

Concept Paper on Revising National Accounts Data Series 2004-2016

Introduction:

The preparation of national accounts in any country represents the peak of efforts made in creating a modern and integrated economic statistical system. Thus, providing key and mean data that are necessary to prepare national accounts and developing the work on available resources to achieve a comprehensive cover for data, which, in return, constitutes one of the most significant goals in initiating the establishment of economic statistical databases of various types and ramifications. Accordingly, national accounts provide an organized statistical description for economy as a whole, and in the same time, national accounts help in providing detailed statistical data regarding transactions happening between the different parties in the local economy on one hand, and on the other hand, the rest of the world, as well as exploring the growth directions in the national economy from one year to another, and observing its fluctuations through the years. Thus, the preparation of a consistent and coherent time series for national accounts with the current and constant prices has a great importance because it opens up/unlocks avenues of comparison, measurement and economic analysis.

The Domestic Product is considered an indicator that measures the gross added value for all economic activities through outputs of goods and services for final use that any economy produces by residents and non – residents, (elements of local production of land, workers and capital) and regardless of distributing this production on local or external levels.

The Palestinian Central Bureau of Statistics (PCBS) started to prepare national accounts data with the current and constant prices. PCBS has always been keen to achieving the best coverage levels for data on the gross domestic product in order to reflect a clear picture of the Palestinian economy. Subsequently, the stated fact was the main reason behind having national accounts subject to continuous data revisions in order to reinforce the objective in a manner that goes in line the international recommendations, which stress on the necessity of having, on a constant basis, a revision for national accounts in light of adopting new methodology or the availability of additional data sources.

Revision Purposes:

National accounts data has been revised for the years 2004 – 2016 due to a set of elements necessitated revisions, which can be summarized as follows:

Firstly: Preparation of supply and use tables 2017

Supply and Use tables are one of the important tools used in many national statistical offices in order to follow the general consistency of data coming from different sources. The importance of such tables stem from their ability to measure/examine weaknesses and monitor the important economic transactions and products within the tables of supply and use.

The supply aspect touches upon the gross of goods and services offered in the economy by local production or imports. Thus, the use aspect addresses the gross of goods and services used in the economy based on the final use or mediator, where such goods and services are used either as inputs to produce other goods and services, consumed by households, government and nonprofit organization, or as an investment or get exported.

Accordingly, and in order to prepare supply and use tables, there is a need to provide data sources on a very detailed level that would serve the inputs and outputs matrix, and to use it as a tool to serve decision makers.

Historically, the preparation of supply and use tables in Palestine was through several rounds of the national accounts program at PCBS; the latest of which was in 2017, while it was done in 1997 and 2004 according to the availability of a proper data coverage.

Furthermore, the implementation of supply and use tables contributed in examining linkages in economy, and reversing transactions that appeared between supply and use aspects in a matter that would achieve economic balance between the two, and enhance the quality of economic statistics as well as improving coverage levels and comprehensiveness to all economic sectors, in addition to providing estimates to non-official activities (Informal Sector).

Hence, the implementation of supply and use tables in 2017 was due to the following reasons:

1. Implementing the Population, Housing and Establishments Census 2017 as an important data source in providing a better and more updated/recent coverage.
2. Implementing Household Expenditure and Consumption Survey 2017, which allowed to provide the requirements of the demand aspect for the presented products.

Secondly: Revising Economic Surveys for 2013 – 2016 based on the Population, Housing and Establishments Census 2017

Economic surveys are considered one of the most important sources for National Accounts Data, where they cover data of establishments working in different activities; therefore, they build up an image about the performance of the private and nonprofit sector.

Moreover, the sample for economic surveys is selected based on the framework of the Population, Housing and Establishments Census 2017 as a sampling frame and selecting different samples according to the activity and the geographical distribution. According to the international recommendations, revising different surveys happens after the implementation of the Establishment Census, which provides a comprehensive coverage for establishments data; knowingly that an establishment census for the year 2012 was implemented and followed by the Population, Housing and Establishments Census 2017. So, this required to modify data within the two censuses in order to find a more coherent and accurate time series that better reflect the economic status for the key economic indicators (Number of institutions, number of workers, workers compensations, production, intermediate consumption, value added and the total constant capital formation); hence, this included industrial activities, establishments, wholesale and retail trade, transport and storage, information and communication in addition to services.

Thirdly: Development in Methodologies Used in Economic Surveys towards Using Administrative Records on a Larger Scale

This topic directly related to the revision of economic surveys series. Within the context of its persistent efforts to develop work methodologies, PCBS embarked upon developing work on the economic surveys series as well as its keenness to gradually shift into administrative records through the lists of the registered companies in the administrative records in order to access data related to the private sector. Accordingly, this work showed an improvement in the coverage levels for covering data of registered companies and establishments, as well as accessing data through financial lists and comparing them with the same data that have been obtained from the economic surveys directly from the field through a selected sample from the census.

Based on the above facts, the following points can be concluded:

- The current revised series is considered more comprehensive and covers the different economic activities, which, in return, better represent the Palestinian economy.
- The economic narrative didn't differ in terms of growth directions or the decrease on the gross domestic product with its various components, but the change was in the value of the gross domestic product which increased due to the improvement in coverage levels.
- The circumstances that the Palestine witnesses in terms of being not able to control crossings, borders and geographical regions located out of controls and many other obstacles, are considered to be one of the most significant limitations that impede the possibility of achieving comprehensiveness to measuring economic indicators. Thus, there are persistent efforts in working with partners to obtain more comprehensive data continuously.
- International recommendations highlights the necessity of performing constant/regular revisions for national accounts, in case of obtaining updated and more comprehensive data.

Fourthly: Agriculture Statistical Data 2013 – 2017

PCBS totally depended on the data from Ministry of Agriculture, which provided an updated database for agriculture statistics for 2013 – 2017. Thus, such data are based on estimates of agriculture directorates in the different governorates. Also, these data were examined through the linkage in supply and use tables, which confirmed the quality of these data.

The availability of that database obtained from the ministry, as well as compatibility of agricultural production quantities from the Ministry of Agriculture with other sources through supply and use tables had a great impact on the intermediate production and consumption values for the agricultural activity. Thus, it, in return, helped in increasing the valued added for this activity, and therefore, increasing its contribution size in the gross domestic product.

Subsequently, the availability of these data had to be directly and clearly reflected on the data of National Accounts, which required performing a revision process for the stated period in order to keeping pace with these developments on the database from the ministry.

Fifthly: Government Expenditure by Region

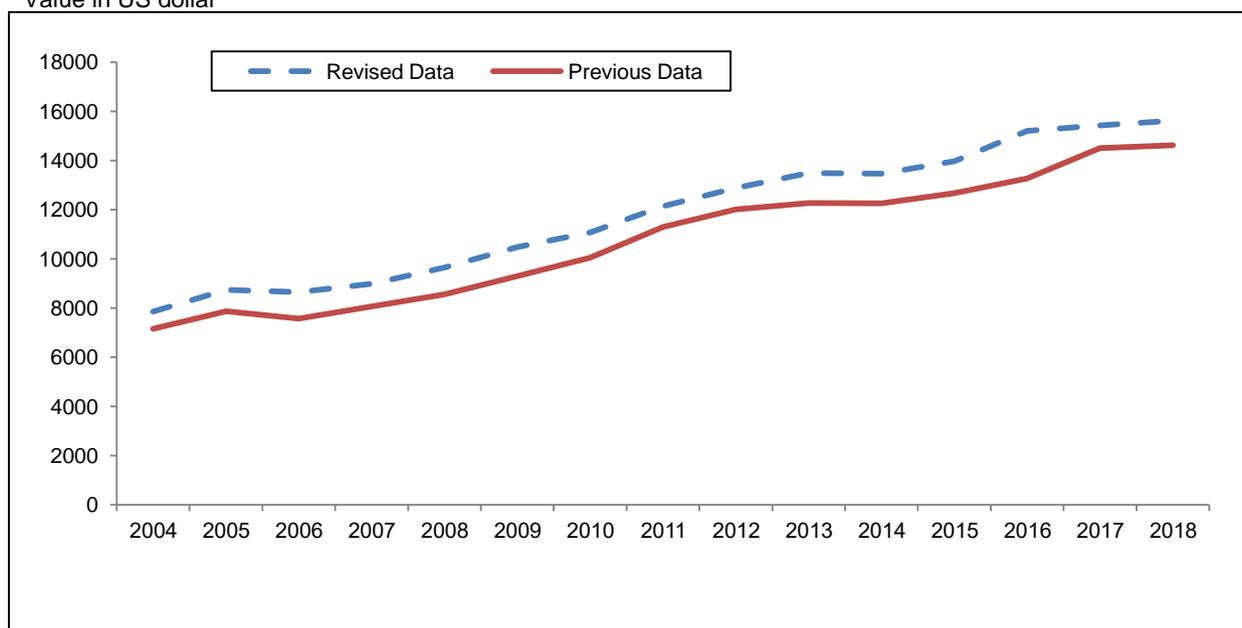
The availability of detailed data about government expenditure at the geographical region level (West Bank and Gaza Strip) contributed in the redistribution of the total of government expenditures at the geographical level, in a manner that would ensure the most appropriate representation, and to reflect the actual government expenditure accordingly; hence, this has been carried out through consultative meetings and complete coordination with the Ministry of Finance in this regards.

National Accounts Results:

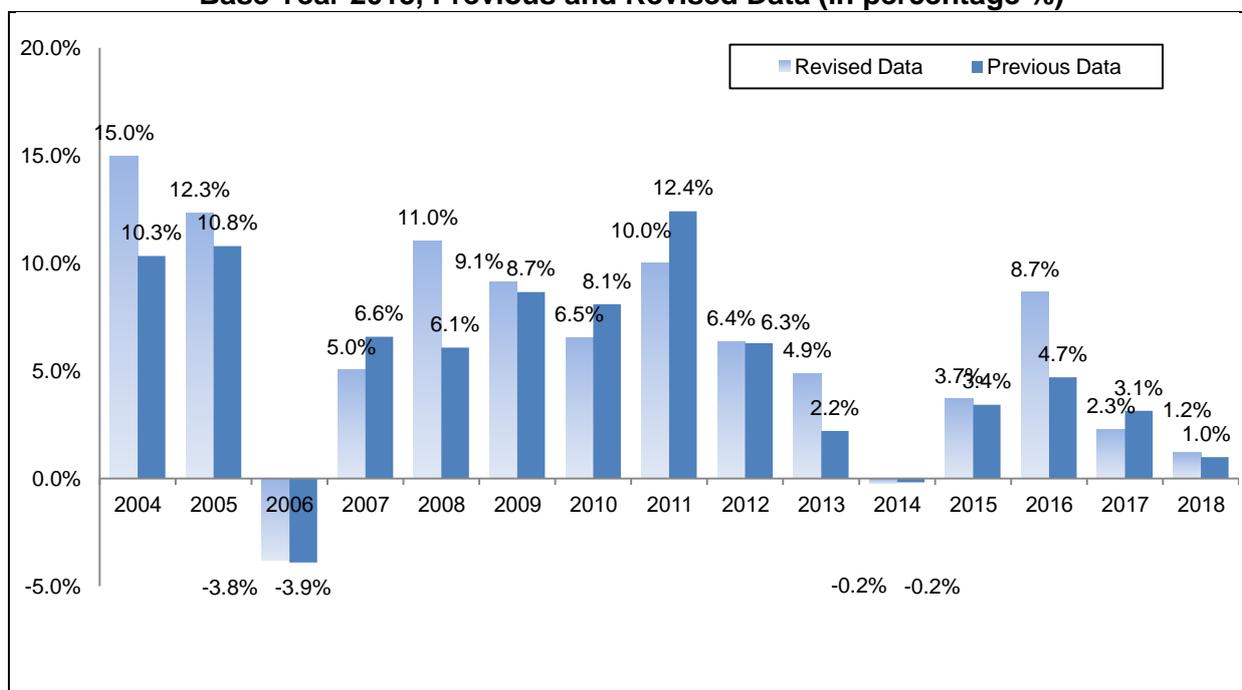
The development happening in the work of achieving better coverage levels for data showed an increase in the value of the gross domestic product, especially in the years 2013 – 2016; thus, the following graphs indicates the change in the value of GDP before and after revision:

Comparing GDP in Palestine for 2004 – 2018 with Constant Prices: Base Year 2015 (Revised data and previous data)

Value in US dollar



Comparing the Change in GDP in Palestine during 2004 -2018 with Constant Prices: Base Year 2015, Previous and Revised Data (in percentage %)



Note: percentages of change for the years 2017 and 2018 in the aforementioned data depend on the national accounts quarterly estimates that were previously issued/published.