

INTERNATIONAL MONETARY FUND

Statistics Department



**Classification of Expenditures of Companions of Business and
Education-Related Travelers**

Classification of Expenditures of Companions of Business and Education-Related Travelers¹

This note clarifies the appropriate travel category for classifying the expenditures of (i) travelers accompanying students studying outside their home country, (ii) travelers accompanying those traveling abroad for short-term work, and (iii) travelers accompanying those traveling abroad to conduct other business. The expenditures of such companion travelers can be classified according to their own anticipated activities (in other personal travel, by default) or according to the purpose of their trips (the education or business of the travelers they accompany). The sixth edition of the Balance of Payments and International Investment Position Manual (BPM6) does not directly address how to categorize companions' expenditures. Several factors that could apply to classification are examined in this note with mixed implications. Ultimately, this note recommends that these companion travelers' expenditures be classified as other personal travel for consistency with a previous determination about the companions of traveling patients.

INTRODUCTION

1. One of the issues considered in Guidance Note C.7, “Treatment of Travel Packages, Health-Related Travel, and Taxes and Fees on Passengers’ Tickets”, was how to classify the expenditures of companions of health-related travelers. Namely, should the companions of patients also be classified as health-related travelers or as “other personal” travelers?² The guidance note recommended, and the majority of Committee and AEG members favored, classifying them as other personal travelers. Committee and AEG members also proposed that a similar question about the companions of students be addressed in a separate clarification note.

2. This clarification note addresses the classification of companions (often dependents) of education-related travelers along with that of companions of other categories of travelers, including companions of short-term workers and other business travelers.³ *BPM6* does not explicitly address the category of travel to be attached to a traveler who travels primarily to be a companion to another traveler, so this note discusses whether such travelers should be classified with the “principal” traveler they accompany or in other personal travel.⁴ To do so, it examines several factors: activity of traveler vs. purpose of trip; consistency across travel categories; implications of existing guidelines; use of statistics; practicality of data collection; nature of companion spending; and length of trip.

¹ This note was prepared by the U.S. Bureau of Economic Analysis.

² Throughout this note, “classification of companions” will be used as shorthand for “classification of the expenditures of companions.” For instance, to say that companions of patients should be classified as other personal travelers means that the expenditures of companions of patients should be classified in the other personal travel expenditure category.

³ In the context of travelers, dependents are a subset of companions. For this clarification note, the broader set—companions—is the primary focus. Little hinges on the distinction.

⁴ The question of how to classify companions of other personal travelers is both moot and somewhat ill-defined—moot because either approach to classification discussed in this note yields the same result; somewhat ill-defined because as a catch-all category without a specified purpose, for other personal travel it is difficult to distinguish between the principal traveler and the companion.

3. Because companions of patients have already been determined to be appropriately classified in other personal travel, one useful approach in evaluating the classification of students and business travelers is to assess whether the case for classifying companions with principal travelers is stronger in these other travel categories than in health-related travel. Therefore this note will review the arguments for and against the classification of companions of patients in other personal travel as it considers where to classify other traveling companions.

FACTORS AND ANALYSIS

4. **Activity of traveler vs. purpose of trip.** From a strictly conceptual point of view, the question of whether a companion is assigned to the same travel category as the principal traveler can be reduced to the question of whether categories reflect the purpose of a trip (broadly construed to encompass the goal of the collective travel party) or the expected activities of an individual companion. In every case considered in this clarification note, the companion is expected to undertake different activities, in at least some respects, than the principal traveler. These different activities often, but not always, entail different types of expenditures for the companion, but it can usually be presumed that the purpose of the companion's trip is derived from the purpose of the principal traveler's trip.

5. Analysis of this factor does not, on its own, hold any implications as to how companions should be classified; it simply recognized that there are two different conceptual approaches that could be used to classify them. It does suggest, though, that if one or the other approaches is strongly preferred, that approach should be applied to all traveling companions, regardless of the type of travel undertaken by the principal traveler.

6. **Consistency across travel categories.** Consistency in classification makes it easier for statistical agencies to understand guidance, devise straightforward data collection approaches, and explain the statistics to users. With consistency in the matter at hand, all traveling companions—whether companions to health-related travelers, education-related travelers, short-term workers, or other business travelers—would be classified the same way, either with their principal travelers or in other personal travel.

7. While it would be quite straightforward to simply apply the decision on the treatment of companions of health-related travelers to companions of education-related travelers, short-term workers, and/or other business travelers, the IMF's Committee on Balance of Payments Statistics (Committee) and the Advisory Expert Group on National Accounts (AEG) members requested this clarification note to address explicitly the classification options for expenditures of other types of companions, allowing for the possibility that consistency may not be fully decisive.

8. Analysis of this factor, in combination with the decision from Guidance Note C.7 on the classification of companions of health-related travelers, weighs in favor of classifying all travel companions as other personal travelers.

9. **Implications of existing guidelines.** Neither *BPM6* nor the *Manual on Statistics of International Trade in Services 2010 (MSITS)* directly address the category to be assigned to companions of principal travelers. Both, however, note that the residency exceptions applied to health-related and education-related travelers should attach to their traveling dependents (*BPM6*, paragraphs 4.120–4.121;

MSITS, paragraphs 3.11–3.12). While these exceptions do not necessarily imply that travel categories of principal travelers attach to dependents or other companions, they do present an example of cases where individuals are classified according to the circumstances of the group or household to which they belong.⁵

10. A second example of this is the treatment of dependents of diplomats, consular staff, and military personnel located abroad. These dependents are treated the same as their “principals” for both residency purposes (*BPM6*, paragraph 4.123) and expenditure purposes (*BPM6*, paragraph 10.178).

11. A third example comes from the *International Recommendations of Tourism Statistics 2008 (IRTS)*.⁶ This volume is more explicit in classifying trips according to the travel circumstances of the travel group. In describing the categorization of tourism trips (a system of categories that align to a considerable degree with the balance of payments travel categories of business travel, health-related travel, education-related travel, and other personal travel), *IRTS* indicates that “[t]he main purpose of a trip is defined as the **purpose in the absence of which the trip would not have taken place**” (paragraph 3.10), and “[i]n the case of travel parties in which members might have different individual purposes, the **main purpose of the trip should be the one that is central to the decision to take the trip**” (paragraph 3.13) (emphasis added).

12. In terms of the *BPM6* and *MSITS* definitions of the various travel categories, there are some subtle differences between the manuals and between the categories within each manual, though it is not clear whether these differences are substantive or whether they simply reflect variation in written expression. For health- and education-related travel, *BPM6* paragraph 10.94 uses the following descriptions (emphasis added):

- (a) *health-related (e.g., medical services, other health care, food, accommodation, local transport, acquired by those traveling for medical reasons);*
- (b) *education-related (e.g., tuition, food, accommodation, local transport, health services, acquired by nonresident students);*

13. The most natural interpretation of these descriptions is that education-related travel only covers expenditures by non-resident students and, by implication, not by their companions. The health-related travel description leaves room for a broader interpretation, since companions could be included among “those traveling for medical reasons.”

14. *MSITS* paragraph 3.126 uses a similar formulation (but without the “e.g.”); like *BPM6*, it identifies “persons travelling for medical reasons” and “non-resident students” as the travelers covered, respectively, by health-related and education-related travel.

⁵ This example, and those given in the next two paragraphs, could, alternatively, be viewed as suggesting that authors of the guidelines understood how, if that was their intent, to make clear an intention to classify companions with principal travelers. By this view, the absence of explicit guidance to classify companions with principal travelers for the various travel categories might be evidence of an intention to classify them separately.

⁶ Guidance Note C.7 relied in part on *IRTS* in addressing questions about health-related travel, noting the benefits of alignment, to the extent possible, between tourism statistics and the travel statistics in the balance of payments.

15. Both manuals describe personal travel as pertaining to expenditures of “**persons going abroad for purposes other than business**.”⁷ Business travel is described as covering the expenditures of travelers “**whose primary purpose of travel is for business**” (emphasis added). The descriptions neither explicitly require nor rule out a broad interpretation of purpose of travel that relies on the “purpose in the absence of which the trip would not have taken place.”

16. Analysis of this factor weighs slightly in favor of classifying companions with their principals. *BPM6* and *MSITS* use language that mostly focuses on travel purpose, which, based on *IRTS*, could justify classifying companions with principals. However, the case to do so is weaker for companions of education-related travelers than for companions of health-related travelers or business travelers because of the explicit mention of “students” in the description of education-related travelers in *BPM6* and *MSITS*.

17. **Use of statistics.** As observed by Guidance Note C.7 in the context of health-related travel, users of travel statistics may be interested in assessing the attractiveness and performance of providers of the primary services evoked by the specialized travel categories. For education-related travel, for instance, data users may be interested in how readily resident academic institutions attract foreign students and how well they are compensated for the educational services they provide. To the extent that foreign students’ companions are classified as education-related travelers, per-traveler spending may be biased downward and total education-related travel spending may be biased upward relative to the measures that would be obtained if only the students themselves (and only their spending) were included.

18. However, by construction, the education-related travel category is not intended to measure only spending on educational services, and it does not capture all spending on educational services by non-residents. (Excluded are much remote education, educational expenditures by dependents of diplomats or military personnel, and incidental educational expenditures by travelers traveling with a different main purpose). Consequently, while classifying companions of students as educational-related travelers may exacerbate the degree of blur in a picture of spending by non-residents on educational services, classifying them as other personal travelers does not fully clarify the picture.

19. Another possible use of the various category of travel statistics is to assess the broader effect on the home economy of attracting travelers who come for specified reasons. For instance, rather than assessing the effects of foreign students on home-economy academic institutions, users of travel statistics may instead be interested in assessing the economywide effects of having foreign students come to study. From this perspective, the spending of the companions of students would be considered as directly related to the presence of those students; absent the trip by the students, spending by companions would be zero. If students’ companions are classified as education-related travelers, this spending stays in the category related to foreign-student travel. If the companions are classified as other personal travelers, part of the spending bleeds outside this category.

20. In preparing this clarification note, the U.S. Bureau of Economic Analysis surveyed a handful of key data users about their preference for how companion travelers are classified. Responses were mixed (and the sample was small and selective), but there was more sentiment for classifying companion

⁷ To be classified as an “other personal traveler,” a companion of a business traveler would have to be first classified as a personal traveler (i.e., excluded from classification as a business traveler).

travelers as other personal travelers than with their principals. Reasons advanced for the preference were largely in line with those described in the preceding paragraphs.

21. Analysis of this factor weighs slightly in favor of classifying companions, particularly companions of students and patients, as other personal travelers. For companions of business travelers, this factor is less relevant because specific services or industries that would prototypically serve the principal but not the companion and about which there is strong user interest are not as readily identifiable.

22. **Practicality of data collection.** Guidance Note C.7 considers the practicality of data collection for expenditures of companions of health-related travelers at some length (Annex I), focusing primarily on exports, noting that in many cases data collection will be simpler if those companions are treated as other personal travelers. In the more general context of traveling companions, the practicality of data collection is influenced largely by (a) whether expenditures of principals are collected from sources that may not cover companions (e.g., academic institutions, immigration records, hospitals)⁸ or from sources that do (e.g., tourism surveys);⁹ and (b) by whether expenditures by companions and their principal travelers are joint expenditures, or whether they can be separated. On the latter question, distinguishing patient and companion spending will be simpler than distinguishing student and companion spending because patients and their companions tend to lodge and eat separately (e.g., hospital room vs. hotel room) while students and their companions tend to lodge and eat together. For companions of other business travelers, much of the spending may be joint, though in many cases the employer of a business traveler may require that the expenditures it reimburses apply only to the employee and not to the companion. For short-term workers, companions lodge and eat with the employee in most cases.

23. Analysis of this factor weighs in favor of classifying companions with principals more for education-related travel and business travel than for health-related travel. However, data collection strategies are context dependent; they differ across both country statistical offices and direction of trade for most of the travel subcategories, so it is difficult to draw many strong conclusions.

24. **Nature of companion spending.** Another factor is the similarity (or dissimilarity) of the expenditures of companions with (i) the expenditures of the principal travelers they accompany, and (ii) the expenditures of “typical” other personal travelers. Relative to the spending of students, companions of students lack spending on tuition and other charges related to enrollment in an academic program, much the same as companions of patients lack spending for medical procedures and hospital accommodation. However, other spending by companions of students may be very similar to that of the students themselves—they may lodge together, eat together, take holidays together, etc.¹⁰ For companions of business travelers, spending patterns may be indistinguishable from that of the principal travelers; they may stay in the same hotels or apartments, eat at the same restaurants or purchase groceries from the same markets, use the same transport services, buy the same souvenirs, etc.

⁸ In some cases, however, even data collected from academic institutions, immigration records, or hospitals may cover companions of principal travelers, depending on the structure of the institution and the degree to which companion travel is encouraged by the institution or the legal framework for entering a country.

⁹ As implied in Guidance Note C.7, it is more likely for imports than for exports that data collection comes from sources that cover companions with the principals.

¹⁰ Thanks to Maria Borga (IMF) for this observation.

25. Determining whether companions spend like other personal travelers first requires some conception of the nature of spending of other personal travelers. Because other personal travel is a catch-all category, it includes spending of a number of different types of travelers. For instance, it includes both the spending of a retiree taking a trip of a lifetime and that of a low-wage individual traveling abroad for the wedding of a relative. Not only are rates of spending often different within other personal travel, the types of goods and services acquired can vary widely. Nonetheless, the expenditures of other personal travelers as a group typically includes considerable spending on hotel lodging, restaurant meals, domestic transport, and local entertainment and souvenirs.

26. Companions of students and, to various degrees, short-term workers may have relatively little spending in a couple of these categories; they may live in apartments and prepare home-cooked meals. The expenditures of companions of other business travelers, on the other hand, likely are heavily concentrated in these categories.¹¹

27. Analysis of this factor provides stronger support for classifying companions of short-term workers and patients (particularly when patient spending is high) with their principal travelers than for classifying the other categories of companions with their principals.

28. **Length of trip.** All else equal, travel expenditures increase with length of trip, though not necessarily linearly.¹² In many, but not all cases, the length of trip of the traveling companion is determined by the length of trip of the principal traveler. Without undertaking a detailed empirical investigation, it reasonable to expect that, on average, companions of students experience the longest trips, followed in order by companions of short-term workers, patients, and other business travelers.¹³ Average trip lengths of other personal travelers can be expected to be most comparable to those of some patients and of other business travelers.¹⁴

29. Analysis of this factor provides stronger support for classifying companions of students and short-term workers with their principal travelers than for classifying the other categories of companions with their principals.

30. **Review of analysis.** Factors that lean in favor of each of the two classification options are summarized in Table 1 for companions of the three types of principal travelers addressed in this note. The strength of arguments for classifying companions' expenditures in other personal travel, relative to

¹¹ It is difficult to characterize the spending patterns of companions of patients with any degree of confidence, but they may spend similarly to other personal travelers on hotels and restaurants and spend less than other personal travelers on sightseeing, entertainment, and local transport.

¹² Expenditures increase less than linearly when travelers substitute away from expensive options for lodging and food (e.g., hotels and restaurants) towards less expensive options (e.g., apartments and grocery stores). Hence, this factor is not independent of the "nature of companion spending" factor.

¹³ The assumption in this sentence is that the companion accompanies a principal for the entire trip. For cases in which a principal is accompanied on only part of their trip by another traveler, some of the discussion in this note may be less relevant. The smaller the portion of the trip the principal traveler is accompanied, the stronger the argument for classifying the "companion" as an other personal traveler.

¹⁴ Some patients with very serious and/or complex medical conditions spend a long time away from their home country. The proportion of such patients in the population of traveling patients likely varies considerably with the expertise and economics of health care systems in both home and providing countries.

arguments for classifying expenditures of patients' companions in other personal travel, is summarized in Table 2.¹⁵

Table 1. Summary of Analysis

Type of Principal Traveler	Factors in Favor of Classifying Companions:	
	with principal	in other personal travel
Education-related traveler	<ul style="list-style-type: none"> • Purpose of trip • IRTS • Using statistics to identify full impact of spending due to hosting of foreign students • Practicality of data collection in some cases (esp. exports) • Some joint spending with principal • Trip length 	<ul style="list-style-type: none"> • Activity of traveler • Conceptual consistency with health-related travelers • <i>BPM6, MSITS</i> • Using statistics to identify impact on education-related industries due to hosting of foreign students • Practicality of data collection in other cases • Spending excludes tuition
Short-term worker	<ul style="list-style-type: none"> • Purpose of trip • IRTS • Practicality of data collection in some cases • Joint spending with principal • Trip length 	<ul style="list-style-type: none"> • Activity of traveler • Conceptual consistency with health-related travelers • Practicality of data collection in other cases
Other business traveler	<ul style="list-style-type: none"> • Purpose of trip • IRTS • Practicality of data collection in some cases • Joint spending with principal 	<ul style="list-style-type: none"> • Activity of traveler • Conceptual consistency with health-related travelers • Practicality of data collection in other cases • Similar types of spending

¹⁵ Given the settled determination to classify expenditures of patients' companions in other personal travel, a necessary (but not sufficient) condition in any other category for classifying expenditures of companions with those of their principals is that the overall strength of arguments for classifying them in other personal travel should be weaker in that category than in health-related travel.

Table 2. Strength of Argument, Relative to Health-Related Travelers, for Classifying Companions in Other Personal Travel

Factor	Type of Principal Traveler		
	Education-Related Travelers	Short-Term Workers	Other Business Travelers
Activity of traveler vs. purpose of trip	Same	Same	Same
<i>BPM6, MSITS</i>	Stronger	Same	Same
<i>IRTS</i>	Same	Same	Same
Using statistics to identify full impact of spending due to trips related to category of principal traveler	Same	Same	Same
Using statistics to identify impact on specific industries due to trips related to category of principal traveler	Same	Weaker	Weaker
Practicality of data collection	Likely mixed	Likely mixed	Likely mixed
Spending similarity with principal traveler	Similar	Weaker	Weaker
Joint spending with principal traveler	Weaker	Weaker	Weaker
Spending similarity with other personal travelers	Likely mixed	Likely mixed	Stronger
Trip length	Weaker	Weaker	Similar

RECOMMENDATION

31. The arguments for either classifying expenditures of companion travelers in other personal travel or with the travelers they accompany are mixed for several of the factors examined, and they can be weighted in different ways. In light of this ambiguity, there is not a compelling case that either of the two classification approaches dominates the other. Moreover, there is not a strong rationale for using different approaches to classify the various types of traveling companion. Consequently, to ensure consistency with the classification of companions of health-related travelers, the expenditures of companions of education-related travelers and business travelers should be classified in other personal travel.

OUTCOMES OF THE CATT CONSULTATION

32. The draft note was shared with CATT members in October 2022 to seek their initial views on the recommendations. Of the 13 CATT members that responded, 9 are in favor of recording the expenditures of companions of education-related travelers in other personal travel (4 opposed) and 8 are in favor of recording expenditures of companions of business-related travelers in other personal travel (5 opposed).

33. Proponents of the treatment recommended in this note cited the need to maintain consistency with the earlier conclusion reached on the treatment of companions of health-related travelers. They also noted that companions' expenditures may differ from those of the "principal" traveler and that including companions' expenditures within education-related travel could distort education services, which may be used for education policy analysis.

34. Those that opposed the recommended treatment of companions of education-related and business-related travelers cited the complexity and burden of separating companions' expenditures from principal travelers' expenditures. They emphasized that companions' expenditures and duration of stay may differ from that of other personal travelers.