

CES/AC.68/CRP.3

29 April 1994

ORIGINAL : ENGLISH

STATISTICAL COMMISSION and
ECONOMIC COMMISSION FOR EUROPE
CONFERENCE OF EUROPEAN STATISTICIANS

ORGANIZATION FOR ECONOMIC
CO-OPERATION and DEVELOPMENT

Joint ECE/OECD Meeting on National Accounts

(Geneva, 27-29 April 1994)

DRAFT REPORT (CONCLUDED)

IV IMPLEMENTATION OF THE 1993 SNA (CONTINUED)

Financial Intermediation Services Indirectly Measured (FISIM)

Document: CES/AC.68/5

47. In the Canadian System of National Accounts, the financial intermediation services indirectly measured have been valued and allocated since the 1960's in a way similar to that proposed by the 1993 SNA, though a number of minor conceptual differences and shortcomings are recognized in the paper that will be corrected in the next revision of the accounts.

48. In essence, in Canada, FISIM is calculated on the basis of interest received minus interest paid by various types of banks. Allocation to the different users is in proportion to those users' deposits with or loans from the banks. Considerable data on deposits and loans by sector and by industry is available from the bank supervisory authorities. Extending what is reported in document CES/AC.68/5, the Canadian representative explained that output at constant prices is calculated by applying the margins observed in the base year to a constant price value of assets, derived as the current price value deflated by the consumer price index.

49. The ensuing discussion focused on both points: allocation to users and constant price estimation.

50. A number of participants felt that the implicit assumption that a dollar amount of a deposit or a loan has an identical service component was untenable. In reality, households' and other small deposits or loans entail a proportionally much higher service element than large loans granted to businesses. (Even among households' deposits, short-term cheque accounts entail more service element than long-term deposit accounts). The result of the assumption of identical service components is therefore to attribute too much FISIM to intermediate consumption of enterprises and not enough to final consumption of households. It was recognised, however, that more sophisticated methods are more data-demanding and may prove difficult for a number of countries to implement in the foreseeable future.

51. For calculating constant-price output several speakers favoured the simple solution adopted by Canada. However, it was pointed out that this yields a fairly smooth increase in the volume of FISIM, but a fairly erratic and even unrealistic implicit price index that is difficult to explain and justify. Some speakers felt, however, that there are other implicit price indices in the accounts that portray this kind of behaviour and FISIM is not seriously worse than these.

VI. INFORMAL/HIDDEN ACTIVITIES IN TRANSITION ECONOMIES

Documents: CES/AC.68/13 and Discussion document No.6.

52. A presentation was made on the "Report of the Expert Meeting of the OECD on Informal Activities in the Private Sector in Transition Economies" and the paper on "Underground Economy in the General Framework of the Romanian National Accounts". As these two documents were available only in English at the meeting, the oral presentation, which was made in Russian, enabled the Russian-speaking delegations to become acquainted with their content. The meeting was informed that, nevertheless, the Report of the OECD Expert Meeting would be translated into Russian in the near future and made available to interested countries.

53. The meeting took note of important issues and information contained in the OECD report - the definition of the informal activities; the specific problems of ownership classification in the transition period; the illustration of estimation methods used in the research projects (recently carried out in Hungary, Poland, as well as by a consultant to the OECD from the Statistical Committee of the CIS) with the assistance of the OECD Secretariat and, in respect of Hungary, of the Government of Canada; and the conclusion on the continuation of further experimental work, concentrating on areas with high priority. The meeting was also provided with the main numerical results on the share of the private sector and the hidden economy in Hungary for 1992.

54. The meeting appreciated the offer of the Hungarian Economic Research Company to provide free of charge a copy of the edited and extended version of the report presented to the OECD meeting to

- all donor organizations which have contributed to the research programme;
- all experts who participated in the OECD meeting;
- all statistical offices of the countries in transition; and
- all international organizations providing technical assistance to transition countries in the area of national accounts.

This publication covers the description of the organization of the research work, the concepts, methods and estimation techniques developed for the research and the numerical results of the research both in the field of ownership classification and in size and composition of the hidden economy. Dissemination of this publication will be carried out by the OECD Secretariat. The publication will also be on sale to interested persons and institutions. It is expected that the book will be published towards the end of June 1994; so it will be available for the above-mentioned institutions before the workshop on hidden economy planned to be held in November 1994 in Poland.

55. The meeting was informed of the results on the efforts made in Romania for estimating the size and growth of the underground economy for 1991 and 1992 which, as a first step of a broader project, covered some

elements within legal activities of the most affected industries only, such as fraud, tax evasion, hidden labour and household production of goods. The output and income estimated so far, are already incorporated into the official macro/statistical aggregates. In the near future, the intention is to improve the estimation methods and extend the estimates to cover a wider scope of underground activities.

56. During the discussion, it was pointed out that although there was considerable experience in the estimation of the hidden/informal economy in several transition countries, it was so far unsatisfactory both in respect of the scope of activities covered, the basic information required and the estimation techniques employed. To find a solution to these measurement problems is a very urgent matter since the size of the hidden economy is increasing very fast, its forms and scopes are changing from period to period, several new types of non registered or non authorized activities appear which are difficult for statistical agencies to follow.

57. For extending and improving the estimates of the hidden economy, several new approaches were mentioned e.g. the use of information from the local authorities on the quality of dwellings constructed on own-account basis instead of reliance on the size of the dwellings in square metres; cooperation with customs authorities for estimating the smuggling of goods; and extending household budget surveys to cover purchases of products and services from other households or private firms etc.

58. As regards terminology, it was proposed that a clear distinction should be made between "informal" and "hidden" economy. The "informal economy" should cover all types of activities which are not regularly recorded, and carried out in unincorporated small scale units mainly as auxiliary activities of households, while "hidden economy" should be restricted to concealed activities and incomes.

59. It was questioned whether the very low share (3 percent in 1991 and 6 percent in 1992) of underground economy in Romania reflected all underground activities listed in the paper; it was explained that those

listed activities were only partially covered by these estimates.

VII. OTHER BUSINESS

60. The representative of the Austrian CSO drew the attention of the meeting to the problem of regional accounts within the 1993 SNA. He emphasized that the new SNA only partially covers compilation of regional accounts and does not provide full guidance on various related questions, for example, the treatment of statistical units in regional accounts, regional government services, regional taxes and subsidies, etc. Therefore, he suggested that greater attention should be given to these questions and proposed that regional accounts be included on the agenda of the next meeting.

61. The OECD representative briefed the meeting on the meeting - "International Forum on Tourism Statistics" - scheduled to take place in Vienna from 6-8 June 1994. Among other issues, major technical problems toward the establishment of harmonised tourism statistics shall be debated as well as possibilities of incorporating tourism statistics in the SNA framework.

62. The representative of Eurostat informed participants about the forthcoming informal meeting on FISIM. The meeting aims to provide a forum in which a small group of specialists from countries most active in this area can exchange experiences and clarify the underlying concepts in the SNA. Results and conclusions of this and later meetings will be brought to the notice of all interested working parties at OECD, ECE and Eurostat and distributed to a wider audience.

VIII. FUTURE WORK - agenda for the next meeting (Paris, mid-1995)

