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**Practices and Challenges in Compiling FOF Tables
and Balance Sheets in China**

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Practices And Challenges In Compiling FOF Tables and Balance Sheets In China

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I. FOF tables and institutional sector accounts

China started to compile flow-of –fund (FOF) tables from 1992, of which the physical transaction tables are compiled by the National Bureau of Statistics (NBS.), and the financial transaction tables are compiled by the People’s Bank of China (PBC). After having summarized practices and studying the 1993 SNA recommendations in depth, the NBS had systematically revised the setup of indicators and compiling methods of FOF tables in 1996, 2005 and 2009 respectively, resulting in relatively standardized forms and methodologies. Up to now, NBS has compiled 17 FOF tables (in physical transaction) from 1992 to 2008, while PBC. has compiled 18 FOF tables (in financial transaction) from 1992 to 2009. Presently, the time lag of releasing FOF tables (in physical transaction) is 2 years, while that of releasing FOF tables (in financial transaction) is 1 year.

FOF tables in China classify all resident institutional units into non-financial corporations sector, financial corporations sector, general government sector, and households sector; all non-resident institutional units which have economic transactions with resident units into the rest of the world. Of which, the former four units are called domestic institutional sectors. As the operating funds of non-profit institutions serving households in China (including trade unions, consumer associations, charity and relief organizations and so on) mainly come from the various levels of government, China categorizes the non-profit institutions serving households into the general government sector in line with the classification principles of 1993 SNA on such kind of non-profit institutions. Therefore, differing from the 1993 SNA, there are no non-profit institutions serving households sector as a separate institutional sector in Chinese national accounts.

On the basis of FOF tables, institutional sector accounts may be derived. Each domestic sector accounts and the total economy accounts consist of the production account, the distribution and use of income account, the capital account and the financial account. The rest of the world accounts are made up of the current account, the capital account and the financial account. The production account in the Chinese accounts is the consolidation of the production account and the income generation account in 1993 SNA. The distribution and use of income account is the consolidation of the primary distribution of income account, the secondary distribution of income

account and the use of disposable income account in 1993 SNA. The capital account and the financial account are almost the same as corresponding accounts in 1993 SNA. Constrained by data sources, items in those above accounts are simplified compared with corresponding ones in 1993 SNA. For example, property incomes are classified in the following way in 1993 SNA: interest, distributed income of corporations, reinvested earnings on direct foreign investment, property income attributed to insurance policy holders and rent. Distributed income of corporations is further classified into dividends and withdrawals from income of quasi-corporations. However, property incomes in China are only categorized into four components, which are interest, dividend, land rent and others. Institutional sector accounts in China do not include the entrepreneurial income account, the primary distribution of other income account, the secondary distribution of income in kind account, the use of adjusted disposable income account and other changes in assets account as shown in 1993 SNA.

The main data sources of compiling FOF tables in China cover the statistical data, administrative records and final financial statements of the NBS system and related ministries of the State Council. The compiling methods of FOF tables refer to an approach of direct calculation combined with indirect estimation.

The main problems in compiling FOF tables in China cover the following aspects: (i) Due to the big gap of data sources in the non-economic-census years, many items in FOF tables are resorting to estimation by means of proxy indicators; (ii) When calculating the net taxes (on the side of source) on production of general government sector, it is not ideal to treat all non-tax and extrabudgetary revenues as the taxes on production for the lack of sufficient data sources; (iii) It may significantly underestimate the social subsidy expenditures of general government sector to household sector to use the final fiscal statement of administrative and institutional units, because the latter is not exhaustive, excluding the national defense and those expenditures bypassing administrative and institutional units; (iv) For the lack of data sources, the bonus of non-listed corporations haven't been involved in the institutional sector accounts, which affect the items such as property income, gross balances of primary income, gross disposable income and gross savings of related institutional sector accounts; (v) The differences of net financial investment of some institutional sectors between physical transaction FOF tables and financial transaction FOF tables are too large because of different data sources and compiling approaches adopted; and (vi) The indicators of the institutional sector accounts are too aggregated, for instance, there are no sub-indicators for production tax and income tax, and could not reflect details of tax transactions among general government and other institutional sectors.

II. Balance sheets

The NBS started to compile its national balance sheets on trial basis from late 1990s. Basing on its practice and learning from experience of estimating fixed assets of Canada, the NBS gradually improved the estimates and the compiling methodology of

balance sheets.

The classification of institutional sectors in balance sheets in China is the same as that of FOF tables. The compiling methods of balance sheets cover direct calculation and indirect estimation. Direct calculation refers to an approach that uses related aggregates and structural information resulting from the existing macroeconomic and microeconomic accounting of assets and liabilities (e.g. annual balance sheets of state-owned, collective-owned, foreign-funded and private-funded enterprises, annual balance sheets of financial corporations, balance payment, annual bulletins of specific statistics, annual bulletins of business accounting of departmental statistics concerned) complemented by various surveys (e.g. sampling survey) to compile them. The indirect estimation refers to an approach that uses extrapolation and interpolation to compile them by means of related flow accounting data on the basis of the benchmarked balance sheets compiled by the approach of direct calculation. In practice, the approach of direct calculation is preferentially adopted when compiling balance sheets in China.

The main problems in compiling balance sheets in China cover the following aspects: (i) Due to the big gap of data sources in the non-economic-census years, many items in balance sheets are resorting to estimation by means of proxy indicators; (ii) No revaluation measures are introduced for assets; (iii) Some stock items in balance sheets are not consistent with the corresponding flow items.

Since the balance sheets in China leave much to be desired, so far the NBS has never published them. Hopefully, related international organizations and countries will provide guidance and technical assistance to China in compiling FOF tables, balance sheets and institutional sector accounts.