



Valuation of imports & exports in the SNA

International Workshop on the Update of System of
National Accounts

National Bureau of Statistics (NBS) of China and the
United Nations Statistics Division

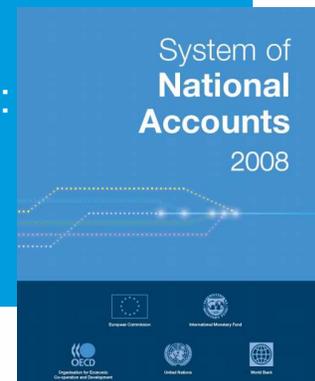
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Valuation of imports and exports: introduction

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: 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

Historical background

- International Trade (ITGS) data as a source already existed – INCO Terms 1920s
- Change in economic ownership coincided largely with movement across National Frontiers
- Used available data to compile Exports and Imports of Goods that predated System of National Accounts although Balance of Payments already existed

Incoterms[®] 2020

Incoterms[®] 2020 Rules Responsibility Quick Reference Guide



Freight Collect Terms

Freight Prepaid Terms

Groups	Any Mode or Modes of Transport		Sea and Inland Waterway Transport				Any Mode	
Incoterm[®]	EXW Ex Works (Place)	FCA Free Carrier (Place)	FAS Free Alongside Ship (Port)	FOB Free On Board (Port)	CFR Cost and Freight (Port)	CIF Cost Insurance & Freight (Port)	CPT Carriage Paid To (Place)	CIP Carriage & Insurance Paid to (Place)
Transfer of Risk	At Buyer's Disposal	On Buyer's Transport	Alongside Ship	On Board Vessel	On Board Vessel	On Board Vessel	At Carrier	At Carrier

III. Invoice values as an alternative concept

Arguments for a change!

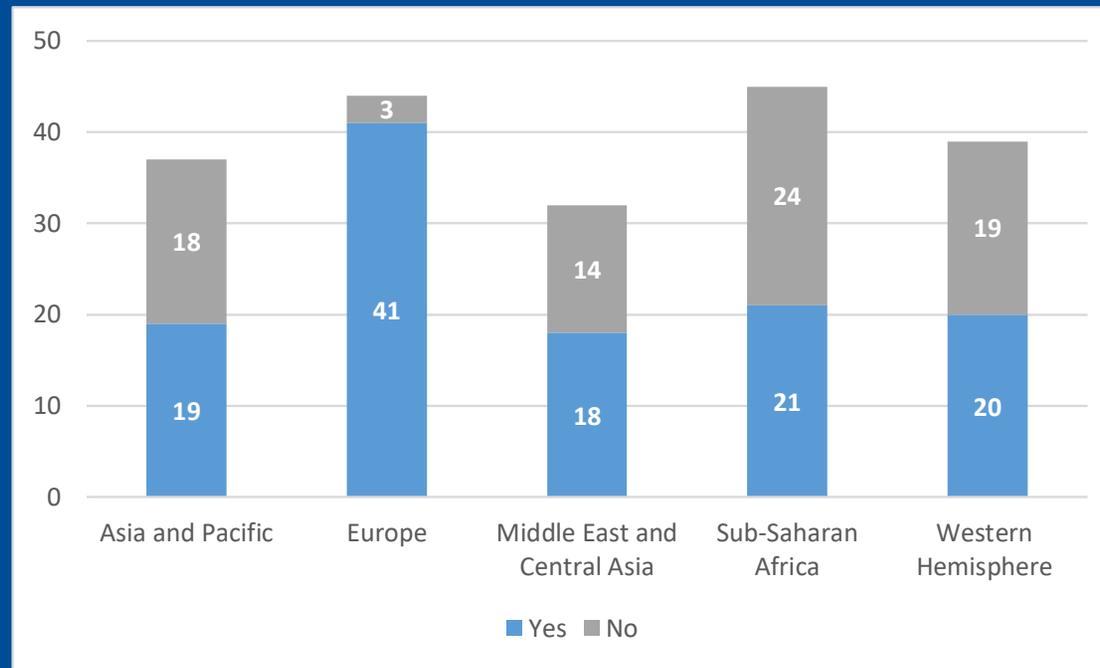
- **No estimates** are necessary, neither for the goods account nor for the freight account.
- Thus, data **requirements for compilers** are **reduced** (no freight rates or weights)
- **Asymmetries** caused by the CIF/FOB adjustment **will be avoided** because adjustments become superfluous
- The **only information** necessary is the **invoice value** from customs or FTS which is - as a general rule - the starting point for respondents, customs or statisticians to calculate the customs/ statistical value
- The **data can be extracted** directly **from** the company's **accounting**. Thus, the **reliability** of the single accounts and the overall balance of both **improve**
- In an invoice based world the **regional distribution** is **not a special problem**, the partner is always known

Invoice values as an alternative concept

- Therefore, the traditional valuation concept has to be updated to better reflect current transportation procedures
- The concept should avoid that compilers set up resource and cost intensive adjustment methods based on information which itself is estimated
- The concept should avoid making assumptions without having any source data available
- Otherwise we inevitably continue contributing to asymmetries because no single method can be recommended for all countries
- **The invoice approach fulfil these requirements** and would be much more in line with the corresponding principles established by the 2008 SNA
- **Disadvantages** have to be mentioned, e.g. changes in time series !
- In the coming years, the pros and cons should be thoroughly examined

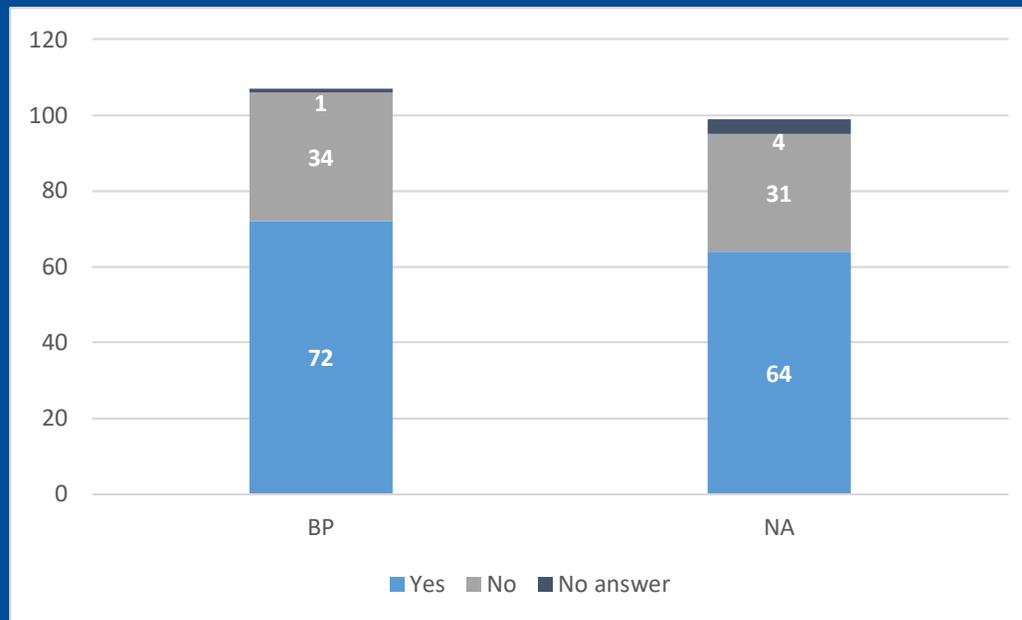
Testing Phase 1

Complete answers: number of economies, by region



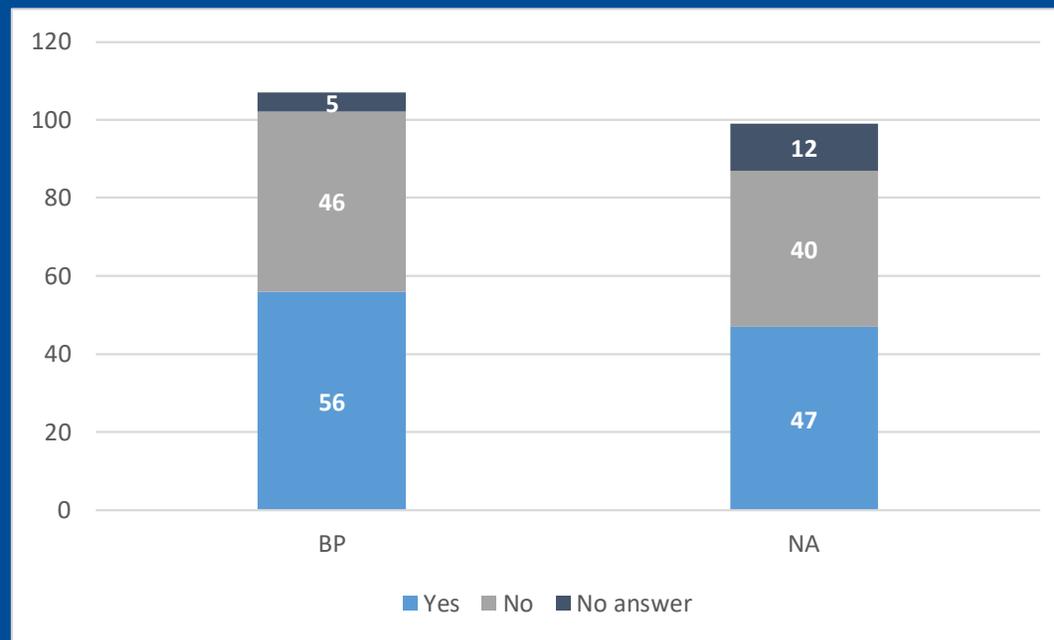
- Results by May 26, 2021
- 119 economies submitted complete answers
- 12 economies to be contacted to clarify details on answers received
(some results may change with the outcome of these contacts)

Support the use of invoice values on a conceptual level, by statistical domain



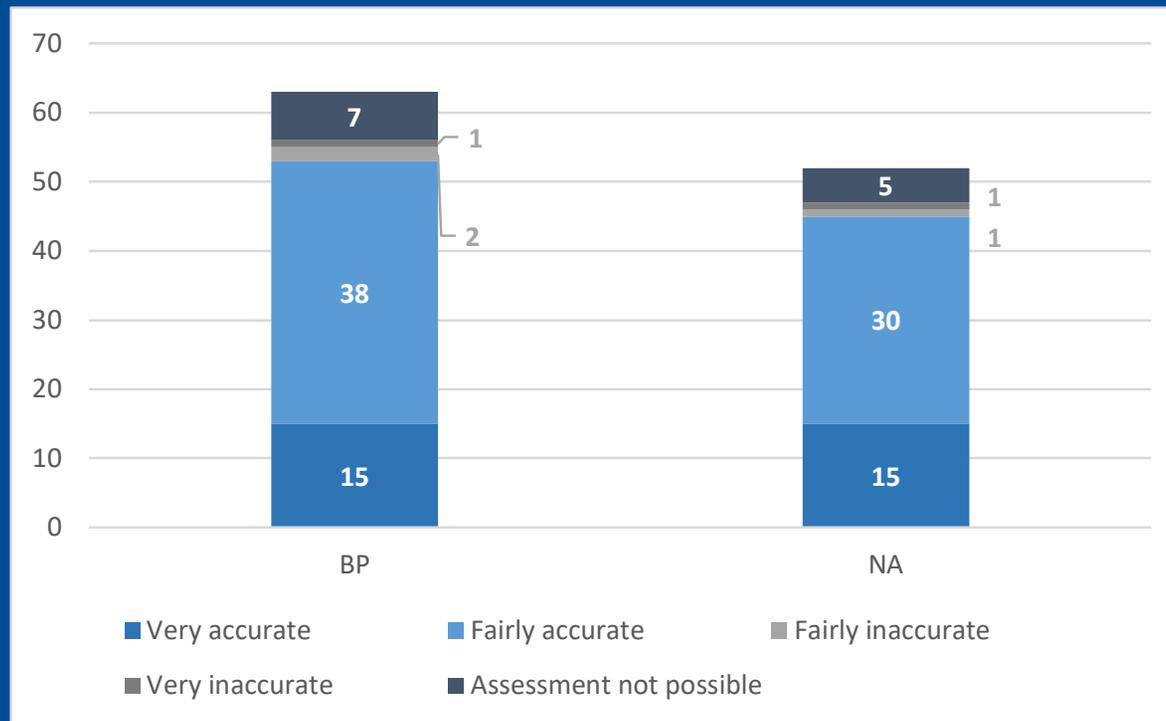
- BP: 72 economies support the use of invoice values on a conceptual level
- NA: 64 economies support the use of invoice values on a conceptual level

Access in practice to invoice (transaction) values for BP or NA compilation by the compiling agency, by statistical domain

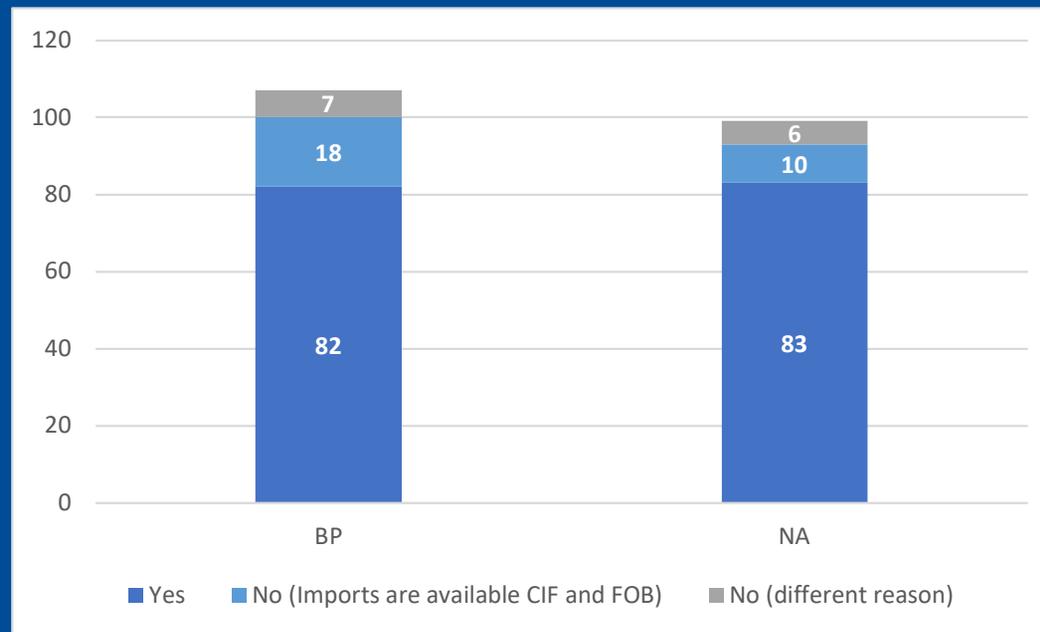


- BP: 56 economies have access to invoice data for BP compilation (out of a total of 107)
- NA: 47 economies have access to invoice data for NA compilation (out of a total of 99)

Accuracy of invoice (transaction) values available in the economy, by statistical domain

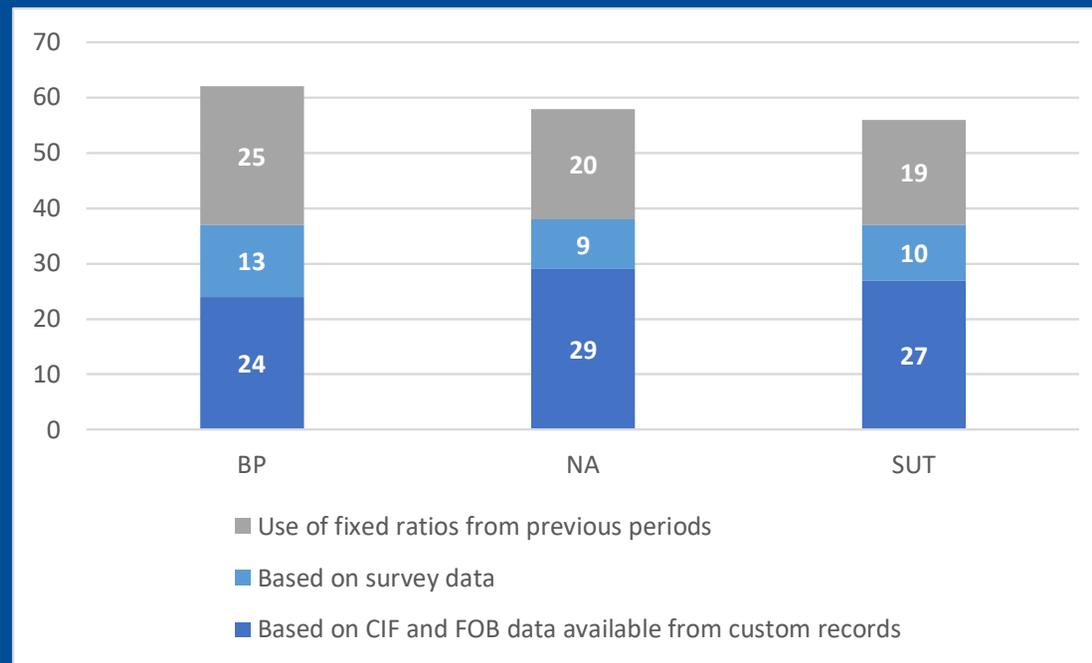


Estimation of a FOB valuation adjustment of Imports in BP or NA, by statistical domain

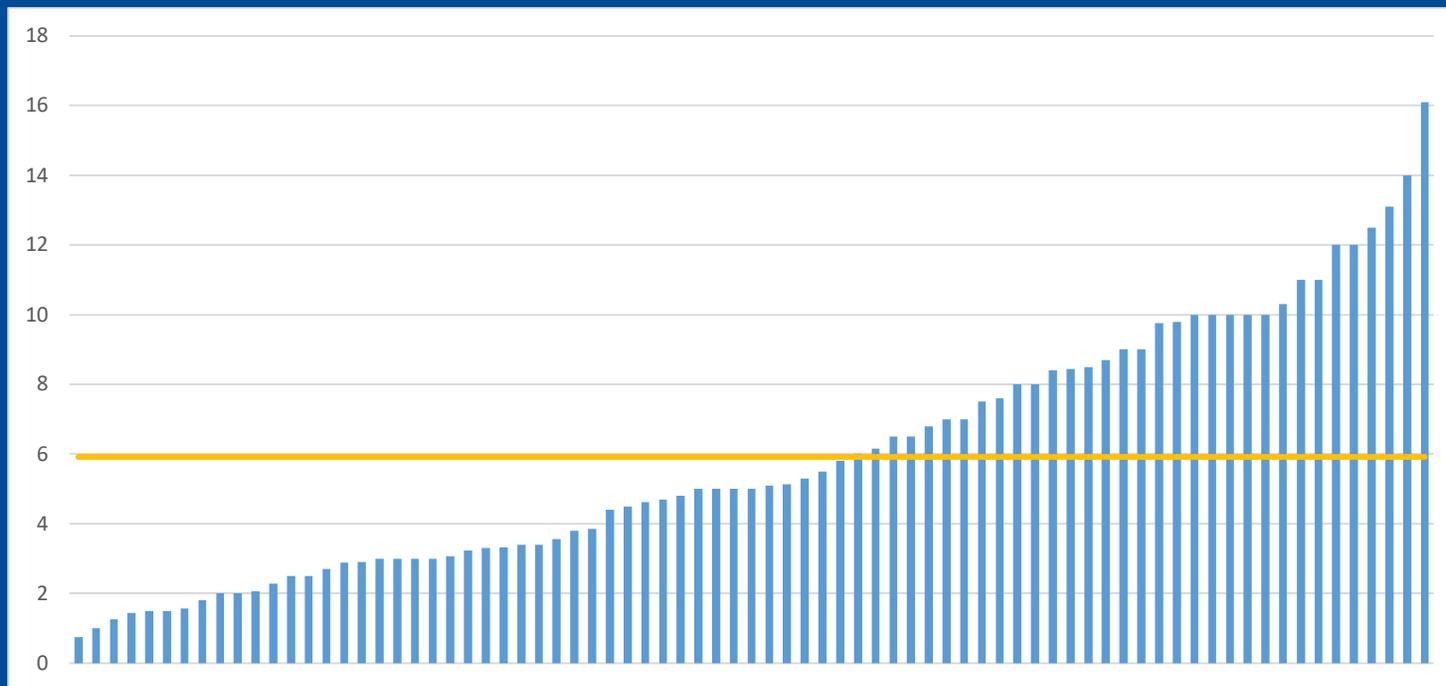


- BP: 82 economies estimate a FOB valuation adjustment of Imports (out of a total of 107)
- NA: 83 economies estimate a FOB valuation adjustment of Imports (out of a total of 99)

Process used to estimate the FOB valuation adjustment of Imports in BP or NA, by statistical domain



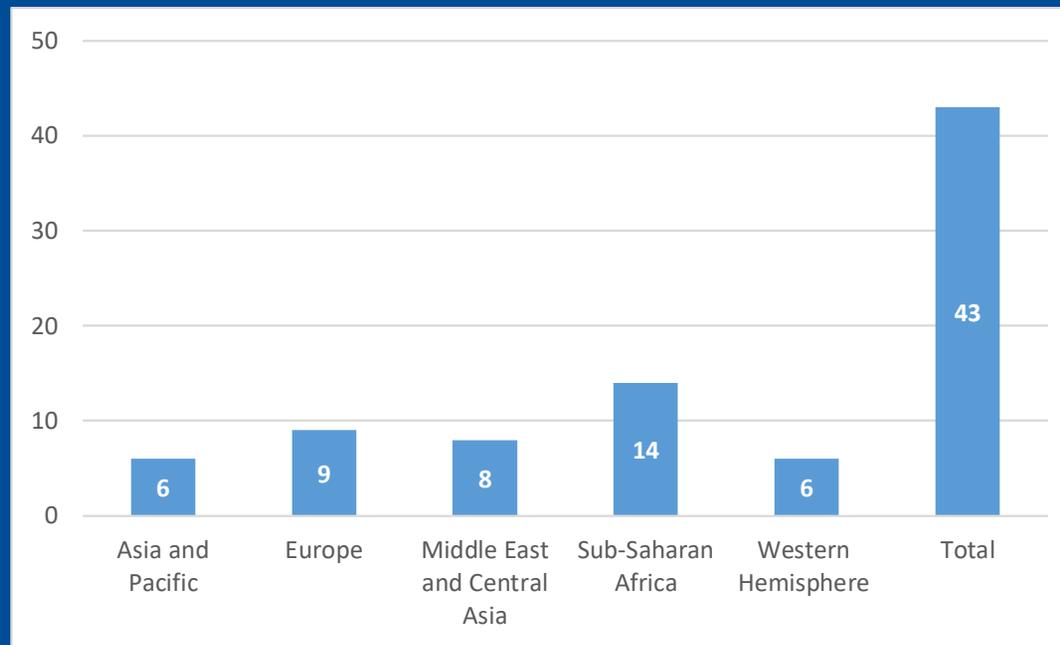
Size of the FOB valuation adjustment



- Economies reported very diverse estimates of the CIF to FOB adjustment of Imports, ranging from 0 to 16% (excluding outliers)
 - Blue columns in the graph represent the estimates reported
- The average of the estimated adjustment reported 6%
 - Orange line in the graph represent the average of the estimates

Testing Phase 2

Stage 2: economies that agree to be contacted, by region



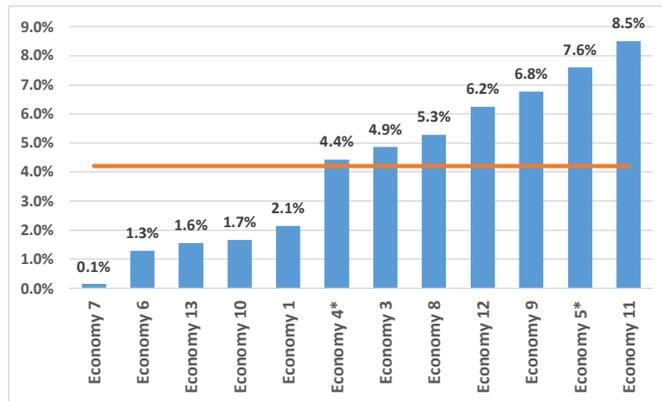
- 43 economies agreed to be contacted concerning the study for the use of invoice values (Stage 2 of testing)

GZTT G.1: Second Stage of Testing (1)

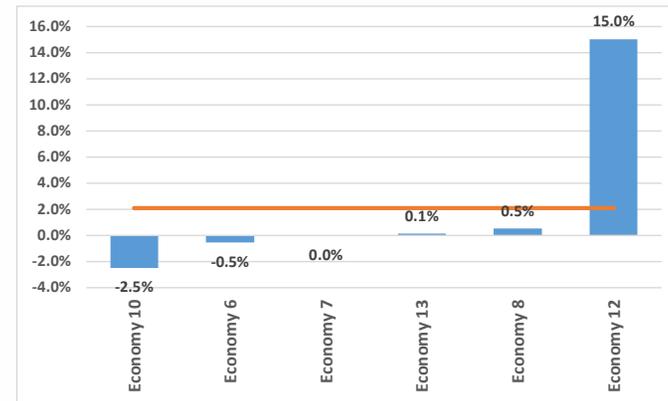
GZTT G.1 Stage 2 of testing from Jun-Sep 2021 to assess the impact of adopting invoice (transaction) values for the valuation of imports and exports of goods.

- ▶ **Imports of Goods:** 12 economies tested the difference between the CIF and transaction (invoice) valuation: reported impact spans from 0.1 to 8.5 percent
- ▶ **Exports of Goods:** 6 economies tested the difference between FOB and transaction (invoice) valuation: reported impact spans from -2.5 to 15 percent

Imports of Goods



Exports of Goods



More exhaustive testing....

- Disappointing response from 43 candidate countries
- Half of responses addressed valuation of exports only
- Compilation of the results gave no basis for firm conclusions

Feedback from BOPCOM and AEG

- Support the use of invoice values on a conceptual level for inclusion in BPM7 and SNA 2025
- Further experimentation and testing is required
- Need to identify the challenges for all countries in adopting the Invoice value for Exports and Imports of goods

Next Steps

- Data on invoice value needs to be assessed
- Invoice values in the data collected needs to be assessed by ITGS compilers
- TT-ITGS is working on a Quality Assurance framework to assess the Invoice value at source over a number of periods
- Conceptual arguments have been accepted - now it is about the practical issues

Summary: G.1 Valuation of Imports and Exports (CIF-FOB Adjustment)

- Guidance note (GN) completed on the adoption of transaction (invoice value) for the valuation of imports and exports
 - Further consultation and testing to understand the practical feasibility of the preference for recording of exports and imports of goods at their observed transaction value.

Decisions:

- ✓ **Option 3**—valuing exports and imports of goods at **invoice values**—is **conceptually sound**, but in light of the practical difficulties the **status quo (Option 2) is being recommended** as part of the current **BPM and SNA update**.
- ✓ **Option 3 will be the standard in the next round of BPM and SNA updates**, with an understanding that economies should **start preparing for a transition to the use of invoice values** as of the next update of the manuals
- ✓ **Collection of invoice data will be explored through the International Merchandise Trade Statistics (IMTS)** and experimentation by economies should ensure the quality of the data.

END

Questions ?

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