

Merchanting

A change in classification in BPM6

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What is *merchanting*?

A cross-border production transaction ...

In BPM5,
this was recorded as a service in the
Services account



BPM5 Main Services Components

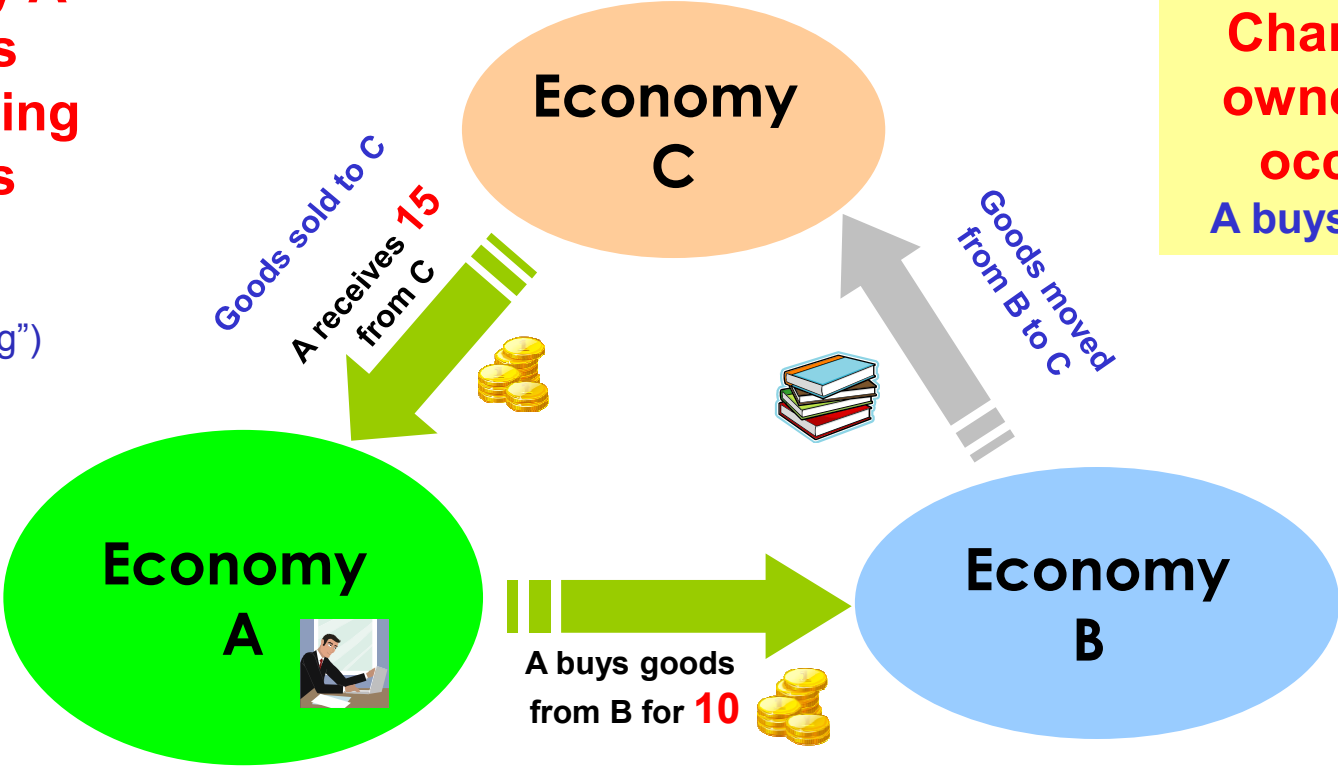
1. Transport
2. Travel
3. Communication services
4. Construction services
5. Insurance services
6. Financial services
7. Computer and information services
8. Royalties and license services
9. Other business services
 Merchandising
10. Personal, cultural and recreational services
11. Government goods and services n.i.e.

Merchanting in BPM5

(an illustration)

Note:
Change in ownership occurs:
A buys from B

Economy A records merchanting exports = 5
(under "merchanting")



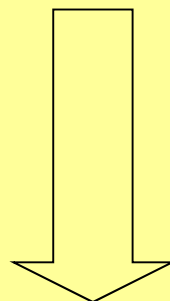
Merchanting services in BPM5

(commodities like metals, oil, coal, gas, cereals, coffee, cotton, etc.)

= Difference between the initial purchase and the subsequent sale of goods (15-10)

In **BPM6**,

Strict application of the
change of ownership criterion in SNA 2008



Merchanting moves out of services...

As change in ownership occurs, (*i.e.* A buys from B)
“merchanting” no longer considered a service,
now under the **Goods** account.

Hence in BPM6, goods (on a balance of payments basis)
include:

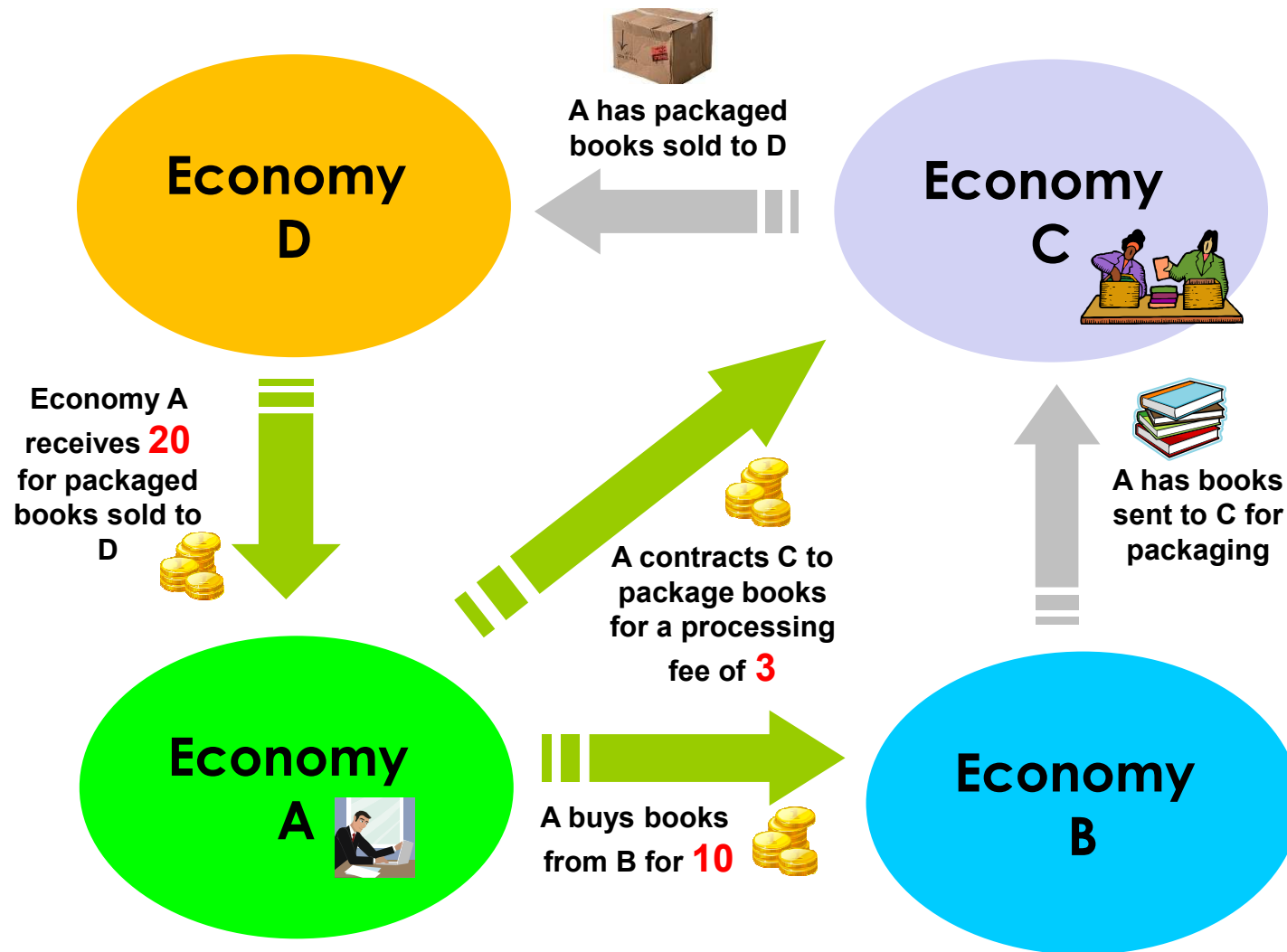
- *Net exports of goods under merchanting*

BPM6 Main Services Components

1. Manufacturing services on physical inputs owned by others
2. Maintenance and repair services n.i.e.
3. Transport
4. Travel
5. Construction
6. Insurance and pension services
7. Financial services
8. Charges for the use of intellectual property n.i.e.
9. Telecommunications, computer and information services
10. Other business services
~~Merchanting now moved to goods~~
11. Personal, cultural and recreational services
12. Government goods and services n.i.e.

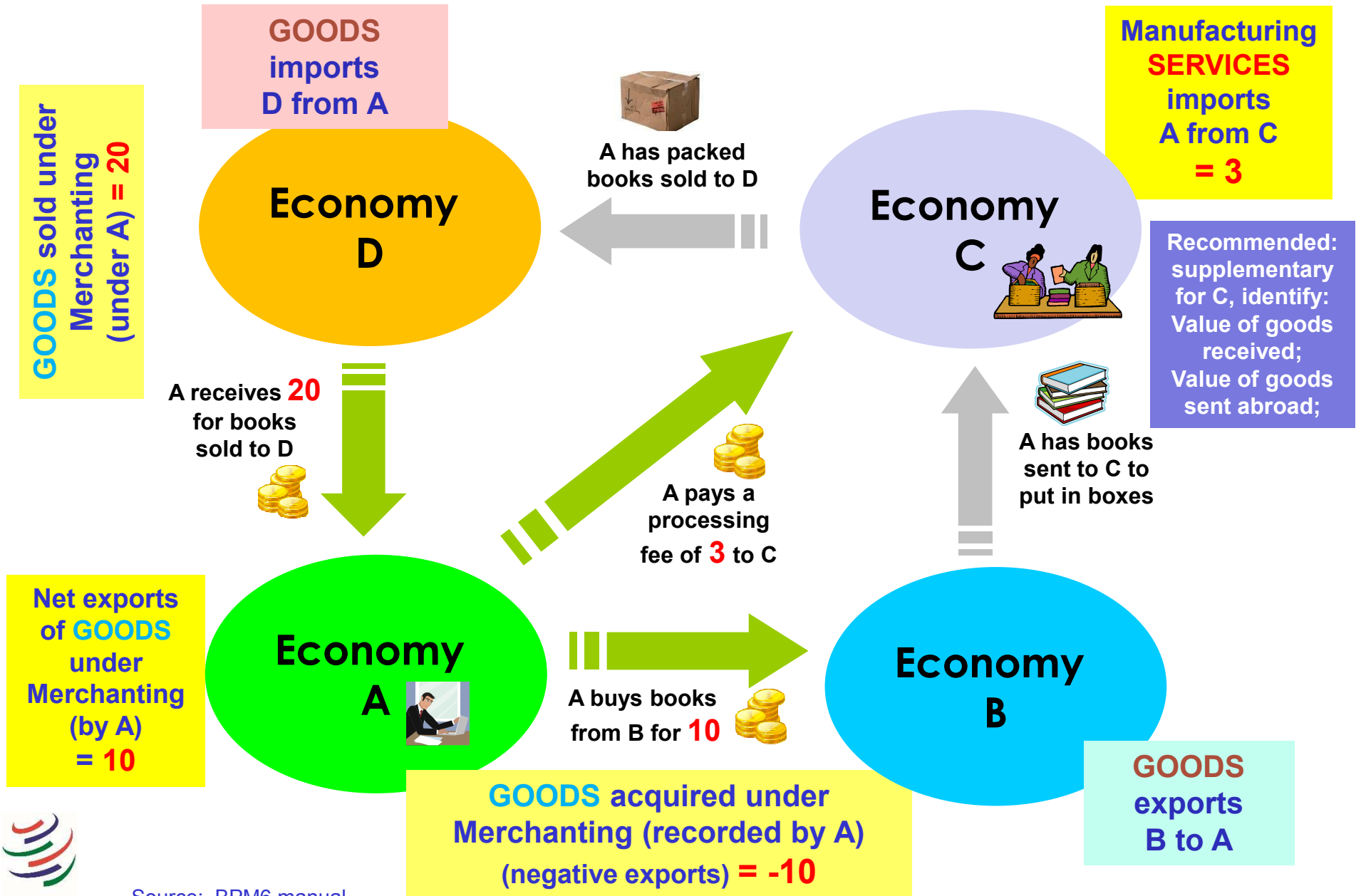
Goods under Merchanting in BPM6

(an illustration)



Note: **NO CHANGE** in the condition of the goods, just packaging.

Treatment of “Goods under Merchanting” in BPM6



Treatment of Merchanting in BPM6

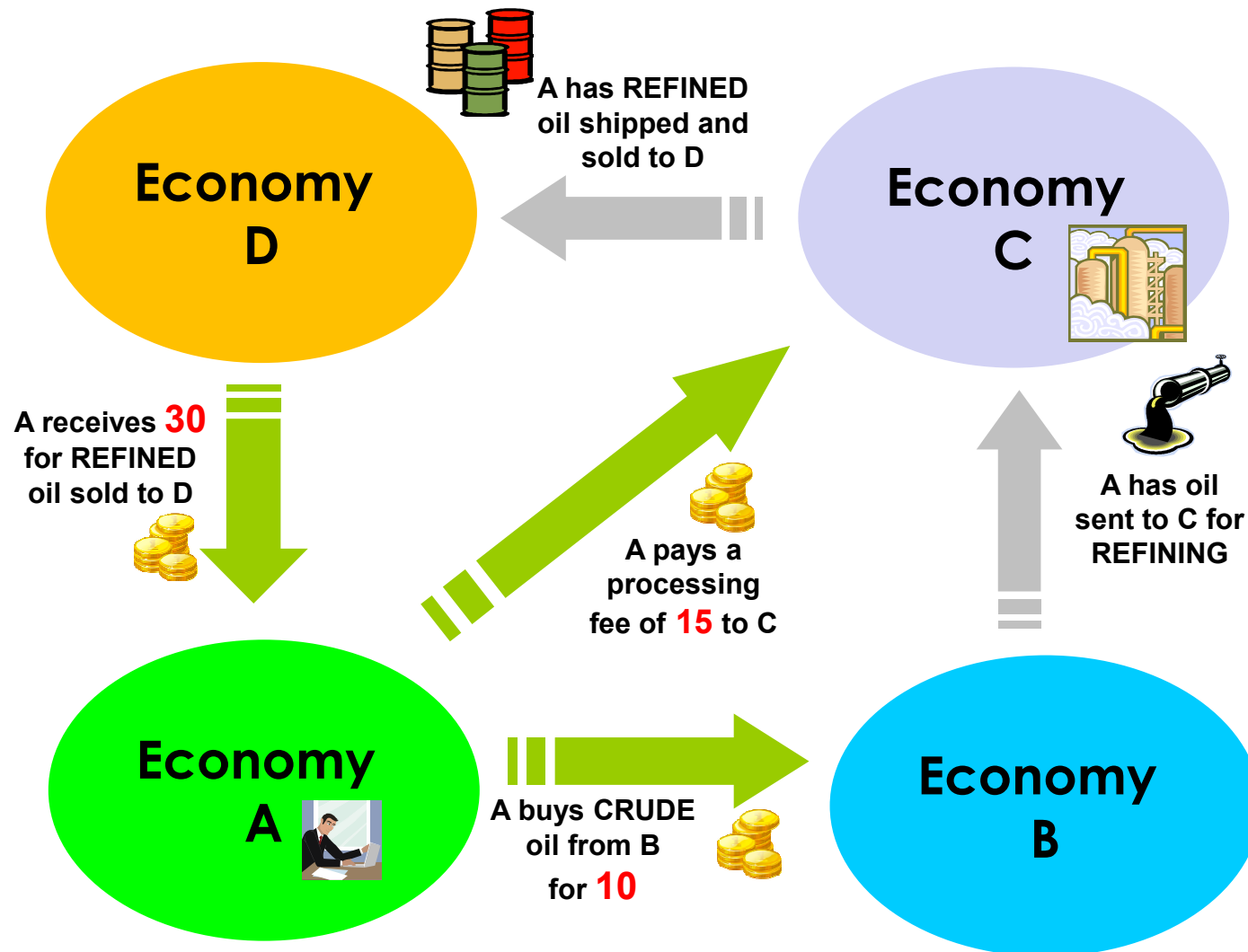
- Goods never pass/enter the economic territory of Economy A
and
- Manufacturing services **DO NOT CHANGE** the condition of the goods
- Goods under merchanting only attributed to Economy A.
- For the economy of the MERCHANT, goods are recorded as GROSS values:
 1. Negative export (negative credit) for the acquisition,
 2. Positive exports for the goods when sold, and
 3. Net exports of goods under merchanting



However,

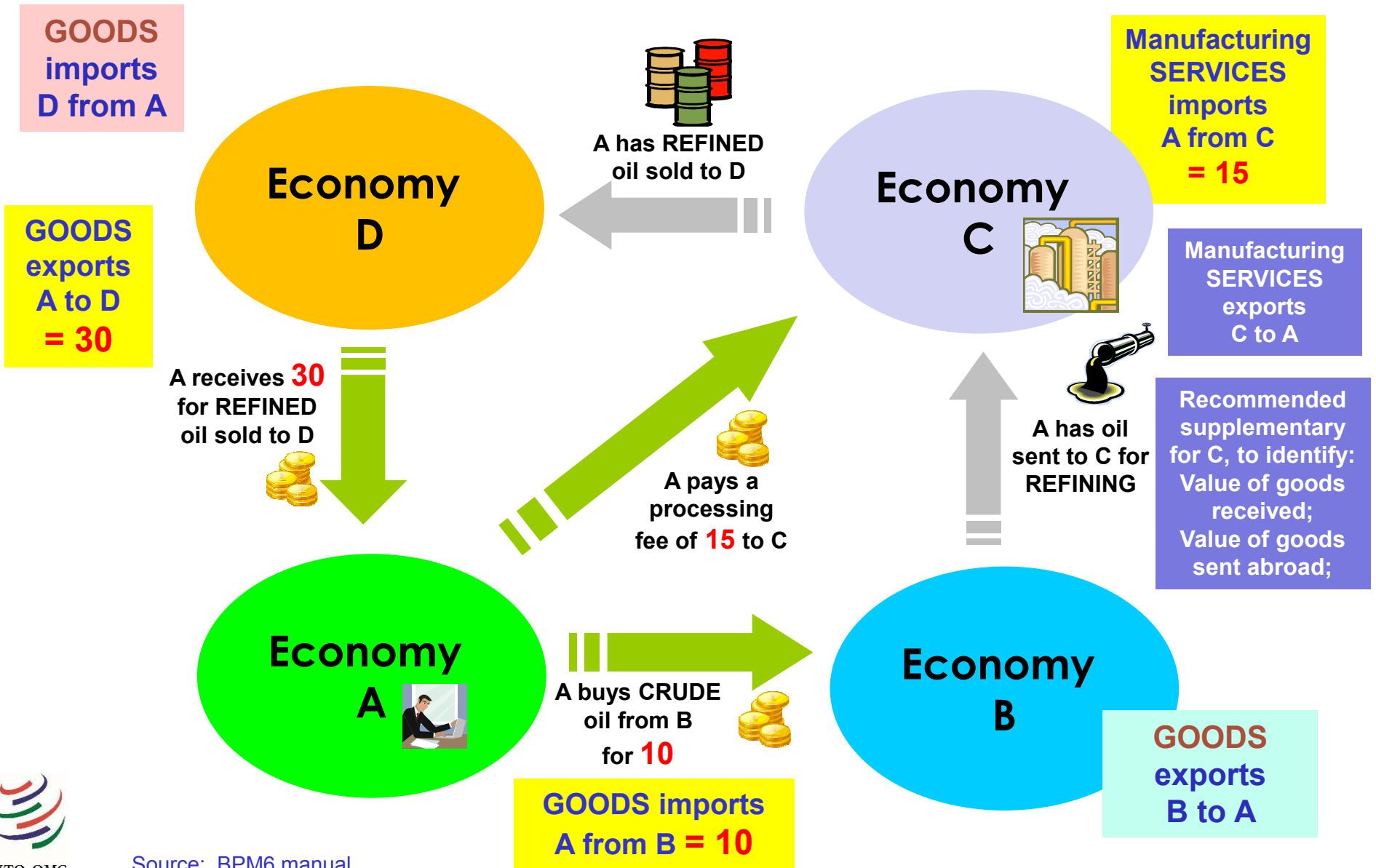
Is the treatment the same if the condition of the goods **CHANGES ...?**

(an example)

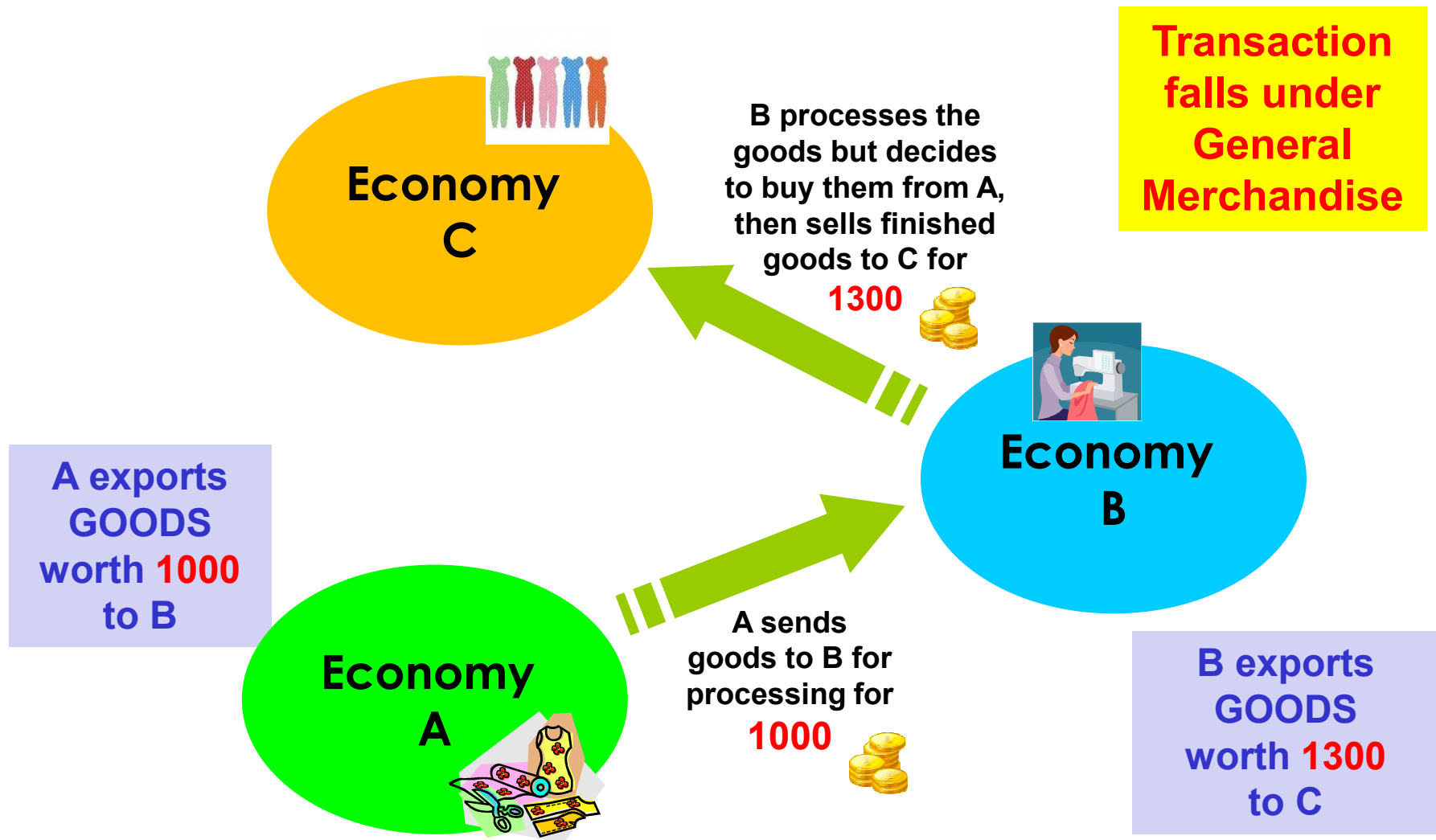


With **CHANGE** in condition of goods,
NO LONGER merchanting

(now included under general merchandise in the goods account of the BOP)



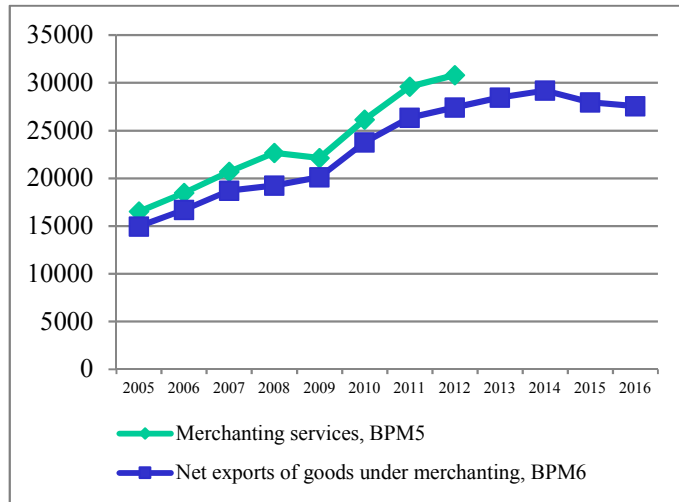
And if, ... the processor acquires **OWNERSHIP** of the goods?
(Manufacturing on own account)



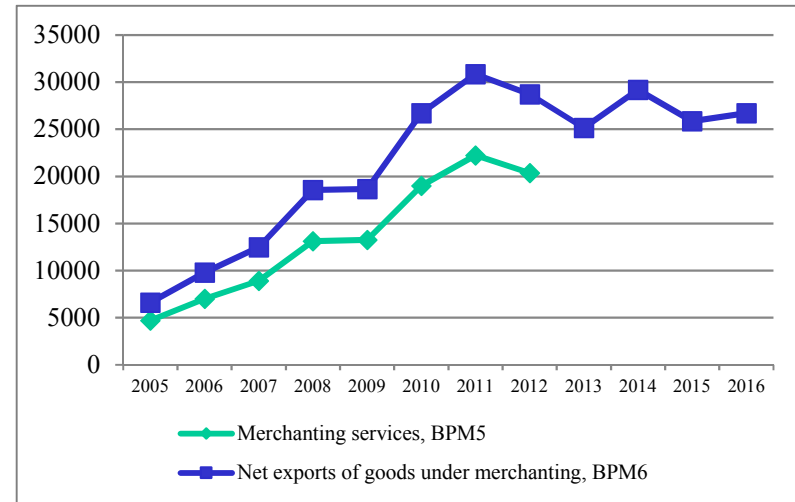
GROSS exports of A to B and B to C are included in general merchandise (same with imports).

Merchanting exports (BPM5) and net exports sold under merchanting (BPM6), 2005-2016

Hong Kong, China

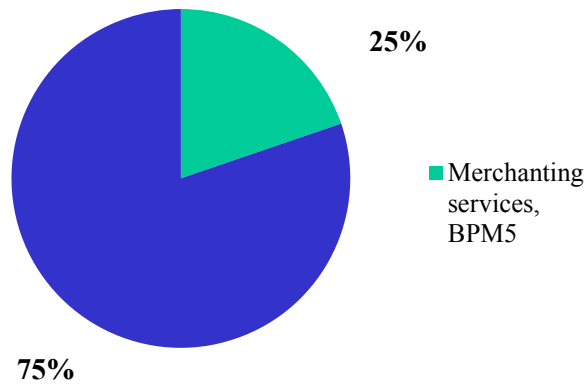


Switzerland

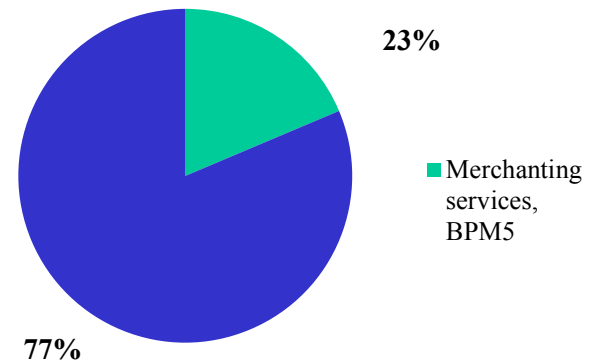


Share of Merchanting exports in total commercial services exports, 2012

Hong Kong, China



Switzerland



Merchanting defined as the ...

1. Purchase of goods ...
2. ... by a resident of the compiling economy from a non-resident,
combined with
3. ... the subsequent resale of the same goods to another non-resident
4. ... without the goods being present or
5. ... crossing the border of the compiling country.

Reconciliation between the IMTS 2010 and BPM6

(BPM6 Compilers Guide, p.74)

Item	IMTS 2010	BPM6
Goods under merchanting	These are excluded from IMTS.	The <i>BPM6</i> records goods under merchanting separately as a negative export when acquired by a resident from a nonresident, and as a positive export when sold by a resident to a nonresident.

Comparison of Merchandise Trade and Trade in Goods for Merchanting

(BPM6 Compilers Guide, p.400)

	IMTS (movement of goods)			Balance of payments—trade in goods (change of ownership)		
	Partner economy			Partner economy		
	A	B	C	A	B	C
Economy A records	Negative export	Export
Economy B records	Export	Export
Economy C records	...	Import	...	Import

BPM6 Balance of Payments: Standard Components and Selected Other Items	BPM5 Balance of Payments: Standard Components and Additional Detail	Comments on Change in Treatment or Clarification
<p>Net exports of goods under merchanting</p> <p>Goods acquired under merchanting (negative exports)</p> <p>Goods sold under merchanting</p>	<p>9. Other business services</p> <p>9.1 Merchanting and other trade-related services (partly; see below for other trade-related services)</p>	<p>* Merchanting of goods is included under exports of goods (both gross/net); see BPM6 , paragraphs 10.41-10.49.</p> <p>In BPM5, merchanting is included in 9.1 Merchanting and other trade-related services . When these goods are kept in inventories from one period to the next, BPM5 recommends that the purchases are booked as imports, and the subsequent sales as negative imports of goods. In that case, any difference between the value of the goods when acquired and relinquished is entered under Merchanting and other trade-related services; (see BPM5 , paragraphs 207, 213 and 262.)</p> <p>In BPM6 , the acquisition of the good is classified as a negative goods export of the economy of the merchant, and the sale is a positive goods export, with the difference between sales and purchases recorded as 'net exports of goods under merchanting'.</p>

(BPM6 Compilers Guide, pp. 270-271)

Hence:

For IMTS2010:

- **Goods for processing:** included and recorded when added or leaving economic territory, irrespective of change of ownership.
- **Goods for merchanting:** excluded in general merchandise (but included in the goods account of the BOP).

For BOP:

- **Merchanting:**
 - In BPM5, included under merchanting services (no change in goods);
 - In BPM6, considered with “change of ownership” (no change in goods):
 - Recorded under goods account recorded as:
 - Negative exports when acquired (“goods acquired under merchanting”)
 - Positive exports when sold (“goods sold under merchanting”)
 - “Net exports under goods for merchanting”
- BPM5 and BPM6: **Goods in general merchandise** covers goods with change of ownership between resident and non-resident.

Some data compiling recommendations:

For Merchanting:

- Data need to be collected directly from the companies involved in merchanting.
- Possible to identify such organizations through the maintenance of a **business register** that may be maintained by the collecting body or central statistical office (if different). *(See Model form 5, BPM6 compilation guide, p.500).*
- Data should be collected on a **GROSS** basis, by commodity, and by partner economy, wherever possible.
- Careful distinction between transactions related to manufacturing services on inputs owned by others, and those related to merchanting *(BPM6 Compilation Guide, para. 12.19)*

Thank you!

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