

# Manufacturing Services (South Africa's *current* perspective)

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## ■ Services contribution to BOP

a) Balance of Payments framework:

Export & import of Services (see next slide)

Foreign Direct Investment;  
commercial presence  
(Related to FATS)



- Exports and imports of goods and services should be seen in a larger context (macroeconomic framework):

$$\text{a) } Y = C + I + G + X - M$$



b) Current account = Trade Account (Goods)  
plus

**Services**, income and current transfers.

Note: Exports of services are normally part of the sales of a business whilst imports are normally part of the cost structure, excl labour.

Thus: All aggregates form part of the macroeconomic accounts and should satisfy various economic identities (only two identities have been shown above).



# “BPM6” requirements (Balance of Payments Manual, 6<sup>th</sup> edition)

12 Main categories (for both exports and imports)

| Item   | Problematic measurement issues |
|--|--------------------------------|
| 1. Manufacturing services on physical inputs (owned by others) | New item                       |
| 2. Repairs and maintenance on movable goods                    | New item                       |
| 3. Transportation  |                                |
| 4. Travel  |                                |
| 5. Construction services                                       |                                |
| 6. Insurance services  | Very technical                 |
| 7. Financial services  |                                |
| 8. Charges for the use of intellectual property                | Have some pertinent questions  |
| 9. Telecommunication, computer and information services        | Computer services: problematic |
| 10. Other business services                                    | See next slide                 |
| 11. Personal, cultural and recreational                        |                                |
| 12. Government services  |                                |

*It is envisaged that most of these items will have an estimated value for BPM6-purposes.*



## Manufacturing services (general)

- Shifted from goods to services to emphasis “ change of ownership”
- The manufacturing is undertaken by an entity that does not own the goods and is paid a fee by the owner
- In services orientated economies this change might reduce their trade statistics and improve services account



# Differences

## Trade in goods

- Goods change ownership
- Source data:  
Merchandise statistics  
(SARS) adjusted for BOP  
= Trade Statistics

## Manufacturing services

- Ownership does not change
- Plain t/shirt enters SA @  
R100 to be branded
- Leaves SA @ R120
- Manufacturing services  
value:  
 $R120 - R100 = R20$



## Manufacturing services (SA)

- The t/shirt of R100 NOT included in customs imports

### Sources

- Separate codes for goods coming in for processing
- Surveying industries that are active in processing of goods such as gold industry
- Do not expect a huge value in both imports and exports of services for this item
- Australia's average exports for manufacturing services from 2008 – 2011, A\$ 42 million and zero for the imports



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