



BETTER DATA ON TRADE IN SERVICES FOR EFFECTIVE FFD STRATEGIES

Key messages

- Trade in services is a key driver of cross-border financial flows for developing countries. As digitalization transforms previously non-tradeable services into tradeable ones, the rapid growth of services trade continues outpacing merchandise trade, further increasing its significance in developing countries' current accounts.
- However, the lack of comprehensive data on trade in services may obscure the real challenges developing countries face in mobilizing finance for development, making it difficult to fully understand and address their financial needs.
- FfD4 may emphasize the importance of strengthening developing countries' capacity to identify, collect, and analyze services trade data, enabling more accurate assessments of their resource mobilization potential.

Problem statement

Trade is a critical component of a country's current account, which reflects cross-border monetary flows. As illustrated in Figure 1, from 2005 to 2023, merchandise trade made up 73 per cent and services trade 15 per cent of the current account for developing countries. Among developing countries, countries in sub-Saharan Africa demonstrate a high share of secondary income (or current transfer), which includes official development assistance (ODA).

RELEVANT ACTION AREAS



ABOUT THIS SERIES

The Financing Policy Brief Series has been prepared by the Inter-agency Task Force on Financing for Development to inform the substantive preparations for the Fourth International Conference on Financing for Development (FfD4), to be held in Sevilla, Spain, from 30 June to 3 July 2025.

The Inter-agency Task Force on Financing for Development is comprised of more than 60 United Nations Agencies and international organizations. The policy briefs in this series were not subject to review by Task Force Members, and represent the views of the authoring organizations.

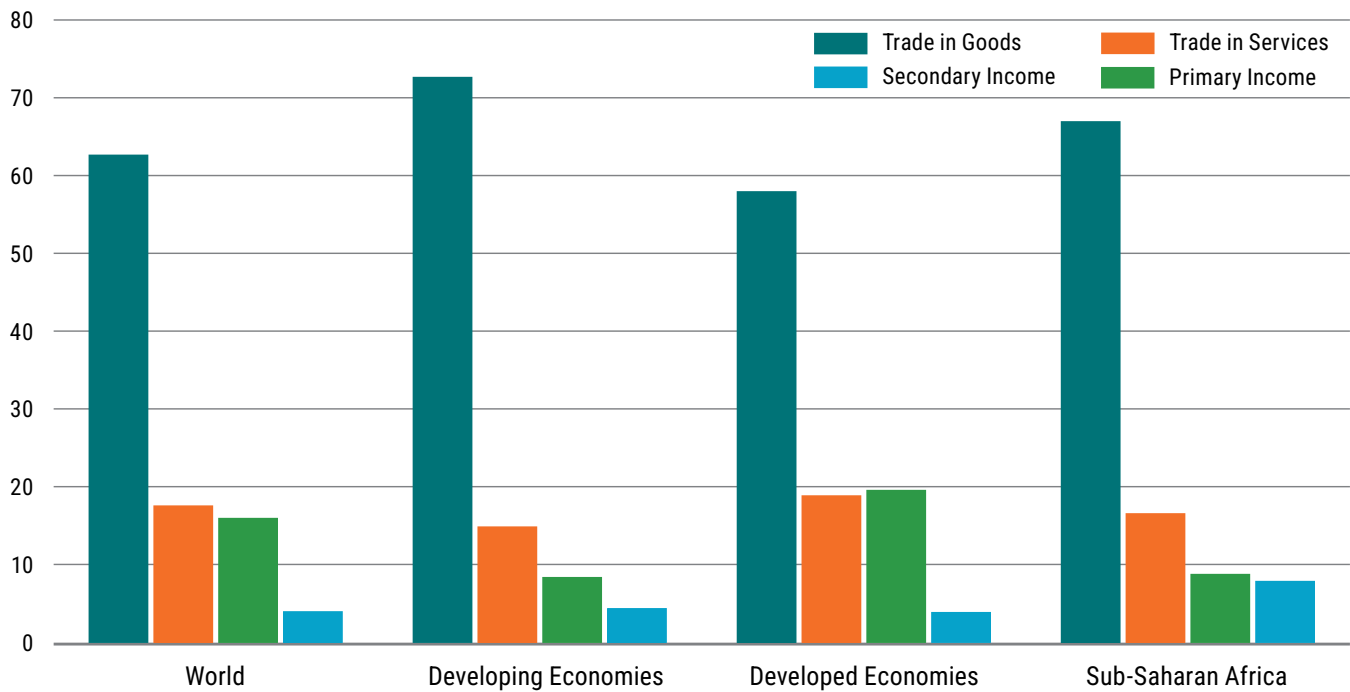
The full series is available at:
<https://financing.desa.un.org/iatf/report/financing-policy-brief-series>

MORE ABOUT THIS TOPIC

For further information on the topic of this brief, please see:



Figure 1.
Trade accounts for the lion's share of the current account, by sub-category and region, 2005-2023
(percentage)



Source: UNCTAD calculations based on IMF

Note: Country groups follow definitions of the International Monetary Fund (IMF): developing economies include emerging and developing economies and developed economies include advanced economies.

The weight of services in the current account is expected to increase in the coming years as the services trade has been growing at a faster rate than the merchandise trade across the world. Services trade significantly outperformed merchandise trade between 2005 and 2023, growing at a rate of 4.9 per cent annually compared to 3.5 per cent.¹ A significant driver of services trade growth is digitalization. Digital technologies have driven a paradigm shift in how services are supplied and consumed across borders. On the supply side, new data networks, digital tools, and platforms transform previously no-tradable services, such as education and training, health services and agricultural extension services.²

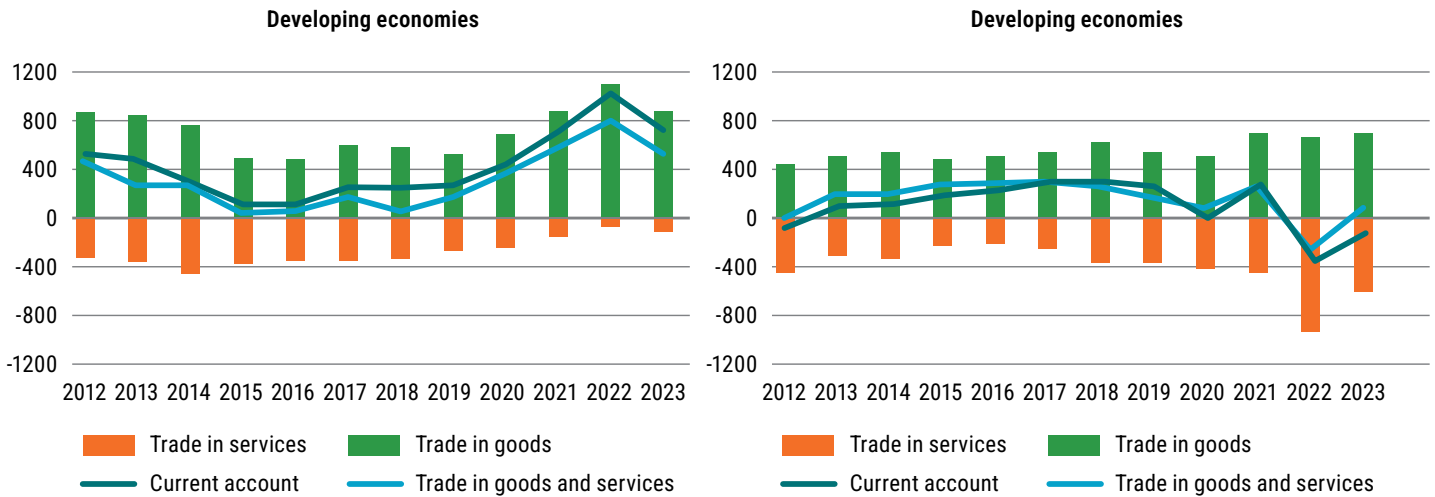
However, the services trade is grappling with a significant measurement issue. Many developing economies lack in comprehensive trade services data. According to UNCTAD's assessment of official statistics of 188 economies that were available in July 2023, less than 10 developing economies regularly publish data on services trade disaggregated by trade partners. The International Monetary Fund [Balance of Payments and International Investment Position Manual, 6th Edition \(BPM6\)](#) categorises services into twelve major items and over 120 subcategories. However, around two thirds of developing countries report data that goes beyond the 12 main BOP items, a figure that falls short of the 96 per cent reported by more advanced economies.

1. UNCTAD calculations based on UNCTADstat.

2. UNCTAD (2021), [Digitalization of services : What does it imply to trade and development ?](#) (UNCTAD/DITC/TNCD/2021/2).



Figure 2.
Balances in the current accounts
(US\$ billion)



Source: UNCTAD calculations based on UNCTADstat.

The lack of comprehensive data on trade in services may obscure the real challenges developing countries face in mobilizing finance for development, making it difficult to fully understand and address their financial needs. The currently available data indicate developing countries import more services than they export (Figure 2). However, missing accurate data may lead us to underestimate the extent of their services trade deficits, which in turn may lead to overestimating the domestically available finance in developing countries.

While collecting merchandise trade data from the customs data is straightforward, collecting services trade is complicated. A conventional data collection method has been through an international transactions reporting system (ITRS). An ITRS allows central banks to compile services statistics with information from domestic banks on international transactions. However, data obtained through ITRS are too aggregated to meet the standard suggested by the Manual on Statistics of the International Trade in Services 2010 (MSITS 2010).³

As services trade transactions take various forms, including transactions between private firms, collecting detailed and disaggregated data requires conducting surveys by national statistical offices (NSOs). In developed economies, surveys are replacing ITRS for collecting services trade data. NSOs send surveys to resident businesses listed in the national business or enterprise register. Administrative sources of data, such as employment, tax records or population registers, and firm-level big data, can complement the surveys.

The use of surveys and administrative or firm-level data is not yet widespread in developing countries as many of them lack crucial data and statistical infrastructure, such as statistical business registers and the necessary information technology capacity to handle large data volumes. The lack of trust among respondents can also present challenges when collecting data through several of these sources and methods.

3. United Nations Department of Economic and Social Affairs (2012), [Manual on Statistics of the International Trade in Services 2010](#) (ST/ESA/M.86/Rev. 1). The MSITS 2010 provides "an internationally agreed framework for the compilation and reporting of statistics of international trade in services (...) for more detailed, more comparable and more comprehensive statistics" of services trade.



Policy solutions

Ways to improve the collection of services trade data are well documented and tried, as discussed below.⁴

Building services trade statistical capacity: There are tools that help developing countries build capacity in identifying, collecting and assessing services trade data. [The Trade in Services Information System \(TiSSTAT\)](#), developed by UNCTAD, includes modules for survey management, data entry, cleaning, compilation, quality assurance and dissemination and allows collecting data on bilateral trade flows and modes of supply.⁵ [\[Insert information on the DA project in the East Caribbean.\]](#) The [Handbook on Measuring Digital Trade](#) published jointly by the IMF, the Organization for Economic Cooperation and Development (OECD), UNCTAD, the World Bank, and the World Trade Organization (WTO), provides standardized guidelines for collecting and reporting digitally-delivered services trade.

Improving or expanding data source: Foreign affiliates trade statistics (FATS) provide information on foreign affiliate firms operating in a host country which includes the net primary (factor) income in the current account. Countries can design the system to collect information on services delivered by foreign firms with a physical commercial presence in host countries. Value-added tax (VAT) data may provide information on bilateral services trade through foreign affiliation, ownership, employment, and income sources (domestic or foreign). Statistics Finland and the Turkish Statistical Institute (Turkstat) use VAT data to complement surveys to provide estimates for non-surveyed firms. The United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) investment data collected by the Financial Times to track activities of foreign affiliate firms and investment projects to complement traditional BOP data.

Integrating firm-level and big data: Using firm-level big data offers a promising avenue for enhancing services data collection. This approach complements targeted

surveys requires specific statistical methods, information technology to handle significant volumes of unstructured data, and a legal framework allowing access to private data for statistical purposes. Digitally deliverable services, such as payment cards and mobile phones can be relevant sources of big data. For instance, in Indonesia, the NSO employs mobile phone roaming data to improve tourism statistics such as the country of origin, time of arrival and departure, gate of entry and departure, length of stay, and destination countries. [The Voorburg Group on Services Statistics](#), created in 1986 to respond to a request from the United Nations Statistical Office to assist in developing services statistics, aims to “establish and maintain an internationally comparable methodology for measuring output and producer price indexes for the service industries”. In addition to traditional surveys, the Group uses diverse services data sources such as administrative data sources, corporate datasets, bank and credit data, and web scraping.

While valid, these approaches are currently isolated cases. It requires the international community’s concerted support to significantly improve developing countries’ data capacity and make their financing-for-development strategies more data-driven and evidence-based.

Specific recommendations for FFD4

The Fourth Conference on Financing for Development (FFD4) may consider the following recommendations.

FFD4 to:

- Reconfirm the pivotal role of trade as an engine for development, offering a promising pathway to strengthening domestic capacity for financing development.
- Recognize the critical role of robust data in financing for development, particularly the need for developing countries to have the capacity to collect and assess services trade data.

4. The information provided in this section is based on the UNCTAD [informal Working Group on Data for Services, Trade and Development Policies](#) findings. Since its establishment in 2022, the group has been dedicated to discussing services trade data gaps, showcasing innovative ways to use existing data as a proxy for services trade data, and sharing good practices. See [Report of the UNCTAD informal Working Group on Data for Service, Trade and Development Policies](#)

5. UNCTAD developed the tool in a joint project with the West African Economic and Monetary Union (UEMOA) and its member States.



- Urge the international community to support the development of the data and statistical infrastructure necessary to collect and handle data, including large data volumes.
- Promote sharing good practices in collecting and analysing services trade data and statistics for financing-for-development policymaking.