



## Overview of MSITS 2010 and the Compilers Manual

Statistics of International Trade in Service: Challenges and Good Practices  
Regional Seminar on International Trade Statistics  
*Beijing, China 24-26 October 2011*



**United Nations Statistics Division**  
Statistics of International Trade in Services Section



### Outline

- The Manual on Statistics of International Trade in Services 2002 (**MSITS 2002**)
- Towards the **MSITS 2010**:
  - 1<sup>st</sup> round of worldwide consultation (2006)
  - 2<sup>nd</sup> round of worldwide consultation (2008/09)
  - 3<sup>rd</sup> round of worldwide consultation (2009)
  - Importance of MSITS 2010
  - Main changes in MSITS
  - Structure of the MSITS 2010
  - Edited white cover version of MSITS 2010
  - Implementation of MSITS 2010
- The MSITS 2010 Compilers Manual (**MSITS 2010 CM**)



## 1. MSITS 2002

### Birth of the Manual



- ❖ Published in 2002 jointly by 7 international organizations (Task Force on SITS)
  - ❖ Eurostat
  - ❖ IMF
  - ❖ OECD
  - ❖ UNCTAD
  - ❖ UNSD
  - ❖ UNWTO
  - ❖ WTO
- ❖ Response to increased needs
  - ❖ Globalization – demand for more comprehensive and better integrated approach to statistical issues
  - ❖ Needs of GATS which became effective in 1995



## 1. MSITS 2002

### Recommended core elements in MSITS 2002

- Services transactions between residents and non-residents
- Foreign affiliates statistics
- Movement of natural persons supplying services



## 1. MSITS 2002

### Update the manual – worldwide consultation

After almost 5 years of existence, in order to take into account:

- The growing experience of the countries as compilers
- Revision of SNA, CPC, BPM and ISIC
- Possible improvements which had been identified



**MSITS 2002 needed to be updated**



## 2. First Worldwide consultation (2006)

1<sup>st</sup> round of worldwide consultation:

- ✓ Launched in May 2006;
- ✓ Addressed to both compilers, users in member countries, international organisations.

### OUTCOME

- ✓ 114 replies were received (including 105 replies to the Questionnaire)
- ✓ From 89 countries and 6 international organizations
- ✓ Only minor revisions were recommended



### 3. Second round of worldwide consultation - 2008/09

#### MSITS update and Worldwide consultation 2008 - 2009

A Consultation document (+ Questionnaire) was sent worldwide by Eurostat, IMF, UNSD and WTO in August 2008

✓Updated draft MSITS was finalized by the Task Force in August **2008**

✓The chapters and annexes of the manual and further information on revision process were available in English only at the dedicated website:

<http://unstats.un.org/unsd/tradeserv/TFSITS/msits.htm>



### 3. Third round of Worldwide consultation 2009

#### Worldwide consultation 2009

The text was revised by the TF after its meeting in March 2009 (Bangkok) – The text was placed on the TF web-site – Countries were sent a letter asking their view of the draft text (along with a short questionnaire) worldwide by IMF, UNSD and WTO in July 2009

#### **TO WHOM?**

- ✓NSOs (UNSD)
- ✓BOP correspondents (IMF)
- ✓National Trade Delegations (WTO)
- ✓International Organizations (UNSD)

#### **IN WHAT LANGUAGES?**

- ✓English

It was also placed on the UNSD website

<http://unstats.un.org/unsd/tradeserv/tfsits/msits.htm>



### 3. Third round of Worldwide consultation 2009

#### Revised version of the MSITS

- Task Force has finalized the report to the UN Statistical Commission in November 2009
- The UN Statistical Commission adopted the ***Manual on Statistics of International Trade in Services 2010 (MSITS 2010)*** at its 41<sup>st</sup> Session in 2010 as well as endorsed the implementation programme.



### 4. Importance of MSITS 2010

- Primarily a guide for statistical compilers;
- it can aid enterprises and other entities that need to monitor developments in international services markets.
- a useful tool for users of statistical information in connection with **international negotiations** on trade in services;

The General Agreement on Trade in Services (GATS): is the most well-known and wide-reaching agreement and is encompassing services

- need for statistics has fuelled the demand for a more comprehensive and better-integrated approach to statistical issues entailing trade in services.

***The MSITS is useful in*** guiding negotiations and supporting implementation of the agreements;



## 5. Main changes in MSITS

### Changes elaborated in the new version of MSITS

#### Impact of SNA revision

SNA93 → BPM6 → MSITS

44 issues on SNA93, some of them with sub-issues. All the issues concerning the Rest of the World Account have **DIRECT** influence on BPM6

#### Partner country

✓ Inclusion of a breakdown by partner country to the second, third and fourth recommendation in the priority list

#### Modes of supply

✓ A separate chapter added to give a more detailed discussion of modes of supply



## 5. Main changes in MSITS

### Changes elaborated in the new version of MSITS

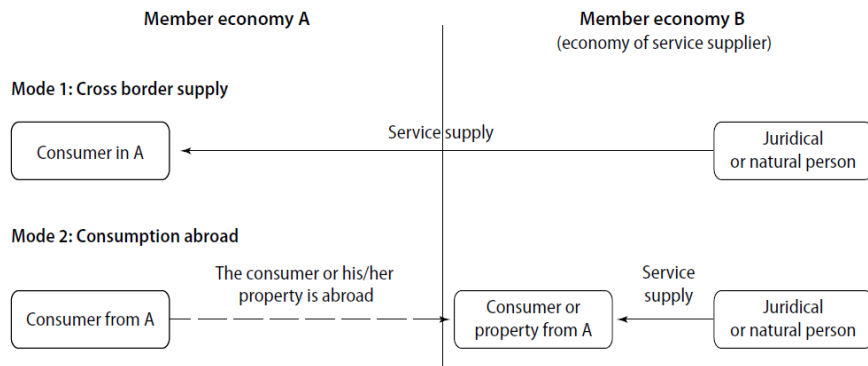
An important feature of *MSITS 2010* is a description of the modalities through which services may be supplied, of which the GATS identifies four:

- ✓ *cross-border;*
- ✓ *consumption abroad;*
- ✓ *commercial presence and*
- ✓ *presence of natural persons.*

Distinctions among these modes are based on whether the service supplier and the consumer are present in the same country or in different countries when the transaction is effected

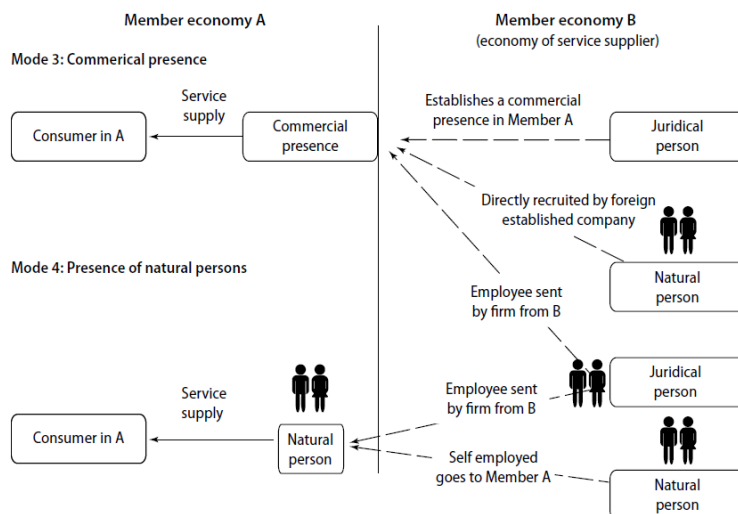
## 5. Main changes in MSITS

### Modes of supply:



## 5. Main changes in MSITS

### Modes of supply (cont.):





## 5. Main changes in MSITS

### Changes elaborated in the new version of MSITS

#### **Consequences of BPM6 and updated SNA (SNA 2008)**

- ✓ *Processing of goods* and *Repairs and maintenance of movable goods* to be reclassified from goods to services (two main components in EBOPS)
- ✓ *Merchanting* to be moved in the opposite direction (removed from *Other business services*)
- ✓ *Other Business Services* component to be split and replaced by three main BOP/EBOPS categories:
  - *Research and development services*
  - *Professional and management consulting services*
  - *Technical, trade related and other services*



## 5. Main changes in MSITS

### Changes elaborated in the new version of MSITS

#### **Inward and outward FATS**

- ✓ A clearer separation of inward and outward FATS in Chapter 4

#### **Analytical index**

- ✓ An additional analytical annex

#### **Service export and import prices**

- ✓ An additional annex on service export and import prices

#### **BOP versus FATS**

- ✓ Integration of a clear distinction between BOP resident / non-resident statistics and FATS statistics





### Chapters of MSITS 2010

- Summary
- Chapter I - General introduction and foundations of the Manual
- Chapter II - Conceptual framework for the development of statistics on international trade in services
- Chapter III - Services transactions between residents and non-residents
- Chapter IV - Foreign affiliates statistics and the international supply of services
- Chapter V - Trade in services statistics by mode of supply



### ***Chapter II - Conceptual framework for the development of statistics on international trade in services***

The chapter identifies the need for a framework within which to compile statistics on international trade in services, as broadly defined in the GATS, and describes relevant aspects of existing statistical systems and standards. It sets out the approach and framework adopted in *MSITS 2010*



**Chapter III - Services transactions between residents and non-residents**

- The principles adopted by *MSITS 2010* to record services transactions between residents and non-residents are consistent with those prescribed in the sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)* and the *System of National Accounts 2008 (2008 SNA)*. This allows compilers to use many of the same data sources for compiling both balance of payments and international trade in services statistics. It also ensures consistency within each country's statistical system and among the statistical systems across countries.



**•Chapter III - Services transactions between residents and non-residents (continued)**

- The chapter further discusses the concept of residence and its practical application, along with the valuation and timing of recording transactions. It also touches on the relationship between trade in services and other economic activities.
- The chapter describes in detail the measurement of international trade in services in the conventional balance of payments sense of transactions between residents and non-residents of an economy.



***Chapter III - Services transactions between residents and non-residents (continued)***

The service categories are described in the **Extended Balance of Payments Services Classification (EBOPS 2010)**, which is completely consistent with BPM6 but provides for more detailed breakdowns in a number of areas.



***•Chapter III - Services transactions between residents and non-residents (continued)***

**The Extended Balance of Payments Services Classification (EBOPS 2010):**

1. Manufacturing services on physical inputs owned by others.
2. Maintenance and repair services n.i.e.
3. Transport
4. Travel
5. Construction
6. Insurance and pension services
7. Financial services
8. Charges for the use of intellectual property n.i.e.
9. Telecommunications, computer and information services.
10. Other business services.
11. Personal, cultural and recreational services.
12. Government goods and services n.i.e.



### ***Chapter IV - Foreign affiliates statistics and the international supply of services***

- The chapter discusses in more depth inward and outward FATS, and is aligned with updates provided in BPM6, the *OECD Benchmark Definition of Foreign Direct Investment*, 4th ed. (BD4), and *Measuring Globalisation: OECD Handbook on Economic Globalisation Indicators 2005*.
- It further describes the links between FATS and the international supply of services.
- The ISIC Categories for Foreign Affiliates in services was revised to take into account the revisions introduced into the new version of the International Standard Industrial Classification of All Economic Activities (ISIC, Rev.4)



### ***Chapter V - Trade in services statistics by mode of supply***

The chapter describes measurement issues connected with the international supply of services by mode, and provides a more detailed examination of the supply of services through the presence of natural persons. It examine additional indicators that are useful in analysing GATS commitments and other dimensions of flows by mode of supply. It also provides advice on how to use and possibly extend existing statistical frameworks, and the data derived from them, for the purpose of analysing the international supply of services by mode.



## 6. Structure of MSITS 2010

### Annexes

- **Annex I – Extended Balance of Payments Services Classification**
- **Annex II – EBOPS, CPC, Ver.2, GNS/W/120 correspondence tables**
- **Annex III – ICFA – EBOPS correspondence tables**
- **Annex IV – Extract from the General Agreement on Trade in Services**
- **Annex V – Services Sectoral Classification List – GNS/W/120**
- **Annex VI - The Manual, IRTS 2008, and the Tourism Satellite Account Recommended**
- **Methodological Framework**
- **Annex VII - Analysing the trade in services data**



## 7. Edited white cover version of MSITS 2010

MSITS 2010 is available in edited white cover version at

<http://unstats.un.org/unsd/tradeserv/TFSITS/manual.htm>

## 8. Implementation of the MSITS 2010

*MSITS 2010* recommends a complete set of elements, for implementation by compilers, that build on internationally agreed standards so as to enable them to progressively achieve comparability of published statistics on the international supply of services.

## 8. Implementation MSITS 2010

### ***Recommended core elements***

#### ***1. BPM6***

Implement the BPM6 recommendations, including the definition, valuation, classification and recording of services transactions between residents and non-residents.

## 8. Implementation MSITS 2010

### ***Recommended core elements***

#### *2. EBOPS 2010: first part — disaggregation*

- Compile balance of payments data according to EBOPS 2010, which involves disaggregating the BPM6 standard components for services into EBOPS 2010 sub-components.
- Where the compilation of the main EBOPS classification is developed and carried out in stages, compilers should commence by separately identifying those EBOPS sub-components that are of major economic importance to their own economies.
- Where data for related supplementary items are available, these supplementary items should also be compiled as part of this process.
- The aim is to report partner country detail, first, at the level of services trade as a whole and then for each of the main types of services in BPM6 and EBOPS 2010.

## 8. Implementation MSITS 2010

### ***Recommended core elements***

#### *3. FDI statistics*

- Collect complete statistics on FDI (that is, the flows, income and period-end positions) classified by ISIC, Rev.4, activities as complements to FATS.
- For those countries that must delay the implementation of FATS, FDI statistics provide useful complementary information on *commercial presence*.
- It is further recommended that partner country detail be reported both in the aggregate and for the major activity categories.

## 8. Implementation MSITS 2010

### ***Recommended core elements***

#### **4. FATS: basic variables**

Record certain basic FATS-related variables, such as

- sales (turnover) and/or output,
- employment,
- value added,
- exports and imports of goods and services and
- number of enterprises.

To achieve comparability, these are classified by specified activity categories based on ISIC, Rev.4. When reporting to international organizations ICFA, Rev.1 could be used to improve comparability with the data recorded according to the first and second recommendations.

It is recommended that partner country detail be reported both in the aggregate and for the major industry categories within ICFA, Rev.1.

## 8. Implementation MSITS 2010

### ***Other recommended elements***

#### **1. EBOPS 2010: second part — completion**

- Complete the implementation of EBOPS 2010 to the extent relevant to the compiling economy, including the supplementary items.
- Supplementary items should be compiled where the data are available as part of the data-collection process for the related EBOPS components.
- Other supplementary items and complementary groupings should be compiled where there is a demand for these data in the compiling economy.



***Other recommended elements***

***2. FATS: further details***

- Augment the basic FATS variables by compiling data on additional aspects of the operations of foreign affiliates, such as assets, compensation of employees, net worth, net operating surplus, gross fixed capital formation, taxes on income, research and development expenditures, and purchases of goods and services.
  
- Detail of sales by product is desirable, not least because of the potential comparability between FATS data and trade between residents and non-residents. While compilation on this basis may well have to remain a long-term goal for most countries, as a first step towards a product basis, countries may wish to disaggregate sales in each industry between services and goods.

***Other recommended elements***

***2. FATS: further details (continued)***

- In addition, countries that are building their statistical systems for FATS on existing data systems that already include product detail may wish to use this detail from the outset because it could help them monitor commitments under GATS that are specified in terms of services products.
  
- Similarly, countries that are building their FATS data systems from the ground up should consider, from the outset, the feasibility of providing for a product dimension.

## 8. Implementation MSITS 2010

### *Other recommended elements*

#### **3. Trade between related and unrelated parties**

Within the statistics on trade in services between residents and non-residents, separately identify the trade with related parties from that with unrelated parties

#### **4. Value of the supply of services by GATS modes**

Allocate the services transactions between residents and non-residents and FATS sales (or output) of services over the GATS modes of supply.

#### **5. Presence of natural persons**

Collect statistics on the number of natural persons under the GATS framework, both those from the compiling economy present abroad and foreign natural persons present in the compiling economy (flows and stocks of persons). The statistics would be collected in the context of the supply of services, taking into account the needs, resources and special circumstances of the compiling economy.

## 9. MSITS 2010 Compilation Guide

TFSITS adopted an implementation programme for drafting a Compilers Manual for MSITS 2010, to make available good country practices, and to provide technical assistance at its last meetings in 2010 and 2011.

A proposal to establish a UN Expert Group to facilitate the drafting process is to be reported to the UN Statistical Commission in February 2012.

First meeting of EG-SITS is scheduled to be held from 29 to 31 March 2012 in New York.

The main objective of this meeting is to

- review the annotated outline of all chapters of the Compilers Manual and
- provide guidance on its scope and the content of each of the individual chapters

The Compilers Manual is expected to have the following 6 chapters:

1. Statistical Infrastructure
2. Data sources
3. Data compilation
4. Quality assurance and metadata
5. Data dissemination and trade indicators
6. External trade indices and seasonally adjusted data

## 1. Statistical Infrastructure

It covers country practices in the establishment and maintenance of the institutional arrangements within which trade in services statistics are collected, compiled and disseminated. It also describes the use of a reliable Enterprise Survey Frames and shows the role statistical business registers can play. It also covers SITS related classifications, such as EBOPS 2010, CPC 2.0 and ISIC, Rev.4, especially for ICFA. It further discusses the related Classification by Broad Economic Categories (BEC).

## 2. Data sources

It describes currency exchange records and records of monetary authorities, notably the International Transactions Reporting System (ITRS). It also describes challenges and good practices in enterprise surveys, household and related surveys, administrative data and other data sources but will also tackle the issue of models and estimates.

### 3. Data compilation

It describes challenges and good practices in data from different sources and highlights a number of issues that need to be addressed, such as

- (a) matching similar data elements available from different sources;
- (b) working out conceptual differences between sources;
- (c) matching data with different levels of detail;
- (d) working out issues of delays resulting in unsynchronized reception of data;
- (e) overlaps in the information provided and
- (f) the overall efficient use of all data sources.

### 3. Data compilation (continued)

It also gives technical details of determining the statistical value of internationally traded services. It further discusses details of the compilation of trade data by partner country.

The chapter will recap and extend on the BPM6 compilation guide on the Extended Balance of Payment Services Classification (EBOPS) focusing on the statistical processing aspects. It also describes the current recommendations for FATS compilation and elaborates further the statistical aspects of the mode of supply.

**4. Quality assurance and metadata**

It describes data processing and data base management at the statistical service. It provides also an overview of quality assurance. It explains the relevance of metadata for the correct understanding of the content, coverage and limitations of the data, and guides users on the correct interpretation of the trade statistics.

**5. Data dissemination and trade indicators**

It describes the factors to take into consideration for the dissemination policy of the responsible national agency. These factors are among others timely release of data, statistical confidentiality, revision policy, cooperation with government entities. It also covers the indicators related to trade in services and how these are calculated and presented

**6. External trade indices and seasonally adjusted data**

It covers the fundamentals of price measurement in external trade and how it could apply to international trade in services. It explains the concept of seasonally adjusted data, elaborates its analytical importance and the key features of the main approaches