



2008 SNA: military expenditures

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SNA93: Military expenditures



- ❖ **The 1993 SNA divides military expenditures:**
 - ✓ Weapons and support systems – intermediate consumption regardless of their length of life
 - ✓ All other durables: gross fixed capital formation
- ❖ **Problems with the current treatment**
 - ✓ Division is hard to apply in practice
 - ✓ Weapons taken from stock and sold call for some counter-intuitive accounting



2008 SNA

New text (6.232):

- ❖ **Military equipment that is used in production for more than one year to be treated as assets**
- ❖ **Bullets and bombs to be treated as materials and supplies, that is inventories**
- ❖ **Identify separate categories within fixed capital formation - *Weapon systems*, and within inventories – *Military inventories*.**

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Impact on GDP

Impact

- **Purchase of weapons moved from intermediate consumption of government to GFCF**
- **Consumption of fixed capital on existing stock of weapons systems, which will vary across countries, will be addition to GDP**

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Implementation

Implications and source data

- ❖ **Source data are problematic**
- **The new IPSAS uses the recommended treatment**
- **Greatest obstacle – the level of secrecy**
- **Use the ‘rule of thumb’– for example estimate the GFCF on weapons as % of total defense budget (based on shares of similar countries)**