Links between Balance of Payments and Tourism Statistics

by

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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
Part I – Background
Part II - Generalities on BoP & TS
Part III - Comparison BoP / TS
Conclusive remarks

Part I
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…
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

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.
**Links BoP - TS**

**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 services provided by NR carriers to R

**As regards the timing of transactions**, for Travel and Transport – Passenger the BoP follows the principles of the SNA:
- Trans,actions 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-a-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 “travelers” by their physical displacement to the economy where the goods / services are provided.
**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 (flights represent domestic tourism expenditure for the US; no recording in tourism expenditure for France)

**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
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
Comparison (basics)

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

Reality is more complex!

Links BoP - TS
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
Links BoP - TS

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

Links BoP - TS

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

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).
## Balance of Payments Tourism statistics

**Comparison (details – from IRTS)**

### Differences in the scope of expenditure - Travel

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### Differences in the scope of expenditure – International transport

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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)

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.
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.
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.

Thank you!