

A. Summary of good practices (Chapter 14)

14.5. When compiling resident/non-resident trade in services statistics, it is good practice to follow the BPM6 recommendations on the principles of recording residence, valuation, time of recording, unit of account and currency conversion. The highest priority should be given to the compilation of data at the level of the BPM6 main EBOPS categories, followed by the EBOPS 2010 level of detail and the compilation of related supplementary items and complementary groupings. Compilers are also strongly advised to consult the online version of the present *Guide*, where more compilation guidance is available on certain services items and complementary groupings, as well as the EBOPS-CPC correspondence table that may facilitate the classification of certain transactions in the EBOPS classification system.

14.6. Compilers should note that, in the compilation of *goods-related services statistics*, enterprise surveys generally represent the most efficient collection method. An ITRS and customs declarations, as well as other data sources, may also be used, although they are generally not a sufficient source of data and may need to be supplemented with enterprise survey data. For *manufacturing services on inputs owned by others*, compilers should be aware that the difference between the value of the goods before processing and the value of the goods after processing may differ from the value of the manufacturing fee. Compilers should also evaluate if and how received data must be adjusted, especially in the absence of complete information or misreporting. Compilers also need to carefully distinguish between manufacturing services and manufacturing on own account, using the economic ownership of the inputs as the distinguishing criterion. Also, a clear difference should be made between transactions related to manufacturing services on inputs owned by others, and those related to merchanting, based on whether or not the nature of the goods changes.

14.7. For *freight transport and freight insurance services*, it is not always possible to measure the value of services directly. However, the information may be derived from the cost, insurance and freight/free on board (CIF/FOB) adjustments that are made to the merchandise trade statistics for balance of payment (BOP) purposes. Compilers should note, however, that when calculating the freight transport and insurance costs for BOP purposes, the statistical value does not necessarily reflect the sum of the actual invoice values, but instead follows the principle adopted in the accounting framework.

14.8. Regarding *passenger transport and travel*, transport should be recorded on a gross basis. That means that the value of passenger transport includes fares and other expenditures related to the carriage of passengers. When passenger fares are a component of package tour payments, the compiler should separate passenger transport from other travel components.

14.9. The compilation of the *travel* item is closely related to the compilation of tourism statistics. Thus, it is useful for compilers to understand the conceptual framework of tourism statistics. The BPM6 and EBOPS 2010 recommendations should be followed and compilers should provide further breakdowns of travel, in order to better assess the scope of travel activities, gauge their possible impact, in terms of economic activity, and ensure consistency between travel and other related statistics, such as tourism statistics, the Tourism Satellite Account or supply and use tables.

14.10. When compiling statistics on *construction*, compilers should take care to value transactions on a gross basis, i.e., inclusive of all goods and services used as inputs to the work (whether subcontracted or not), other costs of production and the operating surplus that accrues to the owners of the construction enterprise. It is particularly important to precisely identify the residence of the enterprise realizing the construction work in order to differentiate between exports of services and direct investment operations, using criteria such as the length of a project. Given the complexity involved in cross-border construction projects and the level of detail required, surveys are the preferred method for collecting data on construction. Such surveys could possibly be used to collect information on FDI and other resident/non-resident transactions, as well.

14.11. Regarding *insurance, pension and financial services*, it should be noted that some services are provided without explicit fees, which means that their compilation requires a certain degree of estimation and imputation. It is good practice to base insurance and pension services on earned premiums, which are consistent with the accrual recording. To compile the exports of insurance services, compilers can generally obtain comprehensive data by surveying resident insurance enterprises. If comprehensive surveys are not feasible, compilers may be able to obtain information directly from domestic insurance companies, which can also provide information for estimating imports of insurance services.

14.12. To avoid the volatility and negative figures that can be generated by catastrophic events, an adjustment in claims due is required to reflect a more long-term view of the functioning of the insurance sector. The compiler is invited to analyse the three possible adjustment methods for smoothing the amounts of claims by policyholders on insurance corporations, i.e., the expectation approach, the accounting approach and the sum of cost plus "normal profit" approach, and to use the one that is most efficient for the national circumstances.

14.13. For *financial services*, transactions without explicit fees are included in financial intermediation services indirectly measured (FISIM). FISIM is produced only by certain financial corporations and only on the loan and deposit instruments on their balance sheets. Compilers should take special care to properly calculate the reference rate. As recommended by the Advisory Expert Group on National Accounts (AEG), the calculation of the reference rate should be determined according to national circumstances, using preferably either a reference rate based on a single observable exogenous rate for a specific instrument, such as interbank lending rates; a reference rate based on a weighted average of observable exogenous rates of maturities with different terms (weighted by the stock of loans and deposits in each maturity); or a weighted average of the endogenous interest rates on loans and deposits. The most comprehensive source data for exports and imports of FISIM come from (a) resident financial corporations (surveys or administrative data collections or financial supervision authorities), which can identify the deposits and loans of non-residents, as well as (b) surveys of selected nonfinancial corporations, households and non-profit institutions serving households (NPISHs), which could provide data on residents' accounts with financial corporations abroad to support the compilation of FISIM imports.

14.14. *Services related to intellectual property products* may be particularly difficult to measure, because the distinctions among the categories, from a reporter's perspective, may not always be clear, and because intrafirm transactions, which are frequent in those services categories, may be affected by transfer pricing phenomena or more general tax planning issues. When recording transactions on the *use of intellectual property n.i.e.*, compilers should note that *franchise and trademark licensing fees* are related to charges for using non-produced assets and should, hence, theoretically, according to the SNA, not be recorded. However, the payments are often bundled with additional service items, making it difficult to separate out the pure payments for the use of the underlying brand and, therefore, both 2008 SNA and BPM6 recommend that such payments be recorded as payments for services. For payments related to *licences for the use of outcomes of research and development*, care should be taken to differentiate between payments for entire originals. Similar differences exist for *computer services*, where compilers should distinguish between *licences to reproduce* (of more than one year) and *software originals*. In contrast, compilers should note that *research and development services* primarily relate to "new" research and development, such as newly produced customized software, or transactions in "originals", where ownership and the concomitant rights are transferred to the purchaser. Care is needed to differentiate this from the licences to reproduce, identified above. Compilers are strongly advised to consider using the Frascati-based^[1] survey approach, which provides perhaps the best mechanism for improving their measurement of trade in research and development services.

14.15. For the compilation of data on resident/non-resident transactions in *education or health services*, the collection of data is often problematic. Compilers are advised to consider that sources of information from such specialized entities as the ministries of education and health may be necessary, and also to explore other types of sources, including higher education institutions and surveys on health insurance companies in combination with travel surveys (e.g., with reference to the purpose of stay), data available at embassies and consulates or administrative data from health and social insurance records.

14.16. *Government goods and services n.i.e.* includes only those services related to government functions that cannot be classified to another specific service category. The majority of government services transactions are most commonly compiled using administrative records. Data on government expenditure abroad should also be available from an ITRS, although it may be more difficult to capture expenditures by foreign governments and international institutions located in the compiling economy using an ITRS. In that case, an enterprise survey of non-resident bank accounts or a survey of foreign embassies and international institutions could be used.

14.17. When allocating resident/non-resident trade by *mode of supply*, compilers may start with a simplified allocation, following table V.2 in MSITS 2010, and applying a three-step procedure of allocate, evaluate and refine. However, compilers should treat such an allocation only as a first rough approximation of resident/non-resident services transactions by mode of supply, as that technique has important limitations. The present *Guide* strongly encourages compilers to gather additional information on modes of supply that may be collected for all services sectors using generic business surveys with added questions. Alternatively, compilers may choose to obtain information only for a selection of specific service sectors of interest to the compiling economy, using focused sources of information, possibly through sector-specific survey that also integrates such other statistical domains as FATS, SBS or innovation. It may be useful to consider collaboration with other agencies and institutions that have a special interest and/or expertise in obtaining modes of supply data. In such circumstances, it is important for the agency in charge of the collection and compilation of official trade in services statistics (generally the national statistical office or central bank) to work in coordination with such specialized agencies to ensure that the international recommendations for the collection and compilation of trade in services statistics are followed and that the collected information can be used in a broader context. It is suggested that the compiler investigate how to collect and compile more details for items for which mode 4 or 2 (both involving natural persons) is deemed important for the compiling economy.

14.18. Finally, compilers are advised to develop appropriate procedures to separately identify *service transactions between related (affiliated) enterprises*, as recommended in MSITS 2010. It is good practice to carefully examine the valuation of services transactions between related enterprises, since the recorded transactions could be under- or overestimated, misrepresenting the real flows of the economy. Compilers should be concerned that intrafirm trade might not reflect the real trade, as measured by market prices, that benefits from fiscal and taxation regulations, since transfer pricing is used for the valuation of services transactions.

Next: [B. Compilation of individual service categories](#)

[1] OECD, *Frascati Manual: Proposed Standard Practice for Surveys on Research and Experimental Development*, 6th ed. (Paris, 2002). Note that at the time of writing, the *Frascati Manual* is being revised, in part to provide better alignment with the national accounts.