



Warsaw, 30 September 2022

Revision of balance of payments and international investment position statistics data 2004-2021

On 30 September 2022, the Department of Statistics released revised data of the Polish balance of payments for 2004-2021 and the international investment position for 2010-2021. It was a periodic data revision within the scope of data quality management (due to acquisition of new data sources). Periodic revisions of complete time series are carried out with a view to provide users with complete, coherent and comparable data. The above-mentioned revision is parallel to the revision of national accounts scheduled to this October by Statistics Poland.

The scope of revised data covers two main domains, first revision under which transactions of non-resident VAT payers in Poland were excluded from trade in goods; the other covered new approach to transfers from the European Commission. The first of these revisions has an effect on deterioration of the current account balance, while the second influences its improvement. For example, in 2020, both revisions combined resulted in PLN 8 billion decrease in the current account balance due to the PLN 25.6 billion drop in the trade in goods balance. In contrast, the secondary income balance improved strongly, up by PLN 19.6 billion, as a result of the new approach to transfers from the European Union. At the same time the balance on primary income went down by PLN 2.8 billion.

In addition to changes in the current account, the new approach to the EU funds also affected the balance on capital account as well as stocks and transactions in the external assets of the government sector. For example, in 2020, the capital account balance deteriorated by approximately PLN 21.6 billion.

These changes contributed to a significant downsizing of errors and omissions balance thus signaling an improvement in the balance of payments data quality.



Trade in goods revision – non-resident transactions excluded

In accordance with international requirements, balance of payments and national account statistics (Balance of Payments and International Investment Position Manual Sixth Edition and European System of Accounts 2010) should record trade in goods of Polish residents with non-residents, which involves a change in the economic ownership of the traded good. The time at which goods cross the border, retrieved from the foreign trade statistics (FTS), is commonly taken as an approximation to the time when the change of economic ownership occurs.

In the course of the methodology review and quality management of the foreign trade statistics, an increasing significance of transactions by non-resident VAT payers in Poland has been noticed. In the Polish foreign trade and across all statistics, only Polish entities (Polish residents) should be included as respondents. However, the European single market and standard European Union VAT regulations allow for the VAT tax to be paid in Poland by non-resident entities with registered office abroad. At the same time, the EU data collection system for compiling statistics on international trade in goods between EU Member States (Intrastat) imposes statistical reporting obligation on VAT payers. This results in a situation where entities with a registered office abroad (i.e. in a country other than Poland) but being VAT payers in Poland report to the Polish statistical system and are recorded under e.g. Polish exports.

The balance of payments methodology stipulates that non-resident VAT-related transactions should be excluded and replaced with real values of transactions between Polish residents and non-residents. The value of the adjustment in individual years of the period varies from about PLN 1.0 billion to minus PLN 25.0 billion, which is not without influence on the deterioration of the current account balance.

EU transfers recorded on an accrual basis

International statistical standards provide that EU transfers should be recorded on an accrual basis. According to this method, expenditure is recorded in the period to which it relates, i.e. when recipients of the funds actually incur the expenditure. This makes it possible to determine the impact of EU transfers on the investment and consumption expenditure of domestic entities. So far, EU transfers in the balance of payments have been recorded on a cash basis. Under the cash basis, expenditure was recognized when transfer



from the European Commission was registered in the Ministry of Finance's account with Narodowy Bank Polski.

New data sources acquired from the Ministry of Finance have made the shift from cash to accrual basis possible. These changes also allow for a more precise division of transfers into current transfers (financing consumption) and capital transfers (financing investment). The accrual method of recording EU funds in the balance of payments also makes it necessary to record the Polish government credits vi-á-vis the European Commission.

This adjustment resulted in an improved balance on current account, owing to a strong increase in secondary income credits along with a slight decrease in primary income credits. For example, in 2020, current account credits against EU transfers increased by PLN 17.6 billion as a result of this adjustment (an increase in secondary income credits by PLN 19.6 billion and a decrease in primary income credits by PLN 2.0 billion). At the same time, a deterioration in the balance on capital account was recorded (down by PLN 21.6 billion in 2020).