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**The Travel Data for Germany after the Introduction of Euro Banknotes in 2002**

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## I. THE TRAVEL DATA FOR GERMANY AFTER THE INTRODUCTION OF EURO BANKNOTES IN 2002 ?

## II. THE SIZE OF THE PROBLEM

For Germany, the travel account is a very important balance of payments item. Within the current account, the travel account comes second in size after trade in goods. Figures for 1998 may illustrate this: Travel credits amounted to 29 billion DM (about 17 billion US $) and debits to 83 billion DM (in US $ about 47 billion) in 1998. The deficit of the German travel account was therefore about 54 billion DM ( 31 billion US $).

European Union (EU) member states are the most important partner countries. Travel credits from these countries sum to 18 billion DM in 1998 (62% of total credits) and debits  to 56 billion DM (67 % of total debits); for the smaller area of European Monetary Union Member States (EMU participating member states since 1999) these relations were in 1998 still 45% (13 billion DM) on the credit side and 55 % (46 billion DM) on the debit side. About half of the travel account is compiled on the basis of raw data on the purchase and sale of foreign banknotes to non-banks and on domestic banknotes sent to or received from abroad. As far as EMU Member States are concerned, at least for this "cash building bloc" of the German travel account, new data collection methods need to be in place by 2002 at the very latest, for the introduction of the euro banknotes.

Since a few years, research on this issue is ongoing. The following summarises the main considerations. *It should be pointed out, however, that no final decision on the way forward has been taken yet.* As will be shown, there is no easy solution for the future compilation of the German travel account.

**Quantification of data sources**

Only minor parts of the travel account are captured by the German international transactions reporting system (ITRS) since most travel expenditure are below the exemption threshold for individual transactions of DM 5,000, made by private households and therefore difficult to capture statistically. For all other data sources used for travel no threshold is applied. Although decreasing, still about half of the transactions in travel are estimated based on raw data taken from banks´ reports on the purchase and sale of foreign currency (banknotes) from/to non-banks and of the domestic currency that banks send to or receive from abroad. As for banknotes, there is a similar reporting scheme applied for cheques.  In addition, and of increasing importance, credit card transactions by German residents abroad and credit card transactions of non-residents in Germany are reported by banks and by other institutions which carry out the settlement.  Finally, considerable adjustments are made to bring the definition of travel in line with BPM 5, to exclude the use of banknotes for other purposes than travel and to improve the geographical allocation.

The following figures give an approximation of the reporting structure. It should, however, be noted that the comprehensive adjustments applied to these figures have different impact for different means of payments.

**Reported totals by means of payments (before adjustments) in %**

|  | Credits | | | Debits | |
|---|---|---|---|---|---|
|  | 1995 | 1998 |  | 1995 | 1998 |
| Domestic currency | 43% | 42% |  | 30% | 30% |
| Foreign currency | 29% | 28% |  | 21% | 18% |
| Cheques | 10% | 9% |  | 19% | 19% |
| Credit cards | 14% | 19% |  | 15% | 18% |
| ITRS | 4% | 2% |  | 15% | 15% |

Following the introduction of euro banknotes in 2002, *cash transactions* obviously cannot be used anymore for the euro area. In addition, the introduction of the euro may also complicate, to an extend difficult to predict, their use for the compilation of

travel transactions with the rest of the world (at least for the geographical allocation). All other sources will be unaffected, in principle. The quantification of the expected loss of data is not easy. This is, because the means of payments used by travellers are changing over time and may change again due to the introduction of the euro banknotes itself, since there will be effects on transaction costs. Indeed we are currently observing changes in economic behaviour of this kind. The following will serve as an example: For 1999 (January to August) there is a significant increase in the use of credit cards (acceptance of „plastic" money) and ITRS reports (package tours, special offers by travel agencies) compared to data from the same period in 1998. The expected future use of electronic money adds to the uncertainties.

Nevertheless, new data collection and compilation methods need to be developed for a considerable part of the travel account.

**Possible solutions**

*Use of other surveys on travel/tourism already in place*

When discussions started a few years ago, there was still some hope that other related surveys conducted in Germany could be used to estimate the part of the travel account affected. There is a number of tourism orientated surveys already in place and cost-effectiveness pointed clearly into this direction. Unfortunately, the obstacles to be overcome seem to be insurmountable. Balance of payments requirements and purposes for which the tourism surveys are conducted could not be brought in line.

From a methodological point of view already existing surveys do not correspond with recommendations of BPM 5. This goes in particular for the need to cover all individuals undertaking cross border trips. Only those travellers with overnight stays form the classic target population aimed for by these tourism oriented surveys. Also, there are problems caused by the expenditure (consumption) approach needed for balance of payments purposes. Secondly, there are doubts whether the sample and

frequency of these surveys would be sufficient. Thirdly, comprehensive comparisons between results of these surveys and our own data for previous years made it questionable whether the quality of existing surveys would be good enough for balance of payments purposes.

Lastly, initiatives to participate in other surveys with an additional catalogue of balance of payments relevant questions did not succeed, not least for legal reasons because the right of ownership for the full data sets could not be solved. Although, this route appears to be a „blind alley", all information available from other surveys will be taken into account for future estimates.

*Combination of sources*

At an international level, comprehensive discussions have also been held since similar problems expected as from 2002 will be faced by some other European countries. Eurostat´s task force „travel" proposed three models for the future data collection: a frontier survey, a household survey or a so called „hybrid" system which combines several different sources. The latter may be the most promising for Germany, in maintaining existing data collection supplemented by estimates and a household survey.

A frontier survey seems to be not suitable for Germany: Geographically, the number of border crossing points is countless, most of them being major travel routes. In addition, Germany is a typical „transit" country for holidaymakers from other European countries. Last, but not least, for the borders to most EU neighbouring countries there are no border controls in place anymore. To achieve the necessary coverage, costs of such a survey would be prohibitive.

In the light of the above the only possible way forward would be a household survey as an additional building bloc to gain the missing information. But there are several caveats:

-a household survey would also be costly. The sample would need to be of sufficient size and had to be undertaken several times a year to ensure the necessary coverage.

-a household survey could of course only cover debits. For credits other solutions need development. It could be considered to use partner country information on the credit side and/or rely on the maintainable parts of existing information, like for example credit cards, assumed non-cash transactions will increase further. Since the credit side is less important than German travel debits, this may be acceptable.

All in all, German balance of payments compilers are still in the process of investigating future developments of the payments systems. For example, discussions with institutions which settle credit card transactions as well as with the most important issuer of travellers´ checks have been initiated. In addition, major tour operators and travel agencies will be contacted in order to get a better understanding of future trends in travelling. Major work has still to be undertaken. Decisions will have to be taken in early 2000 and be in place by 2001 to allow for comparisons with present results.