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COMMISSION



EUROPEAN CENTRAL BANK

Directorate General Statistics

Statistical Office of the European Communities
Directorate B: Economic statistics and economic and
monetary convergence

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

Balance of Payments Statistics and
External Reserves Division

ANNEX 1

SHARE OF RESPONSIBILITIES IN THE FIELD OF BALANCE OF PAYMENTS AND INTERNATIONAL INVESTMENT POSITION STATISTICS

TO THE MEMORANDUM OF UNDERSTANDING ON ECONOMIC AND FINANCIAL STATISTICS

between

the Directorate General Statistics of the European Central Bank (DG Statistics)

and

the Statistical Office of the European Communities (Eurostat)

Brussels, 10 March 2003

1. Introduction

1. The Commission (Eurostat) and the European Central Bank's (ECB) Directorate General Statistics (DG Statistics) are responsible for drawing up the official statements of balance of payments (b.o.p.) and international investment position (i.i.p.) for the EU and the euro area respectively.
2. Under Article 5 of the ESCB/ECB Statute, the ECB compiles statistics of direct interest for the conduct of monetary policy for the euro area and other tasks performed by the ESCB. The Commission focuses on the EU, in particular for the trade negotiations (General Agreement on Trade in Services) and other policy purposes (e.g. external relations or internal market).
3. This annex complements the "Memorandum of Understanding on Economic and Financial Statistics between the Directorate General Statistics of the European Central Bank (DG Statistics) and the Statistical Office of the European Communities (Eurostat)", signed in Brussels on 10 March 2003. It specifies the division of tasks (Section E) in the field of b.o.p. statistics, as well as exchanges or reproduction of these statistics. The agreement presented in this annex is in line with the areas of interest set out in the rules of procedures of the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB).¹
4. The present agreement was reached following discussions between Eurostat and the ECB's DG Statistics (and its predecessor the European Monetary Institute's (EMI) Statistics Division) held since end 1996. Unless otherwise defined, the "Commission (Eurostat)" refers to the unit in charge of international trade in services, foreign direct investment and b.o.p. (Unit B-5), and the "ECB (DG Statistics)" refers to its Balance of Payments Statistics and External Reserves Division (S/BOP)².
5. Methodological harmonisation is sought both at European and national level, in conformity to international statistical standards set out in the IMF Balance of Payments Manual, 5th edition (BPM5), the System of National Accounts (SNA 93) and the European Systems of National and Regional Accounts (ESA 95). As a complement, ECB's DG Statistics and Eurostat have set out the framework for the definition and compilation of b.o.p. and i.i.p. statistics for the euro area/EU as a whole (see paragraph 9 and 15).
6. Statistical competence of the two organisations is defined with respect to the *conceptual issues* as well as to the actual *compilation* and *publication* of b.o.p./i.i.p. statistics at the Community level.

¹ Council Decision of February 1991 establishing a Committee on Monetary, Financial and Balance of Payments Statistics ([91/115/EEC](#)). In 1996, it was amended by a further Decision ([96/174/EC](#)), taking into account the transition, in 1994, to the second stage of EMU.

² As for i.i.p. statistics, including the monthly stock of foreign reserve assets, "Commission (Eurostat)" refers to the Unit B-4 ("Financial accounts and financial indicators, statistics for the excessive deficits procedure"). See in particular chapter 5.

7. As regards the *conceptual issues*, the sharing of competence between the Commission and the ECB is developed hereafter (see paragraph 9). Regarding the *compilation* of the b.o.p. statistics (see below paragraph 15), consistency has to be achieved, to the extent possible, for four dimensions:

- *frequency*: monthly data, where relevant³, should in principle add up to quarterly data, and quarterly data add up to annual data;
- *regional areas*: the European Union (EU) as a whole is of main importance for the Commission (Eurostat), whereas the ECB focuses on the euro area; EU data should be coherent with euro area data;
- *b.o.p./i.i.p. account*: detailed data should add up to relevant main items and the total should balance, in principle; b.o.p. flows and i.i.p. stocks should be reconciled – i.e. differences should be explained by revaluations or other changes;
- *consistency with other statistics*: b.o.p. and i.i.p. statistics should be consistent with corresponding macroeconomic data, in particular the monetary statistics and the national/MU (economic and financial) accounts (in the framework of ESA 95).

8. DG Statistics and Eurostat will co-ordinate with Member States so that data and metadata received, used and disseminated by both parties are consistent to the greatest extent possible. Co-ordination will be sought with other international organisations, in particular the IMF, BIS and OECD, so far as possible (e.g. when those organisations issue data and metadata requests).

2. The share of responsibility on conceptual issues

9. The ECB (DG Statistics) has prime responsibility for setting-up and maintaining the concepts and definitions related to the b.o.p. financial account and investment income account and for the i.i.p. statistics. The Commission (Eurostat) has prime responsibility for setting-up and maintaining the concepts and definitions related to the b.o.p. current and capital account except for investment income, which is closely linked to the financial account.⁴ Owing to the common interest of both parties for direct investment (flows, stocks and income), development work is shared between them.

10. DG Statistics is assisted in its methodological tasks by the Statistics Committee (STC)/WG-BP&ER, whereas Eurostat is assisted in its methodological tasks by the BOP WG. The CMFB is informed and may propose work in areas of closer interest for the Commission or of common

³ DG Statistics compiles annual b.o.p. data by aggregating the quarterly data with the same level of breakdown; there is no separate annual b.o.p. data requirement. Eurostat requests quarterly data and (more detailed) annual data. Some reconciliation between the two sets of data is conducted.

⁴ The b.o.p. capital account was previously deemed to lie in the field of competence of the EMI and hence important work has been done on this b.o.p. item in the framework of the EMI's Working Group on Statistics.

interest for both parties. The Chairman of the WG-BP&ER and the Chairman of the BOP WG will cooperate to foster coherence and efficiency in the task sharing, along the lines set out above.

11. DG Statistics and Eurostat will foster transparency on their methodological standards and compilation methods by publishing clear and comprehensive documentation on practices, including the (methodological) recommendations agreed with Member States when dealing with their contributions to the aggregates. The ECB has published the “Guideline No. ECB/2000/4 of 11 May 2000⁵ in the field of b.o.p./i.i.p. statistics” and the “European Union Balance of Payments/International Investment Position Statistical Methods” (B.o.p. Book, updated every year in November - see ECB website), which summarises statistical practices in Member States, and the concepts, definitions and agreed practices of the euro area b.o.p./i.i.p. statistics.⁶ The Commission (Eurostat) has set up the “BOP Vademecum” and “Gentleman’s agreements with Member States”⁷ and has contributed to the “Manual on International Trade in Services”.

12. Against this background, specific questions from users on the conceptual framework and on the methodology applied at the Community level to compile the aggregates should be addressed to DG Statistics or Eurostat along these lines. Questions on national b.o.p./i.i.p. compilation methods will be addressed to the compilers concerned.

3. The share of compilation tasks

3.1 Principle and practical aspects of compiling b.o.p. aggregate

13. Both, the ECB (DG Statistics) and the Commission (Eurostat), have defined their goals for b.o.p. and i.i.p. statistics. These requirements reflect different emphasis as regards:

- (i) the economic realm of interest for the two organisations (the focus on the euro area for the ECB and principally the EU for the Commission);
- (ii) the policy responsibility of each party (see paragraph 2);
- (iii) the analytical outlook and expertise (in broad terms real economy for the Commission, financial economy for the ECB);
- (iv) the required frequency and timeliness; for the ECB a quick overview of the monthly b.o.p., quarterly b.o.p. with detailed breakdown on investment income and financial account, annual i.i.p.; for the Commission b.o.p. quarterly broad assessment and annual detailed current and capital account, plus annual direct investment flows, income and stocks with a detailed breakdown.

⁵ This Guideline is shown in the OJ L168/25 of 23.6.2001; it updated the Guideline No. ECB/1998/17 of 1 December 1998.

⁶ A corresponding publication is also available for the EU accession countries, published in February 2002.

⁷ A forthcoming Regulation is intended to define the Commission requirements in the field of b.o.p. statistics.

The two parties will work in their field of competence with respect to accession and candidate countries (see paragraph 30), in close co-ordination with each other and with Member States.

14. Sharing tasks according to each realm of interest, analytical outlook and frequency, would lead to a complicated structure. Therefore, and for the sake of clarity and transparency, *the first criterion* has been chosen to draw a dividing line between the compilation responsibilities of the two parties.

15. Accordingly, the share of data compilation tasks between the Eurostat and DG Statistics follows the criterion of “*economic realm of interest*”. In principle, this leads to the following compilation responsibility with respect to EU and euro area aggregates for b.o.p. and i.i.p. statistics (see frequencies in paragraph 13 (iv)):

- **The Commission (Eurostat): EU b.o.p., annual detailed data on international trade in services and foreign direct investment (flows, stocks and income)⁸;**
- **The ECB (DG Statistics): Euro area b.o.p./i.i.p. statistics and Eurosystem’s⁹ international reserves.**

16. Owing to the respective fields of expertise of Eurostat and DG Statistics (see paragraph 9), the quality of the b.o.p. statistics, both for the euro area and EU, will be improved by a regular and in-depth co-operation of the two parties while compiling the figures. However, responsibility for the published data and source indicated will remain with the compiling party, as set out in paragraph 15.

17. There are good reasons for both Eurostat and DG Statistics to be involved in the compilation of *direct investment* flows, income and stocks.

- Eurostat has the most detailed requirements in this area and direct investment is of vital importance to the policy areas in which the Commission is active. In addition, comprehensive experience and expertise in this field has already been built up at Eurostat. These are important considerations.
- The interest of DG Statistics in compiling direct investment data for the euro area arises from the close link of direct investment flows and stocks to the other items of the financial account (portfolio and “other investment”) and to the related income (following par. 15).

18. International trade in services and foreign direct investment statistics are required each year by the Commission with much detail. They should be consistent with euro area published figures compiled under the responsibility of the ECB. Revisions are, in practice, inevitable (see also paragraph 28) and should be co-ordinated between the two parties and Member States to the greatest extent possible.

⁸ Statistics on Foreign Affiliates are also of major interest for the Commission, as a necessary complement of cross-border trade in services. The statistical framework for collecting Foreign Affiliate Statistics is defined by the Commission (Eurostat), in liaison with Member States.

⁹ Eurosystem – comprises the ECB and the national central banks of the Member States, which have adopted the euro in Stage Three of EMU. There are currently 12 national central banks in the Eurosystem. The Eurosystem’s decision-making bodies are the Governing Council and the Executive Board of the ECB.

3.2 Euro-indicators

19. The euro indicators i.e. net flows of the “current account” and “trade in services” have been published since June 1998 by Eurostat on an Internet site and the “New Cronos” database for the euro area and EU. From April 2001, Eurostat has published some quarterly items for the EU, together with some monthly euro area figures provided by DG Statistics (current account, goods, services, income, current transfers, financial account, direct investment, portfolio investment, financial derivatives, other investment, reserve assets, and errors and omissions). Eurostat is responsible for updating the metadata for the EU, and refers to the ECB as source of the monthly b.o.p. and any euro area data and metadata.

3.3 Statistical treatment and responsibilities related to European Union Institutions (EUIs), the European Investment Bank (EIB) and the ECB

20. From the euro area point of view, the EUIs and the EIB are presently considered as residents of the rest of the world (i.e. non-residents vis-à-vis the euro area). The ECB is unambiguously treated as resident unit of the single currency area. For the EU b.o.p., all these parties are deemed resident.

21. Currently, all compilation and reporting tasks regarding the EUIs are carried out by Eurostat as Eurostat is responsible for compiling an EUI b.o.p. on an annual basis. Regarding the EIB, compilation responsibilities are presently with Eurostat in consultation with DG Statistics.

4. Publication, quality and data exchange

4.1 Publication of b.o.p./i.i.p. aggregates

22. The ECB and the Commission (Eurostat) must ensure consistency in the content of their publications. In particular, DG Statistics and Eurostat must maintain the main basic principle for drawing up the b.o.p./i.i.p. on the basis of “extra EU/euro area” transactions/positions reported by the national b.o.p./i.i.p. compilers. The operational consequences concerning the publications of each party are the following:

- (i) each party is responsible for the treatment and statistical methods in its area of conceptual competence (including for checking the reliability of data received);
- (ii) euro area b.o.p./i.i.p. statistics and international reserves are published by the ECB;
- (iii) quarterly/annual EU b.o.p. and foreign direct investment statistics are published by the Commission (Eurostat)¹⁰;
- (iv) annual detailed services and direct investment data of the euro area are published, together with EU (and national) data, by Eurostat after formal validation by DG Statistics.

¹⁰ DG Statistics shall assist Eurostat in compiling the financial account of the EU b.o.p.

23. The quarterly (and in the future annual) EU/euro area b.o.p. aggregates are published simultaneously in a timely manner by the Commission (Eurostat) and the ECB (DG Statistics) in order to foster consistency throughout the accounts. The simultaneous¹¹ publication means that reference will be made to the relevant source(s) each time these aggregates are published; in addition, the corresponding publications (i.e. the press releases) by the both parties should be linked to each other. Adjustments necessary to ensure meaningful supra-national aggregates should only be undertaken by the party responsible, in close co-operation with national b.o.p. compilers.

24. The publication may include also special and more detailed statistics. Thus data collected by one party for other than b.o.p./i.i.p. purposes (for example, direct investment statistics broken down by economic activities, partner countries and zones, and statistics on “foreign affiliate trade in services”) should be published by the party responsible (in these cases Eurostat) after formal validation by the other party (DG Statistics, where the data relate to the euro area).

4.2 Common publication calendar

25. DG Statistics and Eurostat will establish a common release calendar where necessary. This calendar covers at least one full calendar year and is made available at the end of November prior to the year in question. The calendar contains: (i) the relevant periods under review (months, quarters, year), (ii) for each period the data to be reported by Member States to Eurostat and to DG Statistics, (iii) clear indications on the corresponding deadlines and publication dates for the data. In addition, the calendar clearly indicates, for each publication, which data are included and the reference periods to which revisions may occur, if need be (see paragraph 28). The advance release calendar is made available on the web site by both parties.

4.3 Publication of external trade in goods aggregate

26. External trade statistics are compiled under the responsibility of the Commission (Eurostat - Unit in charge). However, those data are of importance for the b.o.p. current account and consistency is necessary.

4.4 Data quality

27. The fourth progress report on statistical requirements in EMU, endorsed by the ECOFIN Council in November 2001, invited the Statistical Programme Committee, in close co-ordination with the CMFB, to make proposals to operationally assess the various dimensions of quality. In order to respond to this request, the CMFB set up a Task Force on Quality in January 2002; its report covering b.o.p. and i.i.p. statistics will be published in due course. The ECB’s DG Statistics and Eurostat will jointly monitor the implementation of those actions proposed in the Task Force report and approved by the STC and CMFB.

¹¹ For practical reasons the ECB will publish the data at 10.00 a.m. (C.E.T.) and Eurostat at 12.00 a.m. (C.E.T.).

4.5 Revisions

28. Consistency in the statistics published, as noted in paragraph 7 and 22, is an important element of data quality. Revisions of published figures mainly occur when statistical sets are published with a different frequency, such as quarterly/annual b.o.p., or with a different nature (b.o.p. flows/i.i.p. stocks). Annual very detailed data (compiled by Eurostat) and correspondent quarterly data, once checked, are not revised until the transmission of the following reference-year data. DG Statistics and Eurostat will foster further coordination of revision practices with Member States, and will co-ordinate revision practices among themselves.

4.6 Data and metadata from non-euro area Member States and candidate countries

29. The ECB will coordinate with non-euro area Member States so that they also provide quarterly/annual b.o.p./i.i.p. data with the relevant geographical breakdown between euro area/other EU Member States and third countries (the so-called “narrow group”), so far as possible. Metadata on EU countries are reflected in documentation established by each party.

30. The ECB will receive monthly and quarterly b.o.p. and annual i.i.p. relating to the EU accession countries directly from the national b.o.p. compilers and the Commission (Eurostat) will receive quarterly and annual b.o.p. relating to the candidate countries¹² according to a similar procedure. Cooperation is needed between the two parties in respect of coherence in data and metadata requests, as well as e.g. the organisation of seminars or workshops with those countries.

4.7 Data transmission and dissemination

31. Full sets of monthly, quarterly and, where relevant, annual data (national figures and/or contributions to the euro area/EU aggregates) are received from Member States by DG Statistics and Eurostat in the agreed format (i.e. Gesmes/CB message with the relevant key family) and following the agreed compilation responsibilities between the two parties, as outlined in paragraph 15. DG Statistics and Eurostat will jointly encourage Member States to ensure that data submitted to both parties are fully consistent, including revisions made to back data. National compilers are expected to answer queries related to their data with one or the other of the parties, along the lines of responsibility set out above. The discussion may lead to amendments to the previously submitted data, following agreed procedures. Owing to tight deadlines for publication, the corrections may be applied at the European level only; in any case, national compilers will confirm the changes through an electronic message.

32. With a view to checking and enhancing data quality, DG Statistics and Eurostat may exchange aggregated data at EU, euro area and national level, and national contributions. The use of the same message format to exchange data (Gesmes/CB) promotes smooth cooperation between the two parties and should always be used for data exchange. All aspects of the data exchange have been agreed

¹² The ECB collects data, for the time being, from the EU accession countries; Eurostat collects data from all candidate countries.

between DG Statistics and Eurostat. They will remain in line with the Service Level Agreement foreseen in the Memorandum of Understanding (Section G), to the greatest extent possible.

4.8 Other

33. The arrangements described in this agreement apply to data from 2002 onwards. Data relating to 1999 through 2001 are also regarded as part of this agreement.

5. I.i.p. and reserve assets data for Commission's users

34. Amongst the activities of Unit B4 of Eurostat is the dissemination of statistics on i.i.p. including outstanding amounts of reserve assets. In particular, Unit B4 of Eurostat needs annual data on direct investment (euro area only), portfolio investment, financial derivatives and other investment and monthly data on reserve assets. The source of the data will be clearly stated as "the ECB".

35. The ECB publishes these figures on the ECB web site and in the ECB Monthly Bulletin. DG Statistics will provide Eurostat with euro area aggregates (vis-à-vis extra-euro area counterparts), following the transmission standard set out in paragraph 32.

36. Commission users have an interest in EU Member States' national data. For the sake of overall efficiency, DG Statistics will provide Eurostat with the requested national data for the above mentioned statistics (vis-à-vis the "rest of the world"), to the extent that appropriate steps are taken with EU Member States¹³. This arrangement can be extended to cover candidate countries, subject to similar appropriate steps. In this context, Eurostat shall keep the right to collect data directly from national authorities if the information provided by DG Statistics does not fully satisfy its needs.

37. The euro-indicator "foreign official reserves, including gold" is shown by Eurostat in the "New Cronos" database for the euro area. This euro area aggregate is provided by DG Statistics. Eurostat will refer to the ECB metadata for the euro area aggregate.

¹³ Upon Eurostat request, DG Statistics may assist Eurostat in compiling i.i.p. for the EU.