

THE CIF – FOB ADJUSTMENT IN BoP AND NATIONAL ACCOUNTS

The Norwegian experience



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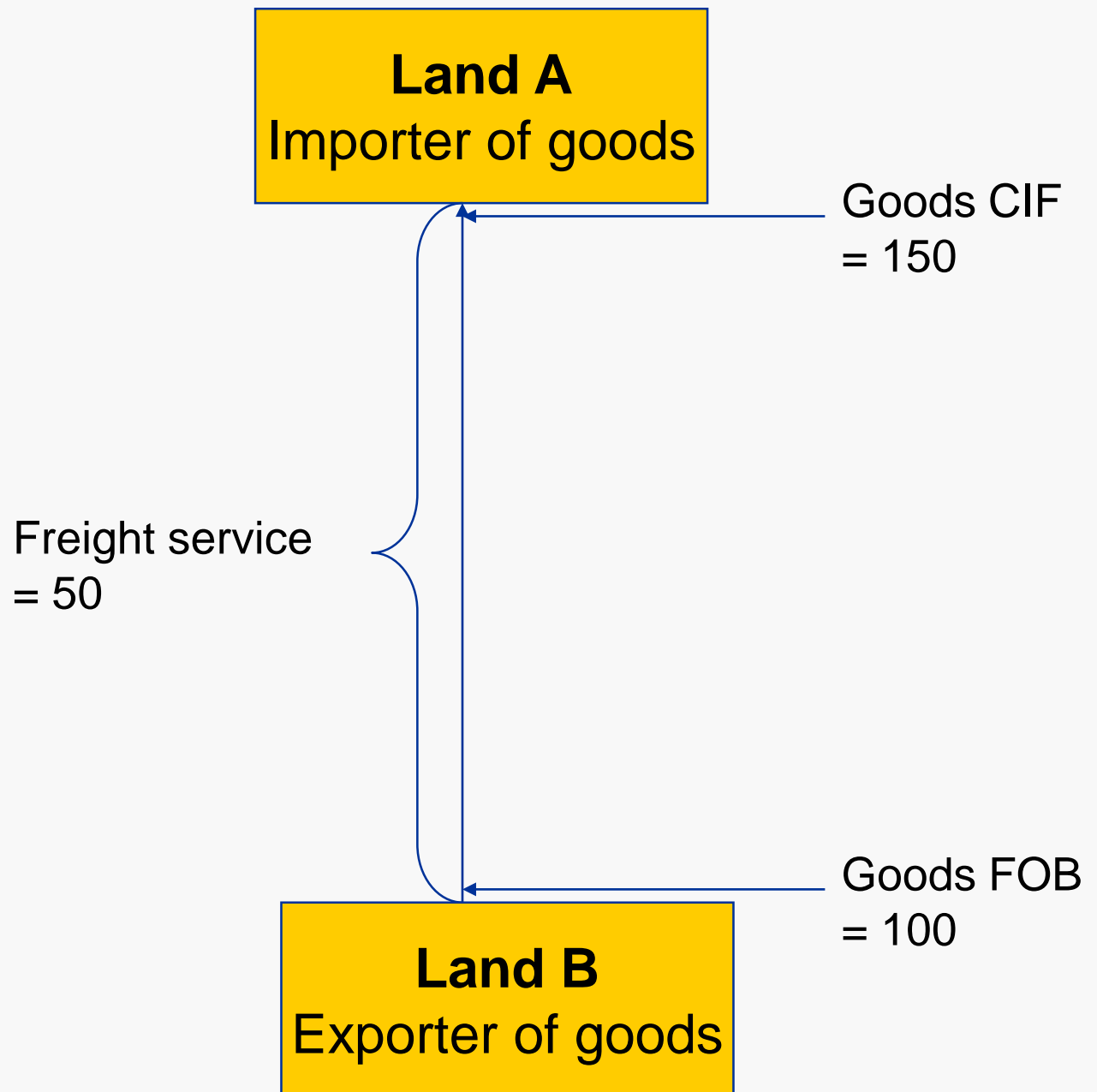
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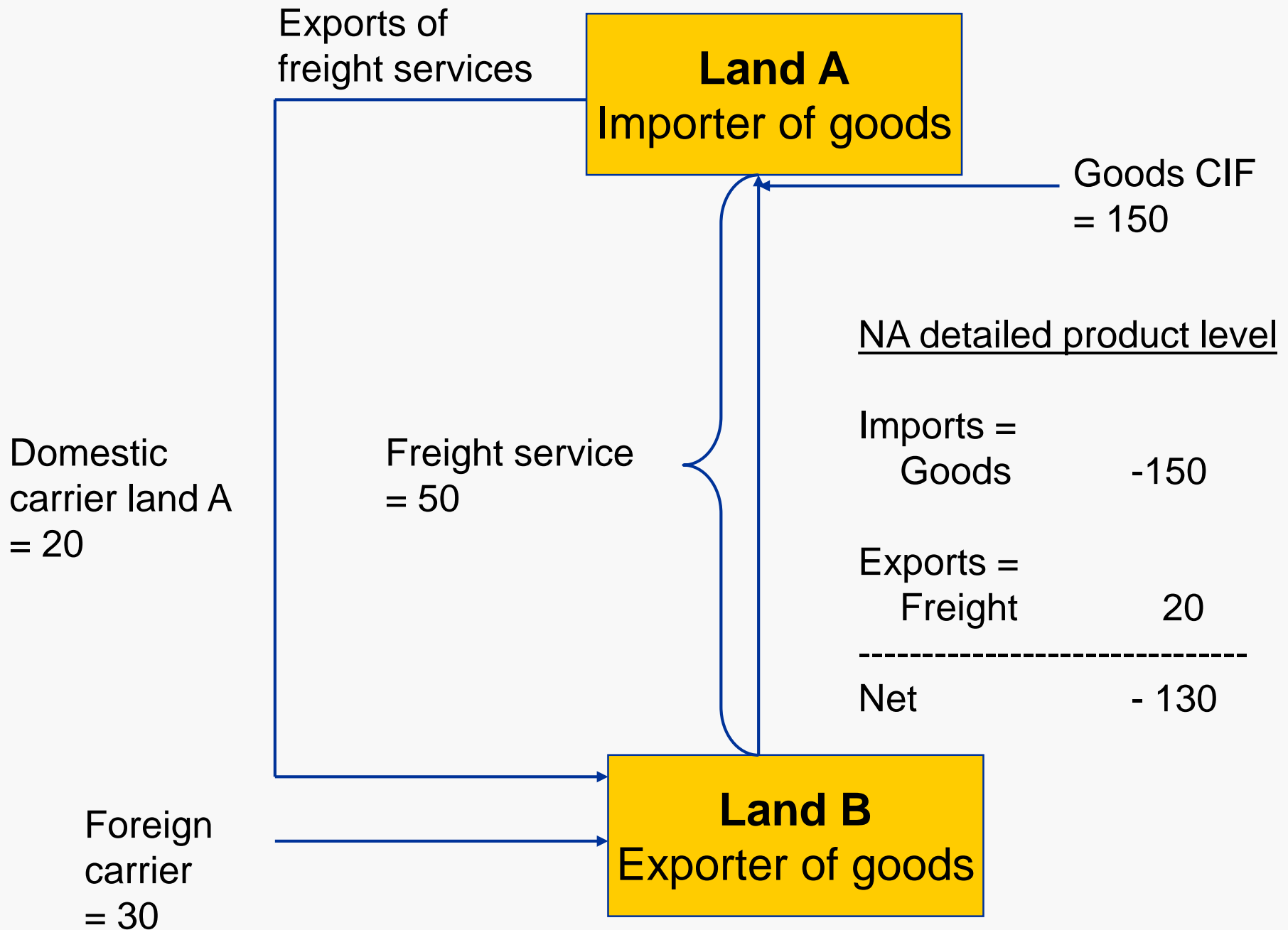
Main principles BPM/SNA

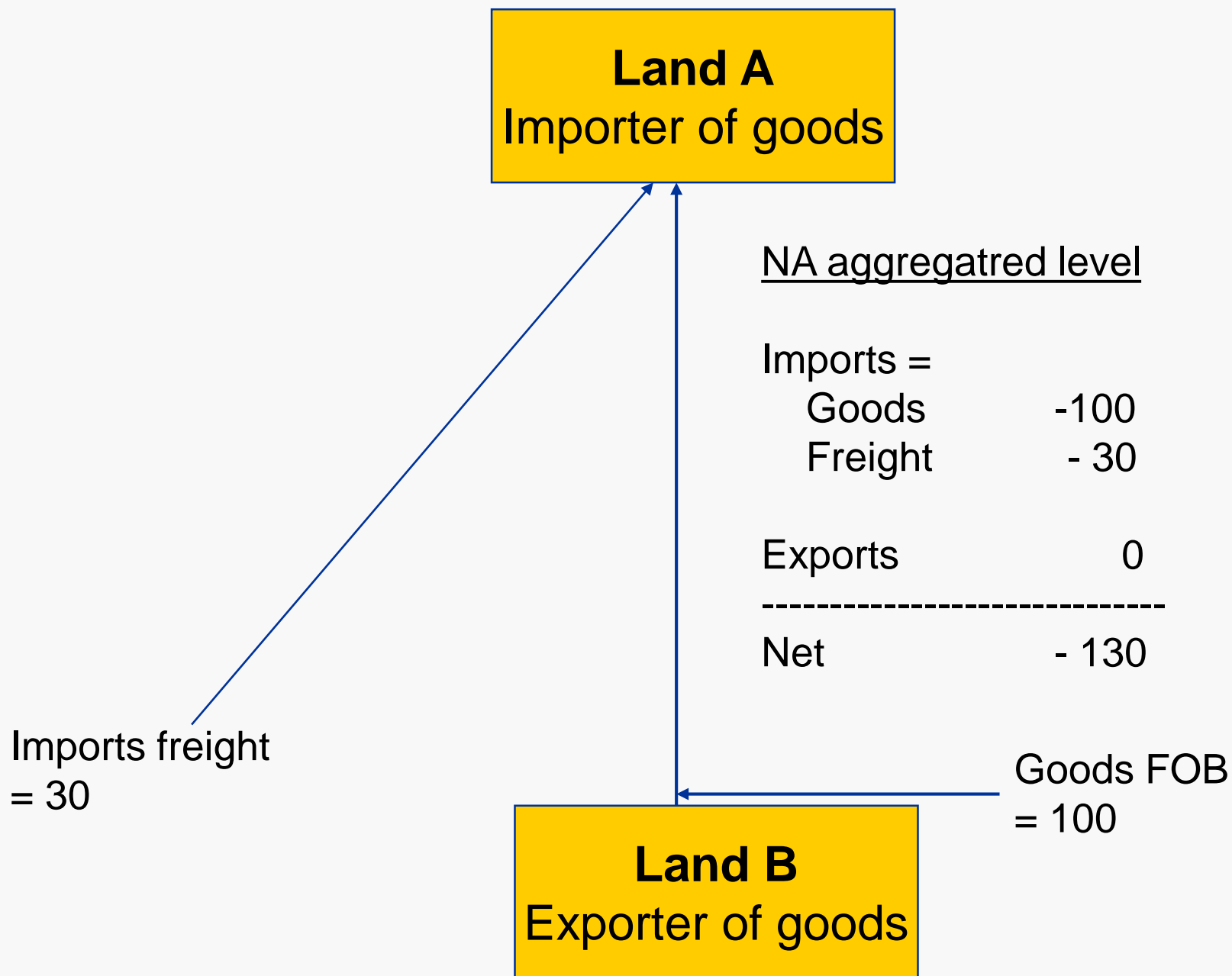
- Transactions between *resident* and *non-resident* institutional units
- General transaction principle: exports and imports of goods in theory based on *change in ownership* principle
- However by convention: *uniform valuation point* for exports and imports of goods (general merchandise):
 - Exports and imports goods valued FOB (free on board) at customs frontier, regardless of any change in ownership has been taking place
- Raison d'être:
 - Global balancing exports and imports of goods, and global balancing of transportation (freight) services
 - Stability in the decomposition of change in value of exports and imports into change in volume and change in price

The CIF/FOB adjustment in Norway

- The merchandise trade in goods statistics (customs based) is **main source** (Intrastat not introduced in Norway). Here:
 - Exports of goods measured FOB (Free On Board) and
 - Imports of goods measured CIF (Cost, Insurance, Freight included)
- Exports and imports of goods in NA/BoP on **detailed product level**:
 - Exports of goods valued FOB (free on board)
 - Imports of goods recorded at CIF-value (Cost, Insurance, Freight)
- Both exports and imports of goods on **aggregated product level** are however recorded at FOB-value (Free On Board) :
 - Separate item for imports of freight services
- How to make this adjustment from imports CIF to imports FOB?







Estimation of transportation (freight) and insurance services in imports of goods

- Full-scale system of customs declarations
 - Single Administrative Document (SAD)
- Exploit the detailed information in the SAD including:
 - statistical value (CIF), delivery terms, freight value, nationality of transport means
- Data on declarations sufficient to estimate:
 - a ratio of total freight and insurance on goods imports CIF to arrive at goods imports at FOB value
 - insurance is estimated using a fixed ratio
 - import value of freight by type
 - ♦ sea
 - ♦ air
 - ♦ road
 - ♦ rail
 - geographical allocation of imports of transportation and insurance

SAD boxes:		The declaration header
15a	Country of consignment	3-digit national code (ISO 3166)
12	Freight	Freight, in NOK
20	Delivery terms	International Incoterm codes
21	Nationality transport means	ISO alpha 3166 code (Nationality of transport means)
24	Transport means	International standard codes (EU)
		The item part
33	Commodity number	Customs tariff line = statistical commodity number
34	Country of origin	3-digit national code (ISO 3166)
46	Statistical value	In national currency
45	Adjustment	Sum freight and insurance at item level

Adjustments of exports of freight services

- Transportation services on imports of goods recorded CIF and supplied by Norwegian transportation enterprises are included in exports of Transportation services
- When adjusting imports of goods from CIF to FOB, exports of transportation services must be adjusted accordingly
- According to the 2007 table, 37% of transportation of imports of goods are supplied by Norwegian carriers, equivalent to NOK 8 276 million.
- Accordingly exports of transportation services is reduced by the **same amount** when imports goods are presented FOB.

2007		Million NOK
Total goods imports CIF		475 461
total costs on freight and insurance	475 641 x 0,052	24 987
- estimated insurance (assumed domestic)	475 641 x 0,006	2 854
= Total freight on merchandise imports		22 133
- of which by residents	22 133 x 0,37	8 276
= Total imports freight		13 857
by ships	54 %	7 479
by trucks	37 %	5 093
by air	4 %	630
by train	5 %	656
Total goods imports FOB (475 461 – 24 987) =		450 474
+ Total imports freight		13 857
= Total imports FOB		464 331
Total imports downward adjustment	475 461 – 464 331	-11 130
Total exports downward adjustment	8 276 + 2 854	- 11 130



2016	NO billion
Exports, total	1 064 050
→ Goods (FOB)	746 425
→ Crude oil and natural gas	373 375
→ Ships	15 914
→ Petroleum activities, various goods	292
→ Other goods	356 844
→ Services	317 625
→ Gross receipts, shipping	70 960
→ Petroleum activities, various services	23 990
→ Pipeline transport	12 175
→ Travel	43 715
→ Transport and communication	46 431
→ Financial and business services	74 938
→ Other services	45 416
MEMO: Services export when import of goods FOB	313 717
Imports, total	1 037 136
→ Goods (CIF)	647 831
→ Ships	24 285
→ Petroleum activities, various goods	15 962
→ Other goods	607 584
MEMO: Import of goods FOB	628 983
→ Services	389 305
→ Operating costs shipping, excl. bunkers	40 831
→ Petroleum activities, various services	37 807
→ Travel	129 463
→ Transport and communication	28 815
→ Financial and business services	79 066
→ Other services	73 323
MEMO: Service import when import of goods FOB	404 245
Balance of goods and services	26 914