**Quality report
concerning statistics underlying the
Macroeconomic Imbalance Procedure (MIP) indicators – level 3**

**National self-assessment report on the quality of balance of payments and
international investment position statistics for Germany**

1.   INSTITUTIONAL ENVIRONMENT

1.1.   CoP1 Professional Independence / PC1 Professional Independence[1]

1.1.1   *Legal basis*

Article 12 (Relations between the Bank and the Federal Government) of the Bundesbank Act, which is available on the Deutsche Bundesbank website, establishes its independence from other government authorities in exercising its powers, thereby guaranteeing, among other things, the absence of interference in respect to the compilation and dissemination of statistical information.

The independence of the Deutsche Bundesbank, 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*

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[1] CoP: The European statistics Code of Practice (CoP) is published by the European Statistical System Committee (ESSC). The Code aims to ensure that statistics produced within the European Statistical System (ESS) are relevant, timely and accurate, and that they comply with the principles of professional independence, impartiality and objectivity.

PC: The public commitment (PC) on European statistics by the European System of Central Banks (ESCB) stipulates principles for the development, collection, compilation and dissemination of ESCB statistics.

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 Deutsche Bundesbank has a statistical work programme, that is not made public.

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

1.2.1 Allocation of responsibilities

The responsibility for collecting, processing, and disseminating the German balance of payments statistics is assigned to the Deutsche Bundesbank (Bundesbank) by an agreement between the Federal Ministry of Economics, the Federal Ministry of Economic Cooperation, the Federal Ministry of Transportation, the Federal Statistical Office (FSO), and the predecessor of the Bundesbank – Bank Deutscher Länder. This agreement dates back to 1954. An administrative agreement between the Federal Government (represented by the Ministry of Economics) and the Bundesbank dating from October 1961 further specifies the sharing of tasks and the obligation to coordinate between the Federal Government and the Bundesbank in executing the Foreign Trade and Payments Act.

1.2.2 Legal basis

The statistical activity of the Deutsche Bundesbank is in compliance with the Deutsche Bundesbank Act (1957) as amended, the Federal Statistics Act (1987) as amended, and the EU/ECB legislation concerning the activity of the bank as a member of the European System of Central Banks.

A.   Balance of payments

Article 11 (2) of the Foreign Trade and Payments Act governs the data collection for balance of payments purposes. The Act enables the government to enact reporting regulations for specific purposes, including for compiling the balance of payments of the Federal Republic of Germany. Accordingly, the Foreign Trade and Payments Regulation specifies in detail these reporting requirements, which form the core of the balance of payments data collection system. The regulation also identifies the Bundesbank as the authority responsible for the data collection. Moreover, the Bundesbank, as member of the ESCB, is allocated the task to collect information on BOP and IIP statistics on the basis of Article 2 of Regulation No 2533/98.

In addition, on the basis of Article 18 of the Bundesbank Act and the Regulation of the European Central Bank (ECB) concerning the consolidated balance sheet of the monetary financial institutions sector, the Bundesbank may collect statistics in the field of money and banking from all credit institutions to fulfil its tasks. Such data are also used partly for balance of payments statistics purposes.

Although the responsibility for disseminating balance of payments statistics is not defined in the Foreign Trade and Payments Act, the Bundesbank Act, or the Federal Statistics Act, the Bundesbank has assumed primary responsibility for this task.

1.3. CoP6 Impartiality and objectivity / PC6 Impartiality and objectivity

1.3.1 Advance release calendar

A. *Balance of payments*

An advance release calendar that gives the approximate ("no later than") monthly release dates for the coming year, and for January of the following year, is disseminated at the end of September each year on the website of the Deutsche Bundesbank: https://www.bundesbank.de/en/statistics/statistical-release-calender

The precise release dates are announced on the Bundesbank's website by 11 a.m. CET on the last business day of the week prior to the release of the data.

B. International investment position

An advance release calendar that gives release dates for the coming year is disseminated at the end of September each year on the website of the Deutsche Bundesbank https://www.bundesbank.de/en/statistics/statistical-release-calender

1.3.2 Revision policy

Methodological changes are generally communicated close to the publication of new data within the methodological notes on the Internet under the respective data categories at:

https://www.bundesbank.de/en/statistics/external-sector

.Major methodological changes, such as the implementation of new Manuals, may also be communicated and explained in more detail in the Monthly Bulletin of the Bundesbank. At the time of the first publication of data, users are informed of its preliminary status. Similarly, at the time of data dissemination, users are informed whenever data are revised. More information on the revision policy and on annual balance of payments revisions may be obtained from the Bundesbank website:

https://www.bundesbank.de/resource/blob/622296/1ebdf2c206cb1c78287bbcd789b617bb/mL/sdds-revisionpolicy-data.pdf

2. STATISTICAL PROCESSES

2.1. CoP7 Sound methodology / PC7 Sound methodology

2.1.1 General remarks

Germany's balance of payments statistics and international investment position are generally consistent with the overall conceptual framework of the IMF's Balance of Payments and International Investment Position Manual, sixth edition (BPM6). This revised standard is also binding for the EU member states by virtue of a Commission Regulation and by an ECB Guideline that specifies the reporting requirements for Eurosystem national central banks vis-à-vis the European Central Bank (ECB). The statistical methods underpinning Germany's data contribution to the EU aggregates are published in the ECB's Balance of

Payments/International Investment Position Statistical Methods, which is regularly updated. Germany balance of payments documentation on compilation practices is also included in the IMF's Balance of Payments Statistics Yearbook (BOPSY), reviewed and updated by the Bundesbank as required by the IMF BOPSY annual production procedures. A detailed description of the German balance of payments and international investment position compilation system can also be found within the metadata description of the IMF's SDDS Plus:

http://dsbb.imf.org/Pages/SDDS/CtyCtgList.aspx?ctycode=DEU

2.1.2 Residency

German balance of payments and international investment position statistics follow the BPM6 residency concepts.

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 Germany.

2.1.4 Sectorisation & sector definition and delimitation

The classification and sectorisation used to compile Germany's balance of payments is essentially the one set forth in the (BPM6). Some (minor) deviations from the internationally accepted methodology are persisting in the German balance of payments statistics due to practical challenges within the statistical collection framework. Such deviations are kept under review.

2.1.5 Valuation

In general, the valuation is based on market prices prevailing when transactions take place.

Current account transactions are valued at actual transaction prices which, in most cases, should be a good proxy for market price. Exceptions may exist for transactions between affiliated enterprises.

For MFIs, asset and liability transactions that are derived from stocks exclude the exchange rate and other effects. MFIs report underlying currencies, which allows breaking down differences of stocks into transactions and exchange rate effects. Regarding non-MFIs' short-term financial transactions, including trade credits, which are derived from monthly stocks, no information on exchange rate effects is available. The reporters convert transactions at the rates they use for their internal accounting.

For short-term deposits of resident non-MFIs held with non-resident banks, which are derived from the Bank for International Settlements (BIS) mirror statistics on the liabilities of non-resident banks vis-à-vis German residents, exchange rate effects can also be separated.

2.1.6 Time of recording (accrual accounting)

Interest income is recorded on an accrual basis.

2.1.7 Coverage gaps & deviations

A.   Current and capital account:

Goods imported or exported for construction are part of the goods account rather than the services component as the exported/imported goods for construction cannot be identified in foreign trade data. In order to ensure that not double counting occurs, however, construction services imports and exports are reported for the services component excluding the value of the goods exported or imported for construction. .

Regarding financial services, while fees and commissions related to the sale and purchase of securities should be recorded as services, they are partly recorded in the financial account because some entities report them as a lump sum together with the purchase price of the securities. While asset management costs should be recorded as financial services, they are recorded as part of investment income. For travel credits, data sources do not provide a distinction between business and personal travel. No offsetting entries are made in the financial account for income accrued but not paid.

B.   Financial account

With regard to portfolio investment, transaction values are in general reported as a lump sum, thus including fees, commissions and accrued interest. Adjustments are made on an aggregated basis. In the category other investment, German *Schuldscheine* are classified as loans in line with money and banking statistics and banks' accounting practice.

Loans between affiliated enterprises are excluded from FDI other capital, if just one MFI is involved. Apart from this exception, all long-term and short-term loans between affiliates are included.

Credit relationships between fellow enterprises, which have no direct investment relationship but belong to the same group, are recorded separately within direct investment transactions. Transactions in securities between affiliates are not included in FDI other capital, but are recorded under portfolio investment.

C.   International investment position

Reporting gaps exist for the portfolio transactions (and positions) of resident individuals that are undertaken (held in custody) with banks abroad.

2.2.   CoP8 Appropriate Statistical procedures / PC8 Appropriate Statistical procedures

2.2.1 Main features

A.   Balance of payments

The German data collection system can be classified as a Direct Reporting System. Primarily, the compilation of Germany's balance of payments is based on direct reporting by resident financial and non-financial enterprises, individuals and public authorities. The resident transactor is obliged to report on all transactions with non-residents. The term "transaction" is defined according to the BPM6. The monthly information collected through the direct reporting system, are complemented by other sources, such as: (1) monthly foreign trade

statistics compiled by the Federal Statistical Office (FSO) for merchandise data; (2) monthly reports to the Deutsche Bundesbank on the external positions of banks and non-banks for deriving short-term items of the other investment account; (3) Deutsche Bundesbank accounts for the reserve assets; (4) survey data on travellers for the travel item (debit side); (5) annual balance sheet data of direct investment enterprises for direct investment stock data and the corresponding reinvested earnings; (6) a monthly custodian survey on securities holdings for portfolio investment and subsequently derived income and transactions data (7) administrative data and (8) partner country data (BIS statistics, CPIS, bilateral data exchange).

Transactions below the exemption threshold of EUR 12,500 are estimated where relevant.

Germany's quarterly and annual balance of payments data are derived by aggregating monthly data. Generally, the underlying concepts, definitions, and classifications are therefore identical across series of differing periodicity.

B.   International investment position

General remarks: Germany's international investment position is compiled mainly on the basis of actual stock statistics. The main data sources are:

- the monthly stock statistics on the external assets and liabilities of domestic banks and of other domestic enterprises, households and general government arising from financial operations and trade credits;

- the monthly stock statistics of investment funds;

- the annual statistics on direct investment positions, which are used for compiling foreign direct investment stocks;

- the quarterly securities deposits statistics for the assets of portfolio investment positions;

- reserve assets taken from the Accounting Division and the Payments System Division of the Deutsche Bundesbank;

- accumulation of bop transactions in cases where no source data for stocks are available (e.g. portfolio investment liabilities positions);

- secondary / supplemental data sources (such as BIS data, custodian statistics).

These sources allow for a detailed sectoral classification.

For most i.i.p. items, the basic data are available in a timely fashion to allow for the bottom-up approach to be used to compile the quarterly i.i.p.

In the case of portfolio investment liabilities bop flows become available only 14 days before the end of the reporting quarter. Therefore, quarterly positions are compiled on the basis of modified cumulated stocks for total while a detailed country breakdown is available only once per year. Furthermore, these positions are subject to market and exchange rate valuation at the reference date.

International investment position statistics compiled in September each year are calculated on a country-by-country basis and then aggregated to regional groups (e.g. extra-European Monetary Union). This bottom up approach cannot be followed for preliminary end-of-quarter IIP positions. Therefore, these quarterly IIP data is compiled partly using an estimation method which is based on aggregated figures. The detailed bottom-up procedure is performed once a year and is the basis for the estimation of the remaining quarters.

2.2.2   Country specific aspects

More specific remarks on statistical techniques used for the compilation of the balance of payments and IIP statistics can be found at the SDDS Plus metadata and on the Deutsche Bundesbank's website:

https://www.bundesbank.de/en/statistics/external-sector/balance-of-payments/methodological-notes-622000

https://www.bundesbank.de/en/statistics/external-sector/international-investment-position

3.   STATISTICAL OUTPUT

3.1.   *CoP11 Relevance / PC11 Relevance*

At the national level, the Balance of Payments Statistics Division regularly contacts major users of German balance of payments data, such as the Economics Department of the Bundesbank, ministries, and other principal data users in order to be aware of emerging new national data needs, to discuss priorities and trade-offs, and to receive feedback on intended changes in methods, presentations, etc., if applicable.

On specific occasions, the Bundesbank has conducted user surveys in the past, addressed to a wider range of users, including research institutes, professional associations, etc. The continuous flow of data requests and other inquiries received from different users is documented and periodically analyzed to identify emerging data needs and to adapt the publication program according to these needs.

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

Extract from the German assessment of Eurostats BoP quality report 2012:

3.2.1   *Revisions*

Revisions in the Euroindicators and in the current account of the QBoP are small. The most relevant were recorded in the case of direct investment income and other investment income (credits and debits). Concerning the financial account, there were large revisions for direct investment inward and outward, portfolio investment liabilities, other investment assets and financial derivatives. These differences are explained by the availability of new data, late or corrective reporting and methodological changes. In the particular case of direct investment, revisions in reinvested earnings due to the replacement of estimates by first-time availability of profit and loss figures played a relevant role.

3.2.2   *Errors and omissions and integrity rules*

Errors and omissions have been kept at a relatively low value and without a particular persistency in their sign. Eurostat welcomes the effort to undertake monthly monitoring and regular investigations of the evolution of errors and omissions. Overall, consistency with the integrity rules is good or excellent while consistency between quarterly and annual data is in all cases excellent. (A stock/flow reconciliation will be assessed in the next quality report).

Stocks and flows are reconciled whenever IIP data are compiled, that is quarterly.

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

3.3.1 National requirements

A. Balance of payments

The Deutsche Bundesbank disseminates monthly balance of payments statistics 5-6 weeks after the end of the reference month. The actual publication date of balance of payments is available at the following address:

https://www.bundesbank.de/en/statistics/statistical-release-calender

B. International investment position

Data are available on a quarterly basis with a time-lag of 3 months after the end of the reference quarter. Every year in September, an IIP for the preceding year-end is compiled on the basis of more detailed data sources and is published in a dedicated press release. At the same time, end-of quarter data of the preceding year are re-calculated using the more detailed compilation procedures.

3.3.2 EU and other international requirements

Germany met all timeliness requirements from international institutions (ECB, Eurostat, IMF, OECD and BIS).

Germany is an also an adherent of the Special Data Dissemination Standard (SDDS) Plus – the highest tier of the Fund's Data Standards Initiatives. All data required in the field of balance of payments and international investment position statistics can be accessed via the German National Data Summary Page: https://www.destatis.de/DE/ZahlenFakten/Indikatoren/Konjunkturindikatoren/IMF/IMF_IWF.html

3.4. CoP14 Coherence and comparability / PC14 Consistency and comparability

3.4.1 Bilateral asymmetries

In the case of FDI, top asymmetries are mostly related to two partner countries. Germany is a very active participant in the FDI Network and is encouraged to continue being so.

3.4.2 Consistency with related statistics

Conceptually, data are consistent for external debt, IIP, balance of payments data, and the rest-of the world account; in practice, differences may occur due to different data sources or revision practices.

C. Balance of payments

The Bundesbank reconciles on a monthly basis between foreign trade and balance of payments statistics and publishes these reconciliations in the Statistical Supplement to the Monthly Report No 3. The directional consistency shows a stable trend of goods credits/debits being bigger than exports/imports in FTS although within reasonable margins. The differences are explained by methodological adjustments to foreign trade data in order to comply with BoP concepts. Original foreign trade statistics are published together with the supplementary trade items that allow for the calculation of balance of payments-based goods estimates. With the implementation of BPM6 and ESA2010 in 2014, the German balance of payments statistics and national accounts are conceptually consistent. However, differing data sources and revision timetables may still produce some differences in practice. These are regularly assessed and documented.

For balance of payments transactions of the banking sector, the Bundesbank checks with money and banking statistics monthly for transactions in assets and liabilities of other investment and for assets in long-term debt securities as well as in direct investment and portfolio investment shares to solve and explain any major discrepancies between the two datasets. Balance of payments data transmitted to the ECB also undergo similar consistency checks with money and banking statistics at the ECB.

3.4.3 "Time" and back data consistency

Consistent time series are made available to the users as far backwards as possible, partly dating back to 1991. Plans exist to extend time series for the main components on a BPM6 basis back to 1971. Breaks in the time series have occurred, in some instances, when changes in source data, methodology, or statistical techniques could not be reconstructed backwards owing to the lack of data. This is the case, for example, for a number of detailed breakdowns that were implemented with BPM6 methodology.

Adjustments or estimates to maintain consistent time series and/or causes of any major breaks in the series are explained in methodological essays in the Bundesbank's Monthly Report and the methodological notes of the Statistical Supplement on Balance of Payments Statistics.

3.4.4 Consistency across frequencies

Germany's quarterly and annual balance of payments data are derived by aggregating monthly data. Generally, the underlying concepts, definitions, and classifications are therefore identical across series of differing periodicity.

3.5. CoP15 Accessibility and Clarity / PC15 Accessibility and Clarity

3.5.1 Data

A. Balance of payments

The monthly press release on balance of payments statistics contains a table with major balance of payments aggregates accompanied by a short commentary on current-period developments. The table includes preliminary data for the current reporting month and revised data for the previous month.

The March issue of the Monthly Report focuses on annual trends, specific items (e.g., travel, direct investment, income), regional analyses, statistical issues and on possible methodological changes within the balance of payments statistics.

In addition to the monthly Balance of Payments Statistical Supplement, an annual publication Balance of Payments by Region exists.

More information on Germany's balance of payments data can be found on the website of the Deutsche Bundesbank:

https://www.bundesbank.de/de/statistiken/aussenwirtschaft/zahlungsbilanz
https://www.bundesbank.de/en/statistics/external-sector/balance-of-payments

Data can be accessed and downloaded via the time series database:

https://www.bundesbank.de/dynamic/action/de/statistiken/zeitreihen-datenbanken/zeitreihen-datenbank/723444/723444?treeAnchor=AUSSENWIRTSCHAFT&statisticType=BBK_ITS&openNodeId=1237216

B.   International investment position

The monthly Balance of Payments Statistical Supplement includes tables on quarterly IIP.

More information on Germany's international investment position data can be found on the website of the Deutsche Bundesbank:

Fehler! Hyperlink-Referenz ungültig.

https://www.bundesbank.de/en/statistics/external-sector/international-investment-position

Data can be accessed and downloaded via the time series database:

https://www.bundesbank.de/dynamic/action/de/statistiken/zeitreihen-datenbanken/zeitreihen-datenbank/723444/723444?treeAnchor=AUSSENWIRTSCHAFT&statisticType=BBK_ITS&openNodeId=1237216

3.5.2   Metadata

See previous sub-section