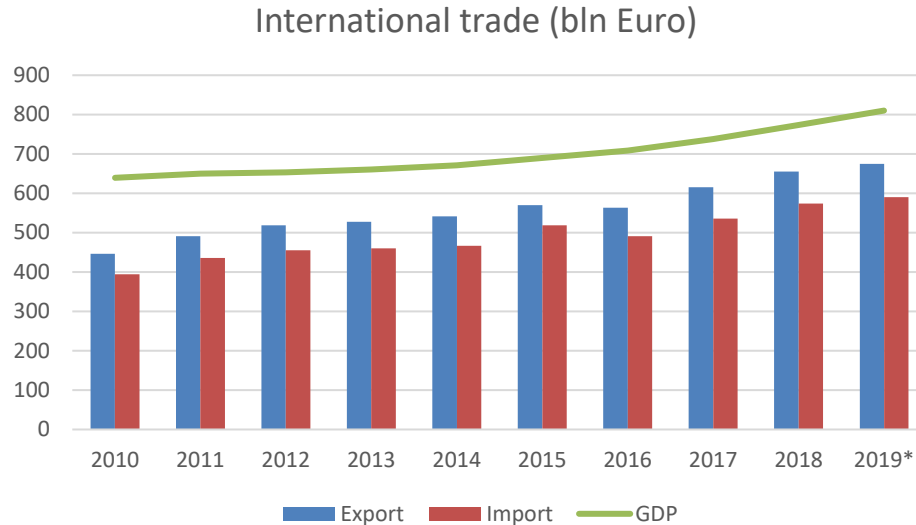


Group of Experts on National Accounts, May 2021

## **Recording the Impact of Multinationals on National Accounts in the Netherlands**

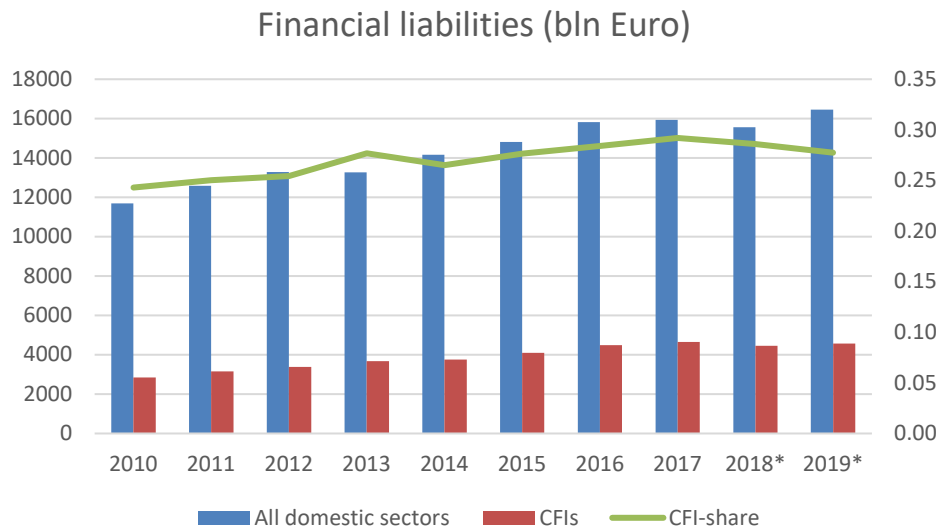
Ronald Nelisse

# Multinationals in the Netherlands



High trade flows relative to GDP as well as high trade balance (10% of GDP in 2019)

# Multinationals in the Netherlands



Large SPE-activity, around 25% of total liabilities despite sizable financial system as well as sizable positions of SPE-type entities in the non-financial corporations sector

# Multinationals in the Netherlands

Increased international awareness of role of multinationals in the economy, e.g. due to the level shift in GDP and GNI in Ireland

Increased local awareness in the Netherlands due to Dutch National Accounts revision, benchmark 2015

Raised the need to better understand the impact of multinationals in the Dutch economy



# Outline of presentation

1. Results of study on the impact of corporate inversions and trade in intellectual property by multinationals in the Netherlands financed by Dutch Ministry of Finance and Ministry of Social Affairs
2. Progress and first results of a new feasibility study to compile data of multinationals within the non-financial corporations sector (partly financed by a GNI-grant from Eurostat)



# Corporate inversions

Corporations can change their country of residence; often this is a fairly straightforward procedure.

Expected impact on GDP to be small as usually few new productive activities are started. Expected impact on GNI potentially large in the case of listed entities due to the way reinvested earnings are estimated (and to be recorded according to the SNA/ESA/BPM).

This impact illustrates the relevance of discussions for the new SNA and BPM to redefine reinvested earnings to include portfolio investment



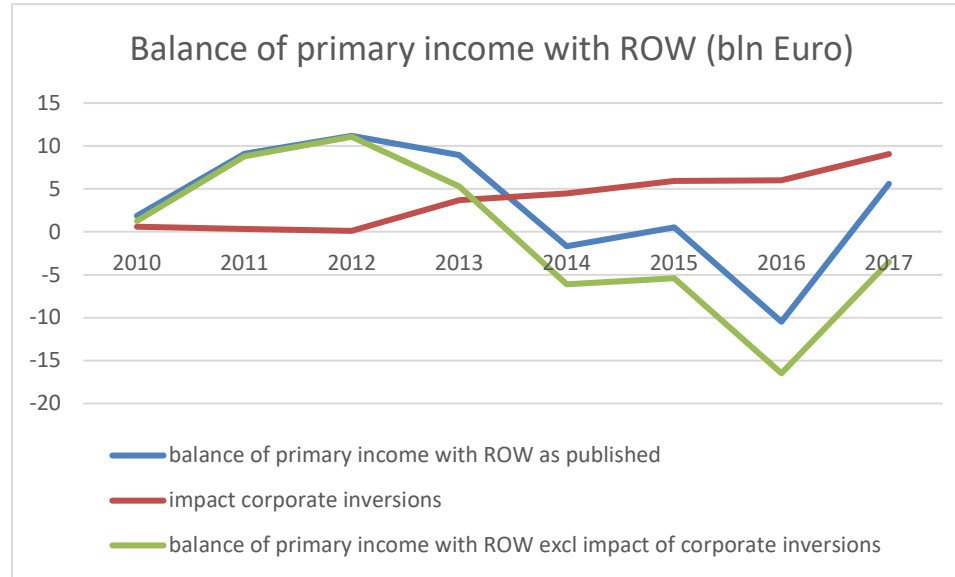
# Corporate inversions

To establish which Dutch listed corporations are created by a corporate inversion, all Dutch listed corporations are analysed for the following two characteristics:

- The corporation is by origin foreign. It originated abroad and the initial growth stage took place abroad.
- Considering the size of the whole multinational corporation, the Dutch activities are relatively limited (although they can be considerable in absolute terms).



# Corporate inversions





# Trade in intellectual property

- Multinationals can (and do) shift IP between countries, for example because of difference in fiscal treatment.
- The royalties and licensing fees connected with IP have impact on output and intermediate consumption and therefore influence GDP. In addition consumption of fixed capital has impact on GNI.

# Trade in intellectual property

We don't have complete data on imports and exports of IP

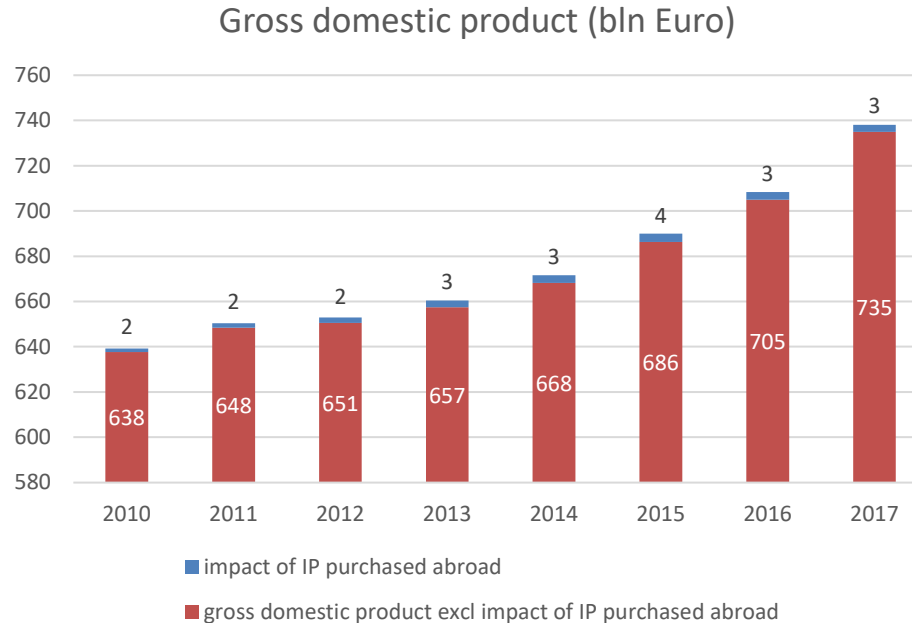
Study focussed on enterprises that produce R&L services

Complicating factor: What part of turnover from R&L services belongs to imported IP and what part to produced IP?

The excess turnover from R&L services of an enterprise is determined by looking at the number of employees that are working for that enterprise in the Netherlands.



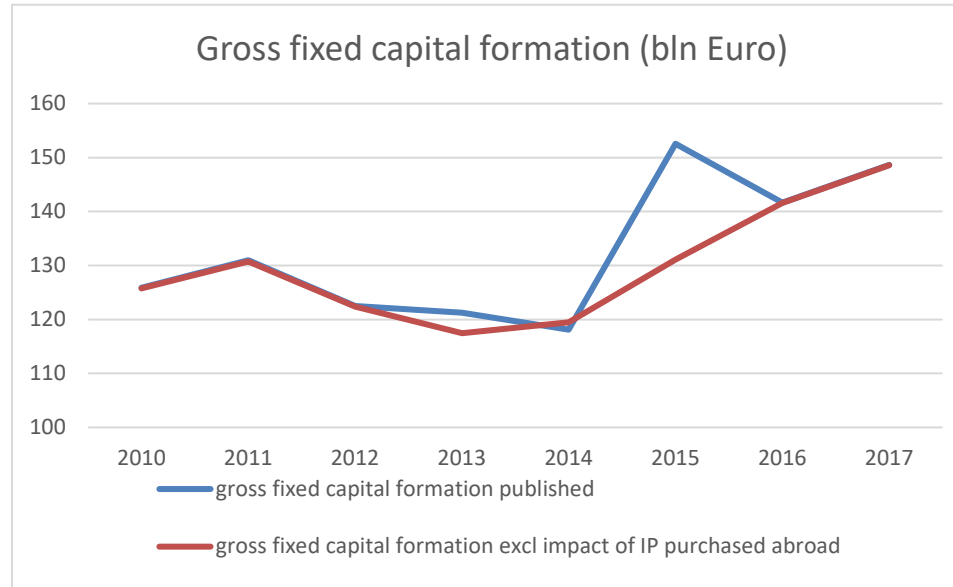
# Trade in intellectual property



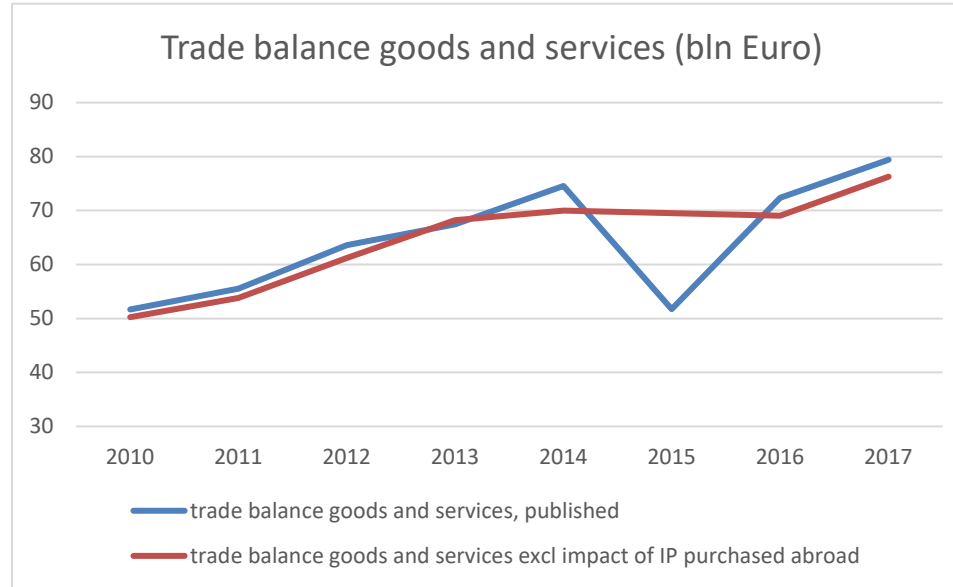
For approximately 30 enterprises effect of purchased IP was determined.



# Trade in intellectual property



# Trade in intellectual property



# Conclusion corporate inversions, trade in IP

Corporate inversions and trade in IP have a significant influence on macro-economic data in the Netherlands, but this influence is relatively limited with regard to GDP and GNI.

The influence of corporate inversions has increased over recent years resulting in an impact on GNI of 1,2% in 2017.

The influence of the relocation of IP to the Netherlands has been fairly stable over the years from the perspective of GDP and GNI. In 2017 the influence on GDP was 0,4% and on GNI 0,2%.

# A new study: Multinationals in the NFC sector

Previous study was a partial analysis and triggered the need for more thorough analysis of multinationals in the NFC sector.

The new analysis should be able to answer some key National Accounts questions, including the impact of multinationals on income and saving.

Splitting the NFC sector into subsectors is a way to do this and aligns with international statistical developments and user demands.



# A new study: Multinationals in the NFC sector

SNA 2008 proposes the use of subsectors

1. Public non-financial corporations
2. National private non-financial corporations
3. Foreign controlled non-financial corporations (which can be seen as foreign multinationals).

Instead of 1 and 2 we opted for a split into

- Dutch multinationals,
- Large corporations
- Small and medium sized corporations





# A new study: Multinationals in the NFC sector

Aligning micro data and macro data in the National Accounts can be done in different ways.

- We opted for a ‘full micro data approach’
- By using all data sources used in NA such as Structural Business Statistics, investment statistics, labour statistics in addition to Sector Accounts data.
- We estimated the allocation of balancing adjustment to individual enterprises or enterprise groups.
- All enterprise groups were subsequently categorized into subsectors



# A new study: Multinationals in the NFC sector

Results are not yet finalised but expected to be published within next few months, data for time period 2015-2017

Some preliminary findings:

- 50% of value added of NFC's originates from MNE's (20% Dutch MNE's, 30% foreign MNE's).
- Foreign MNE's are the most profitable corporations (profit ratio 43% Dutch MNE's, 50% foreign MNE's, 36% SME's)
- Both Dutch multinationals as well as SME's are net savers



# A new study: Multinationals in the NFC sector

Results also indicate that Dutch GNI might be overestimated due to differences between NA-data and reinvested earnings data from corporate statements

Currently we are further investigating this impact, also in relation to GNI reservations

# A new study: Multinationals in the NFC sector

Some causes that explain the GNI impact:

- Differences in data sources and data compilation for the SUTs and SA
- Incomplete coverage of entities in different data sources
- Capitalisation R&D and software and other methodological adjustments in SUTs
- .. but compensated by higher consumption of fixed capital
- Impact of (balancing) adjustments in SUTs and SA



# Concluding remarks

1. Subsectoring NFC's proves feasible in current and capital account of the Netherlands on an annual basis
2. However, not all transactions are equally well covered with micro data, for example income transfers
3. Continuing work is needed to improve registers of foreign controlled corporations
4. Thorough subsectoring estimates offer new insights in the developments within the NFC sector ....
5. .... but also may prove to be a significant quality enhancement for macro economic aggregates.



# Questions

Thank you for your attention. Any questions?

