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OECD-EUROSTAT MEETING OF EXPERTS IN TRADE IN SERVICES STATISTICS

19 September 2007

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Eurostat activities in trade in services and related balance of payments areas

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1. **Balance of Payments Quality Report**

After several consultations in the Eurostat Balance of Payments Working Group and Balance of Payments Committee, in June 2006 the BoP Committee reached an agreement on a Commission proposal concerning (i) the contents and standards of the quality reports, (ii) the procedures to assess them. However, before laying this concept down in a Commission regulation, it was agreed to launch a one-year pilot phase.

The pilot exercise started in October 2006, when Eurostat sent the 25 quality reports for comments and interpretation to the Member States. All reports were pre-filled with the quantitative indicators of quality for each Member State. All Member States submitted their quality reports; as well as the reconciliation table BoP/FTS, which was an integral part of the quality report, by the end of November 2006.

The assessment procedure was based on two pillars:
- an individual country assessment by Eurostat
- a more general assessment of BoP data quality in the EU

After receiving the completed reports from Member States, Eurostat assessed each individual quality report, and sent its initial findings back to the Member States for comments. This "dialogue" was mainly intended to exchange views on the performance of quality indicators and on the priority issues to be addressed in each Member State. Based on the individual MS performance, Eurostat prepared a document summarising the common features of BoP data quality in the EU. This more general EU assessment seeks to draw overall conclusions on EU BoP data quality supplied by Member States and to identify common concerns which could be addressed in a coordinated approach.

The experience gained during the pilot phase has now been used to fine-tune the concept. Following the approval of the BoP Committee at its March 2007 meeting, the first round of "normal" quality reporting will start in October 2007. At the same time, the Commission will prepare a Commission regulation on Quality Reporting, implementing the BoP Regulation No.184/2005 which will be submitted for discussion in October 2007.

2. **FATS - Foreign Affiliates Statistics**


From the outward FATS perspective, the Member States shall transmit to Eurostat data on turnover, number of persons employed and number of enterprises on a mandatory basis. The first reference year for which annual statistics will be compiled is 2007.

In addition to that Eurostat has drawn up a programme for pilot studies to be carried out by national authorities on some additional variables (exports of goods and services, imports of goods and services, intra-group exports of goods and services, intra-group imports of goods and services, value added at factor costs, gross investment in tangible goods). The pilot studies shall be carried out in order to assess the relevance and feasibility of collecting data. On the basis of the conclusions of the pilot studies the Commission shall adopt the necessary implementation measures.

Eurostat is continuing with the compiling and publication of outward FATS data from Member States on a voluntary basis. In September 2007, data from 13 Member States will be updated to 2004 as the latest available year.

The next meeting of the Foreign Affiliates Statistics Joint Working Group will be held on 24-25 September 2007 and will discuss issues related with the implementing measures pertaining to the FATS regulation (e.g. quality reports, format of data transmission), the pilot studies, data collection and dissemination and FATS related issues.

3. **Remittances**

In recent years there has been increasing demand for statistics on remittances from different Commission Directorate Generals and services and from individual Member States. The availability of data at European Union level is, however, rather limited. As a consequence, Eurostat does not currently disseminate data on remittances – either at Member State level or as aggregated data for the EU.

At the March 2007 meeting of the Eurostat Balance of Payments Working Group, it was agreed that Eurostat would launch an ad hoc survey asking Member States to provide statistics on remittances and compensation of employees. Accordingly, a questionnaire was sent to all Member States on 17 April 2007. Member States were asked to return the completed questionnaire by 15 May 2007.

Eurostat asked the Member States to transmit annual (2005 and 2006) credit and debit data on:

- workers' remittances,
- compensation of employees (CoE),
- net compensation of employees (net CoE), defined as: compensation of employees minus taxes and social contributions minus transport and travel expenditures related to short-term employment vis-à-vis intra-EU-27, extra-EU-27, total World, 3 major destinations, and 3 major source countries.

All 27 Member States participated in this survey. Eurostat has analysed the data and prepared a document for the meeting of the Balance of Payments Working Group to be held on 18-19 October in Luxembourg. The document presents for the first time flows to and from the EU-27 on remittances and "net compensation of employees" (as defined above) for the years 2005 and 2006. In addition to global flows, the document identifies and quantifies the major corridors of both remittances and "net CoE" flows.

Remittances are a challenge to compilers because they are highly disparate, with numerous, small transactions through a large variety of channels. A pre-requisite to improving compilation of data on remittances is a proper understanding of demographic aspects, transmission channels, and the regulatory environment affecting the volume, frequency and transaction modes of remittances. Data on remittances are therefore less reliable than data on many other items in the balance of payments.

In June 2006, an expert group called the "Luxembourg Group on Remittances" was created with the objective of drafting a guide for compiling statistics on remittances. The primary purpose of this guide is to offer compilers a menu of possible methods for measuring remittances to assist them in their efforts to provide accurate, complete and timely data on remittances that are consistent with the improved concepts and definitions. The draft version of the guide will be made available on the IMF's website in late 2007 for comments from all interested parties. The final version is planned to be ready in the first quarter of 2008.
4. TECHNICAL GROUP “TRAVEL” AND RELATED ISSUES

The Technical Group “Travel” (TGT) continued its work on the follow-up and monitoring of the implementation of national collection systems for travel and analysing bilateral data on travel. The May 2007 meeting held in Prague, hosted by the Czech Statistical Office, concentrated on the following issues:

- National Plans to collect Travel Statistics in 2007-2008: discussed the most common problems that countries were facing in the implementation and/or planning of the collection system for Travel.
- Treatment of durable and valuable goods: The differences in the treatment of durable and valuable goods acquired by travellers in balance of payments, foreign trade and national accounts were discussed. A new paper taking account of the last draft of BPM6 will be prepared soon.
- Credit card information: availability and features of the source: National practices concerning collection of credit card information for compiling travel data were analysed. The TGT acknowledged the usefulness of credit card information as a building block, however, drew attention to the restrictions caused by confidentiality, threshold for statistical reporting and introduction of Single Euro Payment Area (SEPA).
- Treatment of transactions involving tour operators resident in third countries: An inventory of definitions relating to packaged tours and the differences of concepts used in balance of payments statistics and national accounts were discussed. In order to properly identify triangular transactions of package tours, it would be important to collect information about which services were acquired nationally, which in the country of destination and which in third countries.
- Same day travellers: Experiences of some Member States in collecting expenditure (mainly outbound) of same day travellers were presented. Methodologies and procedures used, problems encountered and possible solutions were discussed.
- Sampling grossing up and administrative sources: A written consultation on national practices was launched in order to make an inventory of the use of administrative sources in border and household surveys. First summary results will be disseminated later this year.
- Action plan for reducing asymmetries.

The next meeting is scheduled for early June 2008, kindly hosted by Central Statistical Office of Ireland.

The Balance of Payments Unit pays attention to current legislation on tourism statistics and future updates as well as their relevance to the work on balance of payments. The unit is involved in finding synergies between BoP travel statistics and tourism statistics in order to avoid overlapping initiatives. Information on travel available within the balance of payments framework and on tourism available within the framework of tourism statistics should be used to complement each other.

5. TASK FORCE ON THE REST-OF-THE-WORLD ACCOUNT

At its July 2005 meeting, the Committee on Monetary, Financial and Balance of payments statistics (CMFB) agreed to revive the Task Force on the Rest-of-the World Account (TF-RoW) in order to support further work on the reconciliation of the balance of payments (BoP) and the rest of the world (RoW) account at national level. Its new mandate was to first address methodological aspects and later run a survey on the empirical differences between BoP and RoW.
The Task Force activated the following electronic discussion groups to elaborate on the existing differences between the BoP and RoW accounts that were either based on different methodological standards (so-called “standard differences”) or on heterogeneous practices applied (so-called “other differences”) within these two data sets:

- Construction services
- Income from collective investment institutions
- FISIM
- Reclassifications between goods and services
- Transit trade
- EU transfers
- Taxes on income and wealth
- Estimation of illegal activities

According to the mandate given, the Task Force presented its final report at the February 2007 CMFB meeting. The CMFB agreed with most recommendations of the TF-RoW report, but requested clarification on some points and further work on (i) the issue of price gaps in transit trade activities, (ii) an assessment of the recording of e-commerce and the legal aspects related to the use of credit card data and (iii) guidelines for the implementation of the recommendations.

Therefore, an addendum to the final report containing the clarification requested was presented at the June 2007 CMFB meeting containing more detailed recommendations on the three above mentioned issues:

- transit trade: Member States should distinguish intra-group transactions and transactions undertaken between independent parties. In the former case, the gap would be recognised as an import of services originating from intra-group operations (related with branding). In the latter case, the gap would be recognised as an import of services originating from merchanting activities.

- use of credit cards: information from credit card operations will be highly valuable for the assessment of transactions, in particular at high frequency, notably for travel and e-commerce.

- implementation of recommendations: the task force classified the recommendations in high and medium priority depending on their relevance and proposed as deadlines June 2008 (high priority), with a light monitoring in autumn 2008, and June 2010 (medium priority), with a light monitoring in autumn 2010.

Although the TF had fulfilled its mandate, the CMFB supported the proposal of continuing the work of the task force, as virtual group, and - on the basis of future progress - re-discuss the issues, including monitoring.

6. Task Force on the Reconciliation between Balance of Payments and Foreign Trade Statistics

The main objectives of this Task Force are to assist the Commission in defining priority actions to improve the coherence between balance of payments data and foreign trade statistics and a timetable for their implementation. More specifically the work of this task force covers the following points:

- To analyse the reconciliation tables already compiled by some countries, to define a common standard table and to identify the most appropriate periodicity for reporting. The standard table would apply for the compilation/publication of euro area/EU aggregates.
• To analyse the available studies on the cost-insurance-freight (c.i.f.)/free-on-board (f.o.b.) adjustment and to produce recommendations about the best practices.

• To analyse national current practices in the various other adjustments from FTS to BoP and produce a set of recommendations on acceptable and non-acceptable practices.

• To identify possible ways to ensure a smooth co-operation between BoP and FTS compilers at country level.

• To provide recommendations to Member States on when and how to implement the best practices and to propose follow-up actions

The BoP WG at its March 2007 meeting approved the five recommendations proposed by the Task Force. Together with the "List of special transactions" (ref. Annex 4 to document BP/07/09), these recommendations should help to harmonise adjustment practices in the Member States and reduce unnecessary discrepancies between BoP and FTS data:

• Data reported to Eurostat for compiling the EU aggregates have to be compiled according to the Community concept: quasi-transit trade has to be included

• Partner country in EU BoP has to be the same as in EU FTS: country of consignment for Intra and origin for Extra trade

• BoP compilers should check carefully the "List of special transactions in goods" before making adjustments to FTS data and minimise adjustments included under "Others".

• Shortages of FTS should be possibly addressed by FTS compilers

• Member States should concentrate their resources in getting appropriate values for those adjustments which are "fundamental".

Moreover, the BoP WG (March 2007) also approved the new Reconciliation Table developed by the TF, which makes it easier to reporting discrepancies due to the treatment of transit trade, repairs, goods for processing and Merchanting.

At its 4th meeting in Nicosia, on 6-7 September 2007, kindly hosted by the Statistical Service of Cyprus, the TF will pursue the discussions on the "fundamental" adjustments (ref. document BP/07/09) which should be made in the transition from FTS to BoP. The list includes goods for processing which do not go back to the reporting country, repairs of goods, goods procured in ports by carriers, returned goods, stocks of goods located abroad, and valuation. The TF will produce recommendations on the best methods which should be followed to make these fundamental adjustments. The TF will also discuss the "CIF/FOB Adjustment: the methods currently used and a possible EU Harmonised Method" on the basis of available studies. The key features of a possible EU harmonised CIF/FOB method will be identified and discussed by the TF.

7. TASK FORCE ON THE IMPACT OF POSSIBLE CHANGES IN INTRASTAT ON NATIONAL ACCOUNTS AND BALANCE OF PAYMENTS STATISTICS (TF S-INTRA)

In its plenary meeting in February 2007 the CMFB discussed questions related to the simplification of Intrastat and specifically the possible consequences of a single flow system for national accounts and balance of payments statistics. It was considered necessary to have a thorough investigation of all relevant questions and to look at all possible options, before concrete decisions can be taken. The CMFB decided that a Task Force was to be created to look into this subject.
The TF has the following mandate:

- From the perspective of national accounts and balance of payments statistics, it should discuss the merits and drawbacks of possible alternative options for a new Intrastat system (like single flow approach, raising reporting thresholds, other changes) and develop minimum user requirements at national and European level for statistical production.

- It should liaise closely with other Intrastat task forces at work to ensure a fully coordinated approach and avoid overlap.

- By end of September 2007, it should deliver a first concise report, concentrating on minimum user requirements. The first report is for use as an input into the ECOFIN discussion on Intrastat in November 2007.

- In course of 2008, the TF should deliver a more detailed report on the pros and cons of the relevant alternatives that quantifies, where possible, the potential impact on Member States' GDP and GNI measurements using historic data.

The TF held its first meeting on 29 June 2007 and approved a questionnaire to survey the needs of Balance of Payments and National Accounts compilers with regards to Intrastat data on trade in goods. This questionnaire was sent to the ECB, EU 27 BOP and NA compilers on 9 July 2007. At date answers from both compilers were sent by almost all MS. The results of this survey will be presented at the October 2007 meeting of the BoP WG.

8. **EUROGROUPS REGISTER**

In response to the increased demand for data on globalisation, the draft Regulation on Business Registers is meant to provide for the development of a European-level register on enterprise groups (EGR). The EuroGroups Register aims at covering the most important multinational enterprise groups with their group heads in and outside Europe and their group members in Europe. This initiative is very relevant for FDI and FATS.

A pilot project testing the feasibility of creating and maintaining the EGR, consolidating data from two private providers and establishing the necessary IT infrastructure at Eurostat, was carried out in 2006 with successful results. Four Member States were involved in the pilot. The results showed that: (i) the current EGR contained 600 multinational enterprise groups with at least one group member in the EU connected to the global group head (intra- or extra-EU); (ii) the total number of units involved was approximately 80 000; (iii) variables available for the units were e.g. ownership links and percentages, the NACE activity code and number of employees; (iv) the IT infrastructure and the mechanism for data exchange with Member States were developed.

In 2007, the process of developing the EGR further started, calls for tenders were launched for further data acquisitions and the IT development. Annual data updates from private data sources are planned and after verification and consolidation by Eurostat will be sent to the Member States for validation and for feedback to be sent to the EGR. The aim is that in 2009 all the largest enterprise groups are included in the EGR.

It is planned that in 2009, two Commission Regulations will be prepared, one on the mandatory data exchange between Eurostat and the NSIs and the other covering the optional data exchange between Eurostat and the ECB and the national central banks.

As in the past, at the BoP WG meeting of October 2007 Eurostat will present the results of the pilot project for setting up this Register and inform of the future plans.
9. **Task Force "International Sourcing"**

In 2005, Eurostat decided to launch a project on international sourcing. The discussion on the emerging international sourcing of services fuelled demand for comprehensive and high quality data. The project has two objectives:

- To collect direct statistical information on international sourcing via a targeted business survey in the context of the Structural Business Statistics and
- To establish a set of indicators on international sourcing utilising the existing (e.g. trade data) or forthcoming (such as FATS) sources

Eurostat supports financially the above actions through grants to participating countries. A total of 14 countries are participating in the project, 11 countries with a grant from Eurostat.

In 2006, a task force consisting of Eurostat staff members as well as experts from Member States was formed so as to further define the objectives of the work. This includes the definition of a framework for measuring international sourcing, the design of operational definitions for surveying purposes and identification of the survey population to be covered.

The task force had a first kick-off meeting in January 2006 and came up with first proposals in April. The October meeting finalised the draft questionnaire to be tested in the participating countries. In February 2007, the Task Force finalised the questionnaire and the definitions based upon the results of the testing. The surveys are being carried out in the participating countries during most of 2007 and final results are expected to be delivered to Eurostat by end of 2007. The data and a Statistics in Focus on the main results are planned to be released by end of June 2008.

10. **Valuation of Foreign Direct Investment Equity Stocks**

The international manuals relating to Balance of Payments (BoP) recommend producing FDI data based on market values. With the aim of implementing the international manuals, and in accordance to the recommendations of the Task Force FDI, a first voluntary collection of FDI equity stock data with a breakdown into listed – in market value and in Own Funds at Book value (OFBV) - and unlisted companies (OFBV only) was carried out in 2006 (reference year 2005). The Task Force FDI also envisaged that ratios between the market and the book values for listed companies could be used for estimating the market value for the FDI equity stocks of unlisted companies.

Nine Member States provided most of the requested breakdowns. From the data received and from comments obtained from some additional Member States it becomes apparent that the share of listed companies in the total value of equity stocks varies, but is quite small in most countries. There was also variation of the capitalisation ratios depending on the reporter and partner in question and the method used for deriving the different valuations. On the country level, the ratios also vary quite substantially between inward and outward investments.

In the framework of the revision of the OECD Benchmark definition of FDI, a number of methods for the approximation of market value for unlisted companies is being discussed, the use of the capitalisation ratio one amongst them. Given the previously mentioned factors, Eurostat feels that more investigation is necessary on the robustness of this method and a further voluntary collection of the data is carried out this autumn. The next discussion on the results is foreseen to take place in the Balance of payments Working Group in March 2008.
11. WORK ON ASYMMETRIES

During the past years, the situation concerning intra-EU asymmetries has been extensively analysed and reported by Eurostat (in collaboration with Member States and the European Central Bank) within the framework of Ad Hoc Committee on Asymmetries, Technical Group on Asymmetries, Technical Group on Travel, Technical Group on Merchandise Transport and Task Force on Reconciliation between Balance of Payments and Foreign Trade Statistics.

Recently, the issue of asymmetries has been raised in various contexts. Some countries have asked for tables from Eurostat in order to study bilateral asymmetries. Recent discussions on the quality reports on balance of payments statistics, to be prepared by the Member States, have also brought up the use of mirror data and asymmetries. Asymmetries are a main concern for Eurostat as they reflect on the quality and credibility of the BoP statistics and further efforts for their reduction are essential. Regular reporting is made at Eurostat's BoP Working Group.

In the BoP WG of March 2007, Eurostat presented a document illustrating developments, scale and the persistence of asymmetries in the BOP accounts on both aggregated and bilateral level. Eurostat continues to encourage the Member States to pursue the "bottom-up" approach to tackle the significant bilateral asymmetries and presented an action plan for organising and steering a mirror exercise for pairs of Member States.

Luxembourg, the Netherlands and the United Kingdom have agreed to exchange data on 10 biggest investors (all FDI components: stocks/flows/income). Data will be compared by these three countries and the respondents contacted to resolve the discrepancies. The countries concerned have worked out a legal agreement allowing for exchange of confidential data. A report on this reconciliation exercise will be presented at October 2007 Eurostat BOP Working Group meeting.

12. NETWORK GROUP DIRECT REPORTING

The aim of this Network Group is to facilitate, via electronic forum, the exchange of experience on implementation of direct reporting procedures and organising when needed workshops on specific issues. Countries will be able to post questions, participate in discussion groups and publish documents. It is be steered by a Permanent Coordination Team, chaired by Paula Casimiro (Banco de Portugal), assisted by one representative from the ECB and one from Eurostat.

In February 2007 the NG organised a Workshop with the aim to revive the exchange of experiences in BoP collection systems and to discuss ways to pursue the work in the future. As the National Action Plans exercise of 2004 revealed two main trends in the development of new BoP collection systems: one based on (sample) surveys and another on direct reporting with thresholds, the workshop aimed in particular to deal with the following issues: building and maintaining of business registers, sampling methods, design of questionnaires, and grossing-up and handling of missing values. Furthermore, it was decided to concentrate the discussions on: (i) International Trade in Services and (ii) Foreign Direct Investment positions, flows and income.

The Workshop was considered to be very fruitful and informative. The formula of a workshop was considered adequate as it allows focusing on strategic BoP data collection issues, besides establishing a network of informal contacts. Furthermore, Eurostat retained the following proposals:

- To launch a written procedure amongst the BoP compilers on sample sizes and on number of direct reporters in relation to the total population.
- To assess the possibility to continue the discussion via the “chat” function on CIRCA
- To draft a set of guidelines of good practices, based on the strengths and weaknesses of the different systems;
- Topics of particular interest for future exchanges will be ascertained via a questionnaire to be prepared by the coordination team

Eurostat invited the participants to contribute to the creation of a virtual library on the CIRCA website on BoP/IIP collection systems, containing papers, presentations and publications.


Both the European Central Bank (ECB DG-S/ETS) and the Commission (Eurostat; Unit C4) are members of the IMF BoP Committee and also participated in the Technical Groups (TEGs) set up by the IMF for the revision of the IMF BOP Manual (BPM5). Similarly, Eurostat and the ECB participate in the OECD’s Workshop on International Investment Statistics (WIIS) and the Benchmark Advisory Group (BAG) which are competent in the field of FDI stocks and are in the process of revising the so-called Third Benchmark Definition of Foreign Direct Investment (BD3).

The co-ordination between the revision of BPM5 and the updating of the SNA93 is seen as very important not only to solve current inconsistencies, but also to avoid divergences in the future.

Apart from the co-ordination at the European level, the (ECB/S-ETS) and Eurostat/C4 have actively been participating in revising the manuals. Most issues regarding the revision of both manuals had already been settled. Since February 2006, the IMF held written consultations of the Balance of Payments Committee and posted the draft BPM6 on its web-site in mid-March 2007, requesting comments by mid-June 2007. Eurostat sent its comments to IMF in due time. In late 2007 or early 2008, the electronic version of the new manual is planned to be circulated to all IMF member countries for comments; a final version is expected to be posted on the IMF web site by end-2008 and hardcopies will be available in 2009.

The WIIS discussed the proposals of three Project Groups, which have been mandated to make proposals for additional FDI data regarding mergers and acquisitions, pass through funds (including via SPEs) and statistics allocated to the ultimate investing country/ultimate host country. It decided that the revised BMD would recommend the compilation of the following additional data: (i) a split of equity transactions between mergers and acquisitions (M&As), defined as acquisition of existing shares, and other transactions; (ii) the identification of ultimate investing countries, and (iii) the collection of FDI statistics excluding transactions and positions “passing through” resident Special Purpose Entities (SPEs).

The end date for the final BMD Manual publication is now planned in early 2008 (instead of late 2007), facilitating the consistency review with the IMF Manual.

14. Implementation of NACE Rev. 2 in the BoP Domain

Following preparatory discussions in the BoP Working Group and the National Accounts Working Group and a consultation of user needs, the BoP Committee approved in a written procedure the final implementation plan for the NACE Rev.2 for annual foreign direct investment statistics in the BoP domain. The final plan foresees the following elements:
• The first reference year for the implementation of NACE Rev.2 in the BoP domain will be 2010 and first data are to be delivered in September 2011.

• Activity breakdown for reporting data on FDI (table 7 of Annex 1 of the BoP Regulation) is modified to reflect NACE rev.2.

• Back casting will be carried out for reference years 2008 and 2009 and delivered in September 2011.

• The necessary amendment of the BoP Regulation 184/2005 via a Commission Regulation to be drafted later this year

In the change over to a new classification, the timely creation of strategies for dissemination and planning the information technology frameworks are crucial to ensure the smooth functioning of the data production and dissemination. The implementation of the NACE Rev.2 classification is foreseen in some statistical domains (e.g. structural business statistics, statistics on science and technology, the labour force survey etc.) starting from reference year 2008. Eurostat intends to monitor the issues related with implementation in those domains in order to draw from their experiences. It is strongly recommended, that on the national level exchange of information in particular between the Central Bank and the National Statistical Institute is assured.

Eurostat is also preparing a handbook on back casting methodologies. This handbook will present various back casting methods leaving the choice for the most suitable method for the statistical domain or the national authorities. The handbook will be distributed to all BoP Working Group participants before the end of 2007.

In order to assist in the implementation and in particular in the back casting, Eurostat will organise a seminar "NACE Rev. 2 implementation on BoP" on 15-16 May 2008. Suggestions on any particular details which should be covered are welcomed.

15. **Threshold for Statistical Reporting**

Regulation (EC) No 2560/2001 of the European Parliament and of the Council of 19 December 2001 on cross-border payments in euro sets a threshold below which banks are exempted from national reporting obligations for BoP statistics. This reporting threshold, which is presently set at €12 500, has triggered significant changes in national systems for collecting balance of payments statistics, to make up for the loss of information.

Additionally, the current level of reporting obligations by banks was to be reassessed, and possibly amended, as part of an evaluation of the impact of the Regulation. However, in early 2006 the Commission decided to freeze this evaluation, to await the outcome of the Directive on payment services in the internal market.

The main recent developments are:

• In April 2007, the Directive on payment services in the internal market was approved by the EU co-decision bodies (EC, EP and Council). The Directive leaves the current reporting threshold of €12 500 unchanged, and the future of the threshold for BoP purposes will be discussed in the framework of Regulation 2560/2001.

• The evaluation of the Regulation (EC) No 2560/2001 on cross-border payments in Euro, has not been finalised yet but is under preparation. The process is foreseen to be started by September 2007 and any eventual modification to this regulation is not anticipated to take place before 2008. The review may be influenced by the outcome of initiatives to create SEPA (Single Euro Payments Area). By the end of 2007, DG MARKT will decide whether
to raise the threshold to 50,000 € or to eliminate it, independently from the possible input from SEPA.

- The ECB plans to investigate the issue of the usage of payments data for BoP purposes and possible consequences for SEPA in the second half of 2007 and has set up a task force with STC members, Eurostat and DG MARKT involving also payments system experts.

16. PHARE PROJECTS

Through the Phare projects and Multi-country Transition Facility programmes, Candidate Countries and new Member States are assisted in their efforts to attain the same quality of data and timeliness requirements as the EU Member States (“acquis communautaire”).

At the end of 2005, Grant agreements for Phare Multi-beneficiary Programme and Multi-country Transition Facility Programme (budget 2004) were signed with the following countries:

- Multi-country Transition Facility Programme: Hungary, Slovak Republic and Lithuania
- Phare Multi-beneficiary Programme: Romania

The aim of the projects is the collection and compilation of data on outward FATS by the beneficiary countries according to the methodology foreseen in the FATS Regulation with a view to obtaining a complete data set. The project started on 1st January 2006. Deliverables (data set, methodological report and final report) were provided to Eurostat at the end of April 2007.

In 2006, Eurostat launched another Phare Multi-beneficiary Programme (budget 2005) in which Turkey and Croatia were invited to participate. This project will permit an assessment of feasibility of data collection and compilation of outward FATS in the beneficiary countries according to the methodology foreseen in the FATS Regulation. Thus the main objective of this Phare project is the implementation of the new acquis communautaire in outward FATS statistics. The project started on 1st January 2007. A progress report on the state of the project will be presented to the FATS JWG on 25 September 2007. The final report on results achieved, compliance with the FATS Regulation and remaining issues to be solved in each country, are due by end of June 2008.
ANNEX

Eurostat: Metadata, Data production and Publication
1. Eurostat-BoP Publications and New Cronos

Since October 2004 Eurostat’s statistics are available on the web free of charge. Balance of payments data are represented by 5 collections with the corresponding metadata in SDDS format:

Economy and finance

- Balance of payments - International transactions
- Balance of payments statistics
- International trade in services, geographical breakdown
- European Union direct investments
- European Union Foreign Affiliates Statistics (outward FATS)
- Balance of payments of the EU institutions

EU25 and EU27 aggregates are available for all collections above (except for FATS).

The quarterly EU balance of payments statistics are published regularly in co-ordination with the ECB (8 press releases per year). Two and a half months after the reference quarter, a first release is published, followed by a more complete publication four months after the reference quarter. In addition to the aggregated quarterly balance of payments data of the EU-27, the Eurostat website also contains a harmonized set of national balance of payments statistics, as well as monthly and quarterly aggregates on the Euro area prepared by the ECB. Based on the quarterly data, Eurostat estimates preliminary annual data for Foreign Direct Investment and International Trade in Services, which are published in July. Consistency between annual and quarterly BoP figures has been achieved for almost all Member States.

Detailed 2005 data on International Trade in Services were put in the New Cronos database in December 2006. A news release containing the main results was posted on 20 December 2006. A "Statistics in Focus (SiF)" analysing EU ITS in 2005 was published in May 2007. In addition to that one SiF on transportation services and one on travel were also published in July 2007. The publication “EU International Trade in Services 1995-2005” was published in June 2007.

Detailed EU-25 and EU-27 data on FDI covering 2002-2005 were received by end-September 2006. The EU aggregates and Member States data on FDI flows and income were published in NewCronos at end of December 2006. All the received national FDI stocks' data including reference year 2005 and EU aggregates until reference year 2005 were published mid- January 2007. These results were presented in a “Statistics in Focus” and in the “FDI Yearbook” in April and July 2007 respectively. A news release containing the preliminary results for 2006 was posted on 24 May 2007.

The Outward FATS metadata in SDDS format as well as the Outward FATS data (1995-2003) have been available on the Eurostat Homepage. Data for reference year 2004 will be published by the end of 2007.

The production infrastructure for balance of payments of the EU Institutions has been improved significantly. Data for 2006 were published in September 2007. Moreover, consistent set of BoP EUI quarterly data with maximum geographical breakdown are available for the years 1999 onwards.
2. Balance of Payments - Eurostat Metadata in SDDS format Base Page

**GEOGRAPHICAL AREA**
EU-15, EU-25, EU-27, euro area, US, Japan, Norway, Iceland, Bulgaria, Romania, Turkey

**DATA CATEGORY**
Economy and finance
Domain: Balance of payments
Collections: Balance of Payments (Q_bop), International Trade in Services (ITS), Foreign Direct Investment (FDI), Balance of Payments of the European Institutions (Eu_int), Outward Foreign Affiliates Statistics (Outward FATS)

Basic indicators on EU policy - Domain: Euro-indicators - Collection: Balance of Payments
Basic indicators on EU policy - Domain: Structural indicators - Collection: Economic Reform - Tables: market integration

2.1 The Data: Coverage, Periodicity and Timeliness

**Coverage (data characteristics)**
The Balance of Payments (BoP) systematically summarises all economic transactions between the residents and the non-residents of a country or of a geographical region during a given period.

The Balance of payments provides harmonised information on international transactions which are part of the current account (goods, services, income, current transfers), but also on transactions which fall in the capital and in the financial account.

BoP is an important macro-economic indicator used to assess the position of an economy (of credit or debit) towards the external world. Data on International Trade in Services, a component of BoP current account, and data on Foreign Direct Investment, a component of BoP financial account, are used to monitor the external commercial performance of different economies. Outward FATS measure the commercial presence, as defined by GATS, through affiliates in foreign markets. Out of BoP data, some indicators of EU market integration are also derived.

**Time coverage**
- Monthly BoP data are available (only for the aggregate Euro-area) starting from 1999M01.
- Quarterly BoP and ITS data are available starting from 1980Q1.
- Annual BoP and ITS data are available starting respectively from 1980 and 1985.
- FDI data are available starting from 1984 (flows), 1992 (income), 1994 (stocks).
- BoP EU_inst data are available starting from 1987.
- Outward FATS data are available starting from 1995.

**Periodicity**
- BoP data: monthly (only for the euro-zone), quarterly and annual
- ITS data: quarterly (14 posts) and annual (90 posts)
**Timeliness**

BoP Monthly data for the euro area (source ECB) are released within 8 weeks after reference period.

- **BoP Quarterly data:**
  - A first estimate for the EU aggregate and for the net flows of the current account and services is published 2 months and a half after the reference period.
  - The complete BoP quarterly dataset is published 4 months after the reference period.
- **Annual ITS data** are released around 11-13 months after the reference period. Preliminary data, with limited detail for partners and posts, are released 9 months after the reference period.
- **Annual FDI data** are released around 12-13 months after the reference period. Preliminary data, with limited detail for partners and activities, are released 9 months after the reference period.
- **Annual BoP EU_inst data** are released around 10-11 months after the reference period.
- **Annual Outward FATS data** are released around 22-24 month after the reference period.

2.2 Access by the Public

**Advance dissemination of release calendar**

For BoP quarterly data, a release calendar is disseminated on the website at [http://ec.europa.eu/eurostat](http://ec.europa.eu/eurostat) (Please enter the home page and select: Release calendar).

For *euro area* balance of payments, please refer to:


**Simultaneous release to all interested parties**

Data are disseminated simultaneously to all interested parties through a database and through press releases.

2.3 Integrity (transparency of practices and procedures)

**Dissemination of terms and conditions under which official statistics are produced, including those relating to the confidentiality of individually identifiable information**

**Rules on statistical compilation of BoP**

For a long period, Member States have submitted to Eurostat BoP data following the arrangements contained in bilateral Gentleman’s Agreements.

The Regulation n°184/2005 of The European Parliament and of the Council of 12 January 2005 on Community statistics concerning balance of payments, international trade in services and foreign direct investment (OJ L35/23 of 8/02/2005), became the applicable for EU data

In the compilation of BoP, responsibility is shared between Eurostat and the ECB. Eurostat focuses on quarterly and annual aggregates of the EU27 and on detailed ITS data also for the euro area, whereas the European Central Bank (ECB) is in charge of compiling and disseminating the euro area monthly and quarterly balance of payments statistics. A Memorandum of understanding (with a BoP Annex) has been signed between the two parties. For more information on euro area Balance of Payments data, see the ECB website http://www.ecb.int/stats/external/html/index.en.html

The reference for National Accounts is the Regulation ESA95 of 25/6/96 published in the OJ L310 of the 30/11/1996.

In order to receive all the legal information, please contact Celex@opoce.cec.be.

**Regulation on statistical confidentiality**

Council Regulation (CE) No 322/97 of 17 February 1997 (OJ No L 52/1) and Council Regulation (EURATOM, EEC) no 1588/90 of 11 June 1990 on the transmission of the data subject to statistical confidentiality to the Statistical Office of the European Communities (OJ No L 151/1) set the rules used for receiving, processing and disseminating the confidential data.

**Identification of internal access to data before release**

Only European Commission officials have access to the EU (or euro zone) quarterly data before the release. The text of the news release is sent to the Commissioner’s Cabinet and to Eurostat’s Press Office prior to the release of the data.

A routine exchange of data occurs between Eurostat and the European Central Bank, in order to obtain the euro area data included in the Euro indicators site, and for quality checking purposes. ECB respects the embargo according to the press release calendar.

**Identification of commentary on the occasion of statistical releases**

Other than the text of the news release drafted by Eurostat, there are no official comments on the occasion of the release of the data.

**Provision of information about revision and advance notice of major changes in methodology**

Quarterly and annual data are revised with the updated information transmitted by the Member States, according to the timetable specified in the BoP Vademecum. The new data received from a single country are loaded in Eurostat’s website only when the data-set is updated for all the countries (monthly, quarterly or annually, according to the collection).

Quarterly data should be considered as provisional when first released. They are revised when more detailed information (by components and geographical breakdown) is transmitted by Member States three months after the reference quarter. Quarterly data are also revised when information for the next quarters is provided by Member States. Finally, quarterly data are
also subject to revision when the annual data are published, in order to ensure consistency between quarterly and annual figures.

2.4 Quality (information the user needs to assess data quality)

Dissemination of documentation on methodology and types of data sources used in preparing statistics

The methodological framework followed in the compilation of the Balance of Payments is that defined in the fifth edition of the International Monetary Fund Balance of Payments Manual (BPM5).

The EU27 balance of payments is compiled from the data provided by the Member States of the EU. Methodological notes regarding the compilation of the Balance of Payments of the European Union are available in Balance of Payments and International Trade in Services SDDS Summary Methodology.

Dissemination of component detail, reconciliations with related data, and statistical frameworks that support cross-checks and provide assurance of reasonableness

More information on national data can be found on the Dissemination Standards Bulletin Board of the IMF (International Monetary Fund).

For euro area balance of payments, please refer to:
http://dsbb.imf.org/Applications/web/euronote/

The ECB publishes an Annual Quality Report on Euro area Balance of Payments and international investment position statistics. This report is the result of a Joint ECB-Eurostat Task Force on quality.

BoP data can be related with some of the data published by National Accounts (in particular with the figures pertaining to the Rest of the World account) and with the aggregate figure on imports and exports of goods published by Foreign Trade Statistics. More information on this issue can be found in Balance of Payments and International Trade in Services SDDS Summary Methodology.

2.5 Dissemination

Hardcopy

News release:
For Eurostat’s quarterly data at 70 and 110 days. News releases text available: on line

Publications free pdf on line:

Statistics in Focus (Theme: Economy and Finance):

- International trade in transportation services, Statistics in Focus 82/2007
• *EU remains a major player in international travel in 2005*, Statistics in Focus 85/2007

• *EU27 current account external deficit of more than €85bn in 2006* (preliminary results), Statistics in Focus 95/2007.

• *EU-15 Foreign Direct Investment in the new Member States continues to increase*, Statistics in Focus 106/2007.

• *EU-25 Foreign Direct Investment in Brazil, Russia, India and China*, Statistics in Focus *(to be published in September 2007)*

• *EU-25 FDI flows with the rest of the world continued to increase in 2006*, Statistics in Focus *(to be published in September 2007)*.

**Paper publications, last edition available:**


**Electronic**

On-line or database.

Internet address: [http://ec.europa.eu/eurostat](http://ec.europa.eu/eurostat)

**Contact**

Eurostat, Statistical Office of the European Communities, Unit C4, Balance of Payments Statistics L-2920 Luxembourg

For any question on data and metadata, please contact:

**EUROPEAN STATISTICAL DATA SUPPORT**