Globalization and National Accounts: on-going work in Italy (ISTAT)

Meeting of the Group of Experts on National Accounts

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Istat

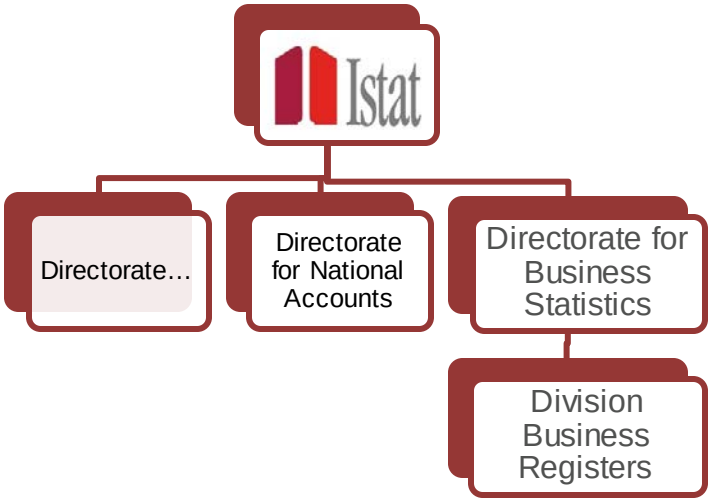
Context

Measuring globalization has challenged official statistics

Among main issues: guarantee consistency of different statistics domains (STS, SBS, SBR, NA, BoP)

LARGE CASES UNIT and NA team: ISTAT tool to improve consistency in the treatment of Multinational Enterprises (MNEs)

LCU – the organizational structure



- New Born (operative from 2017)
- Included in the official mandate of the Directorate for Business Statistics ⇨ Division of Business Register

LCU – the model

Short term stat.

National Accounts

not only operational Unit

a network of experts

Business Register

Structural Business stat.

LCU manages cross-cutting activities inside the Business Statistics (BR, STS, SBS) co-operating with the National Accounts with the purpose to have a common and coherent treatment for specific and complex cases

LCU – the mission

Increase Istat capability to consistently manage incoming information flows from large multinational enterprises

Identify potential inconsistencies in the early stages of the statistical production process

Support the data collection balancing better quality and burden on large businesses

Istat

LCU – the team

- Includes experts from different business statistics domains in order to ensure both an appropriate mix of skills and an extensive network across different divisions (man/hour allocation to the LCU is defined on a part time basis)

- Members of the LCU team are appropriately trained to face complex MNE operations

LCU – main tasks

- **Analysis of signals** of changes within business
  - Istat Business Portal (web device dedicated to managing data collection and contacts with enterprises)
  - Newspaper and specialized magazines
  - Foreign trade data analysis

- Establishing a **permanent contact with key professionals** inside MNEs in order to support a quick reaction in case of sensitive issues. An expert from the LCU is responsible for contact with the MNE in order to **build trust and efficiency** in data collection

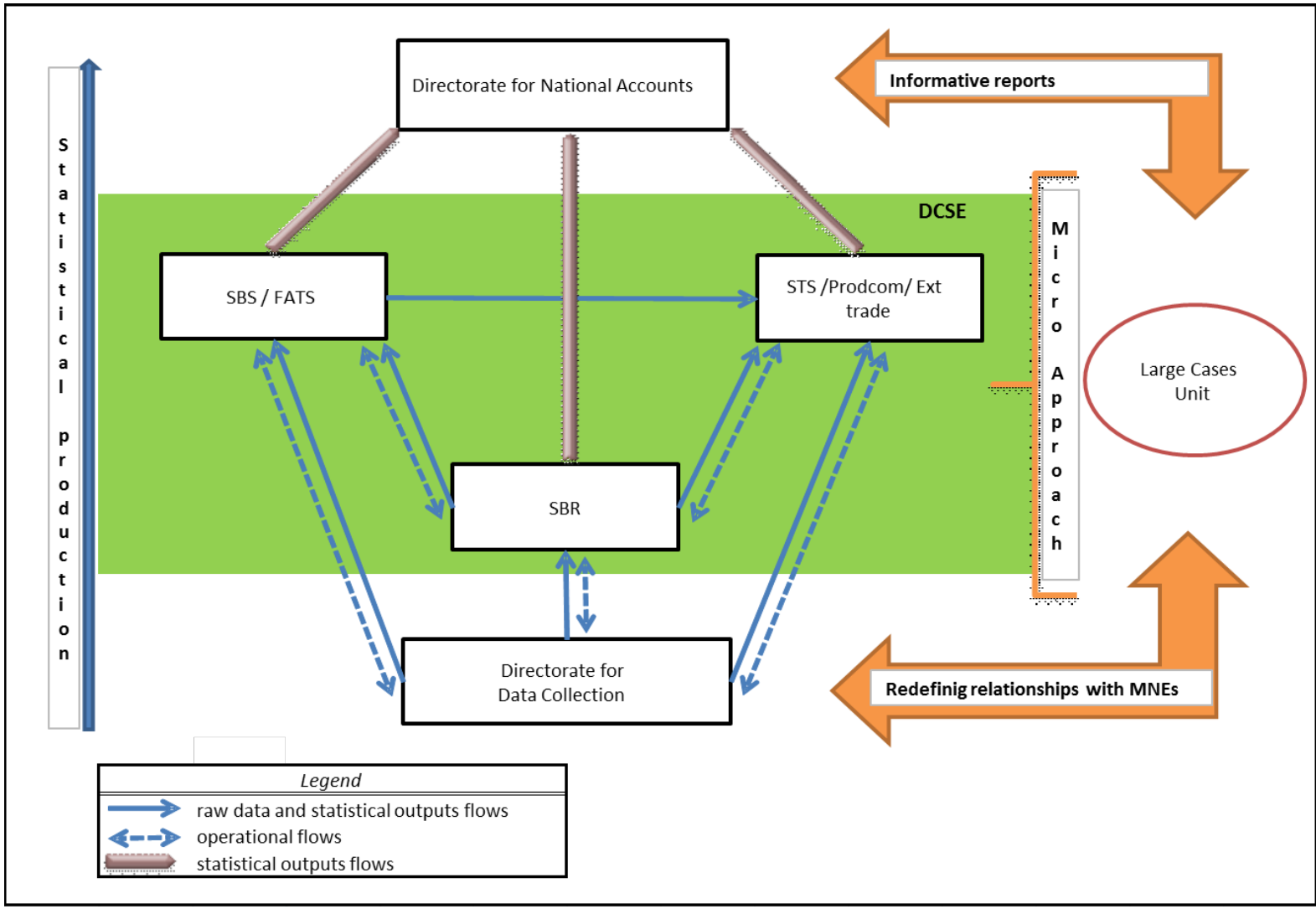
LCU – main tasks

- Looking for the **best strategies for data collection**, redefining the relationships with top MNEs

- Identifying and **solving inconsistencies** in information collected from the MNEs; sharing the results with all the statistical domains potentially involved

- LCU is the reference point for the **Early Warning System (Eurostat)**: ESS network to share information and activate triggers among NSOs for restructuring of MNEs, ensuring consistent treatments of global events

LCU – in practice



LCU – in practice

LCU TARGET

140 groups:
Top groups in terms of turnover and employment + specific MNEs -> digital economy + signals

About 3400 resident LeUs

Analyses of the signals: statistical and others; ex post and following the MNE news

Reports (real cases and theoretical aspects)

FOCUS

20/30 groups years 2018-2019

Business Portal Signals	N in 2017
Change Nace	153
Restructuring	259
Change Legal form	55
Change Address	208
Change Status	78
Other	324
Total	1077

Main starting point for business cases and in depth analyses

LCU – in practice

Example: a simple business case

SIGNAL

- Enterprise in the services sector, included in the panel for Services turnover index, in Q2-2017 reported a strong increase

ACTION

- Survey team contacted the enterprise
- LCU analyzed available accounting documents

UNDERSTANDING

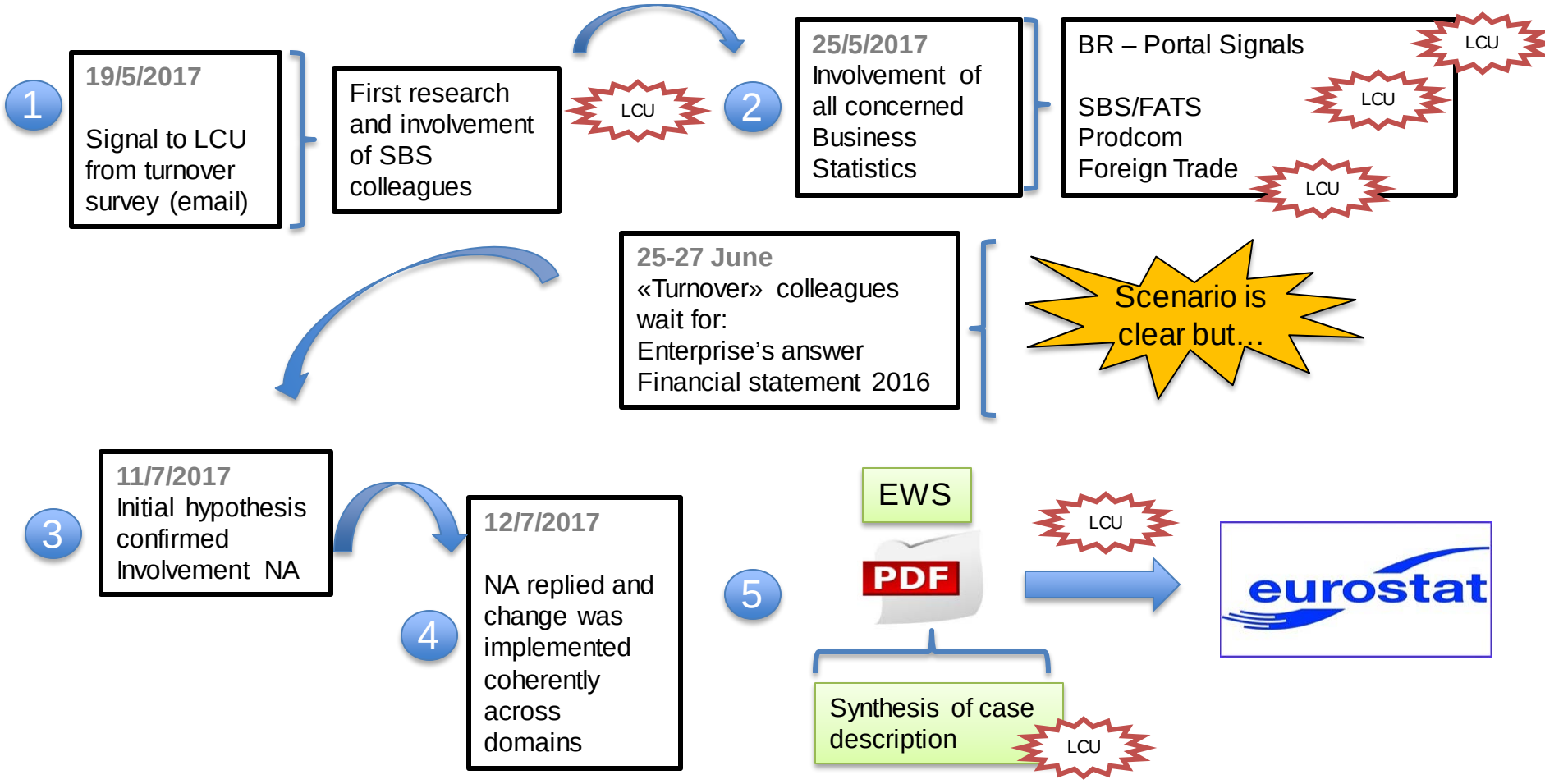
- The observed increase was due to a tax settlement that the company has signed with Italian Revenue Agency (may 2017). Also total 2016 turnover will be revised
- 100% of this company turnover is with other group companies. Turnover is linked to expenses, hence with major withholding tax in Q2 also the turnover grew up (transfer pricing)

CONSEQUENCES

- Analysis of potential impact: “turnover” Business Register, structural business statistics, specific methodology to eliminate the effect due to transfer pricing as the enterprise belongs to a panel and hence does not represent only itself

LCU – in practice

Example – operational flow



Istat

National Accounts Team

A new project line (launched in 2017): Measuring globalization in National Accounts

Team:

Supply of goods and services, Flows with RoW, Sector account, Labour input / compensation of employees

Connecting NA, LCU, Business register, Balance of Payment to ensure consistency across domains

Collaborating with LCU

- Profiling activity
- Identifying HO, HC , branches of companies, SPEs
- Assigning the appropriate economic activity (NACE)
- Properly identify economic flows
- Participates in visits to companies

National Accounts and Beyond

Balance of Payment compilers (Bank of Italy)

ISTAT and the Bank of Italy have a long history of cooperation and data exchange for statistical productions

A Committee regulates cooperation for research and exchange of statistical information

A system of specific working groups is involved in the work to improve consistency between Balance of Payments and National Accounts

- Provision of the data necessary for the compilation of GDP and the transition to GNI
- Cooperation in identifying and classifying MNEs activities and analyzing their organizational transformation

The results achieved so far

- ✓ Economic Ownership of the IPP: Design, implementation and assessment results of an ad hoc module in a large scale survey questionnaire;
- ✓ LCU & NA_team: training activities/knowledge sharing;
- ✓ Exploring new administrative sources in order to gather relevant information not available elsewhere (BEPS);
- ✓ Developing a data base that includes all the relevant and available information on MNEs :
  I. highlight any possible shortcomings of the available sources;
  II. develop more efficient use of existing information;
  III. identify possible inconsistencies in the data;
  IV. explore new data sources;
  V. identify the information gap that needs to be filled through a direct contact with the relevant enterprises (information visits).

Taking part to the Eurostat activities in the Area of the MNE

Early Warning System

Italy actively cooperates with this network

MNEs Pilot Exercise

Italy has undertaken the exercise since the start, and is going to act as Lead Country for 3 cases and as partner country for 21 cases

For further contacts

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Thanks for your attention