Services trade data: Classification, availability and best practices in compilation

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Classifying services trade

Background: Sectoral coverage in the GATS

- MTN. GNS/W/120 of July 1991 (classification used in GATS negotiations) divided the universe of service sectors into 12 groups
- Altogether 160 sub-sectors identified
- Sectors and sub-sectors had numbers corresponding to the Central Product Classification (CPC), Provisional version 1989
- Data on services trade were scarcely available for the sectors/sub-sectors listed in W/120, especially for non-OECD countries
- This was especially true of bilateral trade
- Absence of services trade data led to serious negotiating challenges
- Led to the need for uniform guidelines for services trade data collection and compilation

Measuring services trade

- In 2002, the United Nations Statistical Commission adopted the first Manual on Statistics of International Trade in Services (MSITS)
- Building upon internationally agreed standards, it provided guidelines and recommendations on how to use and develop sources to measure the international supply of services
- In consistency with the IMF Balance of Payments Manual 5th edition's (BPM5) concepts and classification, MSITS 2002 provided a detailed classification of trade in services statistics - the Extended Balance of Payments Services Classification 2002 or EBOPS 2002
- BPM5 later revised to BPM6; EBOPS 2002 to EBOPS 2010
- Further revisions in progress…

EBOPS 2010 sectors

SA. Manufacturing services on physical inputs

SB. Maintenance & repair services

SC. Transport (sea, air, other, postal & courier)

SD. Travel services (business, health- & education-related)

SE. Construction services

SF. Insurance and pension services

SG. Financial services

SH. Charges for the use of intellectual property

SI. Telecommunication, computer and information services

SJ. Other business services (R&D; professional & management consulting; technical and trade-related)

SK. Personal, cultural, and recreational services (health, education, audio-visual)

SL. Government services

Services trade data availability

International sources of services trade data

- International sources of “actual” services trade data include:
  - United Nations Services Database (UNSD)
  - WTO/UNCTAD/ITC services database (WTOSD)
  - World Bank Services Database (WBSD)
  - OECD international trade in services statistics database (OECD ITSS)
  - Eurostat
  - International Trade & Production Database for Estimation (ITPD-E)

International sources of services trade data (II)

- "Constructed" databases include:
  - OECD-WTO Balanced Trade in Services Database (BATIS)
  - WTO Trade in Services by Mode of Supply (TISMOS)
  - OECD TiVA and ICIO databases
  - EORA database (Lenzen et al. 2013)
  - UNCTAD-EORA GVC database (Casella et al. 2019)
  - World Input-Output Database (WIOD; Timmer et al. 2014)
  - ADB MRIO database

Problems with services trade data

- What are services? lack of clarity even now esp. in LICs
- Lack of availability: especially bilateral and disaggregated, especially in the case of South-South trade (also most of South-North trade is North-South "mirror" flows)
- Reliability of data: BOP asymmetries (misallocation, different thresholds, difficult geographical identification)
- Classification issues: Like the CPC, EBOPS also groups services according to their characteristics, but makes exceptions where services are grouped by provider type or mode of supply (e.g. travel, services between related enterprises)
- Definitional issues: Classification of services activities especially with internationalisation of production chains, unbundling, developments in ICT, growth of e-commerce and "servicification" of economic activity

“Best practices” in services trade data collection in LICs

Determinants of “best practice”

- Enabling legal provisions: These include a legal requirement for commercial banks to report BOP data to central banks/national statistical institutes (NSIs); and a confidentiality provision to enable individual companies to make these data available to commercial banks. The latter may include provisions that would prevent reported data from being used for “other” (non-statistical purposes) or being shared with “other” agencies/organizations
  - E.g. Afghanistan imposes a penalty for non-compliance with reporting requirements. The country’s central bank, Da Afghanistan Bank, law has provisions (Article 123, Section 7) allowing “sanctions” against banks for not complying with the reporting requirements. A penalty of 12,500 Afghanis per report per day for missing reports and the same amount per mistake is applied.

Determinants of “best practice” (II)

- Proper institutional arrangements: Successful data collection also depends on the presence of proper institutional arrangements between NSIs and central banks on the collection and compilation of statistics
  - E.g. Bhutan has been able to formalize such an arrangement

- Use of multiple data sources: Countries that have recourse to multiple data sources are able to report better coverage and quality of data
  - E.g. Uganda sources services trade data from multiple sources and in most cases, a combination of data from international transaction reporting systems (ITRS) and surveys is used

In fact, user-friendly surveys may be the most effective way of generating significantly more comprehensive and reliable services trade data

Determinants of “best practice” (III)

- Presence of elaborate checks and balances: Countries that use more and elaborate checks and balances to evaluate compiled data not only end up improving data quality but also tend to report data for a greater number of sectors e.g. Uganda
  - Monthly trade data are reviewed by the Statistics Department to place them on a BOP basis, as well as to check them for accuracy
  - Monthly aggregates are checked through daily returns, and large transactions are verified
  - An assessment of survey results is made and imputations are done with data on enterprises’ income statements and published balance sheets
  - Survey data are processed by the Bank of Uganda (BOU) using customized MS-Access application and Excel spreadsheets
  - Data at all stages of the survey exercise are verified against a set of control indicators - both external and internal checks are employed in the source data validations including on-site and off-site editing carried out by enumerators
  - Editing procedures include checks on internal inconsistencies in data, missing data (gaps), exchange rate conversion, and completeness in recording entries
  - Data editing procedures are followed by source data analysis at various levels of data categorization

Determinants of “best practice” (IV)

- Focusing on economically important sectors: Countries can also improve the quality and quantity of data by focusing their data collection efforts in sectors of their economic importance
  - The Reserve Bank of India has been conducting annual surveys in software & ITES services beginning financial year 2002-03, where inter alia, data availability by mode of services delivery was also made possible

- Availability and quality of human capital: Another fundamental ingredient of good quality data availability is the availability and quality of human capital, with the latter encompassing both the understanding and skill-levels of reporters and compilers. Further attributes include the need for adequate information and guidelines on data reporting and compilation, the need for a system in place to deal with rapid turnover and attrition of personnel and the need for adequate financial resources to conduct regular trainings and evaluation of personnel

Determinants of “best practice” (V)

- Technical advancements: Data collection can also be improved by technical advancements such as enhancing the quality or design of surveys, extending population coverage and by evaluating existing data sources/making use of micro-data linking
  - Uganda seems to have made such technical advancements that include (i) widening the coverage for the Personal Transfers Survey to obtain a representative sample for better estimates especially of the outward transfers; (ii) augmenting estimates of government services n.i.e with data from international organizations bases in the country; and (iii) reviewing methodology used for BOP forecasting

- External support: LDCs/LICs typically suffer from inadequate and unskilled human capital, insufficient financial resources and deficient data collection characterized by lower coverage of sample populations, unrepresentative samples, poor sampling techniques, etc. Some “better performing” LDCs/LICs such as Afghanistan and Cambodia have benefitted from technical assistance (TA) and capacity building programmes/projects (CBP) either in the context of regional integration efforts or as a part of bilateral initiatives
  - E.g. AANZFTA ECWP, EU-ASEAN COMPASS, UNCTAD-UEMOA, EU-Afghanistan, GIZ-SADC

Thank you!

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