

Capturing foreign travel in the balance of payments statistics from January 2001

This issue of the *Monthly Report* contains data on foreign travel which have been obtained for the first time by means of a new collection system. This change became necessary because the quality of the data that had been used hitherto for estimating foreign travel declined significantly as a result of the introduction of euro banknotes and coins on 1 January 2002 or the data sources themselves ceased to exist.

Until the end of 2001 data on the receipts from and expenditure on foreign travel were collected indirectly. The relevant information was not obtained from the travellers themselves but from banks and credit card companies which settle a large proportion of travel transactions by buying and selling foreign currency and settle payments made through ec cards and credit cards. This information was supplemented by reports from tour operators on their cross-border transfers and by data from some European partner countries on the buying and selling of Deutsche Mark banknotes in their respective home markets. The monthly receipts from and expenditure on travel were estimated on the basis of this information.

As many travel-related transactions are still settled in cash, the introduction of euro banknotes and coins resulted in a not insignificant information gap, especially in the euro-area countries,¹ some of which are among the most important partner countries for German foreign travel; this applies both with respect to estimating the level of travel expenditure and establishing the regional breakdown. A direct survey of travellers on the basis of household samples now makes up for the lack of this information. The survey is based on the foreign travel of (domestic) residents and the total amount they spend on it. This survey has now been undertaken on an ongoing basis since the beginning of 2001 in order to compare the new results with the data collected under the old method for at least a year and to be able to subject the findings to a quality test.

The figures extrapolated on the basis of the survey for 2001 show that the resident population in Germany made about 167 million foreign trips during that year and spent a total of

€58 billion on these. Expenditure previously shown in the balance of payments for this period had amounted to €51½ billion and was therefore 11%, or just over €6 billion, lower than the extrapolated survey result.

Generally speaking, the seasonal pattern of the new data on foreign travel is fairly consistent with the pattern of the data collected under the old system. However, the expenditure in the summer months – when travel is at its peak – had previously been underestimated. One reason for these seasonal shifts is that under the collection system used until the end of 2001 it was often difficult to establish precisely when the trips associated with the payments by ec cards and credit cards had actually been made. In the case of the household sample, by contrast, the actual date of the trip can be determined more accurately because the persons participating in the survey are asked the times of the trip and the related payments.

A comparison of the old and new compilation methods leads to different results with respect to the regional breakdown.

- In the case of the EU countries the results of the survey are almost entirely in line with the earlier data. For example, the discrepancies in 2001 amounted to slightly more than 1% in the case of these countries as a whole and to as little as ½% in the case of the euro-area countries. The new data also confirm earlier calculations, which had shown that the previous method of estimating had probably been tending to overstate German travel expenditure in the case of some countries such as Italy and the United Kingdom. The level of expenditure established by the household survey is also confirmed by the corresponding data from the partner countries in these instances.
- Larger discrepancies occur in the case of countries outside the EU. According to the results of the survey, expenditure by German travellers outside the EU was €6½ billion, or 38%, more in 2001 than had previously been estimated. Evidently the estimated use of Deutsche Mark banknotes as a payment medium in these countries had been far too

¹ Problems also arose in a number of countries outside the euro area where the use of Deutsche Mark banknotes had previously

played a special role. Turkey, for example, is a case in point. —
² Less important destinations are rarely captured by the sample

low. This appears to be particularly true in the case of a few classic holiday countries outside the EU, notably Turkey and some central and east European transition countries such as Croatia, Hungary and Bulgaria, for which earlier studies had already indicated an underestimation. The travel expenditure now being established by the new compilation method is also greater in the case of some long-haul destinations than the level previously published in the balance of payments. For example, the level of travel expenditure in 2001 was 13% higher in the case of the United States and 30% higher in the case of the developing countries.

All in all, the results of the household survey are fairly reliable in the case of foreign travel expenditure as a whole and in the case of the regional breakdown of the most important destinations. As already mentioned, this is confirmed by the corresponding results provided by the respective countries themselves. This means that the results of the sampling procedure can be used not only to close the information gap vis-à-vis the euro area. They can also be used for countries outside the EU despite the greater differences between the old and the new data.

While the direct survey provides a satisfactory quality of foreign travel data on the expenditure side, the side which is clearly of greater importance in Germany's case, the situation is less favourable on the receipts side. There is no substitute in this case for the loss of information on the use of cash. Consequently, travel receipts in the case of the euro-area countries can be estimated only on the basis of the data on payments made by ec cards and credit cards and by bank settlements that are still available. This information will be used in combination with the monitoring of possible changes in paying habits (for example, whether greater use is being made of cash instead of the ec card since the introduction of euro banknotes and coins in the destination country) to extrapolate total receipts from foreign travel. The accommodation statistics provided by the Federal Statistical Office are used to check the calculations. This provides a reliable indication of the trend for most of the euro-area countries. The

survey, if at all, with the result that reliable extrapolation is not possible.

corresponding data from the major partner countries are also included in the calculations. An increase of more than €1 billion is obtained on the receipts side as a result of the annual revision for 2001. However, this change is due mainly to late reports.

To prevent breaks arising from the changeover to the new system, a development which would be likely in the case of countries outside the EU in particular, country-specific and region-specific factors, which apply to earlier years (in some cases dating back to 1971), are calculated on the basis of the figures for the "link" year of 2001. Survey results for 2002 are already available up to the end of the third quarter. For the fourth quarter of 2002 and all subsequent years the initial results of the household survey will be available five months after the respective reporting period at the earliest, for example, not before the end of August 2003 in the case of the first quarter of 2003. For that reason provisional figures will have to be estimated. The existing trend up to the end of 2002 will be updated for all euro-area countries and other major destination countries and regions using an ARIMA estimate. The outcome of test calculations for 2001 has indicated that this is possible with acceptable results for a limited period. Analyses based on the remaining primary data will also be made in order to take account of special effects in 2002 – for example, the impact of the terrorist attacks of 11 September 2001.

Overall, the sample survey has reliably closed the gap that had arisen in foreign travel data in the euro area. Furthermore, the survey has the advantage that additional information on, for example, the reason for the trip (business or private), the duration of the trip, the mode of transport used and the percentage of package holidays is now available. As a result, the analyses of a wider range of issues will be possible. Owing to the increase in sampling error,² however, the availability of country results is restricted, and this must be seen as a disadvantage of the household survey. This is also the reason why in future quarterly and annual results will be published only for major destination countries and regions.