PRESS RELEASE

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On «The Introduction of the System of
National Accounts 2008 (2008 SNA) in Armenia's National accounts»


System of National Accounts (SNA) is a comprehensive, interconnected and flexible set of macroeconomic indicators used in policy formulation, analysis and research. The National accounts' indicators (GDP, GNI, consumption, savings, etc.) are important measures that are used by policy makers to plan and evaluate the implementation of their policy, and by international organizations to compare the economic development among countries.

The 2008 SNA is an updated version of the 1993 SNA. It is the fifth version of the SNA, the first of which was published over fifty years ago. At its thirty-third session in 2003, the UN Statistical Commission requested that the 1993 SNA should be updated to bring the national accounting framework into line with the needs of data users. The background was that the economic environment in many countries had evolved significantly since the early 1990s when the 1993 SNA had been developed and, in addition, methodological research over the past decade or so had resulted in improved methods of measuring some of the more difficult components of the accounts. One of the crucial factors for SNA developments was ensuring its consistency with related manuals, such as those on the balance of payments, on government finance statistics and on monetary and financial statistics.

In accordance with the mandate from the UN Statistical Commission, the 2008 SNA does not contain fundamental or comprehensive changes that would impede a smooth transition from implementation of the earlier version SNA to the new version.

The 2008 SNA was prepared and published under the auspices of five international organizations: the Statistical Office of the European Communities (Eurostat), the International Monetary Fund (IMF), the Organisation for Economic Cooperation and Development (OECD), the United Nations Statistics Division (UNSD) and regional commissions of the United Nations Secretariat and the World Bank, and it was adopted by the United Nations Statistical Commission at its fortieth session on February 2009 in New York as international standard.

Taking into consideration that the implementation of 1993 SNA methodology for many
countries (especially in Eastern Europe, CIS, etc.) have not yet been completed, the SNA 2008 implementation process includes also the completion of the implementation of the SNA 1993's for certain components. These are Input - Output tables, balance of assets and liabilities, financial accounts, as well as some of the components of the methodological developments and improvements that have taken place after the adoption of 1993 SNA.

Within this release it is not possible to reflect all the changes provided in the 2008 SNA. For this reason here are reflected the more significant changes which will lead to the changes of GDP volume, real growth and structure, as well as the SNA's main indicators.

One of these changes is related to research and development expenses, which, according to SNA 2008, should be considered as the expenditures of fixed capital formation, instead of intermediate consumption expenditure defined in 1993 SNA. This change will lead to the changes of gross value added in those economic activities which carry out research and development expenses and as a result there will be changes of both the structure and the real growth of GDP.

Another important change relates to military expenditures (tanks, airplanes, ships and costs of acquisition of other military facilities for long-term use), which were regarded as intermediate consumption expenditures of the government according to the 1993 SNA, but according to 2008 SNA, they should considered as the fixed capital formation expenditures. This amendment will not result to changes of GDP volume and structure by production approach, but because of the differences of deflators for assessment of output and intermediate consumption volumes at constant (comparable) prices, the volume index of GDP will be changed. There will also take place changes in the ratios of the final consumption and capital formation of GDP structure by use side.

As a result of capitalization of both above mentioned expenditures, in the balance sheet of assets and liabilities the capital assets will increase in the same amount, which in turn makes it necessary to evaluate the consumption of capital, at first including it into the output and then in the value added. As a result of this the volume of GDP by the production side will be changed.

The methodological approaches associated with improvements to reflect in the national accounts more accurately the operations of the Central Bank (CB) resulting from its functions have been implemented in many countries in 2000s and now are adopted in 2008 SNA. If the 1993 SNA offered to treat the CB as a commercial bank, then 2008 SNA presents the CB functions in new interpretation separating the CB functions (monetary regulation, supervision of financial institutions, financial intermediation) in market and non-market, and intends to consider them separately and reflect in the national accounts.

Output of departments of macroeconomic regulation, which includes price stability, monetary circulation, exchange rate, the settlement of foreign exchange reserves accumulation and distribution, according to 2008 SNA, should be considered as the sum of current expenditure (non-market functions).
Another part of CB output concerns to providing financial services to commercial banks, as well as other institutional units, which is valued at market prices. In the use side of services provided by the CB, the output of macroeconomic regulation services should be viewed as final consumption of general government, while the other part of the financial intermediation services, as intermediate consumption of financial, non-financial and general government institutions.

The non-market output of CB should be registered in the use side of disposable income as final consumption of general government, but, in reality, the general government bodies are not administered such expense. This volume of output should be recorded as current transfers (mixed transfers) from CB to the general government and at the expences of which should be financed central bank’s non-market purchases by government. In many cases, it is difficult to separate the CB market and non-market outputs. In such cases the CB output should be assessed as sum of costs (non-market); intermediate consumption, compensation of employees, consumption of fixed capital and net taxes on production (less subsidies).

SNA 2008 intends to improve the methodology for calculation the volume of financial intermediation services indirectly measured (FISIM). If in the SNA 1993 the output of FISIM was presented as difference between the interests received and paid on that financial institutions providing and attracting financial resources, then in the SNA 2008 it is calculated only with the operations for deposits and loans on the bases of reference rate. Also it is forseen the distribution of the FISIM between the consumers: intermediate consumption, final consumption and exports (by SNA 1993 it was completely the intermediate consumption component).

A number of methodological changes should be implemented in the external economic transactions associated with the more accurate reflection in the national accounts the processes of globalization. These changes are related to operations, such as exports and imports goods for processing abroad or for resale, "private transfers" of temporary employed non-residents to their country and etc. These changes are harmonized with the Balance of Payments manual, 6th edition (IMF, 2008).

2008 SNA implementation will require long-term period and additional resources. As the SNA is in relations with the other statistical systems (balance of payments statistics, government finance statistics, monetary and financial statistics), a methodological change in one of them leads to after change. The latter implies that for 2008 SNA implementation will be needed deepen cooperation with the National Statistical Service and boards engaging in other macroeconomic statistical systems, especially with the Ministry of Finance and the Central Bank.

Implementation process will include the following stages;
1. Developing of the long-term national strategic program and action plans.
   - conducting meetings, stating priorities, coordination of the implementation process with the main stakeholders (the Central Bank, Ministry of Finance)
- developing of the national implementation plan, including it in the strategic program.
- developing of the action plans (on yearly basis), including compliance of resources and well-defining international technical cooperation needed.

2. Adoption of classifications, improvements of business register, administrative data sources, sampling, IT infrastructure.

3. Improvements of the national accounts compilation according to 2008 SNA and the implementation plan.

All changes foreseen 2008 SNA are placed in Annex 3 of the 2008 SNS’ manual (see also NSS official website http://www.armstat.am/file/doc/99475843.pdf).