



TRADE IN SERVICES COUNTRY PRESENTATION THE BAHAMAS

WORKSHOP ON STATISTICS OF
INTERNATIONAL TRADE IN SERVICES
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General Overview

BALANCE OF PAYMENTS FRAMEWORK

The Central Bank of The Bahamas (CBOB) is responsible for compiling the balance of payments statistics where information is obtained from a variety of sources including exchange control records, budgetary accounts of central government and other public sector entities, as well as from several quarterly surveys to compile information on services, imports, exports, income, unrequited transfers, and private non-bank financial flows.

The classification of accounts used in the national presentation of The Bahamas' balance of payments closely corresponds to the presentation of the *BPM5*; which the IMF has received since the beginning of 1995 in quarterly and annual frequencies. A major deviation is in the treatment of the "offshore" banking sector as nonresident for compiling the balance of payments. The coverage includes only the local expenses of these entities.

What follows, is a discussion of the Services aspect of the balance of payments, the methodology, data sources and compilation strategies, the frequency and authenticity of data received, revision policies and challenges, limitations and benefits of the current system, and plans for future developments in the overall bop.

Methodology and Classification used

The Bahamas currently follows the guidelines as set forth in the Balance of Payments Manual (BPM5) and the guidelines suggested in the System of National Accounts for constructing the trade in services accounts. The major exception to these guidelines is the treatment of "Offshore" banking institutions which are treated as non-resident entities where the manual suggest that these entities be treated as resident entities. This is particularly evident in the services category where only the local expenses of these companies are captured as an added value to the production of the economy, and all other aspects are excluded from the accounts.

The Statistics are prepared in local currency, the Bahamian dollar, in accordance with the International Monetary Fund's standard components and classification within the BPM5. Wherever possible, valuation, timing, residency (except in the above mentioned case) and coverage are adhered to. Where no data is available, estimates (which take into account trends in other sectors) are made.

Scope of Data

At present, data obtained by surveys are submitted on a voluntary basis, as there is no legal basis that mandates respondents to submit reports to the Central Bank (apart from those submitted by financial institutions). However, entities that apply to the bank for foreign currency conversion are especially encouraged to comply with the request by the Central Bank of the Bahamas for information.

Reports and survey forms are expected to be submitted to the Bank three weeks after the end of the quarter which the date pertains. Bop estimates are subsequently available 3-5 weeks after the deadline for submitting the reports.

Accounting Conventions.

As mentioned earlier the Bahamas follows the recommendation of the BMP5 manual and uses a double entry method of accounting assuming that every inflow/receipt is matched by a corresponding outflow/payment. It is requested that all transactions are valued at market prices, and on a cash basis.

Components of Trade in services

Travel

- Local quarterly expenditure by nonresidents is obtained from the Ministry of Tourism based on exit surveys. The counterpart, Bahamian residents travel outflows compiled from Exchange Control Department's (ITRS) Quarterly Sales Report on Travel, are categorized into Business, Health, Education and Personal. Multipliers are applied to these categories to account for indeterminate leakages.

Transportation

Freight and passenger Services

- The data on freight and passenger services cover all modes of transport and port services. CBOB obtains entries for transportation services from surveys of both foreign and resident shipping and airline companies. Freight and insurance expenses are estimated as 9.1 percent of imports c.i.f. Freight is further disaggregated into air and sea transportation, based on a survey conducted using customs declaration forms.

Other

- This segment covers entries for charter air and sea operations in addition to oil tanker transshipments.

❑ *Communication Services*

- This is an area where estimates are relied upon. However, this is an area flagged for further review by the bop team.

❑ *Construction Services*

- Construction data are obtained directly from private companies via the exchange control department. This denotes payments for services to nonresidents for construction activities in The Bahamas. The counterpart to this entry is considered a non issue at this time or at least since the early 50's when construction workers went to Florida on contracts, thus it is represented with nil value in the b-o-p.

❑ *Insurance Services*

- Outflows for Non-merchandise insurance (obtained from Exchange Control's records) relate to reinsurance and other remittances in addition to merchandise transportation insurance, estimates at 10% of total freight and insurance charges. There are no credit entries as residents are assumed not to provide this service.

❑ *Royalties and license fees.*

- This item covers transactions with non-residents involving fees for use of asset titles and rights, specifically franchise fees relating to hotels, restaurants, and other businesses. Debit data are obtained from exchange control records.

❑ *Government, n.i.e.*

- Credit entries represent the expenditures of consulates and officials of foreign territories in The Bahamas and are obtained from quarterly surveys.
- Debit entries are based on the central government's budgetary documents and exchange control documents which provides the official payments made by The Bahamas to other territories.

❑ *Offshore companies local expenses.*

- Credit entries represent the local expenses of foreign owned entities (offshore banks in particular) are separated from other services because of the treatment of these companies in the b-o-p. One is therefore able to see

the service that is exported as it relates to these entities operating within the Bahamas

Other Business Services.

- The bank obtains data from exchange control records and supplements them by private sector surveys.

Other Supporting Agencies & Departments

- Depart of Statistics**
- Ministry of Finance**
- Ministry of Financial Services**
- Ministry of Tourism**
- Department of Agriculture and Fisheries**
- Hotel Corporation of the Bahamas**

Plans for Improvement

In the short term, a review of the current presentation of the overall b-o-p accounts is being undertaken, and a draft has already been submitted for review. In addition, data validation has been of prime importance and the department has embarked on an exercise to have reported data confirmed, and in some cases supported by a second source. Thirdly, further empirical analysis will be done in order to obtain the best estimates for categories where data is not immediately available.

In the medium term, the department will embark on bring in line reporting conventions that are currently not in compliance one formal discussions have commenced with international and regional agencies to agree on certain conventions. In line with this is the reporting of offshore activities and the one year rule for determining residency status.