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Eleventh session

Geneva, 30 April – 4 May 2012

Report

Note by the secretariat

Summary

The Biennial Meeting of Group of Experts on National Accounts, Eleventh Session, Geneva, 30 April - 4 May 2012 is organized following the recommendations in the Report of the Group of Experts on National Accounts, Tenth Session, Geneva, 26 - 29 April 2010 (ECE/CES/GE.20/2010/2) and the provisions in the Programme of Work of the Statistics Sub-programme for the Biennium (2012-2013) (ECE/CES/2012/14).

The present document is the report of the Group of Experts on National Accounts, Eleventh Session and is provided to inform the Conference of European Statisticians of the organization and outcomes of the meeting.

I. Introduction

1. The Group of Experts on National Accounts was held in Geneva from 30 April to 4 May 2012. It was attended by Albania, Armenia, Austria, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Canada, China, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Kazakhstan, Korea- Republic of, Kyrgyzstan, Latvia, Luxembourg, Mexico, Mongolia, Montenegro, Netherlands, New Zealand, Norway, Poland, Portugal, Republic of Moldova, Russian Federation, Serbia, Slovenia, Spain, Sweden, Switzerland, The former Yugoslav Republic Macedonia, Turkey, Turkmenistan, Ukraine, United Kingdom, United States of America and Uzbekistan. The European Union was represented by the European Commission (Eurostat) and the Organization for Economic Co-operation and Development (OECD) was also present. Representatives of the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Statistical Division (UNSD) also attended. The following specialised agencies and intergovernmental organizations participated in the meeting: the African Development Bank (AfDB), the European Central Bank (ECB), the European Free Trade Association (EFTA), the Interstate Statistical Committee of the Central Independent States (CIS-STAT), the International Monetary Fund (IMF) and the World Trade Organization (WTO). The Kanayawa Seiryu University of Japan attended at the invitation of the Secretariat. Ms. X. Fetahu, Mr. R. Lynch and Mr. A. Shaboyan attended the meeting as invited experts.

2. The provisional agenda was adopted.

3. Mr. Kurt Wass (EFTA) and Mr. Philippe Stauffer (Swiss Federal Statistical Office) were elected Chairs for the second and third modules of the meeting, respectively.

II. Organization of the meeting

4. The meeting was organized in three modules, the first module being for information only. The following substantive topics were discussed on the basis of presentations, invited papers and supporting papers:

A. First module: IMF/UNECE Session on the Introduction of the 2008 System of National Accounts (SNA) for Users

- Introduction of the 2008 SNA for Users and “The Impact of Globalization on National Accounts”

B. Second module: Special Session for Economies in Transition

- Presentation and discussion of national implementation plans
- Presentation and discussion of a regional implementation plan
- Further work to support the implementation of the 2008 SNA in the region

C. Third module: Expert Group on National Accounts

- Volume measures of services
- Household sector and unincorporated enterprises
- Measuring financial services including Financial Intermediation Services Indirectly Measured (FISIM)
- Sub-sectoring of the financial corporations
- Globalization

III. Summary of the main conclusions reached at the meeting

5. Recommendations for future work emanating from the second and third modules are given below. The summary of the discussions on the above topics are presented in Section V of this report. All documents for the meeting are available on the UNECE website: <http://www.unece.org/stats/documents/2012.01.sna.html>.

IV. Future work and adoption of the short report

A. Second module: Special Session for Economies in Transition

6. Based on the discussions for the implementation of the 2008 SNA in Eastern European and Central Asian countries, UNECE should:

- (a) Continue its work to support countries in their implementation of the 2008 SNA (strategic plans, technical assistance, training materials, etc.).
- (b) Strengthen coordination of activities with other regional and international organizations.
- (c) Support a coordinated implementation of the 2008 SNA and BPM6 and the involvement of Central Banks and Ministries of Finance in the process.

7. The Special Session for Economies in Transition should be renamed as the “Special Session on the Implementation of the 2008 SNA” and should involve all interested countries. EFTA is committed to work in partnership with UNECE in organizing the Special Session and related technical capacity building activities and to provide financial support as well as technical expertise.

8. A small group, comprising Statistics Canada (chair), US BEA, UNSD and the IMF, should develop a generic presentation on the challenges with the implementation of the 2008 SNA. The presentation will be provided as an input to the Intersecretariat Working Group on National Accounts (ISWGNA) for use by countries in their communication strategies.

B. Third module: Expert Group on National Accounts

9. UNECE should update the Terms of Reference of the Steering Group on National Accounts to be presented for approval to the CES Bureau in November 2012.

10. The participants encouraged an increased involvement of representatives of Central Banks and, when relevant, of Ministries of Finance in the work of the Group of Experts on National Accounts to ensure a coordinated approach to the implementation of the 2008 SNA.
11. Following the discussions under Item 8, UNECE should organize an interim meeting of the Group of Experts on National Accounts in March 2013 to discuss the draft chapters of the report of the Task Force on Global Production.
12. In consultation with the Steering Group, UNECE should organize jointly with the OECD and Eurostat a Meeting of the Group of Experts on National Accounts in 2014.
13. The following topics were proposed for the agenda of the 2014 meeting:
 - (a) Implementation of the 2008 SNA
 - (b) Revision adjustments as a result of the implementation of the 2008 SNA and the BPM6
 - (c) Measurement of financial services, including insurance and pensions
 - (d) Expanded accounts for the household sector including non-profit institutions serving households (NPISH)
 - (e) Globalization and National Accounts
 - Topics identified in the work plan of the Task Force on Global Production
 - Other issues arising from the Globalization Guide
14. The following countries and international organizations expressed interest in organizing or contributing to the sessions for the 2014 meeting: for topic (b) Statistics Netherlands, for topic (c) Bank of Portugal, for topic (d) US BEA (session organizer) with contributions from the European Central Bank, Statistics Canada and CSO Ireland.
15. This report was adopted at the Meeting of the Group of Experts on National Accounts held in Geneva on 30 April – 4 May 2012.

V. Summary of Discussions

A. Second module: Special Session for Economies in Transition

Documentation: ECE/CES/GE.20/2012/03, ECE/CES/GE.20/2012/07, ECE/CES/GE.20/2012/08 and ECE/CES/GE.20/2012/13.

16. The Special Session was organized by UNECE and chaired by EFTA. The module was divided into three items:
 - Item 1. Presentation of draft implementation plans
 - Item 2. Presentation and discussion of a proposed regional implementation plan
 - Item 3. Further work to support the implementation of the 2008 SNA in the region

Item 1. Presentation of draft implementation plans

17. Under Item 1, seven presentations/papers were submitted by countries from Eastern Europe and Central Asia on their national implementation plans for the 2008 SNA (Azerbaijan, Croatia, Georgia, Kazakhstan, Macedonia, Mongolia and Ukraine). Mexico also presented their experience on changing the base year in the implementation of the 2008 SNA.

18. Countries in their presentations raised a number of concerns regarding the implementation of the 2008 SNA, including the availability of resources, design of realistic implementation plans, coordination with other providers of statistics, and the need for technical assistance and training materials in different areas of the 2008 SNA implementation.

19. There is a special need for better coordination with Central Banks in terms of implementing the updated standards of the BPM6 and the 2008 SNA in a coherent way. It was mentioned that multi-year and annual work plans in the countries should ideally cover all activities related to official statistics, including all producers of statistics such as Central Banks, under the coordination of National Statistical Offices (NSO). Several countries mentioned that they have working groups, which include the different players in official statistics for the implementation of the 2008 SNA.

20. CIS-STAT informed about the outcomes of their recent meeting on national accounts, which took place in Moscow in April 2012. Some of the substantive issues that were raised at this meeting covered the changes in the 2008 SNA, which have an impact on the GDP and preparatory work, including classifications, cooperation with Central Banks and Ministries of Finance. CIS-STAT stressed that the implementation of the 2008 SNA is resource-intensive and that each country will pace the implementation according to its needs and capacity.

Item 2. Presentation and discussion of a proposed regional implementation plan

21. Under Item 2, two presentations were given by UNECE on the Summary of the national implementation plans and on the Proposal for a regional implementation plan emanating from the *Report of activities to support the implementation of the 2008 System of National Accounts in Eastern European and Central Asian countries*. The first presentation was a summary of the national implementation plan tables that the countries were asked to fill out prior to the meeting. The second presentation was UNECE's proposal for the regional coordination of the implementation of the 2008 SNA based on the information provided by the countries.

22. One country mentioned that the activities should be better sequenced, e.g. the adaptation of questionnaires should precede the publication of the new GDP figures by one-two year(s). Also, it was mentioned that any proposed activities regarding administrative data should be formulated in a feasible way, as NSOs do not have direct authority over this data source. Participants raised further issues related to this item under Item 3, which was organized as a panel discussion.

Item 3. Further work to support the implementation of the 2008 SNA in the region

23. This item was organized as a panel discussion with CIS-STAT, EFTA, IMF, UNECE and UNSD participating as panellists.

24. The lack of financial and human resources was mentioned as a major problem for the implementation of the 2008 SNA. Several countries found the time

frame proposed in UNECE's report too optimistic given all the groundwork that needs to be done and requested that this be moved by one-two year(s). UNECE clarified that the time frame was based on the information received from the countries and that the main purpose of the implementation plan table was to help countries develop structured implementation plans in line with international recommendations. UNECE hence called on the countries to update their implementation plan tables to ensure that the deadlines are realistic and to accommodate new developments. The changes in the national implementation plan tables would then be reflected in any document at the regional level.

25. Countries emphasised the need for better coordination with Central Banks in implementing standards based on the BPM6 and the 2008 SNA. IMF highlighted the need for open communication channels between the NSOs, Ministries of Finance and Central Banks in order to enable compilation of accounts for the whole economy. This is essential to ensure the coherence of accounts for financial corporations, government sectors and the Rest of the World. IMF will try to pass this message on to Central Banks and the ministries and make the case for better coordination at the national level.

26. The following conclusions were made in the Special Session:

- The participants welcomed the proposed activities to support the implementation of the 2008 SNA in Eastern European and Central Asian countries.
- There was general agreement to follow the stages and the milestones for the implementation of the 2008 SNA, as suggested by the ISWGNA while it was also recognized that particular circumstances in countries should be taken into account to ensure the development of realistic implementation plans.
- It was recommended that the dissemination and communication of the updated national accounts indicators be addressed in further detail in the *Report of activities to support the implementation of the 2008 System of National Accounts in Eastern European and Central Asian countries*.
- UNECE should establish a dedicated website for 2008 SNA implementation where relevant materials and useful links should be made available. Draft national implementation plan tables should be uploaded on this website and updated regularly.
- There is a need for technical assistance and practical guidance in a number of areas, including improvement of primary statistics, use of administrative sources and statistical business registers; classifications; prices and volume measures; the exhaustiveness of the national accounts; the measurement of the non-observed economy; integrated accounts and tables; financial statistics; institutional sector accounts; software; back-casting, time series analysis and seasonal adjustment practices.
- Subject to the availability of funding, UNECE should provide technical assistance, methodological guidance, training workshops and training materials, preferably in both English and Russian.
- There is a need to improve internal coordination within NSOs and involve the different statistical branches in the implementation of the 2008 SNA.
- Establishing cooperation with Ministries of Finance and Central Banks is crucial for national accounts and other economic statistics. To the extent possible, the implementation of the 2008 SNA and the BPM6 should be coordinated.

- Regional and international organizations should cooperate to ensure efficient and consistent support to countries and also support coordinated implementation of the BPM6 and the 2008 SNA.
- Special sessions to follow up on the 2008 SNA implementation in Eastern European and Central Asian countries should be organized in conjunction with the Meeting of Group of Experts on National Accounts in 2014 and 2016.

B. Third module: Expert Group on National Accounts

27. The Third Module: Expert Group on National Accounts was organized in five separate items:

- Item 4. Volume measures of services
- Item 5. Household sector and unincorporated enterprises
- Item 6. Measuring financial services including FISIM
- Item 7. Sub-sectoring of the financial corporations
- Item 8. Globalization

Below are the salient points from the discussions under each item.

Item 4. Volume measures of services

Documentation: ECE/CES/GE.20/2012/04 and ECE/CES/GE.20/2012/05.

28. The session was organized by Statistics Canada with invited papers prepared by Statistics Canada, Statistics Norway and the Statistical Office of the Republic of Slovenia. There was also a room document submitted by the Economic and Social Research Institute of the Government of Japan. The session was chaired by US BEA and ECB acted as discussant.

29. The presentations by Canada and Norway focussed on market services whereas Slovenia presented their work on general government services and research and development. Japan's paper covered volume measures of healthcare in the country.

30. The following points were made during the discussion:

- There is a discrepancy between the 2008 SNA and ESA 2010, as the former recommends quality adjusting the output measures while the latter says that for comparability reasons output indicators should not be quality-adjusted in the core accounts. It was argued that those countries able to perform quality adjustment in current prices should be allowed to do so in the core accounts as well.
- Services Producer Price Indices (SPPI) and Consumer Prices Index (CPI) sometimes differ to an extent difficult to explain. This may be due to the use of different data sources or differences in the time of recording. OECD informed the meeting that *The Methodological Guide for Developing Producer Price Indices* (OECD/Eurostat) is being updated and that it will provide guidance on this and other related issues.
- In order to inform quality adjustment, Canada collects additional information on product description, code, service and whether the product has changed. When there are changes recorded quality adjustments are introduced.

- It was also highlighted that measuring non-market services could be politically sensitive and should be done in a transparent manner.
- In terms of measuring research and development, input prices approach in the United States has not been successful. The current methodological direction is to adjust the input cost for productivity and potentially use a productivity rate for the overall economy.

31. In conclusion, the main issue in volume measures of services is quality adjustment. Overall, there has been progress in volume measures of services but not so much in quality-adjusting these measures. Continued exchange of best practices at the international level on volume measures of services and particularly on quality adjustment is encouraged.

Item 5. Household sector and unincorporated enterprises

Documentation: ECE/CES/GE.20/2012/06 and ECE/CES/GE.20/2012/14.

32. The session was organized and chaired by UNECE with invited papers from the National Statistical Agency of the Republic of Armenia, Hungarian Central Statistical Office and Italian National Institute of Statistics. The discussant for this session was OECD.

33. Hungary's presentation focussed on a new methodology to measure the gross value added by sole proprietors while Italy presented their methodology on compiling separate accounts for consumer and producer households. Armenia's presentation focussed on the methods, instruments and findings of the 2009 Informal Sector Survey, which was conducted as a mixed household-enterprise survey.

34. The following points were made during the discussion:

- The household sector has become an even more important topic in the aftermath of the Stiglitz-Sen-Fitoussi Report. There is a growing demand by policy makers for more and better statistics on the distribution of households' income, consumption and wealth to assess e.g. the vulnerability of households, which is crucial in many countries. At the international level, the United Nations Statistical Commission has requested to the ISWGNA and the Advisory Expert Group on National Accounts (AEG) to consider guidance on household sector issues and the EU Commission has highlighted the importance of distributional information on households in the publication *GDP and beyond: Measuring progress in a changing world*.
- OECD currently has two expert groups working on the macro and micro aspects of measuring the household sector. There will be two publications by the end of the year on the *Framework for statistics on the distribution of household income, consumption and wealth* and on *Wealth standards and guidelines*.
- One general point made during the discussion was on data quality. In the case of Hungary, the data on the number of VAT evaders and the level of VAT evasion come from the tax authorities and hence carry built-in biases in their selection process. These need to be taken into account in the analysis. In the case of Armenia, the figures show high volatility in the hotel and restaurants sector. Longer time series may be necessary in order to have a more reliable trend.
- In relation to data quality, the importance of a consistent narrative throughout was also highlighted, e.g. in the Armenian presentation the

productivity levels in construction and in manufacturing were lower whereas the average earnings were much higher in the informal sector.

- In compiling gross value added and GDP of the non-observed or informal economy, the importance of using turnover data and moving beyond labour input was emphasised.

35. It was concluded that although the situations of the household sector differ among countries, it is important to use consistent definitions to allow international comparability.

Item 6. Measuring financial services including FISIM

Documentation: ECE/CES/GE.20/2012/10 and ECE/CES/GE.20/2012/17.

36. The session was organized by US BEA with invited papers from ECB, Federal Statistical Office of Germany, IMF and the Bank of Portugal. The session was chaired by Statistics Canada and the US BEA acted as discussant.

37. IMF and ECB gave presentations on FISIM accounting and on Measuring FISIM in the Euro area under various choices of reference rates. Germany's presentation focussed on reinsurance whereas Portugal presented the compilation and measurement issues for the financial sector.

38. The following points were made during the discussion:

- While there is on-going discussion on whether it is possible to have negative FISIM at the conceptual level, negative measurements may be caused by a number of contributing factors. The AEG has not yet reached an agreement on the concept of negative FISIM.
- The AEG currently recommends the use of a single weighted reference rate reflecting the maturity structure of loans and deposits and, tentatively, supports that credit default risk in principle should not be a part of FISIM. Using two or multiple reference rates reduces the FISIM output. A model, practicable by all countries, explaining how to arrive at the reference rate should be developed.
- Based on the work of the task forces, term premium and liquidity transfer services remain in FISIM, whereas credit default risk should in principle not be a part of FISIM. It may, however, be practically impossible to remove it.
- ECB stressed that any solution should be based on sound principles and methods since it will otherwise be difficult to explain the statistics to users. ECB also mentioned that empirical results should be taken into account.
- It is important to look at the total FISIM but also to see how it is allocated in terms of intermediate inputs and final demand as well as how it trickles down to the sectors.

39. There is a need to test whether the various methods are materially different with respect to bank output, GDP and the sectoring of FISIM. Financial services need to remain on the international agenda and further country case studies and reports to OECD and ECB are encouraged. The results of such tests should be widely distributed and documented. FISIM are on the forefront of discussion on financial services but there are also other financial services such as reinsurance for which there is a need for further guidance. The work of the FISIM task force could be extended to other financial services.

Item 7. Sub-sectoring of the financial corporations

Documentation: ECE/CES/GE.20/2012/12 and ECE/CES/GE.20/2012/18.

40. The session was organized and chaired by ECB with invited papers from the Central Bank of Hungary, Bank of Italy, ECB, Statistics Canada and Statistics Netherlands. The Central Bank of Austria acted as discussant for this session.

41. Canada and ECB gave more general presentations on sub-sectoring of the financial corporations. Hungary's presentation focussed on the changes in the content and breakdown of the sector while the Netherlands presented the implementation of the ESA 2010 delineation of the financial sector in the country. Finally, Italy presented their work on the insurance corporations and pension funds in OECD countries.

42. The following points were made during the discussion.

- The financial sector based on the 2008 SNA and ESA 2010 cover a wide range of financial intermediation, which makes sub-sectoring even more important.
- European countries are fully committed to the implementation of new sector delineation as the ESA 2010 is a binding legal act within the EU.
- The difficult-to-identify entities are financial vehicle corporations (FVC), holdings, other special purpose entities (SPE) and head offices. Some of the related questions concern the definition of SPEs (e.g. whether holdings are a part of SPEs and whether they are always related with non-residents), the criteria for classifying holding companies and for delineating holdings and head offices.
- The AEG's perspective, for purposes of international comparability, is that in order to distinguish between holding corporations and head offices, the criterion of management services should be used. In other words, for an entity to be classified as a holding corporation, it should be confirmed that it does not provide any management services. The number of subsidiaries, on the other hand, is not considered relevant in terms of classifying units.
- The decision tree that was presented by Statistics Netherlands was found useful by the participants.
- There was a plea for international and supranational organizations to develop practical guidance to ensure the comparability of sector breakdowns.
- In the analysis of bank data, the counter party distribution can fluctuate, e.g. credit to non-financial corporations can suddenly change. It is not possible to compile long time series, as banks are unable to provide data for earlier periods.
- Providing additional information and details on financial activities can help users understand the financial intermediation process.
- Implementing delineations is not straightforward, e.g. moving holding corporations and SPEs from non-financial to financial sector is a major task. Inclusion of SPEs may have an important impact on the private sector debt.

43. In conclusion, international and supranational organizations should work towards providing practical criteria for delineating SPEs, holding companies and headquarters. The implementation of these practical criteria would also require a very strong cooperation between NSOs and Central Banks.

Item 8. Globalization

Documentation: ECE/CES/GE.20/2012/11.

44. The session was organized and chaired by UNECE. There were two sub-items in this session:

- Sub-item 8.1. Launch of *The Impact of Globalization on National Accounts*
- Sub-item 8.2. Presentation of the work of the Task Force on Global Production

45. *The Impact of Globalization on National Accounts* was published in February 2012. The Guide was the result of the work of the Expert Group that was established by the Bureau of the Conference of European Statisticians (CES) in 2007. It provides recommendations and best practices on how to deal with the impact of globalization on national accounts. It gives guidance on how to treat e.g. multinational enterprises, special purpose entities, goods sent abroad for processing, international merchanting, international transactions in intellectual property products, labour movements and remittances and E-commerce. The Guide also suggests research topics for further work on both conceptual and measurement issues.

46. As a follow-up on this work, the CES Bureau in November 2011 established the Task Force on Global Production. The objectives of the Task Force are twofold. The first goal is to develop guidance on unresolved conceptual issues arising from the 2008 SNA and the BPM6 in relation to global production. The second goal is to develop further guidance on implementation aspects. In doing so, the Task Force will study the existing practices of countries in relation to the different types of global production arrangements. The Task Force will submit its report to the CES in 2014. Members of the Task Force are the Netherlands (chair), Canada, Finland, Ireland, Israel, Italy, Mexico, Norway, Sweden, USA, Eurostat, IMF, OECD, WTO, UNSD and UNECE.

Sub-item 8.1. Launch of the Impact of Globalization on National Accounts

47. Under the first sub-item, Mr R. Lynch gave an overview of the publication *The Impact of Globalization on National Accounts*. The presentation also covered the following issues arising from the change to the 2008 SNA: reclassification of royalties, the conflict between the SNA definition of an institutional unit and the concept of residency, treatment of second homes and the scope of manufacturing. The following topics could be included on the research agenda: whether intellectual property products (IPPs) should be treated in the same way as land rather than as produced capital assets; the interaction between NSOs and tax authorities and; the reconciliation of institutional units and residency. In the long term, further research into the concept of capital service and the impact of the introduction of IPPs on the production function may be undertaken.

48. It was noted during the discussion that in future work, more attention should be paid to the measurement of labour movements, e.g. testing in countries and collection of national practices could be considered.

Sub-item 8.2. Presentation of the work of the Task Force on Global Production

49. Under Sub-item 8.2, there were two presentations given by US BEA on the typology of global production and by Statistics Netherlands (Chair, Task Force on Global Production) on the work programme/outline of the report of the Task Force on Global Production.

50. The following points were made during the discussion:
- It was noted that there used to be a NACE (Statistical Classification of Economic Activities in the European Community) category called “converter,” which had the functions of overviewing and managing production that countries used in the case of factoryless production. This could be reconsidered on the ISIC (International Standard Industrial Classification of All Economic Activities)/NACE research agenda.
 - The aims of the report of the Task Force should be made more explicit, i.e. supporting the implementation of the updated standards of the BPM6 and the 2008 SNA and; pushing forward the research agenda.
 - The importance of taking into account the work of taxation authorities in the report of the Task Force was emphasised, e.g. regarding the fairness of transfer pricing. Also, the fiscal restructuring arrangement of the multinational corporations should be covered.
 - Countries were invited to contribute case studies for the report of the Task Force. Kyrgyzstan will formulate in writing their question/case on the purchase of oil from Russia through Kazakhstan.
51. In conclusion, the work programme and draft outline of the report of the Task Force on Global Production were endorsed. It was agreed to organize an interim meeting of the Group of Experts on National Accounts in 2013 in order to discuss the draft chapters of the report of the Task Force.
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