

Application of Economic Ownership in Dutch National Accounts

Minsk October 2017



Statistics
Netherlands

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- Introduction
- Processing
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- Use of Large and complex cases unit: some cases to illustrate

Introduction

- NA and ITGS have conflicting guidelines
 - NA: Ownership principle
 - ITGS: Border crossing
- ITGS must be adjusted for (among others)
 - Processing
 - Production abroad
 - Merchanting

Processing Theory versus Practice

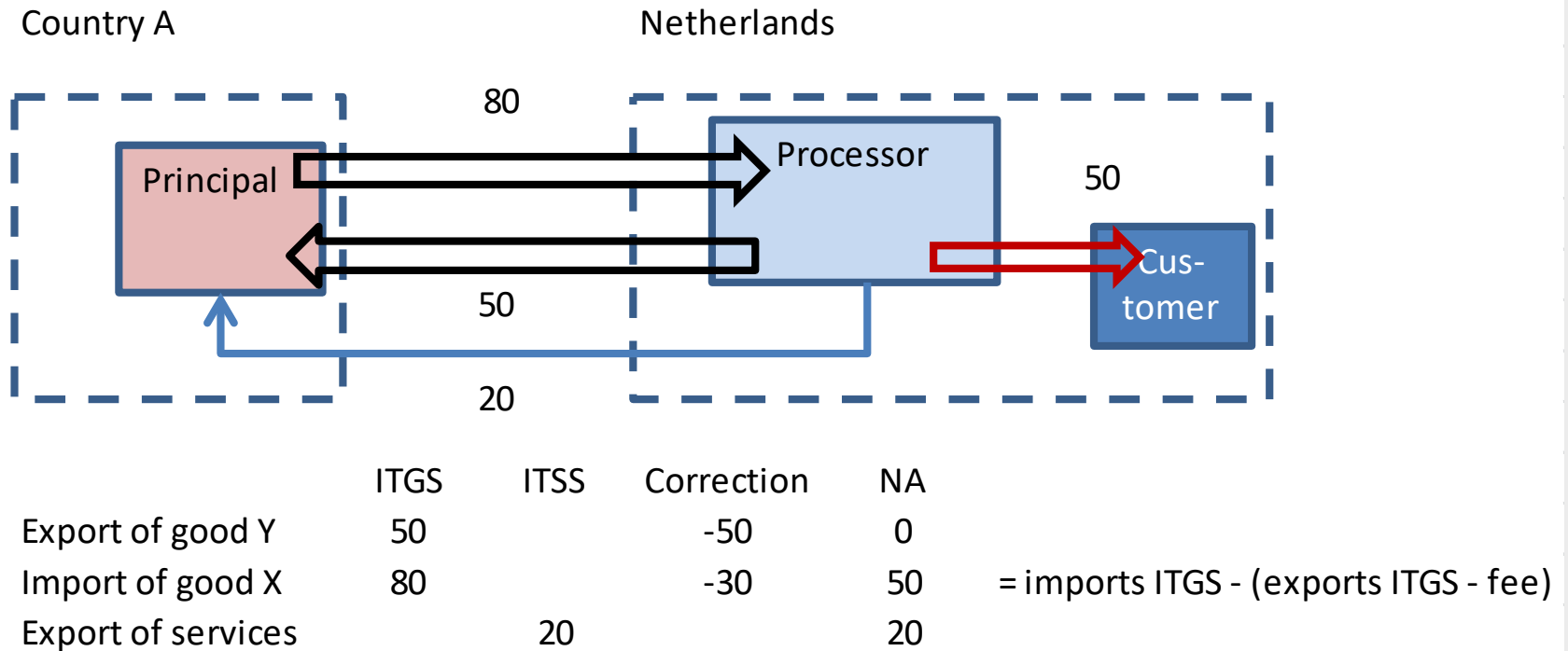
- Theory
 - Use Nature of Transaction (NoT) codes from ITGS
- Practice
 - Quality of respons is insufficient
 - No information on 'leakages' in Dutch data
- Alternative
 - Use information on processing fees to estimate corresponding flow of goods. Two methods:
 - Large enterprises (in terms of processing services)
 - Small and medium enterprises

Processing: NL used methods I

- Large enterprises
 - Corrections made on enterprise level
 - Industrial services from SBS (after analysis)
 - Assumption: value goods before processing + fee = value goods after processing
 - Inward processor:
 - No export of goods to country of principal
 - Import correction = export correction – processing services
 - Outward processor:
 - No imports of goods from country of processor
 - Export correction = import correction - processing services
- Problems
 - Leaking: wrong commodities
 - “Other” flows: wrong levels and wrong commodities

Example inward processor

Not all goods returned to principal



Processing: NL used methods II

- Small / medium enterprises
 - Industrial services from SBS for NACE 4 digit
 - Industrial services:
 - processing services
 - repair, maintenance and installation services
 - Ratio processing services / industrial services from Prodcom
 - Ratio “physical” output / processing services from large enterprises (Congo population)

Production abroad: NL used methods

- No border crossing
 - No ITGS data available to correct
- Data on output and input of goods from SBS
 - Processing fee is (mostly) calculated as output – input of goods
 - Commodities are partly known, partly expert guess
- Problems
 - No value added from production abroad
 - No changes in inventories

Merchanting: NL used methods

- Wholesale industry:
 - Merchanting data from SBS
 - Commodities often expert guess (based on NACE codes)
- Other industries
 - No data on merchanting, but wholesale trade data available in SBS
 - Split 'normal' trade and merchanting from corresponding part wholesale industry.
- Problems
 - Little data on commodities
 - No changes in inventories
 - (For now) little data on countries

Results trade in goods (2012, bln Euro)

	Imports	Exports	Balance
ITGS	389	430	40
Processing	-24	-29	-5
Production abroad	7	16	9
Merchanting		6	6
Other	-5	2	7
NA	367	425	58

LCU in Dutch NA (1)

Statistics Netherlands has Large and Complex cases Unit (LCU) named Congo

Statistical sources used by Congo to identify global production arrangements:

- Structural Business Statistics (SBS)
- Finance of enterprises (SFO)
- Short Term Business Statistics (STS)
- Prodcom
- Foreign trade in goods (ITGS)
- Foreign trade in services (ITSS)

LCU in Dutch NA (2)

	Inward processing	Outward processing	Factoryless Goods Production	Merchanting
	I	II	III	IV
a	Export ITGS should be > Export SBS / SFO	Turnover Prodcom should be < turnover STS / SBS / SFO	No imports and exports in ITGS reported	No imports and exports in ITGS reported
b	Import ITGS should be > import SBS / SFO	Export ITGS should be > Export STS / SBS / SFO	Goods under merchanting reported in ITSS and SBS	Goods under merchanting reported in ITSS and SBS
c	Export of manufac. services STS/SBS should = Turnover STS/SBS	Import ITGS should be > Import STS / SBS / SFO	High operating results compared with other wholesale traders	
d	Turnover Prodcom should be > Turnover SBS/SFO		Wages and salaries are often higher than usual in trading companies	
e	Prodcom turnover - Export ITGS should be \approx Domestic use (*)			

(*) - Manufacturing services should be reported in Prodcom in case of inward processing, but in practice enterprises often report the value of the processed goods, if they still have access to the necessary financial information.

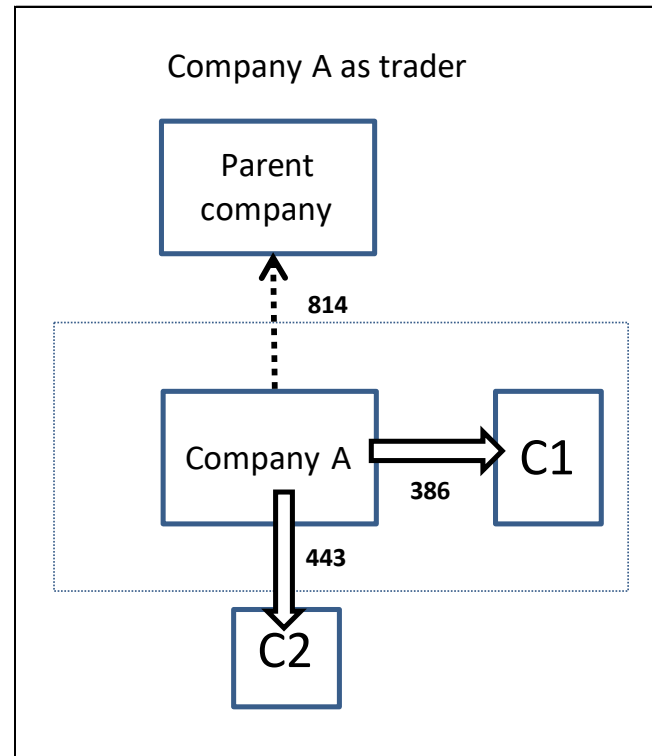
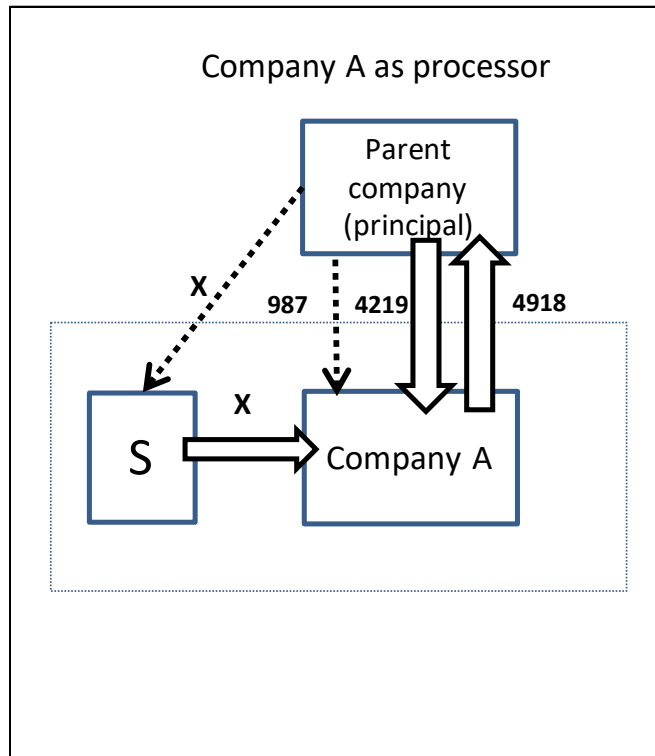
Congo in NA: Inward processing in QNA


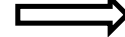

Quarter	Total Revenue (€x1000)	Export (€x1000)	Inventory (€x1000)
Q1-11	38.508	26.188	5.569
Q2-11	43.904	33.073	4.627
Q3-11	40.720	30.355	5.567
Q4-11	44.227	32.563	4.903
Q1-12	86.427	75.746	2.390
Q2-12	11.232	11.232	59
Q3-12	10.766	10.766	0
Q4-12	9.427	9.427	0

Congo in NA: Inward processor (1)

Statistics	Revenue	Costs of goods sold	Export	Import
SBS Total	1815	814	986	0
Processing fee	986		986	
Sales of wholesale trade goods	829	814		
STS	1881		1521	
SFO	1860		1474	1245
Prodcom	5395			
ITSS			987	61
ITGS			5361	4219

Congo in NA: Inward processor (2)



 Dutch border
 Flow of goods
 Financial transaction
 S Supplier (in country of processor)
 C1 and C2 Customers, where customer 2 is located abroad

Congo in NA: Outward processor

Source (x1000 €)	Export	Import	Revenue from own production			Trade revenue	Total revenue
			Total	Production in NL	Production abroad		
ITSS	25.500	215.500	n/a	n/a	n/a	n/a	n/a
ITGS	299.500	91.000	n/a	n/a	n/a	n/a	n/a
STS	260.000	n/a	280.000	n/a	n/a	n/a	280.000
SBS	0	0	350.000	350.000	0	740.000	1.090.000
Prodcom	n/a	n/a	300.000	300.000	n/a	0	300.000

Congo in NA: Outward processor

Source (x1000 €)	Export	Import	Revenue from own production			Trade revenue	Total revenue
			Total	Production in NL	Production abroad		
ITSS	25.500	215.500	n/a	n/a	n/a	n/a	n/a
ITGS	299.500	91.000	n/a	n/a	n/a	n/a	n/a
STS	980.000	n/a	1.050.000	n/a	n/a	n/a	1.050.000
SBS	n/a	n/a	1.090.000	350.000	740.000	0	1.090.000
Prodcom	n/a	n/a	300.000	300.000	n/a	0	300.000

References

- Measuring global production arrangements in Dutch national accounts, Arentsen et al. (2016)
- Economic ownership as leading principle in ESA 2010: consequences for national accounts, Chong (2015)
- Processing, production abroad and merchanting in the national accounts, Leo Hiemstra

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