Balance of payments QMI

Quality and methodology information (QMI) for Balance of Payments (BoP) statistics, detailing the strengths and limitations of the data, methods used, and data uses and users.

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1 . Output information

National Statistic		Data collection	Administrative data and sample surveys
		Frequency	Quarterly
		Geographic coverage	UK
		Related publications	UK Balance of Payments, The Pink Book

2 . About this Quality and Methodology Information report

This Quality and Methodology Information report contains information on the quality characteristics of the data (including the European Statistical System's five dimensions of quality) as well as the methods used to create it.

The information in this report will help you to:

- understand the strengths and limitations of the data

- learn about existing uses and users of the data

- understand the methods used to create the data

- help you to decide suitable uses for the data

- reduce the risk of misusing data

3 . Important points

- The 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 are 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.

4 . Quality summary

Overview

The Balance of Payments (BoP) is a statistical statement that provides a systematic summary of economic transactions of an economy with the rest of the world, for a specific time period. The transactions are for the most part between residents and non-residents of the economy.

Uses and users

The main purpose of this dataset is to provide relevant, reliable, consistent, comparable and timely aggregate quarterly BoP statistics for analytical purposes. 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 the International Monetary Fund (IMF) who collate data as a means of ensuring financial stability and sustainability.

Strengths and limitations

The conceptual framework of the UK BoP corresponds to that of the IMF's 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.

Recent improvements

A range of methodological and data source improvements have been made recently and are presented in our Detailed assessment of changes to balance of payments annual estimates: 1997 to 2020 article.

5 . Quality characteristics of the Balance of Payments data

This section 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 - describe the time between the date of publication and the date to which the data refer 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 refer to the same topic, are 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 subheadings.

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 and Sector 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 compiling countries, the International Monetary Fund (IMF), 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", captures 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 System of Accounts (ESA 2010) published its own version of SNA 2008 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 the IMF who 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 into more ad-hoc and in-depth analyses. For example, this includes the 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 policymakers. 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.

Accuracy and reliability

(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", because of 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 considering:

- 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 from the International Monetary Fund's BoP Manual, sixth edition (BPM6), the System of National Accounts 2008 (SNA 2008) and the European System of Accounts (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.

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 the Office for National Statistics (ONS) using common data sources. In most countries, 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 do 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 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.

Accessibility and clarity

(Accessibility is the ease with which users can 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.)

Our Balance of Payments (BoP) statistical bulletins are published on the ONS website.

General enquiries about BoP series, compilation methods, quality information or difficulties in finding latest figures can be sent to the BoP enquiry point by emailing 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

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 three 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 eight weeks after the end of a quarter, allowing a four-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.

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 cooperates with organisations such as the International Monetary Fund (IMF) and Organisation for Economic Co-operation and Development (OECD) and 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 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.

The most significant issue that has affected the UK trade data in recent years has been the adjustment necessary for trade associated with VAT missing trader intra community (MTIC) fraud. MTIC is a systematic, criminal attack on the VAT system, which has been detected in many EU member states. In essence, fraudsters obtain VAT registration to acquire VAT-free goods from other member states. They then sell on the goods at VAT-inclusive prices and disappear without paying over the VAT from their customers to the tax authorities. The fraud is often carried out very quickly, with the fraudsters disappearing by the time the tax authorities follow up the registration with their regular assurance activities.

Import figures for trade in goods include adjustments to allow for the impact of trade associated with VAT missing trader intra community (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 HM Revenue and Customs (HMRC) returns.

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

In line with international standards, the 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. We present time series data for precious metals as well as total trade excluding this commodity, which may provide a better guide to the emerging trade picture. This includes precious metals and trade excluding precious metals by EU and non-EU countries.

Data on non-monetary gold and other precious metals are obtained from the Bank of England (BoE), who provide a balanced figure (exports less imports). We attribute the balanced data to either exports or imports, depending on whether the data are positive (that is, exports are greater than imports) or negative (that is, exports are less than imports), respectively. Once received from the BoE, the ONS smooths the precious metals data to ensure individual responses cannot be disclosed.

More information about the ONS's recording of non-monetary gold is available.

From Quarter 1 (Jan to Mar) 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 (PDF, 51.5 KB) was published on 25 October 2011.

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 quickly as possible to allow the monitoring of economic behaviour as close to the event as possible and for timely policymaking.

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, to improve the accuracy of BoP statistics, revisions are made to the estimate when new and improved data sources become available.

Why you can trust our data

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, Commonwealth & Development Office

- Office for Budget Responsibility

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

6 . Methods used to create the Balance of Payments data

How we collect the data, main data sources and accuracy

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](), which is available quarterly, and [a geographical breakdown of the IIP](), which is provided on an annual basis

The BoP information is derived from the following Office for National Statistics (ONS) surveys:

- International Trade in Services (ITIS)

- Foreign Direct Investment (FDI)

- Security Dealers

- Insurance Companies

- Financial Survey of Pension Schemes (FSPS)

- 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

International banking statistics (IBS)

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

- Solvency II data

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).

How we analyse and interpret the data

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.

How we disseminate the data

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

7 . Cite this Quality and Methodology Information (QMI)

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