

Draft Minutes

Meeting on United Nations/European Central Bank Draft Handbook on National Accounting: “Financial Production, Flows and Stocks in the System of National Accounts”

**7 to 8 July 2011,
United Nations Head quarters, New York**

Participants:

ABS: Derick Cullen
BEA: Marshall Reinsdorf
CBoN: Vetle Hvidsten
BoJ: Chihiro Sakuraba
ECB: Reimund Mink
IMF: Kim Zieschang
OECD: Nadim Ahmad (video conference)
UNSD: Ivo Havinga (Chair), Herman Smith, Gulab Singh, Benson Sim, Feng Lu, Leonardo Souza, and Nathan Menton

1. Introduction to the draft Handbook

UNSD provided the background on the origin of the Handbook, which is prepared, jointly with the European Central Bank. Drafting of the Handbook was initiated in 2004 as part of the United Nations series of handbooks on national accounts. The Handbook aims to provide guidance on compiling transactions, other flows and balance sheets for financial corporations in the context of an integrated system of institutional sector accounts in the framework of the 2008 SNA. Extensive discussions on issues related to the financial corporations sector such as, insurance and pension schemes during the updating of the 1993 SNA and staff constraints delayed the work on the Handbook. Hence, the draft Handbook was only circulated in May 2011 for a first review. Comments on the Handbook were received from 10 countries, two international organisations and one expert. The USA, Switzerland, IMF and the expert gave extensive comments.

UNSD explained that the purpose of the meeting was to discuss the comments received on the content of the Handbook, identify key cross-cutting issues presented in the Handbook, and to determine a road map for finalising the Handbook.

The purpose of the Handbook and its relation with other manuals such as the IMF’s Monetary and Financial statistics manual (MFSM) and Government Statistics Manual (GFSM) were discussed in detail.

The meeting concluded on the distinct nature, identity and scope of the Handbook being the comprehensive guide on the compilation of the full set of the financial components of the sequence of integrated economic accounts for all sub-sectors of the financial corporations sector, as well as guidance on estimating financial production for moneylenders in the household sector.

The scope and purpose include guidance on the compilation of the interrelationship of the financial stocks and flows for all the institutional sectors and rest of the world (From-Whom-to-Whom approach). The From-Whom-to-Whom accounts extend the central SNA financial accounting framework to include counterparty sector positions and flows and are a powerful tool for ensuring reconciliation of the financial flows and stocks for the whole economy. Moreover, the economic and financial crisis highlighted the need for such information as a by-product of compilation guidance for developed and developing countries alike.

It was agreed, however, that this scope must be more clearly articulated in the introduction. It was acknowledged that including the financial accounts and balance sheets of all institutional sectors provides the only sound conceptual basis for the data reconciliation of these accounts for the financial corporations sector.

2. Chapter by chapter presentation

The chapters were individually presented by UNSD and ECB, along with a summary of comments and suggestions received from the consultation on the draft as well as an initial response, which were then discussed.

Constructive comments were received from the reviewers of the Handbook and from the participants at the meeting, confirming the need for compilation guidance on the topics covered by the Handbook. Participants of the meeting stressed the importance of consistency between the guidance provided in the Handbook and the recommendations of the 2008 SNA, BPM6, MFSM, GFSM and related manuals. More examples and references to source material were also requested. Participants noted that the outcome of the ISWGNA Task Force on FISIM should also be included in the Handbook and that the purpose of the Handbook needs to be more clearly motivated and articulated in the introduction.

Table 3.1 was recognized as an excellent summary (of methods to calculate output of financial corporations). It was suggested to include the paragraph numbers that deal with the calculation of output of the respective sub-sectors.

Additional presentations, namely from BoJ (User's Remarks), ABS (the Australian from-whom-to-whom published tables) and BEA (adjustment to defined-benefit pension plan SNA entries) facilitated the discussion. BEA offered to provide a short note on the adjustments for the measurement of the output for defined benefit schemes for further consideration by the participants. If agreement is reached, this note may have to be shared with the ISWGNA for further consideration, because it constitutes a possible clarification of the 2008 SNA for this measure of output.

3. Cross-cutting issues

Participants suggested that, as a compilation guide, more practical problems and related advice could be included, for example on how to deal with sparse data, on identifying and assembling data sources, using balancing methodologies to enforce coherence in the sources/uses and in the assets/liabilities across sectors, and on the importance of institutional arrangements where the NSO and the Central Bank are both involved in the process, the former setting the standards (and ensuring they are followed) and the latter producing the data.

Also, to broaden the audience of the Handbook, it was suggested that detailed explanation for non-expert users could be provided, for example by further elaborating on some worked examples. Accordingly, the aim of the Handbook could have an added line on providing guidance for users to understand financial accounts, both its compilation and its application (Chapters 8 and 9).

4. Consistency with international statistical manuals

The IMF presented the proposed updating of the MFSM and MFS compilation guide to reflect the 2008 SNA recommendations. Although the IMF had contacted around 100 monetary experts globally in April 2011 regarding the issues for the update of the MFSM, this was the first time that participants at the meeting were informed about the intent to update these manuals and the extended scope of these manuals. It is expected that an issues paper for the updated MFSM will be finalised by October 2011 and a first meeting of a review group is foreseen in February 2012. The existing scope of the MFSM covers the financial stocks and flows of deposit taking corporations and central banks for the purpose of the monetary surveys, and an overview of the financial accounts. It is expected that the updated MFSM will also elaborate on a balance sheet approach for the compilation of these statistics and include an annex on the “top to bottom” accounts for the financial corporations sector. Participants agreed that although the coverage of the Handbook is broader than that of the updated MFSM, it would be prudent for the principals of the two publications to agree on mechanisms to ensure that there is consistency in the guidance provided in the areas where these two publications overlap.

5. Conclusion and way forward

The comments on the draft Handbook will be incorporated by the end of 2011. The revised draft will be circulated for review to the review group (all participants of the meeting agreed to review the revised draft) before the Handbook is circulated for global consultation and discussion at an expert group meeting to be organised in the first half of 2012. The handbook will be finalised by incorporating the recommendation of the FISIM Task Force on the calculation of FISIM when that become available during 2012.

The following actions are foreseen for finalising the Handbook:

- BEA to provide a short note on the treatment of defined benefit pension schemes in the 2008 SNA for the consideration of the ISWGNA.
- UNSD and ECB to incorporate the comments on the Handbook and to circulate the revised draft by the end of 2011.
- The principals of the Handbook and the MFSM to meet before the end of September 2011 to discuss a mechanism for ensuring consistency in the guidance provided in the areas where these two publications overlap.
- Request the ISWGNA to monitor the updating of the MFSM and the finalisation of the Handbook.
- To incorporate the recommendations of the FISIM Task Force when they become available during 2012.
- To finalise Handbook during 2012.