Factoryless Goods Producers: Conceptual Impacts on U.S. Economic Accounts
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Recent versions of the *North American Industry Classification System* (*NAICS*), the *System of National Accounts* (*SNA*), and the *Balance of Payments and International Investment Position Manual* (*BPM*) introduce changes to capture trends in globally fragmented production arrangements. The changes were introduced to yield more accurate and more relevant economic statistics, and the changes would affect economic statistics on factoryless goods producers (FGPs) and manufacturing service providers (MSPs). These questions and answers summarize the conceptual impacts of the changes on U.S. economic accounting statistics if changes would be introduced in the U.S. economic accounts. In practice, the U.S. Bureau of Economic Analysis currently has no plans to introduce changes to core U.S. economic accounts.

1. **Which U.S. economic accounting statistics would be affected?**

Any statistical series that is based on *NAICS*, the *SNA*, or *BPM* or that are derived from the series would be affected.

2. **What would be the quantitative impacts on U.S. economic accounts?**

The quantitative impacts on U.S. economic accounts would depend on the number and size of individual establishments that are subject to reclassification under *NAICS* and the size of transactions that are subject to revised economic accounting under the *SNA* and *BPM*. U.S. statistical agencies are currently researching data on establishments and transactions. As a result, there is currently not enough information to determine quantitative impacts.

3. **How would the changes affect the ability of data users to analyze time series data?**

U.S. statistical agencies and other data users need to be able to distinguish between definitional changes and economic changes so they can create continuous time series. To support this need, U.S. statistical programs would provide bridge data, where possible, to allow valid inter-temporal data comparisons. The scope of data changes, including breaks in time series, would be weighed against the value of more comparable statistics.

4. **What are the conceptual impacts on the U.S. economic accounts?**

Revised classification guidelines under *NAICS* and revised economic accounting guidelines under the *SNA* and *BPM* would have separate and distinct impacts. Thus, the conceptual impacts are summarized separately for the *SNA* and *BPM* and for *NAICS* in the following paragraphs.

U.S. Industry Accounts

Under the *SNA* and *BPM*, U.S. gross output would increase for U.S. FGPs and decrease for U.S. MSPs. The increase (decrease) would be offset by an increase (decrease) in U.S. intermediate consumption. Thus, there would be no impact on total U.S. gross domestic product (GDP) or total U.S. gross domestic income (GDI). Under *NAICS*, gross output, intermediate consumption, and the related value-added would shift across U.S. industrial sectors with U.S. manufacturing increasing and other U.S. industrial sectors, primarily wholesale trade and management of companies, decreasing. Inter-industry changes would be concentrated in specific industries.

U.S. National Accounts

Under the *SNA* and *BPM*, there would be no impact on total U.S. GDP or total U.S. GDI because there are no changes in U.S. economic activity. Under *NAICS*, statistics by industry would shift across U.S. industrial sectors with U.S. manufacturing increasing and other U.S. industrial sectors, primarily wholesale trade and management of companies, decreasing. Inter-industry changes would be concentrated in specific industries.

U.S. International Accounts

Under the *SNA* and *BPM*, the mix of trade in goods and trade in services would change because of changes in the characterization of transactions from goods to services and vice versa. The changes would be concentrated in specific product areas. In addition, U.S. net exports (i.e., U.S. exports less U.S. imports) may change because of changes in the recognition of transactions from a cross-border basis to a change-in-economic-ownership basis. Changes in U.S. net exports would be completely offset by changes in final consumption and investment. Thus, there would be no impact on total U.S. GDP. Under *NAICS*, the U.S. international accounts would not be affected because trade in goods and trade in services are not compiled by industry.

For material inputs transformed into products by a foreign MSP for a U.S. FGP:

- Material inputs sourced abroad by the FGP would be included in U.S. goods imports.
- Material inputs sourced in the U.S. by the FGP would be excluded from U.S. goods exports.
- Manufacturing services performed by the MSP would be included in U.S. services imports.
- Products returned to the FGP would be excluded from U.S. goods imports.
- Products sold abroad would be included in U.S. goods exports.

For material inputs transformed into products by a U.S. MSP for a foreign FGP:

- Material inputs sourced abroad by the FGP would be excluded from U.S. goods imports.
- Material inputs sourced in the U.S. by the FGP would be included in U.S. goods exports.
- Manufacturing services performed by the MSP would be included in U.S. services exports.
- Products returned to the FGP would be excluded from U.S. goods exports.
- Products sold in the U.S. would be included in U.S. goods imports.

Based on the various production arrangements demonstrated here, we cannot draw conclusions about changes in the directions of trade balances for goods or services without further information.

U.S. Regional Accounts

Under the *SNA* and *BPM*, the U.S. regional accounts would not be affected because trade statistics are not compiled by U.S. region. Under *NAICS*, within a U.S. region, statistics would shift across industrial sectors with manufacturing increasing and other industrial sectors, primarily wholesale trade and management of companies, decreasing. Inter-industry changes would be concentrated in specific industries, which would affect some regional statistics by industry. However, statistics by U.S. region would not be affected because there are no changes in regional economic activity.