

ICP Asia Pacific

National Accounts Workshop, AIT, Bangkok 15-17 February 2005

1. All ICP-participant countries in the Asia Region attended the meeting except for Pakistan. The list of participants is attached as Annex A.
2. The purpose of the Workshop was to provide guidance on estimating expenditure weights for the Basic Headings and to exchange information and experience among the participants. Prior to the meeting twelve countries had submitted their estimated expenditure weights and during the meeting a further five provided their expenditure weights in machine-readable form.
3. The main conclusions of the meeting are listed below.

National accounts requirements for ICP

4. There are two issues here:
 - SNA version used by countries – 1968 or 1993
 - Coverage of the accounts
5. Most Asian countries participating in ICP 2005 are in the process of moving from the 1968 to the 1993 version of the SNA. While there are many differences between the two systems, there are only a few that are quantitatively significant and which will therefore bias the comparisons of total and per capita GDP. These all concern the extension of the asset boundary by the reclassification of outlays on dual-purpose military assets, software and mineral exploration from intermediate consumption to gross fixed capital formation.
6. Countries that are still using the 1968 SNA should review these three items and if they are found to be significant they should adopt the 1993 recommendations both in their official national accounts and in the expenditure weights to be used for ICP2005.
7. What is probably more important than the differences between the two systems is the extent to which the national accountants have been able to ensure the exhaustiveness of the accounts. Below is a check-list of the items that must be fully included in the national accounts in order to ensure that they are broadly comparable between the countries participating in ICP 2005:
 - Own consumption of crops and livestock products
 - Food, Clothing and household goods purchased by households from street traders or in village markets
 - Goods and services that are provided to households by “informal” or “unregistered” producers.
 - Goods that have been smuggled into the country from abroad without payment of customs duties and without being recorded in the foreign trade statistics.
 - All government expenditures, including
 - military expenditures
 - expenditures by municipal and local authorities,
 - official expenditures by the head of state.

- Dwellings
 - both modern and traditional.
 - both actual rents and imputed rents for owner-occupied dwellings.
 - both in GFCF (as construction of dwellings) and in individual consumption expenditure of household (as actual or imputed rents).

8. It was agreed that countries should review their national accounts to ensure full coverage of the items listed above.

ICP Expenditure Classification

9. The 155 Basic Headings of the *ICP Expenditure Classification* are to be used by all countries in all Regions. Regions may however create new BHs by splitting up BHs which contain goods or services of particular importance to certain Regions. This could improve the quality of the PPP comparisons made for that Region.

10. It was agreed that the *ICP Expenditure Classification* should be used without modification for the Asia Region.

Basic Headings (BHs) which will be zero in some countries.

11. *Prostitution and narcotics* are illegal in most countries so that no data sources are available. These BHs are reported as zero in almost all countries. In practice some expenditure on prostitution services may be included under a BH such as *hairdressing saloons and personal grooming establishments*.

12. *Combined passenger transport* (e.g. tickets that can be used on both buses and subways) is not relevant to any participating countries.

13. *Animal drawn vehicles* are common in some countries but are treated as GFCF not household consumption.

14. Some countries cannot supply *opening and closing stocks of inventories* but only the change in inventories.

15. There are some basic headings where there is no, or only insignificant, expenditure in particular countries – e.g. *railway transport, cheese, and veterinary and other services for pets*.

16. No countries in the region have estimated *acquisitions less disposals of valuables* and very few countries have made estimates of household consumption of *FISIM*.

17. In several countries *Individual Consumption Expenditure by Non Profit Institutions Serving Households* (NPISHs) is included in *Individual Consumption Expenditure by Households*. In these cases there will be no weight for NPISHs

18. It was agreed that the fact that these BHs will be zero for all or most countries in the region is not a problem. The absence of weights for these BHs will not bias the PPPs and associated volume measures.

National or Domestic expenditure for Individual Consumption Expenditure by Households (ICEH)

19. The ICP Expenditure classification requires countries to report Basic Headings for ICEH on a domestic basis (i.e. including expenditures in the domestic market by non residents and excluding expenditure abroad by residents). The classification includes an adjustment BH - *net purchases abroad* - to convert total ICEH to the required national basis.

20. However, several countries base their breakdown of ICEH on household expenditure surveys and in these countries the weights are on a national basis and the adjustment item is shown as zero. This is a problem in countries where purchases by non-residents in the economic territory of the country are very large. For example, in Thailand expenditure on *accommodation services* is relatively low on a national basis but is high on a domestic basis. The same is true of expenditure on *games of chance* in Macau. It also causes a problem where expenditure by residents abroad is very high on particular basic headings; an example is expenditure on *education* abroad by residents of the Maldives.

21. It was agreed that some countries will need to make adjustments to the expenditure weights for certain basic headings if they have based the weights on a household expenditure survey and if there is a big difference between national and domestic expenditures. Specific examples include those listed above, but all countries that have based the weights on household expenditure weights should review their weights to see if they may also need to make adjustments. These adjustments are to be made only for the BHs concerned and it is not required that weights reported on a national basis should all be replaced by weights on a domestic basis.

22. Note that when the weights for a particular basic heading are converted from a national to a domestic basis, the same adjustments will appear (with the opposite sign) under *net foreign purchases*.

Statistical discrepancy

23. In many countries there is a statistical discrepancy between GDP estimated from the production side and GDP estimated as the sum of final expenditures.

24. It was agreed that there is no need to make any adjustments for these discrepancies.

25. In some countries the estimates of expenditure weights for households are based on sources, such as household expenditure surveys, which do not produce the same estimate of total *Individual Consumption Expenditure by Households* as that reported in the national accounts.

26. In this case the weights for the total of *Individual Consumption Expenditure by Households* must be adjusted to correspond with the weights in the national accounts. (When this is done the relative weights for Basic Headings within ICEH are not changed, because they are multiplied by a constant term that raises or lowers the estimate of total ICEH derived from the household expenditure survey in order that it is the same as total ICEH in the national accounts)

General methods for filling gaps

27. The following methods can be used to estimate BHs for which no direct information is available. They are listed in order of preference:

- Data sources that are not normally used for the national accounts. Examples may include living standards surveys, nutrition surveys and FAO food balances.
- Expenditure estimates for an earlier year. Examples include a five-yearly input-output table, data from a previous ICP round and detailed expenditure estimates from a periodic bench-mark exercise.
- Expenditure weights estimated for a similar or neighbouring country. In some cases it may be better to use the average weights that have been estimated by groups of countries which have comparable income levels. Participants were provided with the weights estimated by about 40 countries participating in the latest OECD-Eurostat PPP programme showing the average weights for groups of countries divided into income groups. They were also given the weights provisionally estimated for ICP 2004 for the countries from Asia which had provided estimates in the standard format; for reasons of confidentiality the country names were removed.
- Equal distribution of weights that are available only for a Group or Class of the *ICP Expenditure Classification* among all BHs.

Methods for estimating weights for particular Basic Headings

28. A number of methods were suggested to estimate weights for particular BHs.

- In several countries most machinery and equipment is imported. In these countries, import statistics can be used to provide the weights for these BHs.
- Vehicle registration data usually distinguish between vehicles purchased by households and by enterprises. Together with estimates of average vehicle prices these can be used to estimate expenditures on *motor cars* (ICEH) and on *road transport equipment* (GFCF).
- The *ICP Expenditure Classification* usually requires that repairs to goods should be separated from purchases of the goods themselves. Where the source data do not make this distinction, repairs can be taken as 5% of the combined expenditure on the good and on repairs to those goods.
- *Civil engineering* is only financed by government in most countries. If the government accounts show only a single line for construction work, the major part, e.g. 80 – 90%, can be assumed to consist of civil engineering.

Expenditure weights for individual and collective services provided by government

29. The Main Aggregates *Individual Consumption Expenditure of Government* (13.00) and *Collective Consumption Expenditure of Government* (14.00) presented countries with the most difficulties in providing weights. The following points should be noted:

- The breakdown of government expenditures into individual and collective services should preferably be based on a detailed analysis of government accounts. In some countries, however the government accounts do not provide sufficient detail. In these countries, individual expenditures by government on health and education services can be taken as 90% of the total current expenditures of the Ministries of Health and Education. The remaining 10% together with all other current expenditure of government could be taken as expenditure on collective services because government expenditure on other individual services is negligible in many countries.
- The BH *Housing* refers to government expenditures designed to provide housing to disadvantaged groups of the population and will be zero in many Asian countries. It does not refer to housing provided by employers to their employees; free or subsidized

housing provided to employees is part of compensation of employees as income in kind and the same amount is shown as expenditure on rents in individual consumption expenditure of households.

- The BH *Health benefits and reimbursements* may also be zero in many Asian countries as they do not have a social security system that provides free or subsidized health benefits or reimburses households for medical expenditures. In countries where there is such a system, the weights for BHs under 13.02.10.0 (Government *health benefits and reimbursements*) could be borrowed from BHs 10.06.11.1 – 11.06.23.1 (Household expenditure on *health services*).
- Governments in some Asian countries provide subsidies to private schools, universities or hospitals. These subsidies are not included in individual consumption expenditure by government and so are not included in individual services of government.

Reference PPPs

30. For a number of BHs, price data will not be collected to calculate PPPs. Instead “Reference PPPs” will be used. These are either PPPs for similar kinds of goods and services taken from elsewhere in the classification; for example actual rents paid for housing are used as the PPP for the *housing* BH under individual services of government. In other cases a “neutral” or “general” PPP is used; for example PPPs for individual consumption expenditure by households on the domestic market are used for *intermediate consumption* of collective services.

Timetable for submission of expenditure weights

31. All participating countries should send to ADB their preliminary expenditure weights for all 155 BHs (with the exceptions noted above) by 3rd March.

32. Countries are required to send to ADB a revised, and semi-definitive, set of expenditure weights before the end of August 2005. These weights should be for 2004 but in many cases it will only be possible to provide BH weights for 2003 or even 2002. In this case, the countries will update the weights to 2004 using estimates of the main aggregates for 2004. (This will not change the relative weights within the main aggregates.)

33. The weights should be provided in the special (coloured) Excel format that was provided to all countries on CD-Rom at the end of the meeting.

Annex A. LIST OF PARTICIPANTS

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National Accounts Workshop
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