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**Working Party on National Accounts**

**SUMMARY RECORD**

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For further information about this document, please contact Nadim AHMAD  
E-mail: [Nadim.AHMAD@oecd.org](mailto:Nadim.AHMAD@oecd.org)

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## SUMMARY RECORD OF THE 2010 OECD NATIONAL ACCOUNTS WORKING PARTY MEETING

1-3 DECEMBER 2010

### 1 December: Common day WPFS and WPNA

#### I. National accounts implications of the financial crisis

The following documents were presented to WPFS and WPNA Delegates:

- *'Recording government actions taken in response to the global financial crisis in the national accounts'* [STD/CSTAT/WPNA(2010)1], by Nadim Ahmad, OECD/STD
- *'Quarterly statistics in OECD databases: Report on the availability and timeliness of quarterly data'*, by Jiemin Guo and Michèle Chavoix-Mannato, OECD/STD
- *'OECD Households' Assets and Liabilities table 7HAL - a progress report on data collection and future perspectives'*, by Federico Giovannelli, OECD/STD
- *'Preliminary results of the Chilean project on Institutional Quarterly Accounts, with a special emphasis on the effects of the recent crisis'* [COM/STD/DAF(2010)16], by Josué Pérez/Carmen Gloria Escobar, Central bank of Chile.

1. Riccardo De Bonis, Bank of Italy made three comments on the quarterly statistics presentation:

- He welcomed the fact that the ECB had agreed to transmit data to the OECD, as this avoided double transmission.
- He noted that differences in quarterly and annual data were negligible and that OECD should concentrate on Eurostat data for annual analysis and on ECB data for the quarterly ones.
- Concerning the difficulties in receiving data from some countries, he cited the example of Japan whose website reports the Quarterly Financial Accounts data that are easily downloadable. This is to say that the figures can also be found on the Central Banks or NSOs websites, even though countries should be encouraged to transmit data directly to the OECD.

2. Michael Andreasch, Osterreichische Nationalbank, agreed on letting the OECD publish the Quarterly Financial Accounts data once countries had given their authorisation to the ECB. At the same time he stressed the importance of publishing the same data both at the national and at the international organisation level. He also asked whether, for quarterly data, OECD meant 'real' quarterly data or a 'cumulated moving four quarters sum' (that is particularly used by Eurostat in the production of quarterly indicators).

3. Manik Shrestha, IMF, explained that the IMF strongly supported the development and dissemination of Sector Balance Sheets more broadly and at a global level and stressed the importance of the work in the context of the G20 recommendations.

4. Andreas Hertkorn, ECB, confirmed that the financial data provided to the ECB by EU countries and flagged as ‘free of publication’ will be made available to Eurostat and to the OECD. He also added that quarterly financial data are consistent with the Annual Financial Accounts.

5. He encouraged the missing EU countries to transmit data through the ECB, in particular the EU non-Euro Area countries, and he announced that some investment will be done in order to check data quality and availability for these countries. He finally pointed out that the possibility of extracting data from NSOs or Central Banks websites was not always trivial.

## **II. The 2008 SNA - Implementation, analytical, data and conceptual issues**

### ***Implementing the 2008 SNA***

6. Amanda Seneviratne, Australian Bureau of Statistics (ABS), (*Implementation of SNA 2008 in the Financial Accounts: The Australian Experience* [COM/STD/DAF(2010)17]) described the Australian experience in implementing the 2008 SNA changes, particularly the main changes associated with the Financial Accounts including some of the conceptual and practical issues faced by the ABS.

7. Min Woo KIM, Bank of Korea, described the *Roadmap for the implementation of 2008 SNA in Korea* which contained five milestones, including internal organisational changes and cooperation with other international organisations. The full implementation will be completed by 2014.

### ***Accounting for pensions: Pension Satellite Accounts***

8. In his presentation *The Canadian Pension Satellite Account (PSA)* [COM/STD/DAF(2010)18], Allan Tomas, Statistics Canada, outlined the three tiers of pension saving schemes in Canada and their treatment in the Canadian System of National Accounts (CSNA), and presented the structure as well as some results of the relatively new PSA (Pension Schemes Act). He also discussed some issues related to the full implementation of the proposed treatment of accounting for pension contributions and pension schemes in SNA 2008, as part of the upcoming historical revision to the CSNA.

9. In *Progress Report on Compiling 2008 SNA Table 17.10 for Australia* [COM/STD/DAF(2010)17], Amanda Seneviratne, ABS, presented the issues faced by the ABS in populating the 2008 System of National Accounts (SNA) table 17.10, “Supplementary table on pension schemes in social insurance”. She also asked questions about social assistance, requested clarification on the term 'Sponsor' with regards to public sector corporations, and raised the issue on imputing contributions with regards to 'contribution holidays'.

## **III. Balance sheets**

### ***Flow of funds (including capital account) and balance sheet accounts***

10. Michael Andreasch, Oesterreichische Nationalbank, presented *Integrated presentation and analysis of sector accounts data in Austria* [COM/STD/DAF(2010)20].

11. In response to follow-up questions he offered to provide to interested delegates, by e-mail, the link to the website where the “Pajek software” used for the study can be freely downloaded.

12. Murat Tanriseven, Netherlands Statistics (CBS), presented *Measuring stocks of non-financial assets by sector and net worth* [STD/CSTAT/WPNA(2010)2].

13. Italy and Denmark raised some issues that arise when separating land and buildings. Ole Berner, (Denmark) also stressed the risks of negative land values when land underlying building is derived as a residual, especially when the depreciated value of buildings is used. He stated a preference for not using depreciated values of buildings and expressed the need to define some convention on how to make the split properly. Canada emphasised the importance of the valuation of land and dwellings and recommended that the topic be the subject of follow-up work.

#### ***OECD/IMF Conference***

14. Manik Shrestha, IMF, presented information on ‘*Update on the IMF-OECD Conference on Strengthening Sectoral Position and Flow Data in the Macroeconomic Accounts*’ [COM/STD/DAF(2010)21] (28 February to 2 March, 2011 in Washington D.C). Among the issues planned on the agenda, priority was to determine a minimum set of sectoral position and flow data.

15. Reimund Mink, ECB, presented ‘*The ECB's contribution to the OECD-IMF Conference on quarterly sector accounts*’ [COM/STD/DAF(2010)22]. ECB emphasised the need to consider data on non-bank financial institutions as a particular priority.

#### **IV. Conclusions of the joint-WPFS/WPNA meeting and proposals for 2011**

16. The joint WPFS/WPNA meeting concluded the following, as possible items for inclusion in the 2011 agenda:

- The delineation of sectors, resulting from the 2008 SNA
- Pension funds – harmonisation and clarification of statistical methods and concepts.
- Land – a consideration of practical and conceptual issues and challenges.

## **2-3 December: National Accounts Working Party Meeting**

### **I. Adoption of the draft agenda [STD/CSTAT/WPNA/A(2010)1]**

The agenda was adopted with minor changes to the order of presentations.

### **II. Adoption of the minutes of the last meeting [STD/CSTAT/WPNA/M(2009)1]**

The minutes of the last meeting were approved.

### **III. The 2008 SNA – Implementation, analytical, data and conceptual issues**

#### ***Which way forward for the National accounts? F. Lengart***

1. Fabrice Lengart presented the four main topics that will constitute INSEE's medium and long term research program in the national accounts: (i) Income distribution and well-being: breaking down household accounts into detailed categories and via social satellite accounts; (ii) Greater use of microdata in articulating corporations' statistics; (iii) Globalization in the NA: giving a greater emphasis to ownership (foreign/domestic) and multinational production processes; (iv) Environmental accounting: estimating pollutants embodied in consumption and the monetary value of environmental degradation.

2. Delegates welcomed the initiative of INSEE but noted that there could be restrictions on how far other countries would be able to pursue some of the topics; particularly concerning the push to provide greater deal on the corporations sector, where confidentiality was noted as being a potential barrier.

#### ***Estimating intellectual property assets in the Netherlands: MR. Tanriseven***

3. Murat Tanriseven presented work in the CBS on the measurement of a broader range of IPPs than those covered in the 2008 SNA: Brand equity, Organizational innovations, Architectural and Engineering designs, and Human capital). The paper demonstrated that the inclusion of these assets within the accounting framework could make a material difference to MFP calculations, and encouraged further work on this issues at an international level.

4. The Secretariat informed Delegates that the OECD Directorate for Science, Technology and Industry in collaboration with the Statistics Directorate would be conducting work on this activity in 2011.

#### ***International transactions in IPPs within multinationals – A proposal for an expert group; and Goods for processing: N. Ahmad***

5. Nadim presented two papers resulting from work by the UNECE led Steering Group developing the Handbook on Globalisation in the National Accounts.

6. The first paper related to transaction in IPPs within multinationals and considered whether more detailed guidance was needed in the SNA relating to 'economic ownership' particularly for IPPs transferred to affiliates created in low-tax jurisdictions.

7. In follow-up comments most responses were to retain 'residence' and 'legal ownership' as practical defining characteristics, on the grounds that the national accounts should record transactions as they happened, even if that presented some difficulties for analyses, such as productivity analyses. These views partly reflected practicalities, for example the extra complications that would come from rerouting

income flows. But they also reflected difficulties in interpretation, for example, the taxes paid/subsidies received by the affiliates.

8. The Secretariat took note of the views and concluded that a separate expert group examining the issue would not be necessary and that it would suffice to consider the issue as part of a broader discussion on global production processes, that would probably form on-going work of the UNECE led steering group, that would include items such as goods for processing, and that would be carried out in a coordinated manner across international/national agencies.

#### **IV. Measuring Progress**

##### ***Households and Income***

*Measuring the impact of social transfers in kind on households income distribution in Israel, (Oz Shimony, Israel Central Bureau Statistics)[STD/CSTAT/WPNA(2010)13]*

9. Oz Shimony presented work on the impact of social transfers in kind (STK) on households income distribution, that broke down STK into ten decile groups of households according to net income, using three main sources: national accounts, satellite accounts on education and health and household surveys.

*Measuring non-market household production: estimates and methodology: Susumu Kuwahara, Economic & Social Research Institute ESRI and Nadim Ahmad.*

10. Susumu Kuwahara presented a paper on the monetary valuation of unpaid work. He started with an overview of the Survey on Time Use and Leisure Activities (STULA) before describing the detailed methodology used to value unpaid work and its scope. Paul Schreyer, on behalf of Nadim Ahmad, presented similar work undertaken by the OECD that extended the scope to include the contribution of capital as well as labour. He demonstrated that the results of value of labour using a replacement cost approach and opportunity cost approach differed significantly when measured as a share of GDP but comparisons on a PPP basis were much closer and so much less affected by whether a replacement or opportunity cost approach is used.

11. In follow-up comments, the Finnish delegate noted the work undertaken by a 2003 EUROSTAT Task Force working on household satellite accounts, which provided guidelines on distinguishing consumer durables used in providing leisure services.

12. The German delegate noted some concerns related to the inclusion of paid holidays in the hourly wage rates used.

13. The American delegate from the US BEA noticed that comparing between the Japanese and OECD presentations results for Japan differed significantly and asked whether it could be due to different assumptions regarding valuations.

14. Mr. Kuwahara explained that the differences were probably due to gender because Japan used different wages for men and women.

15. Mr. Paul Schreyer welcomed the proposal to use the EUROSTAT guidelines as a starting point to compile the full sequence of household production accounts, and also added that, for more consistent data projects, the OECD should link estimates of human capital to household production. Concerning the issue of valuation, MR. Schreyer agreed that the use of market wages for valuation was not perfect because it

includes compensation for holidays adding that this was one of the reasons why the OECD chose undeclared labour compensation for its study.

### ***Information items***

#### ***From GDP to adjusted net household income – a decomposition analysis (Julien Dupont, OECD)***

16. Julien Dupont provided an overview of a project launched on a decomposition analysis of the differences between growth in GDP and growth in household income across OECD countries. He gave an overview of the decomposition method and provided preliminary results for Finland and Norway. A first set of results is expected by the end of 2011.

#### ***OECD expert group to measure disparities in a national accounts framework (Maryse Fesseau, OECD)***

17. Maryse Fesseau gave an outline of work of the OECD expert group to measure disparities in a national accounts framework and the OECD Expert Group established to develop an integrated framework for household income, expenditure and wealth statistics at the micro-level.

## **V. Government and the Public Sector**

#### ***OECD database on Public Finance and Employment (Dirk Jan Kraan, OECD)***

18. Dirk Jan Kraan presented an overview of a new database on Public Finance and Employment, describing the importance of COFOG 2 classifications in the structure of public expenditures.

19. The United States stated that they were able to provide COFOG 2 breakdowns. Likewise, Canada responded that they would be able to do so in the near future. Germany noted that some care would be needed in cross country comparisons particularly for the more detailed sector comparisons. In responding Dirk proposed to circulate a list of the priority COFOG 2 classification groups in the database.

#### ***Government at a glance and the national accounts (Zsuzanna Lonti, OECD)***

20. Zsuzanna Lonti provided an overview of those parts of the forthcoming Government at a Glance publication that drew heavily on national accounts data.

21. In response the Swiss delegate noted difficulties in Switzerland in using surveys to differentiate between the public and private sectors. The German delegate further noted that what was and was not included in the public sector of different countries could complicate international comparisons.

#### ***Classification of payments to deposit insurance and financial stability schemes (Maurice Nettley, OECD)***

22. Maurice Nettley presented the results of a survey undertaken by the OECD's Tax Directorate on the national treatment of payments to deposit insurance and financial stability schemes. He noted the variety of responses given by countries and asked delegates for their comments on the issue as input into a proposal paper being formulated for May 2011.

23. Delegates welcomed the initiative and recognised that further explicit guidance would be welcome such that differences in national treatments reflected differences in the nature of the schemes.

## **VI. OECD database on public corporations (Dong Won Lee, OECD)**

24. Dong Won Lee presented the initial results of the OECD's 2010 questionnaire on public corporations.

25. Canada noted that only some of its public corporations appeared to be included in the results and that they would need to review their response to the questionnaire. The United States also responded that there appeared to be some confusion with some of the questions and they would review their responses.

26. Nadim Ahmad explained in responding that the primary purpose of the survey was to assess the feasibility of collecting this information in a meaningful and comparable way across countries. In that sense, it was noted that the results achieved thus far were promising, even if further work was needed to better clarify the questionnaire and to undertake cross country comparisons.

## **VII. Green growth and the environment**

### ***Report on the OECD Green Growth strategy and Green Growth indicators (Paul Schreyer, OECD)***

27. Paul Schreyer presented the OECD Green Growth strategy and Green Growth Indicators which was welcome by delegates.

### ***CO2 emissions from Economic Circuit in France: Up to Carbon Footprint of Final Consumption by Groups of Households (Fabrice Lengart, INSEE)***

#### **Carbon Dioxide Emissions Embodied in Final Consumption (Nadim Ahmad, OECD)**

28. The delegate from Statistics Denmark asked Nadim Ahmad to confirm that calculations on consumption referred to total final demand including investment.

29. The delegate from Portugal asked how differences between imports and exports at the national level were dealt with.

30. The US delegate noticed that 47 countries were included in the study conducted by Mr. Ahmad but that trade with other countries was small but questioned the impact of mineral extracting countries like Saudi Arabia, Venezuela, Indonesia etc. that were not included in the input output database.

31. In responding Mr. Ahmad confirmed that the consumption figures included investment and he further stated that work was currently being undertaken to see if flows related to the use of capital could also be embodied in the system. He responded that the inconsistency in global trade figures had in effect been allocated to the R.O.W. Mr Ahmad also noted that similar difficulties were raised via c.i.f./f.o.b. valuations. In response to the US question on missing mineral rich countries, Mr Ahmad made two observations. The first was a reminder that the emissions generated in using the minerals such as oil were fully captured, irrespective of where they originated. And the second related to the use of IEA emissions data in these sectors to construct the emissions intensities related to extraction for the group of countries categorized in the framework as the R.O.W, rather than pure stylized assumptions.



### **VIII. Open session**

Information items on the following topics were presented.

*Quarterly National Accounts and Economic Policy in Korea (Kim, Min Woo, Bank of Korea)*

*Integrating productivity Estimates in the national accounts (Art Ridgeway, Statistics Canada)*

*Enhancement of OECD Unit Labour Costs (Eun-Pyo Hong and Frédéric Parrot, OECD)*

### **IX. Data and Analytical Developments**

*OECD Annual National Accounts database (Esther Bolton)*

*OECD Quarterly National Accounts database (Rachida Dkhissi)*

32. Countries were invited to comment on the situation regarding their databases and to provide modifications/corrections as necessary. The Secretariat noted these interventions and noted that they would be taken on board.

### **X. Conclusions of the WPNA meeting and proposals for 2011**

#### *Actions*

Delegates were asked:

- To consider the paper on “Recording government actions in response to the financial crisis in the national accounts” and provide any comments to the Secretariat.
- To provide any outstanding responses to the questionnaire on quarterly statistics as soon as possible.
- To transmit any references/working papers/additional material that may have been undertaken at a national level that would be useful for analyses that decomposed the transactions between GDP and net household income.

33. The OECD GOV Directorate agreed to formulate and circulate a list of the key COFOG 2 categories needed in its Public Finance and Employment database.

### **XI. Proposals for 2011**

34. There was a recognition that the following items merited consideration in the 2011 NAWP meeting:

- The notion (guidelines) of Fair value for financial assets and liabilities;
- Further deliberations on Pensions, including implementation issues related to Table 17.10 of the 2008 SNA;
- A need to elaborate clearer guidelines related to the delineation of sectors;
- The valuation of land on the balance sheets – in particular land under dwellings – where the OECD announced a possibility of a survey;
- International transactions within multinationals and Goods Sent Abroad for Processing – capitalising on and continuing the work undertaken by the UNECE led Steering Group developing the Handbook on Globalisation in the National Accounts;

- Classification of payments to deposit and insurance financial stability schemes – where the OECD will launch a survey (written consultation process) articulating the various schemes and seek country views on how payments should be recorded.