

# Goods sent abroad for processing: measuring and recording in the supply and use tables for Estonia

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## Introduction

- Eurostat Task Force on Goods sent abroad for processing
- The implementation of the ESA 2010 treatment of goods for processing will affect the compilation of the supply and use/input-output tables

## Content of presentation

Goods for processing:

- Definition
- Treatment in ESA 95 and ESA 2010
- Current treatment in supply and use tables (ESA 1995)
- Measurement steps and problems
- Example of processing industry

## Definition

- Goods for processing are defined as raw materials or semi-processed goods belonging to the principal enterprise in country A which are sent to the contractor (i.e. manufacturing enterprise) in country B for significant transformation and then returned to the original unit in country A
- There is no change of ownership between the principal and contractor
- A fee for production carried out
- Minor transformation of goods is not regarded as processing

## Treatment in ESA 95 and ESA 2010

	ESA 1995	ESA 2010
Recording method	Gross	Net
Change of ownership	Imputing	Not imputing
Goods for processing	Imports/ exports of goods	-
Processing fee	-	Imports/exports of service
Business statistics	Inconsistency with SBS, PRODCOM	Consistency
Accumulation accounts	Imputing	Consistency

## Treatment in the SUT

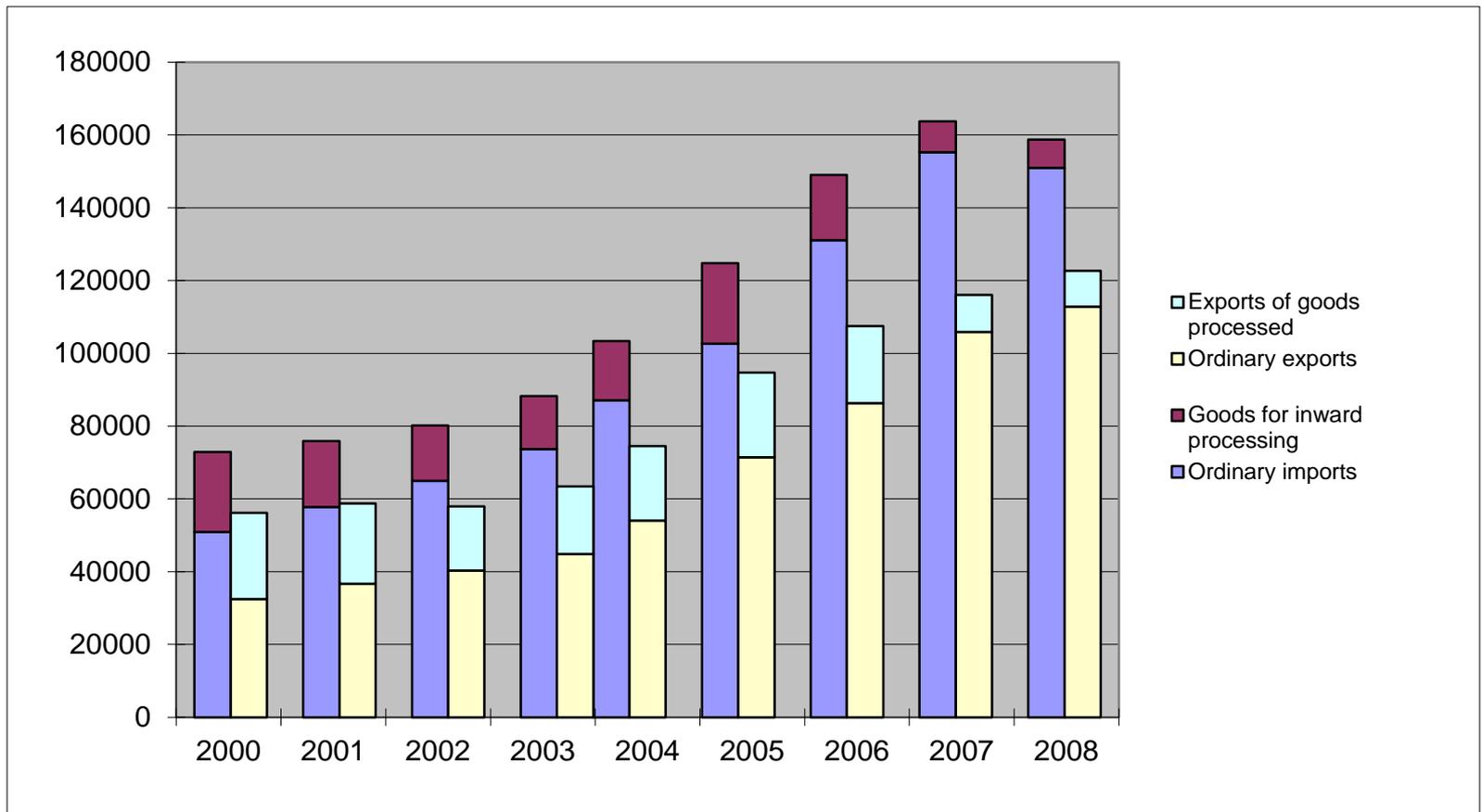
- Gross recording system (net system only for internal purposes)
- Distinction is made between significant processing and other processing:
  - If processing involves substantial physical change of goods, it is considered as production and recorded on a gross basis
  - Other processing which involves a minor operations on goods, such as packaging, labeling, fuel oil blending, storage, is treated as service activity and recorded on a net basis
- Current treatment of goods sent for processing in the SUT/NA is not fully consistent with the balance of payments

## Treatment in the SUT (2)

### Recording in the SUT:

- Goods for processing are included in exports and imports of goods (separate transaction items)
- Output is adjusted by the value of exports of goods for processing and intermediate consumption by the value of imports for processing
- Value added is unaffected
- Changes in inventories are also adjusted

## Goods for processing in total imports/exports of goods (SUT)



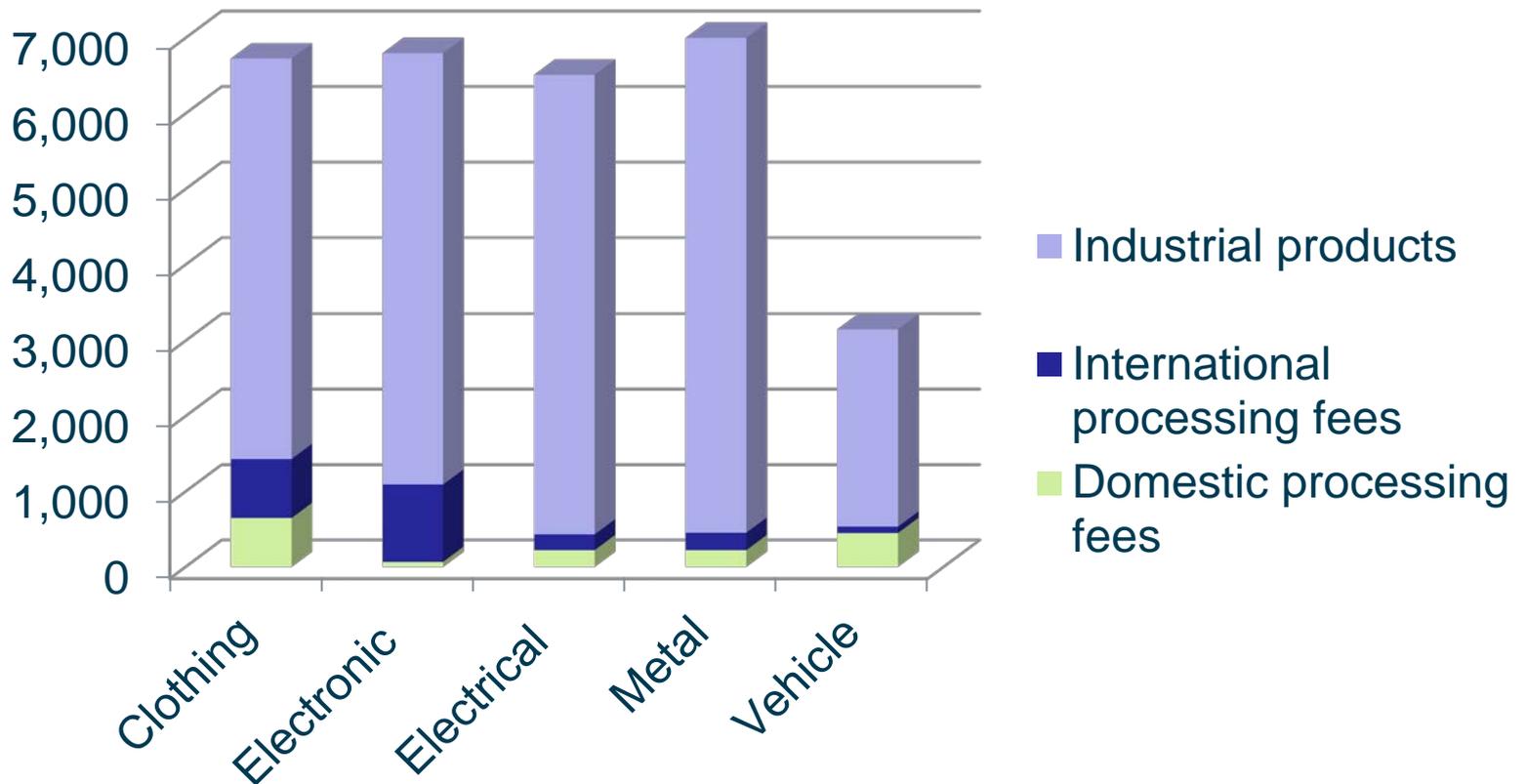
## Measurement

Data is compiled from SBS, PRODCOM surveys and foreign trade statistics data at the level of enterprises

The processing fee is calculated on the basis SBS (total processing fees received by contractor) and PRODCOM (the processing fees received from non-resident units)

- 58% of the total value of processing fee in 2008

## Processing fees in total output, million EEK (2008)



## Measurement (2)

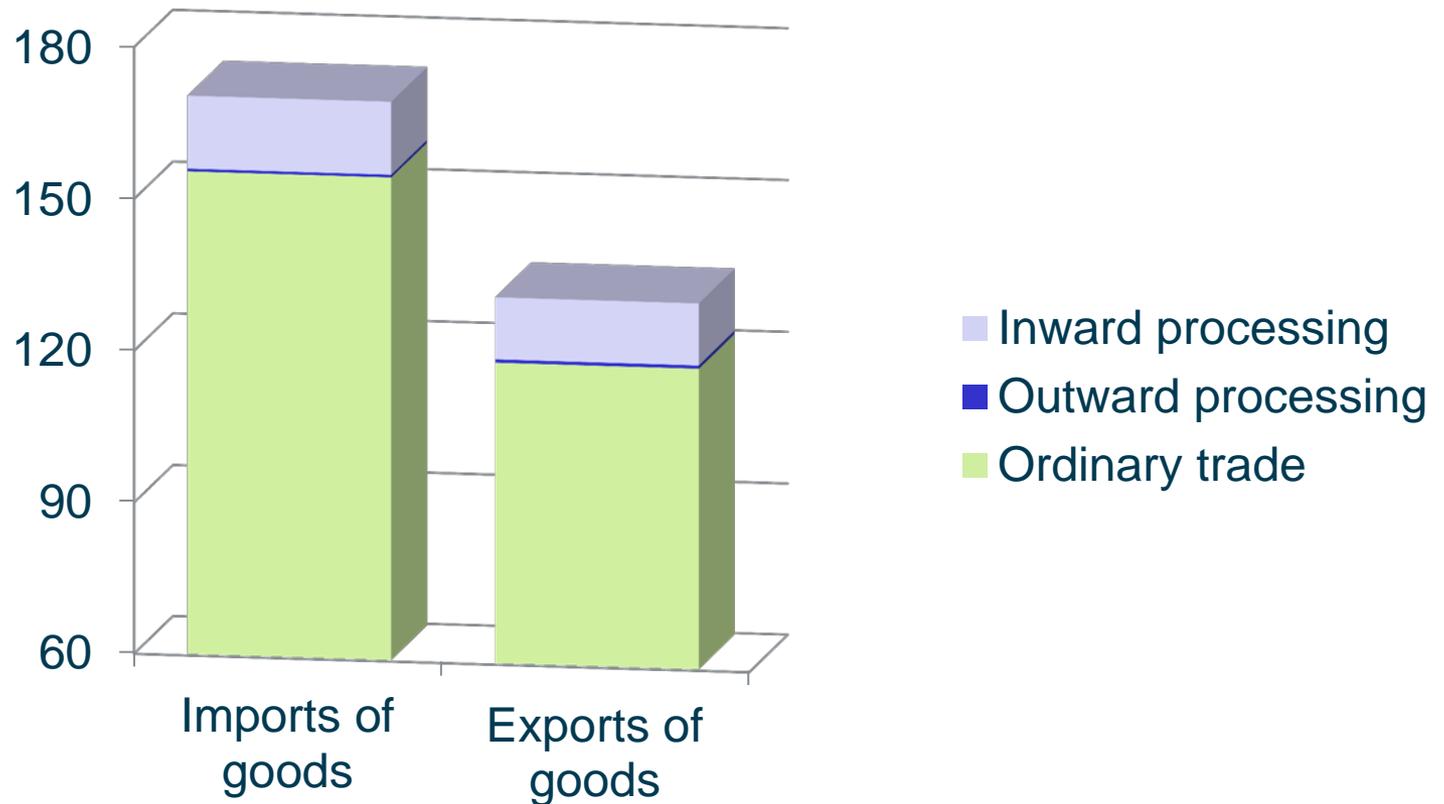
For Extra-EU trade, data available from Customs' procedures:

- Inward processing: imports (4100, 5100, 5153, 5171, 5178); exports (1041, 3151)
- Outward processing: exports (2100); imports (6121)

For Intra-EU trade, data for processing are identified by nature of transaction code:

- Inward processing: import (4= 5100); exports (5=3151)
- Outward processing: exports (4=2100); import (5=6121)

## The FTS data, billion EEK (2008)



## Measurement (3)

Integration of PRODCOM with FTS data at enterprise level:

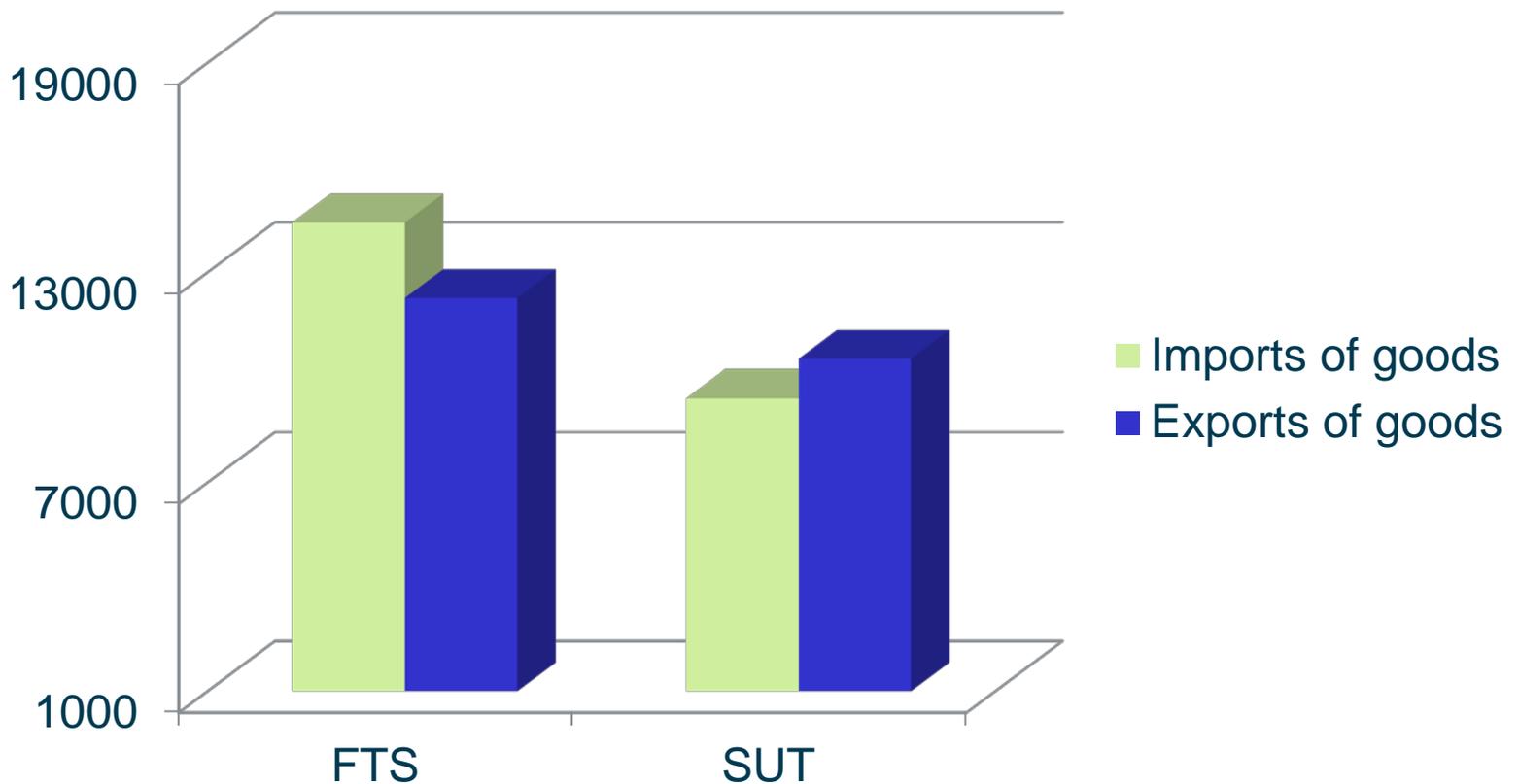
- First group – manufacturing enterprises engaged in cross-border processing (167 contractors in 2008). Gross recording
- Second group is enterprises involved in other processing, such as packaging, labeling, bunker fuel oil blending, storage (mostly trader and warehouses). Transactions are recorded on a net basis (i.e. goods for processing are not included in exports and imports of goods, the fee is instead recorded under exports of services)
- Third group – enterprises for which no information available. The values of imports and exports of goods on processing are not removed from goods, they are recorded as changes in inventories in the SUT(79)

## Measurement (4)

### Major difficulties:

- If reporting unit in FTS is not a contractor, but other unit, e.g. branch of foreign parent company registered in the Business register or foreign parent company registered in VAT register
- Total or certain amount of goods for processing are declared as normal imports or exports by contractor
- Value of finished product is not “correct”
- Processed goods are not exported back to the reporting economy

## Inward processing values in FTS and SUT, mln.EEK



## Comparison of processed goods (gross) and processing fees (net)



## Processing fees by activity: differences between FTS and PRODCOM





## Goods for processing: compilation of production account for manufacture of computer, electronic and optical products

	Net recording	Goods for processing	Gross recording
Output	7 113		
goods	6 019		
processing fees	1 094		
-fees from non-resid	1 025		
Interm_consumption	5 260		
Value added	1 853		

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	Net recording	Goods for processing	Gross recording
Output	7 113	+4 530	11 643
goods	6 019	+5 555	11 574
processing fees	1 094		69
-fees from non-resid	1 025	-1 025	
Interm_consumption	5 260	+4 530	9 790
Value added	1 853		1 853
Exports		5 142	
Imports		4 530	
Changes in inventories		+413	

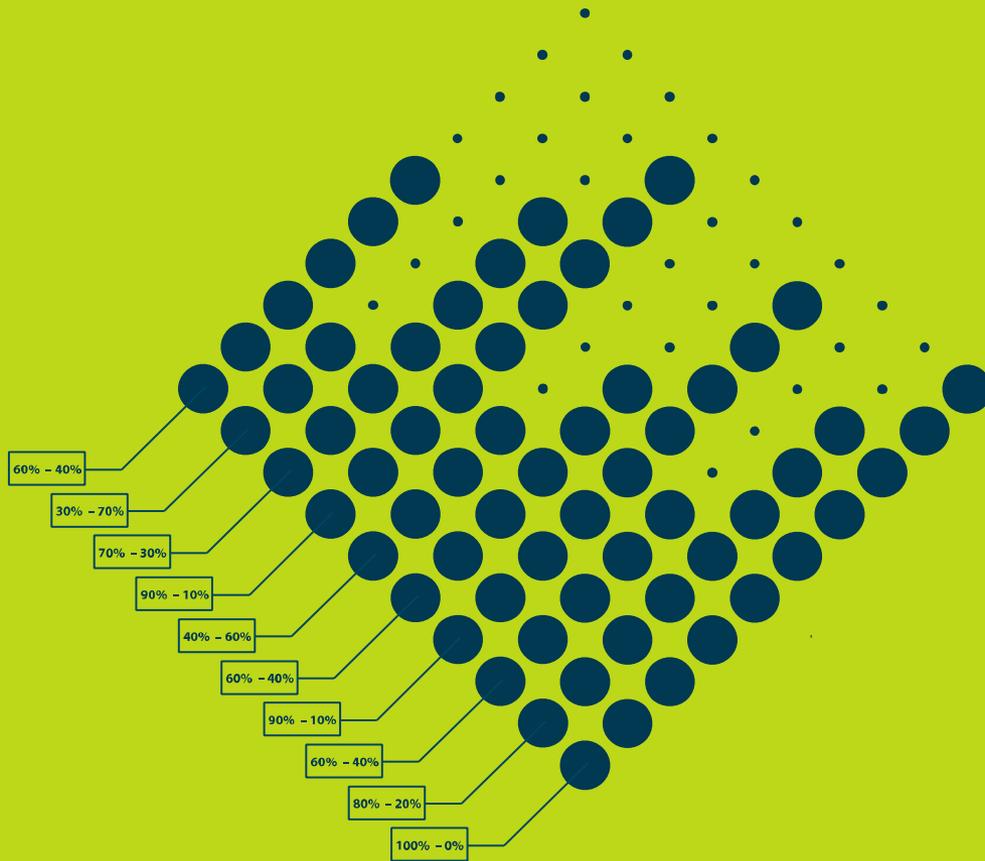


## Goods sent for processing in 2008 SUT (ESA 1995 and ESA 2010)

	Supply			Use		
	Output	Imports	Int_cons	Exports	Inventories	Final use
<b>ESA 1995</b>						
Goods for processing		7 771	7 402		370	
Goods processed	9 856			9 869	-13	
Processing fees						
<b>ESA 2010</b>						
Goods for processing						
Goods processed						
Processing fees	2 455			2 455		

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