

Balance of payments QMI

Contact:
bop@ons.gov.uk


Release date:
25 October 2017

Next release:
To be announced

Table of contents

1. [Methodology background](#)
2. [Executive summary](#)
3. [Output quality](#)
4. [About the output](#)
5. [How the output is created](#)
6. [Validation and quality assurance](#)
7. [Concepts and definitions](#)
8. [Other information](#)
9. [Sources for further information or advice](#)

1 . Methodology background

National Statistic		Frequency	Quarterly
		How compiled	Administrative data and sample surveys
		Geographic coverage	UK
		Last revised	25 October 2017

2 . Executive summary

Office for National Statistics (ONS) is committed to providing users with ways to assess the fitness for purpose of official statistics. This report, relating to UK Balance of Payments (BoP) estimates, aims to provide information on the usability of these estimates.

The UK BoP measures economic transactions between economic entities resident in the UK and the rest of the world. It also draws a series of balances between inward and outward transactions, provides a net flow of transactions between UK residents and the rest of the world, and reports how that flow is funded.

The UK's BoP statistics are compiled at the same time as the national accounts. The BoP is an alternative presentation of the rest of the world sector, which is a component of the sector and financial accounts (SFA) and uses many common data sources.

A BoP [statistical bulletin](#) and [time series dataset](#) is published quarterly on our website, 90 days after the end of the period to which the data relate to. There are a number of different sources used in the production of SFA and BoP statistics, some of which are collected in our surveys and some of which are provided by external partners such as the Bank of England (BoE) and HM Revenue and Customs (HMRC). A [brief introduction to the UK Balance of Payments](#) provides an overview of the concepts and coverage of the UK Balance of Payments using the Balance of Payments Manual sixth edition.

Eurostat has established an [annual BoP quality reporting](#) process for all European Union (EU) member states. This is one of the provisions in the [EU Regulation of BoP Statistics](#). The reports are based around quantitative measures of quality developed by Eurostat, which align with those assessed within this framework.

This report contains the following sections:

- Output quality
- About the output
- How the output is created
- Validation and quality assurance
- Concepts and definitions
- Other information, relating to quality trade-offs and user needs
- Sources for further information or advice

3 . Output quality

This report provides a range of information that describes the quality of the data and details any points that should be noted when using the output. We have developed [Guidelines for Measuring Statistical Quality](#), based upon the five European Statistical System (ESS) Quality Dimensions. This report addresses the quality dimensions and important quality characteristics, which are:

- relevance – the degree to which a statistical product meets user needs in terms of content and coverage
- accuracy and reliability – how close the estimated value in the output is to the true result
- timeliness and punctuality – describes the time between the date of publication and the date to which the data refers and the time between the actual publication and the planned publication of a statistic
- accessibility and clarity – the ease with which users can access data, and the quality and sufficiency of metadata, illustrations and accompanying advice
- coherence and comparability – the degree to which data derived from different sources or methods, but that refers to the same topic, is similar and the degree to which data can be compared over time and domain, for example, geographic level

Additional characteristics that should be considered when thinking about quality include output quality trade-offs, user needs and perceptions, performance cost and respondent burden, confidentiality, transparency, and accessibility and clarity.

More information is provided about these quality dimensions in the following sections.

4 . About the output

Relevance

(The degree to which statistical outputs meet users' needs.)

Data sources used in the compilation of UK Balance of Payments (BoP) are detailed in the [methodological notes](#). BoP statistics are compiled from a variety of sources, produced within the National Accounts Sector and Financial Accounts (SFA) framework. Some of the main sources used in the compilation include:

- Overseas Trade Statistics (HM Revenue and Customs (HMRC))
- International Trade in Services Survey (Office for National Statistics (ONS))
- International Passenger Survey (ONS)
- Foreign Direct Investment Survey (ONS and Bank of England (BoE))
- Various financial inquiries (ONS and BoE)
- Ownership of UK Quoted Shares Survey (ONS)

The conceptual framework of the UK BoP corresponds to that of the International Monetary Fund's (IMF) [BoP Manual, sixth edition \(BPM6\)](#). This provides objective and coherent international standards to make data for the UK and other countries comparable, reflecting the needs of international and domestic users. The UK economic territory excludes the Channel Islands and the Isle of Man, which have their own fiscal and monetary authorities. BPM6 was compiled in close co-operation with the Statistical Office for the European Union (Eurostat), the Organisation for Economic Co-operation and Development (OECD), the United Nations and the World Bank.

The UK BoP forms part of the broader system of UK National Accounts. The national accounts are a closed system in which both sides of every transaction involving a resident economic entity are recorded. A set of accounts, the "rest of the world account", capture transactions that involve economic relationships with non-resident entities. The rest of the world accounts are presented from the perspective of non-residents; the reverse is true for the BoP presentation where the accounts are represented from the perspective of residents.

The international standard for national accounts is the [System of National Accounts 2008: SNA 2008](#). The European Union published its own version of SNA 2008 [European System of Accounts: ESA 2010](#) upon which the UK's National Accounts are based. BPM6, SNA 2008 and ESA 2010 are conceptually comparable.

BoP estimates are used by the Bank of England and HM Treasury to inform decisions on monetary and fiscal policy. The Department for International Trade also uses BoP estimates to identify international trade partners. International users include Eurostat and the IMF; Eurostat uses UK figures to compile aggregate EU accounts and the IMF collate data as a means of ensuring financial stability and sustainability.

BoP estimates are also used for feeding data into their own regular analyses of the macro economy, and also into more ad-hoc and in-depth analyses. For example, importance of trade with particular countries or groups of countries, importance of trade in different commodities or services, identifying comparative advantage, changes in import and export prices, economic contribution from trade and income, and looking at inward and outward investment. These analyses and briefings are aimed to inform ministers or decision-makers of the current or historical situation and provide evidence for the policy debate.

BoP data are also of interest to a wider range of user groups including the media, researchers and other regional, national and international policy-makers. Some users focus primarily on the developments in the current account and their financing, including the sustainability of the current account imbalances in the longer-term and the need for policy adjustments. Others focus on an analytic presentation, classifying the standard components of BoP and their relationship to other components (for example, trade and direct investment, and foreign direct investment and productivity). The BoP allows a sector breakdown of the financial account and their relationship to domestic sources of finance.

Timeliness and punctuality

(Timeliness refers to the lapse of time between publication and the period to which the data refer. Punctuality refers to the gap between planned and actual publication dates.)

Monthly trade statistics are available in the [UK trade statistical bulletin](#). This provides monthly estimates for trade in goods and trade in services about 40 days after the end of the reference period.

BoP estimates are published quarterly, on the same day as the [Quarterly national accounts statistical bulletin](#). For more details on related releases, our [release calendar](#) provides 12 months' advance notice of release dates. In the unlikely event of a change to the pre-announced release schedule, as set out in the [Code of Practice for Official Statistics](#) public attention will be drawn to the change and the reasons for the change will be explained fully at the same time.

Quarterly figures are published 3 months after the end of the reference period. At this time they are also disseminated to international organisations. The timeliness of data collected varies between surveys. Generally data become available 8 weeks after the end of a quarter, allowing a 4-week turnaround time.

Annual estimates are published in [UK Balance of Payments: the Pink Book](#), usually in July or October. This is the point at which more comprehensive annual survey returns and methodological updates are incorporated into the accounts, with quarterly series revised to reflect these changes. Any methodological changes are subject to an approvals process and a quality assurance committee.

5 . How the output is created

The Balance of Payments (BoP) is one of the UK's main economic statistical series. It measures the economic transactions between economic entities resident in the UK and the rest of the world. The BoP consists of the following elements:

- the current account records trade in goods and services, income earned and current transfers
- the financial account comprises transactions associated with changes of ownership of the UK's foreign financial assets and liabilities
- the capital account comprises both capital transfers and the acquisition and disposal of non- produced, non- financial assets
- the international investment position (IIP) is a balance sheet recording the UK's stock (or level) of foreign financial assets and liabilities at a particular date
- [a geographical breakdown of the current account](#) is available quarterly and [a geographical breakdown of the IIP](#) is provided on an annual basis

The BoP information is derived from the following ONS surveys:

- International Trade in Services (ITIS)
- Foreign Direct Investment (FDI)
- Security Dealers
- Insurance Companies
- Pension Funds
- Unit and Investment Trusts
- Financial Assets and Liabilities (FALS)
- Ownership of UK Quoted Shares Survey
- International Passenger Survey (IPS)

BoP information is also derived from external sources:

HM Revenue and Customs:

- Intrastat – European Union trade in goods
- Extrastat – Extra European Union trade in goods

Bank of England (BoE):

- PL – UK banks' profit and loss
- DQ – Financial derivative positions of banks at market value
- BT – Balance sheet
- QX – Supplementary balance sheet
- CC – Country analysis of UK external claims
- CL – Country analysis of UK external liabilities
- BG – Geographical breakdown of interest payments
- HI – Country analysis: levels of inward foreign direct investment
- HO – Country analysis: levels of outward foreign direct investment

The BoP accounts are concerned not only with payments made but also any economic transactions during a period that give rise to a payment in an earlier or later period. For example, goods may change ownership in one period, though payment may be made in an earlier period (pre-payment) or in a later period (trade credit). They also include transactions for which there may never be a payment, for example, goods shipped under foreign aid or goods shipped between related enterprises.

There is also more than one "balance"; the BoP is a system of accounts in which many balances can be derived, such as the balance of goods and services, the current account balance and capital and financial account balance.

Conceptually, an economic transaction has two sides: something of economic value is provided and something of equal value is received. The BoP reflects this in a double-entry recording system of credits and debits. When an economic value is provided, a credit entry is made and when the corresponding economic value is received, a debit entry is made.

For example, when an exporter sells (provides) goods to a non-resident, the exporter may receive cash (a financial asset) or another type of financial asset (for example, a trade credit claim) in return. The export is represented by a credit entry in the current account and by a decrease in liabilities in the financial account. Similar entries are made when an importer buys a car (debit) and pays for it (decrease in assets).

We produce a comprehensive set of national accounts in which BoP is integrated. The main components are:

- quarterly and annual GDP estimates
- quarterly and annual sector and financial accounts
- The national balance sheet

Seasonal adjustment

The headline UK BoP current account and capital account figures published are seasonally adjusted, although non-seasonally adjusted estimates are available. Financial account and IIP figures are not seasonally adjusted. Seasonal adjustment is the process of removing the variations associated with the time of year, or the arrangement of the calendar, from a time series.

6 . Validation and quality assurance

Accuracy

(The degree of closeness between an estimate and the true value.)

There is no simple way of measuring the accuracy of balance of payments (BoP) statistics – that is, the extent to which they measure the underlying “true” value for a particular period.

One dimension of measuring accuracy is reliability. The reliability of an estimate depends on the extent to which it is revised. We have a comprehensive [Revisions Policy](#) for all our outputs.

All estimates, by definition, are subject to statistical “error”, due to the uncertainty inherent in any process or calculation that uses sampling, estimation or modelling. Figures for the most recent periods are provisional and subject to revision in light of:

- late and corrected responses to surveys
- revisions to seasonal adjustment factors, which are re-estimated annually
- annual benchmarking of surveys

Most revisions in BoP statistics reflect either the adoption of new statistical techniques, or the incorporation of new information, which allows the statistical error of previous estimates to be reduced. In general, BoP revisions are carried out as a result of annual surveys. These surveys are more comprehensive in terms of sample size than quarterly surveys, and the questions are more detailed. Target response rates are set for each survey.

In theory, every entry in the current and capital accounts should be matched by a corresponding entry in the financial account. In practice there is a discrepancy termed net errors and omissions, which is presented in the summary of the BoP.

The reliability of BoP estimates can be assessed using evidence from analyses of revisions to compare the closeness of early estimates with subsequent estimated values. [The latest revisions analysis spreadsheets](#) are published alongside the statistical bulletin.

Where one-off events occur, we highlight where possible their potential impact on the data. An article [outlining our policy on special events](#) is available.

Coherence and comparability

(Coherence is the degree to which data that are derived from different sources or methods, but refer to the same topic, are similar. Comparability is the degree to which data can be compared over time and domain, for example, geographic level.)

International standards [BPM6](#), [SNA 2008](#) and [ESA 2010](#), are used in the production of the BoP. This means that figures published by the UK should be comparable with the accounts of other countries.

UK attendance at working groups and committee meetings at the European Central Bank (ECB) and Eurostat help ensure that changes to UK accounts are made in line with the European Union member states. The ECB's guide to the compilation of BoP within the EU is the [European Union BoP/International Investment Position \(IIP\) Statistical Methods Book \(BoP Book\)](#). The BoP Book provides interested parties, users or compilers, with information relating to all EU countries on the contents and structure of BoP and IIP data and the collection methods used. The book also gives an overview of the compilation of the euro area aggregate figures by explaining the compilation procedures and underlying methodological concepts agreed by the EU member states. The book was first published in 1998 and has been updated on an annual basis since then.

Concepts and definitions are consistent between BoP and the rest of the world accounts. The UK is unusual in that BoP and the rest of the world accounts are both compiled by Office for National Statistics (ONS) using common data sources. In some countries, including most other EU member states, responsibility for the compilation of BoP statistics lies with central banks and responsibility for the national and sector accounts lies with government statistical offices. For the UK, this ensures a high degree of comparability between the BoP and rest of the world accounts, though the compilation systems are not always identical as they serve different purposes.

Asymmetries occur when one country's estimates does not correspond to the same estimates for the same transaction reported by its partner country, for example, a country reports exports of services to the UK that do not equal the value of services that the UK records as having imported from that country. Asymmetries continue to be a high priority issue in BoP. The European Central Bank is tracking asymmetries between the UK and European Union (EU) countries. The UK is an active member of networks that have been created for trade and foreign direct investment to allow for the assessment of the causes and possible treatment of asymmetries.

Every effort is made to ensure that the series are comparable over time and a time series of high-level aggregates is available back to 1946 for annual estimates (1955 for quarterly estimates). Where possible, changes to methodology are applied to the whole series to ensure this comparability is maintained. However, our Revisions Policy may mean that this is not always possible.

7 . Concepts and definitions

(Concepts and definitions describe the legislation governing the output and a description of the classifications used in the output.)

We follow the international standards relating to balance of payments (BoP) and international investment position (IIP) statistics. There are several reasons for this.

Firstly, domestic and foreign analysts will be assured that the UK's official BoP and IIP statistics comply with objective, coherent international standards that reflect current, global analytic needs.

Secondly, the UK is a member of the international community and international users need comparable data for analysis between countries.

Thirdly, the UK, as a member of the European Union, as well as organisations such as the International Monetary Fund (IMF) and Organisation for Economic Co-operation and Development (OECD), needs to compile its various economic statistics in conformity with standards set by those organisations.

Fourthly, the UK can compare and reconcile its estimates with those of other countries. Statistics need to be as comparable as possible in order to carry out this validation.

To facilitate such consistency and to provide guidelines for its members, the IMF issued the Balance of Payments Manual. The first edition appeared in 1948 and the sixth edition in 2009. The conceptual framework of the UK BoP corresponds to that underlying the sixth edition of the IMF manual, referred to as [BPM6](#). BPM6 was implemented in the UK's BoP accounts and IIP statistics in September 2014.

Import figures for trade in goods include adjustments to allow for the impact of trade associated with VAT missing trader (MTIC) fraud. The adjustments were introduced for the first time in the UK trade May 2003 release published on 9 July 2003. The adjustments are added to the EU import estimates derived from Intrastat returns.

An [article explaining MTIC fraud and the impact on the trade figures](#) was published on 9 July 2003. A [report on further research into MTIC fraud](#) was published on 17 February 2005, which summarises the work carried out to review the estimates of the impact on the trade figures.

Changes to the pattern of trading associated with MTIC fraud can make it difficult to analyse trade by commodity group and by country, as changes in the impact of activity associated with this fraud affect both imports and exports.

Originally, most carousel chains only involved EU member states. From 2004 in particular, some carousel chains included non-EU countries, for example, Dubai and Switzerland. However, the MTIC trade adjustments are added to the EU import estimates derived from Intrastat returns, as it is this part of the chain that is not generally recorded. In particular, adjustments affect trade in capital goods and intermediate goods — these categories include mobile phones and computer components, which are still the most widely affected goods.

Figures for total exports and imports less adjustments for trade associated with VAT MTIC fraud are given in the [monthly UK trade statistical bulletin](#).

From Quarter 1 (January to March) 2010, we have included financial derivatives business of UK securities dealers in both the UK's financial account (flows) and the international investment position (stocks). The inclusion of this data improves the sector coverage of financial derivatives, which previously included only data on financial derivatives business of UK banks.

An [article detailing the improvements to the coverage of derivatives within the UK Economic Accounts](#) was published on 25 October 2011.

8 . Other information

Output quality trade-offs

(Trade-offs are the extent to which different dimensions of quality are balanced against each other.)

Balance of payments (BoP) statistics are subject to a trade-off between timeliness and accuracy. This trade-off affects all statistics but is particularly relevant to short-term economic statistics. Macro economic statistics are required as timely as possible in order to allow the monitoring of economic behaviour as close to the event as possible and for timely policy-making.

Timeliness is clearly defined, however, for BoP data there is no clear measurement of accuracy; “true values” are unknown as the statistics are based on a wide variety of different data sources. For BoP statistics the closeness of a given early estimate to the final estimate seems to be the most acceptable indicator of accuracy. BoP estimates are released quarterly with the timeliest estimates, however, in order to improve the accuracy of BoP statistics, revisions are made to the estimate when new and improved data sources become available.

A more in-depth description of the revision process can be found in the Validation and quality assurance section of this report.

Assessment of user needs and perceptions

(The processes for finding out about users and uses, and their views on the statistical products.)

In addition to following international guidance, further steps are taken to ensure the UK Balance of Payments statistical bulletin and the Pink Book are relevant to their users. Regular quarterly user group meetings are held with:

- Bank of England
- HM Treasury
- Department for International Trade
- Foreign and Commonwealth Office
- Office for Budget Responsibility

These meetings allow us to address any issues with the data, provide briefing on future improvements and answer questions that users may have. This ensures that the output is relevant and coherent to wider users and also that any issues are brought to our attention.

9 . Sources for further information or advice

Accessibility and clarity

(Accessibility is the ease with which users are able to access the data, also reflecting the format in which the data are available and the availability of supporting information. Clarity refers to the quality and sufficiency of the release details, illustrations and accompanying advice.)

Balance of payments [\(BoP\) statistical bulletins](#) are published on our website.

General enquiries about BoP series, compilation methods, quality information or difficulties in finding latest figures can be emailed to the BoP enquiry point bop@ons.gov.uk.

Our recommended format for accessible content is a combination of HTML webpages for narrative, charts and graphs, with data being provided in usable formats such as CSV and Excel. Our website also offers users the option to download the narrative in PDF format. In some instances other software may be used, or may be available on request. For further information please refer to the contact details at the beginning of this report.

For information regarding conditions of access to data, please refer to the following links:

- [Terms and conditions](#) (for data on the website)
- [Copyright and reuse of published data](#)
- [Pre-release access](#) (ended from 1 July 2017)
- [Accessibility](#)
- Access to microdata via the [Virtual Microdata Laboratory](#)