Revision of European System of Accounts

ESA 2010

National accounts department
European system of national and regional accounts

- Regulation No. 549/2013 of the European Parliament and of the Council (ESA 2010);
- Revised uniform set of principles and methods for compiling economic accounts in EU Member States;
- Compatible with the revised worldwide guidelines System of National Accounts (SNA 2008) to ensure international data comparability between countries.
Revisions of European System of Accounts and System of National accounts

ESA 1995 compatible with SNA 1993

ESA 2010 compatible with SNA 2008
ESA 2010

• Implementation in September 2014.
• Revision of national accounts data series from year 1995 onwards based on the new methodology.
• Main changes of ESA 2010 in 25 areas of the system.
• Most of the impact on the main aggregates of national accounts in Slovenia due to:
  - capitalisation of research and development expenditure,
  - capitalisation of military weapons systems,
  - revised treatment of goods sent abroad for processing.
Research and development expenditure

- According to ESA 1995 R&D expenditure was recorded as intermediate consumption, the same approach is mostly applied in business accounting (current costs).

- According to ESA 2010 this activity creates a new product – the results of R&D are fixed assets, for use in future production processes.
Change in capitalisation of R&D expenditure: impact in case of market sector

- In case of R&D activities for own use: additional output is measured and thus higher value added and GDP. Additional output is used as gross fixed capital formation.

- In case of acquisition of external R&D services as final product: we reclassify the expenditure from intermediate consumption to investment expenditure; lower intermediate consumption increases value added and GDP.
Change in capitalisation of R&D expenditure: impact in case of non-market sector

- R&D value added is estimated by the method of total cost, the same method is already applied for the whole non-market sector.

- Therefore, from this perspective there is no change of value added, only a reclassification of output from final consumption of non-market sector to fixed capital formation.

- However, there is an impact on increased value added and GDP due to increased consumption of fixed capital, which enters the calculation of value added, measured as consumption of additional fixed assets i.e. past capitalised R&D.
Expenditure of weapon system

- Currently part of intermediate consumption, according to ESA 2010 fixed capital formation.
- Impact of the change:
  - in the year of acquisition the intermediate consumption decreases and consequently also the government output, no change of value added and GDP; on the expenditure side of GDP this part of final consumption is reclassified as fixed capital formation,
  - in subsequent years the higher consumption of fixed capital increases value added and GDP.
Goods for processing

- Goods for processing sent abroad or received from abroad - without change of ownership.
- ESA 1995 (SNA 1993) and BPM5 have introduced an exception in assigning the change of ownership at import and export of goods for processing (total value of goods) and import and export after processing (total value of goods and total value of processing service);
  - Goods for processing are recorded as export and import of goods.
Goods for processing (contd.)

- ESA 2010 (SNA 2008) and BPM6 do not allow the exception of assigning the change of ownership, only one transaction is recorded, the so called processing service:
  - **Import of processing service**: calculated as exports of goods for processing abroad less imports of goods for processing after processing;
  - **Export of processing service**: calculated as exports of goods after processing less imports for processing to Slovenia;
  - The value of the processing service is recorded as export and import of services.
Goods for processing (contd.)

- This introduces a difference in methodology of national accounts and methodology of the external trade statistics (IMTS), which still include the data on goods for processing as before.
- Values of import and export in national accounts and in balance of payment are reduced, without impacting the external trade balance.
- The change has no impact on the GDP and GNI level.
Merchanting

• Merchanting is defined as a purchase of goods by resident from non-resident and subsequent resale of the same goods to another non-resident; where the goods do not enter the economy of the merchant.

• According to ESA and BPM6 merchanting is treated as follows:
  - Acquisition of goods from merchants is recorded as a negative export in the merchant economy;
  - Sale of goods is recorded as a positive export in the merchant economy;
  - Difference between purchase and sale intended for resale is recorded as „net export for resale“.

• The change has no impact on the GDP and GNI level.
SKIS by ESA 2010

Standard classification of Institutional Sectors (SKIS) is based on ESA 2010 and the national regulation on SKIS (OJ RS No. 107/2013) includes more detailed breakdown of the government sector.

Change of SKIS mainly concerns:

• sub-sectors of financial corporations (the new classification is more detailed),
• Holdings and Head offices (Holdings are classified to sector S.12, Head offices to S.11 or S.12),
• greater importance than before is given to qualitative criteria in sector classification,
• quantitative measure of market/non-market status - the costs of capital are part of the production costs.
SKIS by ESA 2010 (contd.)

Changes and implementation agreed by SKIS Committee (members of Central bank, Ministry of finance, Agency for Public Legal Records and Related Services, SURS):

• the bridge table was prepared by central bank (for all S.12 units) and SURS for (non-financial) holdings and head offices; identification by criteria of employment and assets in branch offices. The table was approved by the Committee,
• the bridge table includes approx. 2000 business entities,
• SKIS ESA 2010 was introduced in the Business Register on 1. 1. 2014 (in some data bases differently; from 2. 1. to 4. 1. 2014),
• reporting obligations according to ESA 2010 SKIS concern also past years.
2014 Publishing

- Timetable for annual GDP remains the same. First publication according to ESA 2010 was on 29. 8. 2014. All the data are only according to ESA 2010, the old data (published according to ESA 1995) are removed.
- Publication date of the main national accounts aggregates follows the new Transmission Programme deadline t+9 months, published together with the annual sector accounts, only at current prices, first publication on 30. 9. 2014.
- Data on gross fixed capital formation with the new intellectual property products published according to the new Transmission Programme at the level of 21 industries (previously 64 industries).
- The calendar of other data releases remains the same.