


Goods for processing and merchandising

Serbian case

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**Meeting of the Group of Experts on National Accounts
Special Session for EECCA and SEE countries**

Outline



- ❑ Institutional framework
- ❑ Methodological framework
- ❑ Sources and methods
- ❑ Points for improvements
- ❑ Further plans

Institutional framework

- According to the Law on Official Statistics, Statistical Office of the Republic of Serbia (SORS) is the organizer and coordinator of official statistics.
- There is a Memorandum of Cooperation in the area of macroeconomics and financial statistics between SORS, the National Bank of Serbia (NBS) and the Ministry of Finance.
- The compilation of balance of payments (BoP) statistics is responsibility of the NBS, including international trade in services statistics (ITSS).
- The SORS is in charge of compilation of international merchandise trade statistics (IMTS).

Methodological framework

- Since 2014, the NBS has been applying the methodology from the IMF Balance of Payments Manual 6th Edition (BPM6) and the UN Manual on Statistics of International Trade in Services 2010 (MSITS 2010). BoP and ITSS data are regularly transmitted to Eurostat according to BPM6.
- External trade statistics in goods, compiled by SORS, follows recommendations given by International Merchandise Trade Statistics: Concepts and definitions 2010 (Series M, No 52, Rev. 3).
- Since 2014, SORS has been applying European System of Accounts ESA 2010 (Regulation (EU) No 549/2013). The national accounts data are regularly transmitted to Eurostat in line with ESA 2010 Transmission Programme.

- Processing is a relevant item for Serbia and increase of its importance is expected in the course of time.
- International merchandise trade statistics (IMTS), compiled by SORS, records the cross-border movement of goods, irrespective of whether there is a change of ownership.
- In line with ESA 2010 and BPM6, goods supplied to another economy for processing without change of ownership and returned to the economy of the owner after processing are excluded from the BoP statistics on trade in goods, compiled by the NBS.

- The source of data on manufacturing services is International Transaction Reporting System (ITRS), code for *Processing of goods*.
- Serbian ITRS is closed system, performed through the banks and the NBS. It includes payments and receipts for manufacturing services on physical inputs owned by others by country of payment/collection.
- IMTS statistics is the source of data on exports and imports of goods before and after delivery of the manufacturing service.
- Exports and imports flows relating to goods for processing are identified in the IMTS statistics using relevant Nature of Transaction (NoT) codes.

ESTIMATION OF VALUE OF GOODS THAT CHANGED OWNERSHIP IN RELATION TO CONTRACT PRODUCTION

	source
Production in Serbia	
Imports of goods for processing	IMTS
+ Manufacturing services paid by foreign principal	ITRS
- Exports of goods after processing	IMTS
= Imports (+) / Exports (-) of goods	
Production abroad	
Exports of goods for processing	IMTS
+ Manufacturing services paid to foreign processor	ITRS
- Imports of goods after processing	IMTS
= Exports (+) / Imports (-) of goods	

- Merchanting is defined as the purchase of goods by a resident (of the compiling economy) from a non-resident combined with the subsequent resale of the same goods to another non-resident without the goods being present in the compiling economy.
- Merchanting occurs for transactions involving goods where physical possession of the goods by the owner is unnecessary for the process to occur.
- Goods under merchanting are not included in the external trade statistics of SORS.
- However, in line with BPM6/ESA 2010, the balance of payments statistics of the NBS records goods under merchanting.

- Data on merchanting transactions are obtained from the International transaction reporting system (ITRS) of the NBS, code for *Payments for goods purchased abroad that are not imported into the country, but directly delivered to another country or another customs territory pursuant to a contract*
- The acquisition of goods by merchants is shown in the BoP statistics of the NBS as a negative export of goods. On the other hand, the sale of goods by merchants is shown under goods sold under merchanting as a positive export.
- The difference between sales over purchases of goods for merchanting is shown as the item “net exports of goods under merchanting”.

NET EXPORTS OF GOODS UNDER MERCHANTING

	Source
Net exports of goods under merchanting according to the BoP (1) = (2) + (3)	
<i>Goods acquired under merchanting (negative exports) (2)</i>	ITRS
<i>Goods sold under merchanting exports (3)</i>	ITRS

- Currently used procedures do not provide complete information on goods for processing, especially if the goods are sold to a third economy after processing.
- Therefore, additional efforts will be needed in order to achieve full coverage of these flows.
- In order to improve accuracy of calculation, information is needed about the value of goods purchased in Serbia by the foreign principal of goods to be processed in case of inward processing and of the value of the goods to be processed which are purchased abroad by the Serbian principal in case of outward processing.

- Corresponding entries in the BoP would be classified as exports and imports of goods respectively.
- Further, data need to be captured on the value of sale (including amount of processing fee concerned) of goods processed – so after processing – in Serbia (in case of inward processing, resulting in imports of goods) and abroad (in case of outward processing, resulting in exports of goods).
- Information is also needed about the value of services paid/collected in kind.

- In the coming period, the NBS and SORS will seek to make better use of existing administrative and other sources of information in order to ensure the availability of data relating to processing activities and their maximum alignment with methodological requirements.
- SORS collects and disseminates IMTS data in line with general trade system.
- However, for analytical purposes IMTS may also provide data in line with special trade system. It is already done for compilation of SUT tables needs.
- These additional data could provide important supplementary information on goods for processing that enter and leave free zones and customs warehousing.

- The activities are underway on drafting BoP questionnaire on processing that would cover flows of the goods that have changed ownership in connection with the processing operations, and the value of processing services.
- A merchanting section is planned to be part of survey, having in mind that there could be some data overlapping due to possible connectivity between these activities.

- Based on IMTS and ITRS data (2015-2017), the selection of the most important companies in the goods processing is being prepared.
- It is planned to organise meetings with representatives of these companies, with the main points for discussion being the usual way of contracting processing activities, the availability of necessary data for proposed survey, reporting periods, etc.
- As outcome of these meetings, the survey form is expected to be drafted. Currently the reference bylaw is being prepared in order to conduct the processing survey.

- The companies will be asked to provide information on:
 - Value of processing services;
 - Value of goods that are bought in country of processing or third country and directly send to the processing company;
 - Value of goods that are after processing sold in the country of processing or third country;
 - Merchanting: value of goods that are bought and resold in abroad without entering the country of resident owner. There is an additional explanation relating to the distinction between merchanting and processing activities.



Thank you for your attention!