Merchanting of Services

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Outline

1. *What is it?*
   - Conceptual issues
   - Merchanting of Services
2. *What is its size?*
3. *How to operationalize/measure?*
4. *What’s ahead?*
Conceptual issues...

• Frame: 2008 SNA/BPM6/MSITS2010
• Concept: Merchanting of goods in BPM6
• Services: Transformation or Margin?
• Services transactions and recording
• Agents
• Trade-related services
• The role of affiliates
• Need to consider anything else?
Merchanting of Services

Country A
“Arranger”

Country B
Service supplier

Country C
“Client”

Provision of services

Cash flow
Merchanting of services

- What type of service?
- Is the arranger consuming/providing the service?
- Has transformation occurred?
- How to treat bundled products?
- Is an explicit commission paid?
- Is service subcontracting and merchanting of services the same?
Service subcontracting

Country A
"Principal"
e.g. transport enterprise/services

Country D
"Contractor"
e.g. transport enterprise

Country B
Shipment of goods from B to C

Country C
"Client"

Physical movement of goods

Cash flow

Service provision
Merchanting of service

Country A
“Arranger”

Country B
Shipments of goods from B to C

Country D
“Contractor”
e.g. transport enterprise

Country C
“Client”

Physical movement of goods

Cash flow

Service provision
What is its size?

Table 5.1 Merchanting related transactions in Ireland, 2011, billion euro

<table>
<thead>
<tr>
<th>Merchanting</th>
<th>DR.</th>
<th>CR.</th>
<th>NET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods</td>
<td>47.3</td>
<td>52.5</td>
<td>5.2</td>
</tr>
<tr>
<td>Services</td>
<td>7.4</td>
<td>8.2</td>
<td>0.8</td>
</tr>
<tr>
<td>Computer software (services)</td>
<td>7.4</td>
<td>8.2</td>
<td>0.8</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>0.017</td>
<td>0.04</td>
<td>0.023</td>
</tr>
<tr>
<td>TOTAL</td>
<td>54.7</td>
<td>60.7</td>
<td>6</td>
</tr>
</tbody>
</table>
How to measure/operationalize?

• Ask respondent for activity? Intermediary?
• Big imports/exports in the same category of services for individual respondents?
• Transformation? Unbundling possible?
• MNEs/Affiliates – is the affiliate important for the production of a service?
What’s ahead?

• Discuss issue further within TFGP
• Advocate clarification of the concept
• Re-emphasize BPM6/MSITS2010 encouragement to produce supplementary data
• Classify merchanting of services type of transactions related to transport, travel and finance/insurance to appropriate categories and the rest as trade-related services
What’s ahead?

• Complementary grouping as recommended in MSITS2010 for total trade-related services with a breakdown (merchanting/non-merchanting types of transactions, goods/services with further details as to the types of services that are subject to merchanting).

• Supply/use and input/output tables?

• Case studies (Sweden, Ireland, Hong Kong, China, others?)