Likely impact of FRIBS on the implementation of the BCS Programme
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Introduction

Since 2011 Eurostat in co-operation with Member States has been working on the Framework Regulation Integrating Business Statistics (FRIBS) that is at that moment planned to enter into force in 2017/2018. One of the most important aims of the new Regulation is to better capture the globalization process. In this Regulation, the role of the business register is underlined and the national business registers are to contain consistent information on statistical units delineated according to new definitions. The definitions and operational rules added to them as well as their implementation in different business statistics domains are currently under discussion on different fora.

Business Tendency Surveys are not covered by the FRIBS but they are closely related to it, as they concern the same population and its assessment of economic situation that is later reflected by the qualitative statistics. That is why it is important to undertake discussion on the influence of changes planned in FRIBS also at the Workshop on Business and Consumer Tendency Surveys that is gathering institutes conducting business tendency surveys in Member States.

In these discussions there are several issues that should be taken into account. As the presentation on FRIBS made by experts of Eurostat is planned at the Workshop, in this paper I do not describe the content of the Regulation and proposed solutions but I would like to raise some problems that, in my opinion, might be important for Business Tendency Surveys.

1. Statistical unit in the business tendency surveys

Business tendency surveys cover units conducting business activity. In CSO of Poland, and probably this is the case of many institutes, in BTS the legal unit is the responding and observation unit. At that moment, legal unit is regarded as equal to statistical unit enterprise and is used in quantitative surveys of official statistics, for example in short-term statistics (STS) and structural business statistics (SBS). In these surveys, every legal unit is regarded as an independent enterprise. The CSO of Poland separately conducts the survey on enterprise groups (domestic and multinational) which presents the activity of this group of units and its results.

It is assessed by Eurostat that after introduction of the new definition of enterprise, in most cases, this statistical unit will be equal to one legal unit. Remaining units are sparse but significant from the point of view of economy – number of persons employed, turnover or investments. In case of Poland, in 2012, units belonging to enterprise groups (domestic or multinational) constituted 0.5% of all non-financial legal units, but they employed 28% of persons employed and achieved 53% of turnover. That is why appropriate observation of these units, their delineation and collection of data on them, as well as their processing are crucial for the quality of national and European business statistics.

In case of enterprise group (especially a large and complex multinational enterprise group), according to the new definition, the enterprises should be delineated with the use of profiling. Profiling could be done in co-operation with the enterprise group (intensive profiling) or by the statisticians themselves (desk or automatic profiling). It means that the biggest groups are to be involved in this process and know its results, while the smaller ones might not be aware of the approach adopted by the statistics.
The first problem is sampling – if in BTS enterprises delineated according to the new definition are to be used, it might happen that in the survey there are included legal units that do not conduct – as the principal activity – the same kind of activity that is subject to the survey. In case of sampling done according to legal units (if legal units are responding units), it should be adapted to the new definition. Because of that the retail trade questionnaire might be sent to the legal unit that is conducting e.g. transport activity because this transport legal unit is delineated as a component of retail trade enterprise. In such case, this legal unit might not be able to answer the questions on e.g. stocks. Even if the replies are collected, the problem remains how to consolidate them – if necessary – to receive the opinion on the situation of the whole enterprise.

If the questionnaire is sent to a legal unit that is regarded to be the head of the delineated enterprise with request to reply on behalf of the whole enterprise as observation unit, a person (manager) must be found who knows the situation of the whole enterprise delineated by statistics. The respondent may have a problem to reply on questions, taking into account all legal units that are attributed to this enterprise, especially in case of enterprises that are delineated according to desk or automatic profiling. Besides, there is a problem of the changes that occur in the composition of groups, so the results of profiling might not be up-to-date in the moment of conducting the business tendency survey taking into account the proposed system of updating this information in the business registers and EuroGroup Register. Additionally, even if the respondent was asked – as it is now in the case of seasonal adjustment – to take into account the delineation of enterprise, the results of this self-consolidation might be unsatisfactory.

2. Weighting

One of important elements of processing business tendency survey data is weighting. In the CSO of Poland sold production calculated on the basis of data collected for the needs of SBS is used as weights. As long as in both surveys legal unit is used as an observation unit, there is no problem of weighting.

In the discussions on FRIBS some examples are given concerning future changes that might be expected after the introduction of new definitions of statistical units, mainly the enterprise, in comparison to the legal units used at that moment. There are expected shifts of units in their classification to kinds of activity according to NACE Rev. 2 and size classes, for instance from services to manufacturing industry and from smaller to bigger size classes. It is expected that introduction of newly defined statistical unit enterprise might cause breaks in SBS time series.

If the CSO of Poland decides to use as weights for BTS (conducted on the basis of legal units) data taken from SBS (calculated according to newly defined enterprises), it might happen that units are classified differently in BTS and SBS. This problem appears also in the discussions on weights based on SBS used for STS. One of possible solutions is to conduct BTS according to enterprise as SBS or to base BTS on legal units but to secure in SBS data calculated not only according to enterprise but also according to legal unit for the use of BTS. This second solution is possible if both surveys are performed by the National Statistical Institute but it might be not feasible if BTS is conducted by other institution, as NSI might decide to prepare data only according to enterprise and does not plan to prepare separate weights according to legal units for the needs of the institute.

3. Comparability of results in time

The important element of analysis of business tendency survey results is the comparability of results in time that requires some consistency of results, also because of the possibility to analyze the business cycle and to seasonally adjust the time series.
As it was already indicated during the discussions on FRIBS, there is no possibility of backcasting of data, as it is not possible to reconstruct the profiling for the previous years. In the previous paragraph, the possibility of shifts of units between different kinds of activity and size classes was mentioned. If newly defined statistical unit enterprise is implemented in BTS, it might cause breaks in time series, which might be disadvantageous from the point of view of different data users. Maybe the scale of the shift would not be significant, also because of the qualitative character of the survey, but this issue should be analyzed in case of decision to change in BTS to other unit than legal unit.

4. Comparability with results of other surveys

There is also an issue of the quantitative time series that are used in different analysis and comparisons, mainly STS and GDP. STS is to be conducted according to Kind of Activity Unit (KAU) that is also used by national accounts and at this stage of work Eurostat does not expect significant breaks of time series, as KAU is supposed to be close to legal unit (KAU might be equal to legal unit, it might be part of legal unit or consist of several legal units). Nevertheless, if in BTS enterprise or legal unit is used, the possibility of some discrepancies should be taken into account.

5. Access to business registers

An additional issue is the access to business register containing newly defined enterprises for institutes that conduct business tendency surveys. The business register is to be the backbone of the business surveys conducted by National Statistical Institutes and it will contain – among others – legal units with delineated enterprises for the needs of statistical surveys. It will also maintain links to the EuroGroup Register that is to provide consistent information on multinational enterprises.

The business tendency surveys are special, as they are conducted not only by NSIs but also by other bodies that do not have access to the business registers. If it is decided that BTS uses newly defined enterprise as a responding unit or observation unit, it will strongly limit the possibilities of consistent implementation, as for private institutes access to this kind of units will be limited.

Summary

DG ECFIN undertakes many initiatives aimed at increasing consistency of BTS. Units used in the surveys as observation and responding units are an important element of the survey and could not be omitted in these works. As the changes connected with FRIBS might have influence on the results of BTS, especially on their quality and comparability between countries, the initiative of DG ECFIN to undertake this discussion at the Workshop is very important.

The qualitative character of BTS might cause that the influence of FRIBS implementation is less significant or even negligible, but DG ECFIN as well as national institutes should be aware of probable changes in BTS and their statistical environment as well as of their consequences.

At that moment, in the CSO of Poland it seems that the best solution would be to conduct BTS based on legal unit as an observation and responding unit, but the final decision will depend among others on the results of the discussion at the Workshop, whether the new definitions prepared in FRIBS should be implemented also in BTS, taking into account links of this surveys to STS and national accounts.