

Other Private Services

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Coverage and definitions

Other private services (lines 10 and 27) consist of all private services other than travel, passenger fares, other transportation, and royalties and license fees. The estimates are grouped by major service types—education, financial services, insurance services, telecommunications services, business professional and technical services, and other services (see [table 8](#)). The estimates for these services, except education, are based primarily on several surveys conducted by BEA. Education services are based primarily on private and government surveys of colleges and universities.

Estimation methods overview

BEA's other private services surveys cover a wide range of service activities. Both quarterly and benchmark surveys are conducted. Most business, professional, and technical services, and transactions in intellectual property rights, are collected on a BEA survey which captures receipts and payments for more than 30 types of services. For the quarterly survey, threshold reporting requirements are \$6 million for receipts and \$4 million for payments. The lower threshold for payments reflects the lower average size of purchases than of sales. Surveys of financial services and insurance services require separate surveys because of the specialized nature of these industries and their activities. Quarterly threshold reporting levels for financial services are \$20 million for receipts and \$15 million for payments, and for insurance services are \$2 million for both receipts and payments. Reporting on the quarterly surveys is mandatory. Mandatory benchmark surveys with lower reporting thresholds are conducted every 5 years.

Data from the surveys are collected by type of affiliation as well as by type of service. For exports, sales are the sum of unaffiliated receipts and affiliated receipts¹ (of U.S. parents from their foreign affiliates and of U.S. affiliates from their foreign parent groups²). For imports, purchases are the sum of

1. The term "affiliated" refers to a direct investment relationship, which exists when a U.S. person has ownership or control, directly or indirectly, of 10 percent or more of a foreign business enterprise's voting securities or equivalent, or when a foreign person has a similar interest in a U.S. business enterprise.

2. The term "foreign parent group" is defined as (1) the foreign parent, (2) any foreign person, proceeding up the foreign parent's ownership chain, that owns more than 50 percent of the foreign person below it, up to and including the ultimate beneficial owner, and (3) any foreign person, proceeding down the ownership chain(s) of each of these members, that is owned more than 50 percent by the person above it.

unaffiliated payments and affiliated payments (by U.S. parents to their foreign affiliates and by U.S. affiliates to their foreign parent groups).

The presentation of exports and imports of services in the conventional sense—that is, services that cross borders—is supplemented by services supplied through the channel of direct investment by affiliates of multinational companies (MNCs). This approach recognizes the importance of proximity of customers in the delivery of services, which leads many MNCs to serve foreign markets, at least in part, through their affiliates that are located in, but owned outside of, the markets they serve. In recent years, the majority of services both supplied and obtained by the United States in international markets has been through affiliates. These data are obtained from a reporting system separate from the reporting system for cross-border transactions but are presented annually alongside the cross-border data in order to achieve a complete picture of U.S. international sales and purchases of services. Only the cross-border data are used in the international transactions accounts.

1 U.S. Other Private Services Receipts (line 10)

2 U.S. Other Private Services Payments (line 27)

1.1 Education

1.1.1 Receipts.—This item measures foreign students' education expenditures in the United States. Foreign students are defined as individuals enrolled in institutions of higher education in the United States who are not U.S. citizens, immigrants, or refugees. Data on the number of students are obtained from an annual survey of about 2,700 accredited U.S. institutions, conducted by the Institute for International Education (IIE). Characteristics of the population used in the estimates include the geographic area of origin (residence), type of institution (public or private), enrollment status (part-time or full-time), and academic level of institution (2 year, 4 year, or university).

1.1.2 Estimates of average expenditures for tuition and for room and board are developed from annual surveys of most U.S. accredited institutions conducted

by the National Center for Education Statistics, U.S. Department of Education, and matched by BEA to the characteristics of the student population. Data on living expenses are based on Bureau of Labor Statistics, U.S. Department of Labor, estimates of low-income-level family budgets in metropolitan and nonmetropolitan areas, reduced to a single person, and adjusted for inflation each year. Estimates of foreign students' expenditures are made by multiplying the number of students by average expenditures.

1.1.3 Other transactions in the current account partly offset these receipts. Surveys of the foreign student population by IIE indicate that most of their education is financed from sources abroad. A small amount of their education, however, is financed from sources within the United States—through scholarships from colleges, universities, private corporations, or other nonprofit institutions. These U.S. payments to foreigners are entered in private remittances and other transfers (line 38). Financial contributions (grants) from the U.S. government are included in U.S. government grants (line 36), but are not separately identifiable. In addition, wages earned from employment, also developed from the IIE survey, are included in compensation payments (line 34).

1.1.4 Payments.—This item measures U.S. students' expenditures abroad. Students consist of U.S. residents who receive academic credit for study abroad from an accredited institution of higher education in the United States, and students who enroll directly with foreign institutions, including medical students, and receive no academic credit from U.S. institutions. The total of U.S. students' expenditures abroad is the sum of the estimates for the two groups of students.

1.1.5 For students who receive academic credit from U.S. institutions, data on the number of students are obtained from an annual survey of about 1,300 U.S. institutions conducted by the Institute of International Education. Characteristics of the population used in the estimates include country of study, type of institution (public or private), and academic level of institution in the United States (2 year, 4 year, or university). Data do not include students who study

abroad without receiving academic credit from a U.S. institution, or students enrolled for a degree overseas.

1.1.6 Student payments to U.S. colleges and universities for tuition and room and board are assumed to be forwarded to foreign institutions. Estimates of average expenditures for tuition and room and board are developed from an annual survey of most accredited U.S. institutions; the survey is conducted by the National Center for Education Statistics, U.S. Department of Education. Average living expenses are estimated by applying a ratio of U.S.-to-foreign living costs to the low-income-level family budget series developed for foreign students who study in the United States. Estimates of U.S. students' expenditures abroad are made by multiplying the number of students by average expenditures for tuition and room and board and for average living expenses.

1.1.7 For students who enroll directly in foreign institutions and receive no academic credit from U.S. institutions, supplemental estimates of education payments for the United Kingdom, Australia, Canada, and Ireland, based on national data from those countries, are used to capture U.S. students' expenditures.

1.2 Financial services

1.2.1 This item measures gross receipts and gross payments for financial services, primarily those for which an explicit commission or fee is charged; implicit fees for bond transactions are also included. Activities covered for which an explicit commission or fee is charged include (1) brokerage services related to equities, such as commissions and fees for executing orders to purchase or sell securities; (2) brokerage services for executing orders to purchase or sell forwards, futures, options, and swaps and other financial instruments, including brokerage of foreign currencies, whether conducted on organized exchanges, in over-the-counter markets, or over Internet and Electronic-communications networks; (3) underwriting and private placement services for both equities and bonds; (4) financial management fees for administering portfolios of cash, securities, financial derivatives, and other financial instruments; (5) credit-related services, except card services, such as for establishing and maintaining standby letters of credit, arranging

mortgages, performing factoring services, issuing financial guarantees and loan commitments, and arranging or entering into financial lease contracts; (6) credit card services, such as transaction and service fees, interchange fees, and currency-conversion fees; (7) financial advisory and custody services, such as financial advisory services on mergers and acquisitions, commodity trading services, and custody services; (8) securities lending services; (9) electronic funds transfer services; and (10) other financial services, such as asset pricing services, check processing fees, and securities or futures clearing and settling services.

1.2.2 Gross receipts and payments for bonds are also included, but bonds are generally not traded on a commission or fee basis. Rather, receipts and payments on bond transactions are measured by the difference between bid and ask prices, based on market data from industry sources, multiplied by transactions volume.

1.2.3 Because of the high concentration of firms in the international financial services industry, not all of the individual categories presented above can be shown separately. The combined categories, which prevent disclosure of individual company information, are securities transactions (consisting of brokerage services and underwriting and private placement services); management and advisory transactions (consisting of financial management services and financial advisory and custody services); credit card and other credit-related transactions (consisting of credit card and other credit-related services); and other transactions (consisting of securities lending, electronic funds transfer, and other financial services).

1.2.4 Insurance services are excluded from this group of financial services; their estimation is presented in the following section.

1.3 Insurance services

This item measures insurance receipts and payments for both reinsurance and primary insurance. It consists predominantly of premiums, premium supplements in the form of investment income, and claims payable. A small amount is added to these estimates to cover auxiliary insurance services.

1.3.1 Premiums and investment income represent the inflow of resources to the insurance company, whereas the claims due are the resources payable to the policyholders. The margin between these inflows and outflows is the amount available to the insurance company to cover its costs and provide an operating surplus. The margin represents the value of insurance services provided.

1.3.2 While premiums and investment income usually exhibit relatively stable patterns from one quarter to the next, claims payable, which are subtracted from premiums and investment income, can exhibit considerable volatility from quarter to quarter. Thus, the resulting measure of insurance services (or output) can be erratic, or even negative in periods of catastrophic events. In such cases, a longer-term view of claims behavior is necessary.

1.3.3 In order to deal with fluctuating loss settlements, insurance services are measured as premiums less “normal” losses, where normal losses are inferred from the relationship between actual losses and premiums averaged over several years. This method approximates the process insurance companies use to set premiums. Insurance firms maximize expected profits by setting premiums that cover expected losses and other costs. In a practical sense, because no information is available on what companies expect, an indicator of expectations is employed. A readily available indicator is the average of past actual losses in relation to premiums.

1.3.4 **Regular and catastrophic losses.**—Normal, or expected, losses are comprised of losses that occur regularly and a share of catastrophic losses that occur at infrequent intervals. Separate estimates are made for the two types of losses. For regularly occurring losses, the average of past actual losses in relation to premiums is calculated based on annual data averaged over a 6-year period using an arithmetic moving average. Catastrophic losses occur with much lower frequency than regularly occurring losses. Insurance companies realize and expect that catastrophes will occur occasionally and allow for this in setting premiums. Because the possibility of catastrophes is a part

of insurance company plans, catastrophes do affect premiums, expectations of losses, and the volume of services. However, because catastrophic losses occur much less frequently than regularly occurring losses, they are assumed to affect loss expectations over a much longer time period. Catastrophic losses are added in equal increments to the estimate of regularly occurring losses over the 20 years following their occurrence to derive an estimate of normal losses. Thus, only a small fraction of catastrophic losses is factored into each year’s estimate of insurance services.

1.3.5 **Offsetting entries.**—While this methodology reflects the widespread industry practice of setting premiums based on expected regularly occurring losses and expected catastrophic losses, total expected losses always differ from total actual losses, sometimes by large amounts. The amount of this difference, which reflects transfers between policyholders and insurance providers, must be entered with the opposite sign as an offset elsewhere in the accounts.

1.3.6 For regularly occurring losses, the difference between expected losses and actual losses is calculated each quarter and is entered in *unilateral current transfers*. This figure, which is normally positive, represents transfers from policyholders to insurance providers who hold the funds in reserve in anticipation of future losses. When negative, it represents a transfer from insurance providers to policyholders. The difference is calculated separately for insurance receipts and for insurance payments, and for reinsurance and for primary insurance. This treatment removes much of the volatility in the services accounts that can be caused by large swings in actual losses. These swings have little to do with the provision of insurance services, which are presumed to occur on a more or less regular basis.

1.3.7 For catastrophic losses, the full amount of the insured loss is entered as a transfer in the *capital account* in the quarter in which the event occurs. This amount is not included in the offset included in unilateral current transfers. This treatment considers the recovery of losses as an increase in financial assets, rather than an increase in current economic activity

that would have been implied if it was combined with regular losses in unilateral current transfers. The treatment also removes a significant source of volatility in the current-account balance. The decision as to what constitutes a catastrophic loss is made on a case-by-case evaluation of each major event or insured loss.

1.3.8 Premium supplements.—Insurance companies provide insurance services to policyholders through the pooling of risks, and they provide financial services through the investment of reserves. Earnings from the investment of reserves are deemed to be the property of policyholders and permit insurance companies to set premiums lower than if these reserves were not available as a source of income. To recognize this, these earnings are entered as an imputed component of insurance services, reflecting the view that the earnings are “paid” to policy holders in the form of lower premiums than would otherwise have been necessary. The offsets to these imputations are in other private income receipts (line 15) or other private income payments (line 32).

1.3.9 Estimates of insurance services are based on survey data and company reports. Separate calculations are prepared for reinsurance and primary insurance. A small amount is added to these estimates to cover auxiliary services such as agents’ commissions and insurance brokering and agency services. Most activity is in reinsurance where U.S. purchases from foreign reinsurance companies exceed by a large amount foreign purchases of reinsurance from companies in the United States. Many reinsurance transactions are concentrated in offshore financial centers and in a few large financial centers.

1.4 Telecommunications services

1.4.1 This item measures gross receipts and gross payments for international telecommunications services; transactions are separated into those with unaffiliated entities and affiliated entities. Included are receipts and payments for (1) message telephone services, telex, telegram, and other jointly provided basic services; (2) private leased channel services; (3) value-added services such as (a) electronic mail, voice mail,

code and protocol processing, and management and operation of data networks, (b) facsimile services and video-conferencing, (c) Internet connections, including online access services, Internet backbone services, router services, and broadband access services, (d) business communication and paging services provided by satellite connection, (e) telephony, interactive voice response, virtual private networking, remote access services, and voice over internet protocol, and (f) other value-added (enhanced) services; (4) support services related to the maintenance and repair of telecommunications equipment and ground station services; and (5) reciprocal exchanges such as transactions involving barter.

1.5 Business, professional, and technical services

This item measures computer and information services (subdivided into computer and data processing services and into database and other information services); management and consulting services; research, development, and testing services; operational leasing services; and other business, professional, and technical services. The last category is subdivided into accounting, auditing, and bookkeeping services; advertising services; architectural, engineering, and other technical services; construction services; industrial engineering services; installation, maintenance, and repair of equipment services; legal services; medical services; mining services; sports and performing arts services; trade-related services; and training services.

1.5.1 Computer and information services includes both (a) computer and data processing services, such as data entry processing; computer systems analysis, design, and engineering; custom software and programming services; and (b) database and other information systems, such as the provision of business and economic database services, including business news, stock quotation, and financial information services; medical, legal, technical, demographic, bibliographic, and similar database services; general news services, such as those purchased from a news syndicate; and reservation services and credit reporting and authorization systems.

1.5.2 Management and consulting services includes management, consulting, and public relations services, and amounts received by a parent company from its affiliates for general overhead expenses related to these services.

1.5.3 Research, development, and testing services includes commercial and noncommercial research, basic and applied research, and product development services.

1.5.4 Operational leasing measures receipts and payments under operating leases of 1 year or less and net rent on operating leases of more than 1 year (for definition of an operating lease, see the chapter "Goods"). From the lessor's viewpoint, total lease payments for operating leases consist of two components: (1) Net rent, which covers interest, administrative expenses, and profit, and (2) depreciation, which is a return of capital. For operating leases of 1 year or less, total lease payments—both net rent and depreciation—are included in the account. Depreciation is included here, rather than in the direct investment financial account, because it is considered part of rentals—a receipt for services rendered by, rather than a return of capital to, the lessor. For operating leases of more than 1 year, only net rent is included in the account; depreciation is included as an intercompany debt flow in the direct investment financial account.

1.5.5 Included in operational leasing are rentals for computer and data processing equipment, ships and aircraft without crew or operators, railway cars, containers, drilling rigs, and machinery and equipment.

1.5.6 Receipts and payments for installation, maintenance, alterations, and training, available from the BEA survey, are supplemented by data on repairs of equipment from the U.S. Census Bureau's foreign trade data.

1.5.7 Receipts for construction services, mining services, and engineering, architectural, and surveying services are recorded net of goods exports from the United States associated with these services (which

are included in goods exports) and net of outlays abroad for wages, services, materials, and other expenses. Payments for construction and related services are not recorded net of goods imports from abroad and net of outlays in the United States for wages, salaries, materials, and other expenses. These adjustments are believed to be small and therefore are not collected.

1.5.8 Medical services receipts measure medical services provided to foreign residents admitted to U.S. hospitals as inpatients, as well as to outpatients and to those who seek emergency room treatment. Receipts for inpatients are estimated based on a comprehensive 1995 BEA study, updated in 2005, that collected data on inpatient and outpatient headcounts with associated actual charges for staff physicians' fees, tests, drugs, and room and board as obtained from state regulatory agencies, hospital administrators, university hospitals, and hospitals in major foreign visitor destinations. Outpatient prescription and nonprescription drugs are not included. These hospital data are used to estimate medical receipts for additional U.S. hospitals that are perceived to service smaller numbers of foreign patients, as well as for outpatient and emergency room services. These estimates are extrapolated forward using price indexes for hospital and related services from the U.S. Consumer Price Index series.

1.5.9 Medical services payments are based on BEA estimates of the share of U.S. travelers abroad requiring medical treatment, which are derived partly from information on foreigners seeking medical care in the United States, and the average cost per treatment, based on data from the OECD. The estimates also include payments by U.S. residents who travel to Mexico and Canada for medical purposes, such as cosmetic surgery and dental procedures.

1.5.10 Merchanting services (exports only) are measured as the difference between the cost and resale value of goods that are both purchased and resold abroad; that is, the goods are neither exported from, nor imported to, the United States and they do not undergo significant processing during the time between when they are purchased and resold.

1.5.11 Trade-related services, other than merchandising services, include auction services (including online), transactions fees for business to business (B2B) exchanges conducted over the Internet, and commissions or “finders’ fees” to independent sales agents.

1.6 Other services (receipts)

This item measures U.S. receipts arising from expenditures by foreign governments in the United States; expenditures by international organizations in the United States; expenditures of foreign residents who commute to work in the United States; expenditures of other foreign workers employed temporarily in the United States; film and tape rentals receipts; and trade union receipts. Data for this item are collected from a variety of public and private sources. Film and tape rental data are from a BEA survey.

1.6.1 Expenditures by foreign governments in the United States.—This item measures expenditures associated with diplomatic activities in the United States. The expenditures cover the costs of operating embassies in Washington, DC, consular offices, and missions to the United States and to the United Nations, including rents, utilities, maintenance, and other expenditures. These expenditures are estimated by applying an average dollar-per-person figure to the number of each government’s diplomatic personnel in the United States. Estimates of average expenditures, based on earlier studies, are extrapolated each year.

1.6.2 Expenditures by international organizations in the United States.—This item measures operational and administrative expenditures by international organizations in the United States, including rents, utilities, maintenance, and other expenditures. Expenditures, based on earlier studies, are extrapolated each year.

1.6.3 Expenditures of foreign residents who commute to work in the United States.—This item measures the expenditures of Mexican and Canadian residents who commute to work in the United States. The estimates of expenditures are based on these workers’ earnings in the United States, which are in-

cluded in compensation of employees (line 34). A relatively small share of these earnings is assumed to be spent on U.S. goods and services and a small fraction of that is assumed to be consumed in the United States; the remainder represents purchases of goods taken to Mexico or to Canada for consumption. For Mexican commuters, the assumed spending pattern is based on earlier studies and BEA consultations with local authorities, U.S. Customs and Border Protection personnel, bankers, retailers, and employers in the United States-Mexican border area. For Canadian commuters, data are provided to BEA by Statistics Canada on a quarterly basis.

1.6.4 Expenditures of other foreign residents employed temporarily in the United States.—This item measures expenditures in the U.S. economy of foreign workers employed by foreign governments, expenditures of West Indies workers, and expenditures of foreign professionals temporarily residing in the United States, such as artists, athletes, consultants, and teachers.

1.6.5 Film and tape rentals.—This item measures receipts for the sale or rental of motion picture and television films and tapes distributed or exhibited abroad. Mainly for practical reasons, sales are included with rentals as services transactions because sales are primarily for distribution and exhibition rights. The cost of the physical films and tapes is usually very small and is excluded from U.S. goods exports (line 3). As of June 2011, beginning with estimates for 1999, film and tape rentals receipts are reclassified within services to royalties and license fees receipts and renamed distribution rights for film and television recordings.

1.6.6 Trade union receipts.—This item measures dues paid by affiliated Canadian local unions to U.S. national trade unions, mainly in the automotive industry.

1.7 Other services (payments)

This item measures expenditures of U.S. residents employed temporarily abroad, film and tape rental payments, and trade union payments. Data for this item are collected from a variety of public and private

sources. Film and tape rental data are from a BEA survey.

1.7.1 Expenditures of U.S. residents employed temporarily abroad.—This item includes expenditures of U.S. residents employed temporarily abroad. The estimates are based in part on IRS data on foreign earned income.

1.7.2 Film and tape rentals.—This item measures payments by U.S. film distributors for the purchase or rental of motion picture and television films and tapes distributed or exhibited in the United States. Mainly for practical reasons, purchases are included

with rentals as services transactions because payments are primarily for distribution and exhibition rights. The cost of the physical films and tapes is usually very small and is excluded from U.S. goods imports (line 20). As of June 2011, beginning with estimates for 1999, film and tape rentals payments are reclassified within services to royalties and license fees payments and renamed distribution rights for film and television recordings.

1.7.3 Trade union payments.—This item measures the financial benefits, including strike benefits, paid by U.S. national trade unions to Canadian local unions.

**Table 8. U.S. Other Private Services
Receipts and Payments, 2009 (Line 10 and Line 27)**

[Millions of dollars]

| | Receipts | Payments |
|---------------------------------------------------------------|----------------|----------------|
| Total | 238,332 | 168,892 |
| By affiliation: | | |
| Unaffiliated..... | 160,160 | 101,914 |
| Affiliated | 78,172 | 66,978 |
| By U.S. parents from their foreign affiliates..... | 53,636 | |
| By U.S. affiliates from their foreign parent groups..... | 24,536 | |
| By U.S. parents to their foreign affiliates | | 46,687 |
| By U.S. affiliates to their foreign parent groups..... | | 20,291 |
| By type of service: | | |
| Education..... | 19,911 | 5,583 |
| Financial services | 55,446 | 16,454 |
| Insurance services..... | 14,651 | 55,233 |
| Telecommunications | 9,284 | 7,048 |
| Business, professional, and technical services..... | 116,629 | 81,995 |
| Computer and information services | 13,378 | 17,181 |
| Computer and data processing services..... | 8,575 | 16,263 |
| Data base and other information services | 4,803 | 917 |
| Management and consulting services..... | 28,191 | 22,250 |
| Research, development, and testing services | 18,234 | 15,753 |
| Operational leasing | 7,718 | 1,078 |
| Other business, professional, and technical services | 49,108 | 25,733 |
| Accounting, auditing, and bookkeeping | 1,029 | 2,178 |
| Advertising | 3,970 | 2,339 |
| Architectural, engineering, and other technical services..... | 5,687 | 1,052 |
| Construction | 1,103 | 743 |
| Industrial engineering..... | 4,976 | 3,679 |
| Installation, maintenance, and repair of equipment | 11,187 | 6,168 |
| Legal services | 7,256 | 1,700 |
| Medical services | 2,623 | 879 |
| Mining..... | 2,923 | 703 |
| Sports and performing arts | 1,099 | 492 |
| Trade-related services..... | 4,234 | 1,118 |
| Training services | 1,565 | 867 |
| Other | 1,456 | 3,816 |
| Other services..... | 22,411 | 2,579 |
| Film and television tape rentals..... | 13,809 | 1,938 |
| Other | 8,602 | 641 |