

**Fifteenth Meeting of the
IMF Committee on Balance of Payments Statistics
Canberra, Australia, October 21–25, 2002**

Revisions in the New Zealand Balance of Payments

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Paper for BOPCOM meeting, Canberra 21-25 October

Introduction

The objective of this paper is to explain Statistics New Zealand's revisions policy and practice for Balance of Payments (BoP) and International Investment Position (IIP) statistics. This is then compared with the standards relating to revision policy and practice contained in the International Monetary Fund's Data Quality Assessment Framework. Some high level information is also provided showing the extent of revisions between first published and latest statistics.

Frequency and timing of the application of revisions to data series may influence the apparent nature of errors and user perceptions of quality. For example, in some countries, revisions may be stockpiled for many periods and then applied simultaneously. Between these major updates there will be an artificial impression of reliability in the statistics which may be misleading for users unfamiliar with the revisions practice. On the other hand, some stockpiled revisions may offset each other, which will tend to lessen the impact of the revisions when they are applied. However, this will be at the cost of releasing less accurate statistics between updates.

Statistics New Zealand's Revisions policy¹

The policy for revising BOP and IIP statistics is that at each new release of quarterly statistics, the previous quarter's statistics will be revised where necessary. These are termed 'quarterly revisions'. Revisions prior to the previous quarter are normally accumulated until the release of the March quarter statistics. These are termed 'annual revisions'. This policy applies to the BOP statement and to the IIP.

The objective of the policy is to meet accuracy requirements, while at the same time ensuring stability in the series over a four-quarter period. The alternative is to revise any period as required at each release, a practice which would very likely result in changes to a variable number of periods at each release. The need for very significant revisions arising outside this revisions cycle would be determined on a case by case basis, balancing the needs of stability in the series against the integrity of the statistics.

Quarterly revisions typically arise from:

- birthing enterprises to the survey during the survey period with data arriving too late to be included in the first release of statistics for the period;
- data from existing survey respondents arriving too late for inclusion in the first release. In some cases estimates are made for these non-respondents at first release and these estimates are then replaced by actual data at second release;

¹ *Balance of Payments Sources and Methods*, 2001 Edition, Chapter 4, Data Dissemination and Related Issues, page 36

- restatements of data by survey respondents and the correction of errors made in processing the data.

Annual revisions typically arise from:

- validation of previously supplied data against company accounts;
- conceptual and methodological changes;
- and periodic reviews and census benchmarks.

Examples of revisions made outside the standard revisions cycle

It is rare for revisions to be made outside of the standard cycle documented above. However, there have been two recent examples which illustrate how this policy can be applied in practice:

- (i) An error was detected in the methodology used in calculating the undercoverage estimate for both New Zealand investment abroad (international assets), and foreign investment in New Zealand (international liabilities). The error was significant enough to warrant revising outside the normal cycle, but was discovered too late to enable corrected statistics to be prepared for the latest (June 2002 quarter) release. Rather than republishing aggregates known to contain significant errors, the affected tables were not included with the release on September 26.

Users were informed that the updated series would be released as soon as practicable after this release, with an indicative time period of four weeks. They were also given an indication of the size of the planned revision to total New Zealand investment abroad and total foreign investment in New Zealand.

- (ii) A revision was also made in the June 2002 quarter release to the education credits series. The impact on the published Balance of Payments aggregates would not be significant enough in its own right to justify deviating from the standard revision cycle. However the revision did have significant implications for household consumption expenditure in the National Accounts, so it was important to revise the National Accounts figures.

Statistics New Zealand's policy of consistency between the National Accounts and Balance of Payments statistics justified making the revision to the Balance of Payments at the same time.

Consistency with Data Quality Assessment Framework

Statistics New Zealand's revisions policy for BoP and IIP statistics is broadly consistent with the guidelines contained in section 4.4 of the International Monetary Fund's Data Quality Assessment Framework.

The revision cycle is documented in the Sources and Methods publication, which is freely available on our website www.stats.govt.nz. The policy has been in place for many years and is well understood by key users, and they are aware first published data is preliminary and subject to change.

If we have reason to believe revisions are likely to be larger than might normally be expected, this is pointed out to users when we release the preliminary data. One example of this was in the June 2001 quarter release in late September, at which time there were some significant events which affected the financial account and IIP. In that release we noted that “in some cases, data for large and complex international investment events are not finalised within the ... publication cycle, and in some cases accurate information on transactions may not be available for several quarters.”

Revised data is available at the same level of detail as previously published. All tables in each quarterly release include the most up-to-date statistics for the latest six quarters. Updated data for longer term revisions are available via our public access time series database or will be supplied on request.

Revisions to the previous quarter are highlighted in the commentary section of each release, with a comparison between previously published and revised statistics at the major component level. Comparisons between previously published and revised statistics are also available on request for other publishable component and sub-components, and for other time periods.

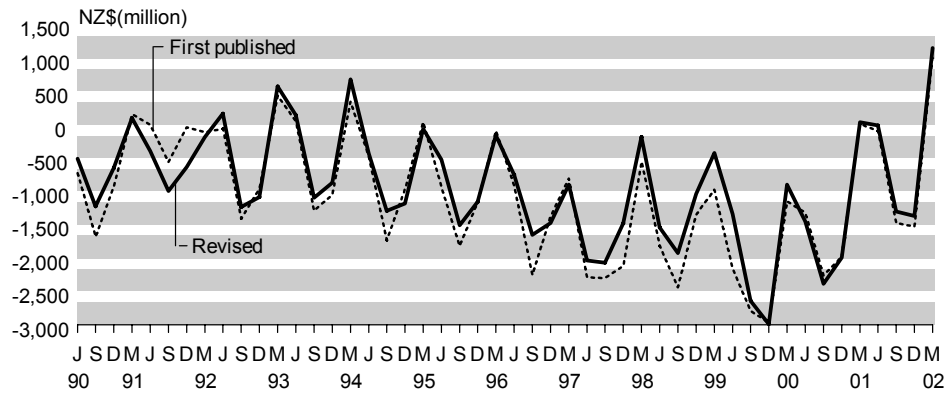
Broad explanations for revisions are included in the release, including explanations of any significant methodological changes. This meets the needs of most users, and there are very few requests for more information about why the data has been revised. If users require more detail on the reasons for revisions than is provided in the release, this is available on request, subject to confidentiality constraints.

Studies of the extent of revisions between first published and latest data have been undertaken within Statistics New Zealand. These studies have also compared the extent of New Zealand’s revisions to the BoP compared with other countries. These studies showed that New Zealand’s Balance of Payments revisions compared favourably, in terms of magnitudes, relative percentages and frequency, with those of Australia, the United Kingdom and Canada. To date, these have been internal exercises to monitor quality and have not been disseminated outside Statistics New Zealand.

Extent of revisions between preliminary and latest data

The following graph shows the change between first published and the most recently revised current account balance. Comparisons between first published and latest statistics are complicated by the move from BPM4 to BPM5, particularly at the component level. To aid comparability over time, and between first published and revised, any BPM5 values have been adjusted in the graph below to add in migrants’ transfers, to approximate a BPM4 current account balance series.

Quarterly balance on current account *First published vs revised*



It is important to note that, since the credits and debits series are of similar magnitudes, a relatively insignificant revision in either or both series (in percentage terms) can result in very significant revisions for the balance.

A major influence on the size of the revisions prior to 2000 was the methodology used for estimating quarterly investment income. The sources were a quarterly sample survey, which was reconciled against more comprehensive annual survey data for sampled firms as well as for firms outside the quarterly sample. We are now getting better information each quarter, via our Quarterly International Investment Survey.

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September 2002.