



Balance of Payments Statistics Workshop

Nassau, Bahamas

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International Trade in Services

Measurement Problems

- By its own nature, trade in services is harder to measure than trade in goods.
- For trade in services, unlike trade in goods, there is not such thing as a physical package crossing customs borders with a pre-assigned international code or official documents stating description, physical volume, money value, origin/destiny, etc.
- There is not a central agency controlling the entry and exit to and from the country like customs offices do in the case of trade in goods.
- In the case of services there are numerous potential sources of information (enterprise and individual surveys, accounting records, foreign exchange and administrative records, as well as statistical estimation techniques, etc.).

Classification BPM6

- 1) Manufacturing services on physical inputs owned by others
- 2) Maintenance and repair services n.i.e.
- 3) Transport
- 4) Travel
- 5) Construction
- 6) Insurance and Pension services
- 7) Financial services
- 8) Charges for the use of intellectual property n.i.e.
- 9) Telecommunications, computer, and information services
- 10) Other business services
- 11) Personal, cultural, and recreational services
- 12) Government goods and services n.i.e.

Maintenance and Repair Services

- They are no longer included under goods, in BPM6 they are regarded as services.
- These services cover works performed by residents of one economy on goods owned by residents of another economy.
- Apart from the value of the work itself, all materials provided by the agent in charge of the work are included.
- It does not include the value of capital goods involved during the maintenance or repair job.
- It also excludes:
 - ✓ Maintenance and repairs of buildings (included in construction).
 - ✓ Maintenance and repairs of computers (included in information services).

Maintenance and Repair Services

A US airline sends an airplane to Mexico for a change of the old seats for new ones. The commercial value of the airplane prior to this change was 50,000 dollars, after it the value increased to 55,000 dollars. Half the increase originated in the value of the seats themselves that were bought in the US, 30% in wages paid to mexican workers and 20% were the earnings of the mexican company.

BPM5			
	Credits	Debits	Net
Current Account	55,000	52,500	2,500
Goods and Services	55,000	52,500	2,500
Goods	55,000	52,500	2,500
Airplane	55,000	50,000	5,000
Seats		2,500	-2,500
Financial Account		2,500	-2,500
Reserve Assets		2,500	-2,500

BPM6			
	Credits	Debits	Net
Current Account	2,500	0	2,500
Goods and Services	2,500		2,500
Services	2,500		2,500
Maintenance and Repairs	2,500		2,500
	Assets	Liabilities	Net
Financial Account	2,500	0	-2,500
Reserve Assets	2,500		-2,500

Transport

- Transport services cover all kinds of services where transport is provided by residents of one economy to residents in another economy:
 - ✓ Transport of passengers and goods.
 - ✓ Leasing, charter and renting of commercial vehicles (vessels, aircraft, coaches) with crew.
 - ✓ Support and auxiliary services of transport such as cargo handling charges, storage and warehousing, packing, pilotage and navigational aid for carriers, air traffic control, cleaning performed in ports and airports on transport equipment.
 - ✓ Postal and courier services

Transport

- According to the BPM6 standard components, transport is classified first by mode and each mode by what is transported:

Sea transport
Passenger Freight Other 1/
Air transport
Passenger Freight Other 1/
Other modes 2/
Passenger Freight Other 1/
Postal and courier

1/ Support and auxiliary services

2/ Land, space, internal waterways, pipes, electric transmission.

Transport (information sources)

Credits

- Maritime ports authorities
- Airports authorities
- Domestic airlines
- Domestic naval carriers

Debits

- Domestic and foreign airlines
- Domestic and foreign naval carriers
- Travel surveys

Transport (questionnaire)

INTERNATIONAL TRANSPORT SERVICES

	Income	Expenditures	BOP Entry
Transport Services			
(Resident transport firms)			
Freight for the transport of merchandise exported by residents			Credit
Freight services performed between third countries			Credit
Leasing of carriers to/from non resident firms (with crew)			Credit/Debit
Maintenance and repair services for carriers (hired abroad)			Debit
Sales of passages to non residents for international routes			Credit
Provisions acquired in foreign ports and airports (fuel, food, etc.)			Debit
Commissions paid related to freight and passages services hired abroad			Debit
Other receipts and expenditures with non residents			Credit/Debit
(Non resident transport firms)			
Sales of passages to residents			Debit
Leasing of carriers to/from resident firms (with crew)			Credit/Debit
Maintenance and repair services for carriers (hired in the country)			Credit
Provisions acquired in ports and airports within the country (fuel, food, etc.)			Credit
Commissions paid related to freight and passages services hired within the country			Credit
Other receipts and expenditures with local residents			Credit/Debit
(Resident representatives of non resident transport firms)			
Commissions received from the firm being represented			Credit
Maintenance and repair services paid for in the country on behalf of the firm being represented			Credit
Provisions acquired in ports and airports within the country (fuel, food, etc.) paid on behalf of the firm being represented			Credit
Leasing of carriers to/from resident firms (with crew) paid/received on behalf of the firm being represented			Credit/Debit
Other receipts and expenditures with local residents on behalf of the firm being represented			Credit/Debit
(Resident couriers firms)			
Remittances to courier firms abroad related to services provided in the country			Debit
Commissions received from the courier abroad for services provided			Credit
Remittances from non resident agencies for services provided abroad			Credit
Commissions paid to non resident agencies for services provided on behalf of the firm			Debit

Note: classification by mode of transport (air, sea, other) is made considering the kind of transport the firm is involved in.

* The information covers transactions made with residents of economies different from the economy in which the reporting firm resides.

Travel

- Covers goods and services for own use or to give away purchased by residents in one economy when visiting another economy.
- It includes goods and services that would normally be classified elsewhere like transport or trade in goods (small items).
- The goods and services included under Travel are those acquired during visits that take no longer than a year.
- This “one-year rule” doesn’t apply to students or to persons undergoing a medical treatment; those expenditures are still recorded under Travel, even if the stay lasts more than a year.

Travel (classification)

Business

- Purchases of goods and services by border, seasonal and other temporary workers.
- Other

Personal Travel

- Health related
- Education
- Other

Travel (compilation aspects)

- Several countries compile information by combining migration sources and personal surveys.
- Migration data can provide information on the number of entries and exits into and out of the country for every period.
- However, this information is classified by nationality, not by country of residence of the travelers, which is the relevant criterion for BOP purposes.
- Therefore, compilers must device ways to adjust nationality information to the residence criterion. In some countries this two criteria tend no to differ by much, whereas in others substantial discrepancies arise from this.

Travel (compilation aspects)

- Personal surveys to travelers after their travel, whether residents returning (debits) or non-residents departing (credits), are used to estimate the average expenditures that are then to be multiplied to the relevant migration numbers.
- The proportions of visiting travelers that report to be nationals of the country and of those traveling abroad that report to be non-national residents, can be used to adjust the nationality numbers produced by migration authorities to become an estimate of resident based numbers.

Travel (questionnaires)

TRAVEL (Incoming)
¿Is Bahamas your country of residence? Yes (continue with the interview) No (finish the interview)
¿How many days did you stay abroad? _____ days
¿How many people are there in your group? (group as a unit of expenditure) _____ persons
¿How much have you and your group spent in this trip? (excluding international air fares) _____ US Dollars
¿Did you pay for your trip or parts of it in advance? (for example in all inclusive packages) Yes (please specify how much or what percentage) _____ US Dollars _____ % No
¿Are you or someone in your group a national of another country? Yes If so ¿how many?: _____ persons No

TRAVEL (Outgoing)
¿Are you a resident of a country different from the Bahamas? Yes (continue with the interview) No (finish the interview)
¿How many days did you stay in the Bahamas? _____ days
¿How many people are there in your group? (group as a unit of expenditure) _____ persons
¿How much have you and your group spent in this trip? (excluding international air fares) _____ US Dollars
¿Did you pay for your trip or parts of it in advance? (for example in all inclusive packages) Yes (please specify how much or what percentage) _____ US Dollars _____ % No
¿Are you or someone in your group a national of the Bahamas? Yes If so ¿how many?: _____ persons No

Travel (exercise)

Surveys applied to visitors leaving Bahamas show the following results:

Average expenditure per unit of expense:	800
Average size of the unit of expense:	4
Breakdown of expenditures (%):	100
Hotels	30
Food and beverages	25
Local transport	20
Air	15
Land	5
Entertainment	18
Goods purchased	4
Other	3
International air fares per group 1/	250

1/ Half is paid to a local airline (not included in average expenditure)

Official migration reports:

Number of entrances (thousands):	1,450		1,450
Nationals	310	Residents	290
Foreigners	1,140	Non-residents	1,160
Number of exits:	1,500		1,500
Nationals	280	Residents	300
Foreigners	1,220	Non-residents	1,200

BALANCE OF PAYMENTS (thousands USD)			
	Credits	Debits	Net
Current Account	277.5	0	277.5
Goods and services	277.5		
Goods			
Services	277.5		
Transport	$((250/4)/2)*1200/1000=37.5$		
Travel	$((1200*800)/4)/1000=240$		
	Assets	Liabilities	Net
Financial Account			
Reserve assets	277.5		277.5

Construction

- Covers works of construction undertaken by an enterprise or a local representative office which is regarded as non-resident of the country where it performs these works.
- Construction is broken down into “construction abroad” and “construction in the compiling economy” and is recorded in gross terms.
- Not only the value of the construction work performed in the other economy is recorded, it also considers the value of the associated goods and services purchased.

Construction

Construction Abroad

- Credits: Income originated in construction work performed abroad by resident construction firms.
- Debits: Goods and services acquired in the economy where the construction work is being performed by a firm that is resident of the compiling economy.

Construction in the Compiling Economy

- Debits: Payments made to non-resident construction firms for construction work performed in the compiling economy.
- Credits: Goods and services purchased in the compiling economy by non-resident construction firms.

Construction (long term exception)

- Large construction projects normally take more than one year to be completed.
- Therefore, usually this kind of projects tend to be executed by branches of the construction firm located in the country where the work is being performed.
- This situation gives rise to an FDI relationship between the parent company and the branch that undertakes the work, as a consequence, the trade in goods and services between them has to be recorded according to the same criteria that applies to any FDI relationship. Therefore, no construction services are recorded.

Construction (example)

A German firm is hired by a Bahamian company to renovate its facilities. The work is completed in six months. The German firm faced the following costs (thousands of US dollars).

Purchase of materials in Germany	20
Purchase of materials in the Bahamas	30
Purchase of materials in the USA	25
Wages paid in the Bahamas	45
to local workers	35
to German Technicians	10
Operating Surplus	25

Construction (example)

	Balance of Payments of:			
	Bahamas		Germany	
	Credits	Debits	Credits	Debits
Current Account	65	145	145	90
Goods				25
Services	30	145	145	30
Construction	30	145	145	
German materials		20	20	
US materials		25	25	
Local materials	30	30	30	30
German wages		10	10	
Bahamian wages		35	35	
Operating surplus		25	25	
Primary Income	35			35

Construction (compiling aspects)

- Data for construction abroad can be obtained through local construction companies, both for credits and debits.
- Data for construction in the compiling economy can be obtained either from local authorities that issue construction permits and licenses or directly from the foreign companies involved. Also, local chambers of construction business may have some information.
- However, it is important to remember that whenever a project is big enough that it will probably take more than one year to be completed, all related transactions (and positions) will have to be treated according to the principles set forth for FDI and therefore will not be recorded under this standard component.

Construction (compiling aspects)

CONSTRUCTION (Projects that take less than a year)

Construction Abroad		Construction in Bahamas	
Materials purchased		Material purchased	
In the Bahamas		In the Bahamas	Credit
In the country where the construction takes place	Debit	Abroad	
In a third country	Debit	Other Expenditures	
Other expenditures abroad		Wages paid to Bahamian residents	Credit
Wages paid to locals	Debit	Wages paid to nonresidents	
Wages paid to Bahamian residents		Administrative costs in Bahamas	Credit
Administrative costs	Debit	Payments to the Bahamian government	Credit
Payments to the local government	Debit	Other	Credit
Other	Debit	Total value of the project*	Debit
Total value of the project*	Credit		

* Please report only the proportional value for the year that is being reported.

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Insurance

- Non-life insurance services imply:
 - ✓ Premiums paid by insured units to insurance companies
 - ✓ Claims paid in the opposite direction
 - ✓ Investment of financial resources
- Claims are only paid in case that the insured event occurs, therefore, they are used to share risks.

Insurance

Transactions between the insurance company and the holder of the policy follow this process:

- The insurance company accepts the payment of a premium from the client.
- It keeps it until a claim is presented or its validity expires.
- Meanwhile, the insurance company invests the premium (the investment income earned becomes an additional source of resources to face eventual claims and is an implicit supplement of the effective premium attributable to the client).

Insurance

- Insurance services consist of the margin that insurance companies can retain in order to cover for their costs and to produce an operational surplus.

+	Gross premiums earned
+	Premium supplements
-	Claims payable
=	Insurance services

Insurance (premiums)

- **Earned premiums** are premiums paid during the current period or in a previous one by those insured (policy holders) for the possible occurrence of insured events during the current period.
- **Supplementary premiums** consist of investment income attributable to the policy holders for the investment of the resources provided through the payment of the policy. That income becomes a part of the reserves that were constituted to meet the events that are covered by the insurance policy. In the BOP this flow is recorded as if paid to the policy holders (primary income) and then given back to the insurance company.

Insurance (claims)

Claims payable are those amounts to be paid for events that happened in the current period, even though they are not necessarily paid in the period, but all or a part can be settled in future periods. They comprise:

- Claims not yet declared.
- Declared claims but not yet settled.
- Claims that have been both, declared and settled.

Reinsurance

- International reinsurance is a contract by means of which a resident insurance company buys an insurance to an insurance company resident in another country.
- Reinsurance, just like direct insurance, also consists of premiums, supplementary premiums and claims.
- The treatment of these concepts is the same as the one that applies for direct non-life insurance.

Financial Services

- Charges related with financial intermediation and its auxiliary services, different from those related with insurance and pension funds.
- Due to the close supervision that this activity is subject to, these services are normally provided exclusively by banks and other financial corporations.

Financial Services

- These charges can be made either in an explicit or in an implicit fashion.
- Explicit charges normally can be directly obtained through questionnaires in a survey, from foreign exchange records or from reports (balances, financial statements, etc.) that are delivered to the supervising authorities.

Financial Services (implicit charges)

- As already stated, financial services can be charged in a non distinguishable fashion along with charges that correspond to the capital retribution component (income).
- The most common of these charges are:
 - ✓ Margins on buying and selling transactions (difference between the price at which an operator buys/sells and the reference price)
 - ✓ Asset management costs taken out of income (commissions and fees deducted by the operator from the capital income)
 - ✓ Financial Intermediation Services Indirectly Measured (FISIM).

Financial Services (FISIM)

- Interest paid/received have two components; one is pure interest (primary income account), the other is services. The breakdown showing them separately is not reported by any source of information.
- The services component is given by the difference between the interest rate that is effectively applied, and a reference relevant market interest rate charged on loans and deposits.

Financial Services (FISIM)

- Interest rates offered to depositors are lower than those charged to borrowers.
- These interest rate spreads (intermediation margins) are used by financial corporations to cover for different expenses and to produce an operational surplus; they are an alternative by means of which an explicit commission or fee is not charged.

Financial Services (FISIM)

- Conventionally, the BPM6 states that FISIM are only calculated:
 - ✓ On loans and deposits.
 - ✓ When one and only one of the participants in the transaction is a financial corporation*.

**Note: Notwithstanding, in those cases when the borrowing financial corporation has a low credit rating and the lending bank makes an extra charge for risk, there can be FISIM.*

Financial Services (FISIM)

- The reference rate must exclude any services element and must reflect the risk and maturity structure of the loans and deposits involved.
- A good choice for the reference rate is to use the one that applies to inter-banking loans (LIBOR, Prime Rate, etc.).
- For domestic currency transactions only one rate must be used, whereas for foreign currency transactions a different rate must be used for every currency.

Financial Services (FISIM)

Expected FISIM signs

Liabilities

Loans → Debits

Deposits → Credits

Assets

Loans → Credits

Deposits → Debits

Financial Services (FISIM)

- Often, in practice, when calculating FISIM, the resulting sign is the opposite to the one expected. This can happen when interest payments are very irregular throughout the year or when inappropriate rates are used.
- This problem can be solved by using interest data calculated on an accrued basis or by making the calculations over long periods.
- However, one has to bear in mind that, apart from practical problems, negative FISIM may arise in the case of fixed rate loans when market rates are increasing.

Financial Services (FISIM)

FISIM CALCULATION					
	Annual	Quarters			
		I	II	III	IV
Loans received (outstanding)	800,000	800,000	800,000	800,000	800,000
Agreed interest rate	7.0	7.0	7.0	7.0	7.0
Interest paid	56,000	2,000	24,000	3,000	27,000
Accrued interest	56,000	14,000	14,000	14,000	14,000
Reference interest rate (%)					
LIBOR	2.0	2.0	2.0	2.0	2.0
Pure interest	16,000	4,000	4,000	4,000	4,000
FISIM debits (accrued)	40,000	10,000	10,000	10,000	10,000
FISIM debits (paid)	40,000	(2,000)	20,000	(1,000)	23,000

Financial Services (FISIM)

Available Information:	
<u>Average outstanding stock of loans received by the local government from US banks</u>	10,000
<u>Average outstanding stock of local residents deposits in US banks</u>	8,000
<u>Prime Rate (interbanking interest in the USA)</u>	4.0
Accrued interest	
Loans (debits)	600
Deposits (credits)	280

FISIM Calculation		
<u>Pure Interest (Income)</u>		
Loans (debits)	400	
Deposits (credits)	320	
<u>FISIM</u>		
Loans (debits)	200	600-400
Deposits (credits)	40	320-280

Financial Services (FISIM)

Interest Accrued on:			
Nonresident's Deposits	Loans to Nonresidents	Residents' Deposits abroad	Foreign Loans
30	80	20	100
Interest Paid/Charged on:			
Nonresident's Deposits	Loans to Nonresidents	Residents' Deposits abroad	Foreign Loans
32	280	19	10
Outstanding Stock			
Nonresident's Deposits	Loans to Nonresidents	Residents' Deposits abroad	Foreign Loans
450	900	300	1000
Implicit Interest Rate			
Nonresident's Deposits	Loans to Nonresidents	Residents' Deposits abroad	Foreign Loans
6.7	8.9	6.7	10.0
Interest at Reference Interest Rate			
Nonresident's Deposits	Loans to Nonresidents	Residents' Deposits abroad	Foreign Loans
7.5	7.5	7.5	7.5
33.8	67.5	22.5	75.0
FISIM (accrued basis)			
Nonresident's Deposits	Loans to Nonresidents	Residents' Deposits abroad	Foreign Loans
3.8	12.5	-2.5	-25.0
FISIM (cash basis)			
Nonresident's Deposits	Loans to Nonresidents	Residents' Deposits abroad	Foreign Loans
1.8	212.5	-3.5	65.0

Credits
Debits

Financial Services (FISIM)

Sources:

- Credits: In the case of loans granted to nonresident debtors and deposits from nonresident investors, domestic banks provide interest information through official reports submitted to local regulatory and/or supervisory authorities.
- Debits: For loans received by residents from nonresident banks and deposits held abroad by residents, FISIM estimates have to be based on interest data originated in surveys and/or information provided by the BIS.

Charges for the use of intellectual property N.I.E.

- Charges for the use of proprietary rights such as patents, trademarks, copyrights, industrial processes and designs including trade secrets and franchises. These rights can arise from research and development, as well as from marketing.
- Charges for licenses to reproduce or distribute (or both) intellectual property embodied in produced originals or prototypes.

Telecommunications, computer, and information services

- Computer and telecommunication services are defined in terms of the nature of the service, not the method of delivery.
- There are other services categories that may be using these type of services as a mode of delivery (for instance, Call Centers).

Telecommunications

- They encompass the broadcast or transmission of sound, images, data, or other information by telephone, telex, telegram, radio and television, cable transmission, radio and television satellite, electronic mail, facsimile, and so forth, including business network services, teleconferencing, and support services.
- They do not include the value of the information transported.

Computer Services

- They consist of hardware and software related services and data-processing services.
- Some forms of software are classified under goods.
- Included are licenses for the use of software but not those for reproduction or distribution which are included under “charges for the use of intellectual property”.
- Excluded are general training computing courses not designed for specific users (other personal, cultural, and recreational services).

Computer Services (main types)

- Sales of customized software
- Development, production, supply, and documentation of customized software
- Non customized (mass-produced) software downloaded or otherwise electronically delivered
- Licenses to use non customized (mass-produced) software provided on a storage device such as a disk or CD-ROM with a periodic license fee
- Sales and purchases of originals and ownership rights for software systems and applications
- Hardware and software consultancy and installation
- Maintenance and repairs of computers
- Data recovery services
- Analysis, design, and programming of systems ready to use
- Systems maintenance and other support services
- Data-processing and hosting services
- Web page hosting services
- Provision of applications

Information Services

- News agency services.
- Database services, database conception, data storage, and the dissemination of data and databases, both online and through magnetic, optical, or printed media.
- Direct non-bulk subscriptions to newspapers and periodicals.
- Library and archive services.

Other Business Services

- Research and Development
- Professional and management consulting services
- Technical, trade-related, and other business services
- Waste treatment and depollution, agricultural, and mining services
- Operating leasing

Personal, cultural, and recreational services

- Audiovisual and related services
- Other personal, cultural, and recreational services

Government goods and services N.I.E.

Government and international organization enclaves are not residents of the territory in which they are physically located, they remain residents of the country they represent. They cover:

- Goods and services supplied by and to enclaves, such as embassies, military bases, and international organizations.
- Goods and services acquired from the host economy by diplomats, consular staff, and military personnel located abroad and their dependents.

Other Services (practical compilation aspects)

- In the case of the rest of the services prescribed as standard components in the BPM6, two approaches have been used in several countries:
 - 1) Specific questionnaires adapted for the main features of each of the services components, applied to identified exporters/providers of that kind of service.
 - 2) Questionnaires including all of these types of services in a general comprehensive format, applied to a large sample of general exporters/providers of all kinds of services.

Note: In the first case the export or income side of the questionnaires tends to be very specific, whereas the import or expenditure side has to remain general.

Other Services (practical compilation aspects)

- The decision about which of the two approaches to take is a very particular one and depends on things such as:
 - ✓ Size of the economy
 - ✓ Degree of openness
 - ✓ Institutional arrangements
 - ✓ Legal framework
 - ✓ Previous practices

Other Services (practical compilation aspects)

- Any of the two approaches requires enterprise directories which in some cases might be available in the domestic statistical agencies (central bank, statistics institute, etc.) for use in existing surveys or industrial census.
- Also, the various business associations in which individual firms tend to group, normally have lists of members.

Other Services (practical compilation aspects)

- Once these lists or directories have been built, decisions need to be taken in terms of what kind of surveys (whether general or specific) are going to be applied.
 - ✓ Only to the largest firms
 - ✓ To a stratified sample
 - ✓ Periodicity (for example, small quarterly samples and a big annual sample)
 - ✓ Will the survey be applied by the BOP area directly or through a specialized surveys area?

Other Services

REPORT ON TRANSACTIONS WITH RESIDENTS OF OTHER ECONOMIES

Thousands of US Dollars

	Income	Expenditures
Maintenance and repair services (excludes work on construction and computing equipment)		
Construction		
Construction abroad (performed by residents in projects of less than a year)		
Construction in the reporting economy (performed by no-residents in projects of less than a year)		
Financial services (explicitly charged 1/ 2/)		
Charges for the use of intellectual property n.i.e.		
Property rights (patents, registered trademarks, industrial rights, etc.)		
Licenses for the reproduction and distribution of intellectual property (author rights, software, etc.)		
Telecommunications, computer, and information services		
Telecommunications services (remote transmission of sound, images and data)		
Computer services (related to computing equipment and programs, as well as with data processing)		
Information services (news agencies, subscriptions to media, etc.)		
Other business services		
Legal		
Accounting related		
Assistance to business and public relations		
Publicity, market research and opinion polls		
Operational leasing		
Commercial commissions		
Research and development (basic and applied research)		
Other (please specify)		
Personal, cultural, and recreational services		
Audiovisual and related services		
Commercial use rights for movies and video		
Transmission rights for TV and shows		
Payments for artists and sportsmen		
Other (please specify)		
Other personal, cultural, and recreational services		
Health services		
Educational services		
Other (please specify)		
Government goods and services n.i.e. 3/		
Consular services		
Licenses and permits		
Other payments n.i.e.		
Other Services (please specify)		

1/ Commissions, fees, penalties, account charges.

2/ Income data can be obtained directly through the compulsory reports that financial intermediaries deliver to the local regulatory and supervisory agencies.

3/ Income data can be obtained by direct consultation with the corresponding local authorities.

Electronic Commerce (E-commerce)

- Increasingly, in recent years, a great number of goods and services transactions are settled by using services which normally involve credit and debit cards in the internet.
- This development poses a big challenge for the compilation of external sector statistics. This is so, because transactions settled this way do not go through customs controls or any other conventional system.

E-commerce (classification)

- There is not a specific standard component item in the balance of payments for e-commerce.
- In BPM6, this kind of transactions have to be classified according to the nature of the goods and services involved, despite their mode of delivery (traditional or electronic).
- Therefore:
 - ✓ When the service is delivered by electronic means the transaction must be regarded as a services transaction for BOP purposes.
 - ✓ When the transaction was accorded by electronic means but implies the delivery of a good which crossed borders, it has to be recorded under trade in goods.

E-commerce (classification)

- Examples of services electronically delivered are:
 - ✓ Professional consulting services, whether medical, business or other kinds provided and settled by electronic means (business services in BOP).
 - ✓ Travel and transport services hired on line to be provided in site (travel and transportation in BOP).
 - ✓ Educational courses in line or downloaded (personal services in BOP).
- All of these services have to be classified in accordance to the nature of the service and not to the mode of delivery.

E-commerce (delimitation)

- It is important to state a clear distinction between that trade of goods and services that is agreed by using electronic means and the one that is, by its own nature, related to the use of electronic systems of information.
- Among the latter, there are services of informatic nature and those associated to intellectual property. These services are not classified as e-commerce, but as services items specifically conceived for in the standard components of the BOP.

E-commerce (classification)

- Goods and services delivered by these means must be recorded as:
- Services (examples)
 - ✓ Travel arrangements
 - ✓ E-books
 - ✓ Insurance in line
 - ✓ Games in line
- Goods
 - ✓ Any physical object whose delivery implies border crossing.

E-commerce (capture of information)

- When this kind of international transactions are made by individuals and/or households the capture of information becomes particularly complex.
 - ✓ In countries where there exist ITRS, the small size of these operations makes it highly improbable that they are either captured or identifiable.
 - ✓ Payments might be settled by using a compensations system or by credit cards. In both cases, the proper identification is very difficult.
 - ✓ Household surveys tend not to be very specific and frequently the sample sizes are not big enough to capture these details in a reliable way.
 - ✓ Some deliveries are made by courier services.

E-commerce (capture)

- The best international practices and experiences are those where efforts have been oriented directly towards the firms that more frequently resort to the sale and purchase of products and services by electronic means (business surveys).
- To the extent that these consultations, as well as the nature of the available information within the firms themselves, allow for the distinction of national and international operations, this one can become a good method for capturing information.
- In cases where the main providers of this kind of services are not residents and the users are mainly residents, this method faces significant limitations.

E-commerce (associated expenses)

- Commissions charged by the companies that provide the services (other business services).
- Shipping expenditures for the case of goods (transport services).
- Services related with the financing of the transactions (financial services).