



# **Status of Implementing *Manufacturing Services on Physical Inputs Owned by Others* in IMF Member Countries**

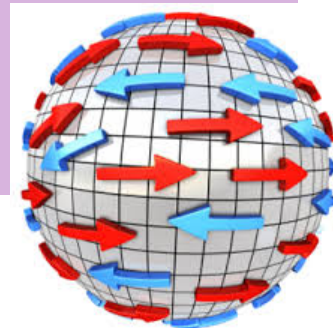
International Conference on the Measurement of  
Trade and Economic Globalization

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IMF Statistics Department



# With the expansion of the global market place...



- ...there has been growth in cross-border production arrangements, involving different aspects of production processes being partly or wholly undertaken by affiliates or outsourced to unrelated entities.
- **Significant steps have been taken to improve the** recording of transactions of enterprises participating in global production in BPM6 and 2008 SNA.
  - Related to this is the emphasis on economic ownership and the broader application of the change of (economic) ownership principle.



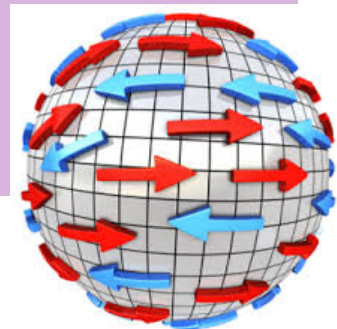
# The comprehensive application of the *change of ownership principle*...

...means that goods export and import flows are no longer imputed if there is no change of ownership.

- Manufacturing is recorded as being undertaken by an entity that **does not own the goods and is paid a fee** by the owner.
  - The fee received for processing is included in services, while gross reporting for goods is supplementary, if substantial.



# Capturing the activities of global production...(1)

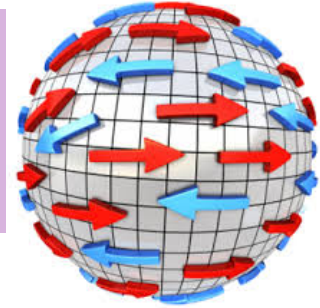


...is challenging:

- **Customs declarations—currently used by most economies—do not provide sound measures of manufacturing services (although the information could be useful in identifying firms).**
- **Why not? The difference between the value of goods before and after processing will not be the same as the value of the manufacturing service fee, due to:**
  - Timing of cross-period movements
  - holding gains and losses
  - inclusion of overheads (financing, marketing, know-how)
  - materials sourced by the owner from economy of processor/third country
  - problems in assessing values of goods sent and returned (since there is no sale)



# Capturing the activities of global production...(2)



- **Enterprise surveys generally represent the most accurate and efficient method to collect information on manufacturing services and related goods transactions.**
  - The fee charged covers the costs of materials purchased by the processor and refers to all work done on goods by the processor for the owner of the goods; consistent with what is recorded in business accounts.
  - A survey of the owner can also capture related purchases of goods/materials and immediate sales of finished goods by the owner from/to the country of processor and/or third countries.
  - Some economies use information from the ITRS.
- See also *BPM6 Compilation Guide*, Chapter 12, Services.



## Manufacturing services as part of the generic conversion to *BPM6* in IMF Publications (1)

- **The IMF Statistics Department (STA) started publishing data on a *BPM6* basis with the August 2012 release of the *International Financial Statistics (IFS)* and the online *Balance of Payments Statistics (BOPS)* Database and CD-ROM.**
- **For an interim period, STA converts the data for countries, which continue to report data to the IMF on a *BPM5* basis, into a *BPM6* presentational basis.** This conversion is undertaken in close consultation with member countries and BOPCOM.
  - STA uses a “master conversion file” with defined formulas to produce *BPM6*-based data using *BPM5*-based data as input; this is referred to as “generic” *BPM6* basis estimates.
  - countries can customize the generic conversion file in case additional information is available.

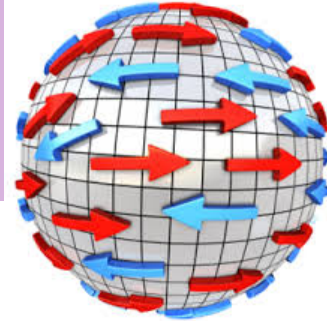


## Manufacturing services as part of the generic conversion to *BPM6* in IMF Publications (2)—*main rules:*

- No changes were introduced in balances on CA, CAP, FA, RA, or E&O.
- Goods for processing (in *BPM5*) were reclassified from goods to services as follows:
  - **Processing in the compiling economy/manufacturing services, credit** = processing in the compiling economy credit (goods returned after processing) - processing in the compiling economy debit (goods received for processing).
  - **Processing abroad/manufacturing services, debit** = processing abroad credit (goods sent for processing) - processing abroad debit (goods returned after processing).
  - If *BPM5* data provided no detail on the breakdown of goods, **the sign of net [credit-debit] determined the recording as credit or debit in *BPM6*.**



# BPM6 reporters as to date:



■ Total Reporters (October 2014 IFS):	187
■ <i>BPM6</i> reporters*	56
■ Of which: report <b>manufacturing services</b>	28
■ <i>BPM5</i> reporters**	131
■ Of which: Report <b>Goods for Processing</b>	40
■ Of which: use generic conversion	36

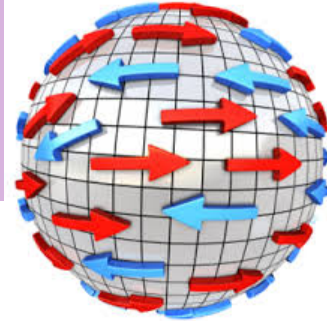
*\*All 28 EU countries are expected to convert to BPM6 by end-2014*

*\*\* Includes about 15 first-time BPM6 submissions currently under process/review*





# *BPM6* implementation...



- ... is a gradual and continuous process
- Not all economies that are *BPM6* reporters have implemented a survey to capture manufacturing services.
- For some economies, global production arrangements may not be substantial.
- Meanwhile, the IMF continues supporting countries in implementing *BPM6* through technical assistance missions and training courses.
  - STA introduced a new two-week course on **“Practical Aspects of Balance of Payments Compilation,”** to bridge the gap between the conceptual framework, described and the actual problems that are encountered by compilers (course to start in 2016).