

Integration of the Trade Statistics in the Balance of Payments of the Belgian-Luxembourg Economic Union and the Current Account of Belgium

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0. Introduction

From 2001 onwards trade statistics are being used to establish the 'goods' component of the balance of payments of the Belgian-Luxembourg Economic Union (BLEU) and the current account of Belgium. Before, Belgium and Luxembourg were still the only countries of the European Union where this was not done.

The integration of trade statistics does not mean that they are taken over as such, but that they will be adjusted, whether or not in combination with the information collected via the international payments (ITRS), in order to adapt them to the balance of payments methodology ¹.

The use of trade figures not only has an impact on the balance of the goods item and on the geographical allocation ², but may also result in double countings of goods and services as far as transactions of nonresidents are encompassed in the trade statistics (community concept and national concept).

1. Methodological adjustments

According to the BPM5, the goods component is composed of the following items : general merchandise, goods for processing, repair on goods, goods procured in ports by carriers and non-monetary gold (held as a store of value and other).

Adjustments :

- General merchandise :

- * 'return of goods' will be deducted either from imports or exports. In trade statistics 'returns' are added to exports or imports.
- * goods for processing and non-monetary gold are separate headings in the balance of payments. The amounts involved are subtracted from 'general merchandise'.
- * the same applies to goods bought in ports; only the receipts side, since expenditure is not recorded in foreign trade statistics.
- * transactions with international institutions located in Belgium and Luxembourg, which do not appear in trade statistics, are added.

- Goods for processing :

processing comprises receipts (or expenditure) in respect of imported goods, which are re-exported after processing, or vice versa. Car assembly, clothing made in lower-wage countries, ... may be referred to as examples in this respect.

The trade statistics record both incoming and outgoing flows as imports and exports, whereas the collecting system based on payments only registers the balance, the amount due for the processing.

But the payments for processing abroad (receipts for processing in the domestic market) never meet the balance between the value of exported (imported) and re-imported (re-exported) goods.

This is due to the fact that some goods do not return after processing to the country having commissioned the work, but are either destined for the home market where the processing took place, or are exported directly to third countries.

For that reason the item 'goods for processing' is compiled as follows : the value of the re-imported (re-exported) goods for processing is the basis from which the payment for processing is deducted in order to calculate the value of the goods before processing. The differences between the calculated

¹ Balance of Payments Manual, fifth edition, IMF, 1993 (BPM5).

² In trade statistics the country of origin and the country of destination are used for external European Union trade, the country of consignment and the country of destination for the internal trade.

amounts and the registered amounts are regarded as final exports/imports and are thus added to general merchandise.

- *Repair on goods* : costs of repair on all movable goods, including transport equipment. Although repair on goods (like processing) are no genuine good transactions but services related to goods, they are recorded under trade of goods.
- *Goods procured in ports by carriers* : this is better known as provisioning or catering supplies. On the receipt side the data of the trade statistics are used; on the expenditure side, the payments data are applied.
- *Non-monetary gold* : a distinction is made between gold held as a store of value (i.e. as an investment), and gold for industrial use. The former figures derive from the payments collection system, the latter from trade statistics.

2. Community and national concepts

The National Bank of Belgium, charged with establishing the balance of payments of the BLEU (up to end 2001), produces two series of balances, according to two concepts :

* *community concept* :

here the 'goods component' is based on all arrivals and dispatches of goods in Belgium and Luxembourg relating to goods either coming from outside the EU and destined to other EU countries, or coming from other EU countries and to be exported to non-EU countries. These data according to 'the community concept' are only sent to the European Central Bank and to Eurostat with a view to allowing them to apply the consolidation on the European level. So as to make this consolidation possible, the geographical allocation for the intra-EU trade reporting was changed from country of origin to country of consignment.

* *national concept* :

the statistics according to the national concept, which relies on the principle of economic residence (transactions for account of nonresidents are excluded), are used in the official publications (website National Bank of Belgium, quarterly bulletin), are forwarded to the IMF and OECD and serve 'national' needs too (national accounts, ...).

3. Impact on the figures

In order to measure this influence on the figures³, the statistics for the year 2000 according to the different concepts are being compared.

	import	export	(billion €) balance
former concept (payments)	169.8	162.4	7.4
of which non-EU	71.6	72.8	- 1.2
national concept	174.4	167.7	6.7
community concept	196.8	183.1	13.7
of which non-EU	75.9	78.3	- 2.4

Between the former concept and the national concept the difference, especially on balance, is not very important (-0.7 billion €)⁴. The gap between the former concept and the community concept is larger (6.3 billion € on balance) although for external EU trade, where the community concept stands for, it is rather limited (-1.2 billion €).

4. Risk of double countings

When goods are imported in Belgium for account of a nonresident, stored, eventually repacked and finally exported to other EU countries, the export registration is based on the invoice value, which encompasses not only the value of the imported goods but also the services rendered by Belgian residents, as well as the profit margin. As the services rendered mostly are already included in the appropriate items of the balance of payments, the integration of the trade statistics in the community concept (where transactions by nonresidents are not excluded) may result in double counting.

5. Conclusion The integration of trade statistics in the balance of payments occurred smoothly and the influence on the figures whether for national or for European needs remains acceptable. The only problem, but it should be marginal, is possible double counting.

³ Production of data April 2001.

⁴ Over the past 5 years the average is -0.4 billion €