SNA News

and Notes

OUTCOME OF THE IARIW-OECD SPECIAL CONFERENCE ON THE FUTURE OF NATIONAL ACCOUNTS: "W(H)ITHER THE SNA?", PARIS, 16 – 17 APRIL 2015
By OECD

The IARIW-OECD Conference on the Future of National Accounts, "W(h)ither the SNA?", took place at the OECD Headquarters from 16 to 17 April 2015. The conference gathered well over 100 participants and was characterized by lively discussions. Keynote addresses were given by André Vanoli, Anne Harrison, Peter van de Ven and Diane Coyle to open the morning and afternoon sessions and a total of 33 papers were presented and discussed during the Conference.

The System of National Accounts (SNA) dates back to the days after the Second World War and is presently in its fourth version - the 2008 SNA - providing more than 700 pages of detailed guidance, which by now has been implemented at least in part by a significant number of countries. The SNA consists of an accounting framework (with extensions) and a set of rules and principles designed to describe the economy in detail. It categorizes and defines transactions and balance sheet positions for the measurement of a nation's income and economic wealth. The best known and most widely used measure in the SNA is gross domestic product (GDP).

In recent years, there has been increasing concern that GDP does not measure welfare and calls have been made to either radically change, or even replace, GDP in order to have a measure that takes explicit account of social and environmental issues, including income distribution and unpaid work. At the conference there was a wide spectrum of reactions to this. Some of the conference's participants shared these concerns and might be content to see the SNA wither away. At the

other end of the spectrum, other participants argued that despite limitations, the SNA has been a real success. In between these two positions, there were a number of participants who accepted the basic framework of the SNA but argued that some significant changes, such as the inclusion of more forms of capital and the appropriate treatment of globalization are necessary for it to remain relevant in a rapidly changing world.

The main conclusions of the conference are as follows:

• There was universal agreement that social and environmental issues were important. Even before changes to the SNA could be agreed, there is no reason why measures of these should not be presented in a more inclusive statistical framework where the existing SNA, possibly to be renamed into "System of National Economic Accounts (SNEA)", formed only one part, and where all thematic issues, or "alternative measurement frameworks", were given equal status.

• There was a clear consensus that, within the SN(E)A itself more attention should be paid to household-related indicators. Doing so, the development and dissemination of distributional information on income, consumption, saving and wealth across various household groups should be further pursued. Ultimately, such information can also feed into synthetic measures of economic well-being.

• It was noted that many of the extensions that are suggested rely more heavily on modelling techniques than the mainly observations based accounts. Therefore full

integration of the two was maybe neither practical nor desirable as long as both were available to users.

- In view of the increasing user demands for alternative indicators and more detailed information, it was considered of the utmost importance to design a flexible system of statistics, also allowing for an improved linkage of the macro-economic data and micro data sources. In this respect, special consideration should be given to the links of concepts and definitions with (business) accounting practices, also when embarking on future changes to the SN(E)A.

- It was also noted that, because the SNA is used also for administrative purposes, there is pressure to keep it as stable as possible and avoid frequent revisions. Nevertheless, pressing current challenges include: how to deal with the cross-border accounting strategies of multinational enterprises, when they reflect fiscal optimization rather than the location where value added is generated; how to measure the increasing role of knowledge and intangible assets in the economy; and how to measure financial services. Even when a far-reaching change to the system is agreed to be advisable in principle, extensive practical experience is desirable before being formally adopted. Such experimental work could also be seen, in the interim, as part of an extended statistical framework.

- Every country, however small the economy, can gain from having good quality macro-economic statistics based on SNA concepts, even if implementing the full system may not always be possible. In this respect, having specific compilation guidance, focusing on the basics, for countries with less developed statistical systems was considered important.

- It was noted that many critiques of the SNA betray a lack of understanding of what the system does and does not measure. It was argued that a very brief synopsis of the system (ideally not more than 50 pages in length) would be extremely helpful to users and might help avoid the sometimes misguided criticism. Such a document could explain the indicators derived from the accounting framework, their strengths and weaknesses, and how they relate to economic theory and the target variables of economic policy. More generally, national accountants were urged to emphasize communication on their products, not only with the public at large, but also – and perhaps more importantly – with the research community and with policy makers.

More information on the Conference, including agenda, papers and presentations, is available at:

http://iariw.org/c2015oecd.php.

INTERNATIONAL TASK FORCE ON STATISTICAL UNITS
By ISWGNA

The rapidly changing nature of production and in particular the ways in which producers produce goods and services has cast a spotlight on the SNA's preference for using the establishment as the preferred unit to compile industrial statistics, and in particular, supply and use tables. One of the primary motivations for this preference reflected the view that establishments classified to the same industrial classification grouping share similar characteristics in their production functions, and so are considered broadly "homogeneous". However, the increasing regional and international fragmentation of production, coupled with the growing emergence of new types of producers has weakened the underlying assumptions of homogeneity. In addition to practical problems in implementing

the concept of establishment, the new developments call for a reconsideration of the statistical unit used in the supply and use framework and, potentially, also for a renewed discussion on the industrial classifications.

Another aspect of the discussion regarding statistical units relates to the interpretation of the SNA-definition of an "institutional unit" for the compilation of institutional sector accounts. Criteria, such as autonomy of decision making or the ability to take economic decisions and even the availability of a complete set of accounts, can lead to implementation in quite different ways, leading to a lack of internationally comparable data. Sometimes, this may be caused by the availability of source data; in other cases it may be a matter of different interpretation of

the SNA. In practice, one can notice, for example, differences in the delineation of institutional sectors when it comes to the recognition of quasi-corporations. In other cases, one can observe the use of legal units, enterprises, or even enterprise groups as being automatically equivalent to institutional units. As a consequence of this, for example, unconsolidated data on debt differ substantially across countries. Another issue relates to the recognition of captive units as institutional units or not.

From a policy perspective, one can also notice an increased interest in the inter-linkages between the "real" economy, income and finance, calling for an increased need to have a combined analysis of supply and use tables and institutional sector accounts, which is, however, often complicated by the use of two different types of statistical units in the relevant frameworks. As a consequence, relatively sparse information on the linkage between industries and institutional sectors exists.

Also from an efficiency point of view, especially in times of increasing pressures on resources, the pros and cons of having to maintain two types of statistical units may need further consideration. This becomes even more relevant in view of the increasing role of administrative data and a concomitant pressure to decrease the respondent burden of dedicated surveys.

All of this definitely calls for a more in-depth assessment of the role of the statistical unit in the SNA.

Related to the above, one can also question whether the current classification in the supply and use tables is still the best way for providing insight into the economy. The current classification into industries is presently based on the kind of products that are being produced. However, for various types of analysis, classifications based on other characteristics may have gained importance. In particular, the input structures of enterprises producing similar types of products may be quite different across various types of enterprises. Consequently, it may become more relevant to distinguish between these types of enterprises rather than having very granular breakdowns solely based on the type of goods and services produced. An obvious and rather general example relates to

separately distinguishing foreign controlled enterprises, or more generally internationally operating enterprises, from other enterprises in the description of the national economy. This would be relevant not only for detailed analyses of the production process in supply and use tables, but also for analyses of income and finance as described in the institutional sector accounts. By separately distinguishing these corporations, one could analyse the behaviour of internationally operating enterprises, which by definition in a national setting only account for parts of (substantially) larger international entities.

In view of the above, the ISWGNA has decided to establish an ISWGNA Task Force on Statistical Units. The Task Force is requested to come up with proposals on the following topics:

• To (re)consider the statistical units that are presently recommended in the 2008 SNA, and – if the Task Force has the opinion that the SNA recommendations should be changed in this respect – to come up with concrete and implementable proposals for changing the current recommendations.

• To come up with concrete suggestions, e.g. regarding the criteria for the recognition of separate units, which would be instrumental to an (enhanced) internationally comparable implementation.

• To come up with concrete proposals, if needed, for classifications by industry and possibly by institutional sector.

• To assess the potential quantitative impacts of any proposals/suggestions on the relevant national accounts data.

The Task Force is expected to provide a clear view of what needs to be measured in the economy in order to identify ways to improve the definitions, if necessary, taking into consideration: work of the UN expert group on international trade and economic globalization statistics; current country practices; regional accounts as well as productivity measurement; and consult with a broad community of experts, including business register experts, survey specialists and classification experts.

The Task Force will be chaired by the OECD. An invitation for participation in the Task Force will be sent out in the beginning of 2016. Regarding the participation in the Task

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Force, the goal is to engage a broad group of countries, with a good geographical coverage, and international organizations; and to involve, either directly or indirectly, specialists from outside the area of national accounts, e.g.

business registers, enterprise statistics, balance of payments, and classification specialists.

For further information, reference is made to the following document on the SNA-website: http://unstats.un.org/unsd/nationalaccount/aeg/2014/M9-921.pdf.

UPDATE ON SNA IMPLEMENTATION
By UNSD

In accordance with the request of the United Nations Statistical Commission (see E/264, chap. VIII, para. 42), the United Nations Statistics Division (UNSD) regularly evaluates the availability and scope of official national accounts data reported by Member States and their conceptual compliance with the recommendations of the SNA, and reports its finding to the Statistical Commission. This article is based on the latest assessment carried out for consideration of the Statistical Commission at its 47th session, 8-11 March 2016.

The assessment is based on replies to the United Nations National Accounts Questionnaire[1] for the last five reporting periods, i.e. from 2010 to 2014. The data are either reported directly to the Statistics Division, or through UNECE, the OECD or the Secretariat of the Caribbean Community. The assessment evaluates the availability and scope of official annual national accounts. Although the need for quarterly national accounts to facilitate appropriate policy responses is recognized in the Minimum

Required Data Set (MRDS), currently only a limited number of Member States (about 75) are regularly compiling quarterly national accounts data, and therefore this assessment does not cover quarterly national accounts. The assessment provided below is organized around three main areas: data reporting including timeliness, compliance, and scope of the accounts.

Data reporting

Overall the response rate to the United Nations National Accounts Questionnaire (NAQ) to the Statistics Division has increased over the past 12 years. As Figure 1 shows, the number of Member States reporting to UNSD rose from 101 Member States in the 2003 reporting year to about 160 in the 2008 reporting year, and has remained at that level since then.

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[1] More information on the Questionnaire is available at:
http://unstats.un.org/unsd/nationalaccount/madt.asp

Figure 1: Number of reporting countries for the NAQ reporting period 2003 - 2014
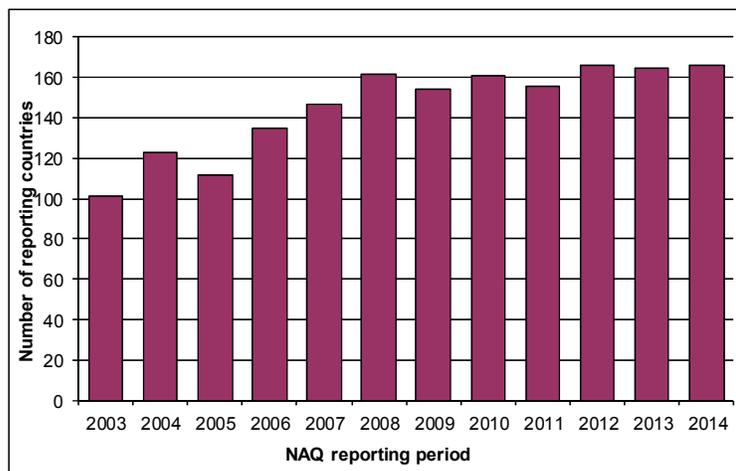
Focusing on the reporting period from 2010 to 2014, the number of Member States that reported at least once in that period is 183, which correspond to 95 per cent of the total United Nations membership, see Table 1. Still about 15 per cent of Member States do not report every year and 5 per cent have not reported at all over the last five years. Table 1 also shows the breakdown of the reporting across regions. All developed countries have reported data at least once in the period, while, among developing countries, the percentage varies between 83 per cent in Oceania to 97 per cent in Asia and Latin America and the Caribbean.

The timeliness of data is evaluated in terms of the number of Member States that are able to submit data for the same year as the reporting

period, in other words, the number of Member States that are able to submit data, for example, for the year 2014 in the 2014 reporting period[2]. Table 1 shows that, for the 2014 National Accounts Questionnaire (NAQ 2014), 119 Member States (62 per cent) submitted data for the year 2014. This number represents an increase as compared to the NAQ 2013 for which 107 Member States (55 per cent) submitted data for the year 2013 and to the NAQ 2012 for which 111 Member States (58 per cent) submitted data for 2012.

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[2] For the 2014 reporting period data are collected from January to August 2015.

Table 1: Number of countries reporting annually and 2014 data availability

	Total number of Member States	Number of Member States that replied to the NAQ			
		At least once between 2010-2014	NAQ 2013	NAQ 2014	2014 data availability
UN Member States	193	183 (95%)	165	166	119(62%)
Developed countries	44	44 (100%)	43	43	38 (86%)
EECCA countries[a]	12	10 (83%)	10	10	10 (83%)
Developing countries	137	129 (94%)	112	113	71 (52%)
Africa	*54*	*50 (93%)*	*40*	*43*	*27 (50%)*
Latin America and the Caribbean	*33*	*32 (97%)*	*26*	*29*	*19 (58%)*
Asia	*38*	*37 (97%)*	*36*	*35*	*23 (61%)*
Oceania	*12*	*10 (83%)*	*10*	*6*	*2 (17%)*

[a] EECCA: Eastern Europe, Caucasus and Central Asia.

Compliance

Table 2 shows the compliance of the reported national accounts data with the 1968, 1993 and 2008 SNA as of August 2015. At global level, 170 of the 193 Member States (88 per cent) have implemented the 1993 SNA or the 2008 SNA, while about 12 per cent of Member States are still using the 1968 SNA. The compliance varies across regions. All developed and Eastern Europe, Caucasus and Central Asia (EECCA) countries are in compliance of the 1993 SNA or 2008 SNA. Among developing countries, 43 countries in Africa (80 per cent), 29 countries in Latin America and the Caribbean (88 per cent), 32

countries in Asian (84 per cent), and 10 countries in Oceania (83 per cent) have implemented the 1993 SNA or the 2008 SNA. Nevertheless, 23 developing countries (12 per cent) still do not compile their national accounts according to either the 1993 SNA or the 2008 SNA.

It should be noted that the changeover to the 2008 SNA is increasingly implemented in countries. As of August 2015, 62 Member States reported switching to the 2008 SNA - the largest part of which consisted of the EU Member States that implemented the 2008 SNA in October 2014. These figures include

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countries that have implemented the 2008 SNA without necessarily having implemented the 1993 SNA.

A number of Member States may have introduced only some of the 2008 SNA changes, mainly owing to resource constraints. For example, some Member States have chosen a gradual approach to implementing the 2008 SNA. They have concentrated on issues affecting Gross Domestic Product, including new estimates for financial intermediation services indirectly measured, output of central banks, research and development, expenditures on military weapons systems and more comprehensive estimates of the non-observed economy. A description of the impact of the changeover to the 2008 SNA on GDP and other macro-economic indicators for OECD countries can be found in the OECD Statistics Brief, No. 20[3].

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[3] Available at:
http://www.oecd.org/std/na/new-standards-for-compiling-national-accounts-SNA2008-OECDSB20.pdf

Table 2: Compliance with the SNA

	Total number of countries	1968 SNA compliance	1993 or 2008 SNA compliance	*Of which: 2008 SNA compliance*
UN Member States	193	23 (12%)	170 (88%)	62 (32%)
Developed countries	44	0	44 (100%)	36 (82%)
EECCA countries	12	0	12 (100%)	2 (17%)
Developing countries	137	23 (17%)	114 (83%)	24 (18%)
Africa	*54*	*11 (20%)*	*43 (80%)*	*7 (13%)*
Latin America and the Caribbean	*33*	*4 (12%)*	*29 (88%)*	*6 (18%)*
Asia	*38*	*6 (16%)*	*32 (84%)*	*11 (29%)*
Oceania	*12*	*2 (17%)*	*10 (83%)*	*0*

Scope

The scope of national accounts data reported to UNSD is evaluated against a standard "minimum requirement data set"[4], which was adopted by the Statistical Commission at its thirty-second session in 2001 (see E/2001/24, chap. III), and against the "milestone"[5] measure, which was adopted by the Commission at its twenty-ninth session in 1997 (see E/1997/24, para. 46). Table 3 shows that globally 131 Member States (68 per cent) provide six or more tables of the minimum requirement data set and 101 countries (52 per cent) provide the seven tables of the minimum required data set. This low level in respect of the scope of the national accounts data is mainly due to the lack of reporting on the rest of the world accounts, highlighting the need to integrate balance of payment statistics and national accounts. According to the milestone measure of the scope of national accounts data, a large majority of developed countries, EECCA countries and developing countries in Asia, Latin America and the Caribbean compile national accounts according to at least milestone 2, compared with 67 per cent of countries in Africa and 42 per cent of countries in Oceania.

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[4] The MRDS is defined in the reports of ISWGNA to the Statistical Commission (see E/CN.3/2001/7, E/CN.3/2001/8 and E/CN.3/2011/6).
[5] The milestone methodology is described in the reports of ISWGNA to the Statistical Commission (see E/CN.3/1997/12 and E/CN.3/2011/6)

Table 3: Scope of the National Accounts

	Total number of countries	Minimum Required Data Set (MRDS)		Milestone Level	
		Six or more tables	Seven tables	Level 1 or higher	Level 2 or higher
UN Member States	193	131 (68%)	101 (52%)	176 (91 %)	157 (87%)
Developed countries	44	40 (91%)	35 (80%)	43 (98%)	41 (93%)
ECCAA countries	12	9 (75%)	9 (75%)	11 (92%)	10 (83%)
Developing countries	137	82 (60%)	57 (42%)	122 (89%)	106 (77%)
Africa	*54*	*26 (48%)*	*20 (37%)*	*47 (87%)*	*36 (67%)*
Latin America and the Caribbean	*33*	*24 (73%)*	*18 (55%)*	*32 (97%)*	*31 (94%)*
Asia	*38*	*28 (74%)*	*16 (42%)*	*37 (97%)*	*34 (89%)*
Oceania	*12*	*4 (33%)*	*3 (25%)*	*6 (50%)*	*5 (42%)*

OECD DASHBOARD ON HOUSEHOLDS

By OECD

Gross domestic product (GDP) is the standard measure of the value added created through the production of goods and services in a country during a certain period. Equivalently, it measures the income earned from that production or the total amount spent on final goods and services (less imports). While GDP is the single most important indicator to capture these economic activities, it falls short of providing a suitable measure of people's material well-being. There is, however, a wealth of information available within the System of National Accounts (SNA) to help determine households' economic well-being in a more appropriate way.

As can be seen in Figure 1, while the household gross disposable income per capita for the OECD as a whole rose by 8.2% between the first quarter of 2007 and the second quarter of 2015, the OECD GDP per capita increased by only 3.8% over the same period. This pattern diverges across countries as purchasing power still remains below pre-2007 levels (just before the start of the economic crisis) in a number of countries, including Austria, Belgium, Italy, the Netherlands, Portugal, Slovenia, and Spain.

In order to better understand this reality, the OECD developed an new tool - the OECD Household Dashboard - to provide a macro perspective on households using d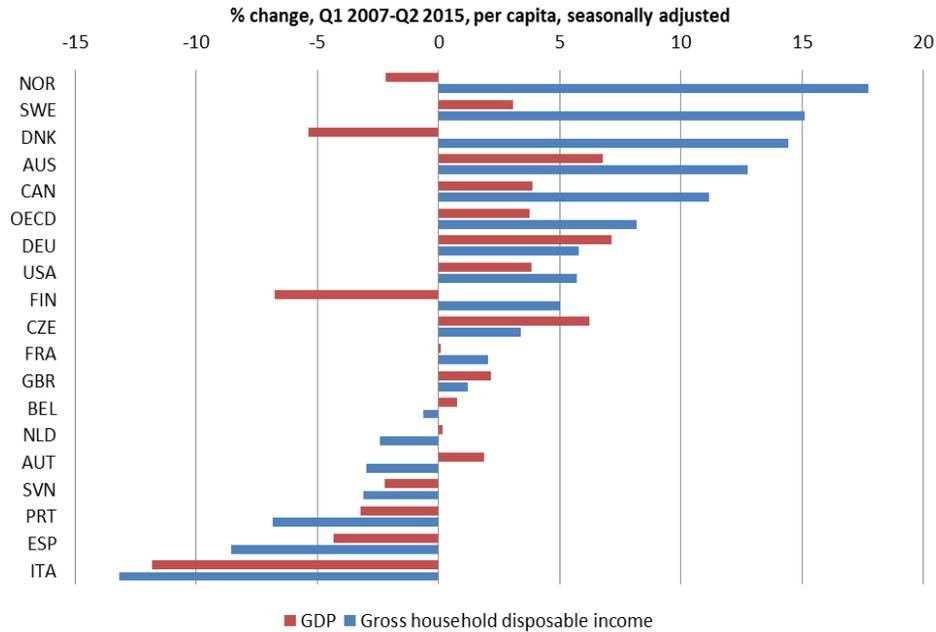ata produced within the framework of the SNA, supplemented with additional indicators such as the unemployment rate (based on definitions of the 13th Conference of Labour Statisticians, generally referred to as the ILO guidelines) and consumer confidence. Two household-related indicators are related to their income as a way to assess living standards (real household disposable income and net transfers to households). Another option in assessing living standards is to look at the consumption of households. In fact, a recent study conducted by the UK Office for National Statistics found that household expenditure appears to have a stronger relationship with personal well-being than household income[6]. As stated in the Stiglitz-Sen-Fitoussi report, consumption tends to be driven by permanent, long-term income more than by short-term changes in income[7]. In this respect, it is also important to consider people's own perceptions of their economic situation, whether or not they feel confident enough to make major purchases. For the above reasons, two additional indicators look at real household consumption expenditures and consumer confidence.

[6] http://www.ons.gov.uk/ons/dcp171766_365207.pdf

[7] http://www.insee.fr/fr/publications-et-services/default.asp?page=dossiers_web/stiglitz/documents-commission.htm

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Figure 1. GDP and household income

% change, Q1 2007-Q2 2015, per capita, seasonally adjusted

■ GDP ■ Gross household disposable income

Source: http://stats.oecd.org/

Household disposable income may either be used for final consumption or saving. Disposable income thus represents the maximum amount households can consume without reducing their net wealth (without taking into account holding gains or losses on assets). As many households compensate short-term income fluctuations by increased saving or by borrowing, looking at households' saving rates and households' indebtedness can provide yet another perspective on how households are doing. Additional indicators to show how vulnerable households are to shocks to their income are presented by financial net worth of households, i.e. total financial assets minus total liabilities, the unemployment rate, and the broader labour underutilization rate, which is the ratio between those who are unemployed and the labour force - the sum of the employed and the unemployed.

Taken together this set of indicators highlights material well-being from the household perspective, and thus provides more detailed information than simply looking at economic growth. Because many countries cannot separate data on households from data on non-profit institutions serving households (NPISHs), such as churches and religious

societies, sports and other clubs, trade unions, these data are included for each 'household' indicator, with the exception of the consumer confidence index, unemployment rate, and labour underutilization rate, which is the ratio between those who are unemployed and the labour force - the sum of the employed and the unemployed.

In order to better understand the stories behind these indicators, the OECD has developed a dashboard of household statistics that allows the user to see how households are faring in OECD countries. In parallel, the OECD has also developed a series of country specific stories that provide a more detailed analysis of households.

One should keep in mind that households' income, consumption and saving may differ considerably across various groupings of households; the same holds for households' indebtedness and (financial) wealth. National Statistics Institutes and the OECD are working on these distributional aspects and more information can be found in *Measuring inequality in income and consumption in a national accounts framework*, the OECD Statistics Brief, No. 19[8].

If you are interested in comparing the other indicators, the interactive graphic tool "Compare your country" provides a fuller picture of changes in the well-being of households than broad GDP figures. For more information, you can visit the OECD household dashboard at: http://www.oecd.org/std/na/household-dashboard.htm

[8] Available at: http://www.oecd.org/std/na/Measuring-inequality-in-income-and-consumption-in-a-national-accounts-framework.pdf

MEETINGS AND SEMINARS

11-14 January 2016 - Expert Group Meeting on Statistics for SDGs: Accounting for Informal Sector in National Accounts, Addis Ababa, Ethiopia, organized by the United Nations Economic Commission for Africa (ECA). Further information is available at: http://www.uneca.org/egmsdgs

20 - 21 January 2016 - Regional Workshop on Developing and Improving Sectoral Financial Accounts, Algiers, Algeria, organized by the Bank of International Settlements. Further information is available at: http://www.bis.org/ifc/events.htm

26-28 January 2016 - 1st Meeting of the UN Expert Group on International Trade and Globalization Statistics, New York, USA, organized by UNSD. Further information is available at: http://unstats.un.org/unsd/events/eventsdetail.cshtml?i=353

16-18 February 2016 - Expert Group Meeting on Short-term Statistics, Tunis, Tunisia, organized by the United Nations Economic and Social Commission for Western Asia (ESCWA).

8 - 11 March 2016 - Forty-seventh session of the United Nations Statistical Commission, New York, USA. Further information is available at: http://unstats.un.org/unsd/statcom/47th-session/

9-11 March 2016 - Joint Eurostat/IMF/ILO/OECD Workshop on Pensions, Paris, France

13-15 April 2016 - 10th Meeting of the Advisory Expert group on National Accounts, Paris, France. Further information will be available at: http://unstats.un.org/unsd/nationalaccount/ramtg.asp?fType=2

2-4 May 2016 - The Asia-Pacific Economic Statistics Week (APES 2016), Bangkok, Thailand, organized by the United Nations Economic and Social Commission for Asia and the Pacific(ESCAP). Further information is available at: http://communities.unescap.org/economic-statistics/asia-pacific-economic-statistics-week

17 May 2016 - Special Session for Eastern Europe, Caucasus and Central Asia (EECCA) and South East Europe (SEE) countries, Geneva, Switzerland, organized by ECE jointly with the European Free Trade Association (EFTA), Eurostat and United Nations Statistics Division (UNSD).

18-20 May 2016 - Meeting of the Group of Experts on National Accounts, Geneva, Switzerland, organized by ECE jointly with Eurostat and OECD.

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Editorial Note

SNA News and Notes is a bi-annual information service of the ISWGNA prepared by the United Nations Statistics Division (UNSD). It does not necessarily express the official position of any of the members of the ISWGNA (European Union, IMF, OECD, United Nations and World Bank).

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The website of the ISWGNA includes, in addition to information about the ISWGNA activities, a platform for monitoring the implementation of the SNA with links to the work programmes of the ISWGNA members and regional commissions; information about the research agenda of the SNA; and the activities of the AEG. The website is available at:
 http://unstats.un.org/unsd/nationalaccount/iswgna.asp. Searchable PDF copies of the 2008 SNA and earlier versions of the SNA are available at http://unstats.un.org/unsd/nationalaccount/sna.asp.

Correspondence about the SNA News and Notes should be addressed to: UNSD, Room DC2-1516, New York, NY 10017; tel.:+**1-212-963-4679**, fax**: +1-917-367-0135**, e-mail: **sna@un.org**

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