

# Generic template for b.o.p/i.i.p. statistics as provided by United Kingdom

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## 1. INSTITUTIONAL ENVIRONMENT

### 1.1. *CoP1 Professional Independence / PC1 Professional Independence*

#### 1.1.1 *Legal basis*

The Office for National Statistics (ONS) is the UK's national statistical office and the largest producer of official statistics in the UK. ONS is independent of ministers and reports through the UK Statistics Authority to Parliament and the devolved administrations of Scotland, Wales and Northern Ireland. ONS is the executive office of the UK Statistics Authority, which was established on 1 April 2008 by the Statistics and Registration Service Act 2007. Under the Act, the Authority is responsible for promoting and safeguarding the production and publication of official statistics which serve the public good. Further information on the Authority, and the Statistics and Registration Service Act, is available on the UK Statistics Authority website: <http://www.statisticsauthority.gov.uk/>

Further information on the ONS is available from our ONS website: <http://www.ons.gov.uk/aboutus>

#### 1.1.2 *Statistics work programme*

The National Accounts work programme is available on the Office for National Statistics website: <http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/national-accounts/changes-to-national-accounts/index.html>

### 1.2. *CoP2 Mandate for data collection/PC2 Mandate for data collection*

#### 1.2.1 *Allocation of responsibilities*

The responsibility for collecting, processing, and disseminating the UK's Balance of Payments (BoP) and International Investment Position (IIP) statistics is assigned to the Office for National Statistics. Alongside this, in an integrated manner, the ONS also compiles the National Accounts and Excessive Deficit Procedure Statistics, which includes the Financial Account and Rest of the World Sector. Some of the main sources used in the compilation of BoP include:

- Overseas Trade Statistics (HMRC), for example Intrastat and Extrastat
- International Trade in Services Survey (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 ONS National Accounts programme adheres to the full range of accounts described in international manuals such as the System of National Accounts 2008 (SNA 2008), the Balance of Payments and International Investment Position Manual - Sixth Edition (BPM6) and the European System of Accounts 2010 (ESA 2010).

### 1.2.2 *Legal basis*

The United Kingdom Statistics Authority has designated the UK's annual Balance of Payments publication (known as the Pink Book – which is referred to throughout this document) and the Balance of Payments Quarterly Bulletin as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics: <https://www.statisticsauthority.gov.uk/monitoring-and-assessment/assessment/>

The United Kingdom provide monthly BoP (MBOP) and quarterly BoP (QBOP) to Eurostat as required by the Regulation (EC) No 184/2005 of the European Parliament and of the Council of 12 January 2005 and amended by the Commission Regulation (EU) No 555/2012 of 22 June 2012 OJ L 35, 8.2.2005, p. 23–55 and OJ L 166, 27.6.2012, p. 22–66.

Most ONS business surveys are conducted under Section 1 of the Statistics of Trade Act 1947: <http://www.legislation.gov.uk/ukpga/Geo6/10-11/39>

## 1.3. *CoP6 Impartiality and objectivity / PC6 Impartiality and objectivity*

### 1.3.1 *Advance release calendar*

BoP estimates are published quarterly through a statistical bulletin, on the same day as the Quarterly National Accounts Statistical Bulletin. For more details on related releases, the statistical release calendar is available on the government website and provides 12 months' advance notice of release dates: <https://www.gov.uk/government/statistics/announcements>

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.

### 1.3.2 *Revision policy*

The UK's BOP and IIP data are subject to regular revisions which are linked to the revisions window of the wider UK National Accounts (<https://www.ons.gov.uk/methodology/methodologytopicsandstatisticalconcepts/revisions/revisionpoliciesforeconomicstatistics>). This is due to the integration and consistency between the two

datasets. The revisions frequency is in line with the quarterly BoP publication which also links to the revisions calendar for transmissions to International customers such as the European Central Bank (ECB) and Eurostat. The scope of revisions are regularly announced in advance of the annual reassessment of data. These announcements are made in the form of articles on the ONS website which describe the nature of any revisions that are planned outside the regular process.

Exceptional causes of revisions such as changes to the industrial classification or international accounting standards will be accompanied by a dedicated communication plan, which might consist of a series of articles and seminars on concepts, methodology and probable effects. This was the case during the implementation of the European System of Accounts 2010 (ESA 2010) and Balance of Payments and International Investment Position Manual - Sixth Edition (BPM6). Within the UK's published releases, revisions to the main series are published in a table, or tables. The background notes also contain tables which provide information to enable users to put these revisions into an historical context. Revisions analyses of key aggregates are also published on the Office for National Statistics website.

## **2. STATISTICAL PROCESSES**

### **2.1. *CoP7 Sound methodology / PC7 Sound methodology***

#### **2.1.1 *General remarks***

UK BOP statistics follow the IMF's Balance of Payments Manual, sixth edition (BPM6) methodology and the European legal framework applicable for BoP and IIP statistics. BOP data transmitted by the United Kingdom to Eurostat aim to meet Eurostat (and consequently ECB) mandatory requirements for non-Euro area countries, and also provide additional voluntary information where feasible. As confirmed by the BPM6 based BoP Quality Review conducted by Eurostat, the UK currently doesn't provide 100 per cent of mandatory cells required by Eurostat (currently at 97 per cent). ONS are currently in bilateral discussion to ensure full compliance with mandatory cell requirements and expect to be fully compliant in the near future.

BPM6 was implemented in the UK's Balance of Payments accounts and International Investment Position statistics in September 2014. The impact on the UK's Balance of Payments and International Investment Position, as a result of the introduction of new international standards for the period 1997 to 2013, was published as an annex to the UK's Balance of Payments, Q2 2014 edition.

<http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/rel/bop/balance-of-payments/q2-2014/index.html>

### 2.1.2 *Residency*

UK Balance of Payments and International Investment Position statistics follow the BPM6 residency concepts. The 'UK' is defined as Great Britain, Northern Ireland, and the Continental Shelf (UK part).

### 2.1.3 *Institutional unit definition*

Resident institutional units are defined in conformity with BPM6.

### 2.1.4 *Sectorisation & sector definition and delimitation*

The UK follows the definitions of institutional sectors as set out in the BPM6. Where possible, sector data are made available with the exception of the Central Bank which is included in MFI's.

### 2.1.5 *Valuation*

Market price is used in UK economic statistics for valuing transactions. In practice, one or more of the conditions needed to establish a market price may be absent and other valuations may be used.

For the most part, the price at which a transaction is recorded in the accounts of the transactions or in the administrative records used as data sources will be the market price or a very close approximation of it. This valuation is known as the transactions price and is the practical valuation basis used in the Balance of Payments, both because it aids consistent recording of credits and debits and because of its usual proximity to the ideal market valuation.

As with all International Investment Position statistics, foreign financial assets and liabilities should, in principle, be valued at their current market price at the reference date. In practice this is not always possible and valuation guidelines are adopted in order to approximate market valuation, particularly for those financial assets and liabilities that are only rarely transacted. For example, in measuring the value of direct investment in equity capital, much of which is never traded or is traded infrequently, market value is approximated by one of the following methods: a recent transaction price, directors' value, or net asset value. Over time, this is likely to underestimate the true market value of foreign direct investment.

Transactions and stock positions originally denominated in foreign currencies need to be converted to pounds sterling using market rates of exchange prevailing at the time of the transaction (Balance of Payments) or at the reference date (International Investment Position). Transactions should be converted at the mid-point of the buying and selling exchange rates applying at the time of transaction. Stocks should be converted at the mid-point of the buying and selling exchange rates applying at the beginning or end of the period. In practice, the actual rate used varies according to the source of the transaction or stock.

### 2.1.6 *Time of recording (accrual accounting)*

Interest income is recorded on an accrual basis.

### 2.1.7 *Coverage gaps & deviations*

#### Goods sent abroad for processing

This covers goods that are exported or imported for processing undertaken by an enterprise that does not own the goods. In practice, this is extremely difficult to measure, so, under ONS methodology, the gross flows are only adjusted by the value of the service associated with processing, which is likely to only be a fraction of the value of the goods themselves. Estimates of goods sent abroad for processing are supplied by the International Trade in Services (ITIS) survey.

#### Non-monetary gold

The treatment of non-monetary gold was revised for the UK's National Accounts and Balance of Payments in September 2014, non-monetary gold held in allocated accounts is now considered a good; therefore, gold of this type which is stored as a financial asset is recognised under trade in goods.

In order to meet the requirements, the Bank of England provides data from the six gold clearers in the London Bullion Market. These data show only net exports of non-monetary gold that is held as a store of wealth in allocated accounts.

To avoid disclosing the activity of individual gold clearers, the raw data cannot be presented. Therefore a smoothing method is applied.

#### Digital Downloads/ Cross border E-commerce

Capturing the import of downloads and apps presents a significant challenge. It is recognised that foreign based business who supply services to UK via e-commerce, imports of services direct to consumers (e.g. digital downloads) are unlikely to be captured in the traditional data collection mechanisms for imports of services. However, the ONS utilises household based surveys recording expenditures by households which will capture some of this activity feeding into household final consumption. This is an area that requires continuous review to improve data sources.

#### Undercoverage of Tuition Fees

ONS and the Department for Business, Innovation and Skills (BIS) jointly funded an 'Evaluation of Reliability and Coverage of Balance of Payments Estimates for Trade in Educational Services'. The conclusion was that the International Passenger Survey (IPS) would not be covering education

services fully and recommended using Higher Education Statistics Agency (HESA) data to provide better estimates for tuition fees from overseas students. This has yet to be implemented.

## Remittances

Data were obtained from exchange control records until 1979. Estimates since 1979 are statistical projections mainly based on the exchange control data and also some bilateral information on partner countries' remittance flows to the UK. This is likely to be out of date given recent trends in migration but to date no alternative source has been found in UK.

## 2.2. *CoP8 Appropriate Statistical procedures / PC8 Appropriate Statistical procedures*

### 2.2.1 *Main features*

The UK BoP and IIP are compiled using a combination of surveys and administrative data sources for example those from other government departments and the Bank of England.

The majority of data for trade in goods is sourced from HMRC while the trade in services utilises data sources such as the International Trade in Services Survey and numerous administrative data sources.

Financial transactions and income for the banking sector are sourced from the Bank of England along with some reserve asset transactions. Other sectors are compiled from numerous surveys conducted by ONS and other external sources such as the London Stock Exchange, Bank for International Settlements, etc.

While some source data is collected monthly, such as exchange rates and interest rates, the majority of data is collected quarterly. For the BoP the quarterly estimates are aggregated to derive the annual totals while the 4<sup>th</sup> quarter end is used for the IIP.

### 2.2.2 *Country specific aspects*

A more detailed description of the estimations and statistical techniques used for the compilation of the Balance of Payments statistics can be found on the ONS website:

<http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/balance-of-payments/index.html>

## 3. **STATISTICAL OUTPUT**

### 3.1. *CoP11 Relevance / PC11 Relevance*

At the national level, there is considerable engagement between ONS and key suppliers and users of the Balance of Payments. The Bank of England provide a large amount of data covering the banking sector, and quarterly liaison meetings are held to reflect on recent quarters and to consider future developments. The ONS hosts a quarterly Balance of Payments user group meeting which is attended by the following key government departments:

- Bank of England (BoE)
- Department of Business, Innovation and Skills (BIS)
- Foreign and Commonwealth Office (FCO)
- HM Treasury (HMT)
- Office for Budget Responsibility (OBR)

The user group meetings provide key stakeholders with an opportunity to ask detailed questions about recent Balance of Payments releases and also allow ONS to provide an early indication of changes that are likely as a result of implementing methodological changes.

ONS represents the UK at international meetings, e.g. CMFB, Eurostat BOP Working Group, the European Central Bank's Working Group on External Statistics(ECB WG-ES), etc.

### 3.2. *CoP12 Accuracy and reliability / PC12 Accuracy and reliability (including stability)*

#### 3.2.1 *Revisions*

Revisions can occur for many reasons including late returns replacing non-response estimates, updated administrative data returns and re-assessment of seasonal adjustment factors. Many components within the Balance of Payments rely upon monthly or quarterly surveys in the short term, and are updated once more detailed annual survey data becomes available. This reconciliation between annual and quarterly surveys can result in revisions due to the larger sample size of annual surveys compared to quarterly survey and in some cases, data captured from audited annual accounts compared with quarterly management accounts. The revisions to the UK accounts are considered as part of a wide ranging package covering the Balance of Payments, National Accounts and Public Sector Finance Statistics, as these are compiled and balanced in an integrated manner. In addition the revisions assessment will also include the impact in both current prices and in volume terms as well as a range of other criteria.

On an annual basis, the ONS takes forward larger changes and increases the revisions window. Depending on the type of changes being implemented, the revisions window can vary from 4 years or much longer (in recent years ONS has processed changes back to 1997 on an annual basis). The larger changes can be new methodology associated with implementing new international standards (for example, ESA10 and BPM6 in 2014 or GNI reservations in 2015) or classification changes which impact the historical dataset e.g. reclassification of Network Rail. In preparation for implementing new methodologies, the ONS engages in an in depth series of communication with key stakeholders. This includes engaging with users via formal seminars and producing detailed articles describing changes and their indicative impact.

According to the BOP quality report conducted by Eurostat, Quarterly BOP current account revisions are within tolerance. The capital account revisions are above tolerance, but it is important to

recognise that the capital account numbers are small, and so absolute revisions have a big impact in the calculation.

### *3.2.2 Errors and omissions and integrity rules*

Errors and omissions are monitored closely for the Rest of the World sector alongside other sectors within the Sector and Financial Accounts. Each sector has a quarterly tolerance for errors and omissions. Errors and omissions outside of this tolerance suggest an omission in the data and result in further quality assurance to ascertain areas of weakness. This can sometimes result in short term quality adjustments being made to one or more components where a short term weakness is identified. For the UK's Rest of the World Sector (and therefore Balance of Payments), there is no bias in the sign of the errors and omissions i.e. on a quarterly basis the errors and omissions fluctuate between positive and negative. However, for recent periods, the cumulative errors and omissions are not zero, and ONS are currently investigating the driver for this.

## **3.3. *CoP13 Timeliness and punctuality / PC13 Timeliness (including punctuality)***

### *3.3.1 National requirements*

Quarterly figures are published three months after the end of the reference period. At this time they are also disseminated to Eurostat. The timeliness of data collected varies between surveys. Generally data become available eight weeks after the end of a quarter, allowing a four week turn around time.

Annual estimates are published in the Pink Book, usually in July or October. This is the point at which more comprehensive annual survey returns are incorporated into the accounts, with quarterly series revised to reflect these changes. Normally, when figures are being prepared for the Pink Book, estimates for the past four complete years are reassessed in the annual cycle. An ONS National Accounts Change Assessment Board decides whether revisions should be introduced. Any methodological changes are subject to a National Accounts standard process of quality assurance. As agreed with Eurostat, the punctuality of Balance of Payments estimates have been linked in with National Accounts at t+90 to ensure consistency in publications

### *3.3.2 EU and other international requirements*

UK sends data to Eurostat, ECB, OECD and IMF following the internationally agreed deadlines.

UK also participates in the Special Data Dissemination Standard (SDDS) initiative.

## **3.4. *CoP14 Coherence and comparability / PC14 Consistency and comparability***

### *3.4.1 Bilateral asymmetries*

The UK's underlying methodology used for recording FDI lead to asymmetries. Consequently, the UK intends to elaborate more on the reconciliation of requests received, and participate in bilateral



consultation with partner countries. The UK is an active member of the FDI Network – a working group of European Union member states that exchanges information on FDI statistics with the aim of reconciling asymmetries and sharing best practise. Since July, the UK has exchanged information on over 150 separate transactions, with 9 different countries. The UK has also exchanged information of mergers and acquisition that are greater than 2bn Euros (approx £1.5bn) for 2014 and 2015 (Q1 and Q2 2015), with a large proportion of these being reconciled.

For trade in goods, HMRC (customs authority) takes part in the Eurostat annual asymmetry reconciliation round to share best practice bilaterally looking at particular commodity codes.

### 3.4.2 *Consistency with related statistics*

The UK's Balance of Payments (BoP) and International Investment (IIP) statistics at the ONS are fully integrated and consistent with the Rest of the World sector within the UK's Sector and Financial Accounts (SFA). This ensures full consistency between the UK's BoP & IIP and UK's National Accounts.

### 3.4.3 *“Time” and back data consistency*

#### Balance of Payments

Annual data for the total BoP is available from 1946 with quarterly data and lower level accounts available from 1955. As economies and the BoP manuals have evolved we have aimed to implement changes to the BoP and IIP from 1987 where source data are available.

#### International Investment Position

Annual data are available from 1966 while quarterly data are available from 1978.

### 3.4.4 *Consistency across frequencies*

The UK's annual Balance of Payments data are initially derived by aggregating quarterly data. Generally, the underlying concepts, definitions, and classifications are therefore identical across series of differing periodicity. In the short term for some series, the quarterly surveys are used and then later revised when the more comprehensive annual survey data become available. This annual benchmarking process ensures that the Balance of Payments and Annual Foreign Direct Investment publications are coherent.

## 3.5. *CoPI5 Accessibility and Clarity / PCI5 Accessibility and Clarity*

### 3.5.1 *Data*

The *Balance of Payments Quarterly Bulletin* publication presents summary statistics and commentary for the main BoP accounts and detailed statistics for the current account.

Balance of Payments information is also included in the *United Kingdom Economic Accounts (UKEA)* on a quarterly basis

The *United Kingdom Balance of Payments Pink Book* is an annual publication that presents detailed estimates and commentary of the UK BoP, including estimates for the current account, the capital account, the financial account and the international investment position. It also provides a geographical breakdown of the current account by 64 countries.

<http://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/bulletins/balanceofpayments/previousReleases> Data associated with the quarterly and annual Balance of Payments statistical bulletins are also made available at the time of release.

Time series are made available on the time series database:

<http://www.ons.gov.uk/timeseriestool?topic=/economy/nationalaccounts/balanceofpayments>

### 3.5.2 *Metadata*

Metadata are made available alongside all datasets, for example including a range of briefing and supporting analysis including revisions analysis.