

Guidelines for the Notes on National Accounts Methodology

In addition to the national accounts data, metadata on the national accounts methodology is published in the United Nations publication: “National Accounts Statistics: Main Aggregates and Detailed Tables”. The notes on national accounts methodology (in short Methodology Notes) describe the sources and compilation methodology of gross domestic product (GDP) and the compilation of the integrated economic accounts.

The Methodology Notes are divided into three parts, namely, the “Sources” of national accounts data; “General notes” on the scope of the national accounts data; and “Methodology notes”, which provide more specific information on the compilation of national accounts data.

Please review and update the Methodology Notes reported with your last submission of the National Accounts Questionnaire. In order to enhance the comparability of the Methodology Notes you are requested to use the guidelines provided below.

In the annex to these guidelines are the Methodology Notes of Armenia, which may serve as an example.

1. Methodology Notes

1.1 Sources

In this section please provide information on the institution(s) that are compiling and disseminating the official national accounts statistics of your country.

- Provide the name of the institution responsible for the compilation of official national accounts statistics (e.g. Central Bank, Bureau of Statistics, or Division/Department within the structure of a Ministry).

- If different institutions are responsible for the compilation of specific parts of the national accounts, please provide the names of the institutions and their respective responsibilities.
- List the publications used for disseminating official national accounts statistics (e.g. Bulletins, Yearbook, and Newsletters). If data are available online, please indicate the website, too.

1.2 General

The general notes describe the country-specific treatments of the national accounts data for the tables provided to the United Nations Statistics Division (UNSD).

Indicate which version of the System of National Accounts (SNA) is used for the compilation of the national accounts statistics (e.g. 1968 or 1993 or 2008 SNA). If the 1993 SNA or 2008 SNA is used, also indicate when it was adopted and describe the extent of methodological compliance with the 1993 SNA or 2008 SNA.

- List the recent publications containing information on the national accounts methodology used in your country.
- Briefly describe the release calendar of annual and quarterly national accounts.
- If the national accounts methodology has changed since the last submission of data, please describe briefly the reasons for the revision (base year change, new data sources, currency change, change in fiscal year, etc.).
- Specify the fiscal year (e.g. calendar year, or 1 April to 31 March, etc.). If the fiscal years differ from table to table, please indicate the respective fiscal years for each table.
- Please indicate whether national accounts aggregates in constant prices are reported in the form of chain volume measures or volume measures with a fixed base year. In the latter case, please specify the base year.

2. Methodology

2.1 Overview of the compilation of gross domestic product

In this section please provide an overview of the **approaches** used for the compilation of GDP.

- Indicate the main approach to compile GDP.
- Describe any country-specific treatment of national accounts aggregates (valuation of value added with or without FISIM, output and value added at producers' prices or factor cost, the classification of taxes, classification of industries, etc.).

2.2 Detail of GDP compilation (Expenditure-, Income-, and Production approach)

Please provide more **detailed** information about the **methods** and data **sources** used in the compilation of the GDP in this section.

2.2.1 Expenditure approach

- Please provide a short description of the methodology and major sources of information to compile:
 - final consumption expenditure by households;
 - final consumption expenditure by general government;
 - gross fixed capital formation;
 - changes in inventories; and
 - imports and exports of goods and services.

- Please describe how data at constant prices with a fixed base year or with chain volume measures are calculated.

2.2.2 Income approach

- Please provide a short description of the methodology and major sources of information by industry to compile:
 - compensation of employees;
 - taxes and subsidies on production and imports; and
 - operating surplus/mixed income.
- Please describe the treatment of household enterprises, particularly how operating surplus and mixed income are distinguished for these household enterprises in an industry breakdown.
- Please describe how data at constant prices with a fixed base year or with chain volume measures are calculated.

2.2.3 Production approach

- Please provide a short description of the methodology and major sources of information by industry to compile:
 - output;
 - intermediate consumption; and
 - value added.
- Please describe how data at constant prices with a fixed base year or with chain volume measures are calculated.

2.3 Overview of the compilation of the integrated economic accounts

Please provide an overview of the scope and data sources used in the compilation of the integrated economic accounts (IEA).

- List the institutional (sub) sectors and accounts of the sequence of accounts for which national accounts data are compiled in your country.
- Provide a short description of the methodology and major sources of information by institutional sector to compile the main aggregates not covered in the description of the compilation of the GDP above.
- Kindly indicate those institutional sectors for which the sequence of accounts is compiled independently, including the total economy and those institutional sectors which are treated as a residual.
- Regarding net lending/net borrowing, please indicate whether the capital account is adjusted to the financial account or vice versa, or whether no adjustment between these two accounts is made and therefore two different values are reported for net lending/net borrowing.
- Describe any country-specific treatment with regard to the institutional sectors of the IEA (combination of institutional sectors, treatment of enterprises owned by households, etc.).
- Please describe any particular difficulties regarding the compilation, collection or processing of statistics by institutional sector in your country.
- If data for the IEA are not compiled, please indicate whether your country is planning to prepare data by institutional sector and the tentative date when this will happen.

Example Notes on National Accounts Methodology: Armenia

Source

The Macroeconomic Indicators and National Accounts Division of the Republic of Armenia's National Statistical Service is responsible for compiling and disseminating official national accounts statistics. National accounts are disseminated in the following publications: Socio-Economic Situation of the Republic of Armenia (monthly publication); Statistical Yearbook of Armenia (annual publication); and National Accounts of Armenia (annual publication), as well as on the National Data Summary Page (NSDP) requested by SDDS (<http://docs.armstat.am/nsdp/>) and on NSS RA website as time series in spreadsheet files (<http://www.armstat.am/en/?nid=263>). Detailed information is available under "publications" on the website of the National Statistical Service of the Republic of Armenia: (<http://www.armstat.am/en/>).

General

The national accounts of Armenia are compiled in line with the key concepts, categories and notions of the methodological bases for the System of National Accounts 1993 (1993 SNA). Schedules for the release of statistical publications (data) are contained in the annual statistical work programmes approved by the State Statistical Council of the Republic of Armenia. The annual programme is approved within one month following the adoption of the State budget by the National Assembly of the Republic of Armenia. Schedules with GDP revision policy for the release of statistical publications are also available in the website of NSS RA <http://armstat.am/file/Timetable/Timetable%202014-en.pdf>. A schedule for the release of data, which provides information on exact dates for the release of data three months in advance, is also available on the International Monetary Fund's Dissemination Standards Bulletin Board at the following website: <http://dsbb.imf.org>. The website includes the following: the Statistical Yearbook of Armenia (annual publication); the National Accounts of Armenia (annual publication); and Quarterly GDP data. Note that quarterly GDP data are published by production approach 60 days and by expenditure approach 90 days after the reporting quarter and annual national accounts are published one year after the reporting year (during the fourth

quarter). GDP in constant prices were reported in different ways: With 1998 BY, 2005 BY and in prices of the same period of the previous year. Since 2011 quarterly GDP data are reported in average prices of the previous year. Quarterly Data in average prices of the previous year are available for 2009-2013. Data with 2008 BY are available for 2009-2012. In Armenian national accounts the calendar year is used as the financial year.

Overview of GDP Compilation

GDP is compiled by three methods: (1) Production (2) Income (3) Expenditure. The production approach is the basic method used for GDP compilation. For the production approach, assessments are based on various sources, although primarily on the surveys of the National Statistical Service of the Republic of Armenia. The National Statistical Service conducts monthly (discrete), quarterly and annual surveys of organizations engaged in all types of economic activities apart from agriculture. In the case of agriculture, data are collected from a 7480 sample survey of 335,000 farms and data are also taken from some 100 commercial organizations. These data sources are also supplemented using data from surveys of households (ILCS). Other sources include reporting data from the Ministry of Finance for general government services and tax revenues and subsidies. Data from Central Bank and commercial banks are used for assessment of financial sector data. For the income approach, data for assessments are obtained from labour-force surveys conducted by the National Statistical Service; reports from the Ministry of Finance on taxes and subsidies; and the quarterly and annual financial reports of companies submitted to the National Statistical Service. For the expenditure approach, categories of expenditure are assessed on the basis of data from surveys of households; surveys of trade and paid services; the resource balance used for agricultural products; reports from the Ministry of Finance on general government consumption expenditure; company reports on capital formation and inventory changes; and BoP data.

Expenditure Approach

GDP from use side is defined as the sum of final consumption expenditures, gross capital formation, and net export. It shows how the households, government units and non-profit

institutions serving households distribute their disposable incomes among the final consumption and savings. Final-consumption expenditure is calculated using data from households budget surveys (ILCS), retail trade turnover, which is adjusted to account for the amount of purchases in the informal market; expenditure on paid services; production for own consumption; and consumption expenditure by general government and non-profit institutions. Data are adjusted on the basis of household surveys and, in part, on the need for an overall balance between GDP calculated using the production approach and the final-use method. Assessments in the previous year's average prices are made through deflation of final consumption and capital formation in current prices using the appropriate price indexes. Fixed capital formation is mainly calculated on the basis of data from statistical reports on capital investments; expenditures for major repairs; expenditures on geological prospecting work; increases in the value of livestock; expenditures for computer software and databases; expenditures on literary and artistic original productions; and also includes State budget expenditures for the acquisition of non-expendable equipment and other items. Balance-of-payment data are also used. A change in inventories is calculated on the basis of data from the statistical reports of enterprises. A change in the value of inventories is defined as the difference between the goods entering inventories and those being withdrawn from them. The value of the goods as a result of price fluctuations during the period that they are held in inventories — i.e. the influence of price fluctuations (holding gains) — is excluded from the value of changes in inventories. Data on export and import of goods and services are derived from balance-of-payments data, which are compiled on the basis of data from customs statistics, with an adjustment made for “shuttle trade”. Quarterly data in average annual prices are obtained by deflating, using the quarterly price index (by component). Until 1999, the base year was 1996. For the years 2000-2006 the base year was 1998. For the years 2005-2011 the base year was 2005. Since 2011 the base year is previous year. Quarterly data at constant prices are calculated with chain volume measures.

Income Approach

GDP from income generation side is one of the three approaches to calculate GDP in the SNA framework. However it's not an independent calculation, as, according to the

accepted methodology, not all income indicators are derived by direct calculation, some of them are calculated through the balancing method. The income approach is used for the calculation of GDP on an annual basis only. Remuneration of employees includes pay and employers' social-security contributions. These are recorded on the basis of the accrued amounts. Pay includes all forms of remuneration, in cash or in kind, irrespective of the sources of funding. Taxes on production and import include taxes on goods and imports and other taxes on production. Subsidies are current non-refundable and non-returnable payments that the State makes to enterprises on the basis of the production, sale or import of goods and services. Gross operating surplus and gross mixed income include the portion of the value added that is retained by the manufacturers after deducting expenditures. Gross mixed income is also included from the household sector.

Production Approach

Production account records transactions directly linked with the production process. In this account the value added is defined, which is the basis for calculating the Gross Domestic Product. Intermediate consumption consists of the value of the goods and services, which are either transformed or used up by the production process in the reporting period. Intermediate consumption excludes consumption of fixed capital. Intermediate consumption separately covers financial intermediation services indirectly measured. Gross value added is calculated as the value of output of goods and services less the value of intermediate consumption by economic activities. The term «Gross» shows that the indicator includes the value of fixed capital consumed in the process of production. GDP at market prices from production side is defined as the sum of gross value added (at basic prices) produced in the economy, and net taxes (less subsidies) on products and import. Value added at basic prices is an output indicator, which is defined as the value of output of goods and services less the value of intermediate consumption and doesn't include taxes on product, but includes subsidies on product. The output data submitted are adjusted for "non-recorded" activities and the hidden economy. Bearing in mind the incomplete coverage, the non-reporting of data and the supply of unreliable information, calculations are based on data on production output, Household budget surveys, Informal sector survey, the number of persons employed and the number of

persons engaged in production, as derived from regular statistical reporting and labour-force surveys. Indirect macroeconomic methods are also employed using a combined information base. Data are valued at BY prices using the double deflation method. These prices are based on volume, price and extrapolation indexes. Until 1999, the base year was 1996. For the years 2000-2006 the base year was 1998. For the years 2005-2011 the base year was 2005. Since 2011 the base year is previous year. Quarterly data at constant prices are calculated with chain volume measures.

Overview of the Compilation of the Integrated Economic Accounts

Integrated economic accounts cover all transactions defined in the 1993 SNA within the entire territory of the Republic of Armenia. Illegal activities are excluded. A number of statistical indicators are evaluated related to the “non-recorded” part of the economy and the hidden economy, with the exception of illegal activities. The non-observed economy is estimated to account for approximately 25 per cent of GDP. Institutional units are economic units that are capable of owning assets and entering into commitments in their own right. They are able to engage in all kinds of transactions and are central to decisions taken in all aspects of economic life. Institutional units are grouped into main institutional sectors on the basis of their principal functions, behaviour and objectives. A sector is a collection of institutional units which are similar from the point of view of their functions and financing sources. The five sectors of the national economy are as follows: non-financial corporations; financial corporations; general government; non-profit institutions serving households; and households. Non-financial corporations are institutional units whose principal activity is the production of market goods and non-financial services; Financial corporations are institutional units which are principally engaged in financial intermediation or in auxiliary financial activities; General government refers to institutional units which, in addition to fulfilling their political responsibilities and their role of economic regulation, produce principally non-market services for individual or collective consumption and redistribute income and wealth; Non-profit institutions serving households are legal entities which are principally engaged in the production of non-market services for households. Their status does not permit them to be a source of income, profit or other financial gain for the units that establish them. The main resources

of these institutions are voluntary contributions from households; a household is a small group of persons who share the same living accommodation, who pool some, or all, of their income and wealth and who consume certain types of goods and services collectively, mainly housing and food. Units included in the households sector participate in production with their labour force and acquire goods and services in the market. Furthermore, households are sometimes owners of small unincorporated enterprises (farms, family restaurants, shops, etc.). These unincorporated enterprises produce goods and services for sale in a market, but also sometimes partly for their own consumption. The financial outcome of the activity of unincorporated establishments is the mixed income, including both the surplus elements and the remaining remuneration of work. In order to reflect the interlinkages of the above-mentioned sectors with other countries, a nominal “rest of the world” sector was established, consisting of all non-resident institutional units that enter into transactions with residents of the national economy.