

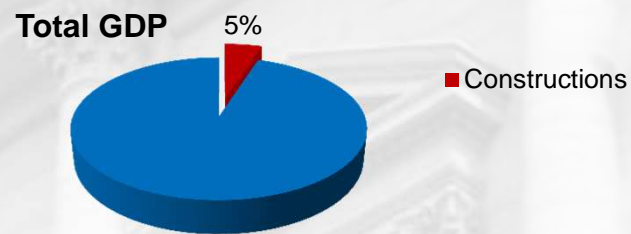
**Regional Seminar on International Trade Statistics:
Implementation of recommendations**

*22. Construction services – items imported by
construction company – FATS versus construction
services*

Addis Ababa, Ethiopia
12 – 16 May 2014

In the Euro Area, the constructions sector contributes to 5 percent of the GDP

Transaction	Euro area (17 countries)					
	2008	2009	2010	2011	2012	2013
GDP: 1—Gross domestic product
B1GF: Construction	527 350.0	505 877.2	486 765.5
B1_GE: Gross domestic product (expenditure approach)	9 243 012.4	8 921 465.2	9 167 661.7	9 423 761.5	9 482 924.2	9 577 099.2



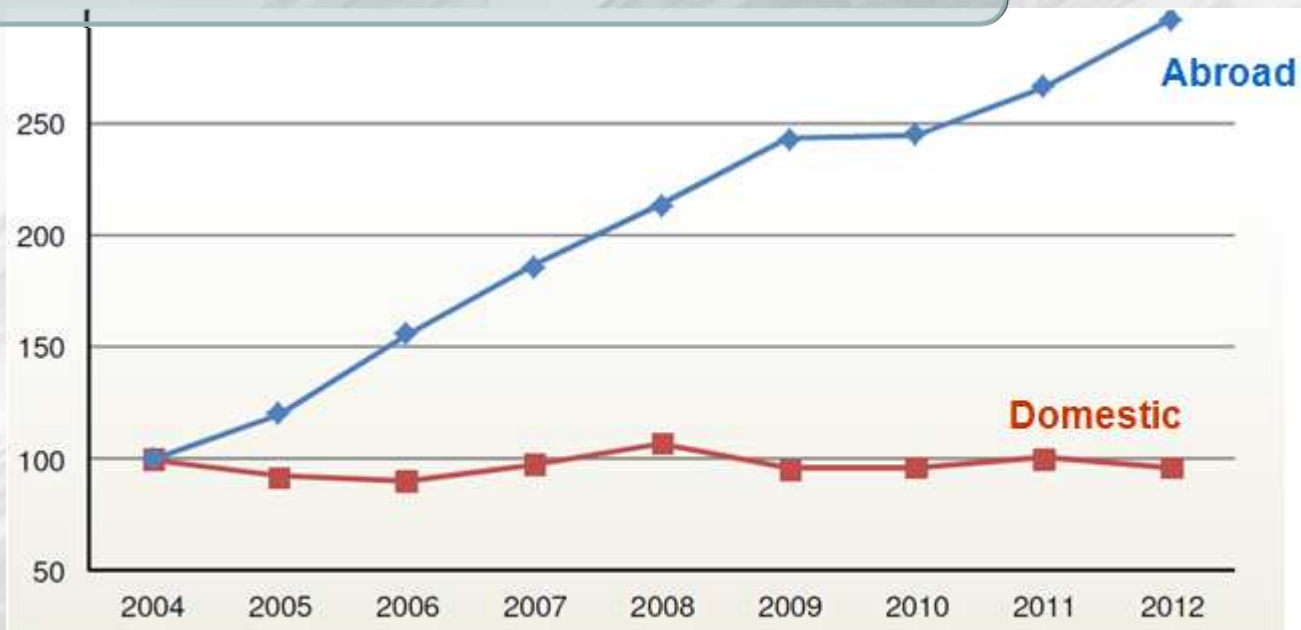
In the Euro Area, the constructions sector contributes to 5 percent of the GDP

Construction services in SADC countries are key infrastructural services and a tool for upgrading welfare. The sector contributes between 3 - 13% of GDP and about 5% of employment across SADC economies. (<https://tis.sadc.int>)



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Total turnover in Italy:
Constructions domestic vs Constructions abroad



Source: ANCE (survey 2013)



**Definitions and guidelines to compile the
official statistics**

**The Italian experience in collecting
information for construction services and FDI**



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Definitions and guidelines to compile the official statistics

Construction definition

What is new in BPM6

Construction services VS FDI

Construction definition (BPM6 10.101 or MSITS 2010 – 3.130)

Construction covers the creation, renovation, repair, or extension of fixed assets in the form of buildings, land improvements of an engineering nature, and other such engineering constructions as roads, bridges, dams, and so forth.

Construction is valued on a gross basis, i.e. inclusive of all goods and services used as inputs to the work.

Construction is also gross in the sense that it can be disaggregated into construction abroad and construction in the compiling economy.



Construction is valued on a gross basis, i.e. inclusive of all goods and services used as inputs to the work

Acquisition of goods and services by the enterprises undertaking that construction work from the economy of location of the construction work is also recorded under construction

Goods and services provided from the home economy are resident-to-resident transactions, and so should be excluded

Goods and services acquired from third economies are recorded under the appropriate general merchandise or service item for the economy of the enterprise

Constructions in Balance of Payments: what is new with BPM6

Show separately construction abroad and construction in the compiling economy on a supplementary basis

Goods and services acquired locally are included under “construction”, previously under “other business services”

Inclusion of buildings under construction is clarified

NEW NAME FOR THE ITEM: CONSTRUCTION RATHER THAN CONSTRUCTION SERVICES



Construction in Balance of Payments: a “matrix” to split the item

	Construction abroad	Construction in the compiling economy
Credits Export	Construction work for non-residents by enterprises resident in the compiling economy	goods and services acquired in the compiling economy from resident entities by these non resident enterprises
Debits Import	Goods and services acquired from residents in the host economy by these enterprises	construction work for residents of the compiling economy by non-resident construction enterprises

Constructions in Balance of Payments: DSD shows the new breakdown

CODE LIST ACCOUNT ITEMS

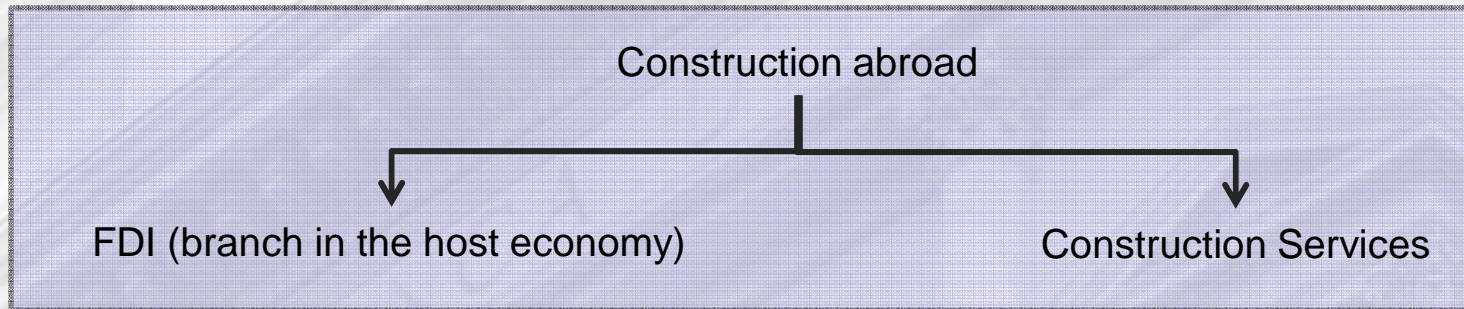
SE	Services: Construction	$SE=SE1+SE2$
SE1	Services: Construction abroad	
SE2	Services: Construction in the reporting economy	

CODE LIST ACCOUNT ENTRY

B	Balance (Credits minus Debits)	$B=C-D$
C	Credit (Resources)	
D	Debit (Uses)	

FDI vs Construction Services

10.103 If the external operations of a construction enterprise are substantial enough, they constitute a branch resident in the economy of operations



Criteria to identify a branch (BPM6)

- The project extends over a period of at least one year;
- The maintenance of a complete and separate set of accounts for the activity (i.e., income statement, balance sheet, transactions with the parent company, etc.);
- The activity being subject to tax in the host country;
- The existence of a substantial physical presence;
- The receipt of funds for its work for its own account, etc.

An Example (from MSITS 2010)

Box 3.6. A Numerical Example of the Measurement of Construction

Enterprise A, resident in country A, undertakes construction in country B valued at 10,260. To undertake the construction, enterprise A purchases inputs of materials and labour consisting of:

	units
Materials (goods and services) and labour purchased in country A	1 200
Of which:	
Goods	645
Services	120
Labour ^a	435
 Materials and labour purchased from residents of country B	 6 655
Of which:	
Imported from country A ^b	525
Imported from country C	1 730
Sourced in country B	2 290
Labour ^a	2 110
Total cost of purchased inputs	7 855

In addition, a gross operating surplus accrues to enterprise A of: 2 405

Giving a gross value of construction of: **10 260**

The total value of construction is the sum of the inputs into the production process and the gross operating surplus accruing to the producing enterprise. Thus, the value of construction is 10,260 units.

What would be measured under construction between residents and non-residents?

In country A	In country B
<i>Construction abroad</i>	<i>Construction in the compiling economy</i>
Credit 10 260 ^c	Credit 4 545 ^c

Debit **4 545** ^d ← Debit **10 260** ^d

The Italian experience in collecting information for construction services ...and FDI

General framework in Italy and strategy for data collection

The questionnaire for construction

An example for construction services and FDI



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In Italy the gross construction value of projects lasting one year or more largely exceeds that of short-term works, both for constructions abroad (98% vis-à-vis 2% as an average in the period 2008-2012) and for constructions in Italy (80% vis-à-vis 20%)

Collect information about construction (both services and FDI) in a quarterly survey (TTN – Non Financial Transactions)



DECISION RULE (FDI vs SERVICES)

1YEAR RULE:

According to the estimated duration of the activity, the construction activity is either regarded as an FDI-related operation, if the construction work extends over a period of at least one year, or as a service transaction in the opposite case

OTHER ASSUMPTIONS

NO THIRD COUNTRY

LABOUR COSTS ARE INCLUDED IN CONSTRUCTION ABROAD DEBITS



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THE QUESTIONNAIRE

For constructions abroad, firms are required to report the following transactions, in relation to the reference quarter:

- *Goods, services and labour purchased/acquired abroad, used to compile the construction abroad debits*
- *Goods purchased in Italy, used to adjust the BOP goods item, by deducting the corresponding amounts from merchandise exports*

QUARTERLY NON FINANCIAL TRANSACTIONS**SECTION I - SERVICES, INTANGIBLE ASSETS, UNILATERAL TRANSFERS, SALARIES & WAGES****I2 Constructions abroad and constructions in the compiling economy**

- [32400000001002] Constructions abroad (transaction code = 2040)
[32400000002002] Constructions in the compiling economy (transaction code = 2050)

List of construction orders (for all reports)

- VO1068 Counterpart country
- VO4512 Construction start date (yyyymmdd)
- VO4513 Construction end date (yyyymmdd)
- VO1067 Currency
- VO1054 Total contract value
 (/In euros)

Transaction details (only for report [32400000001002] - Constructions abroad)

- VO1065 Goods purchased in Italy
 (/In euros)
- VO1064 Goods, services and labour purchased/acquired abroad
 (/In euros)
- VO1066 Net margin
 (/In euros)



QUARTERLY NON FINANCIAL TRANSACTIONS

SECTION I - SERVICES, INTANGIBLE ASSETS, UNILATERAL TRANSFERS, SALARIES & WAGES

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List of construction orders (for all reports)

VO1068	Counterpart country	<input type="text"/>
VO4512	Construction start date (yyyymmdd)	<input type="text"/>
VO4513	Construction end date (yyyymmdd)	<input type="text"/>
VO1067	Currency	<input type="text"/>
VO1054	Total contract value (/In euros)	<input type="text"/>

Separate FDI and
Construction services

Total Constructions
abroad

Transaction details (only for report [32400000001002] - Constructions abroad)

VO1065	Goods purchased in Italy (/In euros)	<input type="text"/>
VO1064	Goods, services and labour purchased/acquired abroad (/In euros)	<input type="text"/>
VO1066	Net margin (/In euros)	<input type="text"/>

Avoid double counting in
merchandise export

Import of services

FDI income

→ Some assumptions are made to reduce reporting burden



Example 1: Construction Services

QUARTERLY NON FINANCIAL TRANSACTIONS

SECTION I - SERVICES, INTANGIBLE ASSETS, UNILATERAL TRANSFERS, SALARIES & WAGES

I2 Constructions abroad and constructions in the compiling economy

- [32400000001002] Constructions abroad (transaction code = 2040)
 [32400000002002] Constructions in the compiling economy (transaction code = 2050)

List of construction orders (for all reports)

VO1068 Counterpart country
 Ethiopia

VO4512 Construction start date (yyyymmdd)
 1st of February 2013

VO4513 Construction end date (yyyymmdd)
 10th of April 2013

VO1067 Currency
 Euro

VO1054 Total contract value
 (in euros) 100,000

Transaction details (only for report [32400000001002] - Constructions abroad)

VO1065 Goods purchased in Italy
 (in euros) 20,000

VO1064 Goods, services and labour purchased/acquired abroad
 (in euros) 50,000

VO1066 Net margin
 (in euros)



2013 Q1 BOP

	Export	Import
Constructions abroad	85,507	50,000
Goods	-20,000	

$$\frac{100,000\text{€}}{69 \text{ total days}} \cdot 59 \text{ days in the quarter} = 85,507\text{€}$$

TTN - Questionnaire BANCA D'ITALIA

QUARTERLY NON FINANCIAL TRANSACTIONS

SECTION I - SERVICES, INTANGIBLE ASSETS, UNILATERAL TRANSFERS, SALARIES & WAGES

I2 Constructions abroad and constructions in the compiling economy

[32400000001002] Constructions abroad (transaction code = 2040)
 [32400000002002] Constructions in the compiling economy (transaction code = 2050)

List of construction orders (for all reports)

VO1068 Counterpart country: Ethiopia

VO4612 Construction start date (yyyymmdd): 1st of February 2013

VO4613 Construction end date (yyyymmdd): 10th of April 2013

VO1067 Currency: Euro

VO1054 Total contract value (in euros): 100,000

Transaction details (only for report [32400000001002] - Constructions abroad)

VO1065 Goods purchased in Italy (in euros): 20,000

VO1064 Goods, services and labour purchased/ acquired abroad (in euros): 50,000

VO1066 Net margin (in euros): 30,000

Example 2: FDI



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QUARTERLY NON FINANCIAL TRANSACTIONS

SECTION I - SERVICES, INTANGIBLE ASSETS, UNILATERAL TRANSFERS, SALARIES & WAGES

I2 Constructions abroad and constructions in the compiling economy

- [32400000001002] Constructions abroad (transaction code = 2040)
 [32400000002002] Constructions in the compiling economy (transaction code = 2050)

List of construction orders (for all reports)

VO1068 Counterpart country
 Ethiopia

VO4512 Construction start date (yyyymmdd)
 1st of January 2012

VO4513 Construction end date (yyyymmdd)
 31th of December 2013

VO1067 Currency
 US Dollar

VO1054 Total contract value
 (In euros) 1,462,000,000

Transaction details (only for report [32400000001002] - Constructions abroad)

VO1065 Goods purchased in Italy
 (In euros)

VO1064 Goods, services and labour purchased/acquired abroad
 (In euros)

VO1066 Net margin
 (In euros) 150,000,000



2012 Q1 BOP

	Investments	Disinvestments
FDI - Equity Asset	182,000,000	0
	Credits	Debits
FDI - Income	0	0

$\frac{1,462 \text{ million€}}{731 \text{ total days}} \cdot 91 \text{ days in the quarter} = 182 \text{ million€}$

TTN - Questionnaire BANCA D'ITALIA

QUARTERLY NON FINANCIAL TRANSACTIONS

SECTION I - SERVICES, INTANGIBLE ASSETS, UNILATERAL TRANSFERS, SALARIES & WAGES

I2 Constructions abroad and constructions in the compiling economy

(324000000001002) Constructions abroad (transaction code = 2040)
 (324000000002002) Constructions in the compiling economy (transaction code = 2050)

List of construction orders (for all reports)

VO1068 Counterpart country:

VO4512 Construction start date (yyyymmdd):

VO4513 Construction end date (yyyymmdd):

VO1067 Currency:

VO1064 Total contract value: (in euros)

Transaction details (only for report (32400000001002) - Constructions abroad)

VO1065 Goods purchased in Italy: (in euros)

VO1064 Goods, services and labour purchases/ acquired abroad: (in euros)

VO1066 Net margin: (in euros)

2012 Q2 BOP

	Investments	Disinvestments
FDI – Equity Asset	182,000,000	0
	Credits	Debits
FDI – Income	0	0

$\frac{1,462 \text{ million€}}{731 \text{ total days}} \cdot 91 \text{ days in the quarter} = 182 \text{ million€}$

TTN - Questionnaire BANCA D'ITALIA

QUARTERLY NON FINANCIAL TRANSACTIONS

SECTION I - SERVICES, INTANGIBLE ASSETS, UNILATERAL TRANSFERS, SALARIES & WAGES

I2 Constructions abroad and constructions in the compiling economy

(324000000001002) Constructions abroad (transaction code = 2040)
 (324000000002002) Constructions in the compiling economy (transaction code = 2050)

List of construction orders (for all reports)

VO1068 Counterpart country:

VO4512 Construction start date (yyyymmdd):

VO4513 Construction end date (yyyymmdd):

VO1067 Currency:

VO1064 Total contract value: (in euros)

Transaction details (only for report [32400000001002] - Constructions abroad)

VO1065 Goods purchased in Italy: (in euros)

VO1064 Goods, services and labour purchases/ acquired abroad: (in euros)

VO1066 Net margin: (in euros)

2013 Q4 BOP

	Investments	Disinvestments
FDI – Equity Asset	184,000,000	1,462,000,000
	Credits	Debits
FDI – Income	150,000,000	0

$$\frac{1,462 \text{ million€}}{731 \text{ total days}} \cdot 92 \text{ days in the quarter} = 184 \text{ million€}$$

TTN - Questionnaire BANCA D'ITALIA

QUARTERLY NON FINANCIAL TRANSACTIONS

SECTION I - SERVICES, INTANGIBLE ASSETS, UNILATERAL TRANSFERS, SALARIES & WAGES

I2 Constructions abroad and constructions in the compiling economy

(32400000001002) Constructions abroad (transaction code = 2040)
 (32400000002002) Constructions in the compiling economy (transaction code = 2050)

List of construction orders (for all reports)

VO1068 Counterpart country

VO4512 Construction start date (yyyymmdd)

VO4513 Construction end date (yyyymmdd)

VO1067 Currency

VO1054 Total contract value (in euros)

Transaction details (only for report [32400000001002] - Constructions abroad)

VO1065 Goods purchased in Italy (in euros)

VO1064 Goods, services and labour purchases/ acquired abroad (in euros)

VO1066 Net margin (in euros)

*22. Construction services – items imported by
construction company – FATS versus construction
services*

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