

**Twenty-First Meeting of the
IMF Committee on Balance of Payments Statistics
Washington, D.C., November 4–7, 2008**

Update on the Revision of the ESA

**Prepared by the Balance of Payments Unit
Eurostat, Luxembourg**



EUROPEAN COMMISSION
EUROSTAT

Directorate C: National and European Accounts
Unit C-4: Balance of payments



17 October 2008

UPDATE ON THE REVISION OF THE ESA

Eurostat Balance of Payments Unit Luxembourg

000

I. Introduction

1. The updating process of SNA1993 triggered the need for revision of the European System of Accounts (ESA 95). The overall aim of the project is to revise ESA 95 in order to bring national accounts in the European Union into line with the new economic environment, advances in methodological research and the needs of users. The new ESA should remain the appropriate reference method for production of the high-quality national accounts data required to support economic policymaking and implementation of major EU policies. The revision will also be an opportunity to improve the standards of ESA 95 and to make them more targeted on the various uses in the EU, but still being in line with the 2008 SNA.
2. Section II of this paper presents the specifics of ESA 95 and the need for change. The main objectives and milestones of the revision of ESA 95 are described in Section III. Section IV outlines the structure of the manual and the state of play in the revision process.

II. Specifics of ESA 95 and need for change

3. ESA 95 is an essential tool at European level, used for major administrative purposes (e.g. own resources, excessive deficit procedure and Structural Funds) and for analysing coordination and convergence of Member States' economic policies.

To achieve the objectives set by the Treaty on European Union and, more specifically economic and monetary union, the ESA provides EU institutions, governments and economic and social operators with a set of harmonised and reliable national accounts data on which to base their decisions.

4. ESA 95 is broadly consistent with SNA 1993 as regards the definitions, accounting rules and classifications. It nevertheless displays certain differences, particularly in its presentation which is more in line with its use within the European Union. This specific use requires greater precision in the definitions, classifications and accounting rules.
5. Contrary to the SNA, the ESA is based on a Regulation laying down legally binding rules to ensure comparability at EU level and a compulsory data transmission programme. The SNA is flexible and includes several options, whereas the ESA generally chooses one particular option to ensure greater consistency at EU level.

ESA 95 is a version of the SNA adapted to the structures of the Member States' economies and must follow the layout of the SNA to the greatest possible extent so that the European Union's data are comparable with those compiled by its main international partners.

6. Eurostat monitors revision of the ESA, including incorporation of recommendations in the text. This work is performed in close cooperation with the ECB (in particular via the involvement of the drafting of various chapters and of a joint Eurostat/ECB Group on ESA).

III. Main objectives and milestones

III.1 Scope

7. The revision of ESA 95 will establish, for many years, the national accounts standards and the ways in which key economic aggregates are calculated in the EU. The starting

point for this revision of the ESA is the consolidated text of Council Regulation (EC) No 2223/96 of 25 June 1996 (including several subsequent amendments).

8. The revision of ESA 95 will also cover all the recommendations and clarifications agreed at international level in the context of drafting and finalising the 2008 SNA.

III.2 Presentation

9. The current presentation and clarifications of the ESA will be kept. As in the ESA 95:
 - a) The new ESA will contain separate chapters on transactions in products, on distributive transactions and on financial transactions. By contrast, in the 2008 SNA these transactions are spread across several chapters arranged by account.
 - b) The new ESA will describe concepts by providing a definition and a list of what is included and what is excluded. The SNA describes concepts in more general terms and also endeavours to explain the rationale behind the conventions.
 - c) The new ESA will add specific clarifications (e.g. the 50% rule for the market/non-market split, thresholds for the GFCF/intermediate consumption split, etc.).

The changes to be made in ESA 95 will be kept to the minimum. These changes will be based on the various recommendations made by the Advisory Expert Group (AEG) in the context of the SNA update.

III.3 Key milestones

When	What
March 2008 to February 2009	Drafting of revised ESA chapters; review of Member States' comments; presentation of revised draft chapters; discussions in National Accounts Working Group and Financial Accounts Working Group; ESA 95 Review Group; Eurostat/ECB Group on ESA; CMFB; European System of Central Banks.
April to September 2008	Report on the evaluation of implementation of the ESA in the EU; impact assessment on introduction of the new ESA in the EU.
March to December 2008	Three meetings of Task Force on satellite accounts of R&D in order to define supplementary tables on R&D to be introduced with effect from 2009.
September 2008 to February 2009	Discussions on the draft amended transmission programme.
February 2009	Conference on macroeconomic statistics, including national accounts. Part of the conference will focus on the ESA.

February to June 2009	Drafting of the new ESA Regulation and discussion in the various groups concerned (National Accounts Working Group, Financial Accounts Working Group etc.). Finalisation of the draft; discussions with the Directors of National Accounts and in the relevant committees; launching of the inter-service consultation and adoption of the Commission proposal.
2011	Adoption of the Regulation by the European Parliament and the Council. Publication of the new ESA Regulation in the Official Journal.
2011 to 2013	Training on the new ESA, organised for Eurostat and Member States' civil servants working on national accounts.
2014	Implementation of the new ESA methodology and transmission programme.

IV. Approach to the project

IV.1 Structure

10. The table set out below lists the chapters of the new ESA, along with the planned deadlines for drafting, commenting on and reviewing them.

	Drafting (by Eurostat, ECB and selected experts)	Eurostat internal review	Commenting period	Revision of the chapter
Chapters to be revised				
1. General features and fundamental principles of national accounts	Sept. 08	Oct. 08	Nov. 08	Dec. 08
2. Units and groupings of units	June 08	July 08	Sept. 08	Sept. 08
3. Transactions in products	Oct. 08	Nov. 08	Dec. 08	Jan. 09
4. Distributive transactions	June 08	July 08	Sept. 08	Sept. 08
5. Financial transactions	July 08	Aug. 08	Sept. 08	Oct. 08
6. Other flows	Sept. 08	Oct. 08	Oct. 08	Nov. 08
7. Balance sheets	Oct. 08	Nov. 08	Dec. 08	Jan. 09
8. Sequence of accounts	July 08	Aug. 08	Sept. 08	Oct. 08
9. Input-output framework	Aug. 08	Sept. 08	Oct. 08	Nov. 08
10. Price and volume measures	June 08	July 08	Sept. 08	Sept. 08
11. Population and labour inputs	Aug. 08	Sept. 08	Oct. 08	Nov. 08
12. Quarterly economic accounts	July 08	Aug. 08	Sept. 08	Nov. 08
13. Regional accounts	Sept. 08	Oct. 08	Nov. 08	Dec. 08

14. FISIM	June 08	July 08	Sept. 08	Sept. 08
15. Leases, licences and contracts	Sept. 08	Oct. 08	Nov. 08	Dec. 08
16. Insurance and social insurance other than pensions	Nov. 08	Dec. 08	Jan. 09	Feb. 09
17. Pensions	Oct. 08	Nov. 08	Dec. 08	Jan. 09
New chapters				
18. Rest of the world accounts	Oct. 08	Nov. 08	Dec. 08	Jan. 09
19. European accounts	Sept. 08	Oct. 08	Nov. 08	Dec. 08
20. Government accounts	July 08	Aug. 08	Sept. 08	Oct. 08
21. Links between business accounts and national accounts	July 08	Aug. 08	Sept. 08	Oct. 08
22. Satellite accounts	June 08	July 08	Sept. 08	Sept. 08
Classification and accounts				
23. Classifications	Nov. 08	Dec. 08	Jan. 09	Feb. 09
24. Accounts	July 08	Aug. 08	Sept. 08	Oct. 08

11. For most of the existing chapters, the structure of ESA 95 should be kept (or only slightly amended), as the revised version will continue to follow the classification of sectors (*Chapter 2*), flows (*Chapters 3 to 6*), assets (*Chapter 7*) and accounts (*Chapter 8*) and to present the different types of leases, licences, contracts, insurance and pensions (*Chapters 15, 16 and 17*) or population concepts (*Chapter 11*). *Chapter 14* on FISIM will give details of the method of allocation.

Three existing chapters will be elaborated more in the new ESA:

- *Chapter 9* on the input-output framework, whilst maintaining a structure similar to the current one, will be more detailed and cover the supply table, the use table, valuation, imports, the supply and use tables as an integral part of national accounts, symmetric input/output tables and the price issue;
- *Chapter 12* on quarterly economic accounts will focus on the scope and coverage of quarterly economic accounts, compilation and sources, consistency with annual accounts (including revisions), volume measures in quarterly economic accounts, seasonal adjustment and calendar effect correction;
- *Chapter 13* on regional accounts will cover the scope and coverage of regional accounts and will explore specific regional issues such as the treatment of FISIM, the method for the transition from Gross Value Added (GVA) to GDP, the method for calculating real growth rates of regional GDP, clearer prioritisation of methods for regionalisation and more details on specific industries and ancillary units.

12. The provisional structure for the new chapters is as follows:

- *Chapter 19* on European accounts will outline the objective, scope and specifics of compilation of European accounts, including EU institutions, treatment of the rest of the world, the aggregation and balancing issue and consistency with sources and other European macroeconomic statistics.
- *Chapter 20* on government accounts will present the basic principles concerning delimitation of the general government sector, relations between the government and

public corporations, the accounting issues related to government and corporations, government net lending/borrowing and its relationship with government debt.

- *Chapter 21* on links between business accounts and national accounts will first present the main general principles of business accounts and of the transition between business accounts and national accounts and will then explain how these principles can be applied in specific cases.
- *Chapter 22* on satellite accounts will present a common framework for functionally oriented satellite accounts, with a particular focus on satellite accounts to be included in the core accounts in the medium or long term (research and development). It will also briefly present satellite accounts for which a fairly complete, agreed and operational methodological framework has already been developed, with references to the specialised manuals on: Economic Accounts for Agriculture (EAA), Economic and Environmental Accounts (SEEA 2003) and Social Protection (ESSPROS).

IV.2 Rest of the world account

13. The chapter on the rest of the world accounts (*Chapter 18*) will present the concept of residence, the general accounting rules, the external accounts on goods and services and on primary income and current transfers, external accumulation accounts and the relationship with balance-of-payments accounts.
14. Drafting of this chapter is expected to be finished by the end of November 2008. Eurostat's Balance of Payments Unit will be involved in drafting it. After the Eurostat internal review and the general commenting period, the chapter is due to be finalised by January 2009.
15. This chapter will be in line with *Chapter 26* of the 2008 SNA dealing with the rest of the world account. Consequently, it will be consistent with BPM6.