



European Commission

Eurostat

Directorate C: Macro-Economic Statistics

Directorate G: Business and Trade Statistics

An Early-warning System (EWS) for the correct and consistent statistical treatment of restructuring events of multinational enterprise groups and their enterprises in European statistics

Information for national correspondents

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Annexe

1. Example of an explanatory note published on the Eurostat website

1. What is the purpose of the EWS?

Economic decisions of multinational enterprise groups (MNEs) regarding their place of incorporation, ownership of their assets and economic control may result in sizeable revisions of European business statistics, National Accounts, and Balance of Payment statistics. Recording such globalisation events in a timely and consistent manner across all Member States concerned and ensuring comparable and consistent European statistics is a serious challenge and requires the close coordination between the Member States affected by such globalisation events and Eurostat.

A clearly structured, yet light procedure is necessary to ensure consistency in terms of applied methods, statistical treatment and communication of results across the ESS. The Early-Warning System (EWS) is designed to achieve this. The EWS is a learning process that has been improved with past experiences will be continuously improved with more experience.

The purpose of the EWS is:

1. to facilitate an early exchange of information on restructuring cases across Member States directly concerned with the aim of achieving, to the degree possible, an agreed methodological treatment of the cases by the national data compilers;
2. to ensure the consistency of European statistics as regards such globalisation events;
3. to ensure a coordinated timing in the publication of first results and revisions;
4. to ensure a timely, consistent and interlinked communication towards users of national and European statistics.

The system should focus on the consistent statistical treatment of single major globalisation cases.

In general, only descriptive information on the restructuring cases should be exchanged. A regular exchange of confidential data is not the purpose of the EWS.

2. What is the background of the EWS?

Major restructuring events of MNEs in 2016 and 2017 challenged the quality and consistency of European business statistics and National Accounts. As a result, Eurostat developed first ideas for an EWS which were discussed in the ESS seminar of February 2017 and at the meeting of the joint BSDG/DMES Task Force on globalisation in March 2017.

A proposal for the EWS was presented to the BSDG at its meeting on 19-20 June 2017 and the DMES at its meeting on 21-22 June 2017. Both the BSDG and the DMES supported the EWS and its timely implementation as a light process.

The ESSC in its meeting of February 2018 supported the EWS as a light developing system based on voluntary co-operation and learning by doing and fully respecting regulation 223/2009 on the exchange of confidential data. Several Member States underlined the importance of enhancing the cooperation in this regard with the European System of Central Banks especially at the national level.

The Joint BSDG/DMES TF on globalization of March 2018 also supported the EWS and agreed on the proposal for the cooperation with the European System of Central Banks and the ECB in the EWS.

In the meantime a number of cases have been discussed within the EWS and so far the chosen set-up has been adequate. The further development of the EWS will be steered by the network of national EWS correspondents as well as the joint BSDG/DMES Task Force.

3. Does the EWS have a legal base?

The EWS is a light system based on the voluntary cooperation between national data compilers and Eurostat. The EWS is not based on a legal act.

4. What events are subject to the EWS?

The EWS should be triggered in the following cases:

1. The restructuring of one or more MNEs effects not only one country, but two or more.¹ Restructuring of MNEs means that an MNE 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).
2. The restructuring has sizeable effects on national and on European statistics. Whether an effect is sizeable should be judged by comparison with published data. Special attention needs to be given to National Accounts main aggregates, the Principal European Economic Indicators (PEEIs) and similar data with a high visibility.
3. Since the countries concerned might be very different in economic size and structure, a single quantitative threshold for triggering the EWS is not appropriate. When dealing with restructuring cases, medium-sized and big countries should also consider the effects on smaller countries, in particular when they already know that such countries are affected.
4. The impact on the data published should also be considered in the light of the size of normal revisions for the statistics in question. Moreover, breaks in unadjusted, calendar adjusted and/or seasonally adjusted time series as well as revisions covering longer time intervals than usually in the unadjusted data should also trigger the system.
5. If the restructuring effects on official statistics take place over a longer time the total size of the effects should be taken into account – not just the effects on single data releases.
6. The granularity of the data published as European statistics should be taken into account (e.g. the NACE breakdown of the data published).
7. The focus of the EWS should be on the restructuring within MNEs especially since these are more difficult to detect and information on them is more difficult to obtain.

¹ In case only one EU country and a non-EU country are affected, the EU country concerned should notify Eurostat.

8. Restructuring between MNEs (e.g. mergers and acquisitions) might also be dealt with in the EWS.²
9. Triggering the EWS by an EWS correspondent is also possible for cases that come to the correspondent's attention but do not directly affect his/her own country.
10. Generally, the EWS may be consulted whenever national data compilers are in doubt regarding the correct treatment of specific restructuring cases.

5. At what moment should the EWS be triggered?

EWS correspondents should trigger the EWS as soon as they learn about the restructuring of an MNE with possible sizeable effects on national and European statistics. National data compilers should not wait until all facts about such cases are available. Eurostat may also trigger the EWS.

6. Which information should be provided in the EWS?

When triggering the EWS, national data compilers should attempt to provide the following information:

1. A detailed description of the restructuring case (the description could be drafted in an anonymised, stylized form "Company A opens a new branch in country X ...").
2. The statistical domains/indicators affected (e.g. STS, SBS, BOP, NA, ...).
3. The industries (NACE) affected (if possible for confidentiality reasons).
4. The estimated effects on the data (by statistical domain, if known).
5. Other countries which might be affected (if known).
6. Timing of the restructuring (when it took/ will take place).
7. The level of sensitivity (Is the information based on a newspaper article? Has the concerned MNE maybe agreed to share the information? ...).
8. Information on other data compilers already contacted (e.g. NCBs).
9. A methodological assessment and proposal for statistical treatment (if already known).
10. Eventual plans for communication to users.

If some information listed above is not available this should not delay triggering the EWS.

7. How will statistical confidentiality be ensured?

The application of existing statistical methods does not automatically guarantee a consistent treatment of restructuring cases by all data compilers concerned. These restructuring cases are often unique and might require different statistical treatment. Moreover, not all countries affected might have the same information about a case. Yet, to achieve consistency in

² So far no relevant M&A case has been detected but insofar M&A's may lead to further restructuring such cases might be relevant.

methodology and dissemination, often only a limited amount of descriptive information might be necessary.³

The following principles will guide the exchange of the EWS information:

1. The EWS information shared is limited to what is absolutely necessary to achieve the EWS purpose.
2. The EWS information on a specific case is only shared among Eurostat and the national EWS correspondents of the countries affected by the specific case.
3. The national data compiler who triggers the EWS also indicates the sensitivity of the case (in particular whether the concerned business has agreed to share data, whether the information is publicly available etc.).
4. Secure information channels are used for the sharing of information. The EWS related information is stored by Eurostat in a dedicated secure CIRCABC interest group "Early Warning System". The general access to this group is restricted to EWS correspondents. Moreover, access to case-specific information (in specific folders) is restricted to the NSIs that are directly concerned by the specific case.

8. Who are the contacts in NSIs and in Eurostat for the EWS?

All NSIs have nominated national correspondents for the EWS network. The EWS secretariat at Eurostat consist of:

Mr. Nicola Massarelli, Eurostat C1, National accounts methodology; Standards and indicators (nicola.massarelli@ec.europa.eu)

Mr. Zsolt Volfinger, Eurostat G3, Short-term statistics (zsolt.volfinger@ec.europa.eu)

Mr. Steinar Todsén, Eurostat C1, National accounts methodology; Standards and indicators (steinar.todsen@ec.europa.eu)

Mr. Thomas Jaegers, Eurostat G3, Short-term statistics (thomas.jaegers@ec.europa.eu)

9. Involvement of the ECB and the NCBs

The ECB is one of the major users of business statistics and National Accounts. Moreover, NCBs are also data compilers. Therefore during the early months of 2018 the following working arrangement was agreed upon:

1. National EWS correspondents (usually NSIs) involve their NCB statistics departments where external statistics of financial statistics and any underlying primary data under their responsibility are affected.
2. Likewise, NCBs inform their NSIs of relevant cases.
3. ECB and NCBs participate in case specific TFs where relevant.
4. One ECB correspondent becomes part of the EWS network of correspondents.

³ In particular, it will not be necessary to establish a regular exchange of quantitative confidential data of individual businesses.

5. Regular contacts (e.g. e-meetings) will be organized between the ECB correspondent and the Eurostat EWS secretariat.

10. How should the OECD be involved?

The involvement of the OECD may be useful in cases where countries outside the EU are involved in a globalisation event. The details of the cooperation between the ESS and the OECD still need to be further discussed.

11. What information will be made public?

Based on the outcome of the discussions of the restructuring case with the national EWS correspondents concerned, Eurostat will draft and publish an anonymised explanatory note (normally at the moment of the data release). Such a note will fully respect the confidentiality of the data providers (see the example in annex).

The notes will usually be published together with the release of the data. Moreover, Eurostat publishes the note on the EWS website:

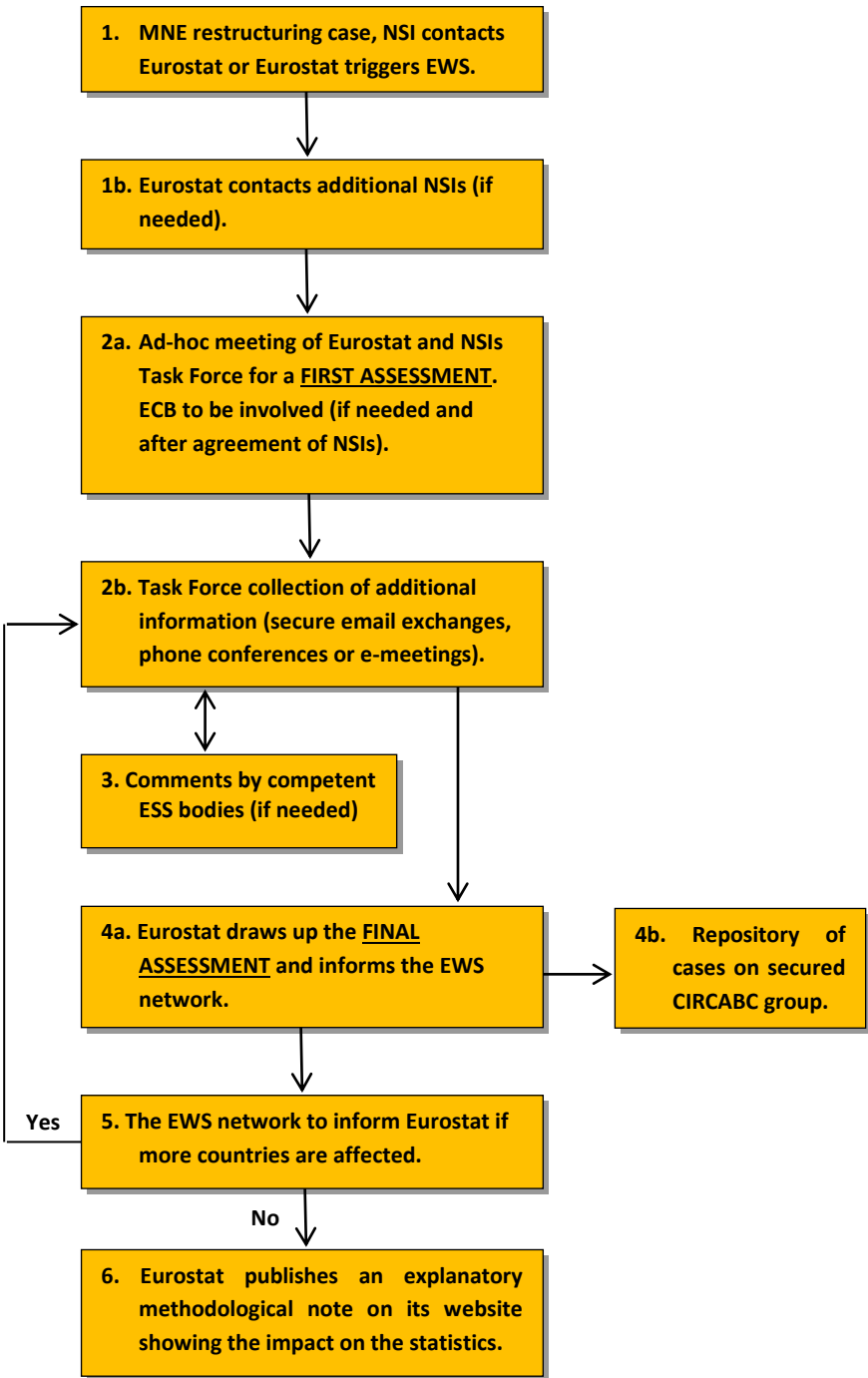
<https://ec.europa.eu/eurostat/web/economic-globalisation/early-warning-system>

12. What does the EWS process look like?

The basic steps of the EWS process are as follows:

1. A national statistical compiler informs the EWS secretariat at Eurostat of a restructuring case affecting national or European statistics.
2. The EWS secretariat, the EWS correspondents from the Member State triggering the EWS and the other Member States concerned form an ad-hoc task force to collect information and discuss the case (usually without personal meetings but online). This Task Force will express a first opinion on the case and possible ways to treat it in the national and European statistics concerned.
3. Eurostat and the national statistical compilers concerned coordinate the dissemination of the statistical results.
4. In close cooperation with the concerned data compilers, Eurostat will draw up a methodological note (containing an anonymised summary of the case and methodological treatment).
5. This methodological note is stored in the EWS CIRCABC interest group and accessible for all EWS correspondents. In this way a repository of cases is built up to guide the decisions on new cases.
6. Other EWS correspondents might express their opinion on this methodological note. They may also inform Eurostat that they are also affected by the case in question.
7. If a globalisation event has major effects on the data published, Eurostat releases a short explanatory note at the moment of the data release (together with the data and on the EWS website, see above).

Figure 1. Overview of the EWS process



13. Additional actions and data sources for detecting MNE restructuring cases

So far, the number of cases dealt with in the EWS is still relatively limited.⁴ Most often the EWS mechanism was triggered as a result of public news articles on restructuring events, only in a limited number of cases special information gathered by NSI (e.g. in the context of company visits by large case units) was responsible for initiating the EWS process. In order to further improve the EWS Eurostat is envisaging several measures:

1. In order to ensure that no important restructuring cases escape the notice of the EWS the EWS secretariat looked into the possibility to use websites and databases dedicated to MNE restructurings. One example of such tools is *The European Restructuring Monitor* (ERM, an EU-funded publicly available website listing restructurings of enterprises announced in the media, with a focus on employment effects). The ERM offers a searchable database of restructuring events based on announcements in national media sources. Moreover, a number of private companies have established databases which could be of interest for the EWS; yet the use of these databases is generally not free of charge.
2. In the future, a closer cooperation with national Large Case Units (LCUs) should be encouraged and national alert processes could be established from the LCUs to the EWS correspondents for this purpose.
3. The possible cooperation with the OECD and the respective roles and responsibilities still needs to be defined in greater detail.

⁴ Until March 2020 around 20 cases had been received or initiated by the EWS secretariat. More than half of the cases could already be closed.

Annex 1. Example of an explanatory note as published on the Eurostat website

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

Explanatory methodological note for the ESTAT news release on retail trade (4 May 2017)

Compared with the news release of 4 April 2017 the index of retail trade for Germany for May 2015 and subsequent months was revised as a result of restructuring operations in the German retail trade sector. In May 2015 a major European retailer opened a new branch in Germany. In the past the retailer had already sold merchandise in Germany but the turnover had been recorded in the country where the headquarter of the retailer is located. Starting with the reference month May 2015 Destatis, the Federal Statistical Office of Germany, included the retail turnover of the new branch in the German retail trade data.¹ This revision was undertaken in April/May 2017 and the respective data are now published for the first time by Eurostat.

Currently no reduction effect in the retail data of the country where the retailer's headquarter is located is observed. In line with the principle of subsidiarity National Statistical Institutes decide when they revise their published data in order to take into account restructuring processes in their statistical domain. Eurostat expects however that such an off-setting effect will take place in the third quarter of 2017.

The abovementioned restructuring will also impact other business statistics and National Accounts. For the latter the quantitative effects will be limited. Retail trade turnover data are an important input for the calculation of final national consumption in National Accounts. However, in the past National Accounts already made adjustments in national consumption data to take into account the merchandise delivered from the foreign retailer to German consumers.

¹ For more information see the Destatis press release:

https://www.destatis.de/EN/PressServices/Press/pr/2017/04/PE17_141_45212.html