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National Statistics
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Emerging Conceptual Issues in Global Production

Item 4 - Discussant

**Economic Commission for Europe
Conference of European Statisticians
Group of Experts on National Accounts – Measuring Global Production**

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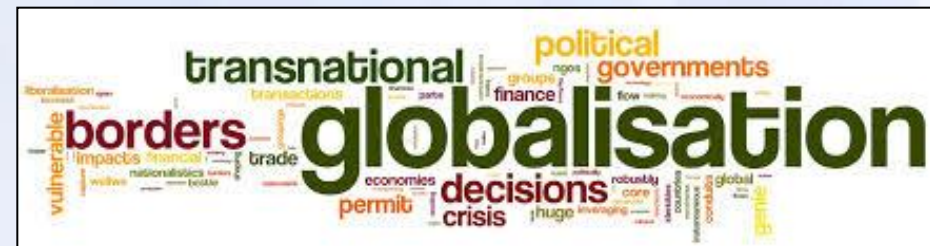
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Overview

- **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)
 - Factory-less goods production in the Swedish National Accounts
 - Monica Nelson Edberg (Statistics Sweden)
 - **Overview of FGPs**
 - **Way ahead**
 - **Any questions**
- 



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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



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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



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Identifying Factoryless Goods Producers (FGPs) – Efforts to Date

- Focus on changes
 - Classifications – NAICS 2012 / NAICS 2017
 - Why not drive changes through ISIC?
 - Establishment Survey Research – Economic Census 2007 / 2012
- 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



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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



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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

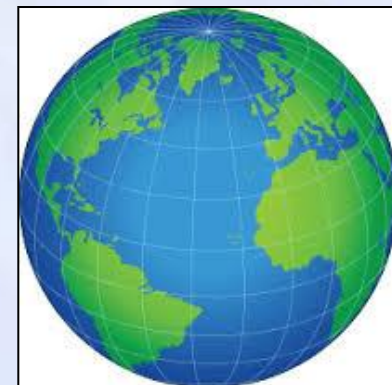


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Way ahead – further thoughts?

- 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



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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.



KEEP
CALM

GLOBALISATION
DOESN'T HARM

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Any questions?

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