside the CBI's supervisory and regulatory framework.

The statutory quarterly collection system requires transaction data on services, income and transfers. Data on transactions, opening positions, closing positions, market price changes, exchange rate changes and other volume changes are required for assets and liabilities. The transaction details (i.e. services and income items and instrument breakdowns) necessary to meet BPM6 requirements are obtained. Sectoral and geographical details are also provided. In order to reduce the reporting burden, companies having lower levels of activity report on the same basis but only annually. Whether a company reports quarterly or annually is not determined using a set threshold. Instead, several factors are taken into account, including size relative to the size of the sector. Overall the value of the entities reporting annually makes up about 5 per cent of the total value of the sectors where annual reporting occurs (the data collection for deposit taking corporations and investment funds have no annual reporting).

This statutory quarterly collection system covers the following surveys:

- Survey of Manufacturing and Non-Financial Service Companies – quarterly and annual (BOP40):

³⁹ Number of shares (nominal & market values in the case of bonds).

Since the beginning of 2004, in order to meet b.o.p. and i.i.p. and national (including financial) accounts requirements, this survey requests quarterly data on the sale/purchase of services (including royalties, copyrights, licences, etc.) to and from both residents and non-residents, all assets and liabilities vis-à-vis residents and non-residents (flows, stocks and reconciliation items), as well as related income transactions from companies incorporated in Ireland and Irish branches of foreign companies. It is designed to summarise all the relevant transactions and positions of the resident parts of Irish groups, Irish companies and Irish branches. For b.o.p. and i.i.p. purposes, all the foreign assets and liabilities have to be reported, including investment in overseas companies by any part of a group, Irish company or Irish branch which is resident in Ireland. Sectoral and geographical detail is also required. Smaller companies report on the same basis but only annually.

Respondents: the “BOP40” survey is completed by Irish companies and Irish branches of foreign companies which are engaged in manufacturing or the supply of non-financial services and which have foreign assets or liabilities.

- Financial services companies:

Quarterly surveys of financial services companies, which were introduced in 1998, are very comprehensive and designed to collect information relevant to b.o.p. and i.i.p. compilation and for wider national and financial accounts purposes. The surveys are customised on the basis of the main types of financial services activity, namely: (a) collective investment schemes (including money market funds which now are identified separately for MFI statistical purposes); (b) insurance (distinguishing between life and non-life enterprises) and reinsurance; (c) stand-alone treasury activity; (d) banking, asset financing, securities trading, and agency and captive treasury activities; and (e) Irish investment managers and stockbrokers. The larger companies are required to return the information each quarter, while the smaller ones make annual returns. Administration and management companies as well as custodians and trustee companies are also included; the principal b.o.p. and i.i.p. interest in these latter “service provider” companies concerns transactions in service fees, although full b.o.p. and i.i.p. details are required. The system is designed to ensure complete coverage of all financial services activities over the full year.

From a b.o.p. and i.i.p. point of view, the information required is essentially the same for all the surveys and covers services, income flows, assets and liabilities and the reconciliation of positions and flows along with the necessary geographical detail. The various surveys are:

- Survey of non-life insurance/reinsurance – quarterly and annual (“BOP42”).
- Survey of life insurance/reinsurance – quarterly and annual (“BOP43”).
- Survey of stand-alone treasury – quarterly and annual (“BOP44”).
- Survey of banks, asset finance and securities trading companies, agency and captive treasury companies and other related financial services companies – quarterly and annual (“BOP45”).

Respondents: Administrative or management companies that provide financial services to collective investment schemes, captive investment (including insurance/reinsurance) companies and agency and captive treasury companies. Stand-alone companies (e.g. banks, treasury companies) are also covered.

- Survey of portfolio investment by Irish investment managers – quarterly and annual (“BOP30”).

This survey is addressed to investment managers resident in Ireland and requests information on own account and client account investments in Irish and foreign securities by resident and non-resident investors. Geographical detail and sectoral information are requested. The form is also addressed to stockbrokers to obtain data relevant to the b.o.p. and i.i.p.

Financial services companies which provide other types of services and which conduct transactions relevant to the b.o.p. will, depending on materiality, be incorporated into the system as it develops. At present, the activities of these companies, in aggregate, are insignificant from a b.o.p. and i.i.p. perspective.

- Government sector:

Information is provided by the various government departments, e.g. the Department of Agriculture and Food (Common Agricultural Policy data), the Department of Finance (amounts received from the Structural and Cohesion Funds of the EU and own contributions to the EU), the Department of Social, Community and Family Affairs (data on pension payments abroad), the Department of Defence (data on military assistance to UN peace-keeping) and the Department of Foreign Affairs (foreign embassies in Ireland and Irish embassies abroad).

- Other sections of the CSO:

Foreign merchandise trade data (collected by the customs authorities via the Intrastat survey for intra-EU trade and via the normal customs documentation) are provided by the Trade Statistics Division of the CSO. The BOP Division adjusts these data on a b.o.p. merchandise basis. Data on tourism and travel are provided by the Tourism and Travel Section of the CSO, which conducts passenger and country-of-residence surveys of travellers.

- “Official sector”:

As described above, the CBI provides data on official external reserves as well as data on the CBI’s portfolio and other investment assets and liabilities (including TARGET transactions and positions). The National Treasury Management Agency (NTMA) provides data on the Irish Government’s holdings of foreign assets (including investments made by the National Pensions Reserve Fund) and on the bulk of the non-resident part of the national debt; data on certain portfolio debt of the Government are provided by the CBI.

2.2.2 Detail by accounting item

Most of the items below are collected directly from respondents as described in section 2.2.1. Non-response rates tend to be below 5 per cent and non-response tends to be intermittent so data is in general imputed from a previous quarter rather than grossed up. For financial entities surveyed by the Central Bank of Ireland there is complete coverage. For the entities surveyed by the Central Statistics Office all b.o.p. relevant entities are surveyed.

2.2.2.1 Goods

Foreign merchandise trade data (collected by the customs authorities via the Intrastat survey for intra-EU trade and via the normal customs documentation) are provided by the Trade Statistics Division of the CSO. The BOP Division adjusts these data on a b.o.p. merchandise basis. All treatments are in line with BPM6 international standards.

2.2.2.2 Services

Tourism, travel and transport are collected by other divisions of the CSO and included in our b.o.p. statistics.

All of the other various services categories are collected directly from respondents on the surveys detailed in section 2.2.1.

2.2.2.3 Primary income

Compensation of employees is calculated using a variety of government administrative sources as detailed in section 3.

All other primary income items are collected on an accruals basis directly from respondents on the surveys detailed in section 2.2.1.

2.2.2.4 Secondary income

This is a combination of data collected directly from respondents on the surveys detailed in section 2.2.1 and government administrative sources as detailed in section 3.

2.2.2.5 Capital account

This is a combination of data collected directly from respondents on the surveys detailed in section 2.2.1 and government administrative sources as detailed in section 3.

2.2.2.6 Direct investment

This is collected directly from respondents on the surveys detailed in section 2.2.1. Respondents classify their data depending on whether the counterpart is third party or intra-group (parent, subsidiary or fellow), this allows us to classify data as direct or portfolio investment. Our data covers borrowing or lending between fellow enterprises.

2.2.2.7 Portfolio investment

This is collected directly from respondents on the surveys detailed in section 2.2.1. About 85 per cent of our portfolio investment assets are collected on a security-by-security basis. For the portfolio investment assets not collected security-by-security or without an ISIN all relevant details are collected directly from the respondent.

2.2.2.8 Financial derivatives

This is collected directly from respondents on the surveys detailed in section 2.2.1.

2.2.2.9 Other investment

Other investment is collected directly from respondents on the surveys detailed in section 2.2.1. The classification of items into the various sub-categories of other investment is performed by the respondents.

There is no estimation method used for calculating the “exporting/importing” of EUR banknotes.

The Central Bank of Ireland’s Balance Sheet includes a line item ‘banknotes in circulation’ (euro) and this figure is sourced from the Currency Issuance Department (CID). The system (CashSSP) calculates the banknotes in circulation (net issuance) figure from the movements of cash each day and whenever a movement of cash affects circulation, the circulation account is debited or credited.

2.2.2.10 Reserve Assets

Data obtained from the Financial Control & Procurement Division (FCPD) of the Central Bank of Ireland using an internal template ('Official Reserve Assets & Other Foreign Currency Assets'). Securities, deposits, gold and SDRs are valued at mid-market price (including exchange rate) and are re-valued on a quarterly basis.

2.2.2.11 Borderline cases

All holdings of investment fund shares are treated as portfolio investment.

2.3 Coherence and comparability

2.3.1 Internal consistency

There is no method set for a regular adjustment of errors and omissions.

2.3.2 Consistency with other statistical domains

B.o.p. data is consistent with some of the data published by other statistical domains, namely, foreign trade statistics, national accounts and balance sheet information of the financial sub-sectors.

2.3.2.1 Foreign trade statistics

B.o.p. and foreign trade statistics generally show discrepancies, due to different methodologies. Excepting these methodological differences b.o.p. is fully consistent with foreign trade statistics.

2.3.2.2 National/sectoral accounts

The comparability between b.o.p. and national accounts is ensured by the application of common definitions (BPM6 and ESA2010). In addition b.o.p. current and capital accounts are aligned to the non-financial institutional sector accounts while the b.o.p. financial account and the i.i.p. are aligned to the annual financial institutional sector accounts.

2.3.2.3 Balance sheet information of the various financial sub-sectors

Excepting for methodological differences b.o.p. is generally consistent with MFI balance sheet information, Investment Funds statistics and securities issues statistics (SEC). In the case of the latter, for instance, inconsistencies may arise due to (i) the valuation of the market capitalisation of credit institutions subject to recapitalisation by the Irish Government under SEC and; (ii) the exclusion of private placement debt securities issued by resident NFCs from SEC; (iii) the throughput – and timing – of re-domiciled entities into the Irish statistics; and (iv) the inclusion of only those securities with an ISIN in the SEC data.

2.4 Accessibility and Clarity

2.4.1 Release calendar and revision policy

Official b.o.p. data are collected and published nationally by the CSO on a quarterly basis, with a current time-lag of not more than three months. The monthly b.o.p. estimates are not published nationally. External debt data and i.i.p. are also published on a quarterly basis with a three-month timeliness. In addition, the CSO issues annual statistical releases giving detailed geographical analyses of foreign direct investment, international trade in services and of Irish resident holdings of portfolio investment securities issued by non-residents. The b.o.p. and i.i.p. and related data are published in soft copy and are also available in the CSO databank. Users are made aware of the expected (“no later than”) date of publication four months in advance in the CSO’s monthly advance publication calendar (under the IMF Bulletin Board arrangements). Regular users are notified each Thursday of the date of the [CSO’s releases](#) and publications due in the following week.

The CSO’s general revision policy for quarterly data is to incorporate changes when the data for the calendar year are being produced, i.e. the following spring/summer. However, the policy is flexible and significant changes to previously published figures are incorporated on a quarterly basis. In addition, and in the interest of publication consistency, smaller revisions are included in cases where data sourced from and published by other divisions of the CSO also appear as separate items in the b.o.p. release.

In the case of monthly b.o.p. estimates provided by the CSO, revisions are made mainly on a quarterly basis. The monthly estimates are subject to significant historical revisions each quarter when the official quarterly b.o.p. data are published (i.e. monthly data is kept in line with quarterly data at all times).

The CSO makes users, including the ECB and Eurostat, aware of the reasons for significant revisions to earlier data. When major methodological changes are contemplated, the CSO tends to make users aware of their introduction in advance and describes the methodology involved in the relevant national publications and in communications with the international organisations concerned.

2.4.2 Data availability

Fully detailed back data under the BPM6 methodology is available from Q1 2008 onwards with selected series available back to 1998.

From Q1 2012 all data was collected on a BPM6 basis. For 2008 to 2011 the BPM6 data was derived from BPM5 components.

<http://www.cso.ie/en/statistics/balanceofpayments/>

<http://www.cso.ie/px/pxeirestat/statire/SelectTable/Omrade0.asp?Planguage=0>

2.4.2.1 Frequency of the b.o.p. and i.i.p. data compilation and publication

B.o.p. and i.i.p. data are compiled and published quarterly.

2.4.2.2 Seasonally adjusted data

Not available.

Greece

1 Institutional environment

1.1 Professional Independence

The Bank of Greece (BoG) is an independent Central Bank and as of January 01, 2001 is a member of the Eurosystem, which consists of the European Central Bank (ECB) and the National Central Banks (NCBs) of euro area countries.

The *Statute of the Bank of Greece* was ratified by Law 3424/7.12.1927, which, being attached to an international Treaty, carries enhanced legal status. Since then it has been repeatedly amended; the most substantial amendments were ratified by Laws 2548/97, 2609/98 and 2832/00, so as to meet the requirements of the Treaty on European Union and the Statute of the European System of Central Banks.

The Statute of the BoG with the amendments is available in Greek and in English on the [BoG website](#) under the heading "The Bank/Legal Framework/Statute of the Bank"; hard copies of the above legislation can be obtained, free of charge, upon request.

1.2 Mandate for data collection

The development, production and dissemination of statistics by the Bank of Greece are governed by Article 5 of the Statute of the ESCB and of the ECB, as well as [Regulation \(EC\) No 2533/98](#); whereas the Hellenic Statistical Authority are governed by the statistical principles laid down in article 2 of [Regulation \(EC\) No 223/2009](#). The Bank of Greece as a member of the ESCB, conducts quality assurance and disseminates statistics in conformity with the principles of the ESCB's Public Commitment on European statistics by the ESCB.

The Bank of Greece (BoG) has been responsible for compiling and producing the Greek b.o.p. statistics since 1929. The legal basis for the collection and compilation of b.o.p. transactions is contained in the Statute of the Bank of Greece (article 55C) which was ratified by Law 3424/1927. Since then the Statute of the Bank of Greece has been amended; the most substantial amendments were ratified by Laws 2609/1998 and 2832/2000. By those amendments the legal basis has been reinforced, as all residents are required to report transactions with non-residents to the BoG for the compilation of the b.o.p. and the assumption of assets/liabilities vis-à-vis non-residents for the compilation of the i.i.p. The legislation provides for a sanctions procedure in the event of a failure to report b.o.p. transactions. The Statute of the BoG protects the confidentiality of statistical information collected by BoG and prohibits the disclosure of confidential information. Violators of statistical

confidentiality rules are penalized under Article 371 of the Penal Code. The B.o.p/i.i.p. data are disseminated by the Bank of Greece as a service to the public.

In view of the implementation of the new statistical standards in the field of external statistics and national accounts, the cooperation between the Bank of Greece and the Hellenic Statistical Authority (EL.STAT.) has been intensified during the last years. The exchange of statistical data is regular however not yet laid down in a Memorandum of Understanding. The Hellenic Statistical Authority supplies trade data and other variables to the BoG, which are used for the compilation of the account of Goods or for other cross-checking purposes (e.g. government current transfers). Data on the number of travellers' arrivals/departures at all types of frontier stations (e.g. airports, seaports) are provided directly to the BOG by the relevant Greek authorities (civil aviation authority, port authorities).

Bank of Greece also cooperates with the Hellenic Stock Exchange on a regular monthly basis.

2 Statistical processes

2.1 Methodological principles and national specificities

B.o.p. and i.i.p. statistics are compiled in accordance with the standards set forth in the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6). Furthermore, specific compilation recommendations from relevant international bodies are observed. In particular, as specified in the ECB [Guideline \(ECB/2011/23](#) of 9 December 2011, as amended) and [Regulation \(EC\) No 184/2005](#) of the European Parliament and of the Council of 12 January 2005 (as amended), as well as the relevant guidance presented in chapters 2 and 3 of this book.

B.o.p data under BPM6 methodology are available from the reference month January 2002 and onwards. All information relevant to the transition to the BPM6 is available in a special [Press Release](#) published on the web site of Bank of Greece.

The most important sector for the Greek economy is tourism and travel receipts constitute a key determinant of the current account balance. Since 2002, one year after Greece joined the euro area, the Bank of Greece conducts a monthly sample survey at the country's major entry/exit points (Frontier Survey), so as to collect the necessary information for estimating travel expenditure. In fact, the Frontier Survey comprises two independent surveys: the 'Travel Receipts Survey', aimed at estimating travel expenditure by non-residents in Greece; and the 'Travel Payments Survey', aimed at estimating travel expenditure by residents abroad. A detailed analysis of the Frontier Survey methodology is available at Bank of Greece, [Economic Bulletin, 27, July 2006](#).

A more recent enhancement of the Frontier Survey relates to the collection of data and estimation of travel receipts stemming from cruises. Since 2012, the Bank of Greece has undertaken the creation of a database of the cruise ships routes in Greece and works on the statistical analysis and production of cruise packages data. The main objective is the estimation of the expenditure of cruises and their direct economic impact in the Greek economy.

2.1.1 Residency

The general principles laid down in the BPM6 are applied. The residency concept is thus defined in conformity with BPM6's definitions of economic territory and centre of economic interest.

2.1.2 Institutional unit definition

The general principles on institutional units (centre of economic interest, decision-making autonomy, and complete set of accounts) are applied.

The statistical treatment of SPEs is in line with the conclusion of the Eurostat/ECB/OECD 2013 [Task Force on Head Offices, Holding Companies and SPEs](#). SPEs are identified in an annual FDI survey; however their role remains negligible in the Greek economy.

2.1.3 Geographical allocation

The counterpart country collected is the immediate counterpart. The ultimate controlling parent is also collected by the annual FDI stock survey.

2.1.4 Allocation to institutional sectors

The preponderant resident sectors in terms of share of external assets/liabilities are monetary authorities, other monetary financial institutions (MFIs) and general government.

2.1.5 Valuation

The following valuation principles are applied:

- Market prices for transactions.
- Conversion to unit of account: Data reported in foreign currencies are converted into Euros using ECB's Euro/foreign exchange reference rate of the date the transaction takes place.

- Market values for equity, bonds and treasury bills.
- Market values for listed equity and book values for non-listed equity in FDI.

2.1.6 Time of recording

Recording of income: data are recorded on a cash basis with the exception of portfolio investment income, which is recorded on an accrual basis.

Recording of services (except travel): data are recorded on a cash basis.

2.1.7 Coverage gaps and room for improvement

External transactions of insurance companies are partially covered; Custodian information will be supplemented with supervisory statistical data under Solvency II.

2.1.8 Seasonal adjustment

We do not do seasonal adjustment.

2.2 Statistical procedures, sources and methods

2.2.1 Overview of data collection system

The current Greek data collection system is a mixed system since the international transactions reporting system (ITRS) based on banks' settlements reporting is supplemented by information derived from other sources; more analytically these sources are: (i) foreign trade statistics (Intrastat/Extrastat data) (ii) frontier travel survey, (iii) direct reporting by certain resident transactors, such as oil refineries, investment companies, mutual funds and stock exchange firms, and (iv) direct reporting by residents for their cross-border transactions settled without the intermediation of resident banks. Additional information is also collected from the BoG's various departments and from the Ministry of Economy and Finance for certain transactions, such as current and capital transfers and financial account transactions. Codification is undertaken by the respondents (reporting banks and direct transactors) and not by the BoG. The ITRS has been in place for all reporting banks since end-1998. Transactions are reported on a transaction-by-transaction basis, with the exception of some items, which are reported in aggregate. Information derived from Money and Banking Statistics (MFIs balance sheets), from the Central Securities Depository and from Security-by-Security stock data supplied monthly by custodians is also used for the compilation of financial account items.

Reporting Agents

Banks: these are commercial banks and other deposit-taking corporations. They are required to report all their external transactions on behalf of residents and non-residents and on their own account, irrespective of whether they are acting as an intermediary between a non-resident bank/non-bank and another resident bank, or carrying out interbank operations affecting their external position. Resident banks must also report the opening and closing balances of their external position broken down by currency. Changes between the opening and closing positions should be equal to the net external transactions in the respective currencies. If an error is detected in earlier than the current month data, the BoG assesses the size and effect of the error in the overall data and decides whether or not to adjust the past data and the output. B.o.p. data that are more than six months old are considered to be definitive.

Central Bank: various departments of the BoG provide data for the compilation of the b.o.p., i.i.p. and external debt; these data refer mainly to current transfers, general government and reserve assets.

Direct respondents: direct respondents report transactions with non-residents, which are not settled via resident banks. In addition, the system collects data directly from certain resident transactors such as oil refineries, mutual funds, stockbrokers and custodians.

General Government sector: the Ministry of Economy and Finance provides data on general government external debt and on transactions with European Union (EU) institutions.

Hellenic Statistical Authority (EL.STAT): EL.STAT provides data on external trade based on Intrastat/Extrastat declarations.

ITRS threshold and data control

Since 1 January 2010, in compliance with Regulation (EC) No 924/2009, for all external transactions, the threshold of €50,000 has been applied. Transactions above the threshold are reported on a transaction-by-transaction basis. For transactions with a value lower than €100,000 but greater than €50,000 information on the resident transactor is available on request, as this has to be submitted, if required, to the BoG. However, most banks submit information on the resident transactor counterpart for all transactions where this is requested. The scrutiny of such large-value external transactions constitutes the most important quality check on the data submitted by banks acting as intermediaries.

The data are also checked for validity and accuracy by means of plausibility checks and checks using previous months' data. A listing of all errors found is produced and the reporting bank is notified immediately. Once the necessary corrections have been processed, a second round of validation takes place and flows are compared with the change in the external position of the reporting bank if the bank does not apply the exemption threshold of €50,000. Additional comparative reports are

produced and manual checking takes place, principally of the high-value transactions (more than €100,000).

2.2.2 Detail by accounting item

For all current account items, except Goods and Travel, mainly the ITRS data are used. Supplementary sources such as Money and Banking Statistics (OMFIs balance sheets), data obtained from the Central Securities Depository and Security-by-Security stock data supplied monthly by custodians are mainly used for the compilation of financial account items.

2.2.2.1 Goods

As from 2015, the Bank of Greece implemented a significant change to its b.o.p. compilation methodology, using ELSTAT's trade statistics instead of the settlements data. According to the new methodology, the goods trade balance statistics reflect customs-based or other administrative data, as collected or estimated by ELSTAT.

ELSTAT's trade statistics comprise: (i) statistics on imports and exports from and to non-EU countries (Extrastat), based on data collected from customs authorities through the Single Administrative Document; and (ii) intra-EU trade statistics (Intrastat), based on data collected through a special document submitted by enterprises (Intrastat document).

Intra-EU trade statistics include ELSTAT's estimates of transactions, whose value is below the statistical reporting threshold and for which enterprises are not required to submit an Intrastat document. Statistics on imports and exports from and to non-EU countries also include data from "incomplete customs declarations", mostly concerning oil products. These data are finalised after such declarations are completed. Trade statistics also incorporate additional data transmitted to ELSTAT by administrative sources and relate mainly to military equipment. Finally, ELSTAT has developed a methodology to estimate the value of undeclared imports, which relate mainly to illegal activities (illicit trade of alcoholic beverages, tobacco, narcotic drugs and other products, e.g. clothing). These data are included in imports in the process of compiling the National Accounts.

In the context of the implementation of international rules for the compilation of the b.o.p., ELSTAT's trade data are subject to a number of methodological adjustments.

In ELSTAT's external trade statistics, the value of exports is reported in FOB (Free on Board) terms, while the value of imports is reported in CIF (Cost, Insurance, Freight) terms. Given that both exports and imports are reported in FOB terms in the b.o.p., the Bank of Greece converts the value of imports into FOB terms by applying a fixed 5% CIF/FOB conversion coefficient (i.e. $FOB = CIF * (1 - 0.05)$), and the resulting difference is allocated to transportation and insurance services by 4/5 and 1/5, respectively.

ELSTAT's trade statistics include also transactions related to the processing and repair of goods that are excluded from the compilation of the balance of goods. In line with the methodology of the IMF's BPM6, such transactions are classified in the balance of services and calculated on the basis of Bank of Greece data.

Moreover, in the compilation of the balance of goods (as is also the case with that of National Accounts) imports of goods include ELSTAT's estimate of the illicit trade in goods, which amounts to €1.5 billion annually.

Finally, it should be pointed out that the recording of imports (purchases) and exports (sales) of ships in the balance of goods will continue to be based on data collected by the Bank of Greece.

2.2.2.2 Services

Data for services except travel are compiled from the ITRS. As regards travel, the BoG has commissioned a frontier travel survey since May 2002 for the estimation of the expenditure of non-residents in Greece and of Greek residents abroad.

Travel services data are derived from the frontier survey on international travel (incoming non-residents are surveyed for their expenditure in Greece upon departure and outgoing residents are surveyed for their expenditure abroad upon arrival). The survey takes place at all types of frontier stations, such as airports, seaports, road crossings and railway stations. It provides (i) a breakdown by purpose of travel, such as personal and business purposes, with a further breakdown of personal into leisure, studies, health, visit to relatives and other, and (ii) a geographical breakdown into EA19, EU28 and other major countries/markets.

Estimates for FISIM are being developed but currently are not included in b.o.p. data.

2.2.2.3 Primary income

Data on compensation of employees are collected through the ITRS.

Income on equity is obtained through the ITRS. Annual data for reinvested earnings are estimated using information from replies to the annual foreign direct investment questionnaire. These estimates are included in the monthly b.o.p. after the final quality control.

Portfolio investment income statistics as from April 2005 are recorded on an accruals basis; they are estimated using monthly stock data which are reported by domestic custodians and end-investors on a security-by-security basis to the BoG. The estimation method follows the debtor approach. The payments of portfolio income are cross-checked with data provided by the BoG's Electronic Secondary Securities Market Section. There are no major problems with the recording of income for

specific types of bonds. No impact on portfolio investment income due to taxation issues has been observed.

Data on other investment income are collected through the ITRS. The BoG does not record income on trade credits and the share of interest in leasing payments is missing.

Income on reserve assets is recorded on an accruals basis.

Data on other primary income reflect mainly flows between the EU and General government that relate to subsidies on products and production. This item covers predominantly receipts from the EAGF (European Agricultural Guarantee Fund). The information is obtained monthly from the Government Financial Operations and Accounts Department of Bank of Greece. Although data are obtained on a cash basis, they are adjusted in order to approximate quarterly National Accounts' relevant figures.

2.2.2.4 Secondary income

General government: data are collected through the ITRS and from other administrative sources. They cover mainly current international cooperation (such as ANFA and SMP transfers), transfers from the European Social Fund (ESF) and contributions to the EU budget.

Other sectors: data are collected through the ITRS and supplemented with data from the travel frontier survey for migrants' remittances.

2.2.2.5 Capital account

Greece provides separate monthly data for the capital account, since the biggest part, capital transfers related to EU institutions, can be estimated on the basis of information provided from the Ministry of Economy and Finance. Data are collected from the Financial Operations Department of Bank of Greece and cross checked with administrative information from the Ministry of Economy and Finance. They cover mainly receipts from the European Regional Development Fund (ERDF) and the cohesion fund. Also included here are the receipts from the European Agricultural Fund for Rural Development (EAFRD).

2.2.2.6 Direct investment

Monthly direct investment flows are based on the ITRS. Annual FDI stock data are collected through an annual survey (the foreign direct investment questionnaire), which has run since 1998. Information on long and short-term loans between affiliates is collected through this survey (excluding debt between affiliated financial corporations).

With regard to the treatment of special-purpose entities (especially holding companies), when such entities are identified, their transactions are recorded under FDI. However, the role of SPEs remains negligible for the Greek economy.

Domestic shares acquired by non-resident investors through the secondary market can be identified, since the Athens Stock Exchange provides information on all transactions involving more than 10% of the share capital of any listed company. The valuation of transactions settled through an exchange of shares is based on the price at which the transaction, i.e. the transfer of the shares of the resident holder to the non-resident, is recorded. For listed companies, any transfer of shares has to be made through the electronic system of the Athens Stock Exchange.

The geographical breakdown is based on the residency of the actual issuer (i.e. debtor/creditor principle) for assets and the first known counterpart for liabilities.

Real estate transactions are collected through the ITRS.

Reinvested earnings are estimated using information from replies to the annual foreign direct investment questionnaire. There are no other estimations for direct investment flow data.

2.2.2.7 Portfolio investment

Portfolio investment data are derived from those collected within the context of the general b.o.p. reporting scheme. More specifically, data for both assets and liabilities are derived from data collected through the ITRS, from the consolidated balance sheet of the MFIs and from the monthly stock data supplied by custodians and end-investors; moreover for liabilities statistical information supplied by the central securities depository and the BoG's Electronic Secondary Securities Market Section is used.

Monthly stock data supplied by custodians and end-investors are used for estimating income on an accruals basis and also for checking purposes. The International Securities Identification Number (ISIN) is also used to check flows with stocks data.

The geographical allocation criterion for assets is based on the country of residence of the issuer, while for liabilities; it is based on the first-known counterpart principle.

Service charges, fees and commissions are part of the financial services reported by the ITRS.

2.2.2.8 Financial derivatives

The recording of financial derivatives is based on ITRS data, but valuation is a problem that has not yet been fully resolved for over-the counter transactions. Income on financial derivatives (e.g. interest rates swaps) is recorded under financial derivatives. Such transactions are usually negligible.

2.2.2.9 Other investment

Data on loans and deposits in general are collected through the ITRS and the consolidated balance sheet of the MFIs. Data on loans by the general government sector are derived by BoG departments. Data on loans from the nonbanking sector are identified if the loan is made via a resident bank; however, data for residents' loans that are taken directly from non-resident banks are difficult to be captured. If the resident does not ask a resident bank to service these loans, the loans are not recorded unless the customer declares them.

The statistical treatment of Euro Banknotes in b.o.p. and i.i.p. is according to the ECBs decisions and instructions. An estimation method is applied for calculating the exporting/importing of EUR Banknotes based on travel expenditure excluding the use of credit cards.

2.2.2.10 Reserve Assets

The information is obtained from the Financial Operations Department of the BoG. A breakdown by instrument is available on a monthly basis. The BoG complies with the recommendations set out in the BPM6 and the Eurosystem's harmonization proposals.

2.3 Coherence and comparability

2.3.1 Internal consistency

There is no set method for adjustment of errors and omissions.

2.3.2 Consistency with other statistical domains

B.o.p. data can be related with some of the data published by other statistical domains, namely, foreign trade statistics, national accounts and balance sheet information of the financial sub-sectors. B.o.p. data are generally consistent with related statistical domains, such as Money and banking statistics, Financial accounts and National accounts.

2.3.2.1 Foreign trade statistics

B.o.p. and foreign trade statistics generally show discrepancies, due to different methodologies. In particular, certain monthly transactions not covered by foreign trade statistics are added to b.o.p. figures, namely:

- **Merchanting:** Foreign trade statistics do not include transactions related to merchanting. Merchanting data derive from the ITRS.
- **Maintenance and repair:** Foreign trade statistics include transactions related to the processing and repair of goods that are excluded from the compilation of the balance of goods. In line with the methodology of the IMF's BPM6, such transactions are classified in the balance of services and calculated on the basis of Bank of Greece (ITRS) data.
- **Goods procured in ports by carriers (only imports):** Foreign trade statistics include only exports for Goods procured in ports by carriers. The import's side is complemented with data that derive from ITRS.
- **Illegal goods:** In the compilation of the balance of goods, imports of goods include national account's estimate of the illicit trade in goods, which amounts to €1.5 billion annually.
- **Cif/fob adjustment (only imports):** In foreign trade statistics, the value of imports is reported in CIF (Cost, Insurance, Freight) terms. For the b.o.p. compilation purposes, the Bank of Greece converts the value of imports into FOB terms by applying a fixed 5% CIF/FOB conversion coefficient (i.e. $FOB = CIF * (1-0.05)$), and the resulting difference is allocated to transportation and insurance services by 4/5 and 1/5, respectively.

2.3.2.2 National/sectoral accounts

The comparability between b.o.p. and national accounts is ensured by the application of common definitions (BPM6 and ESA2010). The previously existing differences between b.o.p. and NA arising from discrepancies in data sources or compilation methods have been largely removed. Further consistency between the two statistical domains can be achieved through a continuous process of data exchange between b.o.p. and NA compilers.

2.3.2.3 Balance sheet information of the various financial sub-sectors

B.o.p. and i.i.p. data are overall consistent with BSI, IF statistics and securities issues statistics.

2.4 Accessibility and Clarity

2.4.1 Release calendar and revision policy

Monthly b.o.p. data are made available to the public in a press release in Greek and English according to the advance release calendar.

The advance release calendar which gives one-year-ahead notice of the precise release dates is disseminated on the Internet on the IMF's DSBB. In addition, the above mentioned advance release calendar is disseminated on the [Bank of Greece's website](#) under the heading "Statistics / Summary Data for the SDDS / External Sector / Advance Release Calendar."

Monthly data are provisional when first released and are indicated as such. The data (monthly, quarterly and annual) that are revised continually, whenever new statistical information either from special annual questionnaires or from other sources becomes available, which after being checked is considered acceptable. Revisions may be also due to a break of series stemming from a change in methodology.

Provisional, revised and final data are appropriately indicated.

Information on revisions is given through notes included in the publications, while major changes in methodology are announced through both BoG publications and special press releases.

Titles of BoG publications:

- "Bulletin of Conjunctural Indicators" (monthly), published by the Bank of Greece, in Greek and English.
- "Economic Bulletin" (semi-annual), published by the Bank of Greece in Greek and English.
- "Annual Report" (annual), published by the Bank of Greece in Greek and English.

2.4.2 Data availability

Data under BPM6 methodology are available from the reference month January 2002 and onwards on the [BoG website](#).

2.4.2.1 Frequency of the b.o.p. and i.i.p. data compilation and publication

B.o.p data are compiled and published monthly whereas i.i.p. data are compiled and published quarterly.

2.4.2.2 Seasonally adjusted data

Not available.

Spain

1 Institutional environment

1.1 Professional independence

The activity of the Banco de España is regulated by its Law of Autonomy (Law 13/1994) which is available on the Banco de España's [website](#) (see "[About us](#)"- "[Related legislation](#)"). Article 1 (Nature and specific provisions) establishes that "the Bank is an institution under public law with its own legal personality and full public and private legal capacity. It shall pursue its activities and fulfil its objectives with autonomy from the administration, carrying out its functions as specified in this law and other legislation."

Article 25 (Renewal and dismissal of governing bodies) also aims to reinforce the institution's autonomy: "The terms of office of the Governor and the Deputy Governor will have a duration of six years, and will be non-renewable for the same position". In addition, the article strictly specifies the reasons for their possible dismissal.

Moreover, the Bank is an integral part of the European System of Central Banks (ESCB) and shall be subject to the provisions of the Treaty of the European Community (Treaty) and to the Statutes of the ESCB. The independence of the Banco de España is further emphasised in Article 130 of the European Union (EU) Treaty and Article 7 of the Statute of the ESCB and of the European Central Bank (ECB), which stipulate that "when exercising the powers and carrying out the tasks and duties conferred upon them..., neither the ECB nor a national central bank nor any member of their decision-making bodies shall seek or take instructions from Community institutions or bodies, from any government of a Member State or from any other body. The Community institutions and bodies and governments of the Member States undertake to respect this principle and not to seek to influence the members of the decision-making bodies of the ECB or of the national central banks in the performance of their tasks."

There is an annual statistical work programme at the central bank which is only internal, but which closely follows the requirements established by the ESCB work programme.

The Banco de España's [Annual Report](#) includes an annex entitled "Informe de Gestión" (available only in Spanish) with a section devoted to the Bank's statistical function, focusing on new plans and on the progress made in existing projects.

At the national level, there is a National Statistical Plan⁴⁰ (Plan Estadístico Nacional or PEN) where some of the Banco de España's statistics are reflected. The inclusion

⁴⁰ See: <http://www.boe.es/boe/dias/2012/12/08/pdfs/BOE-A-2012-14907.pdf>
<http://www.boe.es/boe/dias/2015/01/16/pdfs/BOE-A-2015-350.pdf>

of those statistical operations in the PEN does not affect the Bank's ability to implement its work programme in a completely independent manner. The PEN, which takes the legal form of a Royal Decree, is a four-year plan that is updated annually.

1.2 Mandate for data collection

The development, production and dissemination of statistics by the Banco de España are governed by Article 5 of the Statute of the ESCB and of the ECB, as well as [Regulation \(EC\) No 2533/98](#); whereas the Instituto Nacional de Estadística (Spanish National Statistics Institute or INE) are governed by the statistical principles laid down in article 2 of [Regulation \(EC\) No 223/2009](#). The Banco de España as a member of the ESCB, conducts quality assurance and disseminates statistics in conformity with the principles of the ESCB's Public Commitment on European statistics by the ESCB.

The Banco de España is responsible for the compilation of b.o.p. and i.i.p. statistics for Spain. Nevertheless, data collection is not always undertaken by the Bank. In particular, in the area of the Current and Capital Account (with the exception of Investment Income), the main sources of information are the responsibility of the INE and the Customs Department. The compilation of the Current and Capital Account is made in close cooperation with compilation of the Rest of the World Account, which is the responsibility of the INE.

The compilation and dissemination of data by the Banco de España are governed by Law 13/1994 on the Autonomy of the Banco de España (available on the Bank's website; see earlier reference), whose Chapter II (Objectives and functions), Article 7(f) (General principles) reads: "Compile and publish statistics related to its functions and assist the ECB in the compilation of the statistical information needed for the fulfilment of the ESCB's functions".

Furthermore, the National Statistical Plan, which is drawn up every four years and is approved by Royal Decree and published in the Official State Gazette (BOE), includes the b.o.p. and i.i.p. as national official statistics prepared by the Banco de España.

The collection of data on external transactions and positions by the Banco de España is covered more specifically by the Ministerial Order EHA/2670/2011, amending the Order of 27 December 1991 which implemented Royal Decree 1816/1991 on external economic transactions, and by Law 19/2003 on the legal regime of movements of capital and economic transactions abroad.

Moreover, the Bank, as a member of the ESCB, is assigned the task of collecting information on b.o.p. and i.i.p. statistics on the basis of Article 2 of Council Regulation (EC) No 2533/98.

2 Statistical processes

2.1 Methodological principles and national specificities

B.o.p. and i.i.p. statistics are compiled in accordance with the standards set forth in the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6). Furthermore, specific compilation recommendations from relevant international bodies are observed. In particular, as specified in the [ECB Guideline \(ECB/2011/23](#) of 9 December 2011, as amended) and [Regulation \(EC\) No 184/2005](#) of the European Parliament and of the Council of 12 January 2005 (as amended), and in accordance with the relevant guidance presented in Chapters 2 and 3 of this book.

2.1.1 Residence

The general principles laid down in the BPM6 are applied. Special purpose entities (SPEs) with little or no physical presence are considered residents if incorporated in Spain, provided they are not combined with entities resident in other economies.

2.1.2 Institutional unit definition

The general principles on institutional units (centre of economic interest, decision-making autonomy and complete set of accounts) are applied. The statistical coverage of SPEs is in line with the conclusions of the [Eurostat/ECB/OECD 2013 Task Force on Head Offices, Holding Companies and SPEs](#).

The conclusions of the Task Force have been implemented.

2.1.3 Geographical allocation

The counterpart country collected is generally the immediate counterpart. In line with BPM6 principles, the geographical allocation is based on the debtor-creditor principle. For portfolio assets, the allocation based on the issuer country is done by merging reported data by the International Securities Identification Numbering system (ISIN) code with the ECB's Centralised Securities Database (CSDB). For Foreign Direct Investment (FDI), information on the Ultimate Controlling Parent (UCP) is declared and used to apply the extended directional principle (to correctly allocate flows and positions vis-à-vis sister companies to outward or inward FDI when FDI is disseminated separately following the directional principle).

2.1.4 Allocation to institutional sectors

The definition and delimitation of institutional sectors generally follows the practice of BPM6 and the European System of Accounts 2010 (ESA 2010) consistent with national accounts. The items that have to be broken down by sector are compiled from micro data where the Spanish tax identification number is available and this identification number is crossed with the sectorisation database of the Banco de España's Statistics Department.

2.1.5 Valuation

In general, transactions are valued at market prices prevailing when transactions take place, and positions at market prices prevailing at the end of the period of reference. In the specific case of direct investment in unlisted equity, own funds at the book value of the investee are used. Nominal valuation is used for positions in non-negotiable instruments, namely loans, deposits and other accounts receivable/payable.

Spanish b.o.p. and i.i.p. statistics are compiled and disseminated in euro. For the conversion of transactions and balances denominated in a currency other than the euro, the BPM6 recommendations are generally followed: use of market exchange rates at the time of the transaction, in the case of the b.o.p., or on the date referred to, in the case of the i.i.p. However, for some sources of information, such as, for example, those in which transactions are derived from stocks, average monthly exchange rates for transactions must inevitably be used.

2.1.6 Time of recording

The BPM6 principles are generally followed. Transactions in goods, non-produced non-financial assets and financial assets are recorded at the moment of change of the economic ownership. For services, the time of recording is determined by the time of delivery, and primary and secondary income are recorded at the time in which the corresponding rights or obligations to pay arise. Interest income is therefore recorded on an accrual basis. The accrual principle is also used for reinvested earnings related to direct investment, based on direct reporting by the entities involved (assets and liabilities). Reinvested earnings related to investment funds are also included, based on the CSDB data on accrued income factors. Dividends in Portfolio Investment are recorded as of the date they are paid, which is not very different from the date indicated in BPM6.

2.1.7 Coverage gaps and room for improvement

There are some residual coverage gaps or deviations from BPM6 in specific b.o.p. and i.i.p. items. Margins on buying and selling financial instruments are not included in financial services.

2.1.8 Seasonal adjustment

No seasonal adjustment is made.

2.2 Statistical procedures, sources and methods

2.2.1 Overview of data collection system

The sources of information and the compilation procedures are very different for the Current and Capital Account (with the exception of investment income), on the one hand, and the i.i.p., the b.o.p. financial account and related investment income, on the other. Nevertheless, before entering into detail about the sources and methods for non-financial and financial external statistics, it is worth mentioning that there is one source used for both areas, since it is useful to delimitate the population of resident units that are involved in foreign transactions. This is the information declared by Payment Services Providers (PSPs) to the Banco de España under the Bank's Circular 1/2012. PSPs report the credits and debits received/ordered by their clients when they come from or are directed to accounts in non-resident PSPs and are above the threshold of €50,000. Following the changes in the European payments Regulation, the variables to report are limited to those that are available to PSPs in a completely automated way from their payment procedures, and therefore the statistical concept of the transaction is not included, nor any information related to the final issuer/receiver of the credits/debits. The information reported by PSPs contains the tax identification number of the resident who orders/receives the payment and the amount of the transaction, which means that, at the first stage, this source is very useful as it delimits the target population for external statistics and detects possible absences of reporting in some sources. Moreover, although not including the statistical concept of the transaction, in some cases it is possible to identify, from the amount and the tax identification number of the resident, a transaction available from another source in the PSP's declaration. This makes it possible to identify if and how the transaction has been settled and is useful to detect possible errors and omissions in counterpart transactions.

The main sources of information for the Current and Capital Accounts are the following (for more details on other sources and procedures used for each item, users may consult the [national methodological note](#)):

- Foreign trade statistics of the Customs Department (Spanish Tax Revenue Service, AEAT). It provides monthly data on trade in goods, although some adjustments are needed to obtain the figure of general merchandise to be included in the b.o.p.
- The INE's Survey on International Trade in Services and Other International Transactions (ECIS). It provides quarterly data on services and some other items of the Current and Capital Accounts. Monthly data are estimations based

on a monthly indicator, the external sales and purchases of big Spanish companies of services from the AEAT.

- The INE's Monthly Frontier Survey on Travel Expenditure (EGATUR); the INE is responsible for data referred to October 2015 onwards.
- Data on European Union flows published monthly by the Spanish Treasury. However, these data are on a cash basis, so for fund flows in which the cash basis differs significantly from the accrual basis, other information is also used (quarterly and annual data from the National Audit Office and monthly data from the State Agricultural Guarantee Fund).

In general, the main sources of information for the i.i.p., investment income and financial transaction flows depend on the respective institutional sector, with the exception of portfolio investment liabilities that are assigned to the issuer sector and are not necessarily declared by the respective units. With this exception, the main sources of information can be summarised by institutional sector as follows. For more details on other sources and procedures used for each item, users may consult the [national methodological note](#).

- **Central Bank.** The Operations Department provides the data with the frequency and details required. These data are consistent with the Banco de España's balance sheet and profit & loss account or are calculated ad hoc for statistical purposes when principles other than accounting principles must be applied.
- **Other Monetary Financial Institutions (MFIs).** The statistical requirements are integrated in the financial statements reported to the Banco de España for supervision and statistical requirements covering the frequencies and details required for the b.o.p. and i.i.p. under Circulars 4/2004,⁴¹ 1/2009 and 1/2014.
- **General Government and Other Resident Sectors.** Under Banco de España Circular 4/2012, all residents other than PSPs are obliged to report their transactions, other flows and positions with non-residents, including the details needed to classify them correctly by instrument and by functional category. There are two different reporting templates: one with all the details and another in highly summarised form for reporting agents allowed to make the simplified annual declaration. Residents are obliged to report the detailed template on a monthly, quarterly or annual basis, depending on the amount of their transactions and stocks of the previous year according to the following thresholds: a) \geq €300 million; b) \geq €100 million; and c) $<$ €100 million. The simplified annual declaration is allowed when neither the amount of stocks nor transactions is above €50 million. For amounts not above €1 million the declaration is only compulsory upon explicit request by the Banco de España. The total sample includes approximately 19,000 reporters, which are mainly enterprises but also households (2,000 reporters in the monthly sample, 2,000 reporters in the quarterly sample and 15,000 reporters in the annual sample).

⁴¹ Amended by Circulars 1/2013 and 5/2014.

The sample selection makes use of cross-border transactions made by the reporters, it is collected monthly from PSPs and is based on the volume of the above-mentioned cross-border transactions. The response rate is over 90%. In the case of Direct investment equity the information is complemented with data from the Investment Register of the Ministry of Economic Affairs and Competitiveness (available on a quarterly basis for transactions and on annual basis for stocks).

2.2.2 Detail by accounting item

2.2.2.1 Goods

Foreign trade statistics (FTS) compiled by the Customs Department of the AEAT are the main source of information. Some adjustments are made in coordination with the INE in order to ensure consistency insofar as possible with the Rest of the World account, most importantly:

- Imports (valued CIF in FTS) are adjusted to estimate them on a FoB (Free on Board) basis.
- Merchanting is included using data provided by the ECIS. Processing and repair transactions are excluded using detailed data from FTS combined with data from the ECIS.
- The figures include amounts corresponding to illegal activities related to foreign trade in goods, estimated by the INE in the framework of National Accounts. These estimations are made following the methodology and procedures recommended by Eurostat⁴² and are based on academic and scientific studies, of a national and international nature, conducted in both the private and public sector. Data provided by the Ministry of the Interior and the Ministry of Health, Social Services and Equality are among the sources used by the INE.

2.2.2.2 Services

Travel

For Travel credits, the main information source is the EGATUR. Data are estimated using a factorial econometric model which includes as complementary information several supply and demand indicators (including passengers on international flights, prices and overnight stays, among others). Data from EGATUR are adjusted to remove amounts corresponding to transport and intermediation margins of non-resident travel agencies and tour operators.

⁴² In accordance with the obligation imposed by the European Commission on EU Member States to cover these activities in the estimation of Gross National Income.

For debits, estimates are based mainly on the information available at the Banco de España in the field of credit card transaction payment systems. This information, broken down by type of transaction (through Automated Teller Machines, point of sale terminals or e-commerce), is complemented with data disseminated by the Telecommunications Market Commission, broken down by economic activity sector, permitting delimitation of sectors related to Travel.

Both in credits and debits, when non-residents (residents) temporarily occupy their own dwellings located in Spain (abroad), a Travel service is imputed offset against Direct investment income. These estimates are made by the INE in the framework of National Accounts, combining information on overnight stays in own dwellings from EGATUR with information on average household size and average rentals in secondary dwellings.⁴³

Other services other than Travel

In general, the main source of information is the ECIS, complemented with other sources for certain types of services. The ECIS results are adjusted to add an estimate of transactions made by residents that always operate under the reporting threshold for PSPs and this information is used to delimitate the survey population. In the case of Manufacturing Services on inputs owned by others and Maintenance and Repair Services, the population obtained from the transactions reported by PSPs is complemented with a specific population of units involved in this type of foreign transactions according to detailed information from the FTS.

Estimates made by the INE in the framework of National Accounts are included in the following cases: illegal activities, freight estimates consistent with the CIF/FoB adjustment to the FTS mentioned for goods, and the amounts corresponding to insurance services as a proportion of claims obtained from ECIS. The Financial Intermediation Services Indirectly Measured are estimated by the Banco de España as a difference between rates of reference applied among financial intermediaries and rates applied to consumers.

2.2.2.3 Primary income

Compensation of employees

For receipts (residents in Spain who obtain income abroad), the population data of the Spanish Labour Force Survey and the average remuneration data in the National Accounts of the counterpart countries are used. For payments (residents in the rest of the world who obtain income in Spain), the population data are obtained from various sources, depending on the country of origin of the workers (owing to the different administrative procedures required). In the case of EU or European Free Trade Association (EFTA) countries, FRONTUR-EGATUR data on inflows of travellers for business purposes are used. In the case of non-EU and non-EFTA

⁴³ For more details on the sources of information used see the [national methodological note](#).

countries, authorisation and employment contract data are used. Average remuneration data are taken from the Spanish National Accounts. The estimate of payments is supplemented by the estimate of payments reported by general government on its remuneration of local (non-resident) staff hired in enclaves abroad (resident).

Direct investment income

For MFIs the information source is the data reported by them to the Banco de España under the integrated system of financial statement reporting. For the Other Residents Sector (ORSs), the data of the system for directly reporting cross-border transactions and external positions to the Banco de España are supplemented by those from the Foreign Investment Register (RIE) of the Ministry of Economic Affairs and Competitiveness.⁴⁴ The RIE is a basic source for recording reinvested earnings of ORSs complemented with information from the Central Balance Sheet Data Office of the Banco de España. The separation between ordinary and extraordinary results is not always clear in the accounting records and the reliability of this separation can only be assured in cases involving large amounts.

The counterparties of rental expenses imputed to owners of properties located in a country other than that of their residence when they are on temporary stays there are also recorded under direct investment income.

Portfolio investment income

As for income from debt instruments, the accrual principle has been applied since 1993 to investment-income payments to non-residents arising from interest on bonds issued by the Spanish general government sector and, since 2005, it has been applied to other interest income from portfolio investment. For this purpose, information on i.i.p. stocks is combined with information on the characteristics of the issues security by security or with the information on issuers' statements of income, in the case of liabilities. On the assets side, the ISIN code is used to check stocks security by security against the CSDB which, among many other variables, contains the information needed to estimate accrued income.

Other investment income

The data are basically obtained from the general sources described by sector.

Other primary income

Taxes and subsidies on products and production are included in other primary income. Transfers to the private sector from the European Agricultural Guarantee Fund are recorded here as receipts and contributions to the EU for the so-called "traditional own funds", which include customs duties, agricultural levies and the tax on sugar and isoglucose production. The information is obtained monthly from

⁴⁴ Royal Decree 664/1999. The reporting procedures and the corresponding forms are detailed in the Ministerial Order of 28 May 2001 and in the Resolution of the Directorate General for Trade and Investment of 21 February 2002, amended by the Resolution of 3 April 2008.

Treasury publications. However, these data are on a cash basis, so for fund flows in which the cash basis differs significantly from the accrual basis, other information is also used: quarterly and annual data from the National Audit Office and monthly data from the State Agricultural Guarantee Fund.

2.2.2.4 Secondary income

In the case of workers' remittances, estimates of receipts are made by combining two basic sources: data reported by payment institutions (remitters) to the Banco de España, pursuant to Circular 3/2009, and the Census of Spanish Residents Abroad (PERE) compiled by the INE from the registers of consulates and embassies. The remitters' data include transfers by migrants resident abroad not born in Spain.⁴⁵ The PERE data are used to estimate transfers by migrants born in Spain, imposing certain age restrictions in order to estimate the working-age population. The average remittance per remitter data is attributed to this population. In the case of payments, the available evidence is that, in contrast to receipts, transfers through remitters account for a very high proportion of the total. This means that the estimate is underpinned by the fact that these data are highly representative. The gross result obtained is checked regularly against indicators of population and disposable income and against receipts of the main counterpart countries.

Current taxes are estimated from information furnished by the tax authorities, taking into account those in the rest of the world. For social contributions, National Accounts data (published by the INE, and by Eurostat for countries other than Spain) on compensation of employees and social contributions are used. The basic source of information on social benefits is the National Social Security Institute (INSS). To calculate pension receipts, the data on residents in Spain who have paid social security contributions in other countries are combined with average pension information on counterpart countries (published by Eurostat and by the Organisation for Economic Co-operation and Development [OECD]). To record pension payments and receipts and payments under healthcare agreements, direct use is made of INSS data, which are supplemented by information on foreign transactions held by the National Public Employment Service of the Sub-Directorate General of Immigration and Emigration and the Ministry of Defence.

The part of the current transactions of insurance companies not recorded as service charges, in the case of insurance other than life insurance, i.e. claims plus premiums less service charges, is obtained from the ECIS and from INE estimates in relation to the National Accounts.

Regarding current international cooperation, the European Social Fund (ESF) and the European Development Fund (EDF) are included taking the data from Treasury publications (supplemented by direct data from the Spanish Agency for Development

⁴⁵ These may, in turn, be divided into two types of remitters: a) foreigners who have resided in Spain and have emigrated, leaving there family or friends (whether or not returning to their country of origin); and b) family or friends of foreigners in Spain who reside in other countries.

Cooperation [AECID] and from the Ministry of Defence and quarterly and annual data from the National Audit Office).

Other current transfers include contributions to the EU-denoted “Value Added Tax resource” and “Gross National Income resource”, for which the information is taken from data published by the Treasury and data provided by the National Audit Office. For non-EU transfers, the basic information source is the INE’s ECIS.

2.2.2.5 Capital account

The main item under the capital transfers heading is the part reflecting the receipts of the general government sector from the EU. Particularly notable is the European Regional Development Fund (ERDF) and the “cohesion funds” which, in the case of Spain, are assigned in full to structural improvements in industrial and environmental projects. Also included here are receipts from the European Agricultural Fund for Rural Development (EAFRD). For these transfers, the information sources are the Treasury and the National Audit Office. Also recorded here, albeit of much less importance, are other private and public transfers reported to the ECIS or directly to the Banco de España by the AECID and the Ministry of Defence. For Acquisition of non-produced, non-financial assets, the information used is that reported to the INE’s ECIS.

2.2.2.6 Direct investment

For MFIs, the data reported by them to the Banco de España under the integrated system of financial statement reporting are the information source. For ORSs, the data of the system for directly reporting cross-border transactions and external positions to the Banco de España are supplemented by those from the RIE of the Ministry of Economic Affairs and Competitiveness. The RIE is a key tool for checking transactions and detecting the non-reporting of data, particularly in offsetting transactions relating to the restructuring of non-resident multinational groups carried out through foreign-equity holding companies.

The data cover borrowing and lending between fellow enterprises and exclude debt between selected affiliated financial corporations.

2.2.2.7 Portfolio investment

The portfolio assets of MFIs are obtained from the portfolios reported under the integrated financial statement reporting system followed by Banco de España Circular 1/2014. In other cases the main source of information used to calculate portfolio investment in the financial account of the b.o.p. and in the i.i.p. is the negotiable securities reporting system, the rules of which are contained in Banco de España Circular 2/2001, followed by Banco de España Circular 3/2013. The parties obliged to report pursuant to this Circular are resident securities depository

institutions. In the case of portfolio assets of general government and ORSs deposited with non-resident institutions, the source is the system for directly reporting cross-border transactions and external positions of those sectors.

In all cases, monthly security-by-security data are used. Data on residents' issues abroad are gathered from the following sources: the Official Gazette of the Mercantile Registry and companies' annual accounts filed there; information obtained directly from the Treasury and regional governments; official gazettes of the regional governments, in the case of local government; accounting statements reported to the Banco de España under Circular 4/2004 in the case of securities issued by MFIs; and lastly, issues abroad reported directly by ORS issuers under Circular 1/2012. The acquisition of these securities by resident investors, which should be subtracted from the total issues, is covered by the aforementioned sources.

2.2.2.8 Financial derivatives

The information sources are those stated as basic sources above for each sector. Stocks include data from December 2006 for MFIs and for general government, and from December 2012 for ORSs. Due to the characteristics of certain derivatives (in particular, derivatives not traded on organised markets) and the difficulty of measuring them in gross terms, assets and liabilities stocks may be overstated, so the net data are more reliable.

2.2.2.9 Other investment

The data are basically obtained from the general sources described by sector in Section 2.2.1. That said, in the case of assets-side deposits of ORSs, in the i.i.p. the stocks of the "Locational banking statistics by residence" database of the Bank for International Settlements (BIS) are included in the i.i.p. if they are higher than those obtained by direct reporters.

Imported bank notes in euro are estimated by analysing (i) the seasonality of cash put into circulation by the Banco de España, compared to its behaviour before Spain joined the euro area; and (ii) changes in the relative weight of Spain in the total issues of the euro area. In both cases the entry of bank notes is observed in the third quarter and, to a lesser extent, in the first coinciding with the months of greater inflow of tourists.

2.2.2.10 Reserve assets

Data are obtained from the Operations Department of the Banco de España. Securities are valued monthly at market prices. Monetary gold is valued at the prevailing end-month market price published on the ECB's website.

2.2.2.11 Borderline cases

Holdings of investment fund shares larger than 10% of total shares are included in Portfolio Investment.

2.2.2.12 Additional information

The detailed national methodological document and other statistical notes may be consulted on the Banco de España's [website](#) in the section Statistics, Statistics by Subject, b.o.p. and i.i.p.

2.3 Coherence and comparability

2.3.1 Internal consistency

The b.o.p. is compiled using a broad set of sources of information depending on the item and sector. The sources of information for the current and capital accounts are very different and disconnected from those used to compile the financial account, the i.i.p. and investment income. Moreover, within the financial account, there is also a disconnection between the sources to produce some items/sectors and others. Therefore it is not possible to ensure accounting consistency within the b.o.p. by transaction a priori.

The scale and sign of errors and omissions (E&O) is assessed on an ongoing basis. No ad-hoc adjustments are made to reduce errors and omissions. The magnitude, frequency and volatility of financial flows are much higher than those affecting the Current and Capital Accounts, whose balance has, therefore, a much lower degree of uncertainty. Accordingly, the relative indicator used is E&O in relation to the assets and liabilities of the i.i.p. If this indicator shows high figures and/or a persistent sign over a long period, possible causes are reviewed. First, consistency between flows and stocks is carefully reviewed, since the signal given by E&O does not necessarily imply an error or omission in the i.i.p. (the E&O may largely be due to an incorrect distribution between transactions, revaluations and other changes in volume, and the i.i.p. may be correct).

It is not possible to measure the relative scale of E&O in relation to the volume of gross financial transactions since the latter are not available in general in the b.o.p. information systems. In any event, they would be completely negligible in this framework. Relative E&O, in relation to the volume of assets and liabilities of the i.i.p. ($E\&O / (\text{assets} + \text{liabilities}) / 2$), fluctuates around zero, within an interval of $\pm 0.15\%$.

Full consistency among different frequencies and among detailed and more aggregated data is assured and results are excellent, as indicated in the annual quality reviews at the European level.

Consistency between the b.o.p. financial account transactions and the stocks of the i.i.p. is checked on an ongoing basis both, first, at the sources level and, second, at the detailed b.o.p. and i.i.p. data level.

2.3.2 Consistency with other statistical domains

B.o.p. data can be related with some of the data published by other statistical domains, namely, foreign trade statistics, national accounts, and balance sheet information of the financial sub-sectors.

2.3.2.1 Foreign trade statistics

For the goods account, the b.o.p. uses as its basic source of information the foreign trade statistics compiled by the Customs Department, albeit with the relevant adjustments made in coordination with the INE, so as to ensure consistency between the rest-of-the-world account in the national accounts and the b.o.p.

First, imports, which in the statistics published by the Customs Department are valued using a CIF-type valuation (Cost, Insurance and Freight), are adjusted to their FoB (Free on Board) value for inclusion in the b.o.p. A CIF-type valuation means that the statistical value includes the amounts corresponding to freight and insurance specifically associated with the imports, which are services that may have been provided by residents or non-residents and which must be deducted when calculating the import figures.

Second, the information obtained from this source is adjusted to: a) include transactions of goods which do not cross borders, but do involve a change of economic ownership; and b) exclude merchandise which crosses borders but does not involve a change of economic ownership. The former type of trading is chiefly related to merchanting, and the latter to the provision of services for processing or repairing goods (see the Other Services heading). The information needed to estimate the transactions not included in the Customs trade statistics is obtained from the ECIS.

Lastly, the information includes the estimates relating to illegal activities in the International Trade in Goods, made by the INE in relation to the National Accounts. These estimates, which are drawn up using the methodology and procedures recommended by Eurostat,⁴⁶ are based on various academic and scientific studies, of a national and international nature, conducted in both the private and public sector. The sources used by the INE include the Ministry of the Interior and the Ministry of Health, Social Services and Equality.

⁴⁶ According to the European Commission's requirement that all EU Member States incorporate flows from illegal activities into their GDP estimates.

2.3.2.2 National/sectoral accounts

The comparability between b.o.p. and national accounts is ensured by the application of common definitions (BPM6 and ESA 2010).

Regarding Non-Financial National Accounts, there is a permanent national working group with experts in b.o.p. (Banco de España) and National Accounts (INE) that, among other issues, follow the differences, most of which have been removed in recent years, but the group still has some issues pending under consideration.

Financial National Accounts and b.o.p. and i.i.p. are compiled by the Banco de España. After the removal of the International Transactions Reporting System (ITRS) for b.o.p., sources and methods are almost the same in the two domains. Nevertheless, some differences in some instruments/sectors are still under investigation.

2.3.2.3 Balance sheet information of the various financial sub-sectors

B.o.p. and i.i.p. are compiled using balance sheet and other financial statements of credit institutions for statistical purposes reported to the Banco de España. Whenever balance sheet and other financial statements of other agents are available, the b.o.p. and i.i.p. data are checked with them, as is the case of investment funds or data managed by the Central Balance Sheet Data Office Division.

2.4 Accessibility and clarity

2.4.1 Release calendar and revision policy

The publication dates for the b.o.p. and the i.i.p. can be accessed on the Banco de España's [website](#). As regards revisions, with the first dissemination of detailed quarterly data for b.o.p. and for i.i.p. (one quarter after the end of the reference quarter), revisions are made to the previous quarter. Revisions over longer periods, up to a maximum of four years, can be made every year in the March or September dissemination cycle, in keeping with the revision policy promoted in the EU to harmonise it among countries and also with National Accounts practices. B.o.p. monthly data are revised whenever necessary and to the extent that the respective quarters are revised.

Studies and analyses of revisions with explanation of the reasons for the changes and of the impact on the data are disseminated when major methodological changes are made or when there is a break due to a new data collection system. Changes in methodology and procedures are generally described in the monthly b.o.p. press release and/or in the news section of the Boletín Estadístico, the methodological chapter of the annual b.o.p. and i.i.p. publication (a live version of this note is also

posted independently on the website) or in a specific note posted on the website in the b.o.p. and i.i.p. section Statistics.

2.4.2 Data availability

Data are available on the website: b.o.p. from 1993 and i.i.p. from December 2012. The time series for the i.i.p. is expected to be completed in the future; meanwhile, all BPM5 data could be used if needed since there is no very important break in the i.i.p.

Quarterly b.o.p. and i.i.p. data

[Boletín Estadístico](#)

Monthly b.o.p. data

[Economic indicators](#)

[Boletín Estadístico](#)

[BoP press release](#)

Annual report: Spanish b.o.p. and i.i.p.

<http://www.bde.es/webbde/en/estadis/bpagos/balpag.html>

Time series search engine b.o.p. and i.i.p.

http://app.bde.es/bie_www/faces/bie_wwwias/jsp/op/Home/pHome.jsp

2.4.2.1 Frequency of b.o.p. and i.i.p. data compilation and publication

B.o.p. main frequency is quarterly. A more synthetic b.o.p. is advanced monthly. I.i.p. data are quarterly.

Regarding the b.o.p., some sources are only available on an annual basis, making it necessary to estimate quarterly figures based on models and indicators:

- Census of Spanish Residents Abroad. Stock data are considered stable throughout the year. These figures are used to estimate personal transfers.
- Annual data reported by Spanish residents other than credit institutions on foreign economic transactions and financial asset and liability balances. As regards direct reporting to the Banco de España, if the amounts of transactions during the immediately preceding year or balances of assets and liabilities on December 31 of the previous year are less than €100 million, the form is only to be sent annually. Most are distributed linearly over the year.

- Income on direct investment equity for the Other Residents Sector. The Foreign Direct Investment Register (RIE) provides annual data.

Regarding the i.i.p., in general source data are timely as regards the compilation of the quarterly i.i.p. statistics. According to the established threshold, some direct reporting declarations of the Other Resident Sectors are made on an annual basis, two months after the end of the reference year. Previous stocks are kept constant through quarters until yearly data is available and then the variation is distributed linearly. Data on FDI equity stocks of ORSs from the Investment Register of the Ministry are available with a delay of 1+1/2 years. Transaction data are used to extrapolate new quarters from the last stock available until data for a new year are received. The benchmark used for assets in deposits of the Other Resident Sectors, mirror data from the BIS statistics "locational banking statistics by residence", are available not for the first publication of each quarter, but for the first revision.

2.4.2.2 Seasonally-adjusted data

No seasonally-adjusted data are disseminated.

France

1 Institutional environment

1.1 Professional Independence

The independence of Banque de France (BdF) in exercising its powers is guaranteed by French law (Code monétaire et financier in [art. L141-1](#): “In carrying out the missions it performs on account of its participation in the European System of Central Banks, the Banque de France (...) may neither solicit nor accept instructions from the Government or from any person”) and by EU primary law. The independence of BdF, in its capacity as a member of the ESCB, is further emphasized in Article 130 of the EU Treaty and Article 7 of the Statute of the ESCB and of the ECB, which stipulate that “when exercising the powers and carrying out the tasks and duties conferred upon them..., neither the ECB nor a national central bank nor any member of their decision making bodies shall seek or take instructions from Community institutions or bodies, from any government of a Member State or from any other body. The Community institutions and bodies and governments of the Member States undertake to respect this principle and not to seek to influence the members of the decision making bodies of the ECB or of the national central banks in the performance of their tasks.”

The annual statistical work programme of BdF is communicated to the French National Council on Statistical Information (Conseil national de l'information statistique, CNIS – www.cnis.fr), the institutional body that ensures dialogue between users and producers of public statistics, examines new projects and monitors the quality of existing surveys and data collections.

1.2 Mandate for data collection

The development, production and dissemination of statistics by the Banque de France are governed by Article 5 of the Statute of the ESCB and of the ECB, as well as [Regulation \(EC\) No 2533/98](#); whereas the Institut National de la Statistique et des Études Économiques (INSEE) are governed by the statistical principles laid down in article 2 of [Regulation \(EC\) No 223/2009](#). The Banque de France as a member of the ESCB, conducts quality assurance and disseminates statistics in conformity with the principles of the ESCB's Public Commitment on European statistics by the ESCB.

BdF is responsible for the compilation of balance payments and i.i.p. statistics for France, as established by Art. L141-6 of the Code Monétaire et Financier. The same article gives BdF the power to collect data needed to fulfil its fundamental missions.

2 Statistical processes

2.1 Methodological principles and national specificities

B.o.p. and i.i.p. statistics are compiled in accordance with the standards set forth in the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6). Furthermore, specific compilation recommendations from relevant international bodies are observed. In particular, as specified in the [ECB Guideline \(ECB/2011/23](#) of 9 December 2011, as amended) and [Regulation \(EC\) No 184/2005](#) of the European Parliament and of the Council of 12 January 2005 (as amended), as well as the relevant guidance presented in chapters 2 and 3 of this book.

A presentation of the methodology and data sources for the French b.o.p. and i.i.p. is available on the [Banque de France website](#). This also includes a detailed description of the coverage gaps and deviations from the underlying manual.

B.o.p. and i.i.p. statistics for France follow the BPM6 methodology.

Back data in BPM6 are available from 1999 onwards for b.o.p. and i.i.p. The production of back data was also undertaken to correct for some breaks in series, which were caused notably by the evolution of the data collection system; main items are now fully consistent from 1999.

For a limited number of detailed breakdowns, it was not possible to recompile or estimate back data, so there may be some breaks (in such cases, generally a detailed series will not be available as far back as 1999).

Detailed information about the impact of BPM6 on France's b.o.p. and i.i.p. statistics can be found in an article published in the [Banque de France Bulletin](#).

2.1.1 Residency

The general principles laid down in the BPM6 are applied. For b.o.p. and i.i.p. purposes, the French territory includes the French Overseas Departments (Guyana, Guadeloupe, Martinique, Mayotte and Réunion), and the overseas communities of Saint-Barthelemy, Saint-Martin and Saint Pierre and Miquelon, along with the Principality of Monaco, but not some French overseas territories (French Polynesia, New Caledonia and the Wallis and Futuna Islands).

2.1.2 Institutional unit definition

The general principles on institutional units (centre of economic interest, decision-making autonomy, and complete set of accounts) are applied. The statistical coverage of SPEs is in line with the conclusion of the Eurostat/ECB/OECD 2013 [Task Force on Head Offices, Holding Companies and SPEs](#).

2.1.3 Geographical allocation

Trade in goods: for the purpose of compiling euro area aggregates, BdF reports goods imports and exports to the ECB according to the “country-of-consignment” principle, i.e. according to the immediate counterpart. However, for its own publications, BdF favours a geographical allocation for exports based on the country of final destination, and for imports on the country of origin.

Direct investment: along with “traditional” series presented on the basis of the immediate country of origin or destination of the capital, BdF publishes series on foreign direct investment in France that are presented according to the ultimate controlling parent rule. This means the residence country of the ultimate controlling parent (defined as the entity at the head of the chain of financial links – stakes in excess of 50% – that makes up the group) is identified. The ultimate controlling parent presentation provides a clearer idea of the geographical origin of the entities that ultimately own and control resident companies.

Since the sources (mostly holdings reported by custodians) do not track non-residents’ positions in French securities held abroad, **Portfolio investment liabilities in the form of corporate securities** are estimated on the basis of information on resident issuance (see section 2.2.2.7. for details).

2.1.4 Allocation to institutional sectors

There is one minor specificity regarding a market infrastructure which is supervised as a bank: in order to be as consistent as possible with monetary statistics, data reported by this infrastructure are split between Other MFIs / Deposit-taking corporations, except the central bank for the part included in the monetary statistics (own-account activities) and Other sectors / Financial corporations other than MFIs for the rest of its activity (customer-oriented activities).

2.1.5 Valuation

Direct investment: unlisted equity stocks are valued at book value; listed equity stocks are valued at market value.

For portfolio investment, accrued interests are currently not included in transactions. They will be included by the end of 2016.

2.1.6 Time of recording

Dividends are recorded on the date they are payable. This means they are recorded at the time the general meeting of shareholders determines the distribution.

For direct investment abroad, data on **reinvested earnings** are elaborated on the basis of an annual survey on FDI stocks; for foreign direct investment in France, data

on reinvested earnings are calculated from annual accounts of direct investment enterprises. In both cases, annual data are then divided into 12 equal parts.

2.1.7 Coverage gaps and room for improvement

There are some residual coverage gaps or deviations from BPM6 in specific b.o.p. and i.i.p. items:

- Margins on buying and selling financial instruments are not included in financial services.
- Data on insurance technical reserves have been collected since 2014. The phase of data quality enhancement is currently ongoing. The timeline for its inclusion in the usual production process will be decided taking into account the need to coordinate with national accountants.
- Except for travel services, no data are collected directly from resident households. Data on households assets held abroad, for instance in real estate (direct investment), portfolio investment (assets held in custody with non-resident banks) or other investment (deposits in non-resident banks) are not collected directly; they can in some cases be estimated with some delay using mirror data, notably BIS statistics that measure the liabilities of non-resident banks vis-à-vis French residents.

2.1.8 Seasonal adjustment

In its monthly releases, BdF publishes some seasonally adjusted series for the current account (current account balance, as well as balances for trade in goods, trade in services, primary income and secondary income). The seasonally adjusted current account balance is indirectly seasonally adjusted, as it is calculated as the sum of the seasonally adjusted components.

2.2 Statistical procedures, sources and methods

2.2.1 Overview of data collection system

BdF compiles France's b.o.p. primarily on the basis of surveys. Major non-financial enterprises with total international transactions in at least a service or income entry exceeding EUR 30 million a year have to report directly to BdF their transactions in services and their income payments to or from non-residents, but also their financial transactions with non-residents ("full direct report"). In addition, an annual survey (supplementary survey on trade in services) measures smaller non-financial enterprises' international exchanges of services.

The other main sources for compiling the b.o.p. are (1) data from the Customs administration for statistics on trade in goods; (2) a quarterly survey of 600 non-financial companies completed with an annual survey including 1,000 other non-financial companies on their borrowings and loans vis-à-vis non-residents and the interest received from and paid to non-residents; (3) a quarterly survey of about 900 enterprises on trade credits supplemented by an annual survey of about 1,000 companies; (4) a monthly survey of 30 financial intermediaries supplemented by an annual survey of about 1,500 financial intermediaries on their cross-border transactions for their own account, notably services and financial derivatives, except for securities transactions and lending/borrowing transactions; (5) monthly reports on securities holdings filed by custodians, on a security-by-security basis, on securities held for their own account or on behalf of their resident and non-resident customers (6) three surveys on inward and outward travel; (7) administrative data collected from the government or other departments of the BdF; and (8) banking data collected in association with the Prudential Supervision and Resolution Authority ("Autorité de contrôle prudentiel et de résolution").

Additionally, enterprises, insurance corporations and financial intermediaries acquiring or disposing of outward direct investment or affected by acquisitions or disposals of inward direct investment for amounts exceeding €15 million are required to disclose such transactions within 20 business days of their execution.

Finally, in order to determine the amount of non-residents' holdings of euro banknotes issued by BdF, which is recorded in the i.i.p., BdF collects data on cross-border flows of banknotes.

Quarterly data (b.o.p. and i.i.p.) relies mostly on collected data (data collection on a monthly or quarterly frequency), except in some cases where data are only available on an annual frequency, sometimes with a delay. This is the case for instance for services, where the largest companies are subject to full monthly direct reporting, but data on smaller companies come from an annual sample survey, available only at the end of year Y+1 (for transactions in year Y). Some items in direct investment (income, reinvested earnings and the value of stocks in the i.i.p.) are first partly estimated, and then revised based on actual annual balance sheet data when these become available.

Annual data (b.o.p. and i.i.p.) are consistent with quarterly data. In some cases (items for which data are only collected on an annual frequency) they may be more detailed or accurate than previously published quarterly data.

Monthly data are partly based on monthly data collections (notably for the Monetary Authorities, MFI and General Government sectors in the financial account, and for monthly direct reporters for non-financial enterprises). Data for the remaining are produced on the basis of quarterly or annual surveys or data collections. In those cases the series (or part of the series) have to be estimated until the actual data becomes available. This is notably the case for travel services and for some investment income items, for which actual data are only collected on a quarterly basis.

For all data frequencies, some items such as c.i.f./f.o.b. adjustment (for goods and services), compensation of employees, workers' remittances, insurance, non-financial corporations' other investment income rely on statistical methods but are partly based on actual data (including administrative data or mirror data).

2.2.2 Detail by accounting item

2.2.2.1 Goods

Trade in goods is primarily measured on the basis of customs data on transactions in merchandise and BdF surveys on merchandising.

Customs data are generally published CIF-FOB. In order to comply with BPM6 methodology, the cost of insurance and freight to the French border are subtracted from the value of imports and reclassified as payments for the relevant services (insurance and pension services, transport services). In addition, the data are corrected and adjusted so that exchanges of goods include only the transactions entailing a change of economic ownership of produced goods. Therefore, customs data are adjusted for unrequited transfers:

- Transactions with no payment for a change in economic ownership (primarily grants): economic ownership is handed over, but it is a transfer and not an exchange. Consequently, the counterpart to such transfers is recorded as secondary income.
- Transactions with no payment or change in ownership: these are primarily movements of goods for processing, which need to be recorded under services. For example, movements of components used in the Airbus coordinated manufacturing scheme are recorded under "manufacturing services on physical inputs owned by others" (see below). Furthermore, exchanges of goods under leasing arrangements are recorded as leasing services.

2.2.2.2 Services

Trade in services between France and the rest of the world is primarily tracked using:

- The monthly filings from direct reporters: complete survey of approximately 500 major non-financial enterprises with total international transactions in at least a service or income entry exceeding EUR 30 million a year.
- Surveys to smaller companies' trade in services; an annual supplementary sample survey (approximately 5,500 companies surveyed each year).
- And the monthly and annual transaction reports provided by financial intermediaries on their trade in services.

Some exceptions are to be mentioned.

Travel

Residents' expenditure abroad is tracked by means of a monthly survey of a panel of 20,000 resident households about their personal travel (Tourism Demand Survey—Suivi de la demande touristique—SDT). Another survey of a panel of 10,000 resident individuals provides information about business travel (Survey on Business Expenditure Abroad—Enquête sur les dépenses professionnelles à l'étranger—EDPE).

Expenditure by non-residents visiting France is measured by means of surveys of foreign visitors (80,000 questionnaires per year) in airports, ports, motorway rest areas and on major international rail routes (Survey of foreign visitors—Enquête auprès des visiteurs venant de l'étranger—EVE).

In addition, a monthly survey of cross-border credit/debit card transactions (CRC) polls credit institutions and payment institutions handling card payments and provides further information about foreign visitors' spending in France and residents' spending abroad.

Transport services

Some of the data on freight services come from the direct reporters' filings and the annual supplementary survey on international trade in services. However, transport services are often paid for indirectly as part of the cost of merchandise; consequently, some of the amounts are calculated by BdF using the CIF/FOB ratios estimated by Customs. The data on air passenger transport comes from the direct reporters' filings, as well as direct reporting by foreign airlines (payments related to their flight and sales activity, as well as cash transactions with their head offices and affiliates in other countries).

Financial services

Financial services explicitly charged are measured using the monthly and annual reports from financial intermediaries on their cross-border financial services receipts and payments. FISIM are estimated using the reference rate calculated by national accounts compilers.

Insurance services

The amounts of insurance services payments and receipts are determined using data from the direct reporters' filings and the annual supplementary survey on international trade in services. These data are supplemented by data from the Statement of Technical Reserves of insurance corporations: resident insurance and reinsurance corporations that are full direct reporters disclose the technical reserves shown on their balance sheets to cover their contractual liabilities vis-à-vis non-residents. These amounts are broken down by type of insurance, by country and by nature of the reserves ("Premiums" or "Claims payable"). Estimates of the investment income earned on technical reserves are also disclosed. The filings are

made quarterly. Methodological work is under way to use the data collected more thoroughly.

2.2.2.3 Primary income

Compensation of employees: receipts corresponding to compensation of cross-border workers are estimated using mirror data from neighbouring countries. Their compensation is reported to the tax or social security administrations by their non-resident employers, which means the countries hosting these workers (primarily Switzerland, Germany, Luxembourg and Belgium) have a clearer idea of their number and their compensation. Payments corresponding to compensation of cross-border workers are estimated from data provided by the French social security administration.

Direct investment income: dividends are directly reported by financial intermediaries and by major companies and are estimated on the basis of an annual survey for the remaining part. Interest on intercompany loans comes from the quarterly and annual surveys on non-financial companies. Reinvested earnings data are elaborated on the basis of an annual survey on FDI stocks abroad and are calculated from annual accounts of French direct investment enterprises. Preliminary figures for direct investment income (including dividends and reinvested earnings) are estimated using statistical processes based on consensus forecast earnings per share on the French and other main financial markets, since no data are available during the reference year.

Portfolio investment income is computed on security-by-security holdings data and corresponding dividends and coupons. It includes reinvested earnings of investment funds.

Other investment income for banks stems primarily from quarterly data gathered from banks reports. Interest income is adjusted for FISIM to show 'pure' interest. "Other investment" income in other sectors is calculated on the base of positions in financial assets and liabilities measured by a quarterly survey of financial assets and liabilities vis-à-vis non-residents.

Monthly estimates of banks' receipts and payments of income from "Other investment" are based on the calculations of apparent interest rates on lending and borrowing positions made for the compilation of the monthly b.o.p.

Reserve assets income is identified separately.

Investment income attributable to policy holders is estimated using services data and firms' data.

2.2.2.4 Secondary income

General government transfers refer to technical assistance expenditure, France's contributions to the operations of international institutions, and transactions with institutions of the European Union (e.g., contributions to Community budgets and the European Development Fund, and subsidies from various European funds). General government transfer payments are reported directly by the government departments involved, on the one hand, and by the banking sector, on the other hand, when transfers are made on behalf of customers.

Personal transfers consist primarily of **remittances** sent by foreign workers. Outward remittances are estimated based on World Bank data on migrant populations and incoming transfers in receiving countries.

Other sectors' transfers include the entry offsetting private transactions involving transfer of ownership but without payment, recorded by customs.

2.2.2.5 Capital account

Capital transfers: government departments report the data on capital transfers directly. For the MFI sector, data come from settlement reports.

Financial and non-financial corporations, households and NPISHs debt forgiveness: private sector debt relief concerns essentially banks, and it is offset by credit entries in "banking sector lending abroad" (included in "Other investment"). Losses on private sector claims correspond to the difference between the nominal value of claims and their sale value.

General government debt forgiveness: general government debt relief is offset by credit entries in "general government sector lending abroad". Investment grants from a specific European structural fund are recorded in the capital account.

2.2.2.6 Direct investment

Direct investment includes loans, cash flows and, more generally speaking, all financial transactions between affiliated enterprises, with the exception of transactions between credit institutions and affiliated financial intermediaries (which are classified as "other investment"). Trade credits between affiliates are also included in direct investment. Residents' real-estate investment in other countries or non-residents' real-estate investment in France are also considered to be direct investment.

Unlisted shares include all direct investment in the form of equity in companies that are not listed on any exchange, whether these are corporations or quasi-corporations.

"Other equities" broadly cover real-estate direct investment in BdF statistics.

Direct investment transactions are compiled on the basis of a combination of direct reporting by enterprises involved in such transactions, regular monthly direct reporting by large banks and major non-financial companies, quarterly and annual surveys. The largest flows are tracked as a result of the requirement that outward and inward direct investment transactions in excess of EUR 15 million be reported to BdF.

The equity capital positions of outward direct investment come from an annual survey of resident enterprises (industrial and commercial enterprises, financial intermediaries or insurance corporations): any non-resident subsidiary in which a resident direct investor holds an equity capital stake in excess of €5 million, or where the acquisition cost was greater than €5 million, must be reported in the survey.

The equity capital positions of inward direct investment are based primarily on the identification of non-residents' holdings of more than 10% of the equity capital in any resident enterprise, with information from BdF, Insee and the French Prudential Supervision and Resolution Authority. Positions are tracked using the accounting data of the direct investment enterprises identified.

Both assets and liabilities arising from lending between fellow enterprises are measured using the "affiliates" section of the BdF survey of nonfinancial companies' foreign financial assets and liabilities.

The real-estate investment position is calculated through cumulative flows.

BdF uses own fund at book value for unlisted equity in its reference publications, since this is the value used by most other countries and it allows for uniform international comparisons.

2.2.2.7 Portfolio investment

Data on portfolio investment are based on a monthly security-by-security data collection from custodians, completed by a quarterly collection.

Stock of securities for all maturities are reported by each custodian on a security-by-security basis, distinguishing between portfolios owned on own behalf and those on behalf of their clients. For client portfolios, stocks are also detailed by residence country and economic sector of the client. The collection includes all French and foreign securities, in euros or in foreign currencies, and covers all custodians in France. Banks are also required to report the securities held abroad in their own portfolio. This collection does not cover foreign securities held directly abroad by non-bank residents, nor French securities held abroad by non-residents. Foreign securities held directly abroad by non-bank residents are partially covered using SHS backflow and estimations based on data published by the Swiss Ministry of Finance about withholding taxes transferred to holder's country. Concerning liabilities not covered by custodian reporting, the difference between issues and holdings is ascribed to non-residents, following the "residual approach".

Data from this collection are processed on a security-by security basis; this includes comparison with balance sheet information (for financial institutions) and the treatment of cases where the actual ownership of the security may differ from custodian information (securities lending, short-selling, repos, etc.).

Data on portfolio investment by French residents in securities issued by non-residents (assets) are then computed directly. Liabilities are computed by subtracting the amount held by residents from the total amount issued by residents (data available in the bond database managed by BdF), except for government bonds. For government bonds, the coverage of the collection (total amounts reported by the custodians compared to amounts issued) is high enough (around 90-95 % of the total) to allow computing the liabilities directly from the data collection (the securities held directly in a custodian abroad can be neglected).

2.2.2.8 Financial derivatives

In financial intermediaries' reports to BdF, transactions related to trading (e.g. buying and selling derivatives on foreign markets) are distinguished from transactions arising from changes in value, ensuring consistency between flows and stocks. Reports make it possible to determine whether the derivative should be recorded as an asset (in-the-money) or a liability (out-of-the-money) on the financial intermediary's balance sheet. They also identify the type of instrument used (options, swaps or forwards) and whether the instrument was traded on an organised market or on the over-the-counter market.

2.2.2.9 Other investment

The "**Other equity**" item is compiled from reports by BdF and the general government.

Currency is compiled from reports by BdF. **Flows and positions in EUR banknotes within the Economic and Monetary Union** are recorded using a special double-entry accounting treatment. The first entry is the difference between the theoretical issuance amount allocated to BdF and the euro banknotes that are actually put into circulation. The second entry records the difference between the theoretical issuance amount allocated to BdF and residents' holdings of euro banknotes (assessed by the BdF survey on banknotes shipments mentioned in § 2.2.1.). The net position corresponds to the difference between residents' holdings of euro banknotes and the banknotes put into circulation by BdF.

Trade credit is assessed by the means of a quarterly and annual enterprise survey.

BdF's loans and deposits are covered through direct BdF reports. Loans of BdF covers the assets and liabilities in euro vis-à-vis the ESCB (European System of Central Banks) recorded in BdF balance sheet as intra-ESCB transactions handled by the TARGET2 payment system (Trans-European Automated Real-time Gross settlement Express Transfer), as well as foreign currency placed with non-resident

banks in the euro area. In keeping with the common methodology of the euro area countries, the latter assets are not counted as reserve assets.

General government's loans and deposits are also tracked through direct BdF reports. General government assets include long-term loans granted under bilateral and multilateral assistance arrangements or under Paris Club bilateral consolidation agreements. Since 2010, this category has also included the French contribution to European assistance plans for euro-area countries (bilateral loans, contribution to the European Financial Stability Facility). On the other hand, France's stake in the capital of the European Stability Mechanism is recorded under "Other equity". In addition, flows and positions on transaction accounts that central banks from the franc zone hold with the French Treasury are recorded as liabilities under general government deposits.

MFIs sector flows, including export credits, are derived from monthly and quarterly statements of positions directly reported by banks and money market funds through the unified financial reporting system operated jointly with the French Prudential Supervision and Resolution Authority. MFIs' quarterly statements relate to their claims and liabilities, broken down by currency, on the accounts of foreign correspondent banks. The same applies to their claims and liabilities on non-resident customer accounts. For each quarter, the data are broken down by country for major currencies.

Other sector transactions include mainly deposits abroad and drawings and repayments of loans, irrespective of their initial maturities. The deposit and loan positions of industrial and commercial enterprises and insurance corporations vis-à-vis non-residents are assessed by means of an enterprise survey, whereas flows are determined by changes in positions, after factoring in valuation effects. Data from other sectors also include reports from investment firms, clearinghouses and investment funds. Flows are determined from variations in positions after factoring in the impact of currencies fluctuations. There is no collection of data for assessing the deposits and loans of households and NPISHs.

SDRs allocations are tracked through BdF balance sheet.

2.2.2.10 Reserve Assets

Reserve assets are recorded on a gross basis. Flows correspond to the changes in reserve assets, including the accrued interest and the value at average monthly exchange rates, published each month by the Treasury and BdF. Reserve assets positions at end-month are valued at month-end exchange rates.

Reserve assets in France's b.o.p. are consistent with the harmonized definition endorsed at the Eurosystem level: they include only non-euro-denominated claims on non-residents of the euro area, the deposits with residents of the euro area being recorded under the monetary authorities' other investment. They represent only the part of the French reserve assets not transferred to the ECB and managed by BdF.

2.2.2.11 Borderline cases

As for euro area b.o.p. and i.i.p. (see section 3.11.4), all investments by and in investment funds are classified in portfolio investment and not direct investment, even when holdings exceed the 10% threshold.

2.2.2.12 Additional information

Information on the methodology and data sources for the French b.o.p. and i.i.p. is available on the [Banque de France website](#). Information can also be found on the [regulatory and reporting framework](#).

2.3 Coherence and comparability

2.3.1 Internal consistency

Accounting identities are ensured and an explicit stock/flow reconciliation has been published in the French b.o.p. and i.i.p. Annual report since even before the changeover to BPM6.

Consistency across frequencies is ensured by the revision of monthly data whenever quarterly data are produced/revised, and the revision of monthly and quarterly data whenever annual data are produced

Internal consistency is checked notably through the evolution of the “net errors and omissions” item. This element is also a part of the regular quality reports carried out by international organisations.

2.3.2 Consistency with other statistical domains

B.o.p. data can be related with some of the data published by other statistical domains, namely, foreign trade statistics, national accounts and balance sheet information of the financial sub-sectors.

2.3.2.1 Foreign trade statistics

B.o.p. and foreign trade statistics generally show discrepancies, due to different methodologies. In particular, certain monthly transactions not covered by foreign trade statistics are added to b.o.p. figures, namely:

- Merchanting is measured by BdF data collections (monthly direct reporting by large companies and annual sample survey on smaller companies); the same amounts appear in national accounts.

- Maintenance and repair: these transactions are identified by the same means, and recorded in the corresponding services item.
- Goods procured in ports (export: fuel sold in the national economy to non-resident carriers; import: fuel procured by resident transport operators, mainly for road and air transport from non-resident providers): these transactions are tracked by the same collections.

2.3.2.2 National/sectoral accounts

The comparability between b.o.p. and national accounts is ensured by the application of common definitions (BPM6 and ESA2010). Consistency efforts have been made for the changeover to BPM6 / ESA 2010. However, differences may subsist in particular for the current transactions account due to differing data sources and revision timetables.

2.3.2.3 Balance sheet information of the various financial sub-sectors

Consistency with financial statistics is also considered, although there may be remaining differences e.g. with BSI data due to methodological differences as well as to the use of different reporting forms, and also different revision practices and timetables. Portfolio investment and SHS rely on the same data collection and are generally consistent (except for possible differences in revision timetables).

2.4 Accessibility and Clarity

2.4.1 Release calendar and revision policy

A release calendar for the monthly b.o.p. publication for the 4 months to come is available on the [BdF website](#) quarterly b.o.p. data (including first revisions) and quarterly i.i.p. are disseminated with the following monthly publication (i.e. in July, October, January and April respectively for Q1, Q2, Q3, Q4).

B.o.p. and i.i.p. data are subject to regular revisions, in accordance with the revision calendar for data transmissions to the ECB/Eurostat. Data published on a monthly basis can be revised with the next quarterly data production cycles, and then for three years in the BoP-IIP Annual Reports published in June. The final version of the data for all periods of year N is published in June N+3.

Changes in methodology are explained in the BoP-IIP Annual report and on the BdF website.

2.4.2 Data availability

2.4.2.1 Frequency of the b.o.p. and i.i.p. data compilation and publication

The b.o.p. monthly press release ("Stat Info") is published on the BdF website. Every three months, it includes an additional table showing the revisions for the previous quarter.

Annual figures and revisions are published in the BoP-IIP Annual Report each year at the end of June or early July. The Annual Report is available both in French and in English (published later due to translation delays) on the BdF website.

Time series are made available at the time of publication of the press releases or Annual Reports and can be downloaded on the [BdF time series database](#).

Quarterly and annual consistent BPM6 time series are available from 1999 to now on; **monthly** BPM6 series are available from 2008 to now on.

2.4.2.2 Seasonally adjusted data

In the monthly b.o.p. press release, current account data are seasonally adjusted for the main series (notably credit, debit and balance for total current account, goods, services, primary income, investment income, secondary income, and a few sub-items).

Monthly and quarterly seasonally adjusted current account data are available from 2008 to now on.

Croatia

1 Institutional environment

1.1 Professional Independence

Professional independence of the Croatian National Bank (CNB) is guaranteed by Article 2 of the Act on the Croatian National Bank (available in English on the [Croatian National Bank's website](#)), which establishes independence of the CNB in achieving its objective and carrying out its tasks and ensures the absence of interference in respect to the compilation and dissemination of statistical information.

The independence of the Croatian National Bank in its capacity as a member of the ESCB is further emphasized in Article 130 of the EU Treaty and Article 7 of the Statute of the ESCB and of the ECB, which stipulate that “when exercising the powers and carrying out the tasks and duties conferred upon them..., neither the ECB, nor a national central bank, nor any member of their decision-making bodies shall seek or take instructions from Community institutions or bodies, from any government of a Member State or from any other body. The Community institutions and bodies and governments of the Member States undertake to respect this principle and not to seek to influence the members of the decision-making bodies of the ECB or of the national central banks in the performance of their tasks.”

The annual statistical work program is coordinated between the Croatian Bureau of Statistics and the Croatian National Bank and published in the [Official Gazette](#), available only in Croatian.

1.2 Mandate for data collection

The development, production and dissemination of statistics by the Croatian National Bank are governed by Article 5 of the Statute of the ESCB and of the ECB, as well as [Regulation \(EC\) No 2533/98](#); whereas the Croatian Bureau of Statistics are governed by the statistical principles laid down in article 2 of [Regulation \(EC\) No 223/2009](#). The Croatian National Bank as a member of the ESCB, conducts quality assurance and disseminates statistics in conformity with the principles of the ESCB's Public Commitment on European statistics by the ESCB.

According to the [Foreign Exchange Act](#) (Article 49), the Croatian National Bank is responsible for the compilation of b.o.p. and i.i.p. statistics.

2 Statistical processes

2.1 Methodological principles and national specificities

B.o.p. and i.i.p. statistics are compiled in accordance with the standards set forth in the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6). Furthermore, specific compilation recommendations from relevant international bodies are observed. In particular, as specified in the [ECB Guideline \(ECB/2011/23](#) of 9 December 2011, as amended) and [Regulation \(EC\) No 184/2005](#) of the European Parliament and of the Council of 12 January 2005 (as amended), as well as the relevant guidance presented in chapters 2 and 3 of this book.

The CNB released the first b.o.p. and i.i.p. data according to BPM6 methodology on 31 October 2014. Data compilation in accordance with BPM6 started from 2014 whereas back data series since 2000 have been reconstructed following the BPM6 principles, using IMF recommendations and own conversion procedures that rerouted the existing data as much as possible to the BPM6 requirements. Consistent time series (BPM6 methodology) as well as methodological notes have been made available to users back to 2000 as the reference year in the [CNB Bulletin](#) as well as on the [CNB's official website](#).

2.1.1 Residency

The general principles laid down in the BPM6 are applied.

SPEs with little or no physical presence are considered as residents if Croatia is their place of incorporation. SPEs are included in the b.o.p. data with no exception, with special note under published FDI tables indicating the amount and quarter in which unusual transactions related to SPEs (e.g. round tripping) took place.

2.1.2 Institutional unit definition

The general principles on institutional units (centre of economic interest, decision-making autonomy, and complete set of accounts) are applied. The statistical coverage of SPEs is in line with the conclusion of the Eurostat/ECB/OECD 2013 [Task Force on Head Offices, Holding Companies and SPEs](#).

Data collection and compilation are based on institutional units as defined in BPM6. The general principles on institutional units (centre of economic interest, decision-making autonomy, and complete set of accounts) are applied. SPEs operations are very uncommon but occasionally statistically significant and therefore not neglected.

2.1.3 Geographical allocation

I.i.p. and b.o.p. data are presented according to the immediate counterpart principle. For geographical allocation of FDI asset and liabilities, data on immediate investment/investing country is collected.

2.1.4 Allocation to institutional sectors

The CNB follows the ESA 2010 Sectoral presentation.

2.1.5 Valuation

Balance of payments

The valuation is based on market prices prevailing on the date of transaction. When market prices are not directly available, an acceptable approximation is given by the application of the equivalent market price of the same product, service, or similar activities, as observed in the markets in which they are treated in sufficient quantities and in similar circumstances.

Non-ISIN securities are valued as they are reported by the reporting agents, as derived from their balance sheets.

Portfolio investment dividends are recorded when they are paid, direct investment dividends are recorded when they are declared payable.

Data reported in foreign currencies are converted into reporting currency at the monthly average exchange rates.

International investment position

Market prices are the basis for the valuation of positions. Nominal valuation is used for positions in non-negotiable instruments, namely loans, deposits and other accounts receivable/payable. For direct investment positions, listed equity stocks are valued at market prices and unlisted equity stocks are valued at own funds at book value. Non-ISIN securities are valued as they are reported by the reporting agents, as derived from their balance sheets.

Assets and liabilities denominated in foreign currency are converted into the unit of account at end-of-period exchange rates.

2.1.6 Time of recording

In general, the Croatian b.o.p. is compiled with the full recognition of the accrual principle. The only exception concerns dividends in Portfolio Investment, which are recorded as of the date they are paid. The accrual principle is also adopted for

reinvested earnings related to direct investment, based on direct reporting by entities involved (assets and liabilities).

2.1.7 Coverage gaps and room for improvement

Current and capital account

Contrary to BPM6, goods imported or exported for construction are recorded as part of the goods account. In the services component, a part of the construction services is recorded under goods as the exported/imported goods for construction cannot be identified separately in foreign trade. Under the travel component, the item Expenditure by seasonal and boarder workers is not compiled separately. Since the data on insurance technical reserves are insignificant, they are not compiled. Investment funds dividends and reinvested earnings are not yet compiled.

Financial account

Transactions between non-resident companies and their branches (unincorporated enterprises) in Croatia are completely included under equity instruments. The same holds true for the transactions between resident companies and their foreign branches.

It is possible that some reporting gaps exist for the portfolio transactions of resident individuals that hold their financial assets in custody abroad.

International investment position

It is possible that some reporting gaps exist for the portfolio positions of resident individuals that hold their financial assets in custody abroad.

2.1.8 Seasonal adjustment

The data are not seasonally adjusted.

2.2 Statistical procedures, sources and methods

2.2.1 Overview of the data collection system

The Croatian data collection system is mainly based on direct reporting.

Data sources include:

- Estimates and statistical research carried out by the Croatian National Bank.
- Special reports of the Croatian National Bank (payments statistics, monetary statistics, securities statistics and reserve assets).

- Reports of the government institutions (Croatian Bureau of Statistics, Ministry of Finance, Croatian Institute for Health Insurance and Croatian Pension Insurance Administration).

Data sources

The external trade statistics (Croatian Bureau of Statistics) is the main source of data on trade in goods. Since 1 July 2013, the source of data on trade in goods between Croatia and other EU Member States is the **Intrastat reporting**. The source of data on trade in goods with other countries is the single administrative document (**Extrastat reporting**).

Statistical research on revenues and expenditures on foreign trade in services and other special transactions with non-residents (USPB) are the sources of data on services (excl. travel, insurance, construction, manufacturing services and transport), compensation of employees (debit) and part of data on current and capital transfers from 2011 onwards. USPB research is conducted on monthly and quarterly samples. Institutions are included in the sample depending on the significance of the institution. The monthly sample includes institutions that cover 70% of the total population whereas the quarterly sample covers additional 20%. There are currently 323 institutions in the monthly sample and 2670 institutions in the quarterly sample. The response rate is almost 90%. Institutions not covered by the sample which provide/receive services to/from non-residents above a certain threshold are obliged to report in the form of the annual report, a month after the end of the reference year. Annual reports data are included in the b.o.p. as well as they are used for the sample revision. The grossing-up method is used to cover full population.

Special surveys for data on insurance services, construction, manufacturing services and transport are conducted separately due to complex recording of transactions relating to these services in the b.o.p.

Survey for Travel is combined with the econometric model (explained under Travel).

Administrative sources for data on pensions provided/received to/from non-residents, EU funds.

Banks reports on transactions between non-residents and resident natural persons which are used as a source of data for compensation of employees (credit) as well as for workers' remittances and other personal transfers.

The Statistical research on direct and other equity investments is a data source for direct investments, equity portfolio investments, reinvested earnings and dividends.

Security holdings statistics are used for portfolio investment compilation and for related interest income.

Reports on monetary financial institutions (MOST) are the source for data on loans, cash and deposits of the banking sector. Reports are on a monthly basis, used for monetary statistics as well as external statistics and financial accounts.

External debt statistics is a data source for other investments item and related income.

Reports on the real estate are the source of data on purchases by residents abroad or by non-residents in Croatia.

Reports on short-term trade credits with non-residents (KDZO) are the source for short-term trade credits and advances. KDZO reports are on a monthly frequency and expressed in domestic currency.

2.2.2 Detail by accounting item

2.2.2.1 Goods

The external trade statistics (Croatian Bureau of Statistics) is the main source of data on trade in goods. Since 1 July 2013, the source of data on trade in goods between Croatia and EU Member States is the **Intrastat reporting**. The source of data on trade in goods with other countries is the single administrative document (**Extrastat reporting**).

External trade statistics data are adjusted for coverage and for classification.

Adjustments of CIF/FOB – data on import by CIF value are adjusted to FOB value using the cif/fob coefficient estimated by using the available CBS data on goods imports. The shares of transportation and insurance services are calculated separately for each year, based on the goods imported at f.o.b. and similar parities. Based on the Survey on Consumption of Foreign Travellers in Croatia and Domestic Travellers Abroad, the item of goods exports is modified by the estimated value of goods sold to foreign travellers and tourists and taken out of the Republic of Croatia. The item of goods imports is adjusted for the estimated value of goods imported personally by the Croatian citizens from the neighbouring countries (shopping expenditures). Goods imported and exported for the purpose of finishing, treatment or processing are no longer included in the trade in goods data. Starting from 2014, imports and exports of goods for cross-border processing are monitored by the CNB under a special statistical research since, for the b.o.p. purposes, the goods which do not involve a change in ownership are excluded from the CBS data on the foreign trade in goods of the Republic of Croatia. The results of this statistical research are compared and supplemented by CBS data on imports and exports of goods which do not involve a change in ownership. Data on the net value and commissions and other income from merchanting are collected through a statistical research on revenue and expenditure on foreign trade in services. As BPM6 recommends reporting on a gross basis, the survey questionnaire used in the research is adjusted to a gross basis.

2.2.2.2 Services

Revenues and expenditures arising from **transportation** of goods and passengers, as well as the value of accompanying services, which together constitute the total value of these services, are compiled on the basis of the results of the Statistical research on international transportation services, carried out by the CNB. Owing to an exceptionally large population of road carriers, revenues and expenditures on the basis of road freight transportation are not adopted from that research. This item is compiled on the basis of data from export customs declarations of the CBS and estimates of the Road Freight Transporters Association. Expenditures on the basis of road freight transportation equal transportation and insurance costs related to imports of goods which belong to non-residents and which are estimated by adjusting the value of imports at c.i.f. parity to the value of imports f.o.b.

Revenues from services rendered to foreign travellers and tourists, as well as expenditures incurred by domestic travellers and tourists abroad are shown under the position **Travel**. Since 1999, Croatian National Bank started to carry out the Survey on Consumption of Foreign Travellers in Croatia and Domestic Travellers Abroad and use its results for compiling the Travel position. Since 2012, the b.o.p. data on revenues from services rendered to foreign travellers and tourists are not computed using the standard methodological combination of volume indicators and estimated average consumption from the Survey on Consumption of Foreign Travellers, but are based on a combination of the estimated level of tourism consumption in 2011 and an econometrically computed indicator. This is the first principal component from a group of variables that are assumed to follow the dynamics of tourism revenue:

- Foreign tourist arrivals and nights.
- The number of foreign travellers at border crossings.
- Total tourist consumption according to the CNB survey.
- The number of the employed in accommodation and food service activities.
- The revenues of hotels and restaurants.
- The price index of hotel and restaurants services.
- The real retail trade turnover index.
- Currency outside banks.
- The value of foreign credit card transactions.
- The banks' turnover in transactions with natural persons in the foreign exchange market.
- The industrial production EU-28.

In 2014, a special statistical survey was introduced for collecting data on **manufacturing services** on physical inputs owned by others. This survey is based on the sample with a monthly frequency and collects data on manufacturing services provided/received to/from non-residents as well as the value of goods under manufacturing services. The value of goods is used for the goods account adjustments.

There are also special surveys for **insurance services and construction services** compilation, in view of their complicated nature of recording in the b.o.p. Both surveys are based on a sample with a quarterly frequency collecting data on a monthly basis.

Other services position is compiled by using the uniform Statistical research on revenue and expenditure on foreign trade in services and other special transactions with non-residents.

With the application of BPM6, maintenance and repair services are included in Services and are no longer a part of the goods account. These services are monitored separately in the Statistical research on revenue and expenditure on foreign trade in services.

A novelty introduced under BPM6 with regard to financial services is the inclusion of **financial intermediation services indirectly measured (FISIM)**, which means that a part of investment income is reclassified from Primary income to Services. It involves income of financial institutions which exceeds the reference interest rate. The reference rate is the rate that contains no service element; the rate prevailing for interbank borrowing and lending is a suitable choice as a reference rate. FISIM for loans is the margin between lending rate and funding costs calculated on the basis of the reference rate. For deposits, FISIM is the margin between the interest rate calculated on the basis of the reference rate and the interest payable to depositors. BPM6 takes into account only FISIM of financial corporations and only on loans and deposits in their balance sheets (money market funds and investment funds do not produce FISIM). In our case, FISIM is calculated in full conformity with BPM6 methodology.

2.2.2.3 Primary income

Compensation of employees on the revenues side is estimated by a model based on the aggregate data of banks on inflows of resident natural persons from non-residents. On the expenditures side, the existing surveys on services are used, containing a part which relates to compensation of employees paid to non-residents and a separate survey on income paid to non-residents for institutions not included in the survey sample.

Income from direct investment, portfolio investment and other investment is reported separately. Data on reinvested earnings are reported separately, under direct investment income, calculated on the basis of the CNB Statistical research on direct and other equity investment. International standards are applied in the

statistical monitoring of reinvested earnings, meaning that reinvested earnings are reported on a quarterly basis, i.e. in the period in which the profit is actually earned. On the basis of statistical data on external debt relations, income from direct investment includes data on interest arising from credit relations between residents and non-residents directly related through ownership. A novelty introduced by BPM6 is that it distinguishes three types of direct investment income:

- Direct investor's investment in direct investment enterprise.
- Reverse investment (refers to liabilities of direct investors to their direct investment enterprises and claims of direct investment enterprises on their direct investors).
- Investments between fellow enterprises (investment income flows between all fellow enterprises that belong to the same direct investor).

One should bear in mind that dividends, withdrawals from income of quasi-corporations, and interest can apply for any of these types of investment income. There are no reinvested earnings on reverse investments and investments between fellow enterprises because the 10% equity threshold has not been met.

Super-dividends are treated as withdrawals of equity, and should not be recorded in the primary income account.

Income from equity portfolio investment is compiled on the basis of the same survey, whereas data on debt portfolio investment income is compiled based on statistics on foreign credit relations, which also encompasses income related to debt securities owned by non-residents. Income from other investments includes the calculation of interest in accordance with the foreign credit relations statistics. The methodology for compiling the statistics on debt investment includes the reporting of income on an accrual basis. This basically means that income from debt investment and interest income are reported at the point in time when they accrue and not at the point in time when they mature or when they are paid. Reporting on investment income attributable to investment fund shareholders – dividends and reinvested earnings, with a counterpart in the financial account is not yet estimated due to the lack of all necessary data. Under the current methodology, income on equity securities continues to include only dividends, while estimate of reinvested earnings for this type of income is not envisaged.

According to BPM6, interest is reported without FISIM, while the value of FISIM is presented within financial services. Income on reserve assets is shown separately.

2.2.2.4 Secondary income

Secondary income is reported separately for the general government sector and other sectors.

Transfers of the general government sector are recorded on the basis of the data of the Ministry of Finance and the Croatian Pension Insurance Administration in the

case of pensions paid out to non-residents. In addition to taxes and excise duties, pensions, gifts and donations, which are included in current transfers of both sectors, the general government sector also encompasses data on multilateral cooperation, whereas other sectors include data on workers' remittances. The position of workers' remittances and gifts and donations for other sectors is estimated through a model based on aggregate data of banks on inflows of resident natural persons from abroad and outflows of resident natural persons abroad. Pensions from abroad are estimated on the basis of the available data of the Croatian Pension Insurance Administration. Furthermore, other sector transfers are supplemented by the data from the Statistical research on revenue and expenditure on foreign trade in services and other special transactions with non-residents, containing a special part for possible transfers from and to foreign countries. Current transfers of the general government sector also include data on exports and imports of goods without a payment obligation, provided by the CBS. Inflows and outflows based on current transfers of other sectors are supplemented by the data of the CNB special statistical research on international transactions related to insurance services. In terms of presentation, workers' remittances are not compiled as a separate item, but are part of personal transfers together with other personal transfers.

2.2.2.5 Capital account

The account of capital transfers is compiled on the basis of the data of the Ministry of Finance and the Statistical research on revenue and expenditure on foreign trade in services and other special transactions with non-residents. Data on the potential debt forgiveness are also a constituent part of the capital account, for which the source is external debt statistics. Funds received from EU funds are reported in the current account or in the capital account in line with the type of transaction and on the basis of the data of the Ministry of Finance. Also, cross-border movements of assets and liabilities of persons who change residence are no longer shown as transfers by migrants within capital transfers and are no longer b.o.p. transactions (since the BPM6 implementation). If assets involved are financial assets they are presented under the "other adjustments".

2.2.2.6 Direct investment

Foreign direct investments include equity capital, reinvested earnings and debt relations between ownership-related residents and non-residents. Direct investments are investments whereby a foreign owner acquires a minimum of 10% interest in equity capital of a company, regardless of whether a resident invests abroad or a non-resident invests in Croatian residents. The CNB conducts the Research on foreign direct investment and other equity, which serves as a source of data. Data on debt relations within direct investments are collected on the basis of external debt relations statistics. A research on the purchase and sale of the real estate by non-residents on the territory of the Republic of Croatia is also carried out. Persons obliged to submit reports are the public notaries who learn about these transactions

in the course of their business. Data on the purchase and sale of the real estate by Croatian non-residents abroad are compiled on the basis of the Report on the real estate trade abroad. These purchase and sale transactions are also a constituent part of direct investments.

Under BPM6, the assets/liabilities principle is applied, the same principle that has been used for years for other functional categories in the financial account (portfolio, other investment and financial derivatives).

In addition, direct investment is further divided into:

- Direct investment in direct investment enterprises.
- Investment in direct investor (reverse investment).
- Investment between horizontally linked enterprises (fellow enterprises).

Reverse investment arises when a direct investment enterprise acquires equity in its investor, provided it does not own equity comprising 10% or more of the voting power in that direct investor, otherwise a new direct investment would arise. It also includes debt investment in the reverse direction. Investments between fellow enterprises are equity investments between enterprises which are linked by indirect ownership, also up to 10%, or debt investments between such enterprises.

All debt relations between two affiliated financial intermediaries are treated in the same manner – outside direct investment, i.e. within other or portfolio investment.

The concept of “quasi-corporations” refers to corporations producing goods and services in a foreign economy without being a separate legal entity in that economy. Types of quasi-corporations include: branches, notional resident units, multi-territory enterprises, joint ventures, partnerships, etc. In Croatia, branches have been monitored separately within direct investment as of 2005. Because of the detected investment of Croatian residents abroad which are not effected through incorporated enterprises or branches, but based on a contract with joint venture features, this type of entities is also monitored statistically.

2.2.2.7 Portfolio investment

Data on equity portfolio investments are collected from the same data source as the data on direct equity investments. Securities holdings statistics are used as an additional source of data for part of population not covered by Research on foreign direct investment and other equity. Debt portfolio investments include all investments in short-term and long-term debt securities that cannot be classified under direct investments. Data on external debt relations and monetary statistics data for bank investment are also used. This position is also compiled for investment funds and pension funds using their own reports.

2.2.2.8 Financial derivatives

Data on financial derivatives are collected from commercial banks and other financial institutions as well as from non-financial institutions which enter into these transactions mainly to hedge against changing market conditions.

2.2.2.9 Other investment

Other investments are classified by instruments, maturity and sectors. In addition, there is a position of Other equity investment, which implies equity investments that do not meet the criteria for direct investment, portfolio investment or international reserve assets. Other equity investment is never in the form of securities, in contrast to portfolio investment. As the ownership of many international organisations is not in the form of securities, it is classified as other equity. In most cases, equity in quasi-corporations, such as branches or notional units for ownership of real estate and other natural resources is included in direct investment, but if the share accounts for less than 10% in the equity it is classified to other equity investment.

Currency and deposit position shows residents' claims on foreign countries for foreign cash and deposits with foreign banks, as well as obligations of the Croatian banks for deposits owned by non-residents. Monetary statistics represent a data source for the general government sector and other monetary financial institutions. Data on balance and currency structure of foreign assets and liabilities, contained in monetary statistics, are used to assess transactions from which the exchange rate effect was eliminated. Data on other sectors' claims under this position are compiled using the data based on the Bank for International Settlements quarterly data.

Credits granted by residents to non-residents and foreign loans utilised by residents and granted by non-residents, which cannot be classified into direct investments or trade credits, are classified by the institutional sector and maturity under the corresponding positions of other investment. The CNB foreign credit relations statistics represent the data source for these positions.

Data on trade credits are collected using research where the selected companies, regardless of their size (stratified sample), are obliged to submit data. Data on deferred payments with the original maturity of more than one year are adopted from the CNB foreign credit relations statistics.

Item Other investment – Other claims and liabilities includes other claims and liabilities not included in trade credits and other financial instruments, among others, prepayments of premiums and reserves for outstanding claims for non-life insurance, entitlements of beneficiaries under life insurance policies and pension schemes and provisions for calls under standardised guarantees. This position is compiled on the basis of data submitted by insurance companies and includes changes in life insurance mathematical reserves.

The allocation of SDRs to IMF members is shown as the incurrence of a liability by the recipient and included in other investment (SDR position) with a corresponding

increase of SDRs in reserve assets. Other acquisitions and disposals of SDRs are shown as transactions in reserve assets.

2.2.2.10 Reserve Assets

Data on transactions carried out by the International Reserves and Foreign Exchange Liquidity Department of the Croatian National Bank represent the data source for this position.

2.2.2.11 Borderline cases

Investment fund shares are treated as portfolio investment, regardless of capital share.

2.2.2.12 Additional information

The presentation of the methodology is published in the [CNB Bulletin](#).

2.3 Coherence and comparability

2.3.1 Internal consistency

Net errors and omissions are derived residually. No adjustment is done for errors and omissions. Available data sources and compilation methods produce negatively signed net errors and omissions with level which has diminished in the recent years.

2.3.2 Consistency with other statistical domains

B.o.p. data can be related with some of the data published by other statistical domains, namely, foreign trade statistics, national accounts and balance sheet information of the financial sub-sectors.

B.o.p. data are generally consistent with related statistical domains (in particular with national accounts, financial accounts, money and banking statistics).

2.3.2.1 Foreign trade statistics

B.o.p. and foreign trade statistics generally show discrepancies, due to different methodologies. In particular, certain monthly transactions not covered by foreign trade statistics are added to b.o.p. figures.

- Based on the Survey on Consumption of Foreign Travellers in Croatia and Domestic Travellers Abroad, the item of goods exports is modified by the estimated value of goods sold to foreign travellers and tourists and taken out of the Republic of Croatia. The item of goods imports is adjusted for the estimated value of goods imported personally by the Croatian citizens from the neighbouring countries (shopping expenditures). Goods imported and exported for the purpose of finishing, treatment or processing are no longer included in the trade in goods data. Starting from 2014, imports and exports of goods for cross-border processing are monitored by the CNB under a special statistical research since, for the b.o.p. purposes, the goods which do not involve a change in ownership are excluded from the CBS data on the foreign trade in goods of the Republic of Croatia. The results of this statistical research are compared and supplemented by CBS data on imports and exports of goods which do not involve a change in ownership.

Data on the net value and commissions and other income from merchanting are collected through a statistical research on revenue and expenditure on foreign trade in services. As BPM6 recommends reporting on a gross basis, the survey questionnaire used in the research is adjusted to a gross basis.

2.3.2.2 National/sectoral accounts

The comparability between b.o.p. and national accounts is ensured by the application of common definitions (BPM6 and ESA2010).

National accounts use b.o.p. data for the national accounts compilation. In that sense, they are completely comparable.

2.3.2.3 Balance sheet information of the various financial sub-sectors

B.o.p. data are consistent with BSI as the same data source is used for both statistics.

2.4 Accessibility and Clarity

2.4.1 Release calendar and revision policy

An advance release calendar that gives quarterly release dates for the coming year is not yet disseminated to the public (it is still an internal document). It is planned to be disseminated on the website in the near future.

Methodological changes are generally communicated close to the publication of new data within the methodological notes on the website under the respective data categories in the [Monthly Bulletin](#) of the Croatian National Bank. Major

methodological changes, such as the implementation of new manuals, may also be communicated and explained in the Monthly Bulletin of the Croatian National Bank. At the time of the first publication of data, users are informed of its preliminary status. Similarly, at the time of data dissemination, users are informed whenever data are revised.

An official revision policy is not yet in place, but is expected to be disseminated soon.

2.4.2 Data availability

Consistent time series (BPM6 methodology) are made available to the users back to 2000 as the reference year at the [CNB's website](#).

Respective metadata are published in the [CNB Bulletin](#).

2.4.2.1 Frequency of the b.o.p. and i.i.p. data compilation and publication

Frequency of dissemination: Croatian b.o.p. statistics as well as i.i.p. statistics are disseminated on a quarterly basis on the Croatian National Bank's [website](#) three months after the end of the reference period.

Revisions are being regularly made with each new quarterly dissemination.

In the current account, the most relevant revisions are usually recorded in the case of direct investment income (credits and debits). Concerning the financial account, there are usually revisions for direct investment assets and liabilities, portfolio investment liabilities, other investment assets and financial derivatives. These revisions are explained by the late availability of new data from the reporting agents.

Unusual revisions are being made due to methodological changes or large data corrections.

2.4.2.2 Seasonally adjusted data

Data are not seasonally adjusted.

Italy

1 Institutional environment

1.1 Professional Independence

Article 1 of the Bank of Italy's Statute, available on the Bank of Italy [website](#), establishes its independence from other public or private-sector entities ("In performing their functions and in managing the Bank's finances, the Bank of Italy and the members of its decision-making bodies shall act autonomously and independently in observance of the principle of transparency and may not seek or accept instructions from other public or private-sector entities").

The independence of the Bank of Italy, in its capacity as a member of the ESCB, is further emphasized in Article 130 of the EU Treaty and Article 7 of the Statute of the ESCB and of the ECB, which stipulate that "when exercising the powers and carrying out the tasks and duties conferred upon them..., neither the ECB nor a national central bank nor any member of their decision making bodies shall seek or take instructions from Community institutions or bodies, from any government of a Member State or from any other body. The Community institutions and bodies and governments of the Member States undertake to respect this principle and not to seek to influence the members of the decision making bodies of the ECB or of the national central banks in the performance of their tasks."

The Bank of Italy has a statistical work programme for internal use, stating objectives, timing and responsibilities, approved by a high level internal Committee, that is not made public.

1.2 Mandate for data collection

The development, production and dissemination of statistics by the Bank of Italy are governed by Article 5 of the Statute of the ESCB and of the ECB, as well as [Regulation \(EC\) No 2533/98](#); whereas the Italian National Institute of Statistics are governed by the statistical principles laid down in article 2 of [Regulation \(EC\) No 223/2009](#). The Bank of Italy as a member of the ESCB, conducts quality assurance and disseminates statistics in conformity with the principles of the ESCB's Public Commitment on European statistics by the ESCB.

The Bank of Italy is responsible for the compilation of b.o.p. and i.i.p. statistics for Italy.

According to the ECB Guideline ECB/2011/23 of 9 December 2011, as amended by ECB/2013/25 of 30 July 2013, the national central banks assist the ECB in the collection of the necessary statistical information, either from the competent national

authorities or directly from economic agents, for the compilation of the external statistics.

Article 11 of the Legislative decree of 19 November 2008, No. 195 entitles the Bank of Italy to compile and publish b.o.p. and i.i.p. statistics and to collect the necessary information for the compilation.

At the national level, data sharing and coordination among the Bank of Italy, the NSI (Istat) and the Ministry of the Economy and Finance (MEF) facilitate the mutual provision of statistical data, while respecting confidentiality.

2 Statistical processes

2.1 Methodological principles and national specificities

B.o.p. and i.i.p. statistics are compiled in accordance with the standards set forth in the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6). Furthermore, specific compilation recommendations from relevant international bodies are observed, in particular those specified in the [ECB Guideline \(ECB/2011/23\)](#) of 9 December 2011, as amended) and [Regulation \(EC\) No 184/2005](#) of the European Parliament and of the Council of 12 January 2005 (as amended), as well as the relevant guidance presented in chapters 2 and 3 of this book.

In Italy, cross-border transactions are not very concentrated, but they are scattered among thousands of medium/large firms; the banking sector is predominant both for transactions and positions; the share of general government liabilities (government bonds) is particularly relevant.

In the Current account, the travel balance is structurally in surplus, the merchandise balance has been in surplus and on an upward trend since mid-2011, contributing to the recent correction of the Italian external position. The Financial account is mainly characterized by Portfolio Investment transactions, especially in debt instruments.

The BPM6 implementation involved some adaptations on the input side: existing sources, such as Direct reporting questionnaires (see par. 2.2.1), were amended in 2013 (some BPM6 items, such as FDI relationships with fellow enterprises, were already included in 2008 questionnaires), new data sources were taken into consideration (in some cases enhancing the collaboration with the NSI), new models and estimating procedures have been introduced.

Time series have been recalculated back to 1995, by using the adapted sources from 2013 onwards and bridging between BPM5 and BPM6 for data prior to 2013, based on the results originating from the modified sources.

2.1.1 Residency

The general principles laid down in the BPM6 are applied. The residency concept is thus defined in conformity with BPM6's definitions of economic territory and centre of economic interest. Coherently with this concept, the territories of San Marino and Vatican City are excluded from Italy.

2.1.2 Institutional unit definition

The general principles on institutional units (centre of economic interest, decision-making autonomy, and complete set of accounts) are applied.

The conclusions of the Eurostat/ECB/OECD 2013 [Task Force on Head Offices, Holding Companies and SPEs](#) have been implemented.

2.1.3 Geographical allocation

In line with BPM6 principles, the geographical allocation is based on the debtor-creditor principle. Data are directly reported. No assumption is needed.

Information on the ultimate counterpart is collected in order to adopt the extended directional principle.

2.1.4 Allocation to institutional sectors

Transactions and positions are classified consistently with the BPM6. The sector breakdown is fully compliant with the ECB Guideline.

Information on resident sector is provided by banks with reference to securities they hold in custody on behalf of their clients. Counterpart sector of Portfolio Investment assets and resident sector of Portfolio Investment liabilities are given by the security-by-security reporting (information derived from the CSDB).

Data on transactions and positions regarding assets held abroad by resident households without the intermediation of the resident financial intermediaries are mainly collected from tax declaration forms. There is no adjustment for undeclared assets. The latter source is integrated with a specific estimate for investment fund shares.

2.1.5 Valuation

In general, the valuation used in b.o.p. is based on market prices, prevailing when the transaction takes place. When market prices are not directly available, an acceptable approximation is given by the application of the equivalent market price

of the same product, service, or similar activities, as observed in the markets in which they are treated in sufficient quantities and in similar circumstances.

Non-ISIN securities are valued as they are reported by the reporting agents, as derived from their balance sheet.

Portfolio investment dividends are recorded when they are paid, consistently with the "settlement date" available in the CSDB; direct investment dividends are recorded when they are declared payable.

Data reported in foreign currencies are converted into euro at the monthly average exchange rates.

Market prices are the basis for the valuation of the i.i.p. Nominal valuation is used for positions in non-negotiable instruments, namely loans, deposits and other accounts receivable/payable. For direct investment positions, listed equity stocks are valued at market prices and unlisted equity stocks are valued at own funds at book value. Non-ISIN securities are valued as they are reported by the reporting agents, as derived from their balance sheet.

Assets and liabilities denominated in foreign currency are converted into the unit of account at end-of-period (midpoint) exchange rates.

Monetary gold is valued at end-of-month market prices.

2.1.6 Time of recording

In general, the Italian b.o.p. is compiled with the full recognition of the accrual principle. The only exception concerns dividends in Portfolio Investment, which are recorded as of the date they are paid. The accrual principle is also adopted for reinvested earnings related to direct investment, based on direct reporting by entities involved (assets and liabilities). Reinvested earnings related to investment funds are also included, based on the CSDB data on accrued income factors.

2.1.7 Coverage gaps and room for improvement

The main gap concerns the transactions and positions regarding assets held abroad by resident households without the intermediation of the resident financial intermediaries which are not declared to tax authorities.

In this respect only a specific estimate for investment fund shares has been introduced. The estimate is the result of a cross-checking exercise of several sources: the specific reports to the Bank of Italy on the placement of funds in Italy; the aggregate data from Assogestioni (Italy's asset management industry association); the outcome of an ad hoc survey, conducted in 2009, that involved the most relevant asset management companies operating in Italy. The whole exercise is expected to be repeated in 2016.

2.1.8 Seasonal adjustment

The adjustment for seasonal and calendar effects is estimated for the current account and its main components on a monthly basis. The seasonal component is identified and eliminated with a model-based approach, applied using the Tramo-Seats statistical package. The current account is estimated following an indirect approach, i.e. the sum of the individual seasonally adjusted components (goods, services, primary and secondary income); the balances are derived as differences between seasonally adjusted credits and debits. For goods and services the adjustment ensures virtual consistency with the seasonally adjusted corresponding quarterly series in the national accounts. The revision policy adopts the "partial concurrent adjustment" method, in which the model, the calendar effects and the outliers are identified on an annual basis and the estimation of the respective parameters is updated monthly. The whole seasonally adjusted time series is therefore subject to monthly revisions.

2.2 Statistical procedures, sources and methods

2.2.1 Overview of data collection system

The Italian data collection system is mainly based on direct reporting by entities involved in cross-border transactions.

Indirect reporting is limited to:

- Portfolio investment, for which custodians' data on a security-by-security basis are extensively adopted (since end-of-2008 data).
- Central bank data on cross-border transactions settled on behalf of the general government sector.

Direct reporting entities include: a sample of non-financial and insurance companies (contributing to the so-called "Direct reporting system"); all the resident banks, the other financial intermediaries (OFI), and the central bank, for their own transactions and positions (collected via the so-called "Integrated Bank Reports".)

The Direct reporting system consists of a set of sample surveys, which cover specific non-financial and financial transactions and positions. The frequency with which the different surveys are administered varies from monthly to annual, depending on the investigated phenomena. Surveys make use of the following questionnaires:

- TTN - for quarterly non-financial transactions: services (other than transportation, tourism and manufacturing services), goods under merchanting, compensation of employees (debits), some primary and secondary income items and acquisitions/disposals of non-produced non-financial assets. Data are due within one month after the end of the reference quarter. A specific and more detailed part of the questionnaire refers to construction works in Italy and

abroad. Data are broken down by nature of transactions, counterpart country, currency of denomination and flow direction (credits/debits).

- OMF - for monthly financial transactions and positions in loans, trade credits, accounts and deposits, DI-debt instruments, financial derivatives. Data are due within one month after the end of the reference period.
- EMF - for monthly financial events in DI-equity or dividends. Data have to be reported within one month from the end of the reference period, with details on greenfield, mergers and acquisitions, extensions of capital, provisions of capital to cover losses, dividend distributions.
- CAF - for annual financial position in DI-equity, DI-debt instruments, other investment and derivatives. Data are due within six months from the end of the reference year. Reporting is required for:
 - Assets and liabilities in participations exceeding 10% of the investment enterprise's capital.
 - Assets and liabilities in securities, if a DI relationship exists between the reporter and its foreign counterpart and only if securities qualify as "DI-debt instruments" or "DI-reverse investment".
 - Assets in securities deposited abroad (both foreign and Italian securities), if a DI relationship between the reporter and the issuer does not exist (information needed for portfolio investment compilation).
 - Other assets/liabilities (loans, repurchase agreements, trade credits, accounts and deposits), with a distinction between positions vis-à-vis DI and other counterparts.
 - Derivatives.

The total sample includes about 7,000 enterprises; the sample selection makes use of a b.o.p.-specific Business register (with a flag for the presence of FDI relationships) and is based on the size of enterprises (turnover and total assets) and on their geographical location. Information on cross-border payments from resident banks is only used on an aggregated basis, as an instrument to better target entities involved in foreign transactions and to obtain an efficiency gain in the sample survey selection phase. The response rate is over 90%.

Specific sample surveys on international transportation and travel are also used as data sources.

Many different administrative data sources are also used (e.g. tax authorities records, Ministry of Interior data on flows of seasonal workers, Chambers of Commerce database on active enterprises, database on enterprises' balance-sheets, etc.), especially for transactions/positions of the household sector.

The reporting frequency of flows (actual or derived from stocks) in the current and financial accounts is mainly monthly; the exceptions are other services,

compensation of employees (debits), other primary income and secondary income and Capital account transactions, which are instead mainly reported quarterly. Moreover, in the financial account, OFI's flows are derived from quarterly/semi-annual stocks. Investment income is partly estimated on the basis of monthly or quarterly stock data. Where monthly flows data are collected, timeliness is fully adequate to the monthly compilation of b.o.p. at T+6 weeks. For items whose information is collected on a quarterly basis, statistical methods, based on time series analysis, are adopted to extrapolate monthly figures from the last available quarterly data.

2.2.2 Detail by accounting item

2.2.2.1 Goods

The primary data sources are foreign trade statistics (FTS), a responsibility of the NSI (Istat), based on customs declarations (for extra-EU transactions) and the Intra-Community Trade Statistical System (Intrastat) (for intra-EU transactions).

Istat ensures that FTS data exclude transactions of goods connected to processing, through a micro level analysis, using:

- For intra-EU transactions, a combination of Intrastat Services and Intrastat Goods (broken down by nature of transaction) information.
- For extra-EU transactions, a combination of custom procedure and nature of transaction information.

Some coverage adjustments are performed:

- Debits derived from FTS are supplemented with goods procured in ports by carriers (source: Direct reporting - TTN questionnaire).
- Credits derived from FTS are supplemented with goods under merchanting (source: Direct reporting- TTN questionnaire).

Valuation adjustments are performed to convert the import value from a CIF to a FOB basis, making use of information originating from Bank of Italy's "Survey on International Transport". Average unit transportation and insurance costs are estimated from the survey, enabling to distinguish costs for transportation between the export country and the import country borders. In the CIF/FOB conversion procedure, average unit transportation costs are multiplied by the volume of imports (as derived by FTS), taking into account the means of transportation and the geographical area.

Goods data also include an estimate of illegal transactions, provided by the NSI, in particular on import and export of goods related to drugs trafficking, and smuggling of alcohol and tobacco.

2.2.2.2 Services

Manufacturing services on inputs owned by others

This item is directly estimated by the NSI and is derived from the same procedure that excludes transactions of goods connected to processing from FTS data (see par. 2.2.2.1).

Transportation

For Merchandise transport, the primary source is the Bank of Italy's sample "Survey on International Transport". The sampling scheme relies on a stratified sample, based on a register of operators. Additional sources are data on merchandise volumes (from Istat) and data on carriers' market shares broken down by residence (mainly administrative sources).

Freight services are calculated consistently with the CIF/FOB conversion of goods: average transport unit costs are multiplied per resident/non-resident market shares and per volume of imports/exports.

For Passenger transport data derive from the Bank of Italy's sample "Survey on International Tourism".

Passenger services and freight services do not include rentals of vessels without crew. Supporting and auxiliary services are separately identified for every mode of transport.

Travel

The primary source is the Bank of Italy's sample "Survey on International Tourism", that is based on the so-called 'inbound-outbound frontier' collection method. It covers all relevant border points; about 150,000 face-to-face interviews by structured questionnaire and 1,500,000 counting operations are carried out yearly.

The survey provides a detailed breakdown by purpose of the travel; data on travel expenditures are broken down by a number of classification characteristics of the traveller and of the trip.

Some additional information on total monthly flows of international travellers for each type of border originates from transport national authorities and private transport companies. This information is essential to gross up the sample data to the reference population.

Insurance services

As for insurance premiums, the main data source is the "Direct reporting system" (TTN questionnaire).

The NSI's annual survey on the balance sheet and profit-and-loss accounts of Italian insurance companies provides Bank of Italy with an estimate of the premium supplement and of the service charge coefficients, separately for life and other

insurance services. These coefficients are estimated only on the credit side and are also applied to the debit side. For life and other insurance, estimated service charge coefficients are applied to premiums collected through the "Direct reporting system". For freight insurance, the service charge coefficients are applied to the premiums estimated in coherence with the cif-fob conversion method.

Financial services

For explicitly charged financial services, the main data source is the "Direct reporting system" (TTN questionnaire) and the Integrated Bank Reports.

On the debit side, data are complemented by an estimation of the commissions paid by residents for the management of mutual funds that are hidden in the value of the mutual fund share.

EFSF data are also included.

In line with BPM6 standards, FISIM are included in the Financial services. For their calculation the following sources are used: monthly report from resident MFIs on loans and deposits positions vis-à-vis non-resident counterparts (with the indication of currency and sector); quarterly report on interests paid to and received by Central Banks, other MFIs, and other sectors. The reference rate is computed as a weighted average of interbank rate on loans and deposits between resident MFIs and non-resident Financial intermediaries, mainly related to financial operations denominated in Euro and US Dollar; according to this evidence two reference rates are computed (in Euro and USD). Interbank FISIM are included in the estimation.

Construction

The information deriving from the main data source (the "Direct reporting system" - TTN questionnaire) takes into account the duration of the construction, thus allowing the distinction between the constructions that last more than one year (direct investment) and those that last less than one year (services). The distinction between construction abroad and in the compiling economy is also available.

Government services

The main data sources are the "Direct reporting system" and the central bank transactions on behalf of the general government. On the credit side, additional data for government transfers, about the disbursements of the EU to Italy for services of collection of own resources are obtained from the Ministry of the Economy and Finance.

All other services

The main source is the "Direct reporting system" - TTN questionnaire.

2.2.2.3 Primary income

Compensation of employees

Data are based on a combination of various data sources.

On the credit side three main sources are used:

- Partner country data, regarding wages and salaries of border workers for the most relevant partner countries (Switzerland, San Marino Republic, Principality of Monaco and Vatican City).
- International tourism survey, used for the estimation of the number of seasonal and frontier workers for other countries; these data are multiplied, for each country, by information on average gross wages.
- Other sources, regarding workers in international organizations (e.g. in the headquarters of FAO in Rome).

On the debit side the main sources are:

- "Direct reporting system" (TTN questionnaire), for the estimation of gross remunerations of non-resident employees (i.e. including employers and employees social security contributions and taxes) paid by resident enterprises. As firms that heavily rely on seasonal workers are usually concentrated in just a few sectors (constructions, tourism, agriculture, etc.), an ex-post stratification is carried out using a-priori external information to identify new strata.
- Immigration Quota Decree (Ministry of the Interior), concerning the number of non-EU seasonal workers employed in agriculture and tourism sectors; these data are multiplied by estimates on average gross wages (separately available for each sector).
- Other sources, concerning wages and salaries paid to workers in extraterritorial entities (embassies, military bases, etc.).

In general, data on gross wages used in the calculation include employees' tax and social security payments. Moreover, data are supplemented with estimates of employer taxes and social contributions, which are based on information obtained from the Organization for Economic Cooperation and Development (OECD).

Investment Income

- Direct Investment income: for dividends and reinvested earnings, the main source is the "Direct reporting system". Data on foreign direct investment dividends are collected on a monthly basis via direct reports (with the EMF questionnaire for the non-financial sector and through the Integrated Bank Reports for banks and other financial institutions); the value of reinvested earnings is computed by subtracting the declared payable dividends from the net operating profit, valued at the Current Operating Performance Concept (gross operating profit minus taxes). Since enterprise balance sheet data are

available only with a delay, the operating profit has to be estimated. To this end, a coefficient, taken from the annual direct reporting questionnaire on financial position (CAF) is applied to the last available data. Different indicators are considered to compute the revaluation coefficient of operating profit, primarily the quarterly and semi-annual reports of the largest Italian companies.

- Portfolio Investment income is derived monthly from s-b-s stocks, making use of the accrued income factors as derived from the CSDB.
- Other Investment income is estimated based on stocks, by applying average interest rates.
- Reserve Assets income is estimated based on stocks:
 - By applying official interest rates to SDRs and IMF position.
 - By applying average interest rates to currency and deposits, and other claims stocks.
 - According to Portfolio Investment income methodology for securities.

Data are mainly recorded on an accrual basis, with the exception of dividends in portfolio investment. For debt securities included in portfolio investment, the accrual principle is applied on a monthly basis, following the debtor principle. The estimate of accrued income is derived from monthly data on the underlying stocks, which are available on a security-by-security basis. Additional information on interest rates, maturities and interest calculation methods is taken from the CSDB. The estimate of accrued interest for index-linked bonds is based on an average of the current interest rates. The estimated offsetting entries of insurance premium supplements are recorded under other investment income.

Other primary income

For private transfers the main source is the "Direct reporting system".

For government transfers, information is mainly derived from NSI statistics, compiled using data from the Ministry of the Economy and Finance.

Both private and government transactions are recorded on a gross basis.

2.2.2.4 Secondary income

Primary sources are the "Direct reporting system" and the Ministry of the Economy and Finance data.

For workers' remittances the main source is Money Transfer Operators reporting, integrated by the Bank reports and by the Italian postal services company on cash-to-cash transfers between residents and non-residents.

Additional sources of data are OECD information on average taxation rates and social contributions rates and, for pensions paid by the Italian pension scheme to non-residents, the National Institute of Social Security data.

Figures are all recorded on a gross basis.

2.2.2.5 Capital account

The main source for private capital transfers is the "Direct reporting system".

For transfers with EU institutions, data are provided by the quarterly NSI statistics, which in turn are based on data of the Ministry of the Economy and Finance. They include: contributions under the Guidance section of the European Agricultural Guidance and Guarantee Fund (recorded as credits), and investment contributions from the Regional Development Funds (credits).

2.2.2.6 Direct investment

Direct investment flows include investment and disinvestment in equity capital, reinvested earnings and credits/debits between affiliated enterprises, with the exception of transactions between financial intermediaries. Data also cover the borrowing or lending between fellow enterprises.

According to the specificity of Italian direct investments, the Direct Influence/Indirect Control (DIIC) method is adopted, with the exclusion of indirect controlled enterprises under associates. This simplification narrows the DIIC method to the accounting consolidation perimeter, reducing, inter alia, the reporting burden.

Cross-border transactions and positions involving real estates and constructions are also included. Unlisted equity includes direct investment in not listed equity and constructions; other equity includes only real estates.

Data on equity positions and transactions are collected via the Direct reporting system (respectively, with the annual CAF and the monthly EMF questionnaires) for the non-financial sector and with the Integrated Bank Reports for banks and other financial institutions. Reported information is also used to calculate price and exchange rate adjustments. Data on stocks and flows related to DI-debt instruments are collected by the Direct reporting system (respectively, via the annual CAF and the monthly OMF questionnaires). Data on constructions are derived via the Direct reporting system (with the quarterly TTN questionnaire) whereas real estates are collected through administrative data sources.

2.2.2.7 Portfolio investment

The compilation of Portfolio investment relies on the monthly collection of s-b-s stocks and the derivation of monthly s-b-s flows from stocks, taking into account the

adjustments for price and exchange rates. Adjustments for accrued interest on debt securities are carried out monthly.

The main sources of data are: monthly indirect s-b-s reports by custodians, including the Italian Central Securities Depositories; direct reporting by Monetary financial institutions on their own assets and with estimates of securities directly held in custody abroad, as derived from the Direct reporting system. Amounts of shares held as direct investment are deducted.

Data reported refer to “quantity” (i.e. nominal amount for debt instruments and number of securities for shares or quotes), as market price valuations are derived from the CSDB.

As to the liability side, the so-called “mixed model” is used. The PI liabilities aggregate is calculated as the sum of the total amount of Italian securities held in custody on behalf of non-residents and the total amount of those issued abroad, minus the total amount of Italian securities sub-deposited abroad by residents.

2.2.2.8 Financial derivatives

Data are collected on an aggregated basis according to current ECB requirements: breakdowns are available for currency and counterparty countries. No distinction is available among option premiums, variation margins, differences between market and exercise price, and all other flows related to swaps, FRA, etc.

For stock data, the assets/liabilities breakdown is available.

2.2.2.9 Other investment

The main sources are:

- The Integrated Bank Reports, referred to stocks: flows are derived from stocks; adjustments are calculated.
- Bank of Italy reports related to General Government, referred to monthly flows: stocks and adjustments are calculated.
- Monetary Authority data, administrative sources data and DR system data (by CAF and OMF questionnaires), referred to both flows and stocks.

The estimation of EUR banknotes in circulation, required for the recently introduced sub-item concerning cross-border movements of euro banknotes, is calculated as the sum of the amount of currency actually put in circulation by the Bank of Italy and the net inflows, which in turn derive from an estimation of the share of travel cash flows (based on Bank of Italy's sample "Survey on International Tourism"), minus euro banknotes shipments.

2.2.2.10 Reserve Assets

Data are derived from Bank of Italy's balance sheet.

2.2.2.11 Borderline cases

Holdings of investment funds shares larger than 10% of total shares are included in Portfolio Investment.

2.2.2.12 Additional information

A detailed presentation of the methodology and data sources is published (at the moment only in Italian) on the Bank of Italy website under the headings [Analysis and methodology](#).

2.3 Coherence and comparability

2.3.1 Internal consistency

Bilateral asymmetries are thoroughly analysed taking into consideration the asymmetries matrices that Eurostat and ECB supply to the member states. Moreover, Italy is an active participant in the FDI Network, exchanging information about the most relevant transactions and positions vis-à-vis other EU Member States. Comparison exercises are carried out on other b.o.p. and i.i.p. items vis-à-vis partner countries showing major bilateral discrepancies.

The size and sign of errors and omissions is assessed on an ongoing basis. After the BPM6 implementation there was a significant reduction of the negative bias in errors and omissions series and of their relative size. In general, the b.o.p. compilation process aims at ensuring the greatest consistency in the statistical output. However, no ad-hoc adjustments are made to reduce errors and omissions.

2.3.2 Consistency with other statistical domains

B.o.p. data can be related with some of the data published by other statistical domains, namely, foreign trade statistics, national accounts, and balance sheet information of the financial sub-sectors.

B.o.p. data are generally consistent with related statistical domains (in particular with national accounts, financial accounts, money and banking statistics).

2.3.2.1 Foreign trade statistics

B.o.p. Goods item and foreign trade statistics generally show discrepancies, due to different methodologies. The BPM6 implementation has implied an increasing divergence in definitions, as regards both the credit and the debit side: whereas the recording of transactions in the b.o.p. is solely based on the principle of change of ownership between residents and non-residents, foreign trade statistics are based on the general principle of recording all goods that enter or leave an economic territory.

In particular, according to b.o.p. definitions, in Italy certain monthly transactions not covered by FTS are added to b.o.p. figures (see par. 2.2.2.1). In particular, on the credit side, net goods under merchanting and, on the debit side, fuel procured by resident transport operators to non-resident transport providers (FTS already includes fuel sold in the national economy to non-resident carriers) are included in b.o.p. figures.

For Italy, the discrepancies between data published in the two statistical domains are stable in time. They are mainly due, in addition to the mentioned adjustments, to the CIF/FOB adjustment (on the debit side).

No adjustments are made to take into account cross-border e-commerce on goods, nor for transactions of non-monetary gold with no physical delivery.

However, all in all the pattern of trade in goods is consistent with the one observed in the trade statistics.

2.3.2.2 National/sectoral accounts

The comparability between b.o.p. and national accounts is ensured by the application of common definitions (BPM6 and ESA2010). The previously existing differences between b.o.p. and NA arising from discrepancies in data sources or compilation methods have been totally removed. The final consistency between the two statistical domains is achieved through an ongoing and mutual process of data exchange between b.o.p. and NA compilers.

2.3.2.3 Balance sheet information of the various financial sub-sectors

B.o.p. flows are steadily checked for consistency vis-à-vis BSI. In particular, flows for other investment, MFIs sector, extra-euro area, are compared with corresponding BSI derived flows. In order to tackle with any possible discrepancies, the comparison is carried out during the production of monthly and quarterly b.o.p. Possible discrepancies may originate only from different data vintages.

2.4 Accessibility and Clarity

2.4.1 Release calendar and revision policy

An advance release calendar providing release dates is published in a communiqué issued by the Bank of Italy at least a quarter ahead. The actual release dates always coincide with the dates announced in the advance release calendar. The calendar is also published on the [Bank of Italy's website](#).

As regards the revision policy, for b.o.p. the monthly data are provisional when first released. They are revised and released to the public on the occasion of the first publication of the quarterly data, approximately three months after the end of the reference quarter.

For i.i.p. the data are revised about three months after the first release. They are further revised about nine months after the end of the reference year.

The general policy of the Bank of Italy is that major changes in methodology are announced in advance, in the relevant publications, as well as at the time they are introduced.

The public is informed of major changes in methodology through ad-hoc articles in Bank of Italy's publications. Moreover, public events and special news releases are organized to further communicate the changes, before or at the time they are introduced.

Changes in methodology are generally described in the Bank of Italy's monthly Supplement to the Statistical Bulletin – Monetary and Financial Indicators: b.o.p. and i.i.p., and, if particularly significant, in the quarterly Economic Bulletin and the Annual Report.

Studies and analyses of revisions are usually made available only when major methodological changes, possibly causing breaks in time series, occur. This is done through press releases or other communication approaches, with explanations of the reasons underlying the change and the expected impact on the data.

2.4.2 Data availability

Data in BPM6 methodology are available back to 1995 for quarterly b.o.p. and to 1998 for i.i.p. For years prior to 2008 only main aggregates are available.

2.4.2.1 Frequency of the b.o.p. and i.i.p. data compilation and publication

Bank of Italy Statistical Database

B.o.p. and i.i.p. data are available on the website in a database (both in Italian and in English), which can be consulted through a navigation system called Statistical database under the heading Statistics. This system enables users to search, view and download statistical tables in complete or partial form.

The monthly b.o.p. dissemination on the Bank of Italy's Statistical database entails information, with a detailed breakdown, on the following:

- The current account, with details on: imports and exports of goods; imports and exports of services; primary income; secondary income.
- The capital account (total balance).
- The financial account, with details on: net flows of assets and liabilities for direct investment, portfolio investment, other investment and financial derivatives, reserve assets.
- Errors and omissions.

The quarterly i.i.p. dissemination on the Bank of Italy's Statistical database entails information, with a detailed breakdown, on assets and liabilities for direct investment, portfolio investment, other investment and financial derivatives; reserve assets.

On-line monthly publication

The BI's monthly bulletin "Supplement to the Statistical Bulletin - Monetary and Financial Indicators: balance of payments and international investment position" provides monthly tables concerning the b.o.p. and the international investment position. The 'pdf' document usually contains time series data for the latest thirteen months and the latest three years while the Statistical database on [Bank of Italy's website](#) under the heading Statistics contains the whole times series.

Other publications

The BI's quarterly Economic Bulletin (through 2006 it was published twice yearly) released in January, April, July and October each year publishes summary tables that take into account the revision of the provisional data. Published time series cover yearly (last four years), quarterly (last eight quarters) and monthly data (last twenty-four months). The Economic Bulletin is available in Italian and English on [Bank of Italy's website](#).

The BI's Annual Report, released in Italian at the end of May and in English at the end of July, publishes a statistical appendix containing revised b.o.p. data for the previous year, with a high level of disaggregation, as well as annual time series data on the components of the b.o.p. Published annual time series cover the latest 4–6 years. The Annual Report is available in Italian and in English abridged version on [Bank of Italy's website](#).

Explanatory notes on methodology are provided in each of the bulletins published by the Bank of Italy. A detailed presentation of the methodology and data sources is published (at the moment only in Italian) on the Bank of Italy website under the headings [Analysis and methodology](#).

2.4.2.2 Seasonally adjusted data

Seasonally adjusted data for the current account and its main items (goods, services, primary and secondary income) are published in the Bank of Italy Statistical Database in the context of the monthly b.o.p. dissemination.

Cyprus

1 Institutional environment

1.1 Professional Independence

The Central Bank of Cyprus (CBC) is governed by the Central Bank of Cyprus Laws, 2002 – 2014 (“the Law”), which ensures the independence of the CBC and compatibility with the relevant provisions both of the Treaty establishing the European Community (“the Treaty”) and of the Statute of the European System of Central Banks (ESCB) and of the European Central Bank (ECB).

Pursuant to section 5 of the Law, “the primary objective of the CBC is to ensure price stability” and, “subject to the fulfilment of its obligations under Article 105 paragraph (1) of the Treaty, to support the general economic policy of the State”. Moreover, “as an integral part of the ESCB, the CBC acts, within the fields of competence of the ESCB, in accordance with the guidelines and instructions of the ECB and contribute to the performance of the tasks and the exercise of the competences entrusted to or conferred upon the latter in accordance with the provisions of the Treaty or of the Statute of the ESCB and the ECB”.

When carrying out all the tasks required for the achievement of its objectives, including any tasks performed by central banks (section 6 of the Law), neither the CBC nor any member of its decision-making bodies seek or take instructions from the Community institutions or bodies, from the Government or any government of a EU Member State or from any other body (section 7 of the Law).

The Central Bank of Cyprus has an internal statistical work programme which is not made public.

1.2 Mandate for data collection

The development, production and dissemination of statistics by the Central Bank of Cyprus are governed by Article 5 of the Statute of the ESCB and of the ECB, as well as [Regulation \(EC\) No 2533/98](#); whereas the Statistical Service of Cyprus are governed by the statistical principles laid down in article 2 of [Regulation \(EC\) No 223/2009](#). The Central Bank of Cyprus as a member of the ESCB, conducts quality assurance and disseminates statistics in conformity with the principles of the ESCB’s Public Commitment on European statistics by the ESCB.

At the national level, the legal basis for the statistical functions of the CBC is provided by sections 6 (2) (h), 63 and 64 of the CBC Law, which is fully harmonised with the statistical acquis and the ESCB public commitment on European statistics.

Under section 6 (2) (h) of the Law, the collection, compilation and distribution of statistical data, including those required for the fulfilment of the tasks of the CBC as an integral part of the ESCB, is included in the main tasks of the CBC. Pursuant to section 63 of the Law, “banks, government services, public corporations, as well as any natural person or legal entity shall be required, without being entitled to invoke bank or other secrecy, to report to the Bank all the data and information in their possession which are necessary for the fulfilment of its objectives as laid down in section 5 and for the performance of its tasks in accordance with section 6”. Finally, section 64 of the Law includes specific provisions for the collection and compilation of the b.o.p. and the i.i.p. of the Republic as well as the financial accounts of the individual sectors of the economy, including a strict confidentiality regime.

The CBC seeks to meet its statistical obligations in a way that minimizes, where possible, the burden on reporting entities. This is achieved by exploiting synergies with other governmental and non-governmental authorities and by creating a more efficient and effective framework through further simplification/automation of procedures regarding data reporting and monitoring, better utilisation of already available data from administrative sources and merging of reporting requirements into common questionnaires.

The implementation of new statistical standards in the field of external statistics and national accounts, together with the need to enhance consistency and ensure data comparability between the two domains of statistics, have led to a deepening of cooperation (laid out in a Memorandum of Understanding) between the CBC, the Ministry of Finance (MoF) and the Statistical Service of Cyprus (Cystat). More specifically, the cooperating authorities have agreed to the exchange of necessary statistical data and other relevant information to better perform their functions in the statistical field, under specific procedures set out in the Memorandum. In this context:

- Specific actions were initiated towards the development of a common, harmonised business registry, which is based on uniform concepts, definitions and classifications, as specified in the relevant standards and guidelines issued by the ECB, Eurostat and the IMF.
- A data transmission calendar for foreign trade statistics (FTS) as well as for b.o.p. analytical figures was agreed between the CBC and Cystat, taking into account the transmission deadlines of the ECB and Eurostat for the b.o.p. and national accounts data.
- Cystat provides monthly data on receipts/payments from tourism/Cypriots traveling abroad as well as the number of tourist arrivals and departures derived from frontier surveys. Moreover, it estimates data on the shipping sector on a quarterly basis, taking into consideration the results of both the semi-annual and the annual surveys conducted by the CBC on the ship-management and ship-owning sectors, respectively.
- The CBC provides i.i.p. data for the compilation of the “rest of the world” sector of the annual financial accounts, produced by Cystat.

- MoF provides data on government foreign borrowing, foreign grants, subscriptions to foreign organisations and deposits of Cypriot embassies/consulates abroad.

The CBC also cooperates with the Cyprus Stock Exchange (CSE), concerning monthly data of listed shares held by non-residents and the Lands and Surveys Department, concerning investments by non-residents in real estate in Cyprus. Furthermore, it obtains data/information from other financial supervisory authorities (e.g. the Insurance Companies Control Service and the Cyprus Securities and Exchange Commission), for companies under their supervision.

2 Statistical processes

2.1 Methodological principles and national specificities

B.o.p. and i.i.p. statistics are compiled in accordance with the standards set forth in the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6). Furthermore, specific compilation recommendations from relevant international bodies are observed. In particular, the ECB and Eurostat [Guideline \(ECB/2011/23](#) of 9 December 2011, as amended), and related "[European Union balance of payments/international investment position statistical methods](#)" ("B.o.p. and i.i.p. book"), and [Regulation \(EC\) No 184/2005](#) of the European Parliament and of the Council of 12 January 2005 (as amended).

The Cypriot economy is considered an open economy with concentration in services, in particular, tourism, shipping, financial and professional services.

Cyprus's back data under BPM6 methodology are currently available from the reference period 2008Q1 onwards.

2.1.1 Residency

The general principles on residency, as laid down in BPM6, are applied. Special purpose entities (SPEs), with the exception of shipping companies for which a special regime is applied (economic ownership), are considered residents if registered/incorporated in Cyprus.

2.1.2 Institutional unit definition

The general principles on institutional units (i.e. the centre of economic interest, decision-making autonomy, and complete set of accounts) are applied. SPEs and artificial subsidiaries are treated as follows:

- The statistical coverage of SPEs is in line with the conclusions of the Eurostat/ECB/OECD 2013 [Task Force on head offices, holding companies and SPEs](#).
- Artificial subsidiaries, defined as entities which:
 - Are wholly owned by a parent corporation.
 - Lack the ability to act independently from their parent corporations and may be subject to restrictions on their ability to hold or transact assets held on their balance sheets.
 - Are treated as an integral part of the parent, i.e. not as a separate institutional unit and their accounts are consolidated with those of the parent, unless they are resident in an economic territory different from that of the parent.

2.1.3 Geographical allocation

The general principles laid down in the BPM6 on country allocation are applied. In cases where the counterpart country is not known, the “not allocated” code is used.

2.1.4 Allocation to institutional sectors

There are no deviations from the sectorisation guidelines. The CBC and Cystat are cooperating closely to create a “Common Registry” for statistical purposes and to allocate units into institutional sectors for the compilation of external statistics and national accounts. In Cyprus, monetary authorities, other monetary financial institutions (MFIs), government, captive financial as well as non-financial SPEs (ship-owning companies) account for the vast majority of financial cross-border activity.

Captive financial institutions form part of a relatively important institutional sector in Cyprus. They are categorised under sector S127, which mainly consists of SPEs, as defined in the SNA 2008, BPM6 and BMD4. More precisely, a unit is considered as an SPE if it simultaneously meets the following criteria:

- It is formally registered and it is subject to fiscal and other legal obligations in Cyprus.
- The entity is ultimately controlled by a non-resident parent, directly or indirectly.
- The entity has no or few employees, little or no production in Cyprus and little or no physical presence in the host economy.
- Almost all the assets and liabilities of the entity represent investments in or from other countries.

- The core business of the entity consists of group financing or holding activities, i.e. channelling of funds from non-residents to other non-residents. However, in its daily activities, managing and directing other entities play only a minor role.

2.1.5 Valuation

Equity securities are reported as follows:

- For entities listed on the stock exchange, opening and closing positions are reported at market values. The market value of equity securities holdings are calculated using the market price prevailing at the beginning and end of the reporting period.
- For non-listed entities, if market value is not available, opening and closing positions are reported only on the basis of “own funds at book value” of equity holdings, or using the price of a comparable quoted share.

Debt securities which are extracted from the ECB’s Centralised Securities Database (CSDB) are recorded at market value.

Debt securities collected either from the reporting entities directly through the “Securities Holdings Statistics” (SHS) survey conducted by the CBC or through their financial statements, are recorded using one of the market valuation methods listed below (depending on the type of security held) and converted to euro, using the exchange rate prevailing at the reporting date:

- For listed securities, the market price prevailing on the last day of the reporting period.
- The present value of the expected stream of future payments or receipts associated with the securities.
- For deep-discount or zero-coupon securities, the issue price plus amortisation of the discount.
- For unlisted securities, the price used to value securities for accounting or regulatory purposes.
- For debt instruments issued at a premium, the issue price less the amortisation of the premium.

Income on dividends, interest and rents are reported at the price at which they are entered in the reporting entity’s or the non-resident entity’s books. Profits are calculated based on the “Current Operating Performance Concept” and reported on a group basis.

Real estate acquisition is valued at the price used for the purchase of the property (i.e. the transaction price). This method applies for both assets and liabilities stocks without any adjustment to the market price for subsequent periods. If the real estate is subsequently sold, the sale is considered a withdrawal of direct investment and is

recorded on the basis of the sale price. This treatment applies to all types of immovable assets, whether or not the assets are used for productive purposes.

The current valuation method as regards liabilities is planned to change soon, in order to reflect the market price prevailing at the end of each period. In particular, real estate owned by non-residents in Cyprus will be linked to a real estate quarterly index calculated and published by the CBC.

2.1.6 Time of recording

In general, the Cyprus external statistics are compiled and recorded according to the accrual principle.

As regards current account transactions, these are recorded as follows:

- Goods are recorded at the time they cross the border or at the time of the change of ownership, in case there is no physical movement of the goods.
- Services are recorded at the time they are invoiced.
- Dividends are recorded on the date they are declared payable.
- Reinvested earnings on direct investment are recorded on an accrual basis unless only annual data are available, whereby they are spread equally into quarters.
- Interest on financial instruments is generally recorded on an accrual basis.

Positions and flows relating to the financial account are recorded as follows:

- Equity and securities holdings and financial derivatives are recorded when the assets are produced or when change of ownership takes place, i.e. on the trade date (in line with BPM6).
- Loans and deposits are reported when they are recognised in the accounts of the reporting entities.
- Real estate holdings are reported when change of ownership takes place.

2.1.7 Coverage gaps and room for improvement

External transactions (except travel) and financial stocks of resident **households** are only partially covered. In the case of financial stocks, when the impact on i.i.p. is expected to be significant, an estimation (e.g. based on mirror data) or assumption is made.

The recording of **real estate** abroad has room for improvement. The compilation of this component is mainly derived from the accumulation of flows, collected through the ITRS. This practice/method will be abolished in the near future, as real estate

abroad will be estimated using information from the “Household Finance and Consumption Survey” (HFCS) conducted by the CBC.

Despite the significant progress achieved in the statistical coverage of **SPEs** in external statistics, there still exists some room for improvement. The timing of the collection of data regarding SPEs is another issue which needs to be overcome, as the data is currently collected annually and with some delay. Moreover, there are a number of cases where the country allocation of SPEs assets/liabilities abroad is not known, and in the absence of such information those assets/liabilities are allocated to the “Rest of the World (non-allocated geographically)” country classification. The CBC continues its efforts to further enhance the coverage of SPEs and the completeness of the data collected.

External transactions and financial stocks on **equity, debt securities and financial derivative holdings** of residents are not covered in the case where the custodian is a non-resident entity. The CBC uses alternative sources of information to capture this data, such as their audited financial statements.

2.1.8 Seasonal adjustment

No seasonal adjustments are performed on external statistics.

2.2 Statistical procedures, sources and methods

2.2.1 Overview of data collection system

The compilation of Cyprus's b.o.p. and i.i.p. is based, primarily, on direct reporting by resident entities. The data collected is supplemented by surveys conducted by other organisations, relevant administrative sources, annual financial statements and estimates. The method used for the compilation of quarterly and monthly data is as follows:

- Quarterly data rely mostly on actual data (either collected on a monthly or on a quarterly basis), except in some cases where data are only available on an annual frequency (mainly data extracted from audited financial statements of resident entities).
- Monthly data are available for goods, portfolio assets/liabilities and related income as well as transactions and positions of MFIs (including the CBC) and government. The monthly split of quarterly information which is not available on a monthly frequency is based on ratios constructed from ITRS information (daily collection of data under ITRS) and estimations. In certain categories of monthly reporting, such as FDI income, the estimation can be made on the basis of value judgement.

The CBC applies a correction/estimation procedure for non-response whenever relevant reports are sent late or are of poor quality. The extent to which this procedure is used is limited (in terms of value) since the CBC staff is making considerable efforts to collect the required data from “big players” within the prescribed deadlines.

As regards sampling and calibration, MFIs and insurance companies are completely covered by existing data sources. In addition, all “big players” identified by the compilers are covered in all relevant surveys conducted by the CBC. In the case of SPEs, a threshold of €400 million total assets is applied. No further estimation is made, for the time being, for SPEs with total assets below this threshold.

A comprehensive description of the data collection system in Cyprus is given in the section below.

2.2.2 Detail by accounting item

2.2.2.1 Goods

The CBC compiles the “goods” statistics on the basis of FTS produced by Cystat, in line with the “general trade system”. For b.o.p. purposes, FTS are adjusted in order to comply with BPM6 methodology. In particular:

- Goods under operational leasing, goods for processing and transit trade are excluded from b.o.p. data.
- Goods acquired/sold by residents abroad are included in b.o.p. data.
- Merchanting is included in b.o.p. data.
- In the case of imports, adjustments are made for f.o.b. valuation (assumption: 10% of imports c.i.f. refers to the transportation cost).

Full geographical analysis of goods (excluding merchanting) is available on a monthly basis, 35 calendar days after the end of the reference month. Merchanting is collected on a quarterly basis.

2.2.2.2 Services

For the compilation of international trade in services (ITS), a mixed collection system is in place. The main surveys conducted by the CBC are listed below:

- Quarterly “Services” survey, which is addressed to resident legal entities engaged in trade in services with other countries as well as trade in specific goods (not covered by FTS). Receipts and payments reported under this survey are broken-down by category and by country of the counterparty.

- Quarterly “Profit and Loss” survey, which is addressed to all resident MFIs. Under this survey, MFIs report their cross-border transactions in services (as well as interest on loans and deposits), without any threshold.
- Quarterly “Insurance” survey, which is addressed to resident legal entities which provide and/or procure non-life insurance/reinsurance services and/or life assurance/reinsurance services or insurance brokerage services. The survey covers all data included in the technical account for life and non-life insurance business, data included in the income and expenditure statement of insurance brokers and data regarding investment activities of insurance companies.
- Quarterly “Money Transfers” survey, which is addressed to all resident companies/businesses involved in the provision of money transfer services. Data collected through the survey includes transfers made on behalf of clients or for the entity’s own account by country breakdown of the counterparty and the reason for the transfer.
- Semi-annual “Ship-management” survey, which is addressed to resident companies providing ship-management services to ship-owning companies that are registered both in Cyprus and abroad. Data collected through the survey include the income from services rendered by the resident reporting entity to ships owned by non-residents of Cyprus and the management fees received from resident foreign owned ship-owning companies whose ships are managed by residents and expenses incurred by resident ship management entities both in Cyprus and abroad.
- Annual “Ship-owning” survey, which is addressed to resident ship-owning companies. The survey collects data regarding their financial claims/liabilities against/towards non-resident related entities, the acquisition/financing/management and chartering of their ships, the value and the technical characteristics of their ships and their revenue/expenses both in Cyprus and abroad.
- Annual “Education” survey, addressed to all resident colleges / universities with non-resident students.

Transport services

Data on shipping are compiled using the information submitted through the semi-annual ship management survey and the annual ship-owning survey conducted by the CBC, and the data/information extracted by Cystat from the “IHS Fairplay” database. The latter source enables the identification of the economic owner of each ship and the collection of information relevant for the grossing up procedure. The Department of Merchant Shipping provides information on the registration/deregistration of ships in Cyprus.

Credit cards data are used for the passenger transport payments and FTS compiled by Cystat for freight services. The payments for freight services are adjusted in accordance with an estimate made to convert imports c.i.f. to imports f.o.b. – freight

is assumed to account for 8% of imports; 2/3 is allocated to sea freight whereas 1/3 to air freight subcategories.

Data for all other sub-categories of the transportation services are obtained through the quarterly "Services" survey.

Travel services

The main sources of information for the compilation of "Travel" are the following:

- Surveys conducted by Cystat:
 - The "Incoming traveller" survey (estimation on number of resident travellers abroad, for the different categories of travel services)
 - The "Outgoing travellers" survey for estimating the tourist's expenditures and the number of days they spent in Cyprus
 - The annual survey on the spending of Cypriots abroad and in Cyprus. The relevant quarterly data for the spending abroad are derived from the monthly number of Cypriots' departures by purpose of travel (incoming traveller survey) and their spending abroad (credit cards information). The Cypriots' length of stay abroad is also collected through the annual survey upon their arrival.
- The annual survey on colleges/universities in Cyprus conducted by the CBC. For educational travel payments estimates are made based on the total number of students per country and average cost of studies. Mirror data are also taken into account with the two main partners in this subcategory, namely Greece and the United Kingdom.
- Estimates for imputed rent and spending by non-residents with a secondary residence in Cyprus, are also taken into account when compiling the travel item.

Financial services

Data for "financial services", are derived from the quarterly "Services" survey, the quarterly "Profit and Loss" survey, information on the income of financial SPEs reclassified from "other business" services category; the estimation is based on the turnover indicator of the sector and the FISIM data are calculated by Cystat.

Telecommunication, computer and information services

The main source of information for this type of services is again the quarterly "Services" survey, complemented by credit cards data (for the payments side).

Government goods and services n.i.e.

The main source of information for this type of services is the CBC itself, since the CBC acts as the banker to the government.

Data for all other types of services are mainly derived from the quarterly “Services” survey and from a limited use of the ITRS, especially as far as the transactions of natural persons are concerned. Moreover, illegal activities have also been incorporated, after the adoption of relevant estimates made by Cystat.

Concerning transactions of natural persons, the CBC enhanced the HFCS survey run by the Economic Research Department of the CBC in order to cover the loss of information after the abolition of the ITRS in 2016.

2.2.2.3 Primary income

Gross figures on **compensation of employees** are collected through the quarterly “Services” survey. Estimations are made in order to capture wages and salaries of foreign students in Cyprus as well as of Cypriot students abroad. At present, employee stock options are not included in the “compensation of employees” item since this item is insignificant for Cyprus.

Direct investment income is collected either directly from reporting entities through the quarterly “External Financial Statistics” (EFS) survey or from their annual financial statements. Data from financial statements are collected with a time lag and incorporated in CY external statistics nine months after the end of the reference year. Consequently, an assumption of zero direct investment income of the reporting entities is made until their financial statements are collected and incorporated. The same assumption of zero income is made in the case of non-response in the EFS survey.

Portfolio income credit is collected from the CBC’s monthly SHS survey which obtains data from resident organisations in the financial and non-financial sectors. Income is calculated on a security-by-security basis for direct and indirect holdings based on CSDB data. As far as CBC’s holdings are concerned, these are provided on a monthly basis from the Financial Markets Section of the CBC.

Portfolio income debit is collected from various sources for the relevant sectors as follows:

- Debt securities issues are collected, on a monthly basis, from resident MFIs (excluding the CBC). The associated interest is calculated based on the coupon rate, the outstanding amount prevailing at the end of the reference period and the non-resident percentage holding.
- Income on equities and reinvested earnings of the investment funds sector are collected through the quarterly “Investment Funds” (IF) survey conducted by the CBC.
- Debt securities issued by the general government are collected monthly directly from the MoF, whereas the interest is calculated based on the coupon rate and the percentage of non-resident holding.

- Income by other sectors is calculated based on the monthly data obtained from the CSDB in combination with the data collected from the annual financial statements of reporting entities, for income on equities.

Other investment income is collected from various sources. More specifically:

- The CBC's income is collected from its Accounting Department.
- MFIs' income is collected from the quarterly "Profit and Loss" survey conducted by the CBC.
- The Government's income is collected from the MoF.
- The remaining sectors' income is collected from the EFS survey and annual financial statements. Moreover, some estimations are made in the case where stock data is available but income is not, e.g. income received by households for deposits abroad.

2.2.2.4 Secondary income

Eurostat's database is the source for data on general government transfers between Cyprus and European Union institutions.

The only source of data regarding personal transfers and its sub-category, workers' remittances, was, until 2014, the ITRS, whereby data was compiled using the assumption that only 20% of the transfers relate to workers' remittances. As from the reference year 2014, however, data is also collected through a newly implemented quarterly survey on "Current Transfers". The survey is addressed to resident licensed Money Transfer Organisations (MTOs) and collects data on inward and outward money transfers on behalf of the MTOs' clients as well as for own account. The CBC aims to abandon the ITRS as a data source in February 2016, when the implementation of the EU regulation (260/2012) comes into force.

2.2.2.5 Capital account

Transactions in acquisitions/disposals of non-produced, non-financial assets are collected directly from relevant reporting entities (e.g. Government, mining companies). Data on capital transfers between Cyprus and the EU are collected directly from Eurostat's database.

2.2.2.6 Direct investment

Data on direct investment is collected through the following sources:

- The CBC's quarterly "EFS" survey, which collects information on stocks, transactions and income from investments. The survey collects data not only for

the FDI category but for the other categories of financial account, namely, portfolio investment, financial derivatives and other investments whenever those are not available from other sources. This gives the possibility to gather comprehensive data for each specific company. In case of non-response, the assumption of zero transactions is made and the stocks of the previous quarter are transferred to the following period. When the survey data is received, this is revised in our database.

- Data from financial statements. This is done on an annual basis with some time lag as this data is incorporated in our external statistics nine months after the end of the reference year. The assumption used for the compilation of external statistics until the financial statements are collected, is that transactions are zero, thus leaving stocks unchanged (i.e. at the same level as the previous period).
- Data for real estate (both for assets and liabilities) is currently collected from the banking system (ITRS). The stocks are calculated as accumulation of flows. This method is due to change soon and liabilities are to be collected directly through the Department of Lands and Surveys' registry, while assets will be collected through the information provided in the HFCS.

2.2.2.7 Portfolio investment

Portfolio investment assets and liabilities are collected from various sources for each of the associated sectors. In particular:

Portfolio assets:

- Data for the monetary authority is directly collected, on a monthly basis, from the Financial Markets Section of the CBC. The market values of the stocks are extracted from the CSDB and flows are automatically created in the b.o.p. system.
- Monthly data on holdings of MFIs and other sectors is obtained from the SHS survey conducted by the CBC, which is linked to the CSDB. This enables the reference data to be extracted in accordance with the ISIN codes reported on a security-by-security basis. For non-ISIN securities, the data is directly reported in the survey. For consistency purposes, the data compiled is cross-checked with Balance Sheet Items (BSI) data reported. Flows are created automatically in the b.o.p. system.

Portfolio liabilities:

- Data regarding the general government's issues of debt securities is sourced directly from the MoF, on a monthly basis. The market values of the securities are extracted at each month's end from the CSDB and flows are calculated accordingly.

- Monthly data on MFIs' listed equities and debt securities is obtained directly from the MFIs and the CSDB.
 - In the case of equity securities, the number of shares is reported, market prices are obtained from the CSE and stocks and flows are calculated accordingly.
 - In the case of debt securities, the stocks are provided by each reporting MFI and the flows are calculated accordingly.
- Data on holdings of other sectors' listed equities by non-residents is obtained from the CSE, on a monthly basis. Stocks and flows are calculated based on the ISIN codes and the reference month's closing prices.
- Data on equities is also collected from the quarterly "Investment Funds" (IF) survey conducted by the CBC. An adjustment is made each quarter for re-invested earnings of investment funds.
- An additional source of information for the compilation of portfolio liabilities is the annual financial statements of resident entities.

2.2.2.8 Financial derivatives

Financial derivatives assets and liabilities are obtained from the following sources for the relevant sectors:

- Monthly balance sheets provided by the resident MFIs to the BSI section of the CBC are used for the collection of MFIs data. Transactions are calculated as the difference between the opening and closing positions after adjusting for stocks and revaluations/reclassifications provided.
- Data is collected from the annual financial statements of the reporting entities for "other sectors", including financial and non-financial corporations. Transactions are, however, reported in the fourth quarter of the year with the assumption that there were zero transactions in the first three quarters of that year.
- The quarterly EFS survey conducted by the CBC is also used to collect data for other sectors' financial derivatives, starting from the reference period 2015Q2.

2.2.2.9 Other investment

Data on other investment are obtained from a number of sources, depending on the relevant sector. Specifically:

- Data for the monetary authorities are directly sourced from the CBC's monthly financial statements, as provided by the CBC's accounting department. This

covers all the instruments reported under other investment apart for the “importing/exporting” of EUR banknotes, for which an estimation is made.

- The compilation of the MFIs sector uses BSI data which is augmented with flow data on loans and deposits obtained from the Statistical Data Warehouse (SDW) of the ECB. The above cover all the financial instruments reported for the MFIs sector in other investments.
- Data on the general government is collected from a number of sources. In particular:
 - Data of the central government is collected from the MoF.
 - Data on semi-governmental organisations are collected through the quarterly EFS survey.
- The above cover all the financial instruments included in other investment.
- Data for the remaining sectors are compiled as follows:
 - The Insurance Companies Control Service provides information on data for the insurance sector (including data on insurance, pensions and standardised guarantee schemes).
 - Information on data for households’ deposits abroad is collected from the Bank of International Settlements (BIS) data (mirror data).
 - Assets and liabilities of investment funds are collected from the IF survey.
 - Data on the other sectors apart from the investment funds sector is collected from the EFS survey and annual financial statements. One exception is data on trade credits (assets and liabilities) for non-financial companies, which are estimated based on the amounts of imports and exports of goods.
 - Ad hoc requests regarding counter entries of big transactions in “other investment”.

2.2.2.10 Reserve Assets

The reserves template is compiled based on the guidelines and procedures described in the IMF manuals: BPM6 and the “International Reserves and Foreign Currency Liquidity: Guidelines for a Data Template - 2011”.

The template is compiled on a monthly basis using data from the following sources:

- The CBC’s Financial Markets Department, which provides information concerning the financial instruments included in the reserves assets (e.g. bonds and derivatives), end of period exchange rates and market prices.

- The CBC's Payment Systems & Accounting Services Department, which provides information concerning deposits and credit loans in foreign currency, gold reserves and foreign currency holdings.
- The MoF's Public Debt Management Office, which provides information on short-term debt payments in foreign currency.
- The IMF website – Cyprus's special drawing rights.

2.2.2.11 Borderline cases

The 10% threshold to distinguish between portfolio investments and direct investments is strictly imposed. However, exception to the 10% threshold rule applies for holdings of investment funds shares, which are treated exclusively as portfolio investments.

2.2.2.12 Additional information

More detailed information can be found in the SDDS metadata.

2.3 Coherence and comparability

2.3.1 Internal consistency

Cyprus has an excellent record concerning integrity rules. Consistency between the frequencies is ensured by the revision of monthly data whenever quarterly data are produced or revised, and the revision of monthly and quarterly data, whenever annual data are produced.

Every quarter, the CBC reconciles changes in stocks with transactions, exchange rate changes and price changes, which is considered a key element of quality control.

In the context of reconciling asymmetries vis-à-vis other countries, audited financial accounts are collected from entities identified either through information from the FDI network or mirror exercises.

Concerning errors and omissions, analyses of internal discrepancies remain an ongoing task. Sometimes, errors and omissions are large, since adjustments are not undertaken to reduce their magnitude. However, over time the relative size of errors and omissions, expressed in relation to the volume of current account transactions or as a percentage of Gross Domestic Product (GDP), is within an acceptable range.

2.3.2 Consistency with other statistical domains

B.o.p. data can be related with some of the data published by other statistical domains, namely, foreign trade statistics, national accounts and balance sheet information of the financial sub-sectors.

2.3.2.1 Foreign trade statistics

External consistency with foreign trade data and b.o.p. goods is performed on a monthly basis. The discrepancies between the two sets of data are attributed to methodological reasons and are explicitly identified in the annual reconciliation table produced in the context of Eurostat's Annual B.o.p. Quality Report.

2.3.2.2 National/sectoral accounts

Regarding National Accounts (both financial and non-financial), consistency exists after the implementation of BPM6 and ESA 2010. However, different revision timetables may lead to discrepancies.

2.3.2.3 Balance sheet information of the financial sub-sectors

The BSI statistics collected by the CBC are the source for the compilation of other investment regarding the MFI sector. This, de facto, ensures the consistency between the said statistics. Any remaining differences are due to methodological differences.

SHS and IF surveys data form the basis for the portfolio assets b.o.p. and i.i.p. compilation and this ensures consistency of the two sets. Any differences between b.o.p. and i.i.p. vs IF and SHS surveys data can be attributed to different revision timetables.

2.4 Accessibility and Clarity

2.4.1 Release calendar and revision policy

B.o.p. and i.i.p. quarterly and annual data are available on the [CBC's website](#), usually within five working days after the dissemination to the ECB and Eurostat.

Moreover, being a Special Data Dissemination Standard (SDDS) subscriber, the CBC publishes an advanced release calendar covering all data categories required by the said Standard. The relevant SDDS data for Cyprus are available in national summary data [page](#).

The initially released data are subject to revisions. The revision policy of the CBC includes three types of revisions:

- The routine/regular revisions, which concern quarterly and annual data and occur twice a year as follows:
 - In March, whereby monthly and quarterly data of the previous year (t-1) are revised, and
 - In September, whereby monthly, quarterly and annual data of the previous two years (t-1 and t-2) as well as the current year's (t) data are revised.

Monthly data are subject to revision when quarterly data are published (either for the first time or revised). The first revision of the provisional data of the first quarter in year t is published when data for the second quarter of year t are published (that is, in each September of year t). Subsequently, a first revision of data of the second and the third quarter of year t along with a second revision of the first quarter of year t is published when the data of the fourth quarter of year t is published (that is, each March in year t+1). Regarding annual data, a first revision of the provisional data of year t is made in September of year t+1 and the second (and final) revision, in September of year t+2. When revised annual data is published, revisions are made on monthly and quarterly data as well.

- The major revisions, which may be regular, usually every five years, and aim to incorporate results of changes in basic data sources (this is currently practically done from 2008 onwards, which was the year in which Cyprus joined the euro area).
- The ad-hoc revisions, which originate from methodological changes or special events and usually take place in the year in which they appear.

Further information and/or clarifications on external data produced and published, can be obtained from the information centre of the Balance of Payments Section of the Statistics Department at telephone +357 22714272 or electronically through mail at bop@centralbank.gov.cy.

2.4.2 Data availability

Data based on the BPM6 methodology are available from 2008 onwards on a quarterly basis for both b.o.p. and i.i.p.

2.4.2.1 2.4.2.1 Frequency of the b.o.p. and i.i.p. data compilation and publication

B.o.p. and i.i.p. data are compiled and disseminated to the ECB, Eurostat and IMF on a monthly, quarterly and annual basis, in accordance with the ECB and Eurostat requirements, the advance release calendar and the guidelines of the SDDS of the

IMF. The components prescribed in the SDDS are disseminated in the national summary data page on the day of the release.

The CBC publishes external statistics on its website in Greek and English. The published data concern quarterly data (b.o.p., i.i.p., external debt) and annual data (FDI). As regards monthly data, the CBC publishes only foreign currency reserves.

2.4.2.2 Seasonally adjusted data

Seasonally adjusted data is not available at the moment.

Latvia

1 Institutional environment

1.1 Professional Independence

Article 1 of the Law on [Latvijas Banka](#) of 19 May 1992 establishes the independence of Latvijas Banka in line with Article 130 of the EU Treaty and Article 7 of the Statute of the ESCB and of the ECB.

Latvijas Banka has a statistical work programme.

1.2 Mandate for data collection

The development, production and dissemination of statistics by the Latvijas Banka are governed by Article 5 of the Statute of the ESCB and of the ECB, as well as [Regulation \(EC\) No 2533/98](#); whereas the Central Statistical Bureau of Latvia are governed by the statistical principles laid down in article 2 of [Regulation \(EC\) No 223/2009](#). The Latvijas Banka as a member of the ESCB, conducts quality assurance and disseminates statistics in conformity with the principles of the ESCB's Public Commitment on European statistics by the ESCB.

Latvijas Banka is responsible for the compilation of the b.o.p. and i.i.p. (hereinafter, b.o.p. and i.i.p.) statistics, as stipulated in Article 39 of the Law on [Latvijas Banka](#) of 19 May 1992.

2 Statistical processes

2.1 Methodological principles and national specificities

IMF's Balance of Payments and International Investment Position Manual (BPM6). Furthermore, specific compilation recommendations from relevant international bodies are observed. In particular, as specified in the ECB [Guideline \(ECB/2011/23](#) of 9 December 2011, as amended) and [Regulation \(EC\) No 184/2005](#) of the European Parliament and of the Council of 12 January 2005 (as amended), as well as the relevant guidance presented in chapters 2 and 3 of this book.

Latvia is a small, open economy with transactions in goods and transportation services predominant in the current account and MFIs (excl. central bank) sector prevailing in the financial account.

Back data compiled in line with the BPM6 methodology are available from the reference period Q1 2000 onwards. BPM6 data for 2013 were derived from detailed input data obtained directly from the survey data. For the previous periods, BPM5 data were converted to BPM6 data, using the ECB bridging table.

2.1.1 Residency

The general principles laid down in the BPM6 are applied.

2.1.2 Institutional unit definition

The general principles on institutional units (centre of economic interest, decision-making autonomy, and complete set of accounts) are applied. The statistical coverage of SPEs is in line with the conclusion of the Eurostat/ECB/OECD 2013 [Task Force on Head Offices, Holding Companies and SPEs](#).

2.1.3 Geographical allocation

In general, debtor/creditor principle is used for geographical allocation.

For services items, geographical allocation is derived from the payment data and proportionally allocated to the survey data.

2.1.4 Allocation to institutional sectors

In general, all institutional sectors are covered. In terms of the share of assets/liabilities, the sector of MFIs (excl. central bank) is prevailing.

2.1.5 Valuation

In general, all transactions are valued at market prices.

The value of foreign direct investment in unlisted companies is obtained by using the equity capital approach (own funds at book value).

The value of non-ISIN securities is reported by securities custodians.

Dividends are recorded on a gross basis.

2.1.6 Time of recording

The general principles laid down in BPM6 are applied.

2.1.7 Coverage gaps and room for improvement

Non-resident investments in real estate are partly covered (the non-bank external payment data are used).

2.1.8 Seasonal adjustment

Tramoseats (DEMETRA+) is used for seasonal adjustments of the current account items required by international organisations.

2.2 Statistical procedures, sources and methods

2.2.1 Overview of data collection system

Data for the government sector are obtained from the Treasury and administrative data sources. Information on the central bank sector is derived from Latvijas Banka's balance sheet and profit and loss statement. The MFIs (excl. central bank) sector is covered by MFI statistics. Latvia's b.o.p. data collection system is based on the surveys for the financial corporations (excl. MFI) sector and non-financial corporations and households sector. In addition, non-bank external payment data (ITRS) compiled by Latvijas Banka and data received from the Financial and Capital Market Commission are used.

Quarterly surveys conducted by Latvijas Banka are as follows:

- Survey on foreign assets and liabilities covering data on positions at the beginning and end of a period and changes in the relevant positions (transactions, price changes, exchange rate changes, other adjustments) for the compilation of foreign direct investment in Latvia and abroad, assets and liabilities between fellow enterprises, other investment (assets and liabilities), income flows related to foreign assets and liabilities; all items are shown in the breakdown by country; stratified simple random sampling is applied.
- Survey on transportation and intermediary services covering data on transportation services rendered/received by mode of transport.
- Survey on services covering data on services rendered/received for compiling items of other services.

Data on portfolio investment covering assets and liabilities for all sectors are derived from the data on holders of securities (data reported on a security-by-security basis by securities custodians) and the ECB's Centralised Securities Database.

Foreign trade statistics and Travel survey data compiled by the Central Statistical Bureau of Latvia are used.

2.2.2 Detail by accounting item

2.2.2.1 Goods

Data under general merchandise are derived from foreign trade statistics provided by the Central Statistical Bureau. They include Intrastat data on trading of goods with the EU Member States and customs cargo declaration data on trading of goods with countries outside the EU (Extrastat data).

In compiling foreign trade statistics in Latvia, a special trade system scheme is used (where goods are imported to customs warehouses from abroad and exported from customs warehouses abroad, such imports and exports are excluded from the total).

Information on net exports of goods under merchanting is derived from the non-bank external payment data.

2.2.2.2 Services

Data under manufacturing services are derived from foreign trade statistics provided by the Central Statistical Bureau.

Information on maintenance and repair services is derived from Latvijas Banka's survey on transportation and intermediary services and non-bank external payment data.

Data on transportation services are derived from Latvijas Banka's survey on transportation and intermediary services and survey on services, as well as non-bank external payment data. The Central Statistical Bureau foreign trade statistics are also used to obtain the difference between CIF and FOB values of imported goods. The share of transportation services rendered by non-residents is set apart and recorded under Transport in the b.o.p. consistently with the respective mode of transportation. Data on passenger transportation by air are obtained by using information on the number of passenger departures in the breakdown by airline provided by the state joint stock company Riga International Airport, the Central Statistical Bureau monthly data on the number of residents and non-residents crossing the border of the Republic of Latvia by air, and information on the average ticket prices of each airline.

Data on travel are obtained from the Central Statistical Bureau statistics on persons entering and leaving the Republic of Latvia. State joint stock company Riga International Airport conducts random surveys of travellers on a permanent basis; travellers are polled at other border checkpoints four times a year, thus obtaining information about non-residents' spending in Latvia and residents' spending abroad. The average spending of a traveller is calculated by mathematical methods, thereafter obtaining total travellers' spending. The number of travellers crossing the state border at border checkpoints with Russia and Belarus, railway, sea and airport checkpoints is provided by the State Border Guard of the Republic of Latvia.

For evaluating foreign student expenditure in Latvia, data compiled by the Central Statistical Bureau on the number of foreign students and income gained by institutions of higher education from their tuition fees, broken down by country, are used.

For evaluating expenditure of Latvian residents studying abroad, UNESCO data on the number of Latvian residents studying abroad and estimates of average expenditure per student, broken down by country, are used.

Information on financial services is obtained from the survey on services and data on external payments by non-banks compiled by Latvijas Banka, as well as MFI statistics compiled by Latvijas Banka, and profit and loss statement of Latvijas Banka.

The indirectly measured financial services are calculated on the basis of the survey on external assets and liabilities and MFI statistics compiled by Latvijas Banka, as well as data provided by the Treasury on the general government external debt and data on balance of government accounts abroad.

Information on other services is mainly obtained from the survey on services and on non-bank external payments compiled by Latvijas Banka. MFI statistics compiled by Latvijas Banka, Latvijas Banka's profit and loss statement, data on revenue and expenditure of the Republic of Latvia embassies, representative offices and consulates provided by the Ministry of Foreign Affairs of the Republic of Latvia, data on disbursed direct insurance and reinsurance premiums and claims compiled by the Financial and Capital Market Commission, and information provided by the Ministry of Finance of the Republic of Latvia on contributions to the EU budget are also used. Data on expenditure of foreign embassies, representative offices and consulates in Latvia are calculated using information of the State Revenue Service on VAT repayments to foreign embassies, representative offices and consulates.

2.2.2.3 Primary income

The information source for credit entries under compensation of employees is Latvijas Banka's survey on contracts concluded by sailors for working abroad. Information on wages and salaries of residents employed at foreign embassies, representative offices and consulates in Latvia is obtained from data compiled by the State Revenue Service on social security contributions made by foreign embassies, representative offices and consulates. Latvijas Banka assesses the amount of compensation of Latvia's residents abroad using also information provided by foreign embassies on labour permits issued to the residents of Latvia for working abroad. Debit entries are based on labour statistics compiled by the Central Statistical Bureau and revenue and expenditure data of the Republic of Latvia embassies, representative offices and consulates of the Republic of Latvia compiled by the Ministry of Foreign Affairs of the Republic of Latvia.

Data on the direct investment income are obtained from survey on foreign assets and liabilities, data on holders of securities, and MFI statistics compiled by Latvijas

Banka. Dividends are recorded at the time of their calculation, i.e. as of the date on which they become payable to investors. Reinvested earnings are recorded in the period in which they are earned. Income on debt instruments (interest) is recorded on an accrual basis.

Data on portfolio investment income are obtained from data on holders of securities, survey on foreign assets and liabilities compiled by Latvijas Banka, and Latvijas Banka's profit and loss statement. Income on portfolio investment is recorded on an accrual basis, using the debtor principle.

Data on other investment income are obtained from survey on foreign assets and liabilities, non-bank external payment data, and MFI statistics compiled by Latvijas Banka, Latvijas Banka's profit and loss statement, and statistics on general government foreign debt compiled by the Treasury, the Financial and Capital Market Commission's data on assets and liabilities of insurance companies, private pension funds, pension plans managed by private pension funds, state-funded pension scheme funding, and assets and liabilities of investment funds, and the Financial and Capital Market Commission's data on direct insurance and reinsurance technical reserves. Income on other investment is recorded on an accrual basis.

For other primary income data on subsidies are obtained from information on the inflow of funds from the European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development (subsidies to farmers) provided by the Treasury. Data on taxes on production and imports are obtained from information on traditional own resources (customs duties) provided by the Ministry of Finance of the Republic of Latvia.

2.2.2.4 Secondary income

Data on secondary income are based on information provided by the Treasury on the resources received from the EU funds (e.g. the European Social Fund and the European Fisheries Fund, information provided by the Ministry of Finance of the Republic of Latvia on payments to the EU budget (VAT own resource, the rebate of the UK, as well as own resources of the national gross income). Data on secondary income of financial institutions, non-financial corporations and households are derived from non-bank external payment data compiled by Latvijas Banka (including data on all types of payments made by private persons using services of credit institutions). Data on direct insurance and reinsurance premiums and claims paid (compiled by the Financial and Capital Market Commission) as well as information compiled by the State Social Insurance Agency on pensions paid to residents by foreign governments and pensions paid to non-residents and other sources are also used.

2.2.2.5 Capital account

Capital account data are based on data provided by the Treasury on resources received from the EU funds and non-bank external payment data compiled by Latvijas Banka. The resources of the EU funds are mostly made up of funds transfers from the Cohesion Fund and the European Regional Development Fund. Funds received under other EU programmes and initiatives are also included.

2.2.2.6 Direct investment

Information on direct investment is derived from survey on foreign assets and liabilities and data on holders of securities and MFI statistics compiled by Latvijas Banka. Non-bank external payment data compiled by Latvijas Banka and Register of Enterprises of the Republic of Latvia data are also used.

To the extent possible, foreign direct investment in equity capital in Latvia is recorded at market value. The value of investment in unlisted and listed companies is valued differently. The value of investment in unlisted companies is obtained by using the equity capital approach (own funds at book value) recommended by the ECB.

The value of investment in listed companies is obtained in a similar way, with an exception that the price of one share at the end and beginning of the reporting period is obtained using NASDAQ OMX Riga data.

Assets and liabilities of fellow companies are classified depending on the ultimate controlling parent. If the ultimate controlling parent of a Latvian direct investment company is a non-resident, all mutual assets and liabilities are reported as direct investment in Latvia. In case the ultimate controlling parent of a Latvian direct investment company is a Latvian resident, all mutual assets and liabilities are reported as direct investment abroad.

Debt transactions and positions between MFIs, investment funds and other financial intermediaries except insurance corporations and pension funds within an existing direct investment relationship are excluded.

2.2.2.7 Portfolio investment

Portfolio investment data of the central bank sector are derived from Latvijas Banka's balance sheet. Data on portfolio investment of the MFIs (excl. central bank) and general government sectors are obtained from MFI statistics and data on holders of securities compiled by Latvijas Banka.

Information regarding portfolio investment of financial corporations (excl. MFI) and non-financial corporations and households sectors is derived from data on holders of securities compiled by Latvijas Banka and the Financial and Capital Market Commission's data on assets and liabilities of insurance companies.

Portfolio investment transactions are marked to market, using the ECB's Centralised Securities Database information on financial instrument prices.

2.2.2.8 Financial derivatives

Data on investment in financial derivatives are derived from Latvijas Banka's balance sheet and profit and loss statement, MFI statistics, the Treasury's data on financial derivatives, and non-bank external payment data compiled by Latvijas Banka.

2.2.2.9 Other investment

Data on other investment are derived from survey on foreign assets and liabilities compiled by Latvijas Banka, the Financial and Capital Market Commission's data on assets and liabilities of insurance companies, private pension funds, pension plans managed by private pension funds, state-funded pension scheme funding, and assets and liabilities of investment funds, the Financial and Capital Market Commission's data on direct insurance and reinsurance technical reserves and MFI statistics. Data on other investment of central bank sector are based on Latvijas Banka's balance sheet, whereas data on other investment of the government sector are derived from data on the government external debt and the balance of government accounts abroad provided by the Treasury.

2.2.2.10 Reserve Assets

Data on reserve assets are derived from Latvijas Banka's balance sheet.

2.2.2.11 Borderline cases

Holdings (above 10%) of investment funds shares are recorded as portfolio investment.

2.2.2.12 Additional information

A detailed description of data sources and compilation processes is available on the [website](#) of Latvijas Banka.

2.3 Coherence and comparability

2.3.1 Internal consistency

Compilation of b.o.p. and i.i.p. is integrated into a common IT system, thus ensuring full consistency between stocks and flows. There are no adjustments made to reduce errors and omissions. Each large transaction is analysed on a case-by-case basis.

B.o.p. data can be related with some of the data published by other statistical domains, namely, foreign trade statistics, national accounts and balance sheet information of the financial sub-sectors.

2.3.2 Consistency with other statistical domains

B.o.p. data can be related with some of the data published by other statistical domains, namely, foreign trade statistics, national accounts and balance sheet information of the financial sub-sectors.

2.3.2.1 Foreign trade statistics

B.o.p. and foreign trade statistics generally show discrepancies, due to different methodologies. In particular, certain monthly transactions not covered by foreign trade statistics are added to b.o.p. figures, namely:

- Merchancing – information on Net exports of goods under merchancing is derived from the non-bank external payment data and reported under goods.
- Goods procured in ports (export: fuel sold in the national economy to non-resident carriers; import: fuel procured by resident transport operators to non-resident transport providers) – information from survey on transportation and intermediary services compiled by Latvijas Banka about the goods procured by non-resident carriers for own consumption in Latvia (exports) and resident carriers for own consumption abroad (imports) is included.
- Adjustment from CIF to FOB – adjustment from CIF to FOB values of goods imports is made, i.e. freight and insurance costs are deducted from the value of goods (Intrastat data adjustments are made separately for each country of consignment, while those of Extrastat data made in the breakdown by resident and non-resident carrier for each mode of transport and each country of goods' origin separately).
- Exports from shipping vessels – data compiled by the Central Statistical Bureau on exports from Latvian shipping vessels fishing in the extraterritorial waters are included.

- Banknote production and coinage costs – information on banknote production and coinage costs from Latvijas Banka's profit and loss statement is included.
- Manufacturing – information on goods sent outside Latvia for manufacturing if the goods are subsequently returned to Latvia, as well as information on goods sent to Latvia for manufacturing if they are subsequently returned to the same country which sent them to Latvia for manufacturing is excluded. The net value of transactions with goods excluded from general merchandise is reported under services.

2.3.2.2 National/sectoral accounts

The comparability between b.o.p. and national accounts is ensured by the application of common definitions (BPM6 and ESA2010). B.o.p. and i.i.p. data are used as a data source for the compilation of national accounts.

2.3.2.3 Balance sheet information of the various financial sub-sectors

B.o.p. and i.i.p. data are fully consistent with balance sheet items statistics, investment funds statistics, securities issues statistics and securities holding statistics as the same data sources are used.

2.4 Accessibility and Clarity

2.4.1 Release calendar and revision policy

The data release calendar is available on [Latvijas Banka's website](#).

The initially released data are subject to revisions. Monthly b.o.p. data are revised when the corresponding quarterly data are compiled or revised. Quarterly data up to three years back are revised when the data for the second quarter are disseminated. The revision policy is available on [Latvijas Banka's website](#).

2.4.2 Data availability

2.4.2.1 Frequency of the b.o.p. and i.i.p. data compilation and publication

B.o.p. data are compiled and published on a monthly basis and i.i.p. – on a quarterly basis. Data are published on [Latvijas Banka's website](#).

Back data under BPM6 methodology are available from the reference period Q1 2000 onwards.

2.4.2.2 Seasonally adjusted data

Seasonally adjusted data are not published.

Lithuania

1 Institutional environment

1.1 Professional Independence

The independence of the Bank of Lithuania is emphasised in Article 3 of the Law on the Bank of Lithuania. Article 3(1) and (2) of the Law states, that:

1. The Bank of Lithuania shall be governed by the Treaty on the Functioning of the European Union, the Protocol on the Statute of the European System of Central Banks and of the European Central Bank annexed to the Treaty on the Functioning of the European Union, as well as other legal acts of the European Union. The Bank of Lithuania shall be also governed by laws and other legal acts of the Republic of Lithuania in as much as they are in compliance with the Treaty on the Functioning of the European Union and the Protocol on the Statute of the European System of Central Banks and of the European Central Bank annexed to the Treaty on the Functioning of the European Union. In the event of a conflict between the legal acts of the Republic of Lithuania and the international treaties of the Republic of Lithuania, the international treaties of the Republic of Lithuania shall take precedence.

2. When implementing the objectives and performing its functions, as well as pursuing the activities necessary for this, neither the Bank of Lithuania, nor the Chair of the Board of the Bank of Lithuania, the Deputy Chairs, the Members of the Board, nor other members of the staff of the Bank of Lithuania (hereinafter ' the Bank of Lithuania staff') may seek and take instructions from the institutions and bodies of the European Union, the governments of the EU Member States or any other institutions or bodies. The Government of the Republic of Lithuania and State institutions must respect the independence of the Bank of Lithuania and must not seek to influence the Bank of Lithuania and its staff in discharge of their duties.

The [Law on the Bank of Lithuania](#).

1.2 Mandate for data collection

The development, production and dissemination of statistics by the Bank of Lithuania are governed by Article 5 of the Statute of the ESCB and of the ECB, as well as [Regulation \(EC\) No 2533/98](#); whereas the Statistics Lithuania are governed by the statistical principles laid down in article 2 of [Regulation \(EC\) No 223/2009](#). The Bank of Lithuania as a member of the ESCB, conducts quality assurance and disseminates statistics in conformity with the principles of the ESCB's Public Commitment on European statistics by the ESCB.

The Bank of Lithuania (BoL) is responsible for the compilation of the b.o.p. and i.i.p. statistics for Lithuania. The Law on the BoL states that state and municipal institutions and economic entities must present to the BoL all information necessary for the performance of its functions (for the collection, compilation and dissemination of the b.o.p. and i.i.p. of the Republic of Lithuania).

Furthermore, agreements between the BoL and Statistics Lithuania (SL) and the Ministry of Finance (MoF), established procedures for the presentation of required data and proper statistical information.

All statistical works carried out by the BoL, SL and other national authorities are reflected in the Official Statistics Work Programme (OSWP). OSWP compilation is coordinated by SL. OSWP made public and is posted on [webpage](#).

According to the work programme, the BoL and SL jointly produce the foreign direct investment statistics (by geo breakdown and activity). SL is responsible for the quarterly and annual foreign direct investment survey.

2 Statistical processes

2.1 Methodological principles and national specificities

Lithuania is a small, but fast-growing economy and recognised as having the sustainable economic development and the financial discipline. Lithuania's export of goods and services plays a significant role for the economy. The country is fairly industrialised, refined petroleum is Lithuania's leading export. Besides refined oil products, machinery and transport equipment, chemicals also constitute important export products.

Quarterly back data according to BPM6 are available from reference period 2004. Data were converted using the IMF b.o.p. and i.i.p. conversion matrix.

2.1.1 Residency

The compilation of b.o.p. and i.i.p. follows the general BPM6 principles of residence. Currently, the b.o.p. statistics do not cover the SPEs, because the coverage of such entities is negligible.

2.1.2 Institutional unit definition

The general criteria of the institutional unit are applied.

2.1.3 Geographical allocation

The geographical allocation of flows and stocks is performed by the immediate counterpart. Extended foreign direct investment (FDI) statistics according to the Ultimate controlling parent (UCP) counterpart is not available yet. Starting with the next year the annual FDI survey coverage will be extended by the addition indicators and the final UCP partner will be introduced as well.

2.1.4 Allocation to institutional sectors

Generally, Lithuania follows the allocation to institutional sectors according to BPM6 and ESA2010 requirements.

2.1.5 Valuation

In principal the valuation is based on market price.

Quarterly and annual foreign direct investment (FDI) surveys are used for the compilation of FDI statistics. In general, FDI listed equity stocks are valued at market prices and unlisted — at Own Funds Book Value (OFBV).

Non-ISIN debt securities are valued mostly on issue price (or other estimated price provided by custodians) and non-listed equity — at OFBV.

Data on portfolio investments are compiled on a security by security basis using market or estimated prices from the ECB's Centralised securities database (CSDB).

2.1.6 Time of recording

Interest is recorded on an accrual basis. Accrued interest not yet paid is a part of the outstanding amount of the particular financial instrument.

Dividends are recorded in the investment income account when declared payable. In cases when declared dividends have not yet been paid, a corresponding amount is shown as reinvestment in the category of direct investment (under other assets/other liabilities). The time of recording of dividends is the point in time at which the share price starts to be quoted on an ex-dividend basis and not at a price that includes the dividend.

2.1.7 Coverage gaps and room for improvement

The implementation of investment income attributable to investment fund shareholder, according to the BPM6 requirements, is ongoing and the implementation is under the IT development stage.

Residents' transactions, related to real estate purchases (and holiday homes) abroad, are not included.

2.1.8 Seasonal adjustment

B.o.p. data are not seasonally adjusted.

2.2 Statistical procedures, sources and methods

2.2.1 Overview of data collection system

The national b.o.p. and i.i.p. is compiled on the basis of direct reporting (statistical reports). A part of statistical reporting forms are collected by the BoL directly from national economic entities, and a part of these data collected by the SL. Resident units should provide their transactions with non-residents.

Monthly b.o.p. is compiled on the basis of direct reporting. The number of indicators included in the monthly statistical report is noticeably smaller than in the case of quarterly reports. Monthly reporting data from other sectors are collected by way of a sampling survey of economic entities. These economic entities are selected according to their level of representation in a specific activity or to their scope of operations with non-residents. Monthly data obtained from the sampling survey of economic entities are grossed up through the application of corresponding coefficients. As individual monthly b.o.p. indicators are calculated with the aid of extrapolation coefficients and by making appropriate evaluations, aggregated data of a three-month period may not coincide with the figures of the corresponding quarter. After the compilation of a quarterly b.o.p., data for the individual months of that quarter are revised.

Quarterly b.o.p. data relies on different data sources and reporting agents — statistical reports, statistical registers, administrative sources, quarterly survey on enterprises for compilation other investment, quarterly and annual FDI surveys, data from the BoL accounting, data published by international financial organisations, mirror data from colleagues abroad, mass-media.

2.2.2 Detail by accounting item

2.2.2.1 Goods

Data on trade in goods are compiled on the monthly basis of data provided by Statistics Lithuania. Also, these data are complemented by the data from Interdepartmental Tax Data Warehouse and quarterly survey on non-banking

sector enterprises, which are used for estimation of merchanting. In accordance with the b.o.p. compilation requirements, the import of goods on FOB price basis is calculated, while the freight (expenses due to the transportation of goods) is deducted from the import of goods (CIF price basis) provided by SL. In addition, import of goods is reduced by the amount of goods for processing and repairs on goods, extended by evaluated imports of illegal goods (alcohol, tobacco, drugs) and goods procured in ports by carriers. In the b.o.p., export of goods is calculated from export of goods provided by Statistics Lithuania, is deducted from goods for processing and repairs on goods, as well as adding net exports of goods under merchanting.

2.2.2.2 Services

Data on **services** provided by residents to non-residents (export of services) and on services provided by non-residents to Lithuanian economic entities (import of services) are collected from different sources. The main data source is a quarterly survey on non-banking sector enterprises (about 4200 enterprises participate in the survey conducted by SL, the non-response rate for Q2 2015 — 3.1%). This quarterly report covers the extended classification of services. Additionally, MFIs provide the monthly and quarterly reports (including data on services) directly to the BoL, the MoF transmit data on government services, the Ministry of Foreign Affairs (on expenses of embassies and representative offices, entry and membership fees on the participation of the country in international non-financial organisations). Data on health care services is received from Patient's Fund at the Ministry of Health, Interdepartmental Tax Data Warehouse information is used also.

The calculation of **manufacturing** services is based on the foreign trade statistics data according to the 'Nature of Transaction' codes 41, 42, 51, 52. Additionally is used information from Interdepartmental Tax Data Warehouse.

Travel credits and debits consist of various data sources. Credits calculation of number of travellers arriving at frontiers (State Border Guard Service data) combined with SL data (Statistical survey on inbound tourism, Statistical survey on visitor flows at border crossing points, Statistical survey on tourism enterprises, Statistical survey on accommodation services) multiplied by average expenditure per person (Statistical survey on inbound tourism, statistical survey on visitor flows at border crossing points). Credit card information is also used as additional data source to calculate total travel receipts. Travel debits calculation of number of Lithuanian travellers returning from abroad — SL data (Statistical survey on outbound tourism combined with Statistical survey on tourism enterprises) multiplied by average expenditure per person (Statistical survey on visitor flows at border crossing points).

Compilation of **FISIM**: the BoL provides data on stocks of loans and deposits and, on interest flows of the non-financial corporations, financial corporations, general government, household sectors to SL which is responsible for the calculation of the final data of FISIM. The b.o.p. financial services data are extended by FISIM data, prepared by SL.

The information on **government** services is received from the Ministry of Foreign Affairs and the MoF. Information is based on the data on the expenditure of Lithuania's embassies abroad and on salaries paid to Lithuanian employees working abroad, on technical assistance provided by non-residents and on quarterly data provided by the Lithuanian tax authorities on value-added tax refunds to embassies and international organisations.

Freight (expenses due to the transportation of goods) is calculated for each mode of transportation and depending on the country of the sender. Freight transportation costs are added to transportation services and freight insurance expenses are included under insurance services.

2.2.2.3 Primary income

Information on compensation of employees is obtained from:

- Data on social insurance contributions paid by foreign embassies for resident employees in Lithuania.
- Quarterly reports of non-financial enterprises (the survey conducted by SL).
- Lithuanian Labour Exchange data.
- The Ministry of Foreign Affairs (for data on the expenditure of Lithuania's embassies abroad).
- Data on cross-border transactions by individuals obtained from a monthly reports of MFIs.

All income (or actually allocated income (dividends) or reinvested income), received from investment fund shares is allocated to holders of these shares. Income on equity securities other than investment fund shares includes only dividends. Interest on debt securities is recorded on an accrual basis and debtor approach is used for defining and measuring interest for debt instruments.

Other primary income includes taxes on production and imports, subsidies, and rent.

2.2.2.4 Secondary income

The main information for secondary income is provided by the MoF, Ministry of Foreign Affairs, Interdepartmental Tax Data Warehouse, MFIs and other administrative data sources. Secondary income comprise the data on participation in international financial organisations (acquired shares, contributions for subscribed shares, entry and membership fees), data on the implementation of bilateral technical assistance projects, expenses of embassies and representative offices of Lithuania, data on EU Allowances on carbon emission trade with non-residents, data on foreign aid granted to Lithuania and abroad, data on reimbursements of the

value-added tax to foreign embassies and representative offices residing in Lithuania, international transfers of cash through money transfer operators.

2.2.2.5 Capital account

The main sources of data are: monthly data on capital transfers from EU support funds to government and other sectors (data are provided by the MoF); data on debt forgiveness transactions (data from enterprises survey and MFI quarterly reports).

2.2.2.6 Direct investment

The main data sources in compiling foreign direct investment are quarterly (and additional annual) survey of enterprises involved in direct investment prepared by SL (quarterly survey for Q2 2015 covers 1,288 enterprises, non-response rate 5.2%). Besides, SL provides quarterly data on real estate sold to non-residents. The BoL directly collects FDI data from MFIs, information from BoL loans register, additionally central and local authorities provides information about real estate sold to non-residents. Data are compiled on assets/liabilities basis and FDI by partner country and economic activity are presented on the directional basis.

FDI [quarterly](#) and [annual](#) survey.

2.2.2.7 Portfolio investment

The main sources of data are local securities database of the BoL, ECB's Centralised Securities Database, MFIs, custodians, investment funds, Central Securities Depository of Lithuania, NASDAQ OMX Vilnius Stock Exchange.

Portfolio investment data are reported on a monthly data on the security by security principle. Portfolio investment flows and stocks are allocated by instrument, maturity and holder sector.

2.2.2.8 Financial derivatives

The main data sources are monthly and quarterly reports provided by MFIs, non-financial enterprises, BoL balance sheet. Data are compiled on a gross basis.

2.2.2.9 Other investment

The main data sources for other investment are monthly and quarterly data provided by MFIs, the MoF, Bank of International Settlements, non-financial enterprises, information from BoL accounts. Stocks and flows on loans of other sectors are obtained from the register of foreign loans held with the BoL.

The recording of intra-Eurosystem claims and liabilities under Other investment functional category is made according to the treatment of these claims/liabilities and taking into account the recommendations. Currently, the information on shipment of EUR banknotes with non-euro area countries is under investigation.

2.2.2.10 Reserve Assets

The main data source for accounting of changes in official reserve assets (flows and stocks) — the Balance Sheet data, received from the Financial Accounting Information System (FAIS) of the BoL. Since 1 January 2015, the Bank of Lithuania's investment in euro is no longer considered as official reserve assets. Only the claims on non-euro area residents denominated in currencies other than the euro, monetary gold, Special Drawing Right and reserve position in the IMF are considered as official reserve assets. The BoL's external assets that cannot be classified as reserve assets are recorded in the data item 'Portfolio Investment', 'Financial Derivatives and Employee Stock Options' or 'Other Investment' under the b.o.p. and i.i.p. Official reserve assets are compiled in accordance with the gross concept, without any netting with the liabilities of monetary authorities. Gold holdings and securities are valued monthly at mid-market rates and prices. Holdings of foreign exchange are revalued on each business day at the official ECB foreign exchange reference rate on that day. The value of the securities and deposits at the reference date includes accrued interest.

2.2.2.11 Borderline cases

All investment funds shares/units are classified as portfolio investment.

2.2.2.12 Additional information

[Information](#) regarding the implementation of BPM6.

2.3 Coherence and comparability

2.3.1 Internal consistency

Currently the E&O are not adjusted and further investigation of proposed approaches to minimise the E&O are required.

According to the Eurostat's BOP Quality Report assessment for Lithuania, the analysis of Net Errors and Omissions (E&O) shows good results, as the indicator remains at a very low level since 2009. The Average Relative Error (ARE (EO))

indicator is relatively small in volume and percentage (this is under the first quartile of the EU-28 level). Cumulative relative CSR (EO) converges around 0.

2.3.2 Consistency with other statistical domains

Bop data are comparable with national accounts statistics. But, the negligible deviation exists due to the different revision policy and methodological interpretation.

With the implementation of the BPM6 requirements, b.o.p. goods and international trade in goods statistics data have inconsistency in exports and imports as well. These discrepancies have the methodological reasons. Additionally, due to the different calculation of geo breakdown with a euro area partner, distortion between b.o.p. and foreign trade exports data still exists — because foreign trade compilers under exports for euro area countries additionally include the goods and other provisions, provided by ships.

2.3.2.1 Foreign trade statistics

Exports of goods (in b.o.p.) = **Exports of goods** (FOB) provided by SL (includes non-monetary gold and goods procured in ports by carriers).

- - Goods for processing.
- - Repairs on goods.
- + Net exports of goods under merchanting.

Imports of goods (in b.o.p.) = **Imports of goods** (CIF) provided by SL (includes non-monetary gold).

- - Freight transportation cost.
- - Goods for processing.
- + Illegal goods (alcohol, tobacco, drugs).
- + Goods procured in ports by carriers.

2.3.2.2 National/sectoral accounts

With the implementation of BPM6 and ESA2010 in 2014, the b.o.p. statistics and the rest of the world accounts are comparable and consistent. But, the negligible inconsistencies may still occur due to different methodological interpretation (for example, different treatment of ESM contribution) or due to the different data release calendars.

2.3.2.3 Balance sheet information of the various financial sub-sectors

Bop data provided by MFIs are compared with the MFI balance sheets data.

2.4 Accessibility and Clarity

2.4.1 Release calendar and revision policy

The advanced release calendar for the monthly and quarterly external statistics (including b.o.p., i.i.p. and other related datasets) are available on the [Bank of Lithuania website](#).

After quarterly b.o.p. is compiled, the data of the individual months of this quarter are revised. After the b.o.p. is compiled for the second quarter of the accounting year, i.i.p. data for the first quarter are revised also. This revision is made because after the compilation of annual data for the previous year, the change of stocks of the data is recorded.

The first revision of external statistics for all quarters of the accounting year is made by compiling the fourth quarter. This will take place in March next year. While revising quarterly data, monthly b.o.p. data are revised accordingly.

The final monthly and quarterly data are prepared in September of the reporting year.

A revision of b.o.p. data for the last three years (if necessary, the revision takes the longer period of historical data) is done in September of the reported year.

Quarterly data for the i.i.p. and external debt are revised with the same periodicity as quarterly b.o.p. data.

2.4.2 Data availability

Quarterly b.o.p. and i.i.p. data according to the BPM6 requirements for Q1 2014 were published in June 2014. Back data are available starting with 2004.

Methodological changes related with the implementation of the new standards of compilation of b.o.p. and i.i.p. are presented on [website](#).

The [monthly BOP and quarterly BOP/IIP data](#) with the short [statistical release](#) of the main indicators are published on the BoL website.

2.4.2.1 Frequency of the b.o.p. and i.i.p. data compilation and publication

Lithuania produces and releases monthly and quarterly b.o.p. and quarterly i.i.p. data.

Monthly b.o.p. is released at T+44 days. The short statistical release of the main b.o.p. indicators is published on the website. Quarterly b.o.p. and i.i.p. is released at T+ 83 days. The quarterly b.o.p. and i.i.p. data are presented in a statistical release, and the detailed data are published on the website.

2.4.2.2 Seasonally adjusted data

Seasonally adjusted data (on monthly basis) are transmitted to the ECB for analytical purposes.

Luxembourg

1 Institutional environment

1.1 Professional Independence

A law of 10 July 2011 on the organisation of the National Institute for Statistics and Economic Studies (STATEC) specifies in its article 11 "in carrying out its remit (...) STATEC is endowed with scientific and professional independence. (...) The statistical methods and procedures used are documented and take account of scientific standards recognised in Europe and internationally. The documentation concerning the statistical methods and procedures used is made available to the public".

The Committee on Public Statistics (established by the Minister for Economic Affairs), coordinates the statistical programmes and monitors these in order to improve efficiency and quality, to alleviate the overall response burden and to comply with European and international obligations within prevailing deadlines. The statistical work programme of STATEC is published [online](#) (only available in French).

The independence of Banque centrale du Luxembourg (BCL) is provided for by its founding law, in line with Article 130 of the EU Treaty and Article 7 of the Statute of the ESCB and of the ECB.

1.2 Mandate for data collection

The development, production and dissemination of statistics by the Banque centrale du Luxembourg are governed by Article 5 of the Statute of the ESCB and of the ECB, as well as [Regulation \(EC\) No 2533/98](#); whereas the National Institute for Statistics and Economic Studies (STATEC) are governed by the statistical principles laid down in article 2 of [Regulation \(EC\) No 223/2009](#). The Banque centrale du Luxembourg as a member of the ESCB, conducts quality assurance and disseminates statistics in conformity with the principles of the ESCB's Public Commitment on European statistics by the ESCB.

A law of 28 June 2000 gives responsibility to the BCL and STATEC for jointly producing statistics on b.o.p. Furthermore, the law of 10 July 2011 on the organization of STATEC states in its article 2 that its remit is "to draw up, jointly with the Central Bank of Luxembourg, the balance of payments". STATEC was already responsible, since 1995, for compiling the current account of Luxembourg.

Following the law of 28 June 2000 and a specific cooperation agreement between BCL and STATEC, signed on 16 January 2001, the BCL and STATEC are jointly responsible for elaborating the data collection system including the associated

methodology, concepts and definitions. The BCL is in charge of the common IT system for data management, as well as for compiling the financial account, the i.i.p. and investment income. STATEC is in charge of the compilation of the capital account and the current account (with the exception of investment income), and of the annual foreign direct investment survey (excluding SPEs).

2 Statistical processes

2.1 Methodological principles and national specificities

B.o.p. and i.i.p. statistics are compiled in accordance with the standards set forth in the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6). Furthermore, specific compilation recommendations from relevant international bodies are observed. In particular, the ECB and Eurostat ([Guideline ECB/2011/23](#) of 9 December 2011, as amended, and related "[European Union balance of payments/international investment position statistical methods](#)" ("B.o.p. and i.i.p. book"), and [Regulation \(EC\) No 184/2005](#) of the European Parliament and of the Council of 12 January 2005 (as amended)).

Luxembourg large financial industry includes banks, Investment Funds, Securitisation Vehicles, Insurance Companies and Special Purpose Entities, which all perform economic transactions with the rest of the world. For instance, Investment Funds shares are almost exclusively held by foreign investors (liability side) and Investment Funds would typically hold foreign bonds and equities (asset side).

Back data under BPM6 methodology are available from the reference period 1995Q1 onwards.

Luxembourg BPM6 compilation system follows each DSD integrity rule in a treelike IT model working on two steps. First, a combination of only child level attributes (input data) is recorded in the system. In a second step those input data are aggregated over all dimensions (hypercube).

BPM5 BPM6 bridging was made in three periods, the data becoming more and more detailed and BPM6 compliant over time:

- 1995-2001: Main BPM6 aggregates derived from BPM5 without using the BPM6 compilation system.
- 2002-2011: Above mentioned input data (recorded in BPM6 database) derived from BPM5 sub components.
- 2012 onwards: Detailed BPM6 input directly derived from raw survey data.

2.1.1 Residency

The general principles laid down in the BPM6 are applied. Special purpose entities (SPEs) with little or no physical presence are considered residents if incorporated in Luxembourg. They are not combined with entities resident in other economies.

2.1.2 Institutional unit definition

The general principles on institutional units (centre of economic interest, decision-making autonomy, and complete set of accounts) are applied. The definition of SPEs is in line with the conclusion of the Eurostat/ECB/OECD 2013 [Task Force on Head Offices, Holding Companies and SPEs](#). Most SPEs are captive institutions S.127, but some are also Other Financial Intermediaries S.125. Reporters are instructed, whenever it is necessary and as long as it is possible, to “deconsolidate” financial statements including foreign branches and correctly report operations vis-à-vis foreign branches the same way as to those vis-à-vis foreign affiliates. In addition, operations of foreign branch vis-à-vis a non-Luxembourg entities should theoretically be ignored.

2.1.3 Geographical allocation

The counterpart country collected (in particular in the surveys described under § 2.2.1) is the immediate counterpart. The geographical zone of the ultimate counterpart is also collected in the SPEs survey (operations vis-à-vis sister companies for extended directional principle – Eurostat reporting).

2.1.4 Allocation to institutional sectors

Resident sector is obvious for banks (deposit taking corporations), Money Market Funds, Investment Funds, Securitisation Vehicles and Insurance Companies. Banks report the resident sector on custodian data (off-balance sheet – securities held on behalf of resident clients including households – asset side only), the resident client being not identified. As far as the SPEs survey is concerned, the resident sector stems from the business register. Most SPEs are captive institutions S.127 but some are Other Financial Intermediaries S.125, for which intercompany loans switch from Direct Investments to Other Investments. Counterpart sector of Portfolio Investment assets is given by the Security by Security reporting (information derived from the CSDB).

2.1.5 Valuation and time of recording

FDI equity stocks (mostly collected as non-ISIN securities) can be valued by reporters using Luxembourg GAAP, US GAAP or IFRS accounting standards. This flexibility brings about some asymmetries (e.g. liability positions valued at fair value

(market price) and corresponding assets at OFBV or the other way round), which are corrected through end of pipe adjustments at group level.

2.1.6 Valuation

SPEs survey poses specific valuation problems. The easiest SPE pattern is a multinational company setting up a single SPE in Luxembourg to channel funds to a third country. Yet the organization chart of enterprise groups is usually much more complex with dozens of interlinked entities active/registered in Luxembourg. The asset or liability of many of them is resident. Yet almost all the asset and liability of the consolidated entity represent investments in or from other countries. Thus the contribution of each consolidated entity in Luxembourg to the net i.i.p. should theoretically be small. In practice, raw data often do not display this pattern in particular because of different accounting practices: For instance, company A, holding a participation in company B, records the participation at book value, while company B records its capital at fair value. In this instance, the participation would be adjusted to match the capital figure.

Ex post, each restriction of international group to Luxembourg would therefore display both a small contribution to Luxembourg net i.i.p. and accordingly a small contribution to Luxembourg net current account (through investment income).

2.1.7 Time of recording

Broadly speaking, the reporting is made on an accrual basis. Dividends on SPEs FDI equities are derived from annual profit and loss account information. Some government transactions (for instance services) remain recorded when payments are made.

2.1.8 Coverage gaps and room for improvement

Service margins on buying and selling financial instruments by dealers, i.e. on the basis of the spread between their buying and selling prices, are not yet recorded. The same applies to employee stock options, which are not included in the compensation of employees' item.

External transactions and financial stocks of resident households are only partially covered, yet the impact on b.o.p. and i.i.p. is very small.

2.2 Statistical procedures, sources and methods

2.2.1 Overview of data collection system

The overall BCL survey strategy towards Luxembourg financial industry is the following: only balance sheet positions are collected. The remaining information relevant for external statistics (transactions, exchange rate and price effects as well as investment income) is derived.

The main factor underlying this choice is that reporters, who are often accountants, are much more familiar with balance sheet positions than with other statistical concepts such as transactions or revaluations. BCL uses this harmonised survey strategy for the whole Luxembourgish financial industry:

- Banks (deposit taking corporations) (since December 2008).
- Money Market Funds (since December 2008).
- Investment Funds (since December 2008).
- Securitisation Vehicles (since December 2013).
- Special Purpose Entities (since December 2011).
- Insurance Companies (since December 2015).
- Banks off balance sheet (custodian reporting, holdings of securities on behalf of resident clients, for those sectors not covered by above mentioned surveys). BCL monitors the risk of double counting between direct respondents and custodian reporting.

The strategy is based on two pillars:

- First pillar: quarterly (monthly for banks and money market funds) collection of detailed balance sheet data, including detailed breakdown by country, currency, maturity and sector for non-security items.
- Second pillar: monthly collection of security-by-security positions, with detailed breakdown by country, currency, maturity and sector is either derived (ISIN) or collected (non ISIN). The burden for the respondent is much smaller on ISIN securities.

As far as ISIN securities are concerned, only the number of shares (nominal value in the case of bonds) is collected along with outstanding amount. These data are then enriched with CSDB information on coupon rate, issuer country, issuer sector and maturity for bonds and bills, dividend rate, issuer country and issuer sector for equities.

For non-ISIN securities, the above mentioned enrichment cannot be performed using CSDB information. Thus, remaining variables are directly collected. Most portfolio

investment securities reported by banks, investment funds and securitisation vehicles have an ISIN code, while most direct investment securities reported by SPEs do not.

The residual approach is used for Portfolio Investments liabilities: positions, transactions (including investment incomes) and revaluations.

BCL performs a correction for non-response whenever either the monthly security-by-security or the quarterly balance sheet report is sent too late or is of bad quality. It also happens if the security-by-security report is not consistent with the full quarterly balance sheet.

2.2.2 Detail by accounting item

The whole reporting population for banks, money market funds and investment funds is covered (census). In addition, monthly money market funds' and investment funds' net asset value is available from the supervisory authority for cross checking. All SPEs with a total balance sheet above EUR 500 million are also completely covered. BCL is considering sampling SPEs below the threshold in the medium-term, using the central balance sheet register to calibrate survey data. However, it should be highlighted that the aggregate balance sheet of SPEs at the end of 2014 was above EUR 5 trillion and that the SPEs population is highly skewed.

2.2.2.1 Goods

Foreign trade statistics (goods crossing the national border) are adjusted in order to comply with BPM6 methodology (change of ownership and valuation); monthly missing data are estimated on an individual basis with reference to past periods reporting. For quarterly b.o.p. data transmissions at t+85 days, estimates amount to 3% of the total value for exports, and approximately to 9% for imports.

The monthly and annual survey on international trade in services (TATS, see below under Services for further details) includes information on transactions concerning goods under merchanting.

2.2.2.2 Services

For the compilation of **international trade in services** (ITS) a hybrid collection system is in place with a multitude of data sources and different treatments. The source data and related processing differ depending on the ITS item concerned.

Two main surveys are in place:

- Bank reporting BOP 1.1 («Breakdown of certain elements from the income statement of credit institutions»): all resident credit institutions, regardless of their legal status, report on a monthly basis to the BCL their cross-border

transactions (own account) in services involving a non-resident counterpart following the general requirements. No threshold applies. The timeliness is 10 working days after the end of the reference month, but daily reporting is also accepted.

- TATS (“Take all, take some”), monthly and annual survey on international trade in services conducted by STATEC: Take all (TA) covers the monthly reporting of «big players» in services, approximately 300 reporters. The selection criterion for the TA stratum depends on the relative share in past b.o.p. results, the NACE classification, employment and the importance of international trade in services following the VAT returns. In the TA all the necessary breakdowns are requested. The timeliness is 15 working days after the end of the reference month. The Take some (TS) survey covers the annual reporting of a sample of companies also covering all the necessary breakdowns. The grossing-up is done on an individual basis using VAT figures on export and import of services.

Financial services of the banking sector are collected in the specific bank survey mentioned above.

Yet the large majority of international trade in financial services (other than FISIM) is linked to the resident investment fund industry, which is the largest in Europe and has a large impact on Luxembourg b.o.p.: Luxembourg funds are registered for sale in over 65 countries. Resident investment funds incur expenses for management and administration, payable to a very large extent to resident management companies. These transactions between residents are out of scope of b.o.p., but, in order to reveal the economic substance, these fees are implicitly charged to investors. Hence, the expenses implicitly paid for are recognized as a financial service to the investors (credit). However, a specific point has to be mentioned relating to the geographical breakdown. For portfolio investment, liabilities (transactions and related income), only «World» figures (without any geographical breakdown) are requested by international organisations, as often investors are unknown. But concerning financial services, the breakdown by country of non-resident PI investors is needed to fulfil the data requirements. The data source used is the annual reporting to the supervisory authority (CSSF): «A specific list shall include the main countries in which units or shares of the UCI are marketed with an estimate of the percentage of shares or units invested in each country». Some doubts about the geographical distribution are permitted as the country in which the share/unit of a fund is marketed is not necessarily the same as the country of residence of final shareholders.

On the other hand, resident management companies pay financial services to non-resident sub-managers, advisors and distributors or retrocede to non-resident promoters large parts of the fees previously received implicitly from investors. Corresponding geographical breakdown is based on the residence of investment managers and advisors, the information stemming from the fund's annual report or prospectus. Furthermore, resident management companies may also pay dividends (direct investment income – debit) to their non-resident shareholder(s), which is (are) often the fund's promoter(s).

In a nutshell, **financial services and investment income** are linked as follows:

- Step 1: Resident investment funds earn income (investment income - credit – accrual basis, if external assets).
- Step 2: All the income earned by resident funds (on both resident and non-resident assets) is assigned to fund's shareholder (portfolio investment income - debit – accrual basis, dividends or retained earnings).
- Step 3: Administrative and management fees are assigned to investors (financial services - credit).
- Step 4: Resident management companies pay services to non-resident sub-managers or make retrocessions of services to non-resident promoters (financial services - debit); dividend payments (and reinvested earnings) paid by resident management companies to their own shareholder are reported as direct investment income (debit).

Other or complementary information is used in the following cases:

Insurance services for the resident insurance sector are based on data from individual insurance companies, made available by the national supervisory authority. The individual figures allow a global estimation of the service charge by type of insurance. This output of insurance is allocated to policy holders in proportion to gross premiums earned. Important transactions (e.g. cross-border insurance payments related to a satellite launch) are treated on an individual basis.

Sales to non-resident commuters (fuel and tobacco included) are considered as services in business travel (credit). A mixture of different basic information (administrative sources, regular surveys and accommodation statistics) are used to compile travel services. Travel debits are partially based on a quarterly survey and expenditures by residents paid through debit/credit cards. Education related travel data are based on monthly per capita estimates by country.

Government services data are based on the monthly direct reporting of General Government expenditures and on other data collected by National Accounts (STATEC) compilers (credits).

2.2.2.3 Primary income

As regards compensation of employees, on the credit side, the number of outbound cross-border workers is multiplied by an estimated gross salary. Social security information allows an evaluation of compensation of local agents working with foreign embassies in Luxembourg. Compensation paid by European and international organisations to agents living in neighbouring countries is not considered in the b.o.p. of Luxembourg as these institutions are not resident in Luxembourg for statistical purposes, whereas compensation of resident agents and civil servants of international institutions is retrieved from an ad hoc annual survey.

On the debit side, the administrative data source (IGSS - Inspection générale de la sécurité sociale) allows an evaluation of gross compensation, employers'

contributions included, accruing to non-resident seasonal and cross-border workers. However, no wages are taken into account for non-resident employees listed on the Luxembourg social security, but having no physical presence in the country (e.g. Rhine boatmen).

Banks and non-financial companies direct investment income is reported through the annual FDI survey.

Portfolio Investment income is derived at security level by using CSDB attributes including coupon rate, dividend rate but also Accrued Income Factor on foreign investment funds, for which quality improvement is expected in the medium term.

As far as SPEs' income is concerned, the derivation works in two steps. First, selected profit and loss items from administrative sources (Central Balance Sheet Data Office) provide annual FDI income for SPEs. Second, this annual flow is broken down by country, instrument, maturity and sector at micro level using survey data (please refer to the overview of the data collection system).

Banks P&L (available from supervisory authority CSSF) provide OI interest before FISIM on loans and deposits. Pure interest are derived in a second step. The same process is applied for OI interest of non-banks (vis-à-vis foreign banks) on the basis of accounting figures.

All income accrued by Luxembourg investment funds is attributed to the shareholders over the period under review, regardless of whether it is distributed or not. § 2.2.2.2 details the links between investment funds incomes on the one hand and investment funds exports and imports of financial services on the other hand.

FISIM are derived as the difference between interests accrued and interests at reference rate for each sector. EUR reference rate is Euribor 3 month and USD one Libor 3 month. The calculation is performed for resident sectors S.122 Deposit-taking corporations and S.125 Other Financial Intermediaries. Exports and imports of FISIM are allocated in proportion of country in stocks of corresponding loans / deposits for each resident sector.

2.2.2.4 Secondary income

Transactions of BOP 1.1 and TATS reporters are also taken into account in the compilation of secondary income. Taxes on income, social contributions and social benefits are part of the calculations made concerning the compensation of employees both on the credit and the debit sides.

Net non-life insurance premiums (i.e. premiums after deduction of the service charges) and non-life insurance claims are included in the secondary income. Major compensation payments for extensive damages are treated as capital (rather than secondary income) transfers.

Workers' remittances are partially based on monthly Money Transfer Operators reporting, on historical ITRS data and on monthly total cross-border transfers by

resident households (data source: specific bank reporting BOP 1.2 to the BCL – «Cross-border payments executed on behalf of resident customers» – all banks report on a monthly basis cross border payments made on behalf of resident customers, broken down by counterpart country and customer – VAT number).

Personal transfers include transactions related to cross-border lotteries and other gambling. The estimated service charge to the unit organizing the lottery or gambling is considered in the services account.

2.2.2.5 Capital account

Transactions in acquisitions/disposals of non-produced non-financial assets are part of the TATS survey. Administrative data sources (AED – Administration de l'enregistrement et des domaines – responsible for inheritance taxes) are used for the compilation of capital transfers including transactions of non-governmental organizations.

2.2.2.6 Direct investment

STATEC performs an annual FDI survey on Credit Institutions and another one on the non-financial industry. As far as SPEs are concerned, see BCL survey strategy towards Luxembourg financial industry in § 2.2.1 and border lines between direct investment and portfolio and other investment in § 2.2.2.11. BCL SPEs survey also covers large non-financial companies. Corresponding BCL quarterly data on non-financial companies are eventually fine tuned by annual STATEC survey.

2.2.2.7 Portfolio investment

See BCL survey strategy towards Luxembourg financial industry in § 2.2.

Most of SPEs' intercompany loans are classified as direct investment. For more detailed information see § 2.2.2.11 below.

2.2.2.8 Financial derivatives

See BCL survey strategy towards Luxembourg financial industry in § 2.2.

2.2.2.9 Other investment

See BCL survey strategy towards Luxembourg financial industry in § 2.2 and § 2.2.2.11 for the treatment of SPEs.

Supervisory data along with NA estimations are the main sources for insurance, pension schemes, and standardised guarantee schemes. As previously mentioned, insurance companies will be directly surveyed from December 2015 onwards.

Trade credits are covered by a specific quarterly survey, from which sectoral breakdowns are estimated.

2.2.2.10 Reserve Assets

Data obtained from the Accounting Department of the BCL. Securities are valued at market price. Income items are also derived from the security-by-security reporting and the CSDB.

2.2.2.11 Borderline cases

The liability side of the SPEs balance sheet is generally not carried out in open market (so no ISIN codes are in general available). SPEs issuing equity certificates, as most Luxembourg SPEs other than securitization vehicles and investment funds, are considered captive financial institutions (BPM6 sector classification S.127 instead of other financial intermediaries – S.125). Equity certificates issued in Luxembourg might therefore be classified Direct Investment according to BPM6. However, for pragmatic reasons and also taking into account the convention for Investment Fund shares (agreed upon at European level) systematically classified Portfolio Investment, equity certificates issued by SPEs are classified Portfolio Investment as well.

2.2.2.12 Additional information

A detailed description of data sources, compilation processes, etc. can be found on the [website](#) of STATEC. A specific paper concerning bilateral asymmetries in financial services is also available at the same address.

2.3 Coherence and comparability

2.3.1 Internal consistency

Selected adjustment on semi aggregated SPEs data are described under § 2.1.5. More traditional editing rules are also performed on SPE survey: removal of outliers (other than true outliers) and internal consistency checks (aggregate Security by Security against quarterly balance sheet).

Ex ante b.o.p. flows (before adjustment) usually display large errors and omissions. The adjustments on errors and omissions are performed on financial account items,

which are much bigger than current account ones. Since the major imbalances stem from the SPEs survey, the adjustments touch upon corresponding items: Financial Corporations other than MFIs and functional categories Foreign Direct Investments, Portfolio Investments, Direct Investments and Other Investments. The adjustments take into account the flow/stock reconciliation.

2.3.2 Consistency with other statistical domains

B.o.p. data can be related with some of the data published by other statistical domains, namely the national accounts, foreign trade statistics and balance sheet information of the financial sector.

2.3.2.1 Foreign trade statistics

B.o.p. and foreign trade statistics generally show discrepancies, due to different methodologies. In particular, certain monthly transactions not covered by foreign trade statistics are added to b.o.p. figures, namely:

- Merchating: b.o.p. compilers are making best efforts to align with national accounts figures.
- Maintenance and repair: an automated procedure - aligned with national accounts – is identifying transactions concerning maintenance and repair on goods from foreign trade statistics, supplementing them with figures from TATS survey, and recording them in the corresponding services items.
- Cross-border e-commerce on goods.
- Goods procured in ports (export: fuel sold in the national economy to non-resident carriers; import: fuel procured by resident transport operators, mainly for road and air transport from non-resident providers).
- Exports from residents to European and international institutions.
- Sales and purchases of non-monetary gold when there is no physical delivery (in many cases there is no physical delivery because the gold is held at specialized bullion storage centres).

2.3.2.2 National/sectoral accounts

The comparability between b.o.p. and national accounts is ensured by the application of common definitions (BPM6 and ESA2010). However, vintage issues may affect the comparability of the two statistics, in particular for SPEs. B.o.p. and national accounts data are consistent for the items where BSI and IFS are used as single data sources for both data sets and for which revisions are less relevant.

2.3.2.3 Balance sheet information of the various financial sub-sectors

A single source is used for both BSI and b.o.p. and i.i.p., therefore possible inconsistencies between both domains may only be due to the fact that first monthly BSI figures are disseminated earlier than first monthly b.o.p.

Portfolio investment liabilities include significant non-ISIN positions, which are not yet included in Securities Issues Statistics.

2.4 Accessibility and Clarity

2.4.1 Release calendar and revision policy

STATEC publishes an advanced [release calendar](#) covering all data categories required by the IMF's SDDS, including the data produced by the BCL.

The initially released data are subject to revisions. First revisions are usually made within 3 months and final data are available within 15 months (except for methodological changes). The revisions are published along with the release of the latest data in full harmony with the ECB and Eurostat prescriptions in this matter.

The provisional, revised or final nature of the data is indicated in the publication. Revisions in methodology are announced to the public, usually with the publication of the figures.

BCL also publishes a [release calendar](#) on its website.

2.4.2 Data availability

2.4.2.1 Frequency of the b.o.p. and i.i.p. data compilation and publication

The Luxembourg b.o.p. statistics are published on a quarterly basis by both compilers, from 2002 onwards.

- [BCL](#)
- [STATEC](#)

The BCL also publishes [quarterly i.i.p. figures](#)

Hungary

1 Institutional environment

1.1 Professional Independence

The independence of the Magyar Nemzeti Bank (MNB) in exercising its powers is guaranteed by Hungarian law (Act CXXXIX of 2013 on the Magyar Nemzeti Bank) and by EU primary law.

The Act on Magyar Nemzeti Bank (Act CXXXIX of 2013), which is available on the [MNB's website](#), establishes its independence from other government authorities: "Pursuant to Articles 41 and 42 of the Fundamental Law, the Parliament hereby adopts the following Act on the Magyar Nemzeti Bank, its primary objectives, basic tasks, institutional, organisational, personal and financial independence and its operations, with a view to the definition of macro-prudential tasks and responsibilities, establishing the possibility for effective macro-prudential intervention, strengthening international macro-prudential cooperation and reinforcing supervision of and control over the system of financial intermediation."

The independence of the Magyar Nemzeti Bank, in its capacity as a member of the ESCB, is further emphasised in Article 130 of the EU Treaty and Article 7 of the Statute of the ESCB and of the ECB.

The MNB has a statistical work programme that includes the main projects and strategies, but is not made public.

1.2 Mandate for data collection

The development, production and dissemination of statistics by the Magyar Nemzeti Bank are governed by Article 5 of the Statute of the ESCB and of the ECB, as well as [Regulation \(EC\) No 2533/98](#); whereas the Hungarian Central Statistical Office are governed by the statistical principles laid down in article 2 of [Regulation \(EC\) No 223/2009](#). The Magyar Nemzeti Bank as a member of the ESCB, conducts quality assurance and disseminates statistics in conformity with the principles of the ESCB's Public Commitment on European statistics by the ESCB.

The compilation and dissemination of b.o.p. and i.i.p. statistics is governed by the terms and conditions of the Act on Magyar Nemzeti Bank (Act CXXXIX of 2013), the Act on Statistics (Act XLVI of 1993) and related government decrees and decrees of the governor of the Magyar Nemzeti Bank (MNB). The annual reporting obligations are set out in the annually updated MNB Decree and in the National Statistical Data Collection Programme (OSAP).

In the Hungarian system, the allocation of responsibilities between institutions is similar to the systems within the EU: information on the real economy mainly relies on data collected by the HCSO (Hungarian Central Statistical Office), while information on the financial account, the related stocks and investment income comes from the MNB data collection. In the case of transfers, the data collection for the general government or administrative bodies is the responsibility of the HCSO, while the transfers of other economic entities are derived from the data sources of the MNB.

In specific statistical areas, where the MNB and HCSO have common interest in data collection, compilation and publication, the relevant principles and objectives are defined in a framework of a formal cooperation agreement. The aim of this agreement is to harmonise the applied methodologies, the publication standards and the revision policies. The specific areas of cooperation are determined in an annually updated work programme, which contains the tasks, deadlines and responsible persons in both institutions.

2 Statistical processes

2.1 Methodological principles and national specificities

B.o.p. and i.i.p. statistics are compiled in accordance with the standards set forth in the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6). Furthermore, specific compilation recommendations from relevant international bodies are observed. In particular, as specified in the [ECB Guideline \(ECB/2011/23](#) of 9 December 2011, as amended) and [Regulation \(EC\) No 184/2005](#) of the European Parliament and of the Council of 12 January 2005 (as amended), as well as the relevant guidance presented in Chapters 2 and 3 of this book.

Special purpose entities have a significant role in Hungary's economy, because large transactions are channelled through them from time to time. Their transactions inflate particularly the assets and liabilities of the financial account, which distorts the statistics describing the economic and financial developments of the domestic economy. In line with the international requirements, since January 2006 the MNB has also been compiling and publishing the b.o.p. and the i.i.p. statistics both including and excluding special purpose entities (SPEs). More detailed information on SPEs is provided in 2.1.1.

In countries significantly affected by foreign capital flows, such as Hungary, it is also an issue to separate those capital flows, which are just passing through the country channelled by non-SPE resident entities and do not affect the external financing of the domestic economy. In Hungary, these transactions are considered either capital in transit, when the funds passing through resident subsidiaries are also engaged in real economic operations (i.e. non-SPEs) or – in the case of financial restructuring of some affiliates of multinational enterprises (MNEs) – restructuring of asset portfolios.

These transactions are presented separately as supplementary information on the MNB's website. The difficulty in producing these supplementary statistics is that one-off transactions have to be investigated. Like SPEs, capital in transit and restructuring of asset portfolios have similar impact on FDI statistics, significantly inflating capital inflows and outflows that might be recorded in different sub-accounts in b.o.p., such as inward and outward FDI, and/or as different instruments, such as equity and debt.

Back data and bridging between BPM5 and BPM6:

- Consistent time series are made available to users as far backwards as possible.
- Back data under BPM6 methodology are available from the reference period 1995 Q1 onwards. From 2013 as a reference period, the entire data collection and statistical compilation system is based on the BPM6 methodology. For the pre-2013 periods, the method of compiling BPM6 back data was determined by the availability of the necessary raw data and the limitations of the IT infrastructure. In periods where these two conditions were supportive, the BPM6 data were re-compiled. In other cases, pure conversion from BPM5 was made in order to obtain BPM6 historic data. For instance goods for processing data could be backdated in the whole period of review, while reclassifying of equity investments below 10% from Portfolio to Other investments was possible only back to 2008.

2.1.1 Residency

The general principles laid down in the BPM6 are applied.

The Hungarian b.o.p. and i.i.p. statistics follow the BPM6 residency definition. This concept of residence, in conformity with other macroeconomic statistics, is defined in the b.o.p. statistics using the concepts of centre of predominant economic interest and economic territory.

Special purpose entities (SPEs) are resident enterprises which almost exclusively perform their activities vis-à-vis non-residents, and their connection with the domestic economy is negligible. There are some internationally accepted general criteria for SPEs which are made operational according to the following practical guidance in Hungary in order to identify resident SPEs:

- In their balance sheets, the ratio of nonfinancial assets is negligible as compared to financial assets, with the latter consisting mainly of equity, long-term loans and securities.
- Their sales revenue derives primarily from exports and does not exceed HUF 500 million (< EUR 3 million) annually.
- The number of staff tends to be very low (1-3 persons).

- They typically have high registered capital (capital reserve), which they re-lend immediately abroad or they use these funds to invest in equity abroad or establish branches abroad.
- They have no subsidiary in Hungary. Should, however, the SPE criteria be satisfied both for a resident FDI-enterprise and its resident subsidiary, i.e. their operations dominantly relate to the rest of the world, the two enterprises together are considered as an SPE.
- Their material cost is negligible.
- The name of the enterprise somehow refers to the off-shore nature of its activity.

These criteria have been set and are applied – by keeping the list of resident SPEs updated on an ongoing basis – in close cooperation between the central bank and the Hungarian Central Statistical Office. In line with international requirements, from January 2006 on a quarterly basis the MNB has also been compiling and publishing the b.o.p. and i.i.p. statistics which include SPEs, to enable the analysis of international data by mirror statistics. However, from the perspective of analysing the external developments of Hungary, the b.o.p. and i.i.p. excluding SPEs are more fit to purpose. Both sets of statistics are available for users on the MNB's website. In its publications and reports, the MNB analyses the data excluding SPEs.

2.1.2 Institutional unit definition

The general principles on institutional units (centre of economic interest, decision-making autonomy, and complete set of accounts) are applied. The definition of SPEs is in line with the conclusion of the Eurostat/ECB/OECD 2013 [Task Force on Head Offices, Holding Companies and SPEs](#).

2.1.3 Geographical allocation

Geographic allocation is based on reported data, no additional estimations are applied. In the compilation of b.o.p. items geographic allocation is based on the debtor-creditor approach.

The partner country reported to the MNB is the country of the non-resident immediate partner. The country of ultimate investor is also collected in the FDI survey and now it is used to identify the direction of investment between fellow enterprises (extended directional principle). As from 2016 it is planned to publish the inward FDI stock data according to the ultimate investor country as well as supplementary information.

With regard to general merchandise, the partner country for trade in goods is the country reported by the enterprises to the HCSO in foreign trade statistics.

2.1.4 Allocation to institutional sectors

Households and non-profit institutions serving households do not supply any data for the compilation of b.o.p. and i.i.p., and therefore their external transactions and financial stocks are based on estimations (see 2.2.2.9).

2.1.5 Valuation

In general, transactions and positions are recorded at market value where it is required by the standards.

In the b.o.p., exports and imports of goods are valued on f.o.b. value. The MNB receives estimated f.o.b. data for imports from the HCSO. This c.i.f./f.o.b. adjustment (cost, insurance and freight at the importer's border; free on board at the exporter's border) has an impact on transportation data collected and provided by the HCSO as well.

With regard to unlisted enterprises' equity, the valuation is based on the own funds at book value (OFBV) principle, i.e. as it is stated in the subsidiaries' balance sheet: for outward FDI in the balance sheet of the non-resident enterprise and for inward FDI in the books of the resident enterprise. Regarding listed companies' equity assets and liabilities, valuation is at market value (see 2.2.2.6).

2.1.6 Time of recording

In general, data are collected and disseminated on an accrual basis. However, since trade in goods data are based on foreign trade statistics (FTS) compiled by the HCSO, they follow the physical movement principle of FTS as a proxy of change of ownership. For detailed information on time of recording, see the detailed accounting items (2.2.2.1 - 2.2.2.10).

2.1.7 Coverage gaps and room for improvement

Service margins on buying and selling financial instruments by dealers, i.e. on the basis of the spread between their buying and selling prices, are not yet observed. External transactions and financial stocks of resident households are based on estimations (see 2.2.1).

2.1.8 Seasonal adjustment

The components of the current account are mainly affected by seasonal factors. For this reason, seasonally adjusted quarterly time series for the major components of the current account are published on the MNB's website. Seasonal adjustment is

performed in accordance with the recommendations of Eurostat, in the Demetra interface, using SEATS TRAMO software.

The following method is applied:

- The effect of holidays is filtered out by using a built-in variable defined for holidays in Hungary, and the working-day effect is filtered out by regression variables in a number selected by the software.
- In order to reduce the need for revision, the model settings are generally fixed for a year.
- From the outliers, the software identifies additive outliers affecting one period and transitory changes affecting multiple periods, as well as level shifts.
- Concerning the aggregates and the balances, direct adjustment is applied, i.e. the aggregates and the balances are adjusted directly from seasonal patterns, as opposed to applying the seasonally adjusted components to create the balances and the aggregates. Accordingly, seasonally adjusted aggregate data cannot be reached by summarising the seasonally adjusted data of the components, and seasonally adjusted data of the balance is not the difference of the seasonally adjusted revenues and expenses.

2.2 Statistical procedures, sources and methods

2.2.1 Overview of data collection system

B.o.p. statistics are compiled according to BPM6 methodology and in close cooperation with the HCSO. With regard to the share of responsibilities, the data for current and capital account and incomes other than investment incomes are mainly based on data collected and provided by the HCSO, while the financial account, stock of external assets and liabilities and investment income data are collected directly by the MNB.

The MNB introduced a direct reporting data collection system for the compilation of b.o.p. and i.i.p. statistics in 2008. Large companies ("Big Players") are assigned to report the full set of b.o.p. and i.i.p. statistics on a monthly basis, while the remaining companies are obliged to report their data on a quarterly and annual basis, depending on pre-defined thresholds. Supplementary subject-specific data collections and various estimation methods also play a central role in the compilation of the external statistics. For the maintenance of appropriate records of data suppliers, the MNB keeps a register of b.o.p. data suppliers based on the reported data as well as on any other publicly available information.

Households and non-profit institutions serving households do not supply directly any data for the compilation of b.o.p. and i.i.p. statistics. Therefore, their external positions in loans and deposits are estimated using the mirror data received from

partner central banks on a bilateral basis and BIS, while their foreign currency transactions are estimated using the currency exchange reports of credit institutions.

In case of foreign securities holdings of households, in the absence of direct household surveys, information is available only on securities held with and reported by resident custodians; therefore, the stocks and flows of securities in custody abroad are estimated.

The FDI equity income, the current operating performance concept adjustment (COPC adjustment) on these incomes and the FDI asset and liability positions are based on annual corporate reports and first published by the end of September following the reference year. Until that date the data in b.o.p. and i.i.p. are estimated.

EU transfers are recorded on an accrual basis, i.e. at the time when the final beneficiary uses these funds. The data are produced and provided to the b.o.p. by the HCSO and harmonised with the national accounts.

2.2.2 Detail by accounting item

2.2.2.1 Goods

Trade in goods data are based on monthly reports provided by the HCSO. The HCSO produces these data for the b.o.p. based on its own primary statistics on foreign trade (FTS) and international trade in services (ITS). Data for ITS are collected through a direct survey system run by the HCSO. These surveys cover merchanting, goods procured in ports and factoryless production.

All adjustments and estimations on these figures for b.o.p. purposes are also made by the HCSO. These methods include:

- C.i.f./f.o.b. conversion (see also 2.1.5).
- Adjustment for VAT-registrations; (on the one hand, FTS based on Intrastat reports also cover the data provided by the VAT-registrations established by non-resident firms in Hungary, thus including value added not belonging to Hungarian residents, and on the other hand FTS miss the Intrastat reports of VAT-registrations established by Hungarian resident firms abroad, thus not covering value added of these Hungarian residents).
- Estimation for valuables and consumer durables which have to be recorded under goods instead of travel according to BPM6.
- Estimation for smuggling of drugs and cigarettes based on administrative sources.

2.2.2.2 Services

Trade in services data are provided quarterly by the HCSO for the compilation of b.o.p. The HCSO produces trade in services data based on different sources, such as on FTS (manufacturing services on inputs owned by others), on administrative sources (government services), on direct surveys run by the MNB (purchases of copyrights resulted from software, audio-visual products and R&D activities) and finally on direct surveys run by the HCSO itself (the rest of services, see also 2.2.2.1).

Travel credits and debits are estimated by the HCSO on the basis of administrative sources (the number of travellers for non-Schengen borders and illegal activities) and on surveys (the number of travellers for Schengen borders, and per capita spending by travellers).

With regard to FISIM estimation, only financial institutions may realise revenue from FISIM and only non-financial institutions may incur FISIM expenses. There is no FISIM recorded on the central bank's transactions, on inter-bank transactions and within FDI relationships. The FISIM is estimated by the HCSO based on the relevant loan and deposit position data and related income flows collected and provided by the MNB. As regards the country and instrument breakdown, these details are estimated by the MNB based on the total FISIM produced by the HCSO.

2.2.2.3 Primary income

Compensation of employees data are collected and compiled by the HCSO and provided to the MNB quarterly. The data are based on administrative data sources (personal income tax) and surveys (Labour Force Survey, compensation figures of countries included in the database of Eurostat). The monthly figures are estimations.

For direct investment income, the source is the monthly or quarterly direct reporting of enterprises. The income on FDI equity is derived from annual direct investment surveys and corporate tax declarations. Until this information is available, the income on FDI equity is estimated by the MNB.

Investment income is taken into account as accruing on a continuous basis during the term of an investment. In the case of interest, until it is actually paid, an increase in assets or liabilities is also recorded as an offsetting item to the interest income credit or debit. In the case of FDI, portfolio investment equity and investment fund shares, reinvested earnings on the one hand and reinvestment of earnings on the other hand, are also recorded.

Subsidies on production and products (of EU transfers) are recorded on an accrual basis, i.e. at the time when the final beneficiary uses these funds. The data are produced and provided to the b.o.p. by the HCSO and harmonised with the national accounts.

2.2.2.4 Secondary income

Data on the secondary income of the general government and households are provided quarterly by the HCSO (supply of aid from FTS), while for other sectors the HCSO data are supplemented with data from direct corporate reports provided to the compilation of b.o.p.

EU current transfers are recorded at the time of their use by final beneficiaries. The data are produced and provided to the b.o.p. by the HCSO and harmonised with the national accounts.

2.2.2.5 Capital account

The data source for acquisitions/disposals of non-produced non-financial assets is economic entities with external economic relations via direct reporting to the MNB on monthly and quarterly bases.

The source of data for capital transfers is the HCSO for the general government and direct reporting by economic entities for other sectors.

EU capital transfers are also recorded at the time of their use by final beneficiaries. The data are produced and provided to the b.o.p. by the HCSO and harmonised with the national accounts.

2.2.2.6 Direct investment

The source of information is the monthly or quarterly and annual direct reporting of the financial and non-financial enterprises.

Compared to the previous standards, BPM6 and BD4 provide a clearer description of the direct investment relationship (FDIR). They place significantly greater emphasis on how to record the transactions and positions between fellow enterprises and provide more details and new breakdowns for meeting users' needs. Besides the asset-liability breakdown of FDI as the standard, the directional principle has become supplementary.

With regard to transactions and positions between fellow enterprises in the directional principle breakdown, if the final investor of the reporting entity is a non-resident, both assets and liabilities are recorded under direct investment in Hungary, however if the final investor is a resident, both assets and liabilities are recorded under direct investment abroad; if there is no final investor or it is not known, assets are recorded under direct investment abroad, and liabilities under direct investment in Hungary.

Households' real estate investments are estimated and recorded as FDI equity. Debt restructuring or debt forgiveness within an enterprise group is also recorded as FDI equity, while those outside FDIR are recorded as capital transfers.

Equity capital assets and liabilities are valued at market price in the case of listed companies, while for unlisted enterprises, the valuation is based on the own funds at book value (OFBV) principle, i.e. as it is stated in the subsidiaries' balance sheet: for outward FDI in the balance sheet of the non-resident enterprise and for inward FDI in the books of the resident enterprise.

Equity transactions are reported by the enterprises in their monthly and quarterly data submissions, while stock data are derived from the annual corporate surveys.

In case of FDI equity investment in Hungary, grossing up is applied according to the corporate tax return database (TÁSA), if the foreign ownership is at or above 10%, and the enterprise has not submitted its annual data to the b.o.p. and i.i.p. Concerning FDI equity investment abroad, the reporting threshold in the annual survey is very low (HUF 10 million = ~ EUR 30,000) practically resulting in almost full coverage.

In line with BPM6, super-dividends are recorded as equity withdrawals instead of income. In practical terms, super-dividends are identified as dividends paid from reserves.

For debt instruments, flow and stock data are derived from monthly and quarterly surveys. Reporting thresholds, making the data submission for the enterprises mandatory, are defined in the MNB Decree.

The activity breakdown of FDI transactions and positions is according to the activity of the subsidiaries, i.e. in case of FDI in Hungary according to the activity of the Hungarian enterprise, while in case of FDI abroad according to the activity of the foreign subsidiary).

Debts between affiliated financial corporations are not recorded as FDI.

2.2.2.7 Portfolio investment

The primary source of data is the monthly securities statistics, which monitors stocks of Hungarian securities held by non-residents and foreign securities held by residents, based on the security-by-security reporting of Hungarian custodians. Data supplied by custodians are supplemented by the stock of securities in custody outside Hungary as reported by resident owners. Transactions are calculated from changes in stock, after adjustment for price and exchange rate changes and other changes in volume, if applicable.

Trade bills are observed through the data collection for the b.o.p. using direct corporate surveys.

In case of the foreign security holdings of households, in the absence of direct household surveys, information is available only on securities held with and reported by resident custodians; therefore, the stocks and flows of securities in custody abroad are estimated.

2.2.2.8 Financial derivatives

The data are derived from the direct reports of economic entities on their own positions and transactions, except for investment funds (excluding money market funds), whose transactions are estimated from their aggregate balance sheet data. The general government, credit institutions and the MNB always reported their derivative positions at market (fair) value, whereas for nonfinancial corporations, their position data have been available since 2008.

2.2.2.9 Other investment

The primary data source is monthly or quarterly direct reporting by economic entities on their relevant transactions and positions vis-à-vis non-residents. Submitted data are supplemented by estimations if necessary.

Households do not supply any data for the compilation of b.o.p. and i.i.p. statistics. Therefore their external positions in loans and deposits are estimated using the mirror data received from partner central banks on a bilateral basis and BIS, while their foreign currency transactions are estimated using the currency exchange reports of credit institutions.

The offsetting financial flows to the accrual-based EU transfers as receivables and payables vis-à-vis the EU are also estimates.

Hungary is not a part of the euro area and therefore does not collect or estimate "exporting/importing" of EUR banknotes.

2.2.2.10 Reserve assets

The source of the data is the monthly balance sheet of the MNB.

In the case of securities, transactions in reserves are based on the change in stock adjusted for revaluation and other volume changes, while net transactions in current accounts, monetary gold, SDR holdings, deposits or other assets are directly reported by the MNB. Both gold and securities are published at market value.

2.2.2.11 Borderline cases

In line with the practical agreement reached by the WG-ES, holdings of investment fund shares are recoded under portfolio investment regardless of the 10% threshold.

2.2.2.12 Additional information

[Methodological notes](#) on data according to BPM6 methodology.

[Methodology](#) for the compilation of b.o.p. and i.i.p. statistics BPM6 (from June 2014).

2.3 Coherence and comparability

2.3.1 Internal consistency

As a consequence of the changeover from the ITRS to the direct reporting data collection system in 2008, the “closeness” of the b.o.p. reporting system was discontinued because of the separate data sources of transaction pairs. Under these conditions, internal consistency may be ensured by controlling methods of micro data from different sources. With regard to major enterprises, the coherence of data from different sources is routinely analysed and off-pattern cases identified and double-checked.

Although in terms of the measure of the Eurostat’s b.o.p. Quality Report (Average Relative Error of E&O% - ARE(EO)%) the size of E&O is below the EU median in 2011-2013, Hungary has a negative bias of E&O, which indicates that structurally either credits are over reported or debits are under-reported in the compilation system. The analysis of the size and direction of E&O is part of the normal compilation process in order to reduce the level and bias of E&O. To reach this goal, no special balancing procedure exclusively focusing on the elimination of E&O is followed and no balancing item is applied.

2.3.2 Consistency with other statistical domains

B.o.p. data can be related with some of the data published by other statistical domains, namely, foreign trade statistics, national accounts and balance sheet information of the financial sub-sectors.

The MNB and the HCSO cooperate with each other in order to use same data sources and estimation methods in the compilation of the ROW and the b.o.p. and i.i.p. The MNB and the HCSO introduced the new international statistical standards (BPM6 and ESA 2010) at the same time in 2014. Existing deviations in released data are mainly due to different release calendars adopted by the MNB and the HCSO.

2.3.2.1 Foreign trade statistics

For the compilation of trade in goods and services data in the b.o.p., the MNB exclusively relies on data provided by the HCSO from its own monthly FTS and quarterly ITS. For lack of reported monthly data (some elements of trade in goods and most part of trade in services) these items are estimates in the monthly b.o.p. On a quarterly basis, there is a full consistency between the b.o.p., FTS and ITS. Every adjustment to FTS and ITS data that is needed for the b.o.p. is performed by

the HCSO based on its own collected data applying commonly agreed estimation methods (see also 2.2.2.1 and 2.2.2.2).

2.3.2.2 National/sectoral accounts

The comparability between b.o.p. and national accounts is ensured by the application of common definitions (BPM6 and ESA2010).

Consistency with national accounts is routinely checked and sought. With the implementation of BPM6 and ESA2010 in 2014, the Hungarian b.o.p. statistics and the rest of the world account are broadly consistent. However, vintage issues may occur due to different release calendars.

2.3.2.3 Balance sheet information of the various financial sub-sectors

The routinely performed cross checks of different reports submitted by credit institutions for b.o.p. and monetary statistics purposes ensure consistency between b.o.p. and i.i.p. and BSI statistics. The investment fund (IF) statistics are consistent with securities statistics which are the source of portfolio investment data in b.o.p. and i.i.p. statistics, and so consistency between the different data sets is met.

2.4 Accessibility and Clarity

2.4.1 Release calendar and revision policy

Release calendar

The [release calendar](#) for the b.o.p. and i.i.p. statistics is updated for 12 months in advance at the end of June and December; thus it is always available on the MNB's website for at least half a year in advance. The release calendar contains the revision periods as well.

Data revision policy

B.o.p. and i.i.p. data are subject to regular revisions, in accordance with the revision calendar.

The timing pattern of releases and regular revisions of the quarterly b.o.p. and i.i.p. statistics is as follows:

| Period | | | Dissemination | | Revision | |
|--------------------|---------|-----------|---------------|--------|-----------------|--------------------|
| Year | Quarter | Month | Quarterly | Yearly | Quarterly | Yearly |
| Reference year (T) | Q1 | March | (T-1)Q4 | (T-2)* | (T-1)Q1-Q3 | (T-3)(4), (T-2)(2) |
| | Q2 | June | TQ1 | | (T-1)Q1-Q4 | |
| | Q3 | September | TQ2 | (T-1) | (T-1)Q1-TQ1 | (T-3)(5), (T-2)(3) |
| | Q4 | December | TQ3 | | TQ1-Q2 | |
| T+1 | Q1 | March | TQ4 | (T-1)* | TQ1-Q3 | (T-2)(4), (T-1)(2) |
| | Q2 | June | (T+1)Q1 | | TQ1-Q4 | |
| | Q3 | September | (T+1)Q2 | T | TQ1-(T+1)Q1 | (T-2)(5), (T-1)(3) |
| | Q4 | December | (T+1)Q3 | | (T+1)Q1-Q2 | |
| T+2 | Q1 | March | (T+1)Q4 | T* | (T+1)Q1-Q3 | (T-1)(4), T(2) |
| | Q2 | June | (T+2)Q1 | | (T+1)Q1-Q4 | |
| | Q3 | September | (T+2)Q2 | (T+1) | (T+1)Q1-(T+2)Q1 | (T-1)(5), T(3) |
| | Q4 | December | (T+2)Q3 | | (T+2)Q1-Q2 | |
| T+3 | Q1 | March | (T+2)Q4 | (T+1)* | (T+2)Q1-Q3 | T(4), (T+1)(2) |
| | Q2 | June | (T+3)Q1 | | (T+2)Q1-Q4 | |
| | Q3 | September | (T+3)Q2 | (T+2) | (T+2)Q1-(T+3)Q1 | T(5), (T+1)(3) |
| | Q4 | December | (T+3)Q3 | | (T+3)Q1-Q2 | |

Notes:

- T = reference year; T-1 = year preceding the reference year; TQ1 = Q1 of the reference year; TQ1-Q4 = the 4 quarters of the reference year.
- In the yearly month: (2) = second release (for revision); (5) = fifth, final release.
- * = the first release of direct investment stocks, by country and sector.
- Highlighted area: from the first release to the final release.

Revision policy of the data sources of the Balance of Payments

With regard to the primary statistics taken over by the MNB from the HCSO for the compilation of the b.o.p. statistics, their revision policies are as follows:

- With regard to trade in goods: in March, the HCSO revises months 1–12 of the previous year, and in September months 1–12 of the previous year and months 1–6 of the reference year. The MNB takes these revisions into account in its own publications in March and September.
- As regards travel, HCSO does not revise the data derived from its survey.
- For external trade in services, data are revised retrospectively in March and - to a lower extent - in September by the HCSO. Data are considered final in the 9th quarter following the reference year. The MNB adopts these revisions in its publications in March and September.
- Data for the compensation of employees and the related transfers (secondary income) are revised retrospectively for three years, i.e. data become final in the 11th quarter following the reference year.

The MNB publishes the data derived from its annual FDI survey first in September following the reference year. In this publication, estimates are replaced by reported

data on FDI equity income and position and also supplemented for non-response based on the corporate tax declaration database (TÁSA). The first regular revision of the annual data occurs in the 5th quarter following the reference year, and the second after submitting the following year's annual reports (7th quarter after the reference year). The data of enterprises running on a financial year different from a normal calendar year (i.e. January-December) may be revised even after that date.

With regard to the normal revision cycle, the b.o.p. and i.i.p. data are considered final (i.e. not routinely revised) after 11 quarters following the reference year. The period of review is longer in March and September going back to T-3 years, while in June and December it covers only the data of the 'open years', either the preceding year in June or just the reference year in December. Monthly b.o.p. data are published on the MNB's website as a flash estimate in T+44 days, but not revised and removed from the website upon dissemination of the quarterly statistics.

2.4.2 Data availability

The Hungarian BPM6 data series are available from 1995. B.o.p. data (monthly, quarterly, annual) according to BPM6 methodology are available on the [MNB's website](#).

With the changeover to international methodological standards for foreign direct investment, data compiled on the basis of the new methodology are also published on the [MNB's website](#) going back to 2013.

At the same time, data compiled on the basis of the BPM5 methodology up to 2013 continue to be available in unchanged form on the archive [website](#).

2.4.2.1 Frequency of b.o.p. and i.i.p. data compilation and publication

MNB publishes monthly, quarterly and annual b.o.p. data, while i.i.p. publications are available quarterly and annually.

Simultaneously with the BPM6 changeover, the MNB started publishing on its website the **monthly** b.o.p. data as a flash estimate at T+44 days. The published monthly data are available for the months of the open quarter only; they are not revised and removed from the website upon dissemination of the quarterly statistics.

The MNB releases the **quarterly** b.o.p. and i.i.p. at T+ 85 days. The quarterly b.o.p. and i.i.p. data are presented in a press release, and the detailed standard tables are published on the MNB's website. The website separately shows data with and without special purpose entities (SPEs) both in HUF and in EUR.

2.4.2.2 Seasonally adjusted data

Seasonally adjusted time series for the external financing capacity and for major components of the current account are part of the regular quarterly release. The seasonally adjusted data and charts are available on the MNB's website.

Malta

1 Institutional environment

1.1 Professional Independence

The Independence of the Central Bank of Malta (CBM) is provided by its law, in line with Article 130 of the EU Treaty and Article 7 of the Statute of the ESCB and of the ECB.

The Central Bank of Malta (CBM) is established by the Central Bank of Malta Act (Cap. 204), and operates under the Act, the Statute of the European System of Central Banks (the 'ESCB Statute'), as well as the relevant provisions of the Treaty on the Functioning of the European Union.

The Central Bank of Malta Act (Cap. 204) Part II, 'Establishment and Conduct of Affairs of Bank' stipulates that in accordance with the Treaties and the Statute, neither the Bank nor any member of the Board or any official of the Bank, when exercising any function, duty or power under this Act, shall seek or take instructions from the Government or any other body.

The Malta Statistics Authority's (MSA's) Act XXIV provides the National Statistics Office (NSO) with autonomy and professional independence in carrying out its statistical functions. The NSO is Malta's official national statistical agency. It was established by order of the MSA Act, and it replaced the Central Office of Statistics on March 1, 2001.

1.2 Mandate for data collection

The development, production and dissemination of statistics by the Central Bank of Malta are governed by Article 5 of the Statute of the ESCB and of the ECB, as well as [Regulation \(EC\) No 2533/98](#); whereas the National Statistics Office are governed by the statistical principles laid down in article 2 of [Regulation \(EC\) No 223/2009](#). The Central Bank of Malta as a member of the ESCB, conducts quality assurance and disseminates statistics in conformity with the principles of the ESCB's Public Commitment on European statistics by the ESCB.

The preparation and presentation of the b.o.p. statement of Malta has been the responsibility of the NSO since 1954, the year that such data started to be published by the statistical authorities in Malta. Since 1993, the compilation process has been enhanced by the participation of the CBM.

The CBM, through its External Statistics Section, co-operates actively with the NSO in the collection, vetting and compilation of the b.o.p. data.

The Malta Statistics Authority Act (Act XXIV of 2000) provides for the establishment of an Authority to regulate functions regarding resources relating to the collection, compilation and publication of official statistics. The legislation also regulates the NSO and establishes its functions, which include the collection, compilation, dissemination of official statistics.

The First schedule of the Act covers matters, including the b.o.p, in respect of which statistics may be collected, prepared and published.

The amended Central Bank of Malta Act CAP 204 (Article 23) empowers the CBM to collect statistical information from persons. CBM Directive No 5 empowers the CBM to collect statistics from Credit and Financial Institutions.

In July 2003 a co-operation agreement was signed between the CBM and NSO on the collection and compilation of b.o.p. and i.i.p. data. Under the agreement, the NSO became responsible for collecting data from reporting agents in the non-financial sectors of the economy and the overall consolidation and dissemination of b.o.p. and i.i.p. statements. The CBM, on the other hand, became responsible for the collection of data from reporting agents in the financial sector.

The NSO sends b.o.p. and i.i.p. data to the IMF and Eurostat whilst the CBM's External Statistics Section sends b.o.p. and i.i.p. data to the ECB.

2 Statistical processes

2.1 Methodological principles and national specificities

B.o.p. and i.i.p. statistics are compiled in accordance with the standards set forth in the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6). Furthermore, specific compilation recommendations from relevant international bodies are observed. In particular, as specified in the ECB [Guideline ECB/2011/23](#) of 9 December 2011, as amended, and [Regulation \(EC\) No 184/2005](#) of the European Parliament and of the Council of 12 January 2005 (as amended), as well as the relevant guidance presented in chapters 2 and 3 of this book.

The main economic sectors of Malta in relation to external transactions are the finance industry, tourism and also special purpose entities (SPEs).

Malta's financial industry includes Banks, Insurance Companies, Captives, Investment Funds, and Other Financial Institutions which all transact with non-residents. Travel revenues are also a very important source of earnings for Malta's economy.

From the reference period 2004 to 2013, the BMP6 data was derived from BPM5 components. As from 2014, data are available in full accordance with BPM6 methodology.

2.1.1 Residency

The general principles laid down in the BPM6 are applied. In particular, SPEs which are registered in Malta are considered as residents in Malta.

2.1.2 Institutional unit definition

The general principles on institutional units (centre of economic interest, decision-making autonomy, and complete set of accounts) are applied. The definition of SPEs is in line with the conclusion of the Eurostat/ECB/OECD 2013 Task Force on Head Offices, Holding Companies and SPEs.

The SPEs classified in the Financial Sector in Malta consist mainly of Captive Insurances, Professional Investment Funds and Investment Service Providers (ISPs). This statistical coverage is provided to the CBM on a quarterly basis.

As for the rest of SPEs, these are identified through the business register at the NSO, and they are defined in accordance with the conclusions of the above mentioned Task Force.

2.1.3 Geographical allocation

As regards the geographical allocation the immediate counterpart is collected. Apart from data on special purpose entities, which data is extracted from administrative records, most of the data provided by respondents is geographically identified. Such data relating to SPEs is in the process of being identified.

2.1.4 Allocation to institutional sectors

Allocation to resident institutional sectors is clear as regards Banks, Investment Funds, Insurances, and Other Financial Institutions. The most relevant of these sectors is the banking sector.

As regards the counterpart sector of Portfolio Investment Assets, these are downloaded from the Security-by-Security reporting of the ECB.

2.1.5 Valuation

For Non-ISIN securities, respondents provide their market valuations in a questionnaire for securities not reported on a security-by-security basis.

Non-listed enterprises that are not in a position of quoting a market value for their equity issued capital are requested to give an estimate by using one of the following methods:

- A recent transaction report.
- Director's valuation.
- Net asset value.

2.1.6 Time of recording

Data are recorded on an accrual basis except for certain categories of private sector revenues and government transactions, which are posted on a cash basis.

2.1.7 Coverage gaps and room for improvement

Households data coverage especially for portfolio assets and deposits held abroad is currently a gap which should be improved in the near future. Data on SPEs, which is collated from administrative tax sources, are still periodically adjusted following updates and cross-checking with financial statements when these become available.

2.1.8 Seasonal Adjustment

B.o.p. data are currently not seasonal adjustment.

2.2 Statistical procedures, sources and methods

2.2.1 Overview of data collection system

The type of data collection system used to compile b.o.p. statistics is a Direct Reporting system (DR) for both the Financial and Non-Financial Sectors, supplemented by other data sources.

This Direct Reporting System includes a stock-flow Income model and includes current Account, capital account and financial account data.

Reporting agents are required to send data on a monthly, quarterly or annual basis depending on substance.

The Central Bank of Malta is responsible for the collection of data from the Financial Sector in Malta. These include:

- Credit Institutions.
- Investment Funds.
- Money Market Funds.

- Insurance Corporations.
- Insurance Agents.
- Investment Service Providers.
- Financial SPEs such as Professional Investment Funds and Captive Insurances.
- Other Financial Institutions.

The Central Bank collects data from Credit Institutions on a monthly basis. Most of the other sectors only provide quarterly data.

Portfolio Investment such as bonds and equities for these sectors are collected on a security-by-security basis and eventually enriched with information from the CSDB.

For Securities without an ISIN code, data is directly received from the Direct Reporting Survey sent to respondents.

Data on External Reserves are also based on a stock/flow/income model and are submitted to the External Statistics section by the CBM's Finance Office on a monthly basis.

Estimates are made mainly in order to produce monthly data when data is received on a quarterly basis.

The NSO is responsible for the collection of data from the non-financial sector, including general government. These include:

- General purpose companies.
- Local airlines and shipping lines.
- Agents for foreign airlines and shipping lines.
- Shipbuilders and ship repairers.
- Remote gaming companies.
- Special purpose entities other than those covered by the CBM.

Apart from these, the NSO is also responsible for the compilation of the trade and travel account for which administrative data collected by units within the NSO is used.

Using the Business Register, the top companies operating in the non-financial sector of the national economy are surveyed on a monthly or quarterly basis. Furthermore, an annual survey is sent to an even larger number of companies totalling about seven hundred companies.

As regards Merchandise trade, exports are reported f.o.b., while imports are given on a c.i.f. basis. The latter are converted to f.o.b. for use in b.o.p. The statistical and

invoice values contained in Intrastat and Extrastat forms are used to calculate the shipment content contained in the import value of goods. When no indications are available, an estimate of 10 per cent of the value of imports is made. Of this estimate, 90 per cent is allocated to freight and the remainder to insurance.

2.2.2 Detail by accounting item

The reporting population for banks, insurances, captives, investment funds, professional investment funds, money market funds and Other Financial Institutions are covered with a census. The non-financial sector population is based on information extracted from the business register within the NSO.

2.2.2.1 Goods

Foreign trade statistics is collected on a monthly basis by the Trade unit within the NSO. Foreign trade statistics are adjusted in order to comply with BPM6 methodology.

These collate data from the customs department and VAT authorities. Adjustments for coverage are subsequently made by the b.o.p. compiler to both imports (reported on a c.i.f. basis) and exports. The merchandise trade import data are converted to on f.o.b. basis.

Adjustments to trade figures are mainly made due to imports and exports of oil by VAT-only registered companies which are considered to be not b.o.p. relevant. Further major adjustments to imports/exports, are made due to yachts and aircraft which are only regarded as being operationally leased and are therefore removed from goods for b.o.p. purposes.

2.2.2.2 Services

Services transactions are mainly collected through questionnaires.

For the Financial Sector, including Credit Institutions, Insurance Companies, Investment Funds, Professional Investment Funds and Other Financial Institutions, services are collected by a census on a monthly, quarterly and annual basis depending on the size of respondents.

For Lenders and Deposit Takers, FISIM adjustments are made to 'Services' in the Current Account.

Services for the non-financial sector are collected from the DR survey.

All items recommended in the BPM6 guidelines are compiled. These include:

- “Manufacturing services on physical inputs owned by others” which cover processing, assembly, labelling, packing, oil refining, liquefaction of natural gas, etc. These are undertaken by enterprises that do not own the goods concerned; and a fee is charged for such service.
- “Maintenance and repair services (excluding repairs to construction and computer services)” which include maintenance and repairs done by residents on goods that are owned by non-residents and vice-versa. Parts and materials are requested to be included, if not charged separately.
- Travel: Gross earnings from tourism and gross expenditure by residents travelling abroad are derived from frontier surveys carried out by the Population and Tourism Statistics Unit of the NSO.
- Government services are extracted from a DR quarterly survey of government entities.

2.2.2.3 Primary income

The main sources of data on income on direct investment are the DR questionnaires, which provide information on compensation of employees, reinvested earnings, dividends and interest income.

As regards primary income on FDI, data are collected through monthly, quarterly, and annual surveys. With regard to income on debt, the DR questionnaires indicate whether the income is derived from the foreign parent company, fellow enterprises, subsidiaries or other non-resident sources. Income on debt securities between affiliates is recorded as income on direct investment.

Portfolio Investment income is derived on a security-by-security basis by using CSDB attributes including coupon rate, dividend rate, the Accrued Income Factor on foreign investment funds, the sector and country of the counterparty.

Equities and Debt Securities that do not have ISIN codes are collected from b.o.p. surveys.

The main data source for income on ‘Other Investment’ is the DR survey where financial and non-financial enterprises provide information on interest revenue and expenditure.

Also, the Ministry of Finance provides data on interest payments on Government’s external debt. Income on the external reserves assets of the CBM is provided by its Finance Office and is recorded monthly on an accruals basis.

2.2.2.4 Secondary income

Aggregated data on personal remittances, pensions, and other transfers are obtained from administrative sources as well as from the Inland Revenue Department (pension receipts only).

2.2.2.5 Capital account

Transactions in acquisitions/disposals of non-produced non-financial assets, debt forgiveness and other transfers of a capital nature are obtained from DR survey.

Grants, debt forgiveness and other capital transfers transacted by the government are obtained from administrative sources.

2.2.2.6 Direct investment

The monthly, quarterly and annual DR questionnaires are used to collect FDI data from all sectors of the economy with the exception of households. The DR questionnaires are designed in such a way as to identify all intercompany transactions, including loans and trade credits.

Information on the acquisition of real estate in Malta by non-residents is provided by the Ministry for Finance. Data on the acquisition of real estate by Maltese abroad is derived from administrative bank tapes. The latter are also the source of direct investment abroad by households.

Direct investment of SPEs is obtained from administrative tax sources.

2.2.2.7 Portfolio investment

The DR questionnaires are used to collect portfolio investment data from the non-financial and the financial sectors. Information on the portfolio investment of households is collected from the Investment Service Providers survey.

Purchases of domestic equity and debt securities by non-residents on the Malta Stock Exchange (MSE) are reported directly to the b.o.p. compilers by the MSE.

Portfolio investment assets of the financial sector are collected on an s-b-s basis from the Direct Reporting surveys which are further enriched from the CSDB.

Portfolio investment of SPEs is obtained from administrative tax sources.

2.2.2.8 Financial derivatives

The DR questionnaires are used to collect financial derivatives data from all sectors of the economy.

2.2.2.9 Other investment

The DR questionnaires are used to record the other investment transactions of all sectors of the economy. The household sector is captured through administrative sources.

2.2.2.10 Reserve Assets

The CBM compiles external reserve assets on a daily basis and makes them available to the b.o.p. compilers on a monthly basis. The CBM's Finance Department is the source of data for reserve assets. Securities are valued at market price.

2.2.2.11 Borderline cases

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2.2.2.12 Additional information

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2.3 Coherence and comparability

2.3.1 Internal consistency

Information obtained from the DR survey is checked against other sources of available information. These include data from banks, companies' balance sheets, as well as media reports.

Information provided by direct respondents is checked against data available from the Malta Financial Services Authority (MFSA).

No direct adjustments are introduced to reduce or eliminate errors and omissions.

2.3.2 Consistency with other statistical domains

B.o.p. data can be related with some of the data published by other statistical domains, such as the national accounts, foreign trade statistics and balance sheet information of the financial sector such as Banks, Insurances, and Investment Funds.

2.3.2.1 Foreign trade statistics

B.o.p. and foreign trade statistics generally show discrepancies, due to different methodologies. In particular, certain monthly transactions not covered by foreign trade statistics are added to b.o.p. figures, namely:

- Merchating: this is obtained from the DR questionnaire.
- Maintenance and repair: this is obtained from the DR questionnaire.
- Cross-border e-commerce on goods: this is obtained from ad hoc surveys complemented by administrative sources.
- Goods procured in ports (export: fuel sold in the national economy to non-resident carriers); this is already included in the trade data. Import: fuel procured by resident transport operators by non-resident providers).

For Malta, the main discrepancies are due to imports and exports of oil by non-resident companies which nonetheless are registered at the Maltese VAT authority. This is due to the fact that for b.o.p. purposes, adjustments have to be done because the companies importing and exporting oil are non-residents and thus must not feature in the b.o.p.

Another main discrepancy is due to yachts and aircrafts which are only regarded as being operationally leased rather than imported and are therefore adjusted for in the goods account.

2.3.2.2 National/sectoral accounts

B.o.p. and national accounts data should be comparable by the application of common definitions (BPM6 and ESA2010) and also by the fact that Rest of the World data for National Accounts is retrieved from the b.o.p. database.

2.3.2.3 Balance sheet information of the various financial sub-sectors

B.o.p. data is generally consistent with various financial subsectors such as BSI and IF statistics.

2.4 Accessibility and Clarity

2.4.1 Release calendar and revision policy

Official b.o.p. and i.i.p. data are published by the NSO on a quarterly basis around three months after the reference quarter according to the Advance Release calendar.

The NSO publishes an advance release calendar in its [website](#).

Quarterly and annual data are revised periodically, so as to incorporate updates received during the three-month period from the previous release.

2.4.2 Data availability

2.4.2.1 Frequency of the b.o.p. and i.i.p. data compilation and publication

The b.o.p. statistics in Malta are officially published on a quarterly basis by the National Statistics Office. The Central Bank of Malta also publishes such data on the CBM website and also in the Quarterly Review.

The [BOP quarterly release](#) published by the National Statistics Office gives a summary of the current, capital and financial account, featuring main headlines.

The [bi-annual IIP news release](#) gives a breakdown of the foreign assets and liabilities, by main headlines and all sub-components.

The External debt data is published by the Central Bank (CBM) with a time lag of nearly three months.

The NSO also publishes data regarding FDI. The [bi-annual news release](#) gives a breakdown of FDI in Malta and abroad, by economic regions and main countries. A breakdown by generalized economic sector is also given.

2.4.2.2 Seasonally adjusted data

No seasonally adjusted b.o.p. data are released.

Netherlands

1 Institutional environment

1.1 Professional Independence

The independence of De Nederlandsche Bank (DNB), in its capacity as a member of the ESCB, is emphasized in Article 130 of the EU Treaty and Article 7 of the Statute of the ESCB and of the ECB.

DNB's Statistics Department has a strong and long-standing tradition of independence and professionalism. This is exemplified by the delegation of competencies to its management. The head of the statistics department has the authority to act on all statistical matters on behalf of DNB (within the legal mandates).

1.2 Mandate for data collection

The development, production and dissemination of statistics by the De Nederlandsche Bank are governed by Article 5 of the Statute of the ESCB and of the ECB, as well as [Regulation \(EC\) No 2533/98](#); whereas the Statistics Netherlands are governed by the statistical principles laid down in article 2 of [Regulation \(EC\) No 223/2009](#). The De Nederlandsche Bank as a member of the ESCB, conducts quality assurance and disseminates statistics in conformity with the principles of the ESCB's Public Commitment on European statistics by the ESCB.

Section 4 of the Bank Act 1998 mandates DNB to produce statistics under all relevant legal regulations. To be more specific, section 7 of the External Financial Relations Act 1994 (Wfbb – Wet financiële betrekkingen buitenland 1994) establishes DNB's responsibility for compiling b.o.p. statistics. On the basis of these acts, residents are required to report information needed for the compilation of b.o.p. and i.i.p. statistics in conformity with rules established by DNB.

In collecting and processing the data, DNB cooperates closely with Statistics Netherlands. Most of the data for the current and capital account of the b.o.p. are collected by Statistics Netherlands under the terms and conditions established in the Statistics Act of November 2003. The longstanding cooperation between Statistics Netherlands and DNB in the area of b.o.p. was formally ratified in January 2006, when directors of both institutions signed a Partnership Agreement.

The current set up will be overhauled in the coming years, as DNB and Statistics Netherlands have decided to integrate the production of b.o.p. and i.i.p. statistics and sectoral accounts. Although this will entail a complete restructuring of working processes, the formal responsibilities will remain unchanged.

2 Statistical processes

2.1 Methodological principles and national specificities

B.o.p. and i.i.p. statistics are compiled in accordance with the standards set forth in the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6). Furthermore, specific compilation recommendations from relevant international bodies are observed. In particular, as specified in the [ECB Guideline \(ECB/2011/23](#) of 9 December 2011, as amended) and [Regulation \(EC\) No 184/2005](#) of the European Parliament and of the Council of 12 January 2005 (as amended), as well as the relevant guidance presented in chapters 2 and 3 of this book.

Data under the BPM6 methodology are available for the Netherlands from 2003Q2 onwards. There are a few minor deviations from BPM6, mainly due to the fact that DNB's reporting framework has not yet been adjusted in response to newly introduced data requirements.

Relative to other euro area economies the Netherlands is a very open economy, with a large financial sector. For a good interpretation of Dutch b.o.p. and i.i.p. statistics, a few specificities must be borne in mind.⁴⁷ Firstly, the Netherlands plays an important intermediary role in trans-European distribution networks, mainly through the Rotterdam harbour. For instance, Dutch merchants buy computers in China, which are exported to Rotterdam and then re-exported to other European countries. Over the past two decades these so-called 're-exports' have quadrupled. Currently, re-exports make up about half of total Dutch exports. However, as re-exports are first imported and then exported, they do not contribute much to the trade surplus.

Secondly, the Netherlands hosts a large number of special purpose entities (SPEs), which are used by foreign multinationals to optimise their global financial structure. These SPEs now account for about half of all financial cross-border activity, mostly through inward and outward foreign direct investments. In spite of these large financial flows, SPE's do not contribute much to the Dutch current account surplus. Inward income flows to SPEs (dividends, interest payments, and retained earnings) are being offset by outward income flows to their foreign direct investors. For a more meaningful economic analysis, users should focus on b.o.p. and i.i.p. data excluding SPEs. Hence, the impact of SPEs is explicitly shown by DNB in all relevant tables.

Finally, the Netherlands is home to some large multinationals. This has an impact on many b.o.p. and i.i.p. items. For instance, many large Dutch multinationals operate in capital-intensive sectors and retain a large portion of their earnings in order to fund foreign direct investments.

⁴⁷ See also: [DNB \(2014\) Getting to the bottom of the Dutch savings surplus, Occasional Study 12\(4\)](#).

2.1.1 Residency

To establish residency the standard principles are applied. Resident institutional units are thus defined as units that have a centre of economic interest in the Netherlands. However, residents of Dutch overseas territories (Bonaire, Saba and Sint Eustatius) are excluded. Furthermore, the residency status of SPEs depends on its registration at the Chamber of Commerce and its tax status.

2.1.2 Institutional unit definition

The general principles on institutional units (centre of economic interest, decision-making autonomy, and complete set of accounts) are applied. The statistical coverage of SPEs is in line with the conclusion of the Eurostat/ECB/OECD 2013 [Task Force on Head Offices, Holding Companies and SPEs](#). In the case of SPEs, reporting agents are instructed to present figures on a deconsolidated basis (instead of on a consolidated basis at the level of the institutional unit to which they belong). Also of relevance is that firms usually report on the level of the local enterprise group.

2.1.3 Geographical allocation

The counterparty country asked for in the report forms is the immediate country. In the case of FDI no country information on the ultimate controlling parent is yet collected. This will change when the new reporting framework will be introduced.

2.1.4 Allocation to institutional sectors

There are no deviations from the sectorisation guidelines. DNB and Statistics Netherlands cooperate closely when allocating units into institutional sectors for compiling the b.o.p. and i.i.p. and national accounts. The main information on institutional sector is recorded in the Dutch Business Register ('Algemeen Bedrijvenregister') which is maintained by Statistics Netherlands. A relatively important institutional sector in the Netherlands is S127 which contains many SPEs (see section 2.1).

2.1.5 Valuation

In general, valuation is based on market prices. This is ensured for tradable financial instruments by using price data from the ECB's Centralised Securities Database (CSDB). The valuation of non-tradable financial instruments is less straightforward. If reporting agents have no information in their financial accounts on market values of non-listed equity investments, they report on the basis of net asset values (which also includes reinvested earnings) or book values (if net asset values are not available).

Non-market value based figures for foreign direct investment are corrected to derive estimations for 'net direct investment at market value'. This estimate is subsequently used as an input for a market value based i.i.p. figure which is published on DNB's website.

2.1.6 Time of recording

Transactions in goods are recorded at the time the goods pass the border, whereas transactions in services are recorded at the moment they are invoiced. This is in accordance with the definitions used in ITG- and ITS statistics that are used as a source.

Transactions in securities and financial derivatives are recorded on the trade date (in line with BPM6). However, loan repayments are entered in the accounts at the moment of actual payment (and not when actually due).

Dividends are recorded on the dates declared payable whereas reinvested earnings on direct investment are equally spread over the year. Interest on financial instruments is generally recorded on an accrual basis.

2.1.7 Coverage gaps and room for improvement

The main coverage gap is debt forgiveness by sectors other than the government. Household's securities deposited at custodians outside the euro area are also not observed, but are likely to be small.

There are some minor deviations from BPM6 guidelines. For instance, DNB is at the moment unable to provide data on FDI between fellow enterprises. This information is not asked for in DNB's current reporting forms, but will become available in the near future with the introduction of the new reporting framework. The extra information on fellow enterprises will only enable an extra breakdown and will not alter headline FDI figures. Moreover, this breakdown will not give much additional insight as FDI statistics are collected by DNB at the level of the enterprise group.

Furthermore, financial services trade does not include margins on buying and selling transactions. This is to ensure consistency with the national accounts in which these figures are also not yet taken on board.⁴⁸ Finally, some new BPM6 data requirements are met through simple estimates (reinvested earnings in investment funds, remaining maturity of debt securities).

⁴⁸ However, figures for margins on buying and selling transactions are constructed by DNB and included by Statistics Netherlands in ITS-data for services trade.

2.1.8 Seasonal adjustment

No seasonal adjustments are made to b.o.p. and i.i.p. statistics.

2.2 Statistical procedures, sources and methods

2.2.1 Overview of data collection system

DNB replaced its settlements based compilation system for b.o.p. and i.i.p. statistics by a direct reporting system in early 2003. Since then monthly reports by resident agents have been the main source of information.

Reporting is not mandatory for the whole population, but only for a part. This is motivated by the trade-off between completeness and efficiency. The reporting subgroup is constructed by DNB in such a way that around 95 percent of total transactions and positions are covered. In the case of SPEs, this approach leads to the use of different sampling strata, due to the mixed composition of this group (some extremely large entities, many very small entities and some entities with distinctive features). Also for efficiency reasons, the current reporting framework includes some intermediary reporting by banks and custodians, especially in the field of financial derivatives and portfolio investments.

Reporting forms are customized for specific groups of similar reporting agents (so-called 'reporting profiles'). Generally, reporting agents are requested to explain all changes between opening and closing positions, for their assets and liabilities (broken down by country and counterparty sector), in terms of gross transactions, changes in market prices, exchange rate changes and other changes (such as write-offs).

The information delivered by this general direct reporting system is complemented with information from other sources, such as Statistics Netherlands (monthly foreign trade statistics, quarterly sectoral accounts information on goods and services trade, data on primary and secondary income), DNB's accounting department (information on reserve assets), and the Dutch Land Registry (administrative data in real estate transactions by non-residents).

Additionally, series for which there is no direct information are estimated using other sources. This is the case for series on personal remittances, short trade credit, currency owned by non-residents, households' deposits at foreign banks, and households' real estate abroad. For example, households' deposits at foreign banks are estimated on the basis of tax information (which is exchanged within the framework of the European tax savings directive), whereas households' real estate abroad is derived from reported tax files.

2.2.2 Detail by accounting item

2.2.2.1 Goods

Data for goods trade in the b.o.p. are derived from monthly figures for international trade in goods (ITG). ITG data, including data on re-exports, are collected by Statistics Netherlands and comprise both intra- and extra-EU trade. Extra-trade is fully covered, on the basis of customs declarations, but intra-trade is collected through the Intra-Community Trade Statistical System with a sample covering about 98 percent of transactions.

For merchanting trade (goods trade that does not cross the border of the firm's country of residence), a new category introduced by BPM6, reported data have been available since mid-2014, on a quarterly basis. Monthly merchanting data are derived from these quarterly figures. Data for earlier periods have been estimated.

Goods trade in the quarterly b.o.p. is fully consistent with goods trade in the national accounts. It should be stressed that these integrated national accounts data differ from the ITG source data. This is not only because of methodological differences (such as the residency concept, and the c.i.f./f.o.b. adjustment), but also because of reconciliation adjustments by Statistics Netherlands during the integration process. These adjustments are taken on board by DNB. For consistency reasons, preliminary estimates for these reconciliation adjustments are also made in the monthly b.o.p. (which is transmitted to ECB and Eurostat).

2.2.2.2 Services

Data for services trade in the b.o.p. are based on services trade in the national accounts, which in turn are derived from data on international trade in services (ITS). ITS data are collected by Statistics Netherlands on a quarterly basis, mainly by a direct reporting method (for large enterprises) and a survey with less reporting detail (for small and medium sized enterprises).

The exceptions are travel services, government services, insurance and pension services, and financial services. As regards travel services, debits come from the continuous holiday survey among Dutch households, whereas credits are obtained from the lodging and accommodation survey among Dutch enterprises. Data on FISIM, as a component of financial services, are compiled by National Accounts in line with the international guidelines. The geographical distribution of FISIM is based on the geography of financial services in ITS data.

Furthermore, long-term construction projects are classified as construction services instead of foreign direct investment.

Services trade in the quarterly b.o.p. is fully consistent with services trade in the national accounts. It should be noted that margins on buying and selling transactions

are not yet included in the National Accounts, and are therefore also not included in the b.o.p. financial services (to preserve consistency).

When quarterly data for services trade are not yet available, monthly data are derived by extrapolation (in combination with some reported services trade data by SPEs). Once quarterly data are available, the monthly data are aligned with this new information. All quarterly services data are equally distributed over the months, except for travel services for which category a seasonal pattern is applied.

2.2.2.3 Primary income

Data on investment income is collected through DNB's direct reporting system, as an integrated part of the reconciliation model (in the case of ISIN securities in combination with CSDB information). Corrections for FISIM are based on data compiled by Statistics Netherlands.

Distributed income from shares in collective investment institutions is treated as dividend income and is recorded when paid. To allocate an investment fund's undistributed earnings to its shareholders, a hybrid approach is followed. The figure for the income attributable to non-resident investors in Dutch investment funds is mainly based on reported figures of resident investment funds, whereas the figure for the income attributable to Dutch investors in foreign investment funds is estimated on the basis of information of yields and costs of different types of investment funds.

As FDI income data are only collected through annual reports, preliminary estimates of retained profits are made using the most recently reported financial figures (for profits and dividends). Consequently, reinvested earnings are calculated for the current year as the difference between the profit over the previous year and the reported declared dividends, at the level of individual reporting agents. For the largest Dutch multinational enterprises actual data on quarterly profits (from their quarterly financial statements) are used to improve the estimates for outward FDI income. The estimates are revised once the actual data on earnings have been collected through the annual reports (which is within four months after the reporting agents' financial year closes). Income on real estate liabilities is estimated by applying a gross yield on reported stocks. This yield is published by Raad voor Onroerende Zaken (an institute which collects Dutch real estate information).

Data on compensation of employees is estimated by Statistics Netherlands on the basis of several labour statistics. Data on taxes and subsidies are compiled by Statistics Netherlands as well.

To enhance consistency, DNB and Statistics Netherlands hold regular meetings in which differences in the primary income figures are analysed.

2.2.2.4 Secondary income

Data on foreign aid, social security and other current transfers, are supplied by Statistics Netherlands, using various sources. Data on personal transfers by migrants are model based, using information from money transactions offices, migration statistics and macro-statistics (GDP per capita).⁴⁹

2.2.2.5 Capital account

Data on private sector non-produced, nonfinancial assets are provided by Statistics Netherlands (from their quarterly survey on international trade in services). Occasionally, transactions in such assets are reported by SPEs through DNB's direct reporting system. Furthermore, custodian banks provide monthly information on migrants' transfers of securities. Finally, Statistics Netherlands makes quarterly estimates for inheritances (based on inheritance tax receipts) and for changes in the residency of bank accounts (based on number of emigrants and immigrants).

2.2.2.6 Direct investment

Classified under foreign direct investments are all borrowing and lending operations between direct investors and direct investment enterprises, except when those transactions are between affiliated financial corporations (i.e. deposit-taking corporations, investment funds and other financial intermediaries). Furthermore, financial derivatives contracted between affiliates, are not identified separately (and are included under the item financial derivatives). Finally, no distinction is made between listed and unlisted shares, and no separate data are available for the breakdown in FDI by fellow enterprises.

Data on direct investments are primarily collected through the general direct reporting system. Reporting agents provide information on both equity investments, and intercompany loans (such as long-term and short-term loans, financial leases, repurchase agreements and intercompany current accounts). Transactions are reported on a monthly basis, but positions only on a yearly basis (within four months after the financial year closes). Reporting agents are asked to report on the basis of market value. However, if this information is not available, they report on the basis of net asset value or book value. FDI data for non-financial corporations are grossed up to represent the full sample.

In the case of MFI's, data on foreign direct investments are derived from monthly balance sheet information on stocks. Once a year MFI's have to report direct investment equity stocks at market values, revaluations and profits paid and retained.

⁴⁹ See [DNB \(2011\) "Annex 11.5 Estimating remittances in the Netherlands"](#)

External sources that are used in the compilation of foreign direct investment are (1) yearly tax information on households' real estate abroad; (2) monthly administrative data regarding the purchases and sales of Dutch real estate by non-residents, provided by the Dutch Land Registry; (3) information of Statistics Netherlands on smaller companies; and (4) information from the FDI-network.

2.2.2.7 Portfolio investment

Data on portfolio investment assets are collected through the general direct reporting system. Holdings of securities are reported by resident end-investors except for households' holdings, which are covered by a survey of resident custodians.

To compile data on portfolio investment liabilities a 'mixed approach' is followed.⁵⁰ Data are collected from: (a) custodians, (b) the local central securities depository, (c) resident issuers and (d) resident holders. Data from reporting agents relate to economic ownership, except for the reports of custodians and the central securities depository, which relate to legal ownership. The data quality of portfolio investment liabilities is enhanced by confronting the mixed approach with the 'residual approach'. In this latter approach non-resident transactions are calculated as the residual of total net issues and transactions reported by resident end-investors.

Reporting by ISIN code is not compulsory, but a large part of the data is reported this way. When reporters use security-by-security reporting, stocks are reported as number of shares for equity or nominal value for debt. During the compilation process, data on ISIN securities are enriched with all kinds of CSDB information (such as the market value of stocks, price and exchange rate changes, interest accrued, country of residence, sector, instrument items).

Only a very limited number of reporting agents prefer to return aggregated portfolio reports without ISIN identifiers. In such cases, reporting agents have to submit a full monthly reconciliation of stocks, flows, and revaluation, including interest accrued for debt, as well as a classification by country and sector of the issuer and by type of instrument (equity, long-term and short-term debt instruments).

The direct reporting does not deliver information on the geographical allocation of portfolio investment liabilities. However, IMF information from the coordinated portfolio investment survey can be used to get insight in this.

2.2.2.8 Financial derivatives

Data on financial derivatives are collected through the general direct reporting system. More specifically, data on contracts traded directly on foreign exchanges and on OTC contracts are collected directly from the reporting agents, whereas

⁵⁰ See "How does DNB measure that the foreign holdings of Dutch securities amount to EUR 1,400 billion? DNB/Statistical Bulletin June 2009.

contracts traded on foreign exchanges but executed through domestic banks and clearing members are collected from these intermediary agents. Moreover, information regarding contracts executed by non-residents on the domestic derivative exchange is also collected from resident banks and clearing members.

Financial derivatives data are reported by instrument: options (including warrants), futures (variation margins), forward rate agreements, interest rate swaps, cross-currency interest rate swaps, outright forwards and foreign exchange swaps (forward legs only), and all other over the counter (OTC) contracts. Reporting agents must submit a reconciliation of stocks, flows, and revaluation on a monthly basis (but revaluations do not need to be decomposed into price and exchange rate changes). Transactions for assets and liabilities are collected separately, except for interest rate swaps. For these types of contracts, receipts are recorded as transactions in assets and payments as transactions in liabilities.

For exchange-traded derivatives, the geographical allocation is made according to the country where the exchange is based or, in the case of a contract traded on a Dutch exchange, the country of residency of the client. Over-the-counter contracts are allocated to the country of the actual counterpart.

2.2.2.9 Other investment

The different items on the other investment account are mostly filled on the basis of reported information. Data on MFI's other investment are derived from monthly balance sheet reports on stocks. This information is integrated in regular BSI-reporting framework. Data on non-MFI's other investment are collected through the general direct reporting system.

This reported information is supplemented with model-based estimates for trade credit, and households' deposits at foreign banks. Figures for euro banknotes issued by DNB that are held by non-residents are obtained as a residual: total issues minus the net increase in euro banknotes held by resident banks minus the net amount Dutch residents withdrew from banks. All these data are reported to DNB (for various purposes). To obtain the position, the cumulated flows are added to the position that was registered just before the introduction of the euro currency (in Dutch guilders).

2.2.2.10 Reserve Assets

Data on reserve assets are provided by DNB's financial accounting department through a direct reporting system. Gold holdings are valued at market prices on a monthly basis.

2.2.2.11 Borderline cases

The 10% threshold to distinguish between portfolio investments and direct investments is strictly imposed. Furthermore, holdings larger than 10% of investment funds shares are treated as portfolio investments.

2.2.2.12 Additional information

Information on the implementation of BPM6 can be found on [DNB's website](#).

2.3 Coherence and comparability

2.3.1 Internal consistency

During the compilation of process, efforts are undertaken to ensure the internal consistency of B.o.p series. The size of the errors and omissions term is monitored on an ongoing basis, but no ad-hoc adjustments are made to reduce this term.

2.3.2 Consistency with other statistical domains

B.o.p. data can be related with some of the data published by other statistical domains, namely, foreign trade statistics, national accounts and balance sheet information of the financial sub-sectors.

2.3.2.1 Foreign trade statistics

B.o.p. and foreign trade statistics generally show discrepancies, due to different methodologies. These discrepancies are categorized by Statistics Netherlands as due to (1) the new residency concept (merchanted, goods produced abroad by Dutch residents, goods sent for processing, goods between affiliated establishments); (2) corrections to cover the whole economy (goods returned to sender, goods procured in ports by carriers, online trade, sales of international organisations and illegal activities); (3) the delineation between re-exports and transit trade.⁵¹

2.3.2.2 National/sectoral accounts

The comparability between b.o.p. and national accounts is ensured by the application of common definitions (BPM6 and ESA2010). The differences that

⁵¹ See: "[International Trade Data from Statistics Netherlands](#)".

remain are closely monitored and can largely be attributed to different sources and divergent revision timetables. This is, however, about to change as Statistics Netherlands and DNB have decided to integrate the production of b.o.p. and i.i.p. statistics and sectoral accounts in order to achieve full consistency in the coming years. This strategic decision entails a complete restructuring of working processes, such as the introduction of new joint reporting forms serving both b.o.p. and i.i.p. and national accounts needs, a single revision policy, and an overhaul of the allocation of tasks during the compilation process.

2.3.2.3 Balance sheet information of the various financial sub-sectors

Discrepancies between MFI's balance sheet items and b.o.p. and i.i.p. figures stem from the use of different sources (for securities and financial derivatives), and the timing of data transmissions (in relation to re-reports). The consistency between BSI and b.o.p. and i.i.p. data is checked before the transmission, and discrepancies are usually small.

Discrepancies between DNB's security issues statistics and b.o.p. and i.i.p. statistics mainly arise from different valuation foundations (as the issuance of debt securities is at nominal value).

2.4 Accessibility and Clarity

2.4.1 Release calendar and revision policy

A quarter-ahead [calendar](#) is published by DNB for the release of b.o.p. and i.i.p. statistics (and other statistics).

The revision of b.o.p. and i.i.p. statistics is done within the European framework for data revisions. When data are published for the last quarter, revisions are made to the next-to-last quarter, whereas data for earlier quarters (not further back than three years) are revised two or three times a year. These revisions over longer time windows are done in ever closer cooperation with Statistics Netherlands to enhance data consistency. This convergence will result in a completely consistent revision policy for b.o.p. and i.i.p. statistics and national accounts in the coming years.

2.4.2 Data availability

2.4.2.1 Frequency of the b.o.p. and i.i.p. data compilation and publication

A complete b.o.p. and i.i.p. with key items is compiled on a monthly basis, but only to fulfil ECB and Eurostat data requirements. No monthly data are disseminated to the

public at large. Quarterly b.o.p. and i.i.p. data are made available by transmitting the data to the ECB and Eurostat and simultaneously posting the data on [DNB's website](#).

This is aligned with the CBS publication of the sectoral accounts.

Back data are currently available from 2003Q2 onwards.

2.4.2.2 Seasonally adjusted data

No seasonally adjusted data are available.

Austria

1 Institutional environment

1.1 Professional Independence

Legal basis

Citing Article 14(3) of the ESCB/ECB statute, Article 1(5) of Nationalbankgesetz 19841 (Central bank law) states the independence of the Oesterreichische Nationalbank (OeNB) from other government authorities in exercising certain powers, thereby guaranteeing, among other things, the absence of interference in respect to the compilation of statistical information.

The independence of the OeNB, in its capacity as a member of the European System of Central Banks (ESCB), is further emphasized in Article 130 of the EU Treaty and Article 7 of the Statute of the ESCB and of the ECB, which stipulate that “when exercising the powers and carrying out the tasks and duties conferred upon them [...], neither the ECB nor a national central bank nor any member of their decision making bodies shall seek or take instructions from Community institutions or bodies, from any government of a Member State or from any other body. The Community institutions and bodies and governments of the Member States undertake to respect this principle and not to seek to influence the members of the decision making bodies of the ECB or of the national central banks in the performance of their tasks.”

Statistics work programme

The statistical work programme of the OeNB is defined by regulations that describe the content, the frequency and the timeliness of certain statistical products, including the b.o.p., and the i.i.p. The internal production process is guided by an annual budgeting and planning procedure, which is not made public.

1.2 Mandate for data collection

The development, production and dissemination of statistics by the Oesterreichische Nationalbank are governed by Article 5 of the Statute of the ESCB and of the ECB, as well as [Regulation \(EC\) No 2533/98](#); whereas the Statistics Austria are governed by the statistical principles laid down in article 2 of [Regulation \(EC\) No 223/2009](#). The Oesterreichische Nationalbank as a member of the ESCB, conducts quality assurance and disseminates statistics in conformity with the principles of the ESCB's Public Commitment on European statistics by the ESCB.

The responsibility for collecting, processing, and disseminating the Austrian b.o.p., i.i.p., and direct investment statistics are explicitly stated in [Article 6](#) of the

Devisengesetz 2004 (Foreign exchange act). It entitles the OeNB to collect information on all transactions, assets, and liabilities from all natural persons or legal entities to the extent it is required for compiling the above mentioned statistics. The OeNB may issue provisions defining reporting requirements, including the reporting population, frequency and timeliness of reporting.

In fulfilling its statistical function the Oesterreichische Nationalbank closely cooperates with Austria's Statistical Institute "STATISTIK AUSTRIA" (Statistics Austria) in order to minimize the reporting burden for respondents and the cost of compilation. The two institutions have agreed to put their cooperation on a solid and formal foundation, signing a basic cooperation framework agreement to guide their cooperation in all fields of statistics related to the Austrian economy and based on international and/or national legislation. The mutual assignment of tasks shall guarantee an efficient production of statistical data and analyses of the Austrian economy. Therefore it is the basic principle of cooperation that both institutions concentrate on their respective expertise and data access, which governs the determination of specific areas of activity. Thus, the OeNB focuses on compiling financial statistics including financial account and b.o.p. and i.i.p. statistics while Statistics Austria focuses on compiling data on the real economy and covering especially the government sector. According to the basic agreement, the b.o.p. is defined as an area of "intensive cooperation" as the OeNB and Statistics Austria work jointly on a single statistical product in contrast to areas of "vital interest" where one party is responsible for data production while the other one is a main user of the data. The details of cooperation in single statistical fields are laid down in individual contracts as one institution provides input for a statistical product for which the other institution bears the legal obligation and responsibility. The contracts specify (a) individual production stages, dates, and interfaces, (b) classifications, revisions, and quality measures, (c) access to non-published data, (d) utilization and reconciliation of existing registers and administrative data, (e) evaluation of new statistical, technical, financial and legal requirements as well as (f) coordination of the stance to be taken in national, EU- and international bodies. Besides regular information sharing in the course of statistics production, specified in part in individual contracts, the OeNB and Statistics Austria have set up a Steering Committee consisting of at least two higher voting members of each institution. The committee meets at least once each quarter to monitor the joint activities and recommend enhancements where possible. It further initiates extensions and updates to the existing areas of cooperation including the prolongation and amendments to the basic cooperation framework agreement.

Based on Article 6 of the Devisengesetz 2004, the Oesterreichische Nationalbank has published the reporting requirements for b.o.p., i.i.p. and related statistics in the following provisions:

Current account

Provision "[Meldeverordnung ZABIL 1/2012](#) der Oesterreichischen Nationalbank betreffend die statistische Erfassung des grenzüberschreitenden Dienstleistungsverkehrs" issued on 25 September 2012 describes in details the quarterly reporting requirements for international Trade in Services and certain

transfers. Specific reports for Credit Card issuers and insurance companies are included.

Financial account

Provision “[Meldeverordnung ZABIL 1/2013](#) der Oesterreichischen Nationalbank betreffend die statistische Erfassung des grenzüberschreitenden Kapitalverkehrs”⁵² issued on 19 April 2013 describes in detail the reporting requirements for the financial accounts.

Starting with general issues, like the legal basis, the purpose, the subject, the confidentiality treatment, the reporting format and fines, it describes in detail the reporting requirements for:

- Direct investment transactions.
- Security-by security reporting by resident custodians.
- Repurchase Agreements (Repos).
- Stocks and transactions of securities not held with custodians.
- Other assets and liabilities of non-banks.
- Financial derivatives.
- Cross border transactions in real estate.
- Capital transfers.

The annual Direct investment survey is based on individual notification.

2 Statistical processes

2.1 Methodological principles and national specificities

B.o.p. and i.i.p. statistics are compiled in accordance with the standards set forth in the sixth edition of the IMF’s Balance of Payments and International Investment Position Manual (BPM6). Furthermore, specific compilation recommendations from relevant international bodies are observed. In particular, as specified in the [ECB Guideline \(ECB/2011/23](#) of 9 December 2011, as amended) and [Regulation \(EC\) No 184/2005](#) of the European Parliament and of the Council of 12 January 2005 (as amended), as well as the relevant guidance presented in chapters 2 and 3 of this book.

⁵² See [website](#) in the Download section. A Direct investment reconciliation table from Asset/Liability-principle (including SPEs) to Directional principle (excluding SPEs) in on the [website](#).

2.1.1 Residency

The general principles laid down in the BPM6 are applied.

Austrian b.o.p. and i.i.p. statistics follow the BPM6 residency concepts. There are very few Austrian SPEs in number, but they represent a significant share of Direct investment capital. For b.o.p. and i.i.p. purposes SPEs are included in the data and receive no “special treatment”. FDI-specific datasets and publications usually exclude them, since the analytic value of Direct investment is blurred by SPEs.

2.1.2 Institutional unit definition

The general principles on institutional units (centre of economic interest, decision-making autonomy, and complete set of accounts) are applied.

The statistical coverage of SPEs is in line with the conclusion of the Eurostat/ECB/OECD 2013 [Task Force on Head Offices, Holding Companies and SPEs](#). Resident institutional units are defined in conformity with BPM6 as those that have a centre of predominant economic interest in Austria. All sorts of institutional units, like households and non-profit institutions, government units, or branches are included.

2.1.3 Geographical allocation

In line with BPM6 and therefore there are no exceptions. All counterpart information needed is part of the submitted reports, except for Portfolio Investment Liabilities where no counterpart sector/country breakdown is collected. However we provide in addition inward FDI (i.e. directional principle) following both, immediate and ultimate counterpart information.

2.1.4 Allocation to institutional sectors

Generally in line with BPM6/ESA 2010, but Austria is confronted with a disagreement between ECB and Eurostat on the allocation of institutional sectors in the case of certain defeasance structures.

2.1.5 Valuation

In general, the valuation is based on market prices prevailing when the transactions take place. Transactions in foreign currency are converted into Euros at period average exchange rates. For unlisted Direct investment enterprises a valuation according to the “Own funds at book value” method is applied, which is in line with requests by the ECB, EUROSTAT and the OECD.

Transactions in “Other investment” are derived from positions of assets and liabilities accounting for exchange rate changes.

In the field of Portfolio investment, unquoted equity securities without ISIN-code are estimated based on equity data from banking statistics and financial statement data from a company database. This estimation is carried out annually for monthly data.

Dividends paid or received for Portfolio investment shares are not directly collected from respondents, but derived from the securities database in a similar way as accrued interest is derived for debt instruments. The main source for dividends of shares is the Centralised Securities Database (CSDB) operated by the ECB. For each period where dividend payments per share are provided by the CSDB, dividends on a security-by-security basis are calculated. In connection with the outstanding stocks per issuer or holder it is possible to compile the relevant flow.

2.1.6 Time of recording

There is no deviation to the general rule of change of ownership time.

2.1.7 Coverage gaps and room for improvement

General remark

Austria's b.o.p. and i.i.p. are disseminated with quarterly frequency. Since European regulations require the production of monthly b.o.p. statistics, Austria provides data, which to a significant extent are based on estimates. Consequently, Austria does neither publish nor revise any monthly data.

Current and capital account

“Manufacturing services on physical input owned by others” may be covered insufficiently. Further research is necessary. The impact of its outcome on the quality of b.o.p. statistics cannot yet be assessed.

For “Insurance services” supervisory data are being used. Therefore quality limitations have to be taken into account as a result of differing methodology between surveillance and macroeconomic statistics. Especially missing details on reinsurance transactions makes the calculation of service charges difficult. OeNB expects improved data in the course of the introduction of Solvency II data reporting. The outcome on the quality of b.o.p. statistics will be significant as this will allow harmonization with the national accounts.

“Financial dealers’ margins are estimated for debt securities, equity shares, investment funds and financial derivatives.

Financial account

In Direct investment, reverse investment in equity as well as equity held between fellow enterprises is not included in Direct investment, but in Other investment.

In Portfolio investment, reporting gaps exist for the transactions of resident individuals that are undertaken with custodians abroad, although some extremely wealthy households and family trusts actually report to the OeNB. To close the gap, additional estimations for residents' holdings abroad are undertaken based on mirror data and information on tax agreements with certain countries like Switzerland. On the long run mirror data provided by the Securities Holdings Statistics (SHS) will improve data quality.

In Other investment liabilities there is an existing gap of reported stocks of other equity under 10 percent participation. For loans and deposits of households and non-financial corporations estimations are undertaken based on banking statistics of other MUMS because of the high reporting threshold.

The impact of improvements in the field of financial account cannot yet be assessed, however as the quality of the data is quite high the impact seems to be rather small.

2.1.8 Seasonal adjustment

At present there are no seasonally adjusted data available.

2.2 Statistical procedures, sources and methods

2.2.1 Overview of data collection system

Austria switched to a "direct reporting system" for b.o.p. in January 2006 (except securities holdings of domestic non-custodians, see 2.2.2.7). Since then banks and other depository institutions have to report only their own assets, liabilities and transactions plus all securities deposits of their customers. Securities (including domestic securities) are reported on a security-by-security basis. Non-banks have to report quarterly on their trade in services, and monthly on assets and liabilities vis-à-vis non-resident entities. Financial institutions, non-financial corporations, governments and non-profit organizations have to report on their cross border transactions (except goods) on their own behalf. Households have to report only on financial accounts transactions, while their Current account transactions are generally based on estimates, sampling or administrative data.

Several thresholds apply in different areas of the b.o.p. The reporting frequency ranges from monthly to annually, depending on the type of transaction as well as on the quantitative relevance of the reporter.

As **reporting channels** the following possibilities are generally open to respondents:

- Reporting via an internet application (“web-online”) with wide support for the user (i.e. automated feedback, pre-population of forms).
- Transfer of XML-files via Secure Mail or Connect Direct for fully automated reporting.
- Other electronic formats to report to Statistics Austria, where relevant.
- Paper forms.

2.2.2 Detail by accounting item

2.2.2.1 Goods

General merchandise data are obtained from Statistics Austria's foreign trade statistics on a monthly and quarterly basis. The method of data collection is different for merchandise between member countries of the European Community (monthly reports of companies, so-called Intrastat) and merchandise with third countries (customs declarations). Goods procured in ports by carriers and transactions in nonmonetary gold are also included in b.o.p. statistics and separately identifiable. Imports undergo a cif-fob conversion in order to fulfil the fob/fob concept of the b.o.p. Further on, estimates from input/output analysis are included to capture mainly transactions in goods which are not settled cross-border. Information on merchanting is still gathered through the quarterly services survey.

2.2.2.2 Services

On behalf of the OeNB, Statistics Austria compiles quarterly data on service exports and imports from non-financial corporations classified under sections B to J, L to N, P to S, as well as group 64.2 and division 66 of the Austrian Statistical Classification of Economic Activities (ÖNACE 2008, which is aligned with NACE Rev.2), excluding agriculture, forestry, banks, insurance companies, the public sector and non-profit organisations. The survey covers information on single partner countries and all business activities according to the Extended Balance of Payments Services Classification (EBOPS), except for travel. According to the implicit Mode of Supply (Mode 2), travel is captured separately, making use of different primary and secondary data sources.

The survey design for the nonfinancial sector is a stratified corporate sample within the scope of the Structural Business Survey (SBS). Conducting a distribution analysis of the basic survey results with the aim to establish the data precision and the quality of the regular enterprise survey, the OeNB decided for a cover rate of at least 90% of service exports and imports in every two-digit division according to ÖNACE. As a consequence, approximately 4,800 non-financial enterprises were selected to be surveyed regularly. The threshold for the reporting obligation was

primarily set at EUR 200,000 for both service exports and imports during a given calendar year or EUR 50,000 respectively to reach the coverage of 90% of the concentration sample in every industrial sector. In 2012, the reporting threshold was raised to EUR 500,000 after administrative data sources have become available within the European Union (Value added Tax Information Exchange System according to Council Directive 2008/8/EC of 12 February 2008 amending Directive 2006/112/EC as regards the place of supply of services).

Besides information from public institutions on cross-border government services (Austrian Development Agency, Federal Ministry of Finance, Austrian Foreign Ministry, Austrian Chamber of Commerce) the general enterprise survey is supplemented by a separate compilation among 120 non-profit organizations. Information is gathered on aid deliveries (goods) and aid payments (current transfers) as well as international aid services such as education and health services.

The OeNB conducts the surveys among the financial sector, mainly banks and insurance companies, which relate to divisions 64 and 65 of ÖNACE 2008. The report on service exports and imports by Austrian banks as well as imports by insurance companies mirrors the enterprise report run by Statistics Austria and covers all EBOPS items. In addition, the OeNB makes use of administrative data from the Financial Market Authority (FMA) on insurance service exports in particular. These data are reported for supervisory purposes according to EU Regulation (Commission Regulation (EC) No 1225/1999 of 27 May 1999 concerning the definitions of characteristics for insurance service statistics). Quarterly data are reported to the OeNB on premiums and claims from insurance service exports in all direct insurance divisions as well as from reinsurance. Yearly data include financial claims and liabilities from insurance transactions and insurance technical reserves. Besides direct insurance exports, FMA also gathers mirror data from other EU countries on insurance service imports in Austria. These data become available only with some delay, but they are especially important for the calculation of life insurance imports.

The calculation of FISIM is conducted by Statistics Austria in the context of the national accounts. The boundary values of deposits and loans are taken from the financial accounts, which are compiled by the OeNB. The financial accounts contain quarterly data on deposit holdings and loan portfolios at the level of the economic sectors. The data on Austrian banks' deposits from and loans to the different economic sectors stem from banks' information reported for supervisory purposes (quarterly and monthly balance sheet reports), the mutual funds statistics, outstanding amounts of private sector insurance companies, the pension fund statistics and the b.o.p. Additional adjustments of the classification of loans to public sector and nonfinancial corporations as well as households are made on the basis of the direct data on the government sector compiled by Statistics Austria. Based on this information, the deposits and loans can be classified to individual customer sectors (these are identical with the economic sectors).

Data on interest rates for financial and nonfinancial corporations as well as households are taken from the Monetary and Interest Rate Statistics (MIR) compiled

by the OeNB. For the government sector, interest flows are taken from the government finance statistics and from information compiled by the ÖBFA (Austrian Federal Financing Agency). Interest flows between the banking sector and individual customer groups are calculated using the interest rates applicable to the respective deposit and loan holdings. The reference rate is calculated by dividing interbank interest receipts by interbank credit holdings. This interest rate, multiplied by deposit holdings and loan portfolios, provides the theoretical interest flows (= the interest payable if the reference rate were used) adjusted for FISIM. The service fee results when these theoretical interest flows are subtracted from the actual interest receivable and payable of the individual customer groups.

2.2.2.3 Primary income

Compensations of employees are based on administrative data. Investment income is calculated on a monthly basis, mostly on an accruals basis.

For **Direct investment** profits in the current reporting year are based on estimates on an individual enterprise basis until these estimates are replaced by annual survey results with a time lag of 21 months. These estimates refer to the “return on equity” by region for outward FDI and “return on equity” by activity for inward FDI, respectively. Dividends are reported monthly, which allows for the calculation of monthly reinvested earnings.

For **Portfolio investment**, accrued interest on debt securities are calculated on a security-by-security basis using the monthly security reports that include stock data and a securities database which includes all the relevant information, such as issuers, maturities, outstanding amounts, interest rates, issue and redemption price and classification of the securities (“debtor approach calculation”). Dividends paid or received for Portfolio investment shares are not collected from respondents, but derived from the securities database in a similar way as accrued interest is derived for debt instruments. The main source for dividends of shares is the Centralised Securities Database (CSDB) operated by the ECB. For each period where dividend payments per share are provided by the CSDB, dividends on a security-by-security basis are calculated. In connection with the outstanding stocks per issuer or holder it is possible to compile the relevant flow. Income earned by domestic shareholders of foreign collective investment funds’ equity capital is treated on an accruals basis – regardless of whether it is a distributing or non-distributing fund. Unlike other accruals calculations, this is not implemented as an automated security-by-security approach, but as a yearly estimate per fund category. The income is distributed on a monthly basis. Input parameters are domestic holdings of foreign collective investment funds, coupon payments and rates of return of these institutions. Coupon payments are recorded the same way as dividend payments of shares – on a security-by-security basis. Income earned by foreign shareholders of domestic collective investment funds’ equity capital is not treated on an accruals basis. The reinvestment per investment fund is calculated on the basis of the reported capital gains tax in the respective month of distribution. Coupon payments are recorded the same way as dividend payments of shares – on a security-by-security basis.

Income on **Other investment** is based on monthly reports, on a cash basis. Gross figures on interest received and interest paid are reported directly by respondents, no threshold is applied. The functional classification (Direct investment vs. Other investment) is derived from master-data (e.g. if a Direct investment relationship exists the interest payments are classified as such).

In the case of **Reserve assets**, income is reported by the Accounting and Cash Audit Division of the OeNB. We record this income unchanged as investment income of Reserve assets.

2.2.2.4 Secondary income

Redistribution of income of the government sector relies on regular government records. The most important transfers are contributions to and receipts from the European Union Institutions. Data on private transfers include workers' remittances as well as insurance transfers which are based on administrative data and estimates. Non-profit organizations are surveyed quarterly on their cross border aid provided.

2.2.2.5 Capital account

Capital transfers of the government sector mainly consist of those EU reimbursements, which are not attributable to current transfers. They are available from public sector records. Private sector capital transfers comprise, among other things, debt forgiveness, legacies, the setting up of foundations and alike, which are reported by banks, enterprises, tax consultants and notaries. Acquisition/disposal of non-produced, nonfinancial assets reflects e.g. the sale/purchase of carbon emission certificates, the sale of customer bases, transfer fees for sportspeople and so on.

2.2.2.6 Direct investment

In line with the definitions set forth in BPM6, Direct investment covers equity, reinvested earnings and "other capital", including transactions between fellow enterprises. The 10% rule is strictly applied. The cross border acquisition and disposal of real estate is also part of Direct investment. Reporting is required – on a case by case basis for individual investments - above a threshold of Euro 500.000 - per transaction. The monthly reports are only conducted in case transactions take place.

2.2.2.7 Portfolio investment

A comprehensive and reliable compilation system is used for Portfolio investment flows (and stocks). The system is based on data collection on a security-by-security basis using the International Securities Identification Number (ISIN). Based on the reported ISIN code in connection with the securities database, all necessary b.o.p.

(and i.i.p.) classifications (by financial instrument, sector, and country) are made. Domestic custodians are required to report monthly on their own and on their customers' deposits (stocks and flows) without any reporting threshold. The report includes all securities (domestic and non-domestic issues) and all transactions with no distinction according to the residency of the counterpart. Financial derivatives with ISIN code are also included in this report, but are not classified as Portfolio investment. Information on repos and reverse repos is also part of the reporting requirements. The information from banks is supplemented by compulsory reports by non-banks (corporations and households) on securities which are held outside resident depository institutions, which means securities held at non-resident custodians or in own custody. Reporting by non-banks is required for all securities annually, if the stock exceeds EUR 5 million or quarterly, if the stock exceeds EUR 30 million.

2.2.2.8 Financial derivatives

Reporting on cross-border Financial derivatives is required monthly; if net payments related to Financial derivatives exceed Euro 1 million. Specific reports on stocks are collected on a quarterly basis from enterprises which make up their balance sheet according to IAS/IFRS, if assets or liabilities exceed Euro 1 million at the end of the reporting period. Financial derivatives with ISIN code are reported with the security-by-security system but in the compilation process classified as Financial derivatives.

2.2.2.9 Other investment

In the case of Austria the OeNB uses the estimation method for calculating the "exporting/importing" of EUR banknotes recommended by EUROSTAT:

Austria issues fewer banknotes than the Banknote Allocation Key and is "exporting" EUR banknotes. So non-residents are holding banknotes which are legal liabilities of the NCB and other NCBs are putting banknotes into circulation on behalf of the OeNB.

Data on "Other investment" are based on monthly reports by all reporting units. They report on stocks and possible write-offs broken down by country and by currency. Transactions are derived from differences in stocks, taking into account exchange-rate and other (when applicable) valuation changes. There are separate reports for Trade credits and for "other instruments" (Settlement accounts, clearing accounts, cash pooling accounts, loans, claims under reverse-repos, claims under finance leases, deposits, participations of less than 10% in other enterprises and other claims). For each of the two reports a separate threshold of Euro 10 million of foreign assets or foreign liabilities applies. If the threshold is exceeded, a full report is required. The reports are broken down into assets and liabilities as well as into counterparts within or outside the enterprise group.

2.2.2.10 Reserve assets

Reserve assets are based on internal reports of the Oesterreichische Nationalbank (the Accounting and Cash Audit Division). It should be noted that Austria is part of the Euro area and therefore data on Reserve assets should be interpreted in the context of a currency union only.

2.2.2.11 Borderline cases

Holdings of investment funds shares larger than 10% are not treated in a special way and are recorded as equity under portfolio investment.

2.3 Coherence and comparability

2.3.1 Internal consistency

Errors and omissions are sometimes large, but they are unbiased, which means that in average they tend towards zero. In addition, over time the relative size of E&O expressed in relation to the volume of current account transactions is within an acceptable range.

Austria has an excellent record concerning integrity rules. Quarters always add up to annual totals, sub-items to items and countries to regions. Occasionally breaches of integrity rules occur, when the composition of regional aggregates have changed.

Austria regularly reconciles changes in stocks with transactions, exchange rate changes and price changes, which is considered a key element of quality control. Austria recently started publishing such reconciliation tables on the internet. Additionally, internal consistency checks are conducted regarding the reconciliation, sectoral/regional/activity aggregation and in depth stock-flow checks for FDI, where balance sheet data for two consecutive years exist.

Adjustments on errors and omissions are not undertaken.

2.3.2 Consistency with other statistical domains

B.o.p. data can be related with some of the data published by other statistical domains, namely, foreign trade statistics, national accounts and balance sheet information of the financial sub-sectors.

2.3.2.1 Foreign trade statistics

B.o.p. and foreign trade statistics generally show discrepancies, due to different methodologies. In particular, certain monthly transactions not covered by foreign trade statistics are added to b.o.p. figures.

With the introduction of BPM6 the discrepancies between b.o.p. and foreign trade statistics have increased. Regarding common accounting principles, the main discrepancies are caused by the elimination of gross flows of goods for processing and the introduction of merchanting in the goods account. Country specificities are the introduction of estimates for transaction in goods that are not settled cross-border (as regards purchases and sales of goods in third countries in the course of processing abroad) and the elimination of transactions caused by entities which are not defined as resident (EU specificity of eliminating VAT traders from FTS).

2.3.2.2 National/sectoral accounts

The comparability between b.o.p. and national accounts is ensured by the application of common definitions (BPM6 and ESA2010).

Considering the b.o.p. and i.i.p., on the one hand, and the financial accounts in accordance with ESA2010 on the other, all discrepancies have been eliminated. The only reason for a visible difference in nationally published data and data transmitted to ECB on the one hand and data transmitted to Eurostat on the other hand comes from the fact that ECB and the European Commission do not agree on the sector allocation of one specific institutional unit.

Differences between the b.o.p. – current and capital account and the nonfinancial external sector should have disappeared with the introduction of BPM6. Most of the existing discrepancies are vintage differences that will disappear with the next round of revisions. The only remaining persistent difference results from the use of different sources for re-insurance. The NSI bases its statistics on reported activity figures that would imply net exports of reinsurance by Austrian insurers, while OeNB uses financial information that results in net imports of reinsurance. Despite some joint efforts the contradiction has not been solved yet.

2.3.2.3 Balance sheet information of the various financial sub-sectors

In case of MFIs the main source of Other investment is the Balance Sheet Items (BSI) Statistics as collected by the OeNB's Banking Statistics division for the purpose of monetary statistics. In order to satisfy the needs of b.o.p. and i.i.p. (as well as the needs of BIS statistics) additional details and breakdowns have been added to these reports:

- Full country breakdown also for non-EU counterparts.
- Full breakdown by international organisations according to b.o.p. standards.

- Additional currencies that may play a significant role for capturing exchange-rate effects: AUD, CAD and NOK.
- Additional items for non-performing loans (arrears) and reverse-repos.

Data from IF statistics are used for b.o.p. and i.i.p. Therefore these data are perfectly consistent with b.o.p. and i.i.p. data. The only inconsistency occurs for investment fund income as the income for b.o.p. is calculated/estimated while the income for IF statistics is directly reported. Data from securities issues statistics are used as outstanding volume and therefore used for the calculation of residual holdings abroad (see 2.2.1. Portfolio investment).

2.4 Accessibility and Clarity

2.4.1 Release calendar and revision policy

Calendar is available on the [website](#).

The OeNB publishes b.o.p. and i.i.p. data only on a quarterly and annually basis. Monthly data is available for internal use, only.

Preliminary monthly b.o.p. data are produced without subsequent revision. Accruals and reinvested earnings are already included in monthly data. However, goods, services and transfers are still largely the results of estimates. The monthly b.o.p. data are used mainly as a source of quickly available information, which is aimed at providing a rough assessment of trends based on the accumulation of monthly data and historical quarterly data. This type of data is not usually subject to major corrections. More detailed information in terms of real data for goods, services and transfers is only incorporated in the quarterly and annual data. Consequently, the data for the three months do not add up to the quarterly data.

Quarterly and annual data are published with a time-lag of three months in a “provisional” version. Revisions of quarterly and annual data are usually carried out in March (complete previous year) and September (first quarter of current year, previous year and year before) of the following calendar year. At this point in time the latest available figures or estimates on reinvested earnings and all other revisions that might have occurred for the reference year are incorporated. The last revision of quarterly and annual data is completed 21 calendar months after the end of the reference year.

Methodological changes are generally communicated close to the publication of new data within the methodological notes on the Internet under the respective data categories at: Major methodological changes, such as the implementation of new Manuals are usually co-ordinated at a European level. Such changes are regularly communicated and explained in more detail in the OeNB’s quarterly publication “Statistiken”. At the time of the first publication of data, users are informed once

again about new concepts or methods applied. Back-calculations are produced according to users' needs.

2.4.2 Data availability

Core information on Austria's b.o.p. and i.i.p. statistics can be found on the website of the OeNB. There are predefined [tables](#) with some flexibility in the selection of a time period.

This OeNB website includes all the b.o.p. and i.i.p. data that are published in the quarterly statistical bulletin and additional b.o.p. data, in particular data concerning the current account, services and Direct investment.

A more flexible tool, with an option to create user defined tables is available on the [website](#).

Data starting with 2006Q1 are already available. Data back to 1995Q1 will be available in December 2015.

The release of quarterly b.o.p. statistics is usually accompanied by a press release including comments on recent developments. Usually there are no press releases or press conferences connected with the dissemination of i.i.p.; i.i.p. may appear as a reference point in b.o.p. issues, or as an aspect of the overall Financial accounts for which press releases, press conferences and printed articles appear regularly.

In April each year preliminary results for the preceding year are disseminated at a press conference.

Short articles presenting the results of the b.o.p. and i.i.p. are available in the OeNB's quarterly publication "Statistiken" - in printed form until "Statistiken 2015/Q4" as well as [online](#) but only in German.

Inquiries regarding statistical data produced and published by the OeNB can be addressed to a Statistics Hotline (00 43 1 40420 5555), which is available on weekdays from 9 a.m. to 4 p.m.

Since the OeNB has committed itself to following the rules of the Special Data Dissemination Standard (SDDS), release dates are published in advance.

2.4.2.1 Frequency of the b.o.p. and i.i.p. data compilation and publication

The Austrian b.o.p. is compiled on a monthly basis within six weeks of the end of the reporting period.

A monthly country-by-country geographical breakdown is available internally only for financial account items and related income. Quarterly b.o.p. and i.i.p. data are compiled and published within 3 months of the end of the reporting period with a

more detailed item and country breakdown for all items of the current account and of the financial account.

2.4.2.2 Seasonally adjusted data

We do not provide seasonally adjusted data at the moment.

Poland

1 Institutional environment

1.1 Professional Independence

Narodowy Bank Polski (NBP) is the central bank of the Republic of Poland. Its tasks and independence are stipulated in the Constitution of the Republic of Poland, the Act on Narodowy Bank Polski and the Banking Act.

1.2 Mandate for data collection

The development, production and dissemination of statistics by the Narodowy Bank Polski are governed by Article 5 of the Statute of the ESCB and of the ECB, as well as [Regulation \(EC\) No 2533/98](#); whereas the Central Statistical Office of Poland are governed by the statistical principles laid down in article 2 of [Regulation \(EC\) No 223/2009](#). The Narodowy Bank Polski as a member of the ESCB, conducts quality assurance and disseminates statistics in conformity with the principles of the ESCB's Public Commitment on European statistics by the ESCB.

Under the [Act on Narodowy Bank Polski](#) (NBP) of August 29, 1997, published in the Dziennik Ustaw (Journal of Laws) of 1997, No. 140, Item 938, NBP is obligated to compile the b.o.p. and the i.i.p. statement and report thereon to Parliament and Council of Ministers.

The [Act on Narodowy Bank Polski and the Foreign Exchange Act](#) (published in Polish language in the Journal of Law of 2002, No.141, Item 938), specify the reporting requirements. Under these acts and other legal regulations, NBP is authorized to request data for compiling b.o.p. statistics. Other legal regulations are (1) the [Regulation of the Minister of Finance](#) dated October 23, 2009, published in the Journal of Law of 2009, No. 184, Item 1437, (2) the [Resolution of NBP's Management Board](#) dated November 19, 2009, published in Polish language in the Official Journal of NBP of 2009, No. 18, and (3) the [Regulation of the Minister of Finance](#) dated March 4, 2014, published in Polish language in the Journal of Law of 2014, Item 271.

The Act on Narodowy Bank Polski also states that the exchange of collected unidentifiable individual data between NBP and the Central Statistical Office (GUS), and in particular cases individual data of identifiable entities of the national economy – and the results of aggregation of these data – related to participation in the European system of Central Banks (ESCB) and the European Statistical System (ESS) shall be done free of charge, based on reciprocity, to the extent necessary to perform statutory duties, and subject to statutory – protected secrets. Detailed scope

and mode of exchanging data between NBP and GUS are set up in the agreement concluded between the President of NBP and the President of GUS.

2 Statistical processes

2.1 Methodological principles and national specificities

B.o.p. and i.i.p. statistics are compiled in accordance with the standards set forth in the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6). Furthermore, specific compilation recommendations from relevant international bodies are observed. In particular, as specified in the [ECB Guideline \(ECB/2011/23](#) of 9 December 2011, as amended) and [Regulation \(EC\) No 184/2005](#) of the European Parliament and of the Council of 12 January 2005 (as amended), as well as the relevant guidance presented in chapters 2 and 3 of this book.

Polish foreign trade is closely connected with European Union economy, especially with Germany. Significant part of exports and imports of goods is linked with German Central European Supply Chain, to some extent due to German direct investments in Poland. Another characteristic feature of Polish economy is large share of the raw materials in imports on goods.

Moreover transfers from the European Commission have important impact on the size of current and capital account. They are presented under primary and secondary income as well as in a capital account. Level of numbers of Poles leaving and working abroad, which results with high compensation of employees and workers remittances is also important factor influencing current account. Last thing that has an impact on both, credit and debit side is a specific of travel to and from Poland. Great part of it constitutes travels of same-day visitors that cross the border for daily shopping. Capital needs of the Polish economy, apart from transfers from the European Commission to a large extent are financed by the inflow of the foreign direct investment. As a result FDI liabilities constitute a large share of the Polish i.i.p.

2.1.1 Residency

The general principles laid down in the BPM6 are applied. The resident SPEs are covered, with regular reporting threshold applied.

2.1.2 Institutional unit definition

The general principles on institutional units (centre of economic interest, decision-making autonomy, and complete set of accounts) are applied. The statistical coverage of SPEs is in line with the conclusion of the Eurostat/ECB/OECD 2013 Task Force on Head Offices, Holding Companies and SPEs.

2.1.3 Geographical allocation

Geographical breakdown is based on the location of the foreign entity involved in the transaction with domestic enterprise. In the case of securities residency of the issuer is applied. In the monthly figures geographical allocation is partially estimated on the basis on quarterly figures.

Moreover the ultimate investing country (UIC) presentation is used as a supplemental data series for inward FDI stocks.

2.1.4 Allocation to institutional sectors

Allocation to institutional sectors is made on the entity by entity basis. The business register data obtained from GUS is a main source for sectoral allocation. In the case of collecting data form intermediaries (portfolio investment liabilities for example) detailed description, coherent with international standards, is provided to the respondent.

2.1.5 Valuation

Market valuation of stocks and flows is generally applied. In the case of FDI of non-listed companies is valued using own funds at the book value.

In case of securities without the ISIN code, data on stocks and transactions are derived from reports received by NBP. Transactions, according to guidelines for reporting entities, should be reported at actual transaction prices. Stocks should be valued at last known market prices or at the book value.

Data on dividends are based on date on which dividends were declared (for non-listed companies) and on ex-dividend date (for listed companies).

2.1.6 Time of recording

General rule of recording transaction when change of ownership is applied. Income data is recorded on accrual basis.

2.1.7 Coverage gaps and room for improvement

The most difficult area is foreign assets held by household sector as well as land held by non-resident.

2.1.8 Seasonal adjustment

The NBP do not provide seasonally adjusted data for b.o.p.

2.2 Statistical procedures, sources and methods

2.2.1 Overview of data collection system

Reporting population is divided into two groups: monthly and quarterly reporters. Large financial and non-financial enterprises, banks, custodians and investment funds are monthly reporters while quarterly reporting group consists of other reporting entities. Monthly and quarterly reporters are obliged to report additional data for FDI on an annual basis.

Financial and non-financial corporations are required to report their foreign assets and liabilities and related income directly to NBP.

Data on foreign transactions of the Ministry of Finance is provided by two financial agents Bank Gospodarstwa Krajowego and Narodowy Bank Polski.

Substantial portion of data on the current account is collected by external institutions. For compilation of trade in goods NBP based mainly on FTS statistics. In case of services survey made by Polish Central Statistical Office and NBP is used. For travel item data comes from joint survey made by the CSO, NBP and Ministry of Sport and Tourism. For primary and secondary income external sources are used and estimations made by NBP.

2.2.2 Detail by accounting item

NBP co-operates with domestic organizations (mainly with the Central Statistical Office) and foreign institutions.

The data necessary for the compilation of b.o.p. are provided by business entities as well as state authorities.

The Central Statistical Office (CSO) forwards to NBP data on foreign trade and international trade in services, in line with methodology developed jointly by both institutions. Data on trade in goods and services from abroad are used by the CSO to calculate the rest of the world accounts in the national accounts statistics (GDP). The CSO also provides data on foreign travel (Poles and foreigners), migration statistics, which is used to estimate income of Poles working abroad as well as information derived from the Household Budget Survey. NBP has also been receiving, from the CSO, data required for updating register of entities engaged in the operations included in the b.o.p.

NBP receives, from the Ministry of Finance (MF), data on foreign transactions of the government sector. The MF also provides information that is used in compiling b.o.p. current account, i.e. the data on the import of used cars from the EU (data is not recorded by the CSO).

The Social Insurance Institution provides NBP with data on the number of foreigners, for whom social security and health premiums are paid as well as data on pensions paid abroad.

The Ministry of Labour and Social Policy provides NBP with data on the number of employer's declaration of his/her intention to employ a foreigner (simplified procedure for workers from selected countries) as well as data on the number of work permits issued. These two data sources are used in estimating income from employment of foreigners in Poland and remittances.

Entities of public finance sector with total assets, liabilities and equity at year-end equal or over PLN 500 million report to NBP on monthly basis, and entities of public finance sector with total assets, liabilities and equity at year-end above PLN 26 million and below PLN 500 million report to NBP on quarterly basis.

Natural persons whose assets and liabilities unrelated to their business activity at year-end are equal to or above PLN 7 million report to NBP on quarterly basis.

Other residents (excluding public finance sector entities, natural persons, investment entities which keep securities accounts and banks) whose total amount of assets, liabilities and equity capital at year-end is either equal to or greater than PLN 300 million report to NBP on monthly basis and residents whose total amount of assets, liabilities and equity capital at year-end is higher than PLN 10 million and lower than PLN 300 million report to NBP on quarterly basis.

Response rate is 97% and 96% in group of monthly and quarterly reporters accordingly. In cases of non-compliance with legal requirements, sanctions can be imposed on non-reporting agents in the form of a fine that is regulated by the Penal and Fiscal Code.

2.2.2.1 Goods

The main source of data on goods in the Polish b.o.p. is foreign trade statistics (FTS) compiled by the CSO on the basis of Intrastat declarations (for intra-European Union trade) as well as from the Single Administrative Documents, SAD (for extra EU trade); this data is published by the CSO under the foreign trade item.

Due to the fact that the international methodological standards are nearly the same in case of compilation of trade in goods with foreign countries for the b.o.p. and for the national accounts purposes, NBP and the CSO agreed on the principles of transition from the foreign trade data in the FTS into the trade in goods data in the b.o.p. and national accounts. In order to obtain the relevant data, the following adjustments must be made:

- Decrease in the value of foreign trade data on the import side by the value of costs of transport included in the invoices drawn upon the CIF basis.
- Decrease in the value of foreign trade data by transactions in goods for processing, maintenance and repair.
- These data is obtained removing total transactions in goods for processing and repairs from trade in goods by FTS. These goods are identified by transaction type.
- Reclassification of merchanting.
- Additional estimation of the trade in goods (estimation of the trade in goods with foreign countries, made for the b.o.p. and for national accounts relates to the turnover which was not registered in the FTS):
 - Goods transported by tourists (in tourist traffic), which were purchased for resale- made by National Accounts Department of the CSO.
 - Other goods transported across the border, these include mainly the exported goods transferred abroad in bigger quantities, such as vegetables, fruit, furniture, footwear, clothing - made by National Accounts Department of the CSO.
 - Goods classified as illegal (drugs and cigarettes without excise duty) - made by the CSO.
 - Foreign trade data is increased by the value of imports of second-hand cars from European Union – based on information from Ministry of Finance.

2.2.2.2 Services

The main source of data on services is joint research made by Central Statistical Office and Narodowy Bank Polski. This survey includes information about transport services, manufacturing services on physical outputs owned by others, maintenance and repair services and other services. The Central Statistical Office is responsible for collecting this data from enterprises rendering and acquiring such services. The data is collected on a quarterly and annual basis and is broken down by required component type and country.

Additional data sources are used to compile following items:

- Transport of goods, imports – data from the CSO survey is increased by the costs of transport rendered by Polish carriers derived from FTS data.
- Travel – joint survey is made quarterly by the CSO, NBP and Ministry of Tourism.

- Insurance services - besides ITS survey carried out by the CSO, data received from Financial Supervision Authority is used.
- FISIM – calculated with a use of information collected by NBP from reporting entities.

Exports of FISIM are calculated using average stocks of loans extended and deposits received, plus accrued interest, by resident financial institutions whose clients are non-residents other than financial institutions. Exports of FISIM are calculated on the quarterly basis, broken down by currency i.e. PLN and other currencies.

Imports of FISIM are calculated using average stocks of loans extended and deposits received, plus accrued interest, by non-resident financial institutions whose clients are residents other than financial institutions. Imports of FISIM are calculated on the quarterly basis, broken down by currency i.e. PLN and other currencies.

Value of FISIM, produced by financial intermediaries, is calculated as difference between interest payable or receivable and the “reference rate”.

To determine FISIM imports and exports the „external reference rate” is applied. The external reference rate is calculated as the ratio of accrued interest on loans plus accrued interest on deposits between resident financial institutions and non-resident financial institutions to the stock of loans plus the stock of deposits between resident financial institutions and non-resident financial institutions.

The external reference rate is calculated on the quarterly basis, broken down by currency i.e. for PLN and other currencies.

Exports and imports of FISIM are calculated separately for each country.

2.2.2.3 Primary income

Compensation of employees is calculated with the use of an estimation method. Major data sources are the CSO data on migration, data derived from LFS (household survey carried out by Polish Central Statistics Office), data from those countries in which Poles have found employment, and results of survey carried out by NBP in selected European countries. For debit side, estimations based on number of non-residents employed in Poland from Ministry of Labour and Social Policy (number of work permits issued, number of employer’s declaration of his/her intention to employ a foreigner) and on data from the Social Insurance Institution (number of non-residents for whom payments on account of labour are made) are performed.

The same sources of data are used for estimates of workers’ remittances included under secondary income of other sectors in b.o.p.

Earnings are calculated in accordance with COPC (Current Operating Performance Concept) aligned with Polish accounting standards. Monthly and quarterly b.o.p. is

estimated based on financial result of banks as well as aggregated data on financial result of companies received from the CSO. Data derived from entities' annual reports, prepared in accordance with COPC, are subsequently broken down by respective quarters and months.

Source of data for direct investment are monthly and quarterly reports received directly from reporting agents (equity and debt instruments) and annual direct investment survey (only equity). Foreign direct investment in Polish entities listed on Warsaw Stock Exchange is compiled on security-by-security basis from financial statements of issuers and monthly reports provided by custodian banks and brokerage houses.

Data on interest are presented on accrual basis. Data on dividends are based on date on which dividends were declared (for non-listed companies) and on ex-dividend date (for listed companies).

In case of securities with the ISIN code data on portfolio investment income in the b.o.p. is calculated on the accrual "security-by-security" basis. The source of data for these calculations is security-by-security reports collected directly from Polish securities holders, issuers and financial institutions (securities trading intermediaries) and data on characteristics of securities derived from the database maintained by Narodowy Bank Polski. This database is supplied with data derived from the National Depository for Securities, Centralised Securities Database (CSDB) maintained by the ECB and data reported by Polish issuers. The only exception from the above mentioned rule are shares issued by non-residents, where due to limited availability of data (only data from CSDB), the dividends are registered at the data of payment and not at the "dividend day".

In case of securities bearing no ISIN code data on income is reported directly by reporting entities on accrual basis. Securities are broken down by security type (equity securities, long-term debt instruments, money market instruments) and by sector of resident paying or receiving the revenue (general government, banks, other sectors).

After calculating the value of exports and imports of FISIM (see section 2.2.2.2.) the appropriate items of income on other investment category are increased or decreased according to the following pattern:

- Deposit-taking corporations except the central bank, interest paid on currency and deposits placed by non-residents other than financial intermediaries, debits – value of this item is increased by the value of exports of FISIM against deposits received from non-residents other than financial intermediaries.
- Deposit-taking corporations except the central bank, interest received on loans extended to non-residents other than financial institutions, credits – value of this item is decreased by the value of exports of FISIM against loans received by non-residents other than financial intermediaries.
- Other sectors (S122 and S125 excluded), interest received on currency and deposits placed with non-resident financial intermediaries, credits – value of this

item is increased by the value of imports of FISIM against deposits received by non-resident financial intermediaries.

- Other sectors (S122 and S125 excluded), interest paid on loans received from non-resident financial intermediaries, debits –value of this item is decreased by the value of imports of FISIM against loans extended by non-resident financial intermediaries.

Primary income on FISIM is increased/decreased by group of countries.

2.2.2.4 Secondary income

The source for government transfers category in the b.o.p. is the regional branch of Narodowy Bank Polski which keeps settlements of banking accounts of Ministry of Finance that are used for government transfers (both regarding UE and the other international organisations). The data on other transfers such as retirement and annuity benefits paid by Polish government is derived directly from the Social Insurance Institution (ZUS) which is in charge of such transfers.

The source used for compilation of workers` remittances has been described in the chapter on compensation of employees.

Data on transfers of other sectors is compiled based on numerous data sources. Data on transfers of enterprises is collected in the frame of survey on international trade in services carried out by the CSO. The other transfers of other sectors on credit side are mainly based on Household Budget Survey made by the Polish Central Statistics Office; information from the Ministry of Finance and the Social Insurance Institution (ZUS) is used as additional sources.

Both net non-life insurance premiums and non-life insurance claims are derived from estimations of insurance services.

2.2.2.5 Capital account

Capital transfers of government sector are compiled in the b.o.p. on the base of data derived directly from the banking accounts of the Ministry of Finance.

Capital transfers of other sectors are calculated based on data collected under the survey on international trade in services carried out by the CSO which, apart from the data on turnover of services, collects information on current transfers and capital transfers.

2.2.2.6 Direct investment

Source of data for direct investment are monthly and quarterly reports received directly from reporting agents (equity and debt instruments) and annual direct

investment survey (only equity). Foreign direct investment in Polish entities listed on Warsaw Stock Exchange is compiled on a security-by-security basis from financial statements of issuers and monthly reports provided by custodian banks and brokerage houses.

In case of securities with the ISIN code the source of data for these data is data on characteristics of securities (price, coupon or corporate action) derived from the database maintained by Narodowy Bank Polski. This database is supplied with data derived from the National Depository for Securities, Centralised Securities Database maintained by the ECB and data reported by Polish issuers. Valuation adjustments and exchange rate fluctuations are calculated by NBP on a security-by-security basis. Data for this calculation is derived from securities database. In case of securities without the ISIN code data on stocks (market value) and transactions are derived from received reports. Reports also encompass data on valuation adjustments, exchange rate fluctuations and other changes. Issuers' reports are data source for debt securities not bearing the ISIN code issued by Polish issuers on external markets. Value of interest paid is estimated on an individual basis.

In line with external statistics manuals, the borrowing and lending between fellow enterprises is covered and the debt between affiliated financial corporations is excluded. Assets and liabilities of investment funds are not included in direct investment even when above 10% threshold.

2.2.2.7 Portfolio investment

The source of data on portfolio investments item in the b.o.p. are "security-by-security" reports on positions and transactions collected directly from Polish holders of securities (in case of portfolio assets), issuers and intermediaries in trading in securities (in case of portfolio liabilities).

In case of securities bearing the ISIN code, the data used in the process of verification and compilation of reporting data is the data on characteristics of securities e.g. coupons, prices, corporate events derived from the database kept by Narodowy Bank Polski. This database is supplied with data derived from the National Depository for Securities, Centralised Securities Database (maintained by ECB) and data derived directly from Polish issuers. Data on transactions is adjusted on security-by-security basis against repo transactions. Market value of transactions (including interest accrued and paid) is calculated on a security-by-security basis.

In case of debt securities with the ISIN code issued by Polish entities on external markets residual approach applies. The data from the issuers is modified in the process of compilation with the use of the data on transactions executed by Polish holders of these securities. The security-by-security calculations include the value of interest (accrued and paid).

In case of securities without the ISIN code data on stocks (market value) and transactions are derived from received reports. Reports also encompass data on valuation adjustments, exchange rate fluctuations and other changes. Reports of

issuers serve as a source of data on securities without ISIN codes issued by Polish entities on external market.

Securities are broken down by sector or resident-issuer of securities (for liabilities), sector of resident-holder of securities (for assets) as well as by country of issuer for portfolio assets.

2.2.2.8 Financial derivatives

The source of data on financial derivatives for the b.o.p. is reports collected directly from Polish entities having positions which emerged as a result of transactions on derivatives with non-residents.

Financial derivatives cover all financial flows resulting from settlements of transactions involving financial derivatives, except returnable initial margins. In the discussed category variation margins and option premiums are registered. Data is registered on gross basis.

2.2.2.9 Other investment

Since 2010 data on other investment, both Polish investment abroad and foreign investment in Poland have been compiled on the basis of reports directly supplied by Polish reporting entities.

Information on transactions and stocks on assets and liabilities come from:

- Reports received directly from Polish entities.
- Financial agents of the government (NBP and Bank Gospodarstwa Krajowego).
- The accounting system of NBP.

2.2.2.10 Reserve Assets

Data on reserve assets are collected based on accounting system of NBP.

2.2.2.11 Borderline cases

Assets and liabilities of investment funds are not included in direct investment even when above 10% threshold. They are included in portfolio investment data, so total investment is unaffected.

2.2.2.12 Additional information

The data on b.o.p. and i.i.p. are published on NBP website.

More details on availability of data are presented in paragraph 2.4.2.

2.3 Coherence and comparability

2.3.1 Internal consistency

At the individual level data is automatically checked during the transmission when uploaded to the database.

The data is also checked at an aggregated level through analysis of time series for each component.

Flows are reconciled with relevant stocks.

Moreover, the data is cross-checked with other sources, e.g. information on relevant stocks from b.o.p and monetary statistics, database of T-bonds central register, securities databases, internet, press, etc. Quarterly and annual data for ITS and FDI are consistent. For FDI there are some discrepancies that are corrected in consecutive data revisions.

Internal consistency is checked through the evolution of the “net errors and omissions” item. This element is also part of the regular quality reports realised by international organisations (the ECB, the Eurostat).

In the last national quality assessment the Eurostat confirms that “the overall quality of the b.o.p. data transmitted to the Eurostat is in line with the EU requirements. The consistency with the integrity rules and between quarterly and annual is good”.

2.3.2 Consistency with other statistical domains

B.o.p. data can be related with some of the data published by other statistical domains, namely, foreign trade statistics, national accounts and balance sheet information of the financial sub-sectors.

Consistency with related statistics is regularly cross-checked. Net exports data is examined with National Accounts, data on travel with Tourism Statistics and financial account data with Monetary Statistics.

In the area of FDI bilateral asymmetries are assessed using FDI Network.

The highest asymmetries are observed and discussed with country partners. If there is a need bilateral meetings are organized. Also other ways of communication are used to discuss differences that arose.

2.3.2.1 Foreign trade statistics

B.o.p. and foreign trade statistics generally show discrepancies, due to different methodologies. In particular, certain monthly transactions not covered by foreign trade statistics are added to b.o.p. figures, namely:

- Merchanting.
- Additional estimation of the trade in goods (see point 2.2.2.1.).

Moreover, the data on goods in b.o.p. which are based on the foreign trade statistics are decreased by:

- Value of goods for processing, maintenance and repair.
- Cost of transport on the imports side.

The size of those discrepancies is about 3% of both exports and imports.

2.3.2.2 National/sectoral accounts

The comparability between b.o.p. and national accounts is ensured by the application of common definitions (BPM6 and ESA2010).

The data on trade in goods and services and primary income in Polish b.o.p. statistics and national accounts are fully consistent.

2.3.2.3 Balance sheet information of the various financial sub-sectors

BSI, IF statistics and securities issues statistics in the area rest of the world are basically consistent with data on the b.o.p. and i.i.p. Occurring minor differences have been identified and are mainly due to methodological differences. For instance, according to financial accounts the reserve position in the IMF is included in F2 (deposits) while in b.o.p. statistics it is in F1 (monetary gold and SDR's). Financial Accounts statistics classifies short-term credits received by banks in F2 (deposits) but b.o.p. statistics in F4 (credits)-

2.4 Accessibility and Clarity

2.4.1 Release calendar and revision policy

B.o.p. and i.i.p. data are subject to regular revisions, in accordance with the revision calendar for data transmissions to the ECB/Eurostat. Data published on a monthly basis can be revised with the next two quarterly data production cycles.

Revisions in methodology are announced to the public when revised figures are published.

Monthly b.o.p. is published 44 working days following the end of a respective month. Quarterly b.o.p. and i.i.p. are compiled and distributed three months following the end of the reference quarter. Detailed release calendar is available on [NBP website](#).

2.4.2 Data availability

Back data according to BPM6 is available from 2004 for b.o.p., and i.i.p. while for ITS from 2010. The data on FDI according to extended directional principle is available from 2011.

NBP publishes detailed data on the quarterly b.o.p., i.i.p., external debt, reserve assets, direct investment on its website. Relevant analyses are published by NBP in Polish:

- Bilans płatniczy Rzeczypospolitej Polskiej (Balance of Payments of the Republic of Poland) – on a quarterly basis.
- Polskie i zagraniczne inwestycje bezpośrednie (Direct Investment) – on an annual basis.
- Międzynarodowa pozycja inwestycyjna Polski (International Investment Position in Poland) – on an annual basis.

Moreover, the below NBP publications in Polish and English also comprise the b.o.p. data:

- Biuletyn informacyjny (“Information Bulletin”) – on a monthly basis.
- Raport Roczny (“NBP’s Annual Report”) – on an annual basis.
- Press Release (“Balance of payments - commentary”) - on a monthly basis.

NBP publishes on its website analytical b.o.p. and i.i.p. data and detailed annual data on international trade in services.

Moreover, data and publications are forwarded to the Parliament, the Government, the CSO and to private and public research institutes, universities, rating agencies, etc. Analytical papers on quarterly b.o.p. and annual i.i.p. are also published on NBP website (only in Polish).

2.4.2.1 Frequency of the b.o.p. and i.i.p. data compilation and publication

The Polish [balance of payments data](#) are compiled and published on a monthly and on a quarterly basis.

NBP also compiled and published [i.i.p. data](#) on a quarterly basis.

2.4.2.2 Seasonally adjusted data

NBP does not publish seasonally adjusted b.o.p. data.

Portugal

1 Institutional environment

1.1 Professional Independence

The Banco de Portugal is governed by its [Organic Law](#), which states in its article 3 that as an integral part of the European System of Central Banks (ESCB) “The Bank shall pursue the objectives and participate in the performance of the tasks entrusted to the ESCB and shall be subjected to the provisions of the Statute of the ESCB and of the European Central Bank, hereinafter called “ESCB/ECB Statute”, acting in accordance with the guidelines and instructions of the European Central Bank, hereinafter called “ECB”, pursuant of the same Statute”.

The independence of the Banco de Portugal, in its capacity as a member of the ESCB, is further emphasized in Article 130 of the European Union (EU) Treaty and Article 7 of the ESCB/ECB Statute, which stipulate that “when exercising the powers and carrying out the tasks and duties conferred upon them (...), neither the ECB nor a national central bank nor any member of their decision making bodies shall seek or take instructions from Community institutions or bodies, from any government of a Member State or from any other body. The Community institutions and bodies and governments of the Member States undertake to respect this principle and not to seek to influence the members of the decision making bodies of the ECB or of the national central banks in the performance of their tasks.”

The [Law for the National Statistical System](#) (Law n. 22/2008 of 13 May 2008, available only in Portuguese), which considers the Banco de Portugal as a national statistical authority, also states on its paragraph 5 that statistics are to be produced with technical independence, taking into account guidance provided by the European statistical system or by the Portuguese statistical system. And further refers that this independence shall enable the competent authorities to freely define compilation procedures and dissemination standards.

The Banco de Portugal has a statistical work programme that is published in its website (for the 2015 work program, please see “[Statistical Work Program](#)”, available only in Portuguese). The same document can also be found in the national statistical coordination entity (Conselho Superior de Estatística – Statistical Council-Portugal) [website](#).

1.2 Mandate for data collection

The development, production and dissemination of statistics by the Banco de Portugal are governed by Article 5 of the Statute of the ESCB and of the ECB, as well as [Regulation \(EC\) No 2533/98](#); whereas the Portuguese national statistical

institute - Statistics Portugal are governed by the statistical principles laid down in article 2 of [Regulation \(EC\) No 223/2009](#). The Banco de Portugal as a member of the ESCB, conducts quality assurance and disseminates statistics in conformity with the principles of the ESCB's Public Commitment on European statistics by the ESCB.

The Organic Law of the Banco de Portugal in its article 13 states "The Bank shall ensure the collection and compilation of (...) balance of payments statistics, particularly, within the scope of its co-operation with the ECB."

Further, the Law for the National Statistical System considers the Banco de Portugal as a national statistical authority that shall pursue the nationwide statistical obligations without putting in jeopardy its commitment to the ESCB requirements, referring, at the same time, that the Banco de Portugal is the entity responsible for the compilation and the dissemination of b.o.p. and i.i.p. statistics.

2 Statistical processes

2.1 Methodological principles and national specificities

B.o.p. and i.i.p. statistics are compiled in accordance with the standards set forth in the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6). Furthermore, specific compilation recommendations from relevant international bodies are observed. In particular, as specified in the ECB [Guideline \(ECB/2011/23](#) of 9 December 2011, as amended) and [Regulation \(EC\) No 184/2005](#) of the European Parliament and of the Council of 12 January 2005 (as amended), as well as the relevant guidance presented in chapters 2 and 3 of this book.

Portugal as a small country with an open economy is heavily influenced by global performance and the behaviour of net external demand is determinant for developments on GDP.

Traditionally, Portugal has deficits in the Goods accounts but Services account has had surpluses. Within services, travel, transport and other business services represent the bulk of the total amount. Major partners for Portuguese trade remain with EU, however Portuguese speaking countries as well as US and China also have relevant stakes in the Portuguese trade.

Primary income balance reflects the high indebtedness of national economy. Net transfers with European institutions have been positive for Portugal, as credits have been greater than debits. Private transfers also represent an important positive net flow for the Portuguese b.o.p. as traditionally Portuguese emigrants repatriate large amounts of funds.

The recent redraw of privileges of the free trade zone of Madeira led to the reallocation of several entities that were established up to 2012, however the

remaining entities still incorporated in this special area (the majority considered as Special Purpose Entities) continue to bring some volume to flows of the Portuguese b.o.p.

Concerning i.i.p., Portugal has recorded over several years an increasing debtor position and especially, in recent years, it has become one of the largest among the euro area economies.

In general terms, Portuguese b.o.p. and i.i.p. data goes back to January 1996 being BPM6 compliant along the entire time span, though some details recently introduced by the new international statistical standards and/or by the ECB could not be estimated as far back (generally starting in 2013).

2.1.1 Residency

The general principles laid down in the BPM6 are applied. In this context, Portuguese economy comprises the geographical area under the management of the Portuguese government, i.e. it includes the Portuguese territory (continental part, Azores and Madeira), aerial and maritime areas under the Portuguese control, and any Portuguese enclaves abroad like embassies or consulates.

International organisations (namely ECB, EIB, European Commission, BIS, and IMF) are considered as non-residents. Special Purpose Entities (SPEs) incorporated in Portugal are considered resident institutional units.

2.1.2 Institutional unit definition

The general principles on institutional units (centre of economic interest, decision-making autonomy, and complete set of accounts) are applied. The statistical coverage of SPEs is in line with the conclusion of the Eurostat/ECB/OECD 2013 [Task Force on Head Offices, Holding Companies and SPEs](#). The identification of SPEs results from the use of a decision tree based on three combined principles, namely, address in Zona Franca da Madeira (the Portuguese offshore centre), number of employees and turnover. Data on SPEs are included on b.o.p. and i.i.p. statistics, and, specifically for direct investment, Banco de Portugal publishes aggregate series with and without SPEs.

2.1.3 Geographical allocation

The counterpart country collected is the immediate counterpart. For the compilation of direct investment supplementary series on directional principle, the concept of UCI (ultimate controlling institution) is also used.

2.1.4 Allocation to institutional sectors

The classification and sectorisation used to compile the Portuguese b.o.p. and the i.i.p. follows what is defined in the BPM6, which is coherent with what is set forth for national accounts in ESA2010. Classification of SPEs is the area where there is still some ongoing discussion among national statistical authorities.

2.1.5 Valuation

In general, the valuation used in b.o.p. and i.i.p. statistics are based on market prices.

Regarding non-listed companies, the valuation used follows the own funds at book value definition which is considered as a proxy of market value. The Banco de Portugal has in place a Securities Statistics Integrated System which provides information on equity and debt securities and is taken as the main source for b.o.p. and i.i.p. purposes regarding securities.

2.1.6 Time of recording

The Portuguese b.o.p. and i.i.p. statistics follows the accrual basis principle. Therefore, operations are considered whenever the effect is due, independently of its settlement. Further, registers in this framework take into account the economic change of ownership. For compiling income on debt transactions between direct investment companies, settlements data are used.

2.1.7 Coverage gaps and room for improvement

Globally, Portugal has fully implemented BPM6 recommendations.

According to the Portuguese reporting system, households do not have to report their operations with non-residents. In this respect, additional estimations have to be made. Regarding households' deposits held abroad they are estimated and subsequently revised taking into account Bank of International Settlements (BIS) sharing arrangements, which recently evolved to stage 2 that permits sector breakdown of the private non-banking sector. Therefore some additional refinements can still be implemented (namely on real estate) as presently they are estimated based on aggregated data. Illegal activities are still not included.

Finally, for the portfolio investment income credits, the accrual principle is applied, with monthly estimates being derived from monthly stock data using market yields following the creditor approach. This procedure may be improved to a security-by-security basis with the future exploitation of the European centralized securities database.

2.1.8 Seasonal adjustment

At the beginning of 2015 the seasonal adjustment procedure was revisited, not only to test for the extension of the set of series to be subjected to seasonal adjustment but also to refresh the models being used. Series analysed had always a monthly periodicity and date from 1996 onwards. JDemetra+ was the software used and the guidance provided by ESS Guidelines on Seasonal Adjustment (European Commission, 2009) was followed.

Currently, there are 12 series directly seasonally adjusted. These are, both for credits and debits: trade in goods; total trade in services; transport services; travel; primary income; and secondary income. Following the indirect approach, additionally balance series for these items together with more aggregated series can be computed.

The model that was found to best fit the series is now taken on an ongoing basis to produce monthly seasonal adjusted observations. In total, 27 series can be accessed with seasonal and working day adjustment on a regular basis.

2.2 Statistical procedures, sources and methods

2.2.1 Overview of data collection system

The Banco de Portugal system to compile external accounts follows an integrated approach where the b.o.p. current, capital and financial accounts and i.i.p. are compiled jointly and consistently. This procedure ensures vertical consistency and thus minimises errors and omissions and guarantees that stocks and flows are coherent.

The compilation procedure relies on several sources besides direct reporting for this statistical domain. The complementary sources not only cover data gaps but are also used for quality control of the former.

The system relies on:

- Direct reporting by economic agents for this domain:
 - Monthly report of transactions and positions with non-resident counterparts (so-called COPE, Comunicação de Operações com o Exterior) – incorporated entities with external relations (amounts paid plus amounts received) of an amount exceeding € 100 000 per year have to report monthly all operations with non-residents classified according to b.o.p. nomenclature together with information about the residency of the counterpart and the currency underlying the operation. Also within this report these agents have to transmit end of month positions on deposits, loans and trade-credits and advances.

- Monthly report of settlements through the resident banking system (so-called COL, Comunicação de Operações de Liquidação) – national monetary financial institutions report to the Banco de Portugal on a monthly basis liquidation operations between residents and non-residents without any statistical classification.
- Transactions and positions survey on financial derivatives (so-called QDF, Questionário de Derivados Financeiros) – it is a monthly report to the Banco de Portugal made by monetary financial institutions and social security funds with information on transactions and end of period positions on financial derivatives of own and clients operations vis-à-vis non-residents.
- Other sources, namely the following:
 - Other Monetary financial institutions (OMFIs) balance sheet information – monthly outstanding amounts of loans and deposits vis-à-vis non-residents are taken from this Banco de Portugal reporting framework, which was established to fulfil ESCB statistical requirements on MFIs balance sheet information.
 - Central bank balance sheet information – information for outstanding amounts and flows vis-à-vis non-residents for all financial instruments is taken from a statistical framework similar to the one for OMFIs.
 - Securities Statistics Integrated System (SSIS) – it is a Banco de Portugal statistical database with security-by-security and investor-by-investor information (except for households that is only available on an aggregated basis) which is used to obtain monthly information on issues by resident agents, together with end of period holdings on securities issued by residents and holdings of residents on securities issued by non-residents.
 - Foreign trade statistics – a national statistical institute (INE - Portugal) domain which deals with data on international trade in goods. This considers two different procedures: on one hand intra-EU trade which is based on the Intrastat; on the other rest-of-the-world trade that relies on administrative sources (customs forms).
 - Centralised Securities Database (CSDB) – a Eurosystem database with detailed information on securities.
 - Central Balance-sheet database – it is a Banco de Portugal database with non-financial corporations' quarterly and annual accounting data. This database is feed with information from: a survey jointly managed with the national statistical institute with quarterly accounting information; the annual [Simplified Corporation Information](#) system that merges requirements on corporations' annual accounts for fiscal, registry and statistical purposes.

- Administrative information from fiscal authorities – the Portuguese fiscal authorities deliver to the Banco de Portugal information on foreign income received by residents.
- Monthly information on uses of payment cards and of transfers – this block of information comes from the Payments Department of the Banco de Portugal and is used for both tourism and private transfers compilation areas.
- Information provided by the Bank for International Settlements on a quarterly basis of the outstanding amounts of cross border positions, by residence and sector of counterpart.

Monthly frequency is central for the collection of data for external statistics' purposes, being quarterly and annual values mostly derived from the former. Therefore, consistency across the different frequencies is ensured by construction.

2.2.2 Detail by accounting item

All Portuguese b.o.p. items are computed on a monthly basis, being quarterly and annual figures based on the former. However, when compiling quarter or annual observations additional sources with extended coverage can be available which leads to the revision of initial monthly estimates.

2.2.2.1 Goods

The main data source for trade in goods in the b.o.p. is the foreign trade statistics provided by INE - Portugal. For imports and exports related to intra-EU trade, Statistics Portugal derives the figures from the Intrastat system; for extra-EU trade, it derives data from customs declarations. The Banco de Portugal adjusts data provided by the INE for mainly the following items: c.i.f./f.o.b. margin, f.o.b. goods not included in foreign trade statistics, goods procured in ports by carriers–imports, merchanting and repairs on goods without the change in ownership.

- Merchanting – these operations are recorded within b.o.p. and i.i.p. systems after direct reporting to the Banco de Portugal as they are not included in foreign trade.
- Goods procured in ports – Portuguese Foreign Trade is able to record credits (exports) but within the b.o.p. and i.i.p. system they are isolated. On the other hand, debits (imports) for b.o.p. and i.i.p. system are taken from direct reporting to the Banco de Portugal.
- Operational Leasing – On Foreign Trade long term operational leasing is considered as trade in goods, on the other hand for b.o.p. and i.i.p. system it is considered that the ownership does not change and these amounts are reclassified as services.

- Goods sent abroad or returned after processing gross value – on foreign trade statistics these goods are taken for their full value when they enter or exit national territory. For b.o.p. and i.i.p. purposes only the difference between the entering and exiting values is recorded and on the services account.
- Conceptual issues – there are goods that whether already owned by national enterprises are stored abroad. When these goods are moved to national territory there is a record on Foreign Trade which should be deleted for b.o.p. and i.i.p. purposes.

2.2.2.2 Services

Manufacturing services on physical inputs owned by others - uses data from direct reporting and information from Statistics Portugal.

Transport - data are based on direct reporting for b.o.p. statistics, supplemented with estimates to convert c.i.f. valued import of goods to f.o.b. valued import of goods, which adds to the former. The information collected under the direct reporting system distinguishes the means of transportation (sea, air, rail, or other transport) and also the transportation category (passenger, freight, or other transport). The information for the debit side of the category "freight" for the several means of transportation is taken from the conversion process from c.i.f. to f.o.b. valuation of goods. This estimation procedure for f.o.b. valuation of imports also takes into account the country of origin (by country for EU Member States, by continent for the remaining).

Travel - data are based on settlements information regardless of the means of settlement used (e.g., bank transfers, cash, traveller's checks, debit and credit cards, and other means of settlement), and additional information provided by travel agencies, and, on the credit side, on estimates produced by Banco de Portugal based on real indicators and prices of tourism activities (tourism statistics provided by the Statistics Portugal).

For insurance - coping with the recommendation of the BPM6, a split is made between the service and the transfer components of non-life insurance premiums. Data on life premiums and pensions funds are also subject to a split into services and other investment. As a result of the procedure undertaken to value imports on a f.o.b. basis, estimates are included in the service component of insurance.

Financial services explicitly charged and other financial services - are based on the direct reporting for b.o.p. statistics (COPE); Financial intermediation services indirectly measured (FISIM) are based on data from Statistics Portugal.

2.2.2.3 Primary income

Compensation of employees - Banco de Portugal takes data on this item from the settlements system and from some administrative sources. Compensation of

employees includes an estimate of social contributions and taxes on income and wealth.

For investment income related with direct investment, only reinvested earnings are estimated on an accrual basis. The main sources for data on reinvested earnings are the annual stock survey on international investment (until 2013 as reference date, being afterwards incorporated in the annual accounts report of companies) and the corporations' annual accounts (IES). With the aim of obtaining more timely statistics, Banco de Portugal estimates provisional reinvested earnings for the period not yet surveyed, using information from the b.o.p. collection system (end-of-period positions) and from the last conducted survey/corporations' annual accounts (global profitability rate for the equity capital). The dividends paid monthly are collected via the b.o.p. collection system. For compiling income on debt transactions between direct investment companies, settlements data are used.

For the portfolio investment income credits, the accrual principle is applied, with monthly estimates being derived from monthly stock data using market yields following the creditor approach. This procedure may be improved to a security-by-security basis with the future exploitation of the European centralized securities database. In the case of portfolio investment liabilities, income is calculated on a security-by-security basis, using the debtor approach (accrued income for debt securities) and the paid dividends (equity stocks).

Income on other investment, for all resident sectors, is derived monthly on an accrual basis, taking into account stock data and market interest rates.

2.2.2.4 Secondary income

Worker's remittances and other personal transfers are estimated taking into account information from the banking system (COL), direct reporting from some entities (COPE), information provided by the Payment Systems Department and some statistics related with physical movements of emigration/immigration.

Social contributions and current taxes on income are estimated, based on compensation of employees and main counterpart taxes.

Public transfers are based on data sent by Statistics Portugal that reflect the delivery of European Union funds to ultimate beneficiaries.

2.2.2.5 Capital account

Within this account it is included information related to non-current transfers of European Union Funds which is based on information provided by Statistics Portugal taking on the basis of ultimate beneficiary receipts.

Debts forgiveness is also included whenever it occurs. This information is obtained through direct reporting.

Acquisitions/disposals of non-produced non-financial assets are also considered based on direct reporting to the Banco de Portugal.

2.2.2.6 Direct investment

FDI data is compiled on a monthly basis from the information reported directly to Banco de Portugal by resident corporations under the b.o.p. and i.i.p. general reporting system. In addition to this source, FDI statistics are revised annually based on replies to a direct investment survey (until 2013 reference year) and to the annual accounts (IES), reported by all resident corporations (from 2014 onwards).

Final data on stocks, both for inward/liabilities and outward/assets investment, are available through the entities' annual accounts. Quarterly estimates are produced via the accumulation of flows over the last observed stock data. These flows take into account monthly available information (COPE and SSIS information), together with estimates for exchange rate and price changes and other adjustments such as reclassifications.

For equity a split is made between listed (quoted in a stock exchange) and unlisted companies. For non-listed equity, own-funds at book value is taken as a proxy for market value. For market prices, additional information is collected from the Portuguese Stock Exchange (for inward investment) and from commercial data providers (for outward investment). Specifically for debt, it is valued according to the book values of the reporting unit. According to the accounting procedures, tradable debt securities are valued at market value. For non-tradable debt securities, most companies value these debt instruments either at nominal value, fair value or amortized value.

FDI data covers transactions between fellow enterprises and excludes debt between selected affiliated financial corporations. Geographical and activity allocation is also available. FDI data are available in both presentations assets/liabilities and directional principle.

2.2.2.7 Portfolio investment

The portfolio investment collection system introduced in 2000 is based on a single report used to collect information for purposes of the b.o.p., monetary and financial, and financial accounts statistics. In this fully automated system, domestic securities' custodians provide information about portfolio investment transactions in domestic securities on behalf of their non-resident clients and in foreign securities on behalf of their resident clients. Banks must also report transactions on their own account. Investors operating through non-resident custodians must report their transactions and stock data directly. This is a security-by-security and an investor-by-investor based system. The investor or custodian must report monthly statistical information on transactions and end-of-period positions. A simplified regime of annual data reporting also exists for those entities whose transactions and balance sheet assets

fall below a threshold (€500 million), as previously described. The ISIN codes are used for identifying the securities reported to Banco de Portugal. The geographical allocation criteria are based, on the assets side and for both flows and stocks, on the country of residence of the issuer of the security (debtor); on the liabilities side, for flows, they are based on that of the first known counterpart, and for stocks on the geographical breakdown derived from turnover data. Settlement registers, monetary financial institutions' balance sheets, securities issues statistics, mutual funds' balance sheets, and data from the insurance companies' supervision authority are used for checking and quality control purposes.

2.2.2.8 Financial derivatives

Banco de Portugal bases its system for collecting data for financial derivatives, implemented in 1999, on a monthly survey among resident banks with operations in this domain, on both flows and positions for assets and liabilities. This survey takes into account the recommendations of the ECB and the IMF on this domain. Banks are required to report both their own positions and positions opened by their clients (mainly enterprises and individuals). Financial derivative transactions are also captured through the settlements system (COPE system), which has a specific code for this type of transaction. Banco de Portugal (Markets and Reserve Management Department) reports data for the central bank sector. Data for the general government sector are compiled from other sources, namely from the Treasury ([Agência de Gestão da Tesouraria e da Dívida Pública - IGCP, E.P.E.](#)).

Options, futures, swaps, and forwards are valued at market prices. In the case of futures, the market practice usually involves a daily settlement of gains and losses (variation margin), implying that their market value is zero.

2.2.2.9 Other investment

Flow data for the other monetary financial institutions and monetary authority sectors are derived from their balance sheet data at the beginning and end of the month. Banco de Portugal calculates differences in the original foreign currencies and converts them into euro, using the respective period-average exchange rates. Other adjustments, such as write-offs, when identified are also excluded from transactions. The collection system for other investment of other sectors (excluding the monetary authority, other monetary financial institutions, and general government) relies mainly on the information on settlements delivered by banks complemented by direct reporting by enterprises having external transactions. In addition to the settlements data, BIS locational banking statistics are also used when estimating nonbank sector deposits abroad. The Treasury provides data on the external loans and borrowings of the general government. Monthly trade credits are estimated combining information on imports and exports of goods and services (excluding travel) with information on the change in the average number of days for payment or receipt obtained through a quarterly survey of major exporters and importers.

Concerning the estimation method for calculating the “exporting/importing” of EUR banknotes, Banco de Portugal considers several sources, namely: i) deposits, withdrawals and international purchases in ATM and POS; ii) buy and sell of foreign currencies; and, iii) tourism expenditures and accommodation, directly reported by travel agencies.

2.2.2.10 Reserve Assets

Banco de Portugal obtains the data on reserve assets from its own records. It follows the recommendations of the BPM6 and those of the ECB regarding the definition of reserves for the Eurosystem. Banco de Portugal identifies all instruments separately within the monthly reserve assets figure. It calculates daily transactions through the change in stocks, valued at market prices, and converts them to euros using daily market exchange rates, except regarding monetary gold for which monthly external transactions are reported.

2.2.2.11 Borderline cases

Investment funds, independently of its share ownership (under or above 10%), are classified as portfolio investment accordingly to ECB practices.

2.2.2.12 Additional information

Nothing of relevance to report.

2.3 Coherence and comparability

2.3.1 Internal consistency

The system developed by the Banco de Portugal to compile External Statistics minimises Errors and Omissions by having an integrated compilation procedure, which guarantees coherence between the b.o.p. current, capital and financial accounts and i.i.p. Moreover, at the end of the production cycle there is a final revision round where errors and omissions are checked against developments of other b.o.p. and i.i.p. items which ultimately can lead to a reprocessing of the output.

Banco de Portugal also performs regular internal statistic audit evaluations which look into errors and omissions. Recent evaluations report that this item has been kept within the limits (3% of the sum of credits and debits within Current Account).

2.3.2 Consistency with other statistical domains

B.o.p. data can be related with some of the data published by other statistical domains, namely, foreign trade statistics, national accounts and balance sheet information of the financial sub-sectors.

Conceptually, data are consistent for foreign trade, external debt, b.o.p. and i.i.p., as in Portugal the external statistical compilation system encompasses all these domains. Regarding, the rest-of-the-world account, on the financial side there is also full consistency as both systems are compiled within the Banco de Portugal's Statistical Department, resorting to a multidisciplinary team that merges expertise from all statistical domains within the Department. Regarding the non-financial part, as the Rest-of-the-world account is compiled by Statistics Portugal some discrepancies may occur, but these are minimised following an in-depth discussion of results between the two statistical authorities.

On a monthly basis a whom-to-whom analysis is performed to compare SSIS information with BoP / IIP information both for debt and capital instruments.

Further, the compilation procedure of b.o.p. and i.i.p. uses data from other domains either to validate or complement its own data or to overcome some lack of information on direct reporting. This leads to enhanced quality of the output of b.o.p. and i.i.p. system and at the same time reduces inconsistencies or at least permits to have explanations for these differences.

2.3.2.1 Foreign trade statistics

B.o.p. and foreign trade statistics generally show discrepancies, due to different methodologies. In particular, certain monthly transactions not covered by foreign trade statistics are added to b.o.p. figures, namely:

- Merchanting.
- Goods procured in ports (debits).

On the other hand, there are some transactions covered by foreign trade statistics that are reclassified in the services account of b.o.p., namely:

- Operational Leasing.
- Goods sent abroad or returned after processing.

Finally, there are some differences between B.o.p. and foreign trade statistics in the methodological treatment of:

- CIF/FOB valuation imports of goods are valued c.i.f. in the foreign trade statistics while for b.o.p. they are fob valued. Part of the amounts that are taken

out of import values provided by foreign trade statistics are considered as Services in b.o.p. statistics.

- Goods owned by national enterprises that are stored abroad. When these goods move to national territory there is a record on Foreign Trade which is deleted for b.o.p. purposes.

2.3.2.2 National/sectoral accounts

The comparability between b.o.p. and national accounts is ensured by the application of common definitions (BPM6 and ESA2010).

A main use of the output of External Statistics is for the compilation of National Accounts (non-financial and financial). For the specific case of Financial Accounts, for which the Banco de Portugal is liable, there is consistency between the two domains. On the non-financial side of the national accounts there is a close cooperation between the Banco de Portugal and the Statistics Portugal to reduce discrepancies which are due to different compilation models.

2.3.2.3 Balance sheet information of the various financial sub-sectors

The current procedure for the compilation of b.o.p. and i.i.p. data relies on BSI data for MFIs, from which other flows are derived, so full consistency between the two domains can be assured. Currently direct reporting is used to collect information for the activity of non-monetary financial institutions and even though some regular consistency analysis procedure is foreseen, for the time being there is no standard arrangement in place.

Regarding securities information, Banco de Portugal has developed a Securities Statistics Integrated System which comprises information on a security by security and entity by entity basis, for issues as well as for holdings. This source is fully used on the compilation of b.o.p. and i.i.p. statistics so consistency is assumed.

2.4 Accessibility and Clarity

2.4.1 Release calendar and revision policy

Balance of Payments

The Banco de Portugal disseminates monthly and quarterly b.o.p. statistics. The actual publication date of b.o.p. is available at the institutional website:

- For the [statistical bulletin](#).
- For the Banco de Portugal [statistical data warehouse](#) - BPSTAT.

International Investment Position

Data are available on a quarterly basis 6-7 weeks after the end of the reference period. The same addresses referred for b.o.p. statistics can also be used to pinpoint the precise release calendar of these statistics.

The standard procedure for revisions assumes that data can be revised during the four subsequent years, taking into account: new source data; refreshment of estimation procedures; additional information on major events; or alignment with other statistical domains, namely national accounts. This revision policy is also described in a document available in the Banco de Portugal [website](#) and is fully aligned with the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB) revision policy.

Ad hoc revisions can be launched whenever methodological changes are adopted or interpretation of current reference manuals led to meaningful changes in the available data.

2.4.2 Data availability

Consistent time series are made available to the users as far backwards as possible, partly dating back to January 1996. Breaks in the time series have occurred, in some instances, when changes in source data, methodology, or statistical techniques could not be reconstructed backwards owing to the lack of data. This is the case, for example, for a number of detailed breakdowns that were implemented with BPM6 methodology.

Nationally, Banco de Portugal disseminates the output of this statistical system through the following channels:

[Statistical bulletin](#) and [Chronological dataset](#) on the statistical data warehouse (BPstat | Statistics Online) – full available time span for: main items, seasonal and non-seasonal adjusted; details of the b.o.p. current, capital and financial accounts, as well as the i.i.p. and external debt (gross and net).

[Multidimensional dataset](#) on the statistical data warehouse (BPstat | Statistics Online) – full available time span for data that results from using several dimensions, for instance: b.o.p. and i.i.p. item, institutional sector, and counterpart country.

Within these channels there is also metadata available related to the information on request.

The Banco de Portugal follows a user friendly communication policy, which keeps as much as possible users informed of major revisions on the disclosed data. Regarding the changeover to the BPM6 (and also to ESA2010) the Banco de Portugal included dedicated documents describing methodological changes and

impacts on the available data in its website (please refer to documents in [‘Methodological changes’](#)).

Banco de Portugal has an updated document describing concepts and methodological references and procedures underlying the compilation of b.o.p. and i.i.p. statistics in Portugal ([Suplemento ao Boletim Estatístico 2/2015](#), “Estatísticas da Balança de Pagamentos e da Posição de Investimento Internacional – notas metodológicas”, available only in Portuguese).

2.4.2.1 Frequency of the b.o.p. and i.i.p. data compilation and publication

The Banco de Portugal publishes monthly all updates made on the b.o.p. domain and quarterly on the i.i.p. domain.

While the inclusion of new Current, Capital and Financial Accounts observations are compiled and disseminated on a monthly basis, the periodicity of i.i.p. statistics is quarterly.

2.4.2.2 Seasonally adjusted data

The subset of series of the b.o.p. and i.i.p. statistical domain that is seasonally adjusted can be accessed through the Statistical Bulletin and Chronological dataset channels, which are updated on a monthly basis. For further details refer to 2.1.8.

Romania

1 Institutional environment

1.1 Professional Independence

Article 3 (Co-operation with other authorities), paragraph (1) of the Law No. 312/28.06.2004 on the Statute of the National Bank of Romania (NBR), available on the NBR's [website](#), establishes its independence from other government authorities in exercising its powers, thereby guaranteeing, among other things, the absence of interference in respect to the compilation and dissemination of statistical information: "When carrying out their tasks, the National Bank of Romania and the members of its decision making bodies shall not seek or take instructions from public authorities or from any other institution or authority."

Article 6 of the Chapter III (National statistical system) in the [Law No. 226/2009](#) regulating the statistical system in Romania stipulates that in the framework of the national statistical system, the National Bank of Romania is an independent producer of official statistics in its own area of competences, according to its own regulations and is fully and independently in charge with developing statistical strategies and programmes in the area circumvented to its areas of competences according to its Statute.

The National Bank of Romania has a statistical work programme that is not made public. Statistical work conducted jointly by the National Bank of Romania and National Institute of Statistics (NIS) (mainly involving surveys) is included in the Romanian [national annual statistical programme](#) (Romanian only).

1.2 Mandate for data collection

The development, production and dissemination of statistics by the National Bank of Romania are governed by Article 5 of the Statute of the ESCB and of the ECB, as well as [Regulation \(EC\) No 2533/98](#); whereas the National Institute of Statistics are governed by the statistical principles laid down in article 2 of [Regulation \(EC\) No 223/2009](#). The National Bank of Romania as a member of the ESCB, conducts quality assurance and disseminates statistics in conformity with the principles of the ESCB's Public Commitment on European statistics by the ESCB.

The legal basis for the compilation of the b.o.p. and the i.i.p. is provided by:

(i) Law No 312/2004 on the Statute of the National Bank of Romania, which empowers the NBR to require information needed for b.o.p. compilation and (Article 9, paragraph (2): "The National Bank of Romania is empowered to draw up the b.o.p. as well as other documents related to Romania's i.i.p.")

(ii) NBR's Regulation No 4/2014 regarding statistical reporting requirements, with subsequent amendments both legal acts being compliant with the EU/ECB legislation concerning the activity of the bank as a member of the European System of Central Banks.

In addition, formal cooperation agreements have been concluded with the National Institute of Statistics, the most important partner of NBR, both as a provider and as a user of statistical data. The monthly international trade in goods data provided by NIS represents the keystone for the compilation of b.o.p. Goods item. The NIS also provides some other complementary data, such as the results of some specific surveys on travel and, reciprocally, NBR data are used by the NIS in the compilation of the national nonfinancial accounts statistics.

NBR had also concluded agreements with other institutions, in particular with the Ministry of Finance (for data on grants received, including EU funds, data on public and publicly guaranteed external debt), with the Ministry of Foreign Affairs for data on expenses of Romania's diplomatic missions abroad, the National Trade Register Office (for non-resident investment in Romania in the form of equities), the Romanian Post (for data on workers' remittances), the Ministry of Defence (for data on expenses of Romania's military missions abroad).

2 Statistical processes

2.1 Methodological principles and national specificities

B.o.p. and i.i.p. statistics are compiled in accordance with the standards set forth in the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6). Furthermore, specific compilation recommendations from relevant international bodies are observed. In particular, as specified in the [ECB Guideline \(ECB/2011/23](#) of 9 December 2011, as amended) and [Regulation \(EC\) No 184/2005](#) of the European Parliament and of the Council of 12 January 2005 (as amended), as well as the relevant guidance presented in chapters 2 and 3 of this book.

In Romania, the Foreign Direct Investment (FDI) has an essential contribution to the economic growth. FDI creates jobs, optimises resource allocation and allows the transfer of technology. The activity of direct investment enterprises as a whole had a positive impact on Romania's foreign trade, with significant contributions to exports and imports. FDI statistics (including data on dividends and reinvestment of earnings) are an important factor in the current and financial accounts.

Despite the fact that the b.o.p. shows current account deficits, Romania records good performances in international trade in services - exports of manufacturing services, freight transport and computer services being the main driving force of the services balance surplus.

Back data under BPM6 methodology are available starting with the reference period 1999Q1 for b.o.p. and with 2005Q1 for i.i.p.

NBR's b.o.p. and i.i.p. statistics are compiled according to the BPM6 standards starting with 2013Q1. Data prior to the reference year 2013 have been converted from BPM5 to BPM6.

Although breaks in the time series have occurred for some items due to the lack of data, different data sources and statistical techniques, the scope and the level of detail of the monthly and quarterly data are in general in accordance with the Eurostat and ECB data requirements.

2.1.1 Residency

The general principles laid down in the BPM6 are applied.

2.1.2 Institutional unit definition

The general principles on institutional units (centre of economic interest, decision-making autonomy, and complete set of accounts) are applied. Special purpose entities and offshore financial institutions have not been identified operating in domestic economy so far.

2.1.3 Geographical allocation

All b.o.p. and i.i.p. statistical data are compiled based on the immediate counterpart area. Due to the use of the International transactions reporting system (ITRS) for compiling specific b.o.p. items (see par. 2.2.1 for details), certain transactions are recorded based on the country of settlement.

2.1.4 Allocation to institutional sectors

The allocation to institutional sectors is made using data from the Romanian Business Register (managed by NIS), based on the national unique identification code of the entities involved in international transactions/positions.

2.1.5 Valuation

Transactions and positions are valued at market prices, where available. Current account transactions are valued at actual transaction price which, in most cases, should be a good proxy for market price. Exceptions may exist for transactions between affiliated enterprises. Nominal valuation is used for positions in non-negotiable instruments, namely loans, deposits and other accounts

receivable/payable. For direct investment transactions and positions for both listed and unlisted FDI companies equity flows and stocks are valued at book value; adjustments are made in case of important differences between acquisition price and book value (for example in case of an important amount in goodwill). We mention that the difference between book value and market value for the FDI listed companies amounts under 0.01% of the total FDI stock value. Dividends are recorded based on equity revenue distribution to the non-resident direct investors in FDI enterprises.

Transactions and stocks in case of portfolio investment are valued at market prices since a new IT application security by security has been developed at the level of National Bank of Romania. Market prices for foreign instruments and domestic bonds issued on external capital market are downloaded directly from Centralised Securities Database (CSDB) and uploaded into the local system, whereas Bucharest Stock Exchange supplies monthly information about domestic instruments. Data about non - ISIN (International Securities Identification Number) securities held by residents are collected too, but these transactions are not part of b.o.p. as both issuers and holders are residents. The dividends of portfolio investment are collected using the new collection system where information is compiled security by security and they are recorded mainly at ex-dividend date.

2.1.6 Time of recording

Since the main source for compiling the b.o.p. item Other investment (and related income) is the International transactions reporting system (ITRS), the corresponding transactions are recorded in b.o.p. on a cash basis.

A new survey on the financial account components not covered through the current surveys is planned to be launched in the near future (2016), which will allow compilation in accordance to the accrual principle.

Portfolio investment income related to debt securities compiled according to the accrual principle, based on the new data collecting system (security by security), is currently under testing and is envisaged to be implemented in 2016. The dividends of portfolio investment are recorded at ex-dividend date and the data collected using the new collection method (security by security) is already included in b.o.p. and i.i.p. statistics.

2.1.7 Coverage gaps and room for improvement

Branding – quasi trading adjustments are not included in goods, since the National Institute of Statistics, the traditional source for transaction involving goods does not collect such information.

Margins on buying and selling financial instruments are not included in financial services. Data on insurance technical reserves and the income attributable to the policyholders are not yet included in b.o.p. and i.i.p. Starting with 2016, NBR will

collect from the insurance corporations the necessary information to derive the insurance related items, for compiling both financial and non-financial transactions.

Regarding travel services, gaps can be identified especially on the debit side. NBR is working closely with NIS to find ways to improve the NIS survey on the “Tourist demand of residents in Romania”.

For portfolio investment, data coverage is somehow incomplete since the information from external custodians is not totally available. Specific methods have been developed in order to improve the coverage:

- For domestic bonds, the difference between the total value of issued bonds and the total value of holdings by residents is allocated to non-residents.
- IMF Coordinated Portfolio Investment Survey (CPIS) (Liability annexes) geographical and sector breakdown are used in compilation.

Data on households deposits held abroad are not covered by the current NRB’s compilation systems and, as a result, estimations are made using Bank of International Settlements' locational statistics.

2.1.8 Seasonal adjustment

B.o.p. data are published at current prices only, not seasonally adjusted.

2.2 Statistical procedures, sources and methods

2.2.1 Overview of data collection system

The current data collection system for b.o.p. and i.i.p. is a mixed system that combines indirect reporting through the banking system (settlements) with comprehensive or selective statistical surveys, and other administrative data sources.

Thus, the main data sources are:

- International transactions reporting system (ITRS) – data on transactions passing through the domestic banks and foreign bank accounts of resident enterprises, and noncash transactions. In the near future (2016) a new survey will be implemented to collect data related to the “Other investment” and “Financial Derivatives” items.
- The reports extracted from local securities holdings database, supplied each month with data sent by reporting agents such as monetary financial institutions (MFIs), investment funds (IFs), financial vehicles corporations (FVCs) on their behalf and by custodians on behalf of their clients, other than MFIs, IFs, FVCs.

Market prices data in case of Romanian securities traded on external capital markets and also the information regarding instruments issued by non-residents, part of the portfolio investment statistics are extracted on a monthly basis from CSDB (Centralised Securities Database), a database developed by European Central Bank.

- The quarterly surveys relating to International Trade in Services.
- The quarterly and annually surveys relating to Direct Investment.
- Debt Management and Financial Analysis System (DMFAS) – data on long term loans (liabilities) are directly collected from borrowers on a loan by loan basis.
- National Institute of Statistics for data concerning trade in goods.

The final data on i.i.p. stocks are cross checked and reconciled with additional data sources specifically: NBR balance sheet, MFI's and other financial institutions balance sheets and BIS locational statistics.

Other additional administrative data sources are also used in compilation and quality checks.

Statistical algorithms are used to estimate, for all frequencies, some items such as imported goods (received from NIS in c.i.f. (cost, insurance and freight) values, Financial Intermediation Service Indirectly Measured (FISIM), workers' remittances, insurance, trade credits and advances. Considering the limitations of the ITRS to 50,000 euro threshold, of the geographical allocation (ITRS provides settlement data) and the unavailability of accrual data for some b.o.p. items, different estimations are made.

2.2.2 Detail by accounting item

2.2.2.1 Goods

The main source of data is the foreign trade statistics compiled by the NIS based on Intrade system for intra – EU trade and supplemented by information on extra – EU provided by the National Customs Authority of the Ministry of Finance (which process custom trade declarations for export and import of goods outside EU). In order to ensure compliance with the b.o.p. "change in economic ownership" principle, the NIS data are adjusted by the NBR.

2.2.2.2 Services

Starting with the first quarter of 2013, the main data source for international services statistics has been a quarterly survey conducted by NBR in cooperation with the

National Statistics Institute. Within the quarterly report, exports and imports of services for each month of the corresponding quarter can be separately identified. Provisional monthly data (available at t+45 days) are estimated based on ITRS and on historical data and are revised once the survey results are available. The statistical population consists of about 7000 reporting entities (public and private companies and institutions) and is determined from administrative sources in close cooperation with NIS. The coverage is about 90%. The data collected are consistent with BPM6 methodological standards.

Manufacturing services on physical inputs owned by others, Transport services, Maintenance and repair services, Financial services, Construction services, Telecommunication, computer and informational services, Charges for the use of intellectual property and other services are collected through the above mentioned survey.

Considering that the enterprises performing manufacturing services are also reporting agents to the surveys on international trade in goods conducted by the NIS, there is a close cooperation between NBR and NIS in view of a correct sampling of these entities.

Travel: The current main data source for travel is the monthly banking reports on the credit/debit cards transactions of non-residents in Romania (credit) and of residents abroad (debit). Specific ratios are applied to these values. Other additional data sources used in the compilation and validation of travel services are data collected from foreign exchange bureaus, ITRS, quarterly ITS surveys and NIS surveys on travel services.

Insurance and pension services: The data on the insurance premiums and claims are collected through a quarterly survey. A statistical algorithm is used to derive the service value.

Financial services: Direct reporting from banks and enterprises is the source for the explicitly charged financial service. Statistical modelling is used to estimate the Financial Intermediation Service Indirectly Measured (FISIM). Calculation for FISIM is made by different maturities (short and long term) and by different currencies (national currency, Euro and other). The reference rate used is the average interbank rate weighted by the levels of stocks of loans and deposits between resident and non-resident financial intermediaries.

Government goods and services, n.i.e. (not included elsewhere): The main data source is the monthly reports of the Ministry of External Affairs and the Ministry of Defence.

Estimations of illegal activities involving international trade are provided by NIS and included in b.o.p. statistics by NBR (tobacco and alcohol smuggling and illegal drugs under Goods, prostitution under Services).

2.2.2.3 Primary income

Except for direct investment, reserve assets, dividends of portfolio investment and other primary income, data are collected through the ITRS.

Direct Investment income: Reinvested earnings and other undistributed profits are compiled starting with 2003 based on an annual survey (quarterly since 2014) of direct investment conducted by NBR in cooperation with the NIS. Data related to interest from intragroup debt instruments are also collected through these surveys on an accrual basis.

Data on reserve assets income are collected monthly on an accrual basis from NBR Market Operations Department.

EU funds in the form of subsidies (other primary income) are reported to NBR by the Ministry of Finance on a monthly frequency.

The dividends of portfolio investment are collected using the new collection system, where information is compiled security by security and they are recorded mainly at ex-dividend date. In 2016 the interest on debt securities related to portfolio investment will be produced according to the accrual principle based on the new data collecting method (security by security).

2.2.2.4 Secondary income

Data on EU funds in the form of current transfers and data on the Romanian contributions to the EU budget are provided by Ministry of Finance on a monthly basis.

Private transfers, including workers' remittances, are measured through ITRS. Workers remittances data are collected via money transfer operators, such as Western Union and MoneyGram.

2.2.2.5 Capital account

Data on gross acquisition/disposal of non-produced non-financial assets and on some capital transfers items are collected mainly from a quarterly survey.

Data on EU funds in the form of capital transfers are obtained from the Ministry of Finance on a monthly basis.

2.2.2.6 Direct investment

The primary data source for direct investments statistics is a quarterly/annual survey conducted by NBR in cooperation with the National Institute of Statistics. The data collected are fully consisted with BPM6 methodological standards. Provisional

monthly data (available at t+45 days) are estimated based on ITRS and on historical data and are revised once the survey results are available. The statistical population consists of about 6000 reporting entities quarterly and 7000 annually and is determined from administrative sources in close cooperation with NIS. The results are cross-checked with administrative sources (balance sheets), with long-term external debt statistics via debt management financial analysis system (DMFAS) and with ITRS data.

Foreign direct investment includes the paid-up capital and the reserves related to a non-resident investor holding at least 10 percent of the voting power or the subscribed share capital of a resident enterprise, the loans between the investor or the group to which the investor belongs and the direct investment enterprise, as well as the reinvested earnings.

Equity in a resident enterprise on which a non-resident investor has indirect significant influence is also considered foreign direct investment. This includes equity in the resident subsidiaries and associates of a resident enterprise in which a non-resident investor holds at least 10 percent of the subscribed share capital.

According to the BPM6 compilation methodology, foreign direct investment also includes equity and loans from non-resident enterprises whose voting power or equity participation in the resident enterprise is less than 10 percent, but which belong to the same group as the direct investor in the resident company (fellow enterprises). Permanent debt between affiliated financial intermediaries (banks, non-bank financial institutions) is no longer considered as direct investment.

2.2.2.7 Portfolio investment

Portfolio investment statistics is compiled on a security by security basis. The stocks and flows are recorded at market prices.

On the liability side of the portfolio investment, the monthly information related to Romanian securities comes from various sources such as Romanian Stock Exchange, the Ministry of Finance, MFIs and IFs direct reporting, NBRs' Market Operations and Payments Departments. On the assets side of the portfolio investment the data about the securities issued by non-residents are extracted from the securities database called CSDB (Centralised Securities Database) managed at the level of ECB. Each month, information related to foreign instruments, provided by CSDB, such as issuer country, issuer sector, type of instrument, currency, amount issued or amount outstanding is used in compilation of portfolio investment. The market prices of both Romanian securities traded on external markets and non-resident securities are also obtained from CSDB.

Data about stocks of held instruments are collected on a monthly basis through direct surveys. The reporting agents are the MFIs, IFs, FVCs on their behalf and the custodians on behalf of their clients, other than the MFIs, IFs, FVCs. Starting with February 2016 the data about holdings of securities will improve as other national agents like insurance corporations and pension funds will have to report their

holdings directly to NBR according to national law and EU regulations. Flows included in portfolio investment statistics are derived as a difference between current and previous stocks. Price changes, exchange rate changes and other changes are also compiled at the level of National Bank.

Data about listed or non-listed shares, fund units, Global Depositary Receipts (GDRs), Exchange-Traded Funds (ETFs), other equities, bonds and money market instruments are collected security by security (with or without ISIN codes). They are used for classification of financial instruments part of portfolio investment. Reporting gaps exist for Romanian debt instruments purchased by non-residents that are undertaken with external custodians. These gaps (total issued amount minus total held reported instruments) are currently included in external statistics. The breakdown by countries and institutional sectors is derived based on alternative statistics such as mirror datasets with respect to the non-residents holdings of Romanian debt securities provided by CPIS survey - Table 8: Derived Portfolio Investment Liabilities (All economies) by economy of non-resident holder (Derived from Creditor Data).

Back data were collected starting with December 2012, whereas the securities statistics have been available since July 2014.

2.2.2.8 Financial derivatives

At present, data are collected through the ITRS system and banks' reports.

2.2.2.9 Other investment

Short and long-term loan disbursements and repayments are derived from ITRS for private sector and from DMFAS (Debt Management and Financial Analysis System) for public loans. The long term loans of the private sector data are periodically reconciled with DMFAS.

Currency and deposits (liabilities) are derived directly from banks' reports and cross checked with monetary balance sheets on a monthly basis.

These data are supplemented by estimations for long- and short-term trade credits and advances, based on ITRS and data from NIS related to international trade in goods.

2.2.2.10 Reserve Assets

Data are derived from the NBR's own records from Market Operations Department.

2.2.2.11 Borderline cases

The holdings larger than 10%, including in the case of investment funds shares are treated as direct investment. In case of umbrella funds, the stocks and transactions of unit funds are classified as portfolio investment even if the holdings are under 10%. But for the rest of the cases only holdings below than 10% are treated as portfolio investments.

2.2.2.12 Additional information

NBR has published methodological notes for users on its website: [Balance of Payments - Methodology](#).

2.3 Coherence and comparability

2.3.1 Internal consistency

Errors and omissions are relatively low (1-3% as percentage of total current account transactions) and are closely monitored by NBR. The main reason for this phenomenon is the use of different type of data sources for different b.o.p. items. NBR is still relying on ITRS for many financial account items (other investment - short term liabilities, other investment - short and long term assets) which could generate different timings in transaction recording, as opposed with transactions for which NBR is using more direct sources.

Gradually, with the move to a fully direct reporting b.o.p. and i.i.p. system, this phenomenon is expected to subside.

During the year, all Romania's b.o.p. data are revised on a monthly basis, taking into consideration all transactions available and any additional data sources. Quarters are subsequently revised and the public interactive database is updated periodically. Data are transmitted to Eurostat, ECB and IMF according with the international timetables. Quarterly i.i.p. data are revised also according with the international timetables.

During the year quarterly i.i.p. and monthly b.o.p. data have slight different timetables of revision, so for short periods of time discrepancies may occur until the final data dissemination.

The coverage, definitions, and classifications are identical for every periodicity. Geographic and currency breakdowns are prepared for all b.o.p. and i.i.p. components. Published data are supplemented by commentaries to highlight major developments and trends.

Annual data are consistent with monthly and quarterly data (b.o.p. and i.i.p.).

2.3.2 Consistency with other statistical domains

B.o.p. data can be related with some of the data published in other statistical domains, namely, foreign trade statistics, national accounts and balance sheet information of the financial sub-sectors.

NBR is using the BPM6 methodology for the compilation process of b.o.p. and i.i.p. and external debt statistics, which is harmonised with SNA 2008/ESA 2010 methodology used in Romania for the compilation of national accounts statistics. In practice, due to the use of different data sources and different timetables of revisions, discrepancies may occur.

Trade statistics are conceptually different from b.o.p. statistics and the differences in Romania are closely monitored and easily explainable by NBR.

Monthly b.o.p. data on assets/liabilities of deposit taking corporations are checked and reconciled with the corresponding monetary balance sheets. B.o.p/ i.i.p. statistics are consistent with monetary statistics.

Investment funds and non-bank financial corporation balance sheets are quarterly available and brought in to b.o.p/i.i.p. For monthly b.o.p, flows are derived directly from ITRS.

Portfolio investment and securities holding statistics (SHS) rely on the same data collection system and are fully consistent.

NBR data are also frequently reconciled with BIS locational statistics.

2.3.2.1 Foreign trade statistics

B.o.p. and foreign trade statistics (FTS) generally show discrepancies, due to different methodologies. In particular, certain monthly transactions not covered by foreign trade statistics are added to b.o.p. figures.

Data on Merchanting (recorded under Goods), Maintenance and repair (recorded under Services) and Processing (recorded under Services) are collected through a quarterly survey.

Other types of transaction not covered by FTS do not record significant values in case of Romania.

2.3.2.2 National/sectoral accounts

The comparability between b.o.p. and national accounts is ensured by the application of common definitions (BPM6 and ESA2010). With the implementation of BPM6 and ESA 2010 in 2014, the b.o.p. statistics and national accounts are conceptually consistent. However, differing data sources and revision timetables and

different sectorisation may still produce some differences in practice. These are regularly assessed and reconciled.

2.3.2.3 Balance sheet information of the various financial sub-sectors

Transactions and stocks of the banking and financial sectors are used in b.o.p. statistics. The b.o.p. compilers are regularly checking b.o.p. data with money and financial statistics for transactions in assets and liabilities and ensure consistency vis-à-vis the balance sheet information, investment funds and securities statistics.

2.4 Accessibility and Clarity

2.4.1 Release calendar and revision policy

An advance press release calendar that gives the monthly press release dates for the following year is posted at the end of October each year on the [website](#) of the National Bank of Romania. Any change in the press release dates has to be announced at least 24 hours before the scheduled date.

Also an advance release calendar that gives the monthly release dates referring to uploading the data in the interactive public database (usually 1 working day after the press release date) for the following year is posted at the end of October each year on the [website](#) of the National Bank of Romania.

Regarding i.i.p. statistics, an advance release calendar that gives the quarterly release dates referring to uploading the data in the interactive public database (usually 1 working day after the b.o.p. press release date for 3, 6, 9 and 12 months) is posted on NBR website.

The common EU revision policy has been broadly implemented including the distinction between major revisions and routine revisions.

The routine quarterly b.o.p. revisions are harmonised with the common EU revision policy as regards the depth of the revision (the maximum number of quarters that are allowed to be revised backwards), as well as the revision of monthly data for the revised quarters (the revision of monthly b.o.p. data is made whenever quarterly data are first reported or revised).

The routine revisions for monthly data is not limited to the last monthly observations without quarterly reference data (as stated by the common EU revision policy), mainly due to the monthly revisions of external trade in goods which are made every month for all the months from the beginning of the year and must be incorporated in the monthly b.o.p.; the late reported ITRS transactions are also attributed to the month in which they took place.

The major revisions, mostly generated by methodological changes, are generally communicated to the public in advance, as an announcement on the home page of the NBR's [webpage](#). The corresponding changes in metadata are detailed under the Statistics section of the [website](#), as well as in the Monthly Bulletin and Annual Report.

The i.i.p. statistics follows almost the same routine and major revisions as b.o.p.: regularly twice a year (March and September) for quarterly and annual data. During the current year the i.i.p. is compiled for the end of each reference quarter on a cumulative basis.

2.4.2 Data availability

Preliminary data for the current reporting period are released simultaneously to all interested users via a press releases issued in Romanian and English (available at [Press releases on balance of payments and external debt](#)), which presents major current account aggregates and external debt respectively, accompanied by a short commentary on current-period developments. The press release presents cumulative preliminary data for the current reporting period and the corresponding period of previous year.

More detailed and longer runs of data – starting with 2005 - are available on the NBR's website in the [Statistics – Interactive Database](#) (click on Balance of payments) or [Statistics – Data Sets](#) (click on Balance of payments and International investment position).

B.o.p. and i.i.p. data are also published in the [NBR's Monthly Bulletin](#), in the [Annual Report](#) and the annual edition of the Balance of Payments and International Investment Position Report. The publications are issued, both in Romanian and in English, according to the advanced release calendar on the NBR website. Documentation on the concepts, scope, classifications, basis of recording, data sources are published in Romanian and English, through the NBR's website (see: [Statistics-BoP-Methodology](#)).

Since May 2005, Romania has been a subscriber to the IMF's Special Data Dissemination Standard and disseminates statistical data according to the requirements of this standard (follow the link: [SDDS](#)).

2.4.2.1 Frequency of the b.o.p. and i.i.p. data compilation and publication

B.o.p. data are disseminated on a monthly and quarterly basis, i.i.p. data are disseminated on a quarterly basis.

2.4.2.2 Seasonally adjusted data

Not available.

Slovenia

1 Institutional environment

1.1 Professional Independence

The independence of BS (Bank of Slovenia) in exercising its powers is guaranteed by The Act of Bank of Slovenia - Official Gazette of RS, No. 72/06 (Official consolidated version). Article 2 of this Act empowers the BS to be independent in performing the tasks pursuant to this act. The tasks concerning statistical process are defined in Article 13.

The independence of Bank of Slovenia, in its capacity as a member of the ESCB, is further emphasized in Article 130 of the EU Treaty and Article 7 of the Statute of the ESCB and of the ECB, which stipulate that “when exercising the powers and carrying out the tasks and duties conferred upon them..., neither the ECB nor a national central bank nor any member of their decision making bodies shall seek or take instructions from Community institutions or bodies, from any government of a Member State or from any other body. The Community institutions and bodies and governments of the Member States undertake to respect this principle and not to seek to influence the members of the decision making bodies of the ECB or of the national central banks in the performance of their tasks.”

The annual statistical work programme defining b.o.p. and i.i.p. arrangement is available on the [website](#).

1.2 Mandate for data collection

The development, production and dissemination of statistics by the Bank of Slovenia are governed by Article 5 of the Statute of the ESCB and of the ECB, as well as [Regulation \(EC\) No 2533/98](#); whereas the Statistical Office of the Republic of Slovenia are governed by the statistical principles laid down in article 2 of [Regulation \(EC\) No 223/2009](#). The Bank of Slovenia as a member of the ESCB, conducts quality assurance and disseminates statistics in conformity with the principles of the ESCB's Public Commitment on European statistics by the ESCB.

National statistical legislation encompasses two Acts (the National Statistics Act and the Act of the Bank of Slovenia).

In accordance to [the Act of Bank of Slovenia - Official Gazette of RS, No. 72/06](#), Article 13 Bank of Slovenia is responsible for recording, collecting, processing and disclosing data and information, including statistical data and information.

According to the National Statistics Act the Bank of Slovenia is an authorised producer of national statistics (literally: authorized performers of the programme of

statistical surveys). It enables BS to exchange of statistical data within the statistical System of Slovenia, i.e. between the authorized performers of the programme of statistical research as well as the statistical use of the data from official records and registers.

There is also a Memorandum of Understanding between Statistical Office of the Republic of Slovenia (SORS), Ministry of Finance (MF) and Bank of Slovenia (BS). The memorandum sets out the detailed responsibilities of individual signatories and the way of cooperation between them in submitting Slovenian macroeconomic and financial statistics to the European Commission, Eurostat, ECB, and OECD etc.

2 Statistical processes

2.1 Methodological principles and national specificities

B.o.p. and i.i.p. statistics are compiled in accordance with the standards set forth in the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6). Furthermore, specific compilation recommendations from relevant international bodies are observed. In particular, as specified in the [ECB Guideline \(ECB/2011/23\)](#) of 9 December 2011, as amended) and [Regulation \(EC\) No 184/2005](#) of the European Parliament and of the Council of 12 January 2005 (as amended), as well as the relevant guidance presented in chapters 2 and 3 of this book.

Foreign trade is the most important item in the Slovenian current account. Its share in all current account credits and debits stands at about three quarters. Foreign trade is predominantly linked to EU countries, followed by the other countries of the former Socialist Federal Republic of Yugoslavia (SFRY). Historically, the services account has positively contributed to the overall current account balance, mainly due to a surplus in tourism activity. Tourism is the most important service, it accounts for around 40% of all exports and 20% of imports of services. Slovenia is in many cases not the final destination country for tourists, yet a significant part of exports is attributed to spending of 'transit tourists'. The second type of service is transport which is closely linked to the trade flows.

The Slovenian b.o.p. and i.i.p. conform to the methodology of BPM6 and the European legal framework applicable for b.o.p. and i.i.p. statistics ([Regulation \(EC\) No 184/2005](#) and [Guideline ECB/2011/23](#)).

BS released the first b.o.p. and i.i.p. data according to BPM6 methodology on 24 June 2014. Data were sent to ECB, IMF and Eurostat.

Data according to BPM6 methodology and methodological notes are available from 1994 onwards in the BS' Monthly Bulletin as well as internet [data series](#). For the period 1994–2008 the data were calculated on the basis of BPM5 data using a conversion procedure that rerouted the existing data as much as possible to the

BPM6 requirements. Data from 2009 onwards was recalculated from the original data sources according to BPM6 methodology. A detailed description of implementation of BPM6 in the Slovenian b.o.p. and i.i.p. can be found in the document Implementation of the standard [BPM6](#).

2.1.1 Residency

The application of residence principles in practice is in line with BPM6 except the duration of actual location. The duration is defined in the [Foreign exchange act](#) (in Slovene) which takes into account six month of actual location and deviates from BPM6 which recommends one year.

2.1.2 Institutional unit definition

Data collection and compilation are based on institutional units as defined in BPM6. The general principles on institutional units (centre of economic interest, decision-making autonomy, and complete set of accounts) are applied. SPEs are statistically insignificant.

2.1.3 Geographical allocation

I.i.p. and b.o.p. data are presented according to immediate counterpart. For geographical allocation of inward FDI in directional presentation both immediate and ultimate investing country are collected.

2.1.4 Allocation to institutional sectors

BS follows the ESA 2010 Sectoral presentation.

2.1.5 Valuation

Market prices are the basis for the valuation of transactions and positions. Nominal valuation is used for positions in non-negotiable instruments, namely loans, deposits and other accounts receivable/payable. For direct investment positions listed equity stocks are valued at market prices and unlisted equity stocks are valued at own funds book value.

2.1.6 Time of recording

In principle the reporting is on an accrual (accounting) basis.

2.1.7 Coverage gaps and room for improvement

Reinvested earnings on investment fund shares are not collected. It is considered to be statistically non-significant with respect to totals of outstanding positions on this instrument.

2.1.8 Seasonal adjustment

The data are not seasonally adjusted.

2.2 Statistical procedures, sources and methods

2.2.1 Overview of data collection system

Slovene b.o.p. and international investment statistics was in a start based on ITRS system and then from 2001 onwards gradually switched to direct reporting system which is fully in place since 2008. There are several data sources and surveys in place.

Data sources:

The external trade statistics (Statistical Office of the Republic of Slovenia) is the main source of data on trade in goods. Since 1 May 2004, the source of data on trade in goods among Slovenia and EU Member States is the **Intrastat reporting**. The source of data on trade in goods with other countries is the single administrative document (**Extrastat reporting**).

Reports on trade in services, part of trade in goods and on current/capital transfers with non-residents (BST) are the sources of data on services (excl. travel), data on coverage adjustments of goods item and data on current and capital transfers (excl. transfers with EU budget) from 2008 onwards. BST reports are on monthly frequency, the reporting population is around 1.150 companies, cut off sample is used. The response rate is close to 95%. BST report consists of 163 items (reported as receipts and expenditures), from which approximately 120 of it are sub-items and used as sources for different items. For data on services approx. 70 items from BST report are used as source on import side and the similar number on export side. For data on goods 5 items on import side and the same number of items on export side are used. For primary and secondary account approx. 40 items are used (mostly in secondary income account). The bases for defining direct reporting population are annual reports from companies (delivered to AJPES - Agency of the Republic of Slovenia for Public Legal Records and Related Services) and PPT reports (report on transactions through accounts at domestic banks). Correction for nonresponse is performed for the last month (to bridge cases of late reporting). Grossing up process is performed on the basis of the annual reports (additional balance sheet items).

Reports on transactions with securities (VRP) and data from the Securities Clearing Corporation (KDD) are the sources of portfolio investments (debt and equity securities). They were the source for financial derivatives as well (from September 2003 till the end of 2006). KDD is a company providing central securities custody services, clearance and settlement of securities transactions and maintenance of the central registry of holders of dematerialised securities in the Republic of Slovenia.

KDD data on securities is comprised of data on transactions and positions on ISIN level with details on issuers and securities, holdings by sectors and by countries of holders (volume of securities and number of holders, as well as outstanding amounts) and prices.

Reporting on operations in securities (VRP) covers:

Reporting on operations in securities (VRP) covers:

- All residents' operations in securities abroad and all non-residents' operations in securities in the Republic of Slovenia, reported by: domestic authorized participants on securities markets, banks, investment funds, insurance companies, pension funds, Pension Fund Management (Kapitalska družba d.d.), Slovenian Indemnity Company (Slovenska odškodninska družba d.d.), Fund for Financing Decommissioning of the Krško Nuclear Power Plant (Sklad za razgradnjo NEK).
- Debt securities issued abroad by residents (monthly reports on transactions and positions, security by security data on the issuers side, individual data on holders side, types of operations in securities (according to the market, issuer and investor).

Reports on purchased/sold foreign debt securities without domestic brokers (DVP) are the sources of portfolio investments in foreign debt securities, carried out without domestic brokers, from 2007 onwards on monthly frequency.

Data regarding drawn/un-drawn credit transactions from foreign credit registration forms (KR) are the source of data on loans of all sectors until 2004; in 2005 and 2006 they are the source only for the non-banking sector.

Reports on credits received and granted and deposits with non-residents (KRD) are the source for data regarding loans and deposit of all sectors, except banks, since 2007. KRD reports are on monthly frequency, original currency, accrual principle is applied for both principle and interest. Breakdown for type of capital affiliation enables to distinguish direct investment from other investment. The basis for defining direct reporting population is annual reports from companies (delivered to AJ PES - Agency of the Republic of Slovenia for Public Legal Records and Related Services). Cut off sample is based on the annual reports (additional balance sheet items). There are close to 650 companies in the sample, with response rate close to 95%. Correction for nonresponse is performed for the last month (to bridge cases of late reporting). Grossing up process is performed on the basis of the annual reports (additional balance sheet items).

Reports on monetary financial institutions (PORFI) are the source for data on loans, cash and deposits of the banking sector since 2005. Reports are on monthly basis, used for monetary statistics as well as external statistics and financial accounts.

Reports on short-term receivables and liabilities from operations with non-residents (SKV) are the source for short-term trade credits and advances since 2002. SKV reports are on monthly frequency, original currency. Cut off sample is based on the annual reports (additional balance sheet items). Breakdown for type of capital affiliation enables to distinguish direct investment from other investment. There are close to 1200 companies in the sample, with response rate close to 95%. The basis for defining direct reporting population is annual reports from companies (delivered to AJPES - Agency of the Republic of Slovenia for Public Legal Records and Related Services). Grossing up process is performed on the basis of the annual reports (additional balance sheet items).

Annual reports on investments (SN) are the source for reinvested earnings and equity positions of direct investments until 2007. From 2008 onwards monthly reports on investments (SN-T) are source also for all other direct investment transactions in equity and related income as well as for portfolio equity transactions without involvement of domestic dealers. SN is a census survey with no threshold in place, therefore no grossing up procedures are in place.

Report on Modern Payment Instruments (SPI) is the source for data on acquisition of fuel by non-resident transport operators at Slovene petrol stations settled via payment cards of foreign issuers from 2008 onwards. Data are on quarterly frequency.

Accounting data of the Bank of Slovenia; monthly frequency, security by security level with accrual principle.

Budget data on the transactions of government sector between the Republic of Slovenia and EU (from 2004 onwards) on monthly frequency.

Quarterly data on financial accounts statistics are source for financial derivatives for all sectors except the central bank (from 2007 onwards). For banks this data source was used until 2010 (in 2011 it was replaced by PORFI).

Reports on account balances and transactions between residents and non-residents (C, PPT, PPV):

- Report on account balances at domestic banks – PPV (until 31 December 2004).
- Report on account balances abroad – C (until 31 December 2006).
- Report on transactions through accounts at domestic banks – PPT (until 31 December 2008).
- Report on transactions through accounts abroad – C (until 31 December 2008).

All banks which conducted international payment transactions and all residents with open accounts abroad were obliged to report. The resident issuer/beneficiary of the payment was obliged to forward data on the type of transaction. From 2009 to March 2014 banks which conduct international payment transactions reported only transactions that exceeded threshold EUR 50.000. From April 2014 onwards banks report all payments without transaction codes. Data are used for quality control purposes only.

Accounting data of banks (KNB) until 2010.

Estimates and other sources:

- Estimate of labour income (SORS).
- Data on pensions paid to non-residents (ZPIZ).
- Survey on the write-downs of debt from trade in goods and services abroad.
- Estimates for exports and imports of travel - from 2005 onwards (detailed explanation under item Travel).
- Quarterly data on consumption of foreign embassies in Slovenia (SORS, from 2008 onwards).
- Migrants' transfers - outflows (bilateral data between countries, from 2008 onwards).
- Households' transfers (SORS, from 2008 onwards).
- Assets acquired directly by tenders and programs of EU (SORS, from 2008 onwards).
- Data on non-residents' investments in real-estate in Slovenia (GURS, from 2008 onwards).
- Data on purchases/sales of real-estate in Croatia (Croatian National Bank, from 2008 onwards).
- Data on direct investment of Slovene households in the form of real estate abroad (main data source Household Budget Survey, SORS).
- Data on purchases/sales of emission allowances between residents and non-residents (Slovenian Environment Agency, from 2008 until 2011. From 2012 onwards data is collected by BST monthly report).
- Data on loans of households borrowed from the banks abroad (Austria, Italy, Germany) are included from 2012 onwards. The source is ECB database (bilateral data).
- Data on illegal trade – import of drugs (SORS).
- Estimate of on-line purchases of goods (from 2010 onwards).

- Estimate of purchases of foreign currency and cheques from foreigners in exchange offices - part of the travel category–(until 2004).
- Estimate of expenditures on travel abroad including purchases of goods abroad (until 2004).
- Estimate of Italian pensions (IMAD, until the end of 1998).
- Estimate of transactions with foreign currencies and the deposits of Slovene households (until 2006).

2.2.2 Detail by accounting item

2.2.2.1 Goods

Data regarding general goods are obtained from the Statistical Office of the Republic of Slovenia (SORS). Since 1 May 2004, data are available from single administrative documents for trade in goods with non-EU countries and from Intrastat reports for trade with EU Member States.

Adjustments of CIF/FOB – data on import by CIF value are adjusted to FOB value with the help on the basis of a coefficient which is equal to the weighted average of coefficients between CIF and FOB values of the goods imported (in an available sample).

Coverage adjustments include data for goods exported and imported without customs declarations (the ITRS source until 2007, the reports of duty free shops and consignment warehouses until 2005, BST reports as source from 2008 onwards). Since 1 May 2004, coverage adjustments also include estimated data on imports of motor vehicles from EU by natural persons not covered by Intrastat System. Included are also estimates of fuel purchase in Slovenia by foreign carriers (from 2008 on) and estimates of import of drugs (source SORS).

Estimate of on-line purchases of goods is included from 2010 onwards. Net exports of goods under merchanting is defined as the purchase of goods by a resident (of the compiling economy) from a non-resident, combined with the subsequent resale of the same goods to another non-resident without the goods being present in the compiling economy. Net exports of goods under merchanting represent the difference between sales over purchases of goods for merchanting. This item includes merchants' margins, holding gains and losses, and changes in inventories of goods under merchanting.

For high-value capital goods such as, heavy machinery and other equipment, ownership changes are recorded at the time agreed between the parties (progressive change of ownership may occur).

2.2.2.2 Services

Direct reporting on monthly basis (BST report, described under § 2.2.1) is the main source for trade in services except travel. Before 2008 ITRS was in place.

Manufacturing services on physical inputs owned by others is estimated on the basis of general merchandise data (SORS). Detailed data can be split into data sent to manufacturing and brought back and data received for manufacturing and sent back. On this basis a service can be estimated.

Travel as a service covers goods and services for own use, or to give away, acquired from an economy by non-residents during visits to that economy.

Methodology for including travel data (since 2005 onwards):

Main data sources to estimate the export of travel are the following surveys and researches conducted by Statistical Office of the Republic of Slovenia (SORS):

- Survey on foreign tourists in summer season is used to define the structure of foreign tourists according to their primary aim of travel (business travel, health care, education, other) and expenditures of each type of foreign tourists; three-year survey).
- Survey on foreign travellers (to define the structure of travellers broken down by same-day travellers and transit travellers and their respective expenditures).
- Arrivals and over-night stays of foreign tourists broken down by countries of their residency (monthly survey).
- Number of border crossings (to define the population of foreigners entering Slovenia).

Based on data sources the following six categories of data are calculated and finally broken down by countries using data on mobile phone operators (Business travel, Health - related travel, Education, Other, Same-day travellers, Transit travellers)

Main data source to estimate the import of travel is SORS's survey TU_ČAP (Quarterly survey on travel of domestic citizens). The Survey provides the value of expenditures of domestic population travelling abroad (same-day trips and longer trips) and the amount spent for transportation to and from the foreign destination, which is then subtracted from total expenditures in order to avoid double counting (since it is already included in transport services). Based on TU_ČAP data source the following five categories of data are calculated and finally broken down by countries using data on mobile phone operators (Business travel, Health - related travel, Education, Other, Same-day travellers).

Financial services

FISIM data are calculated by SORS on quarterly basis. Adjustment for monthly basis and country breakdown is done at BS.

Government goods and services not included elsewhere: this is a residual category covering government transactions (including those of international organisations) in goods and services that it is not possible to classify under other items. Data for services are based on monthly BST reports from two ministries. Export of goods and services is estimated on the basis of quarterly data on consumption of foreign embassies in Slovenia (VAT data provided by SORS). Imports of goods and services are based on monthly BST report.

2.2.2.3 Primary income

Compensation of employees (Labour income):

Receipts: Since 2002, data from the Labour Force Survey (SORS) and Eurostat data have replaced ITRS and estimates as sources of labour income for the work of Slovene residents abroad.

Expenditures: ITRS is the source for labour income - expenditures until 2004. Data relating to 2005 onwards are provided by SORS on the basis of Labour Office register for the number of non-residents, who at the end of each quarter possess valid work permits and who actually worked in Slovenia less than one year and data by The Health Insurance Institute of Slovenia for non-residents, who at the end of each quarter do not need valid work permits and who actually worked in Slovenia less than one year. Data on daily migrant workers from Austria, Italy, Hungary and Croatia are also included. Since 2002, labour income (receipts and expenditures) is included according to the gross principle (including taxes and social contributions).

Income on equity securities is based on VRP and KDD reports since 2004 (described in § 2.2.1). Prior to this period ITRS was used.

Data source for **income on debt securities** since 2004 are reports on securities transactions (VRP reports) and KDD data. Accrual principle is used. Prior to this period ITRS was used.

Data for income on **debt securities liabilities** issued in Slovenia derive from KDD data.

Data for income on **debt securities liabilities** that are not issued in Slovenia are compiled on the basis of VRP reports, enriched with CSDB (data on coupon rates for those ISIN codes that exist in CSDB are used for calculating income, for all other securities the average coupon rate is used).

Data for income on **debt securities assets** are compiled on the basis of VRP reports, and enriched with CSDB data on coupon rates similar as described above.

Annual reports on capital investments (SN described in § 2.2.1) are the source for reinvested earnings. Data on **reinvested earnings** in the current year are estimated - a three-year monthly average of current data on total earnings, less extraordinary income (the source being annual reports on investments), is decreased by dividends and other profits, paid in the current month (the source being monthly reports on

investments from 1.1.2008 onwards, previously the source was ITRS). The estimate is replaced by actual data only when these data are available.

Data on disproportionately large exceptional payments of profits relative to the recent level of dividends and earnings (**super-dividends**) are excluded from income and included in direct investment as withdrawals of equity (from 2008 onwards).

Until 2004, the source for **income on other investments** was ITRS for the **banking sector**; the source was later changed to reports on monetary financial institutions (PORFI). Income is compiled by using interest rate data from monetary statistics and applying those rates to the principal.

Until 2006, the source on income from other investments for the **non-banking sector** was ITRS; since 2007, the source is KRD report.

From 2007 (beginning of Slovenia's membership in EMU) the investment income (in other investments) also includes the remuneration of **intra-Eurosystem technical claims**, introduced in March 2015.

2.2.2.4 Secondary income

The main data sources are the ITRS and estimates until 2007, from 2008 onwards the sources are BST reports, and from 2004 onwards, data on EU transfers of the government sector are obtained directly from the Ministry of Finance (budget data). Personal transfers - outflows and inflows (data provided by foreign central banks) and transfers of households (SORS survey) are included from 2008 onwards. Taxes on income and social contributions of employees derive from data on compensation of employees and calculations by BS.

2.2.2.5 Capital account

Capital transfers comprise capital taxes, investment grants, debt forgiveness and other capital transfers. The ITRS is the source of data until 2007. From 2008 onwards data are obtained from BST reports, but data on capital transfers between the Republic of Slovenia and the EU are from 2004 onwards obtained directly from the Ministry of Finance (budget data). Since 2002, the Bank of Slovenia also estimates the value of write-downs of debt from trade in goods and services abroad. From 2008 onwards, data on assets acquired directly by tenders and programs of EU (SORS, Annual survey on investment in tangible assets) are also included.

2.2.2.6 Direct investment

Payments of disproportionately high dividends or profit distributions have since 2008 been treated as withdrawals of equity, and not as dividend payments.

The figures for transactions in direct investment equity are compiled at market value, while the figures for the stock of investments are valued at book value in accordance with the equity method. Investments in listed joint-stock companies are an exception since 2007: the corresponding stock of investment is stated at market value. Data for debt instruments are stated at nominal value.

Debt instruments comprise assets and liabilities between affiliates and fellow enterprises, and include financial loans, trade credits, deposits, and other assets and liabilities. Debt instruments between affiliated financial intermediaries (between domestic and foreign S.122, S.123, S.124 and S.125 sectors) are not included in direct investment, they are included in 'other investment' functional category. Due to non-existence or statistical insignificance of data on debt securities between affiliated and fellow enterprises are not included in direct investment – they are included in 'portfolio investment' functional category.

FDI amounts do not include:

- The value of assets in respect of other successors in the territory of the former Socialist Federal Republic of Yugoslavia that are still subject to succession negotiations, seized assets in these territories, and other assets whose ownership was transferred from legal entities to the state during the privatisation process.
- The value of real estate in the rest of the world owned by households (primarily investments in Croatia) before 2007.
- The value of real estate in Slovenia owned by foreign residents (before 2008).

Additional data on direct investment are available in a special publication of the Bank of Slovenia "Direct Investment" on the [BS website](#).

2.2.2.7 Portfolio investment

Portfolio investment assets for debt securities are compiled on the basis of VRP reports, enriched with CSDB (on the level of ISIN the appropriate type of instrument and issuer sector is added). Since 2007 this item includes also assets of debt portfolio instruments held by Bank of Slovenia, which are no longer considered as international reserves, but as claims to euro area countries and claims in EUR currency to all other non-residents.

Portfolio investment liabilities for debt securities are compiled on the basis of KDD data; for securities issued in Slovenia or VRP data; for securities not issued in Slovenia (described in § 2.2.1). VRP data are further enriched with CSDB (type of instrument and issuer sector is added).

Equity securities are compiled on the basis of VRP and KDD since 2004 (described in § 2.2.1). Prior to this period ITRS was used.

2.2.2.8 Financial derivatives

From 2004 until 2006 these types of transactions are included in VRP and KDD sources. Since 2007 quarterly data on financial accounts statistics are source for financial derivatives for all sectors except the central bank. From 2009 onwards financial derivatives of Bank of Slovenia are included in financial derivatives item or reserve assets item (depending on the residency of the counterpart). For financial derivatives of banks from 2011 onwards the data source is PORFI.

2.2.2.9 Other investment

Net position of the Bank of Slovenia to the Eurosystem (net result of incoming and outgoing payments conducted in EUR currency through TARGET and STEP2 system) is also included in the item currency and deposits on the asset side (in case of positive balance) or liability side (in case of negative balance).

The i.i.p. includes data of the Bank for International Settlements (BIS) on deposits of domestic households at BIS Member State banks. Since 2001, an estimate of the stock of foreign currency held by households at home is also included. However, any further investments of foreign currencies (primarily investments in real estate abroad and foreign securities, without domestic brokers) are not excluded from this estimate, since data of this type are not available.

Currency and deposit transactions of households:

Until the adoption of Euro currency (1 January 2007) the foreign currency of residents is estimated based on the following formula:

+ deposited currency and cheques on foreign currency accounts of individuals - withdrawals of cash and cheques from foreign currency accounts of individuals + the estimated net purchase of foreign currency by residents + estimated expenditures for tourist travel abroad + estimated expenditures of tourist travel to the former Yugoslavia + the estimated purchase of goods abroad - estimated labour expenditures abroad - estimated Italian pensions (until the end of 1998) + net withdrawals from non-resident accounts in local currency + the change of deposit balances of residents on accounts at BIS Member State banks (before 2002).

Since March 2015 all euro area countries are bound to record transactions and positions of euro currency by non-residents in a new recording convention. For Slovenia this new convention is since 01.01.2007 (beginning of Slovenia's membership in European Monetary Union reflected in:

- The item of assets in currency and deposits of the central bank which includes Intra-Eurosystem technical claims, as the difference between the legal issuance of euro banknotes (BAK allocation - banknotes according to the capital key belonging to Slovenia) and amount of euro banknotes actually issued by the central bank.

- The item liabilities from cash and deposits of the central bank which includes net liabilities in respect of the export of cash, as the difference between the legal issuance of euro banknotes and the estimated total euro currency in circulation in Slovenia.

The value of banknotes and coins in circulation in Slovenia on January 1, 2007 (for euro changeover) was estimated taking account of the highest value of cash in circulation of the old currency Tolar 6 months before the euro introduction (i.e. before the circulation started to gradually decrease as citizens already began to deposit the old currency). This converted value using the official irrevocable exchange rate (1 EUR = 239.64 SIT) was supplemented by the estimated value of foreign cash (e.g. Deutsche mark) supposedly hoarded by Slovenian citizens at that time. For the period after euro introduction the value of cash in circulation in Slovenia was estimated by establishing a time series which took into account the initial estimated value of cash in circulation as at January 1, 2007 and the observed increase in circulation of the whole Eurosystem, reduced for the estimated amount of cash held (used, hoarded) by residents outside euro area. In 2014 the latter was estimated to be roughly around 30% of the overall Eurosystem value.

This system of recording banknotes, which relies on the estimate of the level of currency in circulation, is likely to add to errors and omissions because the estimate on the currency in circulation is very rough.

Since 2002, the category "Accounts Abroad of Other Sectors" also includes BIS data regarding deposits of domestic households in BIS Member State banks.

From 2001 onwards, **inter-company debt transactions between affiliated enterprises** (10% or more capital share) are not recorded as loans, but are recorded as direct investment – debt instruments transactions. Loans (including long-term trade credits) and related income have been calculated according to the accrual principle from 2002 onwards and according to the cash principle prior to 2002. From 2005 onwards claims/liabilities of **banking sector** regardless of capital affiliation to non-residents are included in this item (the direct investment relationships are not distinguished in the data source). Data on loans of households borrowed from the banks abroad (Austria, Italy, Germany) are included from 2012 onwards. The source is ECB database.

Insurance, pension schemes, and standardised guarantee schemes data source for b.o.p. and i.i.p. statistics are quarterly financial accounts. Monthly data are derived by dividing quarterly data equally within separate months within each quarter.

Until 2002, short-term trade credits were estimated based on the following calculation:

(export of goods - export payments) – (import of goods - import payments)

Since 2002, short-term commercial credits and advances are included based on SKV reports. Short-term trade credits between affiliated companies are included in direct investment.

2.2.2.10 Reserve Assets

Reserve assets and related income have been calculated according to the accrual principle from 2002 onwards and according to the cash principle prior to 2002. Data source is accounting department of BS. Data on securities are on ISIN code level. All instruments are valued at nominal value, except securities which are valued at market value.

Following Slovenia's entry to the euro area in 2007, claims to other residents of the euro area (denominated in Euros and in other currencies) and claims in Euros to euro area non-residents are not included in international reserve. From 2007 onwards, these transactions/positions are shown in the appropriate categories of the financial account sector of the Bank of Slovenia (portfolio investment and other investment) within the b.o.p. statistic or the appropriate instrument within the i.i.p. statistics.

More explanation is available in "The statistical treatment of the International monetary reserves by the entrance of Slovenia to the Euro area" on the [internet page](#).

2.2.2.11 Borderline cases

Investment fund shares are treated as portfolio investment.

2.2.2.12 Additional information

More information on Slovenian External Statistics data can be found on the [website of the BS](#).

2.3 Coherence and comparability

2.3.1 Internal consistency

Net errors and omissions are derived residually as net lending/net borrowing and can be derived from the financial account minus the same item derived from the current and capital accounts. No adjustment is done for errors and omissions.

2.3.2 Consistency with other statistical domains

B.o.p. statistics is in line with foreign trade statistics. The source for rest of the world account of national accounts is b.o.p. some adjustments are done at SORS.

2.3.2.1 Foreign trade statistics

Coverage adjustments made to trade data regarding merchanting, maintenance, repair, fuel, etc. is shown in b.o.p. separately and is in line with national accounts data.

2.3.2.2 National/sectoral accounts

B.o.p. data and national accounts data are thoroughly compared by national accounts compilers as all differences have to be explained.

2.3.2.3 Balance sheet information of the various financial sub-sectors

A single source is used for both BSI and b.o.p. and i.i.p., therefore no mayor differences can occur.

2.4 Accessibility and Clarity

2.4.1 Release calendar and revision policy

BS publishes an advanced [release calendar](#) covering all data categories in the IMF's SDDS.

2.4.2 Data availability

BS released the first data of b.o.p. and i.i.p. according to BPM6 methodology on 24 June 2014. Data were sent to ECB, IMF and Eurostat. First release - rapid reports are available on the [BS website](#).

Data according to BPM6 methodology and methodological notes are available from 1994 onwards in the [Bank of Slovenia's Monthly Bulletin](#) as well as [internet data](#).

2.4.2.1 Frequency of the b.o.p. and i.i.p. data compilation and publication

B.o.p. and gross external debt are compiled and published on a monthly basis, whereas i.i.p. has a quarterly frequency.

Revisions of b.o.p., the i.i.p. and gross external debt data occur as follows:

- Monthly data for b.o.p. and external debt relating to the month m are published with $m + 6$ weeks lag. At the same time all monthly data of the corresponding year are revised.

- Quarterly data for i.i.p. relating to the quarter q are published with $q + 10$ weeks lag. At the same time all quarterly data of the corresponding year are revised.

Back data revisions relating to years $(y-1)$ and $(y-2)$ occur in the second half or the current year (y) , in case of major methodological changes longer time series can be revised as well.

2.4.2.2 Seasonally adjusted data

Not performed.

Slovakia

1 Institutional environment

1.1 Professional Independence

The independence of National Bank of Slovakia (NBS) in exercising its powers is guaranteed in Article 12 (Relationship with the government) of the [National Bank of Slovakia Act, No. 566/1992](#), with subsequent amendments. It establishes the NBS's independence from state authorities, self-government bodies, any other public bodies and from legal entities and natural persons.

The independence of NBS, in its capacity as a member of the European System of Central Banks (ESCB), is further emphasized in Article 130 of the EU Treaty and Article 7 of the Statute of the ESCB and of the ECB, which stipulate that “when exercising the powers and carrying out the tasks and duties conferred upon them..., neither the ECB nor a national central bank nor any member of their decision making bodies shall seek or take instructions from Community institutions or bodies, from any government of a Member State or from any other body. The Community institutions and bodies and governments of the Member States undertake to respect this principle and not to seek to influence the members of the decision making bodies of the ECB or of the national central banks in the performance of their tasks”.

1.2 Mandate for data collection

The development, production and dissemination of statistics by the National Bank of Slovakia are governed by Article 5 of the Statute of the ESCB and of the ECB, as well as [Regulation \(EC\) No 2533/98](#); whereas the Statistical Office of the Slovak Republic are governed by the statistical principles laid down in article 2 of [Regulation \(EC\) No 223/2009](#). The National Bank of Slovakia as a member of the ESCB, conducts quality assurance and disseminates statistics in conformity with the principles of the ESCB's Public Commitment on European statistics by the ESCB.

The responsibility for collecting, processing and disseminating the Slovakia b.o.p. statistics is assigned to the NBS by the National Bank of Slovakia Act (Article 29). A General Agreement with the Statistical Office of the Slovak Republic (SOSR) was signed on cooperation in statistics; including b.o.p. statistics (data sharing and data exchange are specified in a Partial Agreement).

In addition, information used for b.o.p. statistics is collected on the basis of Act on Banks No. 483/2001 Digest of Laws, as amended and Foreign Exchange Act No. 202/1995 as amended.

2 Statistical processes

2.1 Methodological principles and national specificities

The b.o.p. and i.i.p. statistics follow the sixth edition of Balance of Payments and International Investment Position Manual (BPM6). Furthermore, specific compilation recommendations from relevant international bodies are observed. In particular, as specified in the [ECB Guideline \(ECB/2011/23](#) of 9 December 2011, as amended) and [Regulation \(EC\) No 184/2005](#) of the European Parliament and of the Council of 12 January 2005 (as amended), as well as the relevant guidance presented in chapters 2 and 3 of this book.

Data compiled for are available on NBS webpage (for [Balance of Payments](#), for [International Investment Position](#)) including back-data time series from 2004.

2.1.1 Residency

The general principles laid down in the BPM6 are applied. Special purpose entities (SPEs) with little or no physical presence are considered residents if incorporated in Slovakia. They are not combined with entities resident in other economies.

2.1.2 Institutional unit definition

The general principles on institutional units (centre of economic interest, decision-making autonomy, and complete set of accounts) are applied. Special Purpose Entities (SPEs) are statistically insignificant.

2.1.3 Geographical allocation

B.o.p. and i.i.p. data are presented according to immediate counterpart. For geographical allocation of inward Foreign Direct Investments (FDI) in directional presentation both immediate and ultimate investing country are collected.

2.1.4 Allocation to institutional sectors

NBS follows the BPM6 and ESA 2010 Sectoral presentation.

2.1.5 Valuation

Market prices are the basis for the valuation of transactions and positions. Nominal valuation is used for positions in non-negotiable instruments, namely loans, deposits

and other accounts receivable/payable. For direct investment positions listed equity stocks are valued at market prices and unlisted equity stocks are valued at own funds book value.

2.1.6 Time of recording

Recording of flows is basically on an accrual basis, i.e. at the time at which economic value is created, transformed, exchanged, transferred, or extinguished. The exception is primary income where dividend income on direct and portfolio investment is recorded on a settlement basis

2.1.7 Coverage gaps and room for improvement

Reporting gaps exist for the data on households assets held abroad. They can in some cases be estimated with some delays using mirror data from Bank for International Settlements.

Transactions with real estate are not covered.

2.1.8 Seasonal adjustment

Seasonal adjustments of data are not used.

2.2 Statistical procedures, sources and methods

2.2.1 Overview of data collection system

The collection of Slovak b.o.p. data is mainly based on direct reporting system.

a) Statistical statements and surveys:

- Monthly foreign trade statistics – national concept, provided by the SOSR.
- Quarterly statistical survey on external trade in services collected and compiled by the NBS.
- Monthly/Quarterly reports of the foreign assets and liabilities transactions/positions of the NBS, commercial banks and other financial institutions.
- Monthly report on other investments (loans, assets abroad and derivatives) provided by Debt and Liquidity Management Agency (ARDAL).

- Monthly and quarterly reports of foreign assets and liabilities transactions/stocks of non-bank entities.
- Monthly Security-by-security collection reporting system based on set of reports.
- Annual FDI statistical survey.

b) Administrative data sources:

- Supplementary information from Risk Management Department and Financial Management Department of the NBS.
- Information (both regular and on request) from SOSR and the Ministry of Finance.

c) Information from the media (newspapers, internet etc.).

d) The NBS's own calculations.

2.2.2 Detail by accounting item

2.2.2.1 Goods

The SOSR compiles the national data according to information on Intrastat (trade with EU countries) and Extrastat (trade with Non-EU countries). National/Community concept provides division of the item goods into general merchandise on a b.o.p. basis, net exports of goods under merchanting, and nonmonetary gold. Adjustments are made to convert c.i.f. imports to an f.o.b. basis.

2.2.2.2 Services

The NBS abolished ITRS system and shift to direct reporting system for services in 2013. Currently NBS obtains data from 2600 respondents on the base of the quarterly survey. The register on enterprises surveyed for Trade in Services is updated every year. No threshold is applied.

In this survey, respondents report services transactions according to the BPM6 classification, and full geographical breakdown are available.

Services categories according to the BPM6:

- Manufacturing services on physical inputs owned by others.
- Maintenance and repair.
- Transport.

- Other services – Construction, Insurance and Financial services, Charges for the use of intellectual property, Telecommunications, Computer and Information services, Other business services, Personal, cultural and recreational services and Government goods and services n.i.e.

The NBS calculates the CIF/FOB adjustment and allocates it between transport and insurance services.

The NBS collects also data on financial services provided by resident financial institutions including the calculation of margins charged for trading in securities and exports and imports of FISIM and data for Travel.

The quarterly calculation of exports and imports of FISIM takes into account a calculated external reference interest rate as a ratio of interest received and paid by domestic commercial banks vis-à-vis foreign banks related to relevant stocks of deposits and loans. The territorial allocation of exports and imports of FISIM reflects the geographical structure of the underlying assets/liabilities.

Travel: For travel data the main estimation on exports and import of travel are based on following survey and administration data:

- Monthly statement on cross-border card transactions (expenditure for travel credits, travel debits).
- Survey of travellers at accommodation establishments and tourist providers.
- Survey of tourist intermediaries (e.g. travel agencies).
- Household survey.
- Frontier surveys, questionnaires.

2.2.2.3 Primary income

Investment income is calculated on a monthly basis, mostly on an accruals basis. Compensations of employees are based on administrative data. For direct investment profits in the current reporting year are based on estimates until these estimates are replaced by annual survey results with a time lag of 21 months. Dividends are reported monthly, which allows for the calculation of monthly reinvested earnings. Portfolio investment income (on an accruals basis) is calculated from the monthly stock reports on a security-by-security basis with extensive usage of a CSDB securities database (mainly coupon for debt instruments) attributes, which includes all the relevant information. Debtor approach is used for calculation of accruals/incomes. Income on other investment is based on monthly reports, on an accrual basis. Since joining the euro area the remuneration of Intra-Eurosystem technical claims is included.

2.2.2.4 Secondary income

Transactions mainly reflect transfers to and from the European Union institutions directly obtained from Ministry of Finance, workers remittances and other private and government transfers. Data on some private transfers (workers' remittances) are based on administrative data and estimates.

2.2.2.5 Capital account

Capital transfers include receipts from the European Union institutions (a source of data from Ministry of Finance), transfers of government sector (debt forgiveness, development aid) and private sector. Sales and purchases of non-produced non-financial assets are included in the capital account. Data on private sector are based on administrative data.

2.2.2.6 Direct investment

In accordance with BPM6 and OECD Benchmark Definition of Foreign Direct Investment data comprise transactions in equity capital, reinvested earnings (REI), and debt instrument, including transactions between fellow enterprises. The 10% rule is strictly applied. Debt between selected affiliated financial corporations is excluded. Compilation of the REI is adjusted to follow the COPC principle, i.e. holding gains and losses are excluded. Definition of listed/unlisted shares arises from the methodology of the annual survey which defines selected types of share in connection to maturity of individual debt instruments. Unlisted shares are valued according to own fund book value method. Listed shares are shares traded either on Bratislava stock exchange or other foreign stock exchange where information are provided on regular basis by individual companies and compared to the available stocks exchange information.

Supplementary data sources comprise: information from Foreign affiliates statistics (FATS), information from annual statements of companies, companies register, commercial data sources, press and other.

Preliminary data on direct investment flows are published monthly and stock data derived from flows are published quarterly. The data is revised in T+21) months on the basis of an annual questionnaires on the stocks of cross-border assets and liabilities and published on the NBS website. Flows data as well as stocks data are presented on the basis of both on the asset/liabilities and directional principle and in a geographical and sectoral breakdown.

Ultimate control Parent (UCP) as well as SPEs information is collected in annual surveys and information is supplement with the information from internal FDI database, FATS statistics and other supplementary information.

2.2.2.7 Portfolio investment

Securities statistics are following the security-by-security principles. Granular data are collected within the set of reports from custodians (for liabilities and several clients' assets) and the end-investors (on asset side). For issues abroad, residual approach is used for calculations of non-resident holdings. ISIN code is used as a unique identifier of security, while number of attributes is drawn from Centralized securities database of ECB (CSDB). Flows are derived from monthly stocks. Large portion of portfolio assets is represented by Central Bank's holdings of EUR denominated debt securities, held as foreign exchange reserves before joining the euro area.

2.2.2.8 Financial derivatives

The data are derived from the external position statements of the banking sector (central bank and other MFIs) and non-banking entities reports. For the purposes of monetary authorities' derivatives statistics, either in derivatives functional category, or in reserves, monthly internal reporting (and close cooperation) with NBS treasury department is used for both, stocks and flows.

2.2.2.9 Other investment

The data are basically obtained from the general sources described in Section 2.2.1. Data are available monthly, while on quarterly basis also in more detailed geographical structure. All data are compiled in full instrument and sectoral breakdown.

The treatment of Euro Banknotes in b.o.p. and i.i.p. is according to the ECBs decisions and instructions. An estimation method is applied for calculating the exporting/importing of EUR Banknotes based on travel expenditure excluding the use of credit cards.

2.2.2.10 Reserve Assets

Data sources for compilation of reserves are provided by Risk Management Department of NBS. Government debt data are regularly used for purposes of International Reserves and Foreign currency liquidity Data Template.

Since January 1st 2002 monetary gold is valued monthly at market price. Securities are valued monthly at market prices. Accrued principle is used for a valuation of Reserve Assets' income.

2.2.2.11 Borderline cases

Holdings of investment funds shares larger than 10% are treated as portfolio investment.

2.2.2.12 Additional information

The main data sources and methodological documents are available at [NBS's website](#).

2.3 Coherence and comparability

2.3.1 Internal consistency

All b.o.p. components are analysed for internal consistency and consistency over time. Initial data are verified and corrected after achieving an agreement with respondents.

2.3.2 Consistency with other statistical domains

Data are reconciled with those obtained through other sources and statistical frameworks, namely foreign trade statistics and national and financial accounts.

2.3.2.1 Foreign trade statistics

B.o.p. and foreign trade statistics generally show discrepancies, due to different methodologies. In particular, certain monthly transactions not covered by foreign trade statistics are added to b.o.p. figures. Coverage adjustment made to trade data regarding merchanting, maintenance, repair, fuel, etc. is shown in b.o.p. separately and is in line with national account with illegal activities exception.

2.3.2.2 National/sectoral accounts

B.o.p. data and national accounts data are thoroughly compared. The comparability between both statistics is ensured by the application of common definitions (BPM6 and ESA2010).

2.3.2.3 Balance sheet information of the various financial sub-sectors

Data for b.o.p. and i.i.p. are regularly compared with BSI data to assure consistency.

2.4 Accessibility and Clarity

2.4.1 Release calendar and revision policy

The data are preliminary when first released. After obtaining the definitive trade balance data from the SOSR and final FDI data from annual enterprise survey, the data become final and are published.

2.4.2 Data availability

The data with the prescribed timeliness are first disseminated to the public by posting on the [NBS's website](#). Data are disseminated in millions of EUR on the current account in following structure: exports and imports of goods and services; primary income; secondary income and capital account. The Financial account shows assets and liabilities broken down by sector and instrument (direct investment, portfolio investment, financial derivatives, other investment and reserve assets), and errors and omissions.

2.4.2.1 Frequency of the b.o.p. and i.i.p. data compilation and publication

Monthly data for b.o.p. are available within 2 months after the end of the reference month while quarterly data for both b.o.p. and i.i.p. are available within 3 months after the end of reference quarter.

2.4.2.2 Seasonally adjusted data

Seasonal adjustments of data are not used.

Finland

1 Institutional environment

1.1 Professional Independence

According to the Statistics Finland Act, Section 2, it shall be the function of Statistics Finland to compile statistics and reports describing the conditions in society and to provide for the general development of official statistics in collaboration with other central government authorities.

The independence of Statistics Finland is laid down in the Statistics Act, Section 2. According to that section, statistical authorities and other authorities that compile statistics are professionally independent when performing tasks directly connected to developing, producing and disseminating statistics. These authorities shall operate independently, objectively, reliably and cost-efficiently, and ensure the protection of statistical confidentiality.

The Statistics Act is the general act for the National Statistical Service (NSS). The aim of the NSS is to produce official statistics of Finland (OFS). European law (especially the Regulation of the European Parliament and of the Council on European statistics (EC) No 223/2009) applies to a large portion of OFS.

The annual programme, the performance agreement, as well as the annual release calendar, are published on Statistics Finland's website. Statistics Finland's webpage contains descriptions about planning, monitoring and development, including a link to the release calendar.

- [The Statistics Finland Act](#)
- [The Statistics Act](#)
- [Official Statistics of Finland](#)
- [Annual program, Performance agreement and Release calendar of Statistics Finland](#)

1.2 Mandate for data collection

The development, production and dissemination of statistics by the Bank of Finland are governed by Article 5 of the Statute of the ESCB and of the ECB, as well as [Regulation \(EC\) No 2533/98](#); whereas the Statistics Finland are governed by the statistical principles laid down in article 2 of [Regulation \(EC\) No 223/2009](#). The Bank of Finland as a member of the ESCB, conducts quality assurance and disseminates

statistics in conformity with the principles of the ESCB's Public Commitment on European statistics by the ESCB.

Statistics Finland is responsible for the compilation of b.o.p. and i.i.p. statistics for Finland. The responsibility for the quality of b.o.p. statistics and for its submission to the ECB rests with the Bank of Finland. Agreements between Statistics Finland and the Bank of Finland on the transfer of production of b.o.p. and i.i.p. statistics to Statistics Finland and on cooperation in the production of b.o.p. and i.i.p. statistics were signed in 2013.

Statistics Finland's mandate to collect data, involving an obligation to provide data, is specified in the Statistics Act, Sections 14 and 15. Households and private persons cannot be compelled to provide data (except in their role of operating unincorporated business). Of further importance is the co-ordination in data collection with the Bank of Finland (BOF).

2 Statistical processes

2.1 Methodological principles and national specificities

B.o.p. and i.i.p. statistics are compiled in accordance with the standards set forth in the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6). Furthermore, specific compilation recommendations from relevant international bodies are observed. In particular, as specified in the [ECB Guideline \(ECB/2011/23](#) of 9 December 2011, as amended) and [Regulation \(EC\) No 184/2005](#) of the European Parliament and of the Council of 12 January 2005 (as amended), as well as the relevant guidance presented in chapters 2 and 3 of this book.

Finland is a small, open economy for which industrial exports are important. Forestry, chemical, metal and electronic products constitute a large proportion of total exports. The population of Finnish enterprises is exceptional. There are few very large enterprises, which have great significance in the Finnish economy. The relevance of SPEs is minor. The Finnish financial sector is integrated to the Nordic and Baltic financial institutions.

The time series of Finnish b.o.p. and i.i.p. statistics according to BPM6 are available from the reference period 2006Q1. There are plans to lengthen these series in the coming years. For a limited number of detailed breakdowns, it was not possible to recompile or estimate back data, so there may be some breaks (generally a detailed data series will not be available as far back as 2006).

The data is compiled on a BPM6 basis from the beginning of 2013. The data prior to that period is converted into a BPM6 basis from the data originally compiled on a BPM5 basis. A bridging table linking the data was used in the conversion.

2.1.1 Residency

The general principles laid down in the BPM6 are applied.

In principle, the Finnish b.o.p. records all resident – non-resident transactions. The compiled data covers the economic territory of Finland. The concepts of "residency" and "centre of economic interest" that are applied in the data collection forms are consistent with those of the BPM6.

Geographic coverage: The Åland Islands are part of Finnish territory.

2.1.2 Institutional unit definition

The general principles on institutional units (centre of economic interest, decision-making autonomy, and complete set of accounts) are applied. The statistical coverage of SPEs is in line with the conclusion of the Eurostat/ECB/OECD 2013 [Task Force on Head Offices, Holding Companies and SPEs](#).

2.1.3 Geographical allocation

As for geographical breakdowns, b.o.p. items are classified according to the country of the foreign counterparty (immediate counterpart or issuers' country in case of portfolio investment). The geographical zone of the ultimate counterpart is also collected in the annual survey for direct investment purposes. However, due to confidentiality reasons, country classifications for some items may not be published.

2.1.4 Allocation to institutional sectors

Classification and allocation to institutional sectors follow BPM6. The recommendations by the ECB presented in the Guideline of the European Central Bank (ECB/2004/15, amended by ECB/2007/3) are also followed.

The sector classification fulfils the needs of the SNA, and the b.o.p. and the rest of the world-account are consistent in this respect.

The national business register is the basis for allocating enterprises and units into institutional sectors.

2.1.5 Valuation

The main principle is to use market values. The data collection is mostly carried out by means of surveys designed for b.o.p. purposes, where respondents are instructed to report their transactions/positions using market values (where available).

In the monthly b.o.p.-survey carried out by Statistics Finland, the respondents are required to reconcile changes between the opening and closing positions (stocks) into transactions, exchange rate changes, and other valuation changes. Non-euro transactions are instructed to be converted into euros using the ECB's middle rate quoted on the transaction date.

Goods exports and imports are valued on f.o.b. and c.i.f. basis, respectively, in the merchandise trade statistics compiled by Finnish Customs. The import valuations are adjusted to f.o.b. basis for b.o.p. statistics using fixed freight and insurance factors.

In the i.i.p., direct investment equity stocks of listed direct investment enterprises are valued at market value (as from 2004), and of unlisted direct investment enterprises at own funds at book value.

2.1.6 Time of recording

In general, the Finnish b.o.p. data adopt the accruals basis for the time of recording. Data supplied by the respondents to b.o.p. surveys are typically based on business accounting (bookkeeping) records, and are considered to be close approximations to the accruals principle. If bookkeeping data are not readily available, estimates may be provided in some cases (e.g. services).

Regarding the recording of interest, respondents to the monthly and annual financial account surveys are requested to report interest on an accruals basis, with offsetting entries to be included in the relevant financial account items.

Intragroup dividends (direct investment) are also reported on an accruals basis. Data on results of enterprises are collected on an annual basis and reinvested earnings are the outcome of subtracting dividends out of the result. Portfolio investment dividends are reported on a cash basis, in other words as of the date they are paid to investors.

2.1.7 Coverage gaps and room for improvement

Due to the small size of the Finnish economy and the limited amount of enterprises answering the b.o.p. questionnaire, the proportion of confidential information in the Finnish b.o.p. statistical data is high.

Because of difficulties in obtaining reliable data sources, some transactions/positions are not covered. The amounts involved are, however, relatively minor.

Exceptions to coverage:

- Capital account: Migrants' transfers are not covered.
- Financial account: Transactions by the Finnish private household sector in foreign securities conducted directly with non-resident asset managers/custodians are missing from portfolio investment data (assets).

Similarly, loan/deposit transactions by the domestic household sector with non-resident banks are not covered in other investment.

2.1.8 Seasonal adjustment

Seasonal adjustment is not in use.

2.2 Statistical procedures, sources and methods

2.2.1 Overview of data collection system

The compilation of the current account in the b.o.p. statistics is based on the following sources:

- Goods: The Finnish Customs collects and compiles trade statistics. The extra EU trade data are acquired employing the customs declaration system and the intra EU data using the EU Intrastat statistical system. These data are available on a monthly frequency (the statistical system of the Finnish Customs is described in detail on the [website](#)).
- Other items in the current account: Statistics Finland collects travel, transport and other services data through various surveys. Travel and transport data are collected on a quarterly frequency with a range of surveys, and the other services annually and quarterly by a stratified sample survey. Moreover, when compiling various current account components, Statistics Finland makes use of official administrative records (e.g. Financial Supervisory data), as well as SNA expert estimates.

The compilation of the financial account in the b.o.p. statistics is based on the following surveys:

- Monthly b.o.p.-survey on foreign assets and liabilities. Statistics Finland and the Bank of Finland jointly collect data from non-financial corporations, financial and insurance corporations, municipalities, and the government on their foreign financial assets and liabilities. Non-group and intra-group items are reported.
- Annual b.o.p.-survey on foreign assets and liabilities. Statistics Finland and the Bank of Finland jointly collect data from non-financial corporations, financial and insurance corporations, municipalities and the government on their foreign financial assets and liabilities.
- The Bank of Finland's monthly survey by institutional sector on foreign security holdings and international securities' issues. Data is reported on a security-by-security basis.

- The Bank of Finland's monthly survey on custodians for the holdings of securities of their customers (data is reported on a security-by-security basis).
- The Bank of Finland's survey on Investment funds balance sheet collects data from investment funds on a monthly basis on balance sheets and subscriptions and redemptions of investment fund shares. Also private equity funds are covered.
- Monetary financial institutions data collection. The Bank of Finland collects balance sheet data monthly.
- The Bank of Finland only collects balance sheet data from banks and investment funds. The remaining information relevant for external statistics (transactions, exchange rate and price effects as well as investment income) is derived. The same approach is used in portfolio investment surveys collected on a security-by-security basis.

The foreign assets and liabilities surveys (1. and 2.) are cut-off census collections, where the largest respondents report monthly and most of the reporting population annually. Data for the small enterprises exempted from reporting are estimated on the basis of the balance sheet data acquired from the Tax Authority (available from the national business register). The whole reporting population for banks, money market funds and investment funds (5. and 6.) is covered (census). Concerning securities holdings (3. and 4.), surveys with cut-off samples are used.

2.2.2 Detail by accounting item

2.2.2.1 Goods

The Finnish Customs collects and compiles the foreign trade statistics (FTS) in c.i.f. prices. The freight and insurance outlays paid to non-residents included in the c.i.f. value of imports are transferred to transport and insurance services in the b.o.p. (f.o.b. price for goods).

Adjustments to global production are done. Illegal economic activities (smuggling) are estimated by national account experts and included in b.o.p. goods item. Some other items that are not included in FTS (for example e-commerce and the value of the fuel used by the vessels and aircrafts) are also included from national accounts or are subtracted from FTS data.

2.2.2.2 Services

The international trade in services inquiry collected by Statistics Finland is the main source for compilation of services. The ITS-inquiry describes Finnish enterprises' international sales and imports of services by service type and counterpart country. It

is carried out as a quarterly survey for large enterprises engaged in manufacturing and service activities. Smaller enterprises are requested to reply annually.

The main source for travel receipts was the border interview of foreign visitors in Finland until 2013. A new method, which is mainly based on hotel bookings and credit card data is currently being developed. For compilation of travel expenditure the primary source is the quarterly Finnish travel survey aimed at the resident population aged 15 to 82. The data are supplemented by travel volume indicators such as hotel bookings, package tours, passenger statistics of international sea and air traffic, as well as the Border Guard's data on EU border crossings.

Insurance service receipts and expenditure data are based on surveys to resident insurance enterprises selling insurance services in Finland. This survey is carried out by Financial Supervisory Authority. Financial services are collected through the ITS-inquiry.

FISIM are derived as the difference between interests accrued and interests at reference rate for each sector. The bank reporting that is used for FISIM is collected from all resident credit institutions by the Financial Supervisory Authority. Exports and imports of FISIM are allocated in proportion of country in stocks of corresponding loans / deposits for each resident sector. To calculate imports of FISIM, stock and flow data from i.i.p. are also used.

2.2.2.3 Primary income

Compensation of employees covers personal wages and fees. Receipts and expenditures in compensation of employees are estimated by Statistics Finland employing the tax information on wages paid abroad from Finland and on wages paid into Finland from abroad (employment period lasting six months or longer). The monthly and quarterly figures are estimated.

The EU subsidies for agriculture and taxes on production and imports are recorded in other primary income. The monthly and quarterly figures are estimated.

Investment income is based on the financial assets and liabilities in equity or in other instruments. Income is broken down by instrument similarly as in the financial account. It comprises earnings of direct investment equity, interest on direct investment, dividends and interest on portfolio investment and interest on other investment, as well as earnings of central bank's reserve assets. The data are broken down geographically according to the country of the foreign counterpart.

The data is collected in the same surveys as the financial stocks and flows (see 2.2.1). For direct investment and other investment, the respondents to the survey have to reconcile the stocks and flows and, in addition, attribute the income attributable for each instrument. In portfolio investment, the income on equity and debt is derived from holdings of securities using the debtor approach.

2.2.2.4 Secondary income

Secondary income covers items such as social contributions and benefits, nonlife insurance claims and current international cooperation. Membership subscriptions to international organisations not giving the right to an equity participation and development assistance are also included in secondary income. Worker's remittances are not adequately covered but a new method is under development.

Secondary income data are compiled using administrative and central government budgetary sources, various estimates and the insurance survey carried out by the Supervisory Authority.

2.2.2.5 Capital account

Capital account comprises ownership transfers of fixed assets and debt forgiveness. The public capital transfers mainly comprise investment grants. Debt forgiveness by the central government is recorded by the Ministry of Foreign Affairs.

2.2.2.6 Direct investment

Flows and stocks of inward and outward direct investment are compiled monthly on asset/liability basis. On an annual level, direct investments are recorded both on asset/liability basis and on directional principle basis.

The preliminary figures are based on the monthly survey of foreign assets and liabilities and on the data on international mergers and acquisitions which are not covered by the monthly surveys. In the preliminary data the monthly stocks are calculated by accumulating monthly flows, exchange rate and other valuation changes. Before the results of the annual surveys are available, reinvested earnings and exchange rate and other valuation changes in equity assets are estimated.

Special-purpose entities are not reported separately as the share of these type of units in Finland is not prominent. Fellow enterprise transactions and positions are fully covered. Cross-border transactions in real estate are estimated. Inter-company debt flows between related financial intermediaries are excluded. The aim is to use market values as much as possible. When companies are not listed, own funds at book values are used as approximation of market values. Classification between listed and unlisted shares is based on register data when the enterprise is Finnish and annually reported data when the enterprise is foreign.

2.2.2.7 Portfolio investment

The collection of portfolio investment data is part of the general reporting system (see Subsection 2.2.1), which is based almost entirely on end-investor surveys (directed at non-financial companies, financial institutions and general government)

and survey of custodians. These surveys are conducted by the Bank of Finland and Statistics Finland. The highly concentrated nature of the Finnish banking and securities markets implies that good quality data are available from a relatively small selection. Portfolio investment data is collected on a security-by-security basis and ECB's Centralised Securities Database is utilised in valuation and in making the necessary classifications. Only the stocks at the end of each period are collected. The flows (transactions, exchange rate and price effects, as well as investment income) are derived.

Statistics Finland applies the recommendations of the BPM6 for portfolio investment. Private placement bonds are classified as portfolio investment. Portfolio investment is broken down by the sector of the issuer (liabilities) and by end-investor (assets). Country breakdowns are available for portfolio investment assets, but not for such liabilities.

All instruments (both flows and stocks) are to be reported at market value (dirty price). Recording practices of debt securities take into account premiums/discounts on the issue price.

For most instruments the compilation of Finnish portfolio investment liabilities is based on a residual method where the domestic holdings of securities are deducted from total liabilities and the resulting residual is the amount of foreign holdings.

2.2.2.8 Financial derivatives

Statistics Finland follows the basic conceptual framework set in BPM6. The collection of financial derivatives data is based on monthly/annual surveys directed at non-financial companies, monetary financial institutions, general government and other financial institutions (incl. insurance companies) (see 2.2.1).

Data on derivative flows is collected on a gross basis. Stock data are also collected on a gross basis. Payments related to interest rate swaps and forward rate agreements are classified as transactions in financial derivatives and are not recorded in investment income flows. The valuation of stock positions for derivatives is based on market values.

The information collected for derivatives covers both exchange-traded and bilateral, OTC-type derivatives (e.g. options, warrants, subscription rights, futures, forward contracts, foreign exchange swaps and cross-currency interest-rate swaps). The respondents report only aggregated data on their derivatives transactions and stocks, and no breakdowns by instruments are provided. If considered necessary, special inquiries directed at the most important respondents are occasionally conducted to ascertain the breakdown of their derivatives by instrument.

As for margin payments, respondents have been instructed to report all non-repayable margin payments as derivatives transactions (to be included in net payments), if these can be distinguished. All repayable margin payments (including initial margins and option-style variation margins) and collateral deposits are

reported as transactions in deposits. If repayable and non-repayable margin payments cannot be separated by the respondent, they will most likely be reported as transactions in deposits.

There are no deviations from agreed definitions at conceptual level, because the survey instructions for respondents are based on these definitions. In practice, however, it may not always be possible for respondents to follow the instructions fully. For example, in the case of delivery of the underlying instrument in a contract, some respondents find it very difficult to report the difference between the contract (or strike) price and the prevailing market price as a transaction in derivatives.

2.2.2.9 Other investment

Statistics Finland applies the recommendations of BPM6. Data are obtained from monthly and annual surveys on foreign assets and liabilities conducted by Statistics Finland and the Bank of Finland. The monthly respondents report data on stocks, flows, exchange rate changes and other valuation changes during the reporting period. Annual respondents only report stock data and the flows are derived. The Bank of Finland only collects balance sheet data from banks and investment funds.

Other equities include equity investments, which are not classified as direct investments or reserve assets. Loans include promissory note loans (incl. private placements), financial leasing and repurchase agreements. Trade credits include import-related supplier credits, export advances, import advances and export claims. Credit accounts of companies are classified under other assets and liabilities, except for inter-company accounts, which are classified under direct investment. Short-term claims and liabilities between affiliated enterprises are also recorded under direct investment.

Estimation on imports and exports of EUR banknotes is done in Statistics Finland based on the European Central Bank's capital key share for Finland and expert estimation.

2.2.2.10 Reserve Assets

Reserve asset stocks are based on the records of the Bank of Finland. Flows are derived from the reported balance sheet data and securities are valued at market price.

2.2.2.11 Borderline cases

Collective investment funds can be direct investors but not direct investment enterprises. Open-ended funds are excluded from foreign direct investments and are always recorded as portfolio investment.

2.2.2.12 Additional information

Link to publication: http://tilastokeskus.fi/til/mata/index_en.html

Links to data collection:

- http://tilastokeskus.fi/keruu/bopm/index_en.html
- http://tilastokeskus.fi/keruu/bopa/index_en.html
- <http://www.suomenpankki.fi/en/tilastot/raportointiohjeet/Pages/default.aspx>

2.3 Coherence and comparability

2.3.1 Internal consistency

The reconciliation between flows and stocks is ensured in all phases of the compilation process. All main sources of data include full reconciliation between stocks and flows. The stock/flow reconciliation is published regularly.

The compilation of b.o.p. statistics is based on monthly frequency and all other frequencies are aggregated sets of the same data. Therefore, the consistency between frequencies is automatically ensured. In the published data sets there may be some time periods when different data sets are not consistent due to the revision policy.

The errors and omissions item in Finland's b.o.p. was large and very volatile in 2009 and 2012 to 2013. The sign of net errors and omissions tends to be negative. Factors behind errors and omissions have been studied and some data have been improved as a result. No adjustment method is used for absorbing the errors and omissions item.

2.3.2 Consistency with other statistical domains

B.o.p. data can be related with some of the data published by other statistical domains, namely, foreign trade statistics, national accounts and balance sheet information of the financial sub-sectors.

2.3.2.1 Foreign trade statistics

B.o.p. and foreign trade statistics generally show discrepancies, due to different methodologies. In particular, certain monthly transactions not covered by foreign trade statistics are added to b.o.p. figures, namely:

- Merchanting.

- Cross-border e-commerce on goods.
- Illegal activities.
- Goods procured in ports.

Finnish Customs is responsible for collecting and publishing data related to trade in goods. These data serve as input for the compilation of the b.o.p. goods item. Some adjustments (e.g. cif/fob adjustment, e-commerce, global production) for the trade in goods data are required in order to properly derive the goods account in b.o.p. methodology. The adjustments serve both b.o.p. and national accounts compilation.

2.3.2.2 National/sectoral accounts

The comparability between b.o.p. and national accounts is ensured by the application of common definitions (BPM6 and ESA2010).

Concerning the practical consistency with national accounts, there are efforts going on to reduce the discrepancies between the two statistical domains. B.o.p. has been compiled at Statistics Finland since the beginning of 2014. Statistics Finland has set up a project that has the objective to integrate the compilation of b.o.p. and NA statistics, and as a result the discrepancies should vanish. Currently, there are still some discrepancies that are mostly due to different revision policies and slightly different source data.

2.3.2.3 Balance sheet information of the various financial sub-sectors

Consistency with BSI, IF and SHS statistics is ensured by the fact that these statistics serve as input data for b.o.p. compilation. Some small differences still remain due to methodological differences.

2.4 Accessibility and Clarity

2.4.1 Release calendar and revision policy

Statistics Finland's [release calendar](#).

Revision practice follows the schedule adopted by the ECB and Eurostat. Accordingly, when publishing data of the latest month, the data of the preceding month are revised. The quarterly data are available in three months, i.e. data for the first quarter of the year are published at the end of June. The monthly and quarterly data are consistent in time series and revised in a consistent manner. When publishing a new quarter, the preceding quarter data are revised.

The annual data collected for foreign direct investments and foreign trade in services are available in early autumn of the following year in accordance with the dissemination and revision practices agreed upon by the ECB and Eurostat. The most comprehensive revisions are always carried out at the end of March when the data of the current, the preceding and the year before that are revised; and at the end of September, when the data of the current and the preceding year, as well as two years before are revised.

The data are considered final 2.5 years after the end of the reference year and are thereafter not routinely revised.

2.4.2 Data availability

2.4.2.1 Frequency of the b.o.p. and i.i.p. data compilation and publication

The Finnish b.o.p. statistics are published on monthly, quarterly and annual basis by Statistics Finland. The current time series starts in 2006.

[Link to publication](#)

2.4.2.2 Seasonally adjusted data

Seasonal adjustment is not in use.

Sweden

1 Institutional environment

1.1 Professional Independence

The independence of Statistics Sweden, from political and other external interference in collecting, producing and disseminating official statistics is guaranteed by law. The annual statistical work programme of Statistics Sweden is found on the [website](#).

The Constitution Act Chapter 9, Art. 12 establishes that the Riksbank is an independent Central bank under the Riksdag. The independence of the Riksbank, in its capacity as a member of the ESCB, is further emphasised in Article 130 of the EU Treaty and Article 7 of the Statute of the ESCB and of the ECB.

1.2 Mandate for data collection

The development, production and dissemination of statistics by the Sveriges Riksbank are governed by Article 5 of the Statute of the ESCB and of the ECB, as well as [Regulation \(EC\) No 2533/98](#); whereas the Statistics Sweden are governed by the statistical principles laid down in article 2 of [Regulation \(EC\) No 223/2009](#). The Sveriges Riksbank as a member of the ESCB, conducts quality assurance and disseminates statistics in conformity with the principles of the ESCB's Public Commitment on European statistics by the ESCB.

The responsibility for collecting, processing, and disseminating the Swedish b.o.p. statistics is assigned to Statistics Sweden (SCB) on behalf of Sveriges Riksbank. This agreement dates back to 2007.

The responsibility of Statistics Sweden regarding the compilation of the b.o.p. and i.i.p. is established in article 6, 9§ (1988:1385) of Sveriges Riksbank and RBFS 2002:4 (Riksbank regulation). Data is classified as confidential on the basis of Article 24, 8§ Public Access to Information and Secrecy Act (2009:400) and use of such data is restricted to only statistical purposes.

In 2015 (13/4) Sveriges Riksbank and Statistics Sweden signed an agreement on cooperation on statistics that aims to "create a framework for a long-term and trusting collaboration".

2 Statistical processes

2.1 Methodological principles and national specificities

B.o.p. and i.i.p. statistics are compiled in accordance with the standards set forth in the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6). Furthermore, specific compilation recommendations from relevant international bodies are observed. In particular, as specified in the [ECB Guideline \(ECB/2011/23](#) of 9 December 2011, as amended) and [Regulation \(EC\) No 184/2005](#) of the European Parliament and of the Council of 12 January 2005 (as amended), as well as the relevant guidance presented in chapters 2 and 3 of this book.

The Swedish economy is characterised by export-oriented industries, large multinational corporations and a large banking system. These characteristics affect the b.o.p. in several ways.

Total exports make up a large part of GDP (44 percent in 2014) and the most important industries for external trade are automotive, telecommunications, paper and pharmaceuticals. Sweden's positive net trade in goods was for many years the main explanation for the current account surplus. During the past ten years there has been a gradual shift towards a surplus mainly explained by a growing net trade in services, a sizable and increasing Merchants item and a significant investment income. During the same period the net trade in goods has decreased, mainly due to declining exports within the automotive and telecommunications industries.

The structure of Sweden's multinational corporations, with production and sales abroad, give rise to the large and increasing amount of merchanting. In 2014 merchanting constituted one third of the current account surplus. The activities of the multinational corporations are also reflected in the fact that Sweden is a net exporter of foreign direct investment and has a positive investment income balance.

The Swedish banking system is large relative to GDP. The banks' assets amount to nearly four times GDP. The major Swedish banks are dependent on external funding in foreign currency, which affect both b.o.p. financial account and i.i.p. In the Swedish i.i.p. in 2014, the monetary financial institutions' liabilities in debt securities constituted around 70 per cent of the total Swedish liability of debt securities and about 25 percent of the total foreign investment in Sweden.

B.o.p. statistics are available from 1950 while i.i.p. is available from 1997. The bridging between BPM5 and BPM6 was made according to a national developed conversion key and all data was converted on "the lowest level", i.e. every item and micro data was converted successfully to BPM6 standards. Information on micro data is available from end 1997. Periods prior 1997 have been converted on a higher level and data are available from 1950 and onwards but with much less details.

New items in BPM6 were introduced with starting reference period January 2013. For example, the collection on Direct Investments was adjusted to meet new

requirements and new models such as Financial Intermediation Services Indirectly Measured (FISIM) and Margin on trade in debt securities was implemented. No back data was estimated regarding these new items.

2.1.1 Residency

The general principles laid down in the BPM6 are applied.

The largest domestic Special Purpose Entities (SPEs) are identified and included both in total flows and total stock data. Data on domestic SPEs is also reported separately to Eurostat and OECD according to their reporting requirements for Foreign Direct Investment (FDI). No offshore centres or territories are excluded from Sweden's data on direct investments. At this point, only the largest SPEs has been manually identified, starting with reference year 2013. A more automatic process for identification of potential SPEs would be desirable to implement. No SPEs outside Sweden are identified within the Framework for Direct Investment Relationships (FDIR).

2.1.2 Institutional unit definition

The general principles on institutional units (centre of economic interest, decision-making autonomy, and complete set of accounts) are applied. The statistical coverage of domestic SPEs is in line with the conclusion of the Eurostat/ECB/OECD 2013 Task Force on Head Offices, Holding Companies and SPEs. In cases of domestic ownership chains of multiple domestic SPEs the instructions for SPEs in the OECD Benchmark Definition of Foreign Direct Investment, fourth edition (BMD4) are applied.

2.1.3 Geographical allocation

Some of the estimations are not broken down by country but by intra-/extra euro area. Ultimate hosting country in direct investment is on the research agenda.

2.1.4 Allocation to institutional sectors

Reporting gaps exist for households where resident individuals have assets in direct investments abroad or assets that are undertaken with banks abroad.

2.1.5 Valuation

Transactions should be reported at the transaction date, i.e., when the Swedish parties record in their own books. This means e.g. that interest is recognised on an accrual basis. Market prices are the basis for the valuation of transactions and

positions and the exchange rates should be converted to the transaction date rate. Transactions in Other Investments (Monetary financial institutions - MFIs) and Direct Investment loans are derived from stocks excluding exchange rates and other effects.

Nominal valuation is used for positions in non-negotiable instruments, namely loans, deposits and other accounts receivable/payable. Direct investment equity and debt positions are valued at own funds at book value (OFBV), with the inclusion of accrued interest for debt positions. A model for estimating direct investment positions at market value is also used in a complimentary i.i.p. dataset that is published nationally. The market valuation according to this model is only done for total inward and outward FDI.

2.1.6 Time of recording

Interest income is recorded on an accrual basis.

2.1.7 Coverage gaps and room for improvement

Travel includes e-commerce of goods with EU countries and to some level also transport services.

The Swedish merchanting figures are somewhat overestimated in relation to the general merchandise figures. According to BPM6, goods shall be treated as general merchandise if the goods are processed substantial on the merchant's own account but we are not able to make this differentiation.

If goods are sent abroad for processing and after that sold abroad we are not able catch the margin between final prices and total costs. Consequently the export value is too low.

Data collection or estimation model are missing on insurance technical reserves.

Statistics on holdings security by security are not yet implemented and therefore we miss portfolio investment data on counterpart sector and revaluations. Also information on listed/non listed securities is missing. Reporting gaps exist also for the portfolio positions and transactions of resident individuals that are undertaken (held in custody) with banks abroad.

2.1.8 Seasonal adjustment

Seasonal adjustment model X-12-ARIMA, recommended by Eurostat is applied.

2.2 Statistical procedures, sources and methods

2.2.1 Overview of data collection system

The Swedish data collection system can be classified as a Direct Reporting System. Primarily, the compilation of Sweden's b.o.p. is based on direct reporting by resident financial and non-financial enterprises, and public authorities. Data is collected on a monthly basis except in some cases where data are only available on a quarterly basis or being estimated by models. There are several models for estimating flows, mainly for income but also other investments, insurance and financial services. Direct investment debt flows are derived from positions.

Other sources such as financial market statistics and balance statistics covering non-financial enterprises is being used as input to other investments and financial derivatives. Parts of portfolio investment transactions are estimated from positions security by security in the Swedish part of the Centralised Securities Database (CSDB).

The monthly collection, are complemented by other sources, such as: (1) monthly foreign trade statistics for merchandise data; (2) Sveriges Riksbank accounts for the reserve assets; (3) survey data on credit card companies for the travel item; (4) annual balance sheet data of direct investment enterprises for direct investment stock data and the corresponding reinvested earnings; (5) annual coordinated portfolio investment survey on securities holdings for portfolio investment and subsequently derived income and transactions data (6) administrative data.

Quarterly and annual b.o.p. data are derived by aggregating monthly data. Generally, the underlying concepts, definitions, and classifications are therefore identical across series of differing periodicity.

Sweden's i.i.p. is compiled mainly on the basis of data collected for i.i.p. purposes. The main data sources are:

- The monthly stock statistics on the external assets and liabilities of domestic banks and of other domestic enterprises, households and general government arising from financial operations and trade credits.
- The quarterly stock statistics of domestic investment funds. Swedish shares are based on half-yearly shareholding statistics.
- Monthly debt securities deposits statistics for assets and liabilities of portfolio investment positions. The annual Coordinated Portfolio Investment Survey (CPIS) is used as input regarding the annual i.i.p.
- The annual survey on direct investment positions, which are used for compiling foreign direct investment stocks.
- Reserve assets taken from the Accounting Division and the Payments System Division of the Sveriges Riksbank.

- Accumulation of b.o.p. transactions in cases where no data source for stocks on a quarterly basis are available (e.g. portfolio investment liabilities positions).

These sources allow for a detailed sectorial classification.

In the case of portfolio investment Swedish shares positions are only available semi-annually. Therefore, quarterly positions are compiled on the basis of cumulated stocks. Furthermore, these positions are subject to market and exchange rate valuation at the reference date.

In the case of direct investment positions, quarter 1-3, are based on estimations.

I.i.p. estimations are broken down into intra-/ extra EU whilst collected data on a country-by-country basis and then aggregated to regional groups (e.g. extra-European Monetary Union). More detailed geographical breakdown data are available on a yearly basis when surveys regarding Coordinated Direct Investment Survey (CDIS) and CPIS are completed.

2.2.2 Detail by accounting item

2.2.2.1 Goods

Statistics Sweden compiles monthly merchandise trade data broken down by country and commodity from extra-EU data collected by customs and intra-EU data collected by Statistics Sweden. As from 2015 a survey of approximately 11,000 intra-EU traders - accounting for 93% of the total intra-EU imports and 97% of total intra-EU exports is carried out on a monthly basis in order to fulfil the timeliness requirements for the reporting of international trade data. Weighted non-response is about 2% for intra-EU import and 3% for intra-EU export. Non-response rate is expected to be zero in the extra EU-trade.

Imports are classified according to the country of consignment and exports according to the country of last known destination.

For extra-EU trade, imports are classified according to the country of consignment and exports according to the country of final destination. For intra-EU trade, imports are classified according to the EU Member State of consignment and exports according to the EU Member State of destination.

In order to follow international recommendations, the valuation of imports is converted from a Cost, Insurance and Freight (c.i.f.) basis to a Free on Board (f.o.b.) basis. At present, the c.i.f. component of merchandise trade is only estimated for sea freight. Current development project 2015 will lead to a new data collection and new model for estimating c.i.f./f.o.b.

Merchandising is collected in the trade in the survey on services. Also import of goods procured in ports is collected in the survey on services. Exports are however collected in a monthly survey that focuses on statistics on fuel.

The figure on Manufacturing services on physical inputs owned by others that is collected in the survey on services is deducted from the b.o.p. goods account. No adjustment to avoid double counting is made for durable goods and valuables that may be included also in the travel item.

2.2.2.2 Services

Statistics Sweden conducts a quarterly sample survey on services and transfers. As from 2012 the survey covers 5,900 companies, 60 governmental agencies, 150 non-profit organizations and 60 municipalities and counties. The respondents are stratified by economic activity, size and likelihood of trade. Geographical breakdown of services and transfers is mandatory for all respondents.

The sample is drawn from a population frame consisting of information from several different sources and is updated on a yearly basis. The VAT Register provides information on exports and imports of services. Foreign trade in goods statistics is another important source since all companies reporting to Intrastat and/or Extrastat are included in the population frame. Unweighted non-response rate is about 20% at the time for the first publication.

Within the sample survey of services, there is monthly and quarterly reporting for travel services. The use of Swedish credit cards abroad and of foreign credit cards in Sweden is reported by credit card companies. Sales and purchases of banknotes and traveller's cheques are reported by banks and other companies that trade in currencies with the general public. The travel item also includes e-commerce which is not possible to separate.

Specific areas with special treatment or estimated in model not covered in this survey are mentioned below.

Financial services

Financial services such as financial counselling and management services are collected via the quarterly survey on services. Brokers' margin on trade in funds and shares as well as debt securities is estimated by models that basically use a percentage share that represents the margin which is applied on the gross transactions.

FISIM

The value of FISIM is based on a monthly calculation relating the references rates to actual interest reported by the MFIs. Interest figures regarding non-financial sector is collected on a quarterly basis and FISIM is therefore only estimated quarterly.

Government services

Information on national authorities' cross border transactions is collected on a quarterly basis. Foreign delegations' transactions in Sweden are estimated in a model that is based on Sweden's expenditures abroad.

Construction Services

Figures on construction services are collected in the quarterly survey on services. There are difficulties in aligning the b.o.p. guidelines regarding construction services with those for foreign trade statistics. The item construction services is not recorded as a whole since trade in goods includes all cross border related goods.

Air transport

Air transport is a part of the quarterly survey on services. Furthermore, another survey is addressed to a large player on the market, that is co-owned by the Swedish Government and two other Nordic countries.

Sea transport

Model based on projection of historical data. Current development project 2015 will lead to a new data collection and new model for estimating CIF/FOB.

2.2.2.3 Primary income

Income on direct Investment

This component includes all income on assets and liabilities between parties in a direct investment relationship and is broken down according to:

- Dividends payable.
- Interest.
- Reinvested earnings.

Reinvested earnings are calculated as the difference between total profit (consolidated data according to the current operating performance concept) and dividends. While dividends are reported when payable, reinvested profits are allocated to the year in which the profit was earned and distributed evenly over the months. Interest has been reported on an accruals basis since October 1997. The main sources of data on direct investment interest are monthly surveys from major players and an annual survey of profits of direct investment companies. Since total profits on direct investment income, and consequently reinvested earnings, are calculated with a considerable time-lag, forecasts have to be made.

The consolidation of total profit covers indirect ownership links of more than 10% and data are allocated to the immediate affiliate or parent company. Dividends from exceptional capital gains are reclassified and recorded as divestment in the financial account.

Income on Portfolio investment

On the basis of monthly stock data, estimates are made for dividends and for income from debt securities issued by residents as well as non-residents.

The estimation methods used are based largely on market valuation principles. By contrast, interest income from domestic debt securities denominated in Swedish krona is estimated on the basis of stocks at nominal value and the interest rates prevailing at the time of the issue. For the greater part of the income item (i.e. for both equity and debt securities), estimates (calculations) are used. Specifically, the estimates of dividends now also cover reinvested dividends of mutual funds. All dividends of funds are considered to be reinvested and thereby also reflected in the financial account.

In line with the BPM6, income on debt securities is calculated on an accruals basis. The estimations of accrued interest are made on the basis of detailed information from indices. Income on Swedish debt securities is measured and estimated according to the debtor approach. The income on foreign debt securities is measured and estimated according to the creditor approach.

Income in other investments

As from 2003, data on income on other investment are entirely based on monthly cut-off surveys for the government and financial sectors, in combination with a quarterly sample survey for non-financial companies.

Compensation of employees

A new model for estimating compensation of employees was introduced in 2014. These new estimates are based on detailed information from income statements for individuals. By using tax data, income statements for individuals, combined with population registers, micro data on cross-border commuting as well as the flows of wages and salaries earned by non-residents estimates have been produced. To a large extent the cross-border compensation of employees comes from commuters between Sweden, Norway and Denmark. The largest commuting flows run in direction from Sweden to the other two countries. Therefore, cross-border commuting data has been used to calculate wages and salaries earned by Swedish residents in Norway and Denmark. Salaries earned by Swedish residents in other countries are estimated using statistics from Eurostat and the Swedish Labour Force Survey.

2.2.2.4 Secondary income

Data on current transfers are based on the quarterly survey on services (see Section 2.2.2.2 on services). Information on government transfers are reported by Swedish National Financial Management Authority on a quarterly basis.

2.2.2.5 Capital account

Data on the capital account are primarily compiled from the survey on services (see section 2.2.2.2). Within the scope of the survey, quarterly data are collected on aid to developing countries and contributions from the EU. Some of the information on capital transfers is reported by Swedish National Financial Management Authority on a quarterly basis.

2.2.2.6 Direct investment

Data on direct investment flows are estimated from stocks which come from two different sources:

- Monthly cut-off surveys on loans, which cover all FDI from respondents with considerable stocks. The selection of respondents is based mainly on the annual sample survey, Coordinated Direct Investment Survey. All the largest players, including all banks and insurance companies, are covered.
- Information on equity stocks and income is obtained from an annual sample survey, CDIS. The samples are based on companies groups and amount to 1525 groups. The samples are stratified by size and investments in Sweden and investments abroad respectively are treated differently in separate surveys. Classification by size is based on simulated direct investment assets computed as the most recent survey data for the direct investment asset plus the accumulated net flow up to the measurement date. The grossing up factor used is known population related to achieved sample for each strata. Total response rate amounts to above 90 percent.

The current method of calculating reinvested earnings has remained essentially unchanged even after the implementation of BPM6.

Data covers debt positions but not equity positions between fellow enterprises. Debt transactions and positions between related financial intermediaries are excluded from FDI.

2.2.2.7 Portfolio investment

Data relating to the portfolio investment account are based almost entirely on monthly surveys.

- Banks and brokers report aggregated transactions in which they have acted as intermediaries on behalf of customers and for themselves.
- Major players report aggregated direct transactions with customers abroad, i.e. transactions executed without the intermediation of Swedish banks and brokers, aggregated transactions in securities issued abroad by the major players

themselves, and information on repo transactions. The information on repos is used to adjust the stocks reported by the custodians.

- Custodians report monthly information on stocks and redemptions.

Stock data on Swedish debt securities denominated in SEK is based on collection from custodians that reports foreign investors' holdings. Swedish debt securities denominated in foreign currencies are on the other hand collected and compiled based on a different method. Financial actors and major players report their issues on the international market. The corresponding information on Monetary financial Intermediaries is obtained with information from securities statistics, national CSDB.

Stock data on holdings in foreign shares, funds and debt securities are also collected semi-annually in the Coordinated Portfolio Investment Survey, CPIS. The results from this survey are imputed in the i.i.p. quarter 2 and 4. The source for quarter 1 and 3 is the regular monthly collection that also functions as forecasts quarter 2 and 4 until the CPIS survey is completed.

2.2.2.8 Financial derivatives

The data are collected via monthly surveys of MFIs and other major players, among them the Swedish clearing house Nasdaq OMX and social security funds. The survey of financial actors on the market covers all players and amount to approximately 50. As from January 1999 a full geographical breakdown based on the country of the counterpart has been included. As from 2003, Statistics Sweden collects data on financial derivatives from non-financial enterprises on a quarterly basis. The survey, which collects not only financial cross-border data but also domestic, is addressed to approximately 2500 companies the first quarter every year. Quarters 2-4 addresses only large companies with assets or liabilities above a certain threshold of 5.3 SEK millions, which amount to approximately 400. The corporations below the threshold are estimated. The transaction and stock data are collected broken down by: (i) instrument type: options, forwards, futures, swaps and also employee stock options; (ii) the realised value of derivative contracts redeemed/matured; and (iii) net flows of other changes.

The data on financial derivatives are collected in a highly aggregated form. Detailed information on breakdown by instrument has been collected since 2010.

The data are collected and recorded on a gross basis according to the recommendations of the BPM6, i.e. net of all derivative instruments which indicate a realised profit for the reporting agent are reported as credits. Accordingly, all instruments which indicate realised losses are reported as debits.

2.2.2.9 Other investment

Data on other investment flows, stocks and income is being collected from three different sources: money and banking statistics for MFIs and monthly cut-off surveys

of other major players in the financial sector; the corresponding data for non-financial enterprises is collected on a quarterly basis in the same survey as financial derivatives, see 2.2.2.8. Data on trade credits are also collected on a quarterly basis in a separate survey that addresses approximately 580 companies. Information on trade credits regarding the public sector is reported by the Swedish National Financial Management Authority.

Stocks of other investment for the MFI sector are extracted from the money and banking statistics. Transactions, adjusted for exchange rate effects, are calculated from the balance sheet items. Both stocks and transactions are broken down by country using the money and banking statistics. Income on other investment for the MFI sector is collected through monthly cut-off surveys.

Information on SDRs is reported by Sveriges Riksbank within the survey of reserve assets. Pension and insurance are collected in the quarterly survey on services, see section 2.2.2.2.

2.2.2.10 Reserve Assets

Data on reserve assets are reported by Sveriges Riksbank using the accounting records. Income is recorded on an accruals basis.

2.2.2.11 Borderline cases

No special treatment. Identification of holdings of investment funds shares larger than 10% is not possible.

2.2.2.12 Additional information

Document "Sources and methods" are available on the [website](#) (only in Swedish).

2.3 Coherence and comparability

2.3.1 Internal consistency

Consistency between the frequencies is ensured by the revision of monthly data whenever quarterly data are produced/ revised, and the revision of monthly and quarterly data whenever annual data are produced.

Consistent time series are made available to the users as far backwards as possible, partly dating back to 1950. Breaks in the time series have occurred, in some instances, when changes in source data, methodology, or statistical techniques could not be reconstructed backwards due to the lack of data. This is the case, for

example, for a number of detailed breakdowns that have been implemented with new manuals.

2.3.2 Consistency with other statistical domains

B.o.p. data can be related with some of the data published by other statistical domains, namely, foreign trade statistics, national accounts and balance sheet information of the financial sub-sectors.

2.3.2.1 Foreign trade statistics

B.o.p. and foreign trade statistics generally show discrepancies, due to different methodologies. In particular, certain monthly transactions not covered by foreign trade statistics are added to b.o.p. figures, namely:

External consistency with trade data is followed on a monthly basis. The discrepancies between trade data and b.o.p. goods generally have methodological reasons:

- Merchanting is not covered by foreign trade statistics but recorded in b.o.p. goods.
- Manufacturing services which is collected in the survey on services is deducted from the goods account in b.o.p. Foreign trade statistics includes the figure on manufacturing services but collected within the foreign trade survey.
- Cross-border e-commerce on goods is not recorded in foreign trade Intrastat statistics but collected and recorded as travel in b.o.p.
- Goods procured in ports are not included in foreign trade but in b.o.p.

Also, adjustments are made to trade in goods to reconcile the account with input from National Accounts.

2.3.2.2 National/sectoral accounts

The comparability between b.o.p. and national accounts is ensured by the application of common definitions (BPM6 and ESA2010).

Regarding National Accounts, consistency efforts have been made for the changeover to BPM6/ESA 2010. However, differences may subsist due to differing data sources and methods. Revision timetables are coordinated.

2.3.2.3 Balance sheet information of the various financial sub-sectors

In the case of FDI, top asymmetries are mostly related to two partner countries. Sweden is an active participant in the FDI Network and is encouraged to continue being so. Participation has decreased somewhat during implementation of BPM6 and thereafter.

2.4 Accessibility and Clarity

2.4.1 Release calendar and revision policy

Release calendar for b.o.p. and i.i.p.: Statistics Sweden disseminates an advance [release calendar](#) covering all data categories, including data required by the IMF's SDDS.

Revision policy is communicated closely to the publication of new data within the methodological notes in the yearly [balance of payments report](#) on the Internet.

Major methodological changes, such as the implementation of BPM6, may also be communicated and explained in more detail on the [website](#).

Information on sources and methods are also available to the public but only in Swedish.

2.4.2 Data availability

The annual report published regarding b.o.p. and i.i.p. fourth quarter includes the revision time table. Quarterly figures and revisions are published in the b.o.p. tables on the Statistics Sweden's website.

B.o.p. and i.i.p. statistics are available according to BPM6 methodology from 1950 and 1997 respectively.

2.4.2.1 Frequency of the b.o.p. and i.i.p. data compilation and publication

National requirements: Statistics Sweden disseminates quarterly b.o.p. and i.i.p. statistics 2 months after the end of the reference quarter. The actual publication date of b.o.p. is available on the [website](#).

During autumn every year, detailed reports on CDIS and CPIS are published. The results of these surveys are used for re-calculating the more detailed i.i.p.

EU and international requirements: Sweden meets all timeliness requirements from international institutions (ECB, Eurostat, IMF, OECD and Bank for International Settlements (BIS)).

Sweden also adheres to the Special Data Dissemination Standard (SDDS) Plus – the highest tier of the Fund’s Data Standards Initiatives.

2.4.2.2 Seasonally adjusted data

Seasonally adjusted quarterly data are available on the [website](#).

United Kingdom

1 Institutional environment

1.1 Professional Independence

The Office for National Statistics (ONS) is the UK's national statistical office and the largest producer of official statistics in the UK. ONS is independent of ministers and instead reports through the UK Statistics Authority to Parliament and the devolved administrations of Scotland, Wales and Northern Ireland. ONS is the executive office of the UK Statistics Authority, which was established on 1 April 2008 by the Statistics and Registration Service Act 2007. Under the Act, the Authority is responsible for promoting and safeguarding the production and publication of official statistics which serve the public good. Further information on the Authority, and the Statistics and Registration Service Act, is available on the UK Statistics Authority [website](#).

Further information on the ONS is available from our [ONS website](#).

1.2 Mandate for data collection

The development, production and dissemination of statistics by the Bank of England are governed by Article 5 of the Statute of the ESCB and of the ECB, as well as [Regulation \(EC\) No 2533/98](#); whereas the Office for National Statistics are governed by the statistical principles laid down in article 2 of [Regulation \(EC\) No 223/2009](#). The Bank of England as a member of the ESCB, conducts quality assurance and disseminates statistics in conformity with the principles of the ESCB's Public Commitment on European statistics by the ESCB.

The responsibility for collecting, processing, and disseminating the UK's b.o.p. and i.i.p. statistics is assigned to the Office for National Statistics. Alongside this, in an integrated manner, the ONS also compiles the National Accounts and Public Sector Finance Statistics, which includes the Financial Account and Rest of the World Sector. Some of the main sources used in the compilation include:

- Overseas Trade Statistics (HM Revenue and Customs (HMRC)), for example Intrastat and Extrastat.
- International Trade in Services Survey (ONS).
- International Passenger Survey (ONS).
- Foreign Direct Investment Survey (ONS and Bank of England (BoE)).
- Various Financial Inquiries (ONS and BoE).

- Ownership of UK Quoted Shares Survey (ONS).

A number of the sources feeding into the b.o.p. and i.i.p. are provided by the Bank of England (NCB). Given the importance of the Bank of England as a key data supplier, regular meetings are held to discuss recent data and briefing deliveries and also discuss upcoming developments and requirements. These meetings are held on a quarterly basis, with an additional planning meeting held every six months.

The United Kingdom Statistics Authority has designated the UK's annual b.o.p. publication (known as [the Pink Book](#) – which is referred to throughout) and the b.o.p. Quarterly Bulletin as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for [Official Statistics](#).

The United Kingdom provides monthly b.o.p. (MBOP) and quarterly b.o.p. (QBOP) to international organisations such as the ECB and Eurostat as required by Regulation.

Most ONS business surveys are conducted under Section 1 of the [Statistics of Trade Act 1947](#).

2 Statistical processes

2.1 Methodological principles and national specificities

B.o.p. and i.i.p. statistics are compiled in accordance with the standards set in the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6). Furthermore, specific compilation recommendations from relevant international bodies are observed.

BPM6 was implemented in the UK's b.o.p. accounts and i.i.p. statistics in September 2014. The impact on the UK's b.o.p. and i.i.p., as a result of the introduction of new international standards for the period 1997 to 2013, was published as an annex to the UK's b.o.p., [Q2 2014 edition](#).

The inclusion of illegal activities in b.o.p. is consistent with National Accounts, and covered in the following [article](#) on drugs and prostitution.

The Rotterdam effect was considered in the following [article](#). Annually, the Netherlands is the UK's third largest trading partner in the EU. There are legitimate, proven reasons as to why trade with the Netherlands is high, even relative to its population. It is also reasonable to assume that trade with the Netherlands suffers from an element of distortion. However, it is not possible to estimate, with any certainty, the impact that the Rotterdam effect has on UK Trade with the Netherlands and its subsequent impact on UK Trade with EU and non-EU countries. Estimates can, however, be based on certain assumptions. The most likely assumption indicates that over a period of time UK exports to EU countries have accounted for between 46% and 50% of total UK exports, if the Rotterdam effect was considered.

Similarly, over a period of time UK imports from EU countries account for somewhere between 49% and 53% of total UK imports. ONS also remind users that UK trade estimates are produced in line with international standards and that, ultimately, the port of Rotterdam is not unique and that other 'gateways' could counter the impact of the Rotterdam effect.

Import figures for Trade in Goods include adjustments to allow for the impact of trade associated with missing trader intra-community (MTIC) VAT fraud. The adjustments were introduced for the first time in the UK Trade May 2003 First Release published on 9 July 2003. The adjustments are added to the EU import estimates derived from Intrastat returns. An [article](#) explaining MTIC fraud and the impact on the trade figures was published on 9 July 2003. A [report](#) on further research into MTIC fraud was published on 17 February 2005, which summarises the work carried out to review the estimates of the impact on the trade figures.

The sizeable UK's financial centre has a significant impact on the UK's b.o.p. and i.i.p. As a percentage of nominal GDP, the level of UK assets and liabilities since 2008 are both over 500% of GDP, which is significantly higher when compared with other G7 countries.

2.1.1 Residency

The general principles laid down in the BPM6 are applied.

For the purposes of the Overseas Trade Statistics, 'UK' is defined as Great Britain, Northern Ireland, the Isle of Man, Channel Islands and the Continental Shelf (UK part). For b.o.p. purposes the Channel Islands and the Isle of Man are not considered part of the UK economic territory. Adjustments are made to exports to include UK exports to those islands and to exclude their exports to other countries.

2.1.2 Institutional unit definition

The general principles on institutional units (centre of economic interest, decision-making autonomy, and complete set of accounts) are applied. The statistical coverage of SPEs is in line with the conclusion of the Eurostat/ECB/OECD 2013 [Task Force on Head Offices, Holding Companies and SPEs](#).

2.1.3 Geographical allocation

The counterpart country collected is the immediate counterpart. Exports of goods figures are allocated to the country of destination; imports of goods are measured according to the "country of consignment". In both cases, this is in line with international standards.

A more detailed description of the estimations and statistical techniques used for the compilation of the b.o.p. statistics can be found on the [ONS website](#).

2.1.4 Allocation to institutional sectors

The UK follows the definitions of institutional sectors as set out in ESA10 and BPM6. Where possible, sector data is made available with the exception of the Central Bank which is included in MFI's.

2.1.5 Valuation

Market price is used in UK economic statistics for valuing transactions. In practice, one or more of the conditions needed to establish a market price may be absent and other valuations may be used.

For the most part, the price at which a transaction is recorded in the accounts of the transactions or in the administrative records used as data sources will be the market price or a very close approximation of it. This valuation is known as the transaction price and is the practical valuation basis used in the b.o.p., both because it aids consistent recording of credits and debits and because of its usual proximity to the ideal market valuation.

As with all i.i.p. statistics, foreign financial assets and liabilities should, in principle, be valued at their current market price at the reference date. In practice this is not possible and valuation guidelines are adopted in order to approximate market valuation, particularly for those financial assets and liabilities that are only rarely transacted. For example, in measuring the value of direct investment in equity capital, much of which is never traded or is traded infrequently, market value is approximated by one of the following methods: a recent transaction price, historic book value, or net asset value. Over time, this is likely to underestimate the true market value of foreign direct investment.

Transactions and stock positions originally denominated in foreign currencies need to be converted to pounds sterling using market rates of exchange prevailing at the time of the transaction (b.o.p.) or at the reference date (i.i.p.). Transactions should be converted at the mid-point of the buying and selling exchange rates applying at the time of transaction. Stocks should be converted at the mid-point of the buying and selling exchange rates applying at the beginning or end of the period. In practice, the actual rate used varies according to the source of the transaction or stock.

2.1.6 Time of recording

There are no deviations from the general rule of change of ownership time. Interest income is recorded on an accrual basis, dividends are when the stocks or shares go ex-dividend.

2.1.7 Coverage gaps and room for improvement

Goods sent abroad for processing

This covers goods that are exported or imported for processing undertaken by an enterprise that does not own the goods. In practice, this is extremely difficult to measure, so, under ONS methodology, the gross flows are only adjusted by the value of the service associated with processing, which is likely to only be a fraction of the value of the goods themselves. Estimates of goods sent abroad for processing are supplied by ONS' ITIS (International Trade in Services) survey.

Non-monetary gold

The treatment of non-monetary gold was revised for the UK's National Accounts and b.o.p. in September 2014. Non-monetary gold held in allocated accounts is now considered a good; therefore, gold of this type which is stored as a financial asset is recognised under trade in goods.

In order to meet the requirements, the Bank of England provides data from the six gold clearers in the London Bullion Market. These data show only net exports of non-monetary gold that is held as a store of wealth in allocated accounts.

To avoid disclosing the activity of individual gold clearers, the raw data cannot be presented. Therefore a smoothing method is applied.

Undercoverage of Tuition Fees

ONS and the Department for Business, Innovation and Skills (BIS) jointly funded an 'Evaluation of Reliability and Coverage of Balance of Payments Estimates for Trade in Educational Services'. The conclusion was that the International Passenger Survey (IPS) would not be covering education services fully and recommended using Higher Education Statistics Agency (HESA) data to provide better estimates for tuition fees from overseas students. This has yet to be implemented.

2.1.8 Seasonal adjustment

For b.o.p. data, the ARIMA seasonal adjustment package is used. Periodically the Time Series Analysis Branch (TSAB) of the ONS review and update where necessary the models used to seasonally adjust b.o.p. data. The parameter settings used for the process of seasonal adjustment are derived by ONS experts in time series methodology, with software parameter X13-ARIMA-SEATS.

2.2 Statistical procedures, sources and methods

2.2.1 Overview of data collection system

The UK b.o.p. and i.i.p. are compiled using a combination of surveys and administrative data sources, for example those from other government departments and the Bank of England.

The majority of data for trade in goods is sourced from HMRC while the trade in services utilises data sources such as the ONS' International Trade in Services Survey (IT IS), International Passenger Survey (IPS) and numerous administrative data sources.

Financial transactions and income for the banking sector are sourced from the Bank of England along with some reserve asset transactions. Other sectors are compiled from numerous surveys conducted by ONS and other external sources such as the London Stock Exchange, Bank for International Settlements, etc.

While some source data is collected monthly, such as exchange rates and interest rates, the majority of data is collected quarterly. For the b.o.p., the quarterly estimates are aggregated to derive the annual totals while the 4th quarter end is used for the i.i.p. These estimates are later revised when the more comprehensive annual survey data become available (for example Annual International Trade in Services and Annual Foreign Direct Investment). This annual benchmarking process ensures that the b.o.p. and Annual Foreign Direct Investment publications are coherent.

2.2.2 Detail by accounting item

2.2.2.1 Goods

The b.o.p. statistics of trade in goods compiled by the ONS are derived principally from data published by HM Revenue & Customs (HMRC) on the physical goods exported from, and imported to the UK. However, this information is on a different basis to that required for b.o.p. statistics. In order to conform to the IMF definitions, ONS has to make various adjustments to include certain transactions which are not reported to HMRC, and to exclude certain transactions which are reported to them but where there is no change of ownership. In addition, the value required for b.o.p. purposes is the value of goods at the point of export (that is, the customs border of the exporting country), rather than the value of goods as they arrive in the UK. Therefore, the freight and insurance costs of transporting the goods to the UK needs to be deducted from the values recorded by HMRC.

Merchanting estimates are supplied by ONS' ITIS survey.

For b.o.p. purposes, the Channel Islands and the Isle of Man are not considered part of the UK economic territory. Adjustments are made to exports to include UK exports to those islands and to exclude their exports to other countries. The source is HMRC and methods used are simply including or excluding exports in accordance with the definition of UK economic territory.

HMRC systematically adjust for partial response in their monthly estimates of trade with EU countries. This is set out in the Enhancements to Estimation Methodological [paper](#).

2.2.2.2 Services

The major source for many of the services categories is the International Trade in Services (ITIS) survey. The ITIS Survey of businesses covers total exports and imports of services broken down by 52 products and the country of destination/origin. The sample size 14,000 businesses annually. The sampling methodology comprises a large component comes from businesses sampled from the Inter-departmental Business Register (IDBR). These businesses belong to industries known to have a higher likelihood of trading overseas and include activities such as computer services, the performing arts, wholesaling and sport. This is supplemented with information from the Annual Business Survey (ABS) where there is question that asks the contributor to indicate if international trade in services is undertaken and the total value. The more consistent element of the survey comes from those contributors known to have International trade in services the Known Traders. These can remain in annual ITIS or if they grow large enough can be transferred to quarterly ITIS.

The ITIS survey is used in conjunction with sources such as the IPS which is a border survey based on face to face interviews with a sample of passengers travelling via the principal airports, sea routes and the Channel Tunnel. Chamber of Shipping (CoS) conducts surveys into its members' participation in foreign trade and data from the CoS are uplifted to account for UK sea transport companies who are not members using estimates for the gross tonnage of the UK fleet for different types of ship. Information on the financial services sector is supplied by the Bank of England, the Baltic Exchange, ITIS and other UK National Statistics (NS) surveys. Prudential Regulatory Authority, Lloyds of London and NS surveys supply insurance data.

Estimates of other exports and imports of services are based on a large number of administrative sources including the Civil Aviation Authority (CAA), Ministry of Defence, Commercial Bar Association, Baltic Exchange, British Airways Authority (BAA), the National Air Transport Service (NATS), Gatwick Airport, Manchester Airport, Texaco, British Petroleum (BP), ExxonMobil, Trinity Lighthouse Service, Her Majesty's (HM) Immigration, Gambling Commission, Prudential Regulatory Authority and Royal Mail. These are annual and quarterly and assessed on a regular basis.

2.2.2.3 Primary income

Compensation of employees

Data on compensation of employees are sourced from:

- The IPS on the number of UK resident seasonal and border workers working abroad, non-resident workers working in the UK and average earnings data.
- Information supplied to ONS by US military bases.
- A 1993 survey of all high commission offices, embassies, consulates and international organisations in the UK, asking for information on expenditure - including that on locally employed staff. This has been updated for subsequent years using information from a small sample of key embassies.
- The pay of locally engaged staff in UK embassies and military bases abroad is obtained from HM Treasury's Online System for Central Accounting and Reporting (OSCAR), the Foreign and Commonwealth Office (FCO) and the Ministry of Defence (MOD).

Investment income

Earnings on assets and liabilities are defined to include all profits earned and interest and dividends paid to UK residents from non-residents or to non-residents by UK residents. They are, where possible, measured net of income or corporation taxes payable without penalty during the recording period by the enterprise to the economy in which that enterprise operates and, in the case of profits, after allowing for depreciation. Dividends are recorded when they are paid (on a cash basis), whereas interest is recorded on an accruals basis.

Profits and dividends include the (credit) earnings from foreign affiliates of UK registered companies and the (debit) earnings of profits and dividends by UK-based affiliates of foreign-based companies. Conceptually, inventories appreciation/depreciation and other holding gains and losses should be excluded from the income flows entered in the b.o.p. accounts, because they represent only valuation changes. From the 2014 edition of the Pink Book, data on these are now excluded from banking sector statistics provided by the Bank of England. These will therefore also be excluded from reinvested earnings within the financial account. Profits retained abroad by foreign affiliates or retained in the UK by affiliates of foreign companies are included in the flows of earnings and offset in the financial account. All interest flows between UK residents and non-residents are in principle included.

Interest received on loans extended by and interest paid on deposits with UK monetary financial institutions are presented net of Financial Intermediation Services Indirectly Measured (FISIM). Likewise, UK non-bank loans from and deposits with banks abroad are also presented net of FISIM. FISIM is an estimate of the value of the services provided by financial intermediaries such as banks, for which no explicit charges are made; instead these services are paid for as part of the margin between

rates applied to savers and borrowers. The supposition is that savers would receive a higher interest rate and borrowers pay a lower interest rate if all financial services had explicit charges. FISIM received by UK monetary financial institutions is recorded as an export of financial services, while FISIM paid by UK non-banks is recorded as an import of financial services. Information on the estimation of FISIM is included in the methodological notes for 'Trade in services'.

Information on data sources for functional categories are provided later.

Other primary income

This covers earnings from rent and taxes and subsidies on production and on the import of goods. These largely comprise receipts from the Agricultural Guarantee Fund. The receipts from the Agricultural Guarantee Fund are classified as subsidies and are recorded on an accruals basis based on the subsidies paid to farmers by the Rural Payments Agency. Other government departments provide information on duties paid on a range of products imported from non-EU countries, and levies.

2.2.2.4 Secondary income

General government

General government transfers include receipts, contributions and subscriptions from or to European Union (EU) institutions and other international bodies, bilateral aid and military grants. Information mainly comes from government departments (HM Treasury, Foreign and Commonwealth Office and Department for International Development).

Other sectors' transfers

Other sectors' transfers cover current taxes paid, receipts and payments to EU institutions, net non-life insurance premiums and claims, and other payments and receipts of households, including remittances.

Private social contributions consists of the actual social contributions paid by non-residents to UK private pension schemes, plus the related imputed contribution supplement, less the related service charge. Data are sourced from ONS surveys to pension funds.

Information on net non-life insurance premiums are provided by several sources including ONS surveys of insurance corporations, FSA regulatory data and Lloyd's of London syndicate accounts. Information of net non-life insurance claims are sourced from the ITIS survey.

2.2.2.5 Capital account

Capital transfers are those involving transfers of ownership of fixed assets, transfers of funds associated with the acquisition or disposal of fixed assets, and cancellation

of liabilities by creditors without any counterparts being received in return. As with secondary income, they can be subdivided into general government transfers and other sectors transfers. The main sources of information are government departments (Department for International Development and HM Treasury) and the Bank of England. The ITIS survey collects information on the sale and purchase of copyrights, patents and transferable.

2.2.2.6 Direct investment

Direct investment earnings include profits from branches or other unincorporated enterprises abroad and the direct investor's share of the profits of subsidiary and associate companies. It includes the direct investor's portion of reinvested earnings, which is also treated as a new investment flow out of the parent's country into the affiliate's and appears in the financial account as an offsetting entry to the earnings one. Estimates of profits are made after providing for depreciation, the companies' own estimates of depreciation being used. Although depreciation is estimated at replacement cost in the national accounts, there is little doubt that the estimates in the b.o.p. are, in the main, measured at historic cost (different treatments of depreciation result in different entries in the current and financial accounts, but the sum of the two entries will always be the same).

International reporting standards recommend that direct investment enterprises report their profits on a 'current operating performance' basis and not include any realised or unrealised holding gains/losses, exceptional items, write-downs or write-offs. From the 2014 edition of the Pink Book, this is followed for all sectors, including monetary financial institutions which were previously reported on an 'all inclusive basis' including realised and unrealised dealing profits, exceptional items and provisions. The data for this sector is now on a current operating performance basis back to 1999. Prior to 1999, the data for monetary financial institutions are still on an all-inclusive basis.

Estimates for reinvested earnings are not collected separately but are derived by deducting dividends paid from subsidiaries' profits. All profits by branches are assumed to be distributed back to the parent.

Direct investment abroad by UK residents

Monetary financial institutions: information on the direct investment by UK registered monetary financial institutions in their foreign branches, subsidiaries and associates is collected quarterly by the Bank of England from a selection of monetary financial institutions that have a direct investment enterprise abroad. Quarterly income data are supplemented by additional information from certain monetary financial institutions that only report to the Bank of England on an annual basis. Direct investment balance sheet data are collected quarterly from a panel of monetary financial institutions selected by the Bank of England.

Insurance companies and other financial intermediaries: an annual survey forms the basis for estimates of direct investment by UK insurance companies and other

financial intermediaries; these results are supplemented by a quarterly survey. Investment in foreign property by financial companies is also included here. They are estimated from the levels of such assets held by financial companies and information on their total income from abroad. In line with international standards, the investment of other financial intermediaries includes those of all holding companies.

Private non-financial and public corporations: information on direct investment by all private and public non-financial corporations is estimated from the results of ONS's annual direct investment survey. This survey covers a sample of UK companies that either have foreign affiliates or are affiliated to a foreign parent. Returns are imputed for companies that are not approached in the survey but which are known to have direct investment links. The estimates for the latest year are based on a quarterly survey with a smaller population sample. Results of the annual survey are available about twelve months after the end of the year and are published in a statistical bulletin.

Copies of the FDI Statistical Bulletin and Business Monitor (discontinued in 2015) can be found on the [website](#).

Data about the stock of second homes overseas owned by UK residents is based on information collected from the English Housing Survey (EHS), and prior to this the Office of the Deputy Prime Minister (ODPM)'s Survey of English Housing (SEH). Adjustments are made because the series only covers English housing and before 2006 the survey only recorded second homes outside of Great Britain not the UK. The figures available are split into second homes held in France, Spain, Other Europe and non-Europe using geography.

More detail on the methods used are available in an article published on the [ONS website](#).

Direct investment in the UK by foreign residents

Estimates for direct investment in the UK are based on the same surveys to monetary financial institutions, financial institutions and private non-financial corporations as UK direct investment abroad.

Inward property estimates (i.e. when non-residents own second homes in the UK) are calculated using the same calculation used for outward property income estimates. The stock level of second homes in the UK owned by non-residents is again derived from the EHS/SEH. However, the EHS/SEH only collects information about second homes owned by residents and thus it is estimated that 10 per cent of ownership be attributed to non-residents. Information on the split of UK second homes between resident and non-resident ownership is difficult to source so this 10 per cent estimate is based on private company studies and international comparisons. ONS will review this constant on a periodic basis.

The stock level is then multiplied by a weighted average of UK house prices, which is based on regional dwelling prices from the HPI and the distribution of second addresses, which are recorded via the Census.

More information is available from the article highlighted above.

2.2.2.7 Portfolio investment

Earnings on equity securities consist of dividends received by investors on their holdings of shares of registered companies. Earnings on investment fund shares consist of the dividends paid to investors based on the number of units held. Earnings on debt securities consists of interest received on investment in short-term debt securities (for example, commercial paper, certificates of deposit, and Treasury bills) and long-term debt securities (government and municipal loan stock, and bonds and notes of private and public corporations). Dividends are recorded on a paid basis and interest is recorded on an accrued basis.

Portfolio investment abroad by UK residents

Monetary financial institutions: estimates are derived from statutory surveys conducted by the Bank of England. Prior to 2006, portfolio transactions by UK MFIs were based on reported transactions. From 2006 onwards, estimates of net transactions in both equity and debt securities by UK MFIs are derived from changes in reported balance sheets adjusted for both price and exchange rate effects. UK MFIs earnings on portfolio investment abroad are collected on a quarterly basis by the Bank of England.

Insurance companies, pension funds and securities dealers: estimates are largely derived from quarterly ONS surveys. These quarterly surveys are supplemented by a more comprehensive annual survey.

Other financial intermediaries and private non-financial corporations: estimates are derived from survey-based asset levels to which rates of return on comparable assets shown by financial institutions are applied.

Households: estimates of investment by the household sector largely consist of investment by members of Lloyd's of London which are supplied annually by Lloyd's. They include portfolio investment income on funds which are held abroad to support business underwritten in those countries. Also, included are estimates of investment in foreign equity securities acquired by UK households in exchange for their holdings of UK equities following an acquisition by a foreign direct investor. Typically, such acquisitions are funded by the issuance of shares by the investing company, rather than a cash payment.

Portfolio investment in the UK by foreign residents

Equity securities

Prior to 2007, the main sources for estimates of new investment in UK equity securities were a range of statistical surveys conducted by ONS. From 2007, new investment in UK equity securities by non-residents is derived by residual. Non-resident investment in UK equity securities is obtained by assuming that any net

transactions in UK equity securities not attributable to the domestic sectors of the UK are attributable to foreign residents.

Estimates of foreign earnings from UK equity securities consist of dividends paid to foreign holders of UK company ordinary shares. These estimates are calculated from Stock Exchange data on dividend payments, which are applied pro-rata to levels of non-resident holdings of UK.

The latest Share Ownership Survey published by ONS can be found on the [website](#).

No precise sector breakdown is available and an assumption is made by ONS that non-resident holdings by sector of issuer are proportional to the overall equity liabilities of each sector.

Short-term debt securities

Non-resident investment in short-term debt securities consist of foreign investment in UK treasury bills, certificates of deposit and commercial paper.

Monetary financial institutions: estimates for non-resident investment in money market instruments issued by UK MFIs stem from statistical surveys carried out by the Bank of England and ONS. Information collected by the Bank of England for identified non-resident investment is supplemented by ONS estimates. ONS estimates allocate any residual investment to non-residents. Earnings on bonds and notes issued by UK monetary financial institutions are reported by those institutions to the Bank of England.

General government: non-resident investment in government money market instruments comprises investment in UK treasury bills. Estimates for custody holdings held with UK monetary financial institutions are supplied by the Bank of England, and ONS allocates a fixed proportion of the residual (total issue less known acquisitions) to non-residents. Earnings are estimated from information on the levels outstanding and appropriate rates of interest.

Other sectors: foreign investment in money market instruments issued by other sectors is primarily estimated on the residual basis where investment by non-residents is assumed to be the difference between total other sector money market instruments in issues less those acquired or owned by UK residents. Information on total money market instruments in issue and acquisition by UK residents is derived from the Bank of England and London Stock Exchange records of UK company money market instruments issues, accumulated financial transactions, ONS surveys and price and exchange rate movements. Earnings are estimated on a pro-rata basis, proportional to the levels of investment.

Long-term debt securities

Non-resident investment in long-term debt securities comprises those issued by HM Government and those issued by other sectors such as monetary financial institutions and private non-financial corporations.

Monetary financial institutions: estimates for non-resident investment in bonds and notes issued by UK banks and building societies stem from statistical surveys carried out by the Bank of England and ONS estimates. Information collected by the Bank of England for identified non-resident investment is supplemented by ONS estimates. ONS estimates allocate any residual investment to non-residents. Earnings on bonds and notes issued by UK monetary financial institutions are reported by those institutions to the Bank of England.

General government: investment in government bonds and notes comprises investment in British government securities (gilts) and other foreign currency bonds. Investment in British government securities by foreign central banks, international organisations and private foreign residents are measured from banking statistics and other Bank of England sources including the Central Gilts Office. Foreign earnings on British government stocks (gilts) are estimated from information on the levels outstanding and appropriate rates of interest. These earnings are calculated gross of UK income tax. Most gilts are issued by the UK Government at a discount to the redemption value. This is recorded as interest accruing over the lifetime of the gilt. Non-resident investment in UK foreign currency bonds and notes issued by central government relates to bonds issued by HM Government. Information on the total issue of these foreign currency bonds is supplied by the Bank of England. Holdings by non-residents are once again derived as the residual of total securities in issue less those held by domestic sectors. Earnings are estimated on a pro-rata basis, proportional to the levels of investment.

Other sectors: foreign investment in bonds and notes issued by other sectors is primarily estimated on the residual basis. This is where investment by non-residents is assumed to be the difference between total other sector bonds and notes in issues less those acquired or owned by UK residents. Information on total bonds and notes in issue and acquisition by UK residents is derived from the Bank of England and London Stock Exchange records of UK company bond issues, accumulated financial transactions, ONS surveys, and price and exchange rate movements. Earnings are estimated on a pro-rata basis, proportional to the levels of investment.

2.2.2.8 Financial derivatives

Data on UK banks' net flows and gross asset and liability positions in derivatives are collected quarterly by the Bank of England while data on securities dealers' are collected by ONS.

2.2.2.9 Other investment

Other investment abroad by UK residents

Currency and deposits

Currency: Estimates for transactions in foreign notes and coin by the UK private sector other than monetary financial institutions are based on tourists' expenditure.

Deposits: Estimates comprise both transferable (accessible on demand without penalty or restriction) and other deposits held abroad.

Monetary financial institutions: MFI deposits comprise UK banks' and building societies' sterling and foreign currency deposits held with deposit taking institutions abroad. Information on deposits held abroad by UK MFI's is collected by the Bank of England using a range of statistical surveys. Prior to 2008, information on building society deposits was supplied to the Bank of England by the Financial Services Authority. It is not possible to separate out UK monetary financial institutions earnings on lending abroad from their earnings on deposits abroad. Estimates for earnings on such loans are therefore included indistinguishably within earnings on deposits.

Securities dealers: deposits held abroad by UK securities dealers are derived from quarterly ONS surveys. Financial transactions and interest accrued are reported directly by the institutions while end-period positions are estimated by ONS.

Other UK residents: estimates of other UK private sector deposits with banks abroad are derived from the banking statistics of countries in the Bank for International Settlements (BIS) reporting area (as defined in the Glossary). End-period positions are reported to the Bank of England, who in turn estimate net transactions. These data are then supplied to ONS. ONS then deducts deposits held abroad by UK securities dealers to avoid potential double counting. Interest on these deposits is then estimated by ONS using average quarterly levels and appropriate interest rates.

Loans

These are subdivided into earnings on long-term loans and earnings on short-term loans. Short-term loans are those which are repaid in full within one year.

Monetary financial institutions (MFI): MFI long-term loans comprise UK bank loans under the UK Export Finance (ECGD) guarantee and loan capital. MFI short-term loans comprise sterling and foreign currency loans extended by UK banks and building societies. Information on loans extended by UK banks and from 2008, UK building societies, is collected by the Bank of England using a range of statistical surveys. Prior to 2008, information on building society loans was supplied to the Bank of England by the Financial Services Authority. It is not possible to separate out UK monetary financial institutions earnings on lending abroad from their earnings on deposits abroad. Estimates for earnings on such loans are therefore included indistinguishably within earnings on deposits.

General government: government loans are all long-term and comprise inter-government loans. Estimates are sourced from information supplied by the Department for International Development.

Public corporations: public corporation loans are all long-term and are sourced from UK Export Finance (ECGD) and the Commonwealth Development Corporation.

Trade credit and advances

At present, a minimal amount of data is recorded within trade credit. Some data previously recorded in this area have been reclassified as bank lending and are now within the loans data in other investment. Other data are no longer suitable for inclusion and have been removed from the accounts.

Other accounts receivable Comprise any other items that are not trade credit, loans or deposits. These include short-term assets that largely relate to assets of UK insurance companies and pension funds and other financial intermediaries other than those classified under portfolio investment, estimates for which are obtained from ONS statistical surveys.

Other investment in the UK by non-residents

Currency and deposits

Currency: Estimates of transactions in sterling notes and coin by private foreign residents (other than monetary financial institutions) are based on ONS statistics of tourists' expenditure. While sterling bank notes are issued by the Bank of England, which is classified to monetary financial institutions, coins are issued by the Royal Mint, which is classified to the central government sector.

Deposits: Foreign deposits with UK monetary financial institutions were historically subdivided into deposits with banks and deposits with building societies. Also included are deposit liabilities of central government.

Central government: deposit liabilities of UK central government include short-term inter-government loans and transactions with non-residents under minor government accounts in the form of changes in balances not attributable elsewhere in the accounts. Since 1973, this has consisted entirely of balances held by the Paymaster General on the European Union (EU) account.

Monetary financial institutions: it is not possible to separate out foreign deposits with UK monetary financial institutions from foreign loans to UK monetary financial institutions. The estimates for foreign loans to UK monetary financial institutions are therefore included indistinguishably within deposits. UK monetary financial institutions income payments also include income payments associated with repurchase agreements and stock lending activities.

Loans

General government and public corporations: general government loans are all long-term and comprise loans received by both central government and local authorities. Central government long-term loans such as Lend-Lease and the Lines of Credit were reported by HM Treasury. The final payment on these loans was made in 2005. Public corporations' borrowing directly from foreign residents under the exchange cover scheme is included. Local authorities have engaged in long-term borrowing from abroad; estimates are obtained from the Department for Communities and Local Government (DCLG).

Securities dealers: estimates for securities dealers' short-term loans from abroad are estimated from information collected through ONS surveys.

Other sectors: estimates of borrowing by other sectors are based on data reported to the BIS, and are generally confined to borrowing from commercial banks based within the BIS reporting area. End-period positions are reported to the Bank of England, who in turn estimate net transactions. These data are then supplied to ONS who deducts UK securities dealers' loans from banks abroad to avoid potential double-counting. Interest on these loans is then estimated by ONS using average quarterly levels and appropriate interest rates. Additional information on borrowing from the European Investment Bank (EIB) is supplied directly to ONS on a quarterly basis by the EIB.

Insurance, pension & standardised guarantee schemes

These consist of net equity of foreign households in life assurance reserves and pension funds, together with pre-payments of premiums and reserves against outstanding claims. These are recorded in the b.o.p. because households are regarded as owning the net equity of pension funds and life assurance reserves; that is, the funds set aside for the purpose of satisfying the claims and benefits foreseen. The estimates are derived from data collected on ONS statistical surveys.

Trade credit

Similar to UK investment abroad only a minimal amount of data are recorded within trade credit as some data previously recorded in this area have been reclassified as bank lending, in other investment abroad.

Other accounts payable

Central government: these short-term liabilities largely consist of non-interest-bearing notes, estimates for which are obtained from the Bank of England.

Other sectors: Short-term liabilities largely consist of additions to insurance companies' technical reserves, estimates for which are derived from ONS statistical surveys.

2.2.2.10 Reserve Assets

Interest received on the official foreign exchange reserves and on the UK's holdings of Special Drawing Rights with the IMF and other remuneration received from the IMF (related to its holdings of sterling), is recorded within the Exchange Equalisation Account by the Bank of England.

2.2.2.11 Borderline cases

Investment fund shares

These investments are generally treated as Portfolio Investment. The following tests are put to the reporter to understand whether they should be classified under Foreign Direct Investment:

- Are the investments to be held for longer than a six month period.
- Do any of the investors hold over 10% in their own right as this would be classified as FDI in its own right.
- Who has ownership - an investment fund which only manages a company on behalf of a pool of investors would not be applicable unless the point above is true.
- If the investment fund has been set up as a company which then in turn holds the investment (of over 6 months) it should be considered FDI.

However in reality, these type of companies don't satisfy the requirements for FDI on a general basis.

2.2.2.12 Additional information

A more detailed description of the estimations and statistical techniques used for the compilation of the b.o.p. statistics can be found on the [ONS website](#).

2.3 Coherence and comparability

2.3.1 Internal consistency

The UK's annual b.o.p. data are initially derived by aggregating quarterly data. Generally, the underlying concepts, definitions, and classifications are therefore identical across series of differing periodicity. In the short term for some series, the quarterly surveys are used and then later revised when the more comprehensive annual survey data become available. This annual benchmarking process ensures that the b.o.p. and annual foreign direct investment publications are coherent. In addition, extensive internal quality assurance checks ensure consistency of b.o.p. and National Accounts datasets.

Errors and omissions are monitored closely for the rest of the world sector alongside other sectors within the sector and financial accounts. Each sector has a quarterly tolerance for errors and omissions. Errors and omissions outside of this tolerance suggest an omission in the data and result in further quality assurance to ascertain areas of weakness. This can sometimes result in short term quality adjustments

being made to one or more components where a short term weakness is identified. For example, adjustments may be made to effectively construct a response to the FDI survey as a publicly known investment or dis-investment is occurring, until the contributor responds, using all available information.

2.3.2 Consistency with other statistical domains

B.o.p. data can be related with some of the data published by other statistical domains, namely, foreign trade statistics, national accounts and balance sheet information of the financial sub-sectors.

2.3.2.1 Foreign trade statistics

As set out in section 2.2.2.1 Goods, the trade in goods compiled by the ONS are derived principally from data published by HMRC on the physical goods exported from, and imported to the UK. However, this information is on a different basis to that required for b.o.p. statistics. In order to conform to BPM6 definitions, ONS has to make various adjustments to include certain transactions which are not reported to HMRC, and to exclude certain transactions which are reported to them but where there is no change of ownership. [Table 2.4](#) in The Pink Book summarises this transition onto a b.o.p. basis for each of the last 11 years.

2.3.2.2 National/sectoral accounts

The UK's b.o.p. and i.i.p. statistics produced at the ONS are fully integrated and consistent with the Rest of the World sector within the UK's SFA. This ensures full consistency between the UK's b.o.p. and i.i.p. and UK's National Accounts, and compliance with BPM6 and ESA2010.

2.3.2.3 Balance sheet information of the various financial sub-sectors

The fully integrated National Accounts and b.o.p. process ensures consistency across these accounts. The UK follows the definitions of institutional sectors as set out in the BPM6. Where possible, sector data are made available with the exception of the Central Bank which is included in MFI's. The UK has a derogation until 2017 for the required financial sub-sector detail (a mixture of ESA2010 individual sectors and aggregated sectors).

2.4 Accessibility and Clarity

2.4.1 Release calendar and revision policy

Revisions can occur for many reasons including late returns replacing non-response estimates, updated administrative data returns and re-assessment of seasonal adjustment factors. Many components within the b.o.p. rely upon monthly or quarterly surveys in the short term, and are updated once more detailed annual survey data becomes available. This reconciliation between annual and quarterly surveys can result in revisions due to the larger sample size of annual surveys compared to quarterly surveys and in some cases, data captured from audited annual accounts compared with quarterly management accounts. The revisions to the UK accounts are considered as part of a wide ranging package covering the b.o.p., National Accounts and Public Sector Finance Statistics, as these are compiled and balanced in an integrated manner.

On an annual basis, the ONS takes forward larger changes and increases the revisions window. Depending on the type of changes being implemented, the revisions window can vary (in recent years ONS has processed changes back to 1997 on an annual basis and where information is available back to 1987). The larger changes can be new methodology associated with implementing new international standards (for example, ESA2010 and BPM6 in 2014 or ESA1995 based GNI Reservations in 2015) or classification changes which impact the historical dataset e.g. reclassification of Network Rail. In preparation for implementing new methodologies, the ONS engages in a series of communication with key stakeholders. This includes engaging with users via formal seminars and producing detailed articles describing changes and their indicative impact.

B.o.p. estimates are published quarterly through a statistical bulletin, on the same day as the Quarterly National Accounts Statistical Bulletin. For more details on related releases, the UK National Statistics Publication Hub is available [online](#) and provides 12 months' advance notice of release dates.

In the unlikely event of a change to the pre-announced release schedule, as set out in the Code of Practice for Official Statistics, public attention will be drawn to the change and the reasons for the change will be explained fully at the same time.

2.4.2 Data availability

Balance of Payments

Annual data for the total b.o.p. is available from 1946 with quarterly data and lower level accounts available from 1955. As the economy and the b.o.p. manuals and guidance have evolved over time ONS have aimed to implement changes to the b.o.p. and i.i.p. to the earliest data point, where source data are available. For

instance, at the time of implementing ESA10 and BPM6 changes ONS produced estimates of smuggling dating back to 1946.

International Investment Position

Annual data are available from 1966 while quarterly data are available from 1978.

2.4.2.1 Frequency of the b.o.p. and i.i.p. data compilation and publication

Quarterly figures are published three months after the end of the reference period. At this time they are also disseminated to international organisations such as the ECB and Eurostat. The timeliness of data collected varies between surveys. Generally data become available eight weeks after the end of a quarter, allowing a four week turnaround time.

Annual estimates are published in the Pink Book, usually in July or October of each year. This is the point at which more comprehensive annual survey returns are incorporated into the accounts, with quarterly series revised to reflect these changes. Normally, when figures are being prepared for the Pink Book, estimates are revised for a longer time period. An ONS National Accounts Change Assessment Board decides whether revisions should be introduced. Any methodological changes are subject to a National Accounts standard process of quality assurance. As agreed with Eurostat, the punctuality of b.o.p. estimates have been linked in with National Accounts at t+90 to ensure consistency in publications.

B.o.p. statistics for the UK follow the IMF's BPM6 methodology and the European legal framework applicable for b.o.p. and i.i.p. statistics. B.o.p. data transmitted by the United Kingdom to Eurostat aim to meet Eurostat (and consequently ECB) mandatory requirements for non-Euro area countries, and also provide additional voluntary information where feasible.

Annex. Contact information

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