

Balance of payments statistics: methodological changes

30 September 2019 saw a revision in the balance of payments (BOP) for the 2015-2018 period. Periodic reviews of statistical series are part of normal and customary procedures and adhere to a firm publication schedule. Their purpose is to improve the quality of these series by factoring in changes – e.g. new data, new methods – that have occurred since previous publications.

In this publication, a number of improvements were made to the calculation of the goods, services and income accounts. These changes were applied to data from 2015 onwards, causing a break in the data series.

1. Goods

1.1 Changes to foreign trade statistics

The methodology for foreign trade statistics has been adjusted¹ to ensure that trade between non-residents in Belgian territory is no longer included. Foreign trade statistics provide the basis for the goods component of the BOP. Consequently, this type of trade is also eliminated from the BOP.

1.2 New BOP adjustments

The shift from foreign trade statistics to general merchandise on a BOP basis requires adjustments, as they reflect a separate set of statistics, each with their own set of rules². Foreign trade statistics focus on goods crossing borders, whereas the BOP records all transfers of ownership between a resident and a non-resident, regardless of border-crossing. The adjustments are therefore needed to comply with the methodological requirements of the BOP.

With effect from the release in September 2019, two additional adjustments will be carried out:

- a) Adding merchandise trade between residents and non-residents of goods that do not cross borders by drawing on the VAT supplier database³;
- b) Eliminating transactions in goods that are not – or only temporarily – imported or exported with transfer of ownership as their aim. These transactions can be identified by way of a specific transaction code in declarations filed by corporations.

In addition, estimates of online purchases – i.e. e-commerce – have been refined using payment card data. This data source is the subject of paragraph 2.2. Travel.

¹ The changes to the foreign trade statistics applied to data from 2015 onwards are explained here: https://www.nbb.be/doc/dq/f_method/m_efm1906.pdf

² The relationship between the BOP and foreign trade statistics is discussed here: https://www.nbb.be/doc/dq/e_pdf_bb/bop_non-technical_en.pdf

³ This annual list records all the invoice flows between entities liable for Belgian VAT.

1.3 Valuation of the goods account

In the goods account of the BOP, the value of imports and exports needs to tally with the value of goods at the borders of the exporting country. This is the same as the so-called free on board (FOB) incoterm¹, and is therefore known as an FOB/FOB valuation.

Foreign trade statistics require imports to be in line with the value of goods at the border of the exporting country, plus transport and insurance costs to the Belgian border, i.e. the cost, insurance and freight (CIF) incoterm. By contrast, exports must be FOB-valued. This is therefore a CIF/FOB valuation.

By using a so-called "CIF/FOB adjustment", import-related insurance and freight costs are deducted from the goods account and registered in the services account. The CIF/FOB adjustment reduces the value of the imports and thus causes an increase in the balance of the goods account of the BOP.

2. Services

2.1 CIF/FOB adjustment

The freight and insurance costs deducted from goods imports in the context of the CIF/FOB adjustment are shifted to the services account. Imports are increased if foreign freight and insurance companies perform this service. However, a proportion is carried out by Belgian companies and is therefore recognised as a reduction in services exports. Based on the available data, it is not possible to create a qualitative breakdown into freight and insurance services, which is why the whole of the CIF/FOB adjustment is registered as freight service.

The CIF/FOB adjustment does not affect the current account balance. The balance of the services account is reduced by the same amount as the balance of the goods account is increased.

2.2 Travel

Travel services are henceforth based on (to a greater extent as before) payment card information (payments by debit and credit cards and card withdrawals), supplemented by some data collections such as an existing survey of resident tour operators.

Payment cards have steadily grown in use over the past couple of years and are now the main way for private individuals to do their spending abroad. By using more detailed data, such as the category merchants belong to or the presence or absence of a card at the point of sale, we can conduct more refined allocations.

Previously, the sources did not fully comply with the BOP needs on content, coverage (double counting) and frequency. The process involved countless assumptions and hypotheses in order to adhere to the required methodology. Moreover, not all sources were available on time – requiring constant revisions. The new methodology has been greatly simplified and draws on unambiguous data sources typically available within the space of a month.

In terms of outcomes, we note that both expenditures and income are down. This makes sense, as previous methods had been suspected to include double counting. The new approach has a slightly positive effect on the overall balance.

1 Incoterms or International Commercial Terms are defined by the International Chamber of Commerce and set the international standards for the rights and duties of sellers and buyers for the international delivery of goods.

2.3 Self-employed company administrators

Previously, income from self-employed administrator mandates performed abroad were not included in the BOP, as these administrators do not require Belgian VAT identification. With effect from today, this income is estimated based on personal income tax. Resident companies already recorded the import of administrator services, registered under "other business services".

2.4 Wages paid by foreign companies not liable for Belgian VAT

Corporations registered under a Belgian business number but without any known Belgian offices may pay wages without engaging in VAT-taxable activities. The selection of the services surveys is based on VAT data, which had made it impossible to include them in the BOP via surveys. However, it is assumed that these corporations are providing services to their parent company abroad. In order to include these services, the export of "other business services" will hence be increased by total wages paid by foreign corporations not liable for Belgian VAT.

3. Income

3.1 Compensation of employees for embassies

Compensation of employees for local staff working for Belgian embassies abroad were added in the BOP, thanks to information from Federal Public Service (FPS) Foreign Affairs. Meanwhile, FPS Social Security provides data on resident staff working in embassies located in Brussels.

3.2 Reinvested earnings from indirectly owned companies

Calculation methods for reinvested earnings¹ have been refined to include earnings from indirectly owned companies, whereas previously only directly held participations were factored in. A direct investor controls 10% or more of a corporation's equity or voting rights. Indirectly owned companies, by contrast, are participations through which a Belgian or foreign parent company controls 10% or more via one or more subsidiaries. A total of 60 multinational groups were analysed and the findings included in the income calculations.

¹ Reinvested earnings equal to the current profits of a corporation less dividends paid. Belgium uses the current operating profit concept, with results after tax adjusted for extraordinary income and charges.