



UNITED NATIONS  
ECONOMIC  
AND  
SOCIAL COUNCIL



Distr.  
GENERAL

E/CN.3/345/Add.1  
29 August 1966

ORIGINAL: ENGLISH

STATISTICAL COMMISSION  
Fourteenth session  
Item 3 (a) of the provisional agenda

THE REVISION OF THE SNA, 1952  
(Report of the Secretary-General)

CONTENTS

	<u>Paragraphs</u>
I. INTRODUCTION . . . . .	1
II. THE OBJECTIVES AND STRUCTURE OF THE SYSTEM . . . . .	6
III. THE DEFINITIONS AND CLASSIFICATIONS OF THE SYSTEM . . . . .	9
IV. STANDARD ACCOUNTS AND TABLES . . . . .	15
V. ADAPTATION OF THE SYSTEM TO THE DEVELOPING COUNTRIES . . . . .	19
VI. PROGRAMME OF FUTURE WORK . . . . .	23

## I. INTRODUCTION

1. This paper describes the progress made since the thirteenth session of the Statistical Commission in the revision of the SNA; and suggests the further work that is required on this subject. The description of the progress made includes an outline of the major additions to, and modifications in, document E/CN.3/320, A System of National Accounts (Proposals for the Revision of SNA, 1952), which resulted from the studies and consultations in respect of the revised system that have been carried out during the last year and a half. It may be recalled that the thirteenth session of the Commission decided on the work to be done during the period in the light of the discussion of E/CN.3/320. The full details of the additions to, and alterations in, the proposals of E/CN.3/320 are incorporated in the latest version of the revised SNA, Proposals for Revising the SNA, 1952; June 1966, E/CN.3/345, coupled with part II of the Report of the Second Session of the Expert Group on the Review of National Accounts and Balances, E/CN.3/346. These documents have also been submitted for the consideration of the fourteenth session of the Commission. Most of the suggestions for further work on the revision of the SNA made in this paper have been drawn from the Report of the Expert Group.

2. In accordance with the programme of work outlined by the thirteenth session of the Statistical Commission, a full set of definitions and classifications has been devised for the revised SNA; and an adaptation of the system has been formulated for the use of the developing countries. Regional and other international consultations have been held on these aspects of the system and on its structure, concepts, standard accounts and supporting tables. For the purposes, special studies were carried out in respect of aspects of the system concerning which questions had been raised in the course of the review of these systems of national accounts and balances. Among the topics dealt with in these studies were: the definition of the categories of transactors in the system; the treatment of private non-profit organizations; the required concordance between the classifications of kind of economic activity and the purpose of general government and private non-profit institutions and between the classifications of final consumption; the distinctions to be drawn in respect of

the transactions of household and other economic agents with general government organs; the basis of recording and the classification of imports and exports; the definition and classification of current and capital transfers; and the needs and circumstances of the developing countries in respect of national accounting. In this work, special attention has been paid to extending the common ground between the SNA and the MPS.

3. National and sector balance-sheets and income distribution statistics were not discussed in the regional meetings, but were considered by the second session of the Expert Group on the Review of National Accounts and Balances. As the Commission had requested, the Expert Group examined the bearing of these statistics on the structure of the revised SNA. (See parts III and IV of E/CN.3/345). The consultations also did not deal with the concepts and methods of input-output analysis, national accounting data in constant prices, or regional accounting though these topics are discussed in E/CN.3/320. Proposed supporting tables on constant-price data were however considered by the regional working groups and the second session of the Expert Group.

4. The regional meetings devoted to the revision of the SNA consisted of working groups in the case of Africa, Latin America and Asia; and groups of Rapporteurs on Activity and Commodity Classification, Public Sector Statistics, and Concepts and Definitions and the second session of the Working Group on National Accounts and Balances in the case of the Conference of European Statisticians.<sup>1/</sup> The working groups in the developing regions considered the adaptation of the new SNA to the conditions in the countries of their region, as well as the proposals in E/CN.3/320 on the main system itself. The full classifications and definitions of the system given in E/CN.3/345, were the subject of discussion in Europe and the second session of the Expert Group only. In addition to the meetings held under the auspices of the United Nations, the proposals for extending and revising the SNA were discussed at the 1965 Conference of the International Association for Research in Income and Wealth and at a special meeting of the Conference on Research in Income and Wealth of the National Bureau of Economic Research.

---

<sup>1/</sup> Reference to the reports of these meetings are given in foot-note 1 of chapter I, E/CN.3/345.

5. The discussion below of the major aspects of the progress made in formulating the revised SNA and the proposals for continuing this work follows the order of the chapters of document E/CN.3/345.

## II. THE OBJECTIVES AND STRUCTURE OF THE SYSTEM

6. The aims and structure of the revised SNA, as outlined in E/CN.3/345, have the approval, on the whole, of the regional meetings and the second session of the Expert Group on the Review of National Accounts and Balances. The second session of the Expert Group also concluded that the proposed structure will accommodate the national and sector balance-sheet accounts and tables which should be developed eventually. In the case of statistics of the distribution of income, the experts recommended further study in the near future, of the less detailed aspects of statistics of income shares which may appropriately be incorporated into the revised SNA itself. (See, for example, paragraphs 60-61 of E/CN.3/346.) This involves the question of the classifications of households and of property and entrepreneurial incomes required for this purpose. The development of a full system of income distribution statistics which is complementary to, but linked with, the systems of national accounts and balances, raises additional problems of classification, for example, distinguishing the outlays of producers on health, recreational, educational and similar facilities which they furnish to employees collectively, identifying the portions of the final consumption of general government and private non-profit institutions which should be included in the total consumption of the population, and devising a detailed classification of transfers and related transactions. (See paragraphs 13, 48 and 100 of E/CN.3/346.) It is suggested that these subjects be studied in the context of the complementary scheme of income distribution statistics.

7. The proposals of E/CN.3/345, taken in conjunction with the comments of the Expert Group, include some alterations in the structure of the revised SNA, as set out in E/CN.3/320. A separate sector is provided for private non-profit institutions mainly serving households; the roles of general government and these private non-profit institutions as producer and consumer are clearly segregated, one from the other, in the accounts of the system; and households are not considered to engage in production. "Pure" production accounts are therefore shown for the services of general government and the private non-profit

institutions and for domestic service; and consumption expenditure accounts are delineated for the purposes of general government and private non-profit organizations and for households. Further, provision is made for the classification of non-financial corporate and quasi-corporate enterprises according to kind of economic activity. This scheme of classification may also be required in the case of financial institutions and the households of owners of private unincorporated enterprises, in order to include adequate data on incomes shares.

8. The second session of the Expert Group, as well as the consultations on E/CN.3/320, emphasized the need to describe in some detail the purposes to be served by the new SNA in relation to the various aspects of the system and to devote attention to the pedagogical aspects of describing the structure of the system. It is proposed to do this in the full discussion of the objectives, character and structure of the revised SNA to be included in the next document on the revised SNA. It is thought that this document should also deal with the concepts and methods of input-output analysis, national accounting data in constant prices, and perhaps regional accounting. The chapter on constant-price data would be based on the results of regional meetings on the objectives, concepts and methods of constant-price data tentatively planned to take place during the period November 1966-May 1967.

### III. THE DEFINITIONS AND CLASSIFICATIONS OF THE SYSTEM

9. The complete and detailed definitions and schemes of classification given in chapters III through V of E/CN.3/345 represent a major portion of the progress made in revising the SNA since the thirteenth session of the Statistical Commission. Practically all of the definitions were prepared during the last year; and the classifications of the purposes of private non-profit institutions, gross capital formation by type, imports and exports of goods and services, and current transfers, were added to the schemes of classification given in E/CN.3/320. In addition, the classifications of kind of economic activity, general government purposes, households' goods and services and financial claims shown in E/CN.3/320 were altered substantially in the course of the international discussions of the document. Though all the detailed definitions and classifications of E/CN.3/345 have been explicitly considered in Europe and by the Expert Group only, they also

/...

reflect the conclusions reached, and the questions raised, in respect of the proposals of E/CN.3/320 and the definitions and classifications of the present SNA during the other meetings and consultations on the review of national accounts and balances.

10. The definitions of E/CN.3/345 are more complete and detailed than the definitions of the present SNA. This is due primarily to the effort to provide descriptions of concepts and classifications which are clearer and furnish more precise guidance. In a number of instances, the need to clarify the import of definitions in the present SNA, to delineate more precisely the border lines between categories of transactors or transactions, or to take account of the practical problems which arise in applying the definitions, was indicated in the course of meetings, other consultations and investigations. The definitions and classifications of E/CN.3/345 are also organized differently from those of the present SNA. This is the consequence not only of the changes in the structure of the accounting system, but also of the effort to provide a document which may be more conveniently utilized. For example, all the definitions and classifications in respect of a particular category of transactors or transactions are given in a single place.

11. Document E/CN.3/345, coupled with the modifications therein recommended by the second session of the Expert Group, proposes the following major alterations in the concepts and classifications of E/CN.3/320:

(i) Sectoring: Private non-profit institutions which mainly serve business units or households and which are wholly or mainly financed by government organs, are classified in general government. This is also the case for private non-profit organizations which mainly serve general government agencies. Other private non-profit institutions which mainly serve business units are included among industries in the case of the accounts on the production and use of goods and services and among non-financial corporate and quasi-corporate enterprises in the case of the other accounts of the system, while other private non-profit institutions which mainly serve households form a separate sector of the system. The scope of the government enterprises and private unincorporated enterprises included in non-financial corporate and quasi-corporate enterprises has been

/...

narrowed. Only relatively large government enterprises which sell to the population and relatively large partnerships and sole proprietorships which have complete profit-and-loss and balance-sheet accounts for their business, are included. The monetary functions of the Treasury have been shifted from "Financial institutions" to "General government"; and the sub-sector "Monetary authority" is replaced by two sub-sectors - "Central bank" and "Other monetary institutions".

(ii) Other classifications of chapter III, E/CN.3/345: The interim classification of kind of economic activity has been modified so as to extend the common ground between the SNA and MPS, to reach one-to-one correspondence, in at least the detailed categories, between it and the purpose classification for general government, and to increase its usefulness for input-output analysis. Alterations have also been made in the classification of general government purposes in order to improve its usefulness in the analysis of all types of expenditure.

(iii) Gross output: The scope of gross output has been extended to cover all own-account construction by households, the processing of primary commodities by farmers for their own consumption, and the out-put of other goods and services for own consumption which are also sold in the market. The imputation of a service charge for banks and similar financial institutions has been reinstated; this service charge is to be paid by a nominal industry in order to avoid the problems of allocating the imputed charge among economic agents, in particular, various industries.

(iv) Allocation of consumption between households and general government and between governments: The basis for allocating the consumption of commodities acquired from industries (business units) between households and general government has been modified. Instead of the sums which households and general government pay directly to these business units, use is proposed of the criterion of who makes (decides on or initiates) the purchase, in order to avoid division of the outlay between the parties and variance in allocating the outlay, depending on the procedure for direct payment. In the case of household purchases of services produced by general government, the basis of allocation remains the amount paid, now including, however,

/...

nominal fees. Unilateral transfers of goods and services from one government to another, whether for civilian or military use, are to be included in the intermediate consumption of the receiving government, financed by transfers on income and outlay accounts from the donor to the recipient.

(v) Classification of households' goods and services: The classification now relates to households only; it has been altered in a few respects in order to attain concordance with the purpose classification of general government and private non-profit institutions serving households; and a third level of classification has been added in order to provide in all cases, for comparability between the SNA and MPS, separating the repair from the acquisition of goods, and classifying goods into non-durable, semi-durable and durable.

(vi) Gross capital formation: The scope of fixed capital formation has been extended to include increases in breeding stocks, draught animals and dairy cattle and significant outlays on the development of new orchards, rubber plantations, and holdings of other fruit and sap-bearing plants. Increases in other livestock are classed as increases in inventories.

(vii) Distinction between indirect and direct taxes: Taxes paid directly by households on the possession or use of goods and services, in the assessment of which no account is taken of the income or wealth of the taxpayers (e.g., motor vehicle duties), are to be classified as direct taxes instead of indirect taxes. On the other hand, the scope of indirect taxes paid by business units has been widened to include taxes assessed on value added.

(viii) Classification of current transfers: The proposed classification of current transfers distinguishes between the various transactions arising from the ownership of enterprises and other property, other requited (contractual) transfers, various categories of obligations to, and commitments of, organs of government, and categories of other unrequited but voluntary grants.

(ix) Saving: It is now proposed that the saving of private quasi-corporate enterprises be retained by them, instead of being transferred to their owners. However, the saving (loss) of the government enterprises

/...



included among non-financial enterprises is to be transferred to general government.

(x) Capital transfers: Though a more restricted concept of capital transfers was suggested in E/CN.3/320, the definition proposed in E/CN.3/345 is essentially similar in scope to that in the present SNA. The definition is designed to draw coherent distinctions between current and capital transfers which meet the analytical requirements for these data.

(xi) Non-reproducible tangible assets and intangible assets unmatched by liabilities: In order to account for all transactions which take place in an economy, a category of transactions, net purchases of non-reproducible tangible assets other than land (e.g., art objects, antiques) and intangible assets (e.g., patents, copyrights, leases and concessions), has been introduced in the capital finance accounts.

(xii) Classification of financial claims: The classification has been altered so that the main categories of the classification are based on type of instrument and degree of liquidity and subsidiary categories distinguish between kind of debtor, where necessary. Further, where required, original length of maturity, rather than actual maturity, is to be utilized in classifying instruments according to liquidity.

12. In the light of the report of the Expert Group, further study is required of a few aspects of the definitions and classifications of the revised SNA. The work which it seems possible to complete in the course of preparing the next document on the revised SNA is outlined below:

(i) Classification of households and flows of income: Devising a simplified socio-economic classification of households and individuals and a more detailed classification of property incomes than in E/CN.3/345 in order to incorporate more data on income shares.

(ii) Industrial classification of enterprises: Developing an interim classification of kind of economic activity for enterprises based on the interim classification for establishments. This will involve a request to national statistical offices for data that may be available on the relationship between the principal kind of economic activity of enterprises and the kind of economic activity of their constituent establishments.

(iii) Other classifications: Further investigating modifications which may be required in the detail of the classifications of kind of economic activity, the purposes of general government and private non-profit organizations, and households' goods and services.

(iv) Definition of resident households: Studying the international movement of persons in order to clarify and amplify the definition of resident households.

13. In addition, in preparing the next version of the document on the revised SNA, the definitions of the categories of transactors in the system should be set out so as to indicate clearly the nature of, and reasons for, the differences and similarities in sectoring between the accounts on the production and use of goods and services and the other accounts of the system. Also, it will be essential to ensure that consistent and uniform terminology is employed throughout the definitions and classifications.

14. It appears likely that it will take considerable time to complete one aspect of the work on classifications for the revised SNA. This is the definitive classification of kind of economic activity for establishments and enterprises and the related classification of commodities. The introduction of these classifications must wait for the adoption of a revised International Standard Industrial Classification of all Economic Activities (SIC) by the Statistical Commission. Work has started on the revision of the ISIC, but it is not clear when the Commission will be in a position to adopt a revision. It should be noted that account is being taken, in detail, of the interim industrial classification for use in the systems of national accounts and balances, in the work of revising the ISIC. However, since the ISIC must be designed for use in a wide range of statistics, the arrangement and ordering of categories of the international classification may differ from that of the interim, or definitive, industrial classification of establishments in the systems of national accounts and balances.

#### IV. STANDARD ACCOUNTS AND TABLES

15. The study and discussion of the standard accounts and supporting tables in E/CN.3/320 during the last year and a half resulted in a number of additions

/...

to, and refinements and other modifications in, the accounts and tables. A system of coding transactions has been introduced where the last two elements of the code are identical for a given flow in the case of all accounts and tables and where in most cases, the penultimate element indicates the class of transactions in which the flow falls. An attempt will be made to improve the latter aspect of the system of coding so that it will reflect the most relevant classification of transactions in all instances. The effort to employ neutral terms to describe transactions also needs to be carried further. Some of the changes in the transactions needed in the accounts and tables are the consequence of modifications in the definitions and classifications of the system, while other alterations are due to the effort to provide for more adequate information.

16. The major additions and modifications in the standard accounts and tables of E/CN.3/320 proposed in E/CN.3/345 coupled with the report of the Expert Group, are outlined below.

(i) Class II Accounts: Separate and full production accounts are now provided for the services of general government, the services of private non-profit institutions serving households, and domestic service; separate consumption expenditure accounts are to be shown for households, the purposes of general government, and the purpose of the private non-profit organizations; and the Class II Accounts are to be organized into accounts for the production and use of commodities, accounts for industries, general government and private non-profit organizations, and accounts for domestic service and households.

(ii) Class III Accounts: Separate income and outlay and capital finance accounts are shown for private non-profit institutions serving households; a few additional transactions, in current transfers and in non-reproducible tangible assets other than land and intangible assets other than financial claims, are added; and the classification of transactions in financial claims is to be largely according to type of instrument.

(iii) Supporting tables, in current prices, to Class II Accounts: The tables on the gross domestic product and gross capital formation (tables 1 and 7) are sectioned into industries, general government services and the

/...

services of private non-profit institutions serving households; and the cost structure of the production of general government and the private non-profit organizations is shown classified according to purpose (tables 4 and 5). Data on private non-profit organizations serving households are separated from data on households in the case of all the supporting tables.

(iv) Supporting tables, in constant prices, to the Class II Accounts: In addition to the alterations which are due to modifications in the corresponding tables in current prices, tables are added on commodities classified according to intermediate and final use and source of supply, on the consumption expenditure of general government and private non-profit institutions classified according to purpose (tables 11 and 12), and on imports and exports classified according to the industries of which they are characteristic products (table 15).

(v) Supporting tables to Class III Accounts: The distribution of disposable income according to institutional sector, as well as national income, is now shown (table 16); data on selected outlays of general government according to purpose have been added (table 18); the socio-economic classification of households in table 19 is to be elaborated further; table 20 is to be eliminated and the data called for on the transactions of general government and households are to be added to tables 17 and 19, respectively; the columns for the Central bank and for Central government in table 21 are to be divided into international reserve and domestic transactions and part (b) of the table eliminated; and a table is provided on the classification according to kind of economic activity of the income and outlay and capital finance accounts of non-financial corporate and quasi-corporate enterprises (table 24).

(vi) Supporting table to all accounts: A table is delineated on all external transactions classified in some detail (table 25).

17. Excepting the formulation of international reporting requirements based on the revised SNA, it seems possible to carry out the work which remains to be done on the standard accounts and tables in the course of preparing the next document on the revised system. The major facets of this work are briefly described below:

/...

(i) Examining the character and organization of the accounts with a view to enhancing the values of the accounts in explaining the structure of the revised system, as well as in setting out the main data of the system; and delineating in greater detail than was feasible in E/CN.3/345, the relationships between the standard accounts and the matrix accounts and the system of links of the standard tables to the accounts.

(ii) Formulating broad guidelines on the periodicity and order of priority of compiling the standard tables and accounts in the light of the character and relative urgency of the various analytical requirements for the information and the relative problems and burdens of compiling the data; and furnishing explanatory notes in respect of the tables and accounts.

(iii) Including more adequate data in the supporting tables on the distribution of incomes from participation in production and the ownership of property.

(iv) Adapting and amplifying the supporting tables on financial transactions in respect of monetary, fiscal and related institutions and activities so as to provide for adequate data for purposes of financial and monetary analysis.

18. International reporting requirements in respect of the new system should be framed immediately after the Statistical Commission adopts a revised SNA. This will involve selecting from the supporting tables and accounts of the system, the series to be reported in the light of the analytical requirements internationally and available data nationally; and should be carried out in co-operation with the interested international agencies. It will be desirable to consult national statistical offices on a draft of the questionnaire worked out.

#### V. ADAPTATION OF THE SYSTEM TO THE DEVELOPING COUNTRIES

19. The adaptation of the main system to the requirements and circumstances of the developing countries set out in chapter VII of E/CN.3/345 represents a major aspect of the work completed during the last year or so. The proposed adaptation exhibits the conclusions reached by the African, Latin American and Asian working groups which met during the latter half of 1965. It consists primarily of (i) a

list of orders of priority for developing standard accounts and tables of the full system and (ii) special classifications, accounts and tables for the use of the developing countries.

20. The working groups thought that the full system provides suitable long-term goals for evolving national accounting and the co-ordinated basic statistics in these countries. They considered that for this purpose it is essential to have guidelines on the sequence in which the full system might be developed, based on the relative urgency of the analytical requirements for the data of the system and the relative difficulties and costs of compiling these data. They also concluded that supplementary classifications, accounts and tables were required in view of the economic and social conditions which characterize the less developed countries and the policies, institutions and instruments which a number of these countries employ to further economic and social development.

21. The supplementary classifications consist primarily of distinctions between traditional and modern forms of production and between privately and publicly owned and/or controlled industries. The special accounts involve all the accounts of the system; and relate to selected areas of a developing country (e.g., traditional or all parts of rural areas, particular or all urban areas) or kinds of activity which are of key importance to its economy (e.g., selected industries, the public sector). The supplementary tables concern the relative roles of production for own consumption and for the market and the sources of supply and use of commodities.

22. It is thought that chapter VII should be expanded in the next document on the revised SNA in order, inter alia, (i) to furnish detailed definitions of the special classifications, accounts and tables proposed and (ii) to explain the precise relations of these special features of the adaptation to the main system.

## VI. PROGRAMME OF FUTURE WORK

23. The thirteenth session of the Statistical Commission thought that the fifteenth session should consider the revised and extended SNA which is to be published. For this purpose the following work should be completed:

- (i) Consultation, through regional conferences of statisticians and other means, on the objectives, concepts and methods of national accounting in constant prices and related aspects of the revised SNA.

(ii) Preparation of a new document on the revised SNA, in the light of the discussion of the fourteenth session of the Commission of the Proposals for Revising the SNA, 1952; June 1966, E/CN.3/345, and the Report of the Second Session of the Expert Group on the Review of National Accounts and Balances, E/CN.3/346, and the results of the consultations mentioned above. The new document should furnish a full description of the structure and concepts of the system, the complete definitions and classifications, and the standard accounts and tables which are to be integral parts of the system other than national and sector balance-sheets; and should contain discussion of input-output analysis, national accounting in constant prices and perhaps regional accounting.

(iii) Consultation on this document with national statistical offices; and preparation, with the assistance and advice of the Expert Group, of a proposed publication on the SNA for the consideration of the fifteenth session of the Commission.

24. The programme of work suggested above will leave the following major aspects of the review of the national accounts and balances which the thirteenth session of the Commission outlined, to be undertaken after the fifteenth session:

(i) Framing of international reporting requirements in respect of national accounting data, based on the revised systems of national accounts and balances and in consultation with national statistical offices.

(ii) Preparation of technical manuals on the revised SNA.

(iii) Development of detailed proposals on the definitions, classifications and tabulations of national and sector balance-sheet statistics integrated into the revised SNA. This question is discussed in document E/CN.3/347, which is before the fourteenth session of the Commission.

(iv) Development of proposals for systems of income distribution, labour, demographic and other social statistics which are closely related to the systems of national accounts and balances. The subject of income distribution statistics is discussed in document E/CN.3/348, which is before the fourteenth session of the Commission.

(v) Study, in co-operation with the Conference of European Statisticians, of the relationships and links between the revised SNA and MPS; and development of common basic aggregates of special interest. This aspect of the work is described in document E/CN.3/349, which is before the fourteenth session of the Commission.

-----