

# International trade in manufacturing services : statistical framework and practice in China

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Sep 12, 2017 Suzhou



# Outline

- 1. About BOP Department, SAFE
- 2. Statistical principles and framework of international trade in services
- 3. China's practice in trade in service and manufacturing services statistics
- 4. China's data

# 1. About BOP Department, SAFE

# 1. About BOP Department, SAFE

- Legal framework : *Measures for the Collection of Statistics and the Declaration of the Balance of Payments*
- Statistical products available to the public:
  - BOP and IIP (quarterly)
  - International trade in goods and services (monthly)
  - External financial assets and liabilities of China's banking sector ( quarterly)
  - China's external portfolio assets (by counterparty countries and regions) (semi-annual)
  - Cross-border receipts and payments of nonbank sectors through China's banks (monthly)
  - Inward and outward FDI of China's financial institutions (quarterly)



# 1 Responsibilities of BOP Department, SAFE

- In China, State Administration of Foreign Exchange (SAFE) is responsible for compilation and dissemination of Balance of Payments and International Investment Position of China. International trade in services are important components in BOP statistics.
- In SAFE, BOP Department is responsible for the work.
- Statistical standards: as member of IMF, SAFE compiles BOP and IIP in line with BPM. Currently, we compile data according to BPM6.

## 1.2 Institutional and legal framework of BOP statistics in China

- Data collection and quality control
  - HQ of SAFE
    - Establishment and enforcement of statistical requirements
    - Checks on national-level and institution-level data
    - Guidance to major reporters
    - Cross-checking of different source data
    - Identifying, studying, researching and implementing statistical improvements for major items
  - Branches and sub-branches of SAFE
    - Under instruction of the HQ, carrying out off-site and on-site data check, and completing statistical research.

## **2. Statistical principles and framework of international trade in services**



## 2.1 Statistical principles

- **UN and others**, *Manual on Statistics of International trade in services (MSITS 2010)*
- **International Monetary Fund** , *Balance of payments and International Investment Position Manual (BPM6)*





## 2.1.1 Trade in Services in BPM6

- **Scope:** cover all trade in services transactions between residents and non-residents.
- **Time of recording:** the time at which the service is delivered, there may be trade advances or trade credit
- **Classification:** the classification is mainly product-based( but is transactor-based for travel, construction, and government goods and services n.i.e.)
- The classification is according to the type of services, rather than the unit that provides it.

1. Current account	2. Capital and financial account
Credit	<b>2.1 Capital account</b>
Debit	Credit
<b>1.A Goods and services</b>	Debit
Credit	<b>2.2 Financial account</b>
Debit	Assets
<b>1.A.a Goods</b>	Liabilities
Credit	
Debit	
<u><b>1.A.b Services</b></u>	<b>3.Net errors and omissions</b>
Credit	
Debit	
<b>1.B Primary income</b>	
Credit	
Debit	
<b>1.C Secondary income</b>	
Credit	
Debit	



1.A.b.1 Manufacturing services on physical inputs owned by others

1.A.b.2 Maintenance and repair services n.i.e

1.A.b.3 Transport

1.A.b.4 Travel

1.A.b.5 Construction

1.A.b.6 Insurance and pension services

1.A.b.7 Financial services

1.A.b.8 Charges for the use of intellectual property

1.A.b.9 Telecommunications, computer, and information services

1.A.b.10 Other business services

1.A.b.11 Personal, cultural, and recreational services

1.A.b.12 Government goods and services n.i.e





## 2.1.2 Manufacturing service

- *“Manufacturing services on physical inputs owned by others cover processing, assembly, labeling, packing, and so forth undertaken by enterprise that do not own the goods concerned.”*
- *“The manufacturing is undertaken by an entity that does not own the goods and that is paid a fee by the owner. In these cases, the ownership does not change, so no general merchandise transaction is recorded between the processor and owner”*

• ----BPM6

## 2.1.2 Manufacturing service

- *“Examples: oil refining, liquefaction of natural gas, assembly of clothing and electronics, assembly (excluding assembly of prefabricated constructions), labeling and packing (excluding those incidental to transport).”\**

- ----BPM6

## 2.1.2 Manufacturing service

- *“Manufacturing services on physical inputs owned by others cover the transactions between the owner and processor, and only the fee charged by processor is included under this item.*
- *The fee charged may cover the cost of materials purchased by the processor. ”*

● ----BPM6



## 2.1.2 Manufacturing service

- *“Manufacturing services on physical inputs owned by others refer to all work done on goods by a resident of one economy for the owner of goods who is resident of in another economy;*
  - *The treatment of these services is not conditional on whether the goods were previously or subsequently in the physical possession of the owner or not.”*
- ----BPM6

### 3. China's practice in trade in services statistics

## 3.1 Statistical methods for Service

- International transactions reporting system(ITRS)
- Enterprise survey
- Sample survey : eg. the proportion of cash in total travel expenditure
- Administrative records: eg.the ratio of transportation and insurance fee in goods trade
- Estimates based on the above data and information



## 2.1.1 ITRS

- International Transactions Reporting System, short for ITRS, is also known as indirect reporting in China
  - non-bank residents located in China report their cross-border receipts and payments occurred through China's banks. Cash flows in both domestic currency (Reminbi) and foreign currencies should be covered in this reporting.
  - broad coverage of reporters
  - Daily
  - Cash flows
  - Transaction-by-transaction
  - Information on currency, country and transaction purpose (classification codes (1996-2004-2013) based on BPM)

## 2.1.2 Enterprise Survey

- **Reports on external financial assets, liabilities and transactions, known as direct reporting system**
  - Reporters: financial institutions with international transactions and external positions, 1200 in total
  - Monthly
  - Accrual basis
  - Current, capital and financial account
    - Form E is about service in trade
    - Form G is about bank card expenditure
  - Transactions, non-transaction flows and stock (reconciliation of flows and stock of financial account)
  - Information on counterparty countries, sectors, currencies



## 2.1.3 Sample survey : cash proportion in travel expenditures

- **Sample survey : cash proportion in travel expenditures**
  - Reporter: non-resident travelers when leaving and resident travelers when returning; random sampling, about 6000 samples together
  - Annual
  - Index: cash(inc. travel check) and bank card proportions in total consumption
  - To estimate the total cash expenditures, which will be added to remittance for travel, and bank card travel expenditures to produce the total travel income and expenditures





## 2.1.4 Administration record

- Estimation of transportation and insurance fee in goods import
  - Raw data: the reporting forms of goods import from Customs
  - Method: calculate the proportions of transportation and insurance fee in a sample and then estimate the ratio of them in CIF by weighted goods value
  - Usage: to adjust CIF to FOB, and estimate the goods transportation fee and insurance fee



## 2.1.5 Estimates

- **Estimates:** as illustrated above, travel, freight and insurance, and also fees related to IPO abroad, are estimated based on the samples.



## 1.A.b.1 Manufacturing service on physical inputs owned by others

- Manufacturing services on physical inputs owned by others(is called procesing fee in China)
  - Two types in mainland China:
    - Goods for processing without ownership transfer( service)
    - Good for processing with ownership transfer(goods)





## 1.A.b.1 Manufacturing service on physical inputs owned by others

- Data source and compilation
  - Data source:
    - ITRS
    - The Customs: International Merchandise Trade Statistics



## 1.A.b.1 Manufacturing service on physical inputs owned by others

- Compilation for BOP goods and service trade
  - Goods trade: deduct those without ownership transfer from the Customs records
  - Service trade: ITRS
  - Since the implementation of BPM6 in 2015, the goods for processing without ownership transfer have been transferred to service trade, while those with ownership transfer stay in goods trade. Retrospective adjustments were made to the data before 2015.



# Other items of services

<b>Item</b>	<b>Data source and compilation</b>
1.A.b.2 maintenance and repair	Non-financial sector: ITRS; Financial sector: direct reporting system
1.A.b.3 Transportation	Non-financial sector: ITRS & Estimation; Financial sector: direct reporting system
1.A.b.4 Travel	Non-financial sector: ITRS & Sample survey & Estimation; Financial sector: direct reporting system
1.A.b.5 construction	Non-financial sector: ITRS; Financial sector: direct reporting system
1.A.b.6 Insurance and pension services	Non-financial sector: ITRS; Financial sector: direct reporting system



# Other items of services

Item	Data source and compilation
1.A.b.7 financial services	Non-financial sector: ITRS; Financial sector: direct reporting system; Estimates for non financial enterprises IPO services abroad
1.A.b.8 intellectual property	Non-financial sector: ITRS; Financial sector: direct reporting system
1.A.b.9 telecommunications, computer and information services	Non-financial sector: ITRS; Financial sector: direct reporting system
1.A.b.10 other business services	Non-financial sector: ITRS; Financial sector: direct reporting system
1.A.b.11 personal, cultural & recreational services	Non-financial sector: ITRS; Financial sector: direct reporting system
1.A.b.12 Government services n.i.e.	Non-financial sector: ITRS; Financial sector: direct reporting system

# 4. China's data (2000-2016)

## 3.1 International trade in services of China in 2016

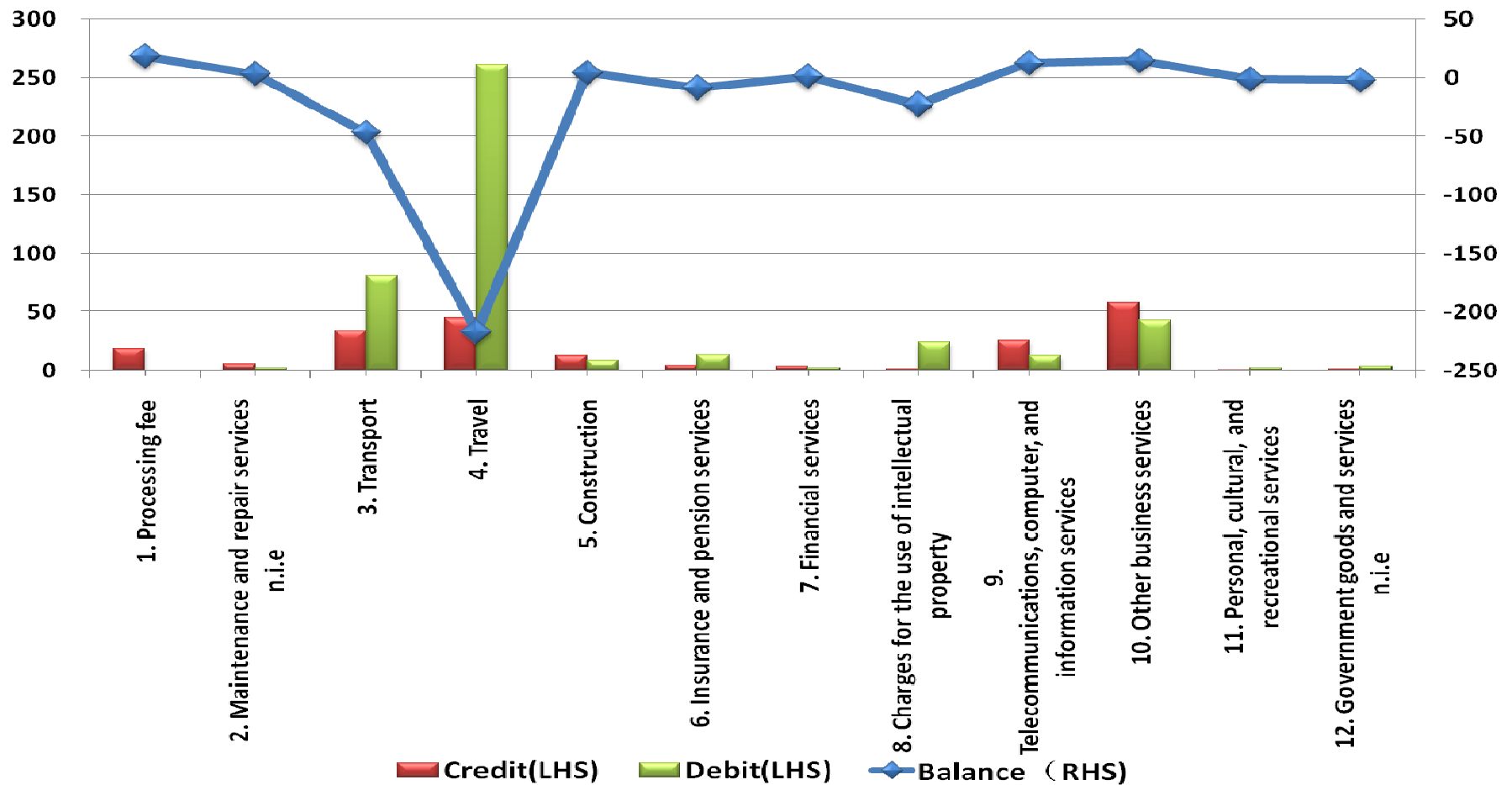
unit: in billions of US dollars

Items	Balance	Credit	Debit
<b>Trade in services</b>	<b>-244</b>	<b>208</b>	<b>-453</b>
<b>1. Manufacturing services on physical inputs owned by others</b>	<b>18</b>	<b>19</b>	<b>-0.2</b>
2. Maintenance and repair services n.i.e	3	5	-2
3. Transport	-47	34	-81
4. Travel	-217	44	-261
5. Construction	4	13	-9
6. Insurance and pension services	-9	4	-13
7. Financial services	1	3	-2
8. Charges for the use of intellectual property	-23	1	-24
9. Telecommunications, computer, and information services	13	25	-13
10. Other business services	15	58	-43
11. Personal, cultural, and recreational services	-1	1	-2
12. Government goods and services n.i.e	-2	1	-3

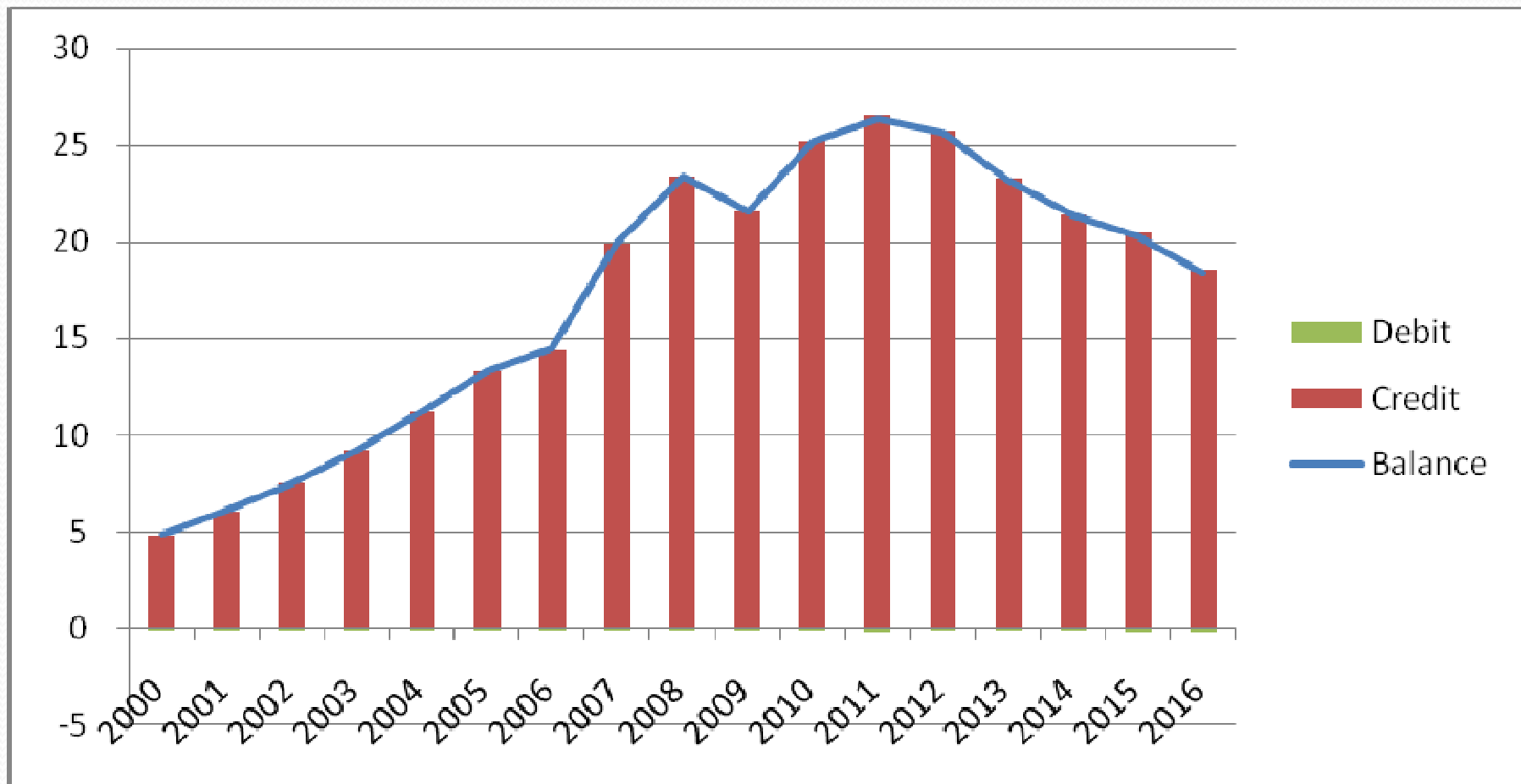
Source: China's BOP, 2016 , by SAFE.



### 3.3 Trade in services by item, 2016 (in USD bn)



# Time series: Manufacturing service (2000-2016, in bn USD)



## Time series: Manufacturing service (2000-2016, in bn USD)

	Balance	Credit	Debit		Balance	Credit	Debit
<b>2000</b>	4.83	4.84	0.00	<b>2009</b>	21.50	21.56	-0.06
<b>2001</b>	6.09	6.10	-0.01	<b>2010</b>	25.13	25.21	-0.08
<b>2002</b>	7.48	7.48	0.00	<b>2011</b>	26.34	26.53	-0.19
<b>2003</b>	9.22	9.22	-0.01	<b>2012</b>	25.63	25.75	-0.12
<b>2004</b>	11.22	11.22	0.00	<b>2013</b>	23.18	23.26	-0.08
<b>2005</b>	13.31	13.31	0.00	<b>2014</b>	21.31	21.42	-0.12
<b>2006</b>	14.44	14.45	-0.01	<b>2015</b>	20.27	20.44	-0.16
<b>2007</b>	19.92	19.93	-0.01	<b>2016</b>	18.38	18.54	-0.16
<b>2008</b>	23.32	23.34	-0.03				





**Thank you.**