Measuring Trade in Value-Added and Income using Firm-Level data

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The Fragmentation of Global Production and Trade in Value-Added: Developing New Measures of Cross Border Trade
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What is the OECD doing?

- Miroudot and Yamano presentation
  - Develops macro (sector) based estimates of TVA across approximately 50 countries.
  - Using inter-linked set of IO tables.
  - Where trade links are based on varying assumptions.
What is the OECD doing?

• Improving the quality of IO trade data forms a central part of the overall strategy:

• Two key strands:
  – Creation of BTDIxE using BEC data linked to HS linked to ISIC Rev 3.
  – And exploring feasibility of using firm-level data.
Capitalising on firm-level data

• Well known that biases may be introduced in TVA estimates through aggregation, as evidence suggests that exporting firms use different %ions of imports than firms supplying the ‘same’ products to domestic markets.

• Partly reflects growth in MNE global production networks and processing growth.
Capitalising on firm-level data

• For TVA therefore, there is a need for IO tables that decompose activities beyond the conventional industry aggregates to also focus on import-export characteristics.

• Encouraging NSOs to construct tables on this basis is the ‘hypothetical’ best long-term solution
  – But NSOs are unlikely to invest resources in this........ at least in the here and now.
The OECD-Eurostat TEC database

- As such, alternative approaches/channels need to be investigated.
- TEC database links enterprises in trade registers with business registers.
- Information on traders in (so far):
  - USA 2003, 2005 (exports)
The OECD-Eurostat TEC database

- Data aggregated by countries as follows
  1. Trade by size class
  2. Trade by top enterprises
  3. Trade by partner zones and countries
  4. Trade by number of partner countries
  5. Trade by commodities (Central Product Classification)
But the plan is to explore feasibility of breaking down IO industries into sub-categories:

- Export intensive firms:
- Import intensive firms:
- Export-Import intensive firms
- Foreign-domestic owned.

This will improve allocation of total imports across IO rows and create stronger links between imports used in exports and imports used in domestic demand.
Looking at Income

• Growth in global production processes has also resulted in increasing complexity in where VA is recorded.

• Bottom-line: Recorded VA may be far from its final destination as some of the operating surplus gets repatriated.

• Splitting VA by ownership partially helps but what also matters is how much would get repatriated if ownership structures changed: i.e., what’s the stickability of VA.

• This requires capitalisation, and IC flows of many other IPPs, currently recorded as PI flows.
But much needs to be done

- Linking wholesalers to products.
- Increasing country coverage
- Improving imports/exports of services

- Case study (proof of concept) being investigated with Turkish researchers.