Demystifying export data conundrum

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Recently Bangladesh Bank dropped a bombshell on the data front. Bangladesh export data was sharply revised downwards raising concerns all around. If the revision involved a minor correction it could be glossed over. But the revision for July-April 2024 took down exports by nearly $10 billion – not a negligible amount.

The main reasons for the significant course correction was given to be such anomalies as multiple entries, recording of full export values instead of cutting, making, and trimming

(CMT) charges, double counting of exports from Export Processing Zone (EPZ), and so on. Though there is a normal difference between export shipment and receipt data due to issues like cancellation of orders, short shipment, and time lag in receipts, BB realised there was mounting divergence between export shipment and receipts data that could not be explained by such normal deviations.

Apparently, the revision was warranted by the persistent and occasionally rising negative balance in the Financial Account of the Balance of Payments (BOP), mainly in the past two years. The Financial Account is the largest component of the Capital Account in BOP that records all investment and debt flows – debit and credit. The Financial Account, which has mostly been positive in the past, turned persistently negative over the past two years. For accounting purposes, BB was recording the discrepancies between export shipment and receipt data as negative entries of “trade credit” in the Financial Account. This, we are told, is what caused the switch. Interestingly, this trade credit had nothing to do with trade flows! But it rose to a massive $12.2 billion in the July-March 2024 estimate of BOP. I believe that prompted action and release of revised BOP data. Understandable. But that leaves us with a fair question: was there a professional review before release of the revised data?

To set the record straight, export and import data in BB’s BOP statements were regularly drawn from Customs data of NBR. That data is generated through the ASYCUDA (Automated System of Customs Data) system that was launched back in 1993 and has since been the Customs data generator and repository. In this digitised recording of import-export flows, what comes out is based on inputs submitted. In the case of export data, the source of data is the Bill of Export submitted by exporters. The volume and value of exports are recorded in this export document. Customs can report export data, on a monthly basis, after all data is compiled from all the land and seaports at the data centre at NBR.

While exporters have been sounding the alarm at the reports of export growth when their own experience suggested otherwise, it was time for BB to probe into the numbers with NBR staff. A correct step, indeed.

It is relevant to point out that the Export Promotion Bureau (EPB) does not generate export data but merely collates information received from ASYCUDA generated Customs data. Therefore, putting the blame on EPB is, I think, misplaced. In fact, academics and businesses found the timely publication of a high-frequency data (export shipment) to be immensely useful. However, we had no way of checking the veracity of the information coming out of EPB.

However, Bangladesh export data is not limited to its generation from Bangladesh. International agencies like the International Monetary Fund (IMF), International Trade Centre (ITC), UNCTAD, also have ways to compile cross-country import data for imports sourced from Bangladesh. Such “mirror data” could throw some light on the compatibility of Bangladesh data with international compilations. IMF’s Direction of Trade Statistics (DOTS) for FY2018-2022 and ITC 2023 data on total imports from Bangladesh appear to approximate reported EPB data. However, I am not reporting that data here unless I receive corroboration from the respective international agencies regarding their method of compilation.

Now comes the hard part. A significant downward adjustment of exports does not merely affect the Balance of Trade, Current Account balance, or overall Balance of Payments. It could have wide-ranging implications for the economy as a whole. For instance, what does it mean for Bangladesh’s Gross Domestic Product (GDP), if at all? Some economists have been quick to conclude this revision implies that GDP and its projected growth rate for FY2024 and FY2025 would have to be adjusted downward as well. This might not be the case.

Bangladesh Bureau of Statistics (BBS) is the institution responsible for computing GDP and related macroeconomic indicators. In compliance with the UN System of National Accounts (UN SNA 2008), the primary method used by BBS for computing GDP is the Production or Value Added (VA) method. Although GDP measures the total value of goods and services produced in a particular year, in this methodology, the approach to getting at that value is to sum up value added in all marketed economic activities in the country. GDP sectors are broken up into three broad sectors (21 sub-sectors): Agriculture (11 per cent), Industry (37 per cent, of which manufacturing is 24 per cent), and Services (52 per cent). Value of output in the RMG sector (part of manufacturing) is measured by domestic value added in textiles and garments. RMG exports, whether full value or just CMT, is not at issue here. If BBS has measured, as it should, textiles-RMG value added this way, then the recent adjustment in export data should not affect GDP.

Though production method for computing GDP has been the primary and traditional method, over the past decade or so, BBS started also computing GDP by the expenditure method, in which GDP is the sum of all expenditures: household and business consumption, government expenditures, private and public investment, and net expenditure on trade (exports minus imports). This is where a reduction in the total value of exports (not value added in exports) could negatively impact GDP estimate. To my knowledge, computation of GDP by expenditure method is still far from accurate, and BBS usually reports GDP figures computed through the production method, in which case GDP adjustment due to revised export data may not be required.

Regardless, it is fair to say many of these troubling and related issues have been bothering the minds of researchers and businesses alike. The shock revelation of significant reduction in exports has raised more questions than was answered by the cryptic disclosure that can be found in the new notes inserted below the BOP table that is typically published on page 33 of BB's Major Economic Indicators.

That said, Bangladesh is now a notable country on the world map. Many international analysts closely watch developments in the Bangladesh economy. In the past decade, the country has received accolades for being a success story of development. The successful march of the garment industry, besides notable progress in human development, is a factor in earning such acclaim. If questions are raised with regard to the veracity of export data, this could have reputational consequences for our international standing. Therefore, it is critical that the export data issue is handled in a highly professional manner. Since trade data is recorded by numerous international agencies, it is possible to cross check figures in order to arrive at internationally verifiable data. This should be the goal of Bangladesh institutions entrusted with generating and maintaining trade data.

It appears that persistent deficit in the Financial Account of the Balance of Payments triggered the revision of export data — perhaps in the right direction. Yet, one would hope this was a preliminary exercise that would be followed by more rigorous and professional review by appropriate agencies, national and international. Trade, export and import, is too critical a component and driver of Bangladesh's onward march to Upper Middle-Income Status in the early years of 2030s, beyond the impending graduation out of Least Developed Country (LDC) status. Bangladesh generated trade data must remain beyond question because these are internationally verifiable.

Only a professional handling of this issue will stem the brouhaha that was let loose around town since the 6 July announcement about revision of export data.

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