Implementation of Merchanting in Korean National Accounts

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1. Concept of Merchanting

Merchanting is defined as the purchase of a good by a resident from a non-resident and the subsequent resale of the good to another non-resident, without the good entering the merchant’s economy.
I. Concept and New Guideline

2. New Guideline

(Treatments in 1993 SNA)

Merchanting is calculated as the value of the goods sold less the cost of purchasing the same goods at that point in time and classified wholesale services.

(Treatments in 2008 SNA)

The 2008 SNA recommends that goods under merchanting should be recorded as negative exports on acquisition and positive exports on disposal.
I. Concept and New Guideline

(Effect on National Accounts)

— The new treatment does not affect total value added, however the sector should change from services to goods.

— Also, the new treatment can solve the problem on global imbalance caused by old treatment.

<table>
<thead>
<tr>
<th></th>
<th>goods</th>
<th>service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export country</td>
<td>+100</td>
<td></td>
</tr>
<tr>
<td>Merchating</td>
<td></td>
<td>+10</td>
</tr>
<tr>
<td>Import country</td>
<td>-110</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-10</td>
<td>+10</td>
</tr>
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<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
II. Implementation Approach

(Necessary Information to implementation)

◆ List of goods under merchanting and their margin

(Approach)

◆ 1\textsuperscript{st} step : Estimate the amount of non-customs trade
  using difference between KFX(Korean Foreign Exchange) data and customs data

◆ 2\textsuperscript{nd} step : Divide into trade for processing and merchanting
  using survey on Processing Activities

◆ 3\textsuperscript{rd} step : Estimate the product compositions of merchanting goods
  using survey on Merchaning Activities
II. Implementation Approach

1. Estimate Total of non-customs
   - customs data
   - KFX
   - survey

2. Estimate each sector
   - Non-customs EX
   - Non-customs IM
   - Direct Exports
   - Direct Imports
   - Processing fee
   - Local Exports
   - Local Imports
   - Processing fee
   - Merchanting EX
   - Merchanting IM
   - Output
   - margin

Ex for processing
Return KOR
Im for processing
Go back abroad

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II. Implementation Approach

**Estimate Total of non-customs**

Receipts in KFX - Exports in customs data = Total Exports of non-customs

Payments in KFX - Imports in customs data = Total Imports of non-customs

<Key Point>
Reconcile valuation, time lag, etc. between KFX and customs data
II. Implementation Approach

Estimate Processing Activities

① Catch the known information from customs data

② Link the goods for processing with returned goods

③ Survey and Estimate

④ Make imports transaction table for outward processing

☞ Refer to the implementation of processing for details
II. Implementation Approach

Estimate Merchanting Activities

① Estimate total acquisition and disposal by Merchanting Activities

② Sample Survey on merchanting activities by industries
- items for merchant
- acquisition and disposal of each item
- major origin and destination countries

③ Estimate margin rate of each item

④ Make exports vector for Merchanting
III. Estimation Result

◆ Total value of non-customs transaction(2010)
  - Exports: 136,009 million $
  - Imports: 90,696 million $

![Graph of Exports and Imports](chart.png)
III. Estimation Result

- **Composition of non-customs trade (2010, million $)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Exports (136,099)</th>
<th>Imports (90,696)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports</td>
<td>(136,099)</td>
<td>(18,791)</td>
</tr>
<tr>
<td>Processing</td>
<td>(51,908)</td>
<td>Merchant (84,191)</td>
</tr>
<tr>
<td>Merchant</td>
<td>(84,191)</td>
<td>(18,791)</td>
</tr>
<tr>
<td>Direct Ex</td>
<td>(51,758)</td>
<td>Merchant (84,191)</td>
</tr>
<tr>
<td>Local Ex</td>
<td>(151)</td>
<td>(4,998)</td>
</tr>
<tr>
<td>Direct Im</td>
<td>(13,792)</td>
<td>Merchant (71,905)</td>
</tr>
<tr>
<td>Local Im</td>
<td>(4,998)</td>
<td>Merchant (71,905)</td>
</tr>
<tr>
<td>Merchant Ex</td>
<td>(12,286)</td>
<td>Merchant (79.3%)</td>
</tr>
</tbody>
</table>
III. Estimation Result

- **Composition of products for merchanting (2010)**
  - Electronic and electrical products account for 88.4%

<table>
<thead>
<tr>
<th></th>
<th>(unit: million $)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Electronic and electrical products</strong></td>
<td>10,865 (88.4%)</td>
</tr>
<tr>
<td><strong>Petroleum and coal products</strong></td>
<td>570 (4.6%)</td>
</tr>
<tr>
<td><strong>Chemical products</strong></td>
<td>346 (2.8%)</td>
</tr>
<tr>
<td><strong>Textile products</strong></td>
<td>166 (1.3%)</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td>339 (2.8%)</td>
</tr>
</tbody>
</table>
Thank you !!