

BALANCE OF PAYMENTS: NOTES ON THE CURRENT ACCOUNT REVISIONS IN SEPTEMBER 2017

The first estimate of the balance of payments for the second quarter of 2017 was published on Friday, 29 September. At the same time, the first quarter of 2017 was revised, together with the years 2014, 2015 and 2016.

Revisions are part of the annual publication round. There are various reasons for them: adjustments to the methodology, adjustments to the estimation method, tapping of new (previously unavailable) sources, correction of errors or double counting, or the availability of new observations (update of existing sources).

The revisions of the annual data are set out in the table below¹:

Balances € million		Publication June 2017			Publication September 2017			Revision		
		2014	2015	2016	2014	2015	2016	2014	2015	2016
Current account		-2,702	1,812	-1,671	-3,484	-586	408	-782	-2,398	2,079
	<i>In % of GDP</i>	<i>-0.7</i>	<i>0.4</i>	<i>-0.4</i>	<i>-0.9</i>	<i>-0.1</i>	<i>0.1</i>	<i>-0.2</i>	<i>-0.6</i>	<i>0.5</i>
Goods and services		1,654	9,346	9,058	79	6,786	5,627	-1,575	-2,560	-3,431
	<i>Goods</i>	<i>-4,581</i>	<i>2,578</i>	<i>5,878</i>	<i>-5,301</i>	<i>1,385</i>	<i>1,133</i>	<i>-720</i>	<i>-1,193</i>	<i>-4,745</i>
	<i>Services</i>	<i>6,235</i>	<i>6,768</i>	<i>3,180</i>	<i>5,380</i>	<i>5,401</i>	<i>4,494</i>	<i>-855</i>	<i>-1,367</i>	<i>1,314</i>
Primary income		2,057	-868	-3,340	2,823	-931	2,689	766	-63	6,029
	<i>Investment income</i>	<i>-3,137</i>	<i>-6,132</i>	<i>-8,406</i>	<i>-2,302</i>	<i>-6,201</i>	<i>-2,286</i>	<i>835</i>	<i>-69</i>	<i>6,120</i>
Secondary income		-6,413	-6,666	-7,389	-6,381	-6,437	-7,909	32	229	-520

The current account balance differs significantly from the June estimate on a number of points, particularly for 2015 and 2016. The figures for 2015, and even more so for 2016, are provisional, because important sources always become available between June and September (see section 3). A number of qualitative improvements to the methodology were also made, and harmonised methods were introduced in order to work towards further convergence between the statistical series in the rest of the world account, the national accounts and the financial accounts.

1 2014 REVISIONS

1.1 GOODS (REVISION OF THE BALANCE: - € 720 MILLION)

With effect from the publication on 14 August 2017, the figures for the statistics on foreign trade in goods are compiled using a new IT application. The months from January 2014 on were also revised via this new application. The opportunity was used to make a number of quality improvements which slightly altered the figures². The foreign trade statistics form the basis of the balance of payments goods account³; consequently, there is an impact on that account. While the

¹ Owing to rounding off, the sum of the various sub-accounts sometimes differs from the current account.

² More information on the new IT application and the impact on the foreign trade statistics: https://www.nbb.be/doc/dq/e_method/m_eem1705a.pdf.

³ The relationship between the "foreign trade statistics" and the "balance of payments goods account" is explained in more detail on the website: https://www.nbb.be/doc/dq/e_pdf_bb/bop_non-technical_en.pdf.

difference in value between the new and old series is small in 2014 and 2015, it increases from the year 2016 onwards⁴.

Microeconomic research showed that certain goods transactions concerned processing⁵. Since there is no transfer of ownership, processing is regarded as a service and not a goods transaction in the balance of payments. Those transactions were therefore filtered out of the goods account, leading to a decline in the balance⁶.

1.2 SERVICES (REVISION OF THE BALANCE: - € 855 MILLION)

81 % (€ 696 million) of the decline in the services account is due to a revision of FISIM: financial intermediation services indirectly measured⁷. That is due first to the effect of a version with more recent figures for outstanding financial assets and liabilities in the financial accounts. In addition, quality checks were conducted on the estimated interest rates used to assess incomes from financial assets. Those interest rates also concern the reference interest rates used to determine the FISIM. An effort was made to improve the harmonisation of the data and processes between the national accounts and the balance of payments, and that also led to revisions.

1.3 PRIMARY INCOME (REVISION OF THE BALANCE: +€ 766 MILLION)

The decline in the goods and services account is partly offset by increased income from investments. That is due to the FISIM revision: FISIM is included in the income account as well as in the services account, but with the opposite sign.

Investment income is calculated on the basis of the assets and liabilities of residents in relation to non-residents as included in the International Investment Position (IIP). At the time of the September 2017 revision, methodological improvements were made in the IIP⁸. There were also some reclassifications between headings, and double counting was eliminated. That has implications for the incomes calculated on the basis of these stocks, but since the adjustments take place on both the revenue side and the expenditure side, that has little impact on the balance of the income account.

2 2015 REVISIONS

2.1 GOODS (REVISION OF THE BALANCE: - € 1,193 MILLION)

The deterioration in the goods account balance is due to new available sources and the use of the new IT application for estimating the foreign trade statistics, and the accompanying quality improvements.

2.2 SERVICES (REVISION OF THE BALANCE: - € 1,367 MILLION)

With a decline of € 772 million, the FISIM revision is the main reason for the reduction in the services balance (see section 1.2).

The other changes are due to late or corrected declarations and the resulting new estimates.

⁴ + € 174.5 million in 2014, - € 232.8 million in 2015 and - € 1,164.5 million in 2016.

⁵ Manufacturing services in which the processor does not become the owner of the finished goods.

⁶ The filtering out of these declarations in the goods account does not lead to an increase in the services account because the processing fees were already included in the services account. The fees included in the services account come from a different source (services survey declarations).

⁷ More information on FISIM in the balance of payments is available on the website: https://www.nbb.be/doc/dq/e_method/bop_iip_bpm6_en.pdf.

⁸ From reference year 2014 onwards. A detailed description of the IIP adjustments is available on the website: https://www.nbb.be/doc/dq/e_method/iip201709_e.pdf.

3 2016 REVISIONS

Substantial revisions of Y-1 are not uncommon. Between the previous publication and September, many declarations are finalised and certain sources only then become available, such as the annual accounts of companies filed at the central balance sheet office, and the results of the survey of stocks of foreign direct investment and other investments. This also provides the opportunity to conduct more thorough validations on the statistical material.

3.1 GOODS (REVISION OF THE BALANCE: - € 4,745 MILLION)

The substantial revision of the goods account balance is due to microeconomic analyses, including comparison of the annual accounts recently available with the declarations concerning foreign trade/balance of payments.

As stated in section 1.1, the introduction of the new IT application for estimating the foreign trade statistics and the accompanying quality improvements also have an impact on the goods account. In 2016, the difference in value between the new and old series was relatively large. This was attributable to 2 main factors. First, the values from 2016 onwards in the old series do not include the latest available data, unlike the new series. Also, the estimates in the old series proved less accurate for some recent months..

3.2 SERVICES (REVISION OF THE BALANCE: + € 1,314 MILLION)

For the reason stated in section 1.2, the FISIM balance increases by € 669 million.

The other changes are due to late/corrected declarations and the associated updated estimated.

3.3 PRIMARY INCOME (REVISION OF THE BALANCE: + € 6,029 MILLION)

The biggest changes concern income from direct investments in the form of reinvested earnings. This is due purely to the stocks which only recently became available. The initial estimates for the year (in March) are always based on the incomes in the previous year because the new year's direct investment stocks are not yet available in March. As is evident from the survey results, 2015 was an exceptionally negative year. Since the initial estimate for 2016 was based on that year, the figure was seriously underestimated. That only became apparent in the September production round, where 2016 stocks were used for the first time.