



Balance of Payments Statistics Workshop

Nassau, Bahamas

February 10th-14th, 2020

Goods Account

I. Definitions

- The Goods Account presents the transactions (between residents and non-residents) in physical items that result from productive processes.
- Goods are physical produced items over which ownership rights can be established and whose economic ownership can be passed from one institutional unit to another by engaging in transactions. The production of a good can be separated from its subsequent sale or resale.
- The Goods Account may include transactions of:
 - Products that were produced in previous periods, such as inventories sales or resale of goods.
 - Products that were generated in large proportion, or totally, in other economies, such as in the case of re-exports and goods under merchanting.
- The Goods have price and volume dimensions. Having this information can be useful for data analysis and validation.

II. Classification

- **Standard Components.** The BPM6 sets the following standard components for the Goods Account:
 - **General Merchandise.**
 - Of which: Re-exports.
 - **Net exports of goods under Merchanting.**
 - Goods acquired under merchanting (negative exports).
 - Goods sold under merchanting (exports).
 - **Nonmonetary gold.**

II. Classification

- **General Merchandise.** General merchandise on a balance of payments basis covers goods whose economic ownership is changed between a resident and a nonresident and that are not included in the following specific categories:
 1. Goods under Merchanting.
 2. Nonmonetary gold.
 3. Parts of travel.
 4. Construction.
 5. Government goods and services n.i.e.
- **The international standards for merchandise trade data** are set out in **United Nations International Merchandise Trade Statistics: Concepts and Definitions (IMTS)**. These standards are closely linked to the BPM6 guidelines.

II. Classification

- **However**, IMTS cover goods “which add to or subtract from the stock of material resources of a country by entering (imports) or leaving (exports) its economic territory”. **This basis differs from the change of ownership between residents and nonresidents required for balance of payments, so adjustments may be needed.**
- **General merchandise is shown as a single item in the standard components.** The MBP6 does not propose standards for breakdowns of goods, but encourages presentations according to the priorities of the compiling economy.

III. General Merchandise: To be included

- Because there is a change of ownership of goods between a resident and a nonresident, the following cases are included in general merchandise:
 - **Banknotes and coins not in current circulation and unissued securities.** They are valued as commodities, rather than at face value. Sales of coins to or between collectors at a premium are valued at the transaction price, rather than the face value.
 - **Electricity, gas and water.** Excluding charges for the transmissión, transport or distribution, since these are included in services.
 - **Noncustomized packaged software (systems and applications), and video and audio recordings, on physical media, such as disks and other devices, with a license for perpetual use.** These products are included at their full transaction value (i.e., not at the value of the empty disks or other storage device).

III. General Merchandise: To be included

- **Goods procured in ports by carriers.** Fuels (bunkering), provisions, stores, ballast, and dunnage procured by nonresident transport operators in ports from resident providers (include sea and ocean terminals, airports, inland waterways, and road and rail transport).
- **Goods supplied or acquired by carriers away from the territory of residence of the operator.** For example, marine products, oil and minerals retrieved from the ocean floor by resident operators and sold abroad directly.
- **Goods acquired by a lessee under a financial lease.** Because the lessee is the economic owner, a change of ownership between the seller of the goods and the lessee is recorded at the start of the lease. The lessor has legal title but does not have economic ownership.
- **Goods sent abroad without a change of ownership, but later sold.** Goods sent abroad on consignment or for storage, repair, exhibition, processing.

III. General Merchandise: To be included

- **Equipment that is sold while outside the territory of residence of its original owner.** Equipment taken out of the territory for temporary purposes (construction, exhibition, or fishing), subsequently sold or given away.
- **Illegal goods.**
- **Smuggled goods, otherwise legal.**
- **Gifts and humanitarian aid in the form of goods.**
- **Parcel posts.**
- **Goods lost or destroyed after ownership has been acquired by an importer but before the goods have crossed a frontier.**

III. General Merchandise: To be included

- **Government sales of goods to and purchases of goods from nonresidents.** Acquisitions of military equipment from nonresidents should be included in general merchandise. Expenditure by embassies, military bases, and so forth is included under government goods and services n.i.e.
- **Goods transferred to or from a buffer stock organization.**
- **Goods acquired to be processed without passing through the territory of the owner and goods sold after processing without passing through the territory of the owner.**

III. General Merchandise: To be included

- **Other goods where there is a change of ownership that was not identified from data sources:**
 - ✓ trade between free trade zones of an economy and residents of other economies; goods in bonded warehouses in economies that use the special trade system; and amounts below customs thresholds.
 - ✓ Goods for resale acquired by travelers while on visits (sometimes called shuttle trade or informal cross-border trade).
 - ✓ Goods for own use or to give away acquired by travelers in excess of customs thresholds and included in customs statistics.

IV. General Merchandise: To be excluded

- Because there is no change of ownership of goods between a resident and a nonresident, the following cases are excluded from General Merchandise:
 - Transit trade.
 - Migrants' personal effects (there is no change of property).
 - Goods consigned to embassies, military bases, and so forth from their home authorities.
 - Goods sent to an enterprise's external operations where those operations are not sufficiently substantial to constitute a branch (Example: construction project not undertaken by a separate unit).
 - Goods for repair, as part of an operating lease, and for storage, and animals or artifacts for participation in exhibitions or competitions.

IV. General Merchandise: To be excluded

- Goods for assembly, packing, labeling, or processing by an entity that does not own the goods concerned (recorded in manufacturing services on physical inputs owned by others).
- Samples of no positive value.
- Goods with no positive value (waste and scrap).
- Returned goods (revisión recommended).
- Trade in goods between free trade zones and residents of the same economy.
- Any other goods that have been included in the data source although there was no change of ownership.

IV. General Merchandise: To be excluded

- Items to be excluded from General Merchandise because they are included elsewhere:
 - Goods acquired or sold by residents but that do not enter the economic territory are shown separately as goods under **Merchanting**.
 - **Nonmonetary gold**. It is shown as a separate item within goods.
 - Goods included in **Travel**.
 - Goods locally acquired for construction undertaken by enterprises that are nonresident in the territory of the location of the work. These goods are included under **Construction Services**.

IV. General Merchandise: To be excluded

- Devices, such as disks, with stored computer software or data, that have been customized to order are **included under Computer Services.**
- Products such as packaged software (systems and applications), video and audio recordings, and so forth that are delivered on disks, magnetic media, or storage devices, but are obtained with a fixed-period license to use, rather than with change of economic ownership (**These products are included in Computer or Audiovisual and Related Services**).
- Licenses to reproduce or distribute (or both) audio and video that are conveyed by supply of the original recording are **included under charges for the use of intellectual property n.i.e.**
- Customized blueprints and nonbulk newspapers and periodicals sent on the basis of direct subscription are **included in information services.** (**However, the bulk provision of newspapers and periodicals is included in General Merchandise**).

V. General Merchandise: Time of recording

- **General Merchandise transactions should be recorded at the time of the change of ownership.** This is considered to occur when the corresponding entries are made in the financial account (in practice, it is assumed to be close to customs recording).
- **High-value capital goods** (ships, heavy machinery, and other equipment) whose production may take several months or years to complete. As with other goods, the transaction should be recorded at the time that economic ownership is conveyed from the seller to the buyer. The time of ownership change is as arranged between the parties; for example, it could be a progressive change in line with stage payments, or in full on delivery. If a payment schedule is available, it can serve as a guide to the time of registration of a progressive change of ownership.
- **Goods on consignment.** They should be recorded until ownership changes.

V. General Merchandise: Valuation

- The principle for valuation of general merchandise is the **market value of goods at the point of uniform valuation**.
- **The point of uniform valuation is at the customs frontier of the economy from which the goods are first exported: free on board (FOB).**
- When the information available is in CIF terms, relevant valuation adjustments should be made, considering the type of merchandise, weight, volume, mode of transport, transportation distance.
- In some cases an estimate of a market-price equivalent price may need to be made. For example, barter trade, aid goods, provision of goods and services between affiliated enterprises, under- or overinvoicing, goods on consignment or for auction, or where goods change ownership but a final price is determined later may require adjustment to the goods value.

VI. General Merchandise: Re-exports

- Re-exports are foreign goods that are exported with no substantial transformation from the state in which they were previously imported.
- Economies that are major transshipment points and locations of wholesalers often have large values of re-exports.
- In cases where the state of the imported goods is substantially transformed, which could be indicated by a change in HS code, goods are recorded as domestically produced exports rather than re-exports (e.g., goods that have been assembled or processed, or goods that have become rags, waste, scrap).

VI. Other Goods: Merchanting

- It consists of the purchase of goods by a resident from a nonresident, combined with the subsequent resale of the same goods to another nonresident without the goods being present in the compiling economy. **(Merchanting entries are valued at transaction prices as agreed by the parties, not FOB)**
- Merchanting arrangements are used for wholesaling and retailing. They may also be used in commodity dealing and for the management and financing of global manufacturing processes.
- **The acquisition of goods by merchants is shown under goods as a negative export of the economy of the merchant.**

VI. Other Goods: Merchanting

- **Merchanting items appear only as exports in the accounts of the economy of the territory of the merchant.** In the counterpart exporting and importing economies, export sales to merchants and import purchases from merchants are included under general merchandise.
- **If the physical form of the goods is changed during the period the goods are owned, as a result of manufacturing services performed by other entities, then the goods transactions are recorded under General Merchandise.**
- **The goods involved in these types of transactions do not cross the border of the place of residence of the merchant, so the information must be obtained directly from the companies.**

VI. Merchanting: Recording example

- A resident of Economy A acquires books from a resident of Economy B for 10.
- The resident of Economy A has them sent to Economy C, without the books passing through Economy A, for a resident of Economy C to put in boxes, for a charge of 3.
- The resident of Economy A sells the books to a resident of Economy D for 20.

Economy A

GOODS ACCOUNT		10
Credits		
Net exports of goods under merchanting		10
Goods acquired under merchanting (negative exports)		-10
Goods sold under merchanting (exports)		20
SERVICES ACCOUNT		-3
Debits		
Manufacturing services on physical inputs owned by others		3

VI. Other Goods: Nonmonetary gold

- **Monetary gold is owned by monetary authorities and held as a reserve asset.**
- **Nonmonetary gold can be in the form of bullion (i.e., gold bullion takes the form of coins, ingots, or bars including such gold held in allocated gold accounts), gold powder, and gold in other unwrought or semimanufactured forms.**
- Jewelry, watches, and so forth that contain gold are included under general merchandise, not nonmonetary gold.
- Nonmonetary gold sales and purchases are valued at transaction prices, not FOB.

VII. Information Sources

- Information on international trade in goods for balance of payments statistics is obtained from one or more of the following data sources:
 1. **International Merchandise Trade Statistics (IMTS).**
These may be the result of the use of some of the sources referred to below.
 2. **Customs Information.**
 3. **International Transaction Reporting System (ITRS).**
 4. **Other Administrative Data (VAT, IRS reports).**
 5. **Enterprise Surveys.**
 6. **Official statistics of partner economies.**

VII. Information Sources

- Depending on the source of information used, **it is generally necessary to make adjustments to the information to obtain the statistics according to the balance of payment criteria.** Such adjustments could be necessary due to aspects of:
 1. Coverage.
 2. Classification.
 3. Valuation.
 4. Timing.

VII. Information Sources

- IMTS are compiled from reports sent by importers and exporters to the customs agency or the IMTS compiler (it could be the statistical agency).
- Most compilers use IMTS as the main source of data to compile the goods account. However, **IMTS cover goods entering (imports) or leaving (exports) the economic territory of an economy, which differs in some respects from the balance of payments concept of change of ownership between residents and nonresidents.**

VII. Information Sources

- Examples of adjustments to IMTS that may be required:

- **Coverage.**

- ✓ Exclude government goods consigned to armed forces and diplomatic representatives abroad; transit trade; migrants' personal effects, etc.
- ✓ Exclude goods sent abroad (or imported) for processing without a change of ownership.
- ✓ Include electricity, water, and gas; goods procured in ports by carriers away from the territory of residence of the operator; etc.
- ✓ Include (or exclude) goods that are excluded (included) from (in) IMTS due to the use of special trade system (e.g., goods entering the industrial and commercial free zones, inward processing zones, and customs warehouses).
- ✓ Include goods supplied or acquired by means of transport outside the territory of residence of the operator (oil and fishery products).
- ✓ Adjust for goods that were lost or destroyed after they crossed the national boundary of the exporter's economy but before they crossed the frontier of the importer's economy.
- ✓ Consideration of smuggled goods and informal cross border trade.

VII. Information Sources

- **Classification.**

- ✓ Insurance and freight transport services that are included in the import price of the goods.
- ✓ Financial items: monetary gold, securities, bank notes, coin in circulation(to be included in financial account) .
- ✓ The values of customized and no customized media provided with a periodic license fee (computer software provided on disks, audiovisual media, and so forth), the full values of these products, including their material content, should be included in appropriate services items.
- ✓ Goods imported for construction projects by nonresident companies are excluded from trade in goods and included as part of the value of construction services.

VII. Information Sources

- **Valuation.**

- ✓ Replacement of estimated values by actual values, once they become available.
- ✓ Replacement of transfer prices with market prices.
- ✓ Correction for any biases in conversion rates.

- **Timing adjustments**

- ✓ Goods sold on consignment.
- ✓ Goods under special customs process (e.g. mexican automotive industry).

VII. Information Sources

- In general, the adjustments that a compiler might have to make to the information coming from an ITRS, other administrative data or official statistics of partner economies, in order to use them as a source for the elaboration of the statistics of Goods Transactions can come under the headings of coverage, classification, timing and valuation adjustments.
- Enterprise surveys are generally used to gather data on specific items for which the other data sources do not provide information. The surveys should be designed so as to meet the BOP statistical requirements.

VII. Estimation of Data

- Under certain circumstances, the compiler may have to estimate goods when basic data do not exist, are untimely, or reflect poor coverage.
- One approach is to use national accounts aggregates and estimate the goods item as a residual:

$$\text{Imports} = \text{Production} - \text{Final Consumption} - \text{Capital Formation} - \text{Exports}$$

- Another approach is to estimate using the relation between the missing component and various aggregates for past periods (e.g. exports of a agricultural commodity and the size of harvest).
- Another method of estimation would consist of assuming that trade in missing components has increased (or decreased) at the same rate as measured trade.

IX. Treatment of Transfer Pricing

- Between companies in a direct investment relationship, transactions may occur wherein values shown in the books of transactors are significantly distorted from market values. Such a sale might be made, for example, to transfer profits from one economy to another for tax reasons or because the economy of the direct investment enterprise imposes restrictions on the repatriation of income.
- In this situation, the BPM6 recommends the compiler to make an adjustment to transaction prices.

IX. Treatment of Transfer Pricing

Direction of Flow of Goods	Economy of Direct Investor	Economy of Direct Investment Enterprise
Direct Investment Enterprise to Direct Investor	<p>Increase goods imports by difference in prices.</p> <p>Add difference in prices to direct investment income—dividends—credits</p>	<p>Increase goods exports by difference in prices.</p> <p>Add difference in prices to direct investment income—dividends—debits</p>

X. Merchanting

- By the very nature of merchanting, the goods involved do not cross the customs boundary of the economy of residence of the merchant. Therefore, the data need to be collected directly from the companies involved in merchanting.