Introductory remarks /
Statistical challenges posed by globalisation – some remarks from Basel

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Statistical challenges posed by globalisation
some remarks from Basel

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Main remarks

- Globalisation challenges
- A roadmap
- Focus 1: Nationality-based statistics
- Focus 2: Cross-border activities
- Focus 3: Granular view of financial corporations sector
- Questions
Globalisation challenges

- **Important challenges to official statistics, reinforced by**
  - Rapid digital innovation (e.g., dematerialisation of economic activities)
  - Complexity / limited transparency of multinational corporate structures
  - Increased importance of global financial centres

- **Examples of such challenges**
  - Fragmentation of global production chains across borders
  - Changing nature of foreign direct investment (FDI): increased financial role
  - Difficulties to measure / assess impact of cross-border positions and flows
  - Assessing global exposures (off- and on-balance sheet)
  - Large effect on macro indicators: cf. intragroup transfers of intangible assets (e.g., intellectual property products (IPPs)) in Ireland
  - ...
A roadmap looking forward? Lessons from recent IFC work

- **Enhancing the global statistical infrastructure**
  → eg legal entity identifier (LEI)

- **Improving the exchange of confidential statistical data**
  → eg international data sharing

- **Organising a comprehensive data collection for large corporates**
  → cf exercise conducted for global banks at the BIS

- **Enhancing the granularity of SNA aggregates**
  → eg identification of special purpose entities (SPEs), foreign-controlled corporations, non-bank financial sub-sectors

- **Complementing the residency-based framework of the SNA**
  → eg use information derived from consolidated accounting frameworks
Contributions of the session presentations

- “A Roadmap to the Concept of “Nationality” in the External Sector Statistics Revision” (Vieira & Ferreira Lemos, Banco Central do Brasil)
  - Unique opportunity provided by ongoing SNA/BPM revisions
  - Improved information on foreign controls, ultimate investors, MNEs, SPEs

- “An assessment of euro area households’ missing foreign assets” (Martin Schmitz, ECB)
  - Importance of asset / liability global discrepancies (“unrecorded assets“)
  - Useful new initiatives (global tax transparency, voluntary disclosures, “mirror” counterparty-country information in BIS banking statistics)

- “A Typology of Captive Financial Institutions and Money Lenders in Luxembourg” (Di Filippo & Pierret), Central Bank of Luxembourg
  - More granular measurement / typology of the non-bank financial sector
  - Understanding intragroup operations & role of global financial centres
Focus 1: Nationality-based statistics

- The residency-based SNA approach relies on a “triple coincidence”
  - national territory
  - decision-making unit
  - currency area

- Nationality-based statistics
  - Nationality defined as the country of residence of a firm’s controlling entity
  - Facilitates the monitoring of global, “borderless” MNEs indicators
  - Allow balance sheets to be considered on a consolidated basis
  - Independently of the location of controlled affiliates
  - Help to assess global exposures
  - BIS nationality-based statistics (consolidated or not) show how this can be done
  - Complementary information: parent relationships complex and unstable
Focus 2: Cross-border activities

- **Measurement issues**
  - **Firms**: cross-border impact of complex intra-group operations
  - **Households**: foreign holdings difficult to capture due to tax evasion / role of foreign custodians
  - Issues masking the true geography of investors’ exposures
  - Can have sizeable impact on BoP and IIP indicators

- **Developing a global view**
  - BIS statistics provide country counterparty breakdowns
  - Cross-border information linking issuers and ultimate investors
  - Use of global sources: mirror data; data sharing; global registers
Focus 3: Granular view of financial corporations sector

- **Growing importance of financial globalisation**
  - **FDI transactions**: financial purpose instead of “real investment”
  - Impact of regulatory/tax optimisation strategies on **MNEs relocation**
  - **Complex structures**: network of affiliates with little presence
  - **SPEs** treated as institutional units if they are not in the parent economy (even though they may not act independently)

- **Role of financial centres in international capital allocation**
  - Main countries involved in FDI operations today are frequently **small open economies and financial and offshore centres**
  - Trend reinforced by the **shift in global credit intermediation** from banking to offshore debt issuance (often classified as FDI)
  - Need to **better identify** SPEs, foreign firms, and control relationships
Thank you!!

Selected references

- IFC Bulletin, no 52 (2020): “Bridging measurement challenges and analytical needs of external statistics: evolution or revolution?”
- Reporting guidelines for the BIS international banking statistics (2019)

Questions?

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