

Revision of Italy's external statistics – September 2015

Since their publication on 30 September 2015, the data relating to Italy's external statistics have been revised due to a change in methodology and to take new information into account.

The methodological change, agreed with the other euro-area central banks, deals with the treatment of cross-border movements of euro banknotes and has been applied to the entire period since they were introduced. The related revisions, for the period 2002-2015, concern the items “other investment” in the financial account and “primary income” in the current account.

The euro banknotes in circulation are claims of the “bearer”, or the economic agent who holds them, and liabilities for the Eurosystem, i.e. the ECB and euro-area national central banks (NCBs); the overall amount in circulation is redistributed within the Eurosystem based on the shares held in the ECB's capital. The amount of banknotes thus attributed to each NCB is known as the ‘legal circulation’ whereas the amount of banknotes that NCBs actually put into circulation is known as the ‘net issuance’. The difference between these two amounts gives the net intra-Eurosystem claims/liabilities which, in line with a methodology agreed in 2002, had not yet been included in the external statistics. On the contrary, the revised treatment introduces the following changes:

- i) The net intra-Eurosystem claims/liabilities are to be included in the financial account, in the item ‘other investment – central bank’;*
- ii) Their remuneration is to be included in the current account, in the item ‘primary income – interest’;*
- iii) The difference between the banknotes actually held by the residents of each member state, or the ‘national circulation’, and the legal circulation is to be included in the financial account, in the item ‘other investment – other sectors’.*

The calculation of the Italian circulation was made, in line with the approach used by other central banks, by adding an estimate of the net inflows of euro banknotes from abroad to the net issuance. To this end, the two main types of transactions that may lead to cash migrations are considered: a) international travel and b) shipments of euro banknotes abroad by the Bank of Italy or by the national banking system. Information from the Bank of Italy's survey on international tourism is used for the former and data collected from domestic banks as part of the statistics on “Cross-border shipments of euro banknotes” for the latter.

The results provided by the new methodology indicate that the amount of banknotes put into circulation by the Bank of Italy is lower than the legal circulation and that residents hold banknotes in excess of the latter. Both factors lead to an increase in claims with respect to the Eurosystem and therefore an improvement in Italy's net external position (estimated at around €32 billion at the end of 2014).

This improvement has been more than offset by the negative impact stemming from the incorporation of the data for 2014 from the annual survey of companies (‘direct reporting’), mainly driven by valuation adjustments of direct investment assets for non-listed companies.

Overall, Italy's net external debtor position at the end of 2014 was €450.8 billion, up from €447.9 billion as published in the previous data; in relation to GDP, it is now equal to 27.9 per cent (from 27.8). The cumulative errors and omissions between 2002 and 2014 have been reduced from -€131 to -€107 billion.