

# Construction Compilation

**AMF – WTO – UN ESCWA – UNSD**

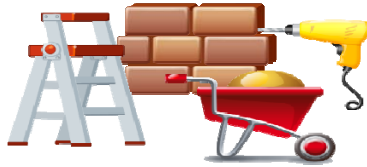
**Follow –up Regional Workshop on the Compilation of  
Trade in Services Statistics**

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# Construction



Site preparation  
creation, extension,  
renovation, and repair of  
buildings



Painting



Plumbing

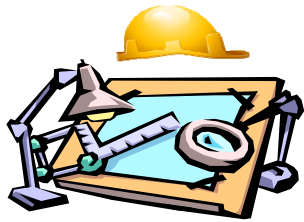


Demolition



Management of  
construction projects

and other specialized  
services....



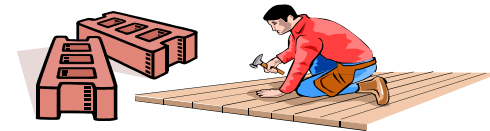
Land  
improvements  
of an engineering  
nature



Engineering  
constructions



Installation  
and assembly



Goods and  
services bought  
in construction  
economy

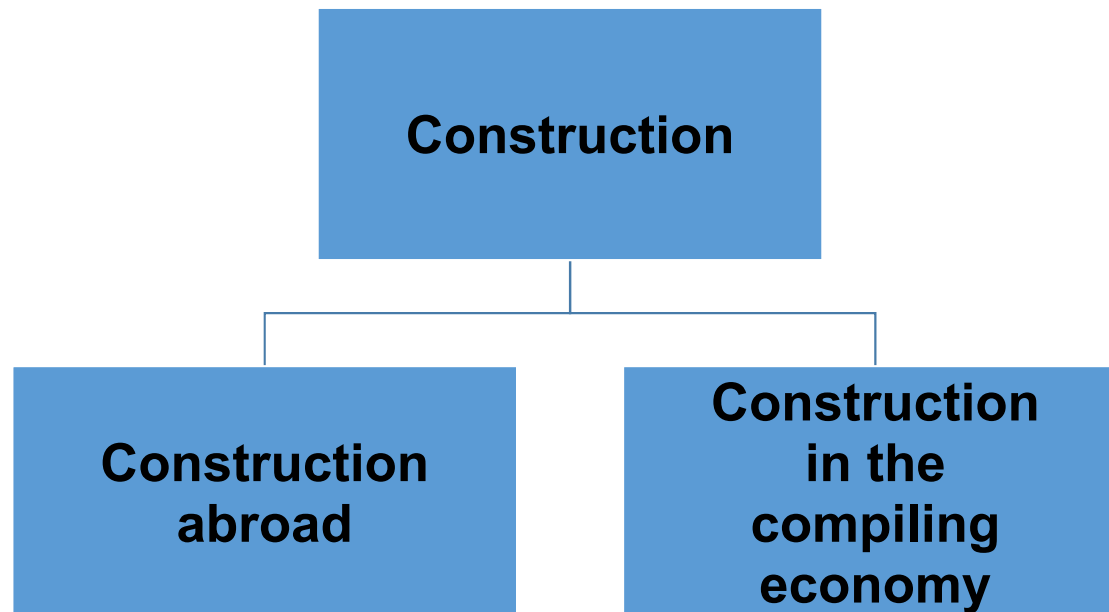
# Construction

- Comprises work performed on construction projects by an enterprise or site office that is nonresident in the host country.
- Generally the work is of a short-term nature (note the one year guideline for residence).
- The value of the construction service should equal the full value of the construction project.

# Construction

- Covers goods and services related to construction
  - work done on buildings as well as installation and assembly
- Work provided outside the country of residence of the enterprise performing the work
  - However, if the operations are substantial, may constitute a resident branch in country

## Disaggregation of construction BOP item...



### **GROSS RECORDING!**

**Total construction credits = construction abroad credits +  
construction in the compiling economy credits  
And the same for debits.....**

# Construction

- Disaggregated and recorded on a gross basis—construction abroad in and construction in compiling economy
  - Allows for recording of both construction work in host and goods and services acquired
  - Construction abroad
    - Credit—construction work abroad by enterprises resident in compiling economy
    - Debit—goods and services acquired from host economy by enterprise

# Construction

- Existing buildings
  - Transactions included in construction (similar to new and second hand goods in merchandise trade)
  - Land and buildings recorded differently
  - Transactions in land component recorded in capital account—if it is possible to separate the components

## Construction: Recording of related goods and services

Recording of related goods and services pertaining to construction (**viewpoint: construction abroad**):

- Acquisitions of goods and services by the enterprises undertaking the construction work **from the economy of location** (“host country”) = construction debits
- Goods and services **brought from the home economy** for use in the construction project (included in overall input, construction credits); excluded from general merchandise
- Goods and services **acquired from third countries** for the project are included in general merchandise/relevant service item, (and as overall input in construction credits)



# Construction recorded in **BOP** or **DI/FATS**?

## Combination of factors to consider!

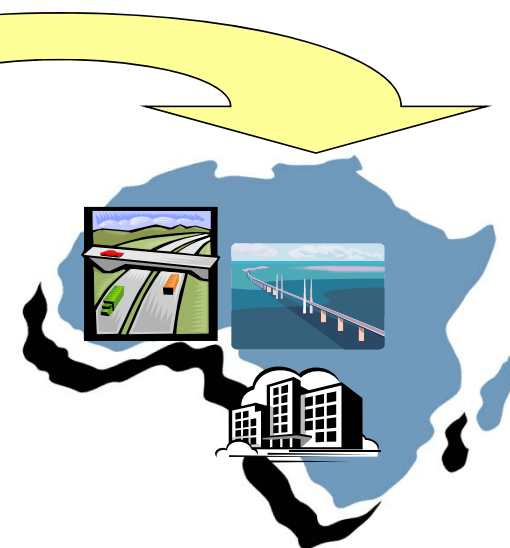
Are external **operations** of a construction firm **substantial** to identify a branch in host country?

> 1 year: strong indication for more investigation

Type of project

Local site office?

- with separate set of accounts?
- indicators of activity in host country? (e.g. business premises, recruiting local staff, acquiring capital equipment)
- activity subject to which tax jurisdiction?



If international contracting important: consider survey (or direct reporting) for all projects/activities, and then separate BOP and FDI/FATS

## Construction: Delineation between construction and FDI

- Determine the **residency** of the enterprise engaged in the construction project:
- If external operations of a construction enterprise are substantial enough that are managed through a site office, a **branch** may be identified as an institutional unit in the host economy
  - separate set of accounts (incl. a balance sheet)?
  - production of significant scale managed through a local site office other than the head office “for one year or more”?
  - purchasing/renting business premises, recruiting local staff, operating a bank account?
  - subject to income taxes (even if exempted)?, and other legal requirements
  - criteria of “intention” is also relevant, when a project is ex ante planned which implies criteria of the branch will be met
- If a branch is constituted in the economy of operation, goods supplied **between the parent and the branch** are recorded as imports in general merchandise with the counter-entry in direct investment liabilities; and supplies from third countries as debit entry in goods

## Other data compilation issues

- **Complexity of construction cross-border activities**
- **Data sources:**
  - **ITRS (caution: transactions involving bank accounts in country where construction taking place)**
  - **Survey : more detailed and relevant data (in particular for construction abroad debits and construction in compiling economy credits)**
- **Aid: transaction between economy of aid agency and economy where construction + .....**

# Construction: example

- Example of the measurement of construction:
  - Enterprise A, resident of USA, **provides construction services in UAE**, with a total value of \$10,000.

- Which consists of:

Goods and services, and labor purchased in USA:

Goods	\$645
Services	\$120
Labor	\$435

Goods and services, and labor purchased in UAE:

Imported from A	\$525
Imported from SA	\$1,750
Sourced in Oman	\$2,290
Labor	\$2,110

Goods imported from SA	\$500
Total cost of purchased inputs	<b>\$8,375</b>
Gross operating surplus accruing to USA	\$1,625
Gross value of construction services	<b>\$10,000</b>

# How to record these transactions in BOP according to BPM6?

**USA**

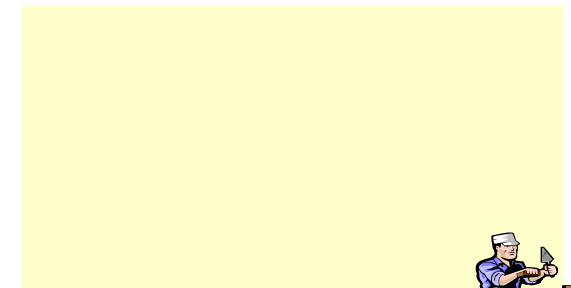
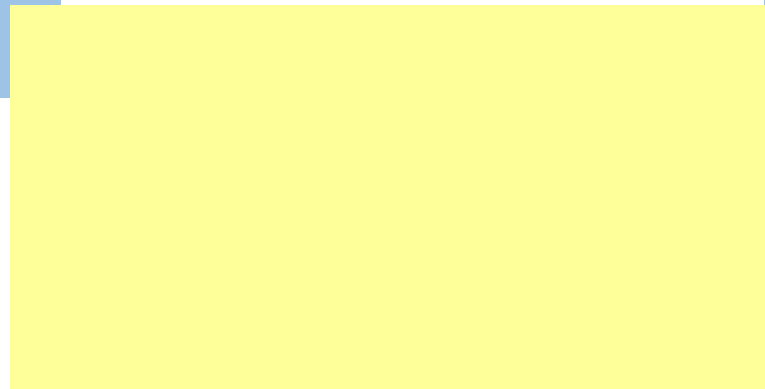
**U.A.E**



**Credit:**  
**Debit:**



**Credit:**  
**Debit:**



## Construction: example (5)

- Entries in **USA** BOP statement:

	Credit	Debit
<b>Goods</b>		\$500 (import from SA)
<b>Services</b>	\$5,435(net) \$10,000	\$4,565
<b>Income</b>		\$2,110
	Net acquisition of assets	Net incurrence of liabilities
<b>Financial account</b>	$(-\$500) + (-\$2,110) + (-\$4,565)$	
currency and deposits	+\$10,000	

Questions / Comments /  
Conclusions