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Working Party on National Accounts

DRAFT SUMMARY RECORD

**Tour Europe, Paris la Défense
14-16 OCTOBER 2008**

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OECD NATIONAL ACCOUNTS WORKING PARTY

14-16 OCTOBER 2008

DRAFT SUMMARY RECORD

1. Adoption of the draft agenda [STD/CSTAT/WPNA/A(2008)1]

The agenda was adopted with two added items: report on the Working Party on Financial Statistics, and elections of the Bureau.

2. Adoption of the minutes of the last meeting [STD/CSTAT/WPNA/M(2007)1]

The minutes of the last meeting were adopted.

3. SNA Review

- *Progress report SNA Manager*
- *Update on implementation plans*

The project manager of the update of the 1993 SNA, Mr. Paul McCarthy, gave a summary description of the progress made in the update since its inception in 2003. He noted the decision of the UNSC to complete the update in two steps, with “Volume 1” being released in 2008 and “Volume 2” in 2009. Volume 1 comprises the “core” of the accounts, namely chapters 1-17, and was made available electronically shortly after it had been approved by the UNSC in March 2008. Later in the year a “White Cover” version of Volume 1 was released. Volume 2 (chapters 18-29) covers matters concerning interpretations, extensions and the presentation of the national accounts.

Volume 1 was released after the removal of codes for the flows and stocks in the accounts. They will be discussed at a meeting of the Advisory Expert Group (AEG) in November 2008, and it is intended that codes will be introduced in a final version of the 2008 SNA in the second half of 2009. Other matters to be discussed by the AEG are possible new work on insurance, pensions, emission permits and issues relating to Volume 2.

Mr. Herman Smith (UNSD) then gave a presentation concerning actions taken by the ISWGNA in response to requests from the UNSC to facilitate the implementation of the 2008 SNA by strengthening the statistical capacity of developing countries. He described the objectives of the *UNSD-Eurostat Conference on International Outreach and Coordination in National Accounts for Sustainable Growth and Development* held in Luxembourg from 6-8 May 2008. He went on to identify the major stakeholders, outlined the main recommendations and the strategic planning principles developed at the conference. In response to a query, he made the point that for most developing countries few of the changes in the 2008 SNA would have much impact on their compilation activities; the important thing was to strengthen the statistical systems and personnel that supported the national accounts. It was important that plans for development and co-operation were developed at the regional level.

Mr. Charles Aspden (OECD) gave a presentation concerning the implementation of the SNA in OECD countries. He began by describing when OECD countries proposed to adopt the 2008 SNA and then described what had been agreed by the OECD Statistics Committee at its meeting in June 2008 concerning the implementation of the 2008 SNA:

- It expressed support for the overall OECD strategy for the SNA revision, while expressing concern that the implementation by countries is not taking place quickly enough, namely:
 - formulating a strategy to ensure comparability of data
 - developing handbooks and manuals
 - defining a research agenda for the OECD WPNA
- It accepted the need to supply estimates according to both old and new standards for one period (according to SNA 1993 and 2008 definitions) while the adoption of the new standard takes place.
- It also asked countries to report data in compliance with the new standard should they decide not to do so in their own publications.
- It suggested that the new Bureau should discuss the issue of different timings in the implementation of 2008 SNA by individual OECD countries, including a possible Council recommendation on the scheduled implementation.

In the ensuing discussion Canada expressed concern about the lack of training in national accounts at universities in the developed world and raised the possibility of sharing the means of providing distance learning between countries; Australia agreed to report back to the WPNA on its experience of implementing the 2008 SNA; Japan reported that its statistics committee was considering when it would implement the 2008 SNA; and New Zealand indicated that it will turn its attention to the implementation of the 2008 SNA once it has adopted its revised industry classification, but did not have a date yet.

4. Accession process to the OECD [STD/CSTAT/WPNA(2008)1]

– *Review of national accounts in accession countries (OECD)*

Mr. David Roberts (OECD) presented the OECD's process for reviewing accession countries' national accounts. There was no discussion.

5. GDP and beyond – recent developments [STD/CSTAT/WPNA(2008)2]

– *Update on Commission on the measurement of economic performance and social progress (Stiglitz Commission)*

Mr. Jean-Etienne Chaperon (INSEE) informed the group of the work of the Commission on the measurement of economic performance and social progress, put in place by President Sarkozy. The UN-ECE questioned the objectives of this work and referred to its own work on sustainability indicators.

The Greek Delegate welcomed the presentations and questions about intentions for implementation.

The ECB underlined that there is a difference between current well-being and sustainability and this distinction should be preserved.

Italy raised the issue of whether present functional classifications for government and non-profit institutions are appropriate for questions of measuring individual consumption and its link to economic well-being.

Denmark mentioned that micro-data on household wealth would be an important tool to gauge some of the possible impacts of the current economic crisis on household well-being.

The SNA editor pointed to the lack of attention that is being paid to unpaid labour outside households.

- Comparing micro-and macro estimates of household disposable income (OECD)

Mr. Marco Mira d'Ercole (OECD) presented a paper that explored the links between income measures based on household surveys and income measures based on the national accounts. Differences turn out to be sizable even if an effort is made to adjust national accounts variables for differences in definition and for imputations such as income to owner occupiers of dwellings. Survey-based income measures permit investigating the evolution of income distribution and there is increasing interest in linking distributional issues to average national accounts income data. This is also a pre-occupation of the Stiglitz Commission.

Finland welcomed this work and pointed to similar long-standing work in Finland.

Japan also welcomed the work but mentions that how inequality influences peoples' well-being depends on the degree of aversion to inequality which may vary between persons and countries. Also, if inequality stimulates incentives to growth, well-being may be improved. Generally, disposable income is a useful but not a perfect measure.

***Action required:** Countries are invited to comment on the comparison of survey and national accounts data presented in the paper. A final version of the document will serve as a background paper for the Stiglitz Commission. Countries are also asked to transmit references to any similar comparisons or studies that may have been compiled at national level.*

6. Discrepancy between financial accounts and capital accounts [STD/CSTAT/WPNA(2008)24] [STD/CSTAT/WPNA(2008)3]

Three delegates provided the meeting with their view on how to deal with discrepancies between financial and capital accounts: Patrick O'Hagan (Canada), Hans Wouters (Netherlands) and Susan Hume McIntosh (USA). The Canadian presentation focused mainly on the process by which Statistics Canada manages discrepancies. The Netherlands presented their policy on discrepancies which has been in place for a number of years. It combines an effort to reduce discrepancies but also to show them explicitly. The United States described the decentralised institutional set-up in the US. Presently discrepancies are shown. The move towards a system of integrated macro-economic accounts is helping to reduce discrepancies.

Italy complemented these presentations with a description of its own practices and signals that there are still a number of important issues with consistencies between different parts of the accounts. Such issues concern the classification of institutional units, institutional arrangements in the production of statistics, differences in sources and the coverage of statistical sources (in terms of units and in terms of instruments). Discrepancies should be small and non-systematic.

Denmark questioned whether the discrepancy that the Netherlands end up with has an interpretation or not. Denmark itself eliminates all discrepancies but they also publish a table showing the original discrepancies by sector but not by instrument. Producers are probably best placed to eliminate discrepancies.

The ECB explained the added difficulties such as consolidation across countries that it faces at the international level. The ECB eliminates discrepancies at the level of the Euro area.

Germany indicated that in their statistics most sectors are perfectly aligned, and there is close cooperation between the Bundesbank and the Statistical Office. From a user perspective, it is highly undesirable to have several values for net lending positions.

Spain has a permanent working group between the statistical office, the central bank and the government finance experts. This group, for example, decides on the allocation of units. Spain shows differences for households and non-financial corporations but not for other sectors.

In France, INSEE and the Banque de France are involved in non-financial and financial accounts. No discrepancies are shown by transactions or by financial instruments. But there is a discrepancy by sectors, although discrepancies for government have been eliminated. The French delegate suggested that there was an asymmetry in the treatment of the non-observed economy – adjustments are made in the non-financial accounts but not in the financial accounts.

Portugal noted that, for the first time, they published quarterly sector accounts showing the discrepancy with financial sector accounts. Showing discrepancies is a good way to serve users.

Overall, the format of a panel discussion was considered useful by the Group and it is planned to have similar treatments of topics at future meetings of the Working Party.

7. Other topics for joint meeting

– *An enhanced methodology of compiling financial intermediation services indirectly measured (ECB) [STD/CSTAT/WPNA(2008)4]*

Reimund Mink (ECB) presented his paper *An Enhanced Methodology of Compiling Financial Intermediation Services Indirectly Measured (FISIM)*, which describes a new approach for calculating FISIM. It differs from the method described in the SNA in that it attempts to exclude the cost of risk bearing. Mr. Mink said that the ECB would like to set up an international task force to investigate the calculation of FISIM. A lively discussion followed in which there were many interventions. Here is a summary of the points raised:

- The proposal to change the way FISIM is calculated got a mixed reception, with some representatives giving support and others expressing opposition.
- In calculating FISIM care must be taken in the choice of reference rate to avoid negative estimates. This is particularly important for exports and imports, and any new method for calculating FISIM must address the issue of contracts involving different currencies and holding gains losses arising from this.
 - It was agreed that the proposed task force should comprise Europeans and non-Europeans, and it was made clear that any recommendations for changing the way FISIM is calculated would only be adopted in the ESA after being adopted in a revision to the 2008 SNA. It was also suggested to organize a workshop on the topic during the first half of 2009.
- In considering the calculation of FISIM, it is imperative to consider the estimation in current prices and volumes simultaneously, and NOT sequentially.

- Defining FISIM output as the service margin multiplied by outstanding loans may not be correct. There is a need to take account of loans that may have expired during a period, although how this could be done in practice is a moot point.
 - FISIM should not be reviewed in isolation from the measurement of total output of financial intermediaries.
- *Assessing the efficiency of early release estimates of economic statistics (OECD) [STD/CSTAT/WPNA(2008)5]*

Charles Aspden (OECD) presented a paper *Assessing the Efficiency of Early Release Estimates of Economic Statistics*, written by Richard McKenzie, Elena Tosetto and Dennis Fixler. Mr Aspden explained that this is an extension of the work that the OECD has been conducting using the quarterly revision database. He explained that this type of analysis is commonly referred to as “News” versus “Noise”. The paper addresses the issue of whether the initial and subsequent estimates of a country’s quarterly GDP are as good as they could be, given the available data. Several countries expressed support for this type of analysis, albeit with due care. The US has been using this type of analysis for some years and has found that it can lead to significant improvements in early estimates. It was suggested by one country that it would be useful if the analysis could be extended to annual data.

8. Non-financial assets (1)

- *Survey on estimates of land and sub-soil assets (OECD) [STD/CSTAT/WPNA(2008)6]*

The OECD Secretariat presented two papers: one on estimation of the stock of land in OECD countries and one on the results of the survey on sub-soil assets in OECD countries. Those two papers presented by Mr. Young-Hwan Kim were based on the survey on land and sub-soil assets conducted in 2007 and 2008 by the OECD Secretariat.

The presentation on estimating the stock of land in OECD countries mainly focused on the different types of methods used by countries. Those methods are: direct survey method, using data from cadastres, land residual method and, method applying land-to-structure ratios. The OECD Secretariat concluded that those methods are not mutually exclusive and that it is evident that a country’s choice of method(s) is largely determined by what data are available in that country for the different types of land.

Next, the results of the survey on sub-soil assets in OECD countries were presented [STD/CSTAT/WPNA(2008)7]. A brief explanation was given on types of sub-soil assets estimated, institutional breakdown, methods used, and sources of volume estimates, and so on. The paper was based on seven countries’ practices. The seven countries are: Canada, Czech Republic, Korea, Mexico, the Netherlands, Norway, and the United Kingdom.

The third presentation was on *estimating buildings, other structures and land in the perspective of compiling balance sheets by institutional sectors* by ISTAT [STD/CSTAT/WPNA(2008)8]. Mr. Giuseppe Cinquegrana presented the results of the first draft estimate of balance sheets by institutional sector for the main non-financial assets, in particular dwellings, non-residential buildings and other structures, machinery and equipment and land for the year 2006, and an estimation of consumer durables.

The last presentation was presented by Mr. Koji Nomura (Japan) on *measurement of depreciation rates based on disposal asset data in Japan* [STD/CSTAT/WPNA(2008)9]. He presented preliminary estimates of asset service lives and geometric depreciation rates for 195 assets based on the recently

constructed ESRI Survey on Capital Expenditures and Disposables. He argued that estimates of geometric depreciation rates for building and construction are much higher than those assumed in the current JSNA.

Main comments included:

- International co-operation needed among organisations such as UN, OECD in order to enhance information and knowledge on estimating the stock of sub-soil assets (UNSD)
- Practical difficulties to come by the real market transaction land prices (France)
 - Estimating buildings, other structures and land in the perspective of compiling balance sheets by institutional sectors (ISTAT)
 - The Japanese projects on the measurement of assets (Japan)

9. Non-financial assets (2)

– *Handbook on measurement of intellectual property products [STD/CSTAT/WPNA(2008)10]*

Charles Aspden (OECD) presented the draft *Handbook on the Measurement of Intellectual Property Products*. In his presentation he described the work of the OECD task force charged with developing the handbook over the current year. He informed the meeting that it was expected that the Handbook would be completed this year or early next year.

There were just a few comments from the WPNA: Canada suggested that the flows of R&D output between affiliated units in different countries should be treated as foreign direct investment; Germany noted that the Australian service life for mineral deposits was the same as that in Germany, and also that the recent results from the software survey needed to be fully incorporated.

– *Survey on treatment of software (OECD) [STD/CSTAT/WPNA(2008)11]*

Jiemin Guo (OECD) presented the results of a software survey conducted by the Secretariat of OECD member countries and accession countries. He reported that 20 countries responded and it was evident that some country methods had changed since the survey conducted in 2002. The most notable change was that many countries were now using the demand-side approach to estimate GFCF of purchased software. There were no questions from the floor.

10. Non-market services

– *Handbook on volume measures for health and education services (OECD) [STD/CSTAT/WPNA(2008)12]*

Paul Schreyer (OECD) presented the draft handbook, followed by a presentation by Luca Lorenzoni (OECD) on the more specific topic of the work of taskforce on health PPPs.

Israel mentions that health is different from education – preventive medicine should not be ignored. Also, the insurance approach towards measuring output should be mentioned.

The United States welcomed this work and noted agreement with most of the recommendations. Specific points included quality adjustment of education output via exam scores – this appears to be difficult to separate from other factors. The U.S. has started work on health satellite accounts and the BEA approach is similar to approach described in handbook.

Finland signalled that exam scores should not be part of quality adjustment – they are expensive to produce and tend to be unreliable.

Norway also welcomed the work but calls for methods that remain simple so as to permit transparency and implementation in the short run.

Hungary conveyed the problems of communicating results from such volume measures to users. It is important to be able to interpret prices, values and volumes in these activities.

***Action required:** Countries are invited to provide written comments on the draft handbook not later than **December 19, 2008**. Countries are also asked to complete and correct the tables on current and future practices on volume measures for health and education. A separate request will be sent to countries on this matter.*

Several country presentations complemented the item on health and education output measures

- New method for deflation of hospital services (Germany) STD/CSTAT/WPNA(2008)13
- Results of the feasibility study for a volume method including a direct outcome based quality correction for secondary education (Netherlands) STD/CSTAT/WPNA(2008)14
- Comparison of input and output-based volume measures of education (Italy) STD/CSTAT/WPNA(2008)15
- Volume measures on health and education (Brazil) STD/CSTAT/WPNA(2008)16

11. Benchmarking and creation of long time series of NA data

Under this item, there were three country presentations:

- *Revision of national accounts time series in the Netherlands* [CSTAT/WPNA(2008)18]: Ruurd Schoonhove presented how the Netherlands benchmarks and creates long time series of its national accounts data NA data.

Australia and others asked about how to keep consistencies for classification and definitions. Canada expressed concern that business cycle movements might be removed by the backcasting process. The USA found it challenging to keep consistencies when dealing with new classifications (for example, when introducing NAICS).

- *Breakdown of value-added in France 1949-2007* [STD/CSTAT/WPNA(2008)19]: Pierre-Alain Pionnier (INSEE) presented a paper focusing on distributing value added by industries from 1949 to 2007.

In the discussion, OECD mentioned that it could look into building long time series data but it depends on the availability of national statistical data by countries. Also, long time series have to be available for a minimum number of countries. The United States asked to clarify why distribution of taxes has such a big problem. Mr. Pionnier answered that the classification of taxes for France in the 60s was different from 70s and 80s. The backcasting process entailed a detailed re-working of data.

- *South African national accounts benchmarking experience dealing with large level changes in data and the influence on national accounts time series data* [STD/CSTAT/WPNA(2008)20]: Gerhardt Bouwer (Statistics South Africa).

During the discussion, the Netherlands commented that business survey and sampling might give different results.

12. OECD Databases

Ms. Catherine La Rosa (OECD) presented the state of annual OECD national accounts data. Japan informed the meeting that FISIM is planned to be allocated in their national accounts revision of 2010. Also, COFOG level 2 for government expenditure should become available in 2010. New Zealand indicated that the Allocation of FISIM is in project but that no precise date for implementation can be given at this point.

The Delegate from Eurostat highlighted the good co-operation with the OECD.

Mr. Lars Thygesen (OECD) provided an update on the NAWWE project. The Australian delegate said that this project has a great potential but should not be limited to send the questionnaire to the OECD. He would like to be sure that he can also use SDMX to transmit data to the IMF. The IMF delegate confirmed their co-operation on the SDMX project. Canada also encouraged the use of one single system by international organisation [STD/CSTAT/WPNA(2008)21].

Mr. Thygesen confirmed that the objective of NAWWE is to reduce the workload of Member countries and announced that the next step will be to extend NAWWE to quarterly national accounts.

Mr. Paul Schreyer (OECD) presented the main lines for a new national accounts publication (Volume I N) [STD/CSTAT/WPNA(2008)22]. There were interventions from Netherlands, Ann Harrison and Canada who supported this project but were also in favour to go further and to include indicators on: employment, unemployment, public deficit, environment, financial accounts, durable household goods, consumption credit, private saving.

Mr. Schreyer said that there are two constraints: data availability and comparability. He also mentioned that this publication should not duplicate other OECD publications. A revised list of indicators will be established.

Action required: *If countries wish to provide written comments on the publication project, they are invited to do so not later than **December 31, 2008.***

Mr. Jeimin Guo (OECD) presented the state of quarterly OECD national accounts data [STD/CSTAT/WPNA(2008)23]. Austria indicated that they have sent total employment in persons for both non-seasonally and seasonally adjusted. The break down by activity will be available soon. Sweden said that seasonally adjusted data for current prices are not available as there is no particular interest in Sweden for these series. Germany explained that GFCF data transmitted under an asset break down is the same data as those previously transmitted under a product break down because previous data also reflected an asset break down.

Island said that they do not calculate seasonally adjusted data at current prices as their national currency is too volatile.

Mr. Guo mentioned that he will be interested in receiving some methodological information about the GFCF breakdown in Germany.

13. UN-ECE/OECD/Eurostat Working Group on the Impact of Globalisation on National Accounts

Ms. Lidia Bratanova (UN-ECE) introduced the joint UN-ECE/OECD/Eurostat Working Group on the impact of globalisation on national accounts. A first meeting of a Working Group on this topic took place in April 2008, and a second meeting is foreseen for May 2009. The output will consist of a report with recommendations and best practices on areas in the national accounts most affected by globalisation. More information is available from <http://www.unece.org/stats/groups/wggna.e.htm>.

The SNA Editor (Ms. Anne Harrison) pointed out that most of the issues dealt with in the working group are recognised in Volume 2 of the 2008 SNA.

14. Proposal for a unified classification of trade in goods and trade in services (OECD) [STD/CSTAT/WPNA(2008)25]

The presentation (Mr. Bill Cave, OECD) stated that the split of products into goods and services in trade has become progressively more problematic and while data are still needed separately, it is necessary to find a new way of considering trade in products (goods and services together) that is useful for trade, production, and input-output analysis. The paper produced a new classification/presentation of trade in goods and services and indicated that it should be developed in cooperation with input-output and classification specialists. In addition a pilot exercise could be undertaken to produce estimated data from existing data sources, with any necessary adjustments made explicit. Measurement of trade in goods and trade in services through enterprise surveys should be reviewed and attention given to the business register links to activity codes in order to supplement existing collections. This would facilitate the estimation of alternative views of trade in goods of services by activity.

Main comments included:

- Israel is very supportive of the proposal.
- Canada expressed scepticism due to problems of secondary production and imports that would make a big difference between conceptual primary product/industry links and actual links observed in enterprise surveys.
- The IMF commented that the word “classification” is not suitable, and spoke of the degree of estimation already in BOP. The IMF also said that if the issue was just one of an “alternative presentation of trade” they would be quite interested to collaborate.
- The UNSD was unenthusiastic about a new classification if it loosened links to CPC.
- The OECD commented that these ideas were important for input-output work and that they showed a potential to deal with BPM6 item on manufacturing services in an analytically useful way.

15. Elections of the Bureau

The Working Group elected as its Bureau Mr. Brent Moulton (Chairman, United States), Ms. Ann Lisbet Brathaug (Norway) and Mr. Hiroki Owaki (Japan). The Chairman and Delegates thanked Mr. Csak Ligeti (Hungary) for his valuable contributions to the work of the group. The Chairman and Delegates also thanked Mr. Charles Aspden who will retire from the OECD by the end of the year for his work and many contributions to the national accounts.