

Globalization

Measuring Export Prices In Services

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Export of Services from Israel

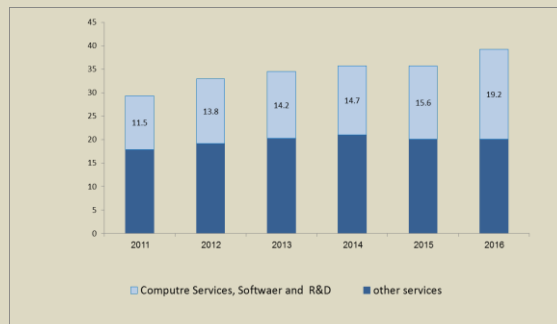
Services are the growth engine of Israel export, leading by Hi-tech services: Computer Services, Software and R&D

in 2016 export of services

- raised in **10%**
- Totalling **39.3 Billion \$**
- 38%** of total export of goods & services
- export of **Computer Programming, Consultancy and Related Activities** amounted **12.93 Billion \$**
- export of **R&D** amounted **6.45 Billion \$**
- Covering together **~49 percent** of services export
- Other services - Architectural and engineering services, accounting, bookkeeping and Auditing Activities; Tax Consultancy, legal services and other professional services.

Export of Services From Israel

2011-2016 \$ Milliard US

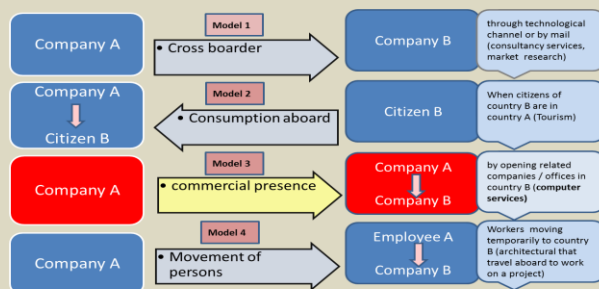


What is export of services?

- The export of product is the sale of a product from a resident unit to a non resident unit
- In goods it is simple, production is in the domestic market and the goods passing through the customs frontiers
- in services delivery (production) typically occurs in the purchasing country
- The definition of residency is based on the concept of **center of economic interest** and not on economic territory

4 Models of international trade in services

Main model – Model 3



Challenges

Measuring export prices of computer services is further complicated by the business model

offshoring - moving part of the process of production to a subsidiary company in another country.

Near shoring - moving part of the process to a foreign affiliate geography close (or moving it to peripheral areas in the country)

Outsourcing - contracting part of the work to another firm in another country.

Global companies - acting in the local market through subsidiaries

Consolidation - of companies through merger & acquisition

Measuring export prices

- Output of services industries includes both sales to the domestic market and to the rest of the world customers
- PPI for manufacturing export is already developed and used in National accounts for the calculation of GDP in constant prices
- Unlike international trade in goods, in services there are no administrative sources available, such as customs data
- Export is important in the output of services industries
- Export is very high in some industries especially **Computer Programming, Consultancy and Related Activities and R&D**.
- Export is also relatively high in other professional services: **Legal Activities, Accounting Bookkeeping & Auditing Activities; Tax Consultancy, Management Consulting Activities and architectural & engineering services**.

