

Ludovico Bracci, Silvia Fabiani, Alberto Felettigh

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

Comments from Leo Hiemstra, Researcher National Accounts, August 2016



**Statistics
Netherlands**

Introduction

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

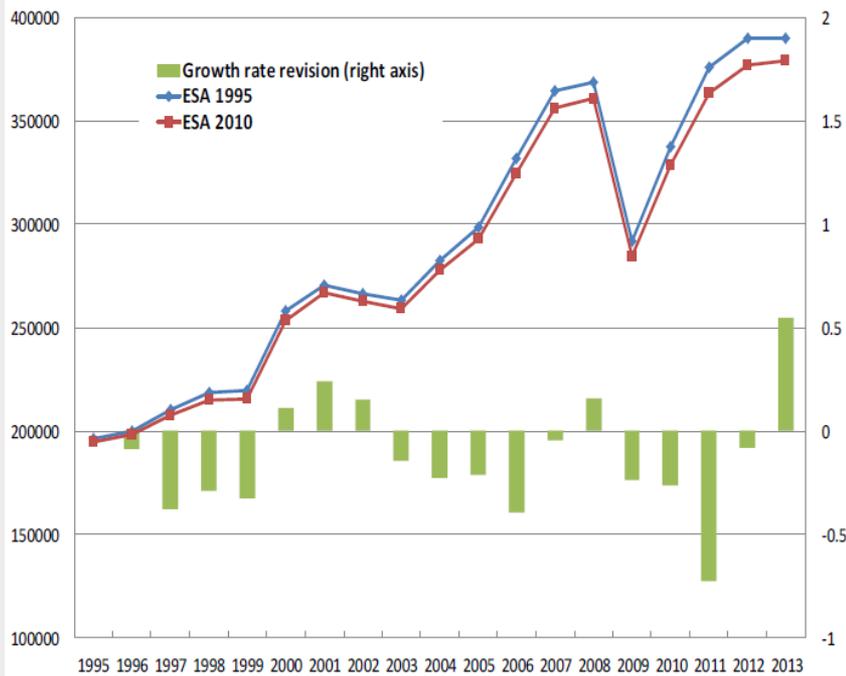
Objective of the paper

The objective is twofold:

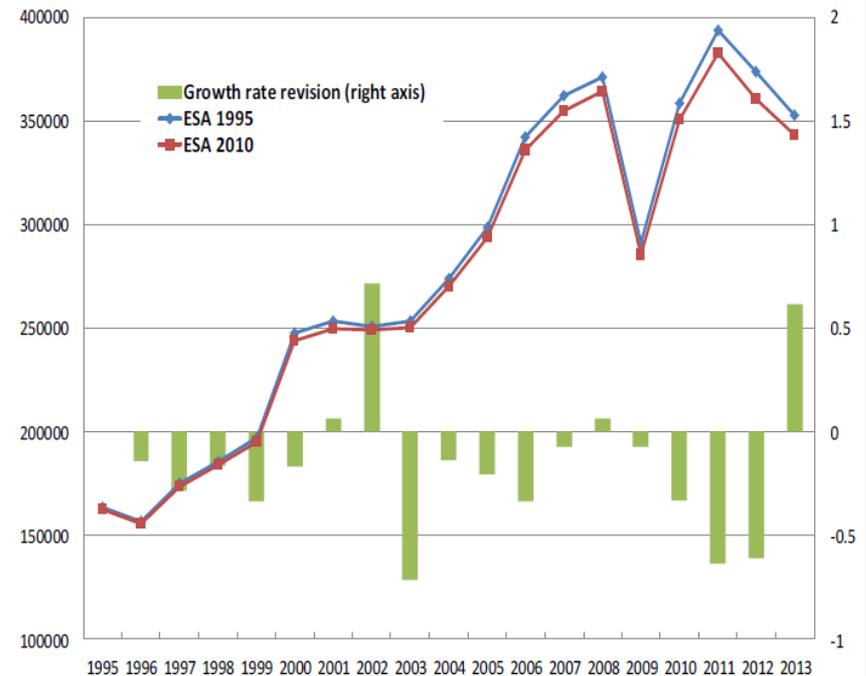
1. Investigating whether and to what extent the IMTS geo-sectoral details for Italy over the period 1995-2014 are still valid for the NA/BP trade in goods
2. To draw for the first time a detailed picture of Italian trade flows of processing services.

Impact of the new standards

Goods exports
(at current prices)

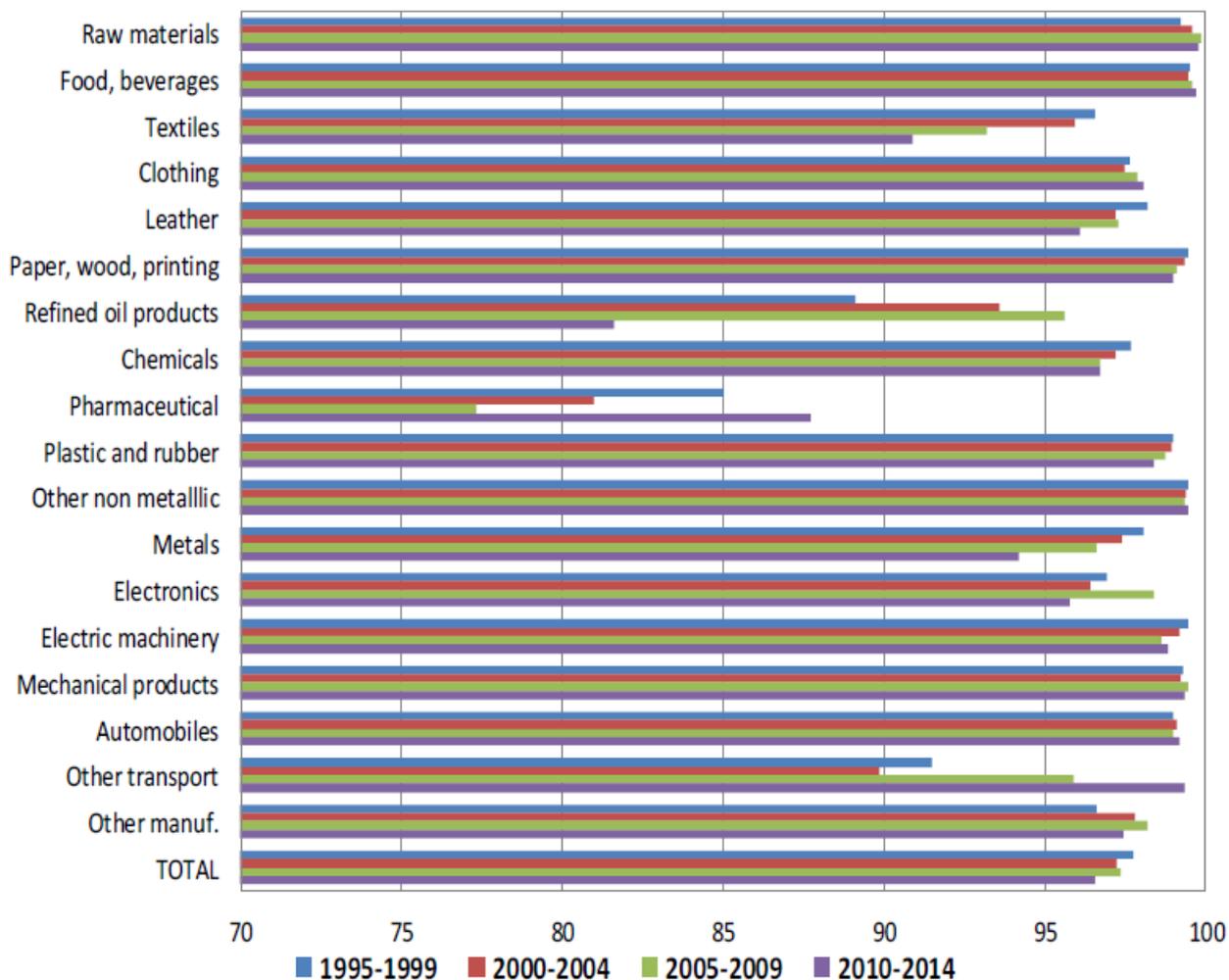


Goods imports
(at current prices)



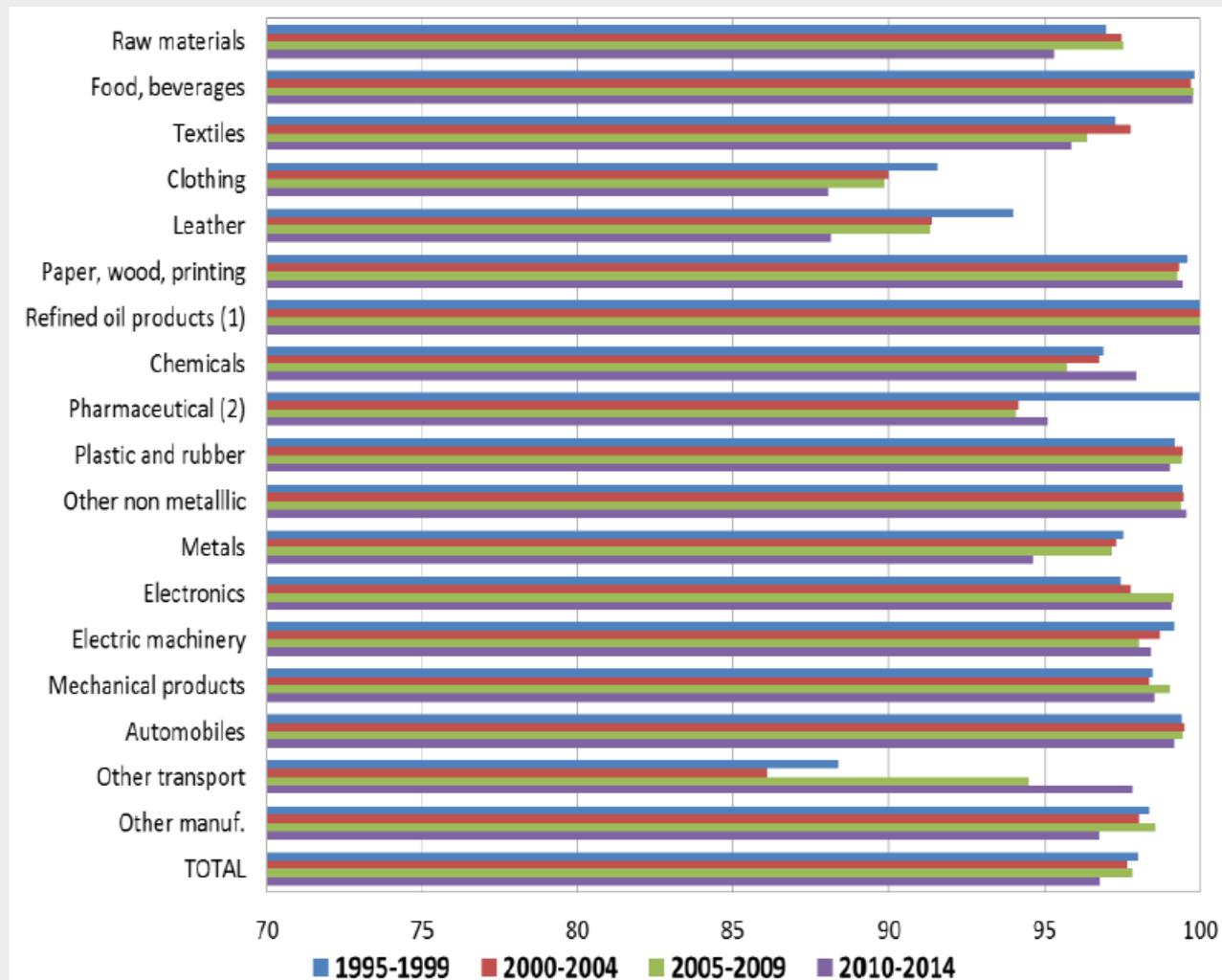
Impact of the new standards (by sector)

Exports by sector:



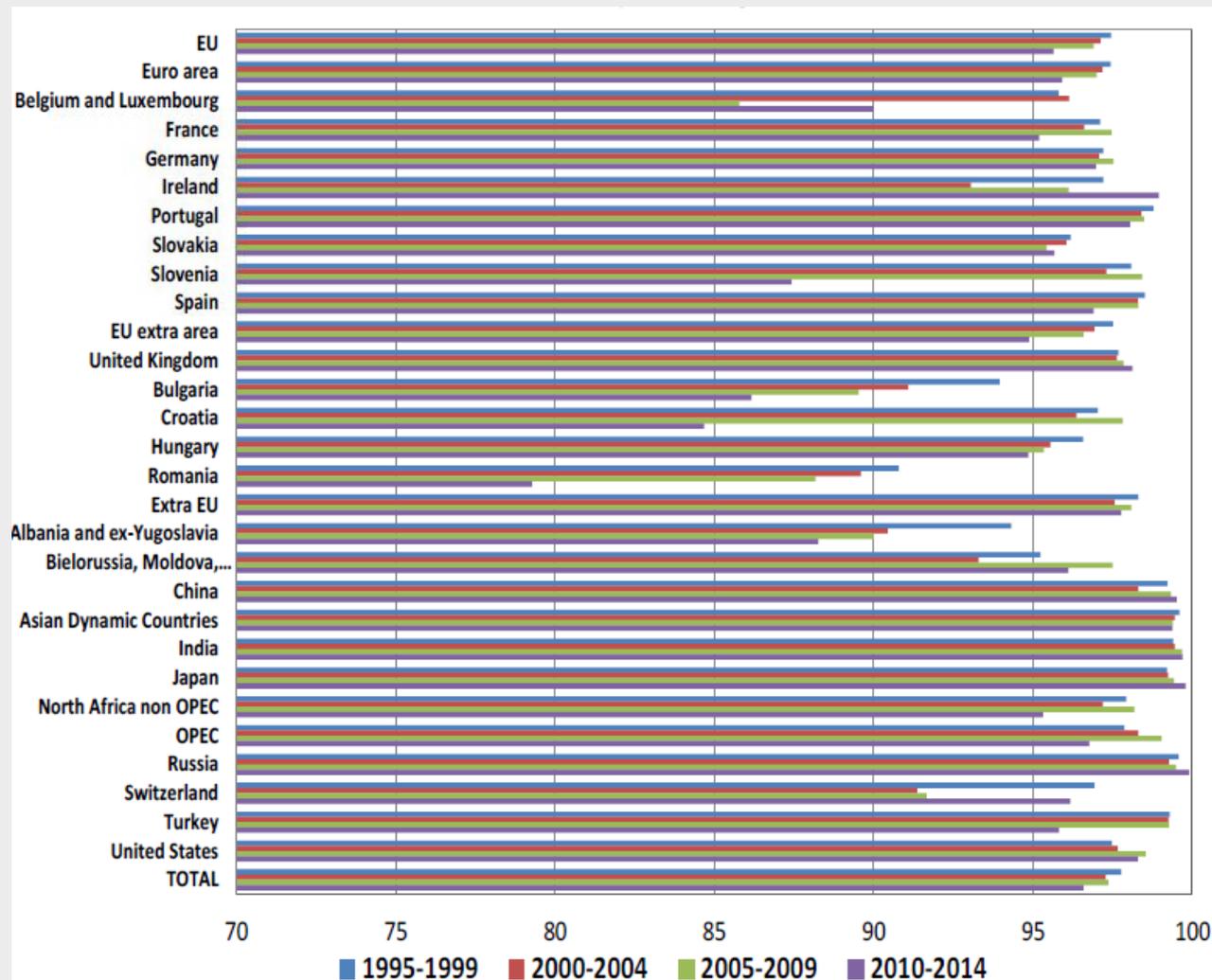
Impact of the new standards (by sector)

Imports by sector:



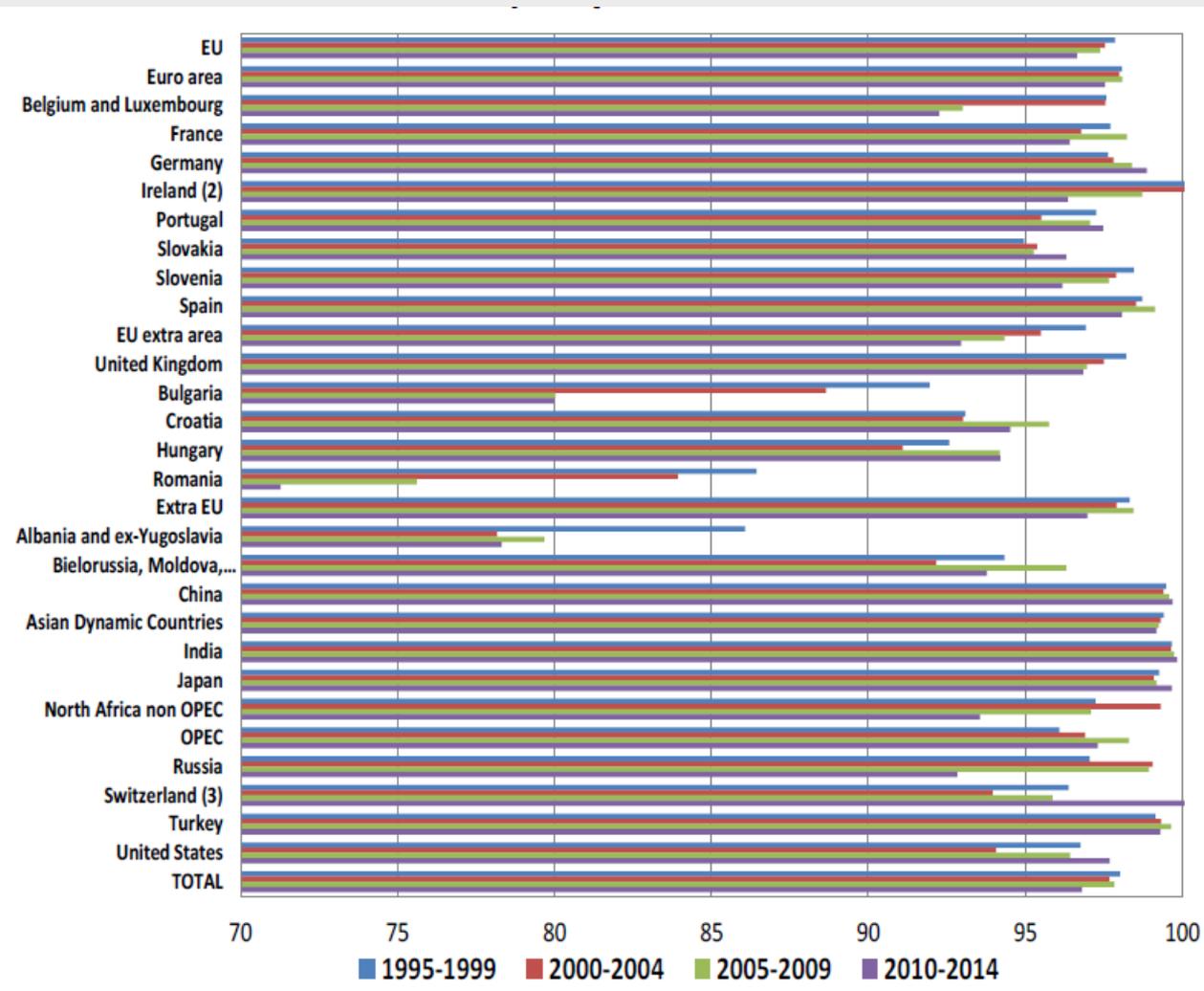
Impact of the new standards (by country)

Exports by country:



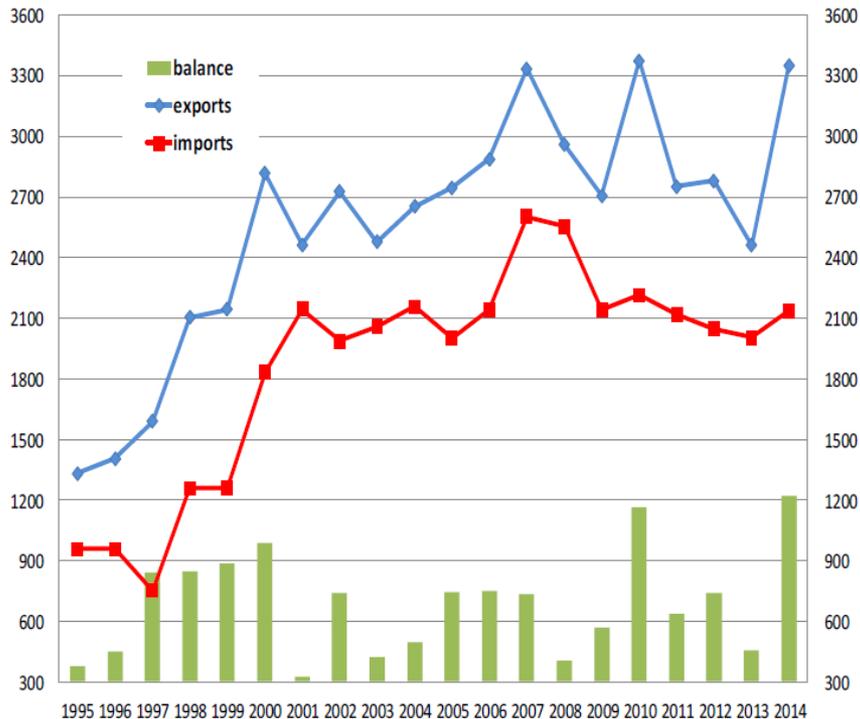
Impact of the new standards (by country)

Imports by country:

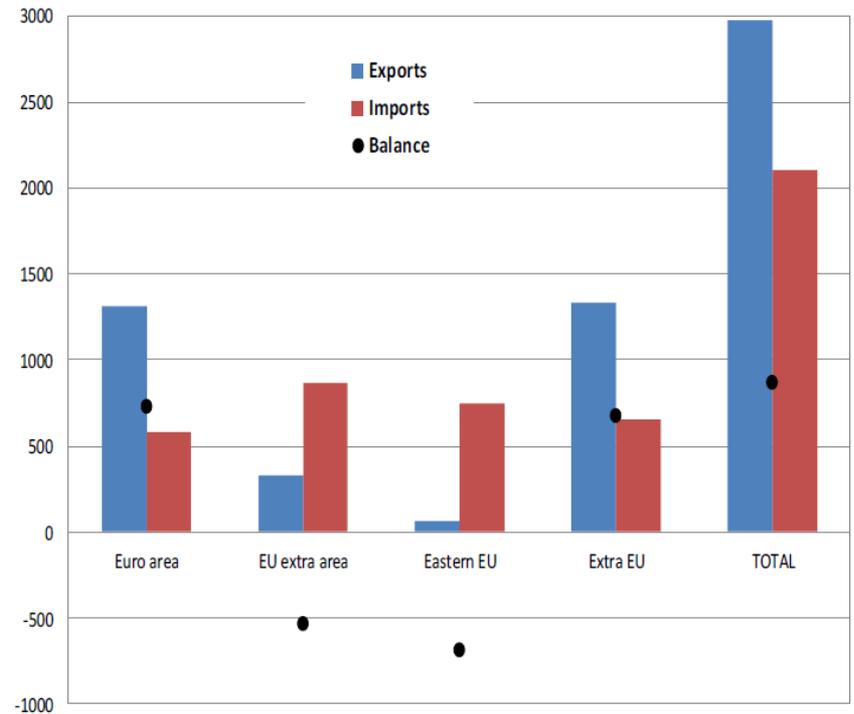


Processing services

Processing services (mln euro)

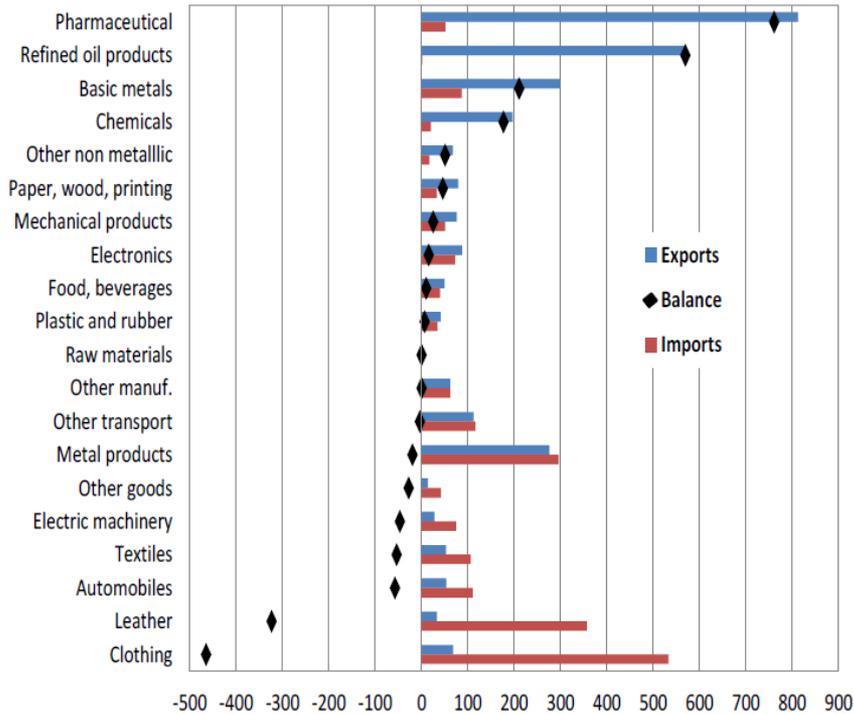


...by geographical area (2010-2014; yearly averages)

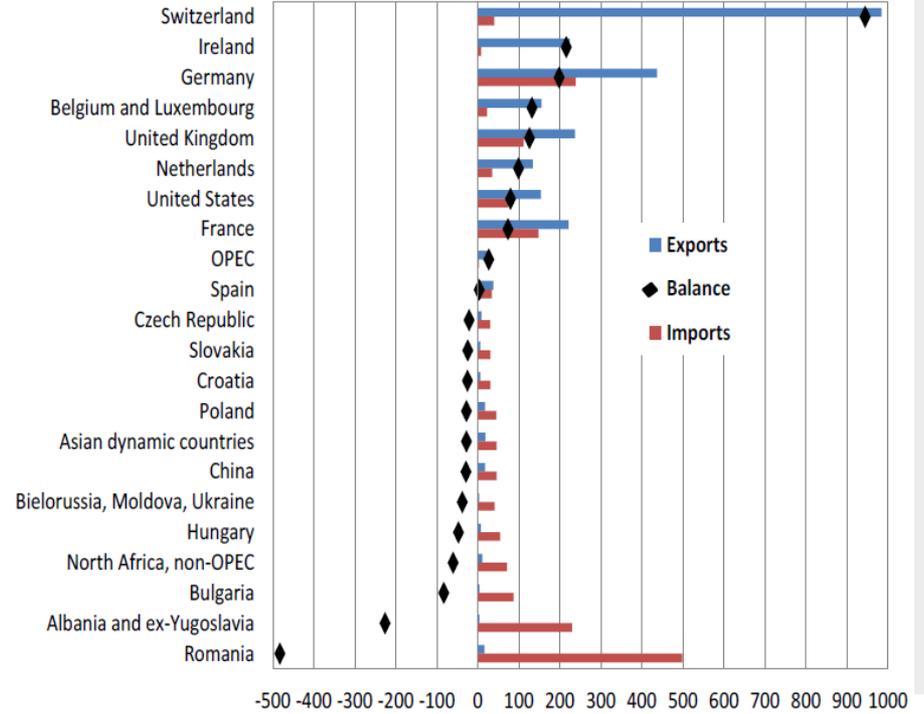


Processing services

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



by country



Main three countries by product (2010-2014)

Exports	Country 1	Country 2	Country 3
Pharmaceutical	Switzerland	Ireland	Germany
Refined oil products	Switzerland	United Kingdom	France
Basic metals	Switzerland	United States	Germany
Metal products	Germany	France	United Kingdom
Chemicals	Germany	Netherlands	United Kingdom
Other transport	France	United States	United Kingdom

Imports	Country 1	Country 2	Country 3
Clothing	Romania	Albania and ex-Yugos	North Africa, non-OPEC
Leather	Romania	Albania and ex-Yugos	Bulgaria
Metal products	Germany	United Kingdom	France
Other transport	France	Germany	United Kingdom
Automobiles	United States	Germany	Japan
Textiles	Romania	Hungary	China

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 in 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?