Status of global and regional implementation of the 2008 SNA and the major challenges

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Outline of presentation

- How to determine compliance with 2008 SNA
- Status of 1968, 1993 and 2008 SNA implementation in Member States
- Major challenges
- Holistic solution
- Annexes

- UNSD monitors countries' compliance with 2008 SNA in terms of

  - Scope of national accounts they compile

  - Extent of important concepts in 2008 SNA they have adopted

- The scope of national accounts countries compile can be assessed using

  - A set of six milestones supplemented by

  - Three data sets describing (a) the minimum set of accounts that need to be compiled (MRDS); (b) a recommended set of accounts; and (c) a desired set of accounts

- The milestones and data sets are available in annexes 1 and 2

- Information to determine the scope comes from annual national accounts questionnaire submitted to UNSD

- The extent to which important concepts in the 2008 SNA affecting the level of GDP, gross capital formation and gross national income have been implemented is assessed using a compliance questionnaire, supplemented by country reports

- Compliance questionnaire is available in annex 3

Scope of national accounts

	Total number of countries	MRDS	
		Six or more tables	Seven tables
UN Member States	193	137 (71%)	102 (53%)
ESCWA	18*	13 (72%)	8 (44%)

*According to ESCWA membership list, there are a total of 18 countries including the State of Palestine. State of Palestine is not counted as a UN Member State.

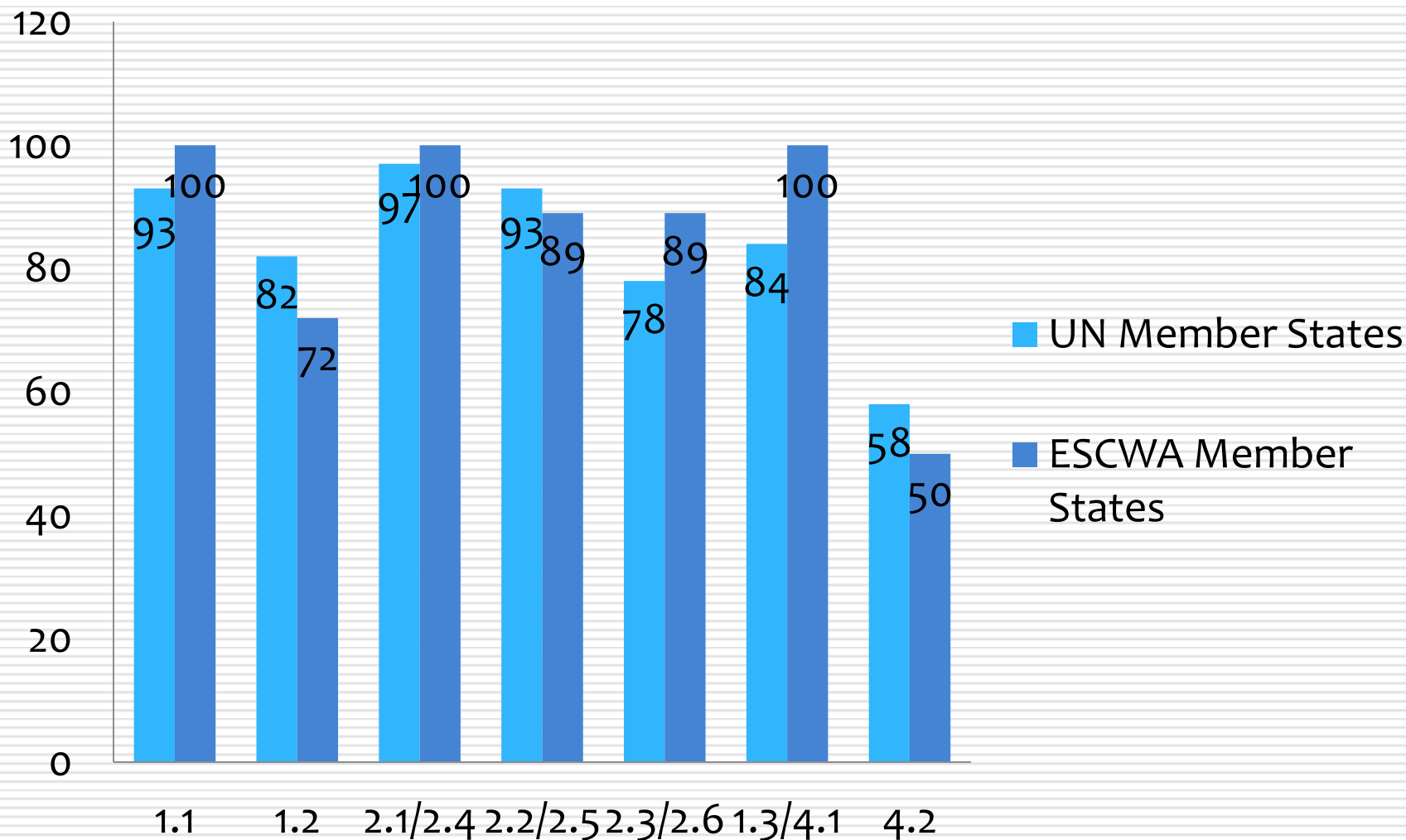## Number of countries submitting the tables of the MRDS

	Total number of countries	GDPe C 1.1	GDPe K 1.2	GDPp C 2.1 / 2.4	GDPp K 2.2 / 2.5	GDPp detail 2.3 / 2.6	IEA Total 1.3 / 4.1	IEA RoW 4.2
UN Member States	193	179	158	187	179	151	163	112
ESCWA	18	18	13	18	16	16	18	9

Per cent of countries submitting the MRDS

Legend:
- UN Member States
- ESCWA Member States

Categories: 1.1, 1.2, 2.1/2.4, 2.2/2.5, 2.3/2.6, 1.3/4.1, 4.2

Values:
- 1.1: 93 (UN), 100 (ESCWA)
- 1.2: 82 (UN), 72 (ESCWA)
- 2.1/2.4: 97 (UN), 100 (ESCWA)
- 2.2/2.5: 93 (UN), 89 (ESCWA)
- 2.3/2.6: 78 (UN), 89 (ESCWA)
- 1.3/4.1: 84 (UN), 100 (ESCWA)
- 4.2: 58 (UN), 50 (ESCWA)

Status of 1968, 1993 and 2008 SNA implementation in Member States

	Total	1968 SNA compliant	1993 SNA compliant	2008 SNA compliant
UN Member States	193	18	100	75
ESCWA	18	5	10	3

- 75 Member States have implemented the 2008 SNA
- Some Member States have opted to introduce certain aspects of 2008 SNA in a gradual implementation of the 2008 SNA
- 9% of Member States still use 1968 SNA

Major challenges

- Political support and commitment
- Data limitations
- How to do backcasting
- How to communicate changes

Political support and commitment

- Senior government officials may lack conviction in the value of national accounts data for economic policy due to misplaced perceptions of their
  - Accuracy
  - Timeliness
  - Frequency
- Even governments which understand the importance of national accounts for policy formulation and monitoring may not prioritize funding to national statistical offices
- The result is a lack of political support and commitment to invest in sufficient resources to implement 2008 SNA

Data resource limitations

- Routine surveys are costly

- Survey costs may go higher due to
  - Implementation of 2008 SNA to
    - Incorporate implementation of standards such as ISIC, CPC, etc.
    - Incorporate activities of non-observed economy and informal economy to increase exhaustiveness of GDP
    - Collect input data to calculate merchanting and goods for processing
    - Collect input data for research and development…

- A less costly alternative to surveys is administrative data

Data resource limitations

- Countries have difficulty in
    - Accessing administrative data (for example, legal constraints in the case of tax data)
    - Maintaining business registers which will allow proper identification of enterprises involved in
        - Merchanting
        - Goods for processing
    - Obtaining value of defense weapons systems (due to confidentiality reasons) and research and development and developing price deflators for these fixed assets
    - Collecting input data to calculate value of merchanting and goods for processing and developing price deflators for these activities

Data limitations

- All activities within the SNA production boundary should be included

- Lack of coverage and data limitations causes problems for users in terms of

    - Levels
        - GDP and other data biased downward
    - Trends
        - Biases in trend estimates can be expected if the economic activities missing from GDP grow at different rates from those included

- For statisticians, lack of coverage causes imbalances in the internal consistency of the accounts

- Affects all countries, but developing ones to a greater extent

- Implementing 2008 SNA may introduce breaks in the time series data, which implies the need to do backcasting to ensure long consistent time series data

- Issues to consider in backcasting include
  - What techniques to use
    - Recompilation from source data
    - Splicing
    - Proxy indicators
    - A combination of the above techniques
  - How far back to backcast
  - At what detail to backcast
  - Availability of resources and time
  - Knowledge of structural changes, business cycles, major economic events, changes in government policy…

- UNSD is currently preparing a backcasting handbook

- There is a challenge in identifying which users to communicate the 2008 SNA changes to

- Most NSOs have processes in place to communicate national accounting changes to

  - Monetary authorities
  - Various levels of government
  - Large private financial institutions or
  - Economic forecasters

- However, processes may be lacking in communicating these changes to

  - Academia
  - Journalists
  - Private enterprises and
  - General public

- New lines of communication may be needed

- Users will need substantial lead time to incorporate the new national accounts information to
  - Adapt their forecasting and analytical models
  - Map the new data into their models
  - Devote time to understanding the new data to ensure that they maximize their analytical usefulness
- Another challenge is to overcome the perception that the 2008 SNA changeover is intended to correct errors within the national accounts

- Adopt a national strategic planning framework
- Within the framework, develop national strategic statistical plans which
  - Incorporate priorities for the development of national accounts
  - Incorporate improvements to national institutional arrangements for compiling national accounts
  - Improve source data collection, including overcoming legal and other obstacles to statistical use of administrative data
  - Fit with government budget process to improve the chance of securing funding
  - Incorporate backcasting techniques
  - Incorporate effective communication strategy

Annexes

Annex 1 - Milestones

Implementation milestones	Complementary data systems	SNA-related data and development
Pre-SNA phases	‣Basic data on production, turnover, consumption, investment, exports and imports ‣Consumer and producer price indices ‣Balance of payments goods and services account ‣Monetary survey statistics	
Milestone 1. Basic indicators of gross domestic product (GDP) - Final expenditures on GDP current and constant prices - GDP by industry at current and constant prices	‣Supply and use table worksheets ‣Balance of payments: current, capital and financial accounts ‣Government finance statistics (GFS) transaction accounts	
Milestone 2. Gross national income and other primary indicators - For rest of the world, external account of primary incomes and current transfers - Capital and financial accounts	‣Capital stock statistics ‣International investment position ‣GFS transactions and stocks in assets and liabilities ‣Monetary and financial statistics	‣Quarterly national accounts ‣Regional accounts ‣Satellite accounts for environment and other satellite accounts ‣Input-output analysis

Annex 1 - Milestones

Implementation milestones	Complementary data systems	SNA-related data and development
Milestone 3. Institutional sector accounts: first step: ‣for all institutional sectors Production account ‣for general government Generation of income, Allocation of primary income, Secondary distribution income, Use of disposable income, Capital and financial accounts	‣Same as for milestone 2	‣Same as for milestone 2
Milestone 4. Institutional sector accounts: intermediate step 1: ‣for all institutional sectors Generation of income Allocation of primary income Secondary distribution of income Use of disposable income Capital accounts	‣Same as for milestone 2	‣Same as for milestone 2
Milestone 5. Institutional sector accounts: intermediate step 2: ‣for all institutional sectors Financial account	‣Same as for milestone 2	‣Same as for milestone 2
Milestone 6. Institutional sector accounts: final step: ‣for all institutional sectors Other changes in assets account Balance sheet	‣Same as for milestone 2	‣Same as for milestone 2

Annex 2 – Data sets

NAQ Table Number		Annual Accounts	Quarterly Accounts
GDP, value added and employment			
	Nominal and volume measure of GDP by industry or by expenditure components	Minimum requirement	Minimum requirement
1.1	Expenditures of the GDP in current prices	Minimum requirement	Optional Minimum Requirement
1.2	Expenditures of the GDP in constant prices	Minimum requirement	Optional Minimum Requirement
2.1	Value added and GDP in current prices by industry	Minimum requirement	Optional Minimum Requirement
2.2	Value added and GDP in constant prices by industry	Minimum requirement	Optional Minimum Requirement
2.3	Value-added components by industry, current prices	Minimum requirement	Recommended
	Employment by industry	Minimum requirement	Recommended

Annex 2 – Data sets

NAQ Table Number		Annual Accounts	Quarterly Accounts
Integrated accounts and tables, including integrated satellite accounts			
1.3 / 4.1	Accounts for the total economy (until net lending)	Minimum requirement	Minimum requirement
	Supply and use table	Recommended	Desirable
5.1	Cross-classification of output/value added by industries and sectors	Recommended	
	Tourism accounts, environmental accounts and other socio-economic accounts	*	

Annex 2 – Data sets

NAQ Table Number		Annual Accounts	Quarterly Accounts
Purpose classification of expenditures			
3.1	General government final consumption (and other) expenditure by purpose in current prices	Recommended	
	General government final consumption expenditure by purpose at constant prices	*	
3.2	Individual consumption (and other) expenditures by purpose in current prices	Recommended	
	Individual consumption expenditures by purpose at constant prices	*	
	Purpose classification of intermediate and final consumption across all sectors	*	

Annex 2 – Data sets

NAQ Table Number		Annual Accounts	Quarterly Accounts
Institutional sector accounts (until net lending)			
4.2	Rest of the world accounts (until net lending)	Minimum requirement	Minimum requirement
4.3	Non-financial corporations sector accounts (until net lending)	Minimum requirement	Recommended
4.4	Financial corporations accounts (until net lending)	Minimum requirement	Recommended
4.5	General government sector accounts (until net lending)	Minimum requirement	Recommended
4.6	Household sector accounts (until net lending)	Minimum requirement	Recommended
4.7	Non-profit institutions serving households sector accounts (until net lending)	Minimum requirement	Recommended
Financial accounts			
4.1 – 4.7	Financial accounts for all sectors	Recommended	Desirable
Balance sheets and other changes in asset accounts			
	Balance sheets, revaluation and other volume changes in asset accounts for all sectors	Recommended	Desirable

Question: Does your country's reported national accounts data currently include estimates for:	Yes	No	Partly	na
Elements affecting the level of GDP				
Gross capital formation (GCF)/output				
1. the entire defence expenditure on fixed assets, including military weapon systems, incurred by general government included in the GCF?				
2. consumption of fixed capital on all general government fixed assets (airfields, roads, hospitals, docks, dams and breakwaters and other forms of construction structures including military weapon systems)?				
3. the expenditure on Research and Development included in output and GCF?				
4. all (successful and unsuccessful) mineral exploration expenditure capitalized?				
5. purchases of computer software expected to be used for more than a year included in GCF?				
6. expenditure on software development on own account expected to be used for more than a year and for sale included in GCF and output?				
7. the expenditure on all databases expected to be used for more than a year, whether purchased on the market or developed in-house, included in the GCF and output?				

Annex 3 – Conceptual Compliance Questionnaire for the 2008 SNA

Question: Does your country's reported national accounts data currently include estimates for:	Yes	No	Partly	na
8. expenditure on entertainment, literary or artistic originals included in the GCF and on their development included in output?				
9. expenditure on valuables included in the GCF?				
10. the natural growth of cultivated forests included in output and GCF?				
11. the output of financial intermediation services indirectly measured (FISIM) calculated on loans and deposits only using interest rates on deposits and loans and a reference rate of interest?				
12. the output of FISIM allocated to users?				
13. the production of all goods that are produced by households whether for sale or not included in the output?				
14. the activity of the own-account money lenders included in output?				
15. the value of output of goods and services produced by households and corporations for own final use, when estimated on cost basis, include a return to fixed capital?				
16. the output of non-life insurance services estimated using adjusted claims and/or adjusted premium supplements?				

Annex 3 – Conceptual Compliance Questionnaire for the 2008 SNA

Question: Does your country's reported national accounts data currently include estimates for:	Yes	No	Partly	na
17. the output of the Central Bank separately for financial intermediation services, monetary policy services and supervisory services overseeing financial corporations?				
18. the unit undertaking purely ancillary activity, located in a geographically separate location from establishments it serves, as a separate establishment?				
19. the output of the activity of non-autonomous pension funds and unfunded pension schemes?				
Volume estimates				
20. volumes estimated using a chaining procedure on an annual basis?				
Social contributions/insurance				
21. unfunded social contributions (for sickness, unemployment, retirement etc.) by enterprises imputed as compensation of employees and included as contributions to social insurance?				
22. non-life insurance premiums include premium supplements?				
23. life insurance premiums include premium supplements?				
24. claims related to catastrophic losses as capital transfers?				

Question: Does your country's reported national accounts data currently include estimates for:	Yes	No	Partly	na
Elements affecting GNI				
25. reinvested earnings included in the rest of the world account?				
26. foreign workers' remittances excluded from GNI?				
Elements not affecting the level of GDP/GNI				
Valuation of output				
27.a output and value added measured at basic prices? [A]				
27.b output and value added measured at producers' prices? [A]				
27.c value added measured at factor cost? [a] (not part of the 2008 SNA)				
28. the goods for processing recorded on a net basis?				
Final consumption				
29. government final consumption expenditure broken down into individual and collective consumption?				

Email **sna@un.org** if you have any questions on the 2008 SNA or economic statistics

Thank you