

2024 BENCHMARK REVISION
OF THE BALANCE OF PAYMENTS
AND INTERNATIONAL INVESTMENT
POSITION OF THE SPANISH ECONOMY

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**2024 BENCHMARK REVISION OF THE BALANCE OF PAYMENTS
AND INTERNATIONAL INVESTMENT POSITION OF THE SPANISH
ECONOMY**

ABSTRACT

This statistical note describes the main reasons behind, and the impact of, the benchmark revision of the balance of payments and the international investment position. This benchmark revision was published by the Banco de España on 23 September 2024, coinciding with the release of the data for 2024 Q2. The revision has a limited impact on the time series: the levels of net lending/net borrowing and the net international investment position are barely changed, while their profiles remain unaltered. However, in certain cases some impact can be observed, the deeper we dive into these statistics. Benchmark revisions take place in Europe every five years and are coordinated internationally and across statistical domains (financial and non-financial national accounts and balance of payments/international investment position).

Keywords: benchmark revision, net lending/net borrowing, international investment position, balance of payments, methodology.

JEL classification: C82, E50, F10, F21, F23, F24, F30, F32, F34, F36.

RESUMEN

En esta nota estadística se describen las principales causas que han motivado la revisión regular extraordinaria (o revisión *benchmark*) de la Balanza de Pagos y la Posición Internacional, así como el impacto que esta ha tenido. Dicha revisión ha sido publicada por el Banco de España el 23 de septiembre de 2024, con la difusión de los datos del segundo trimestre de 2024. La revisión tiene un impacto limitado en la serie histórica y no modifica el perfil ni prácticamente el nivel de la capacidad/necesidad de financiación o de la Posición de Inversión Internacional neta. No obstante, a medida que se desciende en los detalles de estas estadísticas sí puede apreciarse cierto efecto en algunos casos. Las revisiones *benchmark* se producen en Europa cada cinco años de forma coordinada a nivel internacional y entre dominios estadísticos (Contabilidad Nacional no financiera y financiera y Balanza de Pagos / Posición de Inversión Internacional).

Palabras clave: revisión *benchmark*, capacidad/necesidad de financiación, Posición de Inversión Internacional, Balanza de Pagos, metodología.

Códigos JEL: C82, E50, F10, F21, F23, F24, F30, F32, F34, F36.

1 Introduction

This note describes the quantitative impact of the revision of the balance of payments and the international investment position (BoP/IIP) published by the Banco de España on 23 September, coinciding with the release of data for 2024 Q2. It also sets out the main reasons for the changes in the data. This is a benchmark revision, coordinated with that applied by the National Statistics Institute (INE) to the national accounts (NA),¹ with the revision by the National Audit Office (IGAE) of the general government accounts and with the revision of the financial accounts (FA), due to be published by the Banco de España on 9 October, coinciding with the release of the data for 2024 Q2. A similar note to this one, detailing the impact of the benchmark revision on the FA, will be published shortly.

Benchmark revisions are extraordinary regular revisions, coordinated across European Union (EU) Member States, Eurostat and the European Central Bank, and across several statistical domains (BoP/IIP, FA and NA). They differ from routine revisions in that they affect longer periods (entire time series, if necessary). They enable longer periods to be revised and the accumulation of changes that, if introduced in isolation, could give rise to a series of contradictory results (effects of different sign on the fundamental aggregates that are ultimately offset by the various changes). These revisions are necessary because of the emergence of new data sources or changes in existing sources, changes to calculation methods on account of unsatisfactory results and the alignment of preparation procedures with certain recommendations by relevant international fora. Benchmark revisions produce statistics that are of better quality, more consistent and better adapted to international standards.²

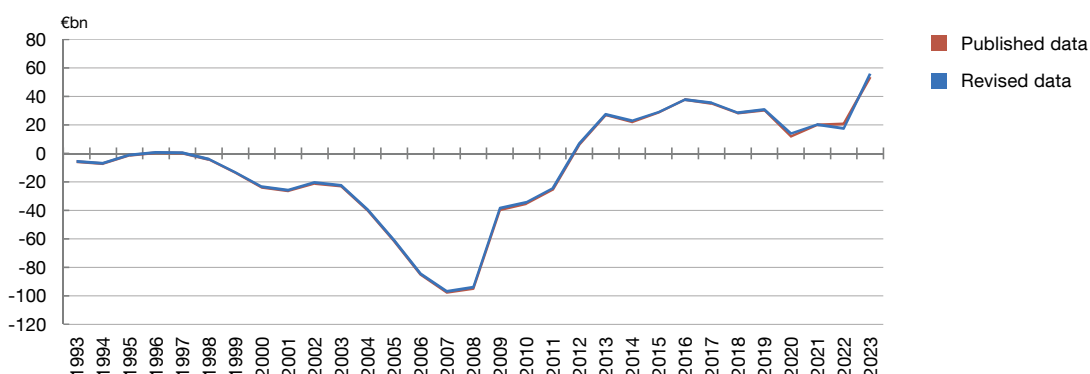
Benchmark revisions are carried out because the (non-financial) NA, the FA and the BoP/IIP need to be fine-tuned from time to time. In Europe it has been decided that this should be done every five years.³

Section 2 of this note details the quantitative impact of the 2024 benchmark revision on the Spanish economy's net lending/net borrowing, from the beginning of the time series, and on its main components. It also describes the main changes made. The aim of Section 3 is the same, but the focus is on the IIP. Lastly, the annexes mention other changes with a smaller impact.

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- 1 See the [Technical Project](#) of the "2024 Benchmark Revision of the National Accounts Statistics of the INE" and the [press release](#) on the revision of the Annual National Accounts.
 - 2 Spain's BoP/IIP is prepared following the statistical principles established in the International Monetary Fund's *Balance of Payments and International Investment Position Manual* published in 2009, which is consistent with Eurostat's European System of Accounts 2010.
 - 3 See [Conclusions and list of actions of the meeting of 2-3 February 2017 of the Committee on Monetary, Financial and Balance of Payments Statistics](#).

Chart 1

Net lending/net borrowing of the Spanish economy



SOURCE: Banco de España.

2 Net lending/net borrowing

The revision of the time series does not change the profile of net lending/net borrowing (see Chart 1). In addition, the impact on its level is limited: between 1993 and 2023 the annual average impact is positive and less than €0.5 billion, under 0.1% of GDP (see Chart 2). In 2020 and 2023,⁴ net lending was revised upwards by around €2 billion, while in 2022 it was revised down by €3.3 billion.

Chart 2 breaks down the revision into the different components of net lending/net borrowing. Up to 2016, secondary income is the component recording the largest change (an annual average of +€0.6 billion throughout the period). From 2017 onwards, although the revision to secondary income continues to account for some share of the overall revision (annual average of €1.1 billion), goods record a bigger change (annual average of €1.5 billion in absolute terms, with positive differences up to 2021 and negative ones in 2022 and 2023), followed by other services (annual average differences of €1.2 billion in absolute terms, with negative differences up to 2022 and a positive one in 2023). In turn, although investment income is revised with data from 1997 onwards, it is not subject to sizeable changes until 2015, negative up to 2022 (annual average of -€0.7 billion) and positive in 2023 (+€2.2 billion).

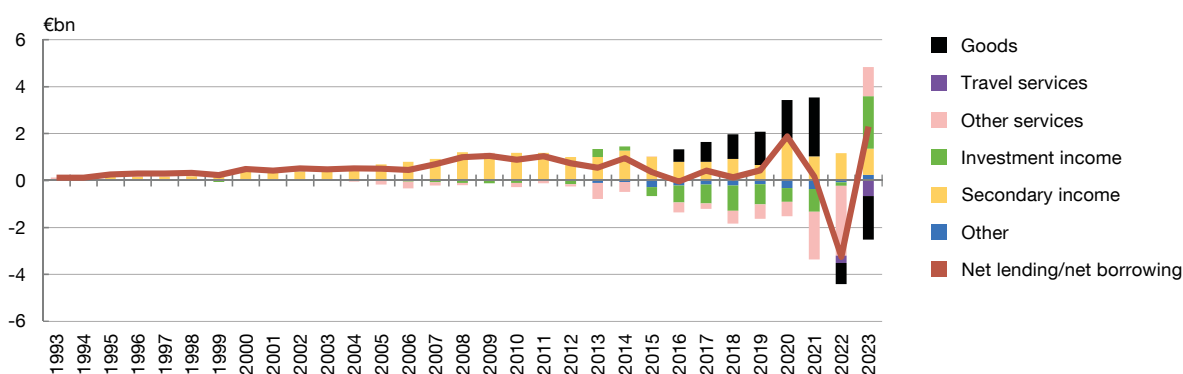
The revision of the *goods* balance owes above all to:

- The improvements introduced in the INE's estimations of the NA, specifically in the CIF/FOB adjustment linked to the transportation of goods. The impact on the goods balance is positive from 2017 to 2022 (annual average of +€1.2 billion) and negative in 2023 (-€3.9 billion).

⁴ Note that for the period 2021-2023 of the BoP/IIP and the stock of the IIP in 2020, as the initial period, the routine annual revisions conducted every September are mixed with the changes on this occasion due to coinciding with a benchmark revision.

Chart 2

Changes in net lending/net borrowing (revised-published)



SOURCE: Banco de España.

- The incorporation of certain trade operations related to factoryless goods production abroad, which were previously not being reported in the data sources. The impact on the balance is positive from 2016 (annual average of +€0.9 billion).
- In 2022, in addition to the two aforementioned factors, the routine revision of trade data provided by the Customs Department (impact of -€3.6 billion on the goods balance). In September of each year, the definitive Customs data for year Y-2 – on this occasion, 2022 – are incorporated into the BoP.

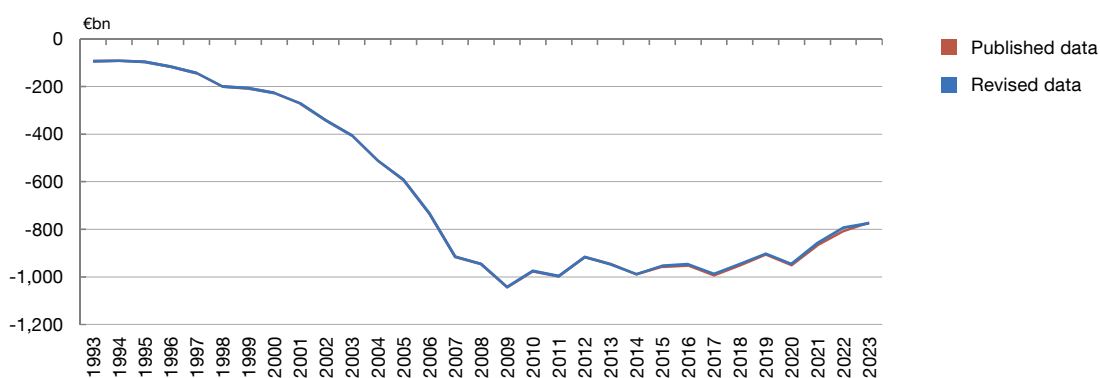
In the case of *other services (non-travel services)*, the longest revision (with data from 1993 onwards) reflects the incorporation and retropolation of the changes introduced by the INE in the sample design of the International Trade in Services Survey (ITSS).⁵ The effect on the balance is positive up to 2005 and negative from then on, and entails a downward revision of more than €1 billion in the last two years. In addition, with data from 2017 onwards, the differences reflect above all the improvements in the NA estimation of goods transportation services, linked, albeit with an opposite sign, to the above-mentioned CIF/FOB adjustment (-€0.5 billion up to 2022 and +€3.3 billion in 2023).

Turning to *investment income*, the estimation method for the debits related to portfolio investment liabilities has been improved. The estimation is now performed on a security-by-security basis, applying average monthly rates to calculate accruals and considering both the individual characteristics of the securities issued and the actual composition of the portfolios held by non-residents. This change has entailed a downward revision to the balance with data

⁵ In 2022 the INE amended the ITSS with a dual objective: compliance with Regulation (EU) 2019/2152 on European business statistics and making the operation more efficient. Up to that point, the sampling frame was essentially based on external transactions of payment service providers reported to the Banco de España. Since the reform, the sampling frame has been VAT Form 349 “Recapitulative return on intra-EU operations”. For more information, see https://www.ine.es/normativa/leyes/cse/proyecto_ReformaEncuestaComercioInternacional.pdf (available in Spanish only).

Chart 3

Net IIP of the Spanish economy



SOURCE: Banco de España.

from 2019 onwards (-€1 billion on average, with a maximum value of -€1.5 billion in 2021). With regard to 2023, the impact of the routine revision should also be noted, due to the incorporation of lagged information on direct investment income (+€1.5 billion).

The change in *secondary income* owes to the enhancements made to estimating pension credits that residents in Spain receive from abroad. To date, this estimation was based on information provided by the National Social Security Institute on pension benefits paid to residents under international law (due to having made contributions in Spain and in other countries). This information did not therefore cover the credits of resident pensioners who had only made contributions abroad (retirement migrants). This information is henceforth obtained from the data reported to the European Commission by the national social security institutes of the EU Member States, the European Free Trade Association member countries and the United Kingdom,⁶ which are published on the Eurostat website.⁷

Annex 1 includes a list of other changes made to different components of the net lending/net borrowing of the Spanish economy that have had a smaller effect than those mentioned above.

3 International investment position

The revision of the time series also has a very limited effect on the net IIP, leaving its profile unchanged (see Chart 3). With respect to the levels, Chart 4.a shows that the revision had

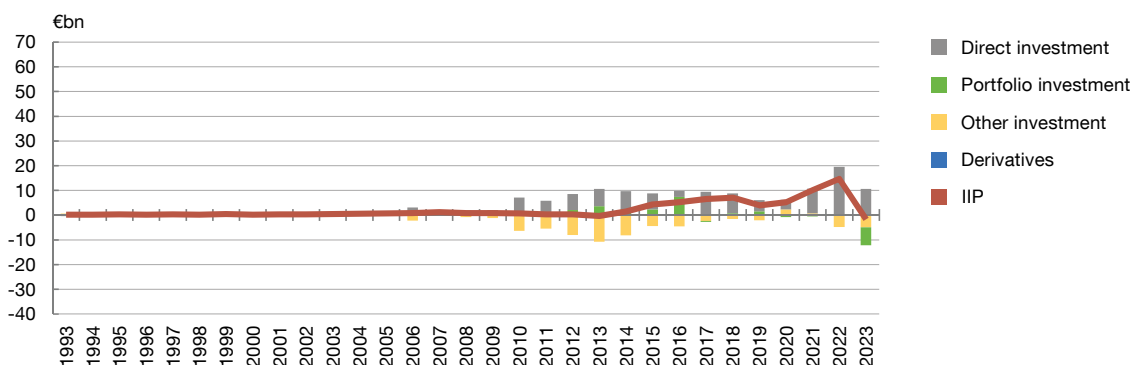
⁶ The European Commission compiles this information under Regulation (EC) No 987/2009 of the European Parliament and of the Council of 16 September 2009 laying down the procedure for implementing Regulation (EC) No 883/2004 on the coordination of social security systems. The geographical coverage extends beyond the EU, as set out in the main text of the note.

⁷ <https://ec.europa.eu/social/BlobServlet?docId=27441&langId=en>.

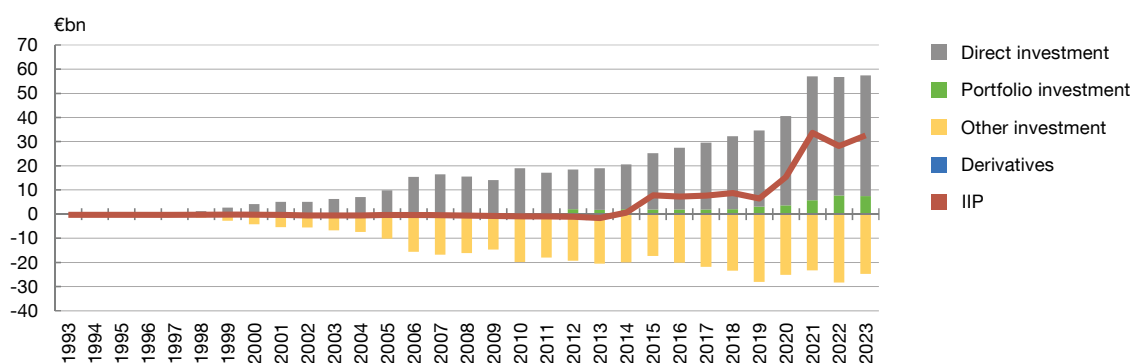
Chart 4

Contribution to the changes in the IIP (functional categories)

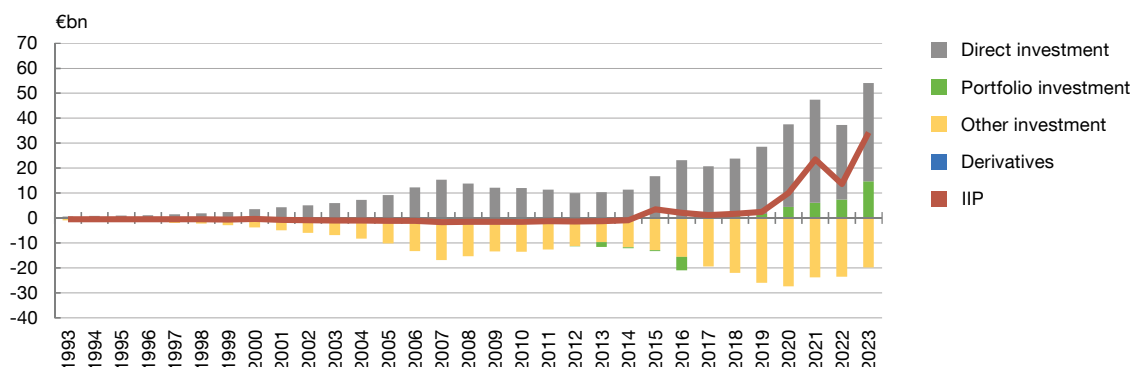
4.a Contribution to the changes in the net IIP



4.b Contribution to the changes in the IIP. Assets



4.c Contribution to the changes in the IIP. Liabilities



SOURCE: Banco de España.

practically zero impact up to 2013 (€0.4 billion on average, less than 0.1% of GDP), whereas between 2014 and 2020 the Spanish economy’s negative net IIP is revised down, by an annual average amount of €4.8 billion (0.4% of GDP). Lastly, the largest revision is recorded in 2021 and 2022, with decreases in the negative net IIP of €10.1 billion and €14.7 billion, respectively (0.8% and 1.1% of GDP).

As can be seen in Chart 4, the functional categories that most contributed to the revision of the IIP are direct investment and other investment, whose revisions (upwards and downwards, respectively) increase over time and practically offset each other.

This transfer of amounts *from other investment to direct investment* is due above all to the reclassification of trade credit between companies belonging to the same group. To date, all trade credit was recorded under other investment, as the relationship with the counterpart firm was not available in the data source. To comply with international standards, this variable was recently included in the trade credit claims on non-residents reported to the Banco de España.⁸ This has enabled them to be broken down into those whose counterpart is a firm belonging to the same group, which are now allocated to direct investment, as recommended by the reference methodological manuals. As it is a reclassification, this change has zero impact on total financial assets and liabilities in the BoP/IIP. That said, in the functional category breakdown it has entailed a shift, from other investment to direct investment, of approximately 50% of the trade credit stock and transactions. Meanwhile, there are small revisions to total assets and liabilities (2.5% of the total stock on average for 2021, 2022 and 2023), the overall effect of which is zero, stemming from another improvement made in the same data source to correctly record (at their gross amount) the advances that were previously netted off against trade credit.

Under the *direct investment* functional category, the following also had an effect:

- The inclusion of data on payment institutions⁹ within the non-monetary financial institutions sector. These institutions traditionally had negligible amounts relative to the sector total; however, their importance has gradually grown in recent years. The impact of incorporating these institutions arises mainly in debt instruments and the amounts exceed €17 billion.
- The improvement in the estimation of real estate assets abroad held by households, thanks to the incorporation of a new source of data on transactions with these assets. As a result, the stock is revised up from 2013, to exceed €6 billion from 2018.

Meanwhile, stocks and transactions have also been reclassified *from other investment to portfolio investment*. This is the case for shares or units in (unincorporated) closed-end investment funds held in the portfolio of collective investment undertakings that are included in the non-monetary financial institutions sector. Following the recommendations at European level, in the context of ensuring the consistency between the BoP/IIP and the FA, these shares or units are now recorded as investment fund shares or units, both in the case of the BoP/IIP and in that of the FA. The change does not affect total assets and liabilities in the BoP/IIP (or

8 Banco de España Circular 4/2012 of 25 April 2012 on rules for residents in Spain to report cross-border economic transactions and financial asset and liability balances, which requires all individuals and legal persons resident in Spain (other than payment service providers in the official registers of the Banco de España) to report their transactions and positions with non-residents.

9 For a description of these institutions, see <https://www.bde.es/wbe/en/entidades-profesionales/operativa-gestiones/autorizaciones-acreditaciones/autorizacion-inicio-actividad/entidades-pago.html>.

those of the sectors in the FA) and makes the two sets of statistics more consistent. The revision to the total stock of equity and investment fund shares or units for all sectors (excluding the Banco de España), within active portfolio investment in the BoP/IIP, ranges from 0.6% in December 2017 to 1.8% in December 2012 (period in which the stock increases from €104.5 billion to €106.4 billion).

Turning to liabilities, in *portfolio investment* the estimation of the debt securities of all issuing sectors has also been improved, by using the security-by-security data available on the issuances and portfolios of the resident sectors and by applying the “residual approach” to obtain, as the difference, the portfolio held by non-residents. This approach uses more information and ensures that the data of all sectors tally, guaranteeing the consistency between the BoP/IIP and the FA (and maximising the internal consistency of the FA across the different sectors). The change has entailed an average revision of 0.6% (€5.5 billion), with the largest change of 0.9% (€7.8 billion) in 2023.

Finally, an improvement has been made in the *other investment* category in order to draw a distinction in the EU funds between those that are advanced by the Treasury (and therefore generate a claim for Spain against non-residents under other accounts receivable) and those advanced by the EU (which therefore generate liabilities under other accounts payable). The latter appear from 2021, as a result of the creation of the NextGenerationEU (NGEU) funds. To date, both types of advances were considered jointly in the financial account of the BoP/IIP, such that they were recorded net, as liabilities, under other accounts payable, because the NGEU funds were larger. With this revision, a distinction has been made between the traditional and the NGEU funds, with a financial asset and a liability thus recorded under other accounts receivable/other accounts payable, respectively. The impact of this improvement on assets and liabilities is an average revision of around €8 billion of the stock since 2021. It has zero impact on the net amounts.

Lastly, two changes should be mentioned that do not affect the aggregates for all sectors, but do affect the *institutional sector and economic sector breakdowns*.

First, *there have been reclassifications from the non-financial sector to the financial sector* in the other resident sectors. This has enabled the financial sector to record an average increase of €6 billion in assets and of €12 billion in liabilities. This is because in order to determine whether a company is strictly speaking a holding company in the BoP/IIP, and as a result should be transferred to the financial sector, information that only becomes available with a considerable lag is needed. These units are therefore initially allocated by default to non-financial corporations. Following the standard revision policy, in September of year Y the data for Y-3 have been updated. With the 2024 benchmark revision, the sectoral classification of these units has been applied uniformly to the entire time series.

Second, *the NACE classification has been improved, assigning to holding companies the main economic activity of the resident corporate group*. Thus, the data user has at their disposal information on the productive activity for which the funds are earmarked (or on that of the

group sending the funds abroad), even though the first legal unit through which the funds enter or exit Spain is a mere holding company. The average impact of this reclassification for the period 2013-2023 is a transfer of approximately €28 billion of the stock of assets from financial and insurance activities to productive activities. A total of €123 billion of the stock of liabilities have been transferred.

Annex 2 includes a list of other changes made to different components of the IIP that have had a smaller effect than those mentioned above.

ANNEX 1 OTHER CHANGES IN NET LENDING/NET BORROWING

1 Goods

- Revision of the adjustment of Customs data on goods shipped abroad to be transformed or repaired, which are included in this source but, as ownership is not transferred, should not be included in the balance of payments. The adjustment is revised in keeping with the new information on associated services reported in the International Trade in Services Survey (ITSS) (due to a change in its sample design) and the Customs data on the goods that cross the border for this reason (definitive results for 2022).
- Revision of the national accounts (NA) estimates, provided by the National Statistics Institute, of goods linked to illegal activities due to the updating of data sources.

2 Tourism

- Revision of debits drawing on information on credits recorded by the main counterpart countries published by Eurostat (mirror data).

3 Other services (non-travel services)

- Revision of the NA estimates of services linked to illegal activities due to the updating of data sources.
- Removal of measurement errors in financial intermediation services indirectly measured (FISIM) linked to loans from international organisations. Given the particular characteristics of this financing, and above all after the sharp rise in interest rates from 2022 H2, it was appropriate to treat this type of financing differently when estimating FISIM.
- Revision of the NA estimates of insurance and reinsurance due to the updating of data sources.

4 Investment income

- Changes in the income from other investment, due to the above-mentioned improvement in the estimation of FISIM, generated by the loans granted by international financial bodies.¹⁰ The estimation of Banco de España income from the

¹⁰ FISIM constitute an implicit financial service in investment income. The estimated FISIM is deducted from income and recorded in services and, therefore, has an impact on both.

TARGET and intra-Eurosystem positions has also been amended. The income is now recorded on an accrual basis rather than a cash basis. After the above-mentioned rise in interest rates in 2022 H2, the difference between the two bases has become more important and (following international recommendations) warranted the change.

- Reclassifications from the non-financial sector to the financial sector in other resident sectors,¹¹ impacting above all direct investment. These are mostly units that, thanks to lagged information, are now considered holding companies in the strict sense.

5 Other primary income

- Revision of the credits from subsidies on production linked to the European Agricultural Guarantee Fund (EAGF), after an in-depth investigation using data sources intended to correct duplicate data already recorded under the current international cooperation heading.

6 Secondary income

- Revision of the estimated remittances debits drawing on those sent through channels other than payment institutions (“remitters”), using information on credits recorded by the main counterpart countries (mirror data).
- Revision of the NA estimates of insurance and reinsurance due to the updating of data sources.
- Changes in general government sector transfers due to the incorporation of new information from the National Audit Office (IGAE).

7 Capital account

- Changes in general government sector transfers due to the incorporation of new information from the IGAE.

¹¹ Other resident sectors comprise non-monetary financial corporations, non-financial corporations, households and non-profit institutions serving households.

ANNEX 2 OTHER CHANGES IN THE INTERNATIONAL INVESTMENT POSITION

1 Other investment

- Modification of the financial instrument under which the Treasury’s account with the European Union is compiled, by reclassifying loans payable to other accounts payable. This reclassification increases the consistency with the financial accounts (FA).
- Sectoral reclassification from the non-financial corporations sector to the general government sector of Spain’s financial claims on the EU due to advances made by Spain’s State Agricultural Guarantee Fund (FEGA by its Spanish initials) and that are actually paid by the Treasury. The treatment of these advances has also been improved in the FA and following the 2024 benchmark review the FA and the balance of payments and international investment position are now consistent.
- Completion of the estimation of the time series for the technical reserves of non-resident pension funds held by households. The time series previously went back to 2017 and is now complete up to 1999.

2 Portfolio investment

- Improvement in the estimation of non-residents’ holdings of shares or units in resident investment funds due to the use of an additional data source: the information reported by the investment funds to the Spanish National Securities Market Commission. This change increases the consistency with the FA.

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- 2 STATISTICS AND CENTRAL BALANCE SHEET DEPARTMENT: Valuation of shares and other equity in the Financial Accounts of the Spanish Economy (2005). (The Spanish original of this publication has the same number.)
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- 9 STATISTICS DEPARTMENT: Changes in the balance of payments and in the international investment position in 2014 (2019).
- 10 STATISTICS DEPARTMENT: Impact of the 2019 benchmark revision on the net lending/net borrowing and international investment position of the Spanish economy (2019).
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