Capturing and Utilizing Services Trade Statistics  
A Guide for Statistical Compilers in Developing Countries

Why Do You Need Improved Services Trade Statistics?
The most critical use for services statistics is to understand accurately the role that service industries are playing in your economy. When statistics about the service sector are not reported or are overlooked, governments lack the data to make informed policy and resource allocation choices. Reasons for capturing services statistics include:

- Grasp the importance of the service sector and the contribution of service industries
- Assess the effectiveness of services trade promotion strategies (i.e., has there been any change in volume of exports, number of service exporters, or range of export markets)
- Assess the impact of services trade agreements (i.e., has there been a change in the volume of specific types of exports to designated markets)
- Analyse the pattern of service imports

It is important to note that, in contrast to goods trade data, only tourism statistics can realistically be tracked and reported monthly and thus used for selecting export markets. Services trade data is generally collected from annual financial reports. Given that the competitive opportunities in services shift every couple of months and market opportunities are not protected by patent or copyright, data that are over a year old are not useful in export market selection.

Is It Possible to Collect Services Trade Statistics?
Many people assert that it is impossible to get good statistics on services trade, implying that it is not possible to collect them. This is not true. There is no reason why an economy cannot have complete and timely services trade data – as long as this data collection is made a priority. The issue is that most statistical offices have had a history of allocating most of their resources to tracking goods production and trade, and their methodologies have been developed with goods data collection in mind. Very few economies have the luxury of adding new resources to collect and analyse services data, which means that services trade data will be collected only if existing resources are re-allocated.

The Challenges in Collecting Services Trade Statistics
All economies are challenged with regard to collecting services statistics. Here are the most common reasons:

- Most statistical collection and analysis resources are already dedicated to tracking goods production and trade.
- The economy may be depending on extrapolation from foreign exchange data rather than primary data collection.
- There is no common data collection point, with standard product codes and supporting paperwork, for services other than possibly tourism.
- Most service exporters are very small and micro enterprises for whom statistical reporting is a burden.
Many service exporters are unaware that they are exporting, especially if they export via Mode 2.1. If service firms are aware of exporting, they often confuse the location of service delivery with the export market and so report incorrectly (e.g., a market research firm doing work for a U.S. company in Barbados and Jamaica is likely to list Barbados and Jamaica, rather than the U.S., as their export markets). Most service firms do not track their revenues in the categories needed by statistical agencies (i.e., by type of service and export market). Many statistics agencies do not yet have an annual survey programme of service firms through which services export data could be captured. There may be confusion between service activities (industries) and service products (commodities) from a measurement perspective. Surveys are typically conducted by industry, but the data needed is by commodity. Most statistical agencies do not have a detailed listing of the services whose export volume and direction they wish to track. While statistical agencies may have a Business Register, it may not be current with regard to service firms (especially very small and micro) and is probably not coded as to which firms export.

Resources Needed

- An accurate Business Register (including activity/industry coding and size of firm).
- An enforceable legislative mandate to collect services trade data confidentially.
- Copies of the reference documents listed in the next section.
- A set of standard categories of service products to be measured, based on services trade negotiations priorities and linked to the UNSO’s Central Product Classification (CPC) as well as to the GATS services sectoral classification list (GNS/W/120).
- Standard service industry surveys (see Annex A).

Reference Documents

In order for data to be useful to trade promotion officers and services trade negotiators, its needs to be in standard international categories that can be compared across countries. The best way to ensure this is to use the following standard references:

IMF, Balance of Payments Manual, Version 5 (BPM5)  

OECD, System of National Accounts 1993 (SNA)  
[available online from OECD or UNSO]

UNSO, Central Product Classification, Version 1.1 (CPC)  

UNSO, Country and Region Codes  
[available at http://unstats.un.org/unsd/methods/m49/m49groupe.htm]

UNSO, International Standard Industrial Classification of All Economic Activities, Revision 3.1 (ISIC)  

WTO, Manual on Statistics of International Trade in Services, 2002  
(ST/ESA/STAT/SER.M/86)  
[available at www.wto.org/english/res_e/statis_e/its_manual_e.htm]

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1 Modes of supply are: Mode 1 = cross-border trade; Mode 2 = consumption abroad; Mode 3 = commercial presence; Mode 4 = presence of natural persons.
Data Quality Issues

The following are common methodological issues that affect the quality of the data collected:

- Educating respondents on the definitions of “international trade in services,” the four modes of supply, and export market (versus location of service delivery).
- Differentiating between “activity” (industry, defined by the largest volume of products produced) and “product” (commodity, or the actual service provided) as a given service firm may produce a range of services.
- Capturing service products produced by firms outside of the corresponding industry (e.g., computer services produced by accounting firms, telecommunication firms, computer manufacturers, etc).
- Defining ownership/control and “foreign affiliate” for Mode 2 and Mode 3 trade.

There are two areas in which you will need to make classification decisions as traditional service industries have been defined in the ISIC as categories G-Q:

\[ F = \text{Construction} \]

Construction services are one of the categories of traded services that are being negotiated as part of the GATS and other trade agreements. If you classify Construction as a service in the National Accounts, then you have comparable GDP and trade data sets.

\[ E = \text{Electricity, gas and water supply} \]

These utilities are likewise classified as services under the GATS, named “energy services” or “utilities distribution.” Again, classifying them as services in the National Accounts would give you comparable GDP and trade data sets.

There is one other area of potential incompatibility. While distribution services are captured as services in the National Accounts and are negotiated as services under the GATS, their value is typically captured under Goods trade in the balance of payments.

Proposed Approach to Improving Statistics on International Trade in Services

The following sequence of activities builds on the recommendations contained in the Manual on Statistics of International Trade in Services (“the Manual”), which is an elaboration on the IMF’s Balance of Payments Manual, Fifth Edition (BPM5). It focuses on gathering the data most needed by services trade negotiators and services trade promotion officers.

Stage 1: Analysis of Administrative Data

a) Review the coverage of your Business Register. If your economy does not have one, then the first step is to create one so that you can use it both for surveys and for administrative data analysis. Make sure that you have a method for identifying firms that have gone out of business. Make sure that service firms have been captured (note: It is likely that at least 70% of your firms are service firms).

b) Analyse the data contained in your Business Registry. The most critical data for analysis are contact information about the business, industry (activity) classification (ISIC codes), size of business (number of employees\(^2\)), year of

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\(^2\) Suggested size categories: 0-4 employees, 5-9 employees, 10-24 employees, 25-49 employees, 50-99 employees, 100 and over.
start-up, country of control, and gender of owner. The questions that you should be able to answer are the following:

- How many service firms are there?
- What percentage of all firms are service firms?
- How are the service firms distributed across service industries?
- How are the service firms distributed across size categories?
- How are the service firms distributed geographically?
- What percentage are foreign-controlled, and by which countries?
- What is the birth rate of service firms? the death rate of service firms?
- What percent of service firms, by service industry, are owned by women?

c) Determine, from the analysis of size of firms, how you will estimate total international trade in services volumes from the survey data that you collect given that it is likely to represent less than 100 percent coverage.

**Stage 2: Identify What Services Are Being Exported to Which Markets**

You will find that trade and service industry associations can be excellent allies in identifying service exporters, listing service export markets, and defining the most important categories of service products to measure. Before you can launch a programme to collect and report more detailed services trade data, you will first need to determine which service products to measure and which export markets are the most important to track by:

a) Consulting with your trade promotion office and your services trade negotiators.

b) Working with associations to identify service products and export markets for their members. At this stage, you are interested in the presence or absence of trade, rather than the volume of trade (which is a more sensitive question to pose).

Note: You are likely to find that at least 60 categories of services are already being exported to at least 30 export markets.

**Stage 3: Expand Traditional Balance of Payments Reporting**

a) If your country is not yet using the Fifth Edition of the *Balance of Payments Manual* (see the revised components of the “Goods and Services” section of the Current Account, page 43), an initial step is to upgrade your IMF reporting to conform to the more detailed services categories.

b) Once your country is using the BPM5 categories, the next step is to move to the Extended Balance of Payments Services as listed in Annex II of the Manual, paying attention to the services identified in Stage 2. In particular, you will want to disaggregate category 9.3 (“miscellaneous business, professional, and technical services”) so that you can account for at least 90 percent of those exports.

c) If you are having any challenges with timely capture of tourism/travel data, you may wish to contact The Bahamas which has a successful initiative using embarkation and disembarkation cards to capture tourism data.
**Stage 4: Initial Survey Work**

a) Where possible, start your survey work in service industries where there already is a service industry association willing to work with you.

b) Using the draft survey contained in Annex A, create (or revise) a survey instrument that can be distributed to the industries of the services you wish to measure (remembering that firms in other industries probably also provide those services). Field test the survey with association members, and revise as necessary.

c) Distribute the survey, following up until you have at least 95 percent response. Code the returned surveys by industry, based on the service products list they provided, and make sure that the firm is correctly coded by industry in the Business Register. Code the service products, using the CPC codes. Code the geographic markets of the customers, using the UNSO 3-digit country codes. Enter and analyse the data; prepare estimations for the balance of the population as needed. Prepare reports.

**Stage 5: Capturing Foreign Affiliate and Independent Service Supplier Data**

Services trade negotiations are by service product and mode of supply. Mode 3 relates to foreign affiliate trade, and the Manual provides detailed instructions on how best to begin capturing these data. If your Business Register contains information on country of control, then you can use it to identify firms to be surveyed. Similarly, Mode 4 covers both temporary business travel (business visitors) and independent service suppliers who may work abroad for up to five years; and the Manual provides direction on dealing with worker remittances for the latter category.

**Stage 6: Extended Survey Coverage**

Once you are capturing the basic data on your priority services, then you can gradually extend your survey coverage in two ways:

a) Increase the service industries that you survey, perhaps on an every other year basis.

b) Expand your survey coverage of goods producers to ask what services (if any) they are exporting.

**Stage 7: Collect Services Import Data**

For your input-output analyses, you will need data on service inputs purchased by industry. When you collect those data, eventually you will want to differentiate which services and what volume were purchased from national service suppliers and which were purchased from foreign suppliers (including locally-established foreign affiliates).

**Stage 8: Mirror Statistics Consultations**

Once you have a reasonably reliable set of data on international trade in services, you can verify them through consultations with your major trading partners. If all has gone well, your export figures should equal their import figures, and visa versa.
Reporting on International Trade in Services Statistics

As a statistical agency, you have several audiences for the data you generate, including online audiences: services trade promotion office, services trade negotiators, trade and service industry associations, and the global services exporting community.

Operational Resourcing

Typically, statistical compilation agencies have internal human resource constraints. There are two areas in which you could enlist external resources to help your with services trade statistics initiatives:

a) Updating the Business Register
   Some economies hire summer students to make calls and keep the Business Register up to date.

b) Data entry
   Once of the bottlenecks that can develop as survey activity increases is the entry of data collected into an electronic database. The Bahamas and other economies have successfully outsourced data entry. This could become a commercial opportunity for a locally-owned data processing firm, which would then market its expertise in handling confidential data and solicit similar contracts from statistical agencies abroad.
Annex A
Draft Survey on International Trade in Services

The government is engaged in negotiating the terms and conditions of services trade with trading partners; therefore, we need to know what services are currently being exported and which export markets are most important. These data will also be used to set trade promotion priorities. Please complete and return this survey to .......... by ...... All responses will be kept confidential [under the Statistics Act....].

A service is exported when it is sold to a foreigner through one of the following modes:

Mode 1: Cross-border (e.g., via e-mail, Internet, courier)
Mode 2: To foreign visitors or foreign-owned businesses/offices in this country
Mode 3: Through an office your firm has established in a foreign country
Mode 4: By travelling to a foreign country (e.g., delivering a training workshop abroad)

1. Is your organisation: ____ private sector   ____ public sector   ____ non-profit

2. How many full-time equivalent employees does your organisation have:
   ____ less than 5   ____ 5-9   ____ 10-24   ____ 25-49   ____ 50-99   ____ 100+

3. Is your organisation majority owned by:
   ____ nationals  [go to Question #4]
   ____ foreigners (country of origin: _________________________)  [go to Question #5]

4. How many offices does your firm have: ____ in the country   ____ abroad

5. To which types of customers do you sell your services:
   ____ general public   ____ private sector firms   ____ government   ____ non-profit

6. What percent of your services are sold to:
   ____ local persons, firms, government (not exported)
   ____ foreign visitors or foreign organisations in this country (Mode 2 exports)
   ____ persons, firms, governments in other countries through a local office (Mode 3)
   ____ persons, firms, governments in other countries from here (Modes 1 & 4)
   100%

7. For the services that you export, please list each type of service, tick the mode through which it is exported (which may be more than one), and list the nationalities of your customers:

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<th>Service Being Exported</th>
<th>Mode of Supply (tick all that apply):</th>
<th>Nationality of Customers</th>
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