

REVISION OF ITALY'S EXTERNAL STATISTICS – SEPTEMBER 2017

Methodological note

Balance of payments and international investment position statistics published in the Statistical Database as of 29 September 2017 have been revised relative to data published in the Statistics Series on 19 September. As a result, the Italian net international investment position at the end of 2016 has been revised, from -€251 to -€165 billion. The overall improvement (about €86 billion) is due to the standard update of data on financial stocks held by non-financial enterprises for nearly €8 billion and to the revision of the estimate of foreign investment fund shares deposited abroad for almost €68 billion.

Revision due to the processing of data from the questionnaire on annual financial stocks at the end of 2016

In September 2017 the standard revision deriving from the processing of the annual survey on the foreign financial assets and liabilities held by non-financial enterprises (questionnaire “Annual Financial Stocks”, AFS, referring to stocks at the end of 2016) was carried out. This update led to a negligible downward revision of financial assets (just over €1 billion) and to a larger downward adjustment of financial liabilities (nearly €19 billion, mainly in direct investment stocks). As a result, Italy's net external debtor position improved by almost €8 billion at the end of 2016.

Survey on Italian residents' holdings of foreign investment fund shares deposited abroad

Within the external statistics framework the data collection system of holdings abroad of foreign portfolio assets is based mainly on: a) data from resident monetary and financial institutions on their holdings of securities and; b) data from resident depositaries (banks and other intermediaries) on securities held on behalf of their customers. This information is integrated with estimates of holdings of foreign assets deposited abroad, especially by resident sectors not subjected to reporting obligations.

In the case of **foreign mutual fund shares** and until the current revision, the estimation methodology was based on data sourced from an *ad hoc* survey of several fund managers conducted in 2009. The aim of the survey was to estimate the total amount of foreign mutual fund shares sold to Italian residents, regardless of the country in which they were deposited. The ratio between this total amount and the share of funds deposited in Italy only, computed on data provided by resident depositaries, yielded a grossing-up factor to be used for estimating the total amount of foreign mutual fund shares held by residents.

In 2016 a new survey was conducted in order to update the grossing-up factor (with reference to stocks at the end of 2015). Ten out of the main foreign fund managers operating in Italy were interviewed; their market share accounted for about half of the total. In addition to survey findings,

new information published by the Italian association of fund managers (Assogestioni) regarding foreign mutual fund shares sold to Italian residents was employed. As a result, the grossing-up factor was revised upwards relative to 2009, owing to the higher share of foreign mutual funds deposited abroad in recent years (from 38 per cent at the end of 2008 to 44 per cent at the end of 2015).

By employing the new factor, data (referring to both stocks and flows) on residents' holdings of foreign investment fund shares deposited abroad have been revised: from the first quarter of 2010 to June 2017 for flows and from the first quarter of 2010 to the first quarter of 2017 for stocks. The revision has led to an **increase of foreign mutual fund shares held by residents of about €68 billion at the end of 2016**, equal to 11.2 per cent of the total stock prior to the revision (Table 1).

Table 1 – Total stocks of foreign investment funds held by Italian residents
(euro billions or percentages; end-of-period stocks)

	A) Data published on 19 September 2017	B) New estimates	Absolute difference (C=B-A)	Percentage difference (D=C/A)
2010	290,577	298,459	7,882	2.7%
2011	275,514	290,409	14,895	5.4%
2012	327,285	353,938	26,653	8.1%
2013	391,540	434,290	42,750	10.9%
2014	476,763	529,307	52,544	11.0%
2015	552,910	614,623	61,713	11.2%
2016	606,854	674,818	67,964	11.2%

Italy's net international investment position (NIIP) has in turn improved, from -€233.0 to -€165.1 billion at the end of 2016 (from 13.9 to 9.8 per cent of GDP; Table 2).

Table 2 – Net international investment position of Italy
(euro billions or percentages; end-of-period stocks)

	A) NIIP published on 19 September 2017	B) NIIP after AFS revision ¹	C) NIIP after AFS revision and new foreign funds estimate	C) in % of GDP	Impact of new foreign funds estimate (C-B) in % of GDP
2010	-331,632	-331,632	-323,750	-20.2%	0.5%
2011	-313,895	-313,895	-298,999	-18.3%	0.9%
2012	-384,873	-384,873	-358,220	-22.2%	1.7%
2013	-406,256	-406,256	-363,506	-22.7%	2.7%
2014	-396,456	-396,456	-343,912	-21.2%	3.2%
2015	-387,147	-386,605	-324,893	-19.7%	3.7%
2016	-250,746	-233,032	-165,069	-9.8%	4.0%

Source: Italian National Statistical Institute for GDP.

Note (1): data referring to 2015 and 2016 take into account the revisions due to the 2017 annual survey of non-financial enterprises (questionnaire "Annual Financial Stocks", AFS).

The increase in the stocks is due for under 30 per cent (nearly **€20 billion**) to **positive valuation adjustments** and for the remaining share to **additional flows of purchases** (equal to about **€48 billion** over the whole period). In the **current account of the balance of payments credits** for **€4 billion** have also added in the **portfolio income item** due to the income derived from the additional stocks.

As a result, in the period 2010-2016 the revision had a positive impact on **errors and omissions** (**€14 billion**; Table 3). In cumulative terms, the latter have shifted from -€27 to +€17 billion. In the

longer term, from 1997 (i.e., the first year of the financial account time series compiled according to the IMF Sixth Balance of Payments Manual) to 2016, cumulated errors and omissions were still largely negative; they have decreased from -€134 to -€90 billion.

Table 3 – Annual errors and omissions (EO)¹
(billions of euro)

	Previous EO ²	New EO	Absolute difference
2010	-29,059	-25,983	3,076
2011	-16,104	-9,394	6,710
2012	-8,302	-1,721	6,581
2013	-1,858	6,697	8,555
2014	10,739	17,769	7,031
2015	-1,575	6,457	8,032
2016	19,270	23,562	4,292
Cumulated	-26,889	17,387	44,277

Note (1): the estimate includes the impact on portfolio investment income.

Note (2): data relating to 2015 and 2016 take into account the revisions due to the 2017 annual survey of non-financial enterprises (questionnaire “Annual Financial Stocks”).