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# “ERRORS & OMISSIONS” IN THE REPORTING OF AUSTRALIA’S CROSS-BORDER TRANSACTIONS

Dietrich K Fausten and Brett Pickett\*

## ABSTRACT

Large and variable errors & omissions indicate inaccuracies in reported data. It follows that reported data constitute inaccurate and potentially unreliable information for policy formation. To the extent that successive data revisions involve substantial alterations in the reported statistics, the study of policy conduct and of policy effectiveness is distorted. These considerations draw attention to the nature and extent to which economic processes are misreported. Accordingly, the present study explores two specific issues in the statistical reporting of Australia’s cross-border transactions: convergence of reported transactions over successive revisions, and the potential source or prominent driver/-s of the balancing item. The major positive findings are that there is only limited evidence of convergence of measured to true magnitudes of cross-border transactions; that there is robust evidence of structural instability of the balancing item; and that financial transactions appear increasingly to constitute the major source of misreporting of balance of payments outcomes.

**Keywords:** Errors and omissions; balancing item; balance of payments accounts

**JEL classification:** F40, C1

- 1 Descriptive characteristics**
  - 1.1 Properties of initial release data
  - 1.2 Data revisions
- 2 Structural Stability**
  - 2.1 Moments of E&O time series
  - 2.2 Testing for structural breaks using Bayesian methods
- 3 Analysis**
  - 3.1 Systematic and unsystematic errors
  - 3.2 Sectoral balance constraints
  - 3.3 Component transactions flows
  - 3.4 IMF diagnosis
- 4 Conclusion**

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