

REVISION OF ITALY'S EXTERNAL STATISTICS – SEPTEMBER 2019

METHODOLOGICAL NOTE

Following the general revision of the National Accounts conducted jointly by Istat and the Bank of Italy, some methodological changes and innovations were introduced in the estimation of Italy's balance of payments and international investment position statistics.

The changes that affected the current account and the capital account arise from the incorporation of the revisions made by Istat and the methodological refinements carried out by the Bank of Italy.

The revisions, which were minor overall, impacted the following items: goods, transport services, financial services, insurance services, and primary and secondary income. For goods and processing services, some of the data reported by firms previously considered as non-resident were reclassified. Under goods, an estimate of the exports of fuel (bunkering) for road transport was introduced; there was also a revision as regards the 'merchanting' item, for which the methodologies to control the quality of the reports were modified.

Imports of IT and telecommunication services include the data provided by the Revenue Agency on the use of the Mini One Stop Shop (MOSS) portal for purchases by households using the business-to-consumer channel (B2C). For freight transport, an estimate of maritime cabotage (i.e. transport within Italy by non-resident shipowners) was introduced thanks to new data coming from the Bank of Italy's Survey on International Merchandise Transport. Financial services now include fees payable to 'other financial intermediaries', information that was not previously available with the necessary level of detail.

Primary and secondary income and the capital account now include the revisions concerning government transfers, for which the source is the Ministry of Economy and Finance (MEF). For reinsurance, a specific coefficient was used to estimate the breakdown between insurance services and net premiums (which are recorded under secondary income). Finally, estimates of capital income (and of the implicit financial services linked to them) were recalculated in line with the revisions carried out on external financial assets and liabilities.

The revisions regarding the period 2008-18 led to an average increase of just over €1 billion per year in the current account and capital account balances.

The innovations that had the most significant impact were those concerning the financial account of the balance of payments and the international investment position, mainly owing to the introduction of new, previously unavailable data sources for their compilation.

For households' financial and real estate assets, the compilation of the data is based entirely on personal income tax returns collected on a regular basis by the Revenue Agency (the 'RW' field in the *UNICO Persone Fisiche* form). The methodological revision has made it possible to improve the estimates previously available, which mainly took account of the assets that emerged as part of the *scudo fiscale* ('tax shield') and voluntary disclosure programmes.

General government assets and liabilities were revised following the harmonization of the data sources used for external statistics with those used for compiling the financial accounts. This means that for estimates of general government assets and liabilities, the two domains now converge. Moreover, the external statistics now incorporate Eurostat's revisions of the new series referring to the European Financial Stability Facility (EFSF) for the period 2011-18.

The statistics on the liabilities of Italian investment funds are now compiled using the reports on Italian collective investment undertakings (OICRs) sent to the Bank of Italy by asset management companies (pursuant to Bank of Italy Circular No. 189 of 21 October 1993 'Statistical and supervisory reporting manual for Italian collective investment undertakings'). This ensures consistency with the other Bank of Italy statistical publications on investment funds. The methodological revision affected the closed-end funds segment; the reports are sent half-yearly and contain information on the number of shares subscribed by each investor as well as details of their residence.

For external assets and liabilities arising from the circulation of euro banknotes, the methodology used to estimate cross-border banknote transfers was updated. The new estimate uses data on two new variables introduced for this purpose in the Bank of Italy's Survey on International Tourism starting in January 2016: 'cash in wallets' and 'cash withdrawals in euros'.

Finally, the usual updating of data was conducted following the incorporation of the information sent by non-financial corporations and insurance companies on their external assets and liabilities through the questionnaire on annual financial stocks (*consistenze annuali finanziarie – CAF*), which considers the stocks as at end-2017 and end-2018.

Following the revisions, Italy's net international investment position at the end of 2018 was negative by €3.0 billion (as opposed to a negative €9.0 billion in the previously published data). The use of the new data on households' external assets led to a reduction in Italy's external assets equal to €7.3 billion, of which €3.9 billion due to real estate investment and €3.4 billion to financial assets. The revision referring to general government had a more limited impact (a reduction of €5.3 billion on a net basis). The introduction of the new estimates of Italian funds implied an increase in external liabilities of €3.3 billion. Finally, the incorporation of the information collected in the CAF questionnaire led to an increase in net external assets of €7.2 billion, mainly in the direct investment segment. Any other revisions were minor.