



EUROPEAN COMMISSION  
EUROSTAT

Directorate B: Economic statistics and  
economic and monetary convergence

**Unit B-5: International trade in  
services, direct investments,  
balance of payments**

EUROPEAN CENTRAL BANK  
DIRECTORATE GENERAL STATISTICS

**Balance of Payments Statistics and  
External Reserves Division**

20 May 2003  
ST/WG/BP/HARMRP\_CMFB\_FU.DOC

## **HARMONISATION OF REVISION PRACTICES FOR B.O.P./I.I.P. STATISTICS**

**Approved by the CMFB and STC**

### **Overall approach**

The Statistics Committee (STC) and the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB) approved the preliminary report of the Task Force on Quality in July 2002. One conclusion was that the use of balance of payments (b.o.p.) data and related studies of revisions of the euro area/EU aggregate would benefit greatly from more harmonised revision practices across Member States, mainly because this would facilitate an analysis of the causes of the revisions and communications thereon.

In line with the action list of the CMFB meeting of July 2002, the ECB (Directorate General Statistics (DG-S)) and the Commission (Eurostat) were requested to elaborate on some possible developments to promote more harmonised revision practices for integrated statistics, notably b.o.p. and international investment position (i.i.p.) as well as national accounts statistics, and eventually to propose an EU/euro area-wide revision policy. They were also asked to reflect on the communication of revisions to users. Although revision studies and policies are part of the ongoing work on data quality, they were identified as important and, thus, the subject for specific discussion. The Working Group on Balance of Payments and External Reserves Statistics (WG-BP&ER) and the Eurostat Balance of Payments Working Group (BOP WG) discussed the issue extensively at their last meetings and were fully involved in the preparation of this joint ECB (DG-S)/Commission (Eurostat) paper.

Following these steps, the ECB (DG-S) and the Commission (Eurostat) developed **common revision practices** (see Section 3.2) for the reporting of contributions to the euro area/EU b.o.p./i.i.p. aggregate by Member States.

**Hence, the approach approved by the CMFB is as follows:**

- **the reporting of revisions by Member States on quarterly contributions and (national) b.o.p. data, where appropriate, should take place at least as frequently as the ECB (DG-S) and Commission (Eurostat) revisions and in line with the release calendar followed by both institutions (shown in Annex 2); reporting by Member States is only required in March and September for two or three years back, where relevant, in line with the ESCB broad forecasting exercises. For other quarters, revisions take place where appropriate;**
- **the new practices would be implemented for the transmission, from January 2004, of data for the third quarter of 2003 to both institutions. Reporting to DG-S at the end March 2003 should already follow this procedure (i.e. quarterly and corresponding monthly data for 2000, 2001 and 2002 would be revised then);**
- **in addition, euro area Member States' monthly contributions to the euro area b.o.p. aggregate may, where appropriate, be revised when reporting data for the following month, i.e. from the delivery in April 2003 of the data related to February 2003; this is in line with the future publication of the monetary presentation by the ECB; and**
- **the reason(s) for revising the data should be made public to the greatest extent possible. In case of a change in the methodology or the institutional setting (e.g. enlargement), revisions should be announced, and an order of magnitude should be given. In order to be able to do so with respect to the euro area/EU aggregates, the ECB (DG-S) and the Commission (Eurostat) need to receive the appropriate information from Member States in time.**

**Further steps towards an eventual revision policy would be subject to joint work with compilers of the national accounts (possibly within the framework of the Task Force on Quarterly European Accounts by Institutional Sectors, in liaison with all the working groups concerned).**

***This new practice has been effective in DG-S since the end of March 2003.***

## 1 Objectives

The STC and the CMFB approved the preliminary report of the Task Force on Quality in July 2002. One conclusion was that the use of balance of payments (b.o.p.) data and related studies of revisions of the euro area/EU aggregate would benefit greatly from more harmonised revision practices across Member States, mainly as this would facilitate the analysis of the causes of the revisions and the communication thereof. The STC also considered that more harmonised revision practices would be a prerequisite for the publication of (quarterly) national contributions to the euro area aggregate. Revision studies and policies are an important part of the ongoing work on data quality.

## 2 Approach followed and findings

In line with the action list of the CMFB meeting of July 2002, the ECB (DG-S) and the Commission (Eurostat) were requested to elaborate on some possible developments to promote more harmonised revision practices for integrated statistics, notably b.o.p. and i.i.p. as well as national accounts statistics, and eventually to propose an EU/euro area-wide revision policy.<sup>1</sup> They were also asked to reflect on the communication of revisions to users. Although revision studies and policies are a part of the ongoing work on data quality, they were identified as important and, thus, the subject for specific discussion. The WG-BP&ER had already discussed the ECB's revision and publication practices for the euro area b.o.p./i.i.p. data and possible steps towards a harmonisation of national revision practices on the basis of the results of a questionnaire addressed to Member States at its meeting in May 2002. An earlier version of this paper was discussed and broadly welcomed in the WG-BP&ER's meeting in September 2002. Further convergence between the DG-S and Eurostat was encouraged while the proposal in the first paragraph of Section 4 was accepted. This issue was also discussed further at the meeting of Eurostat's BOP WG in October 2002 and at the WG-BP&ER's meeting in December 2002 in order to prepare this joint ECB (DG-S)/Commission (Eurostat) paper.

A full harmonisation of revision practices across EU countries appears ambitious. Member States have defined their timetables for revisions in the light of user needs, e.g. economic and monetary analysis, national accounts or forecasting exercises, and/or of production constraints (e.g. availability of external trade data). These may vary across countries, which may be all the true if not only b.o.p./i.i.p. statistics are considered; however, the replies to the WG-BP&ER's questionnaire of spring 2002 provided some helpful guidance, namely:

- the harmonisation of data delivery and revision timetables, in particular between the ECB (DG-S) and the Commission (Eurostat) as well as, to the greatest extent possible, with other international

---

<sup>1</sup> Member States currently transmit revisions (back data) to the European institutions without a clear pattern. This makes the task of compiling the aggregate particularly difficult. This situation will worsen with the incorporation of new Member States.

organisations, is seen as a prerequisite for ensuring consistency among various published sets of data;

- the reporting of revisions by Member States on quarterly contributions (and national) b.o.p. data should take place at least as frequently as the ECB (DG-S) and Commission (Eurostat) revisions and should be based on the release calendar followed by both institutions.<sup>2</sup>

It is expected that these actions would much enhance the situation as regards the objectives set out above.

### **3 ECB (DG-S) and Commission (Eurostat) revision practices for the aggregates**

#### **3.1 Current state-of-play**

The data delivery timetables and current revision practices of both institutions are described in a table in Annex 1 (HARPA01.xls). The main discrepancies at present can be outlined as follows:

- the deadline for sending annual flow data, together with corresponding revised quarterly data, to Eurostat (i.e. end-June) is not the same as that required by DG-S (i.e. end-September). However, the date on which the data is frozen for the production of the aggregate is in line with ECB requirements (i.e. end-September);
- the deadline for sending foreign direct investment (FDI) stock data to Eurostat and the reference period (T + 18 months, end-June) are not the same as those of the ECB (T + nine months, end-September) for the euro area i.i.p.; and
- when the latest statistical quarterly period (Q4) becomes available at end-March, DG-S revises the data for the previous quarter (Q3) only, while Eurostat includes revisions back to the beginning of the current year (Q1-Q3).

#### **3.2 Common ECB (DG-S) and Commission (Eurostat) revision practices**

Taking into consideration the comments received from Member States at Eurostat's BOP WG meeting in October 2002 and at the WG-BP&ER meeting in December 2002, both institutions further elaborated on the proposal for a harmonised timetable for data delivery and revisions.<sup>3</sup> The way forward, which was discussed and approved by the CMFB in January 2003, can be outlined as follows:<sup>4</sup>

- with the transmission of the first assessment of quarterly data, only revisions for the previous quarter would be reported to both institutions;

---

<sup>2</sup> Quarterly b.o.p. data transmission and publication dates to the ECB and Eurostat have been harmonised since 1999.

<sup>3</sup> A table on "Common ECB (DG-S) and Commission (Eurostat) revision practices" is presented in Annex 2 (HARPFU2.xls).

<sup>4</sup> This refers to the reporting of data by Member States. Data dissemination/publication would be considered at a later stage.

- when the data for the last quarter of any reference year become available at the end of March, Member States would report revisions for two or three years back, where relevant, to both DG-S and Eurostat;
- the reporting of revised b.o.p. for the three previous years to DG-S and Eurostat by end-September (T + nine months), including revisions;
- with the same deadline, Member States would send the first assessment of i.i.p. statistics to DG-S and preliminary<sup>5</sup> FDI stock data to Eurostat; revised i.i.p. data would also be reported to DG-S and Eurostat by end-September (T + 21 months). This reporting of FDI stock data to Eurostat would also include detailed information by activity and by country; and
- in order to ensure consistency between flows and stocks, updates or revisions of stock data should be reported together with revised yearly flows: this may occur in end-September when new i.i.p. data may lead to a concomitant revision of earlier assessments of flows and stocks.

### **3.3 Advantages and consequences of the new proposal**

This proposed timetable for data transmission and revision practices implies the following:

- Annual revisions in March and September meet the requirements to provide the users at the ECB (in particular, the Directorate General Economics) with updated b.o.p. figures for the ESCB broad forecasting exercises.
- Revised euro area b.o.p. statistics would be transmitted to the IMF in time for publication in the edition of the Balance of Payments Statistics Yearbook (BOPSY), which is currently not possible. A first assessment of i.i.p. data at end-September would most probably become available too late to be released in the BOPSY update.<sup>6</sup>
- This proposal takes on board the ECB requirement for “step 3” b.o.p./i.i.p. data, i.e. the geographical breakdown vis-à-vis partner countries outside the euro area that is required as from June 2004.
- In the case of methodological changes, Member States should send revisions for longer time series either in March or September, the deadlines for the provision of annual revisions.<sup>7</sup> These would be the preferred deadlines for such methodological changes as they usually involve revisions to data for earlier years. Member States should also inform both institutions in advance of the magnitude of these structural revisions, in order to facilitate studies thereof and to prepare the communication thereof to users.

---

<sup>5</sup> Currently under discussion in the FDI Task Force.

<sup>6</sup> An issue to be negotiated with the IMF.

<sup>7</sup> Quarterly and annual revisions should be consistent, as mentioned above.

- The revision practices of DG-S and Eurostat should foster more consistency with the practices followed in the national accounts. They would then pave the way to establishing a consistent revision policy that would be submitted to the CMFB and STC and become a requirement (i.e. be reflected in the reporting instructions and in the annexes to the legal documentation).

### **3.4 Proposed implementation timetable**

The proposed revision practice would be implemented from the transmission of data in January 2004, involving data for the third quarter of 2003, to both institutions. The reporting to DG-S at the end of March 2003 could already follow this procedure (i.e. quarterly and corresponding monthly data for 2000, 2001 and 2002 would be revised then).

## **4 Steps towards a revision policy**

As a first step to a better coordination of national revision practices across the EU, it has been proposed that the reporting (but, at this stage, not necessarily the publication) of revisions by Member States on their quarterly contributions to the aggregated b.o.p. should take place at least as frequently as DG-S (and Eurostat) revisions and in line with the release calendar followed by both institutions.

Even if Member States follow different revision practices in view of national needs or specific constraints, a greater coordination with national accounts and a greater consistency with other statistical sources (e.g. MFI balance sheets, external trade statistics) should be developed. Within the data quality framework, consistency between b.o.p. and other official statistics is an important indicator in terms of the “serviceability” dimension.

As agreed at the WG-BP&ER meeting in December 2002, a second monthly assessment (i.e. revision of the previous month’s data, while receiving the first assessment of data for a given month) may be introduced. An updated and, probably, more accurate picture would be gained by incorporating late or corrected figures. This would also be more in line with the possible revisions of the MFI balance sheet data and the future publication of the monetary presentation by the ECB. A second monthly assessment would also allow frequent revisions of external trade statistics to be incorporated in the b.o.p. goods series at an earlier stage, including seasonally adjusted euro area b.o.p. data.

This flexible approach would also mean that the monthly aggregate could be revised and published, in theory, seven times. The latter case illustrates the trade-off between stability and accuracy, while both are much appreciated by users.

Further steps towards an eventual revision policy would be subject to joint work with compilers of the national accounts. This work was encouraged by the CMFB and may be led by the Task Force on Quarterly European Accounts by Institutional Sectors, in liaison with all the working groups concerned.

## **5 Improving the communication of revisions of the euro area/EU aggregates**

In line with the action list of the STC meeting of April 2002, regular studies on revisions should be published in line with the recommended standards in the IMF Report on the Observance of Standards and Codes (ROSC).

The reason(s) for revising the data should be made public to the greatest extent possible. In the case of a change in the methodology or institutional setting (e.g. enlargement), revisions should be announced and an order of magnitude should be given. In order to be able to do so with respect to the euro area/EU aggregates, the ECB (DG-S) and Commission (Eurostat) need to receive the appropriate information from Member States in time.

### **List of annexes:**

**Annex 1: Comparison between current DG-S/Eurostat revision practices**

**Annex 2: Common DG-S and Eurostat revision practices**