

Building the System of National Accounts - introduction

Statistics Explained

This article is part of a [set of background articles](#) explaining in some detail how statistics producers, such as national or international statistical institutes, may build a coherent [system of national accounts \(SNA\)](#), especially in developing countries. The articles are based on the official Eurostat handbook [Essential SNA - Building the basics](#) and they focus particularly on the early stages of the implementation.

Scope and aims

Developing countries have to face two kinds of challenge in implementing the [2008 SNA](#). The first refers to the political will and the economic capacity to create the general framework. The second is how to adapt the methodological requirements of the 2008 SNA to the country's specific situation and with the available resources (data sources, human resources and financial support).

This raises the question of what is the best strategy to adopt for implementing the 2008 SNA and satisfying user needs (national and international).

These articles are especially designed to clarify, prioritise and present alternative ways of facing these challenges and preparing countries for estimating [national accounts](#) indicators. They focus on presenting ways of laying the groundwork for compiling national accounts.

The key issues for implementing the 2008 SNA presented in the articles are:

- institutional issues, such as the need to create the legal framework for implementing national accounts and the strategy for developing the statistical system, which forms the basis for the implementation of national accounts;
- technical issues relating to statistical infrastructure, such as the [business register](#) and [classifications](#) ;
- technical issues relating to statistical and administrative data sources required for compiling national accounts, and especially the use of this data for estimating national accounts indicators;
- specific issues for the compilation of national accounts, common in developing countries, such as the [non-observed economy](#) and the [informal sector](#) ;
- conceptual background of price and volume measures in national accounts, the main data sources and methods used for annual estimates.

The most reasonable approach to implementing the SNA consists of a gradual compilation of the accounts and tables required for addressing policy issues and deemed the highest priority for a country. For this reason, the main reference framework is provided by the Minimum requirement data set (MRDS), developed by the [Intersecretariat Working Group on National Accounts \(ISWGNA\)](#) and approved by the UN Statistical Commission during its March 2001 meeting. The MRDS includes a set of required, recommended and desirable data on national accounts that should be provided by countries intending to implement the SNA for the first time (see [Building the System of National Accounts - strategy](#), Figure 6).

In order to implement the SNA in line with the MRDS, priority should be given at the first stage to compiling [GDP](#) data according to production and expenditure and by industry for the overall economy and external counterpart sector. This will enable estimates of the major SNA aggregates to be made.

Incorporating the SNA into routine practice requires a transformation of the entire system of producing socio-economic statistics. This will entail changes and improvements in statistical areas, linked to the SNA or integrated with it, such as government finance statistics, banking statistics, [balance of payments](#) , statistics based on [household surveys](#) , etc. It will also involve introducing new economic classifications closely linked to the 2008 SNA, such as the [International standard industrial classification of all economic activities \(ISIC\) Rev.4](#) , the [Central product classification \(CPC\) Ver.2](#) or the [Classification of the functions of government \(COFOG\)](#) .

Contents

To achieve the objectives outlined above, the material has been divided into several articles, each focusing on a key issue.

[Building the System of National Accounts - context](#) offers a short introduction to the national accounts system, and in particular the 2008 SNA, stressing the importance for a country of national accounts. This article aims to provide arguments for implementing national accounts, providing chief statisticians with the tools for justifying the need to allocate human and financial resources to this activity. The definition and characteristics of the national accounts system are presented, as well as how it may be used in the economy. One section is devoted to the new SNA: it includes a brief history of SNA developments and the main improvements in the 2008 SNA with respect to previous versions.

[Building the System of National Accounts - strategy](#) presents the guidelines for drafting a national strategy for implementing the SNA and compiling national accounts, these can be adapted to the specific situation in each country.

Three phases of the 2008 SNA implementation process may be identified:

1. elaborating or reviewing the strategic framework and implementation plan as part of the national statistical development strategy;
2. adapting the classification framework and business registers, surveys and administrative data sources that make up the infrastructure for the compilation of national accounts;
3. collecting data sources and applying the 2008 SNA methodological requirements to calculate the main economic aggregates.

This article focuses on the first phase of the process; the last two phases are outlined in the articles on business register and statistical classifications, statistical sources and administrative sources. The first section of the article on strategy highlights the main point of the [National strategies for the development of statistics \(NSDS\)](#) , as a basic foundation for the SNA implementation strategy. The NSDS is expected to provide countries with a strategy for strengthening their statistical capability across the entire national statistical system (NSS) in response to evolving user needs and priorities. The second section of the article presents the main phases of the SNA implementation strategy, starting with the establishment of an appropriate institutional environment (including organisational, human resources and management approaches) followed by drawing up an inventory of data sources and collection, analysis and translation of indicators into national account concepts. In detail, the strategy of SNA implementation includes:

- defining the objectives;
- setting priorities based on the Minimum requirement data set (MRDS);
- ensuring institutional conditions are in place;
- designing a compilation strategy:
 - inventory of data sources: general principles, statistical sources, administrative sources;
 - classification and nomenclature implementation: units, institutional sectors, flows and stocks, activities, function adapted to the country's situation;

- use of data sources: collection of data sources, analysis of quality and coverage; translation into national accounts concepts, estimation of indicators, [reconciliation of data](#) ;
 - use of IT tools for national accounts – the case of [ERETES \(Equilibres ressources emplois, Tableaux entrées-sorties\)](#) ;
- drawing up the dissemination strategy to meet users' needs.

An introduction to the concepts used in the 2008 SNA is presented in [Building the System of National Accounts - basic concepts](#) . The article outlines who the stakeholders in an economy are and how they are grouped; the kind of actions they undertake and how these are translated into national accounts indicators; the purpose of their actions and how the SNA describes and evaluates these actions to obtain the main aggregates. The main aggregates of the SNA are presented in the second section of the article and introduce users to the main results that national accounts provide.

The statistical bases needed for compiling national accounts are set out in three articles: the basis ([Building the System of National Accounts - business register and statistical classifications](#)), the statistical sources ([Building the System of National Accounts - statistical sources](#)) and the administrative data sources ([Building the System of National Accounts - administrative sources](#)). The first article deals with objectives, variables, updating methods and uses of the [statistical business register \(SBR\)](#) . A short presentation of the following classifications is included: International standard industrial classification of all economic activities (ISIC Rev. 4), Classification of the functions of government (COFOG), [Classification of individual consumption by purpose \(COICOP\)](#) , Central product classification (CPC Ver. 2), [Standard international trade classification \(SITC Rev.4\)](#) and [Harmonized system \(HS 2007\)](#) . For detailed content and explanations, various references are provided (UN website, manuals, etc.). The article on statistical sources focuses on the main statistical data sources, such as census and surveys, broken down according to main domains. Recommendations concerning the minimum statistical data sources necessary for implementing the SNA are also given. Administrative data sources are grouped into three main categories:

1. data from the accounting system of non-financial units and financial units;
2. data concerning government revenues and expenditures;
3. international trade data.

Examples of how administrative indicators are translated into national accounts concepts are provided.

General guidelines are provided for identifying and assessing the informal sector and the non-observed economy, which are phenomena found in many developing countries. The first article on this topic, [Building the System of National Accounts - non-observed sector](#) , presents a general overview of the non-observed economy and the place of the informal sector within it. Criteria for identifying the informal sector, measurement methods and the main sources used for estimating it are to be found in a separate article, [Building the System of National Accounts - informal sector](#) .

[Building the System of National Accounts - volume measures](#) introduces the need for main methods used and data sources to compile price and volume measures in national accounts. The first section deals with price and volume measures of GDP explaining the aim of the estimations, the main conceptual issues, the basic and specific measurement methods, and main data sources. The second section provides a brief description of volume measures of the GDP components by production and expenditure approaches. The main recommendations and conclusions are presented in the third section, via a tabular synthetic overview of the methods used for volume measures of the main national accounts indicators by activities.

[Building the System of National Accounts - supply and use tables](#) presents the methodology, the main procedures and the data sources necessary to start and improve the compilation of supply and use tables. Their main uses in the economy are presented in the first section of the article and the second section includes the basis for building supply and use tables: their structure and integration in national accounts, the classifications used, and the main data sources necessary for their compilation in current and constant prices. The third section closes with the main phases of the compilation process, together with the balancing methods of the supply table with the use table.

Finally, [Building the System of National Accounts - measuring quarterly GDP](#) describes the main methodological aspects of quarterly national accounts implementation and development, focusing on quarterly [GDP \(QGDP\)](#). The data sources and methods used for its compilation each quarter, based on two approaches (production and expenditure), are presented, along with numerical examples of estimation procedures.

Common to all articles is a list of references to other manuals and documents to provide guidance for users interested in further developing the topics covered. The references can be found at the end of each article, in the standard [Statistics Explained](#) format.

Other articles

- [Building the System of National Accounts](#) (online publication, overview of all articles)

Dedicated section

- [International statistical cooperation](#)

Publications

- [Essential SNA - Building the basics](#)