



# EBOPS: Manufacturing services

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## Manufacturing services on physical input owned by others

- Definition
- Compilation issues
- Data sources
- Comparison of data sources



## Manufacturing services on physical input owned by others

- New international statistical standards for recording goods for processing and merchanting based on “change of ownership” principle
  - ⇒ Introduction of “Manufacturing services on physical inputs owned by others”
  - ⇒ Removal of “Goods for processing” from merchandise trade
  - ⇒ Removal of “Merchanting” from trade in services

**In BPM6:** Cover processing, assembly, labeling, packing, and so forth undertaken by enterprises **that do not own the goods concerned (no change of ownership)** and the fees received for the processing services rendered is included under this item.



## Manufacturing services on physical input owned by others

### Examples include

- oil refining,
- liquefaction of natural gas,
- assembly of clothing and electronics

However it the assembly of prefabricated construction (included in construction) and labelling, and packing incidental to transport (included in transport services) are excluded.

### **1.A.b Services (P72/P82)**

- 1.A.b.1 Manufacturing services on physical inputs owned by others (para. 10.62 – 10.71 in BPM6)
  - 1.A.b.1.1 Goods for processing in reporting economy
  - 1.A.b.1.2 Goods for processing abroad



## Manufacturing services on physical input owned by others

The manufacturing is undertaken by an entity that does not own the goods and that is paid a fee by the owner. The ownership of the goods does not change, so no general merchandise transaction is recorded between the processor and the owner.

Only the **fee** charged by the processor is included under this item, although such a fee may include the cost of materials purchased by the processor.

An international trade element exists where the work done is by a resident of one economy for the owner of the goods who is resident in another economy



## Manufacturing services on physical input owned by others

Compilers should be aware that the difference between the value of the goods before processing and the value of the goods after processing may differ from the value of the manufacturing fee for various reasons, including

- the sale of processed goods in the economy of the processor or in third countries,
- holding gains or losses or
- the inclusion of brand names after processing.

The compilation of data on manufacturing services on inputs owned by others may be facilitated by following the change of ownership principle in general merchandise trade statistics.

However, the recording of the movements of goods across borders and statistical surveys on trade in services are usually independent and therefore not mutually consistent.



## Manufacturing services on physical input owned by others

MSITS 2010. pp. 44

### Box III.2

#### Recording of manufacturing fees

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The value of the fees charged for *manufacturing services on physical inputs owned by others* is not necessarily the same as the difference between the value of goods sent for processing and the value of goods after processing.

For example, assume that a manufacturer in economy X owns goods worth 1,000. These goods are sent to economy Y to be processed. There is no change of ownership of the goods. After processing, these goods are worth 1,300. The difference of 300 comprises the processing fee of 120 charged by the processor, holding gains of 80 and overheads of 100. The value of manufacturing services on physical inputs owned by others is 120, not 300, and represents imports of services by economy X and exports of services by economy Y. If the costs of overheads and so forth are transactions between economy X and non-residents, then these transactions would be recorded under the relevant items.

Assume further that these goods are not returned to economy X but sold instead to economy Z. This does not affect the recording of the services between X and Y and the same transactions in manufacturing services on physical inputs owned by others are recorded. The separate transaction with economy Z is treated as an export of goods from economy X.



## Manufacturing services on physical input owned by others

### Possible data sources for compiling manufacturing services:

- Enterprise and establishment surveys
- IRTS
- Administrative records (customs data and tax concessions)





## Manufacturing services on physical input owned by others

### Comparison of data sources for compiling manufacturing services on physical inputs owned by others and maintenance and repair services n.i.e. (import and export)

	Enterprise and establishment survey	International transactions reporting system (ITRS)	Administrative records , customs data and tax concessions
Coverage (C)	(++) Covers enterprises engaged in such activities. (-) May not cover full population if threshold is applied, in particular for resident small and medium-sized enterprises.	(+) Covers settlements related to transactions. (-) Does not cover all settlements if threshold is applied.	(+) Customs data could be useful for identifying companies involved in manufacturing services or processing and maintenance and repair, but declaration forms may need to be adjusted. (-) Probably not possible to ask for fee charged. (+) Information from tax authorities.
Accuracy in reporting (A)	(+) May require explanatory notes/follow up when respondents do not fully understand the scheme of the production network.	(+) If settlements of processing fees occur between unrelated parties. (-) Misclassifications: may include other (goods or services) transactions between processing company and client.	(+) Customs data: if gross flows related to goods for processing and repairs and maintenance are properly identified (mainly to adjust goods). Possible to ask for fee.



## Manufacturing services on physical input owned by others

### Comparison of data sources for compiling manufacturing services on physical inputs owned by others and maintenance and repair services n.i.e. (import and export)

	Enterprise and establishment survey	International transactions reporting system (ITRS)	Administrative records , customs data and tax concessions
<b>Timeliness, frequency (T)</b>	(-) Often lag of more than one month; quarterly frequency.	(+) Lag of a only few days; monthly frequency.	(+) Lag of a few weeks; monthly frequency.
<b>Relevance (R)</b>	(+) Can collect detailed information on manufacturing and maintenance and repair activities.	(+) If different processing-related transactions are identified by separate transaction/codes. (-) Additional information needed on corresponding movement of goods to adjust general merchandise.	(-) Difference between value of imports and exports often does not reflect manufacturing or repair fee (e.g. holding gains and losses).
<b>Burdens of reporting and processing data (B)</b>	Reporting: (-) Processing: (-) In case of difficulty of grossing up.	Reporting: (-) Especially for banks reporting on behalf of transactors. Processing: (+) Once implemented.	Reporting: (+) If no additional work. Processing: (+) In terms of coordination with data collection units.

(+) implies advantages and (-) implies disadvantages in terms of each element.