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### Economic Commission for Europe

Conference of European Statisticians

### Group of Experts on National Accounts

Fifteenth session

Geneva, 17-20 May 2016

## Report

### Note by the Secretariat

#### *Summary*

The Meeting of Group of Experts on National Accounts, fifteenth session, 17-20 May 2016 was organized following a decision of the Conference of European Statisticians (CES) in June 2015 and the recommendation of the previous biennial Meeting of the Group of Experts on National Accounts in May 2014.

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.

## **I. Introduction**

1. The Meeting of the Group of Experts on National Accounts was held in Geneva on 17-20 May 2016. 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 17 May 2016 in collaboration with European Free Trade Association (EFTA), Eurostat and United Nations Statistics Division (UNSD). The second module Group of Experts on National Accounts, 18-20 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, Bosnia and Herzegovina, Canada, China, Czech Republic, Denmark, Estonia, Finland, Ghana, France, Georgia, Germany, Hungary, Ireland, Israel, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Mexico, Mongolia, Montenegro, Morocco, Netherlands, Norway, Poland, Republic of Korea, Republic of Moldova Romania, Russian Federation, Serbia, Slovakia, Slovenia, Sweden, Switzerland, Tajikistan, The former Yugoslav Republic of Macedonia, Turkmenistan, Ukraine, United Kingdom, United States of America and Uzbekistan.
2. The meeting was also attended by representatives from the Eurasian Economic Commission (EEC), European Commission (Eurostat and Joint Research Centre), EFTA, International Labour Organisation (ILO), Interstate Statistical Committee of the Commonwealth of Independent States (CIS-STAT), OECD, United Nations Interim Administration Mission in Kosovo (UNMIK), UNSD, World Trade Organization (WTO) and International Services Trade Information Agency.
3. The provisional agenda was adopted.
4. Mr. Brent Moulton (United States) was Chair of the meeting.

## **II. Organization of the meeting**

5. The following substantive topics were discussed on the basis of presentations, and invited papers;

### **A. First Module: Special Session for Eastern Europe, Caucasus and Central Asia (EECCA), South East Europe (SEE) and other interested countries**

- Development of Supply and Use Tables
- Further work to support implementation of the System of National Accounts 2008 (2008 SNA) in the region

### **B. Second Module: Expert Group on National Accounts**

- Measuring Global Production
- Use of Statistical Units in National Accounts
- Valuation of Natural Resources and Mineral Exploration
- Measuring Human Capital
- Future work and adoption of the report
- Other business

### III. Summary of the main conclusions reached at the meeting

6. Recommendations for future work are given below. All documents for the meeting are available at:

<http://www.unece.org/index.php?id=41147#/>

#### A. First Module: Special Session for Eastern Europe, Caucasus and Central Asia (EECCA), South East Europe (SEE) and other interested countries

##### 1. Development of Supply and Use Tables

7. A number of countries presented their recent work and experiences in developing, compiling and/or improving supply and use tables (SUTs). The presentations revealed progress achieved by many countries in the region and confirmed the usefulness of SUTs for improving the quality and analytical use of national accounts, and identified good practices and remaining challenges. The main challenges included more detail in classification of commodities and industries, timeliness, automation (software and more automated procedures for balancing) and the further development of sources, both through surveys and through administrative data. Information on ongoing international work and the requirements they pose to national SUTs was also provided.

8. The countries identified a common need for further improving the production of SUTs, including streamlining the integration and balancing procedures, the level of detail and data sources, fully implementing the 2008 SNA and developing standard IT tools. International organizations could support the work through organization of workshops, recommendation of good practice and facilitating the developing of standardized software.

##### 2. Further work to support implementation of the System of National Accounts 2008 (2008 SNA) in the region

9. Countries of the EECCA and SEE region have progressed towards implementation of the 2008 SNA. The countries have initiated or completed the majority of all activities foreseen in their national plans for the implementation of the 2008 SNA and the regional recommendations. At the same time a number of outstanding issues remain and improving the overall quality of national accounts continues to be a general challenge for the countries. The national implementation plans should be updated to better reflect the progress achieved and the new priorities and challenges. The regional recommendations will be revised accordingly.

10. A number of concerns were expressed in relation to recruiting, training and retaining of qualified staff, strengthening the role of statistical offices, further improving the cooperation within the national statistical system and retaining institutional knowledge.

11. International organizations could assist countries by advocating and promoting the coordination role of statistical offices, organizing workshops to strengthen inter-institutional relationships and supporting the optimization and automation of statistical production processes.

12. In addition a number of substantive areas for technical assistance were identified:

- Using an integrated approach within the statistical office for harmonization and strengthening the statistics production processes.
- Harmonization of national accounts statistics with other economic statistics, such as Balance of Payments and monetary and financial statistics.

- Using and integration of administrative data (e.g. tax, social security data and customs data).
- Development of IT tools to support and streamline the statistics production process.
- Price and volume measures through the implementation of double deflation methods and improving quality of price indices (consumer, producer, export and import price indices).
- Data sources and coverage, including improving of statistical business registers and primary statistics and implementation of internationally agreed classifications.

13. The participants agreed that UNECE in cooperation with other partner organizations should continue to support implementation of the 2008 SNA in the countries through organization of workshops, provision of expert support and training.

14. A special session will be organized in spring 2018 to address issues of common interest to the region.

## **B. Second Module: Expert Group on National Accounts**

### **1. Measuring Global Production**

15. The participants recognized progress made and the need to continue with follow-up work related to the recommendations and the research agenda of the Guide to Measuring Global Production.

16. Detecting companies involved in global production is not always straightforward. Administrative data sources or current surveys do not necessarily include the required information. Participants found filter questions used in direct data collection a good way forward. Possibilities of using generic procedures for detecting and treating small enterprises involved in global production should be explored.

17. The terms and concepts used in statistical surveys are sometimes confusing to respondents. The communication between compilers of official statistics and global producers should be strengthened. Participants emphasized the importance of keeping in touch with companies and trying to find a common understanding, and underlined that respondents need clear definitions and explanations of the concepts used.

18. Good communication and cooperation between national accounts and the producers of source statistics is also essential. The need to improve communication with global companies and ensure data consistency across statistical domains has led statistical offices to consider how to best organize this work. As a result, more and more offices are setting up so-called “large and complex enterprises units (LCUs)”. Exchange of experience on the work and organization of these units and the data reconciliation and validation procedures should continue.

19. Participants underlined the need of sharing of knowledge and experience in applying the recommendations of the Guide to Measuring Global Production on data collection and compilation methods. Even though circumstances differ from one country to another, they can learn a lot from each other.

20. Participants agreed that a collection of best practices in dealing with global production and data inconsistencies would be useful and that a wiki platform for sharing different country practices should be established. The collected experience could lead to an update of chapter 5 of the Guide to Measuring Global Production.

21. Continued dialogue between the national accountants and the Technical Subgroup on ISIC is needed in order to advance the work on detecting and understanding the activity of factoryless goods producers.
22. Data exchange is essential when looking for solutions for the challenges related to global production. It is an area that needs to be further explored. For this reason the CES Bureau has decided to undertake in-depth review of data exchange and sharing of economic data and decide on further work in the area. Finland in cooperation with other countries and international organizations is preparing the review paper.
23. The participants emphasized the need of data confrontation and exchange between the producers of economic statistics within a country and between countries to enable proper data validation for global production activities. They recognized the benefits such as better quality, relevance and consistency of data across different domains. At the same time national circumstances and existing legal and technological challenges need to be taken into account.
24. Data sharing should be targeted and for clear purpose. It is important to advance in small steps. The problems to solve need first to be clearly defined and then the data exchange to address these problems in a most effective way should be found.
25. In defining the way forward, it is important to benefit from the existing experience in international data exchange presented and discussed at the meeting. Accomplishments and lessons learned in the area of national data exchange also need to be taken into account.
26. There is a need for both overarching principles and practical solutions for data sharing. New technological solutions need also be developed to facilitate data exchange. This is one of the areas where the role of international organisations is important.
27. The participants also highlighted the existing risks related to data sharing. Production of high quality statistics relies heavily on respondents trust and fear of disclosure of sensitive information may make enterprises less willing to respond to surveys.
28. A small group of experts should be formed to assist Statistics Finland in analysing the national experience in data sharing and make concrete proposals to the CES Bureau on how to advance the work in this area. Canada, Ireland, Netherlands, United Kingdom, Eurostat and UNECE expressed interest in participating in this group.

## **2. Use of Statistical Units in National Accounts**

29. The discussion centred on the appropriate statistical unit to be used in national account compilation – with specific emphasis on whether the SNA's preference for the establishment should continue for the compilation of SUTs. Globalization, changes in source data, the changes in the 2008 SNA relating to ownership, a desire to reduce response burdens, micro-data linkages, improving coherence, linking the real accounts with the financial accounts (by activity), and providing improved insights on trade production and investment, were noted as reasons why it may be time to reconsider the units used in compiling SUTs.
30. Participants agreed that research on this topic should continue and that future work should take the following into consideration:
  - Changing the statistical unit cannot be done independently from classifications, business registers and business surveys. Experts from these areas must be consulted in order to arrive at a recommendation that is operationally viable.
  - Any decision to change the statistical unit (for example from the establishment to the enterprise in supply-use tables) must take into account all the uses of national

accounts and economic accounts more generally, in particular regional accounts, and the need for long time-series.

- Any recommendation needs to take into account the rapid changes in the organizational structures of firms and the potential impact these could have on the classification of firms, particularly concerning enterprises with significant and heterogeneous establishments. Practical guidance may be needed to ensure appropriate measures of enterprises as opposed to enterprise groups. Profiling and LCUs were recognised as important tools in this regard.
- It was acknowledged that different uses may require different statistical units.
- Decisions about statistical units need to take into account the type of information that can be collected from those statistical units.

### **3. Valuation of Natural Resources and Mineral Exploration**

31. The meeting discussed examples of countries efforts to implement the 2008 SNA guidance for valuing natural resources. Despite the many challenges in this area there is a tendency towards harmonization of the applied methods. Nevertheless many differences in the way the methods are implemented into practice still exist (e.g. in respect to smoothing, ownership issues, discount rates) and further work to provide guidance on these issues is needed. The international cooperation and exchange of experience will continue through the OECD Task Force on the implementation of the System of Environmental-Economic Accounting (SEEA) and the annual OECD/UNECE Seminars on SEEA implementation. Links to climate change could also be pursued via the UNECE forum on climate change related statistics.

### **4. Measuring Human Capital**

32. An overview of the recommendations of the Guide on Measuring Human Capital, the outcome from the electronic consultation with CES member countries and the decisions of the CES Plenary session in April 2016 were presented to the meeting. Country examples illustrated how the recommendations of the Guide could be put into practice by developing a Satellite Account for Education and Training and a Satellite Account for Human Capital.

33. The participants welcomed the Guide and recognized its relevance in view of recent interest in measuring the nations' wealth. There was broad support for the proposal that as a first step countries should develop internationally comparable Satellite Accounts for Education and Training. This experimental work would allow testing and further improving the practical recommendations in the Guide. Belarus, Israel, Norway, Russian Federation and United Kingdom volunteered to undertake pilot studies and Azerbaijan, Mexico and Netherlands would consider possible participation in the project. Other countries are also invited to join the pilot testing.

### **5. Future work and adoption of the report**

34. The meeting concluded with a panel discussion devoted to the next steps in support of measuring global production. The following main challenges and areas where countries need to invest efforts to maintain the quality of national accounts were identified:

- The need of keeping up with increasingly rapidly changing business practices. Statisticians have to be very flexible to adapt quickly to the changing economic reality. In many cases there are difficulties in identifying the units involved in global production, classifying, collecting and linking the relevant data. Business registers should play a key role in this respect.

- Finding a common language and communicating clearly and efficiently with business is a challenge. Working with survey methodology experts, talking to businesses and learning how companies communicate their information and keep their accounts would help improving questionnaires.
  - Producing the right data is an iterative process. Data sources, surveys and methods need to be put in place and tested. This will allow identifying gaps, developing new survey modules, and adjusting and improving the methodology.
  - Detecting and solving data inconsistencies is a major issue when dealing with big multinational companies. Determining the adjustments needed to correct the collected data and coordination of these adjustments across domains and across countries is a big challenge. Data sharing and confrontation is a key in keeping the quality of statistics.
  - The LCUs are important in validating data, profiling and understanding of businesses. The information collected through LCUs need to be linked to business registers, which should be used as a common knowledgebase for units.
  - Apart from large and complex corporations many medium and small units are involved in global production arrangements. Statistical offices do not have the capacity to investigate these units and need to develop general methods and procedures for tracking and estimating their impact on the economy
  - Keeping track of global production arrangements in the financial sector and recording financial transactions is even more challenging. The relationships between financial and not-financial accounts have to be addressed. Intensifying cooperation with central banks is crucial, both to align balance of payments and national accounts figures and to share knowledge about financial markets.
  - Data users prefer long consistent time series and maintaining these series while implementing the improvements is a difficult task. National accountants need to cooperate and communicate with data users to explain better the revisions and demonstrate the usefulness of our products and with source data providers to clarify data needs.
  - Issues related to households need to be addressed as globalization affects also households as consumers and suppliers of labour force.
35. International organizations should play a role to support countries in dealing with global production. The following most important areas were highlighted:
- Supporting the exchange of knowledge and good practices in relation to collection, processing, compiling and disseminating of data related to global production.
  - Facilitating data exchange between countries. This could be done through enabling reconciliation exercises, detecting of asymmetries, training and identifying and promoting best practices.
  - Compilation of globally integrated data sets, studies and analyses that demonstrate the usefulness of the new data series that national statistical offices are producing in response to the global production agenda.
  - Promote the international cooperation and sharing of knowledge in respect to the work of LCUs. Facilitate the liaising and getting common view of the large and complex companies.
  - Organize workshops to share experience and present methods for estimating the effect of small and medium enterprises involved in global production.

- Further aligning of international requirements, concepts and standards in the area of national accounts and international trade. Keeping up to date with changing economic reality and international business practices.

36. UNECE jointly with Eurostat and OECD will organize a special meeting of the Group of Experts on National Accounts to discuss practical experience in dealing with global production. The meeting will take place on 31 May – 2 June 2017 and will be prepared in consultation with the Steering Group on National Accounts. The following topics were proposed for the agenda of the 2017 meeting on Measuring Global Production:

- Data exchange and confrontation
- Global Accounts (links to the work of the Task Force on Statistical Units, Expert Group on International Trade and Economic Globalization, Eurostat Task Force on Integrated Global Accounts)
- Data coherence and validation (best practices in data collection and validation, ensuring consistency between national accounts and balance of payments)
- Factoryless goods production
- Price and volume measures related to global production

37. The following countries and international organizations expressed interest to contribute to the agenda of the meeting: Ireland, Netherlands, United States, ECB, Eurostat and OECD.

38. A further meeting of the Group of Experts on National Accounts will be organized in May 2018. The following topics were proposed for the agenda of the 2018 meeting:

- Satellite accounts
- Household accounts
- Dealing with revisions of time series
- Price and volume measures, including in relation to the digital economy
- National accounts and sustainable development goals (SDGs)
- Best practices in selected areas

39. The following countries and international organizations expressed interest in contributing to the sessions for the 2018 meeting: Canada, Norway, Russian Federation, United Kingdom, United States, Eurostat, OECD and the UNECE High Level Group on Modernization of Statistics. The list of topics will be reviewed in 2017 by the Steering Group on National Accounts to make sure any emerging issues are taken into account.

40. 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.

41. This report was adopted at the Meeting of the Group of Experts on National Accounts held in Geneva on 17-20 May 2016.

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