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Working Party on National Accounts

**TIMING OF THE INTRODUCTION OF THE UPDATED SNA AND THE REVISED ISIC IN THE
NATIONAL ACCOUNTS OF OECD MEMBER COUNTRIES**

**To be held on 10-12 October 2006
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This document has been prepared by Charles Aspden, OECD - Statistics Directorate

For further information please contact:
Charles Aspden
E-mail: charles.aspden@oecd.org

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TIMING OF THE INTRODUCTION OF THE UPDATED SNA AND THE REVISED ISIC IN THE NATIONAL ACCOUNTS OF OECD MEMBER COUNTRIES

Introduction

1. The update of the 1993 System of National Accounts (1993 SNA) is expected to be adopted as an international standard in 2008 and the revised International Standard Industry Classification of all Economic Activities (ISIC) and the Central Product Classification (CPC) have very recently (March 2006) been approved by UN Statistical Commission. The last two are planned to be published in 2007.

2. A survey of EU countries was conducted by Eurostat in 2005 to determine when it would suit EU member countries to adopt the European equivalents of these standards and then to decide on a common timing. The result (see *Implementation of NACE Rev.2 in National Account* (doc CN 588) http://forum.europa.eu.int/Public/irc/dsis/pnb/library?l=/national_accounts/meetings_national/meeting_november_1&vm=detailed&sb=Title) is that it appears 2011 will see the introduction of national accounts on the EU's revised *General Industrial Classification of Economic Activities within the European Communities* (NACE), and while no decision has yet been made for the implementation of the updated *European System of Accounts* (ESA), it does not appear that it will be before 2013/14.

3. In order to complete the picture for the remaining OECD countries a questionnaire (attachment A) was sent to non-EU members seeking information about their intentions for introducing national accounts data as per the revised standards, and eight countries (Australia, Canada, Japan, Korea, Mexico, New Zealand, Switzerland and the United States) responded. This information will assist the OECD Secretariat plan the changes that will be required to questionnaires, data releases, systems, etc., and it could also be useful for those countries that wish to coordinate the timing of their changes with those of other countries.

4. The non-EU members of the OECD have either their own industry classification or they share an industry classification with other countries in their region. Thus, Switzerland uses the EU's NACE; Canada, Mexico and the United States have the *North American Industry Classification System* (NAICS); Australia and New Zealand have the *Australian New Zealand Standard Industrial Classification* (ANZSIC); while Japan and Korea have their own separate industry classifications (JSIC and KSIC).

5. All of these industry classifications have either been revised quite recently or they will be revised shortly: ANZSIC was revised this year (2006), the revisions to ISIC and NACE will be released in 2007, NAICS was revised in 2002 and is expected to undergo a minor revision in 2007, and JSIC is expected to be revised in 2007/08. An important outcome is that these revised country and regional standards will be more closely aligned with the revised ISIC (rev.4) than their immediate predecessors. Indeed, an objective in the development of the regional standards and ISIC rev. 4 has been comparability at least at the 2-digit level.

6. To take advantage of these developments the OECD developed proposals for two SNA/ISIC aggregations for SNA data reporting, and a report, prepared by the Secretariat's Bill Cave, was presented at the 2005 meeting of the WPNA (STD/NAES (2005)9). The first of these aggregations (the so-called "top-top") comprises 10 categories with an "of which" item to isolate manufacturing. The second comprises 38 categories, i.e. A38. The Advisory Expert Group (AEG) has since expressed strong support for these proposals, and it is very likely that they will become the internationally recommended categories for the

reporting of national accounts data. At least in principle, those countries adopting the revised NACE, the 2002/7 NAICS and the 2006 ANZSIC should be able to match the two SNA/ISIC aggregations closely.

Results of the survey of non-EU member countries

Implementation of revised industry classifications

7. Given that most of the non-EU members of the OECD use regional industry classifications it is best to consider them by region.

8. Canadian surveys will adopt NAICS 2007 from reference year 2007 and the national accounts will adopt NAICS 2007 in 2010 when the IO tables are produced for the first time for reference year 2007. Hence, Canada will be able to supply data at the A38 level from 2010.

9. Mexico introduced NAICS 2002 into its economic census from reference year 2003. It is expected that NAICS 2002 will be introduced into the national accounts in 2007, along with a change to the reference year for volume estimates from 1993 to 2003. It is expected that national accounts data will be able to be supplied at the A38 level starting in 2007, with data from 2003. But there is some uncertainty.

10. In the US, once the national accounts have been benchmarked to the 2002 input-output table (scheduled for late 2008), the data will be consistent with the 2002 NAICS. This should enable the US to start supplying data at something close to the A38 level from 2010, with data from 1998.

11. Australia has firm plans to adopt ANZSIC 2006 for its national accounts in late 2009. Survey data will be compiled on the old and new ANZSICs in respect of 2005-06 and 2006-07 to facilitate the changeover. One of the objectives is to be able to supply data at the new A38 category level, possibly starting from 1964-65.

12. New Zealand has tentative plans to adopt ANZSIC 2006 in either 2010 or 2011, and, in principle at least, should then be able to supply data at the new A38 level, with current price data from 1972 and constant price data from 1978.

13. Switzerland has a tentative proposal to adopt NACE rev. 2 in its national accounts at the same time as the EU countries in 2011.

14. Japan is uncertain when it will adopt the revised JSIC in its national accounts. The likely timing is to finalise the revised JSIC in 2007/08, conduct surveys using the new classification in subsequent years, compile input-output tables in respect of 2010 by 2014 and introduce national accounts on the revised JSIC in 2015. It is uncertain how well data will be able to be supplied at the new A38 level.

15. Korea has a tentative plan to adopt the revised KSIC in its national accounts in 2014. The likely timing is to undertake surveys using the revised classification from the reference year 2008 and introduce the new classification in key statistics (such as Industrial Production Indexes and Service Industry Activity Indexes) in 2013. It is expected that national accounts data, starting from 1970, will be able to be supplied approximately at the new A38 level.

Conclusion on the introduction of the revised ISIC into the national accounts

16. It is evident that a majority of OECD countries intend to implement the new ISIC (or national/regional forms of it) before 2011. Thus, the OECD intends to implement its questionnaire using the new SNA ISIC aggregations (A10 and A38 levels) in 2011 (in coordination with Eurostat). It urges

non-EU countries that have plans that do not allow for this timing (Japan, Korea) to consider whether they could change their plans.

Implementation of 1993 SNA rev. 1

17. Of the eight responding countries, Australia has quite firm plans to be the first to adopt the updated 1993 SNA by introducing as many changes as possible in late 2009, at the same time it adopts the revised ANZSIC. It may be that some changes for which the collection of additional data or problems in implementation will mean a staggered introduction. However, the principal goal is to ensure that all changes impacting on GDP are introduced simultaneously. Australia also intends to introduce all the changes stemming from the updated BPM in concert with the SNA changes. Australia's national accounts are compiled within an input-output framework, with annual supply and use tables in current prices and the prices of the previous year from 1994-95. Given the need to recompile these tables due to the revisions to ANZSIC and SNA, it is considered more efficient to do them both at the same time.

18. Canada intends to introduce all the changes in the updated 1993 SNA in 2010.

19. Several of the proposed changes to the 1993 SNA have already been implemented by the US, namely the extension of the asset boundary to all military expenditures of a capital nature and the new treatment of non-life insurance services. Probably the biggest change in terms of its complexity and impact on the GDP is the capitalization of R&D. This has been scheduled for inclusion in the core accounts in 2012/2013. (A satellite account is well underway now.) Several other major changes will probably be introduced in 2012/13, but some of the other changes may be introduced at other times.

20. Korea has a tentative plan to adopt the updated 1993 SNA in March 2014, at the same time it adopts the revised KSIC and a new reference year, 2010, for its volume estimates.

21. It is considered likely that the updated SNA and revised JSIC will be adopted together in Japan's 2010 I-O tables and then subsequently in the national accounts in 2015. But no firm decision has yet been made on the timing or whether all the SNA changes will be made at the same time.

22. Switzerland intends to adopt the updated ESA at the same time as the EU countries.

23. New Zealand has not yet developed a schedule for adopting the updated SNA, but it intends to introduce all the changes at the same time.

24. Mexico intends to adopt the updated SNA in a staggered fashion. The proposed changes concerning some issues, such as pension schemes, non-performing loans and guarantees, could be introduced in the medium term, while those relating to the capital formation of non-financial assets are likely to be introduced later. No decision has yet been made on specific dates for making these changes.

Conclusions concerning the adoption of the updated 1993 SNA

25. Three non-European countries – Australia, Canada and the US – have quite firm plans to adopt the updated 1993 SNA quite rapidly, and they have already begun preparatory work to implement the most complex of the proposed changes, the capitalisation of R&D, and all three are well placed to introduce the proposed changes concerning capital services. Canada intends to adopt the proposed changes to the 1993 SNA and 2007 NAICS at the same time in 2010, and Australia plans to introduce all the SNA changes that affect GDP at the same time as it adopts ANZSIC 2006, in 2009, but may introduce other changes later. The US is adopting a staggered approach.

26. Japan and Korea have tentative plans to introduce the proposed changes to the SNA at the same time as they adopt their versions of the revised ISIC, in 2015 and 2014, respectively.

27. Neither New Zealand nor Mexico has formulated a plan to introduce the proposed changes to the 1993 SNA, but Switzerland will follow the EU.

28. From the point of view of the OECD and Eurostat, the best outcome would be that all countries implement the new SNA in the same year, but this is not going to happen. The EU countries have not yet decided a date, but 2013 and 2014 seem to be strong candidates. By then, at least three or four non-EU, OECD countries will have implemented the updated SNA, and so a “formal” switch over to the updated SNA by the OECD for data collection and dissemination in one of those years would appear to be the most likely, given the information currently available. However, the OECD will not ask countries that have plans for implementation of the SNA update before this date to delay their implementation or supply data to the OECD as per the existing SNA. Rather, a lack of comparability between the data of the early adopters and the late adopters will be handled in the metadata. However, the OECD does ask those countries with no plans for an adoption of the updated SNA by 2014 to consider their position.

Attachment A

Part I Implementation of a revised industry classification (corresponding to ISIC revision 4)

1. Which industry classification standard are you planning to implement?
2. When do you intend to implement the new standard for the collection of data to be used in the national accounts (business surveys, etc.) and for which reference year?
3. When do you intend to introduce the new standard in your national accounts, please indicate the first release and its date if possible?
4. How firm is this date?
5. Will you be able to supply data as per the industry classification recommended by the AEG¹ – see table attached. This classification is designed specifically to support international comparable data at the level of detail collected and maintained by the OECD.
6. Over what period of time will you be able to transmit data with this classification?

[N.B. Those OECD countries that have adopted NAICS 2002 or ANZSIC 2006, depending of course on the level of detail adopted in their national accounts, should in principle be able to match closely the ISIC revision 4 aggregations for national accounts data reporting.]

Part II Implementation of the 1993 SNA revision 1

7. Do you intend to introduce changes in (a) a staggered fashion or (b) all at once?
8. Could you please describe your schedule, if you have one.
9. How firm is this schedule?

¹ Clarification C12 “Top level industry classifications”
<http://unstats.un.org/unsd/sna1993/clarDescription.asp?ID=12>

Proposed intermediate SNA/ISIC aggregation A*38

	A*38 code	ISIC rev 4	ISIC rev 4 code	Links to ISIC rev 3 A31**
1	A	Agriculture, forestry and fishing	01 to 03	A31 continuity with A+B
2	B	Mining and quarrying	05 to 09	A31 continuity with CA + CB
3	CA	Manufacture of food products, beverages and tobacco	10 to 12	A31 continuity with DA
4	CB	Manufacture of textiles, wearing apparel and leather products	13 to 15	A31 continuity with DB +DC
5	CC	Manufacture of wood and paper products, and printing	16 to 18	New A*40 CC = A31 DD + DE - publishing
6	CD	Manufacture of coke, and refined petroleum products	19	A31 approximate continuity with DF
7	CE	Manufacture of chemicals and chemical products	20	New A*40 CE+CF = A31 DG
8	CF	Manufacture of pharmaceuticals, medicinal chemical and botanical products	21	Ditto
9	CG	Manufacture of rubber and plastics products, and other non-metallic mineral products	22 + 23	A31 continuity with DH + DI
10	CH	Manufacture of basic metals and fabricated metal products	24 + 25	A31 continuity with DJ
11	CI	Manufacture of computer, electronic and optical products	26	New
12	CJ	Manufacture of electrical equipment	27	New
13	CK	Manufacture of machinery and equipment n.e.c.	28	New
14	CL	Manufacture of transport equipment	29 + 30	A31 continuity with DM
15	CM	Other manufacturing and repair	31 to 33	New
16	D	Electricity, gas, steam and air-conditioning supply	35	New
17	E	Water, sewage, waste management and remediation	36 to 39	New
18	F	Construction	41 to 43	A31 continuity with F
19	G	Wholesale and retail trades	45 to 47	New A*40 G = A31 G – repair of household goods*
20	H	Transportation and storage	49 to 53	New A*40 H = A31 I – telecommunications, travel agencies and tour operators
21	I	Accommodation and food service activities	55 + 56	A31 continuity with H
22	JA	Publishing, audiovisual and broadcasting activities	58 to 60	New
23	JB	Telecommunications	61	New
24	JC	IT and other information services	62 +63	New
25	K	Financial and insurance activities	64 to 66	A31 continuity with J
26	L	Real estate activities (of which <i>imputed rents</i>)	68	New
27	MA	Legal, accounting, management, architecture, engineering, technical testing and analysis activities	69 to 71	New