

**Iceland's Tourism Satellite Account; The inconsistency between  
Balance of Payments statistics and Tourism statistics.**

**ICELAND'S TOURISM SATELLITE ACCOUNT; THE INCONSISTENCY BETWEEN BALANCE OF PAYMENTS STATISTICS AND TOURISM STATISTICS**

**11<sup>th</sup> GLOBAL FORUM ON TOURISM STATISTICS  
14 to 16 November 2012, Reykjavík, Iceland**

**SESSION 5: COHERENCE AND COMPARABILITY OF  
TOURISM STATISTICS**

**Author:**

Vilborg Helga Júlíusdóttir  
[vilborg.juliusdottir@statice.is](mailto:vilborg.juliusdottir@statice.is)



**Statistics Iceland**

**Iceland's Tourism Satellite Account; The inconsistency between  
Balance of Payments statistics and Tourism statistics.**

**List of abbreviations**

Inbound tourism;	Activities of a non-resident visitor within the country of reference on an inbound tourism trip
Outbound tourism;	Activities of a resident visitor outside the country of reference, either as part of an outbound tourism trip or as part of a domestic tourism trip.
Internal tourism;	Comprises domestic tourism and inbound tourism, that is, the activities of resident and non-resident visitors within the country of reference as part of domestic or international tourism trips.

**Iceland's Tourism Satellite Account; The inconsistency between  
Balance of Payments statistics and Tourism statistics.**

**Contents**

1	Introduction.....	4
2	Tourism Satellite Account .....	4
	2.1 TSA in Iceland, main results.....	5
	2.2 TSA in Iceland – benefits and limitation .....	7
	2.3 TSA in Iceland – closer integration between trade statistics and NA.....	9
3	The statistical framework for tourism statistics .....	10
4	Differences between BOP and TSA .....	11
5	The vision for the future is a better integration of data on international trade in services with other economic statistics .....	14
6	The measurement of inbound tourism, new approaches in collecting and compiling travel and tourism statistics.....	15
7	Closing remarks .....	18

## **1 Introduction**

Iceland is a small economy that depends heavily on foreign trade. For many years Icelanders did not visualise tourism as a sector and statistics in Iceland did not measure – a national tourism sector – and its important role in the economy. From early on, fisheries have been one of the main pillars of the Icelandic economy and more recently Iceland has utilised its hydroelectric power sources to produce power-intensive products, mainly for export. However, available indicators, e.g. number of international travellers<sup>1</sup> and number of guest nights, indicated that tourism was the fastest growing sector in Iceland, but the sector was poorly defined and difficult to separate, measure and analyse.

The National Account Division of Statistics Iceland published its first Tourism Satellite Account in 2008 with support from the Ministry of Industry, which was the ministry of tourism affairs. The goal was to provide credible and coherent estimates of tourism and contribute to a better understanding of tourism in the economy.

This paper will focus on inbound tourism and international travel spending. I will begin with a brief overview of the main results of the Tourism Satellite Account (TSA) and review briefly TSA benefits and limitation. Secondly, discuss the statistical framework i.e. the methodological foundation and approaches regarding data compilation of tourism statistics. Thirdly, inconsistencies or the discrepancies between BOP statistics - the official statistics - and TSA statistics will be reviewed. In chapter 5, I will review the discussion<sup>2</sup> on integration of data on international trade in services (BOP data) with other economic statistics and explore potential benefits by making data on inbound and outbound tourism a subset of the "Travel" item and "Passenger service" item in the BOP – trade in services data. Finally, I will discuss the measurement of inbound tourism in Iceland and travel services – current and previous methodologies – and the utilization of credit card information for that purposes.

## **2 Tourism Satellite Account**

Iceland published its first TSA in 2008 and preliminary figures are now available for the year 2010. Lack of tourism statistics data was often considered to

---

<sup>1</sup>In 2012 Iceland has had a record number of international visitors despite a difficult global economic environment.

<sup>2</sup>Among experts on various international committees– by UNSD, UNWTO, Eurostat, OECD and National Statistical Offices.

**Iceland's Tourism Satellite Account; The inconsistency between  
Balance of Payments statistics and Tourism statistics.**

be a major problem but it is expected that the TSA results will provide a clearer understanding of tourism and its overall role in the economy. The compilation of the accounts is an ongoing activity and in time, hopefully, TSA for Iceland will be a full-fledged tourism statistical information system.

Available traditional data sources were utilized for the compilation of the TSA accounts: the production accounts in national accounts, the household expenditure survey<sup>3</sup>, available supply and use tables, balance of payments data, official accommodation statistics, number of travellers entering Iceland, available tourist surveys (mainly conducted by private establishments), and administrative data for public and private entities. So far, no surveys providing detailed information on inbound tourism consumption, by tourism products, have been undertaken but existing surveys from different times and regions were used.

Other and more untraditional methods were also used. Iceland is a small economy and the production accounts are derived from one major source, the Enterprise Accounts Register, the companies' standardised tax declaration. From these fairly complete accounts it is possible to calculate value added of each firm and add them up. That source gave also an opportunity to see total revenue in all enterprises at market price in tourism-related industries<sup>4</sup>. Additional information from major companies operating in tourism was also extremely helpful, especially when they were able to give information on how the turnover was disaggregated between different tourism products and forms of tourism and non-tourism customers. Perhaps in this context it is relevant to talk about the supply side approach because more detailed data was obtained directly from companies rather than from conventional surveys.

## **2.1 TSA in Iceland, main results**

In 2010 the production of tourism-related goods and service is estimated 251<sup>5</sup> billion ISK. Aggregated internal tourism consumption is estimated 199 billion ISK. The largest part of internal tourism consumption can be attributed to inbound tourism. Inbound travel consumption (including passenger fares) was 118 billion ISK or 59% of total internal tourism. Nearly all international tourists travel by

---

<sup>3</sup>The household consumption expenditures survey includes hotel and restaurant expenditures, transportation, entertainment and cultural expenditures and hopefully one day it will be possible to add or change present questions to obtain better information on resident household tourism consumption.

<sup>4</sup>The classification of industries is almost the mirror image of the classification of products.

<sup>5</sup> Preliminary results

**Iceland's Tourism Satellite Account; The inconsistency between  
Balance of Payments statistics and Tourism statistics.**

plane to Iceland, so air transport and the development of Iceland as a hub for passenger flights between Europe and North-America has been an important factor in the creation of modern tourism in Iceland. Along with increased traffic to and from the country, additional export earnings from services supplied to non-resident travellers outside of Iceland by resident airlines and travel agencies have increased in recent years. In 2010, export earnings from non-resident travellers that have no contact with the Icelandic economic territory are estimated to have been 52 billion ISK. Tourism services supplied to non-resident travellers outside of Iceland illustrate the differences in methodology between the measurement of tourism statistics as calculated by TSA and BOP.

Domestic tourism consumption was 81 billion ISK or 41% of total internal tourism. Household tourism consumption<sup>6</sup> constituted 71 billion ISK and the remaining nearly 10 billion ISK came from business and government tourism consumption. Outbound tourism has also been an important part of the Icelandic economy for a long time and the travel balance has generally been unfavourable for Iceland but when passenger air fares are also included the balance becomes very favourable for Iceland. In 2010 outbound tourism consumption was near 79 billion ISK.

According to TSA, the share of tourism in Iceland's GDP was about 6%<sup>7</sup> in 2010. In 2011 inbound tourism was the third-largest provider of foreign currency (141 billion ISK) in the economy or 15% of Iceland's total exports of goods and services, following aluminium (250 billion ISK) and marine products (250 billion ISK), around 26% of total exports for the same year.

Growth has been erratic for some time and in 2011 the increase in foreign arrivals was 16% from the previous year and international travel spending (excluding air fares) grew by 22%. The number of international travellers rose 18% in the first six months of 2012 from the same period in 2011 and travel spending by 12%.

In 2011 the tourism sector employed almost 12,100 people, around 6,5% of total employment. Employment in the tourism sector has increased by 13% since

---

<sup>6</sup>Imputed rent of second homes is included.

<sup>7</sup>This ratio is fairly high (OECD countries, tourism share of GDP is 4,4%) that can e.g. be explained by the fact that most tourists that visit Iceland use an Icelandic-based airline and the same applies for Icelanders travelling abroad.

**Iceland's Tourism Satellite Account; The inconsistency between  
Balance of Payments statistics and Tourism statistics.**

2008 – the starting point of the recession - while the decrease in total employment during the same period was 6,3%.

**2.2 TSA in Iceland – benefits and limitation**

It is safe to say that the new TSA were generally welcomed, both by public and private entities and increased the awareness of the economic importance of tourism and the awareness that tourism, despite its multiplicity, could be an economic sector - and could be compared with other industries.

Due to Iceland's small economy<sup>8</sup> and population, interest and focus has mainly been on inbound tourism by business and policy makers, researchers and other statistics users.

However, there is always a “but” in this imperfect world and in this context there was and still is; some confusion among users regarding which one of the two measurements to use - the former official BOP data on travel and passenger air transport or information on inbound tourism from TSA - and questions are constantly raised about the differences between the two. In this context the TSA measurement did not provide clarity and understanding regarding export of tourism services.

**Table 1**

<b>BOP current account</b>		<b>2008</b>	<b>TSA-Table 1 inbound tourism consumption</b>		<b>2008</b>
Current prices, million ISK		Expenditure by travellers	Current prices, million ISK		Inbound tourism
<b>International travel credits</b>		<b>75.502</b>	<b>Total inbound consumption</b>		<b>93.780</b>
<b>1. Travel</b>		<b>53.731</b>	<b>Tourism consumption, air fares excluded</b>		<b>64.037</b>
<b>2. Air passenger transport</b>		<b>21.771</b>	<b>Air passenger transport</b>		<b>29.743</b>

Table 1 shows the different total estimates on travel and tourism expenditure for the year 2008. The difference between the two the 76 billion and the 94 billion ISK was explained by different classification, approaches and methodologies. In 2008 the Central Bank of Iceland (CBI) was responsible for the compilation of Iceland's balance of payments. In Iceland as elsewhere, increased globalization and liberalization has made the acquisition of good information on international trade in services more difficult and there was consensus among statisticians that the

<sup>8</sup> International tourism is an important source for foreign currency – tourist are very important to small business owners operating in Iceland's small community – the additional demand for wide range of goods and services that need to be produced and provided contribute to economic growth and development.

**Iceland's Tourism Satellite Account; The inconsistency between  
Balance of Payments statistics and Tourism statistics.**

service data needed improvement<sup>9</sup>. It is difficult to identify precisely the reasons underlying the different results in table 1, other than, that the TSA approach is more thorough, than the BOP approach. The TSA approach collects orders and organizes significant tourism data between producers and consumers when balancing demand and supply in well defined tourism related industries. Although the Bank used broad number of sources, the TSA methodology included more industries, e.g. some transportation auxiliary services, taxi drivers and other small enterprises in service and recreational activities that were not included in the Banks data. If they were, they could also have been classified differently in the current account data<sup>10</sup>.

The main reason for higher consumption in passenger services was that transit passenger were included in TSA but not in the Central Bank figures as they should have according to the Balance of payment manual<sup>11</sup>. The number of transit passenger travelling through Keflavik airport has increased rapidly in recent years and it seems like the Central bank had categorized these revenues as other transport services. In the TSA-RMF it is stated that „If possible and meaningful, it is also recommended to create an additional category for transit passengers”. The rationale for including transit passenger in inbound tourism consumption is that many passengers do have a few hours between flights and do have interaction with retail outlets, eateries and some even take a day trip to the Blue Lagoon and therefore represent international/inbound expenditure.

What lessons can be learned from these results? Firstly, it became apparent that more enterprises were involved in external trade in tourism services than prior data had indicated. Secondly, the TSA results indicated that the economic importance of tourism had been underestimated in Iceland's economy.

As discussed above inbound tourism has become a very important part of the Icelandic economy in terms of export earnings. In that perspective – although a satellite account – data differences became a critical concern for the TSA compiler particularly because it is important that the TSA results are consistent with other official statistics and the produced data can be used to develop a strategy for the tourism sector.

---

<sup>9</sup>The International Transactions Reporting System (ITRS-the settlement system) operated by the Central Bank was considered inadequate.

<sup>10</sup>E.g. cultural services have its own specific category in the BOP manual.

<sup>11</sup>BOP5, page 65.

**Iceland's Tourism Satellite Account; The inconsistency between  
Balance of Payments statistics and Tourism statistics.**

**2.3 TSA in Iceland – closer integration between trade statistics and NA**

In 2009 the calculation of external trade in services had been moved<sup>12</sup> to Statistics Iceland and the External Trade Department published the first results for the year 2009. Data collection was improved - information was now based on surveying enterprises<sup>13</sup>, yearly and quarterly and other forms of data collection were implemented such as information from credit and other payment cards transactions<sup>14</sup>. Most importantly, data became more accessible for other statisticians and could be compared with data from the production side of national accounts and with total revenues in tourism-related industries.

**Table 2**

<b>BOP current account</b>	<b>2010</b>	<b>TSA-Table 1 inbound tourism consumption</b>	<b>2010</b>
Current prices, million ISK	Expenditure by travellers	Current prices, million ISK	Inbound tourism
<b>International travel credits</b>	<b>162.649</b>	<b>Total inbound consumption</b>	<b>117.199</b>
1. Travel	68.358	Tourism consumption, air fares excluded	73.034
2. Air passenger transport	94.291	Air passenger transport	44.164

Table 2 reveals, that apart from air fares, there is not much difference between the two methods in tourism expenditure and that difference is by large explainable. Nevertheless, the overall difference between the external trade statistics, the BOP and the TSA figures increases when it comes to expenditure on international air fares and reveals clearly the differences between these two measurements that will be discussed further in chapter 6. As mentioned before, air transport has been a key factor for the development of tourism in Iceland. But that is not the only significant importance of the air transport sector in Iceland. In recent years Icelandic airlines and tour operators have expanded their operation on the international markets and provide travel, passenger and cargo services in various parts of the world. The BOP data in conventional sense summarizes these economic transactions between resident units and the rest of the world regardless of; in what territory the service is provided. On the other hand the TSA methodology<sup>15</sup> only includes tourism consumption within, towards or from the country of reference.

Table 2, also reveals why it was still difficult among users to understand the benefit of inbound tourism in terms of export earnings. Of course, some groups

<sup>12</sup>Constructive move to closer cooperation between trade statistics and the National Accounts.

<sup>13</sup> Big enterprises with large foreign currency transactions report monthly and, small and medium enterprises once a year.

<sup>14</sup> All operating credit card companies in Iceland now provide information to Statistics Iceland.

<sup>15</sup>The definition of economic territory is important in the NA because only output taking place within the economic territory is recorded in the national accounts.

preferred to use the higher figures in an attempt to shape policies in their favour. But other users approached the data in a more objective way.

The clarification of this confusion is one of the main motivations behind this paper. The TSA methodology<sup>16</sup> provides a way, to bring in coherence, available tourism statistical sources - to measure all forms of tourism - to measure domestic tourism production - while the BOP's trade in services main focus is on compilation of the rest of the world (ROW) account with little interest in tourism as an industry or a defined sector. If the BOP measurement is intended to be used as the official indicator for inbound and outbound tourism then the key question is: can we embed the TSA in the BOP measurements and thus make at least part of the TSA dataset a mandatory data?

The paper will now further discuss; the inconsistency or differences between BOP statistics, the official statistics, and TSA statistics - the differences in the statistical framework, i.e. the methodological foundation and approaches regarding data compilation of tourism statistics.

### **3 The statistical framework for tourism statistics**

The handbook on TSA; Recommended Methodological Framework (RMF) provides a coherent methodological framework for satellite tourism statistics consistent with definitions and classifications used in National Accounts (SNA93/ESA95)<sup>17</sup> and other classifications such as ISIC/NACE<sup>18</sup>, CPC/CPA<sup>19</sup> and COICOP<sup>20</sup>. The Tourism Satellite Account system is a set of 10 tables. Tables 1 to 6 concentrate on the reconciliation between demand and supply of tourism to calculate the tourism value added – to get a sense of the relative importance of tourism in total GDP. Table 7 presents employment in tourism, table 8 gives information on gross fixed capital formation, table 9 summarizes the role of the public sector and table 10 provides additional data of importance for tracing tourism like number of trips, and overnight stays, number of establishment and so forth. The goal here is the same as in the overall NA - to create measurable indicators and consistent time-series of the various aspects of tourism.

---

<sup>16</sup>Collects, orders, and interrelates tourism demand and supply.

<sup>17</sup>Generally accepted framework for compiling macroeconomic statistics to capture the transactions between an economy and all others. The 2008 SNA provides an account called the “rest of the world”, which it also refers to as the “external transactions account”. Within this account is an “external account of goods and services”, in which trade in goods and services are separately recorded.

<sup>18</sup>International Standard Industrial Classification of all Economic Activities.

<sup>19</sup>Central Product Classification

<sup>20</sup>Classification of individual consumption by purpose.

**Iceland's Tourism Satellite Account; The inconsistency between  
Balance of Payments statistics and Tourism statistics.**

The SNA manual is also linked with ESA, Balance of Payment (BPM5), Extended<sup>21</sup> Balance of Payments Services methods (EBOPS), and Manual on Statistics of International Trade in Services (MSITS). MSITS provides a more detailed classification of trade in services statistics while compiling the rest of the world (ROW) account.

To make a comparison between TSA and BOP, **tables 1** and **3** in the TSA framework are of interest. These tables represent outbound and inbound international travel spending, by far the largest part of the overall trade in the Icelandic services balance.

**Table 1** presents inbound<sup>22</sup> tourism consumption and **table 3**, outbound tourism consumption by product and type of visitors and should be consistent with the BOP standard services components, the travel item and the passenger transport item in the current account. It is though necessary to observe that there are differences in wordings, definitions and classifications between the three manuals. These differences are well known and have been discussed extensively.

#### **4 Differences between BOP and TSA**

The key difference between BOP and TSA is that the BOP system provides statistics on trade in services between resident and non-resident travellers. BOP does not concern itself with identifying the tourist or measuring the economic role of tourism. On the other hand, TSA is part of an overarching framework with a narrow focus on the tourism sector, the tourist and different aspects of tourism. Examples of differences between BOP and TSA are:

- Classification of who qualifies as a tourist - the BOP traveller is wider than the 'visitor' concept in the TSA framework which categorises further into tourist and same-day visitors and refers to the person's usual environment<sup>23</sup> instead of the resident and the institutional-related concepts of BOP and the NA.

---

<sup>21</sup>Why EBOBS when there is CPC.

<sup>22</sup>Inbound tourism—defined as travel-related expenditures and international transportation purchases from resident Icelandic providers by non residents travelling in Iceland.

<sup>23</sup>The usual environment of an individual is a key concept in all tourism analysis. The BOPM5 uses the concept of „residence” of an individual which broadly identifies the country (economy) in which that individual has his/her „centre of economic interest” in most cases, it is the country where the individual normally lives.

**Iceland's Tourism Satellite Account; The inconsistency between  
Balance of Payments statistics and Tourism statistics.**

- The usual environment of an individual is a key concept in the TSA framework while the concept of residency is used in the BOP framework. A person's workplace is clearly part of one's usual environment but one's workplace and the place of residency are not necessarily the same. When a person needs to commute across a border for work, this person is travelling to work in his or her usual environment - a cross border worker - but is not a tourist. Similarly, immigrants, nomads and refugees moving to a new country are not considered tourists according to TSA. Students and patients staying for more than one year abroad are considered travellers but not tourists according to TSA.
- The TSA is a coherent framework and focuses on economic statistics relevant to tourism, both on the supply (i.e. industry) side and on the demand (i.e. tourist) side, while the BOP is a more isolated measurement in this context.
- TSA stresses the holiday and leisure main purpose of a trip, while BOP's definition of a trip is broader and can include any type of trip. (IRTS 2008 para. 3.17.).
- TSA places emphasis on different forms of travel and tourism, i.e. domestic, inbound, outbound, internal and international tourism (IRTS 2008 para. 2.39. and 2.40.). The EBOS (the trade in service classification) on the other hand, put greater emphasis on travel expenditure and the mode of consumption rather than the type of product consumed.
- TSA uses the internationally agreed System of National Accounts (SNA) and the corresponding standards and classifications of products and industries to show tourism demand and supply. BOP uses EBOP classification and recommends a breakdown of travel into business and personal travel, and further subdivisions; (1) expenditure by seasonal and border workers and others, and (2) personal travel into health-related expenditure, education and other.
- The TSA framework has a very explicit goal - to measure tourism expenditure and consumption – before and after a trip - and provides a list of tourism-characteristic products linked to CPC and tourism-characteristic activities according to ISIC to ensure consistency with SNA and what the overall SNA considers as consumption of goods and services. Expenditure on airfares and other passenger services is also included.

**Iceland's Tourism Satellite Account; The inconsistency between  
Balance of Payments statistics and Tourism statistics.**

- The EBOPS expenditure approach is never as detailed as that given by the TSA-RMF. “Travel”<sup>24</sup> in BOP primarily covers goods and services purchased in a country by travellers during visits, such as accommodation, food and beverages, local transportation and purchase of gifts and other objects. Therefore, only the money spent by travellers on purchases inside a country is recorded under travel in BOP, and therefore, it excludes airfares that are included in the transportation services.
- Inbound tourism expenditure on airfares is included in TSA but the TSA methodology<sup>25</sup> only includes tourism consumption within, towards or from the country of reference. Thus, if the traveller has no contact with the economic territory then the consumption is not defined as tourism consumption in that country. In contrast, as stated before, the BOP classifies expenditure on international transportation services under the “passenger transportation” item in the EBOPS and the focus is on transactions between residents and non-residents and, therefore, includes transportation services provided to a non-resident traveller on a resident carrier outside the economic territory.

But despite these differences, highlighted above, the BOP data source is the preferential data source and the official data source in compiling **table 1** and **table 3** in the TSA accounts. The BOP trade in service data, the travel item, as part of the current account, is part of the mandatory list of data transmitted to IMF and Eurostat<sup>26</sup> on a quarterly basis. On the other hand TSA data production and submission is on a voluntary basis and, therefore, carries less prestige and less emphasis and support is placed on its compilation in many countries.

However, as seen above, TSA benefits are extensive and, therefore I would like to propose that tables 1 and 3 in the TSA framework be made a subset of trade in services until – in near or far future the Commission of EC will prepare regulations<sup>27</sup> for the transmission of harmonised tables for tourism satellite accounts. I will now discuss possible gains from such a change.

---

<sup>24</sup>Passenger services provided within a territory by residents to non residents and provided/purchased separately from international transport are excluded from passenger transport; these services are included in travel.

<sup>25</sup> The definition of economic territory is important in the NA because only output taking place within the economic territory is recorded in the national accounts.

<sup>26</sup>According to the Treaty of the European Community, regulation (EC) No184/2005 and later amendments of the European Parliament and of the Council of 12 January 2005

<sup>27</sup>As stated in the recitals of the new regulation no 692/2011 concerning European statistics on tourism there is a clear and well-understood need for good statistics to feed the internationally accepted framework of TSA.

## **5 The vision for the future is a better integration of data on international trade in services with other economic statistics**

For some time now the vision<sup>28</sup> of the statistical community has been on better integration of data on trade in services with other economic statistics. Inbound and outbound tourism consumption as part of final household consumption in Iceland has increased in recent years<sup>29</sup> thus affecting the measurement of GDP, the principal indicator of economic activity, and the most frequently used measurement. Investments in hotel buildings, government infrastructure and other equipment related to the provision of tourism services is also an increasing part of gross fixed capital formation (I) in Iceland. These are important factors that integrate tourism with a country's total output.

In this context, the TSA conceptual framework has two obvious advantages over trade in service statistics. First, the framework interrelates trade in service statistics with the production data in the national accounts and provides more detailed data on the basis of classification of products and industries with important links to business statistics and suitable administrative sources etc. Second, the Tourism Satellite Account is an internationally accepted satellite account focusing on the impact of tourism in the economy and has been prominent on the agenda of the international statistical community since the early 1980's.

In the past there was a strong need for an internationally standardised statistical satellite tourism system and now there is a need for official or more formal recognition of TSA by international and national organisations. One pragmatic and also challenging approach would be that in the future both the BOP and SNA would refer to the TSA tables when it concerns travel and tourism, which means that, **table 1**, inbound, and **table 3**, outbound tourism, would become a subset of the "travel item" and the "passenger transportation item" in the Balance of Payments and in that way gain official recognition. Other potential benefits can follow:

- A single, timely<sup>30</sup> and regularly published measurement and report of statistics on tourism exports and overall tourism trade in services. Simple and comprehensive data are critical for policy makers and other analysts.

---

<sup>28</sup>Global Forum on Trade Statistics held in Geneva in 2010.

<sup>29</sup>In 2010, total international tourism expenditure was in excess of 18% of final consumption

<sup>30</sup>Lack of timeliness is one of TSA limitation.

**Iceland's Tourism Satellite Account; The inconsistency between  
Balance of Payments statistics and Tourism statistics.**

- It would foster and encourage cooperation in compilation efforts of different divisions and institutions in the area of international trade statistics and national accounts.
- It will be a step closer to simplifying<sup>31</sup> the process of measuring international trade in tourism services and provide further details.
- It will be an important step in increasing consistency between TSA and BOP data on travel and tourism statistics.
- A step closer to international comparability; at least for two important tables in the TSA framework.
- It would increase credibility of the TSA data.

Given the discussions<sup>32</sup>, demand and vision in the statistical community, it should be possible to integrate trade in service statistics and the production of data in national accounts using CPC classification and ensure more links to business statistics and suitable administrative sources etc.

## **6 The measurement of inbound tourism, new approaches in collecting and compiling travel and tourism statistics.**

As previously mentioned, one of the central concerns of the first TSA results was that data on inbound tourism expenditure was markedly different from international travel and passenger fare spending in the BOP.

Table 3 highlights different classifications and methodological standards. For simplification, in this paper the focus is on the revenue side (credit entries) of the travel and the passenger transportation of the external service account.

The new data source, payment card data, is highly valuable with regard to data on travel and tourism statistics mainly because in Iceland, no detailed expenditure surveys among non-resident travellers are available. And more importantly, the trade in services data are now classified according to the NACE industry classification.

The TSA results, excluding air fares are marginally exceeding 74 billion ISK and the BOP 68 billion ISK; the difference between the two (of approximately 5

---

<sup>31</sup>Why EBOPS when there is TSA, the CPC and NACE and the NA classification family? Would it not be easier if the TSA would be a subset of BOP? The NA approach by analyzing economic statistics relevant to tourism, both on the supply (*i.e.* industry) and on the demand (*i.e.* tourist) side sets the statistics more in tune with reality; the tourism service must first be produced and measured and included in the National Accounts aggregate - the GDP and then: part of the tourism service production is then exported and recorded in the travel item and the international passenger transport item in BOP. If TSA became a subset of BOP it may foster cooperation and credibility of these statistics.

<sup>32</sup>In Eurostat technical workshops and working groups and international trade statistics meetings.

**Iceland's Tourism Satellite Account; The inconsistency between  
Balance of Payments statistics and Tourism statistics.**

billion ISK) can be explained<sup>33</sup> by the fact that the trade in services has not yet full coverage and some services that are tourism-related are classified under other services in EBOPS. In addition, in TSA some grossing up is done to include the unofficial economy. But there is less discrepancy now than before between the two sets of estimates– thanks to good cooperation between statisticians in the external trade division and national accountants. These figures now support and strengthen each other.

**Table 3**

<u>External trade in services</u>	<u>2010</u>	<u>TSA - Inbound tourism</u>	<u>2010</u>
	Expenditure		Inbound
Current prices, million ISK	by travellers	Current prices, million ISK	tourism
<b>International travel credit</b>	<b>162.649</b>	<b>Total inbound consumption</b>	<b>consumption</b>
<b>1. Travel</b>	68.358	<b>Tourism characteristic industries</b>	<b>117.776</b>
Business travel		<b>Tourism characteristic industries</b>	<b>81.710</b>
Personal travel		<b>1. Accommodation services</b>	<b>12.225</b>
Education-related expenditure		1.1 Hotel and guesthouse services	8.652
Other personal travel		1.2 Other accommodation services	3.573
<b>2. Air passenger transport</b>	94.291	<b>2. Food and beverage serving services</b>	8.395
<b>Difference; BOP and TSA</b>		<b>3. Passenger transport services</b>	58.879
	<b>44.873</b>	3.1 Land passenger transport	4.936
<b>1. Travel</b>	-5.172	3.2 Ocean passenger transport	711
<b>2. Air passenger transport</b>	50.044	3.3 Air passenger transport	44.247
<i>International travel receipts,</i>		3.4 Transport equipment rental	8.985
<i>% of total export of goods</i>		<b>4. Travel agency services</b>	2.211
<i>and services</i>	18,9	<b>Tourism connected industries</b>	<b>36.065</b>
		<b>5. Automotive fuel retail and repairs</b>	2.617
		<b>6. Other supportive transport activities</b>	6.993
		<b>7. Cultural services</b>	1.747
		<b>8. Recreation and entertainment</b>	5.217
		<b>9. Miscellaneous tourism services</b>	2.558
		<b>10. Miscellaneous tourism retail services</b>	16.933
		<b>Air passenger transport excluded</b>	<b>73.529</b>
		<i>Export of goods and services</i>	860.770
		<i>Inbound tourism as part of total export of goods</i>	
		<i>and services , %</i>	13,7

The difference between the two measurements is more pronounced when it comes to airfare spending. In the BOP data, air passenger services (see blue circle) is to the amount of 94 billion ISK, while in the TSA data it was 44 billion ISK. The reason for higher expenditure in the BOP data is that resident airlines and travel agencies in Iceland (resident units) are providing tourism services between destinations outside Iceland and, therefore, outside the residence of the carrier.

<sup>33</sup>Some enterprises are still missing in the BOP enterprise survey. The TSA estimates payments in foreign currencies.

**Iceland's Tourism Satellite Account; The inconsistency between  
Balance of Payments statistics and Tourism statistics.**

TSA methodology<sup>34</sup> includes tourism consumption within, towards or from the country of reference. Thus, if travellers have no contact with the economic territory, they are not considered visitors. For instance, the airfare of a passenger flying directly from Denmark to Spain with an Icelandic carrier is not included in TSA.<sup>35</sup>

The role of the BOP is to summarise the economic transactions of a country's residents with non residents - the rest of the world, and so the transport expenditure on the airline ticket is booked under the credit side of BOP service data. But if the BOP data are supposed to be a preferred data source for inbound and outbound tourism, then the framework could be more specific and should include tables 1 and 3 from TSA to provide a better view for the internal users in an economy, perhaps in line with table 4.

**Table 4**

<b>External trade in services</b>	
Current prices, million ISK	
<b>International travel credit</b>	
<b>1. Travel</b> <sup>1)</sup>	Inbound tourism according to TSA, table 1
	There of; Business travel
	There of; Personal travel
	Education-related expenditure
	Other personal travel
<b>2. Air passenger transport</b>	Inbound tourism according to TSA, table 1
	Other air passenger travel, outside the economic territory

1) The BOP6 recommends further breakdown of

New manuals that will be implemented soon will reflect the continuing active development of these standards and if I understand correctly the new BOP6 and MSITS (2010) recommend a further breakdown of the travel item according to type of product; on goods, local transport services, accommodation, food - serving services, and all other travel expenditure further broken down into health services and education service.

Which brings me again to the main motivations behind this paper and the question I have often posed to myself; why not make TSA a subset of BOP. Why

<sup>34</sup>The definition of economic territory is important in the NA because only output taking place within the economic territory is recorded in the national accounts.

<sup>35</sup>If I've understood the manual and RMF correctly the production of these firms are included in the value added measurements but not in inbound tourism consumption. Then the total tourism supply at market price is higher than inbound tourism expenditure and the difference can be related to export revenues from tourism outside Iceland.

**Iceland's Tourism Satellite Account; The inconsistency between  
Balance of Payments statistics and Tourism statistics.**

EBOPS classification en trade in services when there is TSA, the CPC and NACE and the NA classification family?

## **7 Closing remarks**

The compilation of tourism and travel statistics is not a simple task and although improvements have been made here in Iceland in recent years – we still have some way to go to meet international standards. There is a strong demand by policy makers, trade analysts, economists and researchers for more comprehensive and integrated data on tourism. If statisticians are to live up to these demands it is important that they have the right tools, resources, institutional arrangements and political support to do so.

Statistics on international travel are important components for the Icelandic System of National Accounts, not only for the balance of payment, but also for other meaningful SNA components such as final consumption expenditure in GDP. Monitoring external trade in services in an increasingly globalised world is a challenge that national accountants and international trade statisticians - will have to face in coming decades; it is my believe that these future tasks will be made easier with better integrated approaches between external trade statistics and central production - price and consumption statistics, investments statistics etc.