

THE TRAVEL BALANCE OF PAYMENTS IN THE LIGHT OF THE EUROPEAN MONETARY UNION. SITUATION ANALYSIS, PROBLEM DESCRIPTION AND POSSIBLE SOLUTION APPROACHES

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I. THE TRAVEL BALANCE OF PAYMENTS IN THE CONTEXT OF ECONOMIC STATISTICS

I.1. The Content of the Travel Balance of Payments

The Travel or Tourism Balance of Payments analyses the monetary flows which are due to international tourism between a given country and the rest of the world. Being a part of the overall Balance of Payments it follows strictly the BoP methodology.

The Tourism Balance of Payments analysis therefore only takes into consideration final tourism consumption. In accordance with Balance of Payments rules the Tourism Balance of Payments does not take into account any aspects of tourism production, financing or investments.

Although the Tourism Balance of Payments follows the “national concept” it does not take into account the final tourism consumption of residents in their own country. This because of the above defined condition that only international monetary flows are subject of

Balance of Payments analysis. As explained further down this part of the analysis is taken care of in other statistical systems of analysis (such as satellite accounts).

The International Monetary Fund defines expenditures to be analysed by the Tourism Balance of Payments as “all goods and services acquired by travellers (...) from the economy in which they are travelling and for their own use... These goods and services may be paid for by the traveller, paid for on his or her behalf, or provided to him or her without a quid pro quo (e.g. free room and board received by official visitors or by friends and relatives). In practice, information on goods and services –provided without a quid pro quo will not usually be available.”

When examining this definition in detail it becomes clear that the Tourism Balance of Payments only analyses a part of tourism final consumption. Due to the set definition that only international monetary flows have to be taken into account, expenditures before or after the trip in the country of residence of the traveller are never considered as part of the Tourism Balance of Payments.

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Therefore it is evident that the impact of tourism on the economy of a given country can never be analysed with the Tourism Balance of Payments only. For this purpose a much more sophisticated and detailed system of statistical analysis –which consists of various statistical systems– will have to be developed. The Tourism Balance of Payments analysis the share and the importance of international tourism final consumption within the international trade and international economic relations of a given country with the rest of the world.

I.2. Complementary Possibilities for Tourism Statistical Analysis

I.2.1. Satellite Accounts

Satellite Accounts are - contrary to the Tourism Balance of Payments - defined by the “Domestic Concept”. Furthermore they normally use the production approach as the starting point for the analysis of the impact of tourism on a given economy.

The ideal satellite system considers not only the production aspects but also the tourism consumption and the monetary flows financing tourism industry. With other words the satellite accounts try to answer the following three questions.

1. Who produces how much?
2. Who consumes what and how much?
3. Who finances and pays which goods and services?

As the methodological concept of satellite

accounts should be fully compatible with the System of National Accounts, this sectorial analysis of tourism leads to the possibility of an in-depth analysis of tourism impact and importance on the overall economy of a given country.

Besides this wider approach of the economic analysis (production financing and consumption), the tourism satellite accounts also take into consideration the tourism domestic consumption (i.e. the final consumption of residents in their own country).

I.2.2. Microeconomic Analysis

Microeconomic analysis - such as the concept of HORECA/TA surveys, allows the examination-of the situation and the development of single branches or parts of branches of tourism industry in detail. Special consideration can be given to aspects such as turn-over or cost-benefit-analysis in order to survey the tourism industry’s performance. All these aspects can be taken into account neither by the Tourism Balance of Payments not by the Satellite Accounts as they only deal with analysis on the macroeconomic level.

With the proposed microeconomic system specific aspects of tourism management can be considered as for example shares of personal costs or investment on the overall industry expenditures can be analysed.

The distinction between micro- and, macroeconomic analysis has to be defined very clearly, as it has been shown many times in the past that users of the two statistical

systems tend to mix up the contents and concepts.

Very often the users of the Swiss Tourism Balance of Payments - which is established with the survey method and which therefore can, for example, be broken down into macro-economic revenues of specific forms of accommodation - have confused this general economic analysis with the micro-economic analysis of a specific branch.

II. THE TOURISM BALANCE OF PAYMENTS CALCULATION METHODS

So far calculation methods have not been finally defined, the Balance of Payments Manual of the International Monetary Fund only defines the concepts. In practice two main methods have been applied so far their application depends on the statistical sources existing and the economic circumstances of a country.

In order to give some more guiding recommendations, the World Tourism Organisation has mandated the Swiss Federal Statistical Office to develop a technical manual dealing with the various systems of compilation method for the Tourism Balance of Payments. This manual is part of a series of technical manuals which will be published soon by the World Tourism Organisation.

In order to start discussion on the influence of the European Monetary Union on the compilation methods of the Tourism Balance of Payments it is necessary to briefly explain the two mainly used methodologies. A more detailed description will be given in

the mentioned technical Manual of the World Tourism Organisation.

II.1. The Banking Method

Most countries in the world and all countries of the European Union use the "Banking Method" to calculate international tourism receipts and expenditures of their economies. This method measures all payment flows of an economy which can be considered as being of touristic nature.

The "Banking Method" takes into account not only the flow of bills and coins but also all payments made with credit cards or cheques also considered are bank transfers if their purpose can be identified as being tourism oriented.

The greatest advantage of this method certainly is the fact that all monetary flows can not only be analysed on a global level but also bilaterally or multilaterally. This means that the "Banking Method" clearly informs about bilateral and multilateral interdependencies of a given country with a defined set of other countries.

Therefore the importance of a specific country as country of origin or destination for the economy which is under analysis can be clearly identified. Bilateral Tourism Balances of Payments can also be a basis - by analogy with the Balances of Foreign Trade - to establish a kind of positive or negative Tourism Trade Balance between two countries.

Furthermore the "Banking Method" allows to choose the periodicity of the calculations in accordance with analytical needs. The Tourism

Balance of Payments can be established with a monthly, quarterly, seasonal or annual break down, giving very specific information especially for marketing purposes.

The main disadvantage of the "Banking Method" is the fact, that this methodology does not allow to structure tourism receipts and expenditures of a given country in accordance with the various forms of tourism. For example it allows neither to keep record of changes in the structure of visitors of a country nor to measure the impact of structural changes of the accommodation offer on the Tourism Balance of Payments.

Furthermore with the "Banking Method" it is impossible to differentiate expenditures of tourists from expenditures of same-day visitors. A distinction which is - especially for marketing purposes - of high importance.

II.2. The Survey Method

The "Survey Method" used for establishing of the Tourism Balance of Payments is based on a detailed statistic of the physical flows of tourism, which are combined with a set of surveys dealing with tourism expenditure structures and spending behaviours of visitors. The statistical system is normally includes by a series of surveys analysing the development of sales of touristic goods and services.

While expenditure structures and spending behaviours are analysed with the help of surveys conducted with visitors, the sales of touristic goods and services have to be analysed by getting in contact with the respective producers and points of sales

The Tourism Balance of Payments compiled in accordance with the "Survey Method" can be presented in the form of accounts, which give a clear picture of the various forms of tourism. A first distinction is normally made between "tourists" and "same-day visitors" (as defined by the World Tourism Organisation). Within these two main categories further break downs are possible depending on the statistical sources and the defined information needs of the users of tourism statistics of a country.

This possibility to structure the Tourism Balance of Payments of a given country in accordance with its structure of the touristic offer also clearly describes one of the main advantages of the system. With the "Survey Method" the receipts and expenditures of international tourism of a given economy can be analysed not only on the global level but also the macroeconomic indicators can be calculated for each segment of tourism.

One main disadvantage is certainly that it is almost impossible to break down on a bilateral level a Tourism Balance of Payments established on the basis of the "Survey Method". Theoretically it certainly is possible to do bilateral analysis, in practice it never has been done on a regular basis as this exercise would call for a tremendous amount of very fine detailed statistics and surveys. If information on a disaggregated level was asked for, it probably would be necessary to establish a set of models for the calculation.

Furthermore it is very difficult to establish with the "Survey Method" a Tourism Balance of Payments which is broken down on a monthly, quarterly or seasonal level. This disaggregation has never been carried out in practice either.

II.3. Further requirements of the International Monetary Fund

The International Monetary Fund defines in the recently released fifth edition of its Balance of Payments Manual a clear distinction between "Business Travel" and "Other Travel".

The main reason for this requirement is the fact that "Business Travel" is - for National Accounts purposes - not considered to be final but intermediate consumption. For Balance of Payments purposes "Business Travel" is defined as final consumption.

Therefore the mentioned distinction is absolutely necessary if the concept of Balance of Payments has to be compatible with the concept of the System of National Accounts as the results of the Tourism Balance of Payments are taken as input for the calculations of the account "Rest of the World" of the National Accounts.

Besides this methodologically defined distinction of further break downs of forms of tourism is asked for by the Balance of Payments Manual. As the International Monetary Fund defines the expenditures for goods and services in a temporarily visited economy of medical patients and students as travel expenditures, these expenditures have to be surveyed separately as well.

The separate treatment of these two categories of visitors is necessary again because of methodological differences between the System of National Accounts and the Balance of Payments.

III. THE TOURISM BALANCE OF PAYMENTS IN THE CONTEXT OF THE EUROPEAN MONETARY UNION

III.1. The Importance of Intra-european tourism

Intra-european tourism is of very high importance for all member countries of the European Union, be it as country of destination or as country of origin of tourists and same-day visitors.

With the exception of the United Kingdom all member countries of the European Union calculate more than 50% of their total number of overnight-stays of foreign visitors as being of European origin. These shares have varied in 1993 between 53% for the Federal Republic of Germany and 90% for Luxembourg.

Already this very general information makes it clear that the introduction of the European Monetary Union creates a lot of problems for the compilation of the Tourism Balance of Payments, mainly because within the European Union the economies of member countries have to be considered as being a domestic market.

III.2. Future Changes for the Tourism Balance of Payments Compilation due to the European Monetary Union

Today almost all member countries of the European Union use the "Banking Method" when compiling the Tourism Balance of Payments.

Therefore the most important information source are statistics on ex-change of bills and coins, international credit card and cheque transfers as well as bank transfers for touristic purposes.

Assuming that with the introduction of the European Monetary Union it will no longer be necessary to buy foreign currencies to cover travel expenditures when crossing national borders, it becomes evident that the "Banking Method" as it has defined up to now can no longer be used as the compilation method for the Balance of Payments, at least not for intra-regional travel on the territory of the European Monetary Union.

In order to solve the then arising problems two possible approaches can be described.

III.3. Possible Solution Approaches

III.3.1. Change of System versus Estimations

One possible approach would be to consider the territory of the European Monetary Union as one single economic area. This would lead to the solution that only one Balance of Payments would have to be established which would analyse the receipts and expenditures of tourism taking place between this economy and the rest of the world

Bearing in mind the above mentioned importance of the intra-european travel movements and also considering the fact that the various European countries are competing markets in tourism, the above described solution can be considered as not being satisfactory.

All information on monetary flows due to bilateral tourism within the territory of the European Monetary Union would be lost. Information which has a high importance for the economic analysis of the tourism market of a given country.

At the moment nobody could ever consider the territory of the European Monetary Union being treated as one single market for tourism purposes. The preconditions for tourism vary very much between the different countries and especially this diversity is one of the main sales arguments when setting up a marketing campaign for a country.

Another solution would be to establish estimation models based on the information existing nowadays. This solution could certainly be used for a transition period, it would however become weaker and weaker as time passes on and the further the once good statistical basis goes away.

In the future a very sophisticated system of model type analysis would be necessary in order to analyse the performance of tourism in the context of the Balance of Payments.

So far no possible system has yet been described anywhere and it is highly impossible to imagine any kind of indicator which could be used.

Another possibility to tackle the problem would be to change totally the methodology used to compile the Tourism Balance of Payments and to switch over to the "Survey Method".

As described briefly before this compilation

method is independent of any currency used to pay for tourism goods and services. This method can already now be used on an national or regional level. It therefore would be possible to apply it to any country within the European Monetary Union.

III.3.2. Preconditions for the Change of Compilation System

Within the present paper it has only been possible to give a very rough and brief description of the "Survey Method". But already this short abstract clearly defines the main precondition existing when compiling the Tourism Balance of Payments in accordance to the "Survey Method".

The bases of the "Survey Method" and at the same time starting point for all calculations and estimations is a very well developed and very detailed statistic of physical tourism flows. The existence of such a tourism statistic which does not only take into account arrivals and overnight stays in all forms of accommodation but also the flows due to same-day travels is a "conditio sine qua non" for the "Survey Method".

Information on physical tourism flows can be obtained by various methods, depending on the statistical methodologies used in a country and also on the importance of tourism for the economy of a given country.

Tourism flows can be measured by well developed accommodation statistics which are accomplished by surveys conducted to measure the volume of same-day visitors and special categories of travellers (as describes in chapter 2,3). If this approach is chosen to

measure the physical flows, it is essential that expenditure surveys are conducted in order to analyse those of foreign visitors in the economy of the given country.

Furthermore the expenditure side of the Tourism Balance of Payments can either be established with the help of household surveys dealing with tourism expenditures of the residents of the given country abroad or with the help of bilateral data of other countries.

If no detailed accommodation statistics exist it would be possible to analyse visitor flows with passenger or visitor surveys which are established already in many countries in Europe.

As said before the following variables are necessary as basis for analysis: Number of arrivals and nights spent (if possible broken down into the various forms of accommodation), information on expenditure structures and behaviours of the visitors.

Practice has shown that accompanying surveys with producers of touristic goods and services are of great help for this kind of analysis.

The above mentioned variables are all defined as key variables within the directive about the "European Tourism Statistics" of Eurostat. Therefore the change of system for the compilation of the Tourism Balance, of Payments would become possible, once this directive is implemented.

IV. CONCLUSIONS

As the OECD/Eurostat Forum in Venice is

neither the place to take decisions nor is the available time sufficient for an in-depth discussion it has been the purpose of this paper to make tourism statisticians more sensitive to the upcoming problems in the area of the compilation of the Tourism Balance of Payments.

Of course a possible change of the compilation method would not be as easy as it might appear now, as many detail problems would have to be discussed thoroughly.

Eurostat has recognised the importance of the problem and has established a new Task Force. This Task Force will bring together

Balance of Payments experts of various Central Banks with Tourism Statisticians of some European countries. The Task Force will start in July 1995 an in-depth discussion of the existing problems and possible solution approaches.

At the moment it is highly important that tourism statisticians recognise the importance of the information given by the Tourism Balance of Payments. Although the Tourism Balance of Payments answers – as described before – only a part of the possible questions, it nevertheless gives a big variety of macroeconomic indicators which are essential for the global analysis of tourism impact..