Emerging Conceptual Issues in Global Production
Item 4 - Discussant

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Group of Experts on National Accounts – Measuring Global Production

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Overview

- Link to major international drivers

Brief comments/questions on papers:
- Recording Factoryless Goods Production Arrangements in the National Accounts – Task Force on Global Production
  - Jennifer Ribarsky (OECD)
- Identifying Factoryless Goods Producers (FGPs) – Efforts to date
  - John Murphy (US Census Bureau)
- Factorly-less goods production in the Swedish National Accounts
  - Monica Nelson Edberg (Statistics Sweden)

- Overview of FGPs
- Way ahead
- Any questions
Major international drivers for change

- Implementation of international guidance manuals, e.g. SNA, BPM, etc.
- Development of Beyond GDP and Well-being
- Sustainability – human, social, nature and economic capital
- G20 – IMF Data Gaps Initiative
- Impact of globalisation – a rapid industrial revolution?
- Data expansion for the financial sectors – post-credit crisis
- Measurement of government deficit and debt
- Others
Recording Factoryless Goods Production Arrangements in the National Accounts – Task Force on Global Production

- SNA 2008 and BPM 6 – change in economic ownership principle
- OECD – Globalisation in the National Accounts
- Task Force on Global Production – Guide to Measuring Global Production
  - Goods sent abroad for processing, Goods under merchanting and FGPs
  - All of the above issues present measurement challenges – not just FGPs!
  - Typologies are very useful – could show via Supply and Use Tables.

- Factoryless goods producers
  - Classification of unit? (ISIC to be reviewed)
  - Control versus ownership
  - FGPs focus on goods - classified as a manufacturer and output is a good
  - Contractor – output is a good – what product FGPs purchase, good or service?
  - Identification of FGPs is a big issue - need clearer / specific criteria.
  - Trade flows – general merchandise
  - What about Factoryless “Service” Providers?
  - Future work proposals welcome
Identifying Factoryless Goods Producers (FGPs) – Efforts to Date

- Focus on changes
  - Classifications – NAICS 2012 / NAICS 2017
    - Why not drive changes through ISIC?

- Consistency of the unit – Establishment or Enterprise or a mix?
  - Apply usual criteria, separable unit, autonomy, availability of accounts, etc.

- FGPs align to supply chains and regional dimension
  - Poses different challenge for classification

- How to identify and classify FGPs?

- What variables to collect?
  - Pilot survey questions with business

- Use of indirect methods
  - Should be a last resort
Factory-less goods production in Swedish National Accounts

- Impact of globalisation in Sweden
  - Rationale of outsourcing
  - Regionalisation of production chain – R&D remains in Sweden

- Research-based producers is a growing phenomena in Sweden
  - Control whole production chain
  - Goods production outsourced

- Production viewed as a service
  - Business transformations are increasingly linked to provision of “services” concept at each stage of the supply-chain

- Are present classifications still relevant?

- Producers of goods or services or both?
  - Not clear why the similarity to wholesale trade?

- Classification aspects are key to resolve
Overview of FGPs

- Characteristics of FGPs
  - Own rights to the IPPs of the final manufactured product
  - May or may not own the input materials
  - Do not perform transformation activities
  - Own final product produced by manufacturing service provider partners
  - Sell the final product

- FGPs can provide data
  - Cost of the purchase of the manufacturing service or materials etc.
  - Would not necessarily have workers on its payroll or make capital expenditures.
  - Data on number of units produced and the market value of final product.

- Manufacturer can make things without usual inputs (e.g. factory, little labour)
  - Challenge to the traditional view of manufacturing

- Recording / measurement of the above composition of factors is an ever-increasing challenge ....,
Way ahead – further thoughts?

• Classification – manufacturing or services (blurred)
  • Each industry could be split with lower level classes:
    • Traditional / integrated manufacturers
    • Manufacturing service providers
    • Factoryless goods producers
  • Benefits include:
    • Monitoring different relationships of the input variables by producers producing the same product output
    • Stability of classifications within a certain level of groups

• Identification and definition
  • Need specific criteria for identification on business registers
  • Growth in self-employed undertaking activity as FGPs

• Increasing focus on GNI and less so GDP
  • FDI, remittances, etc. need more attention
Way ahead - MNEs (including FGPs)?

- Are MNEs a measurement challenge or a conceptual challenge?
  - Examples in the UK:
    - BP extracts crude oil, sells refined petroleum, undertakes no refining
    - Starbucks increases number of outlets but makes no profit
    - Amazon is not a retailer - head office, call centre and warehouses.

- Are MNE activities becoming heterogeneous mix of integrated manufacturing and FGPs?

- Two key aims for “large” entities
  - Speak to businesses and “understand” what they are doing!
    - They are changing / restructuring rapidly
    - Profiling of business structures
    - Map out the ownership, flow of monies, goods and services
  - Sharing of businesses’ data across countries is essential
    - Need to develop data sharing and reconciliation processes across countries’ NSOs/NCBs covering MNEs.
    - International profiling of MNEs.
Any questions?

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