



הלשכה המרכזית לסטטיסטיקה  
Central Bureau of Statistics  
دائرة الإحصاء المركزية

# Global Production- Israel

Group of Experts on National Accounts  
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***It's All in the Numbers***

# Subjects in the presentation

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- Background and Definitions

2

- Data collection and results

3

- Case study- examples

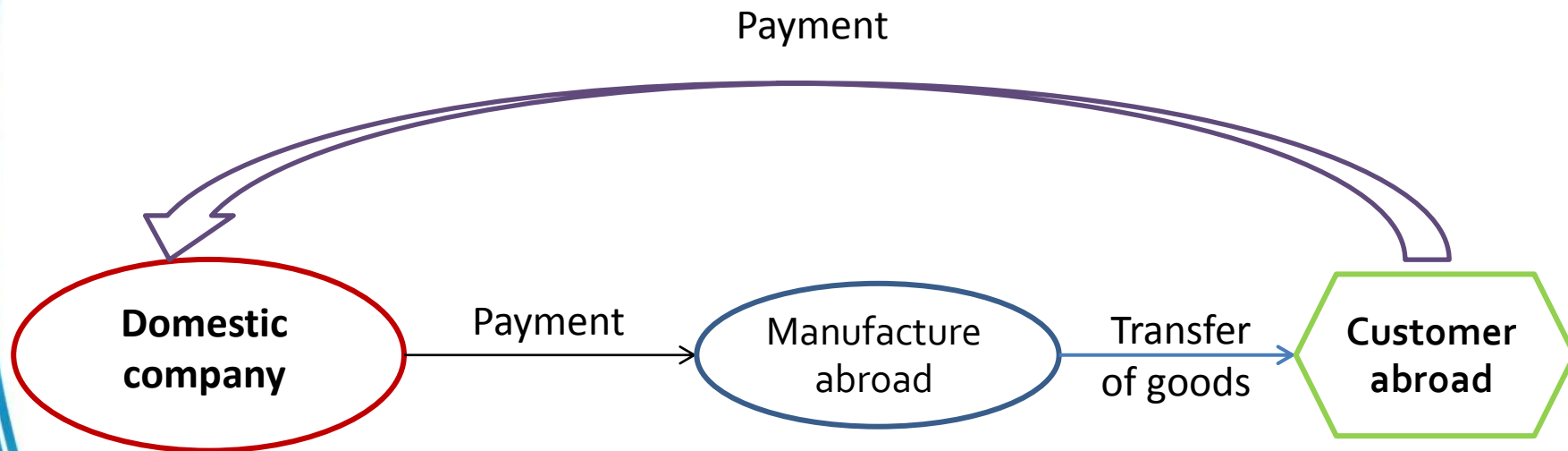
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- Problems and recommendations

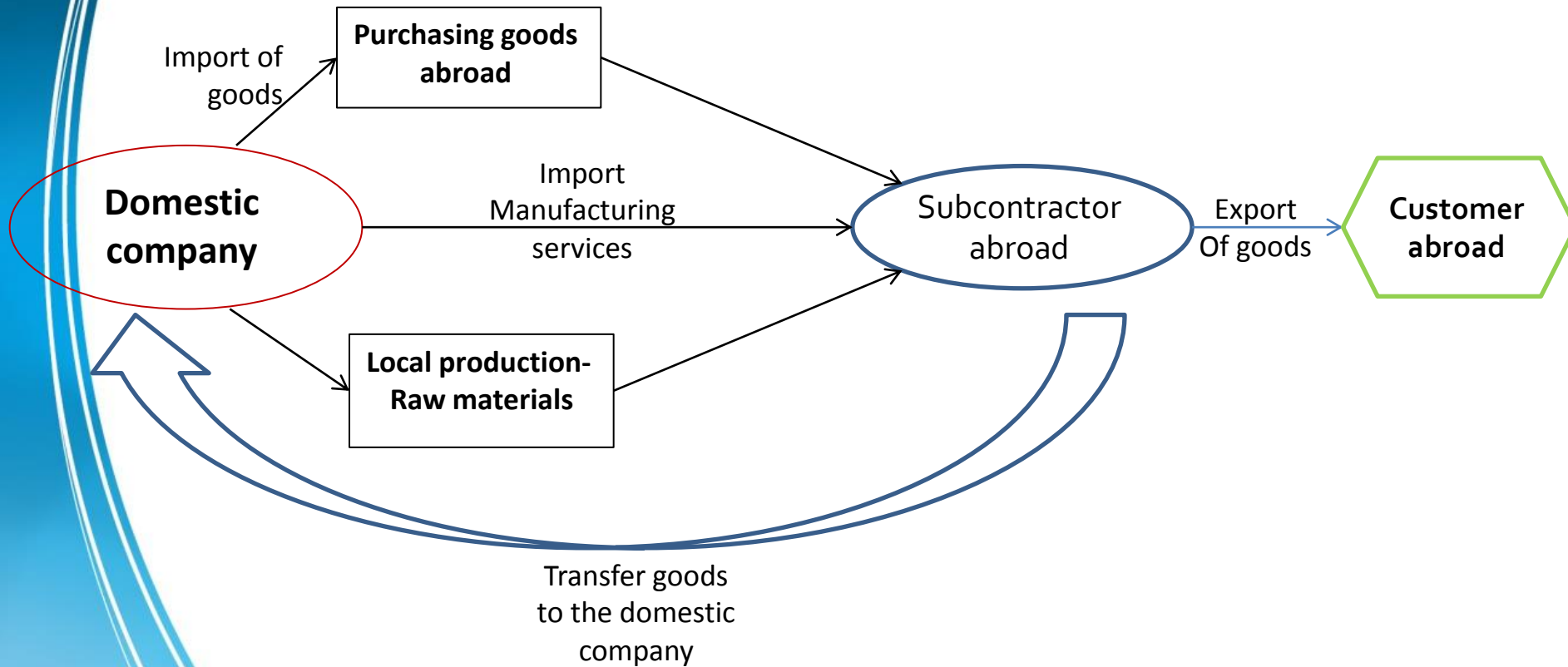
# Global Production Arrangements

- Merchanting
- Goods for processing/ Manufacturing services on physical inputs owned by others
- Factoryless (FGP)

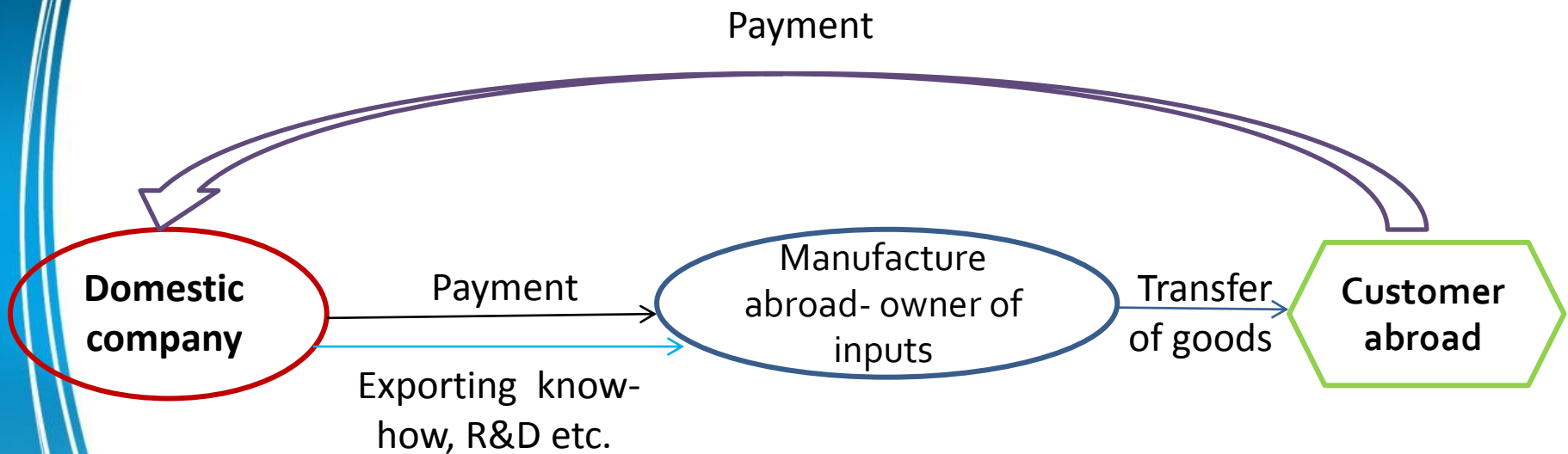
# Merchanting



# Goods for processing



# Factoryless



# Data collection

Data collection of global production is done through international trade in services survey (ITSS).

The main reason is revenues exempted from VAT.

It combined with various data sources which linked to national statistical office's Business Register by Company number (ID), which is identical in all sources.

## Data sources:

- International Transactions Reporting System (ITRS) - transaction data of export and import services by enterprises.
- Enterprise surveys - Globalization survey, R&D survey and previous results of International Trade in Services Survey.
- Vat and customs files.



# Steps in Data Collection of Global Production

Stage	Global production arrangement	Data collection	Account	Data source
1	Goods for processing	No		
	Merchanting	Yes	Services	Survey on international trade in services
	Factoryless	Partially	Services	Fabless companies- direct report to CBS Imports of manufacturing services partially included
2- Base on survey 2007	Goods for processing	Partially	Goods	Fabless companies- direct report to CBS Voluntary reports of companies on the questionnaire of services survey
	Merchanting	Yes	Goods	Survey on international trade in services- appendix on Merchanting
	Factoryless	Partially	Goods	Fabless companies- direct report to CBS Voluntary reports of companies on the questionnaire of services survey
3- Base on survey 2011	Goods for processing	Yes	Goods	Survey on international trade in services- appendix on international trade in goods (global production)
	Merchanting	Yes	Goods	
	Factoryless	Yes	Goods	



# The questionnaire

The questionnaire of International Trade in Services Survey is divided into five parts:

- General data on the company
- Exports of services, by type and country
- Imports of services, by type and country
- Merchanting
- Manufacturing services on physical inputs by subcontractor abroad

There are two filter questions:

1. "Do you also manufacture your own goods in your company (not through subcontractors)? Yes/No".
2. "Are the raw materials inventory or the inventory of products in process connected to the production of the subcontractors abroad recorded in your company's financial statement? Yes/No".

# Questionnaire- Merchanti

The sums must be reported in one of the following currencies:  Shekels  Dollars  Euro (Check with ✓)

If the transactions were originally in a different currency, do not note the currency before the conversion.

Note if the report is in: .....  Regular numbers  Thousands  Millions (Check with ✓)

## International Trade in Goods

If your company purchases goods abroad and later sells them abroad, without them passing through the borders of the State of Israel, note the following data:

### Price of the goods abroad:

	Country	Country	Country	Country	Country	Country	Total (Equal to section C in Import of Services Survey, p.7)
	.....	.....	.....	.....	.....	.....	
Value of goods purchased abroad							

### Price of the goods abroad:

	Country	Country	Country	Country	Country	Country	Total (Equal to section C in Export of Services Survey, p.5)
	.....	.....	.....	.....	.....	.....	
Value of goods sold- selling price							

# Questionnaire- Manufacturing services

## Manufacturing services on physical inputs by abroad subcontractor

Israel companies which produce goods through abroad subcontractors, deal with product development, design, technical specifications, marketing, etc. while the actual production is carried out by abroad subcontractors (including intermediate stages).

If your company produced goods through abroad subcontractors in 2011, please complete the following data:

### Price of the goods abroad:

	Country	Country	Country	Total	Out of which:	
					Payments to related enterprises	Payments to enterprises which are not related
Value of manufacturing services abroad (the total sum which was transferred to the subcontractor abroad for the goods produced)						
Value of goods dispatched to nonresidents for manufacturing						
Price of the goods purchased abroad and which were transferred to the abroad subcontractor, for the production process, without passing through Israeli borders						

### Sales of goods abroad

	Country	Country	Country	Total	Out of which:	
					Revenue from related enterprises	Revenue from enterprises which are not related
Value of manufactured goods sold abroad on behalf of your company						

### Returning goods to Israel:

Value of goods which were produced by abroad subcontractors during 2011 and which were returned to Israel after the manufacturing process.	
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- Do you also manufacture your own goods in your company (not through subcontractors)?  Yes  No
- Is the raw materials inventory or the inventory of products in process, connected with the production by the abroad subcontractors, recorded in your company's financial statement?  Yes  No

# Method of recording

## Goods account

(+) Positive export

(-) Negative export

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= Net Exports of goods under merchanting

- Exports adjustments
- Imports adjustments

# ADJUSTMENTS OF FOREIGN TRADE DATA TO BALANCE OF PAYMENTS DEFINITIONS

Annual data, Million Dollar				
	2012	2013	2014	2015
1. Exports of goods (f.o.b.) adjusted to balance of payments	62,784	62,672	63,336	57,765
1.1 Net exports according to foreign trade statistics	53,972	56,871	57,668	53,427
1.2 Exports to the Palestinian Authority	3,608	3,495	3,257	3,230
1.3 Coverage adjustments to exports	5,204	2,306	2,411	1,108
<b>Thereof: Net exports of goods under merchenting</b>	<b>1,720</b>	<b>1,603</b>	<b>1,679</b>	<b>1,586</b>
Goods sold under merchenting	5,339	5,107	5,146	4,875
Goods acquired under merchenting or manufacturing fees incurred	-3,619	-3,504	-3,467	-3,289

# Data of enterprises engaged in global production

	Branch	2009	2010	2011
Number of companies in the sample	Industry	60	71	96
	Trade	24	28	56
	Services	27	25	28
Total- Number of companies in the sample		111	124	180
Volume of trade from the total trade (Net)	Industry	63%	52%	58%
	Trade	8%	5%	7%
	Services	29%	42%	35%
Net Export of goods under merchanting		851 M\$	1,170 M\$	1,479 M\$

# Case study 1

The subsidiary in Israel received raw materials from the parent company abroad.

The Israeli company completed part of the production process and sent the product back to the parent company.

The company in Israel does not own the goods or the knowledge connected to the production. They only perform the manufacturing process, which changes the physical form of the goods.

The fee they receive is called "cost- plus" (a pricing strategy in which the selling price is determined by adding a specific dollar amount markup to a product's unit cost).

This is the company's only income, and it is received entirely from the parent company.



# Case study 2

A data security enterprise from Israel develops special products that combine hardware and software.

Most of the payment received for these products is related to the software development components. Hardware is manufactured by a subcontractor abroad, where the software is installed as well (the Israeli company owns the software).

# Limitations and Challenges

- Detection and identification of companies engaged in global production
- Distinction between various global production arrangements
- Ownership principle
- Collecting data- Exports of manufacturing services

# Improvement/ Recommendations

- Adding a filtering question in business surveys
- Creation of a separate survey for global production
- Add a supplementary questionnaire for reporting on exports of manufacturing services in the questionnaire.

# Thank you!