ONS plans for the 2000 and 2001 Blue Book and Pink Book

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Introduction

The United Kingdom National Accounts and Balance of Payments are undergoing a sustained process of development. Some of these developments arise from later stages in the implementation of the European System of Accounts 1995 (ESA95); others from the development of new methodology and new data sources. There is also a continuing need to ensure that new economic developments are properly accounted for. As part of our policy to inform users about forthcoming changes to the national accounts and balance of payments, we have for the past few years published articles describing developments planned for subsequent Blue Books and Pink Books and related publications such as the Input-Output Supply and Use Tables. The most recent was published in July 1999 and covered publications in 2000 and 2001. This article updates the plans described there.

Revisions policy for 2000 and 2001

The policy for the 2000 Blue Book, Pink Book and related publications is to restrict revisions, with one exception, to 1998 and later. The exception is new estimates for capital consumption, capital stock and balance sheets; details are given below.

Last July’s Economic Trends also included an article that described our plans for improving the coherence of annual and monthly inquiry estimates of manufacturing output. At that early stage, we had hoped to be in a position to introduce these improved estimates in this year’s Blue Book and Input-Output Supply and Use Tables. However, because of the complexity of the problem and the desire to fully quality assure this process, we now plan to make these changes next year. This process should result in improved estimates of the distribution of value added by industry, but have little, if any, impact on estimates of growth for GDP.

We have begun the review of national accounts methodology described in last July’s Economic Trends article. Specific reviews have been supported by the introduction of processes and peer group appraisals that have ensured that each methodological change is subject to rigorous scrutiny. We plan to include these improved methodologies in the 2001 Blue Book. Details of the substantial package of improvements include the following:

- inclusion of estimates for smuggling of alcohol and tobacco;
- change in treatment of interest rate swaps in line with proposed new international standard;
- reclassification of detailed series for individual consumption expenditure to ESA 95 standard;
- expansion of the use of direct measures of government output;
- improved quality of indicators of value added in the service industries;
- clarification of the application of ESA95 changes to taxes;
- review of treatment of individual transaction lines within sector and financial accounts;
- co-ordinated portfolio investment survey to measure overseas assets held by UK residents;
- inclusion of results from the new and improved Annual Business Inquiry (ABI), the PRODCOM inquiry and the annual all-industry Purchases Inquiry.

Publications in 2000

There will be no major changes to presentation in the 2000 Blue Book or Pink Book, though there will be some minor amendments to table contents and formats. Last year saw the inclusion of a new chapter on environmental accounts in the Blue Book; there are plans to include in this year’s chapter new analyses of the accounts for natural assets, energy, air emissions and environmental taxes. The Input Output Supply and Use Tables will include new analyses. A new edition of the Methodological Guide to Input-Output Supply-Use Tables based on ESA95 will be issued towards the end of the year.
**Issues for the 2000 Blue Book and Pink Book**

**Capital consumption, capital stock and non-financial balance sheets**

Over the last few years substantial progress has been made in improving the methodology for estimating capital stocks and non-financial balance sheets, to ensure that where possible estimates use data rather than model-based methodologies. This progress has been reported in Economic Trends, most recently in the November 1999 issue. Full and definitive balance sheets together with detailed analyses of capital stock and consumption of fixed capital will be published in the 2000 Blue Book. The new estimates of capital consumption will affect GDP and the production, income and capital accounts.

**Government output at constant prices**

There is a continuing project to measure the output of areas of general government directly, rather than assume that it equals the volume of inputs such as staff numbers (see Caplan (1997)). The coverage of these new measures within GDP will be expanded in 2000 to include the Courts, the Legal Aid Board, the Agricultural Intervention Board and the Prisons and Probation Services. In line with revisions policy, the changes will affect data for 1998 and later. Further developments, and the application of the new methodology to earlier periods, will be included in the 2001 Blue Book.

**Publications in 2001**

The scale of changes to methodology underlying the data in the 2001 Blue Book suggests that there will be a need to make available details of the new methodologies through a revised version of National Accounts Concepts Sources and Methods. Consultation with users about whether they would prefer a completely new edition, or a package of amendments - possibly as downloadable files via the Internet - suggest that the latter would be more appropriate. Work has commenced on the development of a resource use account for the Environmental Accounts chapter of the Blue Book, though it is too soon to say whether it will be ready for 2001.

**Treatment of interest rate swaps**

Figures currently presented in the Pink Book and the quarterly balance of payments first release for portfolio investment income include settlement flows on interest rate swaps (IRS) and forward rate agreements (FRA). This treatment is in line with the original version of the IMF balance of payments manual 5th edition (BPM5). There has been an ongoing international debate as to whether this treatment should be amended, and at the end of 1999 the IMF revised BPM5. The change is currently going through the ESA95 approval process, and will be implemented in the 2001 Pink Book and Blue Book. The proposed treatment agreed internationally is to reclassify IRS and FRA to the financial account as part of a new financial derivatives category. Apart from ensuring consistent treatment across all derivative products, the rationale for reclassifying interest rate swaps is that interest income is defined as the return on capital but interest rate swap contracts do not provide any capital at their inception. They are increasingly held and traded for purposes other than changing the cost of capital.

A summary of changes is given in the box below.

<table>
<thead>
<tr>
<th>Development</th>
<th>Date of implementation</th>
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<tr>
<td>Annually chain-linked estimates of constant price GDP and its components.</td>
<td>2002-2003</td>
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<tr>
<td>5-yearly cross-classification by industry (year 2000):</td>
<td>2003</td>
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<tr>
<td>• production accounts by industry (60 industries) and sector;</td>
<td></td>
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<tr>
<td>• capital formation by industry and product (31 industries x 3 products) (current and constant prices);</td>
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<td>• fixed assets by industry and product (31 industries x 3 product groups);</td>
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<tr>
<td>Improved methods for deflation of constant price estimates.</td>
<td>2000-2005</td>
</tr>
<tr>
<td>Financial intermediation services indirectly measured.</td>
<td>Implementation date not yet determined</td>
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<tr>
<td>Treatment of monetary gold.</td>
<td>by 2005</td>
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</tbody>
</table>
An article in the February 2000 edition of Economic Trends described a programme of new investment in economic statistics. Among the objectives of this programme is the improvement in the quality and coherence of existing outputs and the strengthening of the statistical infrastructure underpinning data collection, leading to improvements in the quality and coherence of the national accounts.

Timing of annual publications

We intend to publish the revised quarterly national accounts consistent with the 2000 Blue Book in late June. The standard quarterly electronic data sets consistent with the Blue Book and Pink Book will be released on the same day, as will the electronic version of the Input-Output Supply-Use tables. The Blue Book, Pink Book and Input-Output Supply and Use Tables will appear in August 2000.

Publication in 2001 will be somewhat later, to accommodate the extra analyses required that year, and the longer-run revisions planned.

We welcome the views of national accounts users on any of the issues raised in this article. Contact names are given below.

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References


