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National Accounts of Ukraine: Results achieved and prospects for development

Report of the State Statistics Service of Ukraine

Summary

The compilation of the national accounts of Ukraine began in 1993 in accordance with the System of National Accounts, 1993 (1993 SNA). Almost all the main elements of national accounts have now been introduced into statistical practice in Ukraine. The report presents the prospects for developing the national accounts of Ukraine in view of the need to introduce the provisions of the 2008 SNA.

I. Introduction and current state of the national accounts of Ukraine

1. The compilation of the national accounts of Ukraine began in 1993 including a series of indicators covering the period since 1990. The national methodology is based on the System of National Accounts, 1993, complemented with the provisions of the European System of National and Regional Accounts (1995 ESA). The national methodology for calculating indicators has steadily improved over the past two decades.
2. Coordination and harmonization with other sectors of macroeconomic statistics have played an important role in the introduction and development of the national accounts of Ukraine. Given the requirements of the national accounts, changes have been made to the system of collecting and listing structural business statistics and statistics for industry, construction, investment, trade and other sectors.
3. Much attention has been given to bringing administrative source data into line with the requirements of national accounting. This has been facilitated by the adoption of Government programmes to improve macroeconomic statistical data, including: a framework for the development of a system of national accounts (2002), a development programme for a system of national accounts for the period up to 2010 (2003) and a strategy for the development of State statistics for the period up to 2012 (2008). An interdepartmental working group on national accounts statistics (established in 2001), whose members include officials from the State Statistics Service, the Ministry of the Economy, the National Bank, the Treasury, the Tax Service and academic organizations, is helping to harmonize data and obtain administrative source data.
4. These programmes have led to the introduction in Ukrainian practice of virtually all of the basic elements of national accounts and the methodologies called for under the 1993 SNA and 1995 ESA.
5. Such basic sets of indicators as annual national accounts, input-output tables, financial accounts, quarterly accounts and regional accounts are handled within the framework of the national accounts of Ukraine.
6. Annual national accounts include a calculation of GDP at actual and constant prices, the compilation of a full set of national accounts for the national economy and the rest of the world and a compilation of accounts for the institutional sectors and subsectors of the economy. The accounts indicators are calculated and published using classifications of institutional sectors of the economy and economic activity (national version of NACE Rev.1.1) and functional classifications (COICOP, COFOG and COPNI).
7. Input-output tables expressed in purchasers' prices and basic prices are compiled every year, thus making the data more consistent and allowing for double deflation.
8. Since 2003, financial accounts broken down by institutional sectors of the economy and financial instruments are produced and published within the framework of accumulation accounts. Balance sheets of financial and non-financial assets and liabilities were introduced on an experimental basis last year.
9. The Government and other users are focusing attention on indicators provided by quarterly accounts: GDP at actual and constant prices (including seasonal factors), gross national income, gross value added broken down by economic activity, and final consumption broken down by functional classifications and, since last year, by institutional sector accounts.

10. Estimating the value of the role and economic potential of the country's region is of particular importance for Ukraine. Therefore, the value of the gross regional product (by the production approach) and gross value added at actual and constant prices is estimated for the 27 regions of Ukraine. In addition, the disposable and real disposable incomes for households are calculated.

11. Various data and registers are widely used to compile the national accounts of Ukraine. They include: structural business statistics, industry surveys, surveys of employers who are physical persons, household surveys, administrative indicators, financial reporting data of businesses, banks and State-financed institutions, balance of payments data, reports on State expenditures and spending by social insurance schemes, monetary and banking statistics, tax and customs service data and other information.

II. Prospects for the development of the national accounts of Ukraine

12. The further development of the national accounts of Ukraine will focus on implementing the new 2008 SNA. However, as mentioned above, the introduction of the system of national accounts in Ukraine was based on the 1993 SNA. State Statistics Service specialists thus lack experience in adopting the new methodology.

13. The Workshop on the Implementation Plans for the System of National Accounts 2008 in countries of Eastern Europe, Central Asia and South-East Europe held in Kyiv last year was of great help in the drafting of plans for the introduction of the new methodology and made it possible to establish priorities and determine what steps should be taken to implement the methodological provisions of the 2008 SNA. In particular, it was determined that the first thing to do was introduce methodological changes affecting the size and structure of GDP.

14. The State Statistical Service has at this point determined that the next steps for implementing the 2008 SNA should be:

- Transition to the new version of NACE Rev. 2, develop conversion matrices and recalculate the time series of production account indicators and income generation data since 2000
- Make changes to the classification of institutional sectors of the economy which are necessary above all to adequately record the changes in the activity of financial corporations
- Develop national methodologies for calculating individual indicators adapted to the existing statistical databases and administrative sources
- Improve the methods of measuring the non-observed economy
- Introduce a new methodology for calculating FISIM
- Change the rules for recording in national accounts and balance of payments raw materials coming from abroad for processing

15. To address issues related to the improvement of administrative information indicators, in accordance with the recommendations of the meeting held in Kyiv, the State Statistical Service held consultations with specialists from the National Bank, the Ministry of Finance and the State Treasury Service on the time frames and possibilities for receiving the necessary information.

16. It was decided that beginning in 2012 the methodology for drawing up the balance of payments would be changed for raw materials received for processing.

17. It will take longer to implement the provisions of the International Monetary Fund Government Finance Statistics Manual, 2001, for example incorporating the indicators for consumption of fixed capital and addressing issues relating to expenditures on military equipment and scientific research. Therefore, such changes in the calculation of fixed capital will be integrated into the national accounts after the method of compiling statistics on State finances is improved.

18. When making changes in the methodology it is necessary to consider the need for retrospective calculations of long time series of data as an imperative; this makes it impossible to gradually introduce individual changes. Given the established practice of determining the base year, the changes to the methodology of the SNA may be for the figures for 2015.

19. Work to introduce the methodological changes set out in the new 2008 SNA will continue, taking into consideration a study of the provisions of the new 2014 ESA. Fundamental changes will be made to monetary and banking statistics. In particular, we plan to make changes to the valuation of output of the central bank and insurance and other financial organization outputs. Assistance and further recommendations on the part of IMF would be helpful in meeting this objective.

20. Given the limited institutional capacity of the State Statistics Service, technical assistance will be required to create a database and software, hold consultations to address methodological issues, organize exchanges of experience among specialists in statistics services and share experience in resolving challenging methodological issues.

III. Resource constraints

21. The introduction of the 2008 SNA as a standard for national accounts requires a higher level of statistical and institutional capacity to enhance the framework, level of detail and quality of the national accounts and the supporting economic statistics. This will be facilitated by the fact that the 1993 SNA has virtually been fully implemented in Ukraine.

22. However, for Ukraine, as for other countries, a number of problems stand in the way of the swift implementation of the 2008 SNA. These may be resolved if the process is given political support, in particular through the provision of human resources and funding. The State Statistics Service notes the importance of the work of the Friends of the Chair group, which prepared a report on the barriers to the implementation of the System of National Accounts, 1993; the report addresses these problems quite fully.

23. For Ukraine, the most urgent problems are the following:

- Availability of data sources
- Need to set up databases and software for national accounts data processing
- Harmonization and collaboration in the preparation of the statistical data of the State Statistics Service, the Ministry of Finance, the National Bank and other bodies that provide administrative information
- Training and education of statistics personnel
- Need for guidelines on individual issues that would generalize practical experience in addition to the theoretical parts of the 2008 SNA and provide specific recommendations on the calculation of indicators