



Canada-Indonesia

Trade and Private Sector Assistance Project (TPSA)

Trade in Services and Services Export Promotion Workshop

Session 2:

Measuring and Improving Trade in Services Statistics: Concepts, Data Quality and Methodology



The Conference Board
of Canada



Government
of Canada

Gouvernement
du Canada





Session 2

Measuring and Improving Trade in Services Statistics

- Concepts and Sources
- Balance of Payments
- Challenges and Reporting
- Trade in Services Statistics in Indonesia
- Measuring Trade in Services Data: Accuracy and Quality
- Improving Trade in Services Statistics



Trade in Services Statistics: Concept and Sources

Trade in services statistics are economic statistics that provide details of international trade in services between countries. However, the four modes of supply may not be easy to apply to the collection and reporting of trade in services.

- Due to intangibility and non-storability of services, no duties can be collected at border for services transactions – many challenges
- Many developed countries and international organizations are working together to improve the methods for collecting and reporting trade in services statistics (UN, OECD, WTO, UNCTAD, ITC, World Bank, IMF, Stats Canada, Euro Stats, US Stats Bureau, etc)





Balance of Payments

In most countries, international transactions of services are a major component of the current account of the balance of payments.

- Services are grouped into four major categories:
(1) travel; (2) transportation; (3) commercial services; and (4) government services
- Most services are traded with the production simultaneously - the presence of the producer and consumer of services at the same time.
- Services take numerous forms and entail a wide range of data sources.
- Statistics on travel, transportation, and commercial services are primarily derived from surveys – some receipts and payments are based on administrative records.
- Government services are largely based on the administrative data.



Balance of Payments (continued)

- In 1993, IMF set up the standards for trade in services statistics for the Balance of Payments. In 1996, OECD and Eurostat have extended the IMF standards.
- Canada is using the IMF/OECD/Eurostat standards to collect and report 40 categories of trade in services. The breakdown is based on the Central Product Classification (CPC).
- CPC is also used by the WTO/GATS negotiations which cover 12 sectors and about 160 sub-sectors.
- Linkage between the CPC and the balance of payments classification
- UN Statistical Manual (2001) includes about 60 types of services – also lined with the CPC and BoP classification.



Challenges and Under-reported

Many challenges to trade in services statistics:

- No common data collection points with standard product codes and paperwork
- Most service exporters are SMEs or micro enterprises for whom statistical reporting is a burden
- Many service exporters are not aware that they are exporting – of course, no reporting; some reporting in a wrong location
- Most service firms do not track their revenues in the categories needed by statistical agencies (i.e. type of services and export markets, etc)
- Many government statistical agencies do not have survey software
- Statistical agencies do not have a detailed list of services whose export volume and direction they wish to track
- Their business register may not be current to link with the services firms
- Trade in services are substantially under-reported in many countries



Let's Look at Services Statistics In Indonesia

The following charts and graphs are reproduced from the Indonesia Services Dialogue website

- Real Contributions of services to the Indonesian Economy
- Indonesian Services Exports and Imports
- Linkages of Indonesian Services to Other Sectors and comparison with some Asian countries

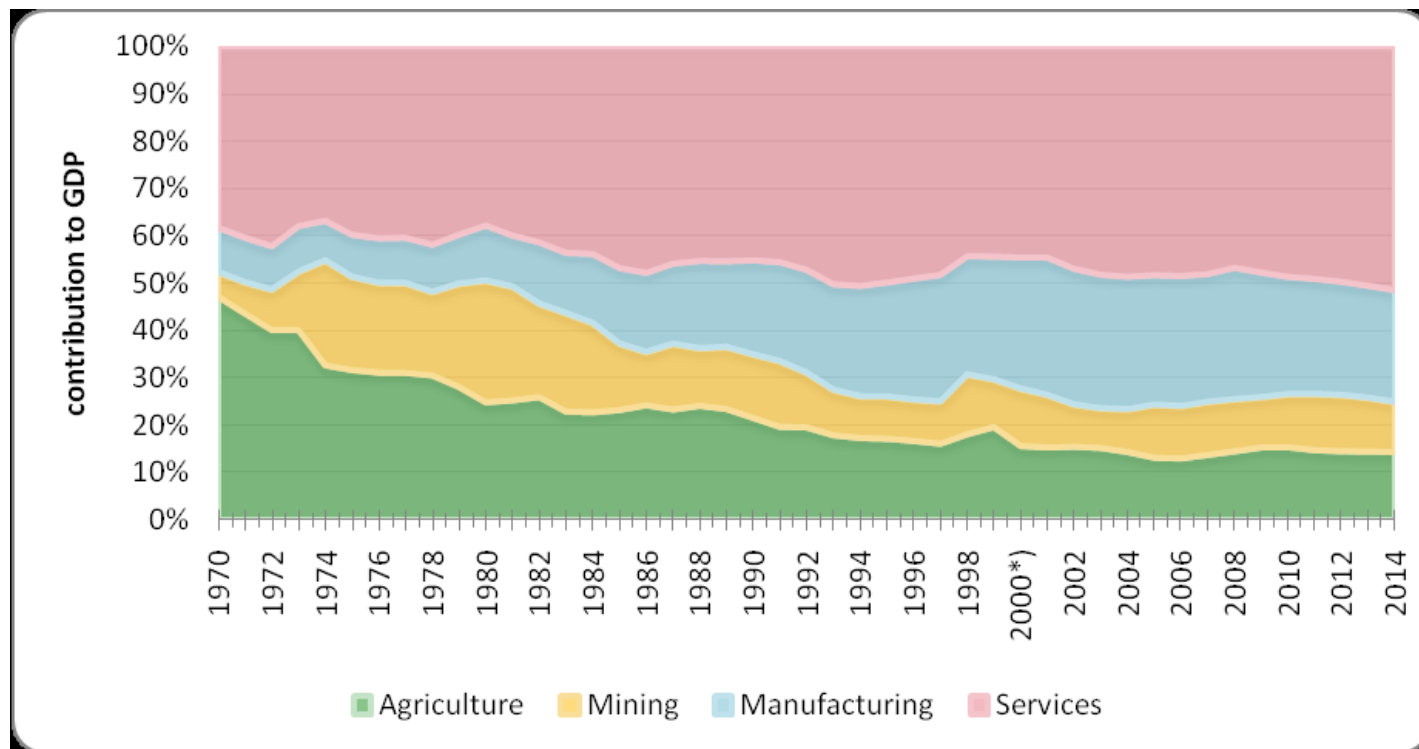


Indonesia Services Dialogue

<http://isd-indonesia.org/>



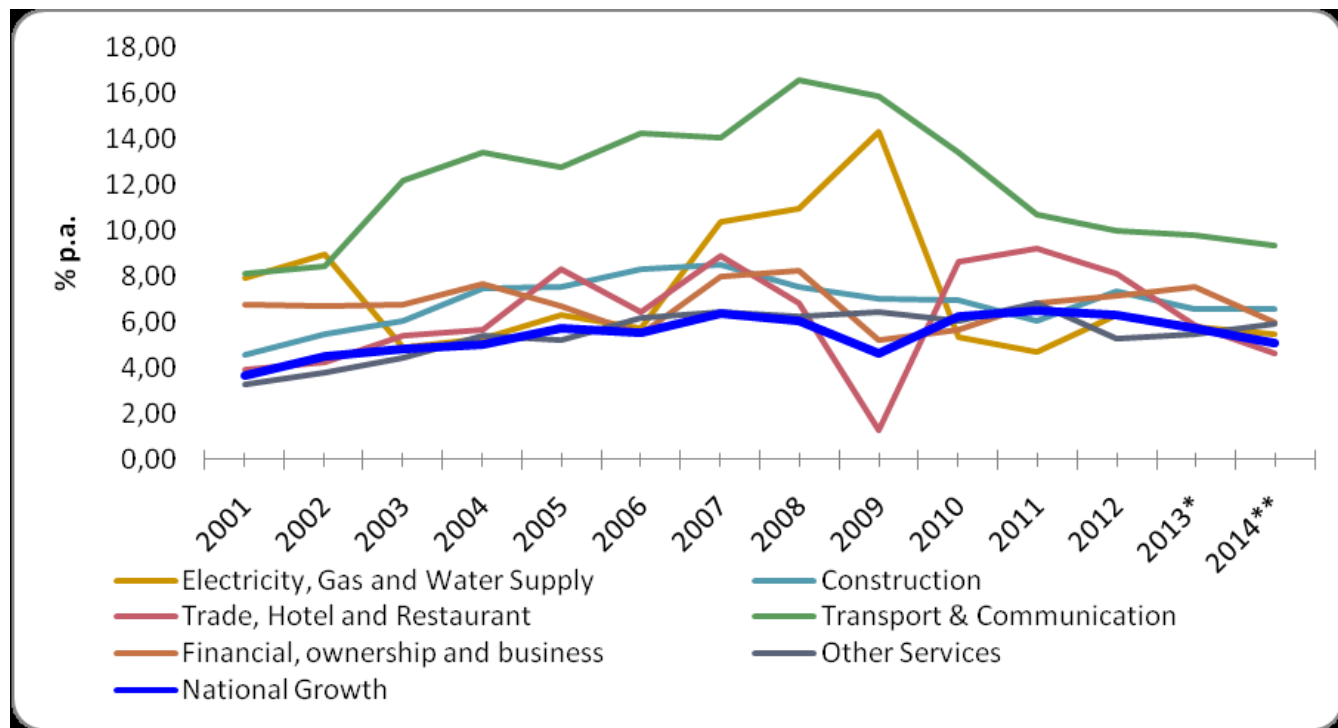
Increasing Contributions of Services to the Indonesian Economy



Source: Indonesia Services Dialogue



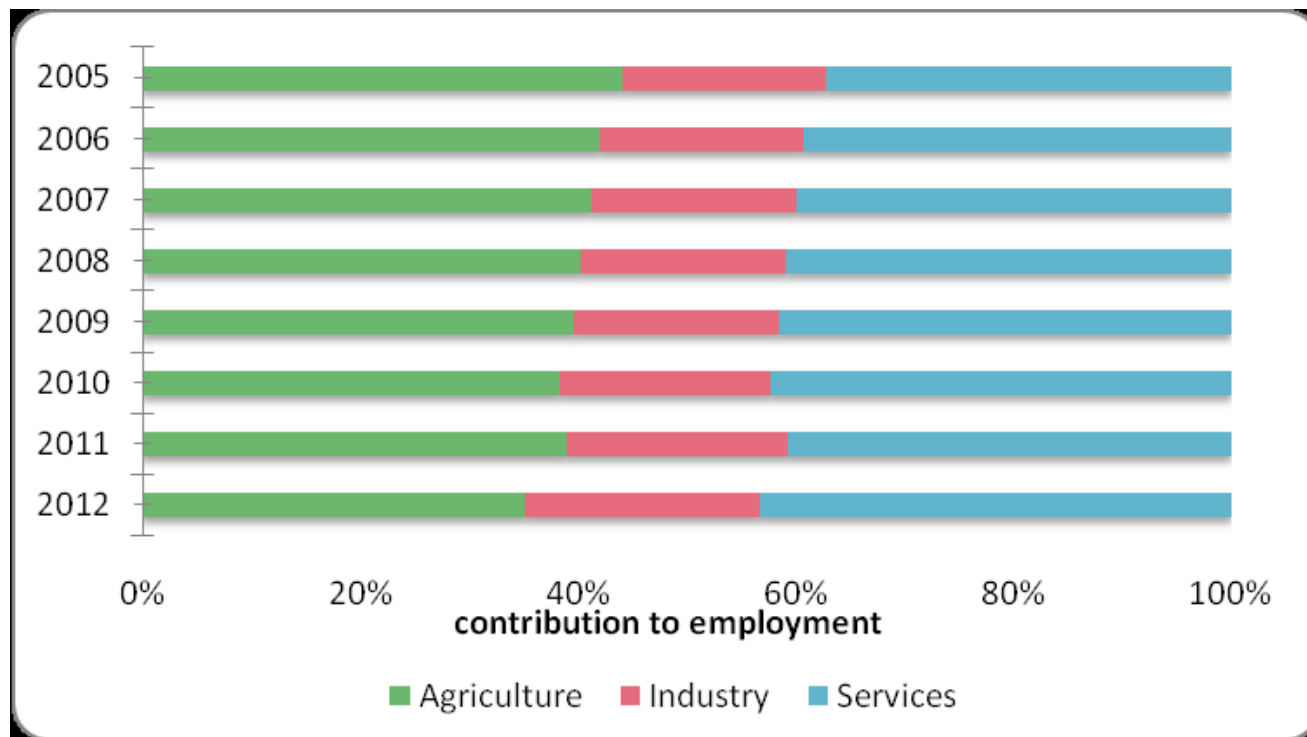
Trends of Sectoral Service Growth in Indonesia



Source: Indonesia Services Dialogue



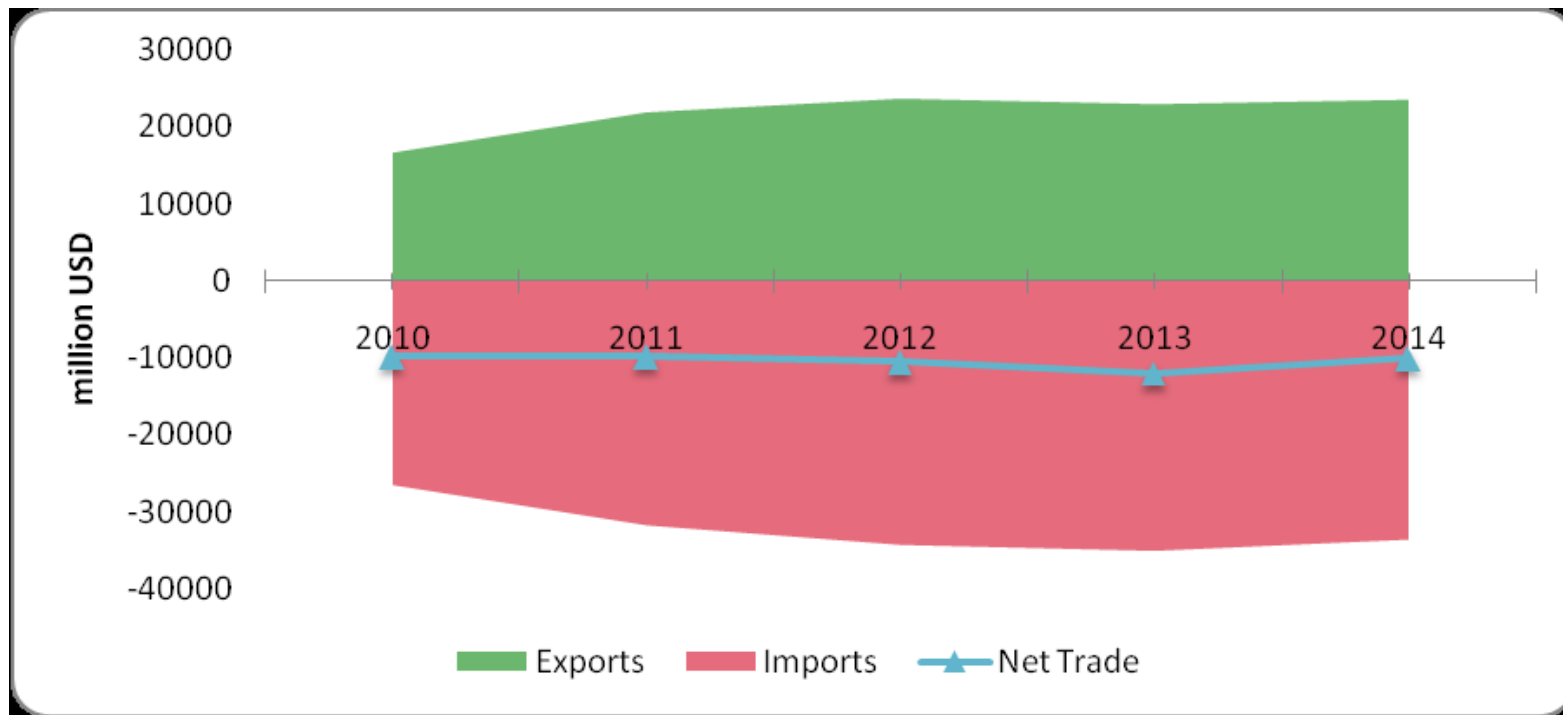
The Distribution of Employment by Sector in Indonesia



Source: Indonesia Services Dialogue



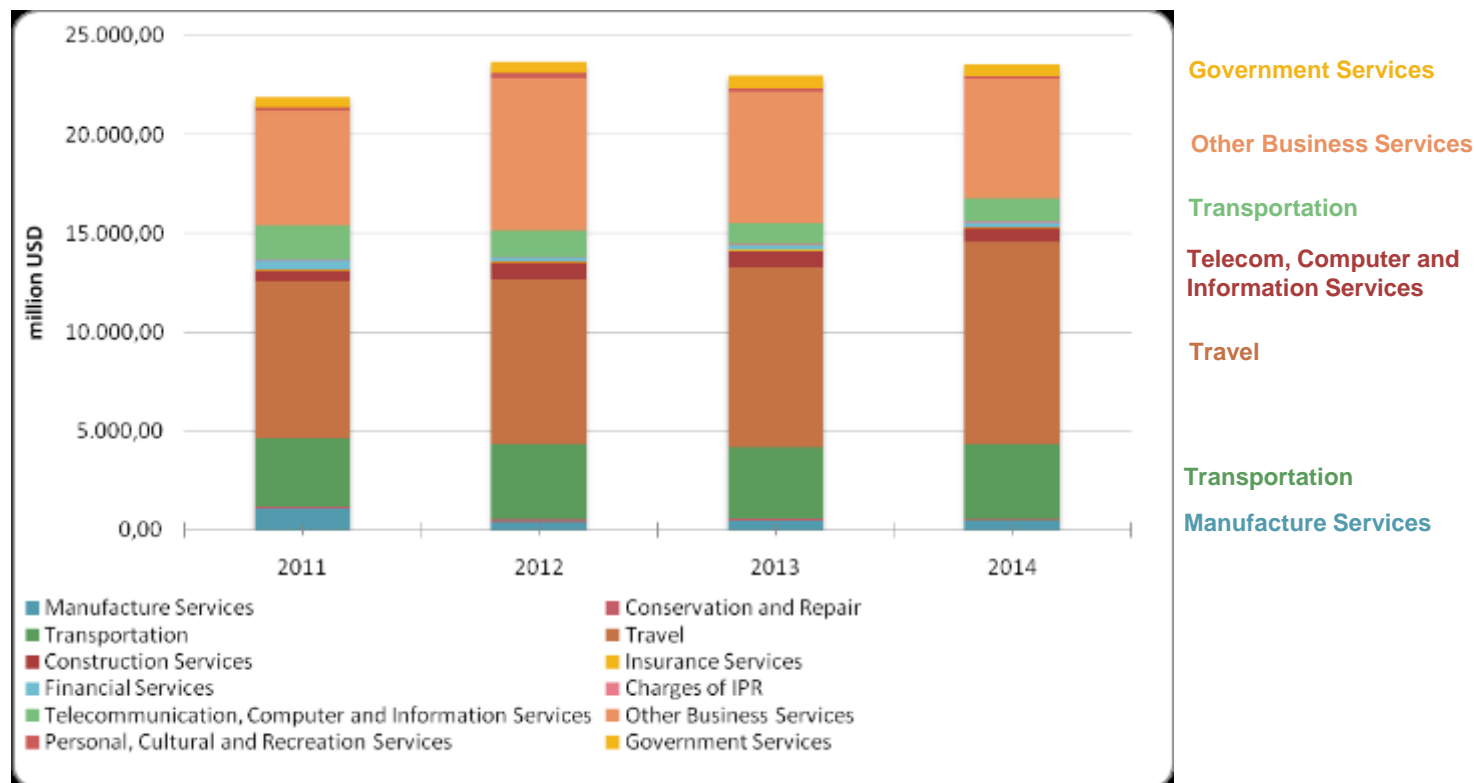
Indonesia's Services Trade Balance



Source: Indonesia Services Dialogue



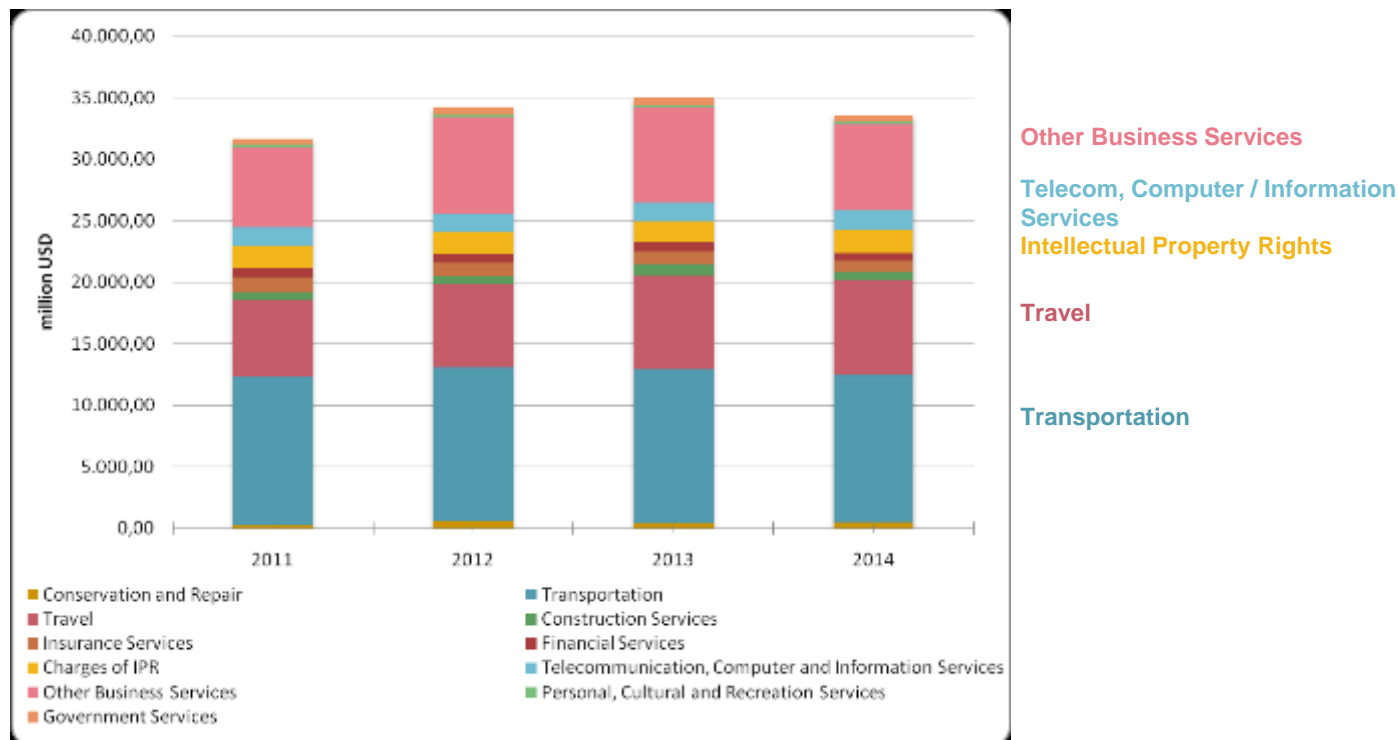
Indonesia's Services Exports



Source: Indonesia Services Dialogue



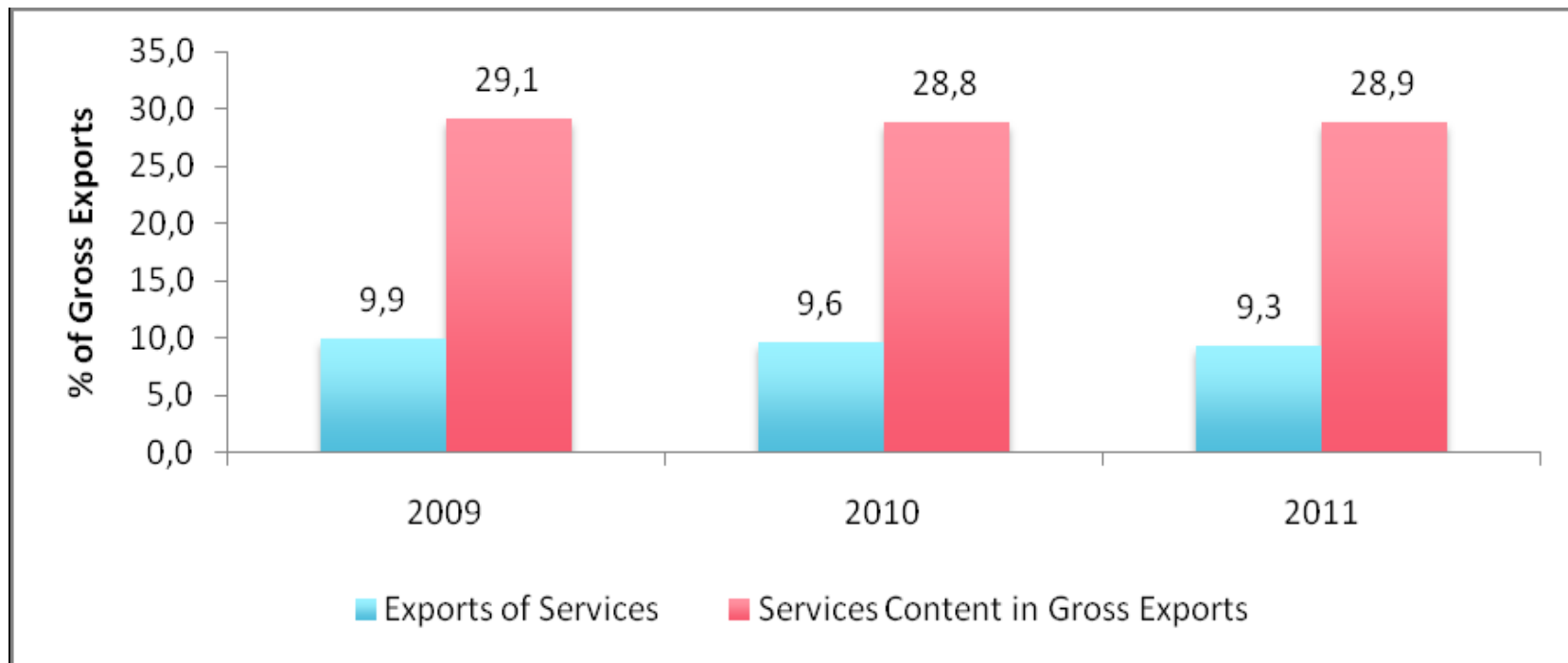
Indonesia's Services Imports



Source: Indonesia Services Dialogue



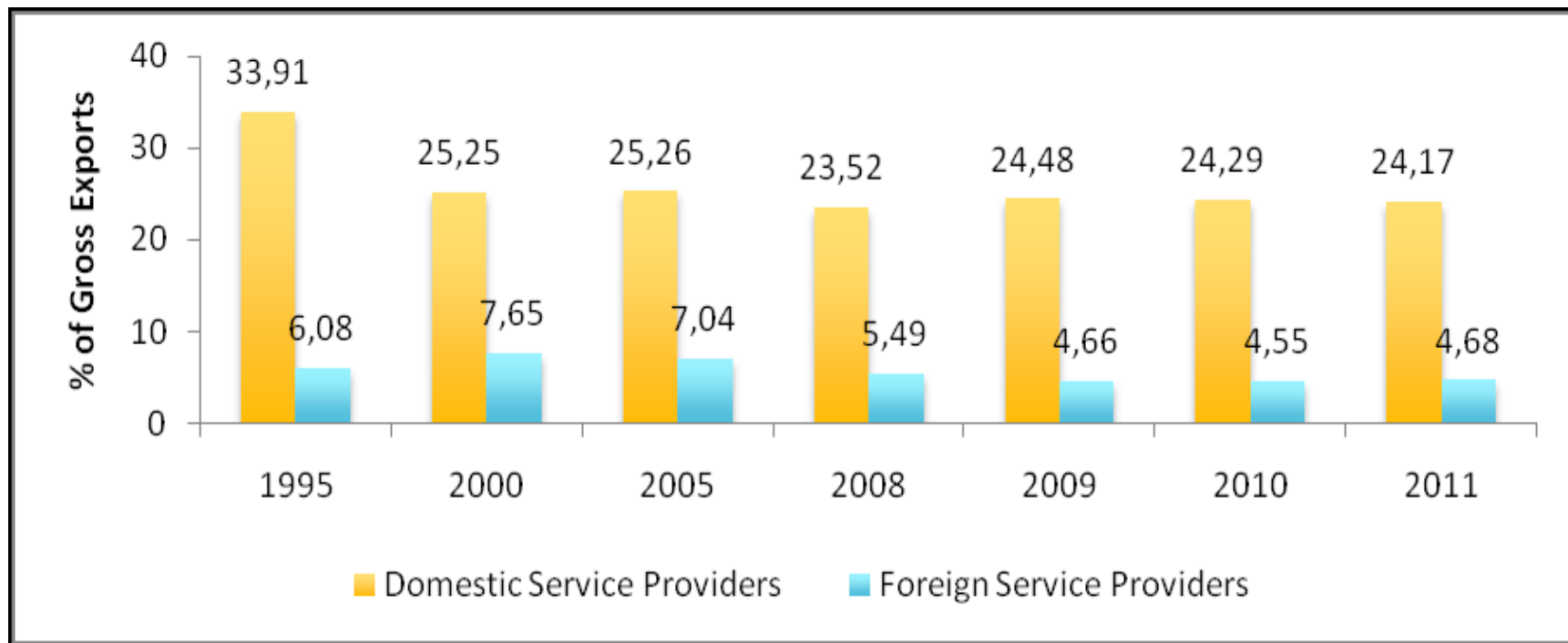
Actual Contributions of Services to Exports: Indonesia



Source: Indonesia Services Dialogue



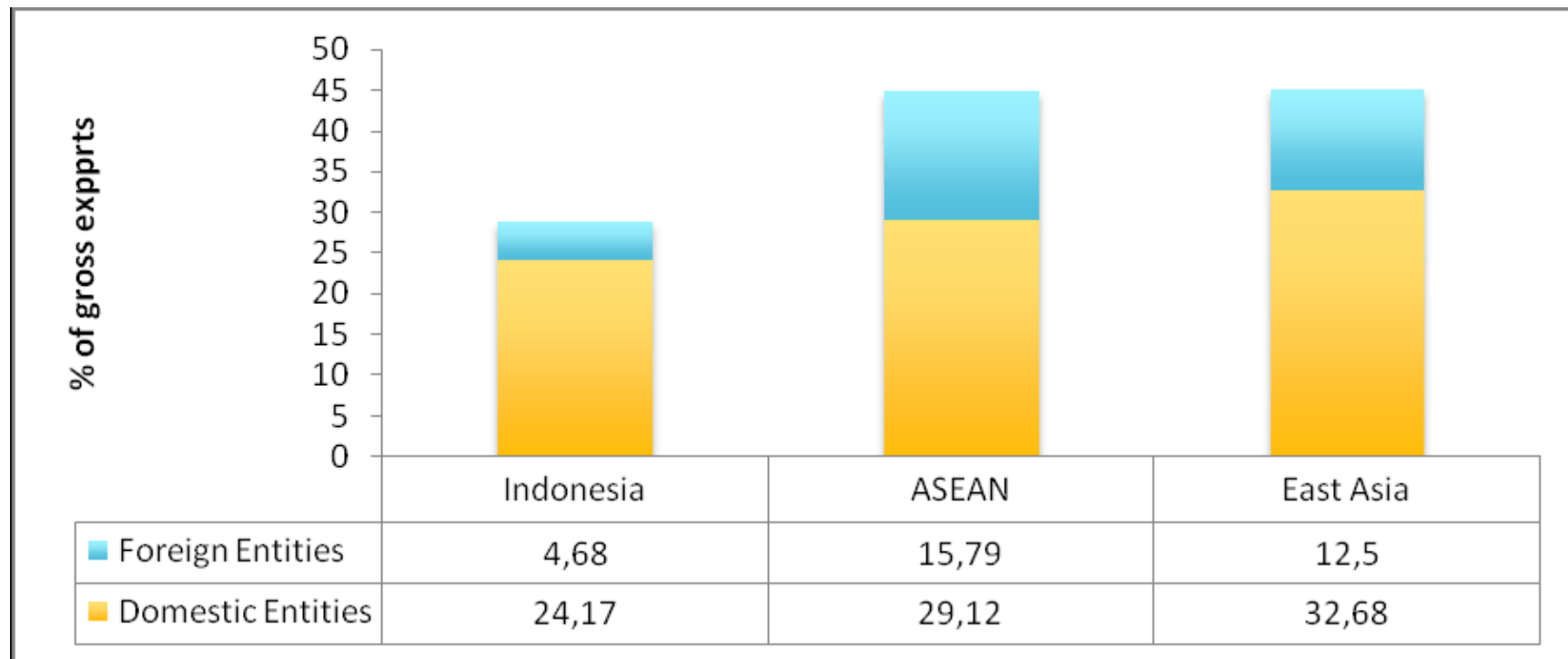
Contributions of Services to Indonesia's Exports by Entity



Source: Indonesia Services Dialogue



Services Content in Asia: Comparison with Indonesia



Source: Indonesia Services Dialogue



The Need for Improved Services Trade Statistics

Why do we need to improve services trade statistics? To accurately understand and report the important role of services in economy and trade.

- To make informed policy and resource allocation decisions
- To assess the impact of service agreements and FTAs which include service components
- To assess the effectiveness of service trade promotion strategies
- To analyze the patterns of service exports and imports





How Can Trade in Services Statistics be Improved?

What Resources/Tools Are Needed?

- An accurate Business Register (activity/industry, coding and size of firm)
- An enforceable legislative mandate to collect services trade data
- A set of standard categories of service products to be measured
- Standard service industry surveys
- WTO Manual on Statistics of International Trade in Services, 2002
- IMF, Balance of Payments Manual, Version 5 (BPM5)





Data Accuracy and Quality

How can data on trade in services be improved?

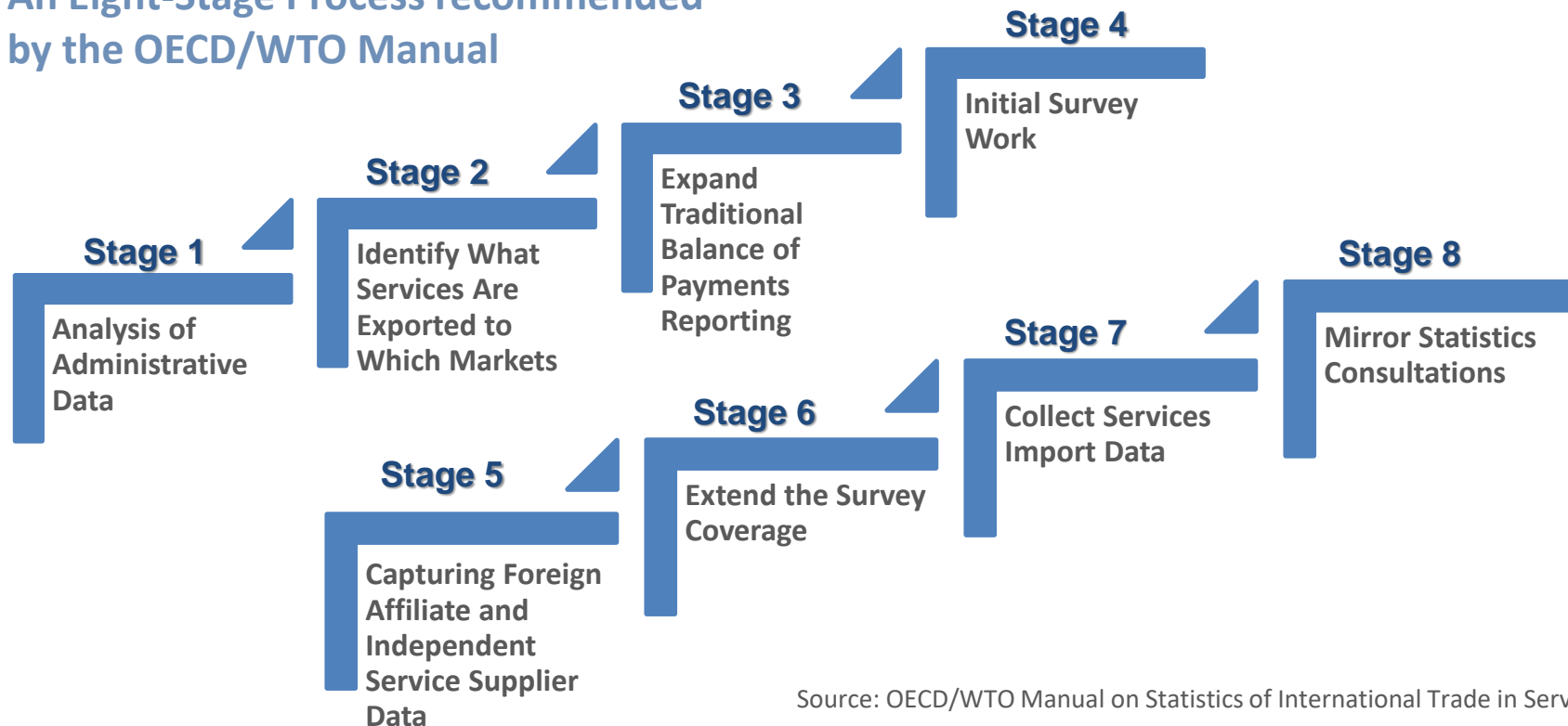
- Educating respondents on the definitions of “international trade in services, four modes of supply, export market (versus location of service delivery);
- Capturing services produced by firms outside of the corresponding industry (e.g. computing service produced by accounting firms, telecommunications, and computer manufacturers, etc
- Defining ownership/control and “foreign affiliate”, particularly for Mode 3





Approach to Improving Statistics on Trade in Services

An Eight-Stage Process recommended
by the OECD/WTO Manual



Source: OECD/WTO Manual on Statistics of International Trade in Services



Approach to Improving Statistics on Trade in Services

- **Stage 1: Analysis of Administrative Data**
 - Review the coverage of your business register
 - Analyse the data contained in the business register
 - Determine or estimate the total trade in services from the data

- **Stage 2: Identify What Services Are Exported to Which Markets**
 - Consult with our trade promotion office and trade negotiators
 - Work with business associations to identify service products and export markets

Source: OECD/WTO Manual on Statistics of International Trade in Services



Approach to Improving Statistics on Trade in Services

- **Stage 3: Expand Traditional Balance of Payments Reporting**
 - Upgrade your IMF reporting to BPM5
 - Move to the Extended BoP services as listed in Annex II of the Manual

- **Stage 4: Initial Survey Work**
 - Start your survey work with service industries
 - Distribute the survey and follow up until 95% response received
 - Prepare the survey report

Source: OECD/WTO Manual on Statistics of International Trade in Services



Approach to Improving Statistics on Trade in Services

- **Stage 5: Capturing Foreign Affiliate and Independent Service Supplier Data**
 - Mode 3 relates to foreign affiliate trade – identify firms for surveys
 - Mode 4 covers temporary business travellers and long-time service providers who work abroad – specific direction in the manual for dealing with their remittances

- **Stage 6: Extend the Survey Coverage**
 - Increase the service industries
 - Expand your survey coverage of goods producers to ask what services (if any) they are exporting

Source: OECD/WTO Manual on Statistics of International Trade in Services



Approach to Improving Statistics on Trade in Services

■ Stage 7: Collect Services Import Data

- For your input-out analysis, you will need data on service inputs purchased by industry. Try to differentiate what services (how much) were supplied by national service providers and which (how much) were from foreign service providers (or locally-established foreign affiliates)

■ Stage 8: Mirror Statistics Consultations

Once you have the reliable data, verify them through consultations with your trading partners – if all goes well, your export figures should equal their import figures, and vice versa

Source: OECD/WTO Manual on Statistics of International Trade in Services



Reporting on Trade in Services Statistics

Who is the key audience for accurate trade in services statistics?

- Services Exporters, and Services Industry Associations
- Services Trade Promotion Offices
- Services Trade Negotiators and Policy Makers
- Trade in Services Researchers
- Global Services Exporting Community
- Others ???





Further Readings on Trade in Services Statistics

- UN/WTO: Manual on Statistics of International Trade in Services
www.wto.org/english/res_e/statistics_e/its_manual_e.htm
- IMF: Balance of Payments Manual, Version 5 [available at
www.imf.org/external/np/sta/bop/BOPman.pdf]
- OECD: System of National Accounts 1993 [available online from OECD]
- UNSO: Central Product Classification, Version 1.1 (CPC)
<http://unstats.un.org/unsd/methods/m49/m49groupe.htm>
- UNSO: International Standard Industrial Classification of All Economic Activities, Revision 3.1 (ISIC) <http://unstats.un.org/unsd/cr/family2.asp?C1=17>
- Overview of existing databases covering statistics of international trade in service at different international organizations <http://unstats.un.org/unsd/tradeserv/TFSITS/matrix.htm>



Group Discussion

Do you now
better
understand
how to improve
services
statistics?

What was the
most interesting
thing you
learned in this
module?

Next steps?