

Current account asymmetries in EU-US statistics

2019 edition



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Current Account Asymmetries in EU-US Statistics⁽¹⁾

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Abstract

The European Union (EU) and the United States (US) are the most prominent trading partners in the world, with total bilateral current account transactions exceeding EUR 1 600 billion in 2017, as reported by the Statistical Office of the European Union (Eurostat). The United States accounted for more than 23 percent of total extra-EU current account transactions, while for the United States, the share of the EU in total current account transactions was more than 26 percent. Current account data show cross-border transactions of an economy with the rest of the world and are an essential component of the balance of payments. They give a valuable indication of how economies are intertwined in a global environment. Persistent bilateral asymmetries in these statistics have led to problems in the interpretation of the statistics by data users and represent a substantial quality issue. A reduction in these asymmetries would be a major step towards increasing the usefulness of the statistics. This paper presents an overview of findings on asymmetries in current account statistics for the aggregate EU-28, and individually, its Member States with the US, as collected by Eurostat and the US Bureau of Economic Analysis (BEA). A quantitative analysis of the most significant asymmetries in these accounts is accompanied by a discussion of the different methods and concepts applied in both European and US statistics that could help to better understand the causes of these asymmetries. Current account data are compiled in the framework of the balance of payments and are based on the methodology specified in the IMF *Balance of Payments and International Investment Position Manual, 6th edition*.⁽⁶⁾ This framework makes country statistics on the current account highly comparable. This analysis focuses on the components with the largest asymmetries, trade in services and cross-border primary income flows, about which there is little documentation as to the underlying causes of asymmetries in international literature. The analysis of asymmetries is based on a comparison of the values reported by the compiler and partner country compiler for the same bilateral flow.

Keywords: current account; balance of payments; international trade in services; primary income; current account asymmetries; international comparability

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(6) <https://www.imf.org/external/pubs/ft/bop/2007/pdf/bpm6.pdf>

1

Introduction

The United States (US) is the most prominent economic partner of the European Union (EU). According to the Statistical Office of the European Union (Eurostat) about 23 percent of the extra-EU current account transactions can be attributed to the US, with even higher shares for primary income, for which the US accounts for more than 32 percent. Additionally, close to 30 percent of the EU's worldwide trade in services is with the US. Given the importance of this relationship, internationally comparable data on balance of payments statistics between the two counterparts are extremely important. In theory, the bilateral gross transactions of the current account should balance each other, e.g. EU exports to the US should equal US imports from the EU, and EU imports from the US should equal US exports to the EU. Consequently, current account surpluses/deficits should be mirrored by the respective current account deficits/surpluses of the partner statistics, otherwise the interpretation of these statistics would be called into question. However, in reality, it is rarely the case that two data sources for any bilateral statistics provide exactly the same results and asymmetries remain an important issue on the global level and between individual pairs of economic counterparts. Asymmetries may be caused by a number of factors such as different data collection systems leading to different coverage, different estimation methods, as well as methodological and conceptual differences. Economic transactions may be captured by only one compiler, they can be recorded with different values or there can be different geographical identification of the counterpart. The "true" values are usually unknown and could lie between the two partner estimates or even outside that range.

This analysis is dedicated to measuring the extent of asymmetries occurring in selected data on the EU-US current account, which hampers the comparison of both statistical products and contributes significantly to overall global asymmetries. Through the analysis of two major components, in addition to the broader current account, we will get a more conclusive picture about EU-US current account asymmetries and where they come from. In this context, a joint Eurostat/BEA study⁽⁷⁾ paved the way forward by analysing asymmetries of the EU-US international trade in services in 2017. It identified several contributing factors, including different concepts/classifications and methodological approaches. As the nature of asymmetries is multidimensional and reflects a multitude of national compilation practices in the 28 EU Member States and in the US, the authors ask what the EU and US compilers of balance of payments statistics could do to reduce asymmetry levels in the particular components of their current accounts. Like Eurostat, the European Central Bank (ECB), the International Monetary Fund (IMF) and other international organisations have encouraged countries to

(7) Eurostat/BEA (2017), <https://ec.europa.eu/eurostat/documents/7870049/8544118/KS-GQ-17-016-EN-N.pdf/eaf15b03-5dcf-48dd-976f-7b4169f08a9e>

address persistent bilateral asymmetries by engaging with major trading partners to understand differences in concepts, definitions, and compilation practices.⁽⁸⁾

For comparison's sake, all data and results in this paper are expressed in euro (EUR).⁽⁹⁾ Thus, exchange rate effects could create a minor bias in the results. The comparisons are conducted on unadjusted data and gross transactions. Credit and debit flows are compared separately in nominal or absolute differences; total asymmetries are measured as the sum of absolute differences.⁽¹⁰⁾ To avoid misinterpretation, the analysis applies an EU perspective, meaning that asymmetries are calculated as EU credits (exports/receipts) less US debits (imports/payments) and EU debits (imports/payments) less US credits (exports/receipts). This view should not construe the origin of the asymmetries, which is usually multidimensional. Quantitative assessments of asymmetries at first sight involve two countries, but the search for the underlying causes appears generally more complex, possibly involving third-party countries and requiring a sound understanding of the applied compilation methods, concepts and recording practices, in order to avoid premature conclusions.

EU data on international trade in services come from Eurostat's balance of payments database⁽¹¹⁾, which is compiled vis-à-vis major economic counterparts, including the US, on a quarterly basis and thus allows a high degree of timeliness, although more detailed geographical breakdowns in parallel are available from annual data on the international trade in services and foreign direct investment. Both references can be applied equally and do not change our general conclusions in this paper. The corresponding US data are taken from the US Bureau of Economic Analysis (BEA) publication database on US international transactions, available for the aggregate European Union (EU-28) and with a country breakdown for all 28 EU Member States in trade in services and 7 EU Member States in primary income.⁽¹²⁾ BEA also has a database in which direct investment income is available for all 28 Member States.⁽¹³⁾

For analytical purposes, it appears sufficient to look into the most recent time series. This analysis uses annualised figures between 2013 and 2017 based on quarterly statistics. For the ensuing in-depth analysis, we assume that the 2017 data sufficiently represent the asymmetry patterns to better illustrate the issues to the reader without imposing an additional time dimension on the analysis.

⁽⁸⁾ See, for example, "Revisiting Global Asymmetries—Think Globally, Act Bilaterally," Prepared by the IMF Statistics Department for the 28th Meeting of the IMF Committee on Balance of Payments Statistics (2015); <https://www.imf.org/external/pubs/ft/bop/2015/pdf/15-08.pdf>.

⁽⁹⁾ US data are disseminated in USD. In this report, the US data were converted to EUR, using the exchange rate from dataset ert_bil_eur_a at <http://ec.europa.eu/eurostat/data/database>. EU and EU Euro Area countries' data were reported in EUR; data for non-Euro Area EU countries were reported in national currencies and converted to EUR using the exchange rate from dataset ert_bil_eur_a.

⁽¹⁰⁾ The difference between exports/credit reported by country X and (mirror) imports/debit reported by its partner country Y in absolute terms. This allows for adding up differences for analytical purposes and avoids compensating effects which are inherent to nominal differences.

⁽¹¹⁾ European Union and euro area balance of payments—quarterly data (BPM6), dataset bop_c6_q; <http://ec.europa.eu/eurostat/data/database>, data accessed in October 2018

⁽¹²⁾ US International Transactions (ITA) and International Services, data accessed in October 2018; <https://apps.bea.gov/iTable/iTable.cfm?0=257&isuri=1&reqid=62&step=10&1=4#0=257&isuri=1&reqid=62&step=10&1=4>

⁽¹³⁾ Direct Investment and Multinational Enterprises, <https://apps.bea.gov/iTable/iTable.cfm?ReqID=2&step=1>

2 Quantitative evidence of current account asymmetries

2.1 Measuring EU-US asymmetries of the current account

The balance of payments records all economic transactions between residents and non-residents during a given period. It consists primarily of two major accounts – the current account and the financial account. The current account of an economy records all of its cross-border transactions in goods and services, as well as income and transfer payments to/from the rest of the world. Current account statistics are published for each of its components and with a geographical breakdown with trading partners. EU exports to the US should ideally mirror US imports from the EU, as well as EU imports from the US should be equal to US exports to the EU.

Table 1: Bilateral current accounts and their components in EU and US statistics, 2015-2017
(million EUR)

	EU-28	2015	2016	2017	US	2015	2016	2017
Current account	Balance	140 854	149 281	153 801	Balance	12 972	9 097	11 692
	Credit	850 995	817 724	877 931	Debit	787 305	804 941	845 792
	Debit	710 141	668 444	724 131	Credit	800 277	814 037	857 484
Goods	Balance	164 873	155 408	165 361	Balance	-141 822	-133 840	-135 077
	Credit	402 244	388 729	403 105	Debit	388 505	378 628	387 188
	Debit	237 371	233 321	237 745	Credit	246 683	244 787	252 110
Services	Balance	11 977	-2 320	12 777	Balance	49 443	50 663	45 532
	Credit	225 412	224 653	234 881	Debit	157 048	161 860	169 928
	Debit	213 435	226 973	222 104	Credit	206 491	212 523	215 460
Primary income	Balance	-35 166	-4 458	-10 936	Balance	100 841	89 276	95 849
	Credit	196 453	176 036	209 185	Debit	216 961	237 543	254 953
	Debit	231 619	180 494	220 121	Credit	317 802	326 819	350 802
Secondary income	Balance	- 830	651	-13 402	Balance	4 509	2 998	5 389
	Credit	26 886	28 306	30 760	Debit	24 791	26 910	33 723
	Debit	27 716	27 655	44 162	Credit	29 301	29 908	39 112

Credit=Exports/receipts, Debit=Imports/payments, Balance=Credit minus Debit; Differences to official US statistics may occur due to applied exchange rate

Source: Eurostat, BEA

However, in practice completely symmetric statistics rarely occur, therefore we speak of bilateral asymmetries in the statistics that could effectively hamper economic interpretation of the statistics. In this paper we assume the perspective of EU statistics; therefore, asymmetries of EU exports to the US are called “export or credit asymmetries” and asymmetries of EU imports from the US are called “import or debit asymmetries.” In US mirror statistics, this view may inversely apply.

The Eurostat and BEA data releases from October 2018 confirm considerable asymmetries between the EU and US current accounts for the period 2015-2017 (Table 1). While the EU current account balances show a firm surplus, the US current account also shows a surplus. There appears to be diverging views among compilers about payments of the EU to the US (EU debit/US credit).

For example, in 2017 the EU-28 recorded EUR 724 billion in payments to the US, while the US showed EUR 857 billion in receipts from the EU-28. At the same time the EU-28 recorded EUR 878 billion receipts from the US, while the US data showed only EUR 846 billion in payments to the EU. This led to a current account surplus of EUR 154 billion in EU statistics in 2017, and likewise to a surplus of EUR 12 billion in US statistics.

The origins of this contradiction become more evident when looking into the balances of the current account components. In 2015 and 2017, it was the services component that showed a surplus in both statistics (the same applied partially to secondary income in 2016). For 2017, Eurostat published net exports in services of EUR 13 billion to the US, while BEA recorded net exports of EUR 46 billion to the EU-28. Although the other components appear directionally consistent (showing opposite signs in their respective component balances), differences in the underlying gross transactions appear significant, indicating that contradictory balances are not the only feature of asymmetric statistics.

Table 2: EU-US current account asymmetries, credit and debit, by components, 2015-2017
(million EUR, in percent of total transactions)

	2015	2016	2017
Credit asymmetries (nominal)			
Current account	63 689	12 783	32 140
Goods	13 739	10 102	15 917
Services	68 364	62 793	64 953
Primary income	-20 508	-61 507	-45 768
Secondary income	2 094	1 396	-2 963
Debit asymmetries (nominal)			
Current account	-90 136	-145 594	-133 353
Goods	-9 312	-11 466	-14 366
Services	6 944	14 450	6 644
Primary income	-86 183	-146 325	-130 681
Secondary income	-1 585	-2 253	5 050
Total asymmetries (absolute)			
Current account	153 825	158 377	165 493
Goods	23 051	21 567	30 283
Services	75 308	77 242	71 597
Primary income	106 691	207 832	176 449
Secondary income	3 679	3 648	8 013
Total asymmetries (%)			
Current account	9.9	10.7	10.3
Goods	3.6	3.5	4.7
Services	17.2	17.1	15.7
Primary income	24.9	58.3	41.1
Secondary income	6.7	6.5	10.7

Nominal credit asymmetries=EU credit minus US debit; nominal debit asymmetries=EU debit minus US credit; total asymmetries=sum of credit and debit asymmetries in absolute values; positive nominal asymmetries represent EU values higher than the US mirror statistics, negative nominal asymmetries represent EU values lower than US mirror statistics. – Differences may occur due to applied exchange rate

Source: Eurostat, BEA

Generally, EU current account credits are higher than the corresponding US mirror statistics and EU current account debits are lower than the US mirror statistics. EU debit asymmetries in the current account appear also far more prominent than EU credit asymmetries (Table 2).

While the EU-28 recorded credit asymmetries in the current account of EUR 32 billion in 2017 with the US mirror statistics, debit asymmetries accounted for more than EUR 133 billion in the same year. Credit asymmetries appear particularly based on services exports (in 2017, EUR 65 billion), with debit asymmetries almost exclusively on primary income payments to the US. In overall terms, asymmetries are highest in the primary income account, which accounts for more than 40 percent of total asymmetries over time. Asymmetries in services are the second highest, and account for 17 percent of the total asymmetries.

For trade in goods, exports reported by both the EU-28 and the US are higher than mirror imports, which is the common situation on the global level where the world has a trade “surplus” with itself and is due to the slightly better data coverage for exports than for imports.⁽¹⁴⁾ However, especially in relative terms, asymmetries for goods are much smaller than for services and primary income, which account for almost 90 percent of the overall measured (absolute) asymmetries in the component accounts. This suggests that a focused approach on these two components might be appropriate in order to formulate explanations of:

- (1) Why EU services exports to the US are generally higher than US mirror statistics (and whether EU services imports really correspond so well to US data), see section 2.2;
- (2) Where the contradictory balances in services come from, see section 2.3;
- (3) Why EU income payments to the US (but also EU income receipts from US) are generally lower than US mirror statistics, see section 2.4.

⁽¹⁴⁾ The IMF Committee on Balance of Payments regularly presents, in its Annual Reports, asymmetries at the world level, which show that global goods exports are consistently higher than global goods imports. See, for example, IMF Committee on Balance of Payments Statistics Annual Report 2017 at <https://www.imf.org/en/Publications/Balance-of-Payments-Statistics/Issues/2019/02/19/IMF-Committee-on-Balance-of-Payments-Statistics-Annual-Report-2018-46590>.

2.2 Analysing asymmetries in the EU-US trade in services

2.2.1 Overall patterns

Over the five-year period 2013-2017, total transactions (credits plus debits) in international trade in services between the EU and the US were constantly increasing (Table 3). According to the EU statistics, total EU-US transaction volumes in services (exports plus imports) rose from EUR 348 billion in 2013 to EUR 457 billion in 2017. This is an increase of more than 31 percent. Growth in services was highest in 2015 with growth rates over 15 percent for both exports and imports. In 2017 it slowed down to almost a 5 percent increase in services exports and a minor 2 percent decline in services imports. In general, increasing transaction volumes in services trade raised the potential for showing asymmetric data, but over time, total asymmetries did not increase in turn.

Table 3: Asymmetries and dynamics of EU-US trade in services, 2013-2017
(million EUR; percentage growth)

		2013	2014	2015	2016	2017
Asymmetries, nominal	Credit	62 888	65 695	68 364	62 793	64 953
	Debit	10 073	17 491	6 944	14 450	6 644
	Total	72 962	83 186	75 308	77 242	71 597
Share of gross flows (EU-28) (%)	Credit	34.1	34.0	30.3	28.0	27.7
	Debit	6.2	9.5	3.3	6.4	3.0
	Total	21.0	22.0	17.2	17.1	15.7
Growth in transactions (EU-28) (%)	Credit	:	5.0	16.5	-0.3	4.6
	Debit	:	12.7	15.6	6.3	-2.1
Growth in asymmetries (%)	Credit	:	4.5	4.1	-8.1	3.4
	Debit	:	73.6	-60.3	108.1	-54.0

Differences may occur due to applied exchange rate. – Asymmetries measured in absolute terms; asymmetries as a percentage of gross flows and growth rates year-on-year relate to EU figures. Credit and debit flows are defined from the EU perspective.

Source: Eurostat, BEA

The relative share of total asymmetries to total gross flows in services declined from above 20 percent to below 16 percent in 2017, although asymmetry patterns appear very different for exports and imports to/from the US. While export asymmetries grew at a slower pace than market dynamics (on average only by 1 percent in regard to more than a 6 percent increase in export volumes for 2013-2017), import asymmetries do not show a consistent pattern in the same period. This indicates strong dynamics in the underlying sub-items, although at the aggregated level, import asymmetries in services appear to be less prominent than export asymmetries. It also appears noteworthy that reported EU trade in services generally exceed reported US trade in services, consequently showing overall nominal asymmetries with a positive sign (Table 3).

A comparison of sub-items reveals some difficulties in comparing the standard presentation of services in the EU statistics with the US statistics. The BPM6 suggests 12 components for gross transactions in international trade in services, with additional supplementary items.⁽¹⁵⁾ In EU statistics, a residual component is added for services not allocated. BEA, on the other hand, publishes only 9 service components.⁽¹⁶⁾ Three components are either partially captured under different categories in the balance of payments (manufacturing services on physical inputs owned by others) or registered under different services components (construction; personal, cultural and recreational services). These

⁽¹⁵⁾ BPM6, Appendix 9: Standard Components and Selected other Items

⁽¹⁶⁾ EA, US International Economic Accounts: Concepts and Methods, Chapter 10; <https://www.bea.gov/sites/default/files/methodologies/ONE%20PDF%20-%20IEA%20Concepts%20Methods.pdf#page=50>

deviations complicate a direct comparison of bilateral component data for services, as the resulting asymmetries could be attributed in part to these differences in classification (Table 4).

Table 4: Nominal asymmetries in EU-US trade in services, by sub-items, 2017
(million EUR)

	Credit (EU-28)	Debit (US)	Asymmetry
Services, export	234 881	169 928	64 953
Manufacturing services on physical inputs owned by others	2 116	:	:
Maintenance and repair services n.i.e.	4 197	c	:
Transport	34 067	31 571	2 495
Travel	26 201	37 976	-11 775
Construction	1 197	759	438
Insurance and pension services	8 014	10 821	-2 806
Financial services	26 510	11 835	14 675
Charges for the use of intellectual property n.i.e.	21 303	20 353	950
Telecommunications, computer, and information services	29 705	9 287	20 418
Other business services	76 165	36 967	39 198
Personal, cultural, and recreational services	3 961	:	:
Government goods and services n.i.e.	1 206	c	:
Services not allocated	238	0	238
	Debit (EU-28)	Credit (US)	Asymmetry
Services, import	222 104	215 460	6 644
Manufacturing services on physical inputs owned by others	2 638	:	:
Maintenance and repair services n.i.e.	5 848	7 643	-1 795
Transport	21 175	23 302	-2 127
Travel	24 831	35 822	-10 991
Construction	879	764	115
Insurance and pension services	4 488	3 970	518
Financial services	21 430	30 715	-9 285
Charges for the use of intellectual property n.i.e.	26 749	44 576	-17 827
Telecommunications, computer, and information services	18 759	12 257	6 502
Other business services	91 119	55 177	35 943
Personal, cultural, and recreational services	2 131	:	:
Government goods and services n.i.e.	2 012	1 235	777
Services not allocated	44	0	44

For the purpose of this comparison, the construction item has been reclassified in US statistics from other business services to the respective standard item. Personal, cultural and recreational services are included in other business services in the US statistics and could not be separated. – Differences may occur due to the applied exchange rate; (:) not available, (c) confidential

Source: Eurostat, BEA

2.2.2 The geographical profile of asymmetries in services

BEA publishes a full geographical breakdown of US trade in services with all 28 EU Member States. ⁽¹⁷⁾ This allows for a more comprehensive geographical analysis of asymmetries in this component.

Table 5: Nominal asymmetries in EU-US services, exports and imports, EU-28 Member States, 2017
(million EUR)

	Export asymmetries	Import asymmetries
Belgium	5 345	2 164
Bulgaria	24	- 265
Czechia	401	165
Denmark	3 076	622
Germany	12 694	12 390
Estonia	151	- 68
Ireland	645	3 956
Greece	- 579	- 153
Spain	c	c
France	14 908	8 323
Croatia	108	- 194
Italy	-1 653	- 338
Cyprus	c	- 17
Latvia	78	- 106
Lithuania	- 308	- 104
Luxembourg	3 235	3 868
Hungary	1 149	581
Malta	c	c
Netherlands	3 114	3 566
Austria	310	584
Poland	1 188	- 977
Portugal	- 35	22
Romania	335	- 151
Slovenia	90	- 28
Slovakia	c	- 47
Finland	1 330	- 39
Sweden	2 926	1 382
United Kingdom	14 908	-28 216

Negative asymmetries represent EU figures being lower than their US mirror; positive asymmetries represent EU figures being higher than their US mirror – Differences may occur due to the applied exchange rate; (c) confidential

Source: Eurostat, BEA

Based on 2017 data, the Member States with the most significant services asymmetries with the US are the United Kingdom (UK), Germany and France. To a further extent, Belgium, Luxembourg, the Netherlands and Ireland also showed elevated asymmetries with the US mirror statistics. These 7 Member States contributed to around 86 percent of total asymmetries in that year. While EU export asymmetries with the US came predominantly from the UK, France, Germany and Belgium, EU import asymmetries were particularly related to the statistics of UK, Germany, France and Luxembourg (Table 5). A prevailing pattern in all mentioned countries except the UK, the country figures of the EU Member

⁽¹⁷⁾ Table 2.3 US Trade in Services, by Country and by Type of Service
<https://apps.bea.gov/iTable/iTable.cfm?reqid=62&step=9&isuri=1&6210=4>

States appear higher than the corresponding US figures (showing positive nominal asymmetries). UK import asymmetries with the US, on the other hand, resulted from lower UK services imports from the US compared to US exports to UK (negative nominal asymmetries)

2.2.3 Travel

Travel covers goods and services acquired for personal use or business motives by travellers during their visits abroad, or by non-resident visitors to the reporting economy. The EU figures appear significantly lower than the corresponding US mirror statistics for both exports and imports. EU travel exports were EUR 26 billion in 2017, while the US recorded EUR 38 billion in travel imports; in the same year EU travel imports from the US were EUR 25 billion compared to EUR 36 billion in travel exports in US statistics. The major differences occurred in the bilateral statistics with the UK, Italy and France that together account for more than 50 percent of the observed asymmetries but also for 50 percent of transactions' values (Figure 1). The overall prominence of asymmetries in the travel item is high and assumes a quantitative impact of around 12 percent of total asymmetries in the services components.

Differences in the published data between countries can be attributed to the fact that travel is typically measured using different data sources. Generally, travel is estimated from a volume component (number of travellers) and an expenditure component (average expenditures by travellers). The data sources used by partner countries could reflect different sample coverages, reporting thresholds and aggregation methods, which could explain potential differences between countries. Expenditure surveys additionally could contain a reporting bias (underreporting of expenses) that could blur the picture and complicate international comparisons. While compilers from the UK, France, and Italy use household or other specialised surveys (passenger surveys) to derive both the volume and expenditures components of travel (e.g. ONS⁽¹⁸⁾, INSEE⁽¹⁹⁾), the US compiler is able to employ administrative data sources for the number of travellers entering the US from the US Department of Homeland Security, along with an expenditure survey conducted by the US Department of Commerce (BEA, paragraph 10.92) for the average expenditures by travellers.

Some European compilers supplement traditional data sources with payments and credit card data from data collection of banks (e.g. Germany⁽²⁰⁾), or mobile phone data (e.g. Estonia⁽²¹⁾). While tourist entries (with or without visa requirement) into the US have been well covered by Department of Homeland Security data, in Europe new promising administrative data sources will come into effect by 2021, allowing European compilers to employ possibly more comprehensive administrative data sources, in order to complement their surveys (ETIAS database⁽²²⁾).

Even administrative records can be subject to error, however, as collection systems are developed for non-statistical purposes and changes over time may impact the data collected. For example, in 2018 the US BEA revised its estimates of travel exports for 2015–2017 to address an undercount of foreign

(18) ONS Methodological notes – estimates are based primarily on the International Passenger Survey (IPS): <https://www.ons.gov.uk/file?uri=/economy/nationalaccounts/balanceofpayments/methodologies/balanceofpayments/balanceofpaymentsmethodologicalnotes.pdf>

(19) National transport and travel survey, <https://www.insee.fr/en/metadonnees/source/operation/s1367/processus-statistique>

(20) Deutsche Bundesbank, Zahlungsbilanzstatistik, Statistisches Beiheft zum Monatsbericht, 11/2018: <https://www.bundesbank.de/resource/blob/768932/9af30bd140607f476cf6433c3977fb90/mL/2018-11-zahlungsbilanzstatistik-data.pdf>

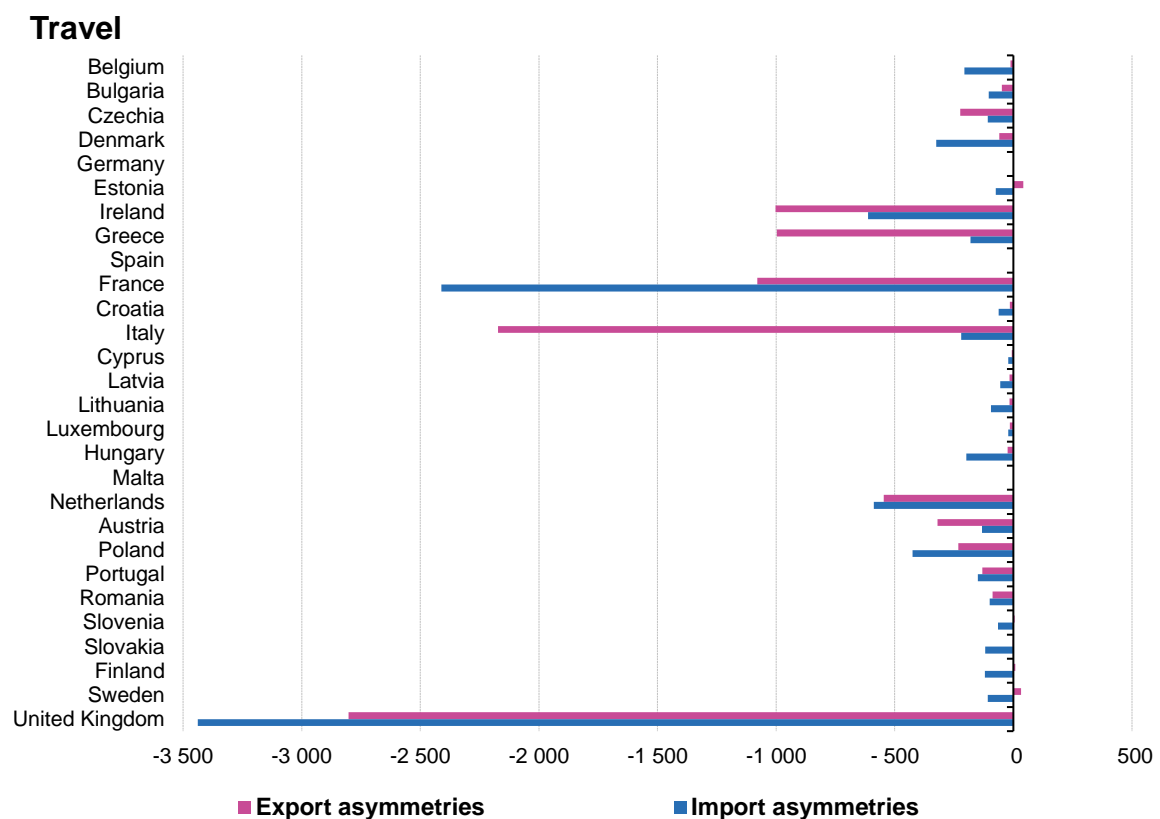
(21) Eesti Pank, Methodology for the compilation of international travel statistics: http://statistika.eestipank.ee/failid/mbo/valisreisid_eng.html

(22) European Travel Information and Authorization System: <https://www.etiasvisa.com/etias-requirements/americans>

visitors to the US in BEA's source data that resulted from a technical issue.⁽²³⁾ The revised statistics are reflected in this analysis. BEA is currently reviewing its methodologies for measuring travel in the light of asymmetries with partner countries and as part of this review, will engage with other countries to discuss respective methods and data sources.

The current asymmetries in travel appear, therefore, to be driven by different compilation methods and data sources (surveys, administrative or other sources); the "true" value of travel between the US and EU is likely somewhere in between the US and EU estimates. It must, however, be emphasised that the administrative sources from immigration show comparative advantages especially for travel exports (incoming tourism), while other data sources such as credit card information and mobile phone data could ideally complement the capture of travel imports (outgoing tourism) via household surveys. The superiority of administrative sources for the purpose of compiling travel exports would support an exchange of partner country data from travel authorisations in the future.

Figure 1: Nominal asymmetries in EU-US travel services, exports and imports, EU-28 Member States, 2017
(million EUR)



Negative asymmetries represent EU figures being lower than their US mirror; positive asymmetries represent EU figures being higher than their US mirror – Differences may occur due to the applied exchange rate; Confidential: Germany, Spain, Malta

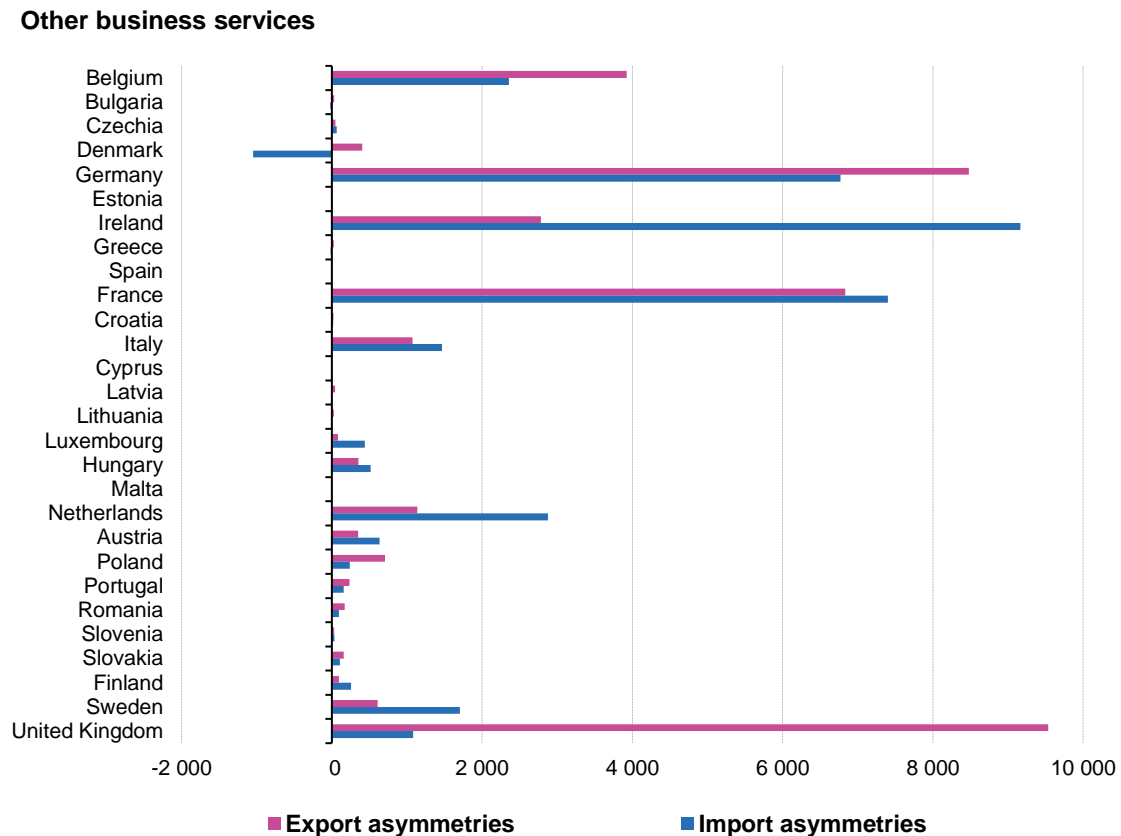
Source: Eurostat, BEA

⁽²³⁾ See "Adjustments to address a problem with source data for travel and transport services" in Berman, Xin, and Weinberg, "Annual Update of the US International Transactions Accounts" *Survey of Current Business* (July 2018); <https://apps.bea.gov/scb/2018/07-july/0718-annual-update-international-transactions.htm>

2.2.4 Other business services

Other business services are a sub-item of services that show the largest asymmetries between EU and US statistics. EU figures on other business services appear generally higher than their corresponding US mirror statistics. This applies both to exports and imports. Altogether the measured asymmetries in this item assume around 41 percent of total asymmetries in services.

Figure 2: Nominal asymmetries in EU-US other business services, exports and imports, EU-28 Member States, 2017
(million EUR)



Negative asymmetries represent EU figures being lower than their US mirror; positive asymmetries represent EU figures being higher than their US mirror – Differences may occur due to the applied exchange rate; Confidential: Estonia (US imports), Spain, Cyprus (EU imports), Malta

Source: Eurostat, BEA

According to EU statistics, the EU exports of other business services to the US were EUR 76 billion in 2017, while the US recorded only EUR 37 billion in corresponding imports; in the same year EU imports from the US were EUR 91 billion compared to EUR 55 billion of exports in US statistics.⁽²⁴⁾ The major differences came from the bilateral statistics with UK, Germany, Ireland and France, which together account for more than 85 percent of the observed asymmetries for other business services.

Other business services include the standard BPM sub-items of: 1) research and development services, 2) professional and management consulting services and 3) technical, trade-related and other business services (BPM6, paragraphs 10.147-10.151). BEA publishes these three sub-items with EU-28 counterparts with slightly different item breakdown than disseminated by Eurostat for annual international trade in services. EU credits are higher than the US for all three categories, while

⁽²⁴⁾ Construction has been excluded from US other business services in order to make figures more comparable.

EU debits are bigger than US credits for research and development services as well as technical, trade-related and other business services. Only for professional and management consulting services US credits are higher than EU debits; this item is also the one with most significant values of bilateral transactions and one with the lowest relative asymmetries. When looking at the bilateral data, it appears that UK exports and Irish imports in other business services are most asymmetric, while Germany and France also show significant bilateral asymmetries for both exports and imports with the US (Figure 2).

A bilateral study of UK-US asymmetries⁽²⁵⁾ showed asymmetries in both UK exports and imports, and the lower asymmetry measures (in the above study related to 2016-data) for imports occurred due to offsetting effects in the sub-items (ONS 2018, paragraph 3.4.3.). Asymmetries were concentrated in professional and management consulting services (UK imports) and technical, trade-related and other business services (UK exports and imports). Most interestingly, the research and development services sub-item seems to be hardly affected in UK-US bilateral trade statistics (UK figures are only slightly higher than the US mirror statistics).

As other business services are compiled from survey data, differences in sample coverage, reporting thresholds, and scope of implied samples appear most likely and might explain major differences (BEA, paragraph 10.131, ONS 2018, Table 3.3).

An additional aspect to consider is that the different US classification practices in this item explain further asymmetries to EU mirror statistics; the US compiler records the BPM6 standard components of construction and parts of personal, cultural and recreational services under this item, while EU statistics record them according to the BPM6 standard presentation as separate services items (BEA, paragraph 10.130). However, this factor would hardly explain the higher EU figures, as it would reduce the US mirror statistics even more. Consistent with the UK study, we would conclude that differences appear driven by the applied compilation methods and data sources, related to the implied survey methods.

2.2.5 Telecommunications, computer and information services

Like other business services, EU figures on telecommunications, computer, and information (TCI) services appear generally much higher than their corresponding US mirror statistics. According to EU statistics, the EU exports in TCI services to the US were EUR 30 billion in 2017, while the US recorded only EUR 9 billion in corresponding imports; in the same year EU imports from the US were EUR 19 billion compared to EUR 12 billion of exports to the EU in US statistics. The export asymmetries in TCI services account for 21 percent of total export asymmetries, while import asymmetries in TCI services account for only 7 percent. The major differences came from the bilateral statistics with UK and Germany (Figure 3).

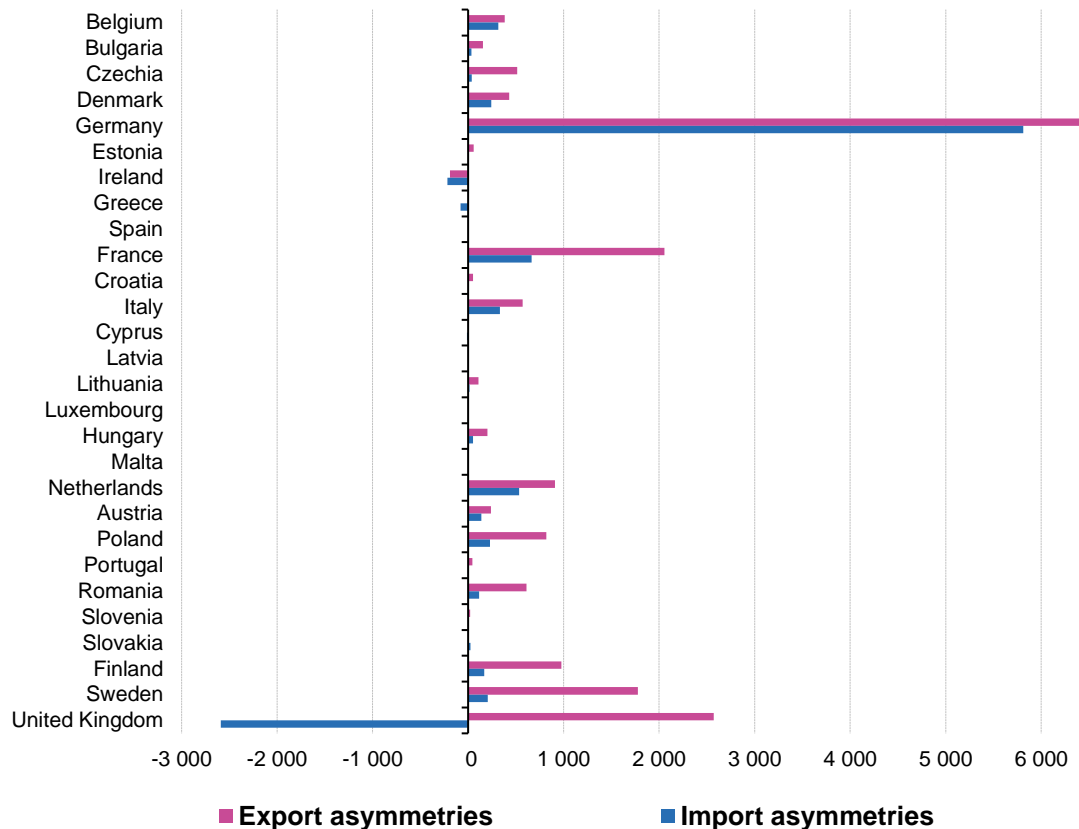
Both German exports and imports appear higher than their US mirror statistics; while only UK exports appear higher (UK imports are lower than US mirror exports). The export asymmetry in UK data is driven by computer services and information services, according to ONS; differences in survey coverage might explain these asymmetries to some extent (ONS 2018, paragraph 3.4.2).⁽²⁶⁾ German data come from monthly direct reports (BOP Book, p.131), while BEA uses primarily its quarterly and benchmark surveys of US international services transactions (BEA, paragraph 10.125). As a consequence, asymmetries in this item seem to be data source-driven or might stem from information asymmetries or misreporting that could result in different geographical allocation of services.

⁽²⁵⁾ ONS 2018 – Asymmetries in trade data: extending analysis of UK bilateral trade data, August 2018; <https://www.ons.gov.uk/releases/asymmetriesintradedataextendinganalysisofukbilateraltradedata>

⁽²⁶⁾ ONS uses data from its ITIS survey in order to compile this item (ONS 2018, Table 3.2); computer services exclude the provision of packaged non-customised software on magnetic media. These are recorded under trade in goods.

Figure 3: Nominal asymmetries in EU-US telecommunication, computer and information services, exports and imports, EU-28 Member States, 2017
(million EUR)

Telecommunications, computer and information services



Negative asymmetries represent EU figures being lower than their US mirror; positive asymmetries represent EU figures being higher than their US mirror – Differences may occur due to the applied exchange rate; Confidential: Spain, Latvia (EU exports), Luxembourg, Malta, Cyprus (US imports)

Source: Eurostat, BEA

2.2.6 Financial services

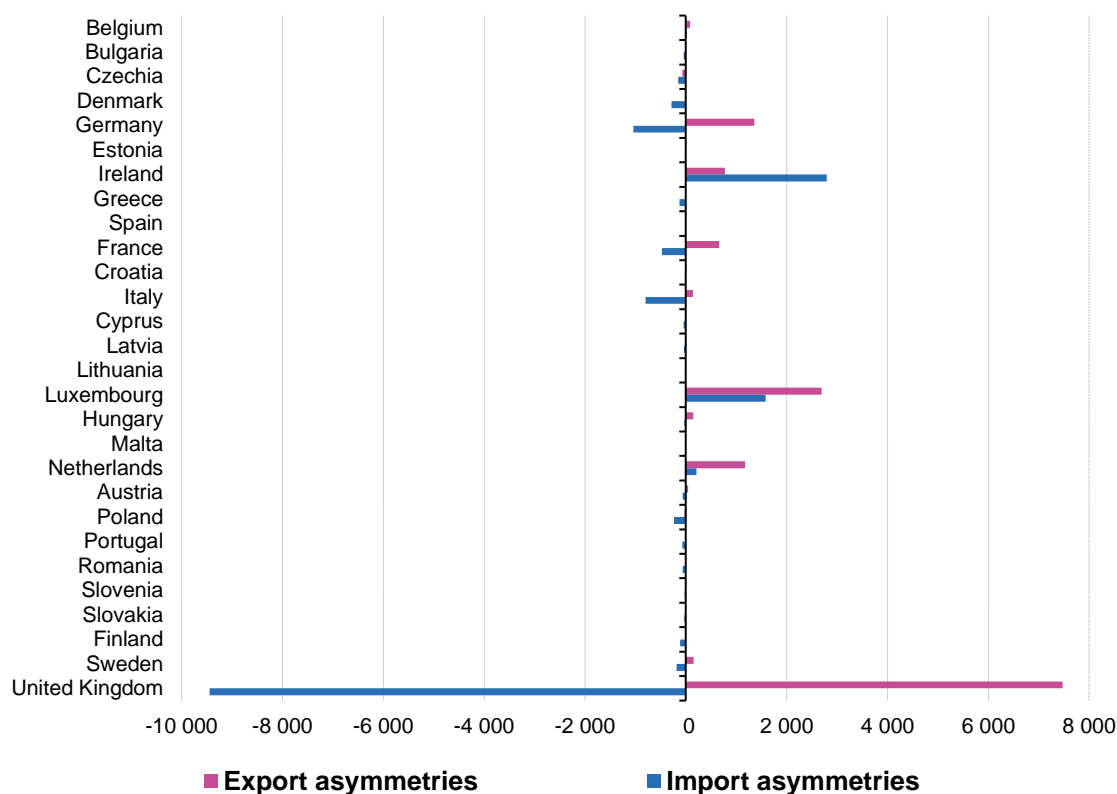
For financial services, asymmetries follow two different patterns: EU exports are higher than the US mirror statistics, while EU imports are lower than the US mirror statistics. In 2017, EU financial services exports to the US were EUR 27 billion, while US imports from the EU were only EUR 12 billion. On the other hand, EU imports in financial services were EUR 21 billion, whereas the US recorded exports of EUR 31 billion to the EU-28 (Figure 4).

These asymmetries originate particularly from the UK, Luxembourg and Ireland—all Member States that are regarded as prominent international financial centres. As US figures do not contain any calculations of financial intermediation services indirectly measured (FISIM), this omission can explain in parts the observed differences, when US data are lower than their EU mirror. As a consequence, the introduction of FISIM estimates to US statistics could reduce EU export asymmetries, but would worsen EU import asymmetries (US FISIM exports to the EU would most likely increase, widening the gap with the much lower EU mirror statistics), in case of non-negativity. BEA is currently developing estimates of FISIM, and will remove transactions which are currently captured indistinguishably in the

primary income account⁽²⁷⁾. Additional causes for asymmetries are the estimation and inclusion in financial services of margins on buying and selling transactions, where they are not identified by the US, while they are included in services by a number of the EU countries, with the most substantial values for the UK.

Figure 4: Nominal asymmetries in EU-US financial services, exports and imports, EU-28 Member States, 2017
(million EUR)

Financial services



Negative asymmetries represent EU figures being lower than their US mirror; positive asymmetries represent EU figures being higher than their US mirror – Differences may occur due to the applied exchange rate; Confidential: Spain, Malta, Lithuania (US imports), Slovakia (US imports)

Source: Eurostat, BEA

Except for the missing FISIM and margins elements in US financial services, the major differences to UK statistics appear to be driven by data sources. UK uses a range of sources (Bank of England, International Trade in Services Survey, Financial Services survey, BIS data, etc.⁽²⁸⁾), while BEA likewise compiles this item from its quarterly and benchmark surveys of international financial services transactions and international selected services transactions.⁽²⁹⁾ Differences in survey samples and sizes, applied reporting thresholds and the frequency of such survey exercises could in general explain these asymmetries, although in the source data different partner country allocation could also play a prominent role in overemphasising the role of the mentioned EU financial centres (especially the UK)

⁽²⁷⁾ BEA (2018): Developing Estimation of Trade in FISIM Methodology consistent with National Account Methodology, presented at the 31st meeting of the IMF Committee on Balance of Payments Statistics in Washington D.C., October 2018

⁽²⁸⁾ ONS (2018), Table 3.1

⁽²⁹⁾ <https://www.bea.gov/international-surveys-us-international-services-transactions>

in US statistics (intermediary bias). However, such “intermediary bias” could also apply to EU statistics as the US partner is an important financial centre as well. Alternatively, information asymmetries maintained by the UK compiler on its financial services imports from the US could also explain the prominently lower UK imports. The bilateral study of US-UK asymmetries also noted that the pattern of asymmetries exhibited for EU-US (and for UK-US) financial services is not unusual, as it is not uncommon for statistics for exports of services estimated from survey data to exceed the mirror import statistics reported by the partner country (Garber M./Peck T./Howell K. 2018).

For the sake of completeness, it should be noted that slightly different definitions apply to US and UK statistics, although the quantitative impact is expected to be minor. While BEA includes the British Crown Dependencies (Jersey, Guernsey, Isle of Man) as part of the economic territory of the United Kingdom, ONS does not consider the Crown Dependencies as part of the UK.

Luxembourg financial services on the other hand, appear generally higher than the US mirror statistics for both exports and imports. As Luxembourg uses data sources available from the extensive bank and transactional reporting of its huge resident undertakings for the collective investment population, coverage may be superior to survey-based data sources.

2.2.7 Charges for the use of intellectual property

While exports of charges for the use of intellectual property (CIP) show good coherence in EU and US statistics, imports are subject to major asymmetries. In 2017 EU exports of CIP services to the US were EUR 21 billion, while US imports from the EU were EUR 20 billion. On the other hand, EU imports of CIP services were EUR 27 billion, whereas the US recorded exports of EUR 45 billion to the EU-28. From the bilateral statistics, it can be seen that the lower EU import figures come in particular from Ireland and the UK (Figure 5).

The ONS data are collected via the ITIS survey. Royalties incorporated in the contract prices of UK exports and imports of goods are recorded under trade in goods. The outright sale of a copyright is treated as sales of a non-produced, non-financial asset and therefore recorded under the capital account (ONS ITSS metadata).

In the CSO (Ireland) most of the main EBOPS 2010 data, including information on intellectual property products, are collected by electronic surveys. The supplementary item is collected by a Tourism & Travel Survey (CSO ITSS metadata).

US statistics for this item are based on survey data—BEA’s quarterly and benchmark services surveys.⁽³⁰⁾ As discussed for the other items above, this means that asymmetries could be the result of differences in sample coverage and reporting population.

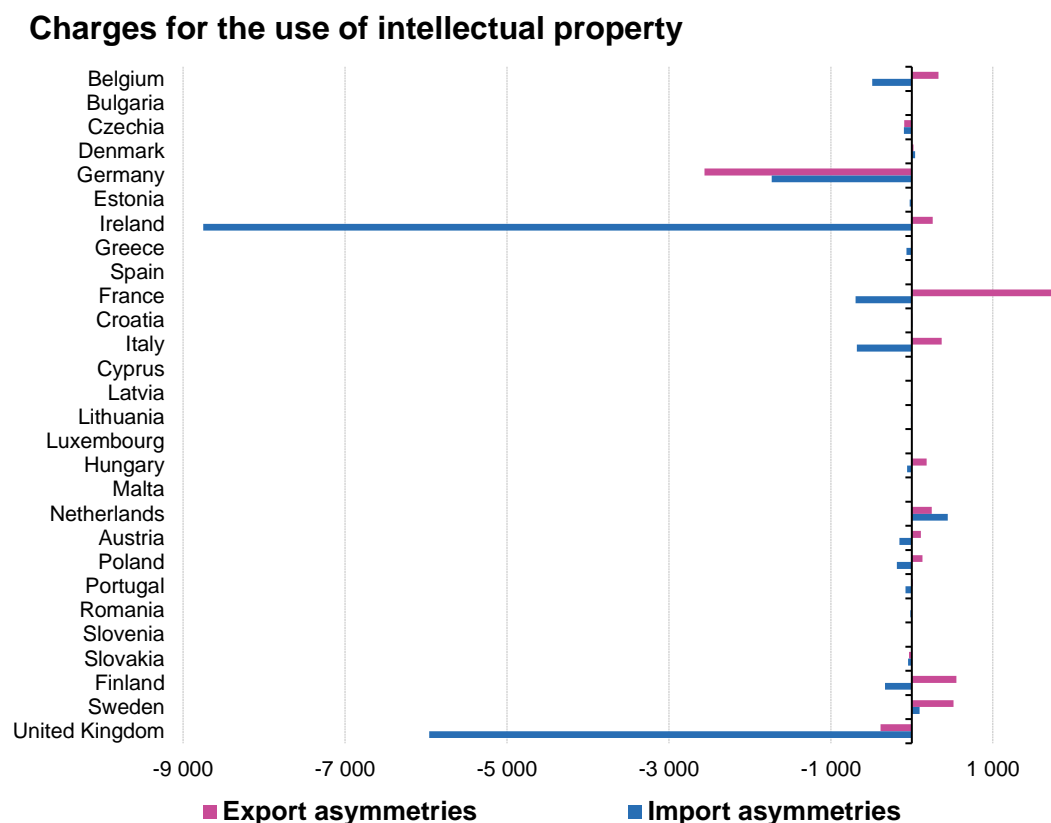
Another likely source of asymmetries is that US statistics for CIP include transactions for the outright sale, rights to use, and rights to reproduce and distribute intellectual property because these transactions are not separately identifiable in BEA’s source data.⁽³¹⁾ For example, licenses to use audio-visual and related products, such as books, movies and sound recordings, excluding reproduction and distribution, are included in the BPM6 standard category CIP services (BEA, paragraph 10.58), although the BPM6 would require reclassification to personal, cultural, and recreational services (BPM6, Table 10.4). In the same vein, outright sales of the outcomes of research and development (such as patents, copyrights and industrial processes and designs) are included in the US statistics under CIP when they should be included under research and development services

⁽³⁰⁾ Quarterly Survey/Benchmark Survey of Transactions in Selected Services and Intellectual Property with Foreign Persons (BEA, paragraph 10.120)

⁽³¹⁾ BEA has recently made changes to its international services surveys that will enable it to record these transactions in the future according to the international guidelines. For more information, see “Plans to Enhance BEA’s Trade in Services Statistics” in Garber, Peck and Howell, “Understanding Asymmetries between BEA’s and Partner Countries’ Trade Statistics,” *Survey of Current Business* (February 2018); <https://apps.bea.gov/scb/2018/02-february/0218-asymmetries-in-bilateral-trade-statistics.htm>

(sub-item of other business services). Similarly, outright sales of marketing assets (such as franchises and trademarks) are included in CIP, whereas they should be reclassified to the capital account (BEA paragraph 10.111). As a result, the CIP item in US statistics appears overestimated, as some transactions are recorded in CIP that should be recorded under different services sub-items. Therefore, this serves to at least partly explain the higher US figures.

Figure 5: Nominal asymmetries in EU-US charges for the use of intellectual property services, exports and imports, EU-28 Member States, 2017
(million EUR)



Negative asymmetries represent EU figures being lower than their US mirror; positive asymmetries represent EU figures being higher than their US mirror – Differences may occur due to the applied exchange rate; Confidential: Spain, Luxembourg, Malta, Cyprus (EU exports), Lithuania (EU exports), Slovenia (US imports)

Source: Eurostat, BEA

2.2.8 Manufacturing services on physical inputs owned by others

This services item is related to cross-border movements of goods, which are consigned for further processing, labelling, packaging, etc. (goods for processing) without changing ownership. The fact that these transactions are captured in the context of merchandise trade, their separate identification can prove difficult to the compiler.⁽³²⁾ Since the BPM6 suggests classification as a services item (in BPM5: goods item), separation from merchandise trade and the recording of a service fee under the above

⁽³²⁾ Statistics Explained: *Differences between balance of payments and foreign trade statistics*
https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Differences_between_balance_of_payments_and_foreign_trade_statistics#Different_concepts_in_the_methodologies_of_BPM6_and_IMTS_2010

item is necessary. In US statistics a change of ownership is imputed when goods received for processing or sent abroad for processing enter or leave the US and thus related transactions remain classified under trade in goods in US statistics. Consequently, this practice triggers asymmetries in both goods and services with the EU statistics, where the BPM6 recommendation is implemented. The quantitative impact appears, however to be minor—in 2017 transactions reported by Eurostat vis-à-vis the US were around EUR 2-3 billion, which for both export and import asymmetries accounted for between 2-3 percent of all sub-item asymmetries measured.

2.2.9 Other services items

Transport services appear comparable at first sight, although the US compiler acknowledges some elements of maintenance and repair of ships, aircrafts and other transport equipment under this item, because these transactions are commingled in the source data for transport services (BEA, paragraph 10.65). The BPM6 standard components of postal and courier services are not separately published by BEA (BEA, paragraph 10.67). As evidenced by the modest asymmetries, differences seem not to be driven by deviations from the BPM6 standard. EU exports are slightly higher than the US mirror imports, and EU imports slightly lower. This could indicate the “classical” information asymmetry, which compilers naturally face about their imports, driven by available data sources.

Although US **insurance and pension services** exclude pension services (BEA, paragraph 10.58), US imports are higher than the EU export data (for US exports the asymmetry is much smaller). The asymmetry can therefore not be exclusively explained by these deviations from the BPM6 standard.⁽³³⁾

2.3 Contradictory signs in the services balances

As earlier mentioned, the balances in services show the same signs in EU and US statistics. Both claim to be net exporters to each other. In 2017 the EU-28 net exports were EUR 13 billion, smaller than the US net exports of EUR 46 billion. When bilateral balances carry the same sign as their mirror statistics it is difficult to interpret the statistics. Therefore, a closer look into bilateral statistics helps to identify where these contradictory messages come from.

In 2017 at least 13 Member States claimed to be net exporters with the US, while the US made the same claims with these countries (Table 9).⁽³⁴⁾ The major bilateral pairs of inconclusive information in services trade balances from 2015–2017 occurred between the UK and the US (Table 6). In 2017 the UK reported net exports in services to the US of EUR 32 billion, while BEA reported net exports of EUR 11 billion to the UK. To a smaller extent, France reports net exports of EUR 5 billion and the US reports net exports of EUR 2 billion with each other.

⁽³³⁾ Pension services are excluded due to a lack of available source data. However, cross-border pension services are believed to be small.

⁽³⁴⁾ Of which Austria, on the contrary, records small net imports with the US, and so does the US with Austria.

Table 6: EU-US balances in services, EU-28 Member States, 2015-2017
(million EUR)

	EU Member States balances			US Balances		
	2015	2016	2017	2015	2016	2017
Belgium	3 051	2 855	3 097	317	157	84
Bulgaria	138	213	233	0	- 103	56
Czechia	- 78	176	326	43	- 39	- 89
Denmark	421	- 108	272	1 445	2 040	2 183
Germany	4 627	2 322	2 669	-1 474	-1 713	-2 365
Estonia	120	128	153	60	59	66
Ireland	-27 599	-34 920	-29 600	23 648	28 075	26 288
Greece	1 448	1 117	1 311	-1 640	-1 894	-1 934
Spain	C	c	c	867	406	- 56
France	3 116	4 383	5 070	3 158	2 920	1 515
Croatia	186	120	242	109	117	60
Italy	1 808	1 479	1 417	-1 412	-2 242	-2 732
Cyprus	254	444	558	14	c	c
Latvia	34	41	86	59	61	98
Lithuania	- 12	30	46	- 244	- 239	- 250
Luxembourg	-5 393	-4 133	-4 885	4 260	3 709	4 252
Hungary	- 73	474	464	142	152	104
Malta	C	c	c	- 452	- 431	- 436
Netherlands	-10 857	-12 298	-5 894	5 471	4 687	5 422
Austria	271	192	- 143	4	- 63	- 130
Poland	807	948	1 434	595	485	731
Portugal	339	302	768	- 362	- 562	- 825
Romania	405	517	716	- 369	- 173	- 212
Slovenia	39	37	33	108	98	84
Slovakia	72	43	132	189	c	c
Finland	388	809	1 034	- 202	- 294	335
Sweden	- 759	- 151	- 599	2 514	2 587	2 143
United Kingdom	38 003	32 058	37 204	12 807	13 118	11 239

Balances=Credit minus Debit (exports minus imports) – Differences may occur due to the applied exchange rate; (c) confidential

Source: Eurostat, BEA

At the sub-item level, the contradictory signs occurred especially for financial services, telecommunications, computer and information services, and charges for the use of intellectual property with the UK and France. Financial services appear most prominent in showing contradictory signs in the UK and US statistics (Table 7).

Table 7: Balances with the US, Services and sub-items, United Kingdom and France, 2017
(million EUR)

	UK Balance with US	US Balance with UK	France Balance with US	US Balance with France
Services	37 204	11 239	5 070	1 515
Manufacturing services on physical inputs owned by others	- 17	:	- 468	:
Maintenance and repair services n.i.e.	31	498	- 867	1 260
Transport	3 977	- 746	2 182	-1 322
Travel	- 719	1 981	1 686	- 355
Construction	141	:	47	:
Insurance and pension services	4 234	- 663	10	- 189
Financial services	10 758	5 794	482	658
Charges for the use of intellectual property n.i.e.	751	4 413	2 329	146
Telecommunications, computer, and information services	2 951	2 362	1 074	319
Other business services	14 507	-2 049	-1 588	1 022
Personal, cultural, and recreational services	1 562	:	182	:
Government goods and services n.i.e.	- 973	- 351	- 1	- 20
Services not allocated	0	:	2	:

Balance = Credit minus Debit; positive sign means net exports, negative sign means net imports – Differences may occur due to the applied exchange rate; (:) not available

Source: Eurostat, BEA

2.4 Primary income: asymmetries in EU-US cross-border income

2.4.1 Overall patterns

From 2013 to 2017, total EU-US primary income transactions (receipts plus payments) increased 15 percent from EUR 373 billion to EUR 429 billion. Consequently, the potential for asymmetries has also risen. The relative share of total asymmetries to gross flows increased from less than 12 percent in 2014 to more than 58 percent in 2016, and reflected both receipts and payments, although debit asymmetries (EU payments to the US) appear far more prominent than credit asymmetries. Although there was some improvement in 2017, EU cross-border flows in primary income to the US generally differ significantly from their US mirror statistics and consequently show negative values for nominal asymmetries (EU figures are lower than US mirror statistics, see Table 8).

Table 8: Asymmetries and dynamics of EU-US primary income flows, 2015-2017

(million EUR, percentage growth)

		2013	2014	2015	2016	2017
Asymmetries, nominal	Credit	-20 246	-17 734	-20 508	-61 507	-45 768
	Debit	-29 740	-29 015	-86 183	-146 325	-130 681
	Total	49 985	46 749	106 691	207 832	176 449
Share of gross flows (EU-28) (%)	Credit	-12.6	-10.5	-10.4	-34.9	-21.9
	Debit	-14.0	-12.5	-37.2	-81.1	-59.4
	Total	13.4	11.6	24.9	58.3	41.1
Growth in transactions (EU-28) (%)	Credit	:	5.5	15.9	-10.4	18.8
	Debit	:	9.2	-0.1	-22.1	22.0
Growth in asymmetries (%)	Credit	:	-12.4	15.6	199.9	-25.6
	Debit	:	-2.4	197.0	69.8	-10.7

Negative asymmetries represent EU figures being lower than their US mirror; positive asymmetries represent EU figures being higher than their US mirror – Differences may occur due to the applied exchange rate

Source: Eurostat, BEA

Investment income contributes the most to the overall asymmetries, accounting for 77 percent of total asymmetries in primary income. The investment income asymmetries are concentrated in direct investment and portfolio investment income. While direct investment income asymmetries were especially driven by the EU payments (debits) to the US, portfolio investment income asymmetries were driven by EU receipts (credits) from the US (Table 9). In both cases the EU figures are much lower than their US mirror statistics.

Table 9: Nominal asymmetries in EU-US primary income, by sub-items, 2017

(million EUR)

	Credit (EU-28)	Debit (US)	Asymmetry
Primary income	209 185	254 953	-45 768
Compensation of employees	2 703	1 052	1 650
Investment income	206 382	253 900	-47 519
Direct investment	94 349	89 345	5 004
Portfolio investment	91 121	149 200	-58 079
Other investment	20 912	15 355	5 556
	Debit (EU-28)	Credit (US)	Asymmetry
Primary income	220 121	350 802	-130 681
Compensation of employees	1 996	420	1 577
Investment income	218 120	350 382	-132 262
Direct investment	95 188	205 239	-110 051
Portfolio investment	99 425	124 618	-25 193
Other investment	23 507	20 484	3 023

Negative asymmetries represent EU figures being lower than their US mirror; positive asymmetries represent EU figures being higher than their US mirror – Differences may occur due to the applied exchange rate

Source: Eurostat, BEA

For the geographical profile of asymmetries in total primary income, BEA publishes comparable figures with the most important 8 Member States: Belgium, Germany, France, Italy, Ireland, Luxembourg, the Netherlands and United Kingdom. In parallel, EU Member States do not publish income payments with the US from portfolio liabilities⁽³⁵⁾, and Luxembourg prefers to keep its bilateral income data with the

⁽³⁵⁾ The underlying reasons are information asymmetries among balance of payments compilers about non-resident holders of domestic liabilities and their related income payments.

US confidential. For presentation purposes we would like to keep this analysis focused on the mentioned 8 EU Member States in the following.

Direct investment income payments from Ireland, the Netherlands and UK to the US are significantly lower than their US mirror statistics; direct investment income receipts by the Netherlands from the US are higher than the US statistics. Portfolio investment receipts by Belgium and the UK are lower than the equivalent US income payments to these countries.

Table 10: Nominal asymmetries in EU-US investment income sub-items, Credit and Debit, selected EU-28 Member States, 2017

(million EUR)

	DI income		PI income		OI income	
	Credit	Debit	Credit	Debit	Credit	Debit
EU-28	5 004	-110 051	-58 079	-25 193	5 556	3 023
Belgium	-5 878	-2 605	-18 886	:	- 107	- 241
Germany	- 665	-2 113	-1 375	:	2 096	2 261
France	-1 851	- 519	- 476	:	603	361
Italy	357	- 711	510	:	4	- 26
Ireland	-8 337	-42 950	:	:	:	:
Luxembourg	c	c	c	:	c	c
Netherlands	16 562	-32 101	1 255	:	- 246	795
United Kingdom	-2 871	-10 869	-15 855	:	777	- 198

DI=Direct investment, PI=Portfolio investment, OI=Other investment; Credit=Income receipts, Debit=Income payments; (c) confidential, (:) not available – Differences may occur due to the applied exchange rate

Source: Eurostat, BEA

It is often helpful when analysing income asymmetries to expand the discussion to include asset and liability positions from the international investment position statistics. These two sets of statistics are closely related, and it is difficult to discuss income in isolation. Investment income asymmetries can be influenced by bilateral asymmetries in the position statistics⁽³⁶⁾, such as differences in geographical allocation. In the case of portfolio investment, income is often derived from positions, making the income even more closely related to the positions. In our analysis it is assumed that financial positions in assets and liabilities create income; assets abroad will trigger income receipts to the resident investor (investment income credit), while domestic liabilities held by the non-resident investor will trigger income payments to those investors (investment income debit)⁽³⁷⁾.

From the evidence presented earlier, we have shown that:

- (1) EU debit asymmetries arise predominantly from the lower EU payments in investment income to the US, in particular from **direct investment and portfolio investment income**;
- (2) EU credit asymmetries originate from the lower EU **portfolio investment income** to the US;
- (3) Debit asymmetries in direct investment income are driven mostly by lower payments reported by the Netherlands, UK and Ireland to the US;
- (4) Credit asymmetries in portfolio investment income are driven mostly by lower receipts reported by Belgium and UK.

2.4.2 Direct investment income

EU receipts of direct investment income from the US are slightly higher than the US payments to the EU, resulting in positive nominal asymmetries of EUR 5 billion (Table 9). However, EU direct

⁽³⁶⁾ Contagion effect of the financial accounts, see Eurostat (2016), p.11

⁽³⁷⁾ A more comprehensive analytical presentation is given in BPM6, Box 6.4

investment income payments to the US are, on the other hand, much lower than the mirror US receipts from the EU, leading to a significant negative asymmetry of EUR -110 billion in 2017.

In 2017, the Netherlands and UK recorded payments (debit) in direct investment income to the US of EUR 35 billion and EUR 26 billion, respectively, while US receipts from these countries were EUR 67 billion and EUR 37 billion (Table 11). In both cases, the asymmetries originated from the considerably lower EU values compared to the US mirror statistics. Income payments by the Netherlands to the US in the EU statistics were only half of the mirror income receipts in US statistics. Ireland recorded EUR 3 billion in payments to the US in the EU statistics, while BEA recorded EUR 46 billion in income receipts from Ireland. Thus, Irish-US statistics are the major driver in EU-US asymmetries for direct investment income. As such, special attention will be paid to Ireland and the Netherlands in the discussion of direct investment income asymmetries.

Direct investment income payments from the Netherlands and Ireland to the US look relatively small compared to their US mirror statistics. While Dutch income payments amounted to 52 percent of US mirror receipts, Irish income payments were 6 percent of US mirror receipts (Table 11). However, looking at the position statistics from the IIP tells a different story (Table 12). In the position statistics, the Dutch liability position exceeds the mirror US asset position by EUR 60 billion (or 7 percent). Lower income payments on a larger position seems counterintuitive; generally higher positions result in higher income and vice versa. The Irish statistics show a similar pattern where EU debits are only 6 percent of the mirror US credits while the Irish liability position accounted for 77 percent of the mirror US asset position. A large liability position is generally associated with larger payments to foreign direct investors. These inconsistencies between asymmetries observed in the income statistics and the position statistics present further challenges to analysing the asymmetry.

Table 11: EU-US primary income, direct investment income, Credit and Debit, selected EU-28 Member States, 2017
(million EUR)

	EU-28 DI income		US DI income	
	Credit	Debit	Debit	Credit
EU-28	94 349	95 188	89 345	205 239
Belgium	1 504	2 853	7 382	5 458
Germany	10 881	3 336	11 546	5 449
France	7 885	2 145	9 736	2 664
Italy	928	579	571	1 290
Ireland	1 171	2 906	9 508	45 856
Luxembourg	:	:	11 402	32 597
Netherlands	30 323	35 247	13 761	67 348
United Kingdom	15 246	25 699	18 117	36 568

DI=Direct investment; (c) non-publishable, (:) not available – Differences may occur due to the applied exchange rate

Source: Eurostat, BEA

As noted in the beginning of this section, EU credit asymmetries with the United States are relatively small at EUR 5 billion. In the case of Ireland, Irish credits were 12 percent of US debits while the Irish asset position from the IIP exceeds the mirror US liability position by EUR 89 billion. Again, the assumption would be that higher positions result in higher income; however, that is not shown in the Irish statistics. The asymmetries observed in the Dutch credits and asset position are in the same direction and both exceed their US mirror statistics by a wide margin.

Table 12: EU-US international investment position, direct investment, assets and liabilities, selected EU-28 Member States, 2017

(million EUR)

	EU DI net positions		US DI net positions	
	Assets	Liabilities	Liabilities	Assets
Belgium	48 699	78 385	91 574	48 645
Germany	262 144	116 896	274 577	120 499
France	237 298	93 990	243 843	75 748
Italy	37 945	12 164	25 923	27 182
Ireland	219 674	305 776	130 861	395 134
Luxembourg	c	c	363 574	598 759
Netherlands	903 255	889 760	324 993	829 183
United Kingdom	c	c	478 819	661 743

DI=Direct investment; IIP records net positions in assets and liabilities; (c) confidential – Differences may occur due to the applied exchange rate

Source: Eurostat, BEA

While there may be numerous reasons for direct investment income asymmetries between the United States and members of the European Union, this paper focuses on the three largest issues.

- (1) **Information asymmetries between statistical compilers** in two countries can lead to asymmetries.
- (2) **Estimates for income from other foreign affiliates**, especially those outside of the reporting country, are difficult to determine but vital to the accuracy of direct investment statistics, particularly when multinational enterprises have long and complex ownership structures.
- (3) **Different methodologies** used by each compiler can also impact the statistics.

First, information asymmetries between statistical compilers in two countries can lead to differences in partner country attribution. In direct investment statistics, these information asymmetries are generally related to multinationals' organisational structures but can also be related to the timing of transactions or ownership levels. Information asymmetries are generally the result of different reporting to each national compiler by multinational enterprises. Since the organisational structure of multinational enterprises are often closely held information by the company, there is no publicly available source for the compiler to verify and validate the structures reported. If the multinational enterprise reports a different structure to the partner country, the compiler has no way of knowing since the confidentiality restrictions in place to protect the data prevent the compiler from sharing company-specific information.

Information asymmetries can lead to bilateral asymmetries but the overall global asymmetry of one country may not be impacted since a positive asymmetry with one partner country is often offset by a negative asymmetry with another partner country. For the United States, the overall asymmetry in 2017 for countries reporting bilateral positions to the IMF's Coordinated Direct Investment Survey (CDIS)⁽³⁸⁾ is 15 percent for US assets and 16 percent for US liabilities, implying that income and position statistics overall are more often misclassified by partner country rather than under- or over-stated in aggregate.

Second, estimates of income from equity investments in other foreign affiliates are difficult to determine but vital to the accuracy of direct investment statistics. Multinational enterprises often have long and complex ownership structures that can span numerous countries and involve special purpose entities. BPM6⁽³⁹⁾ instructs national compilers to record direct investment income from directly-owned

⁽³⁸⁾ <http://data.imf.org/?sk=40313609-F037-48C1-84B1-E1F1CE54D6D5>

⁽³⁹⁾ BPM6, paragraph 11.47

foreign affiliates in the first country in the ownership chain outside of the reporting country. However, this income should also include the income from equity investments in other foreign affiliates further down the ownership chain as well since income from those enterprises is due to its direct investor. The national compiler must be able to “look through” the multinational’s ownership chain to correctly estimate the income and position for the entities below their country in the multinational enterprises’ structures.

BEA collects balance sheet and income statement data for each foreign affiliate of US multinationals in its activities of multinational enterprises data collection program⁴⁰. These data provide information on the amount of equity investment in other affiliates for the income and position statistics. In 2016, the most recent year available, income from these equity investments in other foreign affiliates accounted for 94.6 percent of net income for US multinationals’ foreign affiliates in the Netherlands. This implies that nearly all income recorded by Dutch affiliates of US multinationals was derived from investments in foreign affiliates in countries other than the Netherlands. The values for the United Kingdom and Ireland were 61 percent and 50 percent, respectively. Given the values noted earlier for the EU debit asymmetry in these countries, this issue is likely to be contributing to the asymmetry between the US and EU statistics.

Third, different methodologies used by each compiler can also impact the statistics. One methodological difference between the EU and US involves different methods of determining direct investment relationships. BPM6 recommends that direct investment transactions and positions should be classified according to the immediate host or investing economy (BPM6, paragraph 4.156). The OECD Benchmark Definition of Foreign Direct Investment, 4th edition (BD4), recommends identifying direct investment relationships according to the Framework for Direct Investment Relationships (FDIR).⁽⁴¹⁾ However, BD4 also presents two alternative methods to FDIR—the Participation Multiplication Method (PMM)⁽⁴²⁾ and the Direct Influence/Indirect Control Method (DIIC)⁽⁴³⁾. The three methods describe possible approaches to establishing direct investment relationships based on the degree of influence and control, however the outcomes can be different. BEA applies the PMM method while EU compilers mostly use the FDIR or DIIC methods.

2.4.3 Portfolio investment income

EU-US asymmetries in portfolio investment income are characterised by systematically higher US data. This applies both to EU receipts and payments from/to the US although differences for receipts are higher than payments. As mentioned above, primary income statistics are based on income flows generated from financial assets and liabilities. Resident holdings in foreign assets would therefore trigger income receipts; non-resident holdings in domestic liabilities trigger income payments to the rest of the world.

Imprecisions or information asymmetries on financial holdings across countries are therefore directly transmitted into the primary income account. Although geographical partner country allocation of resident holdings of portfolio investment assets is generally more accurate than that of foreign holdings of resident portfolio investment liabilities, the ways data are collected determine whether an intermediary or custodial bias prevails.

Partner country allocation can be obtained by applying the **transactor approach** or the **creditor/debtor approach**. Data collection systems for financial transactions that apply the transactor approach commonly do not have information on the country of the end investor, and instead identify the financial intermediary or custodian bank that settles the transaction. Consequently, geographical

⁽⁴⁰⁾ <https://www.bea.gov/international/di1usdop>

⁽⁴¹⁾ BD4, Annex 4

⁽⁴²⁾ Earlier referred to as the „United States System“

⁽⁴³⁾ Earlier referred to as the „EU method“

breakdowns obtained from data collection systems applying the transactor approach run a high risk for a custodial bias. In contrast, the creditor/debtor approach identifies the country of the end investor behind the financial transaction, which is essential when the country of the end investor and financial intermediary are not identical. However, the latter approach is more difficult to implement as it requires far more detailed financial reporting (security-by-security) and comes with considerable resource impacts (IT resources, data quality management).

In the above context, partner country allocations of liabilities appear, in practice, more difficult than assets. Geographical breakdowns are manifested in the combination of investor country and country of issuer – for assets the investor country is the reporting economy, so resident investors can be easily approached for their holdings abroad. Microdata on these assets (based on international securities identifiers) allow the country where these securities were issued to be identified. For liabilities, the issuer country is the reporting economy, so resident issuers can be approached on their liabilities incurred, although with less comprehensive information about the holder of these securities. As securities are usually registered with international custodial services and traded on stock exchanges, they can be subject to dynamic trading. This implies that the investor country might change more frequently, and is not always known to the issuer, while the country where the custodian is domiciled usually remains stable (transactor approach). This poses an information asymmetry to the national compiler—the resident population of investors in the reporting economy can be directly approached on their asset holdings, while the geographical data on liabilities have to be collected from liabilities surveys, international custodial services or mirror information available through partner country statistics (i.e., the partner country's resident investment in the compiling economy's liabilities).

The IMF's Coordinated Portfolio Investment Survey (CPIS)⁽⁴⁴⁾ provides mirror information based on the securities holdings statistics of participating countries. The CPIS database gathers information about financial assets held by the residents of the reporting economies with other countries. These data can be used as helpful mirror statistics to national compilers to estimate geographical breakdowns of their liabilities held abroad. However, their accuracy is subject to the number of participating countries, their applied data collection methods (preferably creditor/debtor approach), and their coverage in reported financial instruments.

In the EU, security-by-security reporting has been introduced that allows the identification of all assets held/issued by EU residents via standardised international identifiers (ISIN). By combining data of assets with mirror statistics of partner countries⁽⁴⁵⁾ a full geographical picture becomes available, at least within the EU, and also for intra-EU liabilities. The comprehensive security-by-security reporting is supported by a securities reference database maintained by the ECB in cooperation with shared data quality management processes run via the Member States.⁽⁴⁶⁾ EU statistics are supplemented by CPIS data for non-resident holders outside the EU and their portfolios in EU securities to overcome the potential custodial bias.

The US compiler, on the other hand, covers its portfolio investment statistics entirely via surveys on assets and liabilities. The view on EU residents' holdings of US securities is obtained from annual security-by-security liability surveys which are complemented by five-year benchmark surveys.⁽⁴⁷⁾ Although the US compiler deems them more comprehensive than the available international mirror statistics from CPIS⁽⁴⁸⁾, portfolio investment surveys bear shortcomings due to the aforementioned

⁽⁴⁴⁾ <http://data.imf.org/?sk=B981B4E3-4E58-467E-9B90-9DE0C3367363>

⁽⁴⁵⁾ BIS (2015) - https://www.bis.org/ifc/events/ifc_isi_2015/010_amann_paper.pdf

⁽⁴⁶⁾ ECB (2010) - <https://www.ecb.europa.eu/pub/pdf/other/centralisedsecuritiesdatabase201002en.pdf>

⁽⁴⁷⁾ Federal Reserve (2018), Chapter 2, p.33

⁽⁴⁸⁾ For example, CPIS data do not include reserve holdings, which are important for US statistics on liabilities. Also, not all countries participate in the CPIS. For a full review, see Federal Reserve (2006)

potential custodial bias.⁽⁴⁹⁾ The custodial bias can be directly illustrated from the high asymmetries with EU partners that domicile international custodial services (Table 10), such as Clearstream and Euroclear⁽⁵⁰⁾.

As concerns comparable geographical breakdowns for liabilities, the overall dilemma is characterised by a situation where both stakeholders are in possession of detailed data on their resident holdings in foreign assets, which would be necessary for fully symmetric bilateral statistics with the partner. Without exchange of such microdata, asymmetries are likely to persist. Furthermore, by comparing country statistics that mix the two approaches (transactor, creditor/debtor) and contain a custodial bias, information asymmetries of compilers in regard to the geographical profile of their liabilities held abroad are reflected in bilateral data asymmetries in financial positions. These effectively transmit also into data on income, derived from such positions.

⁽⁴⁹⁾ Federal Reserve (2012), p.6

⁽⁵⁰⁾ Federal Reserve (2018), p.13

3

How to deal with asymmetries in EU-US statistics

3.1 Summary of patterns and causes for asymmetries

3.1.1 Summary of the previous findings

From the data evidence it can be concluded that the EU-US current account statistics are facing considerable asymmetries that have understandably raised doubts about the accuracy of these statistics. It has been shown that the current accounts of the EU and US send contradictory information to users about the size of cross-border transactions (both claim to be net exporters to each other), and that the services accounts are fostering this unfortunate situation. In numerical terms, the largest asymmetries are in primary income. Consequently, we looked more closely into the sub-items of the services and primary income accounts to identify asymmetry patterns and possible underlying causes.

Our investigations concentrated on identifying major patterns in the data evidence and as possible sources of the asymmetries observed. EU country statistics were used in this context, in order to facilitate our search for the major causes, and where possible, to allow tentative conclusions on under- or overestimation.

EU-US asymmetries in services are based on diverging data, particularly in travel, other business services, telecommunications, computer and information services, financial services and charges for the use of intellectual property; asymmetries in primary income are based on divergences in direct and portfolio investment income. On the EU side, it was the UK, France, Germany, Ireland, the Netherlands, Luxembourg and Belgium that showed the largest differences with their US mirror statistics. It should be mentioned, however, that these are also countries with the highest values of transactions with the US. In particular UK-US asymmetries in financial services produced the contradictory balances in the services accounts, built upon higher UK exports to the US and higher US imports to UK.

3.1.2 Multidimensionality of asymmetries

In light of the data evidence and with our investigations of the compilation processes, recording practices, capture methods and data sources used, no simple explanations designating one or the other side as originator of asymmetric statistics is academically justified⁽⁵¹⁾. Neither the evidence of data gaps in EU statistics (driven by flagging practices in some Member States), nor the fact that EU statistics build on the statistical transmissions of 28 Member States, appear sufficient to conclude that

⁽⁵¹⁾ Ifo Institute (2018) http://www.econpol.eu/sites/default/files/2018-07/EconPol_Policy_Report_07_2018.pdf

EU statistics are inferior to US mirror statistics.⁽⁵²⁾ The observed asymmetries are a mixture of contributing factors that partly add up and partly offset each other, and have to be analysed by each component and country. This suggests a multidimensional analytical approach built upon dimensions such as source data, collection methods, compilation concepts, and recording practices related to current account components and geographical dimensions.

Asymmetries in the services account are to a large extent data source-driven or relate to the implied data collection methods. This applies in particular to the compilation of the heterogeneous sub-items of the services accounts. Compilation of these items is usually built on household or specialised surveys with varying frequencies. Comparing the results of such surveys in statistics clearly produces differences due to sampling methods, frequencies and sample sizes applied by each compiler. To validate accuracy, it appears essential that these survey data are complemented with benchmark information from administrative or other sources. In the context of travel, the additional use of administrative data from immigration services and visa and travel information allows US travel exports to appear more comprehensive than EU mirror imports. Some EU compilers, on the other hand, complement their compilation with other data sources, such as mobile phone records or credit card information, that improve coverage of EU travel services in general.

US other business services statistics are subject to recording practices deviating from the BPM6 recommendations, although these cannot sufficiently explain the observed patterns of the much lower US transactions in this category. The residual element in the sub-item “technical trade-related and other business services” could foster different recording practices, but there is no conclusive indication for overestimation of EU statistics or underestimation of US statistics.

Asymmetries in telecommunications, computer and information services appear mostly data source-driven. A comparison of German country statistics (the main EU partner affected by asymmetries with the US) seems to indicate underestimation of US data due to the availability of high-frequency data sources in Germany, although overestimation of German data because of differences in partner country attribution is also possible.

There may be an intermediary bias in US data that overemphasises financial services exports to the UK, while US financial services with Luxembourg and Ireland appear generally underestimated. Asymmetries are also supported by BEA’s omission of FISIM as a standard financial services item and its geographical concept of the UK that includes the British Crown Dependencies.

From metadata evidence of BEA’s recording practices deviating from the BPM6, US charges for the use of intellectual property would have a tendency to be overestimated, which is supported by the data evidence.

Asymmetries in primary income originate predominantly from direct and portfolio investment income and are related to differences in data collection methods as well as different methodologies used by the compilers. This leads to different partner country attribution in direct investment income due to different methods to determine direct investment relationships and the difficulty in accurately collecting income for the complete ownership chain of multinational corporations. Information asymmetries between compilers also contribute to the asymmetry in direct investment income, especially regarding geographic attribution of investment positions. Portfolio investment income asymmetries can be attributed to the applied data collection methods for positions data. US portfolio investment contains a custodial bias that is illustrated by overestimation of financial positions with EU Member States that domicile international custodial services (Belgium, Luxembourg, and UK).

⁽⁵²⁾ FAZ, 13.01.2019 <https://www.faz.net/aktuell/wirtschaft/der-handelsstreit/zweifel-an-leistungsbilanz-statistik-zwischen-eu-und-amerika-15986770.html>

3.1.3 Identified causes

Data sources and collection methods

The use of different data sources and data collection methods appears to be an important reason for asymmetric data. The prevailing collection systems and sources represent compilers' access to information within the limits of their national situation. As a consequence, surveys appear an appropriate method when no comprehensive data collection (census) is feasible. Survey coverage/population, reporting thresholds, aggregation methods and the general reporting bias in surveys clearly pave the way for differences with mirror statistics, as there is usually little or no international coordination possible. The allocation by partner country remains at the discretion of the survey framework and the chosen sample reporting population is difficult to reconcile with international partners due to confidentiality restrictions. More census-type data collection systems based on national legislation can be deemed broader in their approach and enjoy better coverage. They are collected more frequently than surveys, but with a higher impact in terms of resources. In our assessment of over- and underestimation, we implied that more census-type data collections appear superior to sample surveys (e.g. comparing data sources for primary income). Similarly, our assessment implied that complementing compilation with administrative or other data sources improves coverage and accuracy in geographical information.

Compiler information asymmetries about the rest of the world

In international transactions, such as balance of payments statistics, where national statistical products are related to each other, compiler information asymmetries about the rest of the world pose a fundamental challenge to compilation. Data sources at hand generally reflect the limitations of a national perspective, as data can only be collected domestically. Furthermore, they leave geographical allocation of transactions largely to the reporter. With this in mind, the occurrence of statistical bias (intermediary, custodial, reporting, etc.) becomes a logical consequence, leading to different views on the geographical profile of international transactions. The establishment of international databases has helped to address some of these limitations, but they are usually focused on certain statistical fields (e.g. ESCB centralised securities database⁽⁵³⁾, etc.).

Different compilation methods

Different methods explain asymmetries where standard items are either recorded differently from the BPM6 recommendations. In regard to compiling direct investment income, methodological differences exist because the BD4 specifies three methods of identifying direct investment relationships. These result in different methods to capture FDI positions. While the US applies PMM, most EU compilers use FDIR, which would lead to asymmetries related to including different entities in the statistics. Enumerating these differences however is challenging.

Deviations from the current statistical standards

EU-US current account asymmetries can be to a minor extent also related to deviations from the BPM6 standard. US statistics currently do not include certain elements in the compilation of international services, e.g. manufacturing services on physical inputs owned by others, pension services, and FISIM. This complicates not only international comparison with partner statistics, but also triggers asymmetries in different components of the current accounts.

Different geographical definitions

Differences in geographical definitions can contribute to a smaller extent to asymmetries between US and EU statistics. For example, the US geographical concept of the UK does not align with ONS's geographical concept, which could impact in particular the symmetric recording of financial services. Similarly, for the EU compilers the economic territory of the US contains of 50 states, the District of Columbia, Puerto Rico and Navassa but excludes the US Virgin Islands and other US territories and possessions, which are included in the US economic territory by BEA. Impact of this difference should be, however, very minor.

⁽⁵³⁾ CSDB database: <https://www.ecb.europa.eu/pub/pdf/other/centralisedsecuritiesdatabase201002en.pdf>

3.2. Approaches to overcoming asymmetries

In our view, approaches to address asymmetries should follow the identified causes supported by data evidence. This can be achieved by top-down and bottom-up approaches. In both cases, a high degree of coordination is indispensable, which is not easily obtained in practical terms. Furthermore, there appear to be limits to a full reconciliation, when it comes to addressing “structural” causes, such as data collection methods and data sources.

(1) Top-down strategies

These would focus on the manipulation and correction of the EU aggregates beyond the justification from the underlying country statistics, in order to adjust for known shortcomings. This would require a high degree of agreement and coordination between Eurostat and BEA, as it would impact the geographical profile of the accounts in both sets of statistics. From Eurostat’s point of view, adjustments made to the EU aggregates would have to be explained to the public, as they would implicate a breach in coherence to the underlying country statistics of the Member States. As a consequence, top-down approaches—although more easily implemented—are not Eurostat’s most favoured way forward.

(2) Bottom-up strategies

Instead of manipulating the aggregate, bottom-up approaches would target bilateral reconciliation at the country level. This would require establishing communication between each of the EU Member States and BEA. This approach allows a direct comparison of compilation practices between the involved counterparts, and results in adjustment at the source, i.e. in country statistics rather than the EU aggregate. Through quantitative analysis, the components with the largest asymmetries could be identified as targets for bilateral reconciliation. Additional analysis on rates of return for direct investment could also be undertaken for bilateral statistics. This would help to further the direct investment asymmetry analysis by evaluating whether the income derived on the investment in a country is reasonable, especially by comparing rates of return bilaterally with the average for all investment or across regions or to similar size countries. However, in many cases, reconciliation might prove impractical, e.g. data sources, surveys, confidentiality, estimation practices, and applied concepts.

(3) High-level agreements

High-level cooperative agreements may be needed in order to facilitate greater levels of statistical cooperation beyond what is possible through the EU and US bilateral consultation conducted at technical levels, as statisticians usually do not have the means of making high-level decisions with strategic and resource impact. Such agreements could also entail the sharing of data and possibly data sources, in order to improve the mirror view on national statistics. For this, a less restrictive legal framework would be needed to freely exchange confidential data among statisticians for data quality purposes across borders.

(4) New innovative data sources

New data sources are currently being investigated by some EU Member States, in order to enlarge the coverage of survey data. This includes the use of credit card information or mobile phone data in the case of compiling travel services, as well as the use of a common micro database on securities reference data for the purpose of compiling financial account positions and deriving income estimations. Opening up new administrative data sources from immigration services could also help to tackle underestimation in EU travel services in the future.

(5) International coordination in interpreting the manuals and data exchange

The use of different recording practices particularly in the compilation of primary income suggests the need for more international coordination and possible clarifications in the manuals. This applies in particular to the applied concepts of identifying direct investment relationships, and possible exchange of microdata. Similarly, this would require the inclusion of BEA in EU technical working groups.

Conclusions

From the earlier findings it can be concluded that completely symmetric statistics in the EU-US current accounts are not feasible. Structural issues are data source-related (surveys) and methodological (direct investment relationships).

Data source-driven factors can only be addressed by enlarging the possible spectrum of data sources with administrative data or new innovative approaches in collecting relevant information from public sources. New data sources increase coverage and improve the accuracy of geographical information. Exchange of information, bilateral reconciliation exercises and international coordination would certainly also improve the impact of different recording practises and methods, but could not abolish it. While bilateral reconciliation exercises face their limitations when it comes to agreeing on data sources, recording practices or methods, international coordination involving international institutions could prove more effective in addressing such issues. However, bilateral reconciliation efforts contribute effectively to an exchange of views among compilers and possibly lead to changes in methods (maybe even data sources). Ideally, these bilateral encounters could effectively serve to eliminate contradictory information in bilateral statistics as a first priority.

The alignment of US current account statistics to the standard presentation of the BPM6 would support international comparability, and in some instances, even reduce asymmetries with EU counterparts (FISIM, goods for processing, etc.). Also the alignment of national definitions of economic territories in partner country statistics (such as the definition of the UK used in US statistics) could be beneficial. The custodial/intermediary bias in financial data applies generally to all compilers, although EU statistics provide micro databases (e.g. securities holdings and centralised securities database) that support more harmonisation in its financial account. This is particularly relevant for primary income statistics, where additional international databases (such as the CPIS) could serve as a benchmark in order to reduce a potential custodial bias in source data, even when deemed incomplete.

The extent of non-publishable data, particularly in EU statistics, has unjustifiably created an image of unreliable data among users, although flagging information in some Member States was motivated by either quality reservations about the exposed data, or risk of revealing confidential information to the public. However, in terms of quality reservations, it is recommended to use mirror statistics as benchmark information, and revise flagging practices in such instances to the benefit of better analytics and comparability of EU statistics.

With bilateral reconciliation exercises being conducted in the short run, more international coordination and data exchange in the medium term, and a dedicated quest for new innovative data sources and international databases in the long run, we believe that these asymmetries could be better tackled, although not eliminated completely. There is no need to say that these ambitions put a further strain on statistical compilers' resources, with budgetary and resource constraints counteracting in some countries more than others.

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Current account asymmetries in EU-US statistics

The EU and the US are the most prominent economic partners in the world. Persistent bilateral asymmetries in their current account statistics remain however a substantial issue that challenges conclusive reading of the data. This paper investigates the causes of current account asymmetries in EU-US statistics, with a particular focus on the bilateral trade in services and primary income flows as the main contributors to the observed asymmetries. It emphasises the complex and multidimensional nature of the asymmetries, and warns of simplistic explanations. Strategies to address the issue thus have to take place on different levels – from bilateral reconciliation efforts among compilers to international coordination, exchange of knowledge, data and compilation practices.

For more information

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