



Factoryless Goods Producers in the U.S. Accounts

Dylan G. Rassier

Prepared for the Federal Economic Statistics Advisory Committee
Washington, DC
June 14, 2013

Characteristics of FGPs

<i>MSP</i>	<i>Integrated Manufacturer</i>	<i>FGP</i>
	Owns IPPs	Owns IPPs
May own input materials	Owns input materials	May own input materials
Owns production facilities	Owns production facilities	
Performs transformation	Performs transformation	
	Owns final product	Owns final product
	Sells final product	Sells final product

Source: Economic Classification Policy Committee (ECPC) Recommendation for Classification of Outsourcing in North American Industry Classification System (NAICS) Revisions for 2012

- Characteristics affect domestic flows and international flows
- Current accounting treatment
 - Consistent with *SNA 1993* and *BPM5*
 - Does not necessarily reflect economic reality
- New accounting guidance in *SNA 2008* and *BPM6*

SNA 2008 and *BPM6*

- Based on change in economic ownership
 - “Goods for processing” treatment
 - Formerly treated as exports and imports of goods
 - Transactions include processing fees (i.e., services)
 - Transactions exclude inputs sent abroad and goods returned
 - “Merchanting” treatment
 - Formerly treated as exports of services
 - Transactions include goods purchased and subsequently sold
- Include FGPs (*BPM6* 10.42, 10.71)
 - Consistent with current business accounting practice
 - Inconsistent with current data sources
 - Inconsistent with *NAICS 2012*

NAICS and FGPs

- Prior to *NAICS 2012*
 - No explicit guidance on classifying FGPs
 - Ownership criterion in *ISIC₄* is impractical
- *NAICS 2012*
 - FGPs and MSPs classified in manufacturing
 - Expands domestic manufacturing beyond U.S. establishments
 - Inconsistent with *ISIC₄*, *SNA 2008*, and *BPM6*
 - May be inconsistent with current U.S. statistical practices
- FGP planning group recommendations
 - FGP product shipments should include full value of products
 - MSP service receipts should include full value of services
 - New trade flows mitigate some concerns of classification

Flows Related to U.S. FGPs

Owens Material Inputs **Output Shipped to U.S.** **Domestic Flows under FGP Recommendations** **International Flows under *BPM6*** **Data Requirements**

Yes	Yes	Manufacturing output	Import of manufacturing services (manufacturing services on physical inputs owned by others)	Domestic product shipments; Processing fees
	No	None	Import of manufacturing services; export of goods (manufacturing services on physical inputs owned by others)	Processing fees; Foreign product shipments

Flows Related to U.S. FGPs

Owns Material Inputs **Output Shipped to U.S.** **Domestic Flows under FGP Recommendations** **International Flows under *BPM6*** **Data Requirements**

No	Yes	Manufacturing output	Import of goods	Domestic product shipments
	No	None	Negative export of goods when purchased; positive export of goods when sold (merchanting)	Foreign product shipments

Empirical Evidence

- **Contract manufacturing services (CMS)** (Ribarsky, 2012)
 - Identifying and classifying FGPs
 - 2007 and 2012 Economic Census
 - 2011 Report of Organization Survey
 - Trade flows
 - 2009 Benchmark Survey of U.S. Direct Investment Abroad (BE10)
 - 2011 Benchmark Survey of Transactions in Selected Services and IPPs with Foreign Persons (BE120)
- **Results from surveys** (Kamal, Moulton, and Ribarsky, 2013)
 - Domestic purchases of CMS > foreign purchases of CMS
 - Similar distribution of material inputs ownership
 - Intercompany CMS happens in relatively large firms

New Data Requirements

- **Customs documents**
 - Add a flag for change of ownership
 - No plan to adapt *IMTS 2010* to *SNA 2008* or *BPM6*
- **Business surveys**
 - Manufacturing data to reflect *NAICS 2012*
 - Material costs and other expenses
 - Manufacturing product shipments
 - Transactions data to adjust merchandise trade statistics
 - Manufacturing services
 - Goods that have not crossed borders but should be recorded
 - Physical inputs that have crossed borders
 - Goods that have crossed borders but should not be recorded

BEA Work in Progress

- **International Transactions Accounts** (Howell and Westmoreland, 2013)
 - Plans to reclassify merchanting flows from services to goods
 - Reviewing questions from 2009 BE10 and 2011 BE120
- **Internal collaboration**
 - Coordinate changes in the U.S. accounts
 - Feasibility of changes depends in part on data sources
- **FGP Planning Group**
 - U.S. interagency collaboration
 - Research and practical guidance on FGPs
- **Task Force on Global Production**
 - International collaboration
 - Practical guidance on implementing *SNA 2008* and *BPM6*

References

- Howell, Kristy L. and Kyle L. Westmoreland
 - Modernizing and Enhancing BEA’s International Economic Accounts
 - *Survey of Current Business*, May 2013
 - http://www.bea.gov/scb/pdf/2013/05%20May/0513_ita_progress-report_text.pdf
- Kamal, Fariha, Brent R. Moulton, and Jennifer Ribarsky
 - Measuring “Factoryless” Manufacturing: Evidence from U.S. Surveys
 - Census / BEA working paper at the Conference on Measuring the Effects of Globalization
 - http://www.upjohn.org/MEG/papers/Kamal_Moulton_Ribarsky.pdf
- Ribarsky, Jennifer
 - “Factoryless” Manufacturers: Classification and Implementation Challenges
 - BEA working paper at the 32nd General Conference of the International Association for Research in Income and Wealth
 - <http://www.iariw.org/papers/2012/RibarskyPaper.pdf>