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**REPORT OF THE OCTOBER 2002 UNECE SESSION
ON NATIONAL ACCOUNTING ISSUES OF CONCERN
TO TRANSITION ECONOMIES**

Note prepared by the Secretariat

INTRODUCTION

1. The Special ECE Session on National Accounting Issues of Concern to Transition Economies was organised in the afternoon on the last day (11 October) of the Annual OECD National Accounts Meeting, 8-11 October 2002 at the OECD. It was attended by participants from 16 transition economies: Albania, Bulgaria, Croatia, Czech Republic, Hungary, Latvia, Lithuania, Poland, Republic of Moldova, Romania, Russian Federation, Slovakia, Slovenia, The former Yugoslav Republic of Macedonia, Ukraine and Yugoslavia. Representatives of the Organisation for Economic Co-operation and Development (OECD) also took part in the ECE Session.

2. The provisional agenda was adopted.

ORGANISATION OF THE MEETING

3. The main topic of the session was Revision of National Accounts Time Series. The discussion was based on a presentation by OECD on Revision analyses of Quarterly GDP and papers prepared by the ECE Secretariat, Bulgaria, Croatia and the Russian Federation.

4. Two other topics were also considered at the Session: Measurement of Capital Stock and Non-observed Economy. A short note by the ECE Secretariat and a report presented by Slovenia supported the discussion on capital stock. Under the last agenda item OECD and the ECE Secretariat informed the participants about recent activities and projects related to estimating the non-observed economic activities in transition economies.

SUMMARY OF DISCUSSION AND THE MAIN CONCLUSIONS REACHED AT THE SESSION

5. The main purpose of the session was that transition economies share their experience in compiling national accounts time series and the specific questions related to the revision of these series. In the last years revision studies have become an important area of focus as they are linked with problems of quality, reliability and comparability of data. Therefore, lately this topic has also been considered by the international organizations.

6. Most transition economies have already implemented the general framework of SNA 1993 and have started to produce annual and quarterly time series on a regular basis. Therefore, the question of practical aspects of revision of national accounts data is important to them. In preparing the Session a list of discussion issues was distributed covering mainly topics linked to timetable and reasons for revisions, relations with users, analysis of the revisions direction and size. The ECE Secretariat provided a short summary of the contributions of the countries on these topics in order to serve as the basis for discussions. In the discussion that followed it was agreed that the ECE Secretariat will revise and extend this paper following the remarks and additional information provided by the participants. The revised version of the paper will be sent to the countries for their reactions.

7. The OECD presentation on Revision analyses of Quarterly GDP was based on material for OECD member countries. It was dealing mainly with accuracy and reliability of quarterly estimates and measures to assess data reliability. It was pointed out that there is always a trade-off between timeliness and accuracy of data. It is important that compilers of national accounts data find the compromise between these two issues. Furthermore they should also educate the users for the necessity of making revisions. Examples with quarterly estimates of UK, Latvia and Lithuania were demonstrated and reviewed. A reference for further reading on the topic was made such as: IMF Working Paper "Assessing Accuracy and Reliability", BEA article "Reliability of GDP and Related NIPA Estimates", etc.

8. Several issues concerning practical aspects of revising time series emerged during the countries' presentations. It was noted that two types of revisions - regular and "functional", could be distinguished. As defined by the Russian presentation the first type of revisions is

related to the more precise information received in the course of time. "Functional" are called the revisions done in larger periods of time, which are related to methodological changes or to the implementation of benchmark surveys. The Russian paper also raised some issues for discussion such as: how often functional revisions should be implemented; at what level of detail; how back in time, and others.

9. The issue of which data sources should be used for the compilation of the first quarterly estimates was also raised. After an ad-hoc survey around the table it became clear that all attending Candidate Countries together with Croatia, the Russian Federation and Ukraine rely on quarterly surveys of non-financial enterprises to prepare their first quarterly estimates.

10. In the discussion that followed, there was an agreement that the analysis of revisions of national accounts series is important so that biases can be identified and taken into account. The answers to the questions how often big methodological changes should be implemented, how far and at what level of detail depends mainly on the available data and resources. It was suggested that one solution, in cases when it is not possible to do backwards calculations for long enough time series, is to publish both new and old data sets. The practice has already been applied by Poland and Hungary.

11. It was noted that any time when major revisions are done they should be explained to users. Their reactions can be very critical sometimes, because changes introduce breakpoints in data series. It can be useful to try to breakdown the effect of revisions and to provide information about their impact on the final data. In this connection, the example of the UK was indicated.

12. The revision policies of several OECD countries were mentioned as well. It was pointed out that most of the countries accumulate improvements and then make revisions at once. Other countries as Australia introduce small changes any time they appear. In that way there is only one change implemented at a time and the effect can be easily followed.

13. Under the second agenda item, the ECE Secretariat informed the participants about the report on capital stock measurement in transition economies. A Slovenian paper describing the census of fixed assets was also presented. The census was conducted in the framework of a Eurostat project for bringing the statistical practice of the Candidate Countries in compliance with the EU standards. The main aim of the survey was to collect data on tangible and intangible assets for all institutional sectors and to obtain adequate estimates of consumption of fixed capital.

14. Estimation of capital stock is one of the most difficult national accounts issues and many activities have been organised in this area. The meeting was informed that Statistics Canada is carrying out a project with Hungary on measurement of capital stock and the implementation of a PIM method. The project is still to be finalised. Eurostat has started a new phase of the capital stock survey under the Multilateral Programme with Candidate Countries. Some transition economies have already worked on such projects under the

National Phare Programmes. It was noted that it is advisable to assure that the experts who worked on National programmes be involved in the new projects under the Multilateral one so that there is consistency in the recommendations.

15. The following issues related to different aspects of the measurement of capital stock and consumption of fixed capital were identified and discussed by the participants: valuation of fixed assets in privatised enterprises; how to deal with historic data; the use of exhaustive surveys and the fact that they are quite costly and increase the burden to the respondents; how to estimate actual service life of the assets; advantages and disadvantages of usage of depreciation based on geometric mean.

16. It was concluded that an exhaustive survey conducted at longer intervals combined with PIM method could be the solution between the costly annual census and the disadvantages of PIM estimates.

17. The ECE Secretariat presented a paper describing the inventory of national practices in estimating hidden and informal economic activities that the ECE Statistical Division carried out in 2001. The survey covers twenty-nine countries compared to nine that contributed for the previous one conducted in 1991. The ECE Secretariat will conduct similar inventories every 3 or 5 years in order to follow the development in this area.

18. OECD informed the session about the work on the implementation of the Handbook on Measuring the Non-observed Economy. A new project with Bulgaria has just been launched. It is envisaged to expand the research in countries like Albania, The former Yugoslav Republic of Macedonia and Yugoslavia, as the experience of Bulgaria, which is a neighbouring country, could be useful to the other countries in the region.

RECOMMENDED FUTURE WORK

19. The participants concluded that the special sessions are very useful as they provide floor for discussion of specific problems of concern to transition economies. They recommended that the practice of organising such meetings continue in the next years.

20. The issue of revision studies of national accounts aggregates can be further reviewed. The ECE Secretariat will develop the paper Revision of National Accounts Time Series in Transition Economies and will circulate it for comments among the countries.

21. In order to avoid overlapping it was suggested that a topic of common interest that is not covered by Eurostat for the moment be chosen for the next session. The proposed items included: Flash estimates of GDP; Monthly time series; PIM method and capital stock. The ECE Secretariat will make a survey of topics and depending on the length of the session will identify one or two agenda items.

22. The participants supported the proposal that the next Special ECE Session on National Accounting Issues of Concern to Transition Economies be organised back-to-back with the

OECD Meeting of National Accounts Experts in 2003. The possibility to organise a full day Session before the OECD Meeting should be explored.
