

SNA/M1.08/05

**Sixth meeting of the Advisory Expert Group on National Accounts
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Issues related to Volume 2

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CHANGE IN TITLE OF THE UPDATED SNA

At the UNSC meeting last February, several delegates queried whether the title of the SNA should be changed from the proposed “System of National Accounts, 1993, Rev. 1” to “System of National Accounts, 2008”. The main reason behind the proposal was that having “1993” in the title of such an important statistical standard could indicate to users of the accounts that the standards are out of date. The UNSC asked the ISWGNA to check the views of countries and the UN Statistical Division surveyed countries on behalf of the ISWGNA. About 70 countries responded and just over two-thirds indicated a preference for “System of National Accounts, 2008”. As a result, this is the title shown on the white-cover version of Volume 1, which was released in August.

ISSUES RELATED TO VOLUME 2

Introduction

The ISWGNA met in Paris on 13 October to consider the comments received from the world-wide review of the eight Volume 2 chapters that were posted for comment prior to the end of August. There were some very detailed comments on some chapters and it will be necessary to make some significant changes to a couple of the chapters. I have summarised below the main issues that may be of interest to the AEG.

Chapter 18 – Elaborating the accounts

It was agreed to amend the title of the chapter by adding “and presenting” after “elaborating”.

Some comments were received about presenting issues relating to “flash estimates” of GDP. The ISWGNA considered the comments and decided that the term “flash estimates” should not be used in the SNA because its meaning can vary so much, ranging from estimates constructed using only a couple of leading indicators to a much firmer early estimate of quarterly GDP based on two months data in conjunction with estimates for the final month. The ISWGNA also considered whether the SNA should recommend monthly GDP estimates.

The ISWGNA decided that it was not necessary to refer to monthly GDP specifically, given that issues relating to GDP and other aggregates at sub-annual frequency are covered in the SNA. The key issues to be addressed in the text on sub-annual estimates are balancing timeliness of release against the quality of the associated estimates and various topics related to seasonally adjusting such estimates, including working day adjustments and the consistency of seasonally adjusted estimates with the unadjusted data.

Chapter 19 – Population and labour inputs

This chapter presents the interface between the SNA and population and labour force data according to the standards of the International Labour Organization (ILO). The ILO provided the most detailed comments on this chapter. The key point is that parts of the chapter quote text from ILO Resolutions and one of these is being updated at present. A meeting of the International Conference of Labour Statisticians (ICLS), which concludes in early December, will approve new text on the definitions of hours worked and the economically employed. The ILO has undertaken to provide the Editor with the new text as soon as possible after the ICLS meeting concludes so the SNA text can be made exactly consistent with the new ICLS wording.

Chapter 20 – The role of capital services in the national accounts

The main comments on this chapter related to the accuracy of the data in the tables. The ISWGNA decided that the data should be checked and, as expected, the check showed there are no errors so the tables will not be changed. Rather, some more text will be added on apparent errors in the tables due to rounding differences.

Chapter 22 – The government and public sectors

Definitions

The comments on this chapter were numerous and wide ranging. One related to the definition of the public and government sectors, particularly the general government sector as being “the collection of all public institutional units that are non-market producers”. The ISWGNA decided that the definitions of the public and general government sectors will be revised to avoid any possible circularity as follows:

General government units include some NPIs and public enterprises not treated as corporations. The public sector includes general government and public corporations. To identify which NPIs are included in general government, conditions for control by government must be identified. To determine which enterprises are treated as public corporations and which as part of general government, it is necessary to specify conditions for control by government and the concept of economically significant prices. [Each of these concepts is described in text following in this chapter.]

Economically significant prices

The comments on this section of the text varied significantly with one extreme being that no rule should be specified on the share of the production costs being covered by the sales for prices to be considered economically significant to the other extreme that the 50% rule implied (but not explicitly stated) in paragraph 22.29 should be explicit and emphasised.

It has been a difficult task to walk the fine line between the competing views on this topic. The current text (see below) is a balance between those who would like to see a specific level (50%) written into the SNA and those who want to have no specific numerical guideline shown. The ISWGNA decided that the draft paragraph 22.29 provides some guidance to those who find the definition of economically significant prices difficult to apply in practice, while still meeting the spirit of the AEG recommendation not to have a specific level shown.

22.29 These conditions usually mean that prices are economically significant if they cover the majority of the producer’s costs (including consumption of fixed capital and a return to capital) and consumers are free to choose on the basis of the prices charged. Although there is no prescriptive numerical relationship between the value of output (excluding both taxes and subsidies on products) and the production costs, one would normally expect the value of goods and services sold (the sales) to average at least half of the production costs over a sustained multi-year period.

Tax credits

On 6 August 2008, I sent an email to all AEG members asking for their views on an ambiguity between the report of the discussion at the Bangkok meeting and the final decision recorded on tax credits. Briefly, the issue was whether all tax credits or only payable tax credits should be treated on a gross basis. The AEG view (almost unanimous) was that only payable tax credits should be treated on a gross basis and the draft text will be changed to reflect this.

Some of the world-wide review comments on the draft text on tax credits mentioned that the various concepts associated with tax credits and their underlying characteristics should be defined more clearly in the SNA.

Distinction between market/non-market

In paragraph 22.30, the possibility is raised of making a distinction between market and non-market units for a group of entities undertaking similar activities rather than on a case-by-case basis. Comments from the review highlighted the inconsistencies that could arise if a group of entities is

classified to a single category when there is a fairly even split of market and non-market units within the group (e.g. universities in some countries). The ISWGNA decided to change the text to state that the distinction between market and non-market units should **in principle** be made on a case by case rather than on a group basis.

Chapter 23 – Non-profit institutions

The comments on this chapter were largely editorial.

Chapter 25 - Informal aspects of the economy

The chapter on the “Informal sector” has been included in the 2008 SNA because of its importance in developing countries as evidenced, for instance, by the interest by the ILO and the Delhi Group. Analysts’ requirements are to measure changes over time in its size within any particular country’s GDP, employment and other policy variables. The chapter title was changed because of the quite specific meaning of “sector” in the SNA but a question has been raised about whether, despite this, the original title should be restored.

The chapter has been redrafted several times and the comments from the world-wide review ranged from one extreme to the other. On the one hand, some stated that the current draft does not fully reflect the requirements of the ILO and the Delhi Group and that it should focus more on defining the informal sector and more fully setting out the ways of measuring it within an exhaustive measure of the household sector. On the other hand, some comments were to the effect that the informal sector is not a national accounting requirement and so this chapter should mainly focus on how to ensure that GDP includes all the relevant activity within an economy (the so-called “exhaustiveness” of the national accounts).

Discussion point: The AEG’s views are sought on:

- (a) *the title of the draft chapter*
- (b) *the usefulness of the content of the draft chapter (available at <http://unstats.un.org/unsd/sna1993/projectmanagement/drafts/chapter25dv2.pdf>) and whether the text provides a satisfactory balance between the competing needs of analysts interested in measuring the informal sector (and changes over time) against those who are mainly concerned with ensuring the national accounts completely measure GDP.*

Chapter 26 – The rest of the world accounts and links to the balance of payments

Several comments related to the perspective from which the chapter should be presented. Currently, the main emphasis is on the balance of payments viewpoint of transactions. The ISWGNA agreed with comments that a better balance is required and so a new section will be included immediately after the introduction describing the rest of the world account from the national accounts perspective, including all items appearing in the sequence of accounts, and then moving to the BOP perspective.

Chapter 27 – The links to financial and monetary statistics

A number of comments on this chapter requested a more detailed description of the links between the national accounts and the flow of funds, links to monetary statistics and the difference between financial and monetary statistics. As one step to answer this, the title of the chapter will be changed to “Links to monetary statistics and flow of funds”.

A short new section will describe links with monetary statistics and provide reference to the Monetary and Financial Statistics (MFS) Manual and Compilation Guide. The description would focus on sector coverage, breakdown of the financial sector and the instruments as well as consolidation of stocks in the monetary survey. A separate section will describe flows of funds which is broader than MFS

because it covers the whole economy in a wider perspective and can cover both transactions and stocks.

Annex 3 (Changes from the 1993 SNA) and Annex 4 (Research agenda)

Both annexes will be posted for comment around late November. However, it is likely there will be insufficient time to incorporate the comments to enable updated annexes to be included in the draft of Volume 2 provided in December for the two month UNSC review period. If this is the case, the annexes in Volume 2 for the UNSC will be the original drafts posted plus a list of changes required to incorporate changes required as a result of comments received from the world-wide review.

ISWGNA meeting to consider the final four chapters

During the past 2 days the ISWGNA met in Washington to consider the comments received from the world-wide review on the final four chapters of Volume 2:

- Chapter 21 – Measuring corporate activity
- Chapter 24 – The household sector
- Chapter 28 – Input-output and other matrix-based analyses
- Chapter 29 – Satellite accounts and other extensions.

A large number of the comments related to editorial issues and a lot of these will be taken into account in the redraft. In addition, there were several substantive issues raised and the broad outcomes are described below.

Chapter 21 – Measuring corporate activity

Earlier comments suggested including some text on mergers and acquisitions. A short section containing benchmark definitions has been copied across from the benchmark definitions on FDI, consistent with BPM6, to maintain consistency between the SNA and BPM6 on this issue.

An inconsistency between paragraphs 21.8 and 21.9 relating to the treatment of a household establishing an unincorporated enterprise will be corrected in the next draft of this chapter.

Another question was why non-performing loans are still on the research agenda. The ISWGNA considered this question and decided that, in light of the current world-wide financial crisis, issues related to the wider question of the determination of fair value should remain on the research agenda.

Chapter 24 – The household sector

The comments on this chapter varied greatly, ranging from deleting it entirely to including more detail, while some countries indicated they are generally happy with it. The ISWGNA decided that the chapter should be retained because it is part of a package describing the various sectors. Some suggestions were made about including more details on issues such as the household saving ratio, real household income and balance sheets. These will be included and more parts of the chapter will be cross referenced to parts of Volume 1.

Chapter 28 – Input-output and other matrix-based analyses

Very detailed comments were provided on this chapter by some countries. Several queried whether the description of the conversion to symmetric tables was correct and the description of industry by industry and product by product tables was properly balanced. This will be investigated and the text expanded somewhat. The new Eurostat manual on I-O and the chapter proposed for the ESA will be consulted to ensure consistency even though methodological changes to I-O tables did not appear in

the 44 issues considered for the SNA update. Some comments suggested shifting parts of this chapter to chapter 14 (Supply-use tables).

The context for the discussion on this chapter was that comments on new approaches that could be adopted were received too late to incorporate them into chapter 14 in Volume 1. Therefore, the only way in which to take them into account is to include them in this chapter in Volume 2, even though the ISWGNA recognises that they would ideally be in chapter 14 (which cannot be reopened).

The ISWGNA also decided that the section on SAMs should be retained in this chapter because it is a matrix based approach that evolves naturally from the expression of the sequence of accounts in matrix format.

Chapter 29 – Satellite accounts and other extensions

The comments on this chapter were mainly editorial. However, more references will be made to other satellite accounts. Anyone with examples to include should send details to the Editor.

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SNA Update

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