

SNA revision process: AEG Issue Paper

Recommendations on the measurement of the production of central banks.

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This is a very short paper concerning a recommendation issued by the ISWGNA as late as 1995 and mentioned in SNA News and Notes Issue 3, January 1996.

*The issue*

The current SNA recommends that the implicit part of the output of central banks should be measured as the difference between interest receivable less interest payable, like other financial intermediaries. For some countries for some time periods this method of measuring central bank output has caused concern because of the extremely unusual values obtained. Some developing countries have even obtained negative values for the output of their central bank due to their governments' monetary policy.

*Preferred solution*

The ISWGNA agreed that the SNA treatment should continue to be recommended as the preferred approach, but, where this approach leads consistently to inappropriate results, output could be measured at cost as for non-market producers. However, under no circumstances can it be construed that the central bank is part of the general government sector, regardless of how its output is measured.

*Implications for the System*

Paragraph 6.132 should be changed by making the amendments indicated:

6.132 The services of financial intermediation provided by central banks should be measured in the same way as those of other financial intermediaries. Because of the unique functions which may be performed by central banks, the value of their output obtained by this method may sometimes appear exceptionally large, exceptionally small and even negative in relation to the resources employed. In such cases it is recommended to measure central bank output at cost, as for non-market producers. However, under no circumstances can it be construed that the central bank is part of the general government sector. Services other than financial intermediation which may be carried out by central banks should be valued by the fees or commissions charged, in the same way as for other financial enterprises.

The AEG should discuss whether this change would need to review paragraphs 4.87 and 4.121 which indicate that in some cases the central bank can be included in general government.

4.87 In some countries, some monetary authority-type functions, such as the maintenance of the international reserves or the issue of currency, may be carried out by an agency, or agencies, of central government which remain financially integrated with central government and are directly controlled and managed by government itself as a matter of policy are not separate institutional units from government and must, therefore, remain in the general government sector.

4.121 In some countries, the central government may include units which engage in financial transactions which in other countries would be performed by central banks. In particular, units of central government may be responsible for the issue of currency, the maintenance of international reserves and the operation of exchange stabilization funds, and also transactions with the International Monetary Fund (IMF). When the units in question remain financially integrated with central government and under the direct control and supervision of central government, they cannot be treated as separate institutional units. Moreover, whatever monetary authority functions are carried out by central government are recorded in the government sector and not the corporate financial sector. However, because of the analytical importance which is attached to obtaining accounts covering the monetary authorities as a whole, and in order to provide links with other statistical systems, such as the Balance of Payments Manual, Government Finance Statistics and

Money and Banking Statistics of the IMF, it is recommended that the transactions of central government agencies carrying out monetary authority and deposit-taking functions should be separately identified, so that they can be combined with those of the central bank and other depository corporations in special tabulations if desired.

*Questions to the AEG*

Does the AEG approve the changes to paragraph 6.132?

Do paragraphs 4.85 and 4.121 need to be changed?