

**Workshop on
Trade in
Services and
Digital Economy
Statistics for
Mongolia**

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Session 9

**Collecting data on SITS: overview of
international recommendations**

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1. Overview and alternatives for services data collection

Users' needs and Constraints

Data collection systems need to balance users needs and costs constraints:

- **Users needs**

- Fulfilling the required level of details:
- EBOPS classification
- Geographical breakdown
- Modes of supply
- Accuracy and timeliness of the data compiled.

- **Costs constraints**

- Minimise the costs for the community of respondents (banks, enterprises...).
- Minimise the costs for the BOP compiler taking account of available resources (Central Bank, NSI).

Possible alternatives

- **Indirect reporting of individual settlements via banks** (banks ITRS)
- **Direct reporting from and surveys on enterprises**
 - For those transactions not covered by ITRS.
 - Or as an alternative to banks ITRS.
- **Administrative data** can be used for some services categories (by-products of official institutions' statistics).
- **Partner countries and international organizations.**

International transactions reporting system

- « As a general rule, an **ITRS** is a data collection system that obtains data from banks and enterprises at the level of individual transactions. An ITRS measures:
 - Individual cash transactions with non-residents passing through domestic banks and enterprise banks accounts abroad,
 - Transactions on intercompany accounts with NR enterprises,
 - Stocks (or balance sheet positions),
 - Non-cash transactions».
- Under a **banks based reporting system**, banks report all operations which are carried out between R and NR through their books, either on their own account or on the account of their clients.
- Started as foreign exchange record systems

Banks ITRS

- **Coverage**
 - All services transactions paid for via the banking system as part of an overall BOP reporting system.
- **Respondents**
 - Domestic banks on behalf of their clients (indirect reporting)
 - Coding of transactions relies on descriptions provided by banks clients.
 - This information needs to be supplemented by information from resident companies with accounts abroad or involved in clearing / netting schemes (partial direct reporting).
- **Responsibility**
 - Generally the National Central Bank
- **Volume of data**
 - Large: individual transactions

Banks ITRS

- **The information that has to be reported for statistical records includes:**
 - Identification number of the transactor
 - Currency code
 - Debit or credit (flow)
 - Date of the transaction
 - Amount in national or foreign currencies
 - Economic code (nature of the transaction)
 - Country code
 - Identification code of the counterpart

Banks ITRS advantages

- **Advantages**
 - **Timely and short periodicity** of data compilation (M+10, possibly on a monthly basis).
 - **Comprehensiveness** of banks reports: include all cash settlements above a threshold.
 - **Limited number and stability of respondents** (the banks play the role of intermediaries).
 - **Cost-effective** data source (at least under a foreign exchange control regime).

Banks ITRS limitations

- **Limitations**
 - **Difficult to manage**, with a high number of individual transactions.
 - Growing share of **inter-company transactions** with netting practices (different from gross credit and debit recording).
 - Use of **thresholds** which may impact on accuracy.
 - **Transactions** proxied by payments or **settlements**.
 - **Misclassifications** of the services items.
 - Growing **complexity** associated with the EBOPS classification
 - **Geographical misclassification** (country of settlements can be different from country of transaction).

Direct reporting and surveys

- **Coverage**
 - **All services**, but allows for different patterns of data collection: census, sampling and/or cut-off procedures,
 - Full **direct reporting** of individual transactions or targeted **surveys** for a given population of respondents.
- **Respondents**
 - **Sample** of enterprises with international transactions in services.
 - Systems based on enterprises are characterised by the concern in terms of **selectivity**

Direct reporting and surveys

- **Responsibility**
 - Generally NSI for surveys and NCB in case of a general direct reporting system.
- **Volume of data**
 - Individual data for a **GDR**
 - Report of aggregated data broken down by services items and with a geographical breakdown in case of a **survey**.
- **Prerequisite**
 - **High quality business register** and appropriate **experience in sampling and questionnaire design**, as well as in processing of survey results.

Direct reporting and surveys

- **Advantages**

- Information is of a better **quality** as a result of direct contact. Allow to collect precisely the information required (partners, EBOPS detail, related/unrelated trade).
- **Data relate to the whole transactions**, whatever the way they are settled.

- **Limitations**

- **Cost** of development of a software for the responding company.
- **Identification of transactions** may be difficult (imports side).
- **Timeliness** difficult to achieve with possible important revisions.
- Require **special skills** and a change in reporting and compilation procedures.

Administrative data sources

Countries with a banks ITRS data collection system and those who use surveys also use administrative data for some categories:

- **Customs data** (transport and freight insurance services).
- **Investments approvals** (FDI and/or FATS).
- **Administrative data on migration** (Travel).
- **Budget documents**: expenditures of embassies abroad, or of other government agencies (Government services)
- **Foreign aid** (technical assistance services).

Data collection systems

- **Mainly based on enterprises surveys with no use of ITRS**
 - Canada, Ireland, UK, US
- **Mainly based on ITRS (banks and/or direct ITRS with a limited use of surveys)**
 - Brazil, France, India, Russia
- **Mainly surveys with a limited use of ITRS**
 - Netherlands

2. The balance of payments register and the selection of respondents

Why a BOP register?

- **BOP register** is a core element in the organisation of BOP data collection through direct reporting or surveys.
- **Purpose:** list all resident economic operators having had in the past international transactions in services (or other BOP transactions).
- Key to define the scope of frame and the **selection of respondents**.
- The register should be **exhaustive and regularly updated**: the population of enterprises may be volatile.

What in a business register?

- **Frame data**
 - Identification, classification, contact and maintenance data
- **Auxiliary variables**
 - Economic variables: turnover, main economic activity, employment, balance sheet variables, data on foreign ownership, trade in services (exports/imports)
 - Key to the selection of enterprises (define the scope of frame and the frame size).
- **Existing registers (GBR, VAT and trade registers...) and other sources (including ITRS) can be used to establish and update the BOP register.**

What is a business register?

- **The General Statistical Business Register**
 - A list of businesses active in the country, whatever their activity (domestic and/or international),
 - Provides a frame for business statistics and other surveys.
- **Trade register**
 - List of resident operators involved in international trade in goods
 - Possible links with trade in services
- **VAT register**
 - Data submitted to tax authorities
 - Trade in services taxation
- **Settlements database**
 - International payments database, derived from a bank ITRS

Specific issues related to surveys

- **Stratification variables** should be designed for an appropriate selection of firms and to increase the precision of final estimates.
- **Large companies** deserve a special attention: often take 100%?
- Use of a **cut-off survey** for smallest companies? (i.e 0%)
- **Pilot surveys** to test the questionnaires and methodology
- **Problems of details and sample size**: crossing services items and geographical breakdown may give too many cells for producing accurate estimates
- Processing surveys results and **grossing-up** the survey estimates

4. Reporting by respondents

Transactions versus settlements

- **A transaction approach has to be used for both BOP and SITS recording**
 - Services transactions need to be recorded when the service is rendered.
 - That is when the receipts and payments associated to the services become due.
 - Settlements may be considered as a proxy of transactions for many services (paid when they are due).
- **In practice, all this means that reporting needs to be done by the accounting division of the enterprise rather than the financial division.**

5. Travel services

Possible sources for travel services

- **Bank ITRS**
 - Monetary flows between NR/R travellers and R/NR tourism providers.
 - Recording of payments made through banks notes, traveller cheques or credit cards.
- **Surveys**
 - **Surveys of travellers** (demand side): border surveys and household surveys.
 - **Surveys of enterprises** (supply side): surveys of accommodation establishments, surveys of tourism intermediaries (travel agencies, tour operators).
 - Both can be used to detect physical variable (number of travellers) and to measure expenditures (nights spent).
- **Partner country data and administrative sources**

Use of ITRS for travel services

- **Advantages**

- Limited **cost**
- High **periodicity** data (possibly monthly)
- **Timeliness**
- Coverage: **census** (whole population of travellers).

- **Shortcomings**

- Possible inclusion of **non tourist transactions**
- **Geographical allocation** based on ITRS may be biased (currency=country, dollar=USA)
- A low level of **disaggregation**: difficult to separate business from personal travel.

Use of surveys for travel services

- **Advantages**

- Can provide information on a large number of travel related **variables** (details of expenditures by item and purpose, duration of stay...).
- **Timing** is correct as transactions refer to the period in which the stay abroad has occurred.
- **Gross flows** are reported as the information is directly collected from transactors.
- **Coverage** is usually good as the target population is directly surveyed.
- **Purpose of stay** available.
- **Geographical allocation** is reliable (country of residence of travellers).

Use of surveys for travel services

- **Shortcomings**
 - **Representativeness** of the sample may be low (cost of a survey).
 - **Sampling procedures** can be complex and sample error must be controlled.
 - **Border surveys** are more suitable for countries with a limited number of cross-border passages.
 - **Cost** may mean only annual or occasional surveys available.

Expenditure models

- In practice a lot of countries are using **expenditure models** which are based on benchmark or annual surveys of travellers expenditures.
- The simplest model consists in multiplying the average expenditure obtained from survey and the number of visitors obtained from migration statistics.
- Improved models use the expenditure per night and purpose, type of accommodation and country groupings.

6. Conclusions

Conclusions

- **The choice of an SITS data collection method depends on institutional, economic and practical considerations**
 - Anglo-Saxon countries are using surveys for a while.
- **Data collection is not fixed for ever**
 - Globalization as a factor for change
- **The European case**
 - From a bank ITRS to a direct reporting/survey system
 - Authority to collect SITS today generally given to NSI
 - Central Banks get responsibility of the BOP as a whole

Thank You