Main users of national accounts

This article looks at the various types of analysis and evaluation for which national accounts can be used by European Union (EU) institutions, governments, central banks as well as other economic and social bodies in the public and private sectors, all needing a set of comparable and reliable statistics on which to base their decisions.

For instance, an analysis of the structure of the economy can be used to show the level or share of value added and employment in each industry sector, or the final consumption expenditure dedicated to different product groups.

Analysis may focus on specific parts or aspects of an economy – for example, banking and finance, or the role of government . National accounts may also be analysed over time to show changes in an economy, for example, the development of gross domestic product (GDP) , or a comparison of the structure of two economies.

The use of internationally accepted concepts and definitions also permits an analysis of different economies, such as the interdependencies between the economies of the European Union, or a comparison between the EU and non-member countries.

This article portrays some of the main uses and users of national accounts data.

Business cycle and macroeconomic policy analysis

One of the main uses of national accounts data relates to the need to support European economic policy decisions and the achievement of economic and monetary union (EMU) objectives with high-quality short-term statistics that allow the monitoring of macro-economic developments and the derivation of macro-economic policy advice.

For instance, one of the most basic and long-standing uses of national accounts is to quantify the rate of growth of an economy, in simple terms the growth of GDP. However, national accounts are used much more widely than this.

Core national accounts figures are notably used to develop and monitor macro-economic policies, while detailed national accounts data can also be used to develop sectoral or industrial policies, particularly through analysis of input-output tables. In some economies national accounts have been used to develop and monitor economic plans.

Among the European institutions, national accounts are used in a wide range of areas, including support of monetary policy decision-making, economic research, policy analysis, macro-economic forecasting and fiscal surveillance.

The European Central Bank (ECB) and economic and monetary union (EMU)

Since the beginning of the EMU in 1999, the European Central Bank (ECB) has been one of the main users of national accounts. The primary objective of the ECB and its single monetary policy is the maintenance of price stability in the euro area , and in this respect the key indicator is inflation , measured through the harmonised index of consumer prices (HICP) .

The ECB's strategy for assessing the risks to price stability is based on two analytical perspectives, referred to as

the 'two pillars': economic analysis and monetary analysis. A large number of monetary and financial indicators are thus evaluated in relation to other relevant data that allow the combination of monetary, financial and economic analysis, for example, key national accounts aggregates and sector accounts. In this way monetary and financial indicators can be analysed within the context of the rest of the economy.

The ECB and Eurostat have joined forces to produce European sector accounts on an annual and quarterly basis, which link financial and non-financial statistics and include consistent financial balance sheets. They provide a large range of indicators on the development of the economic situation in various institutional sectors, for example regarding income, expenditure, investment and outstanding debt for households , or the level of investment and debt of non-financial corporations .

Economic policy analysis

The European Commission is another main user of national accounts across a wide range of areas. Its services regularly use these data for designing and assessing their policies.

The Directorate-General for Economic and Financial Affairs (DG ECFIN) develops research tools and analyses data to guide and support policy-making in the European Commission in general. One focus of research is the functioning of economic and monetary union, but analyses cover a broad range of issues, ranging e.g. from financial stability analysis or an assessment of economic convergence in the context of enlargement , to how structural reforms contribute to macroeconomic performance or the economic implications of ageing populations.

The research tools that underpin DG ECFIN's work on economic policy coordination and surveillance include macro-economic and econometric models, business and consumer surveys, economic databases and macro-economic forecasts.

Macro-economic forecasting

DG ECFIN also produces the European Commission's macro-economic forecasts twice a year, in the spring and autumn. These forecasts cover all EU Member States in order to derive forecasts for the euro area and the EU-27 , but they also include outlooks for candidate countries , as well as some non-member countries.

Each forecast has at least a two-year time horizon (with an additional year added each autumn) covering the current year and the next. In between the spring and autumn forecasts, interim forecasts are produced in which an update of real GDP growth and inflation is estimated for the seven largest Member States and for the current year only. While the semi-annual forecasts are built on detailed country-by-country analysis, interim forecasts are largely prepared using indicator-based models.

Fiscal policy and the Stability and growth pact (SGP)

The analysis of public finances through national accounts is another well established use of these statistics. Within the EU a specific application was developed in relation to the convergence criteria for economic and monetary union (EMU), two of which refer directly to public finances. These criteria have been defined in terms of national accounts figures, namely, government deficit and government debt relative to GDP.

The Treaty on European Union (Maastricht Treaty) established limits for government deficits and debt. Under the provisions of the Stability and growth pact (SGP) the Member States have to submit annual stability (convergence) programmes, showing how they intend to achieve or safeguard sound fiscal positions in the medium term, taking into account the impending budgetary impact of population aging and other factors.

The European Commission assesses these programmes and the Council gives its opinion on them. The SGP also governs the excessive deficit procedure (EDP) : the EDP is triggered when the deficit breaches the 3 % GDP threshold of the Treaty. If it is decided that the deficit is excessive in the meaning of the Treaty, the Council issues rec-
ommendations to the Member States concerned to correct their excessive deficits and gives a timeframe for doing so.

Non-compliance with the recommendations triggers further steps in the procedures, including the possibility of sanctions for euro area Member States. However, it should be noted that these two criteria relating to public finances do not synthesise all the information about public finances, and a much broader range of indicators (than these two headline figures) is considered useful for monitoring purposes – for example, the composition of revenue

raising activities and the purposes for which government expenditure is made.

Regional, structural and sectoral policies

As well as business cycle and macroeconomic policy analysis, there are other policy-related uses of ESA data, notably concerning regional, structural and sectoral issues.

Regional policy

The allocation of expenditure for the Structural funds is partly based on regional accounts. Furthermore, regional statistics are used for ex-post assessment of the results of regional and cohesion policy.

The EU's regional policy aims to strengthen economic, social and territorial cohesion by reducing differences in the level of development among regions and Member States. For the period 2007-2013 a budget of EUR 347 410 million is foreseen , equivalent to more than one third of the whole EU budget. The main concerns of the policy for 2007 to 2013 are:

- convergence – 81.5 % of the funds available;

- (regional) competitiveness and employment – 16 % of the funds available;

- territorial cooperation – 2.5 % of the funds available.

Convergence regions are NUTS level 2 regions whose GDP per inhabitant (measured in purchasing power standards and on the basis of a three-year average) is less than 75 % of the EU-25 average; in other words, the poorest regions and Member States. These 84 regions (based on regions according to the 2003 version of the NUTS classification) have a total population of 154 million inhabitants.

All other NUTS level 2 regions, of which there are 168, are eligible under the regional competitiveness and employment objective, which aims to strengthen competitiveness, attractiveness and employment. Special financing will be provided to 13 'phasing-in' regions as they formerly had the equivalent status to convergence regions.

Several instruments are used to implement regional policy, notably the European Regional Development Fund (ERDF) and the Cohesion Fund. The ERDF operates in all Member States but is concentrated on the poorest regions and co-finances investments and training.

The Cohesion Fund mainly co-finances transport networks and environment projects. Member States whose gross national income (GNI) per inhabitant is less than 90 % of the EU average are eligible: for the period 2007-2013 the Cohesion Fund concerns the Member States that joined the EU in 2004 and 2007, as well as Greece and Portugal; Spain is eligible to a phase-out fund.

Analysis of structural reforms

Encouraging more growth and more jobs is a strategic priority for both the EU and the Member States, and is part of the revised Lisbon and EU 2020 strategies. In support of these strategic priorities, common policies are implemented across all sectors of the EU economy while the Member States implement their own national structural reforms.

The effects of these policies and reforms may spread across the EU as a result of the economic links between Member States. To ensure that this is as beneficial as possible, and to prepare for the challenges that lie ahead, the European Commission rigorously analyses all these policies.

Agricultural policy

The European Commission conducts economic analysis contributing to the evolution of the Common agricultural policy (CAP) by analysing the efficiency of its various support mechanisms and developing a long-term perspective. This includes research, analysis and impact assessments on topics related to agriculture and the rural economy in the EU and non-member countries, in part using the economic accounts for agriculture (satellite accounts).
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Target setting, benchmarking and contributions

Target setting

Policies within the EU are increasingly setting medium or long-term targets, whether binding or not. For some of these, the level of GDP is used as a benchmark denominator, for example, setting a target for expenditure on research and development at a level of 3 % of GDP.

Another example concerns official development assistance (ODA) , which consists of grants or loans that are undertaken by the official sector with promotion of economic development and welfare in the recipient countries as the main objective.

The EU agreed to increase its ODA as a step towards the 0.7 % target set by the United Nations . In 2005 the EU made additional commitments to collectively reach official development assistance of 0.56 % of GNI by 2010, underpinned by an individual target of 0.17 % for the 12 newest Member States and 0.51 % for the others, with those Member States that have already reached their targets keeping higher aid levels.

Budgetary contributions

National accounts are also used to determine EU resources. The basic rules on the system of the EU's resources are laid down in a Council Decision (currently Decision 2000/597/EC,Euratom). The overall amount of own resources needed to finance the budget is determined by total expenditure less other revenue. The total amount of own resources cannot exceed 1.24 % of the gross national income (GNI) of the EU.

	VAT-based resource	GNI-based resource (¹)	UK correction	Traditional own resources	Total	Total (% of GNI)
EU-27 (²)	19 441	73 915	59	16 573	109 988	0.9
Belgium	469	1 986	233	1 685	4 372	1.3
Bulgaria	46	163	21	61	291	1.0
Czech Republic	200	704	84	179	1 167	1.0
Denmark	333	1 394	163	330	2 219	1.0
Germany	3 635	14 654	294	3 127	21 710	0.9
Estonia	27	96	11	43	177	1.2
Ireland	276	972	120	218	1 586	1.0
Greece	698	1 947	146	230	3 020	1.4
Spain	1 723	6 073	752	1 290	9 838	1.0
France	3 114	11 216	1 327	1 333	16 989	0.9
Italy	2 030	9 144	1 163	1 687	14 024	0.9
Cyprus	25	88	11	46	170	1.1
Latvia	35	118	15	31	199	1.0
Lithuania	47	158	20	45	271	1.0
Luxembourg	53	202	21	19	296	1.0
Hungary	138	547	75	111	870	0.9
Malta	9	33	4	12	57	1.1
Netherlands	936	3 401	92	1 874	6 303	1.1
Austria	409	1 565	43	201	2 218	0.8
Poland	509	1 746	216	338	2 809	1.0
Portugal	269	940	114	137	1 460	0.9
Romania	162	682	86	159	1 089	0.9
Slovenia	56	198	23	83	359	1.1
Slovakia	85	303	42	91	519	1.0
Finland	261	1 088	132	149	1 629	0.9
Sweden	487	1 949	41	438	2 915	0.9
United Kingdom	3 410	12 551	-5 189	2 657	13 429	0.7

Table 1: National contribution by Member States and traditional own resouces collected on behalf of the EU, 2007 (EUR, million)

Own resources can be divided into the following categories:

- **Traditional own resources** consist of customs duties, agricultural duties and sugar levies. These own resources are levied on economic operators and collected by Member States on behalf of the EU. However, Member States keep 25 % as a compensation for their collection costs.

- The **own resource based on value added tax** is levied on Member States' VAT bases, which are harmonised for this purpose in accordance with Community rules. The same percentage is levied on the harmonised base of each Member State. However, the VAT base to take into account is capped at 50 % of each Member State's GNI. This rule is intended to avoid that the less prosperous Member States pay out of proportion to their capacity, since consumption and hence VAT tend to account for a higher percentage of a country's national income at relatively lower levels of prosperity. The contributions by the Member States for the VAT resource are largely affected by national accounts figures, as these are used to calculate the average VAT rate.

- The **resource based on gross national income** is used to balance budget revenue and expenditure, in other words, to finance the part of the budget not covered by any other sources of revenue. The same percentage rate is levied on each Member States' GNI, which is established in accordance with Community rules.

National accounts also assist in the calculation of the correction applied for the United Kingdom's contribution. The financing of the reimbursement by the other Member States is calculated on the basis of each country's share in the EU's total gross national income, with upper thresholds applied for some Member States.

Other international organisations

As well as being used to determine budgetary contributions within the EU, national accounts data are also used to determine contributions to other international organisations, such as the United Nations. Contributions to the United Nations' budget are based on gross national income along with a variety of adjustments and limits .

Analysts and forecasters

National accounts are also widely used by analysts and researchers to examine the economic situation and developments.

Financial institutions' interest in national accounts may range from a broad analysis of the economy to specific information concerning savings, investment or debt among households, non-financial corporations or other institutional sectors.

Social partners, such as representatives of businesses (for example, trade associations) or representatives of workers (for example, trade unions), also have an interest in national accounts for the purpose of analysing developments that affect industrial relations.

Among other uses, researchers and analysts use national accounts for business cycle analysis and analysing long-term economic cycles and relating these to economic, political or technological developments.

Other articles

- European sector accounts - background (Background article)
- Economy at regional level
- National accounts - an overview
- National accounts and GDP

Tables

- National accounts (including GDP) , see:

Annual national accounts (t_nama)

Quarterly national accounts (t_namq)

- European sector accounts) , see:

Annual sector accounts (t_nasa)

Database

- National accounts (including GDP) , see:

Annual national accounts (nama)

Quarterly national accounts (namq)

Supply, use and Input-output tables (naio)

- European sector accounts , see:

Annual sector accounts (nasa)

Quarterly sector accounts (nasq)

Dedicated section

- National accounts (including GDP)

- European sector accounts

Publications

- EU economic data pocketbook – quarterly

- Eurostat Yearbook - 2010 edition: In the spotlight – national accounts

- European system of accounts ESA 1995

- Eurostat-OECD Methodological manual on purchasing power parities

- Handbook on price and volume measures in national accounts

- Handbook on quarterly national accounts

- NACE Rev. 1 – Statistical classification of economic activities in the European Community

Methodology

- Annual national accounts (ESMS metadata file — nama_esms)

- Annual sector accounts (ESMS metadata file — nasa_esms)

- Quarterly national accounts (ESMS metadata file — namq_esms)

- Quarterly sector accounts (ESMS metadata file — nasq_esms)

- Supply, use and Input-output tables (ESMS metadata file — naio_esms)

External links

- United Nations Statistics Division 2008 SNA

- United Nations Statistics Division 1993 SNA