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**IMPLEMENTING SNA-93 IN THE RUSSIAN STATISTICAL PRACTICE  
PROBLEMS AND POSSIBLE SOLUTIONS**

Supporting paper submitted by Goskomstat of Russian Federation\*

**Introduction**

Work on implementing the system of national accounts in Russia has started in 1991 in accordance with the decision of the government on reforming the accounting and statistical system in the country and approaching the international standards. From the very beginning, the national accounts in the Russian Federation have been compiled on the basis of the SNA-93 concept.

**I. Work which has been done by Goskomstat of Russia on implementing SNA-93**

**Consolidated accounts**

At present the following main accounts are compiled annually: goods and services account, production account, generation of income account, primary and secondary distribution of income accounts, use of disposable income account, use

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of adjusted disposable income account, capital account. The consolidated production account and generation of income account are compiled by industries.

On the basis of the Balance of Payments some estimates of the rest of the world account are obtained. All the above mentioned accounts are compiled by Goskomstat of Russia. The Central Bank of Russia compiles the Balance of Payments.

### **Institutional sector accounts**

There was no concept of an "institutional sector" in Russia before the beginning of the SNA implementation. The industry classification that was used for obtaining macroeconomic estimates in accordance with the balance sheet accounting approach, assumed grouping of the enterprises by type of their production activity and not by kind of economic behavior.

Being aware of the importance of compiling accounts by institutional sectors, in 1985, Goskomstat undertook steps for developing the methodology and the information base. Since 1995, the accounts for households sector, government sector, and the rest of the world are being compiled annually. Compilation of the government sector accounts has become possible after introducing a new classification of revenues and expenditures of the state budget, where the international standards and the main requirements of SNA were taken into account. Balancing of the institutional sector accounts is done in the integrated table, which reflects the main inter-sectoral flows in the economy. Due to insufficient data, in this table, the estimates for non-financial institutions, financial institutions, and non-profit institutions serving households (NPISH) are combined in one aggregated sector "enterprises and non-commercial organizations". This sector also includes consumption of FISIM by a nominal unit.

In 1998, a sample survey of the NPISH was conducted. The questionnaires included questions about the sources of financing, types of expenditures and purpose of the organizations. This survey allowed for adjusting the GDP estimates for 1997 and 1998, and made possible to start the compilation of the accounts for NPISH.

In 1998, with the purpose of improving the sector accounts, a document "The main principles of the classification of economic units by sectors in the Russian Federation" was developed, which allowed to start working on the "Classification of the institutional units by sectors of the economy".

At present, accounts are being compiled for all sectors of the economy.

### **Input-Output Tables**

Input-Output Tables (IOT) were compiled for 1995 in compliance with the SNA requirements. These tables were the first tables based on data collected through the special surveys of the enterprises of their production costs. They contain information on input-output flows for more than 200 industries.

These tables were compiled for Russia as an independent state for the first time. The set of tables includes supply and demand table, symmetric IOT by products in purchasers' prices and in basic prices, use tables for imported products, tables for transport and trade margins, and for taxes less subsidies on products. The compilation of these tables allowed adjusting the quantitative estimates for all consolidated accounts.

A similar set of tables was compiled for 1996 on the base of the compiled tables for 1995 and the current data.

### **Regional accounts**

For such a big country as Russia, it is very important, to obtain the SNA estimates at the regional level.

Starting from 1996, Gross Regional Product estimates (GRP) have been obtained in Russia. The most important factor for obtaining the GRP-total is balancing the nominal and real values of GRP with the GDP estimates. The GRP estimates are obtained using the production approach for all 80 regions of Russia. The GRP total for all regions in 1998 comprised 89.4% of the GDP estimate for Russia. The sectors whose activity spreads beyond one region, such as collective non-market services of the government sector, financial transactions of banks, etc. are responsible for the difference. Customs duties also can be accounted for only at the federal level.

The main estimates of the use of income and capital accounts are also obtained for these regions. Using the 1998 data, five regions of the Russian Federation carried out a trial compilation of the generation of income account.

The GRP calculations are done by the Territorial Statistical Committees using the methodology developed by Goskomstat of Russia. The general principles and schedule of compilation and presenting are stipulated in the document

"Schedule of compilation and presentation of data on the gross regional product".

The results obtained at the regional level are analyzed in Goskomstat. This allows the estimates of value-added consumption and accumulation for Russia as a whole to be adjusted.

The value added estimates have become rather important in the recent years, as the Ministry of Finance of the Russian Federation uses these estimates as a basis for distribution of funds, from the Fund of financial support, to the constituents of the Russian Federation.

#### **Revision of the GDP estimates**

The order of GDP revision, approved by Goskomstat of Russia, the Ministry of Finance, and the Ministry of Economy, assumes a four-step adjustment for the published data within the two year period after the end of the reporting period.

The Gross Domestic Product of Russia is estimated using three approaches: the production, the generation of income, and the use of income approaches. In full scale, the GDP estimates in nominal values and in real terms are calculated only according to the first two approaches. Generation of income account is not compiled independently, as the industries' data on the operation margin are not complete and do not meet the SNA requirements. Gross profit and gross mixed income in the economy are obtained as a residual of the GDP less compensation of employees, taxes less subsidies on products, and imports.

The statistical discrepancy between the GDP estimate obtained by the production method and the final use method is between 2-5% for the different years.

The revised GDP estimates are published in the report "Social and economic situation in Russia". They are placed at the WEB-site of Goskomstat. More detailed presentation of the national accounts can be found in the annual publication "National accounts of Russia".

#### **Production boundaries in the SNA**

The problem of non-registered economic units is one of the largest in Russia. Since 1995, Goskomstat has started to include in the production boundaries estimates of non-observed economy.

In the Russian Federation, the economy which cannot be observed by direct statistical methods, comprises hidden and informal activities. Illegal economic activities are, at present, excluded from the production boundaries of the system of national accounts.

Hidden economic activities, in the majority of cases, include legal economic activities, which are not reported or are under-reported by the economic units with the purpose of tax and social charges evasion, avoiding some administrative or social responsibilities, sanitary and other requirements. These activities may take place practically in all sectors of the economy.

Informal economic activity is mainly undertaken on legal grounds by individual producers or by the so-called un-incorporated enterprises, that is by enterprises owned by individuals or households, which often are not registered according to the prescribed order. Their activities are based on the informal relationship among the participants, they may produce goods and services (in full or partially) for their own consumption. Often, the informal activity assumes a secondary employment; often it is a non-professional activity. In Russia, the informal economic activities are wide spread in the farming sector, in trade (gross income of the un-organized markets or un-incorporated sellers), in construction (unregistered un-incorporated associations comprising friends and relatives), and in some other industries.

The estimates of the hidden and informal economy are obtained by using indirect data, by applying the balancing methods, and using expert estimates. Adjustments for hidden and informal activities are done for the GDP produced, for the GDP used and for the GDP calculated from the income generation side.

The total adjustment for the various types of hidden and informal activities and economic transactions unaccounted by usual methods amounted in the production account for 1998 to 22% of total GDP in market prices.

Since 1993, for compiling the generation of income account, data on compensation of employees are adjusted for the "hidden compensation of employees", because in many cases the employers do not report the wages of their employees in order to avoid taxes.

The hidden compensation of employees is obtained after the compilation of all accounts for the household sector, as a difference between the total expenditures of households including changes in their financial assets and the registered income. The estimates for hidden wages are done for the economy as a whole without breaking down by industries, types of activity, and territories; hidden wages comprise 10-12% of the GDP.

The approaches used for estimating the hidden and informal economy at the federal level are not always appropriate for the regional level (we mentioned above the importance of the correct estimate of the GRP). At present, for balancing purposes in some industries, the estimates of the hidden and informal economy in Russia as a whole are broken down by regions, proportional to the generated output and value added in the regions. It is understandable, that the regional authorities are not always happy with such arrangements.

With the purpose of more correct distribution of the adjustments across the territory of the Russian Federation, the method used by the Italian Statistical Institute (ISTAT) for estimating the shadow economy was studied. This method is based on sample surveys of the labor market. In accordance with the Italian methodology for estimating the hidden economy, in the framework of the TACIS project, the Bryansk Territorial Statistical Committee has conducted a sample survey of small businesses and households on the employment issues, for the Q1 of 1998. This employment survey assumed a wider range of questions, in comparison with the regular Goskomstat survey; in particular, some additional questions were included for getting more detailed information on the secondary employment.

Using the results of the employment survey in Bryansk oblast, and with the account for the data on large and medium size enterprises, the revision of the production output was done for five main industries of the economy (industry, construction, agriculture, transport, trade), on the base of information on total employment.

For better understanding of the opportunities of this method at the federal level, additional calculations were made for three territories. The results were presented jointly with the Italian specialists. Proposals on improving the statistical observation of enterprises' performance and employment surveys were drafted, to be able to use the results for estimating the industries' output at the regional level.

## **II. Problems and possible solutions**

Out of the set of accounts recommended by the SNA-93, Goskomstat does not compile the financial account, assets and liabilities account, changes in assets and liabilities account.

### **Classifications recommended**

Goskomstat of Russia and the other ministries and agencies providing data for compiling the national accounts, work at present on the basis of the "Classification of the industries of the economy". To be able to meet the international accounting standards, Goskomstat is transferring to NACE, which is used for developing a "National Classification of the Types of Economic Activity". The existing version of this classification is being revised to bring it closer to NACE; this work is supposed to be completed by the end of this year. The Ministry of Economy is responsible, in accordance with the resolution of the Government, for the development of this classification.

As regards the product classification, in future, Goskomstat is planning to carry out statistical observation of main goods and services production on the basis of the Product Classification of the EU (CPA). With this purpose a national classification will be developed. The work is supposed to be completed by 2003.

At present, Goskomstat is working on the classification of the institutional units by sectors of the economy.

Classification of the household expenditures, a national version of the "Classification of individual consumption by purposes" (COICOP), is in the stage of implementing. It is planned to use it in 2001 for coding the household expenditures for the household budget survey.

Goskomstat will start the development of a classification of the functions of the government sector next year.

#### **Improvement of FISIM estimation**

Russia is not able to apply in full some SNA recommendations. For example, the development of FISIM estimation methods is not yet completed. The main concern is the distribution of FISIM by users. At present FISIM is not broken down to users, but is accounted as an intermediate consumption of a nominal unit, and is shown as a separate entry in the production account.

In 1999, Goskomstat together with the Bank of Russia and the CIS Statistical Committee developed a methodological approach to reflect transactions of financial intermediaries in accordance with the SNA requirements, with breaking their consumption by institutional sectors. In accordance with this approach, the indirectly measured services of financial intermediaries are estimated for the transactions with loans and deposits. The

interest received by the banks as a result of investing their own money are not excluded from the calculation. The income and expenditures of securities transactions are not accounted for.

The development of such an approach has become possible after introducing a new set of accounts in the banking system. Now, the "Profit and loss statement" includes data on interest received for the granted loans by the creditor, and the interest paid on the borrowed fund by the borrower. A big problem is the choice of an appropriate reference rate.

For the Q1 of 1999, the Bank of Russia has carried out trial calculations of FISIM by institutional sectors using different reference rates. The results are being analyzed at present. It is planned to prepare some "Guidelines for FISIM calculation" by October 2000 and to start calculating FISIM with the accounts for year 2000.

#### **Bringing the accounting data closer to the international standards**

The data provided by the Ministry of Finance and used by Goskomstat to estimate non-market services for the government sector does not meet in full the international standards. Data on the execution of the state budget is available only for the indicators calculated on cash basis (which may be justified in the situation of a large budget indebtedness to the receivers). However, the SNA requires the indicators to be calculated on accrual basis. To eliminate this discrepancy and to estimate the compensation of the government employees on accrual basis, the estimates obtained on cash basis are adjusted using the "changes in salary nonpayment due to under-financing from the budgets at all levels". Goskomstat does this adjustment. The respective adjustments are done for the budget item "social charges on salaries of the government employees". Unfortunately, data is not available for making such adjustments for other budget items.

Another drawback of the existing data collection system is the lack of systematic data on all aspects of the economic activity of the budget units. It is needed to collect data not only on the units' expenditures financed from the budget, but on the expenditures financed from the commercial activities, as well as data on the units' income from their commercial activity. To be able to solve this problem, Goskomstat jointly with the newly established Department of Government Finance of the Ministry of Finance drafted a proposal for introducing changes in the existing budget classification.

#### **Use of Supply and Use Tables as a tool for obtaining annual GDP estimates**



Taking into account the gaps in the data caused by unrecorded economic activity and the errors in the reported data, Goskomstat of Russia plans in future to develop a model based on the Supply and Use Tables, which would allow to obtain estimates of the production and use accounts. At the same time, the method of commodity flows is being developed.

#### **Time series of the SNA estimates**

In Russia, the SNA estimates in constant prices are calculated and published in the prices of the previous year. Such presentation of data is caused by a necessity to change the base period in a situation of ongoing institutional changes and high inflation.

For several reasons, at present, the GDP estimates in previous year prices is done on the basis of the production accounts using the single deflation method. The use of this method is temporary for Russia; in future we plan to shift to the generally used method of double deflation. With this purpose, work is carried out to improve the information base and to extend the price statistics, to prepare the guidelines for obtaining the SNA estimates in constant prices taking account of the international practice in this field.

#### **Improving the quarterly accounts**

Goskomstat makes quarterly estimates of production in nominal values and real terms, final use of GDP and GDP estimates by income method. The quarterly estimates are being obtained for discrete quarters. They are estimated in the prices of the same quarter of the previous year, which differs from the internationally accepted procedures. This is a temporary practice caused by the insufficient data. To obtain seasonally adjusted quarterly estimates, the GDP estimates are calculated in the Q4 1995 prices. Seasonally adjusted GDP estimates are published in the report "Social and economic situation in Russia".

At present, the proposals are being drafted on the calculation of the following indexes: average quarterly price indexes to the average annual prices of the reporting year, average quarterly indexes of the reporting year to the average annual prices of the previous year. This will allow to obtain quarterly estimates in average annual prices.

#### **Compilation of the financial account**

At present, in Russia several sub-accounts of the financial account are being compiled, these are the changes in financial assets and liabilities of the government sector and households.

To facilitate the compilation of the financial account, in February 2000, a seminar was organized by IMF/US AID for the employees of Goskomstat, the Bank of Russia, and the Ministry of Finance on financial accounts. Some work is done to review the information resources for its compilation.

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