Globalization in the UK National Accounts: Pharmaceuticals

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Context and Motivation

Globalisation challenges conventional national accounting methods

Multi-national enterprises need special attention. Ability to cover large portions of industries/economy with relatively few MNEs

Focus on pharmaceuticals because of:

- Prevalence of contract manufacturing and global production arrangements
- High concentration of large businesses
- Strong existing relationships with MNEs
- Large contributor to the economy (10.5% of UK manufacturing in 2023)

Methodology

- Build Awareness and understanding of operating Model

- Assemble primary data sources in a business level Supply & Use framework

- Identify inconsistencies

- Supplement with secondary sources (e.g. company accounts)

- Put queries to the business

- Assemble a new and coherent Supply & Use framework using all available data

- Model historic data

- Make adjustments to relevant National Accounts concepts, covering the entire time series

- Work with LCU to ensure improvements are sustainable - improved survey returns and supplementary information

Challenges

Admin data limitations. Customs data ≠ economic ownership

Admin data is extremely granular. Expectation is that we produce results at the same level of granularity

MNE models do not always fit guidance

Historic data will always be challenging. Need for assumptions and modelling earlier in the time series

Communicating with users is difficult. The impacts are important but understanding the causes e.g. global production arrangements is hard. Further constrained by the need for confidentiality

Engagement with MNEs

Large Case Unit enables deep engagement with key enterprises

Building trust and reducing survey burden gives scope for more clarifying questions. Both sides benefit

Clarifications on complex arrangements essential

- IP Flows
- Manufacturing Models
- Corporate/Group Services

Engagement varies by business

Impacts

Impacts

Three primary strands:

- Impacts on trade in goods from improved measurement of global production arrangements

- Impacts on trade in services from improved understanding of global intellectual property and research & development flows

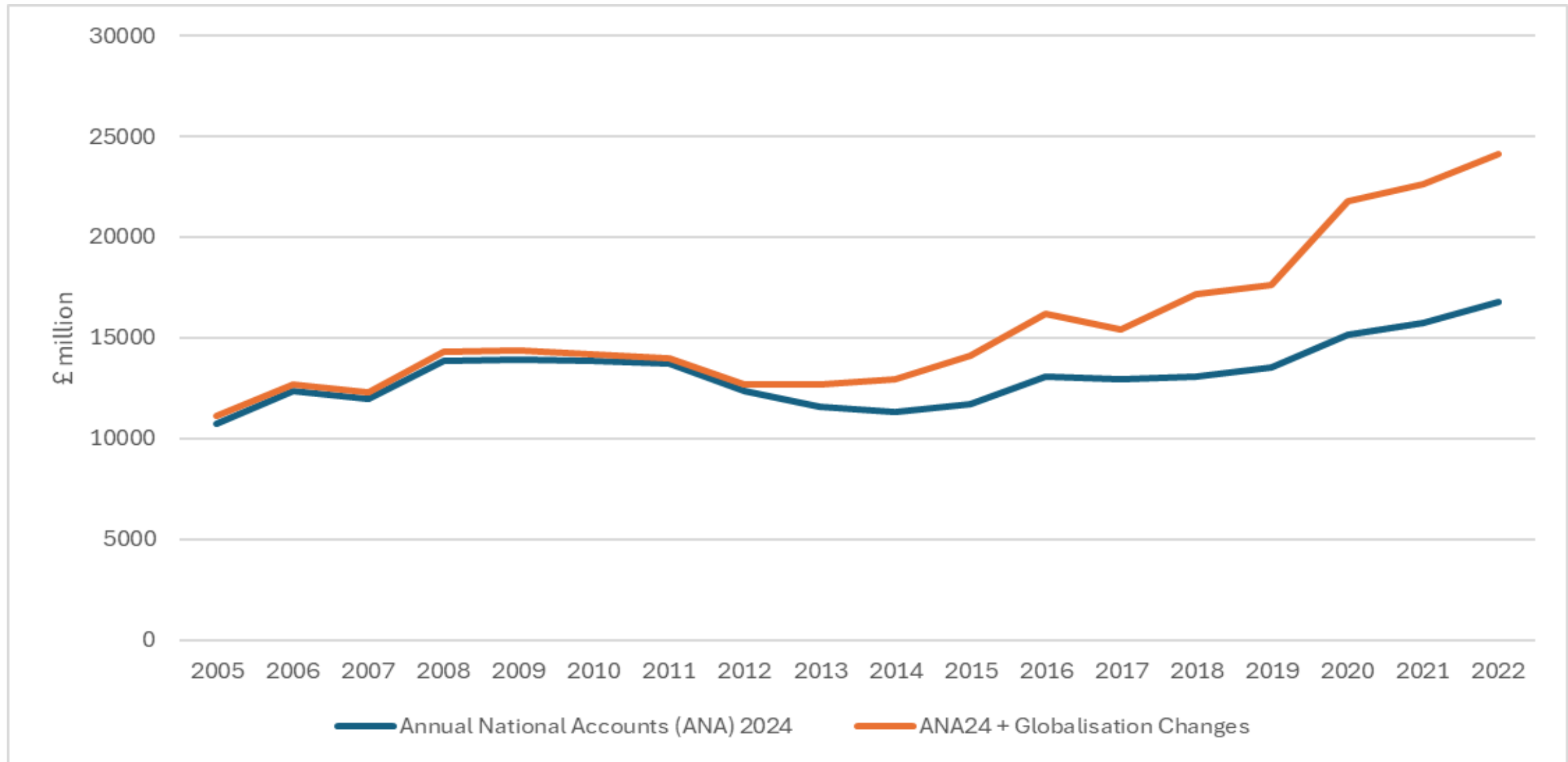- Impacts on gross value added from reclassifications and coherency
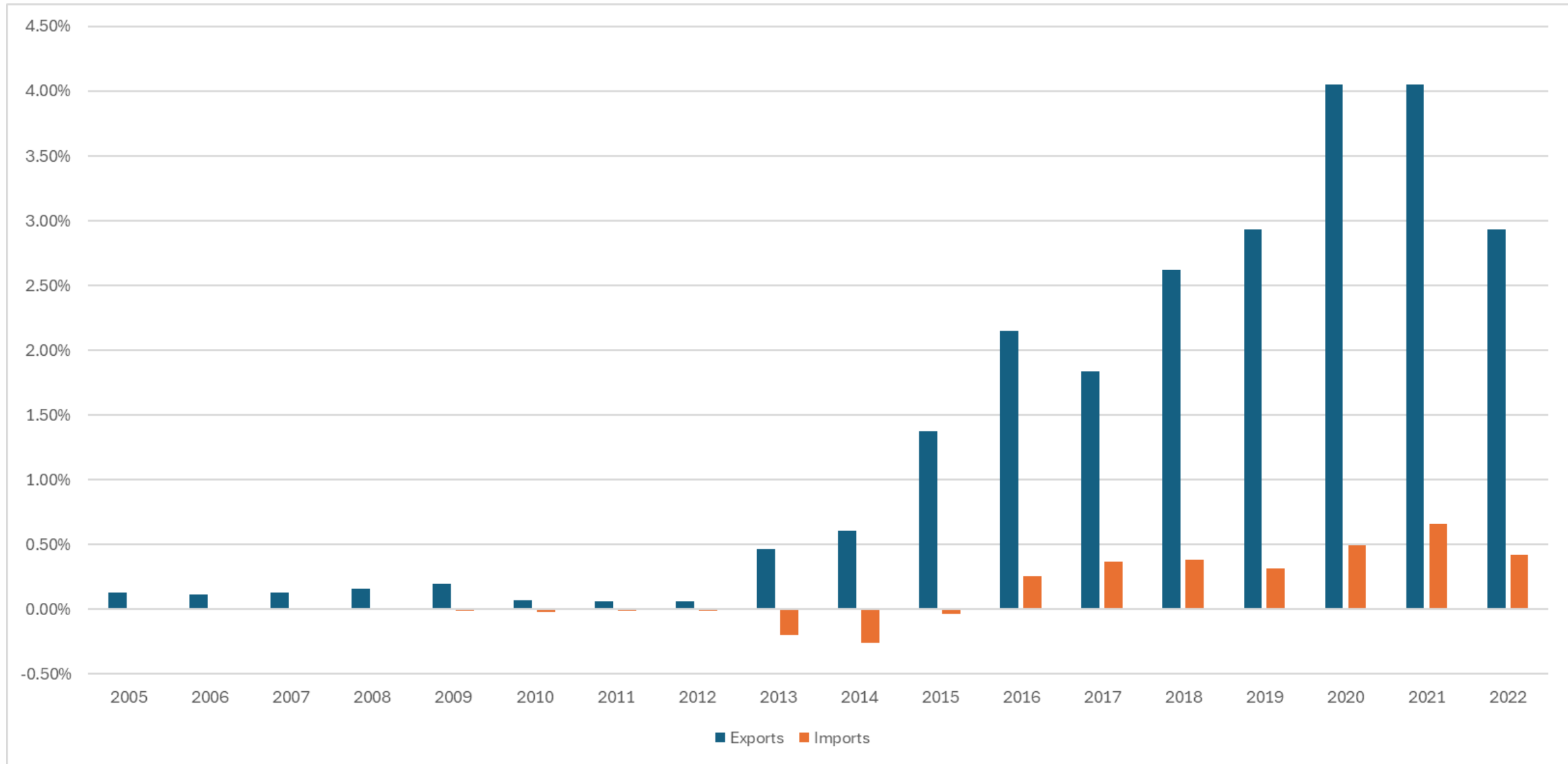
Percentage change to total trade in goods 2005 - 2022

All impacts described in nominal, or current price terms
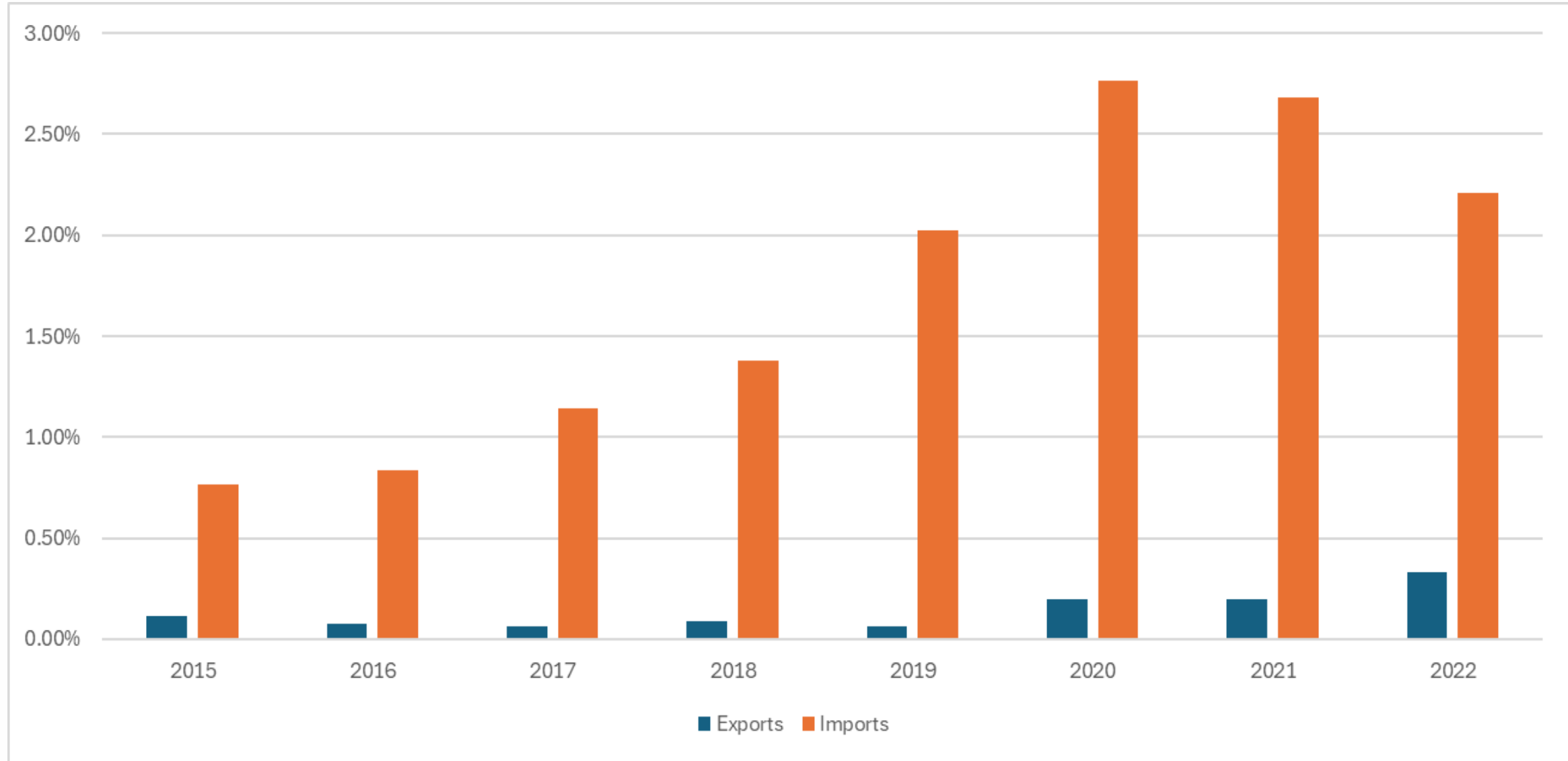
Percentage change to total trade in services 2015 - 2022

All impacts described in nominal, or current price terms

Impact on Manufacture of Pharmaceuticals GVA 2005 - 2022

All impacts described in nominal, or current price terms

Plans & Conclusion

Expand reviews to:

- Oil & Gas
- Automotive & Aircraft manufacturing
- Service-based MNEs

New structural trade survey planned to launch in 2029 with implementation by 2033. Potential for analysis of whole economy

Continued reliance on detailed profiling and engagement. This will continue long after any new data sources arrive

Early stages but we have identified some substantial improvements to our measurement of globalisation

Many risks and uncertainties remain