



Detecting and analyzing MNE restructuring

CMFB workshop on globalisation, 4-5 July 2018, Vienna.

Background

- Restructuring of large Multi-National Enterprise Groups (changes in legal and accounting framework) in reaction to business, regulatory, taxation and other triggers
- Effects on business statistics, National Accounts, Balance of Payment Statistics (production, turnover, usually not employment) were visible;
- The statistical treatment of these restructuring cases needs to be better monitored and coordinated with the countries concerned;
- Discussions on the setting-up of an Early-warning System (EWS) took place at the ESS Seminar, the BSDG and the DMES; and also in the ESF and the STC during the course of 2017;
- The ESSC of 02/2018 underlined to keep the EWS as light system (based on learning-by-doing); the ESSC underlined the importance of enhancing the cooperation in this regard with the ESCB, especially at the national level.

The set-up of the EWS

The EWS should:

- Focus on major globalization cases;
- Be a light system;
- Be based on voluntary cooperation (triggered by restructuring events as described in the document);
- Be implemented through the network of national correspondents;
- Use a secure email system for the exchange of information and secure storage for the information (secure CIRCABC).

Note: EWS is in principle separate from the "GNI pilot exercise" (which concentrates on MNEs' established business models, rather than restructuring events)

What restructuring events are subject to the EWS?

- More than one country affected (EU Member states, but possibly also outside);
- Sizable effects on national and on European statistics
 - Single threshold not appropriate for all countries (size differences);
 - "Sizeable" judged against published data (special attention to NA, PEEIs) and their granularity;
 - Compare with normal revisions;
- If only one country is affected: the EWS should be consulted in case of doubts.

Refined criteria for triggering EWS cases

- The current focus is on changes within an MNE group:
"Restructuring of MNEs means that an MNE group changes the group structure or distribution of its business model across countries (e.g. creation of new branches or other entities, the transfer of assets across borders, changes of global production arrangements such as contract manufacturing)";
- Restructuring cases involving more than one MNE group (mergers and acquisitions) could also be candidates for the EWS;
- The statistical treatment of such cases should be agreed between countries concerned;
- The EWS correspondents may also trigger the EWS for cases that do not immediately concern their own national statistical output;
- Judge restructuring effects that occur over a longer time in total – not separately for each restructuring step.

National sources for identifying restructuring events

- Contacts with enterprises (e.g. through Large Cases Unit)
- Official sources (ministries etc.)
- National media and specialised news sources
- [Ex-post] Observed changes in reported or administrative data

Which information should be exchanged in the EWS?

The following information should be exchanged:

- Most important: Detailed facts of event (possibly in anonymized form but without micro data);
- Statistical domains/indicators affected; NACE
- Estimated effects on the data;
- Other countries affected; timing of the restructuring;
- Sensitivity & contacts made;
- Proposal for statistical treatment;
- Plans for publication and communication;

But not all information has to be available at the first notification!

What information will be made public?

- An explanatory note will be released on the Eurostat website for each case (not identical with the detailed methodological document which is stored in the secure CIRCA):
 - Anonymized;
 - At the time of the publication/revision of the data (e.g. linked to news release);
 - Coordinated between concerned countries;
 - Link to national data releases;
 - Example for a note released:

<http://ec.europa.eu/eurostat/documents/1916593/1917176/Explanatory+note+retail+trade+news+release+May+2017.pdf/d51e4ca1-2303-43ad-8a67-d67fe32aabdb>



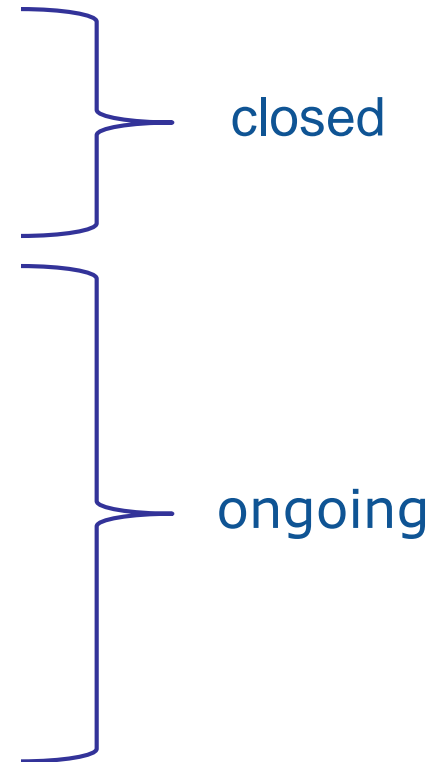
European
Commission

Where to find the explanatory note on the Eurostat website

The screenshot shows the Eurostat website interface. At the top, there is a navigation bar with links for 'News', 'Data', 'Publications', 'About Eurostat', and 'Help'. Below this, the breadcrumb trail reads 'European Commission > Eurostat > Short-term business statistics > Methodology'. The main content area is divided into three columns. The left column contains a sidebar with categories like 'Overview', 'Data', 'METHODOLOGY', 'Legislation', and 'Publications'. The middle column is titled 'Manuals, Guides, Task Force Reports' and lists several documents, including 'Guide on developing an Index of Services Production (ISP)', 'Chain Linking - Final Task Force Report', and 'Eurostat- OECD Methodological guide for developing producer price indices for services - Second edition 2014'. The right column is titled 'SEE ALSO' and features a 'Statistics Explained' guide, 'CODED (Concepts and Definitions)', 'NACE Rev. 2 - Statistical classification of economic activities in the European Community', and 'CC - Classification of types of constructions'. The bottom of the page contains a section for 'Methodological Notes' and 'Principal European Economic Indicators (PEEs)'. The Eurostat logo is visible in the bottom right corner of the page.

The EWS: overview of cases

1. Online retailer
2. Online media content seller
3. International restaurant chain
4. Low cost carrier
5. Social network
6. Oil and gas (1)
7. Oil and gas (2)
8. Consumer goods manufacturer
9. Tobacco producer



+ a few more cases are in the pipeline.

First experiences

- The Member states concerned judge the cases from different angles/have different information;
- Good co-ordination in terms of communicating the restructuring cases;
- However: difficult to adapt established statistical processes for coordinating the statistical treatment across Member states;
- Some cases raise questions on conceptual issues (e.g. location of Intellectual Property assets, leasing, treatment of branches, economic ownership);
- More experiences needed.

Additional actions and data sources for detecting MNE restructuring cases

1. Working more closely together with national Large Cases Units

Several workshops with Member states on the establishment and management of Large Case Units were held at Eurostat;

More Member states are establishing such Large Case units at national level (also supported by grants from Eurostat);

Several organisational models for national LCUs co-exist, from light network integration to more thorough integration between business and macro-economic statistics;

Main aim: to get closer to MNEs and to increase the consistency of the data output.

Additional actions and data sources for detecting MNE restructuring cases

2. Using web scraping for detecting MNE restructuring cases

Eurostat is carrying out several pilots for web scraping MNE or enterprise data – these actions are still in a pilot phase;

Also the OECD builds-up a MNE database (ADIMA) using web scraping techniques; we started to cooperate more closely with the OECD on this.

Furthermore:

1. Based on our input, the OECD experiments with algorithms for detecting MNE restructuring cases;
2. We are piloting the use of the EGR data for detecting MNE restructuring cases.

Additional actions and data sources for detecting MNE restructuring cases

3. Exploit websites dedicated to MNE restructuring cases

Some websites and services which are followed up:

- Dealogic/Dealogic analytics
- Zephyr (Bureau van Dijk's database on M&A)
- Thomas Reuters M&A database
- CAP IQ
- The European Restructuring Monitor

Further investigation and testing is needed.

The EWS: conclusions

The Early-Warning System is up running!

Valuable results in terms of methodological guidance and timely information to users on the data output;

More work/experience is needed for detecting MNE restructuring cases (use of additional data sources), in handling MNE restructuring cases (incl. synchronisation of revisions/ changes), and in connecting EWS with LCU's.

Thank you for your attention!