

**Report on quality, sources and methods, together with information on the statistical processes used for the compilation of the statistics underlying the following indicators of the Macroeconomic Imbalance Procedure, according to Regulation (EU) No 1174/2011 and No 1176/2011:**

- 3 year backward moving average of the current account balance
- net international investment position

**Country: ITALY**

**Institution: Banca d'Italia**

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## **1. INSTITUTIONAL ENVIRONMENT**

### ***1.1. CoPI<sup>1</sup> Professional Independence / PCI<sup>2</sup> Professional Independence***

#### *1.1.1 Legal basis*

Article 1 of the Bank of Italy's Statute, available on the Bank of Italy website (<https://www.bancaditalia.it/media/notizia/the-bank-of-italy-s-new-statute-is-approved-banca-d-italia?com.dotmarketing.htmlpage.language=1>), establishes its independence from other public or private-sector entities (“*In performing their functions and in managing the Bank's finances, the Bank of Italy and the members of its decision-making bodies shall act autonomously and independently in observance of the principle of transparency and may not seek or accept instructions from other public or private-sector entities*”).

The independence of the Bank of Italy, in its capacity as a member of the ESCB, is further emphasized in Article 130 of the EU Treaty and Article 7 of the Statute of the ESCB and of the ECB, which stipulate that “*when exercising the powers and carrying out the tasks and duties conferred upon them..., neither the ECB nor a national central bank nor any member of their decision making bodies shall seek or take instructions from Community institutions or bodies, from any government of a Member State or from any other body. The Community institutions and bodies and governments of the Member States undertake to respect this principle and not to seek to influence the members of the decision making bodies of the ECB or of the national central banks in the performance of their tasks.*”

#### *1.1.2 Statistics work programme*

The Bank of Italy has a statistical work programme for internal use, stating objectives, timing and responsibilities, approved by a high level internal Committee, that is not made public.

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<sup>1</sup> CoP= European Statistics Code of Practice

<sup>2</sup> PC= Public commitment on European Statistics by the ESCB

## ***1.2. CoP2 Mandate for data collection/PC2 Mandate for data collection***

### *1.2.1 Allocation of responsibilities*

The Bank of Italy is responsible for the compilation of balance of payments and international investment position statistics for Italy.

### *1.2.2 Legal basis*

According to the ECB Guideline ECB/2011/23 of 9 December 2011, as amended by ECB/2013/25 of 30 July 2013, the national central banks assist the ECB in order to collect the necessary statistical information, either from the competent national authorities or directly from economic agents, for the compilation of the external statistics.

Article 11 of the Legislative decree of 19 November 2008, No. 195 entitles Bank of Italy to compile and publish balance of payments and international investment position statistics and to collect the necessary information for the compilation.

## ***1.3. CoP6 Impartiality and objectivity / PC6 Impartiality and objectivity***

### *1.3.1 Advance release calendar*

An advance release calendar providing release dates is published in a communiqué issued by the Bank of Italy at least a quarter ahead. The actual release dates always coincide with the dates announced in the advance release calendar. The communiqué containing the calendar is also disseminated on the Bank of Italy's Internet website (<http://www.bancaditalia.it/statistiche/calendario-pubblicazioni/calendario-pubblicazioni.html?com.dotmarketing.htmlpage.language=1>).

### *1.3.2 Revision policy*

#### **A. Balance of payments**

The monthly data are provisional when first released. They are revised and released to the public on the occasion of the first publication of the quarterly data, approximately three months after the end of the reference quarter.

#### **B. International investment position**

The data are revised about three months after the first release. They are further revised about nine months after the end of the reference year.

The general policy of the Bank of Italy is that major changes in methodology are announced in advance, in the relevant publications, as well as at the time they are introduced.

The public is informed of major changes in methodology before the changes are introduced, through ad-hoc articles in Bank of Italy's publications. Moreover, public events and special news releases are organized to further communicate the changes, before or at the time they are introduced.

Changes in methodology are generally described in the Bank of Italy's monthly *Supplement to the Statistical Bulletin – Monetary and Financial Indicators: Balance of payments and International Investment Position*, and, if particularly significant, in the quarterly *Economic Bulletin* and the *Annual Report*.

Studies and analyses of revisions are made available only when major methodological changes, possibly causing breaks in time series, occur. This is done through press releases or other communication approaches, with explanations of the reasons underlying the change and the expected impact on the data.

## **2. STATISTICAL PROCESSES**

### **2.1. CoP7 Sound methodology / PC7 Sound methodology**

#### *2.1.1 General remarks*

Italy's balance of payments and international investment position statistics are in line with the methodological requirements of the sixth edition of the IMF Balance of Payments and International Investment Position Manual (BPM6) and the ECB Guideline (that is consistent with EUROSTAT Regulation). Information about the methodology and data sources used for the compilation of Italy's balance of payments and international investment position statistics are published in the ECB's Balance of Payments/International Investment Position Statistical Methods, in the IMF's Balance of Payments Statistics Yearbook and within the metadata description of the IMF's SDDS Plus: <http://dsbb.imf.org/Pages/SDDS/CtyCtgList.aspx?ctycode=ITA>. A detailed presentation of the methodology and data sources is published (at the moment only in Italian language) on the Bank of Italy website under the headings Analysis and methodology (<http://www.bancaditalia.it/statistiche/tematiche/rapporti-estero/posizione-patrimoniale/index.html?com.dotmarketing.htmlpage.language=1>).

#### *2.1.2 Residency*

Residency concept is defined in conformity with the *BPM6*'s definitions of economic territory and centre of economic interest. Coherently with this concept, the territories of San Marino and Vatican City are excluded from Italy.

#### *2.1.3 Institutional unit definition*

Resident institutional units are defined in conformity with *BPM6* as those that have a centre of predominant economic interest in Italy.

#### *2.1.4 Sectorisation & sector definition and delimitation*

Transactions and positions are classified consistently with the *BPM6*. The sector breakdown is fully compliant with the ECB Guideline; the following sectors are identified:

1. Central bank

2. Deposit-taking corporations except the central bank
3. Money market funds
4. General government
5. Other sectors.

### 2.1.5 *Valuation*

#### A. Balance of payments

The valuation is based on market prices prevailing when the transaction takes place. When market prices are not directly available, an acceptable approximation is given by the application of the equivalent market price of the same product, service, or similar activities, as observed in the markets in which they are treated in sufficient quantities and in similar circumstances. Data reported in foreign currencies are converted into euro at the monthly average exchange rates.

#### B. International investment position

Market prices are the basis for the valuation of positions. Nominal valuation is used for positions in non-negotiable instruments, namely loans, deposits and other accounts receivable/payable. For direct investment positions, listed equity stocks are valued at market prices and unlisted equity stocks are valued at own funds at book value.

Assets and liabilities denominated in foreign currency are converted into the unit of account at end-of-period (midpoint) exchange rates.

Monetary gold is valued at end-of-month market prices.

### 2.1.6 *Time of recording (accrual accounting)*

In general, the Italian balance of payments is compiled with the full recognition of the accrual principle. The only exception concerns dividends in Portfolio Investment, which are recorded as of the date they are paid. The accrual principle is also adopted for reinvested earnings related to direct investment, based on direct reporting by entities involved (assets and liabilities). Reinvested earnings related to investment funds are also included, based on the ESCB Centralised Securities Database (CSDB) data on accrued income factors.

### 2.1.7 *Coverage gaps & deviations*

Transactions and positions referred to assets held abroad by resident households without the intermediation of the resident financial intermediaries are only covered to the extent they are declared to tax authorities.

## 2.2. ***CoP8 Appropriate Statistical procedures / PC8 Appropriate Statistical procedures***

### 2.2.1 *Main features*

The Italian data collection system is mainly based on direct reporting by entities involved in cross-border transactions. Indirect reporting is limited to portfolio investment, for which custodians' data on a security-by-security basis are extensively adopted (since end-of-2008 data). Information on

cross-border payments from resident banks is only used as an instrument to better target entities involved in foreign transactions and to obtain an efficiency gain in the sample survey selection phase.

Direct reporting entities are a sample of non-financial and insurance companies (so-called "Direct reporting system"), all the resident banks and other financial intermediaries, the central bank, for its own transactions and positions.

Specific sample surveys on international transportation and travel are also used as data sources.

Information on General Government transactions are reported by the central bank.

Many different administrative data are also used, especially for transactions/positions of the household sector.

The following schemes shortly describe which data sources are used for each item of the balance of payments and international investment position:

Resident sector	Current and Capital Accounts					
	Goods	Services: Travel and Passenger Transport	Services: Merchandise Transport	Services: Other services	Compensation of employees, current and capital transfers	Investment income
General government	FTS + Transport Survey	Travel Survey	Transport Survey	CB	CB	IBR + CB + EST
Monetary authorities				CB	CB	CB
Banks				IBR	IBR	EST + IBR
Insurance and Non-financial corporations				DR	DR	EST + IBR
Other financial intermediaries				OFIR	OFIR	EST + IBR
Households and NPISHs				AS + EST	AS + EST	AS + EST

Resident sector	Financial Account/International Investment Position			
	Foreign Direct Investment	Portfolio Investment	Derivatives	Other Investment
General government		IBR+DR+SDB	CB	CB
Monetary authorities		CB	CB	CB
Banks	IBR	IBR+DR+SDB	IBR	IBR
Insurance and Non-financial corporations	DR	IBR+DR+SDB	DR	DR
Other financial intermediaries	OFIR	IBR+OFIR+SDB	OFIR	OFIR
Households and NPISHs	AS	IBR +SDB + AS	AS	AS

AS = Administrative sources  
CB = Central bank internal sources  
DR = Direct reporting

EST = Estimates / Modelling  
FTS = Foreign Trade Statistics (NSI)  
Survey = Sample survey already existing and partly modified

IBR = Integrated Bank Reports  
OFIR = OFIs Reports  
SDB= Security Database (internal and CSDB)

### 2.2.2 Country specific aspects

More specific remarks on the estimation methods used in the balance of payments and international investment position statistics can be found in the SDDS Plus metadata.

A detailed presentation of the methodology and data sources is published (at the moment only in Italian language) on the Bank of Italy website under the headings Analysis and methodology (<http://www.bancaditalia.it/statistiche/tematiche/rapporti-estero/posizione-patrimoniale/index.html?com.dotmarketing.htmlpage.language=1>).

### 3. STATISTICAL OUTPUT

#### 3.1. *CoP11 Relevance / PC11 Relevance*

BOP/IIP statistics are transmitted to the ECB and Eurostat for the compilation of Euro Area and European Union aggregated statistics. They are also disseminated in accordance with the SDDS Plus requirements, used for the purposes of IMF Article IV reviews and for the EU MIP scoreboard.

At the national level, the Bank of Italy's Committee for Statistics Management coordinates the statistical needs of the main departments dealing with statistical resources to assist them in performing their institutional activities and to maximize cost-effectiveness in data collection.

A facility available on the statistical section of the Bank of Italy website allows users to directly contact statistical staff for data requests and information on methodological issues. The analysis of the requests allows the Bank of Italy to better identify users' needs. Logs of users' interaction with the statistical database available on the website are regularly recorded and analysed in order to monitor users' interests towards different sets of statistics. Within the ESCB a formal procedure is followed in order to collect users' needs and assess the advantages of new statistical requirements and their costs for reporting agents before they are introduced (cost-benefit analysis).

#### 3.2. *CoP12 Accuracy and reliability / PC12 Accuracy and reliability (including stability)*

##### 3.2.1 *Revisions*

There were some considerable revisions in monthly and quarterly BOP for compensation of employees and income, as well as capital account for which Italy has given clarifications that relate to the provisional nature of monthly and quarterly data which are then revised based on annual stock data. For quarterly IIP, revisions are very minor.

3.2.2 The directional reliability indicator shows a generally good predictability of monthly BOP. Nevertheless, few figures are below the EU median. For Direct Investment, this is due to the introduction of the BPM6 methodology and to the revisions of flow data after the acquisition of annual stock data. For Other investment, figures lower than the EU median are also due to the revisions on flow data, but also due to the introduction of the estimation of Euro banknotes. Errors and omissions and integrity rules

Errors and omissions were above the EU-28 median and above the third quartile in analysed time periods, especially in 2010 and 2011 (0% for IIP and for all periods though). An improvement in the Average Relative Error indicator in 2013 and 2014, compared with the values of 2011-2012 is noticed though; the relative size of Errors and omissions is continuously decreasing.

### **3.3. CoP13 Timeliness and punctuality / PC13 Timeliness (including punctuality)**

#### *3.3.1 National requirements*

The Bank of Italy disseminates monthly balance of payments statistics about 45-50 working days after the end of the reference month and international investment position statistics on a quarterly basis about 90 days after the end of the reference quarter.

#### *3.3.2 EU and other international requirements*

Italy is compliant with all timeliness requirements of international institutions (ECB, Eurostat, IMF, OECD and BIS) and adheres to the Special Data Dissemination Standard (SDDS) Plus.

### **3.4. CoP14 Coherence and comparability / PC14 Consistency and comparability**

#### *3.4.1 Bilateral asymmetries*

Bilateral asymmetries are deeply analysed taking into consideration the asymmetries matrices that Eurostat and ECB supply to member states. Moreover, Italy is a very active participant in the FDI Network in order to exchange information about the most relevant transactions and positions with other EU member states. Comparison exercises are carried out on other BOP/IIP items vis-à-vis partner countries showing major bilateral discrepancies.

#### *3.4.2 Consistency with related statistics*

##### **A. Balance of payments**

Balance of payments statistics are consistent with related statistical domains (in particular with national accounts, financial accounts, money and banking statistics). The pattern of trade in goods is consistent with the one observed in the trade statistics.

##### **B. International investment position**

International investment position statistics are consistent with related statistical domains (in particular with financial accounts, money and banking statistics, external debt statistics). “

#### *3.4.3 Time” and back data consistency*

With the publication of the balance of payments and international investment position according to BPM6, the Bank of Italy provided back data for the period 1995-2012, with a lower level of detail for the older years.

#### *3.4.4 Consistency across frequencies*

Italy’s quarterly and annual balance of payments data are derived by aggregating monthly data and, therefore, are automatically consistent.

### 3.5. *CoP15 Accessibility and Clarity / PC15 Accessibility and Clarity*

#### 3.5.1 *Data*

##### Bank of Italy Statistical Database

Balance of Payments and International Investment Position data are available on the website in a database (both in Italian and in English), which can be consulted through a navigation system called Statistical database under the heading /Statistics. This system enables users to search, view and download statistical tables in complete or partial form.

The monthly balance of payments dissemination on the Bank of Italy's Statistical database entails information, with a detailed breakdown, on the following:

1. The current account, with details on: imports and exports of goods; imports and exports of services; primary income; secondary income.
2. The capital account (total balance).
3. The financial account, with details on: net flows of assets and liabilities for direct investment, portfolio investment, other investment and financial derivatives; reserve assets.
4. Errors and omissions.

The quarterly international investment position dissemination on the Bank of Italy's Statistical database entails information, with a detailed breakdown, on assets and liabilities for direct investment, portfolio investment, other investment and financial derivatives; reserve assets.

##### On-line monthly publication

The BI's monthly bulletin "Supplement to the Statistical Bulletin - Monetary and Financial Indicators: Balance of payments and International Investment Position" provides monthly tables concerning the balance of payments and the international investment position. The pdf document usually contains time series data for the latest thirteen months and the latest three years while the Statistical database on Bank of Italy's Internet website (<http://www.bancaditalia.it/statistiche/tematiche/rapporti-estero/bilancia-pagamenti/index.html?com.dotmarketing.htmlpage.language=1>) under the heading Statistics contain the whole length of the times series.

##### Other publications

The BI's quarterly Economic Bulletin released in January, April, July and October each year publishes summary tables that take into account the revision of the provisional data. Published time series cover yearly (last four years), quarterly (last eight quarters) and monthly data (last twenty-four months). The Economic Bulletin (through 2006 it published twice yearly) is available in Italian and English on Bank of Italy's internet website (<http://www.bancaditalia.it/pubblicazioni/bollettino-economico/index.html?com.dotmarketing.htmlpage.language=1>).

The BI's Annual Report, released in Italian at the end of May and in English at the end of July, publishes a statistical appendix containing revised balance of payments data for the previous year, with a high level of disaggregation, as well as annual time series data on the components of the balance of payments. Published annual time series cover the latest 4–6 years. The Annual Report is available in Italian and in English abridged version on Bank of Italy's internet website



(<http://www.bancaditalia.it/pubblicazioni/bollettino-economico/index.html?com.dotmarketing.htmlpage.language=1>).

### 3.5.2 *Metadata*

Explanatory notes on methodology are provided in each of the bulletins published by the Bank of Italy. A detailed presentation of the methodology and data sources is published (at the moment only in Italian language) on the Bank of Italy website under the headings Analysis and methodology (<http://www.bancaditalia.it/statistiche/tematiche/rapporti-estero/posizione-patrimoniale/index.html?com.dotmarketing.htmlpage.language=1>).