



IPS Paper

International Trade in Goods Statistics Based on Ownership Principle in the EU

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Brief Description

The Czech Republic joined the European Union and its Single Market in 2004.

Since then the International Trade in Goods Statistics (ITGS) indicated a gradually growing surplus of a trade balance.

This trend coincided with an effect of a preceding rapid growth of foreign direct investments to manufacturing sector.

However, such a development of the trade balance was in sharp contrast to the financial flows in balance of payment statistics.

Moreover, a growing discrepancy between supply- and use-side was being observed in some commodities and exports of goods often exceeded output in these commodities during the balancing process of supply-use tables within the Czech national accounts' system.

It seemed that the ITGS provided, at that time, either exports' indicators that were overestimated while indicators on imports underestimated or that both exports' and imports' values far exceeded real economic inputs and outputs of the Czech economy.

Furthermore, the discrepancies have grown in time as the impact of globalisation intensified and the Czech Republic has been more and more incorporated into the Single market of the EU and global value chains.

A thorough analysis uncovered that most of the positive trade balance indicated by the ITGS was generated by foreign traders (enterprises seated outside the Czech economy) and thus cannot be considered as the value added of the domestic economy.

The ITGS, as it was compiled then, no longer provided a real picture of economic performance of the Czech economy.

Therefore a new methodology of the ITGS was defined in 2010 and has been continuously developing ever since.

This article describes the necessity of departure from ITGS based solely on cross-border physical movement of goods in the EU and the necessity to develop the ITGS methodology based more on ownership principle due to unique administrative and legal requirements within the Customs Union and Single Market of the EU.

The main principles of the new methodology are introduced and the impact on the macroeconomic indicators is demonstrated.

Abstract

National Accounts and Balance of Payments belong among the most popular statistics describing the economy and they are very dependent on the quality of export and import data. In the past, custom statistics was used for measurement of the movement of goods and central bank data on international payments were used for estimation of services. What was sufficient in the past is hardly applicable nowadays. In the EU, it is more complicated by the Single Market where Intrastat statistics is substituting custom declarations. In line with the development of both economic reality and statistical standards, the borderline between goods and services is blurred. Services such as processing and merchanting play important role in our economies. In 2010, the Czech Statistical Office introduced the national concept of foreign trade in goods in the Czech Republic that is based on the change of ownership between residents and non-residents. In this concept, the trade balance is composed of both foreign trade statistics and data obtained from value added tax declaration. This concept has been continuously developing in terms of the commodity structure of exports and imports that are verified by national accounts' supply and use tables. When estimating exports and imports of different data sources are put together since the unadjusted intrastat and trade statistics with non-EU countries (extrastat) do not provide

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sufficient amount of information. Data is composed of intrastat, extrastat, short-term statistics (production in manufacturing), value added tax declarations and statistical survey on export and import of services. Furthermore, the elimination of quasi-transit is necessary, as well. So far, data on foreign trade in goods, based on the principle of change of ownership, has been published at the CPA two digit level on monthly basis and they are used both in national accounts and balance of payments. Our method has been further developing since detailed information is required with the target of obtaining the commodity structure on the level of KN 8. Currently, the Czech Statistical Office publishes two sets of data on foreign trade statistics, the preferred set is based on ownership principle and the second is based on traditional cross boarder statistics. The Czech Statistical Office invested lots of effort in explanation and interpretation of such data sets to the users.