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PROGRESS REPORT ON NATIONAL ACCOUNTS

(Memorandum by the Secretary-General)

1. At its seventh session, the Statistical Commission considered the report of the expert committee on national income entitled A System of National Accounts and Supporting Tables and expressed its appreciation of the valuable contribution to this highly important field of statistics. The purpose of the report was to provide a framework of general applicability for compiling and reporting national income statistics. The Commission further requested the Secretary-General:

- "(a) To circulate the report;
- "(b) To assist countries desiring to adopt a system of national accounts along the general lines of the report; and
- "(c) To collect comments and information on the experience obtained by countries in applying the concepts and classifications proposed, so as to provide a basis for further recommendations relating to international standards in this field, and to report progress to the next session of the Statistical Commission."

2. In line with suggestions offered by the Commission during the discussion, the Secretary-General took steps in preparing the document for publication and circulation to eliminate existing differences between the report and two related studies, i.e., Concepts and Definitions of Capital Formation (now published and circulated by the Statistical Office of the United Nations as Studies in Methods, Statistical Papers, Series F, No. 3) and A Standardized System of National Accounts published by the Organisation for European Economic Co-operation (O.E.E.C.). The modifications required in order to eliminate discrepancies between the report in question and the capital formation study were made in the latter report and are described in another paper prepared for the Commission (Statistics of Capital

Formation, E/CN.3/165). In order to minimize differences with the O.E.E.C. system of accounts, detailed comments on various points were solicited from that organization. An opportunity to take up the various questions systematically occurred upon the visit to Headquarters of the chairman of the expert committee on national income, who has also been closely associated with the development of the O.E.E.C. accounts. As a result almost all outstanding differences have been resolved. The most important changes made in A System of National Accounts and Supporting Tables are as follows:

- (a) Exclusion of the saving of public corporations from the saving of government and treatment on a par with the saving of private corporations;
- (b) Exclusion of civil defense expenditure from military expenditure;
- (c) Inclusion of government expenditure on machinery and equipment in capital formation;
- (d) Changes in private gold hoards are treated as foreign investment but changes in stocks held for industrial uses are considered as domestic capital formation.

With regard to the few remaining discrepancies, all of which are minor, the O.E.E.C. appears to be prepared to modify its views.

3. The revised report was published and circulated as Studies in Methods, Statistical Papers, Series F, No. 2 in October, 1953. In order to carry out the request of the Statistical Commission that information be collected on the experience obtained by countries in applying the concepts and classifications, the Secretary-General has written to countries asking that comments on the applicability of and experience with the proposed system be submitted for study. In view of the complexity of the subject, it is unlikely that many replies dealing with actual experience in applying the new framework will be received before the Commission convenes at the eighth session.

4. The Secretary-General has also taken steps to obtain the views of official statisticians in Asia and the Far East by including an item dealing with the recommended system of accounts on the agenda of the Third Regional Conference of Statisticians, ECAFE, (which will be devoted exclusively to national income statistics), scheduled to take place in March, 1954. A special paper has been

submitted outlining a somewhat consolidated and therefore simplified version of the accounting framework for consideration by those countries in which the nature of the available statistics precludes the use for some time to come of the more elaborate framework of the report. This simplified system has the particular merit that it is consistent with the basic concepts, definitions and classifications advocated in the report. The simpler system may therefore be elaborated readily into the fuller system whenever countries feel that they are in a position to estimate reliably the items which have been eliminated from certain of the accounts to facilitate estimation.

5. Statistical Papers, Series H, (Statistics of National Income and Expenditure), which is published by the Statistical Office twice a year, is now undergoing revision in order to bring the classifications and terminology into conformity with the recommendations of the report. Fairly detailed explanations of existing differences are being prepared for inclusion in the notes to the tables, and it is expected that national statistical offices will be of assistance in resolving special problems arising in adapting the available statistics to the new classifications. The experience being gained in carrying through the revisions will undoubtedly be of considerable value in connexion with assistance that may be sought from the Statistical Office for the purpose of adopting the new national accounts framework in national publications.

6. The Secretary-General regards A System of National Accounts and Supporting Tables as providing a suitable conceptual framework for the manual on methods of estimation of national income, sections of which have now been completed. The Regional Conference of Statisticians, ECAFE, will also be concerned with methodology, and plans to discuss problems of measurement arising in the agricultural sector using as a basis for discussion of the item a paper on the subject which has been prepared by the Secretary-General as part of the manual on methods.

7. The Commission may wish to take note of the work done, and to indicate any further views it might have as regards the content and nature of the system of national accounts and its application to national statistics.