Working Party on National Accounts

SUMMARY RECORD OF THE MEETING OF THE WORKING PARTY ON NATIONAL ACCOUNTS

OECD Conference Centre, Paris
5 November (2:00 pm) – 7 November (12:30 pm) 2014
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Session 1: Opening statement

1. Peter van de Ven, Head of the National Accounts Division (OECD/STD), gave a short opening address. He introduced himself, welcomed the participants to the meeting of the Working Party on National Accounts (WPNA) and thanked Delegates for their willingness to share their experience and for their contributions to the various sessions.

2. Subsequently, Peter van de Ven handed over the meeting to the chair of the WPNA Bureau, Brent Moulton (Bureau of Economic Analysis, U.S.), who also welcomed the Delegates.

3. Jennifer Ribarsky, Head of the Sectoral National Accounts section (OECD/STD) and responsible for the Secretariat of the WPNA, welcomed the Delegates and thanked all those who contributed to this meeting as well as to the joint WPFS/WPNA meeting. She then provided information on the organisation of the meeting.

Adoption of the agenda


Adoption of the minutes of the 2013 WPNA meeting


Session 2: Volume and price measurement

6. Brent Moulton handed over the meeting to Ann-Lisbet Brathaug who chaired the session on volume and price measurement. The session started with a presentation from Anne-Sophie Fraisse (OECD/STD) on the future publication of the second edition of the "Eurostat-OECD Methodological Guide for producing Producer Price Indices for Services". This edition aims to present a global and comprehensive framework that improves the understanding of particular problems related to the volume and price measurement of certain services and to trace practical solutions, as implemented by countries in developing services producer price indices (SPPI).

7. Sanjiv Mahajan (Office for National Statistics, U.K.) asked how different end-use categories were identified. In addition, the delegate from Canada inquired about how much discussion on quality change was provided in the guide. Ann-Lisbet Brathaug (Statistics Norway) wanted to know whether the
guide provides guidance on constructing industry-based or product-based SPPIs, and whether the guide also addresses the compilation of price indices for merchanting services.

8. Anne-Sophie responded that it was a major challenge to appropriately capture quality change in areas such as air transport and retail trade. The guide includes a discussion on quality change and how the countries currently treat the issue. It does however not include significant theoretical considerations. In relation to the issue of product-based SPPIs versus industry-based SPPIs, Anne-Sophie responded that the starting point is the development of product-based SPPIs, but that in practice it shows to be quite difficult for some countries to actually do this. Finally, Anne-Sophie stated that the guide takes a practical approach on how to identify end-use and each chapter discusses it on a case by case basis.

9. Michael Smedes (Australian Bureau of Statistics, ABS) presented “Measuring Output of the Retail Trade Industry” [STD/CSSP/WPNA(2014)11]. He discussed the Australian experience and challenges related to measuring the output volume, including adjustments for quality, of the retail trade industry on a quarterly/annual basis, and provided background information on a project that was initiated by the compilation and issuance of a producer price index (PPI) for the retail trade industry over a year ago.

10. In response, Steve Drew (Office for National Statistics, U.K.) briefly discussed a study on the UK transport industry and the problems in identifying quality dimensions. Sanjiv Mahajan (Office for National Statistics, U.K.) thought that weights should be updated on an annual basis instead of once every three years because margins could be very different depending on the outlet. The Canadian delegate stated that they did not explicitly adjust for quality changes, but tended to choose similar products when information on the quality changes of the sampled product was unavailable.

11. Michael responded that quality changes were more difficult to identify for retail trade (e.g., online shopping, extension of hours, width of aisles), as it may involve more subjective qualifications. In addition, Michael explained that the new method tended to have hardly any impact on GDP growth, but it provided a better, more intuitively appealing measure of productivity by industry. He added that ABS started the work on the retail trade industry to address criticisms about low productivity growth level in this activity, and that the new measurement clearly provided users with a better understanding of changes in productivity.

12. The next two presentations provided country’s experiences in trying to measure telecommunication services. Jocelyn Boussard and Nathalie Morer (INSEE, France) presented “Volume and price measurement of telecommunication services”. Because telecommunication services in France faced massive changes (new providers, new bundled services, permanent renewal of products) over the past several years, INSEE was faced with the challenge of how to adequately measure these services. The old methodology that simply relied on the CPI as a price deflator led to low growth rates for telecommunication services, while quantity indexes (number of minutes of calls, number of messages) told a completely different story. The new methodology now uses a mix of CPI and quantity indexes to assess the growth in volume of telecommunication services.

13. Subsequently, Gary Dunnet (Statistics New Zealand) presented “Measurement of telecommunication services” [STD/CSSP/WPNA(2014)10]. He noted that, historically, a set of volume indicators such as charged call minutes and connections had been used in New Zealand to measure the output volume of telecommunication services. However, this method had become difficult to maintain as the number of products expanded. Gary then discussed an alternative method of deflating sales using administrative data. The alternative method resulted in growth being revised upward for the recent time periods. Much of this was due to the better coverage of products and the inclusion of quality adjusted prices.
14. The chair, Ann-Lisbet, noted that in both presentations the volume estimates according to the new methodologies are higher than the ones according to the old methods. Ann-Lisbet then opened the floor for discussion of both presentations. Idilio Freire (National Institute of Statistics, Portugal) wanted to know how INSEE handled bundled packages, especially those including TV. Yungtaek Jung (Bank of Korea) asked if France had any plans to compile CPIs using the same methodology. Similarly, Anne-Sophie Fraisse (OECD/STD) wondered why France used the consumer price index of the relevant product instead of the producer price index. Jocelyn answered that bundled packages such as Triple Play (TV + Telephone + Broadband access) or Quadruple Play (Triple play + Wireless Services) were not taken into account. Integrating bundled packages would constitute a further enhancement of the new methodology. In addition, the scope of the study was only to focus on consumption expenditure, reason why the consumer price index was used. Gary commented on the difficulties in assessing changes in quality. Michael Smedes (Australian Bureau of Statistics) added that an additional complication was related to the fact that only few players operated in the telecom industry in New Zealand. Although the methods used in New Zealand were replicated in Australia, they may show to be less relevant for countries with more telecom companies. Ann-Lisbet (chair) thanked the presenters on this challenging topic. She hoped that the new methodological guide on SPPIs will provide support to countries in improving the PPIs for telecommunication.

15. The last two presentations of the session focused on health care. Brent Moulton (Bureau of Economic Analysis, U.S.) provided a presentation on “Overview of BEA’s New Health Care Satellite Account”. A key feature of this satellite account is the use of “treatments of disease” as the framework and starting point for the measurement of health related costs, as recommended by health economists and public health experts. Brent stated that pricing the treatment of diseases will create statistics that may better assess the returns on U.S. health care spending, and provide important insights on inflation and productivity. It goes without saying that this is an important policy issue in the U.S., because health care spending as a share of GDP grew substantially in the last five decades reaching around 17% of U.S. GDP in 2012.

16. Subsequently, Luca Lorenzoni (OECD/ELS) presented the OECD project “Measurement of volume of Hospital Services”, which is a follow up to the implementation of output-based health Purchasing Power Parities (PPPs) released at the end of 2013. Luca described that the first aim of this project is to review country practices in national accounts when it comes to the volume measurement of health services, with a focus on hospital services. Countries were informed that a questionnaire focusing on national methodologies to measure the output of the different components of health services including adjustment for differences in quality will be sent in December.

17. Questions on the two healthcare presentations were taken together. Andreas Dollt (Eurostat) wondered whether BEA had any plans to implement a disease based classification into the core accounts. He also wondered whether there were plans to do quality adjustment in the future. Michael Smedes (Australian Bureau of Statistics) found the US presentation an interesting application of satellite accounts. He also asked if it was possible to expand the indicators to show results by age group, region, and/or public/private. In addition, Peter van de Ven (OECD/STD) observed that some disease-types were very heterogeneous such as “cancer” and wondered if there was a more refined breakdown into smaller groups to give a more homogeneous type of disease.

18. Brent responded that the information could be broken down by disease, age group, region and other indicators, as the database contained a rich data set at the individual level. Brent’s response to Eurostat was that there was no decision on whether to incorporate the disease based approach into the core accounts. BEA is awaiting feedback on the satellite account before making any decisions. Regarding quality adjustments, Brent stated that quality adjustments were very difficult to address and that the current methodology for medical services are largely not quality adjusted either. Luca recognised the importance
of quality adjustment, but said it was very difficult. He thought that the differentiation by type of disease was a first step towards capturing changes in quality. However, currently only 6 out of 34 OECD-countries were on board when it comes to a disease-based approach.

**Session 3: Item for information**

Yungtaek Jung (Bank of Korea) chaired sessions 3 through 5.

19. Francette Koechlin (OECD/STD) informed countries on “Eurostat-OECD Programme on Purchasing Power Parities: Latest developments and way forward.” She discussed the recent and forthcoming changes in the Eurostat-OECD PPP Programme, in particular the new basic heading classification to be implemented in 2015, and the gradual move towards an annual calculation of PPPs for at least actual individual consumption in non-European OECD countries. Francette stressed the importance of the involvement and the contribution of national accountants in the PPP Programme. In response to concerns raised by some European countries on the new classification, Francette explained that the new classification will be discussed in the next Eurostat Working parties on PPPs and National Accounts.

**Session 4: Key note: Gabriel Zucman (from the team of Thomas Piketty)**

20. Following Piketty’s work on the distribution of wealth accumulation, Gabriel Zucman presented the latest developments on the Distributional National Accounts (DINA) database, which makes use of both macro and micro data. Gabriel noted that a lot of work remains to be done to obtain complete, consistent, and credible DINAs. In this regard he discussed the limitations of surveys because they are not annual and not consistent over time, and often raise many problems at the top of the distribution (in many countries, the richest individuals in surveys are implausibly poor). He also pointed out that there are large gaps between the totals derived from micro data and the national accounts aggregates. In addition, there are uncertainties on the distribution of wealth because of the lack of administrative data on wealth, wealth that is held offshore, and complex forms of ownership (trusts, foundations).

21. Gabriel focused on four main areas on which in his opinion progress is needed:

- Collect more data on wealth: a growing number of countries publish balance sheets; the World Top Incomes Database (WTID) is being transformed into a World Wealth and Income Database to incorporate them.

- Improve wealth estimates by making allowance for unreported offshore assets and income (key for developing countries).

- Distribute total national income and wealth: matching of surveys and tax returns data (so as to have detailed coverage of both top 10% and bottom 90%), making explicit assumptions on the distribution of imputed rents, in-kind transfers, etc., so as to match national accounts totals (income before taxes/transfers and income after taxes/transfers).

- Improve information on distributional saving and consumption rates, which are necessary to understand link between income and wealth, and to think about policy (e.g., consumption versus wealth tax)

22. Marco Marinucci (Banca d’Italia) acted as discussant for the key note address. Doing so, he presented the Banca d’Italia’s work on households’ wealth. He noted that real assets are larger than financial wealth in most of the countries studied. In this respect, the results showed that net financial assets are large in Japan and the U.S., but much smaller in Germany and Spain. He also noted that the
composition of financial wealth differs substantially across countries. Subsequently, Marco discussed the econometric results of their research. He mentioned six main (preliminary) results from the Banca d’Italia study:

- Unemployment is generally negatively linked to wealth.
- International openness is positively linked with wealth, especially with financial wealth.
- Age has a positive correlation with financial wealth – old people do not dis-save! –, but it has a negative correlation with non-financial wealth.
- Interest rates have a negative link with wealth, especially non-financial wealth.
- Savings is negatively correlated to financial wealth, but positively correlated to non-financial assets, probably because of the role of down payments.
- As expected, stock market capitalization and the public debt/GDP ratio are positively correlated to financial wealth and negatively correlated to non-financial wealth.

23. Subsequently, Marco raised a number of questions in relation to Gabriel’s presentation: (i) What is the impact of possible data inaccuracies for the results and the related analysis and conclusions?; (ii) What are the main expectations regarding the BRICS-countries (Brazil, Russia, India, China, South Africa) when it comes to the distribution of wealth?; and (iii) What is the impact of the increasing globalisation on inequalities, and how can the process of growing inequalities be stopped?

24. Gabriel answered that a key to stopping the increasing inequalities is very much related to an increase in households saving ratios. To this end, several policies would be possible (boosting middle class income, financial regulation in mortgages, or having more incentives to save). He then noted that globalisation could explain the huge cross country heterogeneity (notably offshore tax heavens), and that BRICS’ data would improve the analysis of the phenomenon. Regarding the impact of inaccurate data, he stated that data are not available to adequately assess this.

25. Peter van de Ven (OECD/STD) commented that one of the G20 Data Gap Initiative (DGI) recommendations is to enhance the compilation of balance sheet data, which may support future analysis of developments in wealth. He also mentioned the OECD-project on linking national accounts data on income, consumption and savings to relevant micro data sources. The results for savings by income quintile were quite remarkable, giving rise to the question whether these results reflected true economic outcomes or may also reflect statistical artefacts. Michael Smedes (Australian Bureau of Statistics) asked what kind of further breakdown within a quintile was essential for the analysis performed by Gabriel. Furthermore, he expressed his doubts regarding the collaboration of offshore centres to report data, and he noted that in his opinion the work should focus on annual data. Patrick O’Hagan (Statistics Canada) welcomed the presentation and remarked that data quality and offshore avoidance of taxes were major challenges for the future. Catherine Van Rompaey (Statistics Canada) mentioned that massive sampling of the top income was not realistic. She also stated that consumption surveys tend to be very burdensome. She commented that matching techniques at the micro level should be done to correct for known issues. Brent Moulton (Bureau of Economic Analysis, U.S.) agreed that adjustments were needed to reconcile micro and macro data, but implied savings should be carefully interpreted because, since savings is a residual, it also tends to concentrate all the potential errors. Brent also commented on the life cycle versus the permanent income hypothesis: what if people don’t stay at the same point in the quintile distribution throughout their lifetimes?
26. Gabriel explained that he would love to have a series on the distribution of consumption but there were no satisfactory data sources, because the results from micro consumption surveys showed significant underestimations compared to macro estimates. Also the concept of consumption and savings were not always clearly defined. In this respect, he argued that saving rates are rough estimations and attempts should be made to improve them. He expressed that in the long term wealth is coming from savings and not from the revaluation of real estate assets. He reiterated the importance of measuring wealth that is held offshore for their study.

Session 5: Supply and Use Tables and Input Output Tables: user demands in a world of production fragmentation and outsourcing

27. In his presentation “Analytical Uses of Input-Output Tables” [STD/CSSP/WPNA(2014)5], Michael Smedes (Australian Bureau of Statistics) discussed the need to sometimes deviate from the treatment adopted in the international standards in order to let it become more analytically useful. In Australia two deviations from the standards are currently adopted: (i) in order to fully inform carbon emissions policy, the Input-Output Tables (IOTs) fully articulate own-account production and consumption of electricity; and (ii) in order to inform transport policy, the Australian IOTs adopt a wider definition of transport margins. Michael addressed the challenges to ensure coherency across macro-economic statistics, particularly as the IOTs are also used to weight producer price indices, and/or as the basis for various satellite accounts.

28. Fabienne Fortanier (OECD/STD) welcomed the efforts, and wondered whether it was possible to separately identify the transports margin. She also shared her enthusiasm on the initiative of APEC-countries to take part in the compilation of global IOTs, by developing regional IOTs for the APEC-region. She specified that the global IOTs are amongst others being used at the OECD to produce green growth indicators.

29. Sanjiv Mahajan (Office for National Statistics, U.K.) expressed the opinion that Supply and Use Tables (SUTs) should be a priority in national accounts offices and that SUTs should be produced before compiling the IOTs and creating the links to environmental statistics. He also mentioned that he was the editor of the UN Manual on SUTs. Peter van de Ven (OECD/STD) agreed with the U.K. comments and wanted to know how Australia established the links between SUTs and institutional sectors accounts. In this respect, Peter also stated that we should perhaps reconsider the statistical unit in the supply and use framework, i.e. moving away from the establishment and using the enterprise.

30. Catherine Van Rompaey (Statistics Canada) stated that SUTs were done at the establishment level in Canada and they are able to link establishments to enterprises. She wanted more details on the discussion of possibly introducing enterprises as the statistical unit in SUTs. She also wondered about the implications for regional accounts. Mark De Haan (Statistics Netherlands) expressed the need to have annual tables that are comparable over time, for analysis as well as for projects such as the compilation of global IOTs for Trade in Value Added (TIVA). Michael welcomed the international coordination and he agreed that annual time series of IOTs would indeed be useful.

31. Fabienne Fortanier (OECD/STD) made a presentation on the “OECD Expert Group on Extended Supply-Use Tables”. To respond to the challenges related to globalisation, the OECD created the Expert Group on Extended Supply-Use Tables, to explore the feasibility of creating SUTs that better respond to growing policy needs and that also improve coherence across the accounts, with a key focus on minimising respondents’ burdens. Fabienne provided an overview of the proposed work-plan of the Expert Group that amongst others wants to explore the feasibility of breaking down activities into sub-aggregates based on ownership (domestic-foreign) and export intensity. She also provided illustrations of why such groupings could improve homogeneity, coherence, estimates of TiVA, and indeed GDP, while also providing the
basis for coherent links to GNI. Finally, she described further extensions to SUTs that will be able to serve a number of other policy agendas, including jobs, investment, the environment, and OECD’s work on Base Erosion and Profit Shifting (BEPS).

32. Massimo Coletta (Banca d’Italia) wanted to know how joint ventures were taken into account, and how OECD addressed this issue. Patrick O’Hagan (Statistics Canada) added that this initiative underlined the need for having high quality and detailed Foreign Affiliate Trade Statistics (FATS) including links to IOTs to perform analysis. He welcomed these improved SUTs, and also the creation of the Working Party on Globalisation Indicators. Mark de Haan (Statistics Netherlands) noted the interesting work and asked whether a breakdown of TiVA in various production factor components such as information technology capital (ITC) and R&D was considered as a next step by the OECD. Sanjiv Mahajan (Office for National Statistics, U.K.) echoed some of the comments and asked about the (handling of) asymmetries in trade in goods statistics.

33. Fabienne explained that, regarding joint ventures, the OECD aligns to the rules of ownership applied in FATS and Foreign Direct Investment (FDI) statistics. The OECD is encouraging micro data linking at the national level, especially linking trade data with the structural business statistics, and establishing a micro-macro linkage of these statistics with SUTs. Fabienne informed Delegates that at the European level there is a push to develop surveys on business functions. Fabienne also emphasized the need to provide clear and careful communication on (the interpretation of) the concepts used in TiVA, so that users do not misinterpret or misuse the data. She also noted that in the next release of TiVA, the OECD would provide a quality report.

**Session 6: Globalisation**

Michael Smedes (Australian Bureau of Statistics) chaired sessions 6 through 8.

34. The main point of the session on globalisation was to address the draft guide of the Task Force on Global Production (TFGP), with additional contributions by countries on the way they deal with the challenges posed by globalisation. The first presentation “Treatment of factoryless goods producers in national and international accounts” by Mark de Haan (Statistics Netherlands) dealt with the work done by the TFGP on the factoryless goods production (FGP) issue [STD/CSSP/WPNA(2014)2]. Unlike the other two global production arrangements related to goods, namely manufacturing services on physical inputs owned by others and merchanting, for which the recording of the transactions are relatively well covered in the SNA 2008 and BPM6, the FGP is an arrangement that is becoming more common and is not discussed in detail in the existing standards. After in-depth analysis of the nature of FGP, the TFGP developed a proposal for the treatment of their transactions in the Guide to Measuring Global Production on which feedback from the OECD WPNA would be valuable in view of the forthcoming finalisation of the Guide and in view of defining the need for future work.

35. The second presentation was made by Jennifer Withington (Statistics Canada) on “The incidence of Factoryless Goods Producers in the Canadian economy”. She presented the results of the Survey of Innovation and Business Strategy conducted in 2012 by Statistics Canada. An important component of this survey was examining the outsourcing activities of Canadian enterprises. Such quantitative measures should benefit the conceptual debate around the recording of factoryless goods production in national accounts.

36. The two above presentations were discussed together. Both papers were very much welcomed, the first for presenting very clearly the work of the TFGP, and the second for being one of the first cases trying to apply the recommendations. Patrick O’Hagan (Statistics Canada) added that Canada has plans to go further with the initial work presented here. Concerning the work of the TFGP, Canada strongly
supports everything that is included in the guide, however with a small concern about the model presented in chapter 5 for the treatment of FGP's, which in their opinion may not provide the solution for all cases. Patrick added that the TFPG’s solution should be considered as the ideal model and as such should remain in the Guide, but it should also be understood that it may not fully reflect all complexities of the economic reality. The idea of merchanting could also be further examined in practice. The results on company’s mixed production functions in Canada raised questions from Michael Connolly (Ireland) and Robert Dippelsman (IMF) about the treatment of a possible mixed model with companies engaged in various types of activities without exclusively doing one of them (for instance, manufacturing themselves in addition to merchanting or in addition to factoryless goods production for a particular product), and about the implications in terms of classification and in terms of separately distinguishing each of these processes in the books of the relevant enterprises.

37. Jennifer Ribarsky (OECD/STD) who also involved on the TFPG was particularly interested by the practical case of Canada. She asked for a few precisions and welcomed any feedback from Canada for the possible addition of some clarifying criteria in the Guide. Concerning the mix of production functions, Mark de Haan (Statistics Netherlands) agreed that it is a difficult question. In the Guide, they included a typology of the various cases in isolation, and tried to clarify per arrangement what the accounting implications would be. So, in the ideal world when everything about a company is known, one should be able to account for the transactions per arrangement. But obviously practice is much more complicated than theory. Sanjiv Mahajan (Office for National Statistics, U.K) underlined the classification issue raised by mixed production functions, by activity and by product, and considered this as an issue for future work. Herman Smith (United Nations) added that the Expert Group on Classification was working on the FGP issue as well; it also needs the involvement of the experts on business registers and surveys.

38. The third presentation related to globalisation was also made by Mark de Haan (Statistics Netherlands). It concerned the “Treatment of royalty and licensing special purpose entities (SPEs) in the Dutch national accounts” [STD/CSSP/WPNA(2014)13]. He presented the research issues and the main conclusions of Statistics Netherlands with respect to the classification and methodology of Dutch royalty and licencing SPEs. Special attention was paid to issues regarding the measurement of output and the recording of related transactions for this type of SPEs in the Dutch national accounts.

39. In response to the presentation, Robert Dippelsman (IMF) wondered whether Balance of Payments specialists from the Dutch Central Bank had been involved in the research, and whether they had arrived at similar conclusions. Mark responded that this was the case. Statistics Netherlands and the Dutch Central Bank have also fully aligned the units to be classified as SPEs. The approach presented by Mark was supported by Patrick O’Hagan (Statistics Canada). François Lequiller (OECD/STD) underlined its pragmatism and the link that could be made with the OECD work on Base Erosion and Profit Shifting (BEPS), which dealt with the international concerns about tax avoidance by multinational enterprises.

40. Finally, Peter van de Ven (OECD/STD) stated that these kinds of activities could be quite large in some countries (within Europe, for example, the Netherlands, Ireland and Luxembourg), and could thus create difficulties in correctly interpreting the national accounts results. However, given the present international standards and also given practical considerations, one probably does not have a viable alternative for “simply” following the actual payments and financial flows. To arrive at an analytically more meaningful set of data, one could consider publishing the numbers for the relevant institutional sectors and for the Rest of the World with and without the SPEs. This has been done by Statistics Netherlands for a while.

Session 7: Panel discussion: National accounts in a globalised world
Panellists: Michel Connolly, Francisco Guillén Martin, Mark de Haan, Yungtaek Jung, Patrick O’Hagan
41. Peter van de Ven (OECD/STD) introduced the panel discussion. Five panellists were selected to discuss the implication of globalisation on the compilation of national statistics. Is national GDP still a relevant concept? How to deal with asymmetries in trade, income and financial flows, how to arrive at an enhanced international consistency of national data?

42. All panellists briefly introduced their viewpoints. Michael Connolly (Central Statistics Office, Ireland) started by discussing the scale of global credit and more generally global financial flows together with the increasing fragmentation of the activities of multinational corporations across the global economy, in particular transactions in Intellectual Property Products (IPPs) and related royalties. He noted that their impact on a given country cannot be fully understood by focussing on developments of GDP alone.

43. Francisco Guillén Martín (INEGI, Mexico) discussed the Mexican experience of trying to better capture global manufacturing within the Mexican national accounts. He noted the need to redesign surveys and think of new ways to better capture these global production arrangements.

44. Mark de Haan (Statistics Netherlands) discussed the need to further harmonise the accounting practices in the domain of global production arrangements. He pointed to the work of the Task Force on Global Production (TFGP) as a positive step towards the goal of international comparability.

45. Patrick O’Hagan (Statistics Canada) emphasised that macro-economic statisticians observe and measure the appropriate parts of global value and investment chains in order to explain domestic production, trade and balance of payments, national income, financial activity and international investment position, and national and sectoral wealth. In this sense, he stated that statisticians must be able to adapt their measures to globalisation realities while maintaining the line between core national and international accounts and relevant extensions to those accounts.

46. Yungtaek Jung (Bank of Korea, Korea) addressed the skeptics as to whether the concept of GDP is still relevant. Even with the phenomenon of increasing globalisation, Yungtaek does not think we need to be so skeptical about its concept in a sense that it still reflects the real world quite well. He noted that in the case of Korea, the business cycle extracted from the newly revised GDP precedes the employment cycle. In comparison to GNI and GO (Gross Output), GDP demonstrates stronger correlation with employment.

47. After these introductions, Tom Neubig (OECD/CTP) and Maria Borga (OECD/DAF), respectively involved in the OECD work on Base Erosion and Profit Shifting (BEPS) and Foreign Direct Investment (FDI) and Foreign Affiliates Trade Statistics (FATS) acted as discussants. Tom Neubig underlined some of the key areas of BEPS which were also raised by the panellists: the increasing globalisation, the increasing importance of global value chains within multinational enterprises, and the growing role of intangible capital. Because data are governed by differences in tax systems across countries, it becomes increasingly difficult to arrive at economically meaningful data. The country where the taxable income is reported is often disconnected from the country where the real economic activity is taking place. BEPS is trying to agree with countries on an improved coordination of their international tax systems. It goes without saying that all of this also affects a lot of the information used to construct national accounts: corporate tax return information, import and export prices, the flows of interest and royalties, the unconsolidated financial statements of affiliates of multinational enterprises, and statistics like FDI and GDP. Improving international tax policy increasingly requires information from national accounts but also from international accounts.

48. Maria Borga underlined the importance of data quality and the work done by BEPS, and supported the idea expressed by Patrick O’Hagan that it could be useful to go beyond the residency to look at the ownership. She indicated that more and more countries are nowadays compiling FDI statistics,
because it is incredibly useful. She also suggested one area for further investigation in the future: the transactions in intellectual property, to see how well they are captured in the FDI statistics.

49. The floor was then opened for discussion. In summarising the points put forward, Peter van de Ven concluded as follows on the main messages delivered. It is clear that the appropriate measurement of GDP becomes more and more complex and that it is affected by transfer pricing, etc., but the general opinion is that GDP remains a relevant concept. There is a clear need for improved data collection, more generally linking data on a micro level (FDI, FATS, business statistics, trade, etc.). It becomes increasingly important to visit the largest and internationally operating enterprises, to get better and more adequate information. It is also important to complement the results from the core national accounts with alternative presentations, and/or to publish additional information on internationally operating enterprises. Furthermore, there is a need to further extend and improve international or global accounts on for example the activities of multinational enterprises, which is very much related to what is being done in the areas of FDI, FATS and BEPS. More fundamentally, it may be needed to give more thought to additional and/or alternative macro-economic income concepts. Finally, Peter wished BEPS lots of success, as this may also significantly improve the information base for the compilation of national accounts as well.

Session 8: Measuring transport infrastructure

Jari Kauppila presented “Improving data on transport infrastructure spending”. He discussed the need of the International Transport Forum (ITF) to arrive at better aligned and internationally comparable data on investments and capital stocks of transport infrastructure. Doing so, they would like to align to national accounts definitions and methodologies, also trying to exploit the relevant national accounts databases to the extent possible. Jari wanted feedback on whether it was possible to provide data on transport infrastructure, both for investments and capital stocks, broken down by various asset types.

Brent Moulton (Bureau of Economic Analysis, U.S.) stated that there was quite a bit of information available on transport infrastructure on BEA’s website. Also other countries, such as Korea, Sweden and New Zealand, explicitly provided feedback in stating that more detailed information was available, although not necessarily exactly in line with the requested details. Based on this positive response, the OECD Secretariat and the ITF may come back to the countries with a more concrete request for available additional details.

Session 9: Measurement of non-produced non-financial Assets

Jennifer Ribarsky (OECD/STD) presented “Introduction to the draft Guide on land” [STD/CSSP/WPNA(2014)6], on the draft Eurostat-OECD Compilation Guide on Land Estimation, the main outcome of the Task Force on Land and Other Non-financial Assets. The guide aims to provide guidance on the compilation of estimates for land on the balance sheet. Jennifer presented the structure and content of the guide which includes descriptions of sources and methods, practical guidance, numerical examples, and country case studies. Jennifer asked countries to check and comment if necessary, once the guide is circulated, including the accuracy of the information on service lives and the calculation of depreciation, and other data presented in the guide. At the end of the presentation, the mandate for future work of the Task Force was discussed.

In the further discussion, Patrick O'Hagan (Statistics Canada) made two comments on the Guide. The first comment related to the difficulties for certain countries to exactly follow the classification (subcategories and subcomponents) of land as recommended in the Guide. The second comment related to some of the graphs presented in the Guide. In his opinion, most of the revaluation of residential real estate
should be recorded in the land component. Furthermore, Patrick commented on the change in use of land, and whether this change is to be considered as a price change or as a volume change. He concluded that it is both. In addition, he raised questions on the measurement of transactions in land. Yosuke Tada (Cabinet Office - Government of Japan) supported the Canadian delegate on the classification issue, and informed that due to ongoing bilateral discussions on calculation methods data for Japan are not yet included in the draft Guide but they may be included in its final version. Yosuke Tada supported the continuation of the Task Force, mentioning that on top of providing more guidance on inventories, contracts, leases and licenses could be an item to consider for the future work of the Task Force.

54. Sanjiv Mahajan (Office for National Statistics, U.K.) raised the question on valuation of government owned land, and how to value land that has not been traded on the market. He suggested goodwill and marketing assets, as well as mineral and energy resources as possible items for further work of the Task Force, in addition to inventories. Michael Connolly (Central Statistics Office, Ireland) supported the further work of the Task Force, and suggested to look more in-depth into the issue of inventories held abroad. Herman Smith (UN) also supported the future continuation of the work of the Task Force and the work on inventories, and asked whether non-OECD countries could have access to the compilation guide on land, for consultation. The chair of the session, Brent Moulton (Bureau of Economic Analysis, U.S.), added an observation concerning inventories, stating that the U.S. has an issue regarding the handling of changes in survey samples. It showed to be quite difficult to bridge subsequent samples and arrive at consistent levels (e.g., the end of period inventories of an old sample are sometimes significantly different from the levels at the beginning of the period of the new sample).

55. Jennifer thanked for the positive feedback and in her response to Canada stated that the measurement of transactions in land is not part of the Guide. The guide however does provide a conceptual discussion. Furthermore, she mentioned that, in the case the classification of land is not detailed enough, the distinction between revaluations and other changes in volume of assets is difficult to make. More generally, Jennifer stressed that countries still have the opportunity, and are also very much invited, to provide comments on the draft Guide. In relation to the future work of the Task Force, in addition to inventories, one other item will most likely be taken up: valuables, contracts, leases, and licenses together with goodwill were mentioned by Jennifer. In response to Sanjiv’s question, Jennifer mentioned that the Guide contains a country example on how to value government owned land. Jennifer agreed to send the draft Guide to the UN, the IMF, and the World Bank for global consultation. In addition, once the guide is finalised, it will be made freely available for download on the OECD and Eurostat’s websites.

56. Michael Smedes (Australian Bureau of Statistics, ABS) presented “Measuring Obsolescence in Non-Technological Fixed Assets” [STD/CSSP/WPNA(2014)4]. In his presentation, he discussed the current review of asset service lives used in the application of the Perpetual Inventory Method (PIM) for the measurement of capital stocks in Australia. Initial findings of the ABS were that current asset lives generally are too long, largely as a result of an over-emphasis on the wear and tear element of depreciation and an insufficient emphasis on the obsolescence element. This was particularly the case for dwellings, where increases in land prices have seen detached low-density dwellings demolished and replaced with high-density multi-unit dwellings long before the former dwellings have worn out. In addition to this impact of land prices on dwelling service lives, Michael explored the nature of obsolescence more generally.

57. In the follow-up discussion, Patrick O'Hagan (Statistics Canada) pointed out that the average service lives are dynamic and that it is a major challenge to adequately update the service lives. He asked Michael whether the ABS had information on demolitions and conversions being important factors for possible dynamics in the residential market. Sanjiv Mahajan (Office for National Statistics, U.K.) was interested in the quality characteristics of buildings, e.g., service lives of older dwellings (arguably perhaps better quality and longer service lives) versus service lives of new dwellings (perhaps shorter service
lives). Peter van de Ven (OECD/STD) raised the question whether the obsolescence issue is not driven by
the shift in the type of dwellings, and could be covered by applying more granularity in the compilation of
consumption of fixed capital and capital stocks. Robert Dippelsman (IMF) raised a question on the
interpretation of ‘normal obsolescence’ in the context of changes to zoning laws, tax laws or population
density.

58. Michael Smedes confirmed that data on demolitions and conversions were available and taken
into account. On the question of having more granularity when applying the PIM, Michael responded that
additional granularity does not help in the case of unforeseen changes (due to fashion or people’s desire).
Michael stated that, in the case of Australia, everything is considered normal obsolescence unless it is an
abnormal event such as a disaster.

59. Francisco Guillén Martín (INEGI, Mexico) presented “Land and Hydrocarbon reserves, Mexican
experience in the measure of non-financial non-produced assets”. Francisco discussed the recent
incorporation of non-produced, non-financial assets in the Mexican system of national accounts, as a result
of a comprehensive review of the accounts by institutional sector. In the case of land, he focused on the
advances made to estimate the value of land and structures built on it, as part of the work done in the Task
Force on Land and Other Non-financial Assets. In addition, Francisco discussed the valuation of
hydrocarbon reserves, with a special focus on the implications for non-transaction flows in the other
changes in volume accounts.

60. Questions were raised by Peter van de Ven (OECD/STD) on the results for energy and mineral
reserves presented by Francisco. Peter wondered whether some kind of smoothing of the prices was used
since the values for energy and mineral reserves were relatively stable despite using international prices
and exchange rates for valuation. Patrick O’Hagan added Canadian experience concerning the split in
additions versus depletions for natural resources. Francisco replied that a certain stability in prices was
assumed when valuing the reserves. Peter agreed that in his opinion the volatility in the market prices for
energy and minerals should not (immediately) feed into the asset value.

Session 10: Analysis of revisions in GDP growth and quality issues related to national accounts

61. Jorrit Zwijnenburg (OECD/STD) presented “Revision in quarterly GDP of OECD countries: An
update”. He covered the work done on the history of revisions in 18 OECD countries, by analysing GDP
quarterly growth estimates. Compared to earlier OECD studies, this analysis covers an additional time
period, a breakdown by main expenditure components excluding inventories, and an analysis of the
appropriate detection of acceleration/deceleration and direction of change. Jorrit presented the main
outcomes of the study: first, on average countries perform upward revisions; second, the direction of
change and of the acceleration/deceleration is in most of the cases not altered by the revisions; and third,
gross fixed capital formation (GFCF) and imports are the main expenditure components subject to
revisions.

62. Many delegates emphasised the fact that revisions are affected by changes in concepts, sources,
and methods: for example the Japanese delegate commented that Japan’s relatively large revisions are
caused by methodological changes, as well as by the practice of concurrent seasonal adjustment during
volatile periods like the global financial crisis. The Swedish Delegate provided the results of their own
revision analysis, concluding that Sweden showed relatively steady upward revisions between quarterly
and annual data before 2009 but opposite results after 2009. She also commented that she would like to see
the inclusion of inventories in the revision analysis study. Idilio Freire (National Institute of Statistics,
Portugal) mentioned that the revisions may come from the benchmark (or base) year changes and not from
the quarterly series itself. Ann-Lisbet Brathaug (Statistics Norway) wondered what other countries do in
reconciling the gaps between annual and quarterly national accounts, as in Norway the mean revision is low but the absolute mean revision is quite significant.

63. Michael Smedes (Australia Bureau of Statistics) commented that it is difficult to find some pattern in revision analyses. Catherine van Rompaey (Statistics Canada) acknowledged that there is always a trade-off in between quality and timeliness. Many delegates supported the importance of having adequate metadata. For example, Sanjiv Mahajan (Office for National Statistics, U.K.) emphasised the need to have more information on the sources of the revisions. Eurostat stressed that revisions are not bad in themselves. Of course, they should be limited as much as possible, but having no revisions at all would mean there are no new source data available, or, even worse, new source data are available, but not used. The ECB also supported the need for metadata; in their opinion, revision studies are an important source of information for users. Robert Dippelsman (IMF) noted that one of the conclusions of an IMF revision analysis for G20 countries was that revisions tend to have a cyclical element, i.e., revisions tended to be upward during expansions and downward during recessions.

64. In response, Jorrit (OECD, STD) emphasised that revisions are not necessarily good or bad, they just are. He added that revision analysis can be useful, because it can inform national statistical institutes on areas of possible improvements. He encouraged Delegates to provide any information on the reasons for the revisions, so that the OECD can provide better metadata to users. Jennifer Ribarsky (OECD/STD) added that the source data set of this study is the Main Economic Indicators database of the OECD.

65. It was concluded that this type of analysis was very useful. The OECD Secretariat will publish the results of this revision analysis, and invited countries to provide additional details on the reasons for their revisions. The OECD will also consider including an analysis of the correlation of revisions with the business cycle pattern.

66. Catherine Van Rompaey (Statistics Canada) presented “Measuring the Quality of National Accounts Estimates”. In her presentation, she introduced a new methodology for assessing the quality of benchmark national account estimates. This new methodology applies a set of quality indicators to the underlying data used to compile different dimensions of the macro-economic accounts, using the national accounts weights to aggregate the quality indicators. She stated that this approach allows compilers to study the evolution in quality over time or determine which components of national accounts may require further research and quality assurance.

67. Peter van de Ven (OECD/STD) and Sanjiv Mahajan (Office for National Statistics, U.K.) asked if this new methodology of quality scores is applied in an automatic balancing procedure for Supply and Use Tables. Catherine responded that Statistics Canada does not yet have an automatic balancing mechanism, manual balancing being performed at a detailed level.

68. Steve Drew (Office for National Statistics, U.K.) presented “Survey of country practices in National Accounts operations”. He emphasised that the aims of this survey were (i) to identify common challenges and opportunities where countries may benefit from cooperation and sharing best practice; and (ii) to assess how national accounts operations are being affected by the accelerating rate of change, dramatic increases in the availability of information and budgetary constraints. In his presentation, he showed the most important results of the survey. Sanjiv Mahajan (Office for National Statistics, U.K.) added that sharing of best practices and statistical tools amongst national statistical institutes and central banks is important.

69. Daniel Suranyi (Eurostat) asked for feedback from EU countries on ideas for the sharing of tools. He noted the implementation of SDMX showed positive gains from sharing tools and expertise, and he would like to build on that experience.
Session: Concluding remarks

70. The chair, Brent Moulton (Bureau of Economic Analysis, U.S.), thanked the Delegates for participating in a successful meeting. Peter van de Ven (OECD/STD) thanked the interpreters, the Delegates for their papers and presentations, the panellists and the discussants. In addition, he thanked the chairs for their good conclusions to each session and the active participation and interventions made by the Delegates.