IN-DEPTH REVIEW OF BUSINESS STATISTICS

Note prepared by Pieter Everaers on the activities of EUROSTAT in the context of the modernisation of business and trade statistics

I. PROBLEM STATEMENT

1. Business and trade statistics will be confronted by major challenges in the coming years: the strong movement towards integration of world markets is changing the structure of the economy, and European integration is also continuing to progress. Statistics have to react to these trends and to describe new phenomena. The focus needs to shift towards aspects of globalisation such as multinational enterprises, emerging trends in entrepreneurship, competitiveness in the light of the Lisbon process and new trade patterns. New requirements emerge; outdated requirements must be discarded.

2. At the same time, it is not only the output requirements that change; there are also new methods for producing statistics. These will ensure that the burden on enterprises can be reduced by taking advantage of new technologies and using all the information that is available in society as effectively as possible.

3. In the light of these challenges, Eurostat has developed a programme for the modernisation and better integration of enterprise and trade statistics (MEETS). The programme will run over a period of six years from 2008 to 2013. It will provide substantial financial resources to support the development in several areas in the EU Member States. In the following section the scope the project is outlined. It will be structured according to four main objectives. To achieve the objectives, Eurostat will launch several actions that are described in more detail further below.

II. SCOPE AND OBJECTIVES

4. First, it will be important to identify and agree on the new areas that are to be portrayed. Together with all stakeholders, target sets of indicators need to be defined and underpinned by agreements on methodology, so that comparable data can be produced. Very often these indicator sets will cross the borders between statistical domains. In the context of entrepreneurship in a globalised economy, structural business statistics have to intersect with trade statistics, statistics on innovation etc. It goes without saying that a changing environment creates not only new requirements, but also the need for a permanent review of old requirements.
5. Secondly, all statistics related to business should be streamlined, which means that efforts are needed to bring about the integration of the different areas of business statistics. In addition, the focus has to shift from a national perspective to a European perspective. This integration will include: co-ordination of legal acts, harmonisation of methodologies, work on the further integration and linking of statistical classifications, and also of business registers and related sources, the inclusion of multinational enterprise groups in the business register, where appropriate, and the introduction of reporting on such groups.

6. Thirdly, integration is also needed on the data collection and data processing side. Either by integrating all collected data into a single system, or by means of micro-data linking techniques, it will be possible to make much more effective use of already existing information. The second pillar of the reform of the production system is support for the use of administrative data. Governments collect large quantities of data for all kinds of purposes (taxation, labour market policy etc). It would be highly efficient if statistical offices did not need to collect the same data again. However, guaranteeing data quality requires a considerable effort, because very often the administrative data are not available in the form needed. The third issue is to make sure that the data which still have to be collected can be obtained easily from company accounts. The harmonisation of accounting standards will help to achieve this goal. Finally, standard estimation techniques have to be developed to lessen the burden on business wherever possible; for example, these techniques could be applied to estimating the information needed for SMEs, without adding to the actual burden on them. In order to provide comparable data, a set of standards and conventions is needed.

7. Fourthly, some statistical areas where simplifications are necessary have already been identified. One example is Intrastat. Simplifications to the Intrastat system will continue to be carried out along traditional lines (thresholds, ICT improvements, nomenclatures etc.). Furthermore, the potential for switching to a single flow system will be investigated. This could considerably reduce the burden, while at the same time maintaining the most important information. To make sure that this transition is carried out in the most effective way and to safeguard the quality of statistical information, this process needs to be handled carefully. The effects of such a change and its full implementation in Member States should therefore also be covered by one of the objectives of the new programme.

8. Logically 4 objectives can be derived from the outline of the project.

**Objective 1: The development of target sets of indicators and a review of priorities**

*Action 1.1:* Development of new areas:
- define priority areas and a target set of indicators;
- work on harmonised definitions of newly identified characteristics and indicators;
- support Member States in developing and testing their statistics in the priority areas in a harmonised manner.

*Action 1.2:* Identify the areas of lesser importance:
- conduct a regular review of priorities, and identify areas and characteristics which are of lesser importance.
Objective 2: A streamlined framework of business-related statistics

Action 2.1: Integration of the legal framework and the methodology:
- review existing legal acts to provide a harmonised legal framework for the different areas of business and trade statistics;
- initiate studies aimed at harmonisation of methodologies among the statistical areas;
- initiate studies on consistency between areas of business and trade statistics, such as consistency between trade in goods statistics and balance of payments statistics, including the further development and regular updating of standardised reconciliation tables.

Action 2.2: Development of statistics on enterprise groups:
- complete the Community register of multinational enterprise groups;
- support actions in Member States to develop more efficient data collection methods for enterprise groups and illustrate their importance for international trade;
- set up specific EU surveys on enterprise groups.

Action 2.3: European surveys to minimise the burden on business:
- set up specific EU surveys conducted on an ad-hoc basis;
- develop EU sampling schemes, where appropriate.

Objective 3: The implementation of a smarter way of collecting data

Action 3.1: Make better use of data that already exist in the statistical system, including the possibility of estimates:
- support actions in Member States to link data or micro-data sets from different areas of business and trade statistics, such as trade and business registers; linking structural business statistics to R&D statistics; information society statistics, etc. The ultimate aim would be to create fully integrated data sets for business and trade statistics at micro level – a "data warehouse" approach to statistics;
- methodological studies on new work processes to improve the use made of ongoing data collections, e.g. with a view to assessing the impact of ICT on business outcome by linking data from different sources;
- methodological studies for optimal allocation of sample sizes, their combined use with other sources and related estimation methods;
- quality studies in cases where some enterprises (e.g. SMEs) are excluded from statistical surveys, and development of appropriate, harmonised estimation methods.

Action 3.2: Make better use of data that already exist in the economy:
- support actions on the use of administrative data (including company accounts) by helping countries to change over from statistical surveys to administrative data and ensuring data quality;
- promoting the integration of statistical reporting, management information systems and business resource planning within enterprises.
Action 3.3: Develop tools for the more efficient extraction, transmission and processing of data:
- support actions that facilitate data transfer from enterprises to the NSIs. This could be done by using company accounts and other financial reports drawn up according to international accounting standards, and appropriate standards for such reports, including XBRL;
- support for more efficient use of IT tools to facilitate the exchange of information between the EU and the national level; further development of tools for validation, error detection, correction, analysis and editorial work;
- support actions aimed at facilitating the exchange, processing and dissemination of high-quality trade statistics data at detailed level, taking into consideration the ongoing developments in the simplification of customs formalities on export and import.

Objective 4: The modernisation and simplification of Intrastat

Action 4.1: Harmonisation of methods to improve quality under a simplified Intrastat system
- support actions in Member States aimed at developing tools and methods for maintaining/improving data quality within a simplified collection system;
- support actions in Member States aimed at reducing asymmetries by avoiding misclassifications, by harmonising the following aspects: estimation, collection and processing systems; rules for the handling of confidential data etc; thresholds and methods for adjustment.

Action 4.2: Better use of administrative data
- support actions leading to greater re-use of administrative data being reported by enterprises for other purposes (VAT, VIES, accounting, etc.) including the development of IT tools and procedures.

Action 4.3: Data exchange
- support actions leading to the further development of tools and methods for data exchange within a centralised system, validation, error detection, correction, analysis and editorial work in the field of intra-Community trade statistics;
- support actions focusing on the legal and technical aspects of data exchange between Member States.

* * * * *