Measuring global production - results of a stocktaking exercise

Group of Experts on National Accounts
31 May – 2 June 2017

Mushtaq Hussain (Eurostat)
• Project officially launched in September 2016

• Proper measurement of the impacts of globalisation on macroeconomic statistics

• The focus of the work is on:
  → Global Production
  → Integrated global accounts
  → Improving the quality of data on globalisation
  → Knowledge sharing

• **IGA Task Force**: EU Member States and international organisations
Stocktaking on global production

- The aim was to support Member States in implementing the international rules and recommendations.
- A questionnaire was sent to the of NA and BoP compilers, coordination with business statistics was requested.
- The questionnaire covered methodologies, data sources, compilation practices, main challenges and future plans.
- 27 Member States and 4 non-EU countries responded.
Stocktaking - the questionnaire

The questionnaire addressed the following main themes:

→ Principles of economic ownership
→ Global production arrangements
→ Goods for processing
→ Merchanting
→ Factoryless goods producers
→ Extended Supply and Use Tables
→ Quasi transit
→ Contacts with Multinational Enterprises (MNEs)
→ Ensuring national data consistency and resolving international data asymmetries
→ Main measurement challenges and future plans
Guide to measuring global production

• The Guide is considered as a practical and useful support by 12 countries.

• Chapter on typology was mentioned by some of particular help

• 2 countries use occasionally. One of them use the 2011 publication

• 16 countries do not use the Guide. 4 considering to make use in future.

• According to some countries, real life business cases are often more complex
Economic ownership

- **Business accounts** of the enterprise are used by 14 countries for deciding on the economic ownership of material inputs, intellectual property and output.

- Intensive regular contacts with the **largest MNEs** in 5 countries, ensuring that economic ownership of IPPs and IPP related transactions are correctly attributed.

- 6 countries applied **decision tree** to correctly identify the economic ownership of IPPs.

- SBS, ITGS and ITSS data in 1 country.

- 7 countries **do not apply** any methodology.
Goods sent abroad for processing

Data sources (processing fees):

- **ITSS survey** is the main source of data in 15 countries

- In some, other available sources (ITGS, Prodcom, SBS, LCU, etc.) are used for validity and consistency

- In 8 countries the data source is **ITGS**. Some of them use also additional data. One country uses **ITRS**.

Additional breakdown:

- 22 countries can provide the **country of the trading partner** in case of outward processing, not names or the VAT numbers.

- **Industry of resident processor**, in case of inward processing can be provided by 25 countries
Merchanting

Data sources:
• **ITSS** questionnaire and **BoP** direct reporting: 21 countries
• SBS, VAT declarations, other surveys: 5
• ITRS: 3

Additional breakdowns:
• Information about the **partner country**, sometimes without the link between purchases and subsequent sales: 21 countries
• **CPA** breakdown, indirectly through NACE of the trader, ITGS or ad-hoc study, etc.: 10 countries
• Partly, only for biggest companies: 3 countries
• CPA only for the margin: 1 country
Factoryless goods producers

Separate identification of FGPs:

- Do not separately identify: 27 countries
- In most countries no concrete plans

- **2 countries identify** such cases, 1 through LCU, the other one through various data sources and identification criteria
- 4 of them are working on identifying FGPs
- FGPs have negligible impact in many economies
Extended supply and use tables

Disaggregation in Supply and Use tables:

- Introduced or planning to introduce disaggregation: 4 countries
- No immediate plan: 27 countries, main reason lack of resources, heavy work load and lack of necessary data
- Several countries participated in the OECD TF on Extended SUT. Results will be analysed before taking a decision.
Quasi transit

Identification of transactions related to quasi-transit:

- In most countries identified by ITGS (customs procedure codes), ITGS undertake necessary adjustments for NA/BoP

- In most MSs it is **not possible to make the link in the records** between imports and re-exports

- Link between imports and subsequent exports under quasi-transit possible in 3 countries by means of internal databases

- In several countries insignificant part of transit trade.
Consistency and asymmetry

Bilateral trade asymmetry:
- 18 MSs participate in various reconciliation rounds
- Participation in FDI network and ITGS reconciliation exercises
- Several analyses within country blocks.
- 6 countries not involved in any of them.

Consistency between BoP and NA/RoW accounts:
- In 7 countries BoP and NA/RoW are compiled in the same institutions; in others: divided between NSI and NCB
- In some cases - formal service level agreements defining the responsibilities and competences of involved institution
- Close cooperation, regular or ad-hoc bilateral meetings and reconciliation exercises are a common practice
Contacts with MNEs

Existence of specialised unit dealing with profiling large enterprises and collecting data in a coordinated way

• In 7 countries there are such *specialised units*

• In 2 others such a unit is currently being established

• In most of other MSs such work is carried out usually by *Business Register and Classification Unit*

• In at least 19 countries there are regular or ad-hoc contacts with MNEs via on-site visits, email or telephone
Main challenges and future plans

Strengths in capturing the impact of globalisation in NA/BoP

- Existence of LCU: 4 countries
- Close cooperation within NSI and between NSI/NCB: 4 countries
- Availability and use of wide range of data sources: 6 countries
- Consistency across NA and BoP: 4 countries

Areas that need further development:

- Identification and measurement of global production: 10 countries
- Need for national and international data sharing: 2 countries
- Profiling multinational enterprise groups: 2 countries
- Breakdown of NA/BoP in sectors dominated by foreign-owned MNEs: 1 country
Conclusions

- The answers give a detailed picture of the state of play in the responding countries.

- They will be used for sharing best practices and for supporting the MSs in implementing the international rules and recommendations.

- The challenges faced by the countries and their future plans will be used to define the activities of the IGA project in a more targeted way.
Thank you for your attention!