

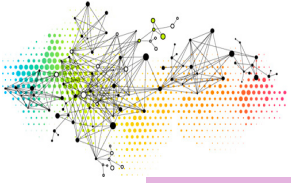


Goods Account (L9)

Course on External Sector Statistics

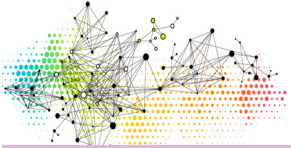
Nay Pyi Taw, Myanmar

January 19-23, 2015



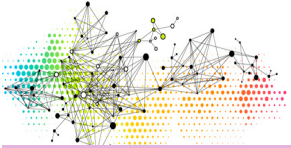
Overview of Goods and Services Account

- Goods and services accounts show transactions in items that are outcomes of production activities.
- Production is an activity in which an enterprise uses inputs (intermediate inputs, labor, produced and nonproduced assets) in order to transform them to an output that can be supplied to other units (in a few cases the output is supplied to the unit itself).
- The term “product” is used in the SNA to cover both goods and services.



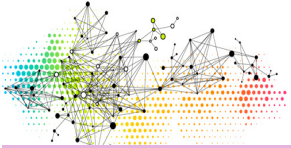
Overview of Goods and Services Account

- The focus of the goods and services account is the point at which goods and services are exchanged between a resident and a nonresident.
- Counterpart entries to goods and services entries may be in the current, capital, or financial account.
- The goods and services account includes, among other things, transactions in products that were generated in previous periods (e.g. second-hand goods and inventories) and output of other economic territories (e.g. re-exports and goods under merchanting).



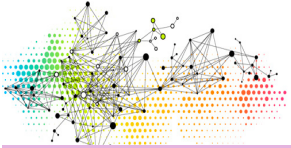
Overview of Goods and Services Account

- Goods are physically produced items over which ownership rights can be established and whose economic ownership can be transferred from one institutional unit to another. The production of a good can be separated from its subsequent sale or resale.
- Services are the result of a production activity that changes the condition of the consuming units, or facilitate the exchange of products or financial assets. Services are not generally separate entities over which ownership rights can be established and cannot generally be separated from their production.



Overview of Goods and Services Account

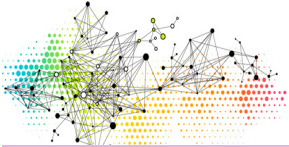
- However, some knowledge-capturing services e.g. computer software and other intellectual property may be traded like goods.
- Based on statistical and analytical considerations, some services are included as an integral part of goods while the value of some services, e.g. construction, travel, and government services n.i.e. include some goods.



Goods - Classification

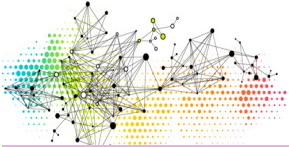
The goods item in the BOP is subdivided into:

- general merchandise
- goods under merchanting and
- nonmonetary gold.



General Merchandise

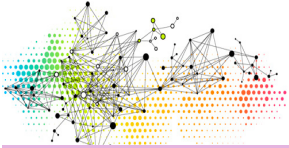
General merchandise on a balance of payments basis covers goods that change economic ownership between residents and nonresidents and that are not included in the following specific categories: goods under merchanting, nonmonetary gold and parts of travel, construction, and government services n.i.e. .



General Merchandise: Coverage

Inclusion of goods

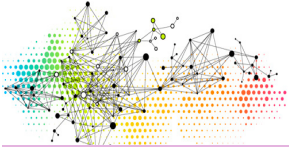
- In accordance with the change of economic ownership criterion the following goods are included:
- Bank notes and coins not in current circulation. They are to be valued as commodities rather than at face value.
- Electricity, gas, and water (however, charges invoiced separately for the transmission, transport, or distribution of these products are included in services).
- Products such as packaged software and video and audio recordings that are purchased outright (i.e. not through end-user or other licenses) if provided on disk, CD-ROM, or other magnetic media. These products are valued at their full transactions value.
- Goods procured in ports by carriers e.g. bunkers, provisions, ship stores.



General Merchandise: Coverage

Inclusion of goods

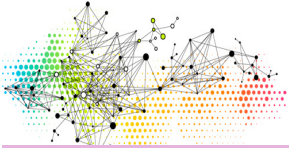
- Goods supplied by carriers away from the territory of residence of operation, e.g., fish and other marine products caught by ships operated by residents and sold abroad directly. Oils and minerals retrieved from the ocean floor by resident operators and sold abroad directly are also included.
- Goods for the **lessee** under financial leases.
- Goods held as inventories abroad.
- Equipment that is sold while outside the territory of residence of its original owner.



General Merchandise: Coverage

Inclusion of goods

- Other cases where a change in ownership is entailed but may not be included in customs based data sources such as:
 - Illegal goods
 - Smuggled goods that are otherwise legal.
 - Goods exempted from customs procedures (e.g. shuttle trade, acquisition of ships, aircraft, etc. and trade between free trade zones and non residents).
 - Gifts and parcel post.
 - Goods lost or destroyed after ownership has been acquired by an importer but before the goods have crossed a frontier.
 - Government sales of goods to and purchases of goods from nonresidents.
 - Humanitarian aid in the form of goods.
 - Goods transferred to or from a buffer stock organization.

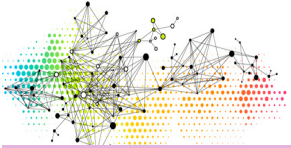


General Merchandise: Coverage

Exclusion of goods

Because a change of economic ownership is not entailed the following goods are excluded:

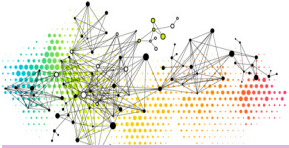
- Transit trade.
- Migrants' personal effects
- Goods consigned to embassies, military bases etc. from their home authorities, and vice versa.
- Goods sent to an enterprise's external operations where those operations were not substantial to constitute a branch.
- Goods temporarily exported or imported without a change of ownership, e.g. goods for repair, as part of an operational lease, for storage, and animals or artifacts for participation in exhibitions or competitions.



General Merchandise: Coverage

Exclusion of goods

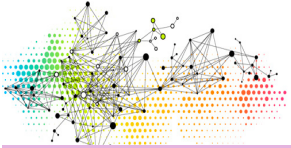
- Goods for assembly, packing, labeling, or processing by an entity that does not own the goods concerned
- Goods acquired by **lessor** under financial lease
- Goods with no positive value.
- Returned goods.
- Samples of no commercial value.
- Trade in goods between free trade zones and residents of the same economy



General Merchandise

Movements in general merchandise between affiliated enterprises

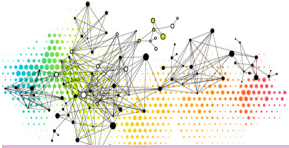
- When affiliated enterprises are separate legal entities, transactions should be treated according to parties' own arrangements as to whether there is a change of ownership or not.
- Regarding shipments between a quasi corporation and its owner, the preferred treatment is to identify which part of the legal entity assumes the risks and benefits of ownership based on such evidence as which location has the goods recorded in the accounts.



General Merchandise

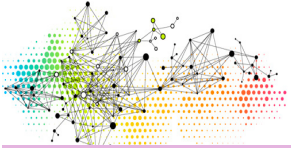
Goods excluded from general merchandise because they are included in other categories under “goods”

- See paragraph 10.23 (items (a) – (h)) of *BPM6*



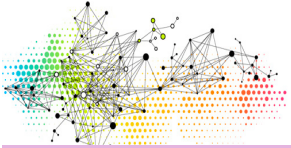
Goods: Time of Recording

- Goods are considered to change ownership when the parties enter the goods in their books as a real asset and make a corresponding change to their financial assets and liabilities.
- Ideally for international accounts purposes, source data should be adjusted by:
 - Removing recorded merchandise movements that do not entail a change of ownership in the period; and
 - Adding merchandise that changed ownership during the period but was recorded in the source data in earlier or later periods.



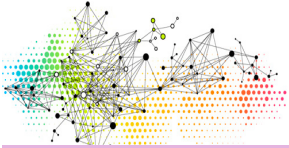
Goods: Time of Recording

- In practice, the timing of the ownership change is usually approximated to customs recording except for large, discrete transactions (e.g. deliveries of ships or aircrafts).
- For high-value capital goods when a contract of sale is agreed in advance for the construction of such assets, progressive change of ownership could occur for the work-in-progress rather than the change of ownership occurring at completion, depending on the contractual arrangements.



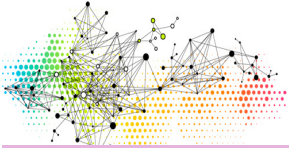
Goods: Valuation of General Merchandise

- Delivery of goods by the exporter to the importer invariably signifies a change of ownership and may occur at any time and place from the point at which the goods are produced to the point of final use.
- The terms of delivery of goods are the responsibility of the buyer and seller of goods under each contract. The arrangements made between exporters and importers vary.
- Consequently, transaction prices agreed between exporters and importers include varying amounts of distributive costs, including none, some, or all of wholesaling, transport, insurance, and taxes.



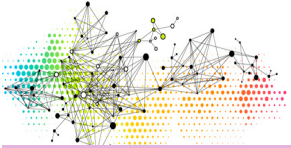
Goods: Valuation of General Merchandise

	Currency Unit
Value of commodities at place of production in the place of production in the exporting country (A)	2,000
Cost of Transportation to border of country A (services provided by resident of country A)	100
Cost of Transportation from border of country A to border of country B (services provided by resident of country C)	200
Value of commodities at place of delivery at border of country B	2,300
Value of commodities at place of delivery at the establishment of the exporter	2,000



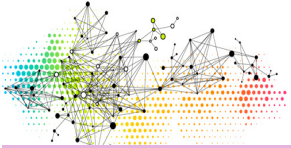
Goods: Valuation of General Merchandise

- In order to avoid variation in the valuation of merchandise exports/imports in response to varying delivery terms underlying individual contracts, *BPM6*, in conformity with earlier editions of *BPM* and consistent with the *SNA*, recommends a uniform point of valuation for general merchandise.
- The point of uniform valuation is at the customs frontier of the economy from which the goods are first exported, i.e. free on board (FOB).
- A clear distinction between (i) items regarded as goods and (ii) any additional distributive services that might be included in the final value of those goods is made in *BPM6*.



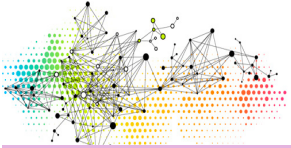
Goods: Valuation of General Merchandise

- FOB-type valuations include:
 - “Free on board” (FOB) at port on the frontier of the exporting country (for goods dispatched by sea or inland waterways);
 - “Free carrier” (FCA) at terminal on the frontier of the exporting country (for goods dispatched by means of transport for which FOB is not applicable); and
 - “Delivered at frontier” of the exporting country (for goods dispatched by means of transport for which FOB and FCA are not applicable, e.g. when goods are exported by railroad or pipeline).



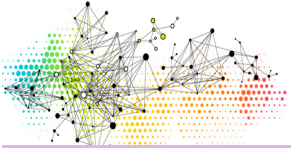
Goods: Re-exports

- Re-exports are a subset of exports, in which goods produced in other economies are exported with no substantial transformation from the state in which they were previously imported.
- The price of re-exported good may differ from its price at the time it was originally imported due to such factors as transport costs, dealer's margins, and holding gain/losses.



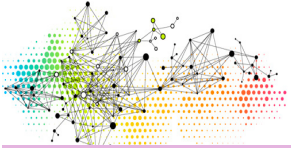
Goods: Re-exports/Re-imports

- Re-imports are domestic goods imported in the same state as previously exported, without any substantial transformation occurring to the goods while they were outside the territory.
- Where significant, re-exports and re-imports may be shown as a supplementary item.



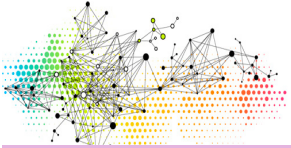
Goods Under Merchanting

- Merchanting is defined as the purchase of goods by a resident (of the compiling economy) from a nonresident combined with the subsequent resale of the goods to another nonresident without the goods entering the compiling country.
- The acquisition of goods by merchants is shown under goods as a negative export of the economy of the merchant.
- The sale of the goods is shown under merchanting as a positive export of the economy of the merchant.



Goods Under Merchanting

- The difference between sales over purchases of goods for merchanting is shown as the item “net exports” of goods under merchanting. This item includes merchants’ margins, holding gains/losses, and changes in inventories of goods under merchanting.
- As a result of losses or increases in inventories, net exports of goods under merchanting may be negative in some cases.
- Merchanting entries are valued at transaction prices, not FOB.



Nonmonetary Gold

- Non monetary gold covers all gold other than monetary gold.
- Deposits to or withdrawals from **allocated** gold accounts in nonmonetary gold are treated as transactions in commodities.
- **Unallocated** gold accounts are treated as financial assets. Deposits by an entity other than monetary authorities or international organizations is shown as an exchange of nonmonetary gold for a financial asset; and a withdrawal is the reverse.