

### Box 3

#### The new national accounts framework (ESA 95)

Starting from 1999, national accounts data have to be compiled according to the new European System of Accounts 1995 (ESA 95).<sup>1</sup> Compared with the European System of Integrated Economic Accounts, second edition (ESA 79), the introduction of the ESA 95 is compulsory for all EU Member States. A description of the new methodology is included in the ESA Council Regulation (Annex A to the Regulation), together with a list of accounts (tables) to be transmitted to the European Commission (Eurostat) and the time limits for transmission (Annex B). In summary, Member States are now required to produce a defined set of accounts in accordance with a given timetable. From the point of view of users, the new ESA 95 provides a harmonised framework for analysis and policy, which is characterised by more precise and rigorous definitions, is more up-to-date in terms of concepts and is better integrated with other economic statistics.

The main improvements brought about by the introduction of the ESA 95 can be summarised as follows:

- *Methodology*: the ESA 95 takes into account new economic phenomena (e.g. zero coupon bonds), clarifies borderline cases (e.g. for capital formation, intermediate and final consumption) and improves measurement practices (e.g. for depreciation).
- *Comparability*: the ESA 95 sets compulsory European standards to be followed by all Member States. In the ESA terminology, this means the use of comparable definitions both for sectors and for transactions, to be presented as a common set of aggregates in a standardised set of accounts. The ESA 95 ensures consistency with the international System of National Accounts (SNA 93) methodology, the 5th edition of the IMF Balance of Payments Manual and the definition of the Monetary Financial Institutions (MFI) sector for the money and banking statistics of the Eurosystem.
- *Frequency*: the ESA 95 defines the quarterly and the annual transmission programmes. Transmission of the main aggregates is compulsory at a quarterly frequency. This is an important step forward, since quarterly accounts were not previously released by all EU countries.
- *Timeliness*: the ESA 95 sets maximum time limits for the transmission of the data to Eurostat (e.g. up to four months after the end of the quarter or year for the main aggregates).

However, given the broad coverage of the ESA Regulation, a phased introduction is foreseen which spans the period between 1999 and 2003. The first transmission of annual and quarterly main aggregates to Eurostat was scheduled for April 1999. Another important deadline for the delivery of new annual ESA 95 indicators is set for August 1999, when Member States are required to deliver the main aggregates of the general government sector. By September 2000 further breakdowns of value added, imports and exports and household consumption

<sup>1</sup> Council Regulation (EC) No. 2223/96 of 25 June 1996 on the European System of National and Regional Accounts in the Community, Official Journal of the European Communities L 310 of 30 November 1996.

are required, together with financial accounts (transactions and balance sheets at an annual frequency). Annual estimates of sector and regional accounts for the period up to 1999 have to be delivered by December 2000. Additional regional breakdowns will have to be transmitted by the end of 2001. By the end of 2002 Member States are required to transmit supply and use tables as well as input and output tables. Cross-classifications by industry and by product for fixed assets and fixed capital formation will be released by the end of 2003, with cross-classification accounts by industry and by sector.<sup>2</sup>

Moreover, various *derogations* have been granted, allowing Member States to postpone full compliance with these general rules (via delayed implementation, reduced length of backdata, non-publication of certain indicators or breakdowns, etc.). The complete implementation of the Regulation (extension to more detailed data and phasing-out of the derogations) is therefore not expected until 2005.

The ESA 95 is focused on national accounts for each of the Member States and it thereby enhances the comparability of the accounts across countries. It does not, however, include provisions on the compilation of euro area data. The national accounts aggregates for the euro area are not in all cases the sum of the results for the 11 individual euro area countries. Additional provisions are highly desirable, for example, with regard to the sector breakdown and the consolidation of transactions between euro area countries.

As noted above, the main quarterly and annual aggregates (GDP and the main expenditure, income and output components, plus information on the labour force) for the period from 1995 to 1998 were to be transmitted for the first time by end-April 1999 (with the series for most countries starting with data from 1988), unless a derogation had been granted. Owing to a delay in the publication of new ESA 95 results in some Member States, the euro area aggregates revised in accordance with the new methodology are now expected to be published by Eurostat in June 1999, at which time it will be possible to conduct a first assessment of the impact of the new data on recorded area-wide developments.

For those Member States which have already published new national accounts results, the changes have sometimes been significant. It should be noted, however, that the revisions observed are not only caused by the new rules of the ESA 95, but in most cases also by the incorporation of improved underlying statistical information or, in the case of constant price data, by the re-basing of the price reference year.

In summary, the introduction of the ESA 95 will eventually lead to considerable improvements in the field of national accounts for the EU, and in particular for the euro area, but the transition to the new system will imply revisions to previously published national accounts statistics and may extend over a longer period of time. During that period, some uncertainties in the interpretation of individual data are likely to arise. It is expected, however, that these problems will progressively disappear as the Regulation is fully implemented.

<sup>2</sup> *The dates mentioned in this paragraph are maximum deadlines set by the Regulation (subject to derogations), although some Member States may publish data earlier on a voluntary basis.*