



Globalization TT: Valuation of imports & exports in the SNA

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National Accounts

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Outline

- Options considered
- Consultation results
- Impact of adopting transaction values
- Changes required to the SNA
- Timeline

Valuation of imports and exports: options considered

1

Option 1: changing the recommended treatment of domestic transportation back to the recommendations before the 1993 SNA.

- transport services would always be treated as services, and never integrated with the value of the good.



Advantages:

- value domestic and international transactions consistently,
- have a uniform point of valuation,
- align the treatment of transport services in the SNA and BPM.



Disadvantages:

- change in the valuation concepts and methods currently adopted in the 2008 SNA (e.g., basic, producer, and purchaser prices, treatment of transport margins in the adjustments needed to trade data in the SUT framework).

Valuation of imports and exports: options considered

2

Option 2: maintaining the recommendation of the 2008 SNA to record imports and exports using an FOB-type valuation.



Advantages:

- maintain the consistency between the SNA and the BPM,
- does not cause a break in series,
- no costs to users in adapting to new information.



Disadvantages:

- not fully reconciled with the 2008 SNA recommendation to value output at basic prices and with the treatment of domestic transactions,
- additional clarification concerning certain areas would still be needed.

Valuation of imports and exports: options considered

3

Option 3: changing the SNA recommendation for the valuation of imports and exports to the observed transaction value.



Advantages:

- enhanced consistency within the SNA with the general valuation principle of recording output at basic prices.



Disadvantages:

- inconsistency between the 2008 SNA and the BPM6
- imply changes in the treatment of international transport margins in the adjustments needed to trade data in the SUT framework.



If considered, this option **requires a discussion** on the treatment of goods, transportation, and insurance services in the balance of payments statistics.

- the CATT was requested to provide its views on:
 - a) the possibility of adopting Option 3 from a conceptual perspective.
 - b) the outcome if a no change in the current BPM standards concerning the valuation of imports and exports is favored.

Valuation of imports and exports: consultation results

Conceptual aspects

Globalization Task Team (GZTT):

- **Option 3 was favored by most members on a conceptual level**, pending another round of consultation.
- **GZTT members suggested further consultations on the practical considerations of Option 3:** (i) need for new data sources, (ii) difficulty in obtaining accurate transaction values, and (iii) need for harmonizing with other statistical manuals (namely, with *IMTS 2010*).

2019 Joint IMF-OECD Survey:

- **50 percent of respondents were unfavorable to the proposal to use transaction values as the valuation principle for both goods and transportation services.**

Valuation of imports and exports: consultation results

Practical aspects

Globalization Task Team (GZTT):

- In general, **transaction values for IMTS are available** from customs documents in the economies of the GZTT members, **but access might be challenging**.
 - However, some major trading economies indicated transaction values are **not** available from customs documents (United States, Canada, and Australia for exports)
- **Most members have not conducted studies** on the difference between invoice value and CIF or FOB valuation and on the quality of invoice value data.

2019 Joint IMF-OECD Survey:

- Most respondents considered that **it is not practically feasible** to develop balance of payments statistics for trade in goods and freight transactions using invoice values.
- Some concerns include (i) the lack of complete and accurate available data; (ii) the impossibility of using data from corporations' records; (iii) the need for inter-agency collaboration; or (iv) the lack of detailed data on transport services.

Availability of transaction values: Responses across various surveys & some diverging...

| Economy | GZTT Consultation | | IMF-OECD Survey | UNSD IMTS Survey |
|---------------------|---|-------------------------------|-------------------------------------|----------------------------------|
| | Availability of invoice values in customs documents | Access by NSO or other agency | Feasibility of using invoice values | Invoice price maintained in IMTS |
| Australia | Yes (imports); No (exports) | Yes (imports); No (exports) | | Yes |
| Brazil | Yes | Yes | No | Yes |
| Canada | No | No | | Yes |
| China | Yes | Yes | No | No |
| Germany | Yes | Yes | | Yes |
| Ireland | Yes | Yes/No | | Yes |
| Kenya | Yes | No | | |
| Kingdom of Eswatini | Yes | Yes | | |
| Madagascar | Yes | Yes | | Yes |
| Malawi | No | No | | Yes |
| Malaysia | Yes | Yes | NA | Yes |
| Mauritius | Yes | No | Yes | Yes |
| Morocco | Yes | No | | No |
| Netherlands | Yes | Yes | | Yes |
| Norway | Yes | Yes | | Yes |
| Russian Federation | Yes | No | No | |
| Rwanda | Yes | Yes | | No |
| United Kingdom | Yes/No | Yes | | Yes |
| Uruguay | Yes | Yes | | |
| USA | No | No | | No |
| Zambia | Yes | Yes | | |
| Zimbabwe | Yes | Yes | | |

Valuation of imports and exports: consultation results

Consultation on Guidance Note (ongoing) – initial feedback

Globalization Task Team (GZTT):

- Not clear if countries consider the issue **material enough** for the benefits of changing the current principle to outweigh the costs.
- Some countries are still **investigating the possibility of using invoice values** or completing other studies.

Current Account Task Team (CATT):

- Countries list **advantages and disadvantages** of all options, that need to be reflected in the guidance note.
- **Preference for harmonization** of the statistical standards.
- **Should other options be investigated?**

Valuation of imports and exports: impact of adopting transaction values

Conceptual aspects

National Accounts:

- Consistent with the principles recommended in the 2008 SNA for **time of recording and valuation of production**.
- **Avoid compiling the CIF to FOB adjustment** and possible measurement errors due to lack of data.
- Continued evolution of **international trade agreements and complexity of supply chains**.
- Might facilitate **SUT compilation**, but additional guidance is needed.

Balance of Payments:

- **Demarcation between goods and services**.
- Introduction of a **changeable valuation point**.
- **Change in treatment of international freight and insurance services**.
- **Reduce data asymmetries** due to a unified assessment of transactions between importers and exporters. Of course, if transaction values are not in customs declarations adopting transactions values may introduce data asymmetries (i.e., adjustments from FOB/CIF to transaction value).

Valuation of imports and exports: impact of adopting transaction values

Practical aspects

Balance of Payments:

- **Compiling agencies**
 - need to assess the data collection system for merchandise trade with resource implications
 - residence of freight/insurance providers may not be known from customs declarations
 - need for enhanced data validation and quality controls
 - need to update the IT system for the IMTS and balance of payments databases
 - need of new legal and regulatory requirements to support data collection
 - need of improved organizational and institutional arrangements
- **Respondents**
 - increase of the respondent burden, if data are unavailable from other sources
- **Data Users**
 - breaks in series
 - costs of adapting to new data

Valuation of imports and exports: impact of adopting transaction values

Changes that would be required to the SNA

Chapter 3 (*Stocks, flows and accounting rules*)

- Recommendations on the valuation of imports and exports of goods (p. 3.149) and services (p. 3.150) in the SNA.
 - Reflect the principle considered conceptually sound
 - Provide alternatives considering data availability?

Chapter 14 (*The supply and use tables and goods and services account*)

- Recommendations on the valuation of imports in the supply table, including on transport margins (p. 14.53-14.77), and the specific cases of international transport margins (p. 14.61- 14.75) and recording of transport margins in the SUTs (p. 14.76-14.77)
 - Recognize that the data sources available for imports of goods at a detailed product level may be collected using different valuation concepts?
 - In each case, explain the impact and adjustments needed in the transportation charges?

Valuation of imports and exports: impact of adopting transaction values

Changes that would be required to the SNA

Chapter 26 (*The rest of the world accounts and links to the balance of payments*)

- Relation of the SNA with the goods and services account is included in paragraphs 26.49-26.57

Chapter 28 (*Input-output and other matrix-based analyses*)

- Paragraphs 28.9-28.12 address the treatment of margins on imports and should be updated according to the updated recommendations on Chapter 14.

Valuation of imports and exports: impact of adopting transaction values

- Option 3 improves the conceptual consistency of the SNA;
- It is uncertain whether this can be practically implemented by a wide range of countries.



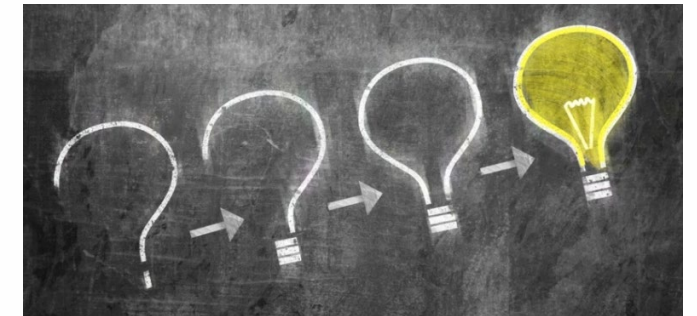
Possible way forward

Issue the guidance note stating that Option 3 is the **preferred concept** but that this change will only be adopted if it is **clear from the consultation and testing process that this change can be implemented in practice and the benefits of this change outweigh the disruption** (and cost) to the statistical system.

- Guidance note needs to be sent to **Balance of Payments Task Team for feedback** before going to global consultation.

Questions for discussion

- AEG opinion on the conceptual merit of the proposed options.
- AEG opinion on the feasibility of adopting Option 3. Are transactions (invoice) values readily available and of good quality in your country?
- AEG views and experience on the compilation of data on international freight and insurance services.
- AEG views on if the issue is material enough in their country so that the benefits of changing the current principle for valuation of imports and exports of goods outweigh the costs?
- AEG views on the practical implications, in particular, introducing a break in series if a new concept is adopted for international trade in goods and services.
- AEG views on how data users would view the change.



END

Thank you!