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Towards implementation strategy for the 2008 System of National Accounts

The implementation of the 2008 System of National Accounts in the Mexican System of National Accounts

Note by the National Institute of Statistic and Geography of Mexico

Summary

Provision of timely and internationally comparable data for decision making is one of the main priorities in implementation of the 2008 System of National Accounts in Mexico. This paper presents the current state of compilation and disclosure of the Mexican system of national accounts and the legislative mandate of the National Institute of Statistic and Geography. It also focuses on the practical implementation of the 2008 System of National Accounts and highlights the necessity of the new statistical tools needed in order to respond sufficiently to all the new requirements.

I. Introduction

1. The objective of this document is to describe to the activities of the National Institute of Statistic and Geography of Mexico, in the matter of National Accounts, as for the process of implementation of the System of National Accounts 2008 System of National Accounts (SNA) in the Mexican System of National Accounts.
2. One of the objectives that National Institute of Statistic and Geography (INEGI) persecutes is to offer timeliness economic data that fulfills with criteria of international acceptance and that allows to the users a better knowledge of the economic performance of the country and in the decision making of public policies.

II. National Institute of Statistic and Geography and the Mexican System of National Accounts

3. The Mexican national accounts are compiled and disclosed by the INEGI. The operation of the INEGI is based in the Law of the National System of Information on Statistics and Geography (LSNIEG). This Law indicates that INEGI is a public organism with technical autonomy and of management, own legal personality and patrimony, in charge of the regulating and coordinating the National System of Statistical and Geographic Information.
4. The Institute has like exclusive faculties: to make the national censuses, to integrate the system of national accounts and to elaborate the national indices of prices to the consumer and producer. The Mexican System of National Accounts (SCNM) has the character of information of national interest.
5. The administrative structure of the Institute is satisfied by a Governing Board integrated by five members, one of which is the President. As well, the President has the following structure in the matter of Economic Statistics: the General Directorate of Economic Statistics (DGEE) with four Assistant Directorates that are, Economic and Farming Censuses, Economic Surveys and Administrative Records, National Accounts and Price Indices.
6. As a result of the autonomy of the Institute and on the basis of the LSNIEG the Executive Committees and the Specialized Technical Committees are established, both constitute an instrument of the National System of Information for the creation of interinstitutional mechanisms of participation and consults.
7. Additionally, the Institute counts on central and decentralized areas (regional) for the generation, storing and processing of censuses and surveys and a central area for the calculation of derived macroeconomic and basic statistics.
8. Operative structure of the first area of high level in the matter of national accounts, the Deputy General Directorate of National Accounts (DGACN), is made up of four Area Directorates, which are: National Accounting, Satellite Accounts, Short Term and Regional Accounts and Input-Output Tables. This structure responds to the commitments of information framed in the National Subsystem of Economic Information, in the matter of national accounts.
9. The Directorate has 181 positions and regarding academic training has 105 economists representing 58 per cent of the total; 12 mathematicians and actuaries (6.6 per cent); 16 administrators and accountants (8.8 per cent); 31 with different professional

backgrounds (agronomists, sociologists, biologists, engineers, etc.), (17.1 per cent); and 17 individuals with technical diplomas or others qualifications (9.5 per cent).

10. The accumulated experience by the DGACN's staff cover several years, the permanence of the staff of national accounting in the Institution is an important matter, distribution is the following 1 to 7 years 45.3 per cent, 7 to 14 years 16.6 per cent; 14 to 21 years 25.4 per cent and from 21 years and over 12.7 per cent.

11. At the moment the base year of reference is 2003. Regarding thematic contents, the Mexican System of National Accounts (SCNM) includes annual, quarterly and monthly estimates.

12. Supply and use tables are published annually at current and constant 2003 prices, from which are derived estimates at current and constant prices for Gross Domestic Product (GDP), besides series of integrated economic accounts for the entire economy and for each institutional sector, from the production account to the financial account.

13. The quarterly accounts include GDP estimates at current and constant 2003 prices derived from the balancing of the supply and use tables. A volume index, the "Global Indicator of Economic Activity", is calculated each month.

14. In the SCNM the classification of institutional units, transactions and other flows is consistent with the recommendations of the 1993 SNA. The classification of economic activities is based on the 2002 North American Industry Classification System (NAICS), which is a classification system prepared and adopted jointly with Canada and the United States, and which corresponds to the International Standard Industrial Classification of All Economic Activities (ISIC) Revision 3.1. The classifications for the base year 2003 implemented the Central Product Classification (Version 1.1.); the household consumption expenditures are classified in accordance with the "Classification of Individual Consumption According to Purpose" (COICOP), while government consumption is classified in accordance with the "Classification of the Functions of Government" (COFOG).

15. With respect to the sources of data, originating of censuses and the surveys it counts on established calendars of information provision. In external sources of data to the INEGI, the procedure is to across requests of administrative records to the public and private sector.

16. There is in fact an established practice of exchanging information between INEGI and various public sector institutions, which provide timely and detailed information for compiling the national accounts, for example the agreements with the Bank of Mexico (BANXICO) for balance of payments data.

17. INEGI has a regular program of five-year economic censuses and monthly and annual surveys covering most economic activities. The directories of establishments that serve as the sampling frame are based on the economic censuses and are therefore systematically updated every five years.

18. Between censuses, partial updates of business records are conducted as only large establishments are monitored through the Large Establishments Monitoring (SEG) program, which uses data obtained from chamber organizations and producers' associations and public agencies, as well as daily monitoring of the media.

19. INEGI has a regular established program of household surveys, with varying periodicity: the National Urban Employment Survey (ENEU), which is monthly; the National Employment Survey (ENE), which is quarterly and annual; both until 2004; the National Occupation and Employment Survey (ENOE) with quarterly and monthly periodicity, with the latter beginning in 2005; non-regular surveys, such as the National Survey of Demographic Dynamics (ENDID) and the National Micro business Survey

(ENAMIN); and the Household Income and Expenditure Survey (ENIGH), which is conducted every two years.

20. INEGI receives complete annual data on government finance, including budgetary performance and nonbudgetary expenditures of the federal government, the Social Security system, and state and local governments. Budgetary outturn data for the federal government, including nonbudgetary items, are obtained in detailed form from the Secretariat of Finance and Public Credit.

21. INEGI compiles its own statistics for "State and Municipal Government Finance", based on information obtained directly from the finance secretariats of the state and the government of the federal district, and this allows it to compile estimates for these institutional subsectors in the national accounts.

III. Implementation of the 2008 System of National Accounts

22. The SCNM is generated on the basis of the guidelines that emerge of the 1993 SNA, and very recently has been possible the incorporation of some subjects that comprises of the integrated items of revision in 2008 SNA, mainly in Accounts by Institutional Sectors.

The main items already incorporated are:

- (a) Treatment of non-life insurance in catastrophic situations
- (b) Measurement of financial services
- (c) Treatment of the output of central Banks
- (d) Financial assets classification
- (e) Private/public/government sector delineation.

23. Despite this advance, from a more integral point of view the implementation is subject to conditioners that depend on the characteristics that display the data that is gotten up to the national accounting. In some statistical systems advances are required to cover new necessities of information arisen from the expositions from 2008 SNA.

24. In this sense, it emphasizes the activity that under the new scheme of operation of the INEGI has been undertaken and that it referred to the Technical Committee of Economic Statistics and National Accounts. This one is an interinstitutional work group that recently has defined a program of activities that gathers the main concerns of the economic statistics and on this base proposes the revision of important subjects of National Accounts, as well as related to Public Finances and Balance of payments.

25. This way, in a medium term the results of this effort will be able to be seen and, along with it, its impacts in the National Accounts. Within the referred program had been included the subjects in which there is a particular interest, or the fulfillment of an information necessity that allows to strengthen the SCNM in benefit of the users of economic information.

26. The revision items that complete the list and not yet approach in the SCNM have been classified in two groups, first of them whose incorporation could be obtained by means of the inclusion of the results of the 2008 census in the annual accounts or a possible change of the base year for the same year, the second one involves interrelations with other statistical systems and that, therefore, entails a deeper work than should be solved through the referred Committee.

27. The first set comprises the following items:
- (a) Employer retirement pension schemes
 - (b) Research and development
 - (c) Patented entities
 - (d) Originals and copies
 - (e) Databases
 - (f) Other intangible fixed assets
 - (g) Cost of ownership transfer
 - (h) Cost of capital services: production account
 - (i) Government owned assets
 - (j) Mineral exploration
 - (k) Right to use/exploit non-produced assets between residents and nonresidents
 - (l) Obsolescence and depreciation
 - (m) Amortization of tangible and intangible non-produced assets
 - (n) Assets boundary for non-produced intangible assets
 - (o) Definition of economic assets
 - (p) Activation of guarantees (contingent asset) and constructive obligation.
28. The set of items tie with other statistical systems, or of greater complexity, and that in some cases supposes the generation of the statistical tools and suitable methods of measurement, are:
- (a) Employee stock options
 - (b) Non-performing loans
 - (c) Valuation of loans and deposits; Write-off and interest accrual on impaired loans
 - (d) Taxes on holding gains
 - (e) Military expenditures
 - (f) Land
 - (g) Contracts and leases of assets
 - (h) Goodwill and other non-produced assets
 - (i) Holding companies, special purpose entities, trusts;
 - (j) Treatment of multi-territory enterprises;
 - (k) Recognition of unincorporated branches
 - (l) Privatization, restructuring agencies, securitization and special purpose vehicles (SPVs)
 - (m) Valuation of water
 - (n) Illegal and underground activities

- (o) Super dividend, capital injections and reinvested earnings (government transactions with public corporations (earnings and funding))
- (p) Tax revenues, uncollectible taxes, and credits (recording of taxes)
- (q) Change of economic ownership (as term)
- (r) Assets, liabilities and personal effects of individuals changing residence (“migrant transfers”)
- (s) Application of accrual principles to debt in arrears
- (t) Clarification of non-permanent workers and entities with little or no physical presence
- (u) Goods sent abroad for processing (Mexico decided to use the Gross Value treatment and don’t use this recommendation).
- (v) Merchanting

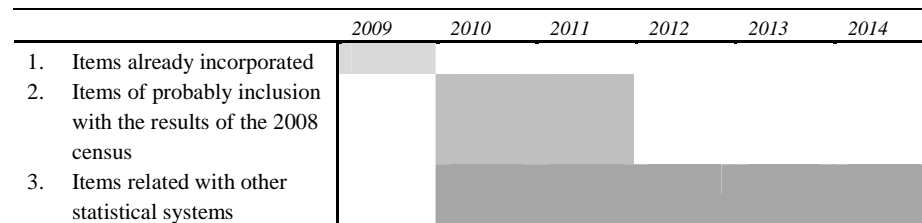
29. The activities that should be developed to reach this purpose are:

- a) Revision and diagnosis of the basic data available.
- b) Creation of the statistical instruments adapted to compile the necessary information.
- c) Study and revision of the methodological guidelines for the measurement within the framework of National Accounts, by means of training processes.
- d) Incorporation of data into the institutional projects.

30. In chronogram form, the implementation of 2008 SNA into the SCNM could be considered in the following way¹:

Diagram 1

Chronogram of the implementation of 2008 SNA into the SCNM



IV. Conclusions

31. In the process of implementation of 2008 SNA it makes necessary the development of statistical tools that allow to cover with sufficiency the new propose items.

32. At the moment the SCNM already has incorporated some of items contained in the 2008 SNA and in the short term the incorporation of some others is anticipated, for which becomes necessary the study of the new recommendations and the development of measurement methods which allow his suitable incorporation into the set of data that conforms the SCNM.

¹ Note: Subject to approval of the authorities of the Institute and the Committee

33. The new mechanisms of operation in INEGI will allow the institutional interrelation necessary to promote an implementation in a coordinated manner with the Monetary and Financial Statistics, Government Finance and Balance of Payments. It is recognized that only from a suitable level of communication and interinstitutional commitment it will be possible to obtain the implementation of the 2008 SNA, in benefit of the users of economic data, the interests of other statistical systems and of the own national accounts.
