

and SNA News

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Notes

ESA 1995 and the integrated set of NA questionnaires

by Silke Stapel

Production of National Accounts Data,
Eurostat, Luxembourg

In December 1995 the new "European System of Accounts" (ESA 1995) has been approved by the Council of the European Commission. Throughout the years 1992 to 1995, it has been thoroughly checked and revised on the basis of the second edition of the ESA (1979) and in connection with the 1993 revision of the "System of National Accounts" (SNA).

In contrast with the previous versions of 1970 and 1979, the ESA 1995 is not only a voluntary agreement between the member states of the European Union (EU) on how to compile National Accounts, it has legal power. This does not mean that all member states of the European Union have to adopt the regulation at a national level. However, they must compile and transfer National Accounts data to Eurostat according to the law for all European purposes such as international publications, analyses and, especially important, calculating the contributions of the member states to the EU budget, which are partly based on the GNP.

The data which have to be delivered are defined in an annex of the law. This "annex B" was the basis for developing the new National Accounts questionnaire, which will be requested from the member states of the European Union for the first time in early 1999. The ESA 1995 questionnaire consists of a set of 23 detailed tables. There are tables containing the main aggregates, tables by industry, tables for financial and non-financial accounts by sectors, cross and input-output tables and tables for regional accounts. One table concerns historic data for the most important indicators going back to 1970.

Parallel with the development of the ESA 1995 questionnaire, Eurostat considered how it

would be possible to lower the reporting burden on the shoulders of the national statistical offices of its member states. At present United Nations and OECD have a joint questionnaire while the European Union has its own separate questionnaire. Given the complete harmonization between the ESA 1995 and the 1993 SNA, Eurostat discussed with the other international organisations the question of an integrated set of National Accounts questionnaires, covering the data needs of all institutions.

Following the achieved agreement, each individual country will receive only *one* National Accounts questionnaire, from either UN, OECD or Eurostat, starting in 1999. The member states of the European Union have only to reply to the ESA 1995 questionnaire of Eurostat, which is the most detailed one. The member states of the OECD, who are not members of the European Union, will receive the OECD questionnaire, which is a subset of exactly the same tables of the Eurostat questionnaire. For the remaining member states of the United Nations, UNSD developed its own questionnaire. All information in this questionnaire can be compiled by using data of the Eurostat or OECD questionnaire.

The data exchange at the international level will be organised by the three organisations. For these purposes Eurostat proposed a codification system for the ESA 1995 questionnaire on which the other organisations agreed. Additionally the use of modern forms of electronic data transfer is foreseen.

All of these measures together give the hope that in the future the quality and comparability of international publications on National Accounts will improve and the burden for the national statistical offices will hold to tolerable levels. Also, there is hope to bring out publications much earlier than at present.

European Union

IMF

OECD

United Nations

World Bank

Two "case-law" interpretations of the 1993 SNA

by Viet Vu

United Nations Statistics Division, New York

Though carefully discussed and edited, the 1993 SNA is not entirely problem-free in terms of interpretation and application. Ambiguity in its wording may lead to different interpretations, and strict adherence to its treatment may lead to inappropriate results. In these cases, it is ad-

visable that national accounts experts should inform ISWGNA so that the issues may be discussed at international fora in order to come to some consensus conclusions. Several issues have been communicated to ISWGNA, following are two issues that ISWGNA discussed and came to definite conclusions during its regular technical meeting in October 1995, New York:

Other subsidies on production to non-market producers

The 1993 SNA defines subsidies as follows:
"Subsidies are current unrequited payments that government units, including non-resident government units, make to enterprises on the basis of the levels of their production activities or the quantities or values of the goods or services which they produce, sell or import. They are receivable by resident producers or importers. In the case of resident producers they may be designed to influence their levels of production, the prices at which their outputs are sold or the remuneration of the institutional units engaged in production" (para 7.71).

The following paragraph then states:

"Subsidies are not payable to final consumers, and current transfers that governments make directly to households as consumers are treated as social benefits. Subsidies also do not include grants that governments make to enterprises in order to finance their capital formation, or compensate them for damage to their capital assets, such grants being treated as capital transfers" (para 7.72).

On the basis of the definition quoted above and as the 1993 SNA also "defines an institutional unit engaged in production as an enterprise. An enterprise may be a corporation..., a non-profit institution, or an unincorporated enterprise" (para 5.1), some experts have pointed out that it is possible to

interpret that *non-market production units* within the sectors of general government and non-profit institutions serving households may also receive other subsidies on production. This treatment would reduce their output and value added, but leave net operating surplus unchanged.

ISWGNA discussed this issue and agreed to adopt the ESA 1995 view that unrequited transfers to non-market producers could be classified as subsidies provided that those payments depend on general regulations applicable to market and non-market producers as well. A clear example was transfers to increase salaries of teachers in both market and non-market enterprises. It was recognized that this was not the explicit intent of the authors of the 1993 SNA, but that the SNA wording was consistent with this treatment.

By convention, subsidies on products can only pertain to market output or to output for own final uses. The ESA 1995 also clarifies further that payments by governments to market producers for goods and services should be treated as social benefits in kind and not subsidies on products if those market producers provide those products directly and individually to households in the context of social risks or needs and to which the households are legally entitled to.

Treatment of output of central banks

ISWGNA also discussed the 1993 SNA method of measuring output of central banks which has caused a number of concerns owing to the large positive or negative numbers for gross output and possibly even a volatility in output. The new SNA recommends that the implicit part of the output of central banks, similar to other financial intermediaries, is measured as the difference between interest receivable less interest payable.

ISWGNA agreed that the SNA treatment should continue to be recommended as the first approach, but, where this approach leads consistently to inappropriate results, output could, as a second best approach, be measured at cost as for other non-market producers. However, under no circumstances can it be construed that the central bank is part of the general government sector, regardless of how its output is measured.

Mexico moves towards the 1993 SNA

Department of National Accounts,
Socio-economic Analysis and Prices,
Mexican National Statistical Office (INEGI)

In response to major changes in the Mexican economy, which occurred over the past 10 years and in order to follow the international data standards set out in the 1993 SNA the Mexican Statistical Office (Instituto Nacional de Estadística, Geografía e Informática, 'INEGI') has launched in 1994 a comprehensive modernization programme in the area of national accounting.

The key objectives of the programme are to rebase the measurement of the 'real economy' and to develop institutional sector accounts. The year 1993 has been chosen as the new basis for macro economic accounting in Mexico, because of the richness of existing economic and demographic information and because of it being a relatively normal year in economic terms.

The Economic Census of 1994, the Population and Housing Census of 1995, the Manufacturing Survey which has been amplified since 1993 to cover 205 instead of 129 activities, as well as the surveys on construction, trade and a newly designed survey on services are important sources of information. Equally, the latest data of the balance of payments, of public finance as well as of various sector sources are being used (e.g. direct information from state governments, churches, unions, political parties etc.).

The activity and product classifications were updated based on ISIC Rev. 3, including therein new activities and products, such as e.g. computer services, in order to reflect more adequately the new structure of the Mexican economy.

Several methodological changes were introduced: Output will now be valued at basic prices instead of producers' prices; capital expenditures on military equipment will be included in capital formation; whereas in the previous base year the 'free trade zones' were regarded as producers of transformation services, by including their imported inputs in the corresponding activity subgroup (4 digit), they are now treated as industrial producers. Consequently, the imports and exports of those activities are now also included in the countries' trade balance.

As a result of all the above mentioned efforts, in the second quarter of 1996 new series covering production accounts and labour inputs by kind of economic activity, supply and use tables and the consolidated accounts for the total economy will become available for the years 1988-1994 using the year 1993 as a base year for constant price data.

The short term macroeconomic indicators, which are linked to the annual national accounting system, will also start new series, based on 1993. Consequently, the quarterly GDP by kind of economic activity, the quarterly supply and use of products and the monthly indicator of economic activity (which includes production indices for mining, manufacturing, construction and electricity) will be published using the weights of the new base year.

The programme for the qualitative and quantitative development of the Mexican accounts will yield a modern information platform for analysis and policy decision making. It will improve the basic statistics and at the same time it constitutes progress towards the implementation of the 1993 System of National Accounts in Mexico.

Meetings and seminars

An international seminar was held on
National Accounts Aggregates for Russia 1991-1994 and Their Revision
which discussed methods and results of the joint World Bank-Russian Goskomstat project on 21-22 November 1995 in Moscow.

A joint UN ECE/Eurostat/OECD
Meeting of National Accounts Experts
will take place from 30 April-3 May 1996 in Geneva.

The IMF will conduct its second six-week
Course for National Accounts Compilers
in Washington starting November 1996. The purpose of the course is to expand national experts' knowledge of the 1993 SNA. Applications from candidates with several years of experience in compiling national accounts will be accepted through 14 June 1996 by the Administrative Division of the IMF Institute, fax: (202) 623-6490, internet: insinfo@imf.org.

IMF initiative to improve economic and financial data

The IMF has initiated a program to improve the dissemination of economic and financial data by setting standards to guide countries in their efforts. The voluntary standards are being developed at two levels, one oriented toward countries borrowing on international financial markets and a second, less demanding level for other countries.

Beginning early in 1995 and with reinforcement in June from the Halifax Summit, the IMF has been working toward the establishment of standards for the dissemination of economic and financial data. The impetus came from the enhanced recognition that comprehensive, timely, and readily accessible data play an important role in the smooth and efficient functioning of the world's increasingly integrated markets. A draft set of proposals was endorsed by the Fund's Interim Committee in October, which asked that work be completed on them as soon as possible.

The draft standard covers the coverage, periodicity, and timeliness of data; access by the public; the integrity of the statistics; and the quality of disseminated data. Within coverage, the standard identifies key data categories to be disseminated, such as national accounts and balance of payments, and it suggests how frequently and how soon after the close of the reference period major components should be disseminated. For access and integrity, the draft standard draws heavily on the "Fundamental Principles of Official Statistics," adopted by the UN's Statistical Commission in 1994. For quality, recognizing that quality in statistics is difficult to define and judge, the standard suggests two prox-

ies: the availability of methodologies and of cross-checks for reasonableness and consistency. A key feature in implementing the standard is an electronic bulletin board maintained by the IMF on which metadata would be posted by countries subscribing to the higher of the standard's two levels.

IMF staff have visited producers and users of data in 23 countries and a number of international organizations with a view to obtaining comments on the draft standards. The comments provided insights on a wide range of issues and views on what should be considered "best practice." A number of comments noted that the standards can be seen as reinforcing efforts already underway, such as moves to introduce the SNA. The IMF has just made available a document describing the latest set of draft standards. The purpose of the document is to provide information to the wide range of interested parties and to encourage discussion. The document is available on the IMF's Electronic Bulletin Board, at gopher://gopher.imf.org. Copies can also be requested from the IMF, Publication Services, 700 19th Street, NW, Suite 10-540, Washington, DC 20431, USA; phone (202) 623-7430; fax (202) 623-7201.

The IMF will be presenting information about the dissemination standards at various international fora, including the upcoming ECE/Eurostat/OECD meeting of national accounts experts on 30 April-3 May 1996. The next issue of *SNA News and Notes* will present some reflections on the dissemination standards from the point of view of national accountants.

Manuals and handbooks

In December 1995 the

Handbook on SNA in Economies in Transition was finalized by UNSD and went to print.

OECD has completed drafts of manuals on

Inflation Accounting,
on methods of estimating
Value Added in Services at Constant Prices,
on methods to compile
Quarterly National Accounts,
and is circulating a revised draft of **COICOP, Classification of Individual Consumption by Purpose**.

The first three will be published in the first half of 1996 and COICOP will be published in the second half of 1996.

Editorial note

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Correspondence

should be addressed to:
UNSD, Room DC2-1720,
New York, NY 10017, U.S.A.
Telephone: +1 (212) 963-4854,
Fax: +1 (212) 963-1374 or -9851,
E-mail: SNA@UN.ORG,
Telex: 422311 UNUI.