

**BALANCE OF PAYMENTS TECHNICAL EXPERT GROUP (BOPTTEG)**

**OUTCOME PAPER (BOPTTEG) # 14B**

**JUNE 2004**

(1) Topic: **Goods for Processing**

(2) Issues – see BOPTTEG Issues Paper # 14B

(3) Recommendations:

(i) The group agreed that the goods for processing should be treated in international statistical guidelines as services on both conceptual and practical grounds. There is no change of ownership of goods for processing. The current treatment of goods for processing differs from that for goods sent abroad for processing and sold to nonresidents after processing. The recording on a gross basis for goods for processing involves imputations of contra entries in financial accounts. The identification and measurement of goods for processing is difficult.

(ii) It was noted that *BPM4* treated the value added in goods for processing as a service and that gross recording of goods for processing in *BPM5* was an effort to be consistent with the national accounts. It was also mentioned that, within the national accounts community, more focus is being given now to the treatment of goods for processing as services. On the other hand, there were suggestions that there should be a presumption about reversing changes made for *BPM5* from *BPM4*. The group indicated a need for consultation with national accounts and international merchandise trade statisticians.

(4) Rejected Alternatives:

The group did not recommend to continue the current treatment of goods for processing on a gross basis as exports and imports of goods.

(5) Questions for the Committee:

- (i) *Does the Committee provisionally agree with the recommendation that the goods for processing should be treated as services? See 3(i) above.*
- (ii) *Does the Committee agree that its final view should account the results of consultation with national accounts and international merchandise trade statisticians?*