STATISTICS DIRECTORATE
COMMITTEE ON STATISTICS

Working Party on National Accounts

SUMMARY RECORD

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SUMMARY RECORD
OF THE 2011 OECD NATIONAL ACCOUNTS WORKING PARTY MEETING

27-28 OCTOBER 2011

1. The SNA Research Agenda: Current and Future Work
   
   • **Report from the AEG on Emission Permits**
     
     Nadim Ahmad (OECD) presented the outcome of discussions by the AEG on the issue of Emission permits. He noted that the AEG had endorsed the position of the Task Force and the ISWGNA to recommend a split (or two asset) approach but with some amendments to the original proposal that simplify the recording of cross-border transactions and the impact on current account balances.

   • **Reports from the Task Forces on FISIM**
     
     Nadim Ahmad presented a progress report and update on the work of the Eurostat and ISWGNA Task Forces on FISIM. Wolfgang Eichmann (Germany) noted that defaults did not necessarily have to be recorded as a current transfer avoiding an impact on savings. He also noted that care was needed when adopting separate (and different) approaches for the calculation of values of FISIM in current and constant prices. Michael Connolly (Ireland) welcomed the direction taken by the Task Force, in particular the provisional conclusion pointing towards a weighted average reference rate rather than the interbank lending rate. Whilst recognising the analogy of credit default risk with non-life insurance, he also noted that the treatment of default risk could be seen as being analogous to a derivative, suggesting that the transaction could be treated as a financial transaction. Pedro Oliveira (Portugal) re-emphasised the importance of moving away from an interbank lending rate approach citing Portugal’s experience of close to zero FISIM in GDP and supported the idea that credit default risk was excluded from FISIM.

   • **Measuring intangible assets outside of the SNA boundary (economic competences)**
     
     Fernando Galindo-Rueda (OECD) presented on-going international work looking at measuring intangible assets not recognised as assets in the SNA. Nadim Ahmad noted that some care was needed when considering growth accounting models when extending the range of assets. He noted that the asset was recorded on the balance sheets of the user of the asset (who currently paid some form of property income in the accounts) rather than the underlying economic owner and that coherent growth accounting consistent with SNA principles would require the asset to be included on the balance sheets of the owner with appropriate increases in output and value added to reflect ‘capital service’ payments by users.

   • **Prioritisation and identification of future and other on-going work**
     
     Nadim Ahmad asked the Working Party to provide views on the future SNA research agenda. Michael Davis (Australia) noted that there were problems arising from the artificial distinction in estimating retained earnings between direct investment and portfolio investment. He cited the Australian mining industry and the fact that the lack of clarity allowed earnings to be recorded as either direct or
portfolio investment. Michael Connolly noted that similar difficulties had arisen in Ireland, particularly with companies moving headquarters to Ireland, who were recorded as receiving direct investment income but with foreign portfolio investors. Michael Davies suggested that the issue could be taken forward by Ireland and Australia producing estimates with different interpretations of control. Nadim Ahmad suggested that this could form the basis of an issue paper to the AEG.

2. Globalisation and the National Accounts

- **Action Plan arising from the Handbook on Globalisation and the National Accounts**

  Carsten Boldsen (UNECE) provided some background on the Handbook, including follow-up issues to be dealt with by the newly created Task Force on Global Production. Nadim Ahmad provided a brief update of the Eurostat Task Force on Goods for Processing.

  In follow-up comments Nadim Ahmad stressed the need to recognize the importance of intangibles in producing goods and services and the potential impact such a recognition could have on the classification of companies such as Apple where a large part of the value added is driven through the intellectual property that Apple holds. Mark de Haan added that ISIC Rev 4 is a bit conservative in its way of looking at production: what is decisive for the economic activity classification is the ownership of intermediate inputs but it says little or nothing about the ownership of intellectual property used in the production process. Nadim Ahmad noted that a separate classification for processors in ISIC Rev 4 would have been very helpful. Brent Moulton (United States) noted that there was an important challenge in getting consistent reporting on whether a change in ownership is actually taking place when there is a subsidiary relationship between parties.

- **Developments on measuring Trade in Value-added (and employment)**

  Nadim Ahmad presented the latest developments on, and motivation for, the OECD work on measuring trade in value-added.

  Michael Davies noted that an important part of the work would need to reflect the flows related to intangible inputs and the services provided by intangible assets. Mark de Haan seconded this view, recognising the importance of having clear and unambiguous guidance on economic ownership. Michael Connolly suggested that additional benefits could be gained by looking at sector account income flows and FDI data.

- **GDP and GNI – Terms of Trade**

  Michael Davies presented information on the terms of trade effect in Australia, giving examples of Australian mining. The presentation showed that growth in real gross domestic income had outpaced real GDP in recent decades but that real Net national domestic income had lagged real GDP growth. Michael argued that NNDI should form the target for final consumption and welfare and savings policies.

  Brent Moulton started the discussion by mentioning that they recently switched from using import prices to using gross domestic final expenditure prices for dealing with the terms of trade effect. Nadim Ahmad added that for countries for which the information is not available, the OECD also uses the gross domestic final expenditure deflator, which was also the standard position within Europe. It is not explicit in the SNA which refers to three different approaches that can be used, but gross domestic final expenditure method is perhaps the simplest in terms of explaining what’s is going on. Peter van de Ven (OECD) noted that one of the important issues raised by the presentation was the need to avoid focusing on just one indicator, GDP growth for example. He noted that, when looking at the exploitation of natural
resources, it was also important to look at income and that this multitude of indicators should be reinforced in national disseminations. Ann Lisbet Brathaug (Norway) noted that such an approach was used in Norway that showed the decomposition of growth including the terms of trade effect and the specific contribution of oil and gas extraction. Brent Moulton suggested that the table produced by Norway be sent to the OECD Secretariat to be disseminated to countries.

3. **Sustainable Growth and Well-being**

   - **Update on the Expert Groups:**
     - Eurostat-OECD Expert Group on Disparities in a National Accounts Framework (EG DNA); and

   Maryse Fesseau (OECD) provided an update on the two expert groups. Eeva Hamunen (Finland) described Finland’s experience in making the household sector more visible: all the information for the household sector (items such as real net adjusted disposable income or total consumption for instance) are collected and shown in one table with a dedicated page made available in the annual publication. Oda Schmalwasser (Germany) noted that some care is needed in interpreting household net worth because consumer loans were included in financial liabilities, but on the assets side consumer durables were not.

   - **Update on the System of Environmental-Economic Accounting (SEEA)**

   Herman Smith presented an update on the revision to SEEA, now available for consultation and review, followed by a presentation from Mark de Haan (Netherlands) presenting information on the background to SEEA and key conceptual issues.

4. **Other current issues in the National Accounts**

   - **Accounting for National Disasters – special session**

Three presentations were made under this session: (i) Measuring the impact of the Canterbury earthquakes on statistics New Zealand (Rachael Milicich, New Zealand); (ii) Accounting for the impact of the earthquake in the chilian national accounts (Carmen Escobar and Claudia Maisto, Chile); and (iii) Catastrophic natural disaster & national accounts: Japan's experience (Kosuke Suzuki, Japan).

Nadim Ahmad raised a question concerning the treatment of rubble, and the need to develop guidance on whether these expenditures should be treated as investment (land improvements) or consumption. Brent Moulton noted the usefulness of presenting estimates reflecting what GDP would have been had the disaster not occurred, but also sounded a word of caution on the need to differentiate between the impact of the disaster and the differences in GDP because of a disaster. Michael Davies noted that because of the considerable uncertainty involved in making estimates the ABS did not as a rule produce 'what if' estimates. In response to Peter van de Ven’s question on revisions, Rachael Milicich noted that some revisions were likely to come through on the balance of payments to reflect reinsurance flows. She also noted that significant contributions were made by volunteers which are not captured in GDP estimates but might be important in the context of measurement of activities outside of the production boundary.
Comprehensive revision of Japanese national accounts: update on JSNA

Kosuke Suzuki presented an information item on revisions to the Japanese national accounts.

Peter van de Ven asked when and whether historical estimates of investment (capital stocks and depreciation) would be created. Kosuke Suzuki responded that estimates back to 1955 would be created.

Measuring the informal economy

Nadim Ahmad presented the motivation behind the OECD’s recent survey on the informal and non-observed economy.

Pedro Oliveira welcomed the initiative and the importance of making sure that the results were presented in a clear and unambiguous manner. Brent Moulton also recognised the importance of the topic, and encouraged the OECD Secretariat to maximise the information already in the public domain and possibly collected by other international agencies, to avoid overburdening respondents where possible. Soli Peleg (Israel) supported the initiative and spoke of the positive spillovers (in the quality of the accounts) Israel experienced when they conducted the activity for the accession process. She also stressed the limited impact on resources. In responding, Nadim Ahmad stressed that the survey explicitly asked countries to provide the information that was readily available, noting that the level of detail asked for in the survey was flexible to reflect national circumstances and resources.

Automating 2008 SNA supply and use tables

Vincent Ohm (Netherlands) presented information on developments in the Netherlands to automate the 2008 SNA in supply and use tables.

Rachael Milicich asked whether a more detailed paper was available in English. Vincent Ohm responded that a great deal of information was available on the CBS website. Michael Davies asked whether the underlying program was available in a higher level representation that allowed it be reproduced in different software packages. Vincent Ohm mentioned that the account and statistical rules underpinning the procedure were available but, so far, only in Dutch and that he would consider whether they could be translated.

Classification of payments to deposit insurance and financial stability schemes

Maurice Nettley (OECD) presented work related to a survey launched by the OECD Tax Directorate on deposit insurance and financial stability schemes and discussions at the Tax Directorate’s working party meeting. The issue of how to record the different schemes in the SNA will be put forward to the AEG-meeting of April 2012.
• **Reconciling health expenditure estimates in the System of Health Accounts (SHA) and SNA**

Roberto Astolfi (OECD) provided information on on-going work reconciling health expenditure estimates in the System of Health Accounts (SHA) and the SNA. Mark de Haan commented that in the Netherlands the SHA and SNA were fully reconciled. A similar approach was used in Mexico.

5. **Discussion session: Where will the next generation of national accountants come from? - country experiences in recruiting and retaining staff in this highly skilled profession**

The discussion was led and motivated by Michael Davies. In the discussion that followed there was widespread agreement that recruitment and in particular retention were major problems, as were training and development. There was a recognition that internal competition within a country, including competition from other government departments, could be problematic when salaries were uncompetitive, but at the same time it was recognised that this was not the only driver. In terms of solutions, there was a recognition that one needed to manage expectations, in particular the likelihood of retention and high turnover and, in that respect, transparent and easily interpretable statistical information systems were essential. It was also recognised that it was essential to have a core team of national accountants with significant (at least 10 years) national accounts experience.