

June 2019

The 2019 benchmark revision of the Balance of Payments/International Investment Position

Updating of macroeconomic statistics

The Banco de España is working on preparing a revision of the Balance of Payments and International Investment Position (BP/IIP). This will be published with the dissemination of the data for 2019 Q2 on 26 September 2019. What is involved is an extraordinary revision (known as a benchmark revision) which is being coordinated with that of the National Accounts to be released by INE, and with that of the Financial Accounts (the financial face of the National Accounts) to be disseminated by the Banco de España itself. Similar notes can be consulted for **National Accounts** (NA) on the INE website, in the methods and projects, new projects section, and for **Financial Accounts** (FA) in its yearly publication, in section 6 of the methodological summary on the Banco de España website.

What is a benchmark revision?

It is a “regular extraordinary revision”, coordinated by the EU countries, Eurostat, and the European Central Bank, and between several statistical domains (BP / PII FA and NA). It differs from regular routine revisions in that it affects longer periods (complete time series if necessary). They allow long periods to be reviewed and changes to be accumulated which, if introduced in an isolated fashion, might give rise to successive contradictory results (effects of a different sign in the fundamental aggregates that are ultimately offset when changes are considered together). They are necessary because: new information sources emerge or existing ones change; unsatisfactory results are observed requiring calculation methods to be altered; or compilation procedures are aligned with specific recommendations by relevant international fora. The outcome is statistics that are of better quality, more consistent and better adapted to international standards.

How often is the revision?

Revisions are regular because the National Accounts (non-financial), the Financial Accounts, and the Balance of Payments/International Investment Position need updating every so often. In Europe it has been decided that these updates should be every 5 years.¹

¹ See *A Harmonised European Revision Policy for Macroeconomic Statistics. Committee on Monetary, Financial and Balance of Payments Statistics, October 2017.*

What impact will it have?

The next update, while on a lesser scale than that in 2014², will also entail various changes that will affect certain BP/IIP headings. Given that there are many changes, it is not possible to anticipate the impact they will have as a whole. That said, it is not expected that the results will alter the conclusions of the economic analysis. Nevertheless, it should be noted that, unlike other months of September, when the information relating to the last three years is usually revised, on this occasion the time series since 1993 will be revised.

Significantly, one of the priority objectives pursued with this revision is to increase consistency between the National Accounts and the BP/IIP. In this connection, work has been coordinated between the Banco de España teams that prepare the BP/IIP and the Financial Accounts, and the INE team that prepares the National Accounts.

Some of the headings that will be affected

With the publication of this revision in September, the methodological notes for the BP/IIP available on the Banco de España website will be updated and specific explanatory notes of the changes made will be published. Some of these are set out below.

In the BP current and capital account

In estimating goods imports and exports, some of the adjustments made to the trade statistics from the Customs Department are to be updated, such as the CIF/FOB³ adjustment and the credits/debits relating to merchandise entering/leaving Spain for processing or repair without a change in ownership.

Under the services balance, mention should be made of the revision in the travel figures, since these are to include in full the results of INE's EGATUR tourist spending survey in order to estimate the level of revenue. Further, the information sources used for the estimation of transactions relating to the cross-border arrangement of insurance services will be extended. This will impact not only the services balance, but also the secondary income account. The revision of the data related to these operations is being coordinated with INE in such a way that the only significant difference remaining between the Balance of Payments and the National Accounts rest of the world account will be eliminated.

Under investment income, more information is available to enhance the estimation of profits obtained by non-resident investment funds that should be allocated in the BP to their

² There was an extraordinary revision of BP/IIP data in September 2014. On that occasion what was involved was not only an update, as has hitherto been the case; rather, it coincided with two deeper changes. Firstly, the information sources changed substantially owing to the disappearance of the previous reporting system, as a consequence of the setting in place of the Single Euro Payments Area. Secondly, the European agreement to set in place SEC2010 and the sixth BP/IIP manual in 2014 was observed (see *Changes in the Balance of Payments and in the International Investment Position in 2014*).

³ The amounts of trade transactions according to the Customs statistics methodology include, in imports, a portion relating to transport and insurance that should be deducted in order to follow the Balance of Payments methodology.

resident holders; a more precise treatment is to be given to portfolio investment-linked instruments; and various improvements in the estimation of direct investment income are to be made.

In the financial accounts of the BP/IIP

In order to estimate non-resident investment in property located in Spain, the accumulation-of-flows method will be discarded and the stock will be directly estimated using as information sources in the first place the FRONTUR/EGATUR survey. This contains information on non-residents coming to Spain and staying in their own dwelling. Secondly, data provided by the tax authorities and data from INE's on prices will be used. This heading is included in the BP/IIP, under the direct investment liabilities, in the equity holdings instrument.

Trade credits, which are included under the heading other investment, are to be estimated with more information than hitherto used, taking the information from the direct reporting of external transactions and positions to the Banco de España. Information from the Banco de España Central Balance Sheet Data Office will also be included, and average payment periods to be applied to exports/imports throughout the time series will be estimated.

One change that will not affect the total by headings, but will have an impact on the breakdown by sector is that of the sectoral reallocation of securities-issuing companies that are subsidiaries of non-financial corporations. These companies have been included in the financial sector, having regard to their activity; but they will be recorded in future along with their parents in the non-financial corporations sector, having regard to the absence of decision-making autonomy they evidence.