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Implementation of the United Nations Economic Commission for Europe Statistical Programme 2017

Note by the secretariat

Addendum

Report of the Workshop on the implementation 2008 SNA: Consistency between national accounts and balance of payments statistics

Summary

The document presents the key outcomes of the Workshop on the implementation 2008 SNA: Consistency between national accounts and balance of payments statistics which took place in Minsk on 3-5 October 2017. The workshop was prepared following the recommendations of the Group of Experts on National Accounts (May 2016, Geneva) and the Workshop on the implementation the System of National Accounts 2008 and linkages with Balance of Payments Manual and the Government Finance Statistics Manual (Istanbul 2015).

The report is submitted to the Conference of European Statisticians for information.



I. Introduction

1. The workshop on Implementation and consistency between the System of National Accounts 2008 (2008 SNA) and the Balance of Payments Manual, 6th Edition (BPM6) was held in Minsk on 3-5 October 2017. It was jointly organized by the European Free Trade Association (EFTA), Eurostat and UNECE, in cooperation with the European Central Bank (ECB) and the National Statistical Committee of the Republic of Belarus (Belstat).
2. The Workshop was attended by participants from the National Statistical Offices (NSOs) and Central Banks from the following countries: Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Georgia, Kazakhstan, Kyrgyzstan, Mongolia, Montenegro, Netherlands, Norway, Republic of Korea, Republic of Moldova, Russian Federation, Serbia, Tajikistan, The former Yugoslav Republic of Macedonia, Turkey, Ukraine and Uzbekistan, and representatives from the Interstate Statistical Committee of the Commonwealth of Independent States (CIS-STAT).

II. Organization of the workshop

3. The workshop was prepared following the recommendations of the Group of Experts on National Accounts (May 2016, Geneva) and the Workshop on the implementation the System of National Accounts 2008 and linkages with Balance of Payments Manual and the Government Finance Statistics Manual (Istanbul 2015).
4. Following the priorities expressed by countries in their national implementation plans for the 2008 SNA, UNECE and partner organizations have already organized two workshops aiming to strengthen the institutional cooperation between national statistical offices, central banks and ministries of finance (Istanbul 2013 and Istanbul 2015). The objective of this Workshop was to go a step further and discuss the main challenges and good practices in ensuring consistency between national accounts and balance of payments (BoP) statistics as well as review in more detail specific methodological and practical issues that are of interest to national accounts and BoP compilers.
5. The workshop was part of the regional initiatives to support the implementation of the System of National Accounts 2008 (2008 SNA) in the countries of Eastern Europe, Caucasus and Central Asia (EECCA) and South East Europe (SEE).
6. The following substantive topics were discussed on the basis of presentations and supporting documentation:
 - (a) Importance of consistency between national accounts and balance of payments statistics;
 - (b) Implementation of the 2008 SNA and BPM6: national practices in ensuring coordination, data quality and consistency;
 - (c) Selected methodological and practical issues:
 - Processing and merchanting (including data sources);
 - CIF/FOB adjustments;
 - Remittances;
 - Financial intermediation services indirectly measured (FISIM).
 - (d) Conclusions and way ahead.

7. All materials of the workshop are available at:
<http://www.unece.org/index.php?id=43930>.

III. Summary of the discussion and main conclusions reached at the workshop

A. Importance of the consistency between national accounts and balance of payments statistics

8. The session was based on presentation by Statistics Netherlands, Eurostat and ECB.

9. There are many important uses of macroeconomic statistics. They are used for monitoring and analysis of the development of the economy, forecasting and budget projections and policy formulation. Due to increasing globalization and interlinkages of the economies, statistics on the rest of the world are getting more attention and importance for both national and international users.

10. After the latest revisions, BPM6 and SNA are fully harmonized. While BoP and national accounts statistics serve different purposes and therefore provide different presentations of the external sector, it is important that the main aggregates measuring the development of the economy are consistent and telling the same story. However, differences still persist in many countries due to different data sources, timeliness, different compilation techniques or interpretation of the standards and lack of inter-institutional coordination. This may confuse users and question the relevance of external statistics. Thus, there is a need to enhancing the coordination among the statistical community.

11. The participants agreed that full consistency is difficult to achieve, and that revision and vintage bias could partially overstate the problem. Furthermore, consistency is only one of the aspects of quality. Nevertheless, analyzing the reasons for discrepancies, and ensuring close cooperation and coordination of the production of BoP and national accounts statistics are a prerequisite for providing users with relevant, consistent and high quality data.

12. Users do not necessarily understand well the content of the indicators and all the changes introduced with the new standards. Educating users, explaining the rationale behind the revision and the issues around data quality should also be part of the work of statistical offices and central banks.

B. Implementation of the 2008 SNA and BPM6: national practices in ensuring coordination, data quality and consistency

13. The session was based on presentations by Belarus, Netherlands, Norway, Republic of Moldova, Russian Federation, Turkey, CIS-Stat, Eurostat, ECB and UNECE.

14. Participants reviewed the quality frameworks applied for national accounts and BoP statistics and the reasons for inconsistencies between the two datasets in the EU. There are two organizational set ups for producing external sectors statistics in the EU: centralized (one institution compiles both statistics) and decentralized (responsibility for compiling BoP and sector accounts are split between central bank and statistical office). In the latter case, different levels of coordination are possible. The main reasons for discrepancies that were identified by Eurostat and ECB include the vintage and revision bias, different data sources (sometimes having different observation units, coverage, quality, etc.), different compilation practices (estimation methods, balancing and reconciliation procedures,

coverage adjustments), institutional arrangements and methodological differences. When analysing discrepancies by component, services seem to be the major source.

15. The EECCA and SEE countries follow the decentralized model for producing BoP and (non-financial) sector accounts. The BoP is produced by central banks, while non-financial accounts are responsibility of the statistical offices. Financial accounts are still in experimental phase in most countries of the region and they appreciate the possibility to learn more from the experience of the more advanced offices. It should also be noted that full set of sector accounts are produced only on an annual basis in many countries. Further, in some countries BoP is already compiled according to BPM6, while national accounts continue to be published according to 1993 SNA.

16. UNECE conducted a survey among the participating countries. The survey revealed that based on discussions in the previous workshops and the regional recommendations for the implementation of the 2008 SNA, countries had developed different inter-institutional agreements or set up working groups involving national statistical institutes and other national institutions collecting and compiling macroeconomic statistics (mainly central banks and ministries of finance). Nevertheless, the agreements and working groups mainly cover data exchange and less frequently deal with methodological issues.

17. The experience of those countries having working groups dealing also with methodological and consistency issues proved them very useful for identifying concrete steps for further strengthening the cooperation and improving data quality. Another aspect of consistency that was addressed in the session was the bilateral reconciliation with partner countries. Such exercises also play an important role for increasing the quality of the data.

18. The following points and recommendations were made during the group discussion:

- Consistency, as a dimension of quality, should be addressed in a more holistic way. Coordination of the compilation process plays a major role there. The analysis of the differences and plan for improvements should be a joint effort of both central banks and statistical offices;
- The new international standards, BPM6 and 2008 SNA, are consistent, but the terminology and the language they use are not completely harmonized. Furthermore, they often leave room for some flexibility and, therefore, allow different interpretation by compilers. The work on reaching a common understanding is currently done at the national level. It could be considered if a review and harmonisation of terminology could be done at international level;
- At the national level, compilers need to have a common understanding of the goals to be achieved, agree on terminology, and discuss and decide on data sources and methods (preferably as part of inter-institutional agreements or working groups). They also need to speak common language and know each other's processes and specific requirements e.g. sector accounts are less frequent the BoP, but require more resources to produce, reconcile and publish. Building this understanding is part of the harmonization process as well;
- Consistency cannot be achieved by looking only on aggregated levels. In addition, while many central banks have moved quickly and introduced BPM6, a lot of methodological work and improvements are still going on at the national accounts side e.g. illegal activities. There is a need to look into each individual item, review the estimates and synchronize them;
- The countries from the region are at different stages of implementation of the standards and have quite limited resources devoted to methodological work. This is why a good way forward would be to focus first on one vintage of estimates that

include the most detailed and reliable data sets e.g. annual data and try to analyse and eliminate (reduce) discrepancies for these series;

- Historical inconsistencies are difficult to resolve. Countries should take a pragmatic view and start with the more recent and reliable data sets;
- During the transitional period of implementing the BPM6 and 2008 SNA, some countries have taken the decision to publish estimates in both old and new versions. Even when the new versions of both standards are in place it will take time to resolve all differences. User's perspective should be taken into account and appropriate documentation should be published. Agencies should work together on common releases explaining the reasons for inconsistencies. Differences in the direction of growth are most difficult for users to understand;
- In many countries, coordination is based on legal documents and regulations, so in order to enable consistency work they need to go back to official agreements.

C. Selected methodological and practical issues

19. Based on the UNECE survey and the interest expressed by countries, the workshop reviewed four areas in more detail: recording of merchanting and processing abroad, cif/fob adjustments, financial services indirectly measured and remittances.

20. The discussion on merchanting and processing abroad was based on presentations by Eurostat, Netherlands and Ukraine. The new recommendations based on recording according to the change of ownership principle have been very difficult to implement in countries, as traditional data sources do not provide suitable data and many adjustments are needed. Legal aspects also may need to be resolved both for sharing the data at national level and because sometimes the necessary information could be available in units that are not in the jurisdiction of the compiling country. Close cooperation between the central bank and the statistical office is crucial in order to agree on the adjustments, and cross check against all available data sources.

21. Norway and Albania presented their methods for estimating cif/fob adjustments. Both countries are using detailed data from customs declarations on value of imported goods, information on the transportation cost, nationality of the transporter(s), etc. to calculate average coefficients by product group. They also try to compensate for missing values and errors. The country circumstances and customs documents may differ, yet it is very useful to exchange information on questionnaires, methods for compiling the adjustments and software used between countries. The complexity of the adjustments (multiple carriers, different split between national and international transporters, and implicit adjustment for errors or non-observed economy) raises the question of international coordination i.e. how to arrive at coefficients that are consistent and do not lead to asymmetries with partner countries.

22. Presentations by Eurostat, The former Yugoslav Republic of Macedonia and Tajikistan introduced aspects related to the measurement of remittances. It was noted that International Transactions Reporting System (ITRS) is one of the major data sources for formal remittances. Countries also conduct household surveys to further analyse private transfers and their structure and improve their coverage. Cash differences are also worth investigating, though they may not be due only to cash transfers but to other items as well.

23. The discussion on FISIM was based on presentations by ECB and Serbia. The example of Serbia illustrating how a cross-border loan-by-loan database could help in dealing with imports and exports of FISIM was recognized very useful for other countries.

Specific items discussed were selection of reference rate, negative FISIM and negative exports of FISIM.

24. Other items in which participants showed interest were international constructions projects, exchange of primary data for foreign direct investments, incorporation of estimates for illegal activities, etc.

D. Conclusions and way forward

25. The EECCA and SEE countries have already progressed well with the first phase of implementation of the 2008 SNA – the issues that affect the measurement of GDP and related aggregates. Now many of them are focusing on sector accounts, including financial accounts. In this respect, the participants welcomed the efforts of the workshop organizers to bring together the institutions responsible for BoP and national accounts. It was highlighted that such forums are very beneficial for strengthening the institutional cooperation in countries. They also increase the understanding of the requirements for production of the different statistical series.

26. The implementation of the new standards, BPM6 and 2008 SNA, is very challenging for all countries. This is why experience and good practice on institutional arrangements, data collection and exchange, dealing with concrete methodological issues and practical solutions to overcome obstacles should be shared. Open communication and discussion between these two areas of statistics could help learning and enriching our understanding of the issues. International organizations could also help by developing or strengthening the practical guidance.

27. Countries are encouraged to develop further this cooperation at the national level, enforcing the role of inter-institutional working groups and reviewing agreements. In view of the resource constraints, they should adopt a step-by-step approach, focusing first on the main data sets and on the areas where they have largest problems. Further, the following common threads emerged in the panel discussion:

- Consistency between BoP and NA is important. Compilers need to work on that, but also need to invest in the underlying statistics/data;
- Cooperation between the involved institutions is instrumental for achieving consistency;
- Communication is a prerequisite to achieve effective cooperation, but also communication with our users needs attention;
- Classifications and common metadata has to be agreed upon;
- Compliance with the guidelines, statistical laws, publication deadlines/obligations should be sought;
- Completeness describing the economy in BoP and NA implies covering all transactions, including the non-observed economy. Compilers should lighten their methods and make best estimates based on the scarce data available;
- Common understanding of methodological guidelines and how they are applied to the accounts in your country is important;
- Consultancy and international support are needed. Specific and new cases may be difficult to interpret, therefore, it would be useful to have an opportunity to consult your international colleagues;

- Counterpart information should be used where possible to improve data quality e.g. trade data;
- Choices have to be made. Not all improvements can and should be done at the same time. The compilers of BoP and national accounts should agree on the top priorities for their country, solve those issues, evaluate, learn and take up the next priorities;
- Capacity and cost should be evaluated when setting the priorities;
- Coffee breaks also play a role: networking and exchanging experiences and ideas with colleagues in other countries is key.

28. The participants noted that while such permanent forums exist for the EU and OECD regions, the EECCA and SEE countries have no suitable platform where the producers of BoP and national accounts could meet on a regular basis. They asked UNECE and the partner organizations to consider organizing similar workshops in the future. Possibility to attend the meetings of the Group of Experts of National Accounts should be provided to central banks, when the topics on the agenda are of their interest.

29. Similar workshops dealing with institutional cooperation and other challenges related to sector accounts, including financial accounts, should be considered in the future. Such workshops should bring together other relevant institutions or departments e.g. those responsible for government finance statistics or monetary and financial statistics, etc.

30. The participants also requested support in addressing the links between business statistics and national accounts, including on redesigning questionnaires and data collection to measure properly transactions related to multinationals and global production.
