

REGISTRATION OF INTERNATIONAL TRADE IN SERVICES

allocation of tasks and co-operation between the statistical office (CBS) and the central bank (DNB)

by John Thoolen¹

1 Introduction and summary

As a reflection of the heightened analytical and policy interest in data on international trade in services - particularly in the context of the GATT negotiations on services - considerable disaggregation has been introduced in the classification of international services transactions in the 5th edition of the IMF Balance of Payments Manual. Recently, the OECD and Eurostat adopted a joint classification of services, that is in line with the IMF classification, but is even more detailed.

In view of these international developments, the Nederlandsche Bank, which is the compiler of the Balance of Payments in the Netherlands, has decided to adopt a new classification of services. The new classification is based on the list of Standard Components in the fifth edition of the IMF Balance of Payments Manual. In addition, the new classification also distinguishes some types of services which are of particular importance for the analysis of the Dutch economy (such as inland waterway transport). The cash registration system for BoP-recording used by the Bank does not, however, allow for making some of the detailed refinements in the joint OECD/Eurostat services classification (mainly other business services). In order to meet international reporting obligations, use would have to be made of information from other sources.

The introduction of the new classification of services applied in the Bank's cash registration system merely entails a different method of categorising cross-border payments for services transactions. For the sake of the comparability of national Balance of Payments data, it is not

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sufficient to harmonize the classifications only; also the concepts and definitions should be harmonized. For certain Balance of Payments components, the cash registration system does provide the information that is required; the use of information from additional sources may have to be considered.

The guidelines for the compilation of the Balance of Payments in the fifth IMF Balance of Payments Manual have been closely attuned to the System of National Accounts (SNA). It is of importance that not only the guidelines be harmonized. In practice, too, the Balance of Payments and the National Accounts should be brought more in line.

These considerations have prompted the Bank to discuss with the CBS the possibilities of basing the future compilation of certain services items (partly) on CBS information. In the short term, the information from CBS sources would have to be seen notably as a supplement to the cash registration. In the longer term, a situation where the CBS takes over the entire registration of services could be envisaged.

2 User requirements

An inventory of user requirements shows that in stage three of EMU there is a need, on the one hand, for a 'key items' Balance of Payments (for the monetary union as a whole) which is available on a monthly basis, for the benefit of monetary policy (ECB). For the 'key items' Balance of Payments, the need for information is restricted to extra-EMU transactions only. On the other hand, there is a need, on a quarterly and an annual basis, for a more detailed Balance of Payments, notably in respect of the current account (statistical offices, Eurostat, OECD, IMF). The more detailed Balance of Payments would have to provide insight into economic and financial developments, and would have to be in line with the system applied in the National Accounts. There is also a need for a Balance of Payments for the EU as a whole. In addition, for the time being, a detailed Balance of Payments needs to be available per country, which has to include intra-EU transactions.

3 Sources

The rapidly available, monthly Balance of Payments data (containing a very limited breakdown of the current account) may be based on the Bank's cash registration system. This registration system does not, however, provide all the information needed to compile the more detailed Balance of Payments. In order to meet international obligations, use would have to be made of information from other sources. With a view to the future, the Bank decided last year to go for a more open system of BoP-registration. In other words, the Bank, as the compiler of the Balance of Payments, may make use of information from other sources for certain components.

In a cash registration system one should not distinguish too many categories: the more detailed the classification, the less reliable the (detailed) figures. Cross border payments are often of a mixed nature. The distinction between R&D-services and technical services, for instance, is difficult to make; intra-concern R&D-services are often included in the intra-concern service fees. Therefore, in the new classification of services R&D-services and some other business services are not distinguished separately. In this case CBS information might be used to get a more detailed breakdown of 'other business services'.

Although the new classification of services used in the Banks' cash registration is based on the Standard Components list contained in the fifth Manual, the requirements on services are not fully met. The introduction of the new classification of services merely entails a different method of categorizing cross-border payments in respect of services. For the sake of the comparability (consolidation) of national Balance of Payments data, it is not sufficient to harmonize the classifications only. Also the concepts/definitions (valuation, timing) should be harmonized between the EU Member States. For certain components of the Balance of Payments, the cash registration method does not provide

the information that is required; the use of other data sources may have to be considered².

It is important that countries comply with the international guidelines as good as possible. Harmonization of Balance of Payments is needed notably for the EU Member States, especially with a view to BoP consolidation for the Union as a whole. Task Force 2 of the BoP Working Party (that resorts under the CMFB) has therefore come up with proposals towards harmonization. These proposals may also have implications for the registration system. For instance, Task Force 2 considers the cash registration method inadequate for the compilation of the transportation balance in the longer term, as it registers invoice values. By way of (complicated) invoice/fob adjustments, these invoice values need to be converted into fob values. Task Force 2 favours a proposal made by Germany/UK to estimate transport costs on the basis of rates and tonnage (derived from transportation statistics).

Another problem with the cash registration arises when services are not explicitly paid for. In case of insurance, for instance, the service charge is included in the premiums. As only the service charge should be included in the services account, estimates should be made. Information from the (new) enterprise statistics might be used in the estimation procedure.

In the short term, it should be investigated whether the Bank can make use of information from CBS sources that are already available. An improvement of the balance of payments figures would then be achieved without an increase of the reporting burden. The information used for the compilation of the National Accounts will probably be the most useful for Balance of Payments purposes.

² This does not only refer to services, but also the primary income balance. In the cash registration the compensation of employees is recorded net of social premiums and taxes. Dividends, too, are recorded net of taxes. Maybe that information from the National Accounts can be used to get gross balance of payments figures.

In the longer term, a situation where the CBS takes over the entire registration of services could be envisaged. This might entail that in the longer term the CBS takes care of the registration of the international trade in goods and services, while the Bank registers the capital and income transactions (as well as possibly income transfers)³. In the cash registration only one item 'services' would suffice (as is already the case for goods). For the compilation of the detailed Balance of Payments use would have to be made of the new CBS statistics on services. This statistics would also have to be used for the National Accounts. It should be noticed that, for Balance of Payments purposes, the new CBS statistics on services should also provide a geographical breakdown of services transactions (not relevant for National Accounts).

4 Harmonization Manual - National Accounts

The fifth edition of the IMF Balance of Payments Manual is closely harmonized with the System of National Accounts: the current account of the Balance of Payments would have to be in line with the transactions of the foreign sector in the National Accounts. At present there are fairly large discrepancies between the two statistics in the Netherlands, notably because Balance of Payments data on imports and exports of services are hard to relate to the National Accounts data. These discrepancies have prompted renewed technical consultations between the CBS and the Bank with a view to identifying the gaps and, where possible, eliminating them.

Now that the harmonization of directives is being undertaken, it is of importance that the Balance of Payments and the National Accounts also be better attuned in practice. This could be achieved through, for instance, an unequivocal interpretation of the directives (e.g. distinction between income and capital transfers) and closer co-operation.

³ For the latter two components of the balance of payments, the Bank is largely dependent on information supplied by the banking system.

The institutions already have proposed the objective to co-ordinate their revisions strategies. An inventory of the adjustments to be made to the National Accounts will be compared with the summary made by the bank of the deviations from the fifth Manual. The intention is to identify overlaps and to ascertain whether these can be addressed by means of common projects.