

NEW METHODOLOGY FOR COMPILATION OF IMPORTS AT *FOB* PRICES AND RECEIPTS AND PAYMENTS REGARDING THE FREIGHT TRANSPORTATION FOR THE BALANCE OF PAYMENTS

Information regarding the imports and exports of the country is provided by the Customs Agency, on the basis of the submitted customs declarations. According to customs requirements exports are reported at *fob* prices while imports at *cif* prices. For trade balance compilation both imports and exports have to be in *fob* prices. Therefore imports have to be adjusted to *fob* prices. This recalculation is done by estimating the additional payments, mainly freight transportation, related to the import process and then deducting it from the imports at *cif* prices.

At present, the receipts and payments for freight transportation are estimated as fixed percentages of the imports and exports of goods. The payments for freight transportation are estimated on the basis of 8 per cent applied to total imports of goods valued at *cif* prices (except for natural gas and goods procured in ports). The freight transportation payments are deducted from the imports at *cif* prices to estimate the imports at *fob* prices. Those payments are recorded as a debit entry under the Freight transportation sub-item. The receipts from freight transportation are equal to 5 per cent of total exports for the respective period plus the receipts from natural gas transportation fee. The latter are included as a credit entry in the Freight transportation sub-item.

The new methodology prepared by the BNB and NSI estimates the additional (mainly transportation) payments on the basis of a *Data Analysis and Selection of Methods* project conducted by NSI and Eurostat experts in 2004. The sources of information are customs declarations. The project analyzes the *fob-cif* correlation for the imports of goods depending on the different imports delivery categories. The result of the project is a set of coefficients, reflecting the relationship between the additional import payments (mainly transportation) and the value of the goods at *cif* prices, depending on the different mode of transportation and nationality of the carrier (Table 1).

The coefficients *cif-fob* are applied in accordance to the category of goods and the nationality of the carrier. Unlike the previously used methodology, the new one applies a differentiated valuation approach depending on:

1. The country importer of goods (neighboring countries are excluded due to the fact that imports from there are virtually at *fob* prices).

2. Category of the goods (Some specific goods like oil, natural gas, aircrafts, ships, procurements are excluded. The import of crude oil is recorded separately).
3. Mode of transportation
4. Nationality of the carrier.

A similar approach was applied to the data of exports from Bulgaria. As a result transportation cost associated with export of goods, carried with resident means of transportation are recorded as receipts from freight transportation. The amount of the estimated transportation costs related to import of goods transported by non-resident transportation means are reported as payments for freight transportation. The new methodology which calculated the receipts and payments related to freight transportation, allows us to meet the Fifth Edition of the Balance of Payments Manual and to record them by mode of transportation.

Results from implementing the new methodology

1. Effects on the trade balance

As a result from the implementation of the new methodology the imports at *fob* prices for January – December 2005 are BGN 27 036.3 million, and increase by BGN 560.9 million compared to BGN 26 475.4 million according to the old methodology. The trade balance deficit increased to BGN 8 545.7 million (20.6 % of GDP) compared to BGN 7 984.8 million (19.3 % of GDP) according to the previous methodology (Table 2).

2. Effects on the sub-item Freight transportation Net

For the period January – December 2005, the receipts from freight transportation are BGN 731.6 million and decreased by BGN 385.4 million compared to the old methodology. The payments are BGN 1 037.5 million and decreased by BGN 1 203.5 million compared to the previous methodology. The balance of sub-item Freight transportation according to the new methodology is negative and amounts to BGN 305.8 million (0.7 % of GDP) compared to a negative value of BGN 1 123.9 million (2.7 % of GDP) according to the new methodology.