Goods sent abroad for processing

A new treatment in ESA 2010
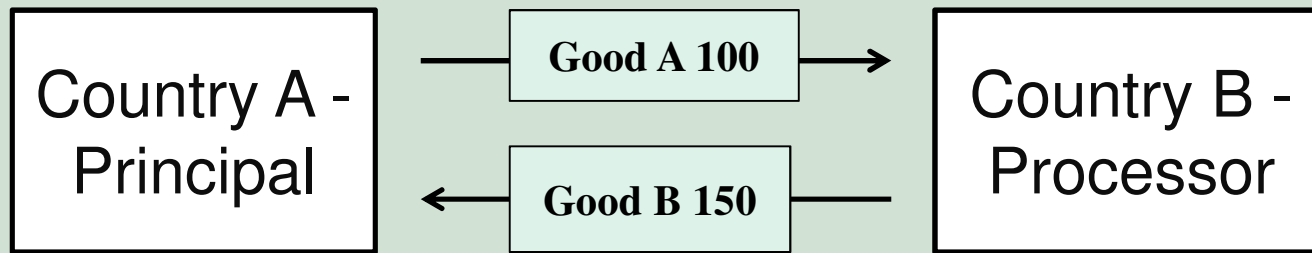
Maria Nilsson, Statistics Denmark

Goods sent abroad for processing

- Background

- Treatment in ESA 1995

- Treatment in ESA 2010

- Issues new treatment.

Background

- ESA 1995:

  - Physical movement of goods.

  - Import and export of goods recorded in National Accounts.

- ESA 2010:

  - Ownership of goods and raw material.

  - Import and export of processing (service).

STATISTICS DENMARK

Example – ESA 1995

Country A - Principal → Good A 100 → Country B - Processor
Country B - Processor → Good B 150 → Country A - Principal

- Import and export of goods recorded (gross).
- Country A produces Good A to a value of 100, with input of goods and services for 70 and import services for 50.
- Country B produces processing for a value of 50 with an input of goods and services for 30.
- Country A sell processed for 160 and has a total intermediate consumption of 120 (70+50).

STATISTICS DENMARK

Example 1. – in basic statistics

	Country A	Country B
Business Accounts:		
Production		
Goods	160	
Services		50
Intermediate Consumption:		
Goods	50	20
Services	20 + 50	10
Value Added	**40**	**20**
In Foreign Trade Statistics:		
Import	150	100
Export	100	150

STATISTICS DENMARK

Example 1- ESA 1995

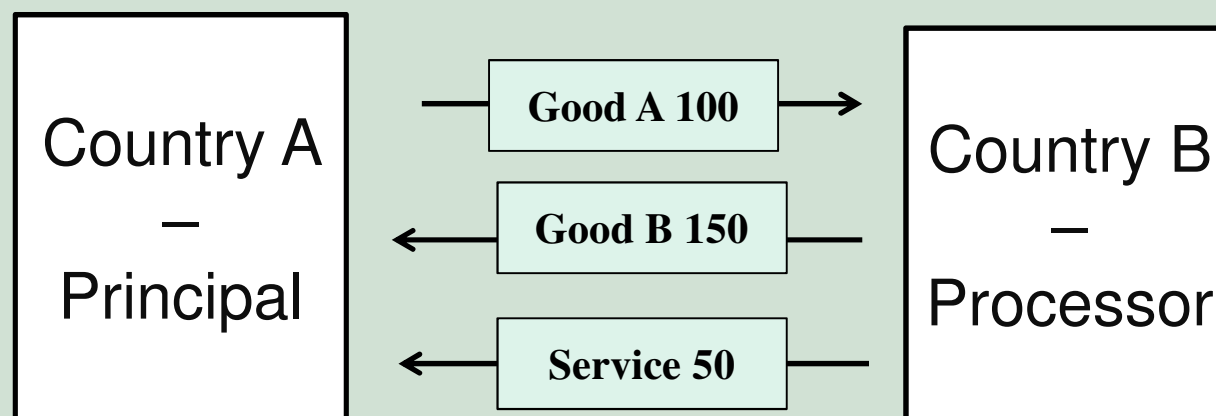|	Country A	Country B
In National Accounts:		
Production		
Goods	160 + 100	150
Services		~~50~~
Intermediate Consumption:		
Goods	50 + 150	20 + 100
Services	20 + ~~50~~	10
Value Added	**40**	**20**
Foreign Trade in NA		
Import	150	100
Export	100	150

STATISTICS DENMARK

Example 1- ESA 1995

- In Country A's National Accounts:
  - Export to country B of good for processing is added to production.
  - Import of processed good from country B is added to IC and replace import of processing fee.
  - Value added is unaffected.

STATISTICS
DENMARK

Example 1- ESA 1995

- In Country B's National Accounts:
  - The export of processed good to country A is imputed as production and replaces production of process-service.
  - The import of good to processing from Country A is imputed as intermediate consumption.
  - Value added is unaffected.

STATISTICS
DENMARK

Example 1 – ESA 2010

Country A – Principal

Good A 100 →
← Good B 150
← Service 50

Country B – Processor

- Only import of service (processing) recorded.

- Import and export of goods not effected.

STATISTICS DENMARK

Example 1 - ESA 2010

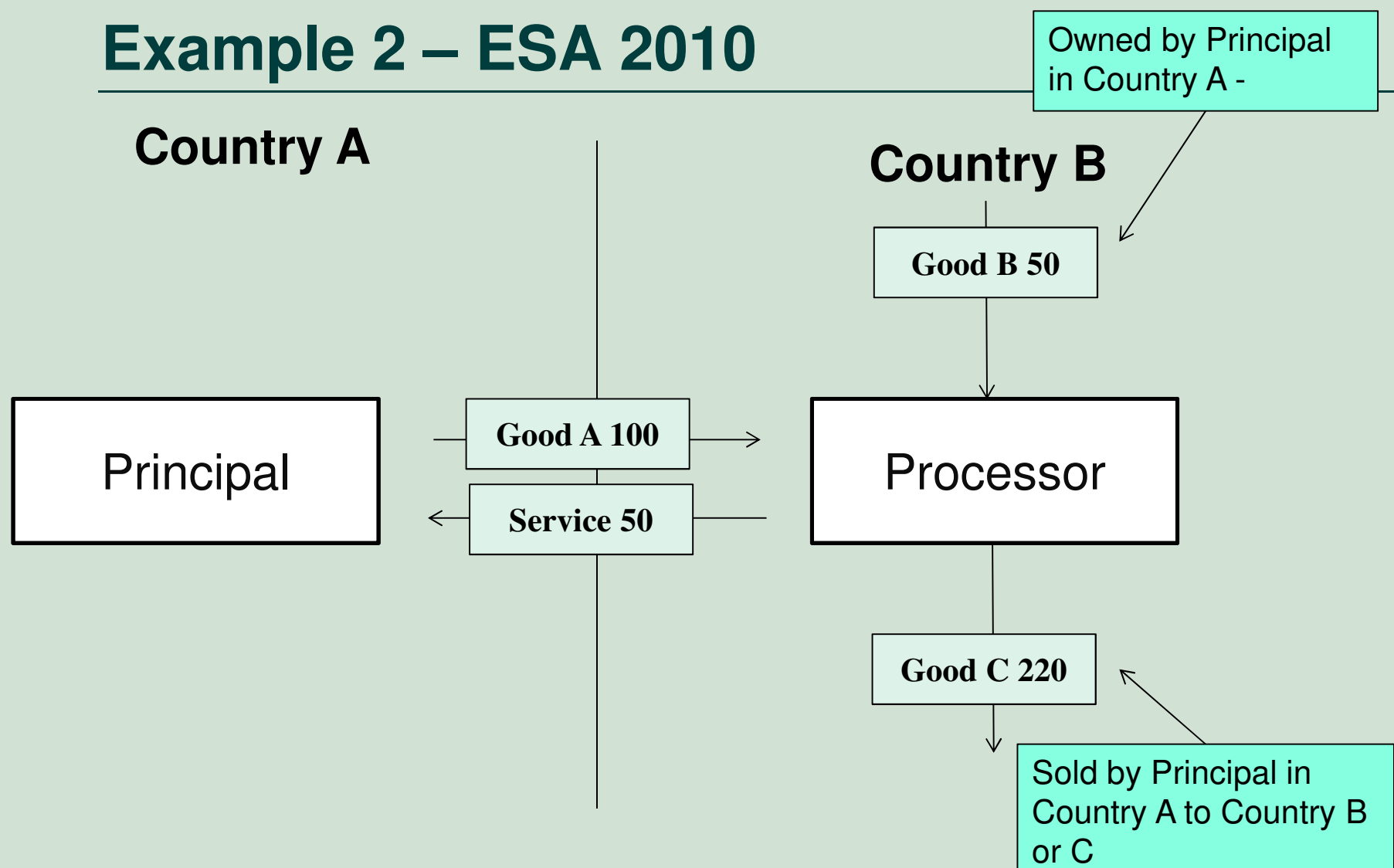|	Country A	Country B
In National Accounts:		
Production		
Goods	160	
Services		50
Intermediate Consumption:		
Goods	50	20
Services	70	10
Value Added	**50**	**20**
Foreign Trade in NA:		
Import	50 (services)	
Export	0	50 (services)

STATISTICS
DENMARK

Example 1 – ESA 2010

- Registration in NA according to Business Accounts – no imputations made.

- Import and export of goods for processing are removed from foreign trade and replaced with a service in National Accounts.

STATISTICS DENMARK

Example 2

- Principal in Country A:
  - Export good A for processing to Country B.
  - Buy good B in country B to be processed together with good A.
  - Good C consists of good A and B processed together in Country B.
  - Country A sells good C 220.

Example 2 – ESA 2010

Country A

Country B

Owned by Principal in Country A -

Principal

Good A 100

Service 50

Good B 50

Processor

Good C 220

Sold by Principal in Country A to Country B or C

STATISTICS DENMARK

Example 2 - ESA 2010

	Country A	Country B
Production		
Goods	220 (good C)	
Services		50
Intermediate Consumption:		
Goods	100 + 50 (good A+B)	20
Services	50	10
Value Added	20	20
Import	50 (services)	220 (good C)
Import	50 (good B)	
Export	220 (good C)	50 (service)

STATISTICS DENMARK

Example 2 – in National Accounts

- Production and IC i NA according to Business accounts.

- Foreign Trade Statistics need to be modified for use in NA:

  – Good A should be removed from import and export of goods.

  – Good B and C need to be added to import and export of goods.

  – Processing fee added to BoP.

Issues

- Processing fee need to be recorded in Balance of Payment and NA.

- Need to identify and remove goods imported or exported for processing in NA.

- Sale to or from third country need to be added to the import and export of goods in NA

STATISTICS DENMARK

Task force in Eurostat

- Two meetings held, next and last meeting in June

- Codes in intrastat and exstrastat (FTS) for goods for processing.

- Sale to or from third country hard to catch in intrastat/exstrastat.

STATISTICS DENMARK

Goods sent abroad for processing

- In survey on trade and services ask:
  - Value of process fee
  - total value of goods imported or exported for processing.
- Identifying goods for processing i Supply and Use-tables:
  - Codes in FTS and ?

STATISTICS
DENMARK

Summary

- Ownership matters and not physical movement of goods.

- Processing Fee must be recorded in BoP and NA.

- Goods imported or exported for processing need to be removed from NA's import and export.

- Sale to or from third country need to be added to NA import and export.

STATISTICS DENMARK