

Article

# Detailed assessment of changes to balance of payments annual estimates: 1997 to 2021

Changes and their impact on main balance of payments and international investment position (IIP) estimates.

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# 1 . Main changes

- Between 1997 and 2019, revisions to headline balance of payments (BoP) statistics are generally small, whereas 2020 and 2021 see larger revisions because of the exceptional impact of the coronavirus (COVID-19) pandemic.
- The average revision to the current account balance between 1997 and 2021 is positive £2.5 billion or 0.1% of gross domestic product (GDP); in absolute terms the revision is £2.6 billion.
- The current account deficit in 2021 when latest data are included is revised from £34.1 billion to £10.8 billion in value terms, or as a percentage of GDP from 1.5% to 0.5%.
- This is mainly because of the total trade deficit in 2021 being revised from £28.0 billion to £3.5 billion in value terms or from 1.2% to 0.2% as a percentage of GDP; this is mainly driven by higher trade in service exports across a number of service products, including higher [estimated exports of education-related travel services](#) resulting from improved methodology.
- More detailed annual 2021 trade in services data replaced earlier estimates and was estimated for the first time using the supply and use tables (SUTs) framework; trade in services has always been more challenging to measure than trade in goods, and the significant changes in the way services were delivered globally during the pandemic made them particularly challenging to measure in recent periods.
- The average revision to the financial account balance is positive £0.9 billion (0.2% of GDP) between 1997 and 2021, and £12.8 billion (0.6% of GDP) for the net international investment position (IIP) over the same period.

## 2 . Overview of changes to balance of payments estimates

This article provides the impact that methodological improvements had on headline balance of payments statistics between 1997 and 2021, consistent with the national accounts, published on 29 September 2023. These improvements and how they affect the headline accounts were initially outlined in our [Proposed changes to be implemented in Blue Book and Pink Book 2022 article](#), published on 16 February 2023.

Methodological changes are made in line with international standards and best practice. These, as well as additional improvements that are being made, will ensure that our national accounts and balance of payments continue to deliver a reliable framework for analysing the UK economy and for making international comparisons.

Throughout the article, the data are presented to the nearest billion in British pounds, unless stated otherwise. Please note that all current account and trade figures include non-monetary gold (NMG) and other precious metals, unless stated otherwise, to maintain a consistent presentation of the accounts.

Table 1 shows the impact that changes have had on the BoP and IIP in billions of British pounds. The largest revisions (presented in Section 4: Impact on the main total aggregates) occur for years 2020 and 2021, when revisions are larger than typical Pink Book changes, mainly owing to the exceptional impact of the coronavirus (COVID19) pandemic. We are also estimating 2021 for the first time using the supply and use tables (SUTs) framework.

Summary of revisions on annual data between previously published data and Pink Book 2023 data  
1997 to 2021 (£ billion)

£ billion	1997 – 2021			
	Largest downward revision	Largest upward revision	Average annual revision	Average absolute annual revision
<b>Trade balance</b>	-0.3	24.5	2.6	2.6
<b>Primary income balance</b>	-1.3	2.6	0.1	0.2
<b>Secondary income balance</b>	-1.9	0.0	-0.2	0.2
<b>Current account balance</b>	-0.3	23.3	2.5	2.6
<b>Financial account balance</b>	-5.1	10.1	0.9	1.8
<b>Net International Investment Position</b>	-6.2	189.5	12.8	13.3

Source: Balance of payments from the Office for National Statistics

Notes

1. Components may not add because of rounding differences.

## 3 . Main improvements

This section summarises the revisions introduced into the balance of payments (BoP) and international investment position (IIP) for years 1997 to 2021.

## Trade

The [transformation of trade statistics](#) continues to improve our understanding of international trade. Improvements will be seen across a range of products within both trade in goods and services. These include new data sources and methods for [exports of education-related travel services](#) (including the introduction of administrative data), non-UK government personnel spending within the UK, and the transportation of passengers by rail services.

The total trade deficit in 2021 has been revised from £28.0 billion to £3.5 billion in value terms, or as a percentage of GDP, from 1.2% to 0.2%. This was driven mainly by higher trade in service exports across a number of service products, including higher estimated [exports of education-related travel services](#) resulting from improved methodology. The improved sources and methods for exports of education-related travel services have led to higher exports estimates across recent years, and in 2021 accounted for approximately a £4.0 billion revision.

The main drivers for the wider trade in services balance in 2021 were the annual Financial Services Survey and International Trade in Services data being incorporated into estimates, during the reconciliation of the supply and use framework. These revisions increased services exports more than imports, most notably within financial services and other business services. Service exports were revised up by £14.1 billion in value terms in 2021, while service imports were revised down by £4.7 billion.

Other methodological changes throughout the series have impacted trade in goods estimates. These include improving the way that we measure the ever-changing impact of globalisation, as discussed in our article on the [impact of globalisation on the UK National Accounts](#) and improvements to the [method of proportioning household expenditure on smuggled tobacco](#).

The combined impact of these aspects is displayed in Figure 2, Section 4: Impact on the main total aggregates.

## Foreign direct investment methods changes

Stratification method and population changes were implemented in our foreign direct investment (FDI) data from 2020 onwards as described in our [Foreign direct investment statistics, overview of methods changes: 2020 article](#). As a result of introducing these developments, some of the comparisons for 2020 FDI statistics with previous years may reflect changes to the FDI population and sample stratification methods.

The introduction of a commercial data source to inform our sample design and enhance the coverage of our target FDI populations increased the populations from reference periods 2020 onwards. The change to the population on the inward side was most prominent, with an annual increase from approximately 29,400 to 45,500 companies. The outward population also increased from 13,200 to 17,900.

Using the additional data available from the commercial data source, for some industries, shareholder funds have replaced international investment positions values (net book value) to determine which size band a company should be allocated to in the inward FDI sample. These new results are presented in our [Foreign direct investment involving UK companies: 2021 article](#).

Changes can be seen mainly in direct investment financial flows and levels in the IIP but also impacts earnings from direct investment.

Although these changes were implemented from 2020 onwards, the implementation for 2020 has until now been based on provisional data. Pink Book 2023 is the first opportunity to incorporate the direct investment benchmark data into our 2020 FDI estimates.

## 4 . Impact on the main total aggregates

This section provides a summary of the revisions to the main components of the current account, the financial account, and the international investment position (IIP).

## Current account balance

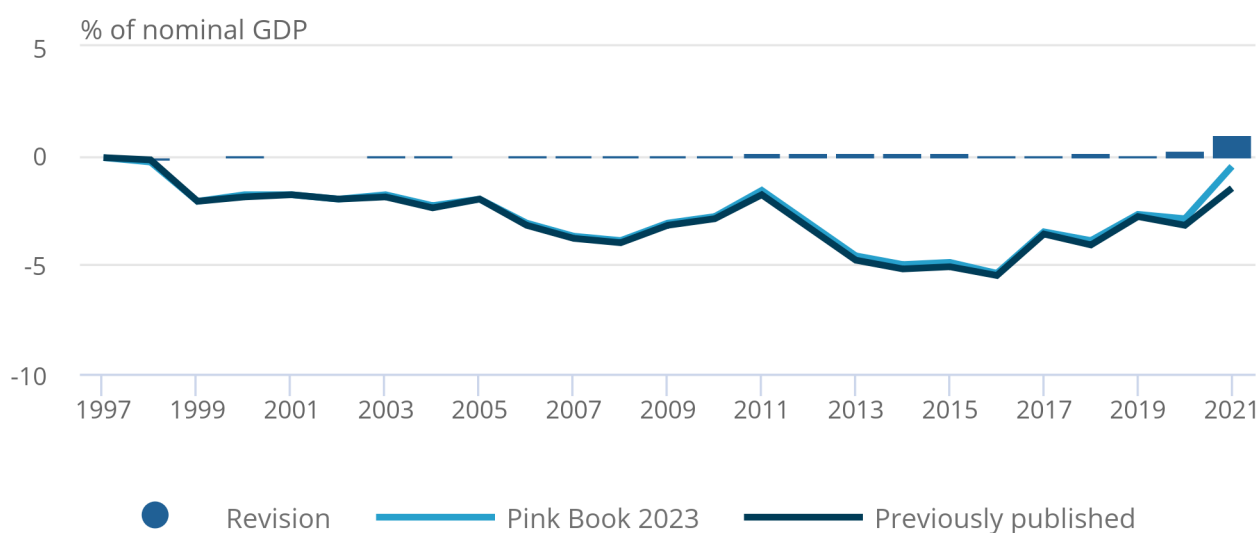
Figure 1 shows the revisions to the current account balance as a percentage of nominal gross domestic product (GDP), which has also been subject to improvements captured in our [Impact of Blue Book 2022 changes on average quarterly gross domestic product article](#). The revisions vary from positive 1.0% in 2021 to negative 0.1% in 1998, the average revision is 0.1% of gross domestic product (GDP). See our [accompanying annex tables](#) for more details.

**Figure 1: Current account balance revisions as a percentage of nominal GDP**

1997 to 2021

Figure 1: Current account balance revisions as a percentage of nominal GDP

1997 to 2021



**Source: Balance of payments from the Office for National Statistics**

Figure 2 shows the breakdown of the current account balance revisions from 1997 to 2021 in value terms and highlights how the revisions to the trade and primary income accounts have influenced the current account.

Revisions have led to a strengthening of the trade balance, with exports being revised upwards more than imports as mentioned in Section 2: Overview of changes to balance of payments estimates.

Revisions to the trade in goods balance exceeded £5.0 billion in both 2020 and 2021. Methodology improvements to how we measure the impact of globalisation, and the method of proportioning and forecasting households' expenditure on smuggled tobacco, have strengthened goods exports estimates, with the latter having its largest impact in later years.

In 2021, there was a larger revision to trade in services than in other years. Improved estimates of [education-related travel services exports](#) accounted for approximately £4.0 billion of the revision, but the main driver was incorporation of later, more detailed annual trade in services data and annual financial services data in estimates during the reconciliation of the supply and use framework. This produced revisions across a number of service product areas, with the largest magnitude being for financial services and other business services.

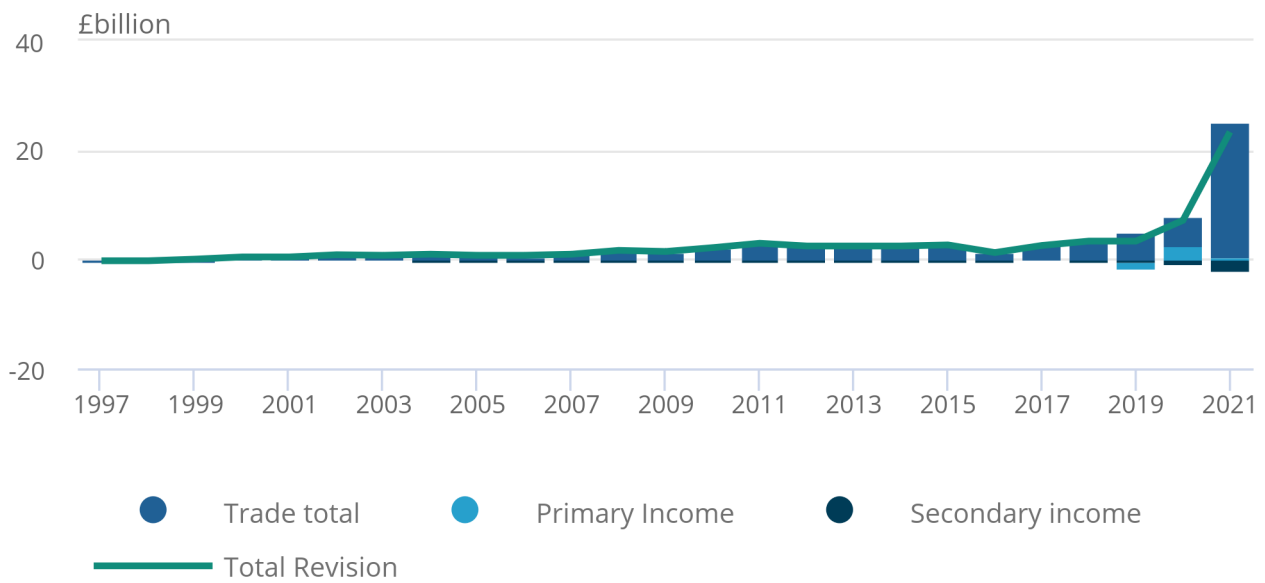
Upward revisions in 2020 to the primary income balance are because of the incorporation of the Foreign Direct Investment annual benchmark data, whereas debits to the rest of the world were revised downwards.

## Figure 2: Current account balance revisions

1997 to 2021

### Figure 2: Current account balance revisions

1997 to 2021



Source: Balance of payments from the Office for National Statistics

## Financial account net revisions

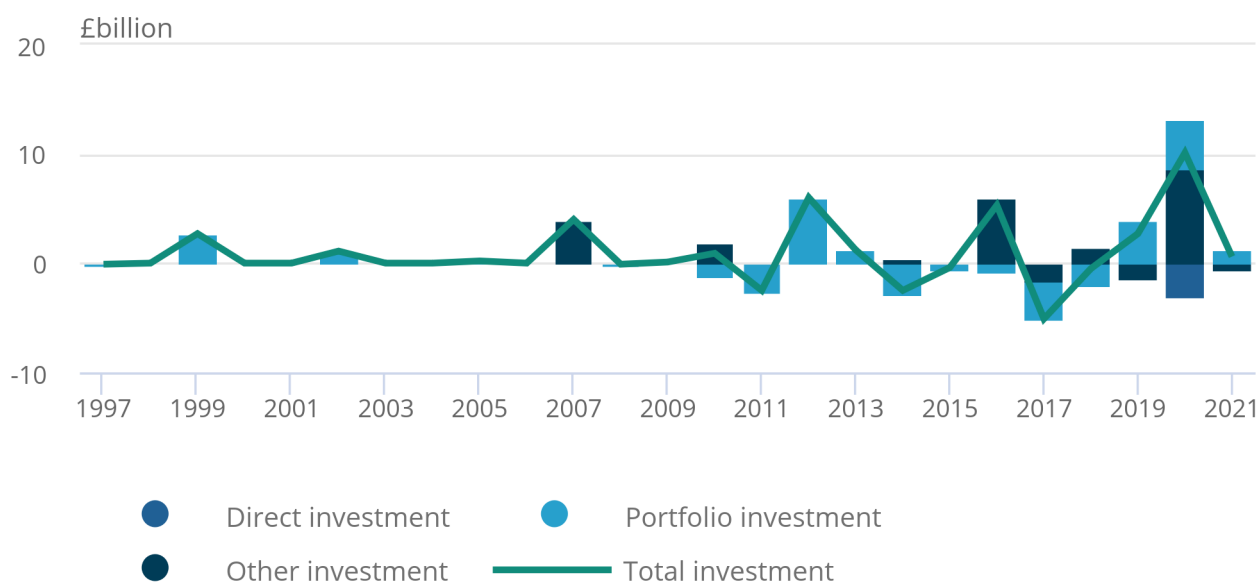
This section provides the details of the impact on the financial account and the IIP. Figure 3 shows the financial net account revisions to the nearest billion of British pounds from 1997 to 2021. The average annual revision to net financial flows is positive £0.9 billion. The largest revision was seen in 2020 (positive £10.1 billion) as direct investment benchmark data was incorporated and portfolio and other investment categories are revised.

**Figure 3: Financial account net revisions**

1997 to 2021

Figure 3: Financial account net revisions

1997 to 2021



Source: Balance of payments from the Office for National Statistics

## Net international investment position (IIP) revisions

The IIP is a point in time estimate, taken as the last day in the year (31 December).

Figure 4 shows the impact on the net IIP from 1997 to 2021. The revised UK liability position has narrowed between 2008 and 2021 as portfolio investment liabilities are now larger than previously estimated. From 2008 onwards, the net liability position contracted as UK portfolio investment assets were revised up and additional bond redemption data caused large revaluations on the balance sheet.

In 2020, the Foreign Direct Investment (FDI) surveys for both inward and outward populations were revised, but more prominently for inward. The [impact of this change in populations](#) has previously been incorporated to the 2021 and forward balance of payments estimates, but because annual benchmarking of 2020 direct investment data was completed last year, Pink Book 2023 is the first occasion that these revisions can be incorporated for 2020, owing to the National Accounts revisions policy.

Some of the revisions are because of revaluations and the increase in population for both inward and particularly outward. The revaluation of outward investment accounts for much of the upward revision to the net position, while the inward valuations (despite the uplift in the population) was downwards.

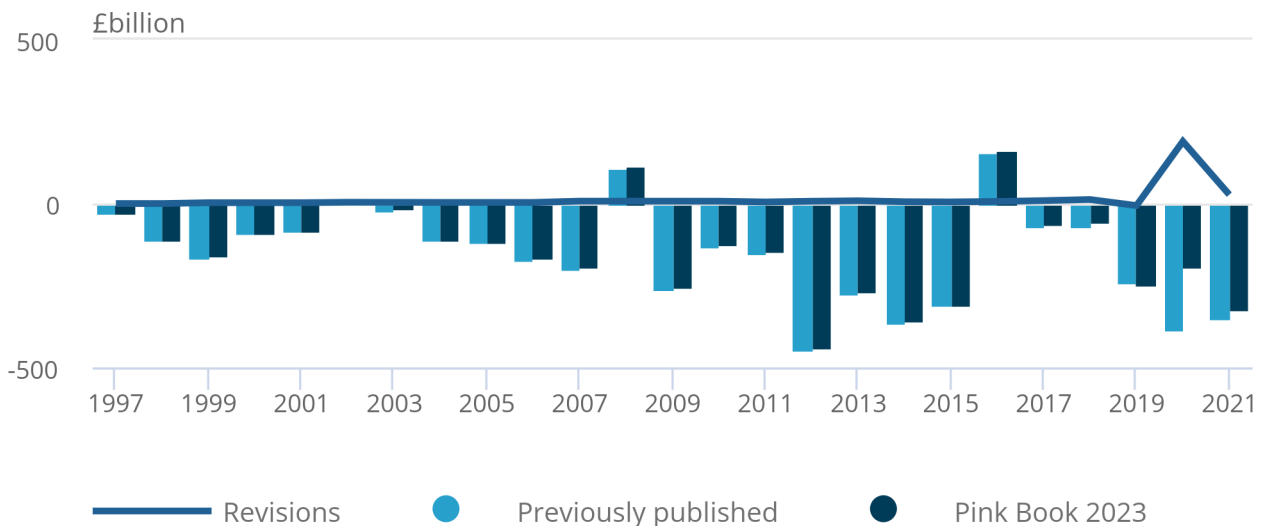
There are smaller upward revisions to other functional categories.

### Figure 4: Net international investment position revisions

1997 to 2021

Figure 4: Net international investment position revisions

1997 to 2021



Source: Balance of payments from the Office for National Statistics



## 5 . Gross national income

In our [Impact of Blue Book 2023 changes on average quarterly gross domestic product article](#), published on 1 September 2023, we outlined the impacts on gross domestic product (GDP) of the improvements being implemented as part of Blue Book 2023. By adding the revisions to GDP and total primary income, we can estimate that the average annual revision to gross national income (GNI) between the years 1997 to 2021 is negative £1.2 billion. The largest positive revision was in 2021 of £14.5 billion. See our accompanying annex tables for the breakdown of the revisions.

## 6 . Changes to Pink Book 2023 tables

Pink Book tables have been affected by some of these improvements. See our [annex tables](#) for details.

## 7 . Glossary

### Balance of payments

The balance of payments is a statistical statement that summarises transactions between residents and non-residents during a period. It consists of the current account, the capital account, and the financial account.

### Current account

The current account records the extent to which the UK is a net lender or net borrower with the rest of the world and includes debit and credit transactions relating to trade in goods and services, primary income and secondary income. Credits are income or transfers receivable by the UK and debits are income or transfers payable by the UK.

The difference in the monetary value of these accounts is known as the current account balance. A current account balance is in surplus if overall credits exceed debits, and it is in deficit if overall debits exceed credits.

### Capital account

The capital account has two components. These are:

- capital transfers
- the acquisition (purchase) or disposal (sale) of non-produced, non-financial assets

Capital transfers are those involving transfers of ownership of fixed assets, transfers of funds associated with the acquisition or disposal of fixed assets, and cancellation of liabilities by creditors without any counterparts being received in return. The sale or purchase of non-produced, non-financial assets covers intangibles such as patents, copyrights, franchises, leases and other transferable contracts, and goodwill.

### Financial account

The financial account covers transactions that result in a change of ownership of financial assets and liabilities between UK residents and non-residents, for example, the acquisitions and disposals of foreign shares by UK residents. The accounts are presented by the functional categories of direct investment, portfolio investment, other investment, financial derivatives and reserve assets.

## International investment position

The international investment position (IIP) is a statement that shows at the end of the period the value and composition of UK external assets (foreign assets owned by UK residents) and identified UK external liabilities (UK assets owned by foreign residents). The framework of international accounts sets out that the IIP is also presented by functional category, consistent with primary income and the financial account.

## Precious metals

In line with international standards, the Office for National Statistics's (ONS's) headline trade statistics contain the UK's exports and imports of non-monetary gold. Because a significant amount of the world's trade in non-monetary gold takes place on the London markets, this trade can have a large impact on the size of and change in the UK's headline trade figures.

Further information on precious metals and their impact can be found in the UK trade release.

## Net errors and omissions

Although the balance of payments accounts are, in principle, balanced, in practice, imbalances between the current, capital and financial accounts arise from imperfections in source data and compilation. This imbalance, a usual feature of balance of payments data, is labelled net errors and omissions. A [more detailed glossary \(PDF, 123KB\)](#) of terms used in the balance of payments is also available.

## Gross national income

The transition of gross domestic product (GDP) to gross national income (GNI) is obtained by adding the difference between compensation of employees and property income, also known as investment income, received from and paid to the rest of the world. Compensation of employees is the remuneration paid by an employer to employee for work done; property income is primarily the earnings from financial investments and assets, such as interest, dividends and repatriated profits.

## 8 . Related links

### [Balance of payments, UK: April to June 2023](#)

Bulletin | Released 29 September 2023

A measure of cross-border transactions between the UK and rest of the world. Includes trade, income, capital transfers and foreign assets and liabilities.

### [UK Balance of Payments, The Pink Book: 2022](#)

Bulletin | Released 31 October 2022

This is published annually and summarises the economic transactions of the UK with the rest of the world over time. It provides a more detail breakdown and analysis than the quarterly statistical bulletin.

### [Foreign direct investment involving UK companies: 2021](#)

Bulletin | Released 23 January 2023

Investment of UK companies abroad (outward) and foreign companies into the UK (inward), including investment flows, positions and earnings, by country, component and industry.

## 9 . Cite this article

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