Economic and Social Council

Economic Commission for Europe

Conference of European Statisticians

Group of Experts on National Accounts

Eighteenth session
Geneva, 9-12 April 2019
Item 1 of the provisional agenda
Adoption of the agenda and election of officers

Annotated provisional agenda for the eighteenth session

To be held at the Palais des Nations, Geneva starting on 9 April 2019 at 9:30 in room VII.

I. Provisional agenda

1. Adoption of the agenda and election of officers

A. Special Session for Eastern Europe, Caucasus and Central Asia, South East Europe and other interested countries

2. Main recommendations of the Guide to Measuring Global Production

3. Institutional cooperation for compilation of statistics on global production

B. Joint Group of Experts on National Accounts

4. Seminar on large cases units 1

5. Data sharing to better measure multinational enterprise groups' activities

6. Accounting for global production and consumption within a national context

7. Current research related to digitalization

8. Future work and adoption of the report

9. Other business

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II. Annotations to the provisional agenda

Item 1. Adoption of the agenda and election of officers

1.   The meeting is organized following a decision of the Conference of European Statisticians in June 2017 (ECE/CES/2017/13) and the recommendation of the previous meeting of the Group of Experts on National Accounts in May 2018 (ECE/CES/GE.20/2018).

A. Special Session for Eastern Europe, Caucasus and Central Asia, South East Europe and other interested countries

Organisers: European Free Trade Association (EFTA), Eurostat, United Nations Statistics Division (UNSD) and UNECE

2.   This module is devoted to issues related to the implementation of the UNECE Guide to Measuring Global Production (2015) with particular focus on the challenges and needs of the countries in the Eastern Europe, Caucasus and Central Asia (EECCA) and South East Europe (SEE). It will follow up on the recommendations of the Special Session for EECCA and SEE countries on 22 May 2018 and the workshop on Consistency between National Accounts and Balance of Payments (BOP) Statistics (Minsk, 3-5 October 2017), which requested support on redesigning questionnaires and data collection to measure properly transactions related to multinationals and global production. It will review in more detail the following methodological and practical issues:

Item 2. Main recommendations of the Guide to Measuring Global Production

3.   The purpose of this items is to introduce the main global productions arrangements types: goods sent abroad for processing, merchanting, factoryless goods producers and services related arrangements, and identify these that are most relevant for the EECCA and SEE countries. The allocation of the units involved in global production to industries and the principles for recording their transactions will also be discussed.

Item 3. Institutional cooperation for compilation of statistics on global production

4.   The item will provide overview of practical examples for dealing with units involved in global production both in national accounts and balance of payments statistics. Specific attention will be paid on the cooperation between producers of related macroeconomic statistics, such as national accounts, balance of payments and business statistics compilers. The presentations will discuss methods for identification of the units involved in global production arrangements and data related issues: which data sources could be employed, difficult issues in data collection, revisions to questionnaires and survey frames, valuation methods and adjustments. Experiences from the implementation of the Eurostat Global Accounts and Global Production. (IGA) Project will also be presented.

B. Joint Group of Experts on National Accounts

Item 4. Seminar on large cases units

Organisers: UNECE Task Force on exchange and sharing of economic data

Contributions by: Statistics Canada; Statistics Finland; Central Statistics Office (CSO) of Ireland; Italian National Institute of Statistics (ISTAT); Statistics Netherlands; Statistics Poland (to be confirmed), United Kingdom Office for National Statistics (ONS) and Eurostat

5.   This agenda item will continue the discussion on the key role of large cases units (LCU) in measuring global production. It builds on the experience of several countries in establishing of a specialised unit within a National Statistical Office (NSO) to focus on the communication and relationship with the largest multinational enterprise groups (MNEs), as well as on data collection, processing and quality assurance. It also provides information on the latest initiatives in this area. The seminar will conclude with a panel discussion on the future of the global network of experts collecting and reconciling MNEs' data.

6.   The seminar will focus on the following topics:

(a) Large cases unit in the organisation of a National Statistical Office

7.   Statistical offices which already have an established LCU in place often differ in terms of where the LCU is located in the organisational structure. It is common that the LCU is organisationally close to where data are collected or is even responsible for data collection of MNEs. The presentations of countries with established LCU work will discuss good practices and elements with the current organisation and areas for improvement.

(b) Study visits to more developed large cases units

8.   The focus required from an LCU may differ across countries, for instance depending on the structure and size of the economy. Regardless of these differences, study visits to countries experienced in LCU work have been found very useful. Under this topic the visiting countries will share their reflections on the strengths of the country visited, their opinion of the usefulness of the studied practises and the best practices they plan to implement in their organisation in the future. The role of the organiser of the study visit will also be reviewed. The aim of this topic is to encourage countries to learn from each other.

(c) Supporting LCU work in the EU and beyond

9.   The review of Eurostat activities in the area of LCUs will inform the audience of the recent initiatives to support the establishment of LCUs in the EU countries. This will include a presentation of the LCU training organised within the European Statisticians Training Program (ESTP) and the recently launched grant on developing LCUs based on the specific situation in a country. A discussion forum related to the grant provides opportunities to interested countries to share experiences and pose questions. The session will consider how this work could also benefit countries beyond the EU.

(d) Specific topics on large cases units

10.   This topic will focus on country experience in specific activities of LCUs. These include profiling activities, trade in goods adjustments and defining LCU populations, among others. The session will also discuss how to measure the value added of the LCU work.

11.   In addition, Eurostat will present the *European Profiling to better measure multinational enterprise groups' activities*. Economic globalization and the way MNEs organize themselves have led to increasingly complex organizations and to a growing gap between their legal and economic structures. As a result, it is more and more difficult to evaluate the activities of MNEs at global level, and the economic weight of MNEs at national level. Therefore, in the last decade, Eurostat and the European National Statistical

Institutes (NSIs) have worked together to implement a cross-border, relevant and consistent view of MNEs operating in Europe. Significant efforts have been made to capture the 'enterprise' in its economic meaning. This is done by "profiling". Profiling is a method to analyse the legal, operational and accounting structure of an enterprise group, in order to establish the statistical units within that group, their links, and the most efficient structures for the collection of statistical data. Eurostat and European NSIs created a database of profiled MNEs located in Europe. The paper will present: 1) the improvements provided by profiling for a better view of MNEs, both at global and national level, with examples of several activities; and 2) quantitative results from Eurostat's database of profiled MNEs located in Europe and their profiled enterprises.

(e) Panel discussion

12. A panel discussion on the goals of a LCU network and the benefits it would accrue will conclude this item. The presenters of the seminar will share their views and discuss with the audience the options of the more collaborative work in the future to better understand and reconcile the data of MNEs.

Item 5. Data sharing to better measure multinational enterprise groups' activities

Organisers: UNECE Task Force on exchange and sharing of economic data

Contributions by: Statistics Finland; German Federal Statistical Office (Destatis) and Deutsche Bundesbank; Eurostat, OECD and UNECE

13. This item presents the progress of work of the UNECE Task Force on exchange and sharing of economic data. It will also discuss recent international experience and activities in examining MNEs, analysing their data and facilitating data sharing. An update on how countries have implemented the recommendations of the G20 Data Gaps Initiative in the area of data sharing will be discussed.

14. *How the European profiling could support the exchange and sharing of economic data in the future* by Eurostat will describe the different roles of NSOs and data collection strategies towards MNEs depending on whether their headquarters or affiliates are located in the country. All data exchange takes place in the Interactive Profiling Tool, a Eurostat secure on-line platform for confidential micro data. About 400 MNEs have been collaboratively profiled so far. The presentation will also share ideas on the future of European profiling and how it could support the exchange and sharing of economic data in the future. The presentation will consider in what way the existing network of profilers and their capacity to work collaboratively across countries could support data exchange, using tools such as the Interactive Profiling Tool, the EuroGroups Register and the EU Early Warning System.

15. *Improving measurement of manufacturing services in Germany* will present a project launched in 2018 by the National Statistical Office (Destatis) and the Deutsche Bundesbank on micro-data linking to identify data gaps in the reporting of manufacturing services in Foreign Trade Statistics (FTS) and BOP statistics. The paper will discuss how the BOP reporters without a match in FTS or with large discrepancies in values were contacted to investigate reasons for the non-reporting or under-reporting. The major causes for differences of reporting population and values will be discussed.

Item 6. Accounting for global production and consumption within a national context

Organiser: Statistics Canada, Eurostat and UNECE

Contributions by: Australian Bureau of Statistics (ABS); Statistics Canada; CSO of Hungary; Bureau of Economic Analysis (BEA) of the United States; International Monetary Fund (IMF); National Institute of Statistics, Geography and Informatics (INEGI) of Mexico; Bank for International Settlements (BIS) and Eurostat

16.   This item will review country practices in accounting for global production, including current research and experience related to the implementation of the recommendations of the UNECE Guide to Measuring Global Production. It would also reflect on how the recommendations for future work in the guide are or could be taken forward, in the context of ongoing work at international level. The second part of the discussion will focus on national and international experience in measuring global value chains and the growing international activities of households.

17.   *Economic Activity of Foreign Owned Businesses - Using Alternative Data Sources with Official Statistics to Answer Policy Questions* by ABS contributes to the international discussion on the use of administrative data in innovative ways to provide statistical measurement solutions for international investment and international trade that ultimately informs policy development. The paper will outline the processes and outcome of a recent statistical project conducted by the ABS at the request of the Department of Foreign Affairs and Trade (DFAT) and the Australian Trade and Investment Commission (Austrade), with the aim to measure the economic activity of foreign owned businesses in Australia. It will also present the foreign investment policy drivers behind the project, its scope and definitions, as well as the strategy employed for economic activity measurement using alternative data sources in conjunction with existing official ABS statistics., The benefits and challenges faced as a result of employing this innovative approach will be discussed. The paper will conclude with a future focus describing where the ABS intends to next invest in innovation for the statistical measurement of international trade and investment space.

18.   *Global Supply, Production and Distribution Chain Activities among Canadian Firms* will present the results of a survey conducted by Statistics Canada in 2017. The purpose of the survey was to measure the extent of Canadian businesses' global activities. The survey collected information related to the purchase, production, and sale of goods abroad by Canadian businesses, on whether Canadian businesses perform manufacturing or processing work for other Canadian or foreign clients, and whether Canadian businesses hire other Canadian or foreign firms to perform processing or custom work. The 300 largest global producers in Canada were included in the survey. The paper will also highlight some of the lessons learned with a specific focus on the type of information that firms can provide to statistical organizations.

19.   Official statistics display a significant slowdown in U.S. aggregate productivity growth that begins in 2004. *Offshore Profit Shifting and Domestic Productivity Measurement* by BEA, University of Minnesota and University of Wisconsin will show how offshore profit shifting by U.S. multinational enterprises affects gross domestic product (GDP) and, thus, productivity measurement. Under international statistical guidelines, profit shifting causes part of U.S. production generated by multinationals to be excluded from official measures of U.S. production. The presentation features an alternative measure of value added that adjusts for profit shifting using formulary apportionment. The adjustments raise aggregate productivity growth rates, but they do not eliminate the measured

productivity slowdown. Alternative methods for dealing with the problem of profit shifting in official economic statistics will also be discussed.

20. *Overview of European Initiatives Related to Globalisation* by Eurostat will provide an overview of the current European initiatives related to globalisation in the field of macroeconomic statistics and business statistics. MNEs pose serious challenges to the reliability and the credibility of official statistics, and therefore the need to identify best practices and agree on practical guidelines fostering international comparability is apparent. At European level, given the importance of close collaboration between national accountants, BOP experts and business statisticians, a Joint Task Force between EU Directors of business and macroeconomic statistics has been established, and regular interactions happen at technical level groups, and in preparing new projects. The paper will focus in greater detailed on several on-going activities: Early Warning System, gross national income (GNI) exercise, IGA task force, the FIGARO project, the EuroGroups Register and the European Profiling. The success of all these initiatives crucially depends on cooperation and collaboration with national and international bodies via secure communication channels.

21. *Measuring the Knowledge-based and Data-driven Economy in a Globalized World* by IMF will discuss the recording of data in national accounts. The strategic focus of businesses in the modern knowledge-based economy has been to generate and control traditional intellectual property (IP) assets, such as patents and copyrights. Nowadays, their strategic focus is shifting to generating and controlling data. As the economy becomes more knowledge-based and data-driven it is increasingly more difficult to measure. National statistical compilers often rely on business accounting records or surveys of businesses to derive estimates, yet business accounting methods have not evolved to measure the value of intangibles and MNEs operate across multiple countries often under a single management or control structure. The paper will explore the recording of data as an asset in the national accounts and potential estimation methods. In addition, globalization adds to the complexity of the statistical recording because assigning economic ownership of an IP asset, as opposed to legal ownership, within a multinational enterprise group is not straightforward. Therefore, the paper will also review the issue of assigning economic ownership, explore options for recording and the implications for the international standards (System of National Accounts, 2008 (2008 SNA) and Balance of Payments Manual, 6th edition) as well as the UNECE Guide to Measuring Global Production.

22. *Profiling of the Hungarian Participation in the Global Automotive Value Chain* by the CSO of Hungary aims to demonstrate how global value chains can be profiled at the national level i.e. to identify the companies and their specific position in the value chain, and to determine to what extent and how they are embedded in the national economy. Since 1989, the importance of the automotive industry in the Hungarian economy has gradually increased, and now it is the most significant sector both on the micro and macro level. Therefore, it became the focus of a collaborative research between the National Accounts Department and LCE. The research was mainly based on the register and VAT database. The latter was used to determine the purchasers and the suppliers of the analysed companies. However, several methodological challenges occurred (e.g. the industrial heterogeneity of the purchasers) and additional data sources had to be explored. The results of the research will be used by the Hungarian CSO for both forecasting and validation. The results may have particular importance in the case of recession due to the automotive industry's sensitivity to the business cycles.

23. *Extended Supply and Use Tables for Mexico* by INEGI will present the main compilation challenges and the obtained results. Globalization demands the production of

new and complementary statistics that provide information on the interdependencies between countries and the impacts on national economies. The Extended Supply and Use Tables (ESUT) constitute a set of tables that describe inter-industry flows in a more granular manner and is oriented to the external sector, giving special attention to the economic units that interact with other countries. These tables imply different levels of disaggregation depending on the focus of the research: ownership, export, size of economic unit, etc. The presentation will describe the main challenges to obtain the different disaggregation levels and how they were solved, as well as the main results of this extension.

24.   One important consequence for financial statistics of the reforms undertaken after the Great Financial Crisis (GFC) of 2007–2009 has been the collection of a very large amount of Trade Repositories data shedding light on the global derivatives market. *Measuring derivative exposures when firms have global operations: insights from the IFC report on Trade Repositories data* by BIS will present the results from the 2018 survey conducted by Irving Fisher Committee (IFC) among central banks. The survey shows that macroprudential risk assessment constitutes the main policy interest. Analyses are still constrained by data availability, which differs across jurisdictions. There are data gaps, in particular in counterparty details. Most central banks actively conduct quality checks. Looking ahead central banks plan to launch further initiatives to improve quality with special importance attached to coordinated activities. In this regard data standardization should play a key role.

25.   *Have Canadian consumers gone global* will present the way Statistics Canada measure in national accounts the direct import of consumers from abroad. Today, consumers can purchase goods at anytime from anywhere in the world. They can price compare, read product reviews and track the delivery of their goods in real time. This is having a significant impact on how we analyze and measure household consumption, consumer prices and international trade. In many respects consumers have gone global and are now the 'importer of record' for a growing number of transactions. This paper quantifies the extent to which Canadians are directly importing goods and services abroad and the impact this is having on both Canada's national accounts and balance of payments.

26.   The agenda item will finish with panel discussion reflecting on the lessons learned from implementation of the UNECE Guide on Measuring Global Production and the recommendations of the 2008 SNA and BPM6 in respect to globalization.

Item 7. Current research related to digitalization

Organiser: US BEA and OECD

Contributions by: Australian Bureau of Statistics; US Bureau of Economic Analysis; National Institute of Statistics, Geography and Informatics of Mexico and OECD

27.   Digitalization of the economy has also led to a further globalization of economic transactions. The production and delivery of more and more services has less physical constraints. An obvious example is ordering products on platforms such as Amazon and Alibaba. But also, the activities of digital intermediary platform such as Uber and Airbnb lead to international transactions for the payment of the intermediation fees. More generally, one can observe a growing share of cross-border e-commerce. Also, the possible recording and measurement of data and the provision of "free" services (Facebook, etc.) and assets (Wikipedia, open source software) raises issues regarding their global nature, and problems associated with allocating the relevant activities to countries. Currently, a Handbook on Digital Trade is in the process of finalization. Furthermore, a proposal for a satellite account on the digital economy has been formulated. This agenda item will present experiences on capturing these new phenomena, by using more traditional data sources or by exploiting new

ones. Information on the on-going work by OECD and IMF towards developing of guidance on recording of crypto-currencies and other crypto-assets in national accounts will be also provided.

28. *ABS* will introduce the methodology and experimental results of *Measuring digital activity in the Australian economy*. Recent discussions with Australian policymakers made it clear that the lack of visibility of digital activity in national accounts statistics hampers analysis and discussion. In response, the ABS will publish experimental statistics in early 2019, which will shed light on digital activity in the Australian economy, in both current price and chain volume terms. In compiling these experimental estimates, the underlying definitions, methodology and assumptions consistent with the U.S. BEA implementation of the OECD digital economy framework were adopted. While it is acknowledged that this approach represents a preliminary and simplified implementation of the OECD framework, there is immense value in producing a set of preliminary Australian estimates to inform debate and to enable international comparisons of digital economic activities. This paper explains the drivers and motivation for this study, the concepts and source data used, and the methodological approach. It will also examine limitations in the approach and areas for future work.

29. *Gross value added of e-commerce in Mexico* will describe the approach taken by INEGI to provide the users with information allowing to analyse the evolution of the gross value added of e-commerce from 2013 onwards. This was a first attempt to seize the importance and relevance of the digital economy in the Mexican National Accounts System. As an innovative way to tackle this statistical challenge, the measurement of the gross value added of e-commerce was made under a supply approach, and is disaggregated into wholesale and retail trade, as well as other services realized via IT networks.

30. A major area of focus by the U.S. BEA is an initiative to better measure the digital economy, including work toward producing a Digital Economy Satellite Account on a regular basis. Experimental estimates on the digital economy were first published in a report issued in March 2018. *Toward a Digital Economy Satellite Account* by BEA will present an update to that first report, based on incorporating results from the latest benchmark revision as well as changes due to better alignment with the emerging framework of the OECD's Advisory Group on Measuring GDP in a Digitalized Economy. Additionally, there are currently three major streams of research at BEA associated with measuring the digital economy that will be described in some detail, including: (1) leveraging alternative and supplemental datasets to improve BEA's consumer spending estimates, (2) evaluating the boundaries of our accounts to ensure they accurately reflect the realities of the modern economy, and (3) expanding our surveys to collect more in-depth and relevant information.

Item 8. Future work and adoption of the report

31. In this session, the proposals for future work will be presented and discussed. The report containing main decisions of the meeting will be put for adoption.

Item 9. Other business

32. Participants wishing to propose points under this item are requested to inform the secretariat as soon as possible.