

STATISTICS

Current Account Task Team (CATT) Third Meeting



March 15, 2021

Outline

- Opening remarks and introduction of new members
- Overview of CATT activity since inaugural meeting
- Outcomes of public consultation, February 2021
BOPCOM meeting on GNs C.7, C.8 and status of C.11
- Current status of CATT GNs
- Way forward

Opening remarks and introduction of new members

Introduction of new members

■ New members:

- Mr. Andrea Carboni (Italy – Bank of Italy)
- Ms. Patricia Abaroa (US – Bureau of Economic Analysis)
- Mr. Joao Fonseca (International Public Sector Accounting Standards Board)
- Mr. Borys Cotto (IMF – STA/BOP)
- Mr. Thomas Alexander (IMF – STA/Real Sector), replacing Ms. Jennifer Ribarsky (GZTT)

■ Organizational changes:

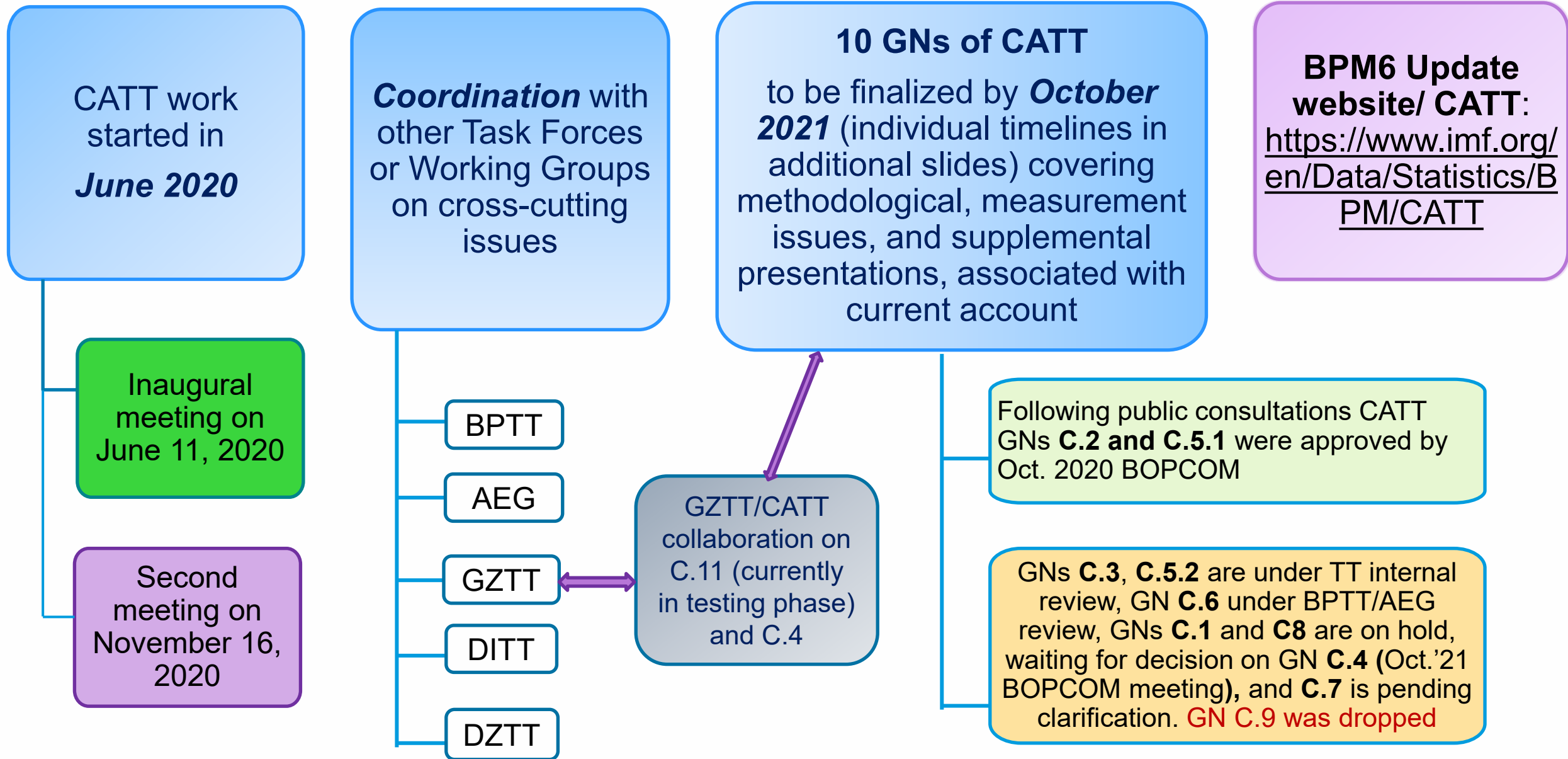
- Mr. Bedri Zymeri (Kosovo – from Central Bank of the Republic of Kosovo to World Bank)

■ Departures:

- Ms. Consuelo Soto Crovetto (Peru – Central Bank of Peru)

Overview of CATT activity since inaugural meeting

Overview of CATT activity



**Outcomes of public consultation,
February 2021 BOPCOM meeting on
GNs C.7, C.8 and status of C.11**

C.7 Treatment of travel packages, health-related travel, and taxes and fees on passenger tickets -> Outcomes of Public Consultation

Summary of major issues:

- **Unbundling of package tours:** Agreement to unbundle services included in package tours, to define package tours according to IRTS 2008, and for providing more guidance for disaggregation.
- **The issue if a tour operator is providing services similar to a travel agent (intermediation services) or creating a new product was raised, which became a core issue, on which further clarification is needed.**
- **Defining health related travel according to IRTS 2008 and recording of expenses of patients' companions:** Broad approval to classify health related travel according to IRTS 2008, but opinions were divided on recording of expenses of patients' companions (to be recorded under "health related travel" or "other personal travel").
- **Taxes and fees on passenger tickets:** Most respondents agreed that taxes and fees on passengers' tickets are intrinsic components of the market price paid and agreed to keep the existing treatment.

General remarks:

- Most respondents found the proposals in the GN useful but highlighted practical challenges of implementation, in particular with regard to package tours.
- Guidance on unbundling services according to residency should not be limited to "package tours" but extended also to air passenger transport in general.
- Use of digital platforms for travelling may have a negative impact on travel package services.

C.7 Treatment of travel packages, health-related travel, and taxes and fees on passenger tickets → **Outcomes of BOPCOM**

Summary of BOPCOM discussions

- GN C.7 was presented only for information to BOPCOM members.
- Due to detected inconsistencies concerning the treatment of tour operators between the manuals (*considered as an intermediary service according to 2008 SNA and BPM6 but as a new product in ESA 2010*), a final decision by BOPCOM on C.7 was postponed until C.4 and C.1 will be finalized to get a holistic view on this issue and avoid inconsistent treatment.

Next steps

- A final decision on C.7 will take place in the October 2021 BOPCOM meeting together with C.1 and C.4.
- C.4 will elaborate on the treatment of tour operators (under merchanting of services) and the main conclusions should be reflected in C.7.

C.8 Recording penalties and fines -> Outcomes of Public Consultation

Summary of major issues:

- **Definition of fines and penalties:** The majority of respondents agreed with the proposed definition of fines and penalties as a way to separate these transactions from payments of compensation.
- **Clarifying the economic meaning of “major compensation payments for extensive damages” and their recording as capital transfers:** Almost all reviewers were in favor of the proposed revision in order to identify which transactions should be recorded under capital transfers.
- **Time of recording:** Unanimous agreement that fines and penalties should be recorded only when an unconditional claim on the funds is established by the issuing unit.
- **Impact of fines and penalties on earnings of DIEs:** Most respondents agreed with the proposal that fines and penalties should have an impact on earnings of DIE (a cost) whenever this amount has to be paid by the DIE.
- **Recording of fines and penalties in M&A contracts:** Almost all reviewers supported the proposal to record fines and penalties in M&A contracts under direct or portfolio investment and not as current transfers.

General remarks:

- The GN should provide additional practical information and insight regarding the time of recording for fines and penalties in enterprises' financial statements.
- The definition for major payments for compensation recorded under capital transfers is still unclear and needs further explanation.

C.8 Recording penalties and fines → Outcomes of BOPCOM

Summary of BOPCOM Discussions

- All Committee members agreed with the proposed definition of fines and penalties.
- Some members see difficulties in distinguishing compensation for damages from fines and penalties and for recording current transfers or capital transfers. Clear guidance (e.g. a decision tree) is needed.
- Most members were in favor that fines and penalties impact income of DIE however the GN should provide clarification if fines and penalties are considered as part of current operations or extraordinary and should therefore not affect COPC.
- NA should be consulted, too because of the potential impact on GDP and GNI.

Next steps

- Finalize the GN, by consulting AEG to ensure harmonization with NA and by taking into account comments from BOPCOM members during the discussion.
- The updated GN will be recirculated to the Committee for final approval via written procedure.

GZTT/CATT C11 – Valuation of Imports and Exports of Goods in the International Standards (CIF to FOB Adjustment)

- *October 2020 BOPCOM supported GZTT's plans to test the proposal (for access to invoice values from customs and assess the differences with the FOB valuation) on a large sample before deciding on whether a change is warranted*
- *Decision to prepare a Joint Report to BOPCOM and AEG*

Progress post BOPCOM/AEG meetings of October 2020

- Discussion on the testing strategy in consultation with some members of CATT to determine:
 - the extent of difficulties in obtaining invoice (transaction) values from customs data,
 - the practical implementation of this change, and
 - whether the benefits of the change shall outweigh the disruption (and cost) to the statistical system.
- Questionnaire was finalized by GZTT in consultation with some members of the CATT
 - Target both NA and BOP compilers to either send separate responses or a single coordinated one.
- ***Two-staged approach:***
 - Stage 1: Wider audience (set of economies, reflecting geographical representation and different stages of statistical development)
 - Stage 2: Targeted approach with selected countries

GZTT/CATT C11 – Valuation of Imports and Exports of Goods in the International Standards (CIF to FOB Adjustment)

Outreach Strategy

- Survey will be launched simultaneously on UNSD and the IMF's *BPM6* update webpage shortly.
- A generic correspondence sent to all BOP and NA compilers to alert of the survey.
- To inform about the public consultation, assistance from:
 - GZTT members to provide support in ensuring that responses come from their respective institutions/countries.
 - CATT Secretariat to reach out to their members.
 - BPTT Secretariat to reach out to their members.
 - OECD Working Party on National Accounts and Trade in Goods and Services
 - OECD/WTO Inter-agency Task Force on International Trade Statistics
 - The representative of the COMESA on the GZTT will assist to reach out to its African member states.
- Target countries on the GZTT, namely Germany, Ireland, and Uruguay have already agreed to do active testing.

2021 BOPCOM meetings

Tentative schedule for the next BOPCOM meetings:

- 21 – 24 June (virtual)
- 26 – 28 October, or
 - 25 – 28 October if virtual

Current status of CATT GNs

Status of CATT GNs: High-priority items

Research Topic	Teams (lead and co-authors)	Links to other GNs /TTs	Delivery CATT BOPCOM	Current Status
C.1 Recording transactor-based components of services (travel, construction and government goods under services)	IMF (lead), Canada, Peru	C.4, C.6, C.7	July 2020 Oct. 2020	On hold
C.2 Goods and services account by (trading) enterprise characteristics	OECD (lead), Denmark, Jamaica, Mexico		July 2020 Oct. 2020	Approved
C.3 International trade classified by currency (including for trade linked to long-term trade credits and advances)	Brazil (lead), World Bank, Moldova, Morocco		March 2021 June 2021	CATT review
C.4 Merchanting and factoryless producers; clarifying negative exports in merchanting; Merchanting of services	Germany (lead), Denmark, OECD	C.7/GZTT	July 2021 Oct. 2021	
C.5.1 Statistical impact of the change in treatment of operating leases in business accounting	Eurostat (lead), Canada, Russia	GZTT/ C.5.2	July 2020 Oct. 2020	Approved
C.5.2 Economic ownership in the context of financial and operating lease transactions pertaining, in particular, to aircrafts	Eurostat (lead), Russia, Canada	GZTT	March 2021 June 2021	Draft is finalized

Status of CATT GNs: Medium-priority items

Research Topic	Teams (lead and co-authors)	Links to other GNs/TTs	Delivery CATT BOPCOM	Current Status
C.6 Trade in services classification	OECD (Lead), IMF, UNSD, Argentina	C.1 /GZTT, DZTT	Feb. 2021 June 2021	BPTT/AEG review
C.7 Treatment of travel packages, health-related travel, and taxes and fees on passenger tickets	Germany (Lead), Botswana, Thailand	C.1, C.4	Sep. 2020 Feb. 2021	On hold, waiting for GN C.4
C.8 Recording penalties and fines	USA (Lead), Brazil	DITT – D15	Dec. 2020 Feb. 2021	Under review, pending consultation with AEG.
C.9 Valuation of trade under long term contracts	Argentina (Lead), Jamaica, OECD			Dropped

GNs of other Task Teams relevant to the CATT

Valuation of imports and exports of goods in the international standards (CIF to FOB adjustment)	GZTT	Review by CATT Sep. 2020 and by BOPCOM Oct. 2020	Undecided: Testing phase
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Way forward

Takeaways from the Experience to Date

- ❑ Early detection of the potentially controversial issues in the topic(s) covered by GNs.
 - More in-depth dialogue within the TT on the rationale for proposing a solution vs. potential alternatives;
 - Reviewers to gather broader views from inside their institutions, as well as other statistical institutions;
 - Closely monitoring new developments that would require any change of direction or line of reasoning for the topic(s) covered.
- ❑ A careful examination of the proposed treatment of the topic(s) covered by GNs and possible implications for related lines of work at an early stage is a good practice that could prevent potentially controversial issues arising at later stages.
- ❑ Timely coordination among various TTs on cross domain topics in order to achieve a comprehensive methodological harmonization between SNA and BPM is essential.
- ❑ Time constraints and very tight schedules in the various rounds of review continued to be a restricting factor for all parties involved.
- ❑ CATT benefited from the active participation in the public review of its GNs by relevant groups outside the CATT that were affiliated with CATT members (e.g., Eurostat's Working Group on the Balance of Payments, the OECD's Working Party on International Trade in Goods and Services Statistics).

Next set of CATT GNs

- ❑ C.1 (draft is on hold) -> links to C.4, C.6 and C.7
- ❑ C.7 (draft is on hold) -> links to C.1 and C.4
- ❑ C.4 ongoing work together with GZTT
 - Outcome on merchanting of services will have an impact on C.7
 - Extended Timeline to fit October 2021 BOPCOM

Other Issues?

Thank You!

