

# SNA News

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## NEW RECOMMENDATIONS FOR THE UPDATING OF THE 1993 SNA By ISWGNA

The third meeting of the Advisory Expert Group on National Accounts (AEG) was held in July 2005 in Bangkok. The AEG discussed and made recommendations on a number of issues related to the following four groups of issues: **balance of payments** (*Migrants' transfers; Residence of households: Non-permanent workers; Ships' crew and patients; Granting of guarantees; Goods sent abroad for processing; Multi-territory enterprises*), **non-financial assets** (*Land improvements and structures; Water as an asset; Originals and copies; Databases; Research and development; Obsolescence and depreciation; Purchased goodwill and marketing assets; Cost of capital services; Government and other non-market producers: cost of capital of own assets*), **financial instruments** (*Distinction between loans and deposits; Traded loans – the borderline between securities and other financial instruments; Interest on index-linked debt instruments; Debt instruments linked to a foreign currency; Fees on securities lending and reversible gold transactions; Reverse transactions; Non-performing loans*) and **issues affecting government** (*Public / private / government*

*sectors delineation; Taxes, revenues, uncollectible taxes and tax credits*).

The recommendations of the AEG on these issues are included in full in the report of the meeting that is available on the website <http://unstats.un.org/unsd/nationalaccount/aeg.htm>. The supporting issue papers are also posted at this website. The new recommendations have been circulated to all countries for comments, which will be taken into account in making the final decision on these issues.

Three examples are provided below to illustrate the outcome of the AEG discussions. The description of each of these recommendations has been extracted from the report of the July 2005 AEG meeting. The selected recommendations (one for each of the first three groups of issues listed above) refer to issues on which AEG work has been completed. The selected topics include cases where changes in the 1993 SNA are proposed as well as an example where the preservation of the current treatment is proposed.

### *Research and development*

The recommendations presented for the AEG's consideration were:

- (a) The 1993 SNA should be changed to recognise the outputs of R&D as assets, and the acquisition, disposal and depreciation of R&D fixed assets should be treated in the same way as other fixed assets.

- (b) All R&D output should be treated as an asset, irrespective of its nature or whether it is made freely available. In the latter case, the asset should be recorded on the balance sheet of the owner of the original and be regarded as providing a free service until it becomes obsolete.
- (c) The definition of an asset should be reviewed to ensure it covers the assets of non-market producers adequately.
- (d) The definition of R&D given in the Frascati Manual (FM) should be adopted in the SNA.
- (e) The Frascati system provides the best means of deriving estimates of R&D statistics, principally gross fixed capital formation (GFCF). However, there are shortcomings in the Frascati data and the FM should be amended to better support the needs of the SNA.
- (f) Most R&D output is produced over several periods and the SNA recommendations for the production of other assets should apply. Most R&D production is on own account, which implies recording it as GFCF as it occurs under the current recommendations.
- (g) Patented entities should no longer be recognised as assets in the system.

Recommendations made by the AEG:

A large majority of AEG members supported recommendation (a), that the 1993 SNA should be changed to recognise the outputs of R&D as assets.

A number of AEG members expressed concern about some aspects of recommendation (b). In particular, the proposed inclusion as assets of R&D made freely available would potentially change the current SNA definition of an asset. It was agreed that theoretically these should not be treated as assets. However, because the amount of R&D made freely available is likely to be small and difficult to identify, in practice they might not be excluded.

The definition of an asset (recommendation (c)) is being re-examined by the Canberra II Group.

The AEG agreed to use the Frascati Manual definition of R&D with the clarifying explanation that this does not imply that human capital is treated as an asset in the SNA.

Recommendations (e) and (f) were accepted.

The following amended version of recommendation (g) was accepted:

“Patented entities will no longer be separately identified as such in the system, but they will be subsumed into R&D assets.”

### *Migrants’ transfers*

The following questions were presented for the AEG’s consideration:

- (a) Does the Group agree with the proposal not to record migrants’ personal effects under imports and exports of goods (and to amend SNA paragraph 14.92 accordingly)?
- (b) Would the Group like to clarify the recording of the changes in financial assets and liabilities due to changes in residence? If so, should the changes in assets and liabilities position of individuals who change their residence be recorded under “other changes in volume of assets”?
- (c) Should the same principles apply to corporations that change their residence (either due to relocation or to boundary changes)?

- (d) Should clarifying text be added to SNA chapters 11 and 12, so that the special nature of these economic events is explicitly outlined?

Recommendations made by the AEG:

The AEG accepted the recommendations on migrant transfers as far as households are concerned.

It was confirmed that enterprises seldom change location; in general an enterprise in one location is dissolved and another is formed in another location. However, there were specific but limited examples (for example within the European Union) where an enterprise may change residence, in which case the same rules would apply as for households.

### ***Reverse transactions***

The following suggestions were made to the AEG:

- (a) there should be no change to the current SNA treatment
- (b) the issue should remain on the research agenda
- (c) the following clarifications should be added:
  - (i) added explanations on securities lending and gold loans
  - (ii) remove reference about not being able to on-sell
  - (iii) treating short positions as negative assets.

Recommendations made by the AEG:

The AEG accepted the recommendations on reverse transactions.

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## **BENCHMARKING AND REBASING OF SOUTH AFRICA'S NATIONAL ACCOUNTS STATISTICS**

**By Marietha Gouws, Statistics South Africa**

### ***Introduction***

South Africa conducted the benchmarking and rebasing of its national accounts, the methodology and results of which are summarized in this article. Statistics South Africa (Stats SA) published a set of benchmarked and rebased national accounts estimates<sup>1</sup> on 30 November 2004. The national accounts estimates were revised from 1998 onwards and the reference year for the real estimates changed to 2000 = 100.

### ***Changes and improvements since previous benchmarking***

Since the previous<sup>2</sup> benchmarking of national accounts statistics, Stats SA implemented a comprehensive economic statistics improvement strategy. This included a new business register for economic statistics, the introduction of a new annual economic activity survey as well as the drawing of new samples for the short-term manufacturing and wholesale and retail trade sale surveys<sup>3</sup>. The large sample survey<sup>4</sup> on manufacturing was also drawn from this updated business register.

Regarding social statistics, results of the 2001 Population census, the 2000 Income and expenditure survey of households, the 2001 Survey of employers and self-employed and other household based surveys became available. Apart from these, various external *ad-hoc* studies also became available.

For the benchmarking of the quarterly estimates to the annual estimates, the Denton method was applied, whereas previously the Bassie method was used. The seasonal adjustment programme, Proc X-11<sup>5</sup> is still used for the seasonal adjustment of the quarterly estimates.

Previously real national accounts statistics had mainly been derived through extrapolation of the base year values. This was changed during this benchmarking and revision project as the double deflation technique was introduced in the annual national accounts estimates<sup>6</sup>. Estimates for both output and intermediate consumption (derived from the supply and use table) were deflated with appropriate price indices.

#### ***Changes to the national accounts compilation practice***

The current national accounts practice at Stats SA is to independently compile and publish annual production and generation of income accounts. These estimates are published annually in November and form the control totals for the annual supply and use tables (SUT), published with a 30-month lag after the reference period. Due to various constraints and restrictions, the SUT had not been previously used to derive the estimates of the annual production and generation of income accounts entries. This changed during the benchmarking as the SUT framework was used to derive the annual estimates.

As from November 2005 onwards, annual estimates will be derived through SUT, as stated above. If this is successful, the SUT will be published in March following the November publication. The advantage is that this SUT will be available within 15 months after the reference period, but it will have less industry and commodity detail than the previous SUT published with a 30-month time lag. More elaborated and detailed SUT will only be available after each benchmarking.

#### ***Effects of benchmarking on levels***

Results from the benchmarking:

- For the years 2000 and 2002, the level of total output at current prices was higher than previously estimated by 16.8% and 19.6%, respectively. Intermediate consumption at current prices for the same periods was 29.9% and 34.8% higher than previously estimated.
- These revisions resulted in a 3.8% increase in the level of GDP at current prices (calculated through the production and income approaches) for the year 2000 and a 3.9% increase for 2002 compared to previous estimates. The GDP at current prices calculated through the expenditure approach<sup>7</sup> was 3.9% and 4.0% higher for the years 2000 and 2002, respectively.
- The average annual real GDP growth rate from 1998 to 2003 was previously estimated at 2.4%. This is now revised to 2.7% for the same period.
- In the year 2000, no residual or discrepancy occurred between the GDP estimates calculated from the production and expenditure approaches. However, on a commodity basis a discrepancy of less than 3% appears between the supply and demand side. For the other years, this commodity discrepancy was less than 5%.

#### ***Lessons learned***

In the benchmarking process, a few organizational and operational lessons were learned, including:

- Establish a benchmarking steering committee 12 to 18 months in advance of the next benchmarking project.
- Systematically document all decisions taken through out the project.

- A well-developed communication strategy plays an important role in projects of this nature.
- Allow sufficient time for analysis and ensure that all deliverables are completed as planned. Late deliverables have an impact on the quality of the estimates.

### **Conclusion**

The success of the benchmarking and rebasing project depends on a combination of teamwork, knowledge, experience and reliable data sources. Future exercises of this nature will benefit from the lessons learned. We are confident that it will be possible to derive annual estimates of GDP through the annual SUT. We will continue to apply the Denton technique for benchmarking the quarterly estimates to the annual estimates.

The results of the exercise were published on 30 November 2004 and are available through the Stats SA website [www.statssa.gov.za](http://www.statssa.gov.za)

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<sup>1</sup> Stats SA is responsible for compiling and publishing of official estimates of gross domestic product (GDP) in South Africa. The South African Reserve Bank is also involved in the compilation of national accounts statistics, e.g. the GDP estimates calculated through the expenditure approach.

<sup>2</sup> Results were published during June 1999.

<sup>3</sup> Other surveys include the quarterly financial statistics and the survey of employment and earnings.

<sup>4</sup> Economic censuses have been replaced with large sample surveys.

<sup>5</sup> Developed by the US census bureau of economic research and analyses division.

<sup>6</sup> In almost all the industries.

<sup>7</sup> The South African Reserve Bank is also involved in the compilation of national accounts statistics, e.g. the GDP estimates calculated through the expenditure approach.

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## **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) can be found in the document:  
<http://unstats.un.org/unsd/statcom/doc05/SNAManuals-ISWGNA.pdf>

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## **MEETINGS AND SEMINARS**

14-18 November 2005: UNECA regional workshop on compilation of National Accounts and their use for policy analysis, Addis Ababa, Ethiopia; more information about the meeting is available at <http://unstats.un.org/unsd/sna1993/regional.asp>

14-18 November 2005: 9<sup>th</sup> OECD - NSB meeting on national accounts, Xiamen, China

25-28 April 2006: Joint UNECE/OECD/Eurostat meeting on National Accounts and the update of 1993 SNA, Geneva, Switzerland; for more information and programme of the meeting please consult the following web site: <http://www.unece.org/stats/documents/2006.04.sna.htm>

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### **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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