

SNA News

Number 20
April 2005

An information service of the Intersecretariat
Working Group on National Accounts (ISWGNA)
published by UNSD
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UPDATING OF THE 1993 SNA – REVIEW AND DECISIONS BY THE STATISTICAL COMMISSION By ISWGNA

In March 2005 the Statistical Commission considered the reports of the ISWGNA and the project manager of the 1993 SNA update (<http://unstats.un.org/unsd/statcom/sc2005.htm>) and reviewed the progress that has taken place since its previous meeting a year ago.

Among the notable events, the Advisory Expert Group (AEG), comprising 20 country experts from all regions of the world, met for the second time in December 2004. The AEG made recommendations on a broad range of issues that were considered for decision, including *Databases, Mineral exploration, Originals and copies, Non-performing loans, Government-owned assets: cost of capital services, Treatment of land improvements, Costs of ownership–Part II, Change of economic ownership, Application of accrual principles to debt arrears, Residence of households, Treatment of multi-territory enterprises, Holding companies, special purpose entities, and trusts, Recognition of branches, Goods sent abroad for processing, Treatment of activation of guarantees and Non-life insurance.* The AEG recommendations on these issues and the related papers can be accessed on the SNA updating project website (<http://unstats.un.org/unsd/sna1993/issues.asp>) where the comments of national statistical offices and central banks, as well as expert comments are posted as received. This AEG meeting also considered information items (e.g. employer pension schemes, informal

sector) and looked at an initial list of clarifications to be incorporated in 1993 SNA Rev.1 to which additional suggestions may be submitted until the end of 2005.

Considering the rate of progress on issues, it is the conclusion of the ISWGNA, supported by the Statistical Commission, that an additional AEG meeting in 2005 is needed to conclude the work by 2008. Therefore, the next meeting of the AEG on 18-22 July in Bangkok will seek to reach recommendations on *Migrants' transfers, Goods for processing, and Merchanting*, in the balance of payments area; *Index-linked debt instruments, Interest and related issues, Financial assets classifications (debt securities, financial gold), and Financial services; Super-dividends and capital injections, Tax revenues, uncollectible taxes and tax credits, and Activation of guarantees and constructive obligations*, in the government area; and, with respect to non-financial assets, *Right to use/exploit non-produced resources by non-residents, Research and development, Patented entities, Goodwill and other non-produced assets, Obsolescence and depreciation, Cost of capital services in the production account and Water as an asset.* Other issues on which the AEG needs to make decisions have consequences across a number of SNA accounts: *Public/private/government sectors delineation, Non-performing loans, Valuation of loans and deposits, and Government-owned assets.*

The final AEG meeting to discuss substantive issues, planned for January 2006, is also expected to have a heavy agenda to be announced later.

Assessing the work ahead, the Commission noted the difficulty of completing the 1993 SNA Rev.1 within the agreed timeframe. Nevertheless, it recommended maintaining the existing timetable (tables 1 and 2 in <http://unstats.un.org/unsd/nationalaccount/Workprogram1993SNAupdate%2021Nov2003final.pdf>) with a view to ensuring harmonization of the update of the SNA with the ongoing updating and revisions of the *Balance of Payments Manual*, fifth edition, the *Government Finance Statistics Manual*, and classifications. Some members of the Commission recommended considering additional efforts for dealing with the more difficult issues. In such cases the decision making mechanism embedded in the

governance structure of the SNA updating (see annex 1 in: <http://unstats.un.org/unsd/nationalaccount/AEG/papers/m2progressReport.pdf>) would be applied while assuring the consistency and integrity of the 1993 SNA Rev.1.

The Statistical Commission was satisfied with the broad involvement of the global statistical community in the updating project and commended the interactive website that has facilitated the transparency of the project.

At the meeting of the Commission, the appointments of Mrs. Carol Carson as Project Manager and Mrs. Anne Harrison as Editor were announced. Both bring to the project substantial experience in national accounting and in international collaboration in the development of statistical guidelines; in addition, they participated in the development of the 1993 SNA.

WHAT IS HOLDING BACK THE GLOBAL IMPLEMENTATION OF THE 1993 SNA? – RESULTS OF A STUDY BY UNSD

By Youlia Antonova, Magdolna Csizmadia, Ivo Havinga and Viet Vu, UNSD

In response to the concern of the Statistical Commission about the low level of the 1993 SNA implementation in developing countries, UNSD carried out a survey in 2004 to investigate the underlying factors that impede the 1993 SNA implementation ten years after its adoption. To this end a questionnaire was sent to all countries on their national accounts compilation practices with a special set of questions directed to those countries that have not published national accounts according to the 1993 SNA (referred to as “non-implementers”).

The response rate (43 per cent) allows for an acceptably reliable analysis of the importance and relevance of various potential factors hindering the 1993 SNA implementation: staff resources in terms of number, functional level, turnover, statistical training programmes, availability and scope of basic data, practices in data collection, the institutional environment, availability of computer equipment, etc. This article summarizes the

main findings of the survey. For more details, complete with tabulated results see part III of the report on national accounts at <http://unstats.un.org/unsd/statcom/sc2005.htm>

Most significant factors

Among the factors examined, the *number of staff* working in national accounts is one that is likely to have significant effect on national accounts implementation. (See table.) Based on the results from the survey, developed countries tend to have considerably more staff than developing countries, more or less double in almost every range of population size of countries. Among the developing regions, countries in Africa reported below average numbers of staff in each category of population size. More specifically, with a few exceptions, African countries indicate that they have fewer than ten national accountants. Across all countries, the 1993 SNA implementers tend to have more staff than the non-implementers. The low number of

national accounts staff has serious consequences. It may not allow countries to introduce the new concepts of the 1993 SNA, conduct the subsequent revision of historical

data and hinders the expansion of the scope of the series, accounts and tables that can be compiled.

Table : Average number of National Accounts staff by population size

	Population (Millions)						
	Up to 1	1-5	5-15	15-30	30-50	50-100	More than 100
All States Members							
States of the United Nations	8	17	25	39	39	87	70
Implementers	12	18	33	47	39	110	76
Non-implementers	6	14	9	29	...	31	64
Developed 1	12	37	40	81	37	161	105
Implementers	12	37	40	81	37	161	105
Non-implementers	...	...	...	...	...	...	...
Transition economies	...	12	36	...	51	...	...
Implementers	...	13	42	...	51	...	...
Non-implementers	...	8	7	...	...	...	...
Developing	8	16	15	27	33	32	58
Implementers	12	17	20	25	33	33	47
Non-implementers	6	15	10	29	...	31	64
Africa	5	11	13	...	14	10	44
Implementers	...	9	19	...	14	...	...
Non-implementers	5	12	9	...	...	10	44
Latin America and the Caribbean	6	25	16	35	72	...	47
Implementers	4	27	21	25	72	...	47
Non-implementers	6	18	11	54	...	...	...
Western Asia	16	20	20	12	...	47	...
Implementers	24	6	29	...	...	43	...
Non-implementers	7	33	11	12	...	51	...
East, South-East, South Asia	7	9	12	31	33	23	84
Implementers	7	...	12	26	33	23	...
Non-implementers	...	9	...	36	...	...	84
Oceania	...	...	...	...	...	...	...

1 Countries of Western Europe, United States of America, Canada, Japan, Australia and New Zealand

Overall, the *turnover rate* in national accounts offices is very high for both developing and developed countries, ranging from 30 to 40 percent a year. However, high turnover rate alone does not explain the ability to implement the 1993 SNA. In Africa, Latin America and the Caribbean the countries that implemented the 1993 SNA have higher

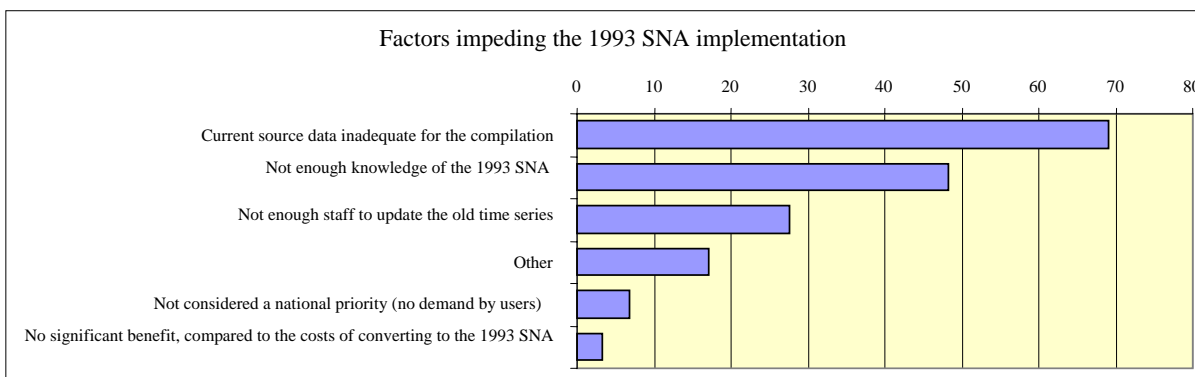
turnover rates than the non-implementers. Only when combined with a small number of staff and lack of training does staff turnover seem to be an important impediment to the implementation of the 1993 SNA. Non-implementers tend to be the countries that have a low number of staff, net loss in staff in the last five years and do not have a regular

domestic training programme. This combination of factors affects Africa the most.

The results of the study underlined that **training** in national accounts is indispensable both for the maintenance of good quality national accounts and the creation of the knowledge and capability of staff required to implement the 1993 SNA, especially when the turnover of staff is high and new recruitment is even higher. The survey indicated that half of the responding countries do not have regular domestic training programme in place. This capacity differs markedly across regions and between implementers vs. non-implementers. On average, the rate of staff who received domestic training in countries of the developing regions is twice as high among the 1993 SNA implementers than among non-implementers. While in the last five years,

three out of four national accountants in developed countries were domestically trained, less than two out of four staff in the developing regions, within that one out of four staff in Africa, received some domestic training. In transition economies low domestic training has been offset by the high rate of participation in international technical assistance programmes.

Concerning **data sources** used in national accounts compilation, survey responses from the 1993 SNA non-implementers show that data inadequacy is considered the main impediment to the compilation of national accounts followed in importance by insufficient knowledge and the inadequate number of staff. (See chart).



From the responses of the survey it has been established that it is now less common than formerly for developed countries to follow the practice of using data collected in infrequent economic census as benchmarks for data collected by annual surveys and more frequent inquiries between the benchmark years. Except for the use of agricultural censuses, national accounts data in 75 per cent of the developed countries are compiled through annual surveys and administrative data. This tendency is even more pronounced for transition economies where 93 per cent of the countries use only data from annual surveys and administrative data. This finding reflects the tendency to make the most use of administrative sources to minimize response burden and cut costs, and it deserves attention in developing strategies for the design of data collection.

Other causes of less importance

As seen above, several characteristics of staff resources in national accounts offices of the countries play a role in the level of implementation of the 1993 SNA. The **ratio of professional and supporting staff** does not seem to have such influence. In most national accounts offices that responded to the survey, three out of four employees are professionals. Moreover, this ratio is similar in both developing and developed countries and does not differ much between the 1993 SNA implementers and non-implementers.

In most regions the ratio of personal **computers** to national accounts staff exceeds 80 percent, even in Africa the ratio is 74 per cent. Thus, the availability of personal

computers is not a determining factor between implementers and non-implementers.

The survey indicated that the *type of institution* responsible for national accounts compilation (national statistical office, central bank or a ministry) can not be considered a factor to distinguish between the countries that conceptually implement the 1993 SNA and those that do not.

Recommendations of the Statistical Commission

The main conclusions of the study have been endorsed by the Statistical Commission in March 2005. The Commission agreed with the finding of the survey that the most important impediments in the implementation of the 1993 SNA were in the area of data availability, staff resources and training. It recognized the need to support countries in improving the

infrastructure for basic data collection and promote the use of administrative data through the provision of manuals on best practices. It also recommended that an international strategic response with focus to African countries be developed to meet the data requirements for the 1993 SNA implementation. The Commission recognized the importance of assisting countries to develop domestic training programmes in national accounts. It agreed with the conclusion of the study that countries may wish to consider increasing the number of staff engaged in compiling the national accounts. It encouraged countries to intensify advocacy and reach out to high-level users and policy makers in order to strengthen their awareness of the importance and usefulness of national accounts and thereby facilitate increased funding for the implementation of the 1993 SNA and enlarge the budgets of the offices responsible for national accounts compilation.

REVISIONS TO QUARTERLY GDP ESTIMATES – A COMPARATIVE ANALYSIS FOR SEVEN LARGE OECD COUNTRIES

By Nadim Ahmad, OECD

National Accounts data provide the most comprehensive overview available of developments in national economies. They are of great interest to a wide range of users of economic information, all of whom have a strong interest in the quality of national accounts statistics. An important characteristic of quality is reliability, which usually refers to the closeness of an initial estimated value to the subsequent (revised) estimated values and is measurable by assessing the size of subsequent revisions to the data.

This issue of revisions and revisions analysis was tackled at a joint workshop of OECD and the Office for National Statistics (ONS) of the United Kingdom in October 2004. (See

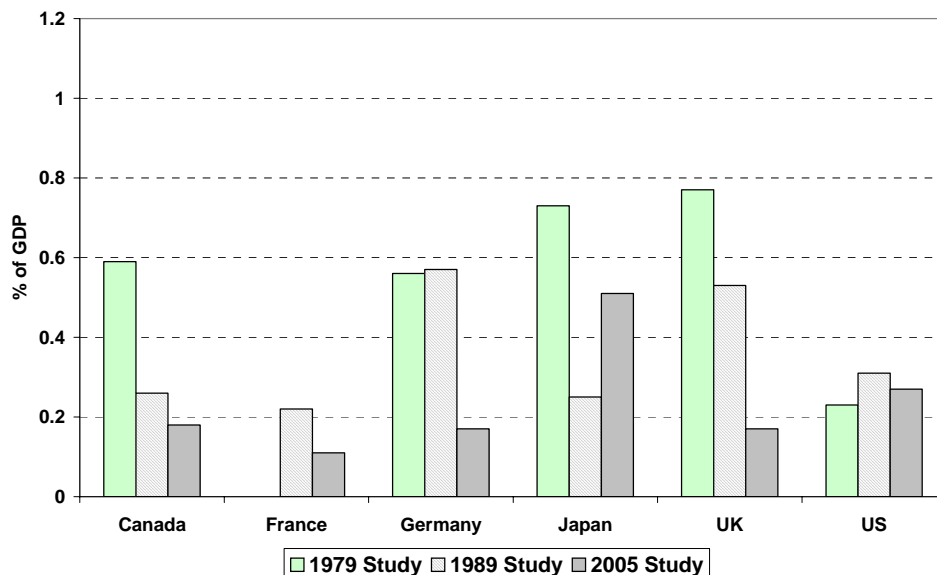
http://www.oecd.org/document/23/0,2340,e_2825_495684_33729303_1_1_1_1,00.html.)

As an input into this discussion the OECD analyzed revisions to constant price quarter-on-quarter GDP growth rates for the 1996-2000 period in seven large OECD economies and compared the size and direction of these revisions with earlier OECD studies: a 1979 study which analyzed revisions between the initial estimate (P) and one calendar year after the reference period (T+1) for 1966 and 1975

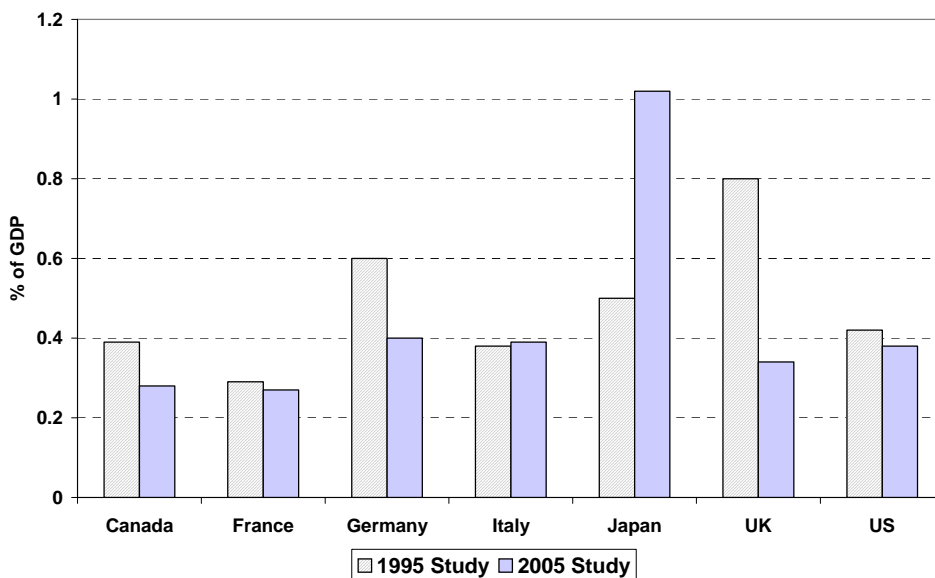
data; a 1989 study which analyzed revisions between P and T+1 for 1980 and 1987 data; and a 1995 study that analyzed revisions between P and the latest estimate at the time of writing (Latest) for 1980 to 1993 data. A full copy of the Latest study can be found at the site listed above. The OECD's monthly Main Economic Indicators (MEI) database and publication served as the source for the present analysis, which identifies as first estimates (P) the first rate of quarter-on-quarter GDP growth published in the MEI; T+1 estimates refer to the figure available in the December publication one year after the reference quarter and Latest refers to the estimates available in June 2004.

The paper concludes that the reliability of first (preliminary) estimates has improved, or at least, not deteriorated, in most countries, as shown in the charts below. The first chart compares mean absolute revisions between P and T+1. The second chart compares mean absolute revisions between P and Latest. It's important to note, in this context, that the current study includes a period of time when many countries would have introduced revisions related to the introduction of the 1993 SNA.

Mean Absolute Revisions in constant price quarter-on-quarter GDP growth rates (P to T+1)



Mean Absolute Revisions in constant price quarter-on-quarter GDP growth rates (P to Latest)



SNA-imposed revisions are not the revisions that are one-off in nature and, so, reveal little about the likely direction of future revisions. Examples include a move to annual chain-linking and changes (improvements) to the compilation processes used in statistical offices. These factors complicate comparisons of revisions over time and across countries.

Nevertheless, notwithstanding these caveats, it is still interesting to make these comparisons.

Of particular interest in this context is the observation that, for the latest period (1996-2000), mean absolute revisions have been of similar magnitude in all countries, with the exception of Japan, where they have tended to

be larger but where recently implemented changes to compilation systems are expected to lead to future improvements.

The paper also investigates whether preliminary estimates are systematically lower or higher than later estimates for the period in question. It finds some evidence of this in Canada, France and the UK. The paper cautions however against the use of bias adjustments in estimating current and future growth rates. Rather, it advocates the use of

more comprehensive investigations of the causes of bias so that these can be corrected at source. Revisions analysis databases are important tools in assessing and improving the reliability of economic statistics. In this regard, the OECD Statistics Directorate is contemplating building on the experimental database set up for this study and the paper encourages the development of revisions analysis databases in statistical offices that do not currently compile them.

ESTABLISHMENT OF THE COMMITTEE ON ENVIRONMENTAL-ECONOMIC ACCOUNTING

Announcement by UNSD

The Statistical Commission, at its thirty-sixth session, 1-4 March 2005 endorsed the creation of the Committee on Environmental-Economic Accounting¹ and recognized the importance of the Committee in mainstreaming environmental accounting to make it a policy-relevant framework and better meet user demand.²

The long-term objective of the Committee is to elevate environmental-economic accounting to the level of official statistics. In order to achieve this objective, the Committee would work in the following five areas:

- (a) Coordination of activities with other international agencies and other bodies active in the area of environment statistics and accounting and in particular with the London Group on Environmental Accounting, the city group which has been working on advancing the methodology in the field;
- (b) Promotion of environmental accounting and statistics through organization of meetings which bring together users and producers of statistics and preparation of promotion material;
- (c) Advancement of methodology through the development of an agreed research agenda;
- (d) Technical assistance to countries through the development of an implementation strategy, training material and coordinated technical assistance projects; and

- (e) Harmonization of data through an assessment of different data collection activities and analysis of their similarities and differences with the environmental-economic accounting concepts and definitions.

The Statistical Commission requested that the terms of reference of the Committee be submitted to the Bureau of the Statistical Commission for approval taking into consideration the terms of reference of the London Group and the Intersecretariat Working Group on Environment Statistics so as to avoid overlap and ensure close collaboration mechanisms among these groups. The first meeting of the Committee will be organized in the fall of 2005 to agree on the terms of reference of the Committee, as well as a research agenda, a common strategy for promotion and implementation of the accounts and data harmonization.

¹ The Secretary General's Report on Environmental-Economic Accounting and the report of the Statistical Commission are available at <http://unstats.un.org/unsd/commission.htm>

² The proposal to create the Committee was discussed in a meeting organized by UNSD and the United Nations Environment Programme (UNEP) and hosted by the European Environment Agency in September 2004. The minutes of the meeting can be found on the UNSD website at: <http://unstats.un.org/unsd/envAccounting/list-of-documents.htm>

MANUALS AND HANDBOOKS

A comprehensive list of Manuals and Handbooks in support of the implementation of the 1993 SNA, published by member organizations of the ISWGNA (United Nations, Eurostat, IMF, OECD, World Bank) as of March 2005 can be found in the document:
<http://unstats.un.org/unsd/statcom/doc05/SNAManuals-ISWGNA.pdf>

MEETINGS AND SEMINARS

19-22 April 2005: UNSD/ESCAP Workshop on 1993 SNA update, Bangkok, Thailand

9-11 May 2005: Task force on financial services, Paris, France

20-24 June 2005: Expert Group on International Economic and Social Classifications, New York

21-22 June 2005: ECE/Eurostat Seminar on business registers, Luxembourg

27 June- 1 July 2005: Meeting of the Balance of Payments Committee, Washington, D.C., USA

18-22 July 2005: Third meeting of the Advisory Expert Group on National Accounts, hosted by ESCAP, Bangkok, Thailand

28-30 September 2005: Meeting of the Task Force on Harmonization of Public Sector Accounting, Washington D.C., USA

11-14 October 2005: OECD/ECE meeting on national accounts, Paris, France

10-11 October 2005: OECD Working Party on Financial Statistics, Paris, France

17-21 October 2005: Meeting of the London Group on Environmental Accounting, South Africa

Editorial Note

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The 1993 SNA with search capability, national accounts glossary, handbooks on national accounts and activities and reports of the ISWGNA can be accessed on the internet: <http://unstats.un.org/unsd/sna1993/introduction.asp>

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