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Towards the 2025 System of National Accounts: Globalisation

Large Cases Units in EU and EFTA countries

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Summary

     Large cases units and similar organisational structures are usually set up as a response to the challenges of globalisation, not only to correctly delineate structures of the multinational enterprise (MNE) groups but also to ensure that data on such MNE groups are recorded and disseminated in a consistent way. This document describes the different MNE-related activities carried out by LCUs and similar organisational structures in EU and EFTA countries as well as presents the state of play as of April 2024.

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I. Introduction

1. Globalisation is a phenomenon effecting all economies and has been in special focus for several years. Large and complex multinational enterprise (MNE) groups and their restructurings have a significant impact on the quality of economic and macroeconomic data and are the main responsible for the large data asymmetries between countries, therefore the main focus when "tackling" the globalisation issues should be put on the data of top MNE groups.

2. At the European Statistical System (ESS) level, the topic of globalisation was addressed during the 2019 DGINS Bratislava conference and the DGINS conclusions recognised that a more systematic and coordinated approach in relation to the measurement of economic globalisation, in particular multinational enterprise groups had to be taken.

3. During past years, the ESS has largely contributed to the development of several statistical activities that not only allow a better understanding of the MNE groups' structures but also contribute to an improved consistency of the MNE groups data across different statistical domains and EU and EFTA countries, such as: Large Cases Units (LCUs), EuroGroups Register (EGR), Early Warning System (EWS) or European Profiling support by the Interactive Profiling Tool (IPT).

4. This document presents how national statistical authorities in European Union and EFTA countries organize themselves as well as which roles the national LCUs or the similar organizational structures often carry out.

II. Large Cases Units and similar organisational structures

5. Large Cases Units are units in the National Statistical Institutes (NSIs) that ensure the quality of the reported data of large multinational enterprise groups carrying out global operations in their country.

6. Large cases units and their similar organizational structures have proven to be an efficient response to the challenges of globalization, not only to get the multinational enterprise groups structures correctly delineated but also to ensure that the data on MNE Groups are recorded and disseminated in a consistent way. The collaboration and coordination between the statistical domains at national level but also across different European countries is an essential pre-condition for achieving the MNE groups data consistency in European statistics.

7. **The work of the Large Cases Unit is particularly advantageous for the national accounts, as it systematically checks individual data regarding the special requirements of the accounting system.** Numerous political, scientific, and economic decision-makers benefit directly from such improvement in the quality of the economic data bases. This can have also a major impact on the countries' financial obligations, e.g. their contributions to the EU budget that are directly dependent on national accounts results, in this case on the level of the gross national income. This can also affect the European fiscal surveillance indicators (deficit and debt ratios).

8. **The largest MNE groups often operate as global corporations for which national borders only play a secondary role. This represents a great challenge for the national accounts system, which is mandated to provide an accurate picture of the national economy. This is where the Large Cases Unit can make a valuable contribution with its holistic approach.** In its coherence analysis, it compares the individual data of multinational enterprise groups with data from business statistics, tax statistics and information from other sources, such as MNE groups reports. In fact, the LCU checks whether business activities have been correctly represented in the national accounts and the balance of payments statistics according to the principle of economic ownership; in doing so it makes a direct contribution to the quality assurance of both accounting systems.

9. Looking at countries that have already succeeded in setting up an LCU, the following areas could be defined as potential key activities of an LCU:

1. **Relations with the largest MNE groups:** it might often be challenging to obtain the 'right' information on transactions related to global production according to statistical principles. This is because different MNE groups have different organisational models due to their global production and different ways in which they refer to the same kind of arrangement. The contact, usually in the reporting units of MNE groups, can easily misunderstand statistical questionnaires. Therefore, this contact may need a more detailed explanation and personal follow-up by the LCU staff to make reporting easier. Maintaining regular communication with the top MNE groups is also essential for establishing good working relationships. Qualified and skilled staff in the NSI, with the ability to translate the information from business accounting documents (financial statements, annual reports) into statistical figures is a precondition for good cooperation. The qualified NSI experts reduce administrative burden for MNE groups. This is because the skilled statisticians can select and calculate relevant information from accounting documents independently to obtain the required statistical characteristics. In addition, skilled NSI staff can draft more targeted and understandable surveys that result in higher response rates by MNE reporting units.

2. **Early warning system activities:** The early warning system is a structured, light (non-legislative) procedure based on voluntary cooperation between national data compilers and Eurostat. Its main objective is to facilitate an early exchange of information on emerging globalisation issues across directly concerned EU Member States. In particular, on the events of largest MNE groups, such as restructuring, mergers or acquisitions. Finally, and most importantly, the ultimate goal is to reach an agreement on a consistent methodological treatment of concrete MNE events among the affected national data compilers in a timelier way.

   In several countries, the early warning system correspondents work directly in the LCUs and have already established national alert processes for the different statistical domains. This is in case an event related to a large MNE group occurs with potential sizeable effect on statistical figures. Coordination with different statistical domains, such as the national statistical business registers is quite crucial, as the name of the MNE group can be further communicated from national to EU level – the EuroGroups register and the MNE group can be subsequently proposed for European profiling. In this way, MNE groups alerted by the system can enter the European profiling programme and be monitored for one or more years during their restructuring. One of the most critical obstacles to identify viable solutions to treat the identified inconsistencies is the challenge for the LCU to receive relevant information from the concerned MNE group. In such cases having a strong profiling experience and a team is necessary but institutional support is also necessary for the success of the operation. The profiling results should then be corrected/reintegrated into the national strategic business reporting and the EuroGroups register. Links can be built if the early warning system falls under the responsibility of the LCU, especially if the MNE group can already be treated by the LCU.

   All the closed EWS cases can be found under: [Methodological summary notes](#)

   For the moment, there are 3 EWS cases open:

   i. **EWS case Nr. 18 on Cloud computing**:

   - A legal unit specialized in cloud computing services, part of a large MNE Group, started selling cloud services to EMEA region in 2018. These services were previously sold from the US.

   - Two proposals for recording the sale of services directly to the customers in Europe countries were proved unfounded by the latest data in most of the countries involved.

   - The case is still under review.

ii.   EWS case Nr. 22 on a merger of an MNE Group:

- The European MNE group X active in 4 business areas reported the merger of its group's parent company with its wholly-owned subsidiary that exists under the law of another EU country.

- The merge might affect figures in following domains: Structural Business Statistics (SBS), Trade and Services, the Foreign Trade Statistics of Goods (ITGS, Tax Office), the Survey of International Trade in Services (ITSS), the Outward Foreign Affiliates Statistics (OFATS) and the Inward Foreign Affiliates Statistics (IFATS).

- Two online meetings took place, with all involved countries. Currently, more information is being collected to understand the new structure of the MNE Group.

iii.   EWS case Nr. 23 related to a bankruptcy of property and retail giant

- Predictions: Possible impact on Outward Foreign Affiliates Statistics and Inward Foreign Affiliates Statistics

- Impact on the banking sector is not clear. One bank is impacted via loans and this has strong effects on stock market valuation.

- No information on possible impacts on the real estate sector so far.

- The case is being monitored, 1st meeting took place in December 2023, a follow-up meeting is going to be organized in June 2024.

3.   **Data collection:** In some countries, the LCU is the main group in charge of data collection on largest MNE groups. In particular, when it comes to choosing the most reliable data sources or ways in which to collect the data. LCUs can ideally coordinate the questionnaires across all MNE-related statistical domains to avoid duplication of questions asked in different domain-specific surveys. The most advanced countries have even developed automatised tools to collect MNE group data.

4.   **Performing consistency checks:** Having a robust legal basis that allows for the linking of individual data or the sharing of findings with other national and international statistical offices is extremely important in this context. The current European legislation allows for the exchange of confidential data within the ESS to safeguard the quality and comparability of the European business statistics. Besides the IT infrastructure (EGR), Eurostat provides also the legal infrastructure for the exchange of confidential data where necessary.

The European statistics Regulation (EC) No 223/2009 states that sharing of confidential data may take place when it is necessary, and that the national legislation cannot prevent confidential data exchange required by an EU legal act. The recent EBS Regulation 2019/2152 also describes sharing of confidential data with reference to the ESS, as well as of accessing the administrative sources relevant for producing European Business Statistics. The Article 10 of the EBS Regulation on business registers (Chapter 4) states that countries shall share confidential microdata on MNE groups and on the units belonging to those groups when necessary, to ensure the quality of the information.

The LCU team can validate different data from statistical and administrative sources within and across different statistical domains, using consistency checks and indications received directly from users in other domains. The main tasks are the quantification of the size of data inconsistencies, including performing imputations and data adjustments.

The LCU transmits the validated output to users for their statistical processes and to the European framework of statistical business registers, including the national statistical business registers and the EuroGroups register. The main objective is to ensure distribution of consistent economic data on MNE groups from the very beginning at national level. This also helps to improve consistency of the MNE groups data with partnering countries at EU level.

Several EU countries confirmed that they were working also on their national tailor-made IT tools to support their LCU work.

The 2024 LCU Survey confirmed that 13 countries were using already specific IT tools to carry out the consistency checks, while 7 countries stated that they either already started or were planning to develop a tailor-made IT tool enabling to run the consistency checks in an automized way. Even though many commonalities between EU and EFTA countries could be detected, it can be concluded that each country had specificities related to data sources and production systems in place and therefore development of a common "harmonised" IT tool cannot be envisaged at the EU level. However, the EU and EFTA countries agreed to search for solutions to common issues in a joint effort as well as to share best practices to overlapping issues.

5. **Profiling:** Profiling is a non-legislative process and is commonly referred to as a method to analyse the legal, operational, and accounting structure of an enterprise group. It does this to establish statistical units and their links within that group.

    The LCU is also responsible for profiling, both at national and EU level. The delineation and classification of statistical units, special entities and of the main business sectors of MNE groups operating on a national territory is key to preparing consistency checks. Profiling helps to achieve consistency across different statistical domains by providing a statistically meaningful delineation of the business group's structures and its respective statistical units.

    In European profiling, the NSIs go a step further, as they together define and agree on the legal, financial, and economic structure of the MNE group. **LCU and European profiling activities work effectively together. As a result, in 2023 more than 15% of the 600 MNE groups in the LCU top watching list were also part of the European profiling program set up by Eurostat.**

6. **Other tasks:** Each European LCU has a kind of tailor-made list of activities and responsibilities adjusted to their national statistical system, thus differently integrated with business statistics, including trade, and macroeconomic statistics production processes.

III. 2024 Survey on the LCU state of play

10.   In March 2024, Eurostat carried out a Survey focusing on the state of play of the Large Cases Units or similar organisational structures in EU and EFTA countries, so-called "LCU Survey". **The LCU Survey provides interesting information for twenty-seven EU countries and four EFTA countries:**

11.   Sweden established the specific LCU already in 2004, followed by Ireland in 2009. France, Finland and the Netherlands managed to set up the LCU in 2010. During the years 2017-2018 additional four countries created the LCU: Italy, Denmark, Luxembourg and Norway. As of April 2024, 18 countries confirmed they had the LCU implemented in their NSI, while four countries had created a similar organisational structure. Five countries (mainly small ones) did not intend to create any LCUs or similar organisational structure due to their limited resources or the fact that there were not many complex MNE Groups present in their country. Four countries – Bulgaria, Poland, Switzerland and Slovakia – are in the process of creating an LCU or a similar organisational structure.

Figure 1
Evolution of the LCUs in EU and EFTA countries over time, as of April 2024
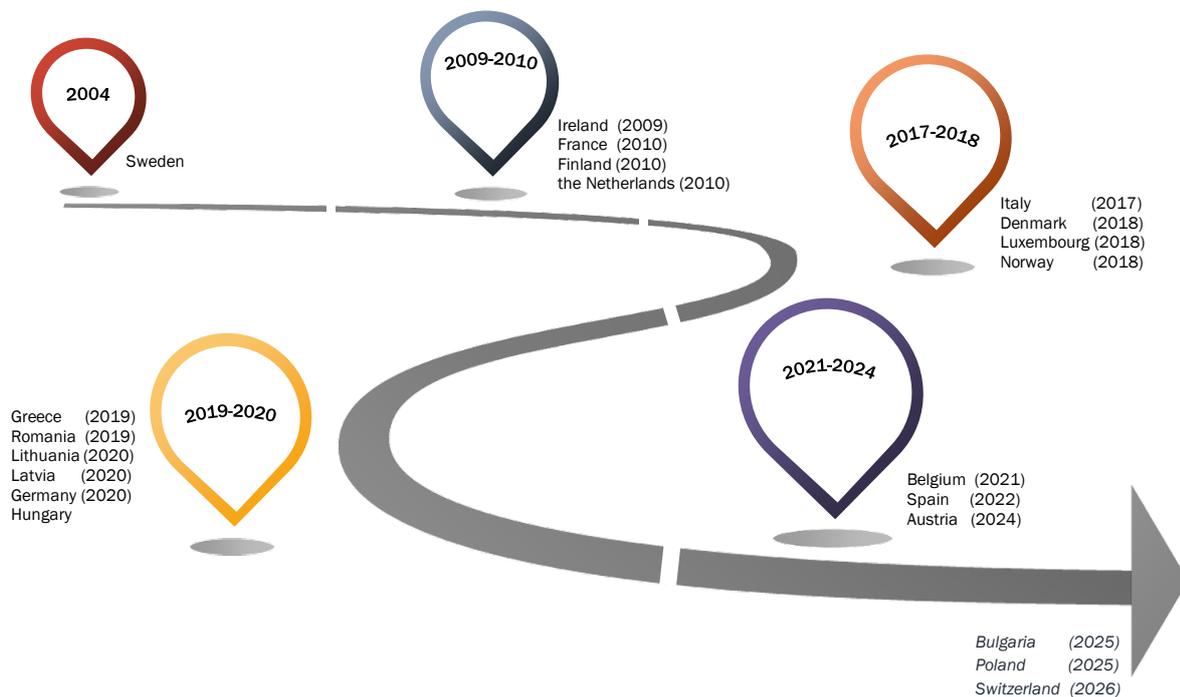

Table 1
Evolution of the LCUs in EU and EFTA countries over time, as of April 2024

Overview in EU and EFTA countries			
Sweden	LCU (2004)	Spain	LCU (2022)
Ireland	LCU (2009)	Austria	LCU (2024)
France	LCU (2010)	Bulgaria	LCU - plan for 2025
Finland	LCU (2010)	Poland	LCU - plan for 2025
the Netherlands	LCU (2010)	Switzerland	LCU - plan for 2026
Italy	LCU (2017)	Slovakia	OOS (2024)
Denmark	LCU (2018)	Cyprus	OOS
Luxembourg	LCU (2018)	Slovenia	OOS
Norway	LCU (2018)	Portugal	OOS
Greece	LCU (2019)	Estonia	OOS
Romania	LCU (2019)	Czechia	no
Latvia	LCU (2020)	Croatia	no
Lithuania	LCU (2020)	Malta	no
Germany	LCU (2020)	Liechtenstein	no
Hungary	LCU	Iceland	no
Belgium	LCU (2021)		

LCU: Large Cases Unit   *OOS: other/similar organisational structure*

12.   The LCU Survey focused also on the total number of large MNE groups that were under observation in the national LCUs and similar organisational structures of the countries. The available figures are presented in the Table 2 below:

Table 2
Number of MNE Groups treated in LCUs or OOS

	Number of MNE Groups treated in LCUs or OOS
Hungary	**30**
Greece	**30**
Lithuania	**33**
Latvia	**50**
Slovenia	**54**
Ireland	**35**
Sweden	**50**
Italy	**250**
Portugal	**3**
Austria	**23**
Estonia	**6**
Romania	**20**
France	**100**
Luxembourg	**7**
Finland	**15**
Belgium	**13**
Spain	**20**
Germany	**100**
the Netherlands	**360**
Denmark	**31**
TOTAL	**959**

13. Eleven countries confirmed that they were planning to increase the number of MNE Groups treated in their LCU or similar organisational structure in the coming years, while 8 countries confirmed that they would like to also increase the number of staff members of the national LCUs.

14. In 2023, Eurostat also collected the list of the names of the MNE groups that were under observation of different national LCUs across NSIs, with the following result:

- 79% of them were controlled from within EU
- 21% had a non-EU nationality

15. Out of the total number of 600 MNE groups treated in LCUs in 2023, more than 10% are closely followed in more than one European country.

IV. Top-tier MNE Groups

16. To ensure that the countries' efforts and resources are spent on the most important MNE groups ("Top-tier" MNE groups), the ESS is working towards a structured and accepted method to identify them.

17. **Top-tier MNE Groups are multinational enterprise groups that are so large and significant that their reporting can exert considerable influence on aggregate results such as the gross domestic product.** There is no single definition used in official statistics. However, large MNE cases are multinational enterprise groups which, based on certain selection criteria (for example size of turnover or value added, number of employees or

volume of foreign trade,), are of great importance for aggregates of economic statistics or national accounts.

18.   Top-tier MNE groups should be regularly checked and followed up allowing higher and assured quality, with a higher frequency. That will allow the producers of the macroeconomics and business statistics to better and quicker capture the changes of globalisation affects.

19.   **Eurostat, in cooperation with EU and EFTA countries, developed a method – the Complex and Statistical Impact index (CSI index) – that enables to identify the relevant cases that classify for the top-tier list of MNE Groups.**

20.   Using the CSI index, 1,669 MNE groups in EU and EFTA countries were selected for the reference year 2021, corresponding to 1% on the total MNE groups population in the EuroGroups register and accounting for more than 50% employment of MNE groups in Europe, i.e., around 24,5 million employees.

21.   It was agreed that the EU groups and non-EU groups would be treated similarly as the primary objective was to identify the most important MNE groups.

22.   For the MNE groups with the UCI in the EU, it is the GDC country that would update and oversee the delineation of the group at worldwide level, with the help of partner countries.

23.   For the MNE Groups with the UCI located outside the non-EU+EFTA countries, a slightly different method was developed. For these cases, the ESS have defined a methodology to find the "a responsible" EU+EFTA country to work on these MNE groups, i.e., the country with the highest interest to profile these MNE groups. This assignment however can be modified if agreed accordingly between the countries, depending on the statistical relevance and national user needs.

24.   Some EU and EFTA countries could result having little or no involvement in the treatment of Top-tier MNE groups, due to the absence of GDCs in their territory, and/or the fact that they only host the GDCs of smaller groups.

25.   **The second tier** consists of a bulk population of the MNE groups operating in the EU Member States and EFTA countries that can be treated with a help of an automated process to produce annual frames.

26.   **As the results of the LCU Survey show, the current capacity of the LCUs in EU and EFTA countries reach 959 MNE Groups that can be closely followed. Eurostat is currently looking into possibilities how to use the existing synergies and how efficiently combine the existing different lists of large MNE groups: those treated by national LCUs, under the European Profiling programme, MNE groups triggered by the EWS system or selected by the CSI index for the top-tier list.**

V.   The European network of MNE groups coordinators – MNEnet

27.   To make it easier to link all MNE-related processes and tools together, NSIs have requested that Eurostat sets up a network where MNE-related methodology, experiences and knowledge of people working in the LCUs or similar organisational structures could be shared as well as the best practices how to set up up a Large Cases Unit (LCU) or similar organisational structures could be exchanged.

28.   **The European Network of Multinational Enterprise Groups Coordinators, the MNEnet, was established in 2021 and has been active since then**. The first meeting of the MNEnet coordinators took place in April 2021, the last one – 6th meeting – took place on 10-11 October 2023. The next MNEnet meetings are going to take place on 14 May and 29 November 2024.

29.   The MNEnet meetings provide an opportunity to regularly exchange information on the development of the existing MNE -related tools and processes, such as the EuroGroups Register (EGR), Interactive Profiling Tool (IPT) or Early Warning System (EWS). They

enable the support of consistent recording and processing of the data on MNE groups in a systematic way.

30.   One of the key advantages of MNEnet is that it strengthens the cooperation and communication of European MNE experts by creating a network where MNE-related issues and topics can be shared. The national MNEnet coordinators subsequently ensure that the information gathered is distributed to all statistical domains impacted by MNE groups activities and their restructurings within their national statistical system.

31.   In 2022, the MNEnet took over the coordination role of the early warning system.

32.   The MNEnet is interested in collaborating with other international expert groups. Eurostat is an active member of the UN Committee of experts of business and trade statistics, which has a dedicated task team on globalisation and digitalisation-related issues. Eurostat is also cooperating with the UN Statistics Division on business registers. In particular, those related to the Global Group Register initiative of the UN Statistics Division.