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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND  
THE COUNCIL**

**on the implementation of Regulation (EC) No 184/2005 of the European Parliament and  
of the Council of 12 January 2005 on Community statistics concerning balance of  
payments, international trade in services and foreign direct investment**



## 1. INTRODUCTION

The main objective of Regulation (EC) No 184/2005 of the European Parliament and of the Council on Community statistics concerning balance of payments, international trade in services and foreign direct investment<sup>1</sup> is to set out common rules and quality standards for EU statistics that are regularly produced in these three areas.

According to Article 12, the Commission must submit a first report to the European Parliament and the Council on the implementation of the Regulation by 28 February 2018 and then every 5 years. In particular, the report must:

- (1) evaluate the quality of data on balance of payments, international trade in services and foreign direct investment;
- (2) assess the benefits of such statistical information for the EU, Member States, providers and users, versus the costs;
- (3) identify areas for improvement and any necessary amendments given the results of the evaluation.

This report examines the most important aspects of the implementation of Regulation (EC) No 184/2005 by the Member States and the measures taken by the Commission to ensure high quality European statistics on balance of payments, international trade in services and foreign direct investment.

## 2. IMPLEMENTING MEASURES

Since the adoption of Regulation (EC) No 184/2005, the Commission adopted the following legal acts:

- (1) Commission Regulation (EC) No 601/2006<sup>2</sup>;
- (2) Commission Regulation (EC) No 602/2006<sup>3</sup>;
- (3) Commission Regulation (EC) No 1055/2008<sup>4</sup>;
- (4) Commission Regulation (EC) No 707/2009<sup>5</sup>;
- (5) Commission Regulation (EU) No 555/2012<sup>6</sup>;

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<sup>1</sup> OJ L 35, 8.2.2005, p. 23.

<sup>2</sup> Commission Regulation (EC) No 601/2006 of 18 April 2006 implementing Regulation (EC) No 184/2005 of the European Parliament and of the Council as regards the format and the procedure for the transmission of data (OJ L 106, 19.4.2006, p. 7).

<sup>3</sup> Commission Regulation (EC) No 602/2006 of 18 April 2006 adapting Regulation (EC) No 184/2005 of the European Parliament and of the Council through the updating of data requirements (OJ L 106, 19.4.2006, p. 10).

<sup>4</sup> Commission Regulation (EC) No 1055/2008 of 27 October 2008 implementing Regulation (EC) No 184/2005 of the European Parliament and of the Council, as regards quality criteria and quality reporting for balance of payments statistics (OJ L 283, 28.10.2008, p. 3).

<sup>5</sup> Commission Regulation (EC) No 707/2009 of 5 August 2009 amending Regulation (EC) No 184/2005 of the European Parliament and of the Council on Community statistics concerning balance of payments, international trade in services and foreign direct investment, as regards the update of data requirements (OJ L 204, 6.8.2009, p. 3).

<sup>6</sup> Commission Regulation (EU) No 555/2012 of 22 June 2012 amending Regulation (EC) No 184/2005 of the European Parliament and of the Council on Community statistics concerning balance of payments, international



(6) Commission Delegated Regulation (EU) 2019/505<sup>7</sup>.

Regulation (EU) No 2016/1013 of the European Parliament and of the Council<sup>8</sup>, amending Regulation (EC) No 184/2005, aligned that Regulation with Articles 290 and 291 TFEU, by replacing implementing powers conferred on the Commission by that Regulation by powers to adopt delegated and implementing acts.

The legal acts mentioned above set out the required format and procedure for the submission of data by Member States to Eurostat, the update of data requirements and the timeline and quality criteria of national quality reports. Furthermore, the 6<sup>th</sup> edition of the Balance of Payments and International Investment Position Manual (BPM6) of the International Monetary Fund (IMF), published in 2009, provides a conceptual framework for the compilation of balance of payments (BOP) and international investment position (IIP) statistics by IMF member countries. It lays down uniform definitions and classifications to establish a common basis for the collection and compilation of data on external developments and to facilitate the comparability of data across countries. At the European level, the requirements to be met by balance of payments statistics are laid down in Commission Regulation (EC) No 555/2012 amending Regulation (EC) No 184/2005.

### 3. MAIN DATASETS CONCERNED

Balance of payments statistics provide comprehensive information on transactions between the reporting economy and the rest of the world. Regulation (EC) No 184/2005 concerns the collection of the following five datasets:

- balance of payments monthly statistics;
- balance of payments and international investment position quarterly statistics;
- international trade in services annual statistics;
- foreign direct investment transactions (including income);
- foreign direct investment positions.

For each of these datasets, data are collected by Eurostat from the Member States and used for producing EU aggregates that are published along with the individual Member States' data on Eurostat's online reference database.

Monthly balance of payments data and the first quarterly advance indicators of balance of payments derived from monthly estimates are available 7 weeks after the end of the reference period. The first estimates of quarterly balance of payments/international investment position (BOP/IIP) are released 14 weeks after the end of the reference period. The quarterly balance of payments incorporates a much broader set of information than the monthly advanced estimates and is presented in more detail. On the financial side, the simultaneous and consistent compilation of the BOP financial account, the investment income and the IIP

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trade in services and foreign direct investment, as regards the update of data requirements and definitions (OJ L 166, 27.6.2012, p. 22).

<sup>7</sup> Commission Delegated Regulation (EU) 2019/505 of 19 December 2018 amending Annex I to Regulation (EC) No 184/2005 of the European Parliament and of the Council, as regards the geographical breakdown levels (OJ L 85, 27.3.2019, p. 1).

<sup>8</sup> Regulation (EU) 2016/1013 of the European Parliament and of the Council of 8 June 2016 amending Regulation (EC) No 184/2005 on Community statistics concerning balance of payments, international trade in services and foreign direct investment (OJ L 171, 29.6.2016, p. 144).



reinforces the quality of quarterly estimates and allows a more complete analysis of cross-border relationships. Quarterly BOP/IIP also includes a geographical breakdown of the main economic partners, in particular the most important developed and emerging economies.

In addition to the quarterly releases, international trade in services and foreign direct investment (FDI) statistics are published in greater detail once a year. Annual FDI data include more information than quarterly FDI data, due to the availability of annual financial statements of enterprises. Thanks to more information and more complete quality checks on FDI stocks, it is possible to calculate the different components of their variations and FDI income. An important improvement is that Eurostat established a data collection for Member States on inward direct investment positions according to the ultimate investing economy. The aim of this voluntary data collection is to show the ‘true’ origin of FDI – the ultimate investor. Annual data on international trade in services are broken down according to a comprehensive list of services items and a geographical breakdown at Geo 5 level. Data are submitted by the Member States 9 months after the end of the reference period and are published around 2.5-3 months later. Annual FDI statistics include data on flows and stocks by type of instrument, partner country and economic activity. In addition, separate FDI statistics are requested for resident special purpose entities. Data are provided by the Member States 9 months after the end of the reference period and are published approximately 3 months later.

#### **4. QUALITY OF THE STATISTICS PRODUCED**

According to Article 4(2) of Regulation (EC) No 184/2005, Member States must provide the Commission with a report on the quality of the data submitted. Furthermore, according to Article 4(4), the quality of the data submitted to Eurostat is to be assessed on the basis of quality reports, with the assistance of the European Statistical System Committee (the ESS Committee). The following analysis refers to the results of the latest available quality reports (i.e. the 2022 reports, which refer to data submitted by the Member States in 2021).

##### **4.1. Methodological soundness and statistical procedures**

The methodological soundness and statistical procedures, concepts, definitions and practices used to compile balance of payments, international trade in services, foreign direct investment and the international investment position statistics are in broad conformity with the principles and guidelines outlined in the BPM6, taking into consideration the particularities agreed at EU level for the compilation of euro-area and EU aggregates.

##### **4.2. Timeliness and punctuality**

Punctuality of monthly and quarterly balance of payments, quarterly international investment position, annual international trade in services statistics and foreign direct investment worsened compared with the previous quality report for 2021 referring to 2020 data, with four more Member States delivering datasets after the deadline.

##### **4.3. Relevance**

As Regulation (EC) No 184/2005 was intended to respond to the needs of data users, it is important to analyse how these data are used and to determine the benefits of balance of payments statistics for users.

Balance of payments statistics are used intensively for policymaking purposes by the relevant national and international institutions. The European Commission and the Council, the European Central Bank (ECB) and the Eurosystem, the IMF, the Bank for International



Settlements (BIS), the Organisation for Economic Cooperation and Development (OECD), the G7 and G20, all make use of these statistics.

Balance of payments and international investment position statistics are used for monetary policy purposes. In combination with other indicators, statistics on the exchange of goods and services are used to assess inflationary pressures in the economies coming from external demand as well as to quantify the contribution of net exports to gross domestic product. Balance of payments and international investment position data are also used to assess the sustainability of the external balance of national economies having their own currency or a currency union (e.g. the euro area) to which national economies belong and the possible pressures on the exchange rate. In addition, balance of payments and international investment position data are used extensively within the macroeconomic imbalances procedure (MIP).

Balance of payments statistics are also included in the Convergence reports prepared and published by the European Commission and the ECB on individual Member States not yet participating in the Economic and Monetary Union (EMU).

Articles 143 and 144 of the Treaty on the Functioning of the European Union refer explicitly to the balance of payments, requiring the Commission to keep the Council regularly informed on the development of the balance of payments situation in Member States not participating in the EMU.

Current account developments in individual Member States are analysed in relation to their competitiveness, whereas direct and portfolio investment statistics are used to analyse the attractiveness of Member States for international investors.

Balance of payments statistics should be consistent with other key statistics collected in related statistical areas with EU relevance, such as:

- gross domestic product (incorporating cross-border transactions in goods and services) including flash estimates, for which monthly balance of payments indicators are needed;
- gross national income (incorporating cross-border transactions in goods and services as well as income);
- the rest of the world accounts in the EU and in the euro area quarterly sector accounts, including financial accounts.

Apart from the main aggregates, the following specific items have particular relevance for some users:

- Detailed information on international trade in services published annually by Eurostat is important for trade negotiations and the definition of customs policies.
- The geographical breakdown of balance of payments statistics helps to monitor interactions between the EU and non-EU countries.
- The composition of financial flows and stocks (in terms of direct investment, portfolio and other investment) is valuable for assessing financial stability.
- Detailed information on foreign direct investment flows is important to measure the degree of openness of certain markets, or to assess the overall profitability of direct investment capital invested through the use of income and positions statistics.

The members of the Balance of Payments Working Group (the BOPWG) acknowledge that the implementation of Regulation (EC) No 184/2005 has triggered a number of changes that have improved the quality of balance of payments statistics from several points of view. In



assessing the benefits of this Regulation for national data compilers and users, the members of the BOPWG were asked to give scores ranging from 1 to 5 (a score of 1 being the fewest benefits, a score of 5 being the highest), with the following results:

- The average score for the availability of more detailed data on balance of payments, international trade in services and foreign direct investment to data users is 3.8.
- The average score for the availability of more timely and punctual data on balance of payments, international trade in services and foreign direct investment to data users is 3.9.
- The average score for enhanced consistency of balance of payments data with national accounts data is 4.4.

The BOPWG further noted that the methodological changes and new standards of the BPM6, as well as the increased attention paid to international investment position data, introduced at EU level in 2014 by Commission Regulation (EU) No 555/2012, brought clarity and important additional information to statistical data users involved in macroeconomic policy and economic research. Another acknowledged benefit is that the Regulation improved comparability and consistency of the data across Member States.

When analysing the completeness of the data, the BOPWG observed a slight improvement compared with the previous quality report, notably for quarterly balance of payments and foreign direct investment. Regarding monthly and quarterly balance of payments and quarterly international investment position, all 27 Member States were 100% compliant for reference months in 2021. Completeness of data related to international trade in services statistics was 99% on average. The EU average rate of completeness was estimated at 98% for both foreign direct investment flows and foreign direct investment stocks.

#### **4.4. Accessibility**

Data are also available on national websites and accompanied by the relevant metadata information, with some limitations due to national dissemination policies applied to national data and data sent to Eurostat. Eurostat publishes these monthly and quarterly balance of payments, quarterly international investment position and revaluations, annual international trade in services statistics and foreign direct investment data in its public database.

Data availability to the final users improved, with 23 Member States considering 100% of main items for quarterly balance of payments and 24 Member States for quarterly international investment position as publishable. Some Member States flag their national data as 'non-publishable' or 'confidential'. This circumstance limits the value of statistical information that can be provided to the users.

Generally, balance of payments, international investment position, international trade in services and foreign direct investment data serve a wide range of users. They are used extensively in EU policymaking, in macroeconomic analysis by business and academic users as well as by the general public.

#### **4.5. Accuracy and reliability**

In the goods, services and secondary income accounts relatively small revisions were recorded for both monthly and quarterly balance of payments. The primary income account was more affected by revisions, especially due to direct investment income. One reason is that information on direct investment and its income components is more complete on an annual basis, when the annual financial statements of companies become available. Mean values of revisions were generally higher for financial account items than for current account items,



while the size of revisions for main international investment position items was much less significant than in balance of payments.

#### **4.6. Coherence and comparability**

##### *4.6.1. Internal consistency*

The overall consistency with integrity rules is satisfactory. There are almost no discrepancies for quarterly and annual international trade in services and foreign direct investment data. Significant efforts have been made by the Member States to reduce the size of errors and omissions, as shown in relation to the current account and the international investment position. However, in some cases their size still remains substantial<sup>9</sup>.

##### *4.6.2. External consistency*

The overall EU situation for consistency between balance of payments and international trade in goods statistics (ITGS) remains good, with discrepancies usually explained by methodological differences resulting from the two different recording standards (BPM6 and IMTS 2010). Full or very good consistency between the current account of balance of payments and national accounts could be observed in a number of Member States, while for some other Member States differences, sometimes substantial, exist. Eurostat and Member States have identified several reasons for inconsistencies, e.g. different compilation practices, different data sources, vintage and revision effects, as well as different interpretation of statistical manuals and guides. Joint efforts from Member States, the ECB and Eurostat could help minimise inconsistencies in future compilation rounds<sup>10</sup>.

##### *4.6.3. Asymmetries*

Intra-EU asymmetries remain problematic. Relative asymmetries in trade in services showed a median of 10% for total services of Member States. The median was highest for financial services with 24%, followed with a median of 22% for telecommunications, computer and information services. For current account components they have remained rather stable over time and have even increased slightly for direct investment flows. Persistent bilateral asymmetries and asymmetries at the level of the intra-EU aggregates – differences in the statistics reported by Member States with those reported by partner Member States – have led to questions about the interpretation of the statistics by data users. Bilateral asymmetries, intra-EU asymmetries as well as extra-EU asymmetries, have negative implications for cross-country and economic zones comparability and overall data quality. Reducing these asymmetries would be a major step towards increasing confidence in official statistics.

#### **4.7. Production and dissemination of balance of payments statistics during the COVID-19 lockdown**

The impact of the COVID-19 pandemic on official statistics has been particularly relevant for central banks and national statistical offices. Statistical compilers were confronted with source data gaps which became an issue due to the pandemic and were involved in methodological interventions to address the related challenges. BOP/IIP statistics became more difficult to compile due to the impact of COVID-19 on respondents. Data therefore became less

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<sup>9</sup> [Quality report on balance of payments \(BOP\), international investment position \(IIP\), international trade in services \(ITS\) and foreign direct investment statistics \(FDI\) — 2022 edition.](#)

<sup>10</sup> In January 2022, the ECB and Eurostat presented for the first time a Joint ECB-Eurostat report on inconsistencies in NA-BOP concerning quarterly financial and non-financial accounts to the CMFB. This work should further support national compilers' efforts undertaken in this context.



comparable across time frames and/or less representative. Imputation for missing values was based on additional data sources, sample methodology adjustments or statistical techniques. Challenges for statistical compilers and users included the accuracy of EU aggregates, delays in the availability of sources for official statistics, and larger uncertainty and data revisions<sup>11</sup>. Accuracy and reliability were mostly affected at the beginning of the pandemic, when mitigating measures were not yet well established.

## **5. COSTS AND BURDEN OF BALANCE OF PAYMENTS STATISTICS**

To compile balance of payments, international trade in services and foreign direct investment statistics, national compilers indicated that they use data from primary statistics, referring for example to customs data, data from the survey on intracommunity trade in goods, data from business registers, tax administration, real estate data or tourism statistics. For Member States it is difficult to disentangle the specific costs of collecting and producing the data required under Regulation (EC) No 184/2005 from the total cost incurred for data collected for other purposes.

The BOPWG members estimate the direct labour input required for the production and dissemination of balance of payments statistics in the EU at approximately 557 full time equivalents (based on information from 19 Member States). When breaking down the response by sub-component of BOP, the dataset absorbing most input is the quarterly balance of payments, which requires 60.2% of the resources, followed by monthly balance of payments statistics (19.7%), international trade in services (11.9%) and foreign direct investment (8.1%).

Feedback from Member States indicates that, if there was no data submission to Eurostat due to Regulation (EC) No 184/2005, possible savings would account for 13.2% of the full time equivalents. Balance of payments data are also needed for national purposes and were already collected by Member States before the Regulation came into force. Therefore, only limited additional resources are required to comply with its requirements. It should also be borne in mind that there is significant overlap between the requirements of Regulation (EC) No 184/2005 and the data requests of other national and international organisations (IOs), particularly those of the ECB and the IMF. The data produced by the Member States specifically for Regulation (EC) No 184/2005 are indistinguishable from others produced to comply with other data requirements.

For ‘other costs’, Member States were asked to assess the implications of ad hoc surveys.

On the burden that the collection of data on balance of payments, international trade in services and foreign direct investment places on respondents, a few Member States indicated that they estimated the cost to respondents of replying to surveys at between EUR 1.4 million (IT surveys) and EU 22.8 million (full coverage of BOP sub-components). Member States also indicated that surveys entailed a higher workload for small and medium size enterprises, which might be subject to various reporting obligations.

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<sup>11</sup> Eurostat and the ECB published a Methodological note for Member States on how to address the challengers: ‘Guidance on the compilation of balance of payments statistics in the context of the COVID-19 crisis’ Eurostat, Directorate C Unit C5 – Integrated global accounts and Balance of Payments - European Central Bank, Directorate General Statistics Division – External statistics and sector accounts 1 July 2020.



Since the last report on the implementation published on 26 January 2018, Eurostat has supported Member States regarding the implementation of concepts and methods of macro-economic statistics including balance of payments statistics with EUR 1.7 million.

## **6. AREAS FOR POTENTIAL IMPROVEMENTS AND AMENDMENTS**

In general, Member States underlined the importance of international cooperation. Eurostat's role is appreciated in providing the BOPWG as a forum for the structured exchange of views and sharing of experiences and good practices on matters related to Regulation (EC) 184/2005. Overall, the feedback received encourages Eurostat to further cooperate with its partner IOs to harmonise data reporting requirements and concepts and methodology in the various statistical areas. Some Member States stress the need for guidance on interpreting statistical manuals and guidelines, which confirms the importance of Eurostat's methodological advice on the interpretation of the ESA 2010 and the BPM6 in cooperation with the ECB.

In addition, Member States preferred that international guidelines allow respondents to use their business accounting data as source data. In this regard, Eurostat has developed guidance on how to prepare statistical estimates under the accounting standards of IFRS 16, ensuring that the estimates follow the terms under the ESA 2010 and the BPM6. Member States call for a simplification of statistical concepts, which would reduce costs and administrative burden. During the BPM6 update process Eurostat is informing Member States on a regular basis about all relevant changes and encourages them to participate in the global consultations.

Moreover, Member States are in favour of promoting and sharing the data of those entities that are developing new businesses in several countries. Work on crypto assets, fintech, online brokers or online booking services for accommodation would in turn close possible data gaps.

Several Member States stressed the importance of a broader use and exchange of micro- and macro data at national and international level. A future legislative act enabling Member States to share data with non-member countries is seen as beneficial in this respect. For example, data needed for the compilation of FDI are currently covered by national statistical collection frameworks, taking different forms depending on the national approach. FDI is considered to qualify for a large scale data sharing system and centralised reporting system for multinational enterprises. It should be assessed whether the integrated reporting framework for the banking industry (IReF) would establish a standardised solution for the reporting scheme across euro-area countries.

Some Member States think it would be worth investigating the possibility of making greater use of administrative data at European level. Eurostat, for example, has been discussing with the BOPWG the possibility for the services sector of using VAT information exchange system (VIES) data to adjust the intra-EU total services, and applying VAT mini one-stop-shop (MOSS) / one-stop-shop (OSS) data to service sector categories for balance of payments purposes.

On the existing data requirements, Member States are in favour of keeping the current obligations and avoiding an amendment of Regulation (EC) 184/2005 in the short and medium term. The current collection of monthly data was deemed burdensome and it was suggested to reduce its detail. Similarly, as introducing a more detailed breakdown would imply much higher costs, it was also suggested that this be left out at this stage. A more detailed breakdown could also imply more data that are flagged as confidential by smaller Member States.



Some Member States expressed a preference for a possible single data submission to save costs. Therefore, Eurostat receives data from Member States, and forwards the data to partner IOs.

## **7. CONCLUSIONS**

Regulation (EC) No 184/2005 has helped to further harmonise balance of payments, international investment position, international trade in services and foreign direct investment statistics throughout the EU, to increase the timeliness of the data and to provide the users with greater detail of the data.

Member States underlined that the monthly data collection is deemed burdensome and new variables would imply higher costs for statistical compilers and reporting agents. Some concerns were raised that the quality for monthly balance of payments would not improve. The favoured approach by Member States would be not to amend the Regulation (EC) 184/2005 in the short and medium term.

Overall, results are fairly consistent across Member States on the importance of cooperation among Member States, Eurostat and partner international organisations. In particular, Eurostat provides with its BOPWG a forum for promoting with Member States evidenced-based policymaking and fostering macroeconomic development through the provision of robust data on balance of payments, international trade in services and foreign direct investment.