



# **Globalization TT: Valuation of imports & exports in the SNA**

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# Outline

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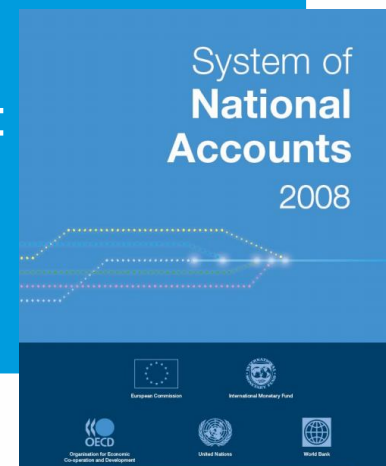
Ms. Lourdes Erro (Uruguay)

**The views expressed are those of the Globalization Task Team and should not be attributed to the IMF, its Management, or its Executive Directors.**

# Valuation of imports and exports: introduction

## System of National Accounts 2008 (2008 SNA)

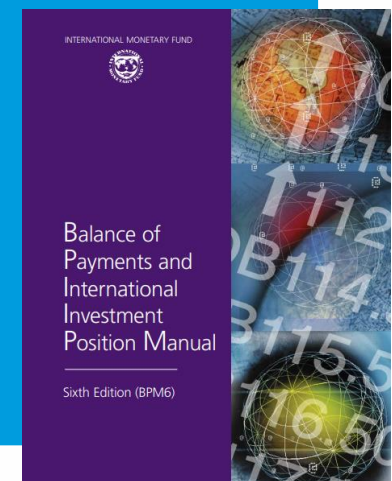
- recommends recording of imports and exports of goods at FOB value;
- the FOB valuation seems to not be fully reconciled with the general conceptual principle of recording output at basic prices:
  - **FOB valuation principle:** goods are valued excluding freight and insurance services between the exporting and importing countries (i.e., at a point of uniform valuation).
  - **basic price valuation principle:** goods are valued at the observed transaction price receivable by the producer (freight and insurance services are included or excluded depending on if these services are separately invoiced by the producer).
- imports of goods are to be recorded in the supply and use tables at basic prices:
  - **CIF to FOB adjustment** is needed, if FOB-type data detailed by product group are not available for imports.



# Valuation of imports and exports: introduction

## *Balance of Payments and Int. Inv. Position Manual 6<sup>th</sup> ed. (BPM6)*

- recommends recording of imports and exports of goods at FOB value:
  - *principle for valuation of general merchandise: market value of goods, at the point of uniform valuation, that is at the customs frontier of the economy from which the goods are first exported (FOB).*
  - *allows for partitioning and rerouting of transactions when transaction prices (as agreed between exporters and importers) include varying amounts of distribution costs.*
- use International Merchandise Trade Statistics (IMTS) as main data source for goods:
  - *IMTS use a CIF-type valuation for imports.*
  - *to derive FOB values, it is necessary to exclude freight and insurance costs incurred between the customs frontier of the exporter and the customs frontier of the importer.*
  - *CIF to FOB adjustment should be obtained at a detailed level, and CIF to FOB ratios change over time.*



# Valuation of imports and exports: existing material



## 2012: Anne Harrison BOPCOM paper

- addresses the apparent inconsistency of the 2008 SNA recommendation to value output at basic prices and to record imports and exports at FOB values as recommended in *BPM6*.
- presents four suggested options towards resolving this inconsistency and underscored that the process of adjusting CIF to FOB valuation might need re-examination.

## 2013: BOPCOM Summary of Discussion

- FOB valuation was included in several previous BPM and with the implementation of BPM6 this was not the suitable moment to introduce changes in valuation of goods.

## 2013: AEG on National Accounts

- the 2008 SNA and BPM6 recommend recording imports and exports of goods at FOB value and the 2008 SNA does not fully reconcile the FOB principle for the valuation of exports with the principle of output valuation at basic prices.

# Valuation of imports and exports: existing material



## 2016: UNSD IMTS Survey on National Compilation and Dissemination Practices

- 68 out of 102 economies (approximately 67 percent) maintain the invoice price as one of the valuations in basic merchandise trade statistics.

## 2017: UNECE Workshop on Consistency between National Accounts and Balance of Payments Statistics

- different methods are used to estimate the CIF to FOB adjustment in countries.
- useful to share information on questionnaires, methods, and software, and to foster international coordination to reduce asymmetries with partner countries.

## 2017: ADB Compendium of SUTs for Selected Economies in Asia and the Pacific

- diversity of practices regarding the compilation of the CIF to FOB adjustment.
- data sources used to estimate trade margins differ (e.g., FOB values for imports are available in some economies, while others use ratios to compile the CIF to FOB adjustment).

# Valuation of imports and exports: existing material



## 2017: Hiemstra and de Haan AEG paper

- proposes the recording of imports and exports of goods in the national accounts and SUTs based on the actually observed transaction values, due to data limitations.

## 2017: AEG on National Accounts

- the use of transaction prices for exports and imports of goods is not consistent with the current SNA recommendations, but recommended an assessment of country experiences in CIF to FOB recording by the ISWGNA to develop a guidance note as part of the research agenda on globalization.

## 2018: Walter OECD WPTGS paper

- the valuation concept for exports and imports and the related transportation services need to be updated to better incorporate current transportation procedures.
- the current valuation principles force compilers to set up resource and cost intensive methods to calculate the CIF to FOB adjustment.
- an approach based on invoice values would avoid many of the current problems related to the valuation of international trade and would reduce overall asymmetries.



# Valuation of imports and exports: existing material

## 2019: joint IMF-OECD initiative and BOPCOM paper

- 50 percent of respondents to a survey on the use of invoice values were unfavorable to the proposal of adopting invoice values, mainly due to practical considerations related to data availability.
- the CIF to FOB adjustment and the change to transaction values have different impacts according to national circumstances.
- examples according to the reconciliation exercise in pilot countries:

***Albania** for 2016-18, the annual average ratios of invoice values to FOB (BOP) value were estimated between 5.5 and 5.9 percent,*

***Belgium** for 2015 intra-EU trade, the invoice to CIF value was 0.04 and 0.16 percent of total trade, for imports and exports respectively, while the CIF to FOB adjustment was -1.67 percent of total trade for imports,*

***Moldova** for 2019Q1, the average ratios of invoice values to FOB (BOP) trade were around 5 percent, but showing significant fluctuations between different groups of trade partners,*

***Germany** a vast data set from IMTS (47 million observations) showed very small CIF-invoice differences (1.4 percent on average) for the extra-EU imports, and larger FOB-invoice differences (12.8 percentage) for extra-EU exports.*



# Valuation of imports and exports: options considered

GZTT  
options  
considered

1

**Option 1: changing the recommended treatment of domestic transportation back to the recommendations before the 1993 SNA.**

- transport services would always be treated as services, and never integrated with the value of the good.
- **advantages:**
  - value domestic and international transactions consistently,
  - have a uniform point of valuation,
  - align the treatment of transport services in the SNA and BPM.
- **disadvantages:**
  - change in the valuation concepts and methods currently adopted in the 2008 SNA (e.g., basic, producer, and purchaser prices, treatment of transport margins in the adjustments needed to trade data in the SUT framework).

# Valuation of imports and exports: options considered

GZTT  
options  
considered

2

Option 2: maintaining the recommendation of the 2008 SNA to record imports and exports using an FOB-type valuation.

- **advantages:**

- maintain the consistency between the SNA and the BPM,
- does not cause a break in series,
- no costs to users in adapting to new information.

- **disadvantages:**

- not fully reconcile with the 2008 SNA recommendation to value output at basic prices and with the treatment of domestic transactions,
- additional clarification concerning certain areas would still be needed.

# Valuation of imports and exports: options considered

GZTT  
options  
considered

3

**Option 3: changing the SNA recommendation for the valuation of imports and exports to the observed transaction value.**

- **advantages:**
  - enhanced consistency within the SNA with the general valuation principle of recording output at basic prices.
- **disadvantages:**
  - inconsistency between the 2008 SNA and the BPM6, imply changes in the treatment of international transport margins in the adjustments needed to trade data in the SUT framework.
- if considered, this option requires a discussion on the treatment of goods, transportation, and insurance services in the balance of payments statistics.
- the CATT was requested to provide its views on:
  - a) the possibility of adopting Option 3 from a conceptual perspective.
  - b) the outcome if a no change in the current BPM standards concerning the valuation of imports and exports is favored.

# Valuation of imports and exports: recommended approach – conceptual aspects

## *Globalization Task Team (GZTT): consultation*

- Option 3 was favored by most members on a conceptual level (**pending another round of consultation**): amend the SNA guidelines and adopt the valuation of imports and exports on a true transaction value basis; this approach would require changes in both the SNA and the BPM to keep the consistency.
  - **reasons presented:** unavailability of data to compile an accurate CIF to FOB adjustment; continued evolution of international trade agreements (e.g., customs unions where customs declarations are not available); complexity of supply chains; and use of basic prices to value output in the SNA.
  - **advantages considered:** avoid compiling the CIF to FOB adjustment (i.e., avoid possible measurement errors due to lacking source data); reduce data asymmetries due to a unified assessment of transactions between importers and exporters; and facilitate SUT compilation.
- **GZTT members suggested further consultations on the practical considerations of Option 3:** (i) need for new data sources, (ii) difficulty in obtaining accurate transaction values, and (iii) need for harmonizing with other statistical manuals (namely, with *IMTS 2010*).

# Valuation of imports and exports: recommended approach – conceptual aspects

## *Joint IMF-OECD initiative: survey results*

- **50 percent of respondents were unfavorable to the proposal to use transaction values** as the valuation principle for both goods and transportation services.
  - **advantages presented:** valuation closer to true market values; no need to estimate the CIF to FOB adjustment (if transaction values are available); and potential reduction of cross-country asymmetries.
  - **disadvantages presented:** lack of access to invoice values or corporations' records; need of additional data to estimate freight transport and insurance services; difficult classification of goods and services; difficult to establishing corporations' residence; and increase in work and respondent burden.
- **With the caveat that the GZTT and the IMF-OECD survey did not address the issue from the same perspective, there is an apparent divergence in opinion related to adopting transaction values for imports and exports valuation.**

# Valuation of imports and exports: recommended approach – conceptual aspects

## *Impact of adopting transaction values*

- **National Accounts:**
  - in general consistent with the principles concerning the time of recording and valuation of production recommended in the 2008 SNA.
  - need of additional guidance for SUT compilation.
- **Balance of Payments:**
  - demarcation between goods and services
  - introduction of a changeable valuation point
  - change in treatment of international freight and insurance services

# Valuation of imports and exports: recommended approach – practical aspects

## *Globalization Task Team (GZTT): consultation*

- in general, transaction values for IMTS are available from custom's documents in the economies of the GZTT members
  - access to transaction values data might be challenging to the agency responsible for compiling national accounts or balance of payments statistics.
  - most members have not conducted studies on the difference between invoice value and CIF or FOB valuation

## *Joint IMF-OECD initiative: survey results*

- most respondents considered that it is not practically feasible to develop balance of payments statistics for trade in goods and freight transactions using invoice values.
  - some concerns include (i) the lack of complete and accurate available data; (ii) the impossibility of using data from corporations' records; (iii) the need for inter-agency collaboration; or (iv) the lack of detailed data on transport services.



# Valuation of imports and exports: recommended approach – practical aspects

## *Practical implications of the use of transaction values in BoP*

- **Compiling agencies**
  - need to assess the data collection system for merchandise trade with resource implications
  - residence of freight/insurance providers may not be known from customs declarations
  - need for enhanced data validation and quality controls
  - need to update the IT system for the IMTS and balance of payments databases
  - need of new legal and regulatory requirements to support data collection
  - need of improved organizational and institutional arrangements
- **Respondents**
  - increase of the respondent burden, if data are unavailable from other sources
- **Data Users**
  - costs of adapting to new data

# Valuation of imports and exports: further consultation on Guidance Note

## *Globalization Task Team (GZTT): initial feedback points to*

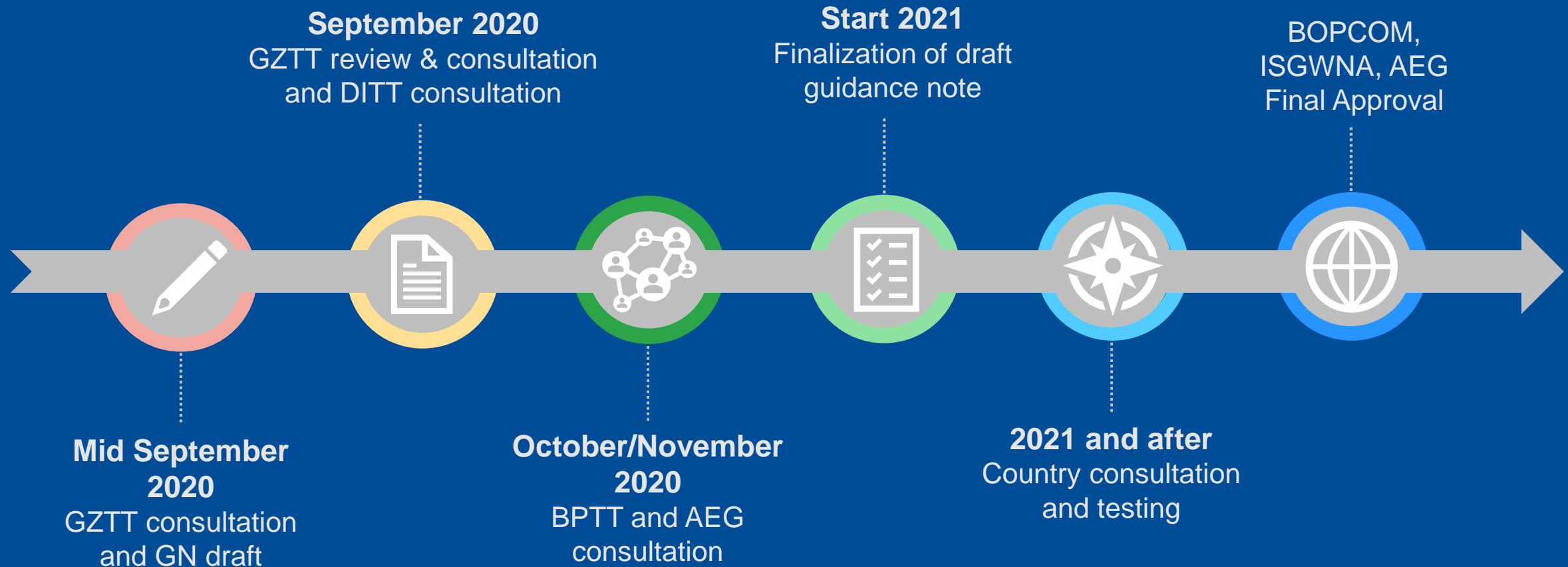
- **Not clear if countries consider the issue material enough for the benefits of changing the current principle to outweigh the costs**
  - some countries are still investigating the possibility of using invoice values or completing other studies
- **Surveys on international transportation and insurance services are in general available in the countries**
- **No additional arguments to include in Guidance Note**

# Valuation of imports and exports: further consultation on Guidance Note

## *Current Account Task Team (CATT): initial feedback points to*

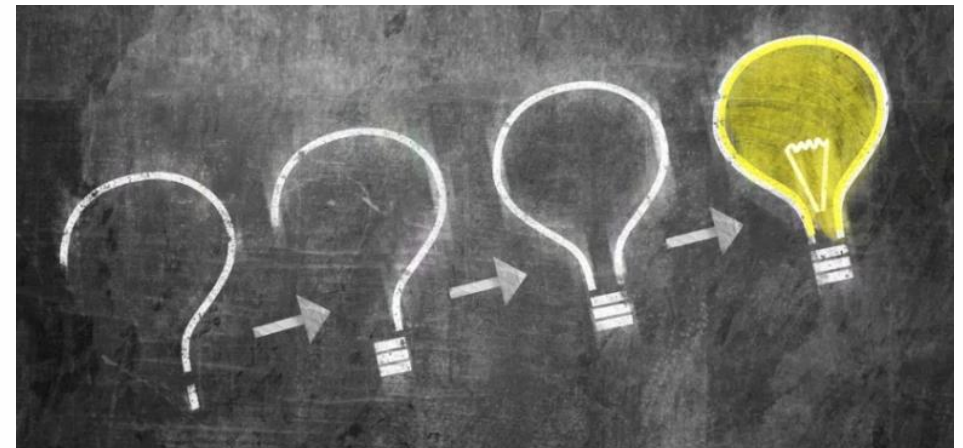
- **Countries list advantages and disadvantages of all options**
  - need to be reflected in the guidance note
- **Preference for harmonization of the statistical standards**
- **Should other options be investigated?**
  - other options that guarantee harmonization?
  - availability of invoice values from customs vs. other sources
  - further details on guidance concerning CIF to FOB adjustment – for example, how would the transaction values be used in Supply and Use compilation?
  - possibility of presenting supplementary data

# Timeline



# Questions for discussion

- Are invoice values available in customs documents in your country?
- What source data do you have for international transportation and insurance services in your country?
- In your country is the issue material enough so that the benefits of changing the current principle for valuation of imports and exports of goods outweigh the costs?
- Any volunteers to conduct a pilot study showing the impact of using invoice values in both BOP and NA?



**END**

**Thank you!**

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