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PROGRESS REPORT ON NATIONAL ACCOUNTING AND ASSOCIATED TOPICS

(Memorandum by the Secretary-General)

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I. INTRODUCTION

1. This report reviews the work undertaken by the Secretariat in national accounting and related fields since the last meeting of the Commission, and outlines plans for future work based on the priorities previously recommended by the Commission. The work of regional statistical groups and of other inter-governmental organizations active in these fields is also referred to when pertinent to the expressed interests of the Commission.
2. The report is supplemented by two papers on special aspects of the current work programme. The first of these, Integrated Systems of Product, Income and Financial Statistics: Problems, Developments and Prospects (E/CN.3/290), surveys progress at the national level in extending conventional systems of national income accounts to provide for the recording of financial transactions. The second paper, Survey of National Accounting Practices (E/CN.3/291), assesses the international comparability of current national accounts statistics by means of a broad examination of the concepts, sources and methods now in use.
3. The report is in two parts. The first deals with the Secretariat programme of recurrent publications in the field, examining the implications of the rapid increase in the volume of published data and suggesting new directions for the development of existing media. The second deals with the remaining elements of the work programme, primarily the continuing work on the development and promulgation of standard concepts and classifications, and the systematic publication and dissemination of information on methods.

II. PROGRAMME OF RECURRENT PUBLICATIONS

a. Yearbook of National Accounts Statistics

4. The principal vehicle for the publication of national accounts data, the Yearbook of National Accounts Statistics, is now in its fifth year. The fourth issue, published in 1961, presents data for ninety-five countries and territories and detailed estimates for sixty-nine of these. The total number of countries represented in the Yearbook has risen from seventy for the first issue to eighty-three for the second, eighty-eight for the third and ninety-five for the fourth. For the fifth issue, now in press, the number is expected to be close to 100.

5. The increasing number of countries reporting national accounts data on a regular basis is but one source contributing to the expansion of work in this area. A further source is the steady rise which has taken place in the volume of detail reported by each country. At the present time, nine of the eleven standard tables recommended in A System of National Accounts and Supporting Tables (SNA) are represented in the Yearbook, some of them with substantial simplifications. Four of these tables, those relating to expenditure and product flows, are represented in terms of constant as well as current prices. The maximum number of tables that may be presented for any country, therefore, rises to thirteen, a figure which is reached in practice only for one country (United Kingdom). It may be calculated that, without further changes in scope, the volume of data presented in the Yearbook will continue to expand up to a maximum some three times the present figure.

6. This expansion poses a problem in the allocation of the limited resources assigned to national accounts work. Within the field as a whole, it involves an increasing shift of resources to the publication of national accounts statistics at the expense of other important elements in the work programme. Within the area of data publication, it involves a shift of resources to the more routine tasks of collecting and compiling data at the expense of the difficult but important task of evaluation. The general effect of the expansion has been to reduce the scope of the work programme and to inhibit the development of new and desirable projects.

7. There seems, therefore, to be a good case for restraining the expansion implicit in the present basis of operations until such time as adequate resources are available, or alternatively, until improvements in data preparation, collection and processing reduce the demand upon resources. Measures to restrain expansion might include a reduction in the amount of detail published, especially for smaller countries and territories; the use of a biennial or less frequent basis of publication for secondary classification; and the elimination of the processing involved in the formation of index-number series, percentage distributions, etc. A further simple device might be a selective reduction in the number of significant digits in the figures collected and published.

8. Perhaps the most important direction in which this work should develop is towards a more thorough examination of the conceptual and statistical comparability of the data collected and published, and the related introduction of standards of reliability for publication. For the countries of Western Europe, for Canada and the United States, much of this basic work has been undertaken by OEEC (now OECD) and for these countries the degree of conceptual comparability of the data reported can be ascertained with some accuracy. For the other countries whose data are included in the Yearbook, the position is much less secure, and there is ample evidence that methods of estimation are widely inadequate and that basic concepts are frequently misinterpreted. The work of investigation and guidance that is involved is necessarily long-term but at this time it is clear that, in relation to both the demand for comparable data and the uses currently made of existing data, such work is not proceeding quickly enough.

9. One of the most important ways in which the Secretariat can contribute to the evaluation of the reported data is by undertaking a country-by-country examination of available information on methods of estimation. This has been a continuing activity of the Secretariat and has been reflected in the preparation of a considerable number of papers on the subject for previous meetings of the Commission, and also in the publication in 1955 of the report Methods of National Income Estimation.^{1/} Though primarily intended as a guide to countries developing national accounting, this manual was based on an extensive survey of country practices at the time.

10. The preparation of a new survey of methods of estimation, designed specifically as a guide to the evaluation of data published in the Yearbook, was begun last year. This survey is based on summaries, initially prepared for each country from official published sources by the Secretariat, and subsequently revised and corrected for publication by the responsible national agencies. In addition to describing methods of estimation, the statement for each country will include information on the main conceptual characteristics of the country's system of accounts and the principal known limitations on the international comparability of the adjusted figures.

^{1/} Studies in Methods, Series F, No. 8.

11. It is hoped that the survey will serve not only as a general work of reference for users of the Yearbook but also as a source of ideas to the statistically less advanced countries in improving their national accounting practices. As a supplement to the Yearbook, subject to periodical revision, it should form an appropriate vehicle for maintaining a permanent record of current methods. The first issue of the supplement is expected to be published later in the year.

12. A second direction of development in data publication, one in which rather limited progress has so far been made, is the conversion of estimates of national income, product and expenditure to a common basis of valuation, and the related formation of global, regional and other aggregates. An increasing demand for this type of information has followed the growth of inter-governmental organizations, arising in part from the specific need of these organizations for criteria to apply in assessing contributions for common purposes.

13. The principal obstacle to the development of national income, product and expenditure estimates on a common basis of valuation has evidently been the derivation of acceptable conversion factors for the national currencies involved. A study of the various methods which have been used to solve this problem would, therefore, appear to be an appropriate task for the Secretariat to undertake. Such a task would require a survey of the extensive work already undertaken on this subject by international organizations and other interested parties, and an assessment of the possibility of the general adoption in practice of the various techniques used.

14. One of the most important aspects of the study would be a close examination of the limitations inherent in the use of prevailing official exchange rates as conversion factors and a careful definition of the conditions under which this procedure could be appropriately employed.

b. Current Economic Indicators

15. The quarterly review Current Economic Indicators is more an exercise in global economic accounting than a vehicle for the presentation of national accounts. At the present time, however, selected series drawn from published quarterly national

accounts are incorporated for four of the six countries separately represented in the review, and it is hoped that it will not be too long before the corresponding series for the remaining countries, France and the Federal Republic of Germany, are also included. Variations in a substantial part of effective demand outside the centrally planned economies will, thus, be recorded in the review on a quarterly basis.

16. Though the content of the review has now been largely stabilized, a continuing effort is being made to keep abreast of new developments in the field, to replace obsolescent material as quickly as possible and to strengthen weak points in the presentation. For the individual countries separately represented in Part III, such weak points are illustrated by the absence for the two countries mentioned of quarterly estimates of gross national product, by the deficiencies in, or the absence of, quarterly balance-of-payments estimates, and, for the majority of the six countries, by a less-than-adequate group of forward-looking indicators. For the under-developed countries, represented as a group in Part II of the review, a notable development has been the introduction of quarterly estimates of the value of the trade of these countries with the developed countries.

17. The replacement of seasonally unadjusted series by the corresponding series in seasonally adjusted form has continued steadily. The proportion of adjusted series to the total number of series appearing in Part III has risen from 35 per cent in the first issue to 47 per cent in the most recent issue. For individual countries in this part of the review, the corresponding proportions in the most recent issue range from 86 per cent for the United States to 0 per cent for the Federal Republic of Germany. In this area there is clearly considerable room for improvement.

18. The situation in this respect in Parts I and II of the review is much less satisfactory, since none of the global and regional series presented there is seasonally adjusted. While it is true that for many of these series seasonal variations are insignificant, for trade and industrial production, at least, the seasonal variations are generally such that an unequivocal determination of the underlying quarter-to-quarter movement cannot be made without detailed inspection. A programme for the seasonal adjustment of these series might appropriately be initiated by the Secretariat on a selective basis, possibly in co-operation with a national office experienced in the performance of this work by electronic data-processing methods.

19. Continuing efforts are being made to improve the timeliness of each issue of the review by expediting the process of compilation, printing and distribution. As regards compilation, it will be noted that, despite the lag of almost four months from the end of the quarter covered which is allowed for the preparation and collection of the data, a substantial number of the series shown in each issue exhibit an additional lag of one or more quarters. In the most recent issue, such series account for approximately 12 per cent of the total number, in most cases exhibiting an additional lag of one quarter. This proportion would rise quite sharply with any reduction in the time allowed for the collection of data.

20. On the other hand, a small proportion of the series in the review are available in comparable form on a monthly basis for one or more months subsequent to the quarter covered by the review. The latest issue contains a special table, showing most of these monthly series for the six-month period to December 1961. They account for slightly under 10 per cent of the total number of series included. Seasonally unadjusted monthly series have been excluded from this special table except in those instances where seasonal variation is normally insignificant.

21. The monthly table can thus be used to bring the review up to date at the time of publication with the latest information available on the development of the basic quarterly indicators. If warranted by the demand, such a table could be reproduced inexpensively on a month-to-month basis in the Monthly Bulletin of Statistics, with a minimum of duplication in practice. Procedures for the collection of data for the table could be readily assimilated with those in operation for the Bulletin.

22. Other possible ways of improving the usefulness of the review include (i) the provision of a supplement describing more adequately the nature of the indicators included and the qualifications required in interpreting their movements and (ii) the provision of a supplement presenting in graphic and tabular form the corresponding annual series for a ten- or fifteen-year period. These projects appear to have a lower priority than the more basic improvements indicated previously and their inclusion in the work programme should, perhaps, be contingent upon the achievement of a well-established market for the review itself.

III. OTHER ELEMENTS OF WORK PROGRAMME

a. Developments of concepts and classifications in national accounting

23. Following the completion in 1959 of the first revision of A System of National Accounts and Supporting Tables (SNA), work at the international level on the development of the basic concepts and classifications of the standard system has proceeded at a relatively modest pace. Much of the exploratory work during this period has been undertaken by the Conference of European Statisticians through its various working groups

24. The most important project of the Conference in this field has been the development of a European programme for the compilation of statistics of private consumption expenditure. Principal emphasis has been directed to the development of a classification of private consumption expenditure by function, supplemented by a secondary classification by item and a cross-classification of each item by degree of durability. The draft introduction to the programme states that "while the programme is mainly based on the concepts of consumers' expenditure adopted in the two main types of national accounting systems in use in Europe, it is also designed to provide the subdivisions and supplementary data needed to enable estimates compiled in accordance with the concepts of either system to be adjusted so as to correspond with the concepts of the other system". The recommendations in the programme are said to be consistent with the recommendations given in SNA "with the exception of a certain number of agreed amendments to the classification of private consumption expenditure set out in Appendix 2 of SNA" (Conf. Eur. Stats/WG.12/12, paras. 4-5).

25. At the second session of the working group on this subject held in Geneva in November 1961, the draft programme was completed, except for some marginal elements left to be settled by correspondence with member countries. The report of the group, including the draft programme, will be submitted for approval to the tenth plenary session of the Conference scheduled for June 1962.

26. The recently founded Conference of African Statisticians has also taken an active interest in the development of national accounting, and since the previous session of the Commission two meetings have been held by working groups of the

Conference to discuss specific aspects of this work in relation to African countries. The first of these meetings took place in June 1960 and discussed the question of the treatment of non-monetary transactions within the framework of national accounts (E/CN.14/60).

27. One of the many recommendations of this working group envisaged the introduction into the standard system of accounts, when applied to African countries, of a separate rural households account broadly comparable to the rural sector account recommended in the first edition of SNA. The group's proposal was not, however, supported by the Conference at its second plenary session in 1961. The report of the second session stated that "the Conference felt that for the time being at least it would have to be left to each country to decide whether to create such a separate sector in its national accounts..."(E/CN.14/113, para.68).

28. Work directed towards the extension of the SNA system for the purpose of recording changes in financial assets and liabilities has continued in the past two years, though less actively than in the previous period. At the eleventh session of the Commission a report (E/CN.3/267) had been submitted on progress made in this area by the Conference of European Statisticians, referring to the meeting early in 1960 of the Working Group on Statistics of Financial Assets and Liabilities. Following the Commission's meeting, the Conference at its eighth session discussed the report of the Working Group, including a draft European programme for the collection of statistics of financial transactions and balance sheets, and had recommended that no meeting on the subject should be held in 1960-61 but that the subject should be kept under review and retained in the Conference's long-term programme. At its ninth session in 1961, the Conference, after reviewing developments in the field "agreed to maintain the subjects of statistics of financial assets and liabilities and financial transactions in its programme of work and at its tenth plenary session to consider the question of convening a further meeting of the Working Group on this subject during 1962-63" (Conf.Eur.Stats/152, para. 69). A substantive account of recent work in this area at the national level will be found in document E/CN.3/290 prepared for the present session of the Commission.

29. The extension of the SNA system to permit the recording of inter-industry commodity flows has not received special attention in the past two years, though developments in the area have been systematically noted. At the international level, a significant development was the publication by OEEC in August 1961 of a study by J.R.N. Stone of the problems involved in this work, specifically in relation to the OEEC/OECD system of accounts.^{2/} Some of the problems of standardization were also touched upon in the discussions at the International Conference on Input-Output Techniques held in Geneva in September 1961. Preliminary work on the comparison of input-output practices in member countries was recently begun by the European Economic Community.

30. A review of the work undertaken in the last two years on the development of national accounting concepts and classifications indicates that the SNA system continues to be both an acceptable standard for the international reporting of national accounts data and a useful basic guide for the construction of a system of accounts for national purposes. A second conclusion which may be drawn is that a consensus on appropriate directions for its further development has not yet emerged.

b. Studies of alternative systems of accounts

31. At its tenth session the Commission had requested the Secretariat "to arrange in co-operation with the Conference of European Statisticians, for the setting up of an expert group representing countries with and without planned economies to meet...to study the co-ordination of the different systems" (E/3126, para. 66). Following this request, a meeting of a group of rapporteurs was convened by the Conference of European Statisticians in May 1959 to draw up a statement of the basic conceptual differences between the two systems. This statement covered (a) the boundary of production in estimates of aggregate product, (b) gross and net product, (c) private and general government consumption expenditure compared with personal and collective consumption, (d) capital formation, capital repairs and capital consumption, (e) domestic and national product and (f) the valuation of production. A report on this meeting was submitted to the Commission at its eleventh session in document E/CN.3/263, para. 117.

^{2/} Stone (J.R.N.) Input-Output and National Accounts, Organisation for European Economic Co-operation, Paris, August 1961.

32. A second session of the group of rapporteurs was held in June 1960. At this session the group agreed on a detailed statement concerning the comparison of statistics of private consumption expenditure in the two systems. The group also had preliminary discussions on the comparison of statistics of production and on the possibilities of drawing up an accounting structure from which the main elements of the two systems could be derived.

33. A third session of the group of rapporteurs was held in February 1962, principally to complete work on the comparison of production concepts. The report of a consultant was taken as the basis of an agreed statement on differences between production concepts in the two systems and on adjustments required to convert estimates from one system to the other.^{3/} The group also discussed further the possibilities of constructing a system of national accounts embracing the main elements of the principal systems in use in Europe.

34. Studies of alternative systems of accounts have also been made in the past two years by the European Economic Community (EEC) and by the Commission for Technical Co-operation in Africa South of the Sahara (CCTA). The work of EEC in this area has been directed towards the development of a standard sector accounting structure for the members of the Community and is still at a preliminary stage. The work of CCTA has taken the form of a factual study of systems of accounting in use in African countries and their relation to UN/OEEC/OECD recommendations. The results of this work were published by OEEC on behalf of CCTA in December 1960.^{4/}

35. The application of the SNA system to under-developed countries, and its possible modification for this purpose, continue to be the subject of inquiry. At its second plenary meeting in June 1961, the Conference of African Statisticians approved a proposal to convene a working group in 1962 to study ways of adapting the SNA system to Africa's requirements (E/CN.14/113, para. 74).

c. Studies in methodology of national accounting

36. Studies by the Secretariat of country practices in defining, classifying and measuring national accounting flows have continued steadily in the past two years. The most important project initiated in the period, the preparation of the previously mentioned supplement to the Yearbook of National Accounts Statistics,

^{3/} The report of the consultant, Francis Seton of Nuffield College, Oxford, England, was issued as document Conf. Eur. Stats/WG.15/2 under the title Comparison of Production Concepts.

^{4/} Ady (P) and Courcier (M), Systems of National Accounts in Africa, Organisation for European Economic Co-operation, Paris, December 1960.

is still under way, though the primary work of assembling the basic material for each country has been virtually completed. One of the main objectives of this supplement will be to highlight the principal known deviations from internationally recommended practice in each country's system of accounts and to define as accurately as possible the extent to which appropriate adjustments have been made in the data reported for publication in the Yearbook.

37. It is clear from an examination of the assembled material that many countries still encounter considerable difficulty in interpreting and applying the SNA recommendations and have trouble in recognizing the logic of many of the recommendations in terms of the uses which might be made of the completed system. The proposal of the Commission at its tenth session for a national accounts manual, devoted primarily to a discussion of problems of principle associated with the construction of national accounting systems, would, therefore, appear to be as relevant now as then. Such a manual might appropriately include a discussion of the basic principles involved in the construction of constant price estimates, a subject on which guidance to countries has been notably deficient. A detailed discussion of the conceptual and statistical problems involved in constant price estimates would appear to warrant the preparation of a separate though related manual, as recommended by the Commission at its previous session.

IV. DRAFT PROPOSALS FOR FUTURE WORK

38. The Commission may wish to consider the following list of ad hoc projects of high priority in national accounting and related fields to be undertaken in the period 1962-64:

1. the completion of a Supplement to the Yearbook of National Accounts Statistics, describing individual country practices in the preparation of the reported national accounts data and indicating known deviations from the international recommendations;
2. the preparation, with the help of individual experts if necessary, of a national accounts manual as a supplement to A System of National Accounts and Supporting Tables, including a detailed discussion of the problems of principle arising in the construction of a system of national accounts and a commentary on, and explanation of, the recommendations of SNA and their application in practice;

3. the preparation, in consultation with interested regional and international organizations and individual experts, of a study of conceptual and statistical problems in the compilation of indexes of national product and expenditure in constant prices;
4. the study of techniques of achieving international comparability of national income, expenditure and product aggregates by the use of a common basis of valuation;
5. the completion of the study, undertaken in co-operation with the Conference of European Statisticians, of the points of correspondence and difference between the SNA system and the system used by countries with centrally-planned economies;
6. the continued study, in co-operation with the International Monetary Fund and interested regional organizations, of integrated systems of financial flow statistics and national accounts;
7. the continued study, in co-operation with interested regional organizations and individual experts, of integrated systems of input-output flows and national accounts.
