

DECISION OF THE AEG ON THE ADDITIONAL ISSUES TO BE CONSIDERED FOR INCLUSION IN THE LIST OF CANDIDATES ISSUES FOR 1993 SNA UPDATING

Prepared by UNSD
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Background

In consonance with the decision of the Advisory Expert Group (AEG) meeting held during 18-20 February 2004, the following additional issues were received by the ISWGNA Secretariat from the AEG members for possible inclusion in the list of candidate for 1993 SNA updating issues, namely:

1. Separate chapter for regional accounts
2. Additional chapter for multi-country accounts
3. Additional chapter for quarterly accounts
4. A chapter devoted to financial accounts
5. Clarification on how to deal with new financial products
6. Improve the SNA as a basis for comprehensive productivity analysis
7. Integrate policy-oriented variables
8. Review SNA terminology for user-friendliness
9. Definition of basic prices
10. Volumes and prices in relation to taxes on products
11. Clarification of components of compensation of employees
12. Review of classifications
13. Review of purpose and uses of the SNA
14. Review SNA codes

Recommendations

The AEG members were asked to vote and express their views on those additional issues as summarized by the ISWGNA. **All additional issues proposed to be included in the list of updating issues were rejected, except for the clarifications that need to be taken into account by the editor when drafting the 1993 Rev. 1. Some of these issues have already been taken up by specialized taskforces and some may be better handled in handbooks.** The decisions of the AEG are summarized below:

1. Separate chapter for regional accounts

There is a need to have a separate chapter in the revised SNA dealing with conceptual issues relating to regionalization of the accounts.

Views of the ISWGNA: There was insufficient benefit to undertake this development in the current SNA update. There was already a chapter devoted to regional accounts in ESA95. Furthermore, since 1995 Eurostat has published handbooks on practical, agreed ways to allocate national estimates for difficult activities. If further guidance is required it would be better to deal with them in another handbook.

AEG decision: Twenty members of the AEG agreed with the views of the ISWGNA. Three members disagreed, though quite few of them are of the view that a handbook covering rationale, compilation, distribution, measurement issues, including country practices would be helpful to countries.

2. Additional chapter for multi-country accounts

The ECB proposed that detailed guidelines on issues relating to multi-country accounts, namely classification of supra and international organizations, distinction between across-border flows and positions within the union, and aggregation and consolidation of the sector accounts across countries need to be included in the SNA.

Views of the ISWGNA: This issue would be best addressed in the BPM, and if any further guidance is needed it would be best dealt with in a handbook.

AEG decision: 18 members expressed their agreement with the views of the ISWGNA and 5 disagreed.

3. Additional chapter for quarterly accounts

The proposal received from Statistics Netherlands emphasizes that there is a need to consider introducing guidelines in the SNA for the rules of accounting that are crucial to quarterly accounting.

Views of the ISWGNA: There were no conceptual issues peculiar to the quarterly frequency, and, conversely, all issues peculiar to quarterly accounts were of a practical, implementation nature. In the last ten years both Eurostat and the IMF had published implementation manuals for quarterly national accounts. If there were any gaps in the coverage of these manuals then it would be best to either revise them or produce a new manual.

AEG decision: 19 members expressed their agreement with the views of the ISWGNA and 4 disagreed.

4. A chapter devoted to financial accounts

The proposal received from ECB argues that for the sake of clarity Section XI.F dealing with ‘detailed flow of funds accounts’ of the 1993 SNA need to be updated and expanded.

View of the ISWGNA: Acceptance of the proposal would disrupt the SNA chapter structure too much. Also, this subject had been dealt with in the IMF’s Monetary and Financial Statistics Manual (MFSM) and in an accompanying compilation guide. However, it would be useful to show an articulation by type of asset for all types of asset - showing opening stocks, transactions, other changes in volume, revaluations and then closing stocks.

AEG decision: 22 members expressed their agreement with the views of the ISWGNA and 1 disagreed.

5. Clarification on how to deal with new financial products

The proposal received from the ECB indicates that issues related to financial innovations need to be clarified in the revised version of the SNA.

Views of the ISWGNA: The 1993 SNA notes (paragraph 11.34) that it is not possible for it to give an exhaustive treatment of financial derivatives, and market innovations would render such a treatment obsolete within a short period. All that the SNA can be reasonably expected to do is to give general guidelines. The ISWGNA re-affirmed this statement, but agreed that the general guidelines should be reviewed. It also noted that some particular products are being dealt with in the MFSM and BPM.

AEG decision: 22 members expressed their agreement with the views of the ISWGNA and 1 disagreed.

6. Improvement of the SNA as a basis for comprehensive productivity analysis

The proposal from the ECB expresses the view that improvement of the SNA is needed with respect to the methodology for productivity comparisons, and development of a proper and more specific classification of labour accounts, consistent with the national accounts, to better support labour market and productivity analysis.

Views of the ISWGNA: The measurement of productivity growth was an important use of national account statistics. It noted that one of the Canberra II Group issues was concerned with identifying the contributions of capital and labour to production in both current and constant prices. In addition, the ISWGNA agreed that the editor should review Chapter XVII to ensure that it adequately dealt with the measurement of labour input.

AEG decision: All AEG members who expressed their opinion were in agreement with the views of the ISWGNA.

7. Integrating policy-oriented variables

Inclusion of policy oriented variables would increase the relevance of the SNA for policy makers as well as for economists and researchers.

Views of the ISWGNA: The demands of users for policy-oriented variables vary from country to country and they also vary over time. Therefore, the choice and presentation of policy-orientated variables was best left to the discretion of individual statistical offices and central banks.

AEG decision: 17 members expressed their agreement with the views of the ISWGNA and 6 disagreed.

8. Review SNA terminology for user-friendliness

There is a need to review the SNA terminology for user friendliness.

Views of the ISWGNA: To the extent practical, the editor should review and improve the terminology.

AEG decision: All AEG members who expressed their opinions were in agreement with the views of the ISWGNA.

9. Definition of basic prices

Whereas transportation costs (not separately invoiced) are included in the basic price of produced goods, they are excluded from exports f.o.b. Thus creating an inconsistency between the SNA and the BPM.

Views of the ISWGNA: There is an inconsistency between the SNA and BPM in respect of the inclusion of transport costs (when not separately invoiced) in the value at basic prices of produced goods and their exclusion from exports f.o.b. However, this problem was recognized when the two manuals were last updated and circumstances have not changed since then. Therefore, there should be no change made in the current update to the definition of production at basic prices.

AEG decision: 19 members expressed their agreement with the views of the ISWGNA and 4 disagreed.

10. Volumes and prices in relation to taxes on products

The treatment of the volume and price elements of taxes less subsidies on products needs to be more clearly articulated within the system. Currently, any change in taxation is treated as a change in the price from the perspective of expenditure on GDP. However, on the production side, the 1993 SNA may be taken to suggest that there is both a volume and price element to these transactions.

Views of the ISWGNA: The editor should review the relevant paragraphs of the SNA and clarify as necessary.

AEG decision: All AEG members who expressed their opinions were in agreement with the views of the ISWGNA.

11. Clarification of components of compensation of employees

Guidelines on dealing with forms the changes to the way employees are compensated need to be included in the revised SNA. There is also a need to ensure that there is coherence between the national accounts and other labour data frameworks, particularly in the area of compensation of employees.

Views of the ISWGNA: The editor should review the relevant paragraphs of the SNA and clarify as necessary.

AEG decision: All AEG members who expressed their opinions were in agreement with the views of the ISWGNA.

12. Review of classifications

There is a need to consider a review of classifications used within SNA

Views of the ISWGNA: Revisions to the International Standard Industrial Classification of All Economic Activities (ISIC) and Central Product Classification (CPC) were already underway. It is important to coordinate these revisions with the update of the SNA. It was not proposed to review any other classifications pertaining to the SNA at this time, as they were developed quite recently.

AEG decision: All AEG members who expressed their opinions were in agreement with the views of the ISWGNA.

13. Review of purpose and uses of the SNA

The meaning and use of PPP related data deserves attention as PPP adjusted GDP is now gaining prominence in international comparison studies.

Views of the ISWGNA There was no call for such a review and that the specific issue mentioned – purchasing power parities – was already adequately dealt with.

AEG decision: 22 members expressed their agreement with the views of the ISWGNA and 1 disagreed.

14. Review SNA codes

The OECD noted that some of the codes used to identify transactions and balances in the 1993 SNA were unsuitable for electronic data interchange and storage. For example, some use an ‘*’.

Views of the ISWGNA: The editor should be asked to review the codes, seeking advice as needed, to ensure that this problem was overcome.

AEG decision: 22 members expressed their agreement with the views of the ISWGNA.

The results of the AEG consultation on all issues listed above has been summarized in the following table.

No	Issues	Views of the ISWGNA	Result of the AEG consultation No. of AEG members	
			In agreement with the ISWGNA views	In disagreement with the ISWGNA views
1	Separate chapter for regional accounts	There was insufficient benefit to undertake this development in the current SNA update. There was already a chapter devoted to regional accounts in ESA95. Furthermore, since 1995 Eurostat has published handbooks on practical, agreed ways to allocate national data for difficult activities. If further guidance is required it would be better to deal with them in another handbook.	20	3
2	Additional chapter for multi-country accounts	This issue would be best addressed in the BPM, and if any further guidance is needed it would be best dealt with in a handbook.	18	5
3	Additional chapter for quarterly accounts	There were no conceptual issues peculiar to the quarterly frequency, and moreover, all issues peculiar to quarterly accounts were of a practical, implementation nature. In the last ten years both Eurostat and the IMF had published implementation manuals for quarterly national accounts. If there were any gaps in the coverage of these manuals then it would be best to either revise them or produce a new manual.	19	4
4	A chapter devoted to financial accounts	Acceptance of the proposal would disrupt the SNA chapter structure too much. Also, this subject had been dealt with in the IMF's Monetary and Financial Statistics Manual (MFSM) and in an accompanying compilation guide. However, it would be useful to show an articulation by type of asset for all types of asset - showing opening stocks, transactions, other changes in volume, revaluations and then closing stocks.	22	1
5	Clarification on how to deal with new financial products	The 1993 SNA notes (paragraph 11.34) that it is not possible to give an exhaustive treatment of financial derivatives, and market innovations would render such a treatment obsolete within a short period. All the SNA can be reasonably expected to do is to give general guidelines. The ISWGNA reaffirmed this statement, but agreed that the general guidelines should be reviewed. It also noted that some particular products are being dealt with in the MFSM and BPM.	22	1
6	Improvement of the SNA as a basis for	The measurement of productivity growth was an important use of national account statistics. It noted that one of the Canberra II Group issues was concerned with identifying the	23	nil

	comprehensive productivity analysis	contributions of capital and labour to production in both current and constant prices. In addition, the ISWGNA agreed that the editor should review Chapter XVII to ensure that it adequately dealt with the measurement of labour input.		
7	Integrating policy-oriented variables	The demands of users for policy-oriented variables vary from country to country and they also vary over time. Therefore, the choice and presentation of policy-orientated variables was best left to the discretion of individual statistical offices and central banks.	17	6
8	Review of SNA terminology for user-friendliness	To the extent practical, the editor should review and improve the terminology.	23	nil
9	Definition of basic prices	There is an inconsistency between the SNA and BPM in respect of the inclusion of transport costs (when not separately invoiced) in the value at basic prices of produced goods and their exclusion from exports f.o.b. However, this problem was recognized when the two manuals were last updated and circumstances had not changed since then. Therefore, there should be no change made in the current update to the definition of production at basic prices.	19	4
10	Volumes and prices in relation to taxes on products	The editor should review the relevant paragraphs of the SNA and clarify as necessary.	23	nil
11	Clarification of components of compensation of employees	The editor should review the relevant paragraphs of the SNA and clarify as necessary.	22*	nil
12	Review of classifications	Revisions to the International Standard Industrial Classification of All Economic Activities (ISIC) and Central Product Classification (CPC) were already underway. It is important to coordinating these revisions with the update of the SNA. It was not proposed to review any other classifications pertaining to the SNA at this time, as they were developed quite recently.	23	nil
13	Review of purpose and uses of the SNA	There was no call for such a review and that the specific issue mentioned – purchasing power parities – was already adequately dealt with.	22	1
14	Review SNA codes	The editor should be asked to review the codes, seeking advice as needed, to ensure that this problem was overcome.	22*	nil

* Only 22 AEG members have voted.