

**9th Meeting of the Advisory Expert Group on National Accounts,
8-10 September 2014, Washington DC**

Agenda item: 9.2

Statistical Units in the SNA

Introduction

The Bureau of the Conference of European Statisticians (CES) in 2011 established a task force to develop a set of international guidelines for statistical business registers. The task force plans to submit its final report to the CES Bureau meeting on 21-22 October 2014, with the intention to subsequently have it circulated for consultation to countries and organizations and presented to the CES plenary session in June 2015 for endorsement. The task force includes members from Australia, Austria (Chair), Brazil, Canada, Chile, Colombia, Denmark, Egypt, France, Italy, Mexico, Netherlands, South Africa, Switzerland, Ukraine, United Kingdom, African Development Bank, Eurostat, OECD, UNESCAP, UNSD and UNECE (Secretariat).

During the work of the task force a number of questions related to the definitions and delineations of enterprises and institutional units in the SNA and the ISIC have come up. The task force would like to consult the ISWGNA/AEG for advice and clarification to ensure that the report of the task force will be in line with the SNA in the way the concepts are used and explained.

Guidance on documentation provided

- The document “Statistical Units in the SNA”.

Main issues to be discussed

- Clarification of the definitions and delineations of enterprises and institutional units.
- The AEG is requested to express its view on the seven questions listed in the document.

Statistical Units in the SNA

Task Force on Guidelines for Statistical Business Registers

1. Introduction

1. The definitions and correct implementation of the relevant statistical units are crucial factors for statistical business registers. In preparing the CES Guidelines for Statistical Business Registers a discussion took place on the exact concept and definition of some of the statistical units. As the Guidelines should be in accordance with existing international standards, where the SNA as well as the ISIC has special importance, it was proposed to address these issues to the ISWGNA/AEG for advice and clarification.

2. For statistical business registers the following statistical units are the most important ones: enterprise, local kind-of activity unit (establishment), kind-of-activity unit, local unit and enterprise group. However, the last three units are not part of the NA system and are therefore not further dealt with here. As concerns the establishment unit, no specific issues concerning its definition are raised. Further basic entities in the business registers are the legal entities as they provide the link to the administrative data and form the basis for the delineation of the statistical units.

3. Therefore, the main concern in the discussion of the statistical units refers to the *enterprise unit* and its relation to the *institutional unit*.

4. An institutional unit is defined in chapter 4 of the SNA as an economic entity being capable in its own right, of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities (para. 4.2). There are two types of institutional units (para. 4.3ff): households and legal or social entities. Legal or social entities engage in economic activities and transactions in their own right, such as corporation, non-profit institution or government unit. The term corporation covers legally constituted corporations and also cooperatives, limited partnerships, notional resident units and quasi-corporations.

5. **Question 1:** Does an institutional unit of the second type (legal or social entities) always correspond to a legal (or social) entity of the types listed above, or could an institutional unit be composed of more than one legal entity?

6. A legally constituted corporation is a legal entity, created for the purpose of producing goods or services for the market, that may be a source of profit or other financial gain to its owner(s) (para 4.39).

7. **Question 2:** How is “for the market” defined? Is, for example, a corporation producing solely goods for another corporation of the same conglomerate producing for the market, even if this entity has no direct sales to a corporation outside the group? Is “for the market” the same as being a market producer (significant prices?).

8. For certain purposes, it may be desirable to have information relating to a group of corporations as a whole. However, each individual corporation should be treated as a separate

institutional unit, whether or not it forms part of a group. Although the management of a subsidiary corporation may be subject to the control of another corporation, it remains responsible and accountable for the conduct of its own production activities (para. 4.51).

9. **Question 3:** From this paragraph can it be concluded that each subsidiary corporation shall be treated as a separate institutional unit, whether it is producing “for the market”?

10. In chapter 4.2 of the SNA special cases are discussed, such as head offices, holdings and other special purpose entities. In para. 4.61 it is stated that a captive financial institution cannot act independently from its parent and is simply a passive holder of assets and liabilities. Therefore it is not treated as a separate institutional unit unless it is resident in an economy different from that of its parent. If it is resident in the same economy as its parent, it is treated as an “artificial” subsidiary”, meaning that these types of corporations do not satisfy the definitions of an institutional unit, and are thus treated as an integral part of the parent and their accounts are consolidated with those of the parent.

11. **Question 4:** In case of captive financial institutions and artificial subsidiaries the institutional parent unit consists of more than one corporation (legal units), namely the one of the parent itself and the corporation of the financial institution or the artificial subsidiaries?

12. In para. 4.66 emphasis is given to ancillary activities which by nature are different from artificial subsidiaries. However, units undertaking only ancillary activities will in general not satisfy the conditions of being an institutional unit.

13. **Question 5:** In case that a corporation is undertaking only ancillary activities for its group, and the ancillary unit is resident in the same economy as the units for which it serves, will this unit also be treated as a unit which does not satisfy the conditions of being an institutional unit?

14. Para. 5.1 defines an enterprise as the view of an institutional unit as a producer of goods and services. An enterprise is an economic transactor with autonomy in respect of financial and investment decision-making, as well as authority and responsibility for allocating resources for the production of goods and services (para. 77 of ISIC Rev.4).

15. **Question 6:** When an enterprise is just a specific view on an institutional unit, the enterprise must also fulfil the conditions of an institutional unit and can consist of more than one corporation?

16. **Question 7:** As all kinds of institutional units have a capacity of being a producer of goods and services, the term enterprise in the SNA seems not to be restricted to “market” or “profit” units. Therefore the term is also used in case of non-profit and government institutions?