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RECONCILING MERCHANDISE TRADE DATA AND BALANCE OF PAYMENTS TRADE IN GOODS

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This document has been prepared by Ms. Daniela Comini and Mr. Henri Tyrman, EUROSTAT, for information and discussion under point a. of item 7 of the draft agenda : Methodological research issues

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Reconciling merchandise trade data and Balance of payments trade in goods

- The following document is an update of a paper presented to the last Experts meeting. This document has been published on Eurostat website¹.
- The main update is the addition of information provided by the 10 new EU members and by candidate countries.
- The main conclusions are unchanged:
 - the adjustment practices followed by the Member States to derive the Bop item “goods” from Trade statistics are very heterogeneous and would need more harmonisation.
 - the need to harmonize CIF-FOB adjustment practices is as well very strong.
- Eurostat “International trade Unit” plans to publish a FOB-FOB EU trade balance as soon as relevant CIF/FOB adjustment ratios are available. Through the Edicom programme, several pilot studies on the CIF-FOB adjustments have been carried out in Member States (in particular: Austria, Denmark, Finland, Greece, Italy, Netherlands, Sweden). In the frame of Balance of Payments, a technical group has also experimented a method to produced CIF-FOB ratio at EU level, using mirror information on the difference between statistical value and invoice value.
- The analysis of the results produced by all these studies will allow drawing some best practices on CIF-FOB adjustment method and other adjustments introduced by BOP compilers.

¹ The document is available at the following address : http://epp.eurostat.cec.eu.int/cache/ITY_OFFPUB/KS-DB-04-001/EN/KS-DB-04-001-EN.PDF

Differences between Balance of Payments and Foreign Trade Statistics

28 July 2004

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The document takes stock of previous studies made in close co-operation between Eurostat's Unit C4, Balance of payments, and Unit F2, International Trade.

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Balance of Payments (BOP) and Foreign Trade statistics (FTS), both provide data for the external trade in goods of a given country; the two data sets generally do not show the same figures. The two data sources have very different detail and serve different users' needs. Different methodologies are the main reason for the differences between the two data sets. This paper provides a summary of the main methodological differences between the two data sets and describes all the adjustments that have to be made by BOP compilers to go from FTS to BOP data. The results of a recent survey of the main adjustment practices in EU member states and candidate countries are also provided.

La balance des paiements (BDP) et les statistiques du commerce extérieur (SCE) fournissent des données sur les échanges extérieurs de biens d'un pays. Généralement, les données issues de ces deux statistiques ne sont pas les mêmes. Les détails fournis par la BDP et les SCE sont différents et les deux statistiques servent généralement différents besoins. La raison principale de la différence entre les données issues de ces deux statistiques provient des méthodologies utilisées pour leur calcul. Ce document résume donc les principales différences méthodologiques entre la BDP et les SCE et analyse les ajustements que doivent pratiquer les statisticiens de la BDP afin de transformer les données SCE en données BDP. Sont aussi présentés les résultats d'une récente étude sur ces pratiques d'ajustement dans les pays membres de l'UE et les pays candidats.

Zahlungsbilanzstatistiken und Außenhandelsstatistiken liefern Daten über den Außenhandel eines Landes. Im Allgemeinen weisen diese beiden Datensätze nicht die gleichen Zahlen aus. Die beiden Datenquellen weisen eine unterschiedliche Detaillierung auf und dienen Bedürfnissen verschiedener Nutzer. Unterschiedliche Methodologien sind die Hauptursache für Abweichungen zwischen beiden Datensätzen.

Dieses Dokument enthält eine Zusammenfassung der wichtigsten methodologischen Unterschiede zwischen den beiden Datensätzen und beschreibt die Anpassungen, welche von den Erhebungsstellen für Zahlungsbilanzstatistiken vorzunehmen sind, um von Außenhandelsdaten zu Zahlungsbilanzdaten zu gelangen.

Vorgestellt werden ebenso die Ergebnisse einer jüngeren Studie über die wichtigsten Anpassungspraktiken in den EU Mitgliedstaaten und den Beitrittsländern.

1. INTRODUCTION

Both Balance of Payments (BOP) item **goods** and Foreign Trade Statistics (FTS) produce data on the international trade of **merchandises** for a given country.

These statistics serve different purposes and can reply to different users' needs. For example, if a user wants to analyse all the exchanges of an economy with the external world, such exchanges are reported in the BOP. BOP also provides harmonised information on International Trade in Services statistics (ITS) and Foreign Direct Investment statistics (FDI). But a user can as well need information on the value and number of socks, or cars, or on some small part of these and other goods. In this case he has to look at FTS. The FTS data is the only source to analyse the international market for a particular kind of merchandise. FTS, besides providing extremely detailed information on the total value of imports and exports of goods, also provides information on quantities exchanged and on unit values.

To summarise, when a user needs very detailed information on international trade in goods only, then the most suitable source of information are FTS. When the user needs information on the international transactions not only of goods, but also of services, of investments, of financial assets, then the suitable information source is BOP².

A user can nevertheless be puzzled when realising that for the same period, partner and declarant country, the figures for the item 100 (goods) in the current account of the Balance of Payments, and in External Trade are not the same.

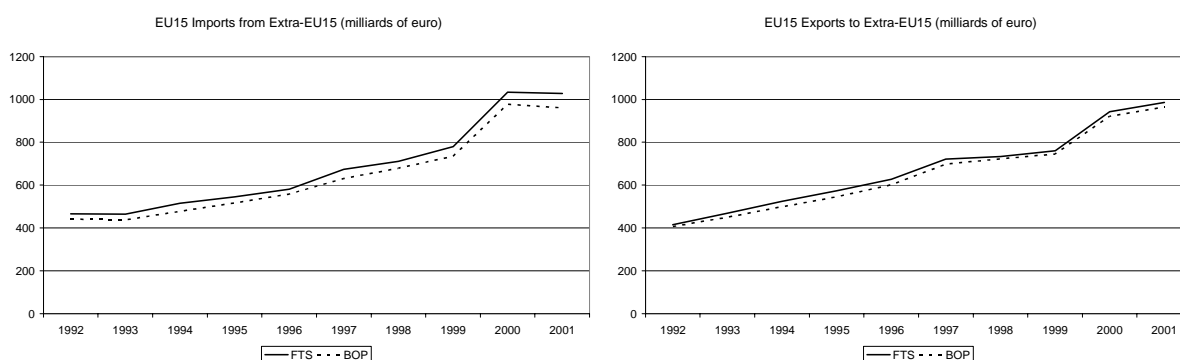


Figure 1 Example for differences between FTS and BOP data.

Figure 1 plots an example of FTS and BOP data for EU15 imports and exports. It can be seen that BOP data is lower in value than FTS data, both for imports and exports, for all years in the period 1992-2001. As it will be explained later, this is a normal *a priori* circumstance for import figures because of the so called CIF/FOB adjustment, but there is nothing to be expected *a priori* for the exports figures. Behind this pattern in the aggregate data for EU15, there are sometimes different patterns in the Member States (MSs): BOP exports are higher in value than FTS exports in some MSs.

The purpose of this document is to explain the sources of these differences to a user of BOP and FTS data. Part of the differences between BOP and FTS are due to methodological issues and part of them can be explained by a lack of coherence between the concrete practices followed at national level by BOP and FTS compilers. The paper will first analyse the two main conceptual, i. e. methodological, differences between BOP and FTS data (Section 2). Second, practices and figures for adjustments of BOP data, for EU countries, will be presented (Section 3).

² There is also a third source of data on imports and exports of goods: this is National Accounts (NA). NA data should be used whenever data on exports and imports have to be analysed together with other macro-economic variables, like Gross Domestic Product (GDP), output, consumption, employment, etc.

2. METHODOLOGY

There are two main conceptual differences between BOP and FTS data, which come from the different recommendations on computing BOP and FTS, as defined in the BPM5 (1993) and IMTS (1998) respectively. In what follows, Section 2.1 presents the first main reason for these differences, which comes from the principle of *coverage and time of recording*, then Section 2.2 presents the second one, which comes from the *valuation* principle.

2.1 COVERAGE AND TIME OF RECORDING

The two manuals on which international trade in goods statistics are computed, namely the BPM5 (1993) and IMTS (1998), quote:

*"195. As subsequently defined in this Manual, **goods** covers general **merchandise**, goods for processing, repairs on goods, goods procured in ports by carriers, and nonmonetary gold. In accordance with general balance of payments principles, change of ownership is the principle determining the coverage and time of recording of international transactions in **goods** ..."* BPM5 (1993).

*"14. Coverage. As a general guideline, it is recommended that international **merchandise** trade statistics record all goods which add to or subtract from the stock of material resources of a country by entering (imports) or leaving (exports) its economic territory ..."*

*15. Time of recording. ... as a general guideline it is recommended that **goods** be included at the time when they enter or leave the economic territory of a country ..."* IMTS (1998).

As it can be seen from these definitions, the methodological philosophy of computing BOP and FTS figures is basically different. The BPM5 definition of international transactions in goods is in line with the definitions on which are based national accounts³, while the IMTS definition is more practical. It seems that practical issues of data collection on trade of goods are behind the use of the *movement of goods* principle by IMTS instead of the principle of *change of ownership*. In fact, IMTS considers movement of goods as a proxy of change of ownership:

"15. ... Data-collection systems, however, are usually set up to record transactions associated with the movement of goods across borders, and they lack the necessary recording mechanisms to determine when change of ownership occurs. But since most traded commodities are part of a normal buying and selling operation between an importer and an exporter, the change of ownership is largely approximated by the cross-border movement of goods ..." IMTS (1998).

This is a reasonable assumption for most of the traded goods, but there are a number of special transactions where the movement of goods does not reflect a change of ownership. A number of transactions are on the verge of the principle of coverage of BPM5 and IMTS. Such transactions are: goods sent or received for processing; repair on goods; goods not crossing the border; goods not changing ownership; returned goods; mobile equipments that change ownership outside the country of residence of the original owner; goods procured in (air)ports by carriers; goods lost or destroyed before (after) crossing frontiers, or before (after) changing ownership. The list is certainly not extensive, and more details on the treatment of special types of goods and special transactions can be found in both BPM5 and IMTS.

Table 1 presents a detailed list of special transactions and special types of goods⁴. This table also gives the respective treatment recommended by BPM5 and IMTS. In Section 3.2 we will analyse how EU Member States treat these transactions.

³ ESA 1995 quotes: "3.132. Imports and exports of goods occur when there are changes of ownership of goods between residents and non-residents" and "3.138. Imports and exports of goods are to be valued free on board at the border of the exporting country (f.o.b.)". In principle, BPM5 and ESA 1995 give an identical definition of the coverage of exports and imports of goods. In practice, the compilation of BOP and the compilation of NA follow different procedures (in terms of periodicity, data sources, revisions) and as a result, BOP and NA can show a different figure for imports and exports of goods. This issue will not be further considered in this document: it would require by itself a dedicated paper and it would take the user too far from the main subject.

⁴ This list was proposed in Gruppo Clas (2000, 2004).

Compliance of EU countries with international recommendations is generally very high. The coverage of transactions assured by FTS is however different across countries, and differs for intra-EU and extra-EU trade⁵.

Table 1 Special transactions and special types of goods.

	Recommendation on recording (paragraph references in brackets)	
	BPM5	IMTS
Means of payment which are legal tender, and securities (Issued banknotes and securities and coins in circulation)	excluded (214), treated as financial assets	excluded (43)
Monetary gold	excluded (214), treated as financial assets	excluded (42)
Goods of diplomatic or similar nature by intended use	excluded (212), treated as services	excluded (48)
Goods temporarily admitted or dispatched	excluded (209)	excluded (44)
Migrants effects	included (215)	included (33)
Goods for the repair of means of transport, containers and related transport equipment	excluded (200)	excluded (61)
Goods in transit	excluded (209)	excluded (45)
Sea products	included (208)	included in imports (38) / excluded from exports but separately recorded (58)
Ships' and aircraft's stores and supplies	included (201)	included (39)
Staggered consignment (Goods on consignment)	included (218)	included (26)
Offshore installations	included (208)	included (37)
Postal consignments (Goods dispatched through postal or courier services)	included (215)	included (32)
Goods for processing	included as "goods for processing" (197)	included (28)
Repairs of goods (Goods for repair)	included as "repairs on goods" (200)	excluded (61)
Goods not crossing the border (Non-financial assets, ownership of which has been transferred from residents to non-residents, without crossing borders)	excluded, treated as financial items (214)	excluded (47)
Transactions in goods between affiliates (Goods which cross borders as a result of transactions between parent corporations and their direct investment enterprises)	included (205)	included (29)
Returned goods	excluded in principal, but recorded for statistical convenience, deductions from exports and imports are recommended (210)	included and separately recorded (30)
Goods traded on government account	included (215)	included (22)
Goods transferred from or to a buffer stock organisation	included (215)	included (34)
Goods under financial lease	included (206)	included (35)

⁵ In the compilation of FTS countries can follow a "general" or a "special" trade system, or some sort of hybrid between these two trade systems. To complicate the issue, the EU Regulations that cover intra-EU and extra-EU trade (Council Regulation No 3330/91 and No 1172/95) require a slightly different coverage. On this issue see chapter 2 of Eurostat (2002).

	Recommendation on recording (paragraph references in brackets)	
	BPM5	IMTS
Goods under operational lease	excluded (209), treated as services	excluded (51)
Goods treated as part of trade in services	excluded by definition	excluded by definition
Goods which are acquired and relinquished within the compiling country, by non-residents, within the same recording period, and which do not cross the frontiers of this country	excluded (212), treated as services	excluded (50)
Mobile equipment that changes ownership while outside the country of residence of its original owner	included (208)	excluded but separately recorded (57)
Goods entering or leaving the economic territory of a country illegally	included (215)	excluded but separately recorded (62)
Exports / Imports by private individuals for non-commercial purposes; purchases by foreign tourists (Goods acquired by all categories of travellers, including non-resident workers, to a significant scale, as defined by national law)	excluded (212), treated as services	included if of significant scale (25) / excluded if not (48), treated as part in services
Transactions in goods in free ports, free areas, customs bounded warehouses	included (222)	included in the general trade system (66,75,78)
Goods procured in ports	included (201)	Included for exports, excluded for imports (39)
Non monetary gold	included (215)	included (19)
Un-issued banknotes and securities, and coins not in circulation	included (215)	included (20)
Electricity, gas and water	included (215)	included (31)
Goods lost or destroyed	excluded if lost or destroyed before being delivered by exporters (209) / included if ownership has been acquired by the importer (208)	excluded from imports if lost before crossing the frontier of the intended importing country (52) / separately recorded if ownership has been acquired by the importer (63)
Books and periodicals	excluded (212), treated as services	treated as part of trade in services (48)

2.2 VALUATION

The valuation principle is the second main reason for BOP and FTS data to be different. The BPM5 and IMTS quote the following:

"219. The value at which goods should be recorded in the balance of payments is the market value of the goods at the point of uniform valuation---the customs frontier of the economy from which the goods are exported. That is, the goods are valued free on board (f.o.b.) at this frontier ...
222. ... exports and imports of goods are valued f.o.b. at the customs frontier of the exporting economy ..."
 BPM5 (1993).

"116. To promote the comparability of international merchandise trade statistics and taking into account the commercial and data reporting practices of the majority of countries, it is recommended that:
 (a) *The statistical value of imported goods} be a CIF-type value;*
 (b) *The statistical value of exported goods} be a FOB-type value."* IMTS (1998)

Here, the differences come from the fact that FOB-type⁶ values include the transaction value of the goods and the value of the services performed to deliver goods to the border of the exporting economy, while CIF-type values include the transaction value of the goods, the value of the services performed to deliver goods to the border of the exporting economy *and* the value of services performed to deliver the goods from the border of the exporting country to the border of the importing country.

2.3 ADJUSTMENTS IMPLIED BY THE METHODOLOGICAL DIFFERENCES BETWEEN BOP AND FTS

External Trade statistics are the most common source for the **goods** component of the Balance of Payments. To satisfy BPM5 definitions, BOP compilers must make adjustments to the source FTS data. Intuitively, given the different definitions of *coverage and time of recording*, the most important adjustments must concern the inclusion in BOP statistics of goods not crossing the border but changing ownership, and the exclusion of goods crossing the border but not changing ownership.

In the same manner, given the different definitions of *valuation*, deductions from import totals of distributive services provided outside the border of the exporting economy must be performed. Such services generally include freight, insurance, loading, unloading and handling etc. If such services have been provided by non residents, the values that have been deducted must be included in the freight item or in the insurance item, or in other appropriate item under **services** in the Balance of Payments.

3. EU MEMBER STATES' AND CANDIDATE COUNTRIES' PRACTICES

Here we provide the details about the practices used by European countries to adjust FTS data. In the first section (3.1) we provide a description of the practices followed by countries to adjust imports from CIF to FOB values. As explained earlier the objective of the CIF/FOB adjustment is to remove the transportation and insurance costs incurred to deliver the goods to the border of the importing economy from the value of imports. In the second section (3.2) we describe the so called "Other" adjustments. The "Other" adjustments are closely linked to the treatment of special transactions and special type of goods as presented in Table 1. In the third section (3.3) we provide analysis of the effect of both adjustments.

The information used for this section has been collected with qualitative and quantitative questionnaires sent to the EU15 MSs in November 2003 and to the 13 Acceding and Candidate Countries in March 2004.

3.1 ADJUSTMENT FOR IMPORTS FROM CIF TO FOB VALUES

The following table summarises the adjustment practices of the countries participating in the study. The lecture of Table 2 shows that the methodology used for CIF/FOB adjustment relies essentially on two main practices:

- the application of a CIF/FOB ratio;
- the estimation of transport costs for import flows.

Most of the countries use a unique CIF/FOB ratio, which is certainly a very practical methodology because of its simplicity. This methodology is not satisfactory from an analytical point of view. For example, applying the same CIF/FOB ratio on imports coming from Japan and Ukraine is not a good way to take in account the transportation and insurance costs for the imported goods. Some countries do not apply any CIF/FOB adjustment.

Only few countries apply a more complete methodology, by breaking down the CIF/FOB adjustment by partner country and/or mode of transport. Ideally, the CIF/FOB ratio should be broken down by partner country and by mode of transport. The problem is that the calculation of such breakdown depends crucially on the existence of appropriate data which are not always available in the countries.

⁶ The terms FOB (Free on board) and CIF (Cost, Insurance and Freight) come from the definitions of the terms of delivery for international trade. They are part of a broader class of delivery terms, the so called Inco Terms, defined by the International chamber of commerce. In total 13 Inco Terms have been defined, for more information see IMTS (1998) Annex D.

Table 2 CIF/FOB adjustment practices.

	CIF/FOB adjustment methodology
AT	CIF/FOB adjustment is calculated by estimating freight costs using settlements. This calculation takes in account the partner country.
BE	No CIF/FOB adjustment, but a methodology is under construction which will be applied in 2004, and which will include the application of a CIF/FOB ratio.
DE	Application of a CIF/FOB ratio, different for different partners and modes of transport.
DK	Application of a CIF/FOB ratio of 3.7% for all partners.
GR	No CIF/FOB adjustment.
ES	Application of a CIF/FOB ratio of 4.5% for all partners.
FI	Application of CIF/FOB ratios. Estimation takes in account the most important partner countries, the mode of transport (sea and air), and the type of the commodity.
FR	Application of CIF/FOB ratios estimated using a survey about transportation costs for export and import companies. Sample chosen from customs reports about well identified transactions. The questionnaire requires: the transportation mode, the nationality of the carrier, the country of origin or destination, the terms of delivery.
IE	Application of a CIF/FOB ratio, different depending on whether the partner is a member of the EU (2%) or not (4.8%).
IT	Application of a CIF/FOB ratio, different for different partners, 32 areas or countries are distinguished.
LU	Application of CIF/FOB ratios, different by specific regions and main modes of transport
NL	Application of a CIF/FOB ratio, different for different partners, depending on distance and also taking into account economies of scale in transport, adjusted monthly to bring the evolution of the overall CIF/FOB margin in line with the evolution of the gross turnover of the freight transportation flows.
PT	Application of a CIF/FOB ratio of 4.67% for all partners.
SE	CIF/FOB adjustment is estimated using a model for sea transportation. The CIF component is deducted from goods imports and recorded in sea transportation, as a debit.
UK	CIF/FOB adjustment is calculated by estimation of freight services for imports arriving by sea, rail and air.
BG	Application of a CIF/FOB ratio of 8% for all partners. For some imports FOB values are available.
CY	Application of a CIF/FOB ratio of 10% for all partners.
CZ	BOP compilers respond that the FTS Imports are recorded in FOB prices, which means that there is no need of a CIF/FOB adjustment to be produced.
EE	For 1993-2002 the CIF/FOB adjustment methodology of Estonia relies on the application of a CIF/FOB ratio of 5% for all partners. From 2003 onwards, different CIF/FOB ratios are calculated for each partner country.
HU	Application of a CIF/FOB ratio of 2.66% for all partners.
LT	Application of a CIF/FOB ratio of 5.6% for all partners
LV	Application of CIF/FOB ratios, different for each partner country and mode of transport.
MT	Application of a CIF/FOB ratio of 10% for all partners. The unique CIF/FOB ratio is applied only to a minor part of imports valued at CIF prices. For a substantial part of imports the actual FOB value is available.
PL	Application of a CIF/FOB ratio of 2.5% for all partners.
RO	Application of a CIF/FOB ratio of 7.7% for all partners.
SI	Application of a CIF/FOB ratio of 3.93% for all partners.
SK	BOP compilers declare that, in customs declarations, imported goods are valued on both FOB and CIF basis. They don't produce any adjustment on the source data coming from Slovak Statistical Office.
TR	Application of a CIF/FOB ratio of 6% for all partners

3.2 OTHER ADJUSTMENTS ON IMPORTS AND EXPORTS

These other adjustments are related to the treatment of the items of special transactions and special type of goods, presented in Section 2.1.

A vertical reading of Table 3 allows to identify what are the items for which practices are more coherent between responding countries. The item 12. Goods procured in ports by carriers, seems to be the one on which almost all countries produce an adjustment, and in the same direction, followed by items 6. Goods not crossing the border, 5. Repairs of goods, 4. Goods for processing, 8. Returned goods.

On the other hand, the horizontal reading of Table 3 allows to identify the countries that perform the most detailed adjustments on these items. It can be noticed that Germany is the country that produces adjustments for most of the items, followed by the UK, the Netherlands, Belgium, etc.

Adjustment practices are obviously very different among EU countries. This can be partly explained by the different coverage of transactions assured by national FTS.

Table 3 Other adjustments on imports and exports - main deductions or additions from FTS to BOP.

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
AT						+/+							+/+				
BE				+/+	+/+			-/-				+/+	+/+				
DE		/+	+/+	+/+	/+	+/+		-/-		/-	+/+	+/+		-/-		+/	
DK					+/+	+/+		-/-				+/+					
GR																	
ES						+/+						+/					
FI								/+				+/+					/+
FR				+/+	+/+							+/+					
IE																	
IT				+/+	+/+	+/+						+/+	+/+				
LU					-/-	+/+	-/-					+/+	+/+				
NL				-/-	+/+	+/+		-/-				+/+					
PT	+/+					+/+			+/+			+/		+/+			
SE												+/+					
UK	-/-		/+					-/-				+/+	+/+		+/+		
BG																	
CY					+/+							+/					
CZ																	
EE		/+			+/+							+/+					
HU		/+			+/+							+/+					
LT																	
LV		+/+	+/	/+	+/+						+/	+/+	+/+				
MT			+/+		+/+		-/-	-/-		+/+	+/+	+/					
PL					+/+												
RO																	
SI					+/+												
SK																	
TR										/+			-/-				

Reading note for Table 3: +/+ means that the item is added to import and export flows; -/- means that the item is deducted from import flows only; the same logic applies to the other signs used.

The items are: 1. Non response/below threshold; 2. Sea products; 3. Goods dispatched through postal or courier services; 4. Goods for processing; 5. Repairs of goods; 6. Goods not crossing the border; 7. Goods not changing ownership; 8. Returned goods; 9. Goods traded on government account; 10. Exports/Imports by private individuals; 11. Transaction in goods in free areas; 12. Goods procured in ports by carriers; 13. Non monetary gold; 14. Electricity, gas and water; 15. Additions and alterations to ships and aircrafts; 16. Books and periodicals; 17. Corrections for timing.

Period: 1999-2001, 2002 for Cyprus and Luxembourg.

3.3 ANALYSIS OF THE ADJUSTMENTS

This section presents a quantitative analysis about the different adjustments made by countries. Two types of adjustment practices are distinguished: the "CIF/FOB adjustment" and the "Other" adjustments. In Figure 2 we present data for these adjustments, expressed as a percentage of the FTS figures used by BOP compilers. It should be noticed that, by definition, the CIF/FOB adjustment to imports flows is negative. On the other hand, each of the Other adjustments can be negative or positive. What we present here, for each country, is the Total for "Other adjustments", where negative and positive adjustments can cancel each other.⁷

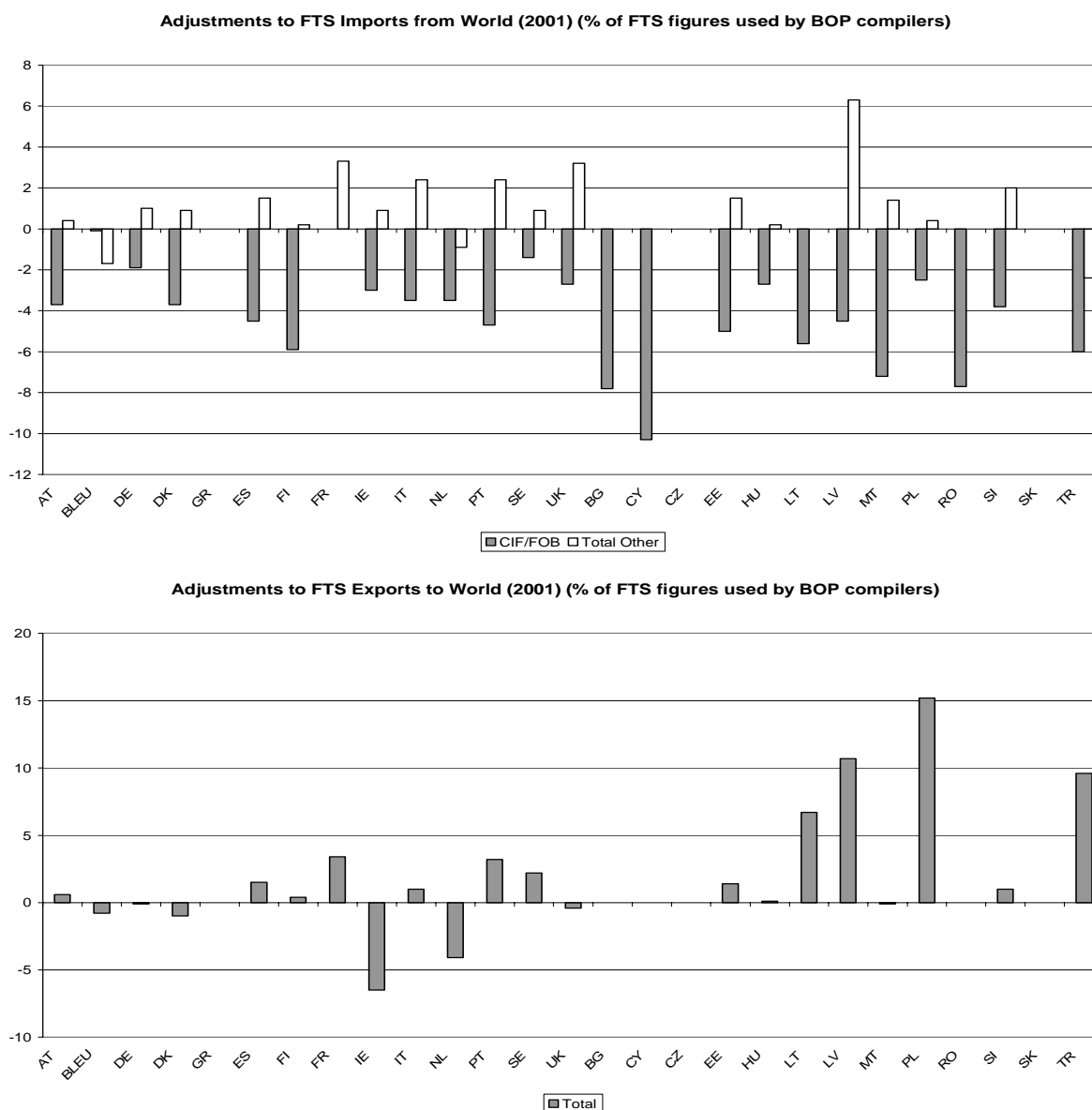


Figure 2 Quantitative adjustments: as a percentage of FTS figures used by BOP compilers.

⁷ For example, if a country produces a large negative adjustment on imports for *goods for processing* and a large positive adjustment on imports for *goods not crossing the border*, these two "Other adjustments" will compensate each other, and the net figure that will appear in Figure 2 will be quite small.

The upper side - imports - of Figure 2 gives two informations. First, the sum of the bars gives the total adjustments (in % of FTS imports used by BOP compilers). Second, the bars in grey - for CIF/FOB adjustment - and the bars in white - for the Other adjustments - gives us an idea about the share of the CIF/FOB adjustment and the Others in the total adjustments produced by a given country⁸. It is interesting to note that the CIF/FOB adjustment generally represents the biggest adjustment made to imports. But some countries also perform considerable other adjustments. It is noteworthy, e. g., that for some countries (DE, IT, LV) the positive total of "Other adjustments" almost cancels out the negative CIF/FOB adjustment.

Among the "Other" adjustments it seems interesting to identify the items that account for the most important quantitative adjustments. Table 4 show some results. The item accounting for the higher proportion in the total amount of the "Other" adjustments, both for imports and exports, is 8. Returned goods. The item 18. Specific adjustments includes a lot of complex transactions, related to specific national practices. These practices could be very different from a country to another: examples are *net corrections by National Account compilers* for the Netherlands, Sweden and Poland, *impact of MTIC⁹ fraud* for the UK, *pipeline transports* for Portugal, *complex trading adjustments* for Ireland, *rebates and discounts* for Spain, *incidental payments* for Germany, *goods purchased by international organisations* for BLEU, etc.

Table 4 Proportion in the total net amount of the "Others" adjustment (in %)

	Imports from World (1999, 2000, 2001)	Exports to World (1999, 2000, 2001)
1. Non response/below threshold	-3.81	0.59
2. Sea products	0.02	0.92
3. Goods dispatched through postal or courier services	1.27	1.56
4. Goods for processing	37.01	84.70
5. Repairs of goods	3.75	20.81
6. Goods not crossing the border	40.56	58.08
7. Goods not changing ownership	-12.11	-27.51
8. Returned goods	-42.03	-93.37
9. Goods traded on government account	0.23	0.02
10. Exports/Imports by private individuals	0.00	22.27
11. Transaction in goods in free areas	16.23	37.27
12. Goods procured in ports by carriers	28.08	41.93
13. Non monetary gold	12.22	12.34
14. Electricity, gas and water	-5.49	-12.20
15. Additions and alterations to ships and aircrafts	0.06	0.14
16. Books and periodicals	1.06	0.00
17. Corrections for timing	0.00	0.88
18. Specific adjustments	23.14	-48.31
Total	100.00	100.00

⁸ For some countries the CIF/FOB adjustment is zero -- they use FTS figures that are already in FOB values for imports (FR, CZ, SK), or they use different source than FTS to compile BOP goods (EL).

⁹ Missing Trader Intra-Community (MTIC) is a VAT fraud which profits of the VAT arrangements existing in EU single market. For more details see "VAT Missing Trader Intra-Community fraud: the effect on Balance of Payments statistics and UK National Accounts", Economic Trends, 9 July 2003, available from http://www.statistics.gov.uk/articles/economic_trends/ETAug03Ruffles.pdf

4. CONCLUDING REMARKS

The definitions of international trade in **goods** given by the International Monetary Fund for BOP and by the United Nations for FTS imply inconsistencies between Foreign Trade Statistics and Balance of Payments. As FTS are the main source for computing BOP data, BOP compilers must make some adjustments in order to satisfy IMF recommendations.

Concerning these adjustments, the inventory of EU adjustment practices shows that different countries follow quite different practices. This is partly due to the different coverage of transactions assured by national FTS, produced according to national concepts. This issue should be properly addressed to increase comparability among FTS and among BOP data of different countries and coherence between FTS and BOP.

At the end, some differences between the value of trade in goods shown by FTS and BOP are unavoidable, because these two statistics measure trade differently. A user should simply choose the data which are more suited to his/her needs.

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