

# **Progress of NBS data dissemination to OECD**

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## **I Background**

Started in November 2005, NBS and OECD initiated the discussion on China's joining in the OECD data dissemination program. In October 2006, NBS sent ZHAO Hong, the director of Division of Institutional Sector Accounts of National Accounts Department of NBS during that period, to visit OECD for the purpose of making deep understanding of the real situation of OECD data dissemination program, and comparing the existing Chinese data with the data required by the OECD questionnaire to find the differences, particularly the difference in national accounts, in order to study the feasibility of China's participation in the program.

## **II Basic Situation of China's National Accounts**

Currently, China's National Accounts is compiled under the framework of *System of National Accounts of China, 2002*, which mainly includes Gross Domestic Product (GDP) Estimation, Input-Output Tables, Flow of Funds Table, Balance of Payments Accounts, Balance Sheet Accounts, and also Resource and Environmental Accounts. More details of each account are shown below.

### **1. GDP Estimation**

The NBS compiles annual and quarterly GDP statistics at current and constant price. Annual GDP estimation at both current and constant price in China consists of three standard approaches: production, income and expenditure approach, while quarterly GDP at both current and constant price is only measured by production approach. According to the most recent Chinese Industrial Classification Standard, GDP from production side is broken down into industries as Agriculture, Industry, Construction, Transportation, Post & Communication, Whole & Retail Trade, Restaurants, Finance & Insurance, Real Estate, and other Services, which included 94 industries in annual estimation and 10 in quarterly estimation as detail. In terms of expenditure components, GDP from expenditure side can be divided into Final Consumption Expenditure, Gross Capital Formation, and Net Export of Goods and Services. Since the data source based on industrial value added calculation are more available, and GDP estimated from industrial value added is more matured, the volume and growth rate of GDP from production side are treated as standard estimation.

### **2. Input-Output Tables**

NBS compiles benchmark I-O tables every five years, and between two benchmark years we also compile updated table. Up to now, there are four benchmark I-O tables of China for the years of 1987, 1992, 1997 and 2002, and four updated I-O tables for

the years of 1990, 1995, 2000, and 2005 have been published. Currently, the compilation of the 2007 benchmark I-O table is under processing.

### **3. The Flow of Funds Table**

The Flow of Funds Table is jointly compiled by NBS and People's Bank of China (PBC). NBS is responsible for the Non-financial part, and PBC is responsible for the financial part. Till now, NBS has compiled 14 FOF table for the year from 1992 to 2005, and is working on the 2006 FOF table.

### **4. Balance of Payments Accounts**

Balance of Payments is compiled by the State Administration of Foreign Exchange (SAFE) in China. In accordance with the fifth edition of the *Balance of Payments Manual* published by IMF, in 1990s, SAFE updated the basic format of Balance of Payments of China, improved corresponding data source and methodology, and also started to compile quarterly BP and annual International Investment Position on the basis of annual BP.

### **5. Balance Sheet Accounts**

In the middle of 1980s, NBS carried out research on estimation of assets and liabilities, and started to compile the National Balance Sheet from middle 1990s. Up to now, 9 Balance Sheet accounts for the year from 1997 to 2005 have been compiled, and the 2006 account is under working now. However, constrained by data sources, there is no price evaluation for the stock of fix assets. Therefore, China has not yet published these balance sheets.

### **6. Resource & Environmental Accounts**

NBS has carried out a series of research work on Environmental Accounting, including the cooperation with Statistics Canada on the project of *Environmental Statistics and Accounting*. The main contents are: to establish basic framework for green national accounts system of China, to compile stock accounts of mineral resources, energy accounts and air emission accounts. We have also cooperated with UNSD to study the accounting methodology on water resource of China, with Norway Statistics on the project of research of green national accounts of China.

## **III Comparison between Chinese data and corresponding OECD data**

In terms of the previous comparison study of the data, there is no problem in providing some aggregates as GDP estimated by production approach and expenditure approach, disposable income, savings, and net lending / borrowing, etc. However, there are still more or less differences between Chinese existing data and the requested data in OECD questionnaire on coverage, classification and evaluation. More details of the differences have been explained by ZHAO Hong on the 10<sup>th</sup> NBS-OECD workshop in Paris in 2006 and 11<sup>th</sup> workshop in Beijing last September, which can be summarized as following main aspects:

### **1. Issue of Evaluation.**

Value-added by industries is measured at producer's price in China, rather than the basic price required by the OECD questionnaire. Differences of evaluation will affect the value-added by industries and GDP from the production side, as well as the structure between industrial sectors. Besides, Chinese producer's price includes all taxes (less subsidies) on production, either other taxes (less subsidies) on production or taxes (less subsidies) on products with value-added taxes which is excluded from the SNA definition of the producer's price. Thus the coverage of Chinese producer's price is larger than that of the SNA definition.

### **2. Issue of Classification.**

At present, the classification adopted in the GDP estimation of China is the new Chinese Standard Industrial Classification (GB/T4754-2002) which is established according to the International Standard Industrial Classification (ISIC) 3 edition and the real situation of China. In which, the section such as Manufactory, Agriculture, Construction, Finance, Education and Health can harmonize with the international standard, while some division can also match it after certain adjustments. Therefore, the high-level industrial value added requested in the questionnaire can certainly be provided. In addition, which is specially needed to be pointed out is that the new Chinese Standard Industrial Classification started in 2004, thus data for the past years before 2003 may need to be adjusted due to the use of the old Chinese Standard Industrial Classification, which is somewhat different from the new standard.

Classification of sectors is also different from OECD countries. Non-profit Institutions Serviced for Households (NPISHs) is classified as part of general government sector in China, instead of as a separate sector or as part of household sector in OECD countries. The reason for this is that NPISHs in China are seldom independent but mainly financed and controlled by government, and even this size of NPISHs is very limited.

Item Classification adopted in GDP estimation from expenditure side is not detailed. Due to the constraint of source data, government expenditure is not estimated by COFOG as recommended in SNA.

There is no gross fixed capital formation by asset in China, the main reason is that the existing investment data is classified by project and industry, and could not provide information by assets. The most possibility is to get the required information of state-owned corporation, but it is impossible to estimate the fixed capital formation by assets of other types of economic sectors.

### **3. Issue of Indicators.**

Households final consumption expenditure except of the medical and health expenditure, is measured from the household current expenses. The expenditure on medical and health consists of two parts, one is medical and health service expensed

by households themselves, the other is the reimbursement of the healthcare expenditure provided by government units or corporations to households from medical insurance fund, thus the medical and health expenditure is in accordance with the concept of “households actual individual consumption”. However, other part of individual consumption provided by government, such as the subsidies on education, health and epidemic prevention, transport, social security, sport and culture received by households, is treated as part of government consumption instead of being estimated separately. Therefore it is impossible to identify this part of individual consumption from the total government final consumption expenditure and to add it to households final consumption expenditure to compile the “households actual individual final consumption”.

#### **4. Issue of Accounting Methods.**

Regarding to the accounting methods adopted in service industries, such as financial industry, education industry, and health industry, there are some aspects worthy to be discussed, for example, how to measure the total output and value added, how to estimate constant price. The papers of NBS submitted to this workshop are also focused on these questions.

#### **IV Attitude from NBS**

The NBS considers that the cooperation with OECD is essential, and several special seminars have been held for the discussion of China’s participation in the OECD dissemination program. The commissioners expressed an active attitude for joining in the program, and the feasible plan is a step by step method, including the following aspects.

1. Joining in the OECD dissemination program actively. After the previous comparative study between the data of both sides, the commissioners of NBS of China expressed an active attitude for China’s participation in the OECD dissemination program. It is believed that it can provide a better understanding of China for the international society, promote the improvement of China especially in statistics towards international standards, and enhance the learning from international experiences, so as to improve our work capacity and data quality.

2. Providing existing data. At present, NBS only transmits the existing data in the national accounts of China. As for the difference of data coverage induced by the difference of classification, evaluation and others, instead of any further adjustment, we recommend to provide indicator explanations by NBS, and the most important thing is to give explicit instructions on the difference between the Chinese data and the data of OECD countries, so as to facilitate the use of the data, and ensure the consistency between different publishing means.

3. Advancing the program step by step. In early this year, Statistics Directorate of OECD had another consultation with NBS concerning of China’s joining in the OECD data dissemination program, involving a series of operational issues such as

the contents, means, and time of data provision. The final decision is that, NBS provides data in four tables based on the existing data of China. Depending on the practical situation, other requested data can be further involved gradually, for example, GDP estimation from production side at constant price will soon be published on *China Statistical Yearbook (2008)*, we can also provide corresponding data to OECD by then.

4. Agreement. According to the consensus reached by both sides that on the first stage of data provision, NBS of China provides data in four tables as follows,

**Table 1010A:** Gross value added at basic prices and gross domestic product at market prices

**Table 0102A:** GDP from the expenditure side

**Table 0107A:** Disposable income, saving, net lending/borrowing

**Table 0110A:** Population and employment

Besides, from October of 2007, NBS started to provide annual data to the OECD Factbook, including national accounts, output of main products, foreign trade, population and employment, education and science, etc. Of which, it covers 11 indicators of national accounts, such as GDP, GDP per capita, industrial value added, fixed capital formation. This will become a regular part of our work. NBS also provides monthly data (MEI) to OECD termly, which includes the volume and growth rate of Quarterly GDP of China.

5. The mean of data provision.

The International Statistical Information Center of NBS has the responsibility for providing the official statistics to the rest of the world, but the detailed work of data filling up and indicator explanation should be carried out by Department of National Accounts of NBS. Besides, other related work as the mean and time of data provision needs for further discussion.

## **V Improvement in the Future**

China's national accounts started late and had gone through a transition process, so the fundamental statistics in China is relatively weak which can not fully adapt to the needs of national accounts in the aspects of statistical classification, service statistics, price statistics and consistency between different data. In terms of national accounts, GDP estimation from the expenditure side, especially in the aspects of fixed capital formation and government final consumption expenditure, constant price accounting and quarterly national accounts, needs to be improved. Therefore, compared with OECD countries, the statistics of China and the national accounts in particular are still on the starting point and have a long way to go. I sincerely wish that the workshop organized by NBS and OECD as well as the cooperation between us could continue, so as to further improve China's national accounts.