



Department of Statistics
M A L A Y S I A

OVERVIEW ON SYSTEM OF NATIONAL ACCOUNTS SNA 2008

Statistical Training Course on Banking, Insurance and Financial Statistic
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COUNTED



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DAY

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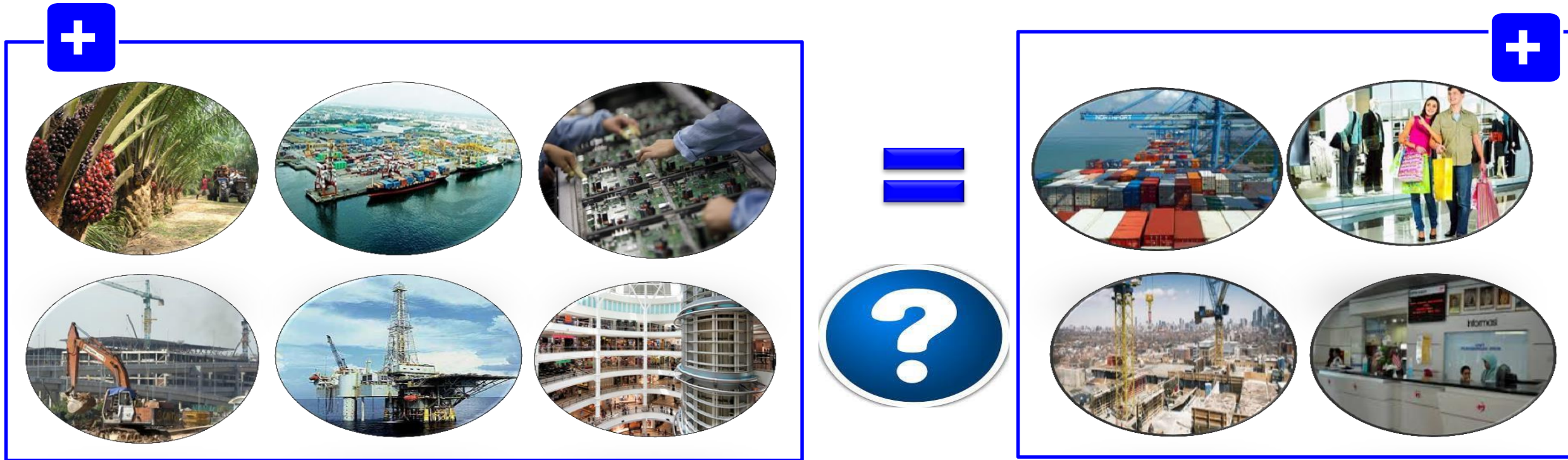


2016 - 2030

To understand the economy, we need to measure it.

To measure an economy is through the level of production.

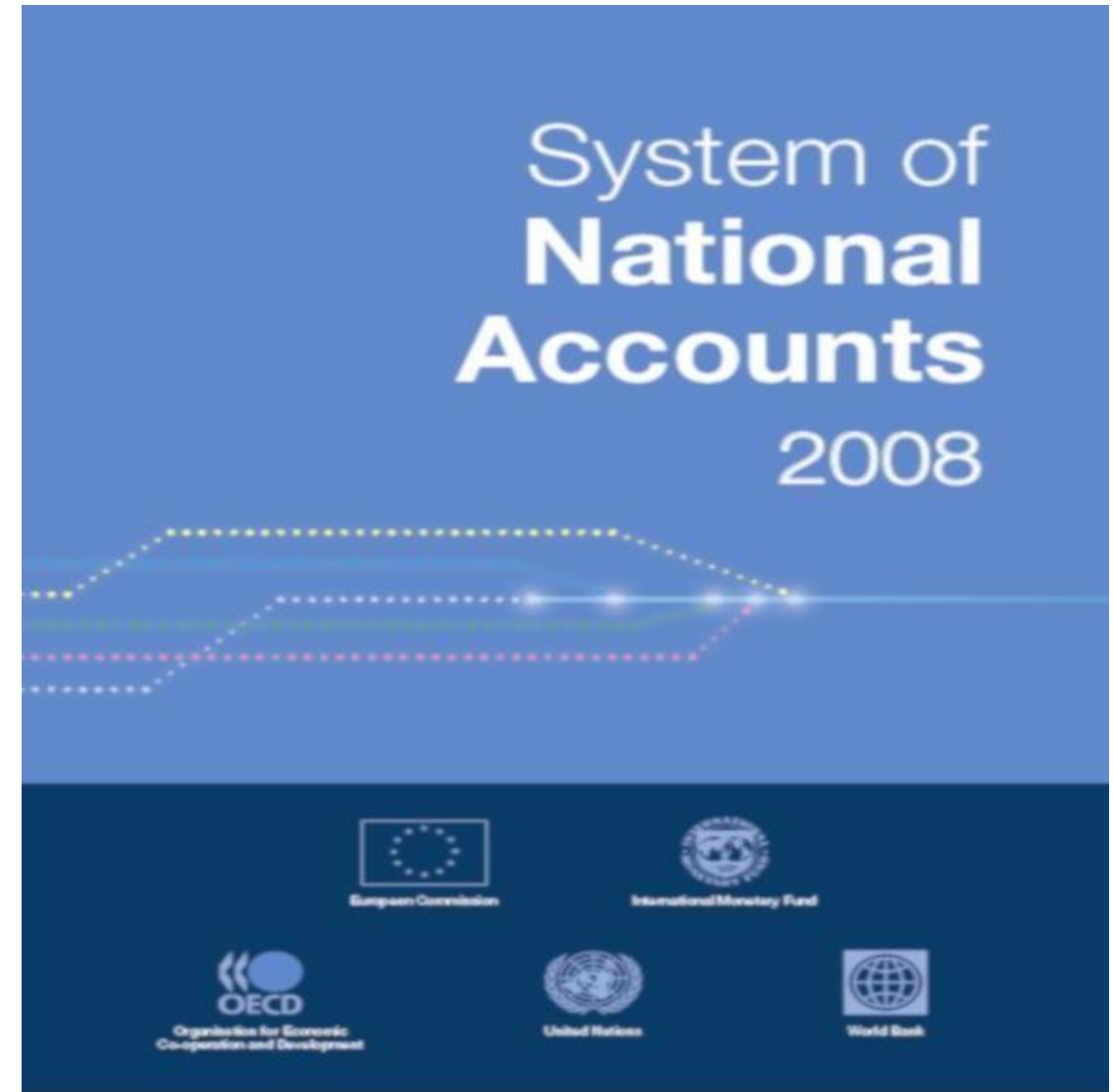
We need to combine the many goods produced or consumed in an economy into one measurement.





- Conceptual framework
 - *Guidance for national accountants*
- Accounting framework
 - *Central roles in statistics*
- Database
 - *Comprehensive view of an economy*

<http://unstats.un.org/unsd/nationalaccount/hsna.asp>





You are here: SNA >> Historic Versions

Historic Versions of the System of National Accounts

The broad objective of the System of National Accounts (SNA) is to provide a comprehensive conceptual and accounting framework for compiling and reporting macroeconomic statistics for analysing and evaluating the performance of an economy.

1947

The origins of the SNA trace back to the 1947 Report of the Sub-Committee on National Income Statistics of the League of Nations Committee of Statistical Experts under the leadership of Richard Stone.

At its first session in 1947, the United Nations Statistical Commission (UNSC) emphasized the need for international statistical standards for the compilation and updating of comparable statistics in support of a large array of policy needs.

In view of the emphasis on international statistical standards throughout the history of the Commission, the following national accounts standards were produced:

1953

The 1953 SNA was published under the auspices of the UNSC. It consisted of a set of six standard accounts and a set of 12 standard tables presenting detail and alternative classifications of the flows in the economy. The concepts and definitions of the accounts were widely applicable for most countries, including developing countries. Two slightly modified editions of the 1953 SNA were published.

1960

The first revision in 1960 reflected comments on country experience in the implementation of the 1953 SNA.

1964

The second revision in 1964 improved consistency with the International Monetary Fund's Balance of Payments Manual.

1968

The 1968 SNA extended the scope of the national accounts substantially by; adding input-output accounts and balance sheets; giving more attention to estimates at constant prices; and making a comprehensive effort to bring the SNA and the Material Product System (MPS) closer together.

1993

The 1993 SNA represents a major advance in national accounting and embodies the result of harmonizing the SNA and other international statistical standards more completely than in previous versions.

2008

The 2008 SNA, which is an update of the 1993 SNA, addresses issues brought about by changes in the economic environment, advances in methodological research and the needs of users.





SYSTEM OF NATIONAL ACCOUNTS

The System of National Accounts (SNA) is the **internationally agreed standard set of recommendations on how to compile measures of economic activity** in accordance with strict accounting conventions based in economic principles

The recommendations are expressed in terms of a set of **concepts, definitions, classifications and accounting rules that comprise the internationally agreed standard** for measuring such items as **gross domestic product (GDP)**, the most frequently quoted indicator of economic performance

The accounting framework of the SNA allows economic data to be compiled and presented in a format that is designed for purposes of **economic analysis, decision-taking and policymaking**



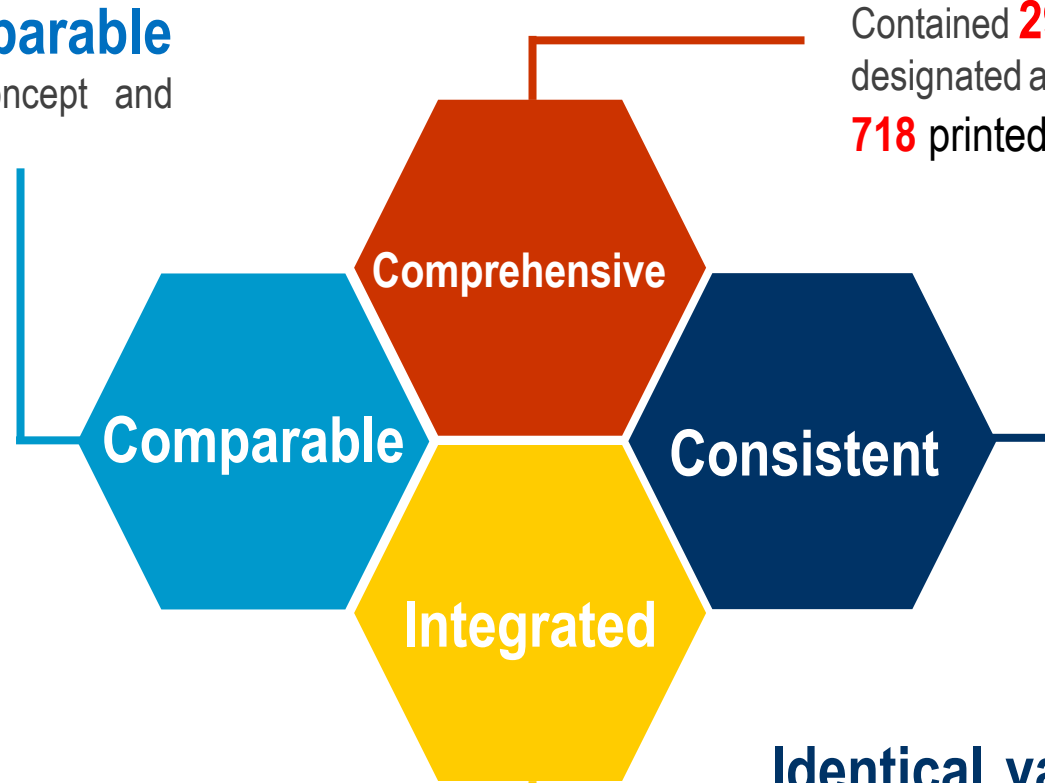


STRENGTH OF THE SNA



Internationally comparable

in terms of classification, concept and definition



Contained **29 chapters** with all designated activities are covered.
718 printed pages

All consequences of single economic action are captured in the accounts and balance sheets - constitute a **coherent, closed system**

Identical values are used for the consequences of a single economic action



01

Who are the players?



Institutional Units

02

What do they do?



**Engage in Production, Consumption,
Accumulation**

03

How is this measured?



**By means of transactions and other flows
explaining the evolution of stocks of
assets**

04

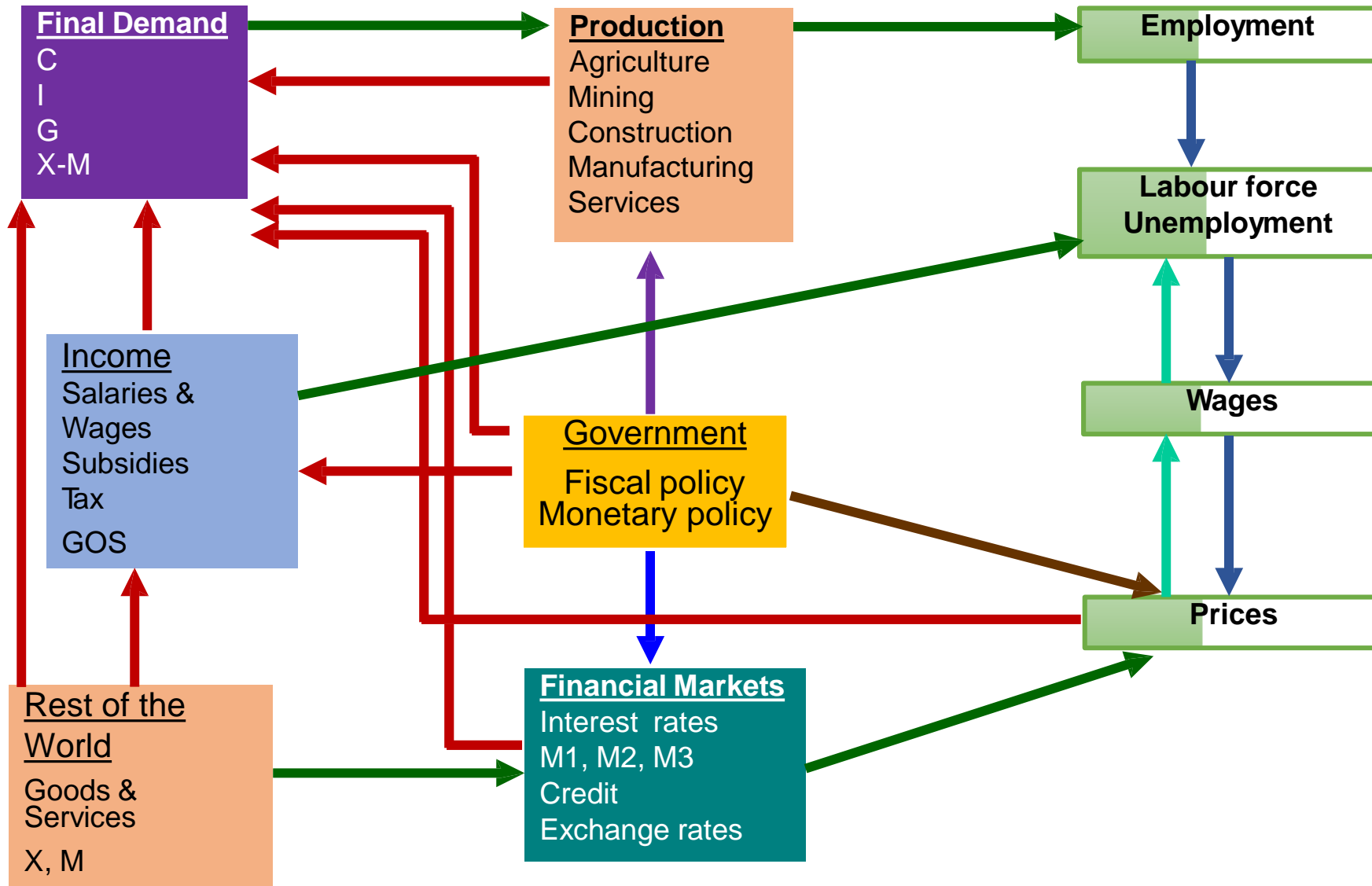
**How is this information
presented?**



In economic accounts

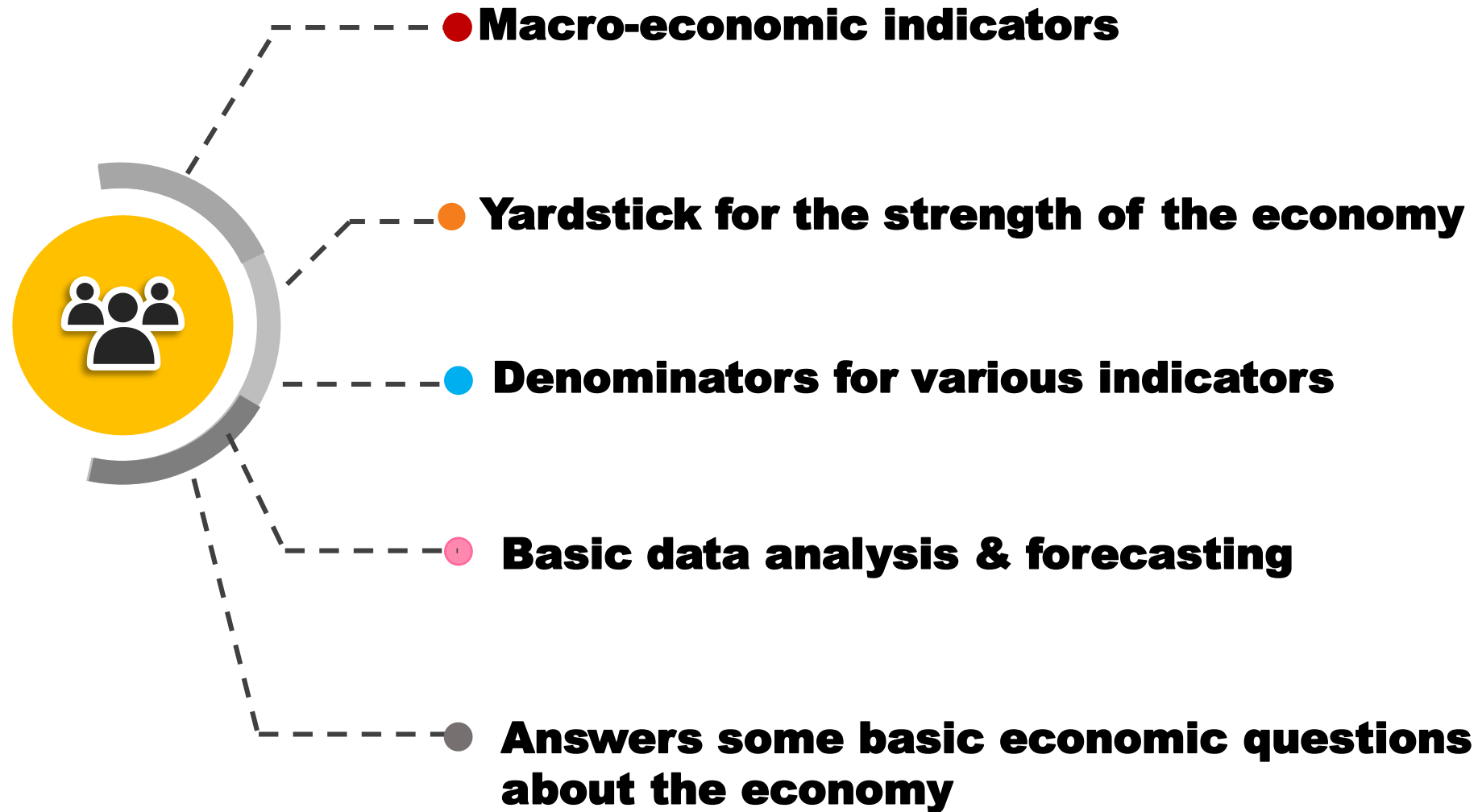


BASIC MACROECONOMICS MODEL





THE IMPORTANCE OF SNA - GDP





SUSTAINABLE DEVELOPMENT GOALS (SDGs)

17 GOALS, 169 TARGET



SUSTAINABLE DEVELOPMENT GOALS

1 NO POVERTY 	2 ZERO HUNGER 	3 GOOD HEALTH AND WELL-BEING 	4 QUALITY EDUCATION 	5 GENDER EQUALITY 	6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY 	8 DECENT WORK AND ECONOMIC GROWTH 	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 	10 REDUCED INEQUALITIES 	11 SUSTAINABLE CITIES AND COMMUNITIES 	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION 	14 LIFE BELOW WATER 	15 LIFE ON LAND 	16 PEACE, JUSTICE AND STRONG INSTITUTIONS 	17 PARTNERSHIPS FOR THE GOALS 	



INTRODUCTION TO SNA



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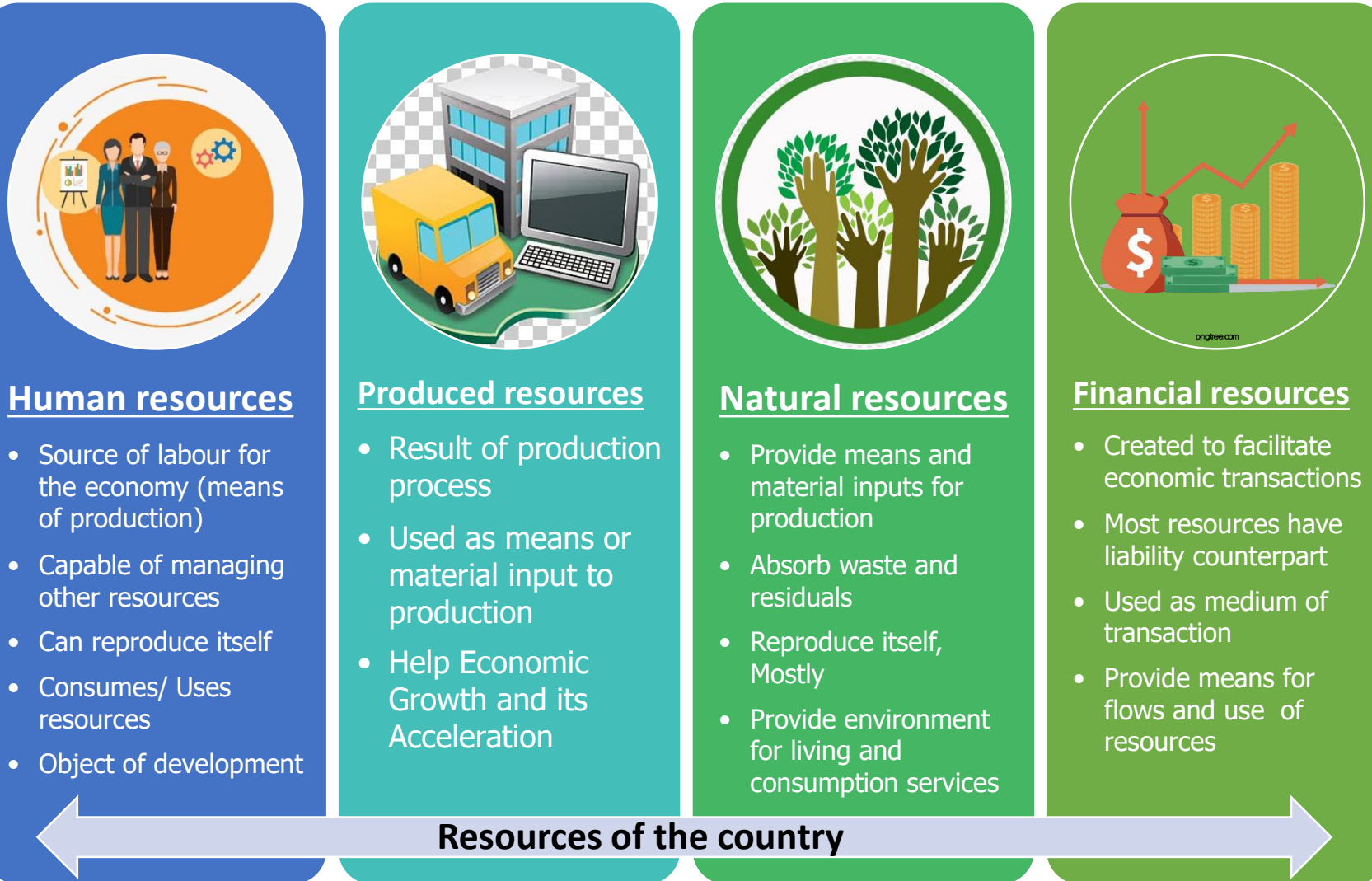


   
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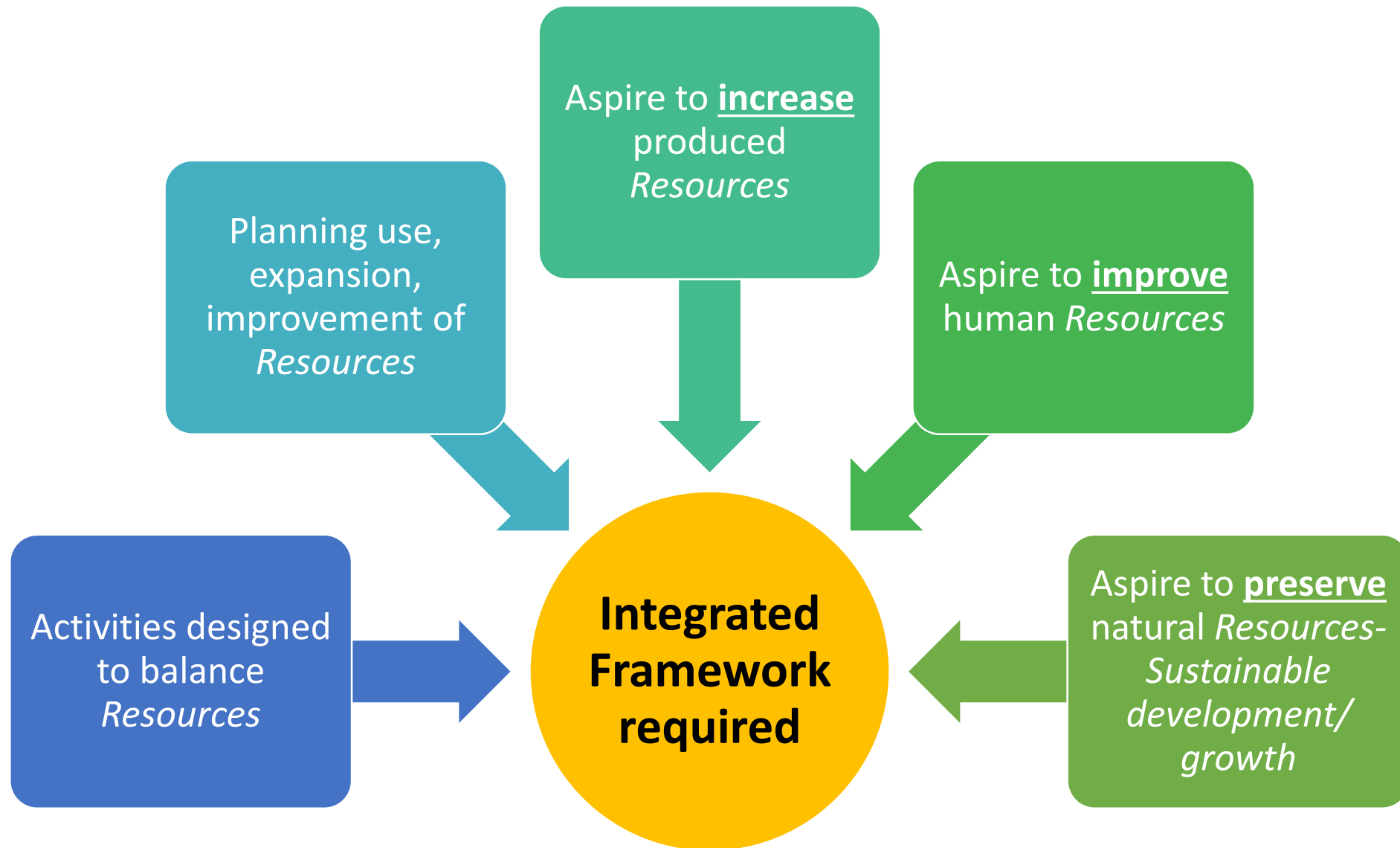
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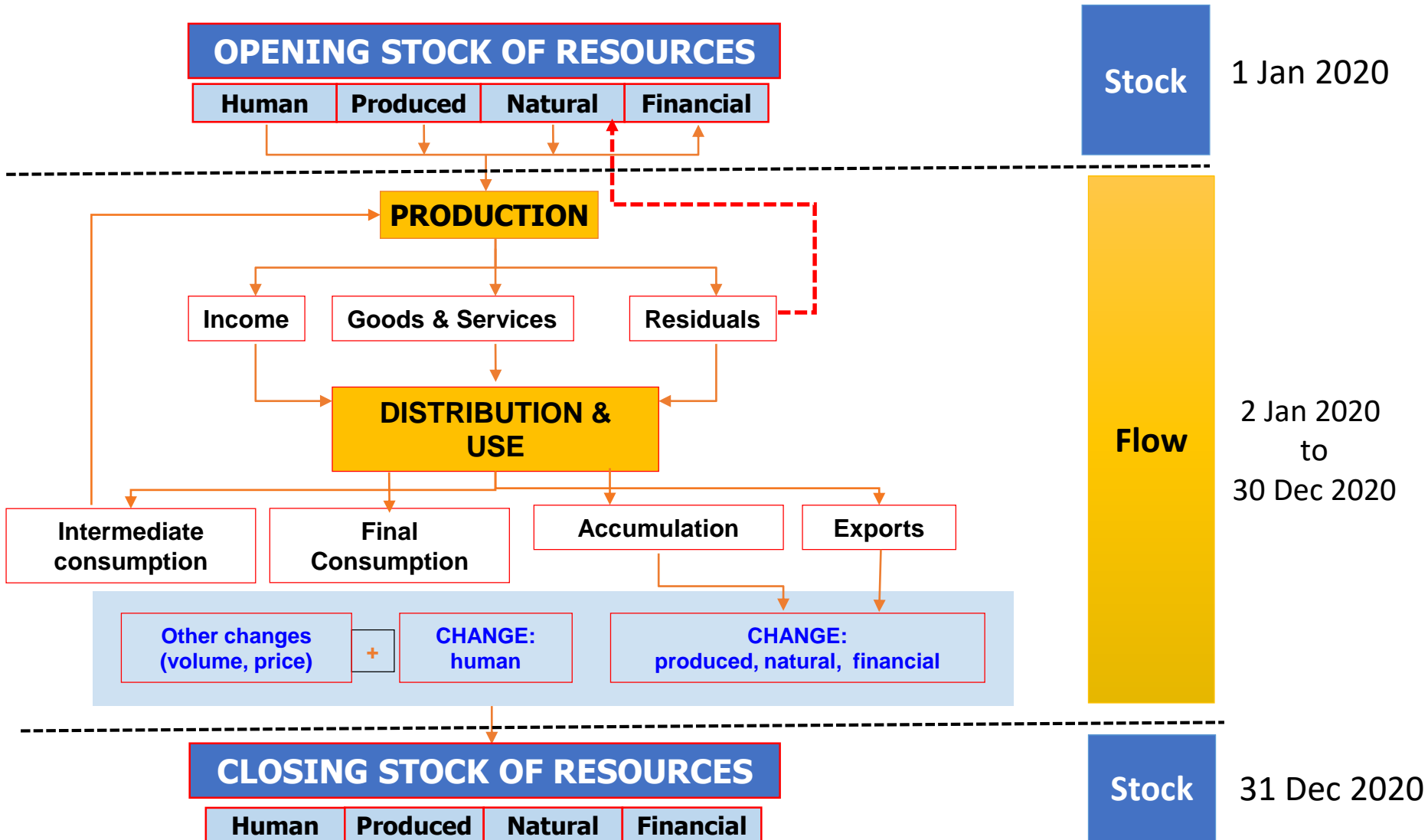


COUNTRY DEVELOPMENT PLANNING- Resources and Integrated Framework





INTEGRATED FRAMEWORK OF SNA



- **Stock** –refers to **Level** of Resources taken at a **Point in Time**
- **Flows** –refer to Production, Income, distribution and Use of Products taken as sum of what took place during a **Period of Time**



- Stock of Resources
 - Key factor to attain Society's goal
- Optimization of Use of Resources
 - Key principle to Development Planning



- Information on *Resources* required for development planning

WHO (own them) ?

HOW (much of these available and *how* used) ?

WHAT (is the quality of these) ?

WHERE (ownership is concentrated...Institution) ?



- *WHO* does *WHAT* ?
- By *WHAT* means ?
- *For WHAT purpose* ?
- *With WHOM in exchange of WHAT* ?
- *With WHAT Changes in Stocks* ?

STRUCTURE OF SNA



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Three building blocks:

- 1. Actors:** Institutional Units (sectors) and Establishments (industries)
- 2. Actions:** Flows & Stocks
- 3. Activities:** Production, Distribution, Use, and Accumulation Accounts

Triple A's: Actors, Actions, Activities



- Two ways to classify economic actors:
 - Institutional units → Sectors
 - Establishments → Industries
- National
 - Accounts are compiled for resident institutional units grouped into sectors and sub-sectors
 - Sub-country (Regional) level and supra-regional level



INSTITUTION



Non Financial Corporations (NFC)

- Created legally (Registered) as per country law
- Engaged in production of market goods
- Ownership vested on shareholders collectively
- Keep a complete set of Accounts
- Own assets independent of owner
- Includes Quasi corporation and Cooperatives



Financial Corporations (FC)

- Same as NFC



Government (G)

- Organise/finance non-market goods/services
- Individual & collective services for Households and community
- Engage in Distribution/redistribution of income and wealth through Taxation and other transfers



Households (HH)

- Composed of persons or group of persons with common kitchen (food arrangement)
- Includes Unincorporated enterprises
- Supplier of labour; major final consumer
- Includes household operated activities
- Includes Informal sector



NPIs Serving HH

- Legal entities principally engaged in non-market services for households
- Main financial resources are voluntary contribution of households and other institutions
- Part of NPI, other NPI serve government, corporations





- ✓ An institutional unit is entitled to **own goods or assets** in its own right; it is therefore able to exchange the ownership of goods or assets in transactions with other institutional units;
- ✓ It is able to take **economic decisions** and engage in economic activities for which it is itself held to be directly **responsible and accountable at law**;
- ✓ It is able to **incur liabilities** on its own behalf, to take on other obligations or future commitments and to enter into contracts;
- ✓ Either a **complete set of accounts**, including a balance sheet of assets and liabilities, exists for the unit, or it would be possible and meaningful, from an economic viewpoint, to compile a complete set of accounts if they were to be required





An **establishment** is an enterprise, or part of an enterprise, that is situated in a single location and in which only a single productive activity is carried out or in which the **principal productive activity accounts for most of the value added**

Industries are defined in the SNA in the same way as in ISIC: an industry consists of a group of establishments engaged in the same, or similar, kinds of activity





• PRODUCT & INDUSTRY CLASSIFICATION

- Malaysia Standard Industrial Classification 2008 (MSIC 2008) ver. 1.0
- Malaysia Classification of Products by Activity (MCPA 2009)
- Central Product Classification (CPC)
- External Trade: Harmonized System (HS); SITC; AHTN; BEC

• OTHER INTERNATIONAL CLASSIFICATION

- Household Consumption:
Classification of Expenditure According to Purpose (COICOP)
- Government Function:
Classification of Function of Government (COFOG)
- Non Profit Institutions:
Classification of Purpose of NPISH (COPNI)



BASIC CONCEPTS & DEFINITIONS



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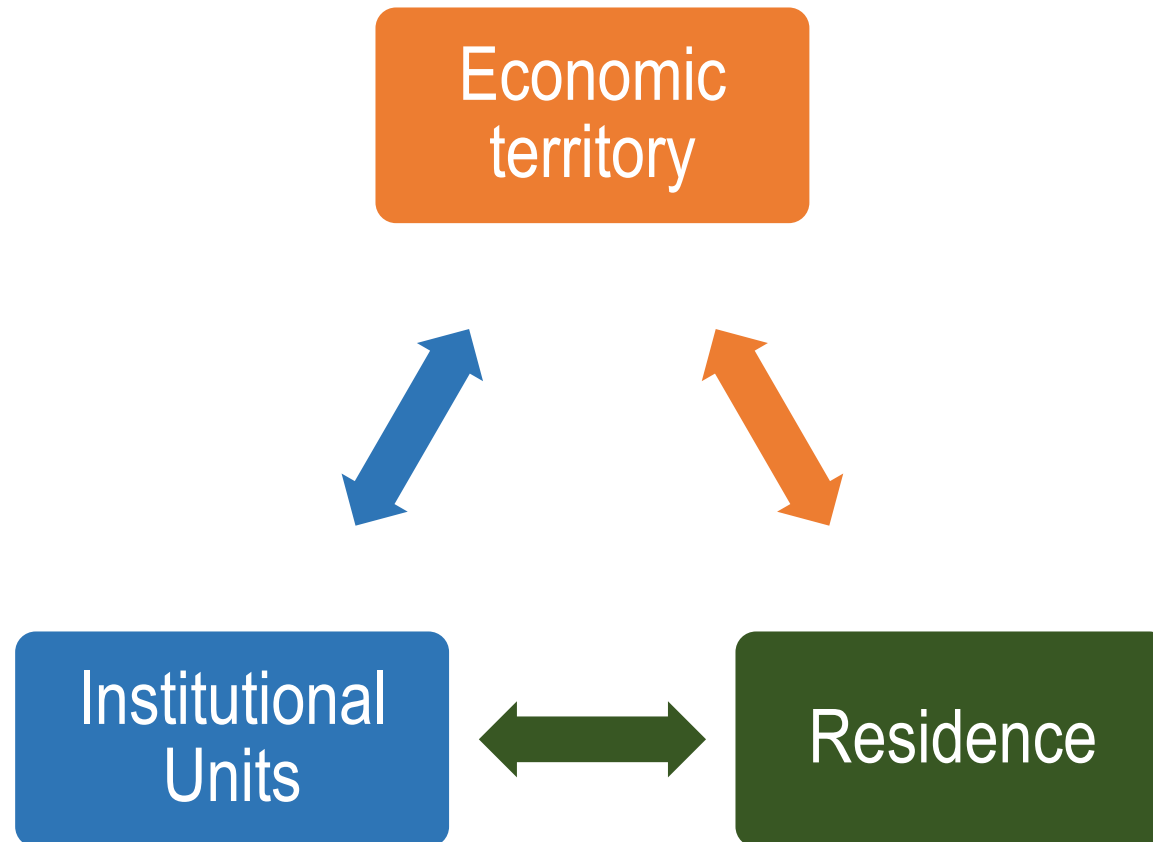
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WHAT CONSTITUTES AN ECONOMY?

SNA defines national economy as total economy that all **institutional units residing** in the **economic territory** of a country





Economic Territory

- Geographic territory administered by the government of the country within which persons, goods, and capital can circulate freely

Residence

- An institutional unit is treated as a resident unit of a country when it has **centre of predominant economic interest** in its economic territory

Institutional units

- The basic building blocks used to compile statistics by economic sector
- Owning assets
- Incurring liabilities
- Engaging in economic activities and transportations with other economic units
- Having a full set of accounts





- The concepts of **economic territory** and **residence** are designed to ensure that each institutional unit is a resident of a single economic territory
- The economic territory includes:
 - (a) the land area;
 - (b) airspace;
 - (c) territorial waters, including areas over which jurisdiction is exercised over fishing rights and rights to fuels or minerals;
 - (d) in a maritime territory, islands that belong to the territory; and
 - (e) territorial enclaves in the rest of the world. These are clearly demarcated land areas (such as embassies, consulates, military bases, scientific stations, information or immigration offices, aid agencies, central bank representative offices with diplomatic status) that are physically located in other territories and used by governments that own or rent them for diplomatic, military, scientific, or other purposes with the formal agreement of governments of the territories where the land areas are physically located.





- Institutional unit is classified as ***Resident***, only if it has the ***centre of economic interest*** in the country, in terms of
 - Location-place of production within country
 - Intent to continue activity indefinitely or finite period (at least one year) of time
 - For individual, location of his house and not the place of work



The production boundary

- The activity of production is fundamental. In the SNA, **production is understood to be a physical process**, carried out under the responsibility, control and management of an institutional unit, in which **labour and assets are used** to transform inputs of goods and services into outputs of other goods and services
- **All goods and services produced as outputs must be such that they can be sold on markets or at least be capable of being provided by one unit to another, with or without charge.**
- It also includes all goods or services **provided free** to individual households or collectively to the community by government units or NPISHs
- Activities **excluded** in the Production Boundary
 - ✓ Domestic services produced and consumed by households themselves without paying domestic staff eg: caring for children, sick etc; preparation of meals; washing, cleaning etc.
 - ✓ Minor-do-it-yourself repair and maintenance of durable goods and dwellings





The production boundary of natural resources

- Certain natural processes may or may not be counted as production depending upon the circumstances in which they occur.
- The natural growth of wild, uncultivated forests or wild fruits or berries is not counted as production, whereas the cultivation of crop-bearing trees, or trees grown for timber or other uses, is counted in the same way as the growing of annual crops. However, the deliberate felling of trees in wild forests, and the gathering of wild fruit or berries, and also firewood, counts as production.



- Basic Unit for compilation
- Institutional Sectors - **the Resident Institutions** that have ownership rights of Assets Holders
- Assets is the **Economic Assets**
- **Economic assets (*resources*)**
 - ✓ Ownership rights
 - ✓ Economic benefit
 - *Used for production*
 - *Store of value*
 - *Generate income*

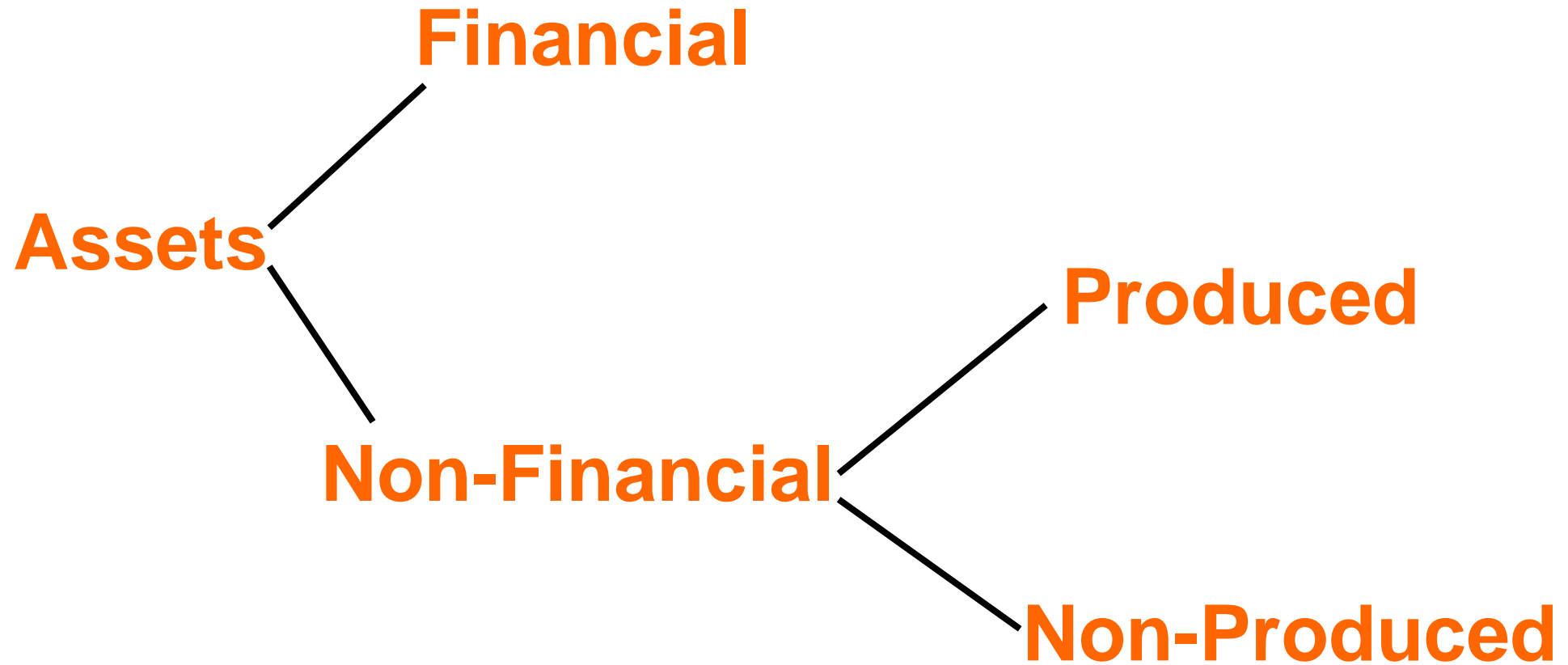


- **Financial assets and fixed assets**, such as machinery, equipment and structures which have themselves been produced as outputs in the past, are clearly covered by this definition.
- **Natural resources** such as land, mineral deposits, fuel reserves, uncultivated forests or other vegetation and wild animals are included in the balance sheets provided that institutional units are exercising effective ownership rights over them, that is, are actually in a position to be able to benefit from them.





ASSETS BROAD CLASSIFICATION





Financial Assets

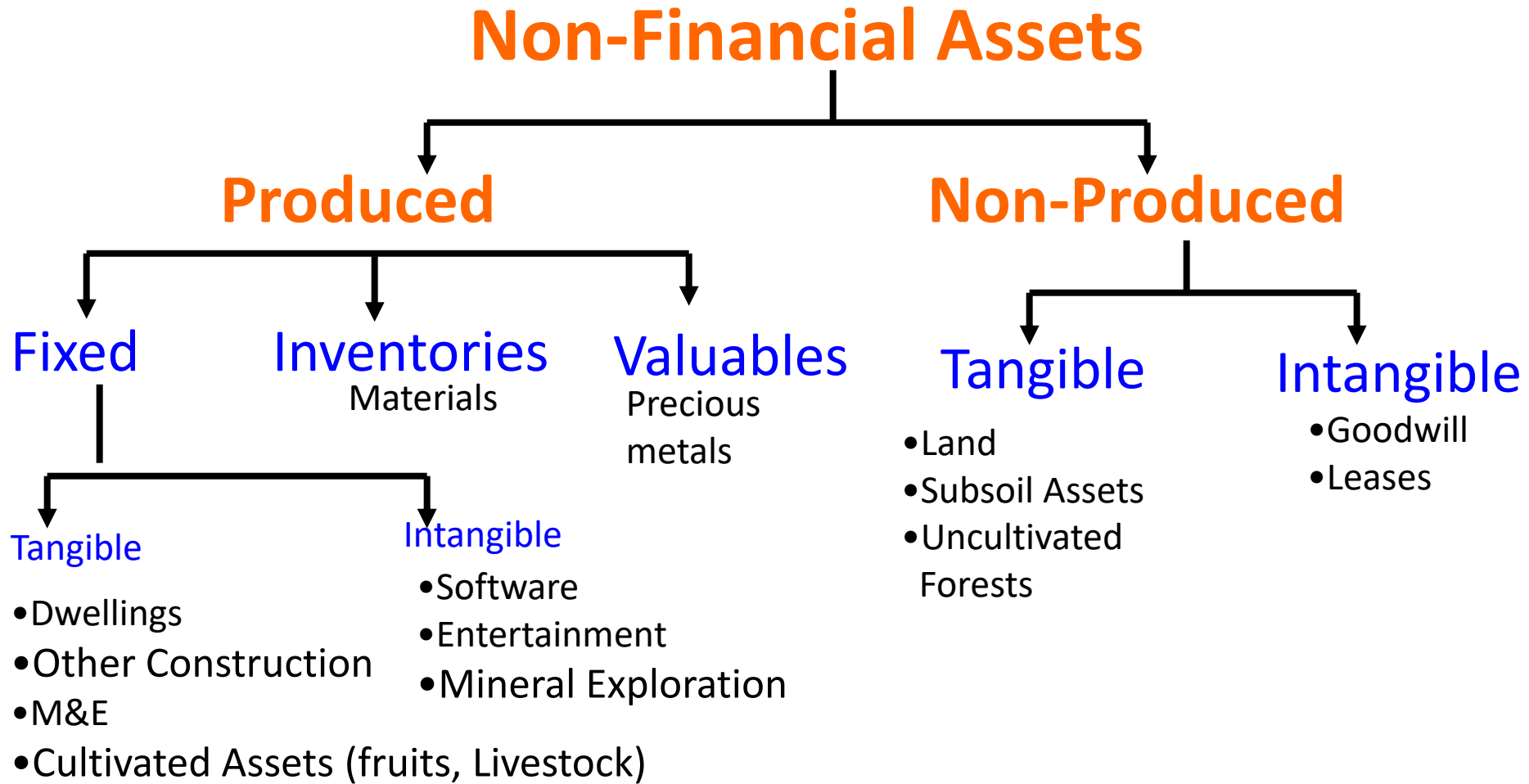
With contingent liability

- Bank deposits
- Loans
- Shares & Equity
- Insurance reserves
- Other assets (receivable)
- Liabilities (payable)

Without contingent liability

- Monetary gold
- SDR's







THE SEQUENCE OF ACCOUNTS

1. The production account
2. The generation of income account
3. The allocation of primary income account
4. The entrepreneurial income account
5. The allocation of other primary income account
6. The secondary distribution of income account
7. The use of disposable income account
8. The redistribution of income in kind account
9. The use of adjusted disposable income account
10. The capital account
11. The financial account
12. The other changes in the volume of assets account
13. The revaluation account
14. The balance sheets

Q & A SESSION



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