Trading Processing for Goods: A Different View from the Past on Italian Trade Flows?

Comments from Leo Hiemstra, Researcher National Accounts, August 2016
In 2014 implementation of ESA2010 and BPM6. Two changes in the standards influence International trade in goods:

1. Only trade in goods in case of change in ownership
2. Merchanting is treated as trade in goods

Other change: inclusion of illegal transactions

Aim: more accurate measurement of the globalising economy
Advantages and drawbacks

Advantages:
– Better description of internationalisation of production
– Improves the internal consistency of national accounts
– ‘Disinflating’ gross trade flows

Drawbacks:
– Wedge between NA/BoP data and IMTS statistics
– Consequences for the geo-sectoral analysis of trade flows
Objective of the paper

The objective is twofold:

1. Investigating whether and to what extent the IMTS geo-sectoral details for Italy over the period 1995-2014 are still valid for the NA/BP trade in goods
2. To draw for the first time a detailed picture of Italian trade flows of processing services.
Impact of the new standards

**Goods exports**
(at current prices)

**Goods imports**
(at current prices)
Impact of the new standards (by sector)

Exports by sector:

- Raw materials
- Food, beverages
- Textiles
- Clothing
- Leather
- Paper, wood, printing
- Refined oil products
- Chemicals
- Pharmaceutical
- Plastic and rubber
- Other non metallic
- Metals
- Electronics
- Electric machinery
- Mechanical products
- Automobiles
- Other transport
- Other manuf.
- TOTAL

Legend:
- 1995-1999
- 2000-2004
- 2005-2009
- 2010-2014
Impact of the new standards (by sector)

Imports by sector:

- Raw materials
- Food, beverages
- Textiles
- Clothing
- Leather
- Paper, wood, printing
- Refined oil products (1)
- Chemicals
- Pharmaceutical (2)
- Plastic and rubber
- Other non metallic
- Metals
- Electronics
- Electric machinery
- Mechanical products
- Automobiles
- Other transport
- Other manuf.
- TOTAL

Legend:
- 1995-1999
- 2000-2004
- 2005-2009
- 2010-2014
Impact of the new standards (by country)

Exports by country:
Impact of the new standards (by country)

Imports by country:
Processing services

Processing services (mln euro) ....by geographical area (2010-2014; yearly averages)
Processing services (mln. euro; 2010-2014; yearly averages)

by sector

- Pharmaceutical
- Refined oil products
- Basic metals
- Chemicals
- Other non metallic
- Paper, wood, printing
- Mechanical products
- Electronics
- Food, beverages
- Plastic and rubber
- Raw materials
- Other manuf.
- Other transport
- Metal products
- Other goods
- Electric machinery
- Textiles
- Automobiles
- Leather
- Clothing

by country

- Switzerland
- Ireland
- Germany
- Belgium and Luxembourg
- United Kingdom
- Netherlands
- United States
- France
- OPEC
- Spain
- Czech Republic
- Slovakia
- Croatia
- Poland
- Asian dynamic countries
- China
- Bielorussia, Moldova, Ukraine
- Hungary
- North Africa, non-OPEC
- Bulgaria
- Albania and ex-Yugoslavia
- Romania
Main three countries by product (2010-2014)

<table>
<thead>
<tr>
<th>Exports</th>
<th>Country 1</th>
<th>Country 2</th>
<th>Country 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharmaceutical</td>
<td>Switzerland</td>
<td>Ireland</td>
<td>Germany</td>
</tr>
<tr>
<td>Refined oil</td>
<td>Switzerland</td>
<td>United Kingdom</td>
<td>France</td>
</tr>
<tr>
<td>Basic metals</td>
<td>Switzerland</td>
<td>United States</td>
<td>Germany</td>
</tr>
<tr>
<td>Metal products</td>
<td>Germany</td>
<td>France</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>Chemicals</td>
<td>Germany</td>
<td>Netherlands</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>Other transport</td>
<td>France</td>
<td>United States</td>
<td>United Kingdom</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Imports</th>
<th>Country 1</th>
<th>Country 2</th>
<th>Country 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clothing</td>
<td>Romania</td>
<td>Albania and ex-Yugosl</td>
<td>North Africa, non-OPEC</td>
</tr>
<tr>
<td>Leather</td>
<td>Romania</td>
<td>Albania and ex-Yugosl</td>
<td>Bulgaria</td>
</tr>
<tr>
<td>Metal products</td>
<td>Germany</td>
<td>United Kingdom</td>
<td>France</td>
</tr>
<tr>
<td>Other transport</td>
<td>France</td>
<td>Germany</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>Automobilies</td>
<td>United States</td>
<td>Germany</td>
<td>Japan</td>
</tr>
<tr>
<td>Textiles</td>
<td>Romania</td>
<td>Hungary</td>
<td>China</td>
</tr>
</tbody>
</table>
Conclusions

– Due to the new treatment of processing, gross flows in NA/BP are between 2 and 4 percent lower than in IMTS.

– The analysis based on the previous statistical standards is still valid, and using IMTS data in interpreting the new NA/BP aggregates is still useful.

– Processing services are highly concentrated, both along the geographical as the sectoral dimension.

– Italy is a net exporter of processing, but the surplus is modest (around 1 billion euro/year in the last 5 year period).

– Italy is an importer of processing services in low-tech productions and an exporter in high-tech productions; the deficit in the former is compensated by the surplus is the latter. The overall balance is the surplus in the medium-tech and scale intensive sectors.
Remarks / Issues for discussion

- Paper uses the new concepts for analysis
- ‘Change of ownership’ based series of the past period?
- Is processing (goods sent and return) really predominant?
- Data quality (NoT codes)?
- IMTS is still usable for geo-sectoral analysis now, but what about the future?