

International Comparison Program

National Accounts Activities and Reporting Forms for the 2011 ICP

Discussion Paper



**1st ICP National Accounts Working Group Meeting
February 16-17, 2011**

Washington DC

Content

1. Introduction.....	3
2. Summary of activities	3
3. Reporting Forms for the 2005 ICP.....	5
4. Issues For Discussion.....	9

Discussion Paper

NATIONAL ACCOUNTS ACTIVITIES AND REPORTING FORMS FOR THE 2011 ICP¹

1. Introduction

The 2005 ICP results showed that the national accounts of participating countries were not as consistent with each other as had been anticipated. As a result, the Global Office decided to focus on national accounting issues early in the 2011 ICP round to ensure that the estimates of GDP and other major national accounts aggregates would be as consistent as possible across the participating countries.

The main activities to date have been:

- to update and expand the national accounts chapter from the ICP handbook, which resulted in it being split into two chapters, one on the national accounts framework and the other on national accounts practices;
- to develop a number of reporting forms (discussed later in this paper) to assist countries in compiling and reporting their national accounts data;
- to encourage Regional Coordinators to assist countries to run workshops for their region's national accountants to assist them to improve their national accounts and to split their expenditures on GDP into the basic headings defined in the 2011 ICP Expenditure Classification;
- to establish the ICP National Accounts Working Group (INAG), consisting of national accounts experts from all over the world, to discuss issues likely to impact on the consistency of GDP comparisons and to advise on ways of improving them.

The following parts of this paper have been extracted from, or are based on details contained in, the 2011 ICP Book chapter "The ICP and National Accounts Practices". A copy of this chapter is available as part of the background documents for this meeting.

2. Summary of activities

Chart 1 lists 17 "national accounts activities" and many of these are new activities compared with the 2005 round of the ICP. In this section we introduce several reporting forms that will support these activities. They are designed to assist the national accounts experts in their own work and to help the ICP Regional and Global Managers to better understand the data sources and methodologies underlying country estimates of final expenditures.

¹ Prepared by Paul McCarthy & Michel Mouyelo-Katoula.

- iii. conduct early data collection for 2009 GDP estimates [provisional], 2010 [estimate] and 2011 [forecast] that will enable data problems to be resolved before the final data collection for the 2011 reference year;
- iv. identify data sources that could be used to obtain detailed information for all products in the product lists or at least each major product, in terms of values, quantities and prices; sources could include statistics on imports, production, household consumption and other expenditures as underlined in the next section;
- v. prepare a matrix of data availability for all products in the product lists or at least for each major product, which will include proposed methods for forecasting to 2011 if data are available only for earlier years;
 - details of products will be contained in the rows while the columns will show the type of data available to provide product details that can be used to provide the best possible price information for each basic heading;
- vi. implement the commodity-flow approach (supply and use of products via production, imports, final consumption, capital formation and exports) for major products under each basic heading; at this level of detail, it is inevitable the approach will have to be implemented roughly because of the lack of reliable basic information;
- vii. implement a price monitoring system for each product in the lists of products to be priced in the ICP surveys (household consumption products, construction materials, machinery and equipment) showing the price dynamics from imports and production to final uses;
- viii. carry out activities aimed at determining prices/costs and expenditures for comparison resistant areas; public and private health services; public and private education services; compensation of employees; housing; NPISHs; construction; equipment;
- ix. create a map, a flowchart or a table showing linkages between input data, data sources, vintage of data, estimation methods and GDP expenditure values used in 2005;
- x. update the metadata flowchart for each subsequent benchmark year (2006, 2007, 2008 and 2009) for which the country will have updated its GDP expenditure values;
- xi. create a new metadata flowchart for 2011;
- xii. compile estimates/forecasts for GDP expenditures and main aggregates for 2006, 2007, 2008, 2009, 2010 and 2011;
- xiii. ideally, compile simplified supply-use tables (SUT) at a reasonable classification level;
- xiv. update the vector of GDP breakdown for the reference year 2011, building on the steps above.

3. Reporting Forms for the 2011 ICP

To help the national accountants in the participating countries to compile detailed expenditure values for each basic heading of the ICP classification, the Global Office has developed five tables/forms that are described below. These tables/forms will also be used to report to the Regional Coordinators, and through them to the Global Office, the required expenditure values as well as the underlying metadata (data sources, basic data, reference years, adjustments made, as well as any other method used to estimate the expenditure values). As the proposed templates may not be sufficient to report all the required data and metadata, countries should provide more detailed information in separate methodological notes (in MS Word) that should be sent together with the tables/forms.

The structure of the reporting tables/forms is as follows:

- 1 – Reporting form
- 2 – Source data
- 3 – Price formation
- 4 – Commodity flows
- 5 – Variations between 2005 and 2011.

Table 1: Reporting form for expenditure values

This reporting form is designed to collect the basic heading expenditure estimates in respect of the latest year for which data are available. The details required are the year to which the data refer and the values for each basic heading. Values at various higher levels of aggregation are estimated from the data inserted for each basic heading to enable them to be easily checked against the reporting country's national accounts estimates for the corresponding year.

This reporting form must be completed by all participating countries because it provides the national accounts data set required for each country.

Table 2: ICP basic heading expenditure source data and metadata and adjustment details

The purpose of this table is to establish how expenditures on basic headings were estimated. It covers all the basic headings of the ICP Expenditure Classification.

Each country is asked to describe the sources for the basic heading estimates and how data from the original source were adjusted to update them to the reference year of the data supplied in the basic heading reporting form or to correct them for coverage shortcomings or differences in definitions. In many cases, countries may have used rather simple methods to estimate expenditures on some basic headings. For example:

- They may have had only a single figure for expenditure on two or more basic headings and they decided to split that figure based on some rough indicators of their shares of expenditures.
- They perhaps had an estimate of expenditure on a basic heading from a survey carried out several years ago and they may have updated the estimate to the reference year using the population growth rate.
- Another simple method used by some countries was to “borrow” an estimate or a ratio from a neighboring country.
- It is important that each country fully describes the methodology even if it consisted of a simple method of the kind described above.

Documentation is a critical part of any statistical process and the ICP is no exception. It has become apparent that the methods used to estimate basic heading values in the 2005 ICP were not documented by many of the participating countries. Not only does this make it difficult to replicate methods and validate changes in basic heading values between 2005 and 2011 but it also means that the Global Office has no information on the methods used to determine their consistency across countries.

Table 2 is a pro-forma that has been designed to assist countries to document their processes consistently and quickly. It shows how each basic heading value has been estimated from the source data. In many cases, the methods will be similar for blocks of basic headings and so they can be quickly documented by a simple “cut and paste” operation. The table also enables links to be made to other detailed documentation that may already be available.

Table 3: Price formation – data entry forms

Table 3 contains four forms that show the steps involved in adjusting values (or unit prices) expressed at basic prices to values (or unit prices) expressed in purchasers’ prices. They are:

- Form 1: Household final consumption expenditure (domestically-produced goods)
- Form 2: Household final consumption expenditure (imported goods)
- Form 3: Gross fixed capital formation on machinery and equipment (domestically-produced goods)
- Form 4: Gross fixed capital formation on machinery and equipment (imported goods).

The forms are similar but are tailored specifically to the particular component involved. For example, the forms for imported goods have a line for customs duties, which is not an item on the forms for domestically-produced goods. Similarly, the forms for gross fixed capital formation on machinery and equipment contain a line for installation costs, which are not included on the forms for household final consumption expenditure.

These forms are not obligatory; they are designed to assist countries in adjusting data from basic prices to the purchasers’ prices that are required for the ICP.

Table 4: Commodity flow table for important products

Table 4 is a commodity flow matrix showing how the total supply of important products is distributed among intermediate and final uses. The sum of total supply at purchasers’ (or “market”) prices should be the same as the sum of intermediate and final uses at purchasers’ prices.

This table should be completed for those products that are considered to be important products in a country and for which data are readily available.

If this table were completed for all products, GDP could be derived either as total supply less intermediate consumption or as total final expenditures plus net exports of goods and services.

Table 5: Variations of per capita notional real expenditures (by basic heading)

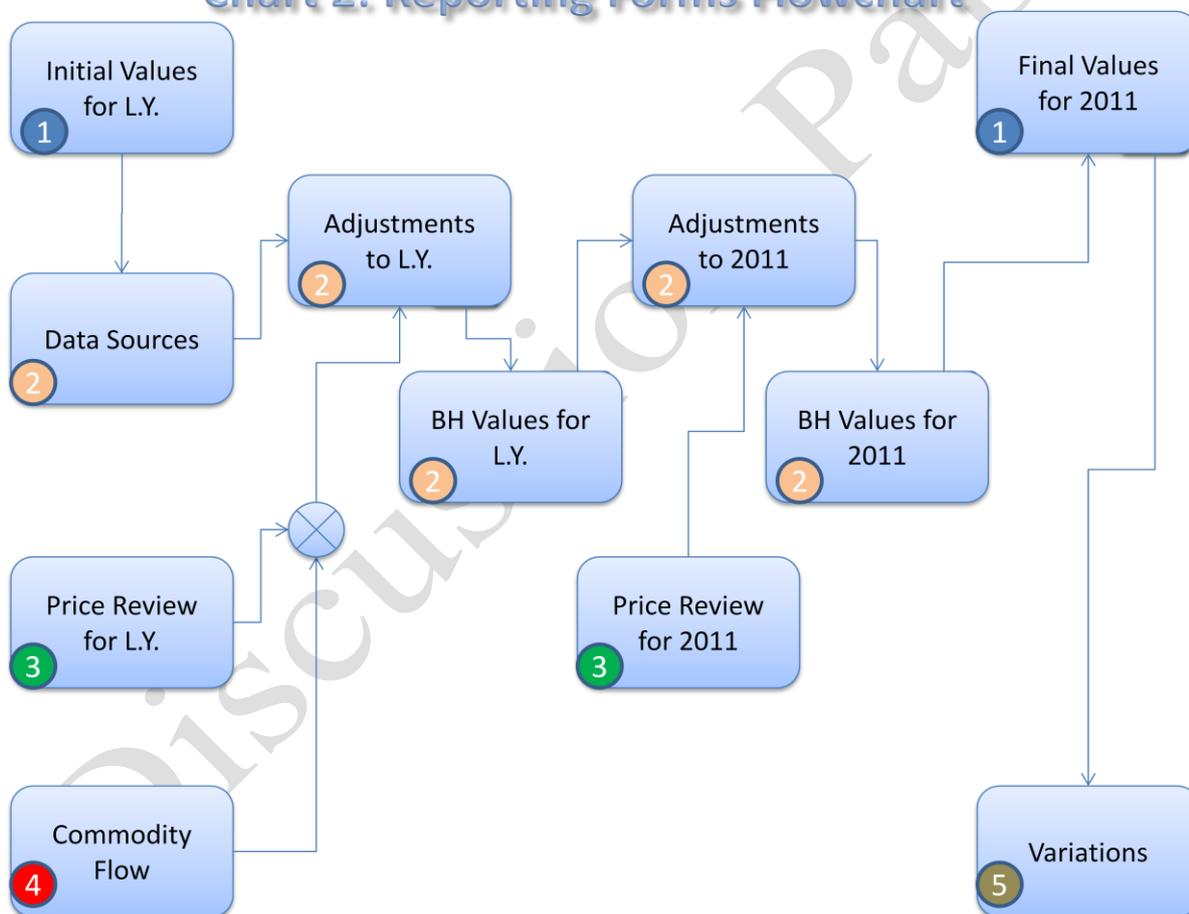
The purpose of this table is to provide some basic edits by comparing the per capita notional real expenditures in 2011 with those from the 2005 ICP. The notional real expenditures are obtained by first calculating a “price” for a basic heading as the geometric average of the prices provided by a country for products listed under that basic heading in each of 2005 and 2011. Basic heading “prices” are then divided into reported expenditures in national currency to obtain the basic heading notional real expenditures in each of those two years. The final step is to obtain per capita notional real

expenditures for 2005 and 2011 by dividing the notional real expenditures by the respective population estimates.

As all the activities suggested in chart 1 may prove difficult to carry out, countries are advised to focus essentially on those required to complete the 5 forms above. Tables 1 and 3 will be completed for the latest year for which source data is available as well as for the reference year 2011. Data sources in Table 2 will be reported only for the latest year, whereas the adjustments and the resulting basic heading expenditure values will be provided for the latest year as well as 2011. Commodity flow balances will be established only for the latest year. Table 5 will be completed only by countries that participated in ICP 2005.

This can be illustrated as in Chart 2.

Chart 2: Reporting Forms Flowchart



4. Issues For Discussion

- (a) Do INAG members have any comments on how the explanatory notes accompanying the forms should be expanded and/or simplified?
- (b) Is any additional special training likely to be required by countries to assist them in completing Tables 1 and 2?
- (c) Can INAG members suggest any additional forms that would be useful?

Discussion Paper