Box 7

2019 BALANCE OF PAYMENTS/IIP AND NATIONAL ACCOUNTS BENCHMARK REVISION: METHODOLOGICAL ASPECTS AND SOME IMPLICATIONS FOR ANALYSIS OF THE SPANISH ECONOMY

In September, coinciding with the release of the 2019 Q2 data, the Banco de España published a benchmark revision of the Balance of Payments and International Investment Position (BOP/IIP). This revision was coordinated with the revision of the National Accounts by the Spanish National Statistics Institute (INE) and the revision of the Financial Accounts also released by the Banco de España. The changes made enhanced the quality of the statistics that measure Spain's financial and non-financial linkages with the rest of the world, making them better adapted to international standards and more consistent with each other.

Implications for economic analysis

Compared with the previous series, the new data available point to an improvement in the Spanish economy's net lending position and a modest increase in the negative net IIP.

Indeed, the historical series of the Spanish economy's net lending/net borrowing position was revised. The revision – downward at the start of the period (the second half of the 1990s) and upward at the end – was most significant from 2013: around 0.5% of GDP in 2013 and 1% at the end of the period (see Chart 1). The headings that explain

Chart 1
SPANISH ECONOMY'S NET LENDING/NET BORROWING POSITION

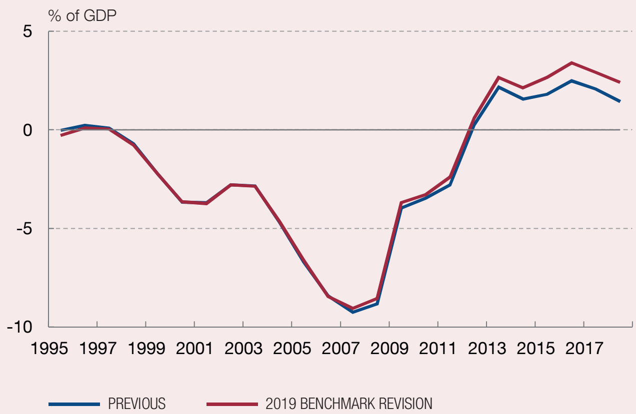


Chart 2
CHANGES IN NET LENDING/NET BORROWING POSITION
(2019 BENCHMARK REVISION – PREVIOUS)

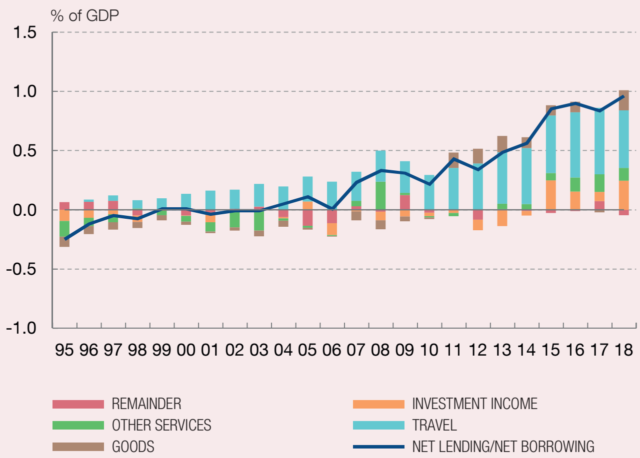


Chart 3
SPANISH ECONOMY'S NET INTERNATIONAL INVESTMENT POSITION

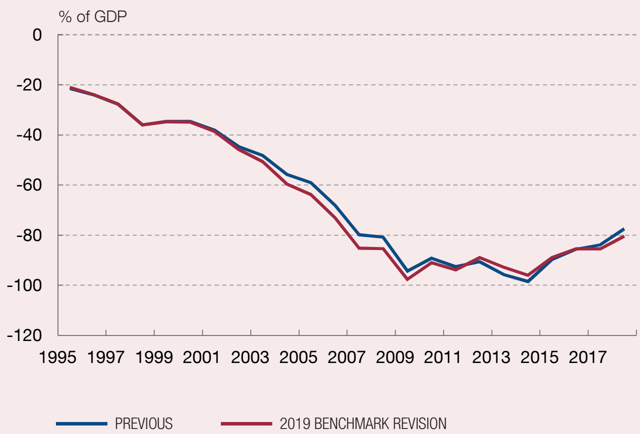
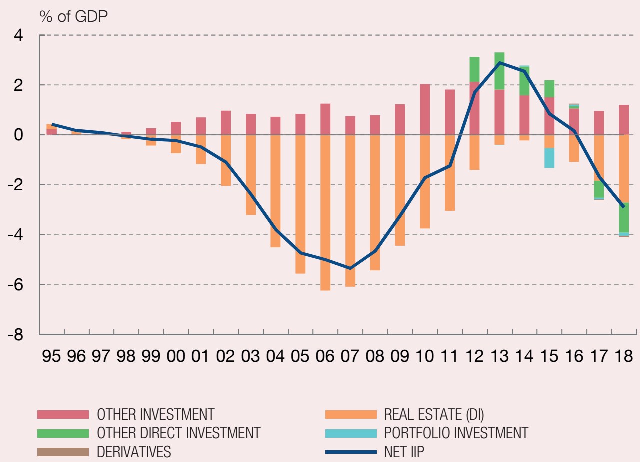


Chart 4
CHANGES IN NET INTERNATIONAL INVESTMENT POSITION
(2019 BENCHMARK REVISION – PREVIOUS)



SOURCE: Devised by authors.

this revision are primarily travel, and more recently, albeit to a lesser extent, also goods, other travel services and investment income.[1] The new series of net lending/net borrowing of the Spanish economy confirms that, for the first time in recent history, the economy is recording significant current account surpluses over a prolonged upturn. The current figures reinforce the view that not only cyclical but also other more long-term factors explain the improvement in the external balance which is essential if progress is to be made to correct Spain's high net debt position with the rest of the world.[2]

The upward revision of the travel surplus, essentially owing to receipts, explains slightly more than half the total revision of the net lending position since 2015. It increases over the time series, up to more than €6 billion in 2018 (around 0.6% of GDP) (see Chart 2). In that year, with travel receipts of €69 billion, Spain consolidated its second place in the world ranking.[3]

The revision of the travel receipts heading was due to the inclusion of the level of tourism expenditure drawing on the Spanish Tourism Expenditure Survey (EGATUR), rather than the previous approximation that used only the survey's growth rates. The changes in the estimation of travel receipts in the BOP and their relationship with certain National Accounts headings and with tourism expenditure in the EGATUR survey are described in more detail in a specific statistical note.[4]

In the case of the net IIP, the benchmark revision has had a moderate impact. The effect was practically zero in the early years of the series, and then turned negative in the period 2001-2011 (3.1% of GDP on average) and positive between 2012 and 2016 (1.6% of GDP on average) (see Chart 3). More recently (2017-2018) the impact turned negative again, with the 2018 IIP being revised to -80.4% of GDP, from -77.4% of GDP previously estimated.

The main contributors to the IIP revision were changes in direct investment and, within that heading, investment in real estate, and specifically properties in Spain whose current series better reflects developments in real estate prices (see Chart 4).[5] However, this heading is a good example of liability components of the IIP that do not entail a definite future payment obligation, which must be taken into account when analysing the real degree of external vulnerability that external debt poses for the economy.

Consistent and complementary statistics

These changes to the BOP/IIP were likewise reflected in the rest of the world accounts in both the National Accounts and the Financial Accounts, thus achieving significant progress in making all these statistics more consistent.

The first step in this direction was taken in 2014 with the implementation in Europe of the new National Accounts and BOP/IIP manuals – ESA 2010 and BPM6, respectively – which harmonised the methodology used in the two sets of statistics. In Spain, greater coordination was established between the teams responsible for drawing up the rest of the world account in the National Accounts (INE) and in the Financial Accounts and the BOP/IIP (the Banco de España in both cases). The objective was to ensure that, thanks to harmonisation of the interpretation and of the sources and methods used in practice, this consistency between the methodological manuals translated into the greatest possible consistency in the numerical results. This aim was achieved with the 2019 benchmark revision. Following release of the new results for the entire time series, the differences between equivalent concepts of the National Accounts rest of the world account and the BOP are non-existent (on the non-financial side, the current and capital accounts) and minimal (on the financial side).

1 For a more detailed analysis, see "Impact of the 2019 benchmark revision on the net lending/net borrowing and international investment position of the Spanish economy", Notas Estadísticas No. 10, Banco de España.

2 See "Current account adjustment", Chapter 3, *Annual Report 2016,* Banco de España.

3 According to the World Tourism Organization, the United States topped the ranking with €181.6 billion and France held third place with €55.5 billion.

4 See "The estimation of travel credits in the balance of payments", Notas Estadísticas No. 11, Banco de España.

5 For more details, see "Impact of the 2019 benchmark revision on the net lending/net borrowing and international investment position of the Spanish economy", Notas Estadísticas No. 10, Banco de España.

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2019 BALANCE OF PAYMENTS/IIP AND NATIONAL ACCOUNTS BENCHMARK REVISION: METHODOLOGICAL ASPECTS AND SOME IMPLICATIONS FOR ANALYSIS OF THE SPANISH ECONOMY (cont'd)

However, there are still differences in presentation between the two sets of statistics that users should be aware of. In this respect, the main difference is that, since the BOP/IIP is drawn up from the standpoint of resident agents and the National Accounts from the standpoint of the rest of the world, payments (receipts) in the BOP are stated as resources (uses) in the National Accounts. In consequence, net lending/net borrowing in the BOP has the same value as the corresponding heading in the National Accounts for the total economy, but with the

Table 1
CORRESPONDENCE BETWEEN BALANCE OF PAYMENTS AND NON-FINANCIAL ACCOUNTS SECTOR HEADINGS

Balance of Payments	Spanish Quarterly National Accounts Quarterly non-financial accounts of rest of the world sectors (S.2)	
Goods and services		
Goods	P.6	Exports of goods and services
Services	P.7	Imports of goods and services
Travel	**B.11**	**External balance on goods and services**
Non-travel services		
Manufacturing and maintenance and repair services		
Transport		
Construction		
Insurance and pension services		
Financial services		
Charges for use of intellectual property		
Telecommunications, computer and information services		
Other business services		
Personal, cultural and recreational services and government goods and services		
Primary income		
Compensation of employees	D.1	Compensation of employees
Investment income	D.4	Property income
By functional category		Interest
Direct investment		Distributed income of corporations
Portfolio investment		Reinvested earnings
Other investment		Other investment income
Reserve assets		
By institutional sector		
Other primary income	D.2	Taxes on production and imports
	D.3	Subsidies
Secondary income		
General government	D.5	Current taxes on income, wealth, etc.
Other sectors	D.61	Net social contributions
Workers' remittances	D.62	Social benefits other than social transfers in kind
	D.7	Other current transfers
Current account	**B.12**	**Current external balance**
Capital account		
	D.9	Capital transfers, receivable/payable
	NP	Acquisitions less disposals of non-produced assets
Current and capital account	**B.9**	**Net lending (+)/net borrowing (–)**

SOURCE: Devised by authors.

opposite sign. Table 1 shows the relationship between the BOP and National Accounts components.

Regarding transactions in goods and services, for services the BOP has a greater level of detail than the National Accounts. Moreover, for the specific case of goods and services acquired by tourists/travellers, the BOP has a specific heading (Travel), whereas in the National Accounts this expenditure is assigned to various components. It is mainly recorded as consumption or spending of (non-) residents (within) outside the economic territory, but also, in a smaller proportion, as intermediate consumption (expenditure on business travel (travel and subsistence expenses)) or other services (expenditure on package holidays arranged through intermediaries).

In the case of financial balances and transactions, in the BOP/IIP the functional category is the first level of classification, which is then subdivided into instruments and institutional sectors. By contrast, the National Accounts use the instrument and sector directly. Table 2 illustrates the relationship between the BOP/IIP's functional categories and instruments. These relationships allow users to complement the data offered by the National Accounts with the BOP/IIP, or vice versa, with total guarantee of consistency.

Table 2
CORRESPONDENCE BETWEEN FUNCTIONAL CATEGORIES AND FINANCIAL INSTRUMENTS

	Functional categories (BOP/IIP) / Instruments (BOP/IIP and Financial Accounts)				
	Reserve assets	Direct investment	Portfolio investment	Derivatives	Other investment
F11 Monetary gold	X				
F12 Special drawing rights	X				X
F2 Currency and deposits	X	X			X
F3 Debt securities	X	X	X		X
F4 Loans	X	X			X
F5 Equity and investment fund shares	X	X	X		X
F6 Insurance, pension and standardized guarantee schemes		X			X
F7 Financial derivatives and employee stock options	X			X	
F8 Other accounts receivable/payable		X			X

SOURCE: Devised by authors.