



Links between Balance of Payments and Tourism Statistics

by

G. Giuseppe Ortolani

Banca d'Italia

Chairman of the Eurostat Technical Group "Travel"

UNWTO - Statistics Austria - Bundesministerium für Wirtschaft und Arbeit

2nd Workshop of the Capacity Building Programme on
Tourism Statistics for Europe

Vienna, 2-5 December 2008

Links BoP - TS

Overview

- **Objective:** identify the similarities / differences between the two statistical domains
 - » focus on **concepts and definitions**, but
 - » consideration is given to **data collection** aspects, to foster **joint observation procedures at the national level**

Links BoP – TS

Summary

Part I – Background

Part II - Generalities on BoP & TS

Part III - Comparison BoP / TS

Conclusive remarks

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Part I

Background

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Background

- Cooperation between the BoP and TS domain has significantly improved over the last 10-15 years
- At the international level
 - » Closer cooperation and coordination between involved Int. Organizations: UNWTO and IMF, but also Eurostat and OECD (on BPM6, IRTS-2008, TSA)
 - » Emphasis on cross-fertilization. Examples in Europe:
 - Eurostat TG Travel
 - Since its setup, in 1996, has been a fora for BoP and tourism statisticians, with the aim of exchanging knowledge and finding synergies in data collection efforts
- At the national level
 - » Cooperation between BoP compilers and tourism statistician is more and more common, with reciprocal understanding of each other concepts
- Therefore...
 - » The two statistical domains are nowadays much more consistent than before
- Nonetheless...
 - » The links between them remain complex, as it will be explained...

Links BoP - TS

Part II

Generalities on
BoP & TS

Links BoP - TS

Balance of Payments

Balance of Payments and International Investment Position Manual – Sixth Edition

By IMF – Draft March 2008

- The BoP is a statistical statement, strictly integrated with the SNA, that reports economic and financial transactions of an economy with the rest of the world, which took place during a given period of time.
 - » To be released end 2008
 - » Central concept: residence status of parties
 - » All values are measured in monetary terms
 - » In the case of economic transactions on goods & services, credits represent exports and debits represent imports

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Balance of Payments (Travel)

- For tourism analysis, the most relevant Bop items is Travel, but also Transport - Passengers has to be considered
- Travel – credits: covers
 - » goods and services...
 - » for own use or to give away...
 - » acquired from an economy...
 - » by non-residents...
 - » during visits to that economy.
- Travel – debits: covers
 - » goods and services...
 - » for own use or to give away...
 - » acquired from other economies...
 - » by residents...
 - » during visits to other economies.

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Balance of Payments (Transport - Passenger)

- **Transport – Passengers** covers the service of transport of people, provided by residents (R) to non-residents (NR)
- **Transport - Passengers – credits:** cover services provided by R carriers to NR
- **Transport - Passengers – debits:** cover cover services provided by NR carriers to R

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Balance of Payments - timing

- As regards the **timing of transactions**, for Travel and Transport – Passenger the BoP follows the principles of the SNA:
 - » Transactions are deemed to occur at the moment of the **transfer of ownership** of goods or that of the **delivery of services**, i.e. **NOT at the time of their payment**
 - » Examples:
 - Accommodation services: provided when the visitor stays at the hotel
 - Transportation services: provided when the visitor is transported
 - Purchase of souvenirs: acquired when bought by the visitor
 - Etc.
 - » Treatment of payment "leads and lags"
 - The timing of payments (anticipated, contextual or delayed vis-à-vis the acquisition of goods / services), therefore, is not relevant for the Travel & Transport – Passenger BoP items
 - In principle, timing of these payments is, relevant for the **Financial Account** section of the BoP, where variations of assets / liabilities with non-residents are recorded; however, in practice, many (or most) countries do not consider this aspect, whose effect is considered negligible
 - » Pre-post trip expenditure excluded from Travel
 - Acquisition of goods and services **before or after the trip** (by R from NR and vice versa), even though **clearly related to the trip** are **NOT INCLUDED** in Travel (e.g. specific clothes, medicines, films, etc.). In fact, a prerequisite for transactions to be included in Travel is that the goods / services are acquired by "travellers" by their **physical displacement** to the economy where the goods / services are provided.

Links BoP - TS

Tourism statistics (IRTS)

International Recommendations on Tourism Statistics (IRTS) 2008

By UN & UNWTO - approved by the UN SC in Feb. 2008 and submitted to UN editors

- Inbound / outbound tourism **expenditure**
 - » **Tourism expenditure** refers to the **amount paid** for the acquisition of consumption goods and services, as well as valuables, for own use or to give away, for and during tourism trips. It includes expenditures by visitors – from, to, within the country of reference - themselves, as well as expenses that are paid or reimbursed by others.
- **Inbound** tourism expenditure: tourism expenditure of a **NR** visitor within the economy of reference
- **Outbound** tourism expenditure: tourism expenditure of a **R** visitor outside the economy of reference
- Memo - **Domestic** tourism expenditure: tourism expenditure of a **R** visitor within the economy of reference
- **Attention! Not all the expenditures of inbound / outbound visitors are included in inbound / outbound tourism expenditure**
 - » E.g.: a US visitor to France (**inbound** visitor for France) uses American Airlines to fly from Paris to Nice (air fares represent **domestic** tourism expenditure for the US; **no recording** in tourism expenditure for France)

Links BoP - TS

Tourism statistics (TSA)

Tourism Satellite Account (TSA)

Recommended Methodological Framework 2008

by UN, UNWTO, Eurostat, OECD - approved by the UN SC in Feb. 2008

- Inbound / outbound tourism **consumption**
 - » **Tourism consumption** extends the scope of tourism expenditure. Where the latter only includes “**monetary**” transactions (i.e. amount actually spent by visitors), the former also includes “**non-monetary**” ones, e.g.
 - Imputed value of **barter** transactions (e.g. temporary exchange of dwellings)
 - Imputed value of **goods produced on own account** from the vacation home or resulting from recreation activities (gardening, fishing, hunting, etc.) outside the usual environment
 - Imputed value of services associated with vacation **accommodation on own account**
 - Imputed value of **FISIM** (Financial Intermediation Services Indirectly Measured) included in any interest paid by visitors
 - Etc.
- **Inbound** tourism consumption: tourism consumption of a NR visitor within the economy of reference
- **Outbound** tourism consumption: tourism consumption of a R visitor outside the economy of reference

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Tourism expenditure / consumption - timing

- As regards the **timing of transactions**:
 - » Transactions are deemed to occur at the moment of the **transfer of ownership** of goods or that of the **delivery of services**, i.e. **NOT at the time of their payment**. This is **consistent** with Bop Travel / Transport treatment
 - » Pre-post trip expenditure are included in inbound / outbound tourism expenditure / consumption
 - Acquisition of goods and services **before or after the trip** (by R from NR and vice versa), if **clearly related to the trip** are **INCLUDED** (e.g. specific clothes, medicines, films, etc.). This is **NOT consistent** with Bop Travel / Transport treatment

Links BoP - TS

Part III

Comparison BoP / TS

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Comparison (basics)

- False friends:
 - » Inbound tourism expenditure = Travel credits
 - » Outbound tourism expenditure = Travel debits

Reality is more complex !

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Comparison (basics)

- Differences between BoP and TS expenditure concepts relate to:
 1. Scope of the **individuals** whose transactions are included
 2. Scope of the **expenditures** that are covered

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Differences in the scope of individuals

- As regards the **individuals**, the "Travel" item has a **broader scope** than inbound/outbound tourism expenditure
- In fact, Travel covers the expenditure of the following subjects which are **not considered as visitors** in TS:
 - » Border workers
 - » Seasonal workers
 - » Other short term workers
 - » Frequent border crossers who are within their usual environment
 - » Students taking long term courses outside their country of residence
 - » Long term patients who are being treated outside their country of residence
 - » Nomad, refugees and displaced persons

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Differences in the scope of expenditure

- As regards the **expenditure**, i.e. the goods and services included, the "Travel" item **is different** from inbound/outbound tourism expenditure about the following:
 - » The notion of "acquisition" used in Travel is broader than the notion of tourism expenditure, as the former **includes 'non-monetary' transactions** (e.g. imputed value of accommodation provided free of charge). In this respect, Travel is closer to the TSA concept of tourism consumption
 - » Purchases of **valuables and consumer durables** are included in inbound/outbound tourism consumption (irrespective of their unit value), whereas Travel only includes those whose value is below the custom threshold (the rest is included in the BoP "Goods" item). The IRTS 2008 recommends that, in order to facilitate reconciliation, such purchases are separately identified
 - Problem for EU BoP compilers: for Intra-EU purchases of travellers there is no "custom threshold" to use as a reference to discriminate items to be recorded in Travel / Goods

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Differences in the scope of expenditure

- As regards the **expenditure**, i.e. the goods and services included, the "Travel" item **is different** from inbound/outbound tourism expenditure about the following:

(continues from previous slide)

- » Expenditure on international transportation, when representing a R to NR transaction, is part of international tourism expenditure. It is included in the BoP item "Transport – Passenger" (not in Travel). **However**, the latter also includes components which **do not** represent inbound / outbound tourism expenditure.

Example:

Transport – Passenger – Credits of France includes:

Air fare paid to Air France by a US visitor using Air France to fly from **NY** to **Paris** (also included in inbound tourism expenditure of France)

But also includes

Air fare paid to **Air France** by a **UK** visitor using Air France to fly from **London** to **Glasgow** or from **NY** to **Los Angeles** (which is **NOT** included in inbound tourism expenditure of France, since these UK passengers are not visitors from, to or within France).

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Comparison (details – from IRTS)

Figure 8.1

Bridge table between the "travel" and "passenger international transport services" items of BoP and inbound/outbound tourism expenditure

Differences in the scope of **individuals**

Balance of Payments

Tourism statistics

		Arriving non residents/leaving residents	International visitors: non resident travelers taking tourism trips outside their usual environment for less than a year, for a purpose other than been employed by a resident entity in the country visited.
p e r s o n s	diplomats, consular staff, military personnel (other than locally engaged staff) and their dependants	no	no
	border workers	yes	no
	seasonal workers	yes	no
	other short term workers	yes	no
	crews	yes	Considered as visitors except regular as well as occasional crews on public modes of transport
	students	short term and long term	only those taking courses for less than a year (short term)
	patients	short term and long term	only those under treatment for less than a year (short term)
	nomads, refugees and displaced persons	yes if for stay less than a year	no

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Comparison (details – from IRTS)

Figure 8.1
Bridge table between the "travel" and "passenger international transport services" items of BoP and inbound/outbound tourism expenditure

Differences in the scope of expenditure - Travel

		Balance of Payments	Tourism statistics
Travel	transactions on goods and services that do not imply a monetary transaction and represent social transfers in kind or require imputations	yes	not included in tourism expenditure but in the more inclusive concept of tourism consumption used in the TSA approach
	acquisition of consumption goods and services other than international transport	yes	yes
	acquisition of valuables	yes if under the customs' threshold	if acquired on trips
	acquisition of consumer durable goods	yes if under the customs' threshold	all, if acquired on trips
	expenditure on education for those whose main purpose is education	yes	yes if course for less than a year (short term)
	expenditure on health for those whose main purpose is health	yes	yes if treatment for less than a year (short term)
	expenditure other than acquisition of goods and services	no in principle. Nevertheless, the BPM5 Text Book (para 337) recommends that fees such as airport taxes or traffic violations be included under travel although they should be considered as current transfers.	no

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Comparison (details – from IRTS)

Figure 8.1
Bridge table between the "travel" and "passenger international transport services" items of BoP and inbound/outbound tourism expenditure

Differences in the scope of expenditure – International transport

		Balance of Payments	Tourism statistics
Scope	transport to and from the country of residence in a resident to non-resident transaction	yes	yes
	transport between two points outside the country of residence as a resident to non-resident transaction	yes	for the country of residence of the carrier, the traveler is not a visitor to, from or within that country; for the country of residence of the traveler, part of outbound tourism expenditure if the traveler is an outbound visitor
	transport within an economy by non-resident carriers as a resident to non-resident transaction	yes	part of outbound tourism expenditure for the country of residence of the traveler if he/she is a visitor; not in tourism statistics for the country of residence of the carrier
	intermediation of travel agencies	if remunerated by a fee or commission paid by the carrier, whatever the country of residence of the travel agency, its service is included in the valuation of international passenger transport and included or excluded whether the purchase of international passenger transport is a resident to non-resident transaction or not. Else, if a separate fee is paid by the traveler, it is included under travel but only if it represents a resident to non-resident transaction.	In all cases, the service is valued using the gross margin it is acquired by the visitor. It is included in inbound, outbound or domestic tourism expenditure depending on the country of residence of the travel agency and of the visitor.
	package tours	The fee or commission of a tour operator is part of the value of the package. For the fee or commission paid by the service provider, the treatment is similar to that of the intermediation of travel agencies. The value of the service of the tour operator on top of the services purchased from providers will be included under travel only if it represents a resident to non-resident transaction.	In all cases, the service is valued using the gross margin it is acquired by the visitor. It is included in inbound, outbound or domestic tourism expenditure depending on the country of residence of the tour operator, the travel agency and the visitor.

Links BoP - TS

Classification by purpose of trip

- As a primary breakdown, BoP requires to split Travel according to the (main) purpose of the trip (business / personal). This breakdown corresponds ROUGHLY to that between "Personal" and "Business and professional" of tourism statistics
- **Business travel** covers goods and services acquired by persons going abroad for all types of business activities:
 - » trips with a business or professional main purpose (also included in tourism expenditure)
 - » Expenditure by seasonal, border workers and other short term workers and crews (NOT INCLUDED in tourism expenditure)
- **Personal travel** covers goods and services acquired by persons going abroad for purposes other than business, such as:
 - » vacations, participation in recreational and cultural activities, visits of friends and relatives, pilgrimages, shopping, etc. (also included in tourism expenditure)
 - » education and health-related purposes, irrespective of the length of the stay (included in tourism expenditure ONLY IF stay less than a year)

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Classification by product

- As a secondary breakdown, BoP recommends to split Travel according to the type of "product" purchased:
 - » goods
 - » local transportation services
 - » accommodation services
 - » food serving services
 - » other services
- This breakdown adjust fairly well with the classification of tourism expenditure by purpose in the IRTS (see IRTS, para 4.26)
- It also improves the consistency with the TSA and supply and use tables

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Tourism-related expenditure in BoP “Travel” & “Transport”

- The IRTS states that BoP **Travel**, complemented with **Transport – Passenger**, is extensively used as a first approximation of the **total amount of tourism expenditure**
- But the IRTS also notes that the **differences in scope** between the BoP / TS concepts “might be relatively significant in some countries, when the flows of non-visitors within travellers are important, or when international passenger carriers operate importantly between foreign countries” (IRTS, para 8.23)
- Therefore, both the IRTS and the BoP Manual recommends that:
 - » Tourism-related expenditure in “Travel” and “Transport passenger” should be identified as a supplementary item to the standards components of the BoP

Links BoP - TS

Conclusive remarks

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Conclusive remarks

- Thanks to increased international cooperation BPM6, IRTS-2008 & TSA-RMF-2006 are **much more consistent** than their past versions
- However, as always, there is room for further improvement
 - » in the **harmonisation/simplification** of **concepts and definitions**, to the benefit of **users** (and compilers)

and, above all,

- » in **national data collection practices**, which should deserve more consideration to the possibility of **joint observation** for both statistical needs (e.g. one survey for both purposes), to **reduce costs** and **improve consistency** of results

Links BoP - TS

Thank you !