

# SNA News

Issue 7  
January 1998

An information service  
of the Inter-Secretariat Working Group  
on National Accounts (ISWGNA)

## Updating the 1993 System of National Accounts

Real changes take place continuously within economies. Continuous updating of the 1993 SNA is therefore necessary. It will allow the SNA to incorporate new developments fast, and also provides a way to introduce changes in an incremental manner. ISWGNA has submitted proposals on an appropriate updating mechanism to the Working Group of the Statistical Commission at its February 1998 meeting. The following article summarizes the proposals and decisions taken.

In principle, anybody may initiate the review process by proposing an amendment to ISWGNA; however, individual national accountants and/or country offices are strongly encouraged to discuss and pre-screen proposed amendments by using such mechanisms as appropriate regional expert groups to

the extent possible. Unless significant new economic developments have taken place, issues of a controversial nature should not be reopened if a deliberate decision was taken during the course of the 1993 revision.

The updating process should be efficient and timely and at the same time broadly based. ISWGNA will, therefore, be assisted by a panel of experts and will make effective use of modern means of communication (e.g. E-mail, Internet) for a broad consultative process.

ISWGNA proposes to distinguish four types of amendments to the current SNA, ranked by increasing substantive complexity. An appropriate updating procedure for each of the types is also suggested (see also table 1).

### Editorial amendments

Editorial amendments refer to wording errors, apparent contradictions or translation errors in the non-English versions. Their main characteristic is that their correction will affect neither concepts nor

the structure of the system and the tables therein. ISWGNA will discuss and decide on the final version, which will be published as an errata sheet.

### Clarification beyond dispute

This type of amendment would arise when a new economic situation has emerged, or a situation that was negligible when the 1993 SNA was designed has since grown considerably in importance.

ISWGNA will provide explanations, as needed,

in order to arrive at unambiguous interpretations of existing SNA rules. It is important in that context to establish clearly that there is no conceptual issue concealed within the clarification.

### Interpretation

As under "Clarification beyond dispute" new economic situations may have emerged. However, their treatment in national accounts may not be clear. In such situations, various solutions on how to treat the phenomenon in question in national accounting may be put forward, indicating that there seems to be room for different interpretations of 1993 SNA rules.

In this case, ISWGNA assisted by the panel of

experts, will draft a preliminary text that will be sent to working parties and regional panels of experts. ISWGNA will then prepare the proposed final drafting, that will be sent to the 24 member countries of the United Nations Statistical Commission for approval. If during a period of 30 days no objections are raised the proposal will be considered as adopted.

European Union

IMF

OECD

United Nations

World Bank

## Change

Due to changes in the macroeconomic environment, some of the basic concepts in the 1993 SNA may become irrelevant and may even result in figures that might mislead users. In that case, relevant parts of the SNA text will have to be substantially rewritten to reflect those changes.

As under "Interpretations", ISWGNA, in close consultation with the panel of experts, will prepare a text, that will be disseminated widely. If a broad consensus emerges from that process of consultation, ISWGNA will prepare the final drafting and will submit it to the 24 member countries of the United Nat-

tions Statistical Commission for approval.

Once amendments have been agreed to, an official booklet detailing the changes (i.e., the SNA paragraphs affected) and providing a brief explanatory text will be published in all official United Nations languages and disseminated widely. ISWGNA recommends that the text of such amendments be posted on the Internet, preferably the complete revised SNA text. The newsletter *SNA News and Notes* will be used to announce amendments. Reprints of the integral SNA text and a reissuance of the SNA CD-ROM will be added, as resources permit.

Table 1  
Updating the 1993 SNA

Stage of handling	Editorial amendment	Clarification beyond dispute	Interpretation	Change
Proposal	ISWGNA reviews the proposed amendment and classifies it			
Preliminary drafting	ISWGNA	ISWGNA	ISWGNA assisted by a panel of experts	ISWGNA assisted by a panel of experts
1st discussion			Working parties or regional panels of experts	Working parties or regional panels of experts
2nd discussion				National statistical offices in all regions
Final drafting			ISWGNA assisted by a panel of experts	ISWGNA assisted by a panel of experts
Review			Member countries of Statistical Commission	Member countries of Statistical Commission
Publication	Errata sheet	<i>SNA News and Notes</i> , then periodic booklet	<i>SNA News and Notes</i> , then periodic booklet	<i>SNA News and Notes</i> , then periodic booklet

## Your opinion matters!

The updating of the 1993 SNA is certainly a very important topic for national accounts experts around the world. The editors of the *SNA News and Notes* would like to know, what the expert readers of this newsletter think? Do you agree with the proposed mechanism of handling SNA amendments in a

continuous manner? Which are the issues that you consider most pressing for an update?

Please tell us what you think! You will find our fax number and e-mail address in the editorial note on page 6.

---

## The latest about CPC

by Mary Chamie and Magdolna Csizmadia, UNSD

The revision of the Central Product Classification has been completed and its publication in all official UN languages is under way. The forthcoming United Nations publication *Central Product Classification (CPC) Version 1.0* (Statistical Papers, Series M, No. 77, Ver. 1.0) replaces the earlier version of the CPC called the Provisional Central Product Classification. CPC Ver. 1.0 can also be disseminated in database format (currently in English only) upon request from UNSD or through the Classifications Hotline: chl@un.org. General information about CPC can be found at the website [www.un.org/Depts/unsd/class/class1.htm](http://www.un.org/Depts/unsd/class/class1.htm).

CPC is a comprehensive classification of all goods and services. CPC Ver. 1.0 is the result of several years of revision work largely undertaken by the classifications subgroup of the Voorburg Group with Statistics Canada playing the key role in the process. The source of the revision lay in the country tests of the provisional version as well as in changes in technology and mode of delivery of a large number of services. As a result of the revision, the structure of

the CPC has been changed, now consisting of ten sections, 71 divisions, 294 groups, 1,162 classes and 2,093 subclasses. The overwhelming majority of changes occurred in the sections 5-9 dealing with services. CPC Ver. 1.0 provides refined and more detailed explanatory notes for services. For the first time, CPC Ver. 1.0 includes an English alphabetical index to assist classifying service products according to the CPC. The relationship of CPC Ver. 1.0 subclasses with corresponding codes of ISIC Rev.3, HS96 and SITC Rev.3 is shown in the new publication. The publication contains correspondence tables between CPC Ver. 1.0 and Provisional CPC categories as conversion tools between the old and new versions of the CPC.

The relevance of the CPC to national accountants is underlined by the 1993 SNA which states that in order to study transactions in goods and services, the System uses the CPC. It is therefore brought to the attention of SNA users that the Division (two-digit) level structure of the CPC presented in Annex V, Part I, G of the 1993 SNA is now superseded by the newly revised CPC Version 1.0.

---

## Eurostat handbook on *Quarterly National Accounts*

Gian-Luigi Mazzi, Eurostat

Following the needs expressed by the EU Member States during the discussion of the ESA 95 draft, Eurostat undertook to compile a handbook on quarterly national accounts. This handbook is explicitly requested in chapter 12 of ESA 95 to provide some recommendations and solutions for the specific features of quarterly accounts, discussed only briefly in that chapter, with a view to ensuring the compilation of quarterly national accounts in a fully harmonized framework.

The handbook is divided into seven parts that cover all the areas of interest: accounts and accounting rules, methods of compilation, consistency of quarterly accounts, process of revision, flash estimates, quarterly financial accounts, seasonal adjustment.

Eurostat started to work on this project in late 1996. The chapters were written in co-operation with experts from the statistical offices of several European countries, international organizations and aca-

demic institutions. Eurostat ensured the co-ordination and the harmonisation of the different contributions and wrote several chapters of particular relevance.

The handbook was discussed in three task forces organized by Eurostat between January and October 1997. The useful discussions in the different task forces and a set of very useful written comments contributed to the final draft of the handbook, which has now been sent to member states and international organizations for comment.

Eurostat intends to publish the English version of the handbook in the middle of 1998. French, German and Spanish versions will be published later.

Quarterly accounts are increasingly important, not only for the Member States but for a wide range of countries, so the handbook may be of interest to many countries wishing to set up a system of quarterly accounts or to improve the quality of their existing system.

## Four SNA handbooks finalized by UNSD

Cristina Hannig, UNSD

In support of the implementation of the System of National Accounts 1993 (1993 SNA), the United Nations Statistics Division (UNSD) is publishing the series "Handbook of National Accounting". The series is part of UNSD's "Studies in Methods, Series F". The following two handbooks have already been published in this series, "Integrated Environmental and Economic Accounting" (no. 61, UN-Sales No. E.93.XVII.12) and "Use of the System of National Accounts in Economies in Transition" (no. 66, UN-Sales No. E.96.XVII.11).

At the end of 1997, UNSD finalized four additional handbooks on "Input-Output Table Compilation and Analysis" (no. 74), "Handbook on Household Accounting - Experiences in the Use of Concepts and Their Compilation" (no. 75), "Links be-

tween Business and National Accounts" (no. 76) and "A Systems Approach to National Accounts Compilation" (no. 77).

The latter handbooks are a result of the international cooperation between the United Nations Statistics Division (UNSD), national and international statistical agencies and individual experts who have volunteered their expertise and time in contributing to these handbooks.

All national statistical offices will receive one complimentary copy of the forthcoming publications. If additional copies are needed, the United Nations publication services may be contacted.

The manuals will be available in all official UN languages. The publication date will be announced both on the UNSD webpage at <http://www.un.org/Depts/unsd> as well as in SNA News and Notes.

### **Handbook on *Input-Output Table Compilation and Analysis***

This handbook covers the basic theoretical foundation of input-output economics, the conceptual and analytical integration of supply and use tables within the national income accounting framework, the conversion of the supply and use tables into a symmetric input-output table, the updating of input-output tables, the double deflating method in national accounts based on the supply and use tables, and some selected analytical uses of input-output tables. These uses include economic impact analysis, the study of the tourist industry and the calculation of "green GDP".

A substantial part of the handbook is devoted to the compilation of the supply and use tables which are the foundation for symmetric input-output tables. Included are compilation of production accounts (output, intermediate consumption, value added), of final demand and imports as well as table balancing and updating. The compilation part tries to be as comprehensive as possible in presenting the SNA concepts within the context of compiling the supply and use tables so as to lessen the need by compilers to go back and forth checking with the System of National Accounts 1993.

### **Handbook on *Household Accounting***

The "Handbook on Household Accounting - Experiences in the Use of Concepts and Their Compilation" focuses on household sector accounts and their possible extensions as described in the System of National Accounts 1993 (1993 SNA). Its intention is to describe experiences of countries on conceptual and compilation issues.

The main target group of the handbook is national accountants in developed as well as in developing countries. It should prepare them for a dialogue with data collecting statisticians in various social fields, researchers and policy makers.

This handbook is subdivided into two volumes. The first volume is devoted to the development of household sector accounts as it is described in the

central framework of the 1993 System of National Accounts (1993 SNA). The second volume concentrates on various types of household satellite accounts as an extension of household sector accounts.

Chapter I of volume 1 contains the description of the household sector according to the 1993 SNA and gives details on further elaborations of the household sector. Chapter II focuses on the concept of the informal sector which is a crucial feature of the 1993 SNA; in many countries informal activities are important sources of income and employment. Chapter III presents country and case studies on the compilation of household sector accounts. Finally, chapter IV describes links of the household sector to selected other sectors.

Volume 2 is primarily devoted to various types of household satellite accounting: labour accounting, functional satellite accounting, accounting for household production, and socio-economic accounting as it is done in Human Resource Accounts (HRAs), SAMs and Systems of Economic and Social Accounting Ma-

trices (SESAMEs) which are all described in chapter V. Chapter VI of volume 2 focuses on the measurement of social issues. It describes various social indicators, problems in measuring them and potential data sources.

### **Handbook on *Links between Business Accounting and National Accounting***

This handbook focuses on the compilation of an important institutional sector of the national accounting system i.e., the nonfinancial corporations sector. The main information to be used for the compilation is business accounts.

An important part of the handbook is devoted to the reading of business accounts. It is shown how to link business information to national accounts concepts. Necessary adjustments to make the data in business accounts compatible with national accounts are explained. The use of cost accounting in determining a product cost in a multiproduct enterprise is also explored.

The handbook also covers in depth practical experiences in using business accounts and other sources of information to develop the nonfinancial corporations sector for France, the United States of America, Malaysia and for some countries in Latin America like Dominican Republic, Peru, Colombia.

Other important and difficult issues in compiling this sector such as the valuation of change in inventories (Canadian experiences), the measurement of fixed capital stock and consumption of fixed capital, the valuation of produced intangible assets and non-produced assets (the Netherlands experiences) are also addressed in the handbook.

### **Handbook on *A Systems Approach to National Accounts Compilation***

The purpose of this handbook is to facilitate a dialogue between users and producers of national accounts in countries who wish to implement the 1993 SNA. First, it reflects extensively the question of what to implement, i.e. how to make an appropriate selection of the accounts, tables and classifications for a given country in light of its statistical capabilities on the one hand and its analytical and policy needs on the other. The second theme addressed in the handbook is the question of how to implement a given framework, i.e. how to set up an effective system of basic data collection, estimation techniques, data processing and final dissemination of national accounts data. In this context the systematic elements of the process are emphasized, which is important in light of the increasing use of computers for the purposes of producing national accounts.

The handbook presents a generalized systematic compilation approach, which distinguishes three

stages of national accounts compilation: (i) editing and aggregation of micro data, (ii) conversion of intermediate data to the format of the SNA and (iii) final reconciliation. A general framework is proposed, which includes worksheets for industry and sector data, central framework tables and reconciliation tools. Some suggestions are also made on how to extend the general framework, to include key sectors and elements of satellite accounting (environment and human resources). One chapter is devoted to the time dimension of national accounting. A distinction between benchmark compilations and short term cycles of recurrent compilations is made. It is proposed to support these two types of compilations with a corresponding data collection programme. In the annex of the handbook practical experiences with the compilation approach in a number of countries are described.

---

## **Re-scaling economic time-series in the World Bank databases**

Robin Lynch, World Bank

In the World Bank, country management units maintain a database for the countries with which they deal, holding a range of economic and social indicators. The national accounts series are typically

held in current and constant prices expressed in the local country currency. The base year of the constant price estimates will vary with the country.

In order that the performance of developing countries can be compared, it is convenient to convert the currencies to a common one - the US\$; and

also to re-scale the constant price series so that they are expressed with reference to a common year. The re-scaling procedure is very simple - the re-scaled series is obtained by multiplying each estimate of the original series by the ratio of the current price estimate of the new common reference period, to the constant price estimate expressed in the original base year prices, of the new reference period. This re-scaling causes accounting relationships which may have held in the original constant price estimates to break down. These accounting relationships would only have been expected to hold at the original country constant prices if the underlying index form was a base weighted Laspeyres index, for example if the volume measures were obtained through deflation of current values by a set of Paasche price indexes. The base-weighted Laspeyres index form assures that accounting identities which hold at current prices will also hold at constant prices for the latest period surrounding the most recent base year.

In the past, the World Bank has adopted procedures which ensured that even after re-scaling, accounting identities held good, by a judicious mixture of deriving aggregates from the sum of components

and allocating additive discrepancies to particular headings in the accounts. This has maintained additivity but at the expense of altering the original estimates of growth rates based on the country constant price series.

User feedback within the Bank has convinced the Development Data Group that the maintenance of the original growth rates for components and aggregates for estimates subjected to such a re-scaling, outweighs the cosmetic facility offered by an additive set of accounts at constant prices. The recent move to chain-linking advocated in the 1993 SNA where the additivity in the original accounts at constant prices would not be expected to exist anyway, reinforces the belief that seeking additivity at the expense of growth rate in re-scaling procedures is no longer advisable.

Accordingly, the World Bank is in the process of revising its procedures for re-scaling the economic time series held for international comparison of real growth rates, by adopting the simple linking procedure for all constant price estimates, independently of the accounting identities which hold for current price estimates.

#### Meetings and seminars

The OECD will hold the following meetings:

- Meeting on national accounts**  
in Paris on 22-25 September 1998 (In cooperation with ECE a special session will be organized to deal with issues of specific concern to countries in transition);
- Environmental accounting within the SNA**  
in Paris on 28 September;
- Capital stock conference**  
(second meeting of the Canberra Group)  
in Paris from 29 September - 1 October 1998.

UNSD will hold an

- Expert Group meeting on uses of national accounts**

in New York on 28 September-2 October 1998.

- ESCAP is planning to hold
  - Subregional workshop on SNA**  
in Jakarta in June 1998;
  - Joint meeting with OECD on national accounts ('The 1993 SNA Five Years On')**  
in Bangkok from 4-8 May 1998;
  - Subregional workshop on the SNA**  
in Beijing in October 1998.

- ESCWA scheduled to hold an
  - Expert Group meeting on evaluation of the initial stages of the implementation of the 1993 SNA in the ESCWA region**  
in Beirut from 18-22 May 1998.

#### Editorial note

*SNA News and Notes* is a bi-annual information service of the ISWGNA prepared by United Nations Statistics Division (UNSD). It does not necessarily express the official position of any of the members of the ISWGNA.

*SNA News and Notes* is published in four UN-languages (English, French, Russian and

Spanish) and can be accessed on the internet:  
<http://www.un.org/Depts/unsd>

Correspondence including requests for free subscriptions may be addressed to:  
UNSD, Room DC2-1720, New York,  
NY 10017, tel.: +1-212-963-4854, fax: -1374,  
e-mail: [sna@un.org](mailto:sna@un.org)