

**Workshop on Trade in Services Statistics
Organized jointly by UNECLAC and UNSD in
Cooperation with WTO**

*Construction services statistics:
Italy experience*

DAY 2,
10 December 2020

OUTLINE OF THE PRESENTATION

Construction in Italy: some figures

Data collection for construction and FDI

The Italian questionnaire

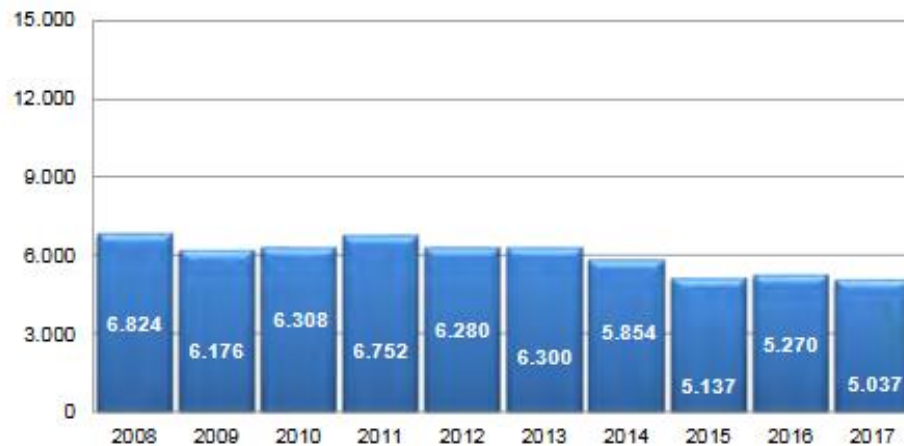
Examples of compilation

Some conclusions

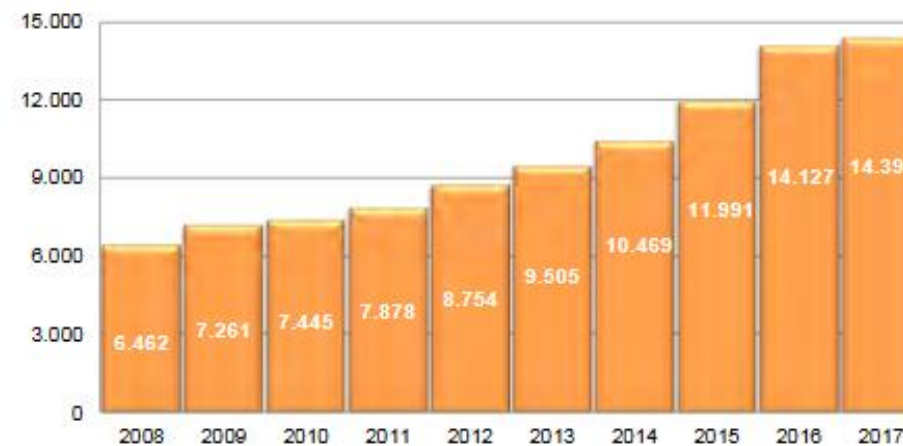
CONSTRUCTION IN ITALY: SOME FIGURES

Total turnover in Italy: Domestic constructions vs Constructions abroad

Domestic



Abroad

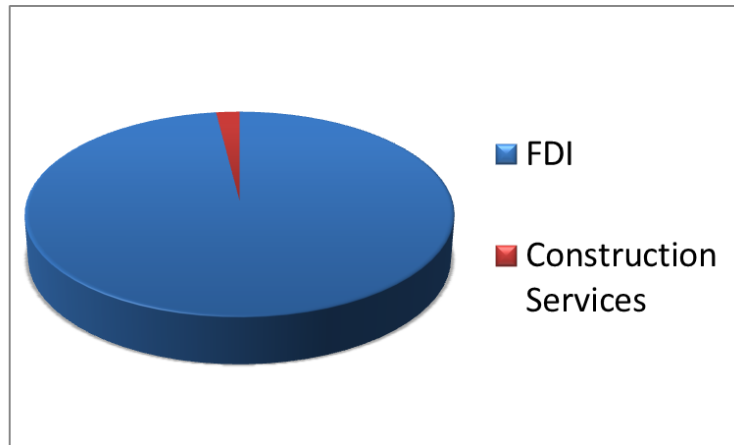


Source National Builders Association – Annual Report (2018)

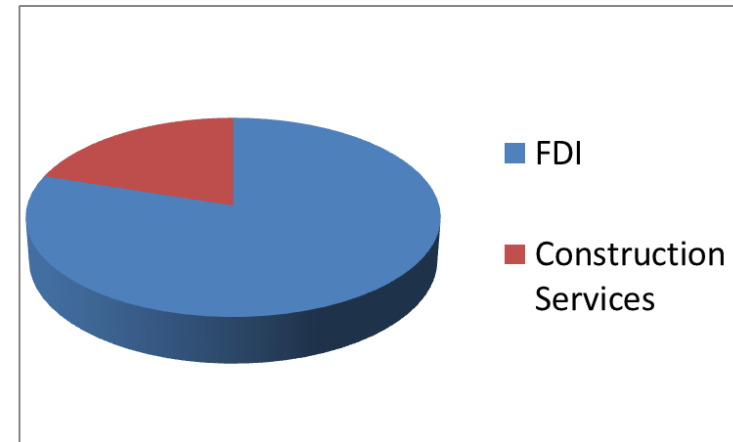
CONSTRUCTION IN ITALY: SOME FIGURES

In Italy the gross construction value of projects lasting one year or more largely exceeds that of short-term works, both for constructions abroad (98% vis-à-vis 2%) and for constructions in Italy (80% vis-à-vis 20%)

Construction Abroad



Construction in Italy



DATA COLLECTION

Construction definition (BPM6 10.101 or MSITS 2010 – 3.130)

- ✓ Construction is valued on a gross basis, i.e. inclusive of all goods and services used as inputs to the work.
- ✓ Construction is also gross in the sense that it can be disaggregated into construction abroad and construction in the compiling economy.

DATA COLLECTION

Construction in Balance of Payments: a “matrix” to split the item

	<i>Construction abroad</i>	<i>Construction in the compiling economy</i>
<i>Credits Exports</i>	Construction work for non-residents by enterprises resident in the compiling economy,	...and goods and services acquired in the compiling economy from resident entities by these non-resident enterprises
<i>Debits Imports</i>	...and goods and services acquired from residents in the host economy by these enterprises	Construction work for residents of the compiling economy by non-resident construction enterprises,...

DATA COLLECTION

How collect construction data?

- ✓ In Italian direct reporting, FDI are collected with an annual survey (and a monthly reports of new transactions)
- ✓ Trade in services is collected with a quarterly survey (Quarterly Non Financial Transactions) and a different sample from the direct investment survey.

Need for a single survey for both these phenomena (services and FDI) to avoid double counting and misclassifications

A possible solution: use the services questionnaire to collect all the construction transactions (FDI and services)

DATA COLLECTION

DECISION RULE (FDI vs SERVICES)

For major projects (such as bridges, dams, power stations) that take a year or more to complete and that are managed through a local site office, the operations would usually satisfy the criteria for identification of a branch in paragraph 4.27 and so would not be classified as trade in services;

(Construction Project - BPM6:4.29)

1YEAR RULE (A simplified approach):

According to the estimated duration of the activity, the construction activity is either regarded as an FDI-related operation, if the construction work extends over a period of at least one year, or as a service transaction in the opposite case

DATA COLLECTION

OTHER ASSUMPTIONS

Construction is valued on a gross basis, i.e. inclusive of all goods and services used as inputs to the work

NO THIRD COUNTRY

All goods and services are considered provided from the economy of location of the construction

LABOUR COSTS ARE INCLUDED IN CONSTRUCTION ABROAD DEBITS

No distinction between the different inputs acquired abroad: labor, goods and services

THE QUESTIONNAIRE

For constructions abroad, firms are required to report the following transactions, in relation to the reference quarter:

- ✓ *Total contract value;*
- ✓ *Goods, services and labour purchased/acquired abroad (in the quarter), used to compile the construction abroad debits;*
- ✓ *Goods purchased in Italy (in the quarter), used to adjust the BOP goods item, by deducting the corresponding amounts from merchandise exports.*

THE QUESTIONNAIRE

TTN - Questionnaire BANCA D'ITALIA

QUARTERLY NON FINANCIAL TRANSACTIONS

SECTION I - SERVICES, INTANGIBLE ASSETS, UNILATERAL TRANSFERS, SALARIES & WAGES

I2 Constructions abroad and constructions in the compiling economy

[32400000001002] Constructions abroad (transaction code = 2040)
[32400000002002] Constructions in the compiling economy (transaction code = 2050)

List of construction orders (for all reports)

VO1068	Counterpart country	<input type="text"/>
VO4512	Construction start date (yyyymmdd)	<input type="text"/>
VO4513	Construction end date (yyyymmdd)	<input type="text"/>
VO1067	Currency	<input type="text"/>
VO1054	Total contract value	<input type="text"/> (in euros)

Transaction details (only for report [32400000001002] - Constructions abroad)

VO1065	Goods purchased in Italy	<input type="text"/> (in euros)
VO1064	Goods, services and labour purchased/ acquired abroad	<input type="text"/> (in euros)
VO1066	Net margin	<input type="text"/> (in euros)

→ Some assumptions are done to reduce reporting burden

Separate FDI and Construction

Total Constructions abroad

Avoid double counting in merchandise export

Import of services

FDI income

AN EXAMPLE OF COMPILATION (CONSTRUCTION)

TTN - Questionnaire

Q1 - 2019

BANCA D'ITALIA

QUARTERLY NON FINANCIAL TRANSACTIONS	
SECTION I - SERVICES, INTANGIBLE ASSETS, UNILATERAL TRANSFERS, SALARIES & WAGES	
I2 Constructions abroad and constructions in the compiling economy	
(32400000001002) <input checked="" type="checkbox"/>	Constructions abroad (transaction code = 2040)
(32400000002002) <input type="checkbox"/>	Constructions in the compiling economy (transaction code = 2050)
List of construction orders (for all reports)	
VO1068 Counterpart country	<input type="text" value="Mexico"/>
VO4512 Construction start date (yyyymmdd)	<input type="text" value="1st of February 2019"/>
VO4513 Construction end date (yyyymmdd)	<input type="text" value="10th of April 2019"/>
VO1067 Currency	<input type="text" value="Euro"/>
VO1054 Total contract value	<input type="text" value="100,000"/> (in euros)
Transaction details (only for report (32400000001002) - Constructions abroad)	
VO1065 Goods purchased in Italy	<input type="text" value="20,000"/> (in euros)
VO1064 Goods, services and labour purchased/ acquired abroad	<input type="text" value="50,000"/> (in euros)
VO1066 Net margin	<input type="text" value="30,000"/> (in euros)

AN EXAMPLE OF COMPILATION (CONSTRUCTION)

2019 Q1 BOP

	Export	Import
Constructions abroad	85,507	50,000
Goods	-20,000	

(100,000 Euro / 69 total days * 59 days
in the quarter) = 85,507 Euro

Goods purchased in Italy in the quarter are subtract to "general merchandise" item(- 20,000 Euro) to avoid double counting: they are already present in customs declarations.

All the inputs (goods, services, labor) purchased abroad in the quarter (50,000 Euro) are considered acquired in the country where the construction is located (simplified assumption).

TTN - Questionnaire Q1 - 2019 BANCA D'ITALIA

QUARTERLY NON FINANCIAL TRANSACTIONS
SECTION I - SERVICES, INTANGIBLE ASSETS, UNILATERAL TRANSFERS, SALARIES & WAGES

I2 Constructions abroad and constructions in the compiling economy

(3240000000000000) Constructions abroad (transaction code = 2040)
 (3240000000000000) Constructions in the compiling economy (transaction code = 2050)

List of construction orders (for all reports)

VO1048 Counterpart country:

VO1042 Construction start date (yyyy-mm-dd):

VO1043 Construction end date (yyyy-mm-dd):

VO1047 Currency:

VO1054 Total contract value: (in euro)

Transaction details (only for report (3240000000000000) - Constructions abroad)

VO1046 Goods purchased in Italy: (in euro)

VO1044 Goods, services and labour purchased acquired abroad: (in euro)

VO1046 Net margin: (in euro)

AN EXAMPLE OF COMPILATION (CONSTRUCTION)

TTN - Questionnaire

Q2 - 2019

BANCA D'ITALIA

QUARTERLY NON FINANCIAL TRANSACTIONS	
SECTION I - SERVICES, INTANGIBLE ASSETS, UNILATERAL TRANSFERS, SALARIES & WAGES	
I2 Constructions abroad and constructions in the compiling economy	
(32400000001002) <input checked="" type="checkbox"/>	Constructions abroad (transaction code = 2040)
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VO1065 Goods purchased in Italy	<input type="text"/> (in euros)
VO1064 Goods, services and labour purchased/ acquired abroad	<input type="text"/> (in euros)
VO1066 Net margin	<input type="text" value="30,000"/> (in euros)

AN EXAMPLE OF COMPILATION (CONSTRUCTION)

2019 Q2 BOP

	Export	Import
Constructions abroad	14,493	
Goods		

(100,000 Euro / 69 total days * 10 days
in the quarter) = 14,493 Euro

Clearly: 85,507+14,493=100,000 Euro (Total contract value)

TTN - Questionnaire Q2 - 2019 BANCA D'ITALIA

QUARTERLY NON FINANCIAL TRANSACTIONS
SECTION I - SERVICES, INTANGIBLE ASSETS, UNILATERAL TRANSFERS, SALARIES & WAGES

I2 Constructions abroad and constructions in the compiling economy

(32400000001002) Constructions abroad (transaction code = 2040)
(32400000002002) Constructions in the compiling economy (transaction code = 2050)

List of construction orders (for all reports)

VO1068 Counterpart country: Mexico

VO4512 Construction start date (yyyyymmdd): 1st of February 2019

VO4513 Construction end date (yyyyymmdd): 10th of April 2019

VO1067 Currency: Euro

VO1054 Total contract value (in euros): 100,000

Transaction details (only for report (32400000001002) - Constructions abroad)

VO1065 Goods purchased in Italy (in euros):

VO1054 Goods, services and labour purchased/acquired abroad (in euros):

VO1066 Net margin (in euros): 30,000

AN EXAMPLE OF COMPILATION (FDI)

TTN - Questionnaire

BANCA D'ITALIA

QUARTERLY NON FINANCIAL TRANSACTIONS

SECTION I - SERVICES, INTANGIBLE ASSETS, UNILATERAL TRANSFERS, SALARIES & WAGES

I2 Constructions abroad and constructions in the compiling economy

- [32400000001002] Constructions abroad (transaction code = 2040)
[32400000002002] Constructions in the compiling economy (transaction code = 2050)

List of construction orders (for all reports)

VO1068 Counterpart country
 Mexico

VO4512 Construction start date (yyyymmdd)
 1st of January 2018

VO4513 Construction end date (yyyymmdd)
 31th of December 2019

VO1067 Currency
 MXN

VO1054 Total contract value
 (in euros) **1,462,000,000**

Transaction details (only for report [32400000001002] - Constructions abroad)

VO1065 Goods purchased in Italy
 (in euros)

VO1064 Goods, services and labour purchased/ acquired abroad
 (in euros)

VO1066 Net margin
 (in euros) **150,000,000**

AN EXAMPLE OF COMPILATION (FDI)

2018 Q1 BOP

	Investments	Disinvestments
FDI – Equity Asset	182,000,000	0
	Credits	Debits
FDI – Dividends	0	0

(1,462 million / 731 total days * 91 days
in the quarter) = 182 million of Euros

TTN - Questionnaire

BANCA D'ITALIA

QUARTERLY NON FINANCIAL TRANSACTIONS	
SECTION I - SERVICES, INTANGIBLE ASSETS, UNILATERAL TRANSFERS, SALARIES & WAGES	
12 Constructions abroad and constructions in the compiling economy	
<small>[32400000001002]</small>	<input checked="" type="checkbox"/> Constructions abroad (transaction code = 2040)
<small>[32400000002002]</small>	<input type="checkbox"/> Constructions in the compiling economy (transaction code = 2050)
List of construction orders (for all reports)	
VO1068 Counterpart country	<input type="text" value="Mexico"/>
VO4E12 Construction start date (yyyymmdd)	<input type="text" value="1st of January 2018"/>
VO4E13 Construction end date (yyyymmdd)	<input type="text" value="31th of December 2019"/>
VO1067 Currency	<input type="text" value="MXN"/>
VO1054 Total contract value	<input type="text" value="1,462,000,000"/> (in euros)
Transaction details (only for report [32400000001002] - Constructions abroad)	
VO1065 Goods purchased in Italy	<input type="text"/> (in euros)
VO1064 Goods, services and labour purchased/ acquired abroad	<input type="text"/> (in euros)
VO1066 Net margin	<input type="text" value="150,000,000"/> (in euros)

AN EXAMPLE OF COMPILATION (FDI)

2018 Q2 BOP

	Investments	Disinvestments
FDI – Equity Asset	182,000,000	0
	Credits	Debits
FDI – Dividends	0	0

(1,462 million/ 731 total days * 91 days
in the quarter) = 182 million of Euro

TTN - Questionnaire

BANCA D'ITALIA

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VO1064 Goods, services and labour purchased/ acquired abroad	<input type="text"/> (in euros)
VO1066 Net margin	<input type="text" value="150,000,000"/> (in euros)

The approach in the compilation is the same in the following quarters (up to the penultimate)

AN EXAMPLE OF COMPILATION (FDI)

2019 Q4 BOP

	Investments	Disinvestments
FDI – Equity Asset	184,000,000	1,462,000,000
	Credits	Debits
FDI – Dividends	150,000,000	0

(1,462 million/ 731 total days * 92 days
in the quarter) = 184 million of Euro

TTN - Questionnaire

BANCA D'ITALIA

QUARTERLY NON FINANCIAL TRANSACTIONS	
SECTION I - SERVICES, INTANGIBLE ASSETS, UNILATERAL TRANSFERS, SALARIES & WAGES	
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VO4E13 Construction end date (yyyymmdd)	<input type="text" value="31th of December 2019"/>
VO1067 Currency	<input type="text" value="MXN"/>
VO1054 Total contract value	<input type="text" value="1,462,000,000"/> (in euros)
Transaction details (only for report [32400000001002] - Constructions abroad)	
VO1065 Goods purchased in Italy	<input type="text"/> (in euros)
VO1064 Goods, services and labour purchased/ acquired abroad	<input type="text"/> (in euros)
VO1066 Net margin	<input type="text" value="150,000,000"/> (in euros)

SOME CONCLUSIONS

- ✓ Direct survey seems the only way to have full information about construction (FDI or Services)
- ✓ The use of the same survey for any the type of construction (FDI or Trade in Services) has some advantages.
- ✓ It can be useful have an idea of the dimension of the two phenomena: FDI and trade in services.
- ✓ Simplifications are possible (and sometimes are necessary), because the questionnaire should be clear to respondents.

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