

The current situation of services statistics in Vietnam

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I. Current situation on services statistics in Vietnam

Up to now the economy of Viet nam has been developing towards market economy, the services activities grow fast and play the important role in the economy.

- Services are now an important economic sector, representing 40 - 42% of GDP. Export and import of services in 1998 was recorded as USD 5.7 billion, USD 4.7 billion in 1999, 5.9 billion in 2000, 6.2 billions in 2001, 6.6 billion in 2002 and USD 7.18 billion in 2003. Services represent about 15.5-16.5% of Vietnam's total international trade as recorded in the Balance of Payments current account. The average rate of growth of imports and exports of services over 1998 - 2003 was about 4.6%¹.
- Licensed foreign investment projects for operation in services sectors account for about 14% of total FDI projects and about 16% of the total registered capital.

With the rapid development of the services sector in Vietnam, statistics on services have become increasingly crucial for assessment and management of services activities. As Vietnam integrates into the regional and global economy and participates in negotiation and implementation of various bilateral, regional and multilateral agreements such as VN-US, AFSA, WTO, there is a need for statistics to be much more detailed and to be provided in conformity with international standards.

In this paper we focus on the area of statistics on international trade in services. In accordance with international standards, statistics on trade in services in the compiling country should reflect the results of that country's transactions in services with the rest of the world as well as market access opportunities to supply services from abroad and the degree of national market opening. Statistics on trade in services therefore need to be compiled not only from BOP and SNA

¹ Source: State Bank of Vietnam

accounts but also from statistics on foreign affiliates trade in services in the compiling country (inward FATS) and of the compiling country (outward FATS).

In Vietnam, statistics on international trade in services activities are currently compiled by two official institutions:

- The State Bank of Vietnam (SBV): data on the import and export of services to compile the BOP;
- The General Statistics Office(GSO): uses export and import data provided by SBV, as well as statistics on specialized services and statistics on FDI enterprises to compile the SNA.

These two institutions are examined in detail below.

A. Services data in the Balance of Payments

The SBV was assigned responsibility for the compilation of the BOP in 1990. The import and export of services are important items in the current account.

Definitions and classifications

SBV's methodology is based in principle on "The Balance of Payments Manual", fifth edition (BPM5) issued by the International Monetary Fund in 1993. At present, the BOP are compiled and disseminated on a quarterly basis.

There are, however, a number of difficulties in the current data collection system which limits full compliance with BMP5.

In BMP5, international services transactions are grouped into 11 major components: maritime and air transportation services, travel services, financial services, post and telecommunications services, construction services, insurance services, computer and information services, royalties and license fees, and Other Government services etc. The BOP statements for Vietnam are currently broken down into only 6 services categories; maritime and air transportation, insurance, post and telecommunications, banking and travel, with all other sectors (the vast bulk) grouped under "other services".

Data resources:

BOP data on the export and import of services is collected by SBV from three main sources:

- Commercial Banks
- Ministries
- State Owned and Private Enterprises

Data collection from the banking system:

The SBV calculates imports and exports of services from the monthly Reports on non-goods settlements of the authorized commercial banks which conduct foreign exchange operations. The standard forms for accounting and statistical reporting from the banking system, include one for the collection of information on imports and exports of services from authorized commercial banks (Form A11): Non-goods settlement report. When filling in this report, authorized commercial banks are required to use data based on foreign currency income and expenditure recorded in the foreign currency accounts of their clients.

Form A11: Non-goods settlements report
Month ... year ...

Unit: 1,000 USD

No	Statistical Items	Receipts	Payments
A	B	1	2
I	Fund transfers and exchanges		
1	Exchanges		
2	Foreign representative offices and international organizations in Vietnam		
3	Individual funds transfers		
4	Overseas Vietnamese representative offices		
5	Experts Cooperation		
6	Annual member fee		
7	Donation transfer		
	+ for investment purposes		
	+ for consumption purposes		
8	Funds remittance as foreign direct investment inflows		

9	Investment profit remittance		
10	Direct investment capital remittance		
II	Service industries		
1	Banking		
2	Aviation		
3	Post and telecommunication		
4	Insurance		
5	Maritime		
6	Travel		
7	Other services		
	Total		

Strengths:

This is the major source of information from which Vietnam’s BOP has been and will continue to be compiled. Given the mandatory requirements for provision of this information for administrative management of the banking system, the information collected is considered reasonably comprehensive on the assumption that most transactions between residents and non-residents are made via commercial banks. Although data quality remains problematic, the source is considered to cover the bulk of import and export transactions in a number of key services sectors in Vietnam.

This data is supplied to the GSO for the calculation of services items in the National Accounts. Until GSO completes its own independent collection of statistical information on certain specific services items, the data provided through the banking system will remain the major source of services data for both the BOP and the National Accounts.

Weaknesses and Gaps:

Although Form A11 provides satisfactory consolidated data on a number of services, various outstanding problems remain:

- The coverage is incomplete. First, the Vietnamese economy is still largely cash-based, so the information collected from banks is insufficient. Second, the rapid development and diversification of services activities has meant that not every transaction is made via the

Vietnamese banking system. Many large enterprises hold accounts overseas for making payments.

- The data is not grouped into the 11 services components specified in BPM5 and is unable to meet increasing demand for more detailed subsectoral breakdown in the services imports and exports data.
 - o There is some mixing of services and goods in the reports submitted by the banks (especially in cases of money order settlements where customers tend not to identify clearly whether payment is for goods or services).
 - o The data is not disaggregated into specific services items. As services activities have become more diversified, many services enterprises have become less specialized and tend to conduct various services businesses.
 - o Form A11 provides data for enterprises operating in “service industries” (under specialized management) rather than for enterprises which may actually be producing and providing a specific individual service. For instance, the total data provided by Vietnam Airlines is incorporated into aviation transportation services. But this data actually incorporates data for other services as well as goods, none of which can be disaggregated.

- The information is not broken down by partner country

- In principle, service transactions should be valued on an accrual gross basis. In practice, some service transactions such as post and telecommunications services, are incorporated into the BOP on the basis of net value.

Data collected from Ministries and other Government Agencies and Enterprises:

Information provided from this source includes:

- Monthly, quarterly and annual statistics on exports and imports of goods, from the General Department of Customs and the General Statistics Office. This is used to calculate the balance of trade in goods and to estimate freight services. In principle, this data is considered fully consistent with BOP methodologies on coverage, content and classification.

- Since 1999, the SBV has been using data reported by Vietnam Airlines and by the Vietnam Post and Telecommunications Corporation to revise data provided from authorized commercial banks.

Strengths and Weaknesses

This data source has proved a very useful supplement to data provided through the banking system, especially for statistics on export and import of goods. However, there are still major implementation problems so far. To date, only a small number of both Ministries and enterprises have submitted reports to the SBV, including for example, Vietnam Post and Telecommunications Corporation and the Ministry of Finance. Most other Ministries and agencies have not yet been able to meet the requirements. Major contributing factors include:

- The content of the survey forms is not sufficiently detailed, including in the explanatory notes and guidelines. Part of the problem arises because there are no international standards specified for the collection of data on each of the specific services items. This is a new and complicated area, so the concepts, definitions and scope of each item need to be carefully delineated, including to avoid double-counting between different Ministries.
- Statisticians in various Ministries and agencies are not adequately trained in this field. There is a general lack of understanding with respect to content, coverage and classification of services items.
- Although relatively new, services activities are growing and diversifying rapidly. Understanding the scope of these business activities and classifying them correctly by services type is quite complicated. Classification is further complicated by the fact that most enterprises conduct more than one kind of service activity. And the variety of economic ownership structures means that enterprises within the same services sector are managed and administered to differing degrees and at different levels. The reporting entity on construction and engineering services, for example, is the Ministry of Construction. The Ministry only collects information from entities subordinate to its own management. Other engineering entities also exist and are administered by other Ministries such as the Ministry of Transport, the Ministry of Agriculture and Rural Development and the Provincial Construction Departments. There are also a number of private businesses which provide engineering services. How can their data be collected?

The same questions arise for other services sectors such as maritime transportation, cultural and travel services.

B. The GSO's Statistical Indicators of International Trade in Services

The GSO is responsible for development of the statistical reporting regime and the preparation and issue of legal documentation on statistics to serve as inputs for calculating specialized statistical indicators as well as general economic indicators at the national and provincial level.

1. Current Reporting Regime:

The current reporting regime for services statistics in general and international trade in services in particular includes:

- Statistical reporting regime for corporations
- Reporting regulations on statistics of international trade in goods for the General Departments of Customs;
- Periodic statistical reporting regime for State-Owned Enterprises
- Periodic statistical reporting regime applied to Foreign Direct Investment enterprises
- Annual survey of the Non- State Owned Enterprises
- Annual survey of production activities of households;
- Survey on living standards and expenditure of households;

Apart from the Reporting regulations on statistics of international trade in goods applied to the General Departments of Customs, all the above mentioned items provide some information on revenue and expenditure associated with domestic and overseas provision and consumption of services. There is no specific separate statistical regulation, however, oriented to covering international trade in services as such. There is a lack of information and data on local consumption of services by foreign tourists, by Vietnam-based foreign representatives, by international organizations and so on. In some cases, there is no established methodology on coverage or data collection, especially on consumption of services activities provided by non-residents.

GSO has not yet published a classification system for international trade in services as it does for international trade in goods. Some international trade in services data has been collected from

the operating results of some enterprises, in which exports could be identified in some items of "revenue from services supply" and imports could be identified within "expenditure on services supply". This data involves considerable undercoverage and duplication and is not considered a good proxy for international trade in services.

For transportation services, for example, total turnover is known to include passenger services, freight services, rental of transportation equipment with crew and port services, but these individual components cannot be identified separately in the data. Some reports contain incomes only in foreign currency, including incomes from transactions with domestic businesses. No data has been collected on imports of transportation services, which are sometimes recorded in production expenditure.

Data on the provision and consumption of personal services between Vietnamese partners and foreign partners are not collected from enterprises; information on travel services, training and health care is only collected from surveys.

2. Outstanding problems:

A separate regime for the collection of statistics on international trade in services, as distinct from international trade in goods, has not yet been adequately established. Statistical requirements have only partially been met for the purposes of calculating certain items for the Balance of Payments and the System of National Accounts.

- Statistical methodology for trade in services is underdeveloped: content, scale, calculation and sources of data;
- Statistical indicators have not yet been established to reflect the extent of services market opening/access for trade negotiation purposes;
- A statistical classification system in this field is not yet available.

Vietnam needs improved statistics on international trade in services to meet immediate requirements for 2001-2010 trade development strategy formulation, to facilitate implementation of commitments in the ASEAN Framework Agreement on Services, commitments on services in Vietnam-US Trade Agreement, to participate effectively in bilateral negotiations and to negotiate entry into the WTO.

The GSO needs to continue and intensify its efforts with respect to the collection, consolidation and publication of relevant data and complete its work on devising an appropriate statistical methodology and a classification system for international trade in services.

II. Establishing a Regime for Services Statistics in Vietnam; some recommendations

In order to meet the needs of national-wide management on trade in services to serve many purposes of Vietnamese Government, implementation commitments in Frame Agreement on Services of ASEAN members, multilateral and bilateral negotiations and WTO participation, the General Statistics Office has responsibility to collect, compile and disseminate national statistics of international trade in services.

This statistical system should have a legal basis and it should be developed in conformity with international standards in statistical methodology.

It should be appropriate to Vietnam's situation, including in terms of data sources and methods of data collection

Recommended Steps towards Establishing a System for Statistic on Trade in services in Vietnam.

1. Consult the relevant international guidelines and documentation on statistics on international trade in services, including the Manual on Statistics of International Trade in Services published by the international organizations, the Balance of Payment Manual 5 published by the IMF, and other documents on the experience of some other countries in compiling services data for BOP and GATS purposes. Undertake investigations on the statistical activities and practices of some developed countries;
2. Undertake investigations on actual service activities of some large corporations in Vietnam;
3. Draft formal requirements on statistical methodology for international trade in services based on international standards and in accordance with the current conditions in Vietnam, including:
 - + Concepts and definitions
 - + Scope and statistical coverage
 - + Data resources

- + Measurement, valuation
- + Services classifications

4. Run surveys, test the compilation and consolidation of the data on trade in services of some large service enterprises;
5. Examine the possibility of amending and supplementing the current periodical statistical reporting regimes, including those applied to corporations, to SOEs, and to foreign direct investment enterprises.
6. Prepare supplementary items on services to include in survey forms and questionnaires such as the surveys on households, household productive units and non-state enterprises.
7. Establish a uniform classification of services export and import items which can be used in the SNA and BOP and to inform the trade negotiation process and help monitor implementation of commitments;
8. Draft and submit for Government approval and publication, an official methodology, a set of sample tables and a set of questionnaires for the collection of information and data on exports and imports of services from the banking system, enterprises and Ministries and agencies;
9. Establish a statistical system for collecting, processing, compiling, consolidating, disseminating and exchanging information and data among the GSO and Enterprises, Ministries/agencies and International Organizations.

The GSO is now in a position, with a recently strengthened legal framework and having completed some initial studies, to take the lead, in cooperation with the SBV, MoT, MPI, and other interested agencies in a step by step approach to implementing the above list of tasks.

To achieve this objective, the GSO will need improved cooperation of and coordination with interested Ministries and agencies. It will be important to establish, as soon as possible, a formal coordinating mechanism, for example an InterMinistry Committee, chaired by the GSO, to meet on a regular monthly and quarterly basis. It is important for all relevant Ministries, including the State Bank of Vietnam, to contribute actively in ensuring that the GSO is provided with all the data available across all the services sectors. Improved information sharing is essential if the

GSO is to compile higher quality data and publish the required statistical indicators, including for banking and insurance.

Technical assistance from International Organizations will also be a vital element in helping to establish and publish appropriate statistical methodologies, a services classification system and an organized flow of statistical information for both total trade in services and disaggregated data for each kind of services activity. The initial focus should be improvement in the 6 main services sub sectors which are currently considered to have potential and hence remain priority Government requirements.