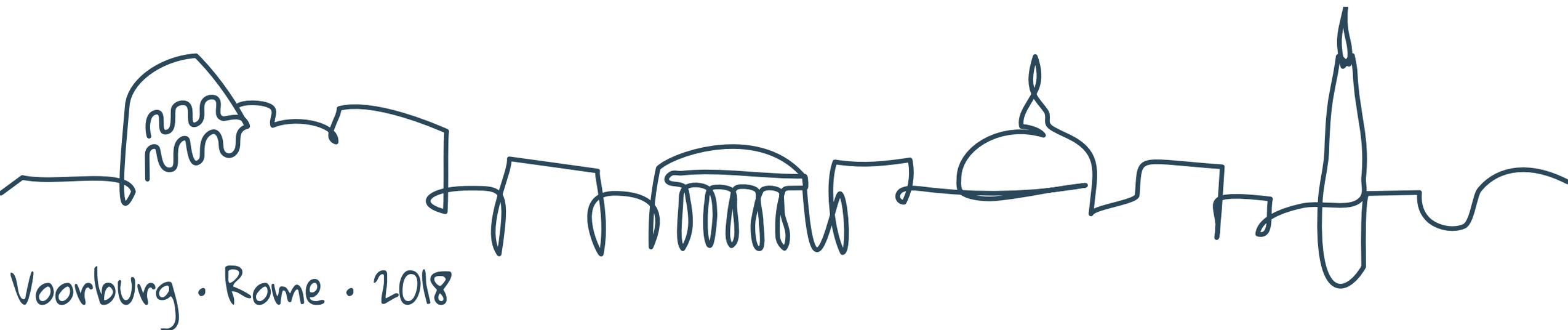


Cross cutting topic

Preliminary Analysis of Export of Services Output in Croatia

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Introduction

- Services are an increasingly important component of global production
- International trade in services, particularly exports, forms a key subset of the outputs of service industries
- Measurement of most trade in services cannot be enhanced through use of customs data or often from other administrative data sources - a challenge in collection of high quality data
- The purpose of presentation is to briefly present a preliminary analysis on export of services output in Croatia

Description of export of services

All services rendered by residents to non-residents. Exports form part of the output (credit) of the economy of the resident unit, and are an input (debit) for the economy of the purchasing non-resident unit.



- Some of the production of a resident producer may take place abroad, while some of the production taking place within the geographical boundary of the economy may be carried out by non-resident producer units.
- The distinction between resident and non-resident institutional units is crucial to the definition and coverage of GDP.
- Production can generate an export only if the production is classified as domestic production (undertaken by a resident even though the physical process takes place outside the economic territory).



Characteristics and challenges

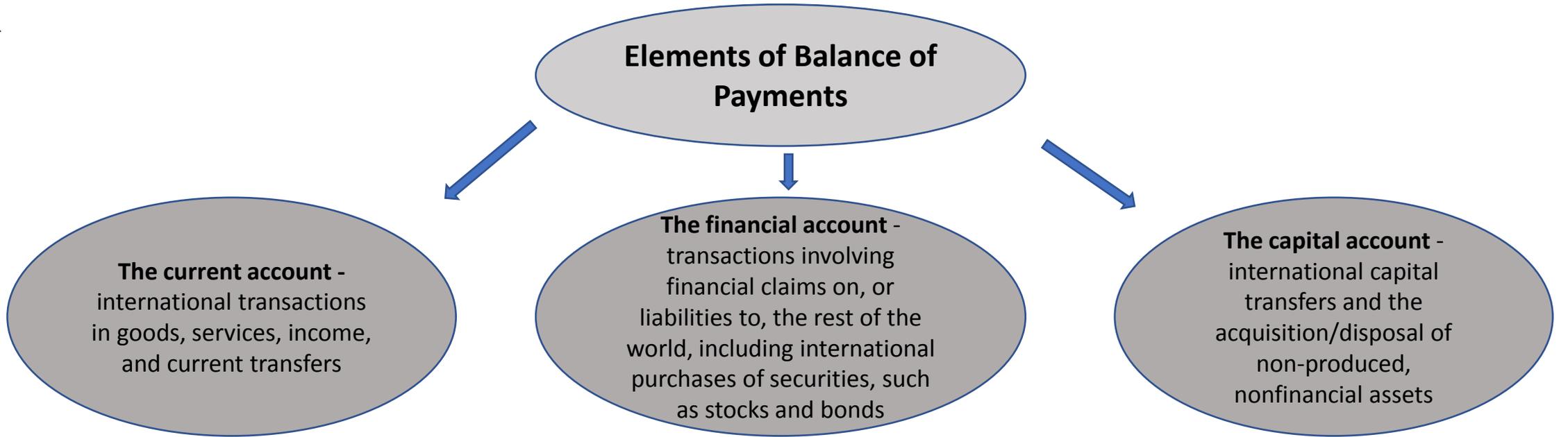
The increasingly global nature of economic transactions and arrangements presents a challenge to the application of national accounts concepts and the use of data collection and compilation systems for measuring developments in the domestic economy.

- global companies that provide services in the local markets through subsidiaries presents a challenge in collection of high quality data
- service exports are often under-reported, meaning that they are growing much faster than any reported numbers
- no recognized set of “harmonized codes” to categorize services, and so they are categorized inconsistently
- no physical border for them to cross, and no manifests or bills of lading to be checked and reported at customs
- there is often no paperwork declaring value
- increasing trend of asymmetries between countries for services exports -differences in concepts, definitions, and compilation practices, which challenge direct comparability of data



Balance of Payments

A statistical summary of the transactions of a given economy with the rest of the world



- internationally agreed methodological standards
- the Balance of Payments and International Investment Position Manual (BPM6) -serves as a base to the Member States for preparing the balance of payments and international investment
- The end result - achieving statistics comparable between countries and producing high quality data which reflect the economic reality



Balance of Payments – cont.

- In Croatia, data on exports of services, for the compilation of the GDP, are based on the balance of payments data of the Croatian National Bank
- The balance of payments of the Republic of Croatia is compiled and published on a quarterly basis, three months after the end of the reporting quarter

Data sources:

- 1) estimates and statistical research carried out by the Croatian National Bank
- 2) special reports of the Croatian National Bank (International Transaction Reporting System (ITRS), monetary statistics, securities statistics and reserve assets)
- 3) reports of the government institutions (Croatian Bureau of Statistics, Ministry of Finance, Croatian Health Insurance Fund and Croatian Pension Insurance Institute)



12 main BPM6 standard services components

Service Sector: 1-digit level	2-digit level
Charges for the use of intellectual property n.i.e.	--
Construction	Construction abroad Construction in reporting economy
Financial services	Explicitly charged and other financial services Financial intermediation services indirectly measured (FISIM)
Government goods and services n.i.e.	--
Insurance and pension services	Auxiliary insurance services Direct insurance Pension and standardized guaranteed services Reinsurance
Maintenance and repair services n.i.e.	--
Manufacturing services on physical inputs owned by others	Goods for processing abroad Goods for processing in reporting economy
Other Business Services	Professional and management consulting services Research and development services Technical, trade-related, and other business services
Personal, cultural, and recreational services	Audio-visual and related services Other personal, cultural, and recreational services
Telecommunications, computer, and information services	Computer services Information services Telecommunications services Air Transport
Transport	Other mode of Transport Postal and courier services Sea Transport
Travel	Business Personal

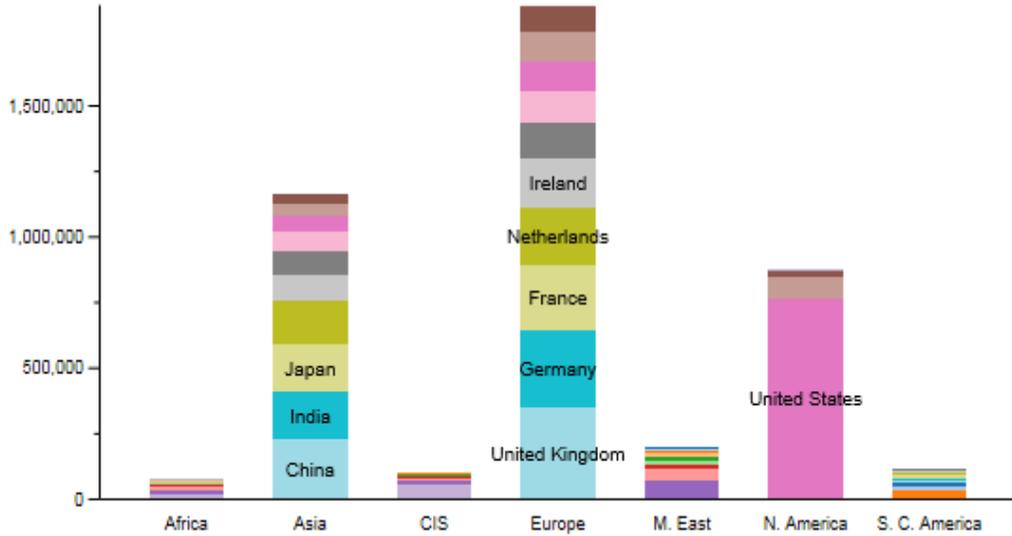
Source: BPM6, IMF



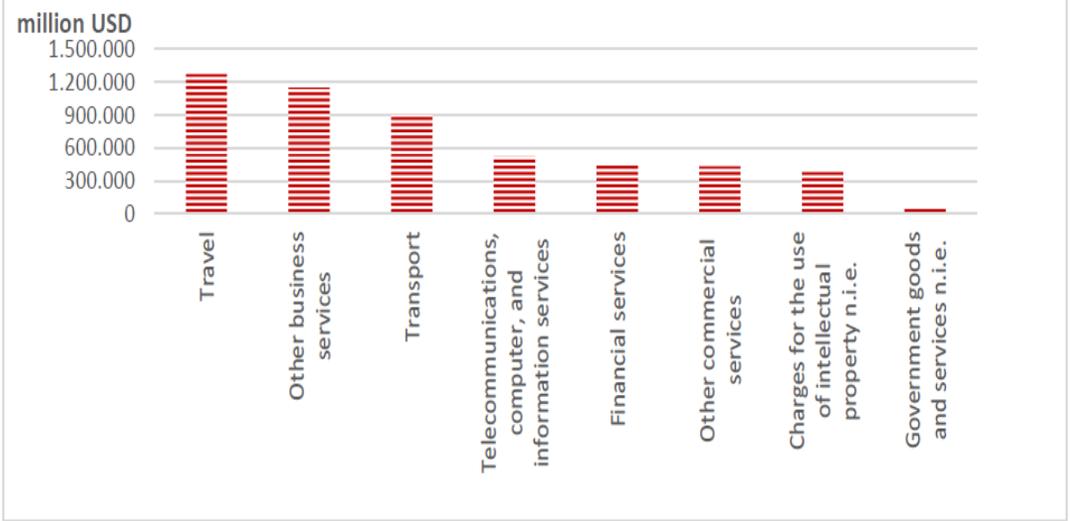
Market conditions - export of services, World

International Trade in Commercial Services, 2017

million USD



Export of services by services item, World, 2017



Market conditions -export of services in Croatia

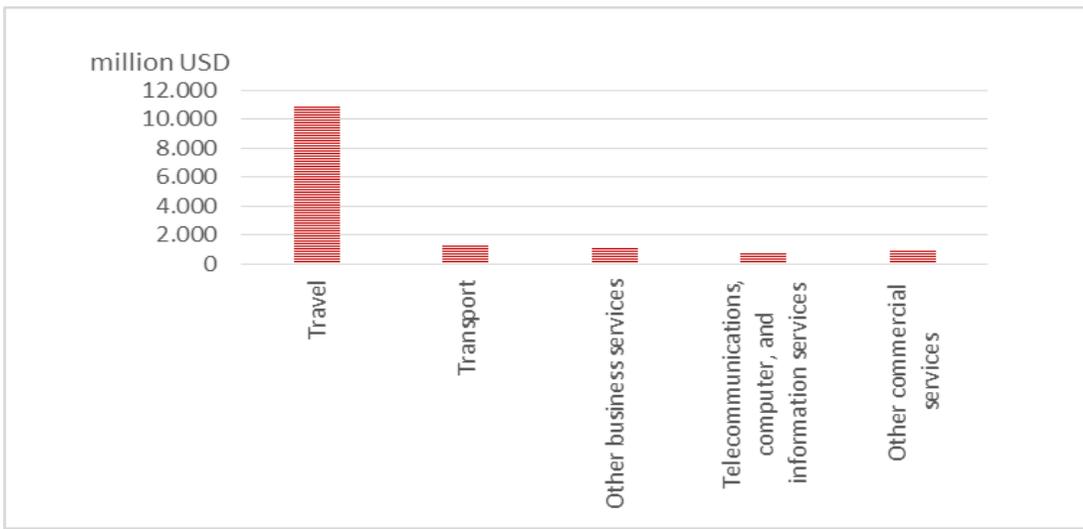
- Service activities account for more than a half of the real sector in the Republic of Croatia
- The export of services (% of GDP) in Croatia was reported at 27.3 % in 2017
- In the years before the global financial crisis, Croatia's imports grew rapidly in comparison to its exports
- EU accession in July 2013 boosted exports and significantly improved the export capacity of Croatian firms
- Croatia now has a comfortable current account surplus but needs to generate persistent surpluses to ensure the sustainability of the external liabilities
- The persistently negative merchandise trade balance was partly offset by the large surplus in the balance of services, driven by Croatia's all-important tourism sector
- Croatia is small country – not many multinational enterprises



Market conditions - export of services in Croatia-cont.

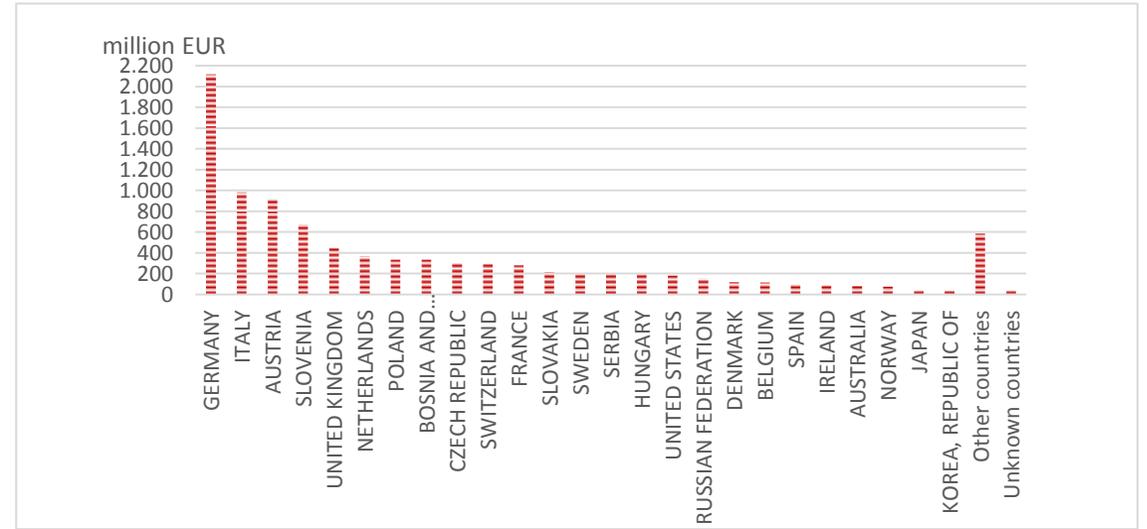
- more than 70% of exports of services in Croatia relate to tourism activities
- one of the three EU-28 countries with the largest share of travel services exports in the country's GDP

Export of services by services items, Croatia, 2017

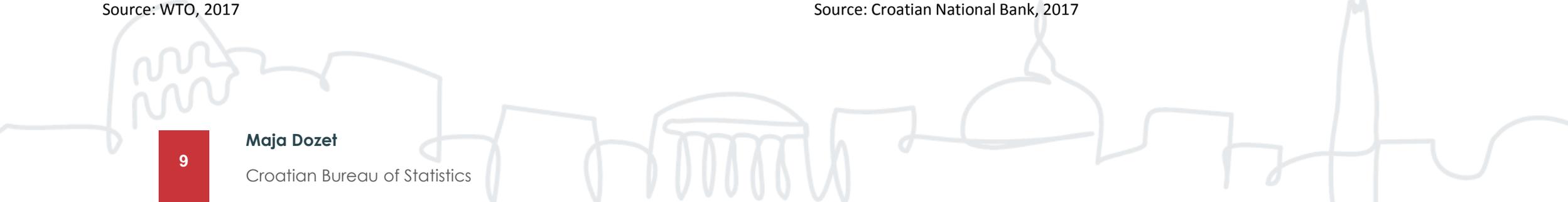


Source: WTO, 2017

Travel export in Croatia by export destinations, 2017



Source: Croatian National Bank, 2017





Surveys used for the collection of data on export of services

The Croatian National Bank (CNB) conducts several surveys (direct reporting) completely in line with BPM6 and ESA 2010

TRAVEL - starting from the first quarter of 2012, data on revenues from travel services are based on a combination of the estimated level of tourism consumption in 2011 and an econometrically computed indicator – the first principal component of a group of variables that are assumed to follow the dynamics of tourism revenue (foreign tourist arrivals and nights, the number of foreign travellers at border crossings, total tourist consumption according to the CNB survey, the number of the employed in accommodation and food service activities, the revenues of hotels and restaurants,...)

TRANSPORT - revenues and expenditures are compiled on the basis of the results of the Research on transactions related to international transportation services, carried out by the CNB

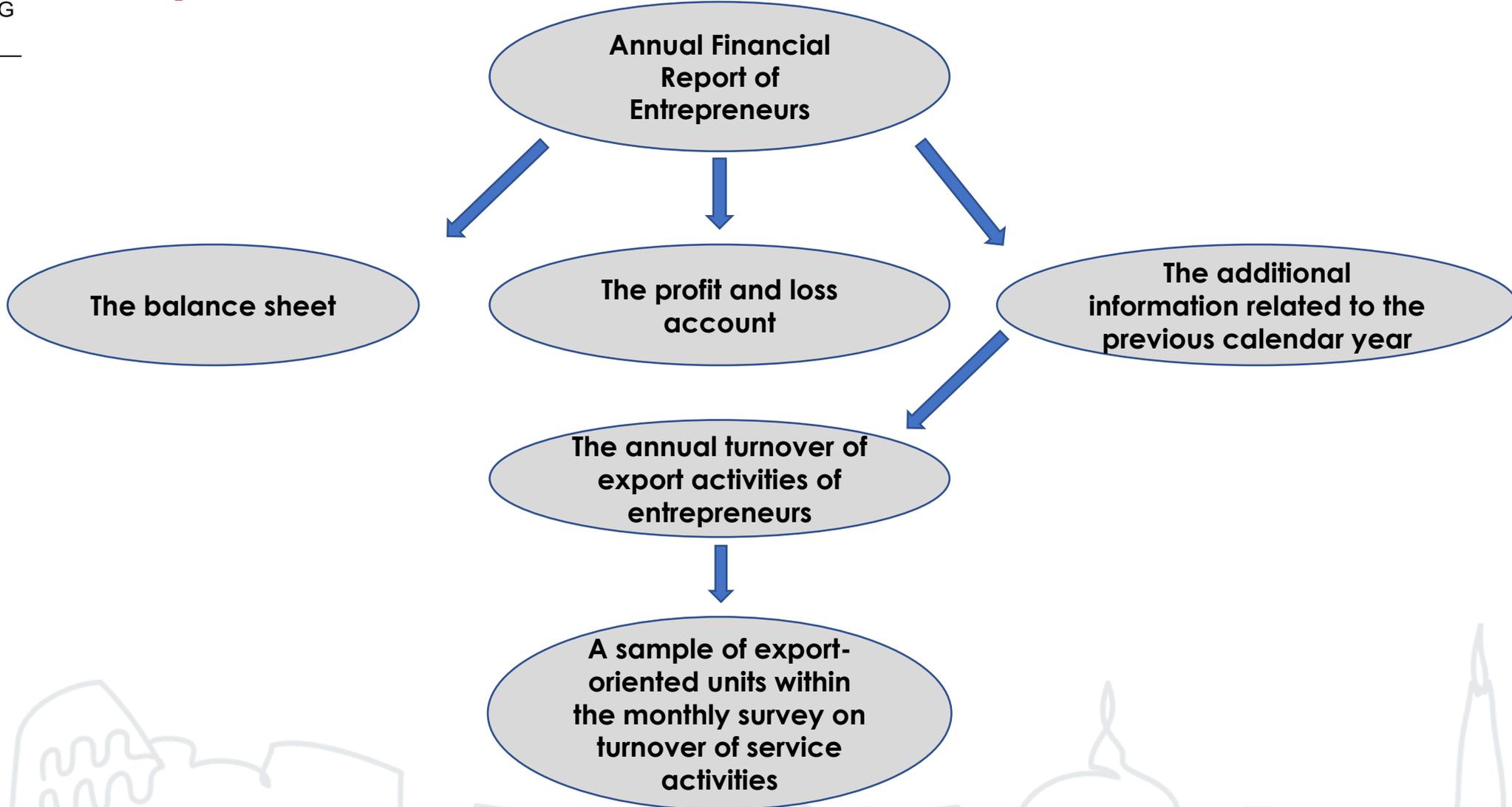
OTHER SERVICES POSITION - compiled by using different data sources: apart from revenues and expenditures related to insurance services and communication and construction services, the values of all other services are adopted from the uniform statistical survey, which encompasses 30 different types of services

Export of Services and Measurement: Way Forward

- The Croatian Bureau of Statistics conducts a turnover survey with the monthly dynamics of turnover changes in service activities
- The data are based on the Monthly Report on Trade and Other Services and administrative data sources (VAT)
- That survey do not collect export of services output separately
- There is a potential to improve the quality of data by introducing a sample of export-oriented units within the monthly survey on turnover of service activities
- The principal data source for that sample could be **the Annual Financial Report of Entrepreneurs** (GFI-POD form) obtained from the Financial Agency



Export of Services and Measurement: Way Forward-possibilities





Export of Services and Measurement: Way Forward- possibilities- cont.

- The introduction of a sample of export-oriented units within the monthly survey on turnover of service activities would detect turnover achieved by reporting units on foreign markets, on the monthly basis
- This approach could lead to a better quality of data, contribute to a better estimate of the CNB data and could improve comparability of data with other countries
- Also, there is a possibility to deflate export sales with BtoE SPPIs in the future
- Using the aforementioned approach is methodologically more demanding and requires many systematic analyses, but additional efforts could be awarded, considering the increased quality of statistical output



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Thank you for your attention

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