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Progress with national implementation plans for the System of National Accounts

Current state and prospects of implementation of the SNA in the Russian Federation

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Summary

The report describes the current state of the Russian national accounts, presents the overview of the changes introduced into the methodology and practice of their compilation in recent years, as well as the prospects of their development, including implementation of the SNA 2008. This document outlines in more details the provisions of the methodology employed for estimation of Financial Intermediation Services Indirectly Measured (FISIM), plans of developing the system of classifications used in the SNA, including those recommended in the SNA 2008, the current state of development of the financial account.
I. Current state of the national accounts in Russia

1. In early July 2013 some amendments were introduced into the Federal Law on Official Statistical Accounting and State Statistics System in the Russian Federation. These amendments provide definition of the national accounts and state that the Russian Government should entrust coordination of the work on their compilation, including issues of methodology, on one of the federal executive authorities (Rosstat). There were some additions made to the Federal Law on the Central Bank of the Russian Federation aimed to define its responsibility for compilation of the financial account. Thus, in Russia, the system of national accounts (SNA) has become an officially accepted instrument of statistical description of the national economy.

2. At the Russian Government meeting in 2013 the current state of the Russian system of national accounts and the prospects of its implementation were considered. According to the Resolution of the Government Rosstat was requested, together with ministries and agencies, to prepare the plan of implementation of the OECD recommendations on developing the system of national accounts of the Russian Federation.


4. At present all current accounts of the SNA are compiled and published annually in Russia. From the accumulation accounts the capital account is compiled. The GDP estimates are made by three methods on a quarterly basis. Indicators of annual accounts as well as quarterly production accounts and generation of income accounts are published by the institutional sectors.

5. The national classifications (Classification of economic activities, Classification of products by economic activities, Classification of the functions of government, Classification of consumption according to purpose) harmonized with the international classifications - NACE Rev. 1.1, CPA 2002, COFOG, COICOP respectively - are used for compilation of the national accounts.

6. Annual data on household final consumption expenditure are published by groups of goods and services in accordance with the Classification of individual consumption according to purpose (COICOP).

7. Annual data on final government consumption are published by groups of services according to the Classification of the functions of government (COFOG).

8. The Bank of Russia makes substantial efforts on implementation of the methodology and formation of the information base for the financial account, carries out experimental calculations of the financial account based on the recommendations of the SNA 2008, calculates FISIM and indicators of national accounts for the banking sector.

9. Rosstat has recently intensified efforts to ensure compilation of the following accounts: the other changes in the volume of assets account, the revaluation account and the balance sheet.

10. GRP is calculated in basic current and constant prices for 83 subjects (regions) of the Russian Federation. The production accounts and the generation of income accounts are compiled, actual final consumption of households and gross fixed capital formation are estimated at the regional level.
11. The work on compilation of the set of the input-output tables for 2011 is currently carried out alongside with development of the supply and use tables for 2012. In the process of compiling the supply and use tables the analysis of sources of information is carried out to assess the level of their reliability as well as of the coverage of economic transactions. In some cases the results of this work lead to changes in the current practice of estimating selected components of GDP. For example, incomplete accounting of repairs of buildings and structures owned by economic agents was revealed, which led to increasing value added for section F of industrial classification “Construction” by 10%.

12. The national accounts database was developed, which allowed to computerize the process of preparing the data for publication and dissemination.

13. The software-hardware complex was developed to ensure harmonization of data from different sources for compiling the production accounts at the national and regional levels for the non-financial corporations sector. This complex allows to analyze the degree of consistency of data on production, labor and capital at the level of institutional units and to form subsectors of non-financial corporations.

14. The quality of the Russian national accounts is regularly checked by missions of international organizations. The final OECD report published in May 2013 states that Russia meets the minimum requirements of the implementation of the SNA 993 set by the Inter-Secretariat Working Group on National Accounts established by the Statistical Commission of the United Nations. IMF experts also believe that the Russian national accounts are compiled in accordance with the international standards and requirements provided under the Special Data Dissemination Standard (SDDS).

15. Organization of the work on development of the Russian national accounts is determined by the plans adopted by Rosstat and agreed with the concerned government authorities.

16. In 2010 “Main Measures on Implementation of the Plan of Development of the System of National Accounts of Russia for the period 2011-2017” were adopted. Main measures of the Plan are focused on widening the range of compiled accounts; deepening their elaboration in terms of institutional sectors and subsectors; developing, updating and implementing classifications, corresponding to the SNA methodology and international best practices; deepening inter-agency cooperation in the area of formation of the information base for compilation of national accounts.

17. In 2014 in accordance with the decision of the Russian Government for the purpose of inter-agency coordination the Plan for Implementation of the OECD Recommendations on Developing the System of National Accounts of the Russian Federation was developed, which includes a list of objectives for transition to the SNA 2008. At present the measures of this plan are agreed with the Bank of Russia, ministries and agencies that are either responsible for their implementation, or are parties of its execution.

18. The Plan represents the supplement and elaboration of the “Main Measures on Implementation of the Plan of Development of the System of National Accounts of Russia for the period 2011-2017”. It specifies the terms of selected works, but it also envisages new works in the light of the current situation in the development of the information base, elaboration of methodological issues, the recommendations of the SNA 2008, availability of financial and human resources.

19. In 2014 inter-departmental commission on implementing the Plan for the Development of the System of National accounts was created and started to work; it included experts of the Bank of Russia, Ministry of Finance, Ministry of Economic Development, Ministry of Natural Resources and Environmental Protection, Ministry of Agriculture and other executive bodies.

II. Improvement of the methodology and practice of compilation of the currently developed national accounts

20. In 2011-2012 the Russian Federation reformed government institutions, as a result they were divided into three groups depending on their legal forms: state-owned, budgetary and autonomous institutions. The regulation terms of these institutions changed significantly in respect of their function, mode of financing and reporting. All these changes greatly complicated compiling accounts for the general government sector because many problems aroused with the formation of the information base. Experts in national accounts spend much time to solve these problems in order to ensure compilation of the general government sector accounts, to develop proposals for improving the budgetary classifications and the procedure for the submission of data for the national accounts.

21. The sample survey of transactions of legal entities with capital assets in the secondary market (sales at market value, renting) was conducted in 2011 in order to form the information base for determining the market value of fixed capital for all institutional sectors. The results of this survey were used for estimation of the market value of fixed capital by the comparative method and the income method.

22. In 2014 the experimental calculation of imputed rent of owner-occupied dwellings was carried out with the help of the user production cost method for 2002-2012. Operating surplus was estimated equal to 2.5% of the market value of dwellings. Estimation of the market value of dwellings was carried out in current and constant prices using the cost, comparative and income methods. As a result of using the adjusted methodology of the estimates of income and expenditure of households the value of GDP will increase by 7-9 %, but the dynamics of these indicators will not be significantly affected. Currently the results of the market valuation of dwellings performed by statistical methods are analyzed and compared with the estimates of their cadastral value carried out by the Federal Service for State Registration, Cadastre and Cartography (Rosreestr). Obtaining more reliable estimates of the market value of dwellings will make it possible in the next year to improve the valuation of housing services carried out on experimental basis and to introduce the appropriate changes into GDP.

23. The Bank of Russia undertakes the significant preparatory work on compiling the financial account of the SNA for institutional sectors of the economy, as well as the other changes in the volume of assets accounts, the revaluation accounts and balance sheets in the part referring to financial assets.

III. Financial Intermediation Services Indirectly Measured (FISIM)

24. In 2010 the Bank of Russia jointly with the Federal State Statistics Service of the Russian Federation estimated output of services of the financial intermediation (FISIM), and carried out its allocation to intermediate and final consumption commencing 2002. As a result of these estimates the amendments were introduced into statistical series of GDP for 2002-2010.
25. The estimates of financial intermediation services indirectly measured are based on recommendations of the SNA 2008 (except the estimation of these services provided by the Central Bank); these recommendations incorporate the concept of "net" interest which excludes payment for financial intermediation services. The method used for estimation of output of FISIM consists in summing up the value of financial intermediation services rendered to units of all institutional sectors and allocated to intermediate and final consumption. FISIM is estimated as the difference between actual interest receivable or payable and the reference interest rate at the monetary market.

26. The reference interest rate is defined as the weighted average of actual interest rates used by banks in transactions associated with interbank loans and deposits at the domestic market in the given period. The "net" interests are calculated by multiplying the average balance of borrowed funds (funds of clients at banks accounts, deposits and other borrowed funds) and balance of funds (loans and other invested assets) lent to the sectors of the economy by the reference interest rate in the given period.

27. The value of FISIM on lent funds is calculated as the difference between the interests actually received by credit organizations through providing funds to the relevant sector and the "net" interests, while on borrowed funds - as the difference between the “net” interests and the interests actually paid by credit institutions on transactions associated with attracting funds from the relevant sector. The total value of FISIM provided to each sector is defined as the sum of FISIM on lent and borrowed funds.

28. The financial intermediation services indirectly measured are recorded in the production accounts depending on the allocation of the user to the specific institutional sector. These services are included in intermediate consumption of market producers, while in the case of non-market producers they are included in their intermediate consumption and output respectively. FISIM is included in intermediate consumption of households in their capacity of individual entrepreneurs (which are not legal entities) as well as in connection with acquisition and renovation of dwellings while FISIM on deposits of households and consumer loans is included in their final consumption expenditure.

29. The allocation of FISIM to intermediate consumption by economic activities is carried out as follows: for non-financial corporations, households and non-profit institutions serving households – the proportion of intermediate consumption by economic activities is used, while for the general government sector it is entirely allocated to the "General public administration activities".

IV. Development of the System of Classifications in the Russian National Accounts

30. The system of classifications is of a paramount importance for the international comparability of the national accounts; therefore a priority for the nearest future is the development of the system of classifications recommended in the SNA 2008.

31. Commencing January 1, 2015 in order to facilitate systematization and coding of information, improving and updating various classifications, the All-Russian classification of economic activities (based on the NACE Rev.2) and the All–Russian classification of products by economic activity (based on the CPA-2008) are to be introduced into regular practice.

32. In the 4th quarter of 2014 the Ministry of Economy intends to work out conversion keys establishing links between existing and new classifications of activities and products.
33. Rosstat intends to compile accounts for industries in accordance with these classifications commencing the 1st quarter of 2015. In the future it is intended to carry out appropriate revisions of the time series of GDP and its components.

34. This year changes in the Classification of institutional units by sectors of the economy have been introduced in accordance with the recommendations of the SNA 2008. The Classification of institutional sectors of the economy will be provided in the Annex to the All-Russian classification of institutional units by organizational and legal status. Commencing January 1, 2015 the Classification of institutional units by sectors of the economy will get the national status (it is only statistical now) that will help to use it in cases when information is collected from suppliers.

35. Commencing January 1, 2015 the Classification of financial assets on the basis of the SNA 2008 will be used.

36. In 2017 the Classification of economic non-financial assets developed on the basis of the All-Russian classification of fixed assets and the corresponding classification of the SNA 2008 is planned to be adopted and used.

V. Input-Output Tables

37. At the end of 2015 Rosstat is to complete compilation of the base supply and use tables for 2011 and to publish the full set of input-output tables for 2011 in current prices as well as the supply and use tables for 2012 and 2013 both in current and constant prices.

38. The base supply and use tables will be provided to users in the dimension of 188 industries and 338 groups of products and will be developed regularly every other 5 years.

39. On this basis the annual supply and use tables of goods and services will be compiled by a more concise scheme permitting to secure the internal consistency of the components of GDP and to facilitate better the reliability and validity of the estimates of its magnitudes in current prices and indicators of growth rates in constant prices.

40. Compilation of the input-output tables will allow implementing the double deflation method in the calculation of the volume index of GDP. It will significantly expand opportunities for analysis, in particular models for estimation of impact of various factors on the economy can be built. Also it will open the possibility of compiling satellite accounts in different areas.

41. The results of the work on the construction of base supply and use tables will make it possible to improve methodology of updating the components of GDP with the help of relevant adjustments to the indicators for the period commencing 2002.

VI. The Financial Account

42. The methodological basis for compilation of the financial accounts in the SNA of the Russian Federation carried out by the Bank of Russia is the SNA 2008.

43. The Bank of Russia carries out the work on the formation of the information base for the financial account of the system of national accounts of the Russian Federation, which is harmonized with respect of structure and coverage with the non-financial accounts of the SNA compiled by Rosstat and the government finance statistics compiled by the Federal Treasury.

44. The information basis for the compilation of financial accounts is as follows:
a) data of the Bank of Russia on the monetary and financial statistics, the international investment position of the Russian Federation and the Russian banking sector, the external debt of the Russian Federation, as well as on the balance of payments of the Russian Federation;

b) data from reports submitted by credit institutions to the Bank of Russia;

c) data from reports of investment funds and professional participants of securities markets submitted to the Bank of Russia;

d) data of the Ministry of Finance on internal debt of the Russian Federation, on the balance of execution of the consolidated budget and the state extra-budgetary funds, on the federal budget for fiscal activities and annual GFS data;

e) data of Rosstat on the annual business accounts of organizations, as well as data from the forms of the federal statistical observation.

45. Among the issues of information sufficiency of the compilation process of the SNA financial accounts, first and foremost, it is necessary to specify the following:

a) lack of sufficient elaboration in the reporting of data on transactions with selected financial instruments, data of reports of business accounts by economic sectors and budgetary reporting. Absence of the classification of financial instruments on the national level and the uniform system of classification of economic entities does not allow to standardize demands to reporting forms;

b) lack of detailed information on securities, leading to the necessity of using special estimates when presenting information by the sectors of the economy and, moreover, does not allowing to compile the revaluation accounts and the other changes in volume of assets accounts;

c) problems with access for the Bank of Russia to data of the business accounting and statistical reporting of individual units;

d) problems of determining the boundaries of the financial sector of the Russian Federation in accordance with the SNA 2008 for the group of organizations engaged in unlicensed financial activities (pawnshops, factoring and leasing companies) and holding companies.

46. Solving the problems listed above is carried out in the following directions:

a) development of the system of classifications used for the financial account, as stated above;

b) improving collection of information on financial assets and liabilities by institutional sectors. The Bank of Russia jointly with Rosstat has modified forms of reporting on financial assets and liabilities of non-financial organizations, other financial institutions, insurance companies and private pension funds, which made it possible to obtain data on stocks, flows and other changes in assets by type of financial instruments;

c) developing and maintaining database on securities. The Bank of Russia has prepared amendments to the reporting forms of depositories, concluded the agreement with the National Numbering Agency for obtaining data on securities, to which ISIN code has been assigned.

d) providing access for the Bank of Russia to the Statistical Register of Rosstat, data of the annual reports on business accounts for each organization, primary data of the forms of federal statistical observation. The Bank of Russia and Rosstat prepared for signature the additional agreement supplementing the existing Agreement on information exchange between the Bank of Russia and the Federal State Statistics Service, which
contains the list of primary statistical data needed for compilation of the financial accounts and integration of the financial and non-financial accounts of the SNA as well as the rules of their submission to the Bank of Russia in compliance with the requirement of confidentiality of the primary data.

47. There comes to an end the joint work of the Bank of Russia and Rosstat on forming the list of organizations in the financial sector, which is expected to be placed on the Bank of Russia website for use by respondents in compiling and submitting reports to the Bank of Russia and other subjects of official statistical accounting.

48. In the 3rd quarter of 2014 it is intended to compile the financial accounts of the SNA of the Russian Federation for 2012 which will be coupled with integration of the financial and non-financial accounts of the SNA and the analysis of causes of discrepancy in transactions recorded in the capital account and the financial account of the SNA.

49. Compilation of the quarterly financial accounts of the SNA of the Russian Federation largely depends on availability of data on financial assets and liabilities of non-financial organizations, non-credit financial institutions, the availability of reports on depository activity and, of course, on the appropriate system of classifications.

50. In 2013 the mega regulator of financial markets was set up in Russia. This led to improvement of information needed for the quarterly financial accounts, and in particular for the household sector, due to the use of depositories reports data, more detailed information about the activities of organizations in the financial sector (professional participants of the securities market, credit consumer cooperatives, microfinance institutions and others).

51. Dates for compilation and publication of the quarterly financial and non-financial accounts will be coordinated and the dates of compilation of the capital account on a quarterly basis will also be taken into account. The Bank of Russia considers a possibility of publication of the quarterly financial accounts in 2016.

VII. Priorities for the near future

52. Our priorities for the near future are i) implementation of those provisions of the SNA 1993 which were not implemented yet completely and ii) implementation of those provisions of the SNA 2008, which affect the size and structure of GDP:

a) estimation of imputed rent in respect of owner-occupied dwellings in accordance with the OECD methodology using the method of user production costs;

b) improving estimation of fixed capital consumption on the basis of the market value of fixed capital;

c) changing treatment of outlays on research and development in accordance with the SNA 2008 and their recording in the capital accounts. At the moment we consider the possibility of including results of research in natural sciences and engineering in the capital accounts; to accomplish this task, we are working on the criteria for determining outlays on research and development securing benefits to their producer which could be applied in practice;

d) changing treatment of outlays on military durables in accordance with the SNA 2008 and recording them in the capital account. Expenditures on acquisition of military durables based on the data of the consolidated national budget are expected to be included in fixed capital formation. However, there remains the problem of estimating consumption of fixed capital for these capital assets due to lack of data on stocks of military durables;
e) delineation of the boundaries of the institutional sectors will facilitate improvement of compilation accounts for the institutional sectors; it will enable to compile accounts for the public sector and to harmonize the general government sector accounts in the SNA with the government finance statistics (GFS).

VIII. Development of works to ensure compilation of the balance sheets

53. The methodology for compilation the revaluation accounts and the other changes in the volume of assets has been developed for fixed assets. This is the beginning of the works associated with the recording in the accounts changes in assets which are caused not by economic transactions but other flows (losses resulting from disasters, indemnities, the write-off of irrecoverable debts, etc.) and changes in the prices of various assets leading to holding gains or losses for their owners. These two accounts complete the sequence of the accumulation accounts and their indicators allow to move directly to the construction of the balance sheet and to evaluate all factors that led to changes in assets and liabilities during the period under consideration, i.e. from the opening to the closing balance.

54. Valuation of natural resources at current market value is carried out in cooperation with the Ministry of Natural Resources, the Ministry of Agriculture, the Federal Fisheries Agency and the Federal Service for State Registration. It is to be completed in 2017 on the basis of data for 2016. The sequence of works is defined by inter-agency plan of measures approved by Rosstat in July 2013.

55. During the next two years Rosstat intends to improve estimates of stocks of selected types of fixed capital on the basis of cadastral valuation of dwellings conducted by the Federal Service for State Registration, to link them to accumulation accounts and to the totals in the input-output base tables.

56. During the next two years Rosstat intends to improve estimates of stocks of fixed capital at market prices, to link them with the accumulation accounts and totals in the input-output base tables. Then Rosstat will be able to start publishing fixed capital estimates in accordance with the requirements of the SNA balance sheets.

IX. Revision of the GDP time series

57. Analytical usefulness of data depends to a considerable extent on length of the time series of published indicators. Therefore Rosstat pays great attention to revising time series of GDP and its components. The last revision of the time series, which took place in 2010, was associated with the transition to the new base year 2008, the allocation of financial intermediation services indirectly measured, the results of the agricultural census, changes in the production indices for sections of industrial classification C, D, E, computation of households final consumption expenditure by COICOP and refinement of indicators for the general government sector due to changes in the classification of units allocated to this sector. The revision covered the period from 2002 to 2010.

58. The next revision of the time series is planned for 2015 with the transition to the new base year 2013. As a result of this revision there will be following changes:

a) the value of services produced by owner-occupied dwellings will be estimated with the help of the user production costs method based on the market value of dwellings;

b) production indices for sections of industrial classification B, C, D and E will be updated;
c) changes in the coverage of economic transactions by kind of activity resulting from the compilation of the supply and use tables for 2011 and 2012 will be taken into account;

d) outlays on R&D will be allocated to fixed capital formation;
e) outlays on the military durables will be allocated to fixed capital formation.