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Eighteenth session

Geneva, 9-12 April 2019

Report

Note by the Secretariat

Summary

The Meeting of Group of Experts on National Accounts, eighteenth session, 9-12 April 2019 was 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).

The present document is the report of that Group of Experts and is provided to inform the Conference of European Statisticians of the organization and outcomes of the meeting.

I. Introduction

1. The Meeting of the Group of Experts on National Accounts was held in Geneva on 9-12 April 2019. The Special Session for Eastern Europe, Caucasus and Central Asia (EECCA) and South-East Europe (SEE) was organized on 9 April in collaboration with the European Free Trade Association (EFTA), Eurostat and United Nations Statistics Division (UNSD). The meeting of the Group of Experts on National Accounts devoted to Measuring Global Production, held on 10-12 April 2019, was jointly organized with Eurostat and the Organization for Economic Co-operation and Development (OECD). The meeting was attended by representatives from Albania, Armenia, Australia, Austria, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Canada, Czech Republic, Denmark, Finland, Georgia, Germany, Hungary, India, Indonesia, Ireland, Israel, Italy, Japan, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Luxembourg, Mexico, Mongolia, Montenegro, Netherlands, Norway, Poland, Republic of Korea, Republic of Moldova, Russian Federation, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Tajikistan, The Republic of North Macedonia, Turkey, Ukraine, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay, Uzbekistan.
2. The meeting was also attended by representatives from the Bank for International Settlements (BIS), European Central Bank (ECB), European Commission, Eurostat, EFTA, International Labour Organization (ILO), International Monetary Fund (IMF), Interstate Statistical Committee of the Commonwealth of Independent States (CIS-STAT), OECD, United Nations Conference on Trade and Development (UNCTAD), UNSD and World Trade Organization (WTO).
3. The provisional agenda was adopted.
4. Mr. Sanjiv Mahajan from the Office for National Statistics, United Kingdom (ONS UK), chaired the Special Session for EECCA, SEE and other interested countries.
5. Mr. James Tebrake from Statistics Canada was the Chair of the Joint Group of Experts on National Accounts.

II. Organization of the meeting

6. The following substantive topics were discussed based on presentations and invited papers:

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

- Guide to Measuring Global Production - main recommendations
- Institutional cooperation for compilation of statistics on global production
- Data issues

B. Joint Group of Experts on National Accounts

- Seminar on large cases units
- Data sharing to better measure multinational enterprise groups' activities
- Accounting for global production within a national context
- Current research related to digitalization
- Future work and adoption of the report

III. Summary of the main conclusions reached at the meeting

7. The main conclusions and recommendations for future work are given below. All documents for the meeting are available at: <http://www.unece.org/index.php?id=50361>

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

8. The Special Session was organized jointly by UNECE, Eurostat, EFTA and UNSD and chaired by Sanjiv Mahajan, ONS UK. It discussed the main recommendations from the Guide to Measuring Global Production, challenges related to institutional cooperation for compilation of statistics on global production and data issues. The discussion was based on contributions by Central Bank of Armenia and Statistical Committee of Armenia, Turkish Statistical Institute, Statistics Poland, Statistical Office of Serbia, Deutsche Bundesbank, Central Bank of Uruguay, Central Bank of Tajikistan, State Statistical Committee of Azerbaijan, UK ONS, Eurostat and UNECE.

9. The participants did not identify emerging conceptual issues to be added to the research agenda of the Global Production Guide and the System of National Accounts, 2008 (2008 SNA) but recognised there are tensions between the change in economic ownership and residence criteria.

10. Most presentations focused on measurement challenges associated with global production arrangements, especially goods sent abroad for processing, merchanting, factoryless goods production, special purpose entities, etc. The full statistical production chain starting from the statistical unit, the business register and business surveys through to the compilation of national accounts and balance of payments is affected by globalization and therefore a coordinated approach is needed. The presentations highlighted different challenges in different countries with different products involved.

11. A high quality and regularly updated statistical business register is required for the production of consistent and coherent economic statistics. Cooperation with statistical business registers can help ensuring that the relevant statistical units are established in the register and improve sector and activity classification of the units and data consolidation. Profiling of complex enterprises and (multinational) enterprise groups is needed to obtain a clear picture of the structure, ownership and activities of businesses but also requires careful preparation and skills. The importance of collaboration both at national and international level was emphasized by the participants. The presentations demonstrated that at national level the cooperation and data exchange between national statistical offices (NSOs) and central banks is central to produce good quality macroeconomic statistics. Links with customs and tax authorities, ministries of finance and other organizations that hold useful data should also be established. On an international basis, the significance of international cooperation with partner NSOs was also stressed.

12. The role of statistical laws to facilitate the statistical production process should not be under-estimated. They provide the basis for national and international cooperation between statistical compilers. The Generic Law on Official Statistics for Eastern Europe, Caucasus and Central Asia (UNECE 2016) provides guidance on establishing national statistical legislation in accordance with the principles of official statistics. Data exchange in the European Union (EU) member countries is supported by the existing EU statistical legislation. Countries outside the EU could benefit from the provisions in the EU legislation and use them as basis for developing specific memorandums of understanding with partner countries or partner institutions within the country.

13. The participants stressed the importance of the exchange of experience between statistical compilers and asked UNECE and partner organizations to continue providing a forum where balance of payments, financial and national accounts statisticians could discuss issues of common interest. Possible topics that could be addressed in future sessions of the Group of Experts on National Accounts or workshops include:

- measuring and consistent recording of non-observed economy in national accounts and balance of payments
- production sharing agreements
- gambling and lottery services, including the recording of e-commerce cross border transactions
- cryptocurrencies
- IT support for the compilation of macroeconomic statistics

B. Joint Group of Experts on National Accounts

1. Seminar on large cases units

14. The Seminar was organized by the UNECE Task Force on exchange and sharing of economic data and chaired by Sanjiv Mahajan, UK ONS. The discussion was based on contributions by Statistics Canada, Statistics Denmark, Statistics Finland, Central Statistics Office (CSO) of Ireland, National Statistics Office of Italy (ISTAT), National Statistics Institute (STATEC) of Luxembourg, Statistics Netherlands, Statistics Poland, ONS UK and Eurostat and covered the following topics:

- Large cases unit (LCU) in the organisation of a NSO – What is going well? What should be improved?
- Study visits to more developed LCUs – Reflections from the organiser and participants
- Supporting LCU work in the EU
- Specific topics related to LCU work: Profiling and UN Global Platform for Official Statistics;
- Benefits of the LCU work, communication with the multinational enterprise (MNE) Groups and global LCU network

15. Any country with significant presence of MNEs Groups should consider establishing an LCU unit or assigning experts to deal with MNE Groups data. The session revealed that countries have already gone a long way with their LCUs and MNE data consistency work. The presentations showed many tangible benefits from this work, such as improved quality, consistency and coherency of economic statistics. It not only helped to improve the quality and efficiency of statistical work, it also could be beneficial for MNEs through better communication and engagement in data provision.

16. The roles and responsibilities of the LCU can differ in terms of resources, data collection, profiling, communication, language used, and developing the MNE Groups engagement and relationship. Two other aspects are key in the introduction of LCUs: the need for cultural change, including senior management engagement and the location of the LCU.

17. In their early stages, LCUs focused on national consistency and profiling issues within the NSOs and later with other producers of official statistics, like national central banks. Studying further the experience of national banks cooperation with MNEs could be a useful LCU activity. The meeting agreed that the international aspects of LCU work need also be advanced. Businesses' global activities should be an important factor when selecting LCU populations, in addition to size and complexity.

18. Staff resources and skills are very important for the success of LCU work, and should be taken into account in the recruitment, training and retaining of staff. Knowledge of accounting and skills to investigate business activities, combine and reconcile information from various sources were considered central.

19. The role and significant benefits of MNE Groups visits and face-to-face meetings was emphasised including using language that will be understood by businesses. Communication with MNE Groups is essential to ensure high quality economic statistics. The larger and more

complex MNE Groups, the more important they are as data providers, and may receive hundreds of survey questionnaires. The LCUs have an important task to leverage such burden of businesses by taking special measures with largest respondents such as bespoke questionnaires, receiving readily available usable data and a single contact point.

20. Developing legislation to support the independence, trust and confidence in official statistics and the impartiality of the official statistics producers is essential in further work. Special attention should be paid to the IT development and technological solutions for ensuring secured data transmission and data confidentiality.

21. The participants emphasized the importance of cooperation between NSOs and between LCU units or other experts of MNE Groups data. Many NSOs are tackling inconsistencies in the data of the same MNE Groups and the bilateral country meetings have brought clear advantages and improved quality and consistency of statistics in the involved countries. International profiling is recommended to allow proper data reconciliation.

22. International cooperation can start with bilateral work with important trade partner countries, and regional work, for instance in the EU. Further, there is a need of a platform and infrastructure to discuss data sharing and reconciliation globally.

23. A network of experts of MNE Groups data, including from LCUs, will be needed to link current national and international work streams and improve the quality of data on MNE Groups across countries. This forum/platform should be developed in stages by the international organisations supported by the national statistical offices and central banks. The stages could be formulated as international information sharing, data sharing, data exchange and finally data reconciliation. Nationally and internationally, existing laws need to be reviewed or new ones to be put in place to support such networks including utilising tools such as memorandum of understanding.

24. The participants asked the Conference of European Statisticians (CES) to consider ways to facilitate such a network. International organisations should also raise MNE Group data consistency to the agenda of respective meetings and enable the international engagement of MNE Groups experts.

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

25. The session was organized by the UNECE Task Force on exchange and sharing of economic data and chaired by Timo Koskimäki, Statistics Finland. The discussion was based on contributions from Statistics Finland, Eurostat, OECD and UNECE.

26. The session consisted of two parts: First, informing the meeting of the main recommendations of the UNECE Task Force on exchange and sharing of economic data. Second, collecting feedback and sharing the experience of countries and international organisations in this area.

27. The participants strongly supported the vision and recommendations of the Task Force and provided valuable input for finalising the guidance. The participants asked the Task Force to recommend concrete actions leading towards the vision. Such actions could be identified by introducing pilot exercises and bringing them to the attention of the CES.

28. The discussions confirmed the Task Force's finding that data exchange for statistical purposes is already happening, both supported by legislation or by individual agreements. So far, data sharing has mostly been done bilaterally or regionally, e.g. within the EU. A standardized global approach is still to be developed. The absence of a common legal background allowing data sharing for statistical purposes is one of the obstacles delaying the process. One way to address the legal obstacles associated with data sharing is to help countries draft legislation that facilitates data sharing. In 2018, UNECE Task Force developed Common Elements of Statistical Legislation as a guidance for all statistical offices. In addition, there are some promising examples, outside the EU, showing that benefits may be achieved even by exchanging non-confidential information.

29. The Task Force will circulate the table on obstacles and enablers of data sharing to all meeting participants for comments. Countries will also be invited to provide information on national resources and tools for data sharing. It would be especially useful to add success

stories showing the benefits of data sharing. The full draft guidance will be sent for global consultation in early 2020. The Task Force encouraged all participants to carefully review the draft guidance during the consultation, involving colleagues in national banks, business and other economic statistics.

3. Accounting for global production

30. This session was organized by Statistics Canada, Eurostat and UNECE and chaired by James Tebrake, Statistics Canada. It included contributions from BIS, CSO of Hungary, Statistics Canada, Australian Bureau of Statistics (ABS), National Institute of Statistics and Geography (INEGI) of Mexico and United States Bureau of Economic Analysis (US BEA).

31. The contributions shared recent experience in accounting for global production arrangements. The presentations touched a range of topics related to the use of non-traditional data sources in measuring derivatives, through recent work on extended supply and use tables, to the impact of international flows in IIP on productivity.

32. A number of key themes and observations emerged from the discussion. First, it was noted that a lot of the recent work in accounting for global production arrangements requires the use of non-traditional data sources. Often these data sources are not standardized and have varying degrees of quality. Statistical organizations will need to work with these new data providers, develop strategic partnerships and help them improve the consistency of their information in order to increase the usefulness of their data.

33. Second, the participants recognized that much of the work regarding global production arrangements needs to be done at the firm level. A key element in accounting for global production is identifying the firm level relationships. If data are aggregated too early in the statistical process these relationships are lost and the full value of the data cannot be leveraged.

34. Third, several countries emphasized the importance of linking discrete data together in order to better account for global production. This is often the most efficient way to 'collect' the data, it reduces the overall response burden on the enterprises and can result in more timely and higher quality information.

35. Finally, the growing role of intangible capital and MNEs in the global economy was acknowledged. There is a need of further conceptual work in the area of accounting for the ownership and location of intellectual property and the impact that the associated flows (or lack of flows) have on key macroeconomic measures such as gross national income (GNI) and productivity. The participants agreed that additional research of the relation between the residency and ownership criteria should be carried out and indicated their support of the forthcoming Task Force on SNA research agenda, established by the Intersecretariat Working Group on National Accounts (ISWGNA). UNCTAD is also working on developing related methods for the SDG indicator framework jointly with statistical offices, tax authorities and central banks. Part of this work looks at financial cross-border flows related to business activities and intangible assets.

36. A panel discussion chaired by Michael Connolly, CSO of Ireland and including representatives from Statistics Canada, INEGI Mexico, Statistics Netherlands, IMF and, Eurostat reflected on the experience with implementation of the Guide on Measuring Global Production and potential future updates. The panel noted that the Guide plays an important role in clarifying the concepts and helping countries to properly capture global production in national accounts and balance of payments. The majority of UNECE member countries are using the Guide in their work and consider it a key reference in the production of economic and business statistics.

37. The panel noted that the concepts, methods and recommendations outlined in the Guide are generally relevant. Nevertheless, there are several challenges associated with its implementation. In real life the arrangements are much more complex, and identification is very difficult. The challenges centre around obtaining data from global producers according to national account concepts. The data are often not available, impose significant response burden or change from one period to another.

38. The panel and participants also noted significant communication challenges. Work needs to be done both to better translate our data needs to respondents and the presentation of national accounts data to various user groups. Statisticians need to engage more closely with MNEs to capture their activities, but also to respond to users' needs to understand globalisation and MNEs' activities. Many encouraging examples of progress in this regard were shared, such as the work on foreign affiliates trade statistics (FATS), foreign-owned businesses and trade by enterprise characteristics. Another aspect that was recognized are the challenges to communicate the new concepts around global production to the users. There is a need to develop user-friendly presentations and tailored presentations that address different aspects and groups of the user community.

39. The Group of Experts agreed that complementary guidance is needed but not full update of the Guide. Participants suggested that UNECE, supported by the Steering Group on National Accounts, creates a repository of country practices, case studies, presentations and terminologies used in data collection and make this readily available to member countries. Initially this repository could be based on various reports on the implementation of the Guide presented to the Groups of Experts on National Accounts and other international meetings as well as links to related research work. Countries will be asked to complement the information with any relevant documentation they have readily available.

40. Concerning conceptual guidance, the two outstanding issues that need to be addressed are the ownership of IPPs, including the respective decision tree and development of guidance on volume estimates. The ISWGNA and the Advisory Expert Group on National Accounts (AEG) have established a Task Force on the SNA research agenda, consisting of three sub-groups, which will develop guidance notes in the areas of globalization, digitalization and sustainability and wellbeing. As part of its work the sub-group on globalization will prepare conceptual guidance on MNEs and economic ownership. The participants agreed on the need to follow up on this work before updating the Guide.

4. Current research related to digitalization

41. The session was organized and chaired by US BEA and OECD and included contributions from US BEA, INEGI Mexico, Statistics Canada, ABS, National Statistics Office of Georgia, IMF and OECD.

42. The participants recognized that digitalization has led to a further globalization of economic transactions and the rise of global consumers alongside a further increase in global production arrangements. The production and delivery of more and more services has fewer physical constraints, while activities of digital intermediary platforms, for example, for ride-hailing services and accommodations, have led to an increasing amount of international transactions for the payment of intermediation fees. Furthermore, the share of cross-border e-commerce has increased significantly.

43. It was also acknowledged that increasing digitalization has raised questions about the suitability of the current conceptual framework and measurement approaches, notably as a lot of information on the digital transformation is largely hidden in the core economic accounts. It was confirmed that there is a need to provide more insights in digitalization within the current macroeconomic statistics to address these questions. Furthermore, digitalization is forcing compilers of economic statistics to tackle questions about new and evolving phenomena, such as cloud computing, the recording of data, so-called "free" services paid for through advertising, data, or other marketing arrangements, as well as the recording of crypto-currencies given their growing importance for some national economies. These are complex issues that may challenge the current boundaries of the SNA and that may have wide-ranging impacts on the system, the results, as well as on data requirements. Work of the OECD informal Advisory Group on Measuring GDP in a Digitalized Economy and work on the OECD Handbook on Digital Trade were welcomed as providing important guidance for moving the digitalization agenda forward. Countries are invited to engage in and provide input to ongoing discussions.

44. Participants underscored that digitalization remains a prominent item on the SNA Research Agenda. It was emphasized that the ISWGNA Task Force on the SNA Research Agenda and the AEG are soon starting research to address specific issues on digitization and

are to prepare guidance notes for wider distribution. Participants welcomed these guidance notes that over time will address many of the conceptual and practical challenges currently put forward due to the rise of the digital economy.

5. Future work and adoption of the report

45. The next meeting of the Group of Experts on National Accounts will be organized jointly by Eurostat, OECD and UNECE in April 2020. In line with the SNA research agenda priorities the following topics were proposed for the 2020 meeting:

- Globalization (to be organized by CSO of Ireland, IMF (tbc) and UNECE)
- Digitalization (to be organized by US BEA and Eurostat)
- Well-being and sustainability (to be organized by Statistic Canada, OECD and UNECE)

46. A further meeting of the Group of Experts on National Accounts devoted to measuring global production will be organized in 2021.

47. The participants asked the UNECE Secretariat to inform the CES Bureau on the outcome of the meeting and to follow up on the recommended further work.

48. This report was adopted at the Meeting of the Group of Experts on National Accounts held in Geneva from 9-12 April 2019.
