

# Regional Coordinators' Meeting

Guidelines and proposed sequence of ICP-  
related national accounts activities





# National accounts and the ICP

- Key issue is the importance of national accounts in the ICP
  - intend to set out detailed operational guidelines for producing reliable expenditure-based national accounts estimates
  - supply-use tables (SUTs) are recommended as an important element in the process
  - consistency between the prices underlying the national accounts values and the prices collected for the PPPs is critical



## Process planned

- An outcome from this meeting is feedback on the ideas set out in this paper
  - will assist in finalising the content of operational section of the national accounts chapter of the 2011 ICP Handbook
  - complete details of the tasks involved and ideas on how to implement them will be presented in this redrafted chapter
  - should be available by mid 2010



## Data for basic headings

- Data for basic headings require detailed splits of expenditures
- National accounts developed from bottom up
- Ideally, detailed prices, production data and expenditures are the point of departure
  - aim is to ensure consistency between prices and values using this detailed level as the starting point



# Measuring GDP

- In principle, require expenditure approach
  - in practice, data from production and income approaches should be taken into account
- Many of the data sources are common or can be compared via commodity flows
  - e.g. if there is no investment survey, then investment on equipment can be estimated via imports (less exports) and production
- Data can also be validated by checking commodity flows



## Key issues

- Basic headings, for which data are required
- Data sources for each basic heading
- Categories of prices of products under each basic heading
- Using ICP survey prices in national accounts work for the ICP
- Estimates of notional quantities or values at constant prices for each basic heading



## Key issues (continued)

- Consistency between ICP survey prices and prices underlying the national accounts
- Compiling supply-use tables (SUTs)
- GDP forecasts from benchmark ICP work
- Validation procedures at country and regional level
- Data processing issues
- Implementation timetable



# Basic headings

- The basic heading is the lowest level of aggregation of items in the GDP breakdown for which PPPs are calculated
- A basic heading is defined as a group of similar well-defined goods or services
  - in practice, a basic heading is the lowest level of final expenditure for which explicit expenditures can be estimated
- Basic headings are ICP's building blocks
  - level at which expenditures are defined, products selected, prices collected, prices edited, and PPPs first calculated and averaged



## Basic headings (continued)

- Basic heading values also provide weights used to aggregate PPPs to broader national accounts aggregates
  - if a value is not recorded for a basic heading then it has zero weight in the aggregation process
  - values must be recorded against all basic headings (unless there is genuinely no expenditure on the products covered)



## Basic headings (continued)

- Data consistency will be checked using basic headings as the starting point
  - e.g. consistency of the distribution of basic heading values between countries with similar types of economies
- Other checks based on the consistency within a country of real expenditures and the per capita real expenditures with other components of GDP
  - also their consistency with similar components in other countries in each region



# National accounts for 2011

- The ICP provides an opportunity for countries to improve their national accounts because of the ICP's special focus on the real expenditure estimates of GDP
- Countries that do not have national accounts are likely to need assistance to produce them
  - the Regional Coordinators will be responsible for organising such assistance, supported by the Global Office



## National accounts for 2011 (cont)

- Some countries that participated in the 2005 ICP have not fully maintained their accounts since then
  - but have a reasonable starting point to update their GDP estimates to 2011 and to upgrade them in the process
- Expenditures on GDP are required for the ICP and some countries have only production-based estimates of GDP
  - work required to identify the data sources that may be available to assist in producing expenditure-based GDP

# National accounts review

- Need to review national accounts
  - identify major products in each basic heading
  - identify potential data sources for values, prices, quantities
  - liaise with prices statisticians
  - edit prices against national accounts data, particularly checking consistency with values
  - need data for 2009 and estimates/forecasts for 2010 and 2011 to identify potential problems

## National accounts review (cont)

- prepare a matrix of data availability, including proposed forecasting methods
- implement commodity-flow approach for each basic heading
- identify price dynamics from production, imports etc to final expenditures
- carry out activities to determine prices/costs and expenditures for comparison resistant areas
- create a map showing linkages between input data, data sources, vintage of data, estimation methods and GDP expenditures used in 2005

## National accounts review (cont)

- update the metadata flowchart for each subsequent year (2006, 2007, 2008 and 2009)
- create a new metadata flowchart for 2011
- compile estimates/forecasts for GDP expenditures and main aggregates for 2006, 2007, 2008, 2009, 2010 and 2011
- compile simplified SUTs at a reasonable classification level
- update the vector of GDP breakdown for the reference year 2011, building on steps above

- Data sources not necessarily independent
  - e.g. data from a household expenditure survey overlap considerably with retail trade data
- The types of issues to be considered are:
  - the reference period compared with 2011
  - the relative sample size of each of the surveys
  - the data item coverage compared with HFCE
  - the adjustments to retail trade data to adjust for expenditures by businesses and net purchases abroad by residents
  - how well the classification used can be matched with the ICP basic heading classification



## Potential data sources

- Household expenditure surveys or equivalent
- Retail trade data
- Capital expenditure surveys
- Inventory surveys
- Balance of payments data
- Merchandise trade data from the Customs Service
- Production statistics from industrial and agricultural censuses and surveys



## Potential data sources (continued)

- Information from Excise authorities on sales of tobacco and alcohol products
- Records of motor vehicle registrations (need to split households and business use)
- Sales to households by utility companies and state monopolies
  - water, gas and electricity
  - posts and communications
  - rail and air travel
  - broadcasting
- Surveys of restaurants and hotels



## Potential data sources (continued)

- Data from VAT or other sales taxes classified according to the goods and services taxed
- Supply-use balancing (commodity-flow estimates)
- The Food and Agriculture Organization (FAO) has data for expenditure on food in its Food Balances Database
- Weights in price indexes (e.g. the CPI)
- Scanner data



## Data validation

- Compare GDP and major aggregates with data in the annual national accounts questionnaire
- Sum of components equals corresponding aggregates and that correct signs have been applied to those components that are potentially negative
- Completeness checks, such as all basic headings containing non-zero values
- Check whether FISIM is allocated or not



## Data validation (continued)

- Are net expenditures abroad allocated across products within HFCE
- Verify price dynamics from production and imports to final uses for major products
- Compare average price changes from 2005 to 2011 for each basic heading with overall price changes in the country over this period
- Compute per capita expenditures for each basic heading



## Data validation (continued)

- Compare shares of GDP contributed by each basic heading
- Compare per capita real expenditures for each basic heading
- Variations (standard deviations) in per capita real expenditures for each basic heading between countries in each cluster
- Consistency of PLIs across basic headings within a country
- Variation of PLIs within basic headings between the countries in each cluster

Detailed timetable in the paper

- will be further developed after this meeting

## **July 2010**

Major aggregates for 2006, 2007, 2008, 2009

Basic heading details for final consumption aggregates (for 2008 or the latest possible year)

## **November 2010**

Major aggregates (revised) for 2006, 2007, 2008, 2009

Values for all basic headings for 2006, 2007, 2008, 2009



# Timetable (continued)

## **July 2011**

Major aggregates (revised data for 2006, 2007, 2008, 2009),  
preliminary data for 2010

All basic headings for 2006, 2007, 2008, 2009, 2010  
(preliminary)

## **July 2012 – preliminary data for 2011 for initial results for 2011 (to be used for editing)**

Major aggregates for 2011

All basic headings for 2011 (best possible estimate)



## Timetable (continued)

### **October 2012 –data for preliminary ICP results**

Major aggregates for 2011 (any revisions since July 2012)

All basic headings for 2011 (any revisions since July 2012)

### **May 2013 – final data for published ICP results**

Major aggregates for 2011 (any revisions since October 2012)

All basic headings for 2011 (any revisions since October 2012)