



EBOPS: Construction, transport

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Karoly Kovacs, Chief, Statistics of International Trade in Services Section



Outline

- Overview of MSITS 2010
 - Concept of residence
 - International transaction
 - Service Transaction
 - MSITS 2010 valuation
- Definition of construction
 - Definition
 - BPM6 and MSITS 2010
 - FDI vs construction
- Transport
 - Definition
 - Treatment in BPM6
 - Groupings



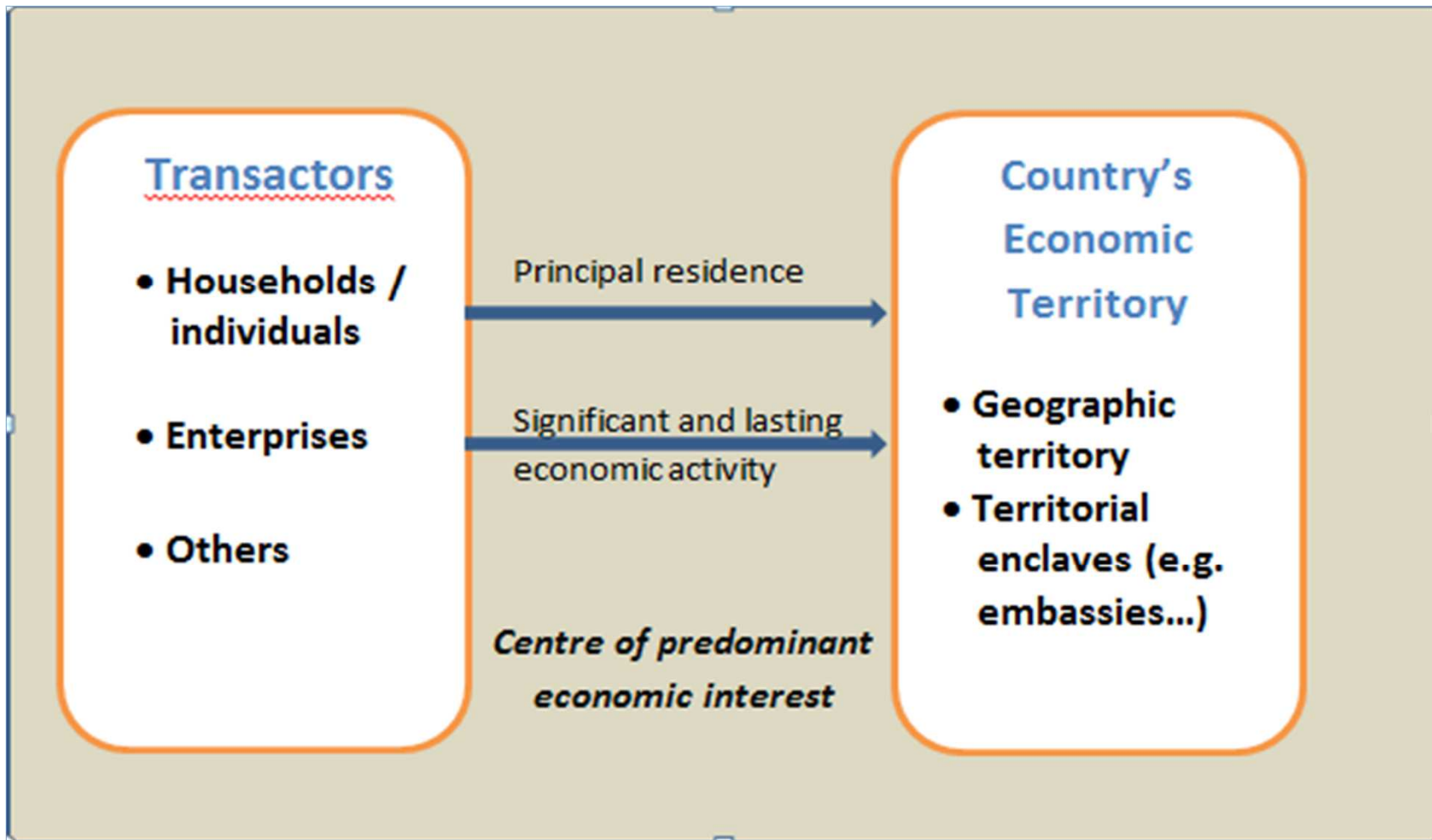
International Trade in Services in MSITS 2010

- Conventional statistical meaning same as described in BPM6: between residents and non-residents.

But.....

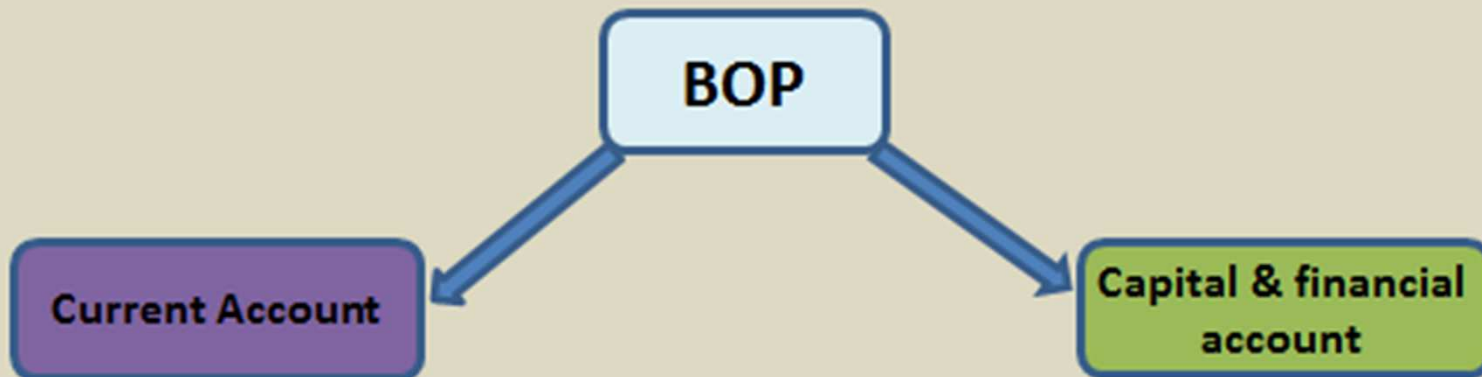
- Not always clear separation with trade in goods
- Often need for proximity between producer and consumer for services to be supplied
- Extension generally referred to “supply of services”

Concept of Resident



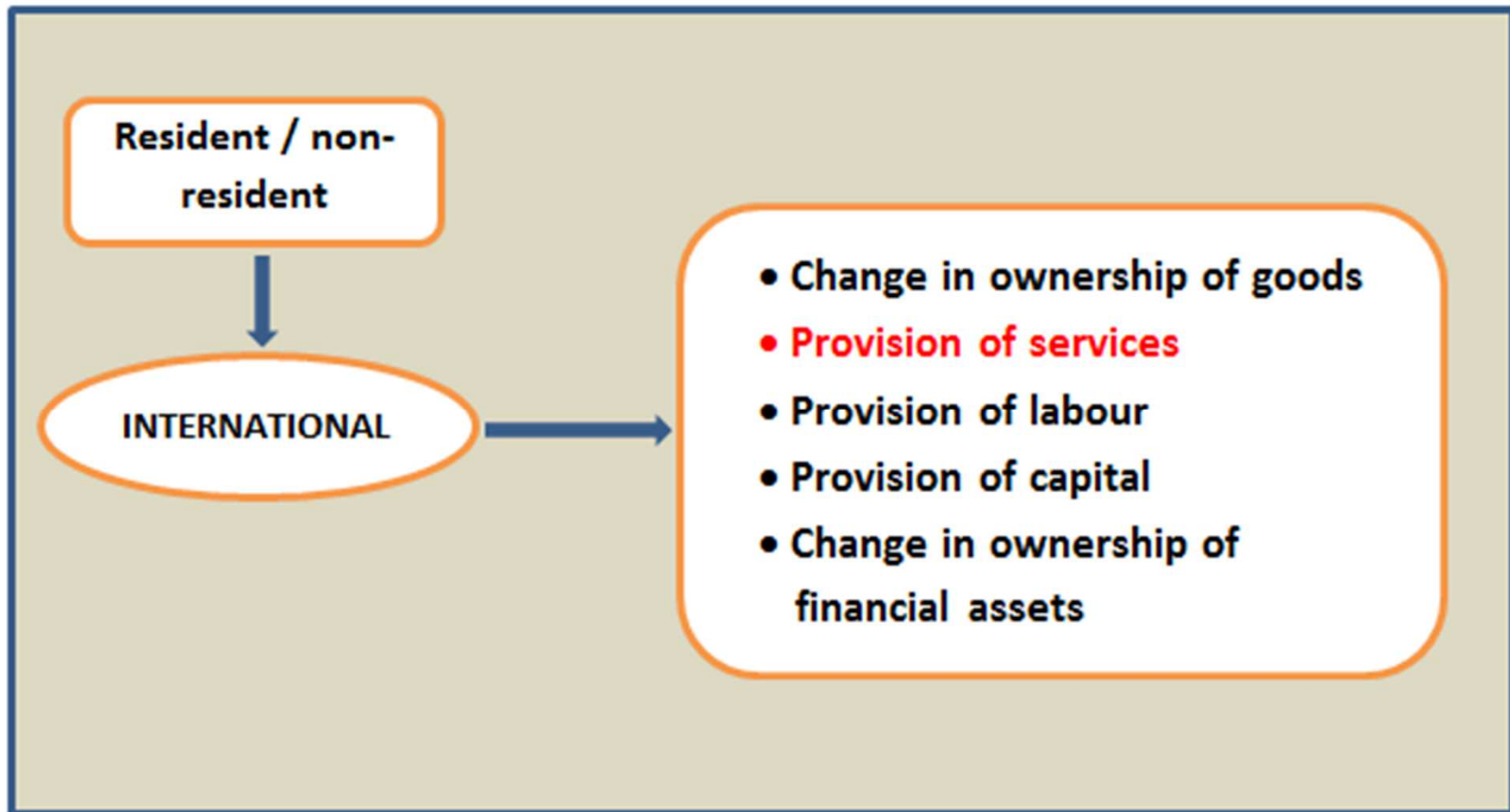
Balance of Payments

Where are the services transactions in the BOP

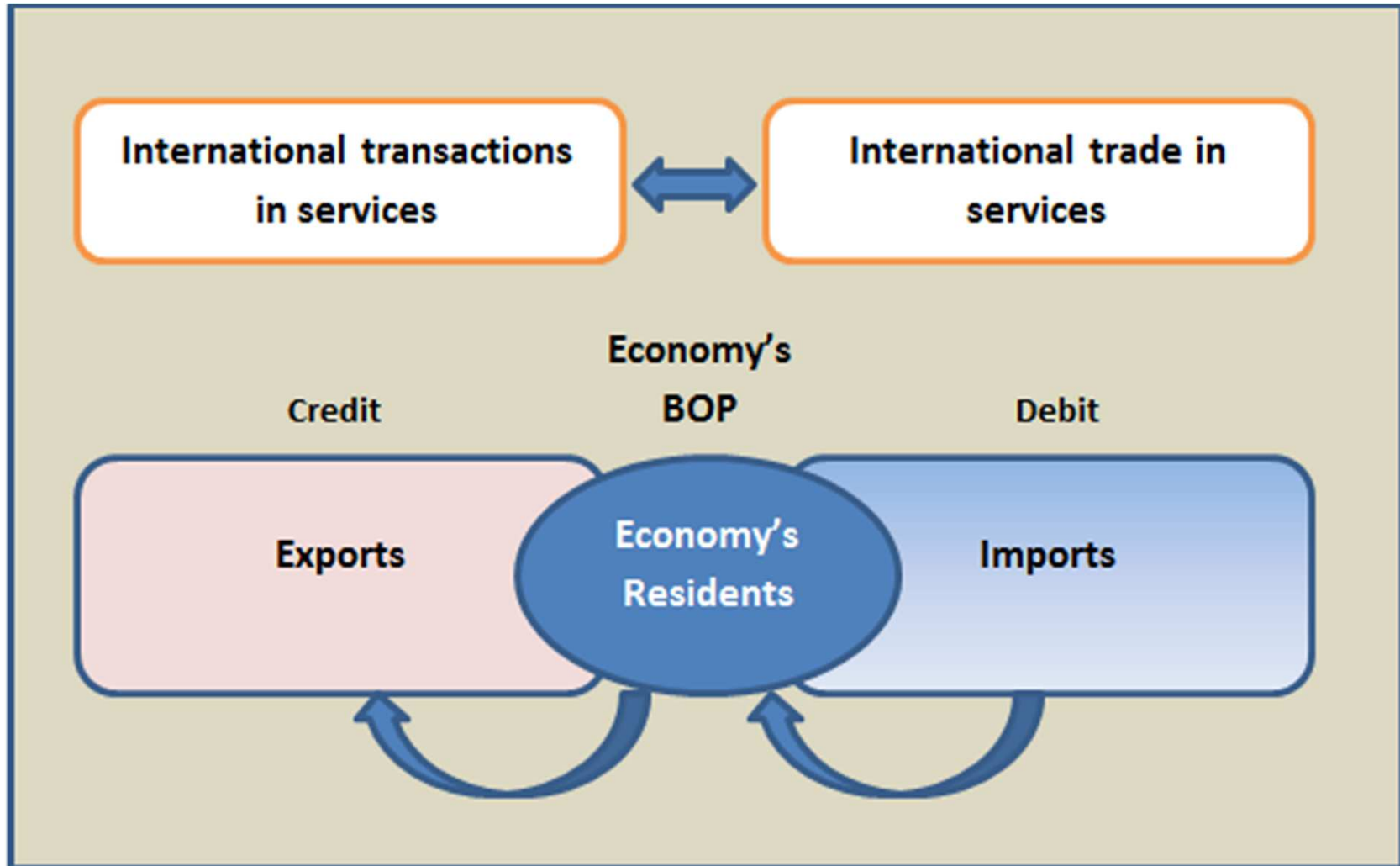


- Goods
- Services ----> 12 main components
- Primary Income
- Secondary Income

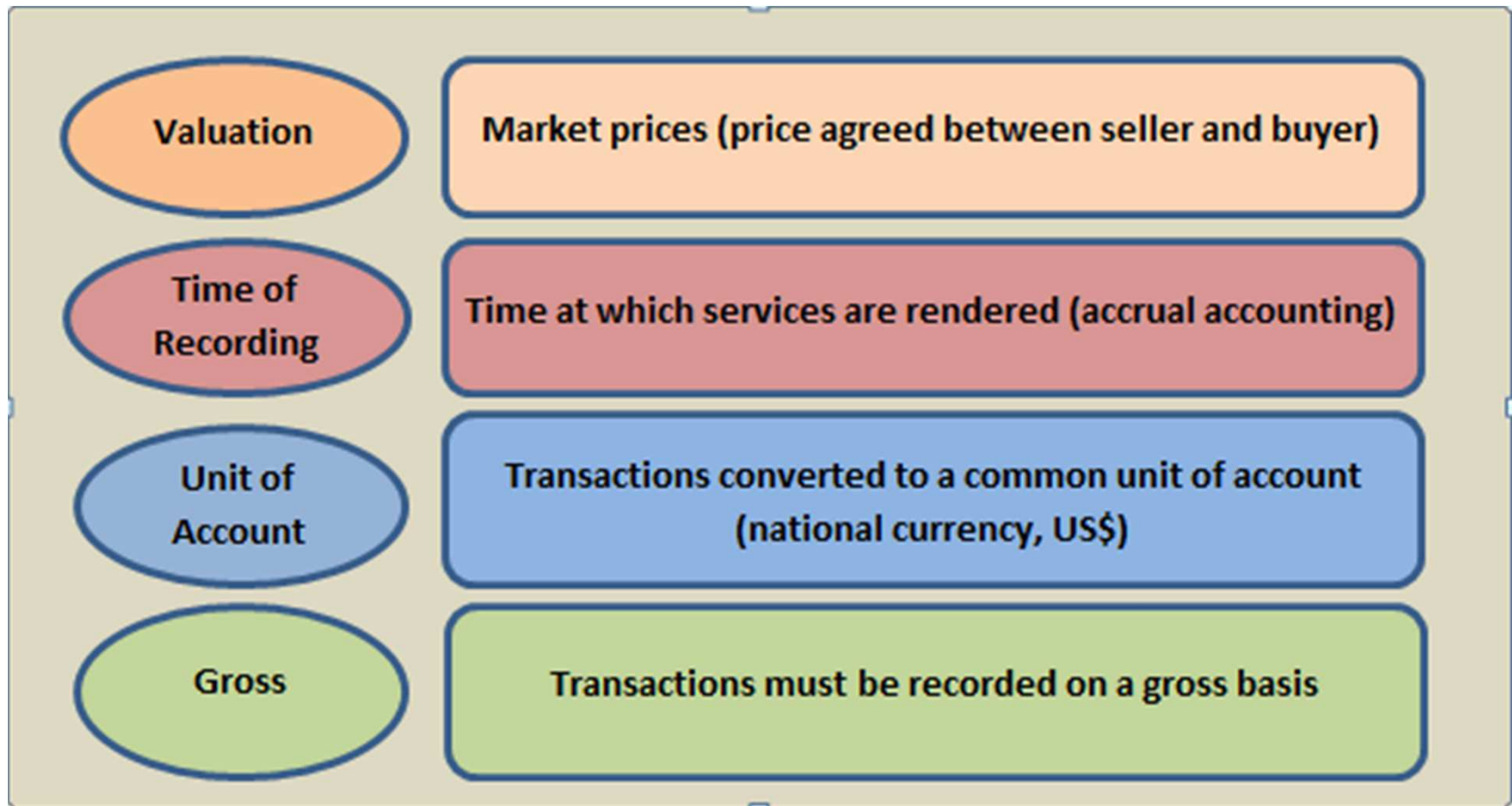
What is an International Transaction?



What is a Services Transaction?



Valuation and Other Principles of Recording





Construction

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

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



Construction

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 (instead of Construction services)



Construction

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



Construction

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

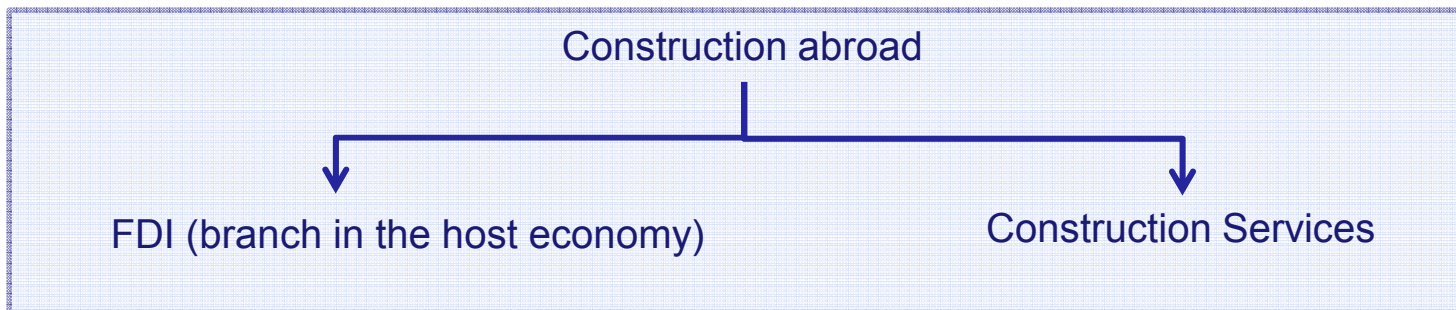
B	Balance (Credits minus Debits)	$B=C-D$
C	Credit (Resources)	
D	Debit (Uses)	



Construction

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.



Construction

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**

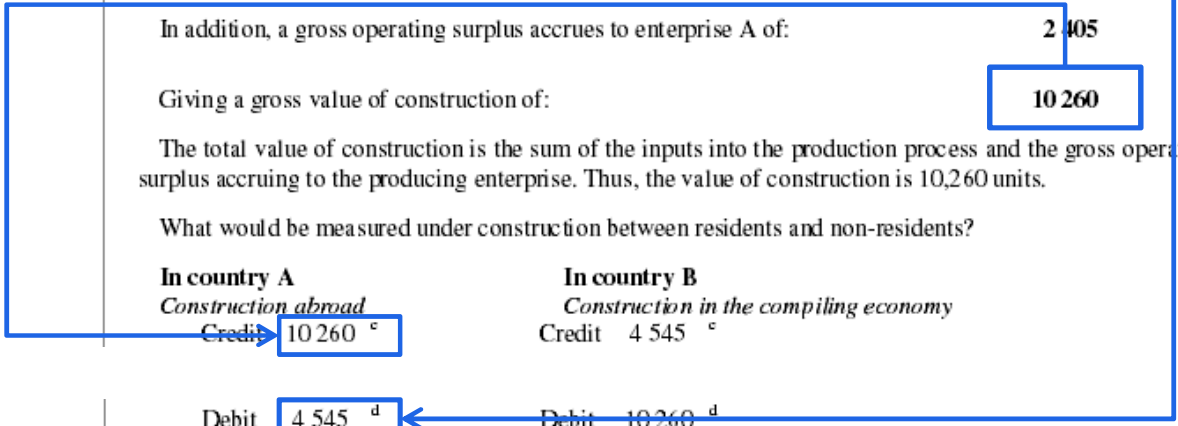
Giving a gross value of construction of: **10 260**

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

Debit 4 545 ^d	Debit 10 260 ^d
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Construction

DECISION RULE (FDI vs SERVICES)

1 YEAR 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



Transport

Definition

- Transport covers the carriage of persons and objects from one location to another (i.e. international freight and passenger transport services) as well as related supporting and auxiliary services.
- Includes port services and commissions arising from services provided to foreign shipping lines/airlines.
- Excludes freight insurance on imports (classified under insurance services) and charters of carriers without crew (under other business services).



Transport

Treatment of transport under BPM6

- Transportation services renamed to transport services in the BOP with the implementation of BPM6.
- Transport services now includes postal and courier services, which were previously in communications services, formerly a major services category under BPM5.



Transport

Treatment of transport under BPM6

- Several data sources (survey and administrative sources) can only capture the diversity of trade in services usually in combination, like
 - survey for international trade in services statistics
 - International transportation survey
 - ITRS
 - Other data sources



Transport

Transport covers the process of carriage of people and objects from one location to another as well as related supporting and auxiliary services and rentals (charters) of carriers with crew

- Includes Postal and courier services
- Distinction of different modes of transport
 - ⊖ Sea
 - ⊖ Air
 - ⊖ Space
 - ⊖ Rail
 - ⊖ Road
 - ⊖ Inland waterways
 - ⊖ Pipeline
 - ⊖ Electricity transmission



Transport

- Or alternatively can be classified as
 - Passenger
 - Freight
 - Other
 - Post and courier
 - Other