CURRENT DEVELOPMENT IN THE COMPILATION OF MALAYSIA’S STATISTICS OF INTERNATIONAL TRADE IN SERVICES

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PRESENTATION OUTLINE

INTRODUCTION

ISSUES & CHALLENGES
- Manufacturing Services on Physical Input Owned by Others
- Statistics by Partner Country
- Foreign Affiliates Statistics (FATS)

CONCLUSION
INTRODUCTION

Challenges in compiling Statistics of International Trade in Services (SITS)

Tendency of cross border due to the:

- Mobility of factors of production
- Multinational corporation strategies to seek-abroad opportunity and resources

Dynamic changes of corporation in doing business, locally and internationally

Ownership Principle

Credit/Exports

Resident Economy

Non-Residents Economy/ROW

Debit/Imports
According BPM6, Services consist of twelve (12) components namely:

1. Manufacturing services on physical inputs owned by others
2. Maintenance and repair services
3. Transport
4. Travel
5. Construction
6. Insurance and pension services
7. Financial services
8. Charges for the use of intellectual property
9. Telecommunications, Computer and information services
10. Other business services
11. Personal, cultural and recreational services
12. Government goods and services

MSITS and BPM6 provides the conceptual framework and guidance to cope with the emerging developments in relation to the rest of the world accounts.

MSITS recommends the compilation of detailed SITS according to:

i. the Extended Balance of Payments Services (EBOPS) Classification

ii. mode of supply

iii. partners country.
1. Manufacturing services on physical inputs owned by others – BPM6

Under BPM6, one of new item been introduced is Manufacturing Services On Physical Input Owned By Others – previously under general merchandise in goods account.

The major challenges is to identify the players that involve in this activity.
Manufacturing services on physical inputs owned by others – BPM6

- Services undertaken by enterprises that do not own the goods.
- Receive/Send goods for processing (GFP)

Also known as Contract Manufacturing/Outsourcing

To differentiate Manufacturing Services vs. Own Account Manufacturing
Manufacturing services on physical inputs owned by others...con’t

DATA SOURCES

Annual Manufacturing survey/census by Department of Statistics Malaysia (DOSM)

CHALLENGES

unable to segregate either the transactions are done domestically or cross border.

whether the manufacturing input is procured on own accounts or owned by others.

value of exports of goods for processing - lack of information by processors

Export declaration managed by owners of the inputs.

ACTIONS

get clarification on the existence of exports and imports transactions of each company

Discussion with company to gain detailed information

data source from custom declaration has been used to estimate

In the case of Malaysia, this activity mostly related to electrical and electronic (E&E) industry. The non resident owner companies which contributed to this activity are mostly originated from the US and Europe.
2. Statistics by Partner Country - MSITS

- There is a need for detailed geographical allocations of the statistics on the various type of services supplied and consumed by each economy, according to the economy of residence of trading partners.
- The data sources in compiling statistics by partner country are from ITRS, survey and administrative data.
The information of partner countries could be either the country of settlement or actual country of transaction counterparties.

ITS survey is used to collect actual country of transaction – limited resources, technology, system, manpower and reluctant to divulge such information.

Administrative data - some obstacle in obtaining detailed information.

needs some reconciliation to meet the partner country compilation requirements as there are gaps arises from the different objectives of data collecting by other agencies.
3. Foreign Affiliates Statistics (FATS) - MSITS

Inward FATS:
refers to statistics describing overall activity of foreign affiliate operating in Malaysia.

Outward FATS:
refers to economic statistics relating to the operation of Malaysia’s affiliate abroad.

MODE 3
• Inward FATS
• Outward FATS
Data Sources

- Inward FATS: DOSM’s annual economic surveys and censuses in various sectors
- Outward FATS: Survey of Foreign Affiliates (SOFA)

Challenges

- Company tends to report immediate parent company rather than its ultimate
- Some of their ultimate parents may reside in Malaysia
- General perception to foreign brand associated and linked to foreign ownership but actually it is owned by local company
- Difficulties in identifying the affiliates country of operation
- Challenges to obtain complete structure of affiliates including direct and indirect relationship with the parent companies in Malaysia
- Company has tendency to combine the reporting for several affiliates
- Confidentiality policy imposed by the company
Conclusion

• To implement the new international standards and to produce more detailed data:

  i. Further research and review on conceptual issues are essential to cope with current development on new way of doing business

  ii. Various sources of data need to be mobilised to produce best statistics for economic analysis

THANK YOU