

Eleventh Meeting of the
IMF Committee on Balance of Payments Statistics

Washington, D.C., October 21–23, 1998

Concordance between the *BPM5* Classification of Services, the Joint OECD/Eurostat
Classification of Services, and the Central Product Classification: Status Report

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I. INTRODUCTION

During the 1997 meeting of the IMF Committee on Balance of Payments,¹ it was noted that the proposed manual on statistics of international trade in services² would contain a classification for transactions between residents and nonresidents that would be based on the *BPM5* classification of services and the Joint OECD/Eurostat Trade in Services Classification (the OECD/Eurostat Classification), and would also contain a limited number of additional items important for trade negotiations. Further, the manual would show the linkages between its classification, the *BPM5* classification, the OECD/Eurostat Classification, and the Central Product Classification (CPC)³.

This paper presents, as Attachment 1, a draft table showing the links between the OECD/Eurostat Classification and both the provisional CPC and CPC version 1.0 for all services transactions. Work will continue to finalize the classification to be used in the manual, along with the CPC linkages for this classification.

This work will also be used to update Appendix III of *BPM5*, which currently links the balance of payments services classification and the provisional CPC.

II. BACKGROUND

Work on developing a full concordance between the balance of payments services components and both the provisional CPC and CPC version 1.0 was begun by Statistics Canada in late 1996. The OECD/Eurostat Classification (which is an elaboration of the *BPM5* classification) was used in this exercise, rather than the *BPM5* classification of services, as the OECD/Eurostat Classification was to be the basis for the classification recommended in the proposed manual on statistics of international trade in services. The relationship between the *BPM5* classification of services and the OECD/Eurostat Classification is shown in Attachment 2. At the meeting of June 26–27, 1997 of the Inter-Agency Task Force on Statistics of International Trade in Services (Task Force), the IMF agreed to take over and complete this work. In fact, this work reflects close cooperation between the IMF, the United Nations Statistical Division and Statistics Canada, which in May 1998 met together to refine the concordance. A detailed concordance table, based on the OECD/Eurostat Classification

¹ Refer to paper BOPCOM97/1/14 for further information.

² The manual is being developed by the Inter-Agency Task Force on Statistics of International Trade in Services.

³ A copy of the UN publication *Central Product Classification (CPC) Version 1.0* is provided with this paper.

was presented to the Task Force at its meeting during June 9–10, 1998. At this time, it became apparent that there were a number of areas (described in Attachment 3) where the *BPM5* classification and the OECD/Eurostat classification required further clarification.

III. CURRENT AND FUTURE WORK

This concordance will be further elaborated to show the links between the classification included in the manual on statistics of international trade in services and both versions of the CPC. A table showing the links with CPC version 1.0 will be included in the manual, which will be sent in draft form to all balance of payments compilers in IMF countries for review at the end of this year⁴. The Fund will review all comments received from country balance of payments compilers as a result both of this paper and of the world-wide review of the manual, and will then finalize the concordances of the *BPM5* classification, the OECD/Eurostat Classification, the elaborated classification for the manual on statistics of international trade in services and the Central Product Classification (CPC). These will be sent to the Committee for final clearance.

In addition, the IMF proposes to make the draft concordance more generally accessible to compilers by posting it on the balance of payments website. This would be updated once comments from compilers have been considered and the concordance has been finalized.

Appendix III of *BPM5* provides a comparison of the balance of payments classification of services and the provisional CPC. Once the concordance with CPC version 1.0 is finalized, a next step would be to update this appendix, at the same time providing more detail and clarification of the definitions of the balance of payments services components. This updated appendix could be made available to all compilers, both by mailing out copies and through the IMF balance of payments website.

IV. ISSUES FOR THE COMMITTEE

- Members of the Committee are requested to pass the concordance, along with the issues for consideration (that is, Attachments 1 and 3) to their countries' balance of payments technical experts for review, with written comments to be provided to the Fund (Mr. Patterson) by October 30, 1998.
- Members of the Committee are invited to give their provisional reactions to the draft concordance at the meeting, recognizing that it is subject to further changes after the balance of payments compilers review the content in the context of the world-wide review of the manual. These reactions might relate to the usefulness of the concordance and its presentation (for example, is the concordance organized in a useful manner?).

⁴ See BOPCOM98/1/5 for the detailed timetable for the production of this manual.

- Does the Committee consider it appropriate to produce and disseminate to balance of payments compilers a concordance at a more aggregated level, that is, at the *BPM5* component level?
- Is the Committee in agreement with the clarifications to the balance of payments classification identified in Attachment 3?
- Does the Committee agree that it would be appropriate to make the draft concordance available to compilers in draft form by posting it on the Fund's website after it has been endorsed by this Committee meeting?
- Does the Committee agree that it would be useful to update Appendix III of *BPM5* to describe the *BPM5* services components in terms of CPC version 1.0? What does the Committee consider to be the most appropriate form(s) of dissemination of such an update?

Balance of Payments and Joint OECD/Eurostat Classifications of Services

This attachment shows the relationship between the balance of payments and Joint OECD/Eurostat classifications of services. In the following:

1. Items not marked are standard balance of payments components as defined in *BPM5*.
2. Items marked ‘†’ are supplementary items in the *BPM5* classification.
3. Items marked ‘*’ are items that are not standard balance of payments components, but are identified separately in the Joint OECD/Eurostat classification of services, which is an elaboration of the *BPM5* classification.
4. Items marked ‘††’ are memorandum items in *BPM5*.
5. Items marked ‘**’ are memorandum items identified in the Joint OECD/Eurostat classification of services, but not in *BPM5*.
6. The codes listed to the right side of the page are the standard codes used by IMF, OECD, Eurostat and many country compilers when referring to the balance of payments.

| <u>Component</u> | <u>Code</u> |
|--|-------------|
| 1B. Current account - services | |
| 1. Transportation | 205 |
| 1.1 Sea transport | 206 |
| 1.1.1 Passenger | 207 |
| 1.1.2 Freight | 208 |
| 1.1.3 Other | 209 |
| 1.2 Air transport | 210 |
| 1.2.1 Passenger | 211 |
| 1.2.2 Freight | 212 |
| 1.2.3 Other | 213 |
| 1.3 Other transport | 214 |
| 1.3.1 Passenger | 215 |
| 1.3.2 Freight | 216 |
| 1.3.3 Other | 217 |
| Extended classification of other transport (1.3) | |
| *1.4 Space transport | 218 |
| *1.5 Rail transport | 219 |
| *1.5.1 Passenger | 220 |
| *1.5.2 Freight | 221 |
| *1.5.3 Supporting, auxiliary, and other services | 222 |

| | | |
|----------|--|-----|
| *1.6 | Road transport | 223 |
| *1.6.1 | Passenger | 224 |
| *1.6.2 | Freight | 225 |
| *1.6.3 | Supporting, auxiliary, and other services | 226 |
| *1.7 | Inland waterway transport | 227 |
| *1.7.1 | Passenger | 228 |
| *1.7.2 | Freight | 229 |
| *1.7.3 | Supporting, auxiliary, and other services | 230 |
| *1.8 | Pipeline transport | 231 |
| *1.9 | Other supporting and auxiliary transport services | 232 |
| 2. | Travel | 236 |
| 2.1 | Business | 237 |
| *2.1.1 | Expenditure by seasonal and border workers | 238 |
| *2.1.2 | Other | 239 |
| 2.2 | Personal | 240 |
| †*2.2.1 | Health-related expenditure | 241 |
| †*2.2.2 | Education-related expenditure | 242 |
| †*2.2.3 | Other | 243 |
| 3. | Communications services | 245 |
| *3.1 | Postal and courier services | 246 |
| *3.2 | Telecommunication services | 247 |
| 4. | Construction services | 249 |
| *4.1 | Construction abroad | 250 |
| *4.2 | Construction in the compiling economy | 251 |
| 5. | Insurance services | 253 |
| *5.1 | Life insurance and pension funding | 254 |
| *5.2 | Freight insurance | 255 |
| *5.3 | Other direct insurance | 256 |
| *5.4 | Reinsurance | 257 |
| *5.5 | Auxiliary services | 258 |
| 6. | Financial services | 260 |
| 7. | Computer and information services | 262 |
| *7.1 | Computer services | 263 |
| *7.2 | Information services | 264 |
| 8. | Royalties and license fees | 266 |
| 9. | Other business services | 268 |
| 9.1 | Merchanting and other trade-related services | 269 |
| *9.1.1 | Merchanting | 270 |
| *9.1.2 | Other | 271 |
| 9.2 | Operational leasing services | 272 |
| 9.3 | Miscellaneous business, professional, and technical services | 273 |
| †*9.3.1 | Legal, accounting, management consulting, and public relations | 274 |
| *9.3.1.1 | Legal services | 275 |
| *9.3.1.2 | Accounting, auditing, book-keeping and tax consulting services | 276 |

| | |
|--|-----|
| *9.3.1.3 Business and management consultancy and public relations services | 277 |
| †*9.3.2 Advertising, market research, and public opinion polling | 278 |
| †*9.3.3 Research and development | 279 |
| †*9.3.4 Architectural, engineering, and other technical | 280 |
| †*9.3.5 Agricultural, mining, and on-site processing | 281 |
| *9.3.5.1 Waste treatment and depollution | 282 |
| *9.3.5.2 Other | 283 |
| †*9.3.6 Other | 284 |
| *9.3.7 Services between affiliated enterprises, n.i.e. | 285 |
| 10. Personal, cultural, and recreational services | 287 |
| 10.1 Audio-visual and related services | 288 |
| 10.2 Other personal, cultural, and recreational services | 289 |
| 11. Government services, n.i.e. | 291 |
| *11.1 Embassies and consulates | 292 |
| *11.2 Military units and agencies | 293 |
| *11.3 Other | 294 |

3. Memorandum items

| | |
|---|-----|
| **3.1 Freight transportation on the basis of ex-works valuation of merchandise | 950 |
| **3.1.1 Air freight | 951 |
| **3.1.2 Sea freight | 952 |
| **3.1.3 Road freight | 953 |
| **3.1.4 Other freight | 954 |
| **3.2 Tourists | 955 |
| **3.3 Goods purchased in the frontier area by travelers | 956 |
| **3.4 Hotel and restaurant services | 957 |
| **3.5 Postal services | 958 |
| **3.6 Courier services | 959 |
| ††3.7 Gross insurance premiums | 960 |
| ††3.8 Gross insurance claims | 961 |
| **3.9 Merchanting gross flows | 962 |
| **3.10 Other miscellaneous business, professional and technical services (OECD/Eurostat alternative regrouping of 1.B.9.3.5 plus 1.B.9.3.6) | 963 |
| **3.10.1 Agricultural services | 964 |
| **3.10.2 Mining services | 965 |
| **3.10.3 Waste treatment and depollution | 966 |
| **3.10.4 Other | 967 |

Issues of Clarification in the Definition of Services Components of the *BPM5*

1. CPC v.1.0 code 69110 *electricity transmission and distribution services* and code 86221 *electricity transmission and distribution services on a fee or contract basis* have been included in BOP code 284 *miscellaneous business, professional and technical services—other*. The definition of BOP code 231 *transportation—pipeline services* would seem to preclude inclusion of electricity transmission. Note that there is just one CPC code to cover both transmission and distribution services for electricity.
2. CPC v.1.0 codes 69120 *gas distribution services through mains*, 69210 *water, other than steam or hot water, distribution services through mains*, and 69220 *steam and hot water distribution services through mains* and the associated services on a fee or contract basis (CPC v.1.0 codes 86222, 86223 and 86224) are included in BOP code 284 *miscellaneous business, professional and technical services—other*. Transmission of petroleum and natural gas, and other goods, through pipelines is included in BOP code 231 *transportation—pipeline services*.
3. CPC v.1.0 code 82191 *arbitration and conciliation services* is included in BOP code 275 *legal services*.
4. CPC v.1.0 codes 83131 *environmental consulting services* and 83550 *weather forecasting and meteorological services* are included in BOP code 280 *architectural, engineering and other technical services* rather than in BOP code 284 *miscellaneous business, professional and technical services—other*, because of the specific technical skills required.
5. CPC v.1.0 code 84200 *on-line access services* has been placed in BOP code 264 *information services* rather than in either BOP code 263 *computer services* or BOP code 247 *telecommunications services*. This is because classification is on the basis of what the services is, rather than the type of equipment used to provide it.
6. CPC v.1.0 code 85960 *data processing services* has been included in BOP code 284 *miscellaneous business, professional and technical services—other*. Following the definition included in Appendix III to *BPM5* it would be included in BOP code 263 *computer services*; however it seems more appropriately placed with other business services.
7. CPC v.1.0 code 86510, 86520, 86530, 86540, 86550, 86560, 86570, 86590 which relate to installation services have been included in BOP code 284 *miscellaneous business, professional and technical services—other*. They have been excluded from BOP codes 250/251 *construction services*.
8. The distinction between BOP codes 250 and 251 *construction services* and BOP code 280 *architectural, engineering and other technical services* is not entirely clear, especially for engineering services relating to construction sites. The main concerns were with CPC codes 8331* *integrated engineering services* [defined as *project management services concerning construction, engineering advisory and predesign services, engineering design services*,

engineering services during the construction and installation phase and other engineering services] and 8333 engineering advisory and predesign services for building. These have been included in BOP code 280.*

9. BOP code 283 *agricultural, mining and on-site processing services,—other* includes all manufacturing services (CPC v.1.0 codes 863* *manufacturing services, except of metal products, machinery and equipment, 864* metal product, machinery and equipment manufacturing services, and 8693* recycling services, on a fee or contract basis*).

10. Maintenance services (except for computer equipment and transportation equipment) have been included in either BOP code 284 *miscellaneous business, professional and technical services—other* or BOP code 289 *other personal, cultural and recreational services*, depending on the type of equipment to be maintained. Repairs (except for construction and computer equipment repairs) are excluded from services.

11. The distinction between BOP code 288 *audio-visual and related services* and BOP code 289 *other personal, cultural, and recreational services* is not clearly given in either chapter XIII or Appendix III of *BPM5*. In the concordance, the distinction is made between services with the primary purpose of recording and reproduction for film or for broadcast (television or radio) in BOP code 288 and all other personal, cultural and recreational services in BOP code 289.