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**STATISTICS DIRECTORATE
COMMITTEE ON STATISTICS**

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Working Party on National Accounts

**Joint meeting of Working Party on National Accounts and Working Party on Financial Statistics
on 3 October 2007
Working Party on National Accounts on 4-5 October 2007**

**Held at Tour Europe
Paris la Défense**

DRAFT SUMMARY RECORD

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DRAFT SUMMARY RECORD

Adoption of the agenda

1. The Chair of the WPNA, Brent Moulton (BEA), welcomed members to the meeting. He informed the meeting that Mr. Goto from Japan, had been transferred to another position in the Japanese civil service and had resigned from his position as one of the two vice-chairs. Mr. Moulton proposed that his replacement should be Mr. Owaki, also from Japan. This was approved by the meeting.
2. The agenda [STD/CSTAT/WPNA/A(2007)1] was approved as were the minutes of the previous meeting [STD/CSTAT/WPNA/M(2006)1] held in October 2006.

Agenda item 1 – Progress report of SNA review

3. The project manager of the SNA review, Carol Carson, described the process being used to conduct the update of the 1993 SNA and what had been achieved over the last few years. She noted the decision of the UNSC to complete the update in two steps, with “Volume I” being released in 2008 and “Volume II” in 2009. “Volume I” comprises the “core” of the accounts, namely chapters 1-17, and is expected to be made available electronically shortly after it has been approved at the meeting of the UNSC in March 2008. “Volume II” contains matters concerning interpretations, extensions and the presentation of the national accounts. Ms Carson then proceeded to describe what remained to be done over the coming year and the challenges faced in completing “Volume II” for the meeting of UNSC in 2009. In conclusion she invited ideas and comments on what we can learn from the past in order to fine tune and adapt the update process to ensure success. She raised the possibility of reducing the time allowed for comments from 60 days. One representative suggested that 30-45 days, depending on the time of year, might be acceptable.
4. Anne Harrison, the editor of the 1993 SNA Rev. 1, spoke about specific chapters, or parts of chapters, that were currently under review or development. She discussed what had led to the “add-ons” to chapters 7, 8 and 9, and the decision tree for social units.
5. The Group took note of this information on the SNA update.

Agenda item 2 – Implementation plans

6. Christian Ravet (Eurostat) presented a Eurostat paper [STD/CSTAT/WPNA(2007)11] setting out the European Union’s plan for the revision of ESA 95 to reflect the changes made in the 1993 SNA Rev.1 and the implementation of the changes in the national accounts of EU member countries. The current plan is for the formal adoption of the revised ESA 95 to occur in 2011 and the implementation of the ESA methods and data transmission to occur in 2014.
7. Charles Aspden (OECD) presented an update of the paper he presented at the meeting of the WPNA in 2006, describing the plans of non-EU OECD Member countries for the introduction of the 1993 SNA Rev. 1. The Canadian delegate indicated that Canada had decided to postpone its adoption of Rev. 1 until 2012-13, to be more or less in line with the plans of the United States. Thus, it appears Australia will

be the first OECD Member country to adopt Rev. 1 in late 2009, to be followed by the US and Canada in 2012-13. Non-EU European OECD Member countries intend to move in concert with EU Members, while Korea and Japan have only tentative plans to move to Rev. 1 in 2014 and 2015, respectively. New Zealand and Mexico do not have any plans at present.

8. Both the Australian and Canadian delegates commented on the large amount of work to be done in respect of the changes to the financial accounts in the new standard, including the revisions to sectoring. Member countries attention was also drawn to plans for the introduction of the sixth edition of the Balance of Payments Manual.

Agenda item 3 – Developments of national accounts in emerging countries

9. Papers were presented by three countries: Brazil [STD/CSTAT/WPNA(2007)22], India [STD/CSTAT/WPNA(2007)5] and Chile [STD/CSTAT/WPNA(2007)21/REV1], which gave an overview of how they go about compiling their national accounts, their scope and timing. OECD Members congratulated the three countries on their papers and presentations, and a lively discussion followed covering such topics as seasonal adjustment, the challenge of obtaining accurate data for the “informal sector”, the challenge of maintaining balanced quarterly supply and use tables over many years in the face of revisions and the undesirability of additivity for volume estimates over long periods of time.

Agenda items 4 and 5 – Pension schemes

10. Two presentations were made concerning pensions. The first was made by the Canadian delegate, Patrick O’Hagan and concerned a satellite account for pensions [STD/CSTAT/WPNA(2007)23] and the second was made by representatives from the ECB and Eurostat who reported on the work of the EU task force on the implementation of a supplementary table for pensions [STD/CSTAT/WPNA(2007)12]. In response to a number of questions about the supplementary table, John Verrinder (Eurostat) observed that the role of the supplementary table was twofold. First, it provided more information for users and second, it was designed to support international comparisons. It is evident that national accountants will have to rely on the data and expertise of their government finance departments for estimates of the unfunded pension liabilities of government and the models they use to make them. But he also saw the need for simplified models with common assumptions across countries in order to support international comparability. The Eurostat task force has decided that social assistance pensions should not be included in the table, as it was difficult to identify the government’s liability.

11. The Group welcomed the presentations. The Secretariat took note of the fact that, although the EU Task force will lead to a common approach towards estimating pension obligations in the European Union, there is also a need to ensure comparability of the supplementary tables with the rest of the OECD countries.

Agenda item 6 – Update of OECD Handbook on Measuring Capital

12. Paul Schreyer (OECD) presented the second draft of the revised manual on measuring capital [STD/CSTAT/WPNA(2007)2]. The manual is intended as a companion product to the revised SNA and had been initiated by the Canberra II Group on Non-financial assets. The Working Party was presented with an overview of the Manual: its objectives, its structure and the main messages for measurement contained in it. Australia and the Netherlands provided several comments on the text, including some missing areas such as the more explicit treatment of catastrophic losses, and mention of the importance of sound information on service lives.

13. In summary, the Group welcomed the draft manual and expressed its basic endorsement. The Secretariat indicated that further comments should be transmitted **before November 30th, 2007** so as to

feed into a third draft of the manual. This third draft will then be submitted to the OECD Statistics Committee at its 2008 meeting for more formal endorsement.

Agenda item 7 – Survey on estimation of land and structures

14. Charles Aspden (OECD) presented results from a survey among NSOs on their estimation methods for land and structures [STD/CSTAT/WPNA(2007)8]. Twelve countries responded to the survey, of whom seven reported that they derive estimates of the stock of land. Essentially, the methods used by these seven countries fall into three categories: (a) surveying statistical units; (b) multiplying land areas by unit values; (c) a model based on population census data is used to estimate the land under dwellings owned by households. Of those countries who responded to the survey but do not derive estimates of the stock of land, several gave the reason that they were not a high priority.

15. Countries welcomed the presentation and the work undertaken which will also be useful for describing methods in the capital manual. The difficulties in deriving estimates for land were underlined, such as non-availability of a reliable index of land prices. Countries that have not yet responded to the survey and still wish to do so or countries who wish to comment on the text are invited to do so **before November 30th**. The Secretariat will then issue a revised document.

Agenda item 8 – Country experiences in estimating households' non-financial assets

16. Under this agenda item, Daniel Smith (Australia) [STD/CSTAT/WPNA(2007)16], Patrick O'Hagan (Canada) [STD/CSTAT/WPNA(2007)18] and Oda Schmalwasser and Marc Peter Radke (Germany) [STD/CSTAT/WPNA(2007)10] presented relevant and informative country experiences. The discussion included questions about how quarterly balance sheet estimates were constructed, and how big a bias existed when the perpetual inventory method was applied to flows of investment that is composed of both new and used assets. The idea being that service lives as used by the perpetual inventory method reflect service lives of new assets, and not service lives of used assets.

17. The Group welcomed the presentations and underlined the policy relevance of many of the statistical items that make up stocks of non-financial assets, in particular the price of land and the value and volume of real estate.

Agenda item 9 – Conclusions of the Working Party on Financial Statistics

18. The Chairman of the Working Party on Financial Statistics, Patrick O'Hagan (Canada) summarized discussions and outlook for future work as discussed at the WPFS on October 2, 2007. He specified methodological areas, in particular the guidance needed on the treatment of securitization operations; the work on revaluation and other changes in volumes, and the work on derivatives and pension accounting. The Chair's summary also dealt with the various databases maintained by the OECD, and with the evaluation of the OECD Committee on Financial Markets. More details on the meeting of the WPFS can be found on the summary record [COM/STD/DAF/M(2007)1].

Agenda items 10 and 11 – Research and development

19. There were four presentations, concerning: the draft of OECD handbook on the measurement of intellectual property [STD/CSTAT/WPNA(2007)7], which at present incorporates draft text for software and R&D (prepared by the OECD Secretariat), draft text for the mineral exploration and evaluation component of the handbook [STD/CSTAT/WPNA(2007)17] (prepared by Australian Bureau of Statistics), a report of the 2007 version of an R&D satellite account for the United States (room document) and a report of recent work by the Netherlands on its R&D satellite account [STD/CSTAT/WPNA(2007)14].

20. In the discussion that followed the presentations several important issues were raised:
- Concern was expressed that there were plans to have both an OECD and a Eurostat R&D task force. The OECD Secretariat said that it would prefer one task force, but if there were two it would strive to have common meetings with common agendas.
 - It is intended that the OECD task force should address all the issues raised in the development of the new handbook. The bulk of these will concern R&D, but there are issues concerning the other asset types, particularly software and databases, stemming from the SNA update.
 - A pilot survey undertaken by Israel has found that it is possible to get expectations of R&D service lives from R&D experts. While these expectations vary from industry to industry and according to the type of R&D, it is believed that they apply around the world. Hence, some other countries are encouraged to undertake similar surveys to ascertain whether this is really true.
 - One of the most difficult problems to be resolved in measuring R&D GFCF is valuing exports and imports of R&D between affiliated enterprises. The solution seems to lie with custom-made questions for the large multinationals concerned via existing R&D surveys, or, possibly, innovation surveys.

Agenda item 12 – OECD Handbook on the measurement of volume output of health and education

21. Paul Schreyer and Sandra Hopkins (OECD) presented a first draft of a handbook on the measurement of volume output of health and education [STD/CSTAT/WPNA(2007)3]. It reflects a project initiated under the OECD Statistics Committee but carried out in close co-operation with OECD health and education specialists. It is hoped that the sector-specific knowledge will advance measurement issues in this area and also lead to data that are useful for sector analysis. A second important feature of the project is that it considers the temporal and the spatial dimension in parallel and contains or will contain chapters on volume measures of output over time within countries and on volume measures across countries. The handbook is as yet incomplete. In particular, an OECD-Eurostat taskforce on health PPPs has only started its work with a view to completing a report by the end of 2008.

22. The group welcomed the report and its basic approach but also voiced caution concerning some of the proposed avenues for measurement. The distinction between output and outcome is considered very important in the discussion and it was pointed out that there is not yet international consensus on the methods for quality adjustment. In medical care, a series of conceptual and empirical problems remain. For example, there is no straightforward way of tracking the moves between in-patient and out-patient treatments in volume measures of health services. It was also pointed out that tertiary education had an important research output that was hardly covered in the handbook.

23. Countries are invited to provide further comments to the draft text **before November 30, 2007**. A more complete and revised version of the handbook will be presented to the Working Party at its next meeting in 2008. The OECD and Eurostat will continue their close co-ordination on this work.

Agenda item 13 and 14 – Environmental accounts

24. These two agenda items were devoted to presentations on progress with environmental accounting. Mark de Haan, Chair of the London Group on Environmental Accounting reported on progress in environmental accounting at the international level and on a project to review and update the System of Environmental and Economic Accounts (SEEA). He also reported on ongoing work on environmental accounting in the Netherlands. A second presentation by Mr. Tsunenori Ashiya (Data and Analysis

Division, Hyogo Prefectural Government in Japan) dealt with hybrid accounts at the regional level to improve monitoring and managing of waste flows. The analytical tool is a National Accounting Matrix including Environmental Accounts (NAMEA). A third presentation by Elisabeth Mollgaard (Eurostat) gave an overview of the policy background and strategy for environmental accounts in Europe. Eurostat is now responsible for several environmental data centres, for example for data on waste or life-cycle analyses. A general message emerging from all three presentations was that it is important to keep and to strengthen the links between national accounts and environmental accounts.

Agenda item 15 - The situation of annual national accounts data and metadata transmission to the OECD and NAWWE progress report and

Agenda item 16 - The situation of quarterly national accounts data and metadata transmission to the OECD

25. Catherine la Rosa (OECD) reported on the status of data transmission for annual national accounts [STD/CSTAT/WPNA(2007)9], Lars Thygesen (OECD) informed the meeting about the state of the NAWWE project and Rachida Dkhissi (OECD) gave a presentation on the status of quarterly data transmission [STD/STAT/WPNA(2007)6]. Overall, data transmission and the co-operation with Eurostat function smoothly. The implementation of the revised OECD-Eurostat questionnaire for annual data is underway.

26. In the discussion, Roberto Barcelan (Eurostat), reminded the group that the questionnaire is linked to a regulation and therefore compulsory for EU countries. He explained that the introduction of the new questionnaire in European countries will take place the first of December. New key family codes will also be used. He stressed the cooperation between OECD and Eurostat. He said that this co-operation has reduced the response burden for common Member countries. Joint missions to member countries such as one to the UK earlier this year proved to be helpful for all parties and should be pursued in the future.

27. Concerning quarterly national accounts, Mr. Barcelan mentioned that Eurostat shares the concern about the availability of calculations on contributions to growth. He mentioned also that the joint Eurostat and ECB Task force on seasonal adjustment will provide recommendations for seasonal adjustment, in particular linked to chaining. These recommendations should be available by February 2008. He also informed the group about one of the main achievements of Eurostat, jointly with ECB, in 2007, the release of the first set of quarterly sector accounts for the EU and the Euro Area.

28. Norway informed the group that table 0800 should be available by end November with revision back to 1978.

29. Australia suggested that QNA as well as financial accounts should be included in the list of data delivery through NAWWE. The Australian delegate also mentioned that there may have been confusion about which data was exactly required for the COFOG2 project. Therefore Australia will re-examine the request and might be able to provide some of the COFOG2 data. He also informed us that employment data should be available soon.

30. The United Kingdom mentioned that tables 1400 and 2000 of the questionnaire would be available by 2010 and that FISIM will be allocated in 2008.

31. Hungary advised that there was some error about Hungarian availability shown in page 5 of the document STD/CSTAT/WPNA(2007)9.

32. Japan mentioned that concerning COFOG2 project, even though focusing on the three functions of Health Education and Social protection, they will not be able to provide such data. About the allocation of FISIM, their intention is to introduce it in 2010.

33. Korea informed the meeting that chained volume data should be available in 2009.

34. Mexico said that for chained volume quarterly data there are problems with the required breakdown of prices. Result might be available after a transition period of 3 years, starting from 2008. Mexico also has to deal with data availability for the allocation of FISIM. Therefore for both projects they will only have results in the medium term.

35. Actions to be taken:

- COFOG: the Secretariat will get back to countries with a more precise request
- NAWWE: the Secretariat will examine if the project can be extended to other data
- The Secretariat will explore the possibility of further joint mission with Eurostat to EU countries.

****Revision in quarterly GDP of OECD countries***

36. Rachida Dkhissi (OECD) gave a brief update [STD/STAT/WPNA(2007)15] on the developments with the OECD Revisions database since the presentation of this product at last year's meeting.

37. Australia remarked that the result can vary significantly between analyses. Canada stressed the importance of Metadata in case of methodological changes. Canada has a strong policy of revisions transparency. Japan also pointed out that the analysis took place before and after the introduction of a new method in Japan which took place in 1992. For the period after the introduction of this new method, the revisions are much smaller.

38. Action to be taken: develop metadata to accompany revisions analysis.

Agenda item 17 – Analysis of public deficit/surplus revisions

39. Joao Nogueira Martins (European Commission) presented an European Commission paper [STD/CSTAT/WNPA(2007)4] on the assessment of the reliability of the government deficit and debt figures reported to the European Commission by Member States.

40. In the ensuing discussion, the Delegates of Sweden, Portugal and Netherlands clarified several points with regard to government debt statistics in their countries. The Australian Delegate suggested that it could be interesting to compare forecasts with the official figures reported to the European Commission by Member countries. Also, "best practices" could be established. It is also important for analysts to keep in mind that the figures are estimates and to be informed of their margin of error. Mr. Nogueira Martins pointed out that in the EU, some work had already been done on the analysis of forecasts and should be published soon.

41. Both Mr. Nogueira Martins and Paul Schreyer (OECD) expressed also their interest in extending the study to non-EU countries. The OECD had already tried to replicate the EU work for some other Member countries but it turned out that the available information in OECD databases cannot discriminate between official data that had been transmitted and estimates made by the OECD Economics Department. Therefore, any analysis for non-EU countries would have to be based on data provided by NSOs. Interested countries are invited to signal their willingness to the Secretariat to participate in such an analysis.

Agenda item 18 – Calculations of changes in inventories

42. Charles Aspden (OECD) presented a paper [STD/CSTAT/WPNA(2007)19] on the methods used by OECD countries to estimate quarterly changes in inventories from survey data. In the October 2006 WPNA meeting, it was decided that, following the joint 2006 OECD-Eurostat survey conducted to determine how countries derived their estimates of contributions to growth and changes in inventories, a new survey should be conducted in 2007 to obtain details from countries undertaking enterprise surveys to obtain their estimates. 20 countries responded to the first survey and 13 of them reported that they conducted enterprises surveys and received therefore the second questionnaire.

43. The Group welcomed the work carried out and expressed its interest in sharing other countries' experience.

Agenda item 19 – New developments in balancing methodologies

44. Brent Moulton (United States, BEA) made a presentation on 'Statistical approaches to balancing National Accounts'. He referred to Baoline Chen's research paper [STD/CSTAT/WPNA/RD(2007)1] which proposed an efficient Generalized Least Squares (GLS) method to balance US Industry Accounts using systematically coefficients of variation for estimates. In conclusion, Brent Moulton indicated that the BEA planned to refine the model and potentially expand it.

45. Brent Moulton replied to Charles Aspden (OECD) that coefficients of errors in GLS method were derived from surveys' statisticians. The Australian delegate asked for the meaning of coefficients of variation in the context of comprehensive administrative source. Brent Moulton replied that they used a sample for corporate tax returns. The Canadian delegate indicated that the measurement and treatment of errors was not mentioned in SNA 93 or in any official document. And, he suggested the creation of a handbook describing common practices that would be useful for the OECD countries. In response to a question by the ECB delegate, Brent Moulton replied that expenditure and income approaches reconciliation was planned for next steps.

Agenda item 20 – A Product Approach for an ICT Satellite Account

46. Oda Schmalwasser (Federal Statistical Office of Germany) presented a paper [STD/CSTAT/WPNA(2007)1] written by Ulrich Greiner. She referred to the OECD "Guide to measuring the Information society, Nov. 2005" which was used by the Statistisches Bundesamt for the definition of ICT by products. Then, she presented some findings on output and final use of ICT.

47. During the discussion, Ms. Schmalwasser indicated to the French delegate that only current prices have been considered for the moment. The Australian delegate agreed that the approach by product is the most appropriate from a national account perspective. He proposed further discussion with Germany on the measure of value added of ICT as Australia faced the same issue in the tourism satellite account.

Agenda item 21 – Closing session: future work programme

48. Paul Schreyer (OECD) asked delegates to provide any suggestions on areas to cover in next meeting:

- The Australian delegate agreed with the Canadian delegate suggestion on further discussion on measurement errors. He also suggested that different approaches of GDP should be considered. He also proposed more practical surveys and in particular for the area of ownership transfer costs to gather countries practices.

- The Dutch delegate asked other countries to give more information on the technical aspects of their benchmark process and in particular on resources allocated to this task. This will help to answer the question “what are the costs and benefits of generating long time series following a benchmark ?”

49. Paul Schreyer (OECD) agreed on the suggestions made by countries and he proposed to receive other ideas directly by e-mail in the coming months. He also mentioned that ongoing projects like ‘Handbook on Intellectual Property Products’ and ‘Handbook on Education and Health Volume Output’ will be back on next year’s agenda. Finally, an announcement was made regarding the release of the new 2005 benchmark results for PPPs for OECD, EU and CIS countries in mid-November.

50. Charles Aspden (OECD) thanked countries for their responses to surveys.

51. Action points:

- Countries were invited to send their comments to the Secretariat on the “Capital Manual” and on the “Education and Health work” by the end of November.
- Countries interested in participating to the “Task Force on R&D capitalization” were invited to contact the Secretariat.

52. Next year meeting is provisionally planned for the week of 13th October 2008.

53. It was finally signalled that Powerpoint presentations will be available on the website.