

**Seventeenth Meeting of the  
IMF Committee on Balance of Payments Statistics  
Pretoria, October 26–29, 2004**

**Summary Outcomes of the Review of the IMF *Annotated Outline* of BPM6 and BOPTG  
Papers  
by the Interagency Task Force on Statistics of International Trade in Services**

**Prepared by OECD Statistics Directorate**

## IMF Balance of Payments Statistics Committee

Pretoria

26-29 October 2004

### **Draft Summary Report of the Interagency Task Force on Statistics of International Trade in Services**

#### **Summary Outcomes of the Review of The IMF Annotated Outline of BPM6 and BOPTTEG Papers**

Issues raised in the Annotated Outline of a revised Balance of Payments Manual (AO) impacting on measurement of international trade in services, together with corresponding BOPTTEG<sup>1</sup> issues and outcome papers were reviewed by the Interagency Task Force on Statistics of International Trade in Services (ITFSITS) at the OECD in Paris on 13-14 September 2004.

#### **Summary Conclusions ITFSITS**

##### **(Table 9.1 and para 9.6-9.7) Separate Trade in Goods and Trade in Services Accounts -**

There was a consensus among the ITFSITS to separate goods and services in the balance of payments current accounts. It noted a drafting problem with the sentence in paragraph 9.7 p.121, that suggested 'trade between related parties' was equivalent to 'foreign affiliates trade statistics', when it was not quite the same thing.

#### **Non-monetary Gold**

It was concluded that the treatment of non-monetary gold had much wider implications than trade, that it was being discussed in other expert groups, and that for now ITFSITS should leave the issue open.

#### **(Table 9.2) Reconciliation of Merchandise Trade data with Balance of Payments Trade in Goods Data**

There was consensus in the ITFSITS about the need to clarify and reconcile the relationship between merchandise trade data and trade in goods in the balance of payments.

#### **(Para 9.15-9.16)BOPTTEG Outcome Paper 14b Goods for Processing**

The ITFSITS noted the BOPTTEG Outcome paper recommendations, but considered that it was important to **further consider** SNA, input-output and merchandise trade needs on this subject. The services view was not sufficient. There were analytical arguments from merchandise trade

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<sup>1</sup> Balance of Payments Technical Expert Group

perspectives and input-output for “Goods for processing”, because of its importance, to stay in the goods account, but conceptual arguments and practical data collection arguments in some countries for it to move to services.

### **Table 9.3 (Paras 9.31-9.60) Classification issues**

#### *Repairs*

The ITFSITS concluded that:

- i) there is no major objection to “repairs on goods” being treated as services.
- ii) there should be a clarification of the distinction made between maintenance and repairs
- iii) there was a need for consistent terminology regarding repairs across different frameworks and classifications

#### *(Para 9.35) Transport*

The ITFSITS concluded no change should be made in the classification of passenger transportation. International passenger transport should remain with transport.

#### *(Para 9.39 table 9.3) Travel*

The ITFSITS noted a suggestion from UNSD to separately identify **fees** for education and health within the category "all other (travel) expenditures" as proposed in the alternative breakdown of the AO for travel services (page 131 AO). It also noted a more radical suggestion, which would involve moving from a transaction-based/mode of delivery of service based EBOPS classification to a product approach more in line with CPC, according to which, education and health fees should be reported under 10.2.

The ITFSITS approved the alternative breakdown of travel proposed in the AO, which would give extra momentum to the collection of this information.

#### *(Para 9.43) Information technology services*

The ITFSITS concluded that:

- i) there would be support for combining Communication and Computer and information services in the new “Information technology services” category, provided that post and courier services are excluded.
- ii) it was proposed to create a new item 1.4, under transportation (as part of freight) to record postal and courier services.
- ii) the proposed category 3.3 “internet provision services” was difficult to separate out and may be small, and it should be dropped.
- iii) there was some reservation about finalising the breakdown of Information technology services: this was an evolving area and the revision of the CPC would be an important factor in making final recommendations (if they have a resolution before 2006)
- iv) there was a need to clarify the description and treatment of software in the new BPM

#### *(Para 9.49) Insurance*

The ITFSITS concluded:

- i) by noting the recommendation on insurance from the SNA;
- ii) that there remained some issues on treatment of transfers in BOP (whether as capital or current);

- iii) that some potential problems were foreseen in the collection of the data, particularly for reinsurance;
- iv) on the need to monitor the US situation and anticipate the effect of methodology change on the level of insurance services reported. The TF had some concerns about the effect of that methodology change;
- v) that there was an issue regarding the accrual basis of the registration of insurance transactions because it was difficult to give proper timing to these;
- vi) by supporting the creation of an optional breakdown between direct insurance and reinsurance in the BOP classification.

*(Para 9.51) FISIM*

The ITFSITS noted the need for consistency with SNA but that genuine concerns remain about how to implement FISIM in balance of payments

*(Para 9.54) Royalties and License fees Terminology*

The ITFSITS noted that it would be appropriate to wait for the Canberra II Group's recommendations on terminology.

*(Para 9.59) Government services n.i.e.*

The ITFSITS concluded that:

- i) there is an interest in knowing whether health and education are included in Government services and to the extent possible encouraging reporters to exclude these and include them under education and health categories;
- ii) metadata on government services n.i.e. should be encouraged.

#### **Chapter 4. Residency (BOPTeg Outcome paper 8)**

World Tourism Organization presented a discussion paper setting out the arguments for a stricter interpretation of the one-year rule to facilitate the identification of international tourism from balance of payments travel data.

On the one year rule and the concept of residency of households, the ITFSITS noted that:

- i) in determining the centre of economic interest for households there were strong views in different directions: for a significant number of countries no change to the current exceptions to the one year rule is wished, particularly regarding foreign students; on the other hand this is seen by some other countries and organisations as an impediment to getting more consistency between balance of payments data with tourism statistics; exceptions complicate the equation;
- ii) for certain countries residency of migrant workers is an important issue;
- iii) extra guidance on these issues will come to the BOPCOM from individual countries responses to the AO consultation.

#### **Implementation of the Manual on Statistics of International Trade in Services**

*Compilation guidance*

The World Tourism Organisation presented a revised draft of a module on travel compilation guidance in the balance of payments, which sought also to develop synergies with the collection of international tourism data.

The ITFSITS welcomed a proposal to identify conceptual differences regarding tourism related issues in SNA93 / BPM5 / TSA / MIGRATION in a bridge table exercise, which would be an agenda issue for its next meeting.

In the light of the revision of BPM5 and the consequent uncertainty over future recommendations affecting the travel item, the ITFSITS agreed to defer discussions on compilation guidance until the recommendations were decided.

#### *Coordination of Technical Assistance*

The ITFSITS has an ongoing practice of sharing information on future technical assistance events and seminars on trade in services, in order to avoid duplication and combine scarce resources where appropriate. The shared information is compiled by and available from the IMF (Natalia Ivanik).

A training module on statistics of international trade in services has been created by the WTO/OMC, with contributions from the Task Force. This followed a request from the World Bank. The training module has been tested, well-received and refined in seven seminars in SE Europe in 2004 and is now generally available on the UN ITFSITS website.

Selected future events include:

Host	Dates	Subject	Agency Provider
Center of Excellence in Finance	Nov 17-18, 2004	Monitoring Services for Balance of Payments Statistics	IMF
ESCWA	Dec 14-17, 2004	Trade in services	UNSD WTO/OMC
CARICOM	1 <sup>st</sup> quarter 2005	Trade in services statistics	UNSD/CARICOM

There are also plans to propose a training seminar for Asian countries--via UN ESCAP--in 2005.

#### **Revision/Updating of the Manual on Statistics of International Trade in Services**

Following the revision of BPM5, the activity and product classifications ISIC and CPC, together with a planned chapter on Mode 4, it will be necessary to update the Manual on Statistics of International Trade in Services (MSITS).

The ITFSITS plans to produce a revised MSITS in 2008 for approval by UN Statistical Commission (UNSC) in 2009. The process will begin in late 2005 with a review of EBOPS and apart from the above mentioned driving factors, because of the relative newness of MSITS – first published in 2002--the planned revision or update will be limited in scope.

More explanation and a timetable is attached at Annex 1.

#### **Date of Next Meeting**

The next meeting of ITFSITS will take place on 2-3 February 2005 in Paris, following a meeting on 31 January and 1 February of the TSG on Mode 4.

## **Annex 1**

### **Timetable for a Revised Manual on Statistics of International Trade in Services**

The Manual on Statistics of International Trade in Services (MSITS) was published by six agencies at the end of 2002. It represented a major step forward in the measurement of such trade. MSITS is constructed with some elaboration on two basic frameworks: i) for services trade between residents and non-residents - the IMF Balance of Payments Manual Fifth Edition (BPM5), which is currently being revised; ii) for foreign affiliates trade in services – the forthcoming OECD Handbook of Economic Globalisation Indicators (HEGI), expected late in 2004.

In considering modes of supply the MSITS acknowledged some unfinished business regarding coverage of mode 4 trade in services. It was envisaged that a future revision would contain a chapter setting out a statistical framework for the measurement of mode 4. The UNSD led Technical Sub-Group on Mode 4 aims to prepare such a chapter.

In addition the Central Product Classification (CPC) and International Standard Industry Classification are being revised in 2007.

Given the current revision of BPM5 to be completed in 2008 and the related revision of SNA, the publication of the HEGI, the planned chapter on Mode 4 measurement, and the revisions of product and activity classifications, it would seem appropriate to aim to produce a revised MSITS closely following the date of the revised BPM5.

The MSITS revision would largely reflect the impact of these other developments, but might also take into account to a limited extent experiences in implementing the MSITS, other progress in measuring modes of supply, and any necessary updating. For example the main trade in services classification in the EBOPS will need to be reviewed. However it is envisaged that issues not reflected in the aforementioned revisions would be limited in scope.

*The ITFSITS has agreed to produce a revised MSITS, which is planned for 2008 for approval by UN Statistical Commission (UNSC) in 2009.*

#### **Timetable:**

##### **Inputs:**

**December 2005 – April 2006** invitation for proposals for

- i) revised EBOPS
- ii) on issues to be included in scope of revision

**2006** Revised BPM5 Draft Final

**2006 ?** Chapter on Mode 4 2006

**2007** Revised ISIC and CPC Final

##### **Production:**

**June to December 2006** TF Review issues for revised MSITS and draft outline of revised MSITS including EBOPS

**February to June 2007** Consultations on revised EBOPS and outline of revised MSITS.

**July 2007 – March 2008** TF to review comments and draft revised MSITS

**April - July 2008** world-wide consultation on draft revised MSITS

**September – December 2008** TF to review comments and draft final submission to UNSC 2009

**Publication:**

**April – December 2009** produce publication

**2010** Publication of MSITS rev 1

OECD Statistics Directorate

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