



LOW VALUE THRESHOLD GOODS

Introduction

In August 2013, the Australian Bureau of Statistics (ABS) commenced including estimates for the value of 'low value threshold' (LVT) goods imports into Australia's official balance of payments statistics, with revisions back to September quarter 1998. In August 2014 methodological changes were announced, arising from three additional data sources, resulting in further revisions to the series.

What are LVT goods?

Broadly, goods imported to Australia with a value below \$1,000 (the LVT) have not required full import declaration (FID) to the Department of Home Affairs. As such these imports have been excluded from Australia's merchandise trade statistics, and before August 2013, were also excluded from Australia's Balance of Payments statistics¹. LVT goods can be characterised in particular by the large range of 'small' purchases made via on-line retail.

Estimating LVT goods imports

Investigations undertaken by the ABS together with the Department of Home Affairs revealed there had been a significant increase in the number of parcels being imported under the LVT – driven by the growth in on-line trade. A decision was taken to include estimates for these goods in Australia's macroeconomic statistics. The estimates commenced with the August 2013 edition of *International Trade in Goods in Services* (ABS catalogue 5368.0) with revisions back to September 1998. The estimates have also been included in the *Balance of Payments and International Investment Position* (ABS catalogue 5302.0) from September 2013 release (including revisions) as well as other ABS outputs that include an international trade dimension.

Updates to LVT adjustments for official goods debits estimates

LVT adjustments are applied **only to balance of payments goods debits estimates**, hence pushing the balance of payments debits series higher by the value of the LVT estimate relative to the corresponding merchandise imports series². They were well below \$1 billion in 1998-99 and rose \$2.1 billion to \$11.1 billion in 2017-18, which represents 3.7 per cent of the 'goods debits' series in that year.

Impact on macroeconomic aggregates

By default, the balance (on goods and services) is also affected. And because the balance is a 'net' series the differences between balance of payments and merchandise trade estimates will vary more widely and, at times, will be at odds as to whether Australia's trade is in surplus or deficit. The table below displays

¹ To date exports have been excluded from the process, even though conceptually they are in scope. When the ABS identifies reliable data sources, they will be considered for inclusion.

² Note there are other adjustments applied to the balance of payments goods debits series which cause it to differ from merchandise imports.

Australia's goods trade balances for 1998-99 (when the LVT adjustment commences) as well as the period 2012-13 to 2017-18.

Goods Trade Balances

Balance of payments versus Merchandise trade (A\$ billion)

	1998-99	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Balance of payments	-12.5	-2.4	10.0	-13.3	-27.5	13.6	12.8
Merchandise trade	-11.6	10.5	20.6	-2.4	-19.8	26.9	13.4
<i>Difference</i>	-0.9	-12.9	-10.6	-7.7	-7.7	-13.2	-0.5

Source: ABS catalogues 5302.0 and 5368.0.

In 1998-99 the difference between the goods trade balance was just \$0.9 billion. However over time, helped by the inclusion of LVT³ goods imports, the difference peaked to \$13.2 billion by 2016-17. In 2017-18, the difference had eased to \$0.5 billion. The small difference in 2017-18 is mainly due to the import of two high value LNG platforms, which were recorded in full in recorded trade statistics but had been recorded in balance of payment statistics over a number of years as change of ownership occurred.

From the user perspective **balance of payments is the preferred series** as the adjustments incorporated by the ABS fill in gaps that exist in the merchandise trade statistics as well as providing a more realistic account of change of ownership. However, balance of payments data is only available for broad aggregates, so users must still use the merchandise trade series where finer levels of detail are required.

Conclusion

Low value goods do not require FID when imported into Australia. As such, Australia's official merchandise import values are understated to the extent of this impact.

The balance of payments debit series is adjusted by the ABS to account for LVT goods imports. Hence, it is the preferred series for representing goods imports and the trade balance.

More information

For a more detailed description of inclusion of LVT estimates into Australia's macroeconomic estimates see the explanatory notes of *International Trade in Goods and Services*, August 2013 (ABS catalogue 5368.0) as well as the information paper: *Measurement of online Retail Trade in Macroeconomic Statistics, 2013* (ABS catalogue 8501.0.5.007). The August 2014 edition of *International Trade in Goods and Services*, (ABS catalogue 5368.0) provides details of the refinements in the technical note starting on page 45.

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³ Balance of payments goods debits are also adjusted for transactions other than LVT goods imports. See the **Explanatory notes** in ABS catalogue 5368.0.