COLLECTION, COMPILATION OF FATS & LINK WITH TRADE DATA-CASE OF ZAMBIA

By Wilson Phiri,
Senior Economist-Balance of Payments
Bank of Zambia.

International Trade Statistics Seminar, 12-16th May 2014,
Addis Ababa, Ethiopia
Presentation Outline

1.0 Introduction
2.0 Collection & Compilation Methodology
3.0 Findings & Publication of FATS-2013
4.0 Linking FDI, FATS with Trade Stats
5.0 Conclusion/Wayforward
1. INTRODUCTION

- The GATS - trade in services according to four modes of supply – 1. cross border, 2. consumption abroad, 3. commercial presence and 4. presence of natural persons. FATS measures **mode three (3)** -commercial presence,

**The GATS Modes of Supply (1/2)**

- **Mode 1: Cross-border**
  - COUNTRY A
    - Service supply
    - The service crosses the border
  - COUNTRY B
    - Service supply

- **Mode 2: Consumption abroad**
  - COUNTRY A
    - The consumer is abroad
  - COUNTRY B
    - Service supply

- **Mode 3: Commercial presence**
  - COUNTRY A
    - Establish commercial presence
    - Consumer presence
  - COUNTRY B
    - Company
1. INTRODUCTION (Cont.)

- FATS in Zambia, based on Comprehensive FDI Surveys, 6 cycles (Annual).

- Surveys-collaboration BoZ, ZDA, CSO and other BoPSC organisations.

- Survey obtain stocks and flows of foreign private investment, FATS, as well as investor perceptions.

- Survey done in conformity with the International Monetary Fund (IMF) Balance of Payments and International Investment Manual 6 (BPM6), CDIS and MSITS 2010.

- First started collecting FATS in 2010, improving every year. Dedicated chapters in Publication; 2012-2013.

- 2013 - ISIC, Rev.4 Categories for Foreign Affiliates in services (ICFA, Rev.1)
2. COLLECTION & COMPILATION
METHODOLOGY –FATS (Cont.)

2.1 Sampling
- Sampling frame stratified by industry, Use Kish (1988)
- 260 enterprises were surveyed, 226 responded – 86.9% response rate.
- Of which, 126 majority-owned foreign affiliates

2.2. Questionnaire & Survey Administration
- Questionnaire design (include guide/fomulars), Training, Field work, Attach Financial Statements

2.3 Data Editing, Validation, Processing
- Use financial statements, Process - software

2.4 Filter Out MOFAs
- Use filter- single multinational shareholder >50%, Country, Sector
- Attribution- If a firm is identified as a MOFA, all figures are entirely included, No apportioning
- ISIC Rev 4, further sector breakdown (Used for ISIC, Rev 4, Categories for Foreign Affiliates in Services (ICFA, Rev .1)
2. COLLECTION & COMPILATION

METHODOLOGY – FATS (Cont.)

<table>
<thead>
<tr>
<th>Description</th>
<th>Year-2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1. Total assets at end 2012</td>
<td></td>
</tr>
<tr>
<td>2.2. Total liabilities (excluding Equity) at end 2012</td>
<td></td>
</tr>
<tr>
<td>2.3. Net worth at end 2012 = Total Assets(2.1) - Total liabilities <a href="2.2">excluding equity</a></td>
<td></td>
</tr>
<tr>
<td>2.4. Sales or turnover in 2012</td>
<td></td>
</tr>
<tr>
<td>2.5. Net Operating Surplus (or loss)</td>
<td></td>
</tr>
<tr>
<td>2.6 Taxes on Income</td>
<td></td>
</tr>
<tr>
<td>2.7 Net Profit After Tax (Earnings)</td>
<td></td>
</tr>
<tr>
<td>2.8 Total dividends distributed/declared</td>
<td></td>
</tr>
<tr>
<td>2.9 Salaries and wages paid</td>
<td></td>
</tr>
<tr>
<td>2.10 Total imports of goods</td>
<td></td>
</tr>
<tr>
<td>2.10.1 Of which: from foreign affiliates</td>
<td></td>
</tr>
<tr>
<td>2.11 Total imports of services</td>
<td></td>
</tr>
<tr>
<td>2.11.1 Of which: from foreign affiliates</td>
<td></td>
</tr>
<tr>
<td>2.12 Total exports of goods</td>
<td></td>
</tr>
<tr>
<td>2.12.1 Of which: to foreign affiliates</td>
<td></td>
</tr>
<tr>
<td>2.13 Total exports of services</td>
<td></td>
</tr>
<tr>
<td>2.13.1 Of which: to foreign affiliates</td>
<td></td>
</tr>
<tr>
<td>2.14 Research and Development Expenditures</td>
<td></td>
</tr>
<tr>
<td>2.15 Training Expenditure</td>
<td></td>
</tr>
<tr>
<td>2.16 Payments for royalties and license fees</td>
<td></td>
</tr>
<tr>
<td>2.17 Gross Output (value) = (Turnover + Value of Closing Stock - Opening Stock)</td>
<td></td>
</tr>
<tr>
<td>2.18 Operating Expenditure</td>
<td></td>
</tr>
<tr>
<td>2.19 Value-added = Gross Output (2.17) - Operating Expenditure (2.18)</td>
<td></td>
</tr>
<tr>
<td>2.20 Total Employment (Number of employees)</td>
<td></td>
</tr>
</tbody>
</table>
3. Findings & Publication of FATS
Inward Foreign Affiliate’s Trade in Services (FATS) - 2012

- 126 majority-owned foreign affiliates
- Accounts for 10.0% of Zambia’s formal employment
- About 28.0% of GDP (value addition)
- Corporate tax -US $920.7 million
- US $1,232.5 million in wages and salaries
- 81.6% of Zambia’s exports
- 55.1% of imports
3. Findings & Publication of FATS (Cont.)

Employment Levels of MOFAs by Immediate Partner Country in 2012

- United Kingdom, 17,520, 25%
- China P.R., 9,908, 14%
- Switzerland, 9,665, 14%
- South Africa, 6,125, 9%
- Mauritius, 5,942, 8%
- Canada, 3,559, 5%
- Netherlands, 5,759, 8%
- India, 511, 1%
- France, 591, 1%
- Senegal, 526, 1%
- Virgin Islands British, 839, 1%
- Bermuda, 845, 1%
- Peru, 1,770, 3%
- Australia, 1,969, 3%
- Canada, 3,559, 5%

Value Addition of MOFAs by Immediate Partner Country in 2012, (US $ million)

- United Kingdom, $1,827.4, 31%
- China P.R., $122.1, 2%
- Switzerland, $507.7, 9%
- Mauritius, $605.4, 10%
- Ireland, $754.0, 14%
- Canada, $839.1, 14%
- South Africa, $468.0, 8%
- United States, $212.2, 4%
- Thailand, $163.5, 3%
- Brazil, $143.2, 3%
- Indonesia, $105.5, 2%
- Other, - $41.25, -1%

Source: Foreign Private Investment & Perceptions Survey, 2013
3. Findings & Publication of FATS (Cont.)

Taxes on Income of MOFAs by Immediate Partner Country in 2012, (US $ million)

- Canada, $389.4, 42%
- United States, Japan, $6.5, 1%
- China P.R., $13.4, 2%
- South Africa, $47.2, 5%
- Mauritius, $42.6, 5%
- Netherlands, $56.6, 6%
- Australia, $219.8, 24%
- United Kingdom, $73.6, 8%
- France, $2.6, 0%
- Botswana, $2.5, 0%
- Singapore, $2.6, 0%
- Other, $12.68, 1%

Taxes on Income of MOFAs by Sector in 2012, (US $ million)

- Mining and Quarrying, $655.1, 76%
- Financial and insurance activities, $67.1, 7%
- Manufacturing, $58.7, 6%
- Wholesale & Retail trade, $59.6, 7%
- Construction, $4.1, 0%
- Agriculture and Forestry, $1.7, 0%
- Food, $1.5, 0%
- Accommodation and Travel, $1.7, 0%
- Professional, scientific and technical activities, $0.6, 0%
- Administrative and support service activities, $0.1, 0%
- Real Estate Activities, $0.3, 0%
- Information and Communication, $19.0, 2%
- Electricity Gas Steam, $11.6, 1%

Source: Foreign Private Investment & Perceptions Survey, 2013
Compensation of Employees (Salaries and Wages) by Immediate Partner Country

Source: Foreign Private Investment & Investor Perceptions Survey 2013
Inward FATS analysed by Sector

Figure 7.8: Employment Levels of MOFAs by Sector, 2011-2012
Value Added of MOFAs by Sector (US $’million), 2012

- Mining and Quarrying: 2,825.0
- Wholesale & Retail trade: 1,395.9
- Manufacturing: 764.0
- Financial and insurance activities: 227.2
- Electricity Gas Steam: 215.5
- Agriculture Forestry and Fishing: 141.0
- Construction: 90.4
- Information and Communication: 71.6
- Transportation and Storage: 68.0
- Accommodation and Food: 18.8
- Real Estate Activities: 8.3
- Administrative and support service activities: 3.4
- Professional, scientific and technical activities: 2.5
4. Linking: Trade Statistics, FATS, FDI, Business Register

- Made Progress,

- FDI & FATS are linked

- Aggregate X, M & FATS Linked by Enterprise/Firm Level

- Now Linking Trade, FATS, FDI using TPIN
5. Conclusion/Way Forward

- Zambia has over the years been making progress in compiling Private Sector Foreign Assets and Liabilities & FATS

- Great interest in FATS (Local and global) in recent years

- We look forward to go further on FATS
  - Include GFCF and Purchases of goods and Services
  - Link with Trade Data using TPIN

- Major Challenges have been on limited human resource for this and other Tasks
Obrigado!