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Harmonization of BoP and SNA Data Overview and activities in the ECLAC region

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* The views expressed in this paper reflect the opinions of the authors only and do not necessarily reflect those of the authors' organizations

Presentation Outline

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 - 2.2 The approach of Integrated Economic Statistics
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 - 3.1 Working Group
 - 3.2 Activities carried out so far
 - 3.3 The survey: main results



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1. Motivation

- The underlying methodology and concepts for the national accounts (2008 SNA) and the balance of payments (BPM6) are consistent with each another.
- *But:* large differences remain in practice
- The Annual National Accounts Seminar for Latin America and the Caribbean, organized by ECLAC, 8-10 November 2016, Santiago, Chile, discussed the importance of the harmonization in practice.
- An initial evaluation of BoP and NA data showed that there are considerable inconsistencies in the region
- Countries expressed interest in further working to better understand the reasons for the inconsistencies and to improve these statistics
- The issue was discussed by the Advisory Expert Group (AEG) on its 11th meeting in December 2017. The AEG stressed the importance of the harmonization and supported the regional initiatives being developed in LAC and Europe



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1. Motivation ...

Discrepancies between BoP and NA Exports and Imports examples in Latin America

(NA-BoP)/NA (%)

	2010	2011	2012	2013	2014	2015	2016
Exports							
MERCOSUR without VENEZUELA	-0,9%	-1,1%	-1,2%	-1,5%	-2,0%	-2,2%	-1,5%
ANDEAN COMMUNITY plus CHILE	-1,6%	-1,3%	-0,6%	-0,8%	1,4%	0,9%	-1,4%
CENTRAL AMERICA	-0,3%	0,2%	0,7%	3,7%	2,9%	5,0%	1,6%
MEXICO	0,1%	-0,1%	0,1%	-0,6%	-0,1%	-0,1%	-0,1%
Imports							
MERCOSUR without VENEZUELA	4,6%	4,3%	4,2%	4,3%	3,9%	3,0%	4,8%
ANDEAN COMMUNITY plus CHILE	2,4%	2,2%	2,6%	2,9%	2,6%	1,8%	2,4%
CENTRAL AMERICA	2,5%	0,7%	1,3%	-1,2%	-1,2%	-0,8%	-0,5%
MEXICO	-0,6%	-0,5%	-0,5%	-0,4%	-0,4%	-0,3%	-0,6%

Note: prepared by ECLAC and presented during the Workshop on the harmonization of BoP and SNA, Brazilia, June 2017



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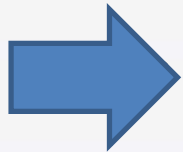


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2. Harmonization

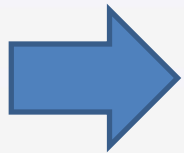
In order to understand the reasons for discrepancy and improve the harmonization of BoP and SNA data, it is necessary:

- to take into account the changes introduced to improve consistency in the BPM6 and 2008 SNA



Main issues specifically introduced

- to review both statistical infrastructures, having in mind recommendations to improve them



Integrated Economic Statistics approach



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2.1 Conceptual changes to be implemented

	BPM6 and 2008 SNA	BPM5	1993 SNA
Criterion for determining the residence of a unit	Centre of predominant economic interest	Center of economic interest (the same as 1993 SNA)	Center of economic interest
Individuals changing residence	When persons change country of residence there is no change of ownership of assets and liabilities owned by them	Center of economic interest remains in the economy in which their households reside	No specific recommendation
Goods sent abroad for processing	Recorded on change of ownership basis (net recording)	Exception to the change in ownership criterion: recorded in a gross basis (imputations)	Exception to the change in ownership criterion: recorded in a gross basis (imputations)
Merchanting	Negative exports on acquisition and positive exports on disposal (analogous to trade margins)	Difference between the value when acquired and the value when sold, recorded as merchanting services	No specific recommendation
Unincorporated enterprise owned by a non-resident institutional unit	It is identified as a branch of a non-resident and recognized as an institutional unit	Private enterprises include unincorporated enterprises; public enterprises include government unincorporated enterprises	Treated as a "notional resident unit" in the country where it is located
Special purpose entities	They are recognized and treated as an institutional unit and allocated to sector and industry according to its principal activity	No specific recommendation	No specific recommendation
Multiterritory enterprises	Provide guidelines for determining the residence. When it is not possible to identify separate branches, pro-rata can be applied	Enterprises owned jointly by two or more governments considered to be residents of the economies where they operate	No specific recommendation

2.2 The approach of Integrated Economic Statistics (...)

Building blocks of statistical infrastructure

1. Conceptual compliance

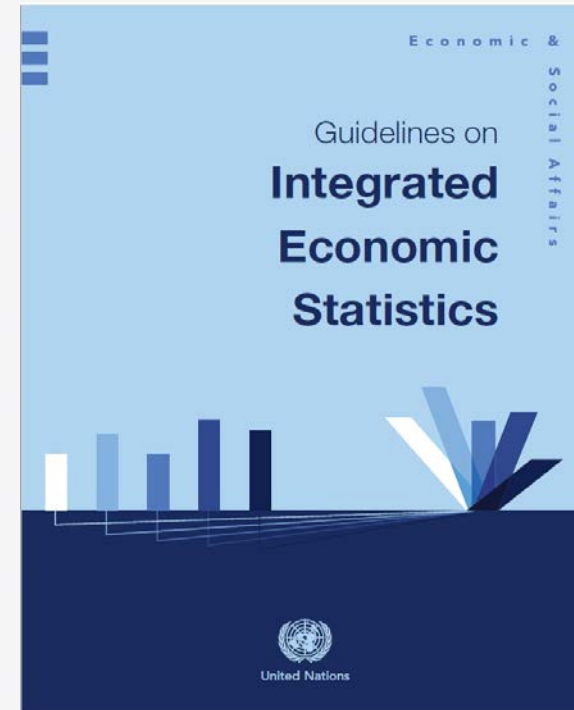
(Use the same conceptual framework)

2. Statistical production process

(Follow a coherent process of statistical production in both systems)

3. Institutional arrangements

(Institutional setting of the coordination is needed)



Department of Economic and Social Affairs
Statistics Division. New York, 2013




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2.2 The approach of Integrated Economic Statistics (...)

Building blocks of statistical infrastructure	Potential elements to inconsistencies
 1. Conceptual compliance (Use the same conceptual framework)	Different times of 2008 SNA and BPM6 implementations
	Difficulties in interpretations due to different wording or emphasis in the manuals
	Different treatments of special issues such as manufacturing services, merchanting, SPEs, multi-national enterprises, FDI, etc



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2.2 The approach of Integrated Economic Statistics (...)

Building blocks of statistical infrastructure	Potential elements to inconsistencies
<p>2. Statistical production process</p> <p>(Follow a coherent process of statistical production in both systems)</p>	<p>Business registers:</p>
	<p>no use of common business registers and frames</p>
	<p>leads to different scope and classification of institutional units</p>
	<p>and to different frames for sampling</p>
	<p>Data sources:</p>
	<p>uncoordinated and inconsistent use of data</p>
	<p>different coverage</p>
	<p>Methods used in data processing:</p>
	<p>different methods used for example in:</p>
	<p>distinctions between transactions and other flows,</p>
	<p>valuation</p>
	<p>treatment of provisions, financial leasing, undistributed profits of FDI</p>
	<p>imputations for underreporting</p>
	<p>estimations of flows denominated in different currencies, etc.</p>
	<p>Integration of statistics and accounts:</p>
<p>no use of the same frameworks (SUT, WtoW Tables) to conciliate data through accounts identities in a systemic way</p>	
<p>Dissemination and communications:</p>	
<p>uncoordinated policies of dissemination, release calendars and revision policies</p>	

2.2 The approach of Integrated Economic Statistics (...)

Building blocks of statistical infrastructure	Potential elements to inconsistencies
 3. Institutional arrangements (Institutional setting of the coordination is needed)	Obstacles in coordinating the compilation process and reconciling discrepancies
	(greater in countries where BoP and SNA are compiled in different institutions)
	No existence of established institutional mechanisms: Working Groups, Committees, Memorandum of Understanding, etc.



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3. Ongoing initiative in the ECLAC region ...

Working Group

During the 2016 National Accounts Seminar for LAC, countries expressed their interest in further working on the Harmonization of BoP and NA

MAIN OBJECTIVE:

Address practical aspects of the implementation of 2008 SNA and BPM6 and arrive to practical recommendations for the harmonization

SPECIFIC OBJECTIVES:

- Make a **assessment** based on a **survey** in the region
- Detect causes of discrepancies, specially in **selected areas**
- Propose **ways to improve** current practices
- Produce a document as a **practical guidance for harmonization of the BoP and SNA data**

Terms of Reference at:

https://unstats.unorg/unsd/nationalaccount/aeg/2017/M11_9_1_1_1_Harmonization_SNA_BOP.pdf



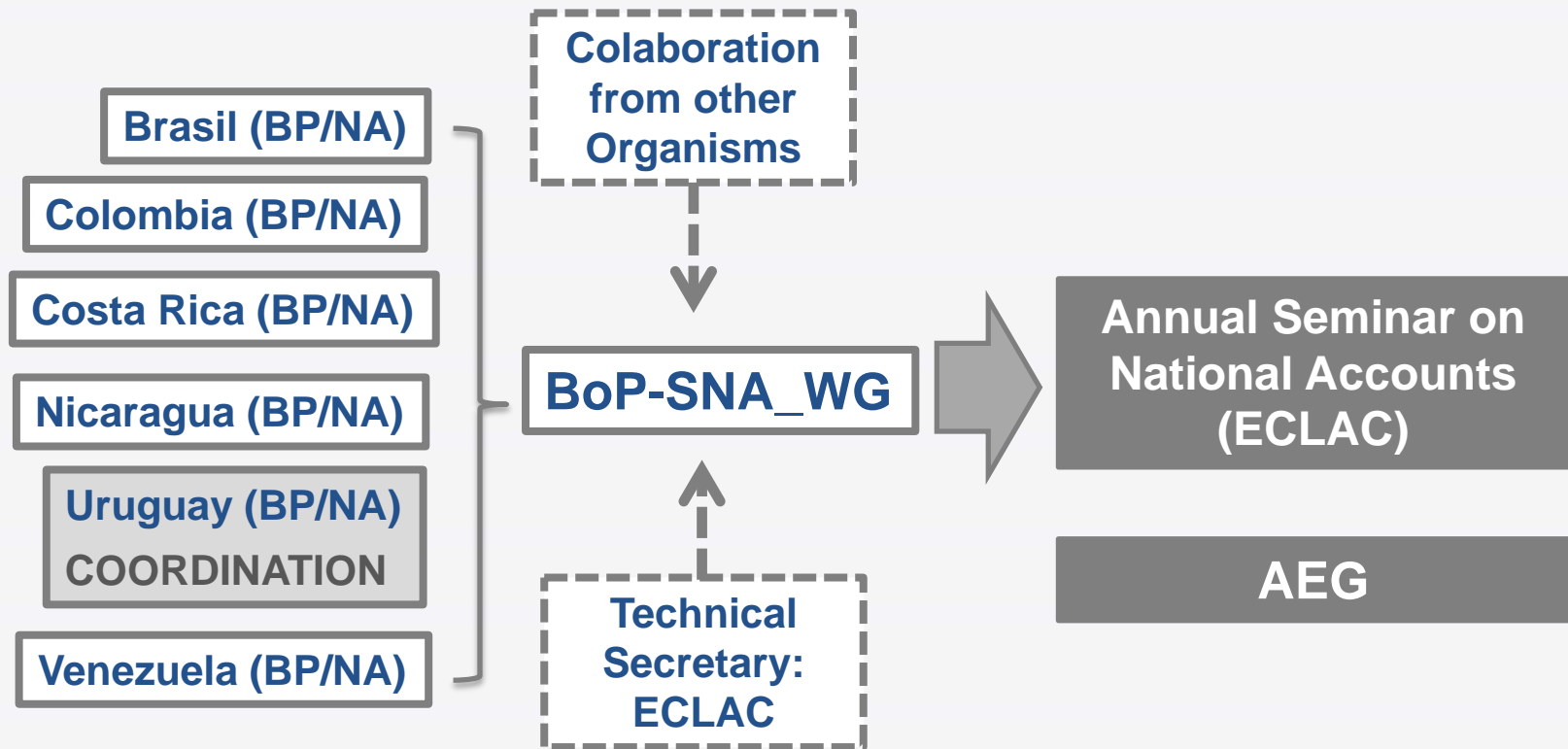
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3.1 Working Group on the Harmonization BoP and NA

Participants and accountability



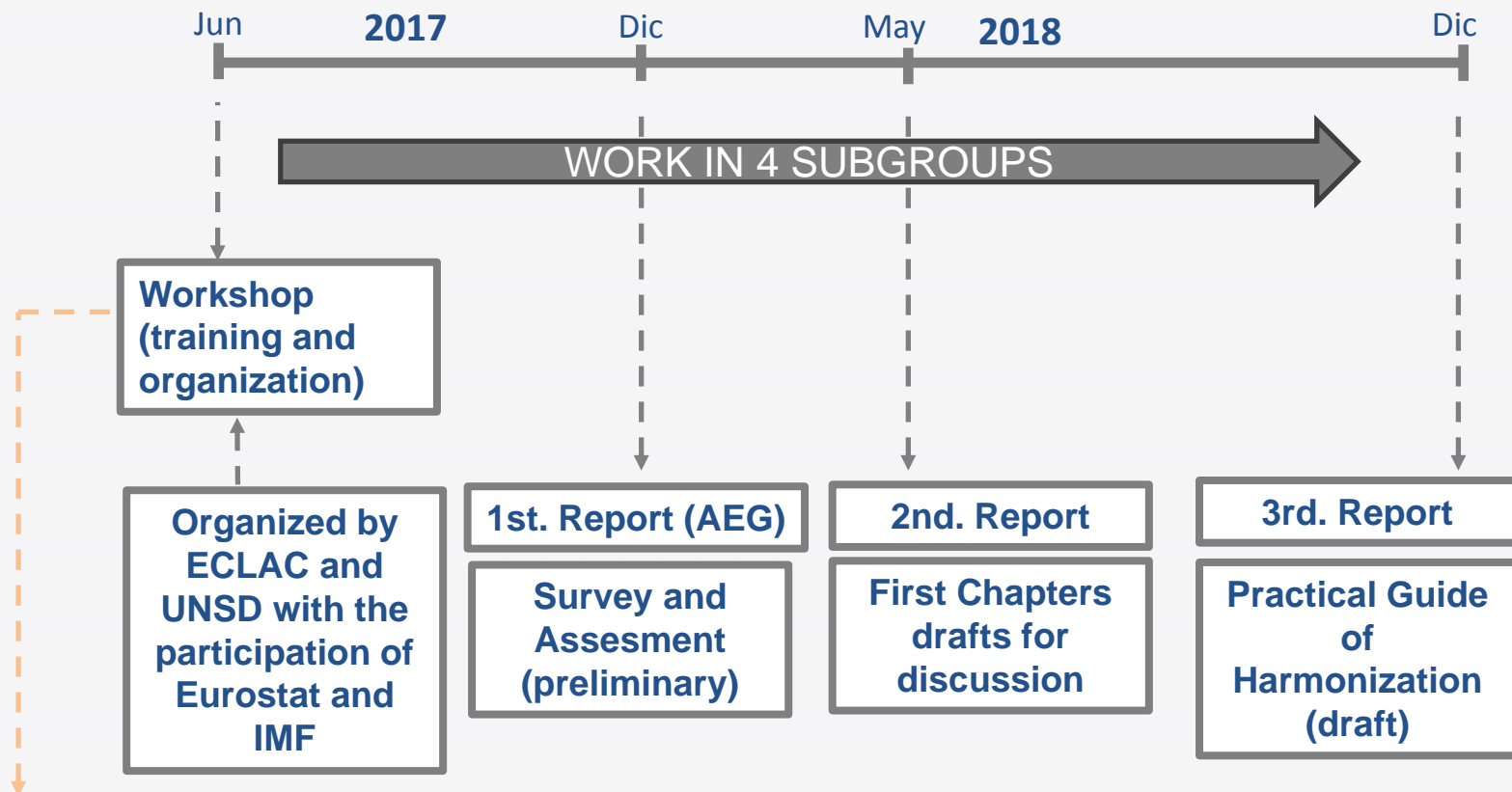
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3.1 Working Group on the Harmonization BoP and NA...

PLAN OF ACTIVITIES



(Information on the workshop available at:
<https://www.cepal.org/es/eventos/taller-coherencia-estadísticas-cuentas-nacional-balanzas-pagos>)



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3.2 Activities carried out so far

- **Survey (Oct-Nov 2017)**
- **Setting up of 4 subgroups to work in 4 selected areas:**
 - General topics
 - Goods and Services
 - FISIM
 - FDI

- **Creation of a collaborative work platform by ECLAC:**

<https://connections.unite.un.org/communities/service/html/communitystart?communityUuid=3174e038-17ea-4d35-91b1-0bdd4e1c807d>

- **Initial drafts presented and discussed in 2018 LAC National Accounts Seminar**



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The survey

Oct-Nov 2017



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3.3 The survey: main results

Rate of response 15/19

1) Institutional responsibility

Institutional responsibility (BoP/ SNA)	Number of countries
Same institution	10
Different institutions	5
Total	15

2) Manuals used as reference

Manuals	Number of countries
BPM6 & 1993 SNA	5
BPM6 & 2008 SNA	6
Cross n/a	4
Total	15



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3.3 The survey (...)

3) Publication characteristics

FREQUENCY	BoP	IIP	RoW
Quarterly	13	12	1
Annual	0	1	13
Quarterly and annual	2	2	0
Not published	0	0	1
Total	15	15	15

Lag with respect to estimated period (first release of annual data)	Less than 90 days	More than 180 days
BoP	13	
IIP	12	
RoW		12

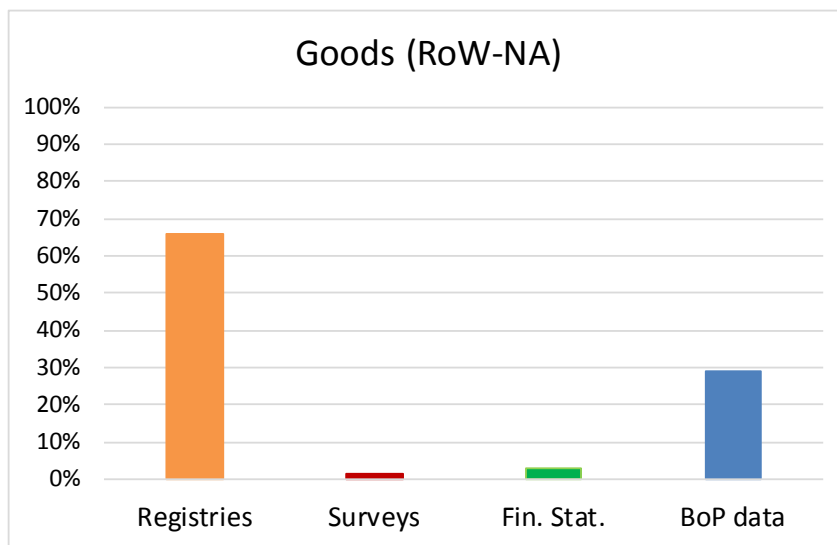
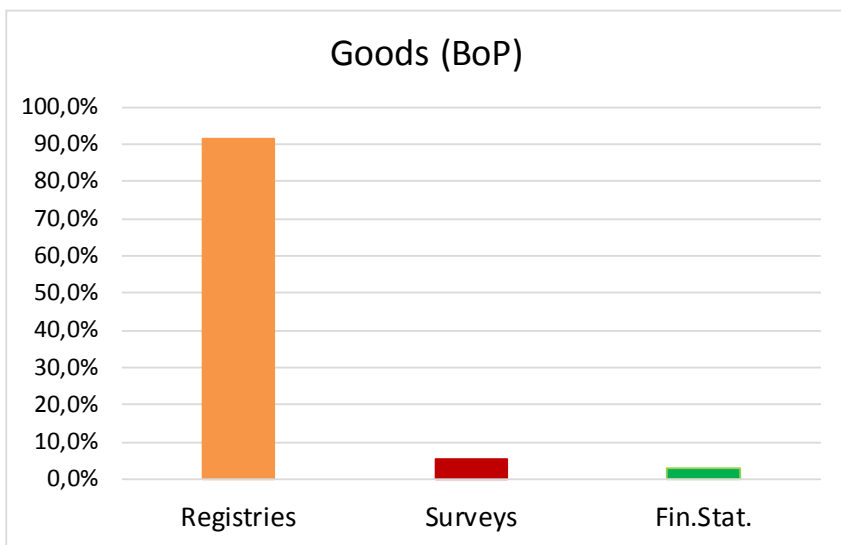
- ✓ Preannounced release calendars: **14** (BoP) **9** (RoW)
- ✓ Warning users about comprehensive revisions to take place: **12** (BoP) **10** (RoW)
- ✓ discrepancies between BP and RoW explained to users: **2** (both)

3.3 The survey (...)

4) Statistical sources and treatment of data (examples)

Goods

Data sources used in the compilation (BoP and RoW) (expressed in % of total results)



- ✓ BoP: 3 countries reconcile with NA (BoP)
- ✓ RoW: 9 countries make SUT adjustments (account for 5% of total results)



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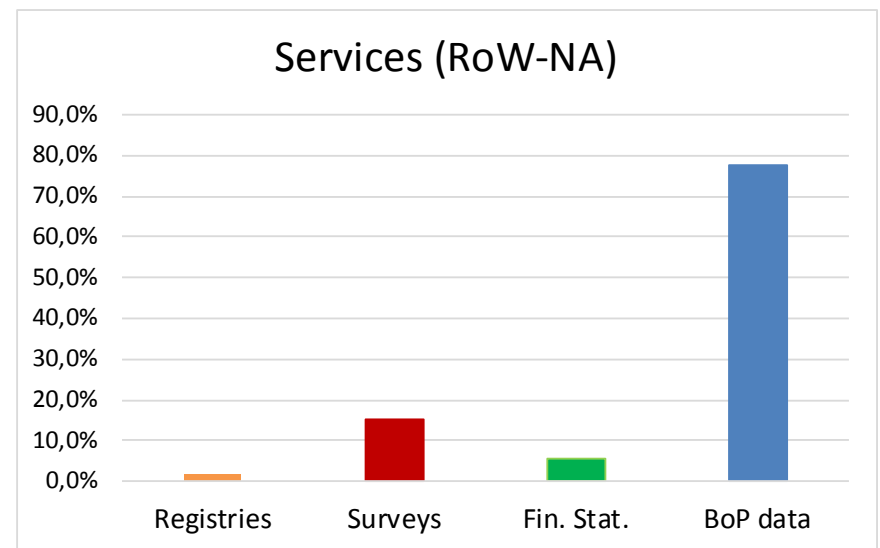
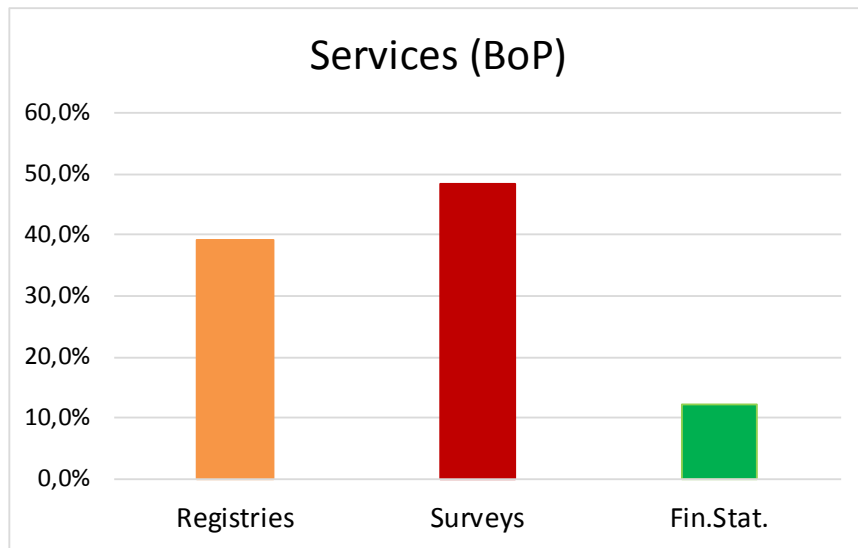


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3.3 The survey (...)

Services

Data sources used in the compilation (BoP and RoW) (expressed in % of total results)



- ✓ BoP: 3 countries reconcile with NA (BoP)
- ✓ RoW: 8 countries make SUT adjustments (account for 9% of total results)



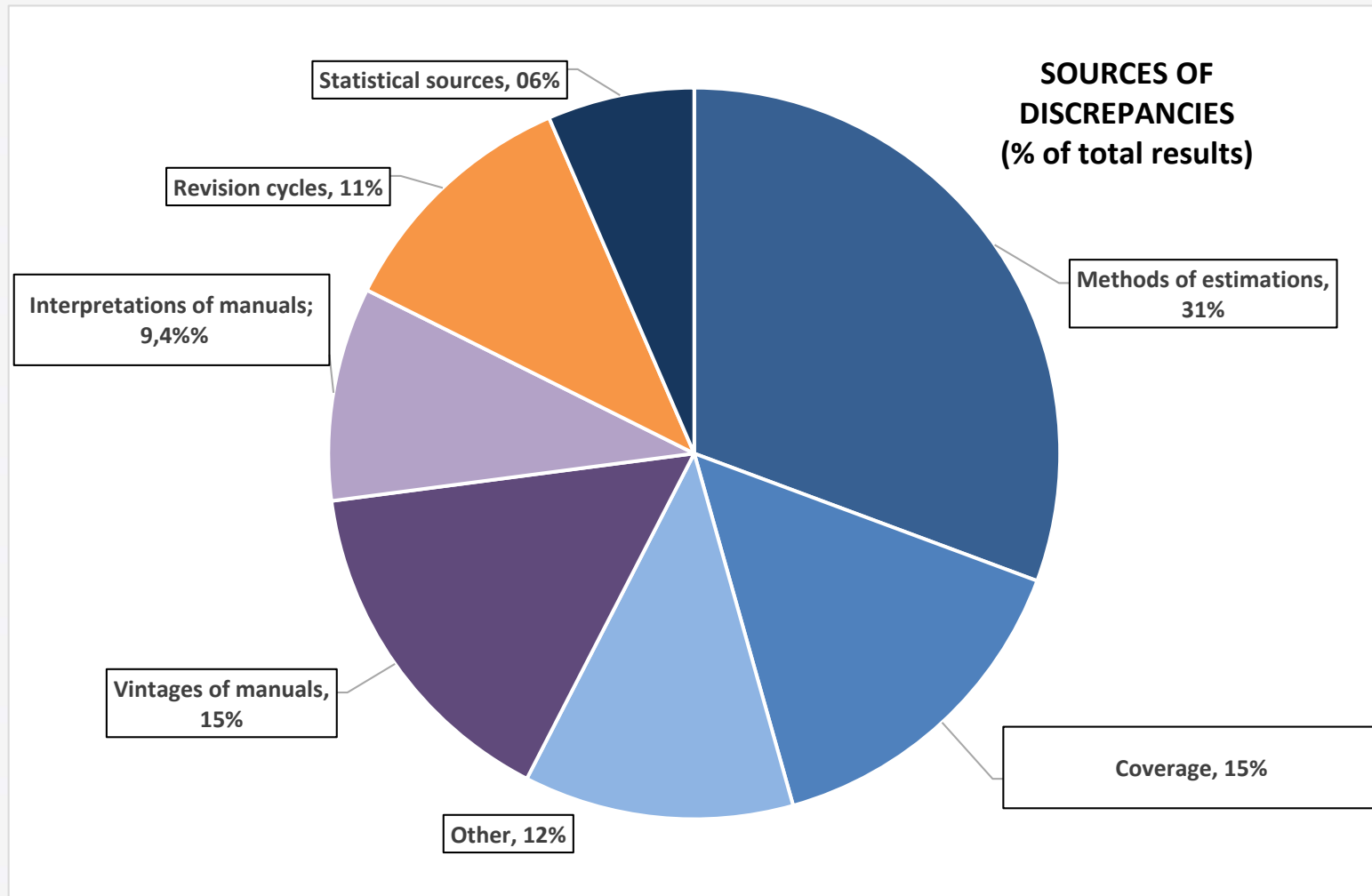
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3.3 The survey (...)

5) Main sources of discrepancies:



3.3 The survey (...)

6) Conciliation process:

Existence of conciliation process	
Yes	7
No	6
Only identify differences ^{1/}	2
Total	15

^{1/} They identify differences but don't make changes so far

Institutional arrangements for the conciliation process				
Type of arrangement		Responsibility for compilation		
		Same institution	Different institutions	Non-available
Committees	2	-	2	-
Working groups	4	4	-	-
No	9	6	-	3
Total	15	10	2	3



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3.3 The survey (...)

7) More complex issues for reconciliation (open question):

Manuals vintages

Agree methodologies and discuss results

Data sources and methodological treatments

Few or no basic statistics

Reconciliate coverages

Services account coverage

Smuggling and illicit crops enclave

Expansion of the non-financial private sector

FISIM

FDI

Timing and agendas of each one (short term vs medium term focus)



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