

# Ensuring the Consistency of National Accounts for the ICP



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- Exhaustiveness
- Own-account production/consumption
- Income in kind
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# Exhaustiveness

- ***In theory:*** Exhaustiveness means that all economic activities are included in the national accounts, whether legal or not
- ***In practice:*** Experience has shown that the following areas are often under estimated in (or omitted from) countries' accounts
  - products that households have produced for themselves (including dwellings)
  - goods sold by street traders or in village markets
  - goods and services that are provided to households by “informal” or “unregistered” producers
  - goods that have been smuggled into the country
  - government expenditures
  - illegal activities



# Own-account production/consumption

- *In theory:* The SNA production boundary includes production of all types of goods for own use
- *In Practice:* It is almost impossible to cover the production of everything that farm households may produce and consume themselves so special allowances have to be made



## Income in kind

- ***In theory:*** Goods and services provided as income-in-kind are recorded as part of compensation of employees and the same amount is included in individual consumption expenditure by households
- ***In practice:*** The importance of income in kind may vary significantly across countries

- *In theory:* In the 1968 SNA, FISIM was considered to be entirely the intermediate consumption of a “nominal industry” but the 1993 SNA introduced the concept of allocating FISIM across the users of these financial services
- *In practice:* FISIM can arise from the operations of both resident and non-resident financial institutions, so it is possible to have both exports and imports of FISIM.
  - **FISIM from resident** financial institutions should be allocated to households, government, businesses and non-residents
  - **FISIM from non-residents** should be allocated to final users as either intermediate consumption or final consumption



# Net expenditure by residents abroad

- ***In theory:*** 1993 SNA states that “net expenditures abroad” is an adjustment item for the situation when the starting point for estimating HFCE is the total expenditure within the country made by all households, whether resident or not
- ***In practice:*** If a household expenditure survey (HES) is used to estimate HFCE it is necessary to determine whether or not *expenditures by residents abroad* are in scope of the HES
  - if they are, then the amount that should be recorded in net expenditures abroad is zero.
  - If they are not included in the HES then it will be necessary to add them into HFCE either as a single line item or allocated to the relevant components



# Net expenditure by residents abroad (continued)

<b>Data source</b>	<b>Adjustment required to HFCE for expenditures by residents abroad</b>	<b>Adjustment required to HFCE for expenditures by non-residents in the country</b>
HES (residents' expenditure abroad in-scope)	No	No
HES (residents' expenditure abroad out-of-scope)	Yes	No
Survey of retailers	Yes	Yes



# Issues for discussion

1

Do any INAG members have estimates that would assist in assessing the accuracy and the potential impacts of the national accounts components described above?

2

In what order of importance would INAG members rate the potential impacts of the above national accounts components?

3

Are there any other potentially important issues that should be added to this list?

4

What would be the best way for the Global Office and Regional Coordinators to minimise the problems caused by inconsistencies in the national accounts between countries?



**THANK YOU**