CMFB opinion on the principles for re-shaping the connection between business statistics and BoP/IIP

The following material principles should be taken into account when re-shaping the connection between business statistics and Balance of Payments / International Investment Position (BoP/IIP) statistics. These principles should be regarded as general orientations. There is no prioritisation in the order of the principles listed.

1.   *Quality*

Quality is of utmost importance in all areas of statistics and therefore has to be ensured for BoP/IIP statistics which are crucial elements for assessing macro-imbalances, as for monetary policy and financial stability. The European Statistical System (ESS) and the European System of Central Banks (ESCB) follow strict quality rules: the ESS Code of Practice and the ESCB Public Commitment on European statistics.

2.   *Consistency with international statistical standards*

BoP/IIP, Foreign Direct Investment Statistics (FDIS), and International Trade in Services Statistics (ITSS) should be consistent with the relevant international statistical standards: 6th edition of the Balance of Payments and International Investment Position Manual (BPM6), 4th edition of the OECD Benchmark Definition of Foreign Direct Investment (BMD4), and Manual on Statistics of International Trade in Services 2010 (MSITS 2010).

3.   *Consistency between BoP/IIP and national accounts*

With the introduction of SNA2008/ESA2010 and BPM6 both accounting frameworks have been deliberately conceived as consistent. Therefore, all EU countries should make an extra effort to ensure BoP-ROW consistency (equality) in practice. This is particularly important as a quality attribute.

4.   *Consistency between the business statistics dimension of ITSS/FDIS and other business statistics*

In the statistical compilation process, consistency between the accounting framework(s) and the underlying data sources is an objective. ITSS and FDIS are part of BoP/IIP statistics as laid down in Regulation (EC) 184/2005. However, both statistics have a business statistics dimension that would call for a multi-purpose use of those statistics, where consistency with other business statistics is needed. This would enable the statistical system to use the data in a more efficient way, e.g,. via micro-data linking, meaning that additional statistical information can be created without additional burden on businesses.

5.   ITSS is part of the accounting frameworks with a business statistics dimension

The data requirements on ITSS, as defined in Regulation (EC) No 184/2005, are part of the BOP/IIP frameworks and feed also into the NA accounting frameworks. They rely on diverse primary data sources and on several estimates and imputations (e.g. FISIM and part of Insurance services). However, as a large proportion of the primary data, used to compile ITSS, is collected from enterprises, a primary data requirement for the business sector could be defined in this context.

6.   FDIS is part of the accounting frameworks with a business statistics dimension to be investigated

The data requirements on FDIS, as defined in Regulation (EC) No 184/2005, are part of the BoP/IIP and the NA accounting frameworks. They rely on a multitude of primary data sources and on imputations (e.g. reinvested earnings). However, as most of the primary data collected from enterprises and used to compile FDI statistics are related to financial operations, the possibility of defining a primary data requirement for the business sector should be further investigated.

7.   The frequency spectrum of the data requirements for an accounting framework should be defined in a single legal act

BoP/IIP statistics is a complex accounting framework that is supported by a multitude of different primary data sources available at different frequencies. It occurs that lower frequency data are obtained through the aggregation of high frequency data, such as in the case of goods, or that the lower frequency data are observed directly and used to estimate/improve higher frequency data. A basic requirement of accounting frameworks is that time consistency exists across frequencies.

As both high and low frequency BoP/IIP data are supported by a mixture of primary data sources at different frequencies, it stands to reason that the BoP/IIP data requirements across frequencies should be consistently covered in a single legal act.

8.   The decision as regards the legal provisions on ITSS and FDIS should be based on long-term considerations

The decision to cover ITSS and FDIS under Regulation (EC) No 184/2005 or in FRIBS should be taken on the basis of long-term considerations. This includes considerations over the quality of BoP/IIP and NA individually and as a whole and as such the integrity of the Regulation (EC) No 184/2005, the quality of ITSS and FDIS accounting components in themselves, the reporting burden, user needs, benefits regarding consistency with other business statistics as expected through FRIBS and the needs arising from globalisation and international recommendations in the field of international trade and investment statistics.

9.   Data collection and compilation are a matter of subsidiarity

The decision of whether to cover ITSS and FDIS under Regulation (EC) No 184/2005 or in FRIBS should not impact on how the statistical function is organised at national level. The subsidiarity principle is valid for the national arrangements.

10.   Micro-data availability of business statistics components

The possibility of combining micro-data coming from different sources (as compiled by NCBs and NSIs) is an important contribution of statistics to economic research and decision making. In this context, micro-data supporting external statistics should be available for purposes other than the production of aggregated (macroeconomic) figures, provided that the legal constraints that might be faced are overcome.

11.   Efficient use of (inter)nationally coordinated register information

The efficient use of register information that is coordinated nationally (between the NCB and NSI) and on the EU level (e.g. RIAD and EGR) will improve the quality and the comparability of statistical information. It will also reduce inconsistencies between various components of European statistics. The use of global common entity identifiers (e.g. the LEI, in addition to/in connection with European identifiers used in the EGR) in the registers and satellite registers of both statistical systems would further improve the quality and comparability of business and other macroeconomic statistics.

12.   Full compliance with BoP/IIP data requirements – level of detail

Any chosen solution should ensure the availability and provision of the variables under data requirements that are internationally recognised as part of the BoP/IIP accounting framework (e.g. the "IMF standard components" as defined in Annex 9 of the BPM6) including specific adjustments and imputations.

13.   User demand, efficiency and costs

Statistics are produced to fulfil various information needs of different users. User demands should be satisfied in an efficient way by minimising the costs and burden for respondents and producers of statistics.

14.   Good governance and legal basis for producing good statistics

An appropriate governance structure is a prerequisite for the efficient and effective production of statistics, in particular when several legitimate objectives and standards have to be fulfilled at the same time, as is the case for business statistics on the one hand, national accounts and BOP/IIP statistics on the other hand. Clear legal texts help to achieve this goal along with a governance scheme that ensures that all principles are respected in practice and in the long run. The CMFB can be of specific assistance in this regard, pursuant to the Council Decision that established its tasks.