

Improving the quality of balance of payments statistics via granular bilateral analysis

Trilateral comparison: Austria, Italy and Spain

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*12th IFC Biennial Conference “Statistics and beyond: new data for decision making in central banks”
(Basel, 22-23 August 2024)*

Motivation

- Balance of payments and international investment position (also known as External sector statistics) **measure the economic and financial linkages between economies**
- **High quality statistics** is key to ensure adequate and reliable data feeds into policy making (monetary and fiscal, macro-imbalances procedure)
- Statistical authorities collect data independently from each other and from their resident units – **bilateral asymmetries** may occur
- Presence of bilateral asymmetries **undermine the credibility and usage of External sector statistics**
- Sizable bilateral asymmetries have been a growing concern (increased **complexity of global economic relations** have diffculted the measurement process for External sector statistics)

Trilateral comparison of asymmetries

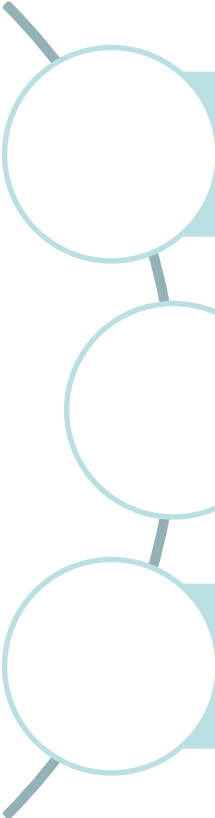
Austria, Italy and Spain showed interest to improve their external sector statistics

- 3 years of data (2019, 2020, 2021) as of Oct.22 data vintage

Trilateral framework for in-depth comparison and reconciliation

- Trilateral setting better to detect systematic patterns on bilateral data
- Devise practical setup to organise the comparison including safe sharing of microdata

Framework and results



Qualitative analysis on statistical methodology, methods and reporting systems

Quantitative data comparison and prioritisation strategy

Investigation of granular asymmetries and addressing reconciliation efforts

Qualitative analysis

Understand possible structural causes of bilateral asymmetries

- deviations from BPM6 methodology
- different data collection processes
- different compilation methods
- the institutional responsibility (NCB, NSI)

Example of country overview table for qualitative analysis

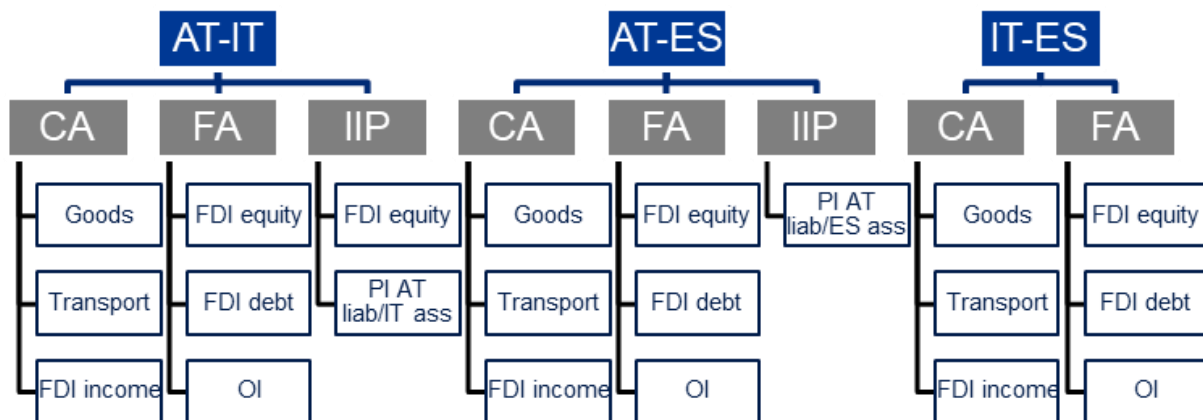
	Methodology	Data collection				Compilation methods				Responsible institution
	Deviations	Administrative data	Direct reporting	Survey	Other	Adjustments to data sources	Statistical model based on indicators	Other estimations	Benchmarking to other datasets	NCB/NSI
FDI equity										

Methodology mostly aligned, with the main deviations detected:

- Italy: no reclassification on the asset side in loans for MFIs is made
- Spain: trade credits and advances registered only in other investment (no recording in FDI)

Quantitative data comparison

- Tables with asymmetries by pair of countries, category and period
- Synthetic relevance asymmetry indicator (RELV*) of each category asymmetry in the overall asymmetries vis-à-vis the group of counterparties in the trilateral exercise
- Gravity model to add additional benchmark information about each category and country



Investigation of granular asymmetries

Goods

- Similar data sources (ITGS)
- Estimations to adjustment for BPS
- E.g. IT-ES bilateral asymmetries 70% due to differences in data source and 30% due to differences in adjustments
- Challenging to directly map the exact bilateral asymmetry as some adjustments are made without a detailed geographical allocation (e.g. illegal trade estimates)

Other investment

- Bilateral discrepancies in **deposits and loans** were mainly due to differences in different compilation methods/data sources (BSI statistics, BIS locational banking statistics). Anacredit database used for checking loan data by foreign banks to resident corporations.
- Asymmetries in **insurance, pension schemes, and standardised guarantee schemes** were due to national differences in sources (Solvency II data, surveys, tax information).
- Flows data on **trade credits** are spread on a quite large number of medium sized operations (difficult to make a micro data analysis); possible methodological source of asymmetries due to grossing up procedure.

Investigation of granular asymmetries

FDI	IT - ES			IT - AT			AT - ES		
Reason	Item	Number of enterprises	Weight on asymmetry*	Item	Number of enterprises	Weight on asymmetry*	Item	Number of enterprises	Weight on asymmetry*
Mistakes or missing information	Equity	1	80%	Debt Equity	1 1	100% 75%	Equity	2	80%
Valuation				Flow Stock	1 1	100% 100%			
Dividends	-	1	100%	-	1	100%			
MNE financial restructure	Equity	1	100%	Equity	1	75%	Equity	1	Pending of deeper analysis
Special case of trade credits									

*on average over the periods involved

Conclusions and suggested initiatives

Conclusions

- Useful exercise to challenge status quo and encourage revising data reporting/compilation methods
- When available, exchange on micro level data is key – confidential treatment of data to be ensured
- Sometimes discrepancies due to reporting mistakes, sometimes there is an explanation
- International discussions/operational agreements are needed to overcome causes for major discrepancies (FDI equity valuation, super-dividends, corporate restructuring)
- For smaller countries in-depth analysis on a bilateral basis is very useful
- A small number of MNEs (2 to 3 per country pair) responsible for most of the discrepancies
- Corrections of data not always immediately possible (super-dividends, MNEs restructuring)

Suggested initiatives

EU bilateral data sharing

- Ensuring confidential treatment of data
- Allowing countries to access counterparties' bilateral data
- Provide a feedback system (ECB Quarterly Asymmetries Reports)

Structural reconciliation exercises for large MNEs

- To understand the different information basis
- Integration with European business registers and existing networks
- Few units with large impact

Organise further trilateral exercises

Thank you for your attention!

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