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Seventeenth session

Geneva, 22-25 May 2018

Report

Note by the Secretariat

Summary

The Meeting of Group of Experts on National Accounts, sixteenth session, 22-25 May 2018 was organized following a decision of the Conference of European Statisticians in June 2017 and the recommendation of the previous Meeting of the Group of Experts on National Accounts in May 2017.

The present document is the report of that Group of Experts, and is provided to inform the Conference of European Statisticians of the organization and outcomes of the meeting.

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I. Introduction

1. The Meeting of the Group of Experts on National Accounts was held in Geneva on 22-25 May 2018. The first module of the meeting, a Special Session for Eastern Europe, Caucasus and Central Asia (EECCA) and South-East Europe (SEE) was organized on 22 May 2018 in collaboration with European Free Trade Association (EFTA), Eurostat and United Nations Statistics Division (UNSD). The second module, a meeting of the Group of Experts on National Accounts, held on 23-25 May, was jointly organized with Eurostat and the Organization for Economic Co-operation and Development (OECD). The meeting was attended by representatives from Albania, Armenia, Australia, Austria, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Canada, Chile, China, Croatia, Czech Republic, Estonia, Finland, Georgia, Germany, Hungary, India, Ireland, Israel, Italy, Japan, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Luxembourg, Mexico, Mongolia, Montenegro, Netherlands, Norway, Portugal, Republic of Korea, Republic of Moldova, Romania, Russian Federation, Serbia, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland, Tajikistan, The former Yugoslav Republic of Macedonia, Turkey, Turkmenistan, Ukraine, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay and Uzbekistan.

2. The meeting was also attended by representatives from the Bank for International Settlements (BIS), European Central Bank (ECB), Eurasian Economic Commission (EEC), European Commission (Eurostat and Joint Research Centre), European Free Trade Association (EFTA), Interstate Statistical Committee of the Commonwealth of Independent States (CIS-STAT), Organisation for Economic Co-operation and Development (OECD), United Nations Interim Administration Mission in Kosovo (UNMIK), United Nations Economic Commission for Latin America and the Caribbean (UNECLAC), United Nations Conference on Trade and Development (UNCTAD), United Nations Statistics Division (UNSD) and World Trade Organization (WTO).

3. The provisional agenda was adopted.

4. Mr. Sanjiv Mahajan from the Office for National Statistics, United Kingdom (ONS UK), chaired the Special Session for EECCA, SEE and other interested countries.

5. Mr. James Tebrake from Statistics Canada was the Chair of the Group of Experts on National Accounts.

II. Organization of the meeting

6. The following substantive topics were discussed based on presentations and invited papers:

A. First module: Special Session for Eastern Europe, Caucasus and Central Asia, South East Europe and other interested countries

- Financial corporations: units, subsectors, data sources and methods to estimate their production, import and export
- Measuring exports and imports of tourist and travel services
- Strengthening the collaboration between the compilers of macroeconomic statistics in the region: further steps

B. Second module: Joint Group of Experts on National Accounts

- Globalization:
 - ownership of intellectual property products (IPPs)
 - data sharing
 - recent advances in measuring global production and global consumption
- The role of satellite accounting within the national accounts
- Challenges in maintaining consistent time series
- New data sources and latest innovations in constructing national and international accounts
- Future work and adoption of the report
- Other business

III. Summary of the main conclusions reached at the meeting

7. Main conclusions and recommendations for future work are given below. All documents for the meeting are available at: www.unece.org/index.php?id=47422.

A. First module: Special Session for Eastern Europe, Caucasus and Central Asia, South East Europe and other interested countries

8. The module was organized jointly by UNECE, Eurostat, EFTA and UNSD. It discussed issues related to implementation of the 2008 System of National Accounts (2008 SNA) and the Balance of Payments and International Investment Position Manual, sixth edition (BPM6) and ensuring consistency between the two data sets. It was based on contributions by Reimund Mink (invited expert), State Statistics Committee and the Central Bank of the Republic of Azerbaijan, National Statistical Committee of the Republic of Belarus, Central Bureau of Statistics (CBS) of Israel, Bank of Mongolia, Bank of Portugal, Bank of Russia, National Bank of Serbia, ONS UK, Central Bank of Uruguay, ECLAC and UNSD.

1. Financial corporations: units, subsectors, data sources and methods to estimate their production, import and export

9. The session reviewed the progress of countries in developing registers of financial corporations, implementing the institutional sector classification of the 2008 SNA and data sources used to measure the output of financial services. Various issues were noted in the discussion, in particular:

- The 2008 SNA, BPM6, the European System of National and Regional Accounts (ESA 2010) and other reference manuals such as the Handbook on Financial Production Flows and Stocks in the System of National Accounts provide the accounting framework and definitions needed.
- Different organizational structures, roles and responsibilities for production of balance of payments and national accounts statistics exist, for example, in some countries the national statistical office (NSO) produces balance of payments and the

national accounts, while in others the national central bank (NCB) compiles balance of payments and the statistical office compiles national accounts.

- While the institutional organization may differ between countries, it is essential to ensure integration and harmonization of the population of units in the financial corporation's sector.
- New supervision and regulatory authorities are being introduced providing licensing of activity, which would help in the recording of all units.
- A wide range of statistical and administrative data sources is used to measure the output of the various units of the financial corporation's sector.
- It is essential to develop a single statistical business register, which is the basis to compile institutional sector accounts as well as accounts by industry. The role of a single identifier for each unit is important for these tasks.
- There are various difficult classification issues such as the treatment of head offices, holding companies and SPEs. Decision trees are used to facilitate the compilation process.
- In the context of financial production difficult and complex issues refer to the treatment of deflation, prices, reference rates and the measurement of credit risk.

10. Overall, it was recognised that the financial corporation's area of national accounts and balance of payments were complex, ever-changing and under-going continual development in terms of national accounting measurement. The role of developing a single statistical business register and harmonized treatment of units included in the financial sector was underlined. Collaboration, communication and close links between the national statistical offices, central banks and finance ministries (as appropriate) are essential.

2. Measuring exports and imports of tourist and travel services

11. The session provided an overview of the measurement challenges related to the recording of import and export of travel services. Participants noted that there were some conceptual issues related to the delineation of travel related expenditures as well as practical measurement problems. Some of these are different from the principles of the "core" national accounts, thus the development and role of tourism satellite account.

12. The following points were raised in the discussion:

- Use of terminology, including the clarification of the differences between the various terms used, is important, such as tourist versus visitor, personal versus business, one-year rule, etc.
- Estimating cash expenditures is a specific challenge.
- Credit card data forms a rich data source that should be explored for possible use. For example, data by residence and geographical analyses may be derived from such data. But certain limitations and confidentiality concerns also exist.
- Specialized surveys, information from travel associations and big data sources could also provide useful insights.
- Despite the variety of data sources, various data gaps remain and assumptions will have to be made to make the necessary splits. These assumptions should be well documented, communicated and verified through balancing procedures.

3. Strengthening the collaboration between the compilers of macroeconomic statistics in the region: further steps

13. The presentations underlined the need for integration of the compilation process of national accounts and balance of payments as well as the compilation of non-financial and financial accounts for each institutional sector including the rest of the world. Irrespective of the number of institutions involved or whether the lead is with the NSO or NCB, the coverage of statistical units, estimation methods, data sources, revision policies, dissemination and publication should be coordinated and harmonized.

14. The participants welcomed the work on developing practical guidance on harmonizing balance of payments and national accounts undertaken in the ECLAC region. Once this guidance is finalized, it could be extended and complemented by experience in other regions. UNECE, UNSD and CIS-Stat will seek ways to involve EECCA and SEE countries in the process.

15. UNECE in cooperation with other partner organizations should continue to support implementation of the 2008 SNA and related economic standards such as BPM6 in the countries of the region. Participants underlined the usefulness of workshops and meetings bringing together the experts from NSOs and NCBs and highlighted their role for strengthening the cooperation and sharing good practices.

16. The following topics should be considered for the agenda of future meetings:

- Measuring the non-observed economy, including illegal activities in the balance of payments and national accounts; experience in estimating cash holdings of physical persons, etc A recent publication by Eurostat provides guidance on the treatment of illegal activities.
- Government finance statistics and links to government (budget execution) data.
- Use of official statistics in policy making.
- Linking national accounts and financial statistics. Measuring stocks and flows of financial assets and liabilities, including the treatment of new financial instruments (e.g. crypto currencies).
- Measuring global production: institutional arrangements and distribution or responsibilities, identification of the different global production arrangements, data sources and adjustments, practical examples.
- Reinvested earnings in balance of payments and national accounts.

17. A workshop will be organized in 2019 to discuss topics of interest of both NSOs and NCBs. Further, a special session will be organized in spring 2020 (back-to-back with the meeting of the Group of Experts on National Accounts) to address common challenges of the EECCA and SEE countries. UNECE in consultation with countries from the region and the Steering Group on National Accounts will review the list of topics.

B. Second module: Joint Group of Experts on National Accounts

1. Globalization

(a) ownership of intellectual property products

18. The session was organized and chaired by OECD and the discussion was based on contributions from the Central Bank of Hungary, Statistics Netherlands, Statistics Sweden, the US Bureau of Economic Analysis (BEA) and the Joint Eurostat-OECD Task Force on Land and Other Non-financial Assets (which recently focused on the measurement and

recording of IPPs). Michael Connolly from Central Statistical Office (CSO) of Ireland served as discussant.

19. The participants recognized that the determination of economic ownership over IPPs and the recording of related transactions is a major issue that touches upon the fundamental principles of the 2008 SNA. As shown in recent examples, it affects the recording of assets and related income flows, and consequently also directly impacts the allocation of output and value added to units and countries.

20. The 2008 SNA offers little guidance on IPP ownership. The Guide to Measuring Global Production provides a decision tree that aims to assist countries in assigning economic ownership of IPPs to entities (including SPEs) belonging to MNE groups or global production arrangements in an internationally consistent way. The application of the 2008 SNA and the decision tree of the Guide to real cases have identified several additional complexities. Countries are encouraged to reflect upon the decision tree and provide feedback on its application in practice to inform further discussions.

21. It was also noted that there is a growing discomfort with the implementation of the economic ownership principle in relation to IPPs, where current international standards basically follow the monetary transactions. Proposals for alternative ways of assigning economic ownership of IPPs and related income, with a significant impact on the allocation of output and value added across countries, were also discussed. Examples include formulary apportionment (e.g. based on non-affiliate sales and/or compensation of employees) and allocating IPPs and related income to the ultimate parent, including the consolidation of SPEs with the parent. These alternatives would go beyond the 2008 SNA, or at least stretch the current standards to a significant degree.

22. Countries are invited to engage in and provide input to these discussions. In this respect, it was noted that it is good to have all options on the table, but also to make a clear distinction between those which stay within the current international standards, versus those which go beyond the existing framework. It is also preferable to clearly distinguish conceptual issues from presentation and measurement related problems. Practical considerations, especially those related to the need for international exchange of information, should be adequately addressed as well. More generally, participants emphasized the need of international data exchange for developing meaningful and internationally comparable solutions, also within the current standards.

23. These issues will be brought to the attention of the Intersecretariat Working Group on National Accounts (ISWGNA) and the Advisory Expert Group on National Accounts (AEG), which are soon going to start discussion on the SNA research agenda in three main areas: (i) globalization; (ii) digitalization; and (iii) sustainability and wellbeing.

(b) data sharing

24. The session was organized and chaired by Statistics Finland and the discussion was based on contributions from the UNECE Task Force on Exchange and Sharing of Economic Data, the National Statistical Office (ISTAT) of Italy, ONS UK and Eurostat. Albert Braakmann from the Federal Statistical Office of Germany served as discussant.

25. The work of the Task Force on Exchange and Sharing of Economic Data was considered valuable and promising based on the first results. The meeting encouraged the Task Force to continue the work according to plans.

26. The participants gave practical advice to the Task Force to be taken into account in the forthcoming work. The Task Force should clarify the issue of access to already exchanged micro data, especially the role of international organizations in micro data exchange. Secondly, the Task Force should elaborate the resource issues related to data exchange, both from the point of view of the enterprises' response burden and the workload

to statistical organizations. Thirdly, the Task Force should draft a template that could be used by statistical agencies when starting to exchange economic data which is publicly available and hence not subject to statistical confidentiality.

27. The meeting concluded that in order to successfully engage in the exchange of micro data, statisticians should try to maximize the opportunities for exchange of data within the current statistical laws. Changes to the organizational structure, like the establishment of Large and Complex Cases Units (LCUs), were also encouraged. The need for data exchange for statistical purposes should be carefully communicated with a strong statement that any confidential data will not leave the statistical systems. Notwithstanding the above, changes in statistical legislation are also needed to facilitate data exchange for statistical purposes.

28. To support the exchange of best practices, a network of experts on multinational enterprise groups should be established, including experts from LCUs and other units focusing on multinational enterprise groups' data.

(c) recent advances in measuring global production and global consumption

29. The session was organized and chaired by Eurostat and the discussion was based on contributions from Statistics Canada, INEGI Mexico, UK ONS and OECD.

30. The meeting discussed conceptual and practical challenges posed by the digitalisation of the economy. These challenges are twofold: i) more guidance is needed on the recording of new 'digital' business models in national accounts; and 2) users demand for measures of the 'size' of the digital economy.

31. The participants noted, however, that there is no agreed definition of the 'digital economy' or the 'sharing economy'. It is a phenomenon rather than a precisely defined section of the economy. The presentations demonstrated that a framework is needed to better highlight the digital economy in the accounts. The meeting welcomed the framework for a satellite account presented by OECD. Countries are encouraged to test and produce estimates for parts or the whole of it, to gain further experience.

32. The meeting noted that several aspects deserve special attention in conceptual discussions, either within the current SNA or beyond it: the recording of cloud computing, price and volume measures (in particular the substitution of traditional products with digital products) and new financial instruments (e.g. crypto-currencies). It was also noted that digitalisation brings opportunities as regards new data sources.

33. There was significant discussion regarding the role of data in the economy. There was strong support for international research in this area, specifically on what to include within the asset boundary, how it should be measured, the depreciation profile and data as a medium for exchange.

(d) measuring the impact of globalization

34. The meeting was informed of recent work by BIS and UN Expert Group on International Trade Economic Globalization Statistics on assessing the impact of global firms and global value chains.

2. The role of satellite accounting within the national accounts

35. The session was organized and chaired by Statistics Canada and the discussion was based on contributions from the Statistical Committee of the Republic of Armenia, Statistics Finland, the Central Statistical Office of Hungary, INEGI Mexico, Statistics Norway, ONS UK, BPS of Indonesia, the US BEA and the UNECE. James Tebrake from Statistics Canada served as discussant.

36. The first part of the session reviewed the progress achieved by the UNECE Task Force on Satellite Accounts for Education and Training, which is developing a compilation guide for such accounts, and the recommendations and countries' experience in the implementation of the UNECE Guide on Valuing Unpaid Household Service Work. It was agreed that both areas of development are a priority for national accountants and that, even though the concepts and methods are still evolving, countries are encouraged to make progress and test the respective frameworks. The Task Force on Satellite Accounts for Education and Training would circulate, for electronic consultation, a note outlining the main conceptual challenges identified in the work and the proposed methods and practical solutions. The participants are invited to provide their comments and suggestions to the task force, so that they can be considered early in the process of developing the compilation guide.

37. The next series of presentations outlined recent work by member countries in measuring outdoor recreation, activities of non-profit institutions serving households and tourism. It was noted that there has been increased interest by both national accountants and their users to develop an increasingly diverse set of satellite accounts.

38. Participants noted that satellite accounting helps make the national accounts accessible to a broader set of users. Participants also warned that there is a danger, especially with thematic satellite accounts that are sponsored by government departments, that NSOs will be pushed towards adopting broad definitions in order to increase the size of the activity being measured.

39. The participants agreed that, given the proliferation of satellite accounts, the international community should develop some general guidance regarding priority areas and recommend approaches when developing satellite accounts. This guidance could include how to best relate the satellite accounts to the core, priority areas of development, and the allocation of resources and responsibilities for compiling the respective satellite accounts. Some form of typology is also required given the increasingly diverse nature of satellite accounting.

40. The participants were informed that the ISWGNA and AEG have discussed this issue and noted the need for a strategic approach and for the development of more specific guidance on the compilation of satellite accounts under the auspices of the ISWGNA. Statistics Canada has been tasked by the Bureau of the Conference of European Statisticians to conduct an in-depth review on satellite accounting. In order to inform the in-depth review, the countries will be invited via a survey to provide feedback regarding their national practices in developing satellite accounts.

3. Challenges in maintaining consistent time series

41. This session was organized and chaired by the US BEA and included contributions from the Central Bank of Armenia, the Central Bureau of Statistics of Israel, the National Bank of Moldova, the National Statistical Office of Mongolia, Statistics Norway, the Federal State Statistics Service (Rosstat) of the Russian Federation, the US BEA, Eurostat and UNSD.

42. The discussion focused on highlights and challenges of developing time series statistics. Presentations dealt with revisions of time series and revision policies, the latter mainly concerning finding the right balance between the need for updated time series, resource constraints and other resource demands. Rationales for revision policies and how these policies have evolved over time, and decisions on whether and how to harmonize revision policies were addressed, as well as experiences in backcasting and nowcasting techniques to improve time-series statistics.

43. Participants noted that users demand long and consistent time series and that national statistical offices face trade-offs between accuracy, timeliness, relevancy, and transparency in producing economic statistics, along with resource constraints. These trade-offs and constraints have implications for how economic accounts are compiled.

44. Participants welcomed the forthcoming guidance on maintaining consistent time series and were invited to express their interest in contributing to and/or reviewing the UNSD Handbook on Backcasting. The discussion stressed the importance of a delineation of best practices for addressing newly available and revised source data, methodological improvements, definitional and conceptual guideline changes. It was noted that consistent terminology when discussing revisions would be beneficial; for example, ‘comprehensive update,’ ‘benchmark revisions,’ ‘major revisions’ and ‘flexible revisions’ are all currently used to refer to the same thing. It was also stressed that practical guidance be discussed on the importance of not rewriting economic history. In the case when conceptual changes are introduced the need for good metadata should be emphasized.

45. Participants noted the importance of communicating the reasons for revisions to users clearly and transparently, so they understand that the revisions primarily reflect improvements to the statistics rather than error corrections. Effective messaging is crucial for users to have confidence in the statistics. Publication of revision policies and schedules, advance reports previewing revisions, metadata and direct outreach to stakeholders are some strategies that national statistical offices, central banks and other producers of official statistics can employ. Outreach could be tailored to the needs of different groups of users such as policy makers, businesses, media, and academia. For revisions that are expected to have a significant impact on levels or growth rates, a long period of outreach could help users fully understand the revisions and avoid surprises when they are released.

46. Participants stressed the importance of revision analysis in evaluating early estimates of GDP and its components. “Flash” or “advance” estimates of GDP are closely monitored in fiscal and monetary policymaking and in forecasting. Consequently, it is crucial to understand whether there are biases in early estimates, and if so, that these biases are directly addressed. From this perspective, regular analysis of revisions using an internationally consistent and harmonized approach is strongly encouraged. In this respect, reference was made to the analysis made by the OECD, for which links would be provided to participants.

4. New data sources and latest innovations in constructing national and international accounts

47. The session was organized and chaired by UK ONS and included contributions from the Australian Bureau of Statistics, Statistics Canada, Bank of Finland, Bank of Italy, UK ONS, Eurostat and DG Joint Research Centre.

48. The presentations were rich in variety, innovative and covered a range of techniques and developments which are evolving rapidly. Particular aspects covering generation of multi-country Supply, Use and Input-Output tables and look through approach for measuring the structure of households’ assets and the development of labour accounts provided useful additional information and possibilities to confront data and analyse economic development, interconnectedness and vulnerabilities.

49. The presentations outlined various data collection techniques dealing with response burden, increased efficiency and providing greater degree of granularity. These include single data entry, automation techniques and linking data sets. The discussion covered the use of big data and its linkages to social and economic analyses as well as new analyses beyond the national accounts. The ever-increasing role of data science and data scientists

was also recognized. Further, the examples presented opportunities in using crowd sourcing and new approaches to managing respondents' relation.

5. Future work and adoption of the report

50. The next meeting of the Group of Experts on National Accounts devoted to measuring global production will be organized jointly by Eurostat, OECD and UNECE on 10 -12 April 2019. The following topics were proposed for the agenda of the 2019 meeting:

- Large cases units: seminar for experts on multinational enterprise groups
- Data sharing at national and international level (including practical examples) to better measure MNE activities
- Current research related to globalization and digitalization
- New data sources for measuring global production and consumption
- OECD BEPS and Eurostat GNI MNE exercise

51. The following countries and international organizations expressed interest in contributing to the sessions of the 2019 meeting: Statistics Finland, US BEA, UNECE Task Force on Exchange and Sharing of Economic Data, Eurostat, OECD and UNSD.

52. A further meeting of the Group of Experts on National Accounts will be organized in 2020. The meeting will include a full day special session for EECCA and SEE countries. The following topics were proposed for the agenda of the 2020 meeting:

- Satellite accounts
- Data sharing
- Timeliness – real time national accounts
- Best practices in selected areas

53. The following countries and international organizations expressed interest in contributing to the sessions for the 2020 meeting: US BEA, UNECE and UNSD. The list of topics will be reviewed in 2019 by the Steering Group on National Accounts to make sure any emerging issues are taken into account.

54. The participants asked the UNECE Secretariat to inform the CES Bureau on the outcome of the meeting and to follow up on the recommended further work.

55. This report was adopted at the Meeting of the Group of Experts on National Accounts held in Geneva from 22-25 May 2018.
