

National accounts

National accounts provide a systematic description of the economy of a country and its components, in addition to the system of inter-relations between domestic and foreign economic operators.

In order to describe the functioning of the economic circuit in all its aspects, while still on an aggregate level, transactions performed by economic agents (institutional units) are recorded in a sequence of accounts which start from the initial phase of income production, and pass through the subsequent phases of its distribution, redistribution and use, in the form of final consumption, terminating in the phase of its accumulation in the form of capital.

The system of accounts also allows for the analysis, by sector of economic activity or product, of the interdependencies between economic operators described in the flows starting from the production process through to the use of goods and services.

The main dimensions of reference for macroeconomic analysis and comparisons by area, time or country are Gross Domestic Product (GDP) and Gross National Income (GNI). GDP represents the final result of the production activities of resident units, while GNI represents the total amount of income earned by residents in the country.¹

The economic aggregates that make up the system of accounts are calculated by processing and comparing a wide range of information sources including censuses, statistics and administrative figures. The reconstruction is performed at the greatest level of disaggregation possible, in order to guarantee both a high level of reliability for estimates and an accurate analysis of the dynamics between different institutional units and sectors of economic activity.

Following EU guidelines, the estimates ensure that GDP is exhaustive, including the black market and other forms of operations that are not picked up due to the quality and reliability of information sources. These criteria make GDP comparable between countries and useful as a base for important decisions on a European level - such as the amount of contributions to be paid to the Union by member states or the attribution of structural funding - and to check that Maastricht parameters continue to be met.

Furthermore, despite the limits that GDP presents as a quality of life indicator, it remains a fundamental parameter for measuring economic growth - even in a comparative manner -, thanks to the possibility of drawing comparisons between countries that extend a long way into the past.

The figures illustrated in the tables of this chapter cover a period from 1970 right up to 2009. Due to the various reconstructions that took place over time, the figures published before this date are not comparable with the figures in this volume.

The system of economic accounts

The concept of national accounting was first created during the second world war in Anglo-Saxon countries, following the spread of Keynesian macroeconomics, and it was introduced in Italy after the war. Initially assigned to the Banca d'Italia, its processing was later entrusted to Istat in 1950, the year in which the first *General report on the country's economic situation* was published.

National accounts are compiled according to the guidelines set out by the main international organisations. The first formulation of a standardised system of rules and conventions for the drafting of economic accounts was issued by the United Nations after the second world war, culminating in 1953 in the first edition of the *System of national accounts* (Sna53), followed by the subsequent editions of 1960 and 1964. This system was introduced into Italian national accounts with the general

¹ GNI is calculated by adding income earned abroad by physical or legal subjects resident in Italy to GDP, and subtracting income paid in Italy to non-resident physical or legal subjects.

review of 1965.

The new guidelines set out by the United Nations in 1968 (Sna68) prompted the European Community to draw up their own version adapted to member states (European System of Integrated Economic Accounts – ESA70), implemented by the general review in 1975.

The current guidelines are ESA95, introduced into national accounts from 1999 general review. ESA95 is based on the Sna93 regulations and was made obligatory for member states by a European Council regulation² imposing the adoption of standard definitions and a detailed programme of deadlines for submitting data.

With respect to the previous guidelines, ESA95 provides a more complete overview of the economy of a country in that, by imposing the drafting of reports on capital and variations in assets and liabilities, it allows a connection to be made between flow and stock figures, increasing the integration and coherence of national accounts estimates. Furthermore, ESA95 is open to the introduction of a Social Accounting Matrix (SAM) and satellite accounts, allowing for an in-depth analysis of the links between economic variables and economic or socio-demographic variables, maintaining the link with the concepts and definitions of the centralised system, in which the processes of income distribution and redistribution are analysed with greater detail than in the past.

With the introduction of the European System of Integrated Economic Accounts (ESA95), the following have become the main economic accounts:

- the supply and use account, which shows the balance between the components of the offer (production and imports) and of final demand (consumption, investment and exports);
- - the production account, which shows the transactions related to the production process of goods and services;
- - the generation of income account, regarding income distribution operations directly associated with the productive process (income from employment, indirect taxation net of subsidies, gross operating result);
- - the secondary distribution of income account, showing the distribution and redistribution of income between the sectors of the economy and the rest of the world, from which available national income is drawn;
- - the use of income account, showing the division of available national income between final consumption and savings;
- - the capital account, which shows the input from sources of financing (gross savings and the balance of capital account transactions with the rest of the world) and output in terms of gross investment.

The necessary adaptation of accounts to the constant changes in the economic and social situation, coupled with the availability of new sources of information, led to the process of accounting undergoing general reviews, regardless of the adoption of new codified guidelines at international level.

The review performed in 1987 was particularly significant in terms of calculating GDP, including part of the products of the black market economy in the aggregates, based on a more accurate evaluation of labour input, anticipating one of the most important methodological innovations contained in ESA95.

The last general review performed in compliance with EU regulations was based on the estimate of aggregates for the year 2000, using the new information sources with a new adaptation of calculation methods.

The review incorporated the results of the general censuses in 2000-2001 (*14th Population and Housing Censuses, 8th Census of Industry and Services, 5th Census of Agriculture and 1st Census of Private Institutions and Non-profit Organisations*) and those of all Istat surveys on enterprises: the *Survey on enterprise accounting system (SCI)* on enterprises with 100 or more employees, the *Sample Survey on Small and Medium Enterprises (SMEs)*, the surveys on foreign trade, the *Annual survey on industrial production* and the recurring surveys on production, turnover and manufacturing orders, trade and services turnover, production prices and employment in large enterprises.

Still with respect to enterprises, in 1996 Istat created the *Statistical Register of Active Enterprises (ASIA)* with the task of ensuring that the entire universe of reference for production units and the

² EC Regulation no. 2223/1996 (25 June 1996) by the European Council, relating to the new European System of Economic Accounts (ESA95) and the harmonisation of accounting standards, concepts and definitions between member states of the European Community, subsequently modified by EC Regulation no. 1392/2007 (13 November 2007) issued by the European Parliament and Council.

corresponding measurement of regular jobs is covered. This archive, in particular, records the main information on structure and demographic aspects of enterprises in the industrial, craft trade, trade and service sectors and is updated annually through a complex process of integrating figures from administrative and statistical sources.

Regarding households, the main surveys performed by Istat are the *Household budget survey* and the *Multipurpose survey on households: aspects of daily life*, conducted on an annual basis since 1993. In addition to the surveys usually used for estimates, an important role has been played by new or revised surveys, including the *Labour Force Survey* that has substituted the previous quarterly survey since 2004.

With respect to figures from administrative sources, these are mainly drawn from archives managed by the *Italian Revenue Agency* at the Ministry of Economy and Finance, from the *Chambers of Commerce, Industry, Craft and Agriculture (CCIAA)*, the *National Social Security Institute (INPS)*, the *Banca d'Italia* and the *Italian supervisory body for private insurance (ISVAP)*.

The information source for imports and exports is the balance of payments, compiled by the *Banca d'Italia* and the *Ufficio Italiano Cambi - UIC* (Italian foreign exchange office).

For public authorities, the information is drawn from an analytical database founded on both total statistical surveys and on administrative figures relating to the institutions that make up the institutional sector, covering balance flows, operating activities and the use of personnel, data mainly taken from the balances of the institutions and the annual account for personnel of public authorities drawn up by *State general accounting department*.

Estimates for regional accounts are also based on an integrated system of sources, mostly including the same references used for national accounts, together with additional sources to complete the territorial information overview.

Regional accounts produced in Italy are more detailed than ESA95 requirements, including labour units, all the resource- and use aggregates, gross salaries and wages and social security contributions in addition to domestic employment estimates, added value, gross investment and income from employment. Given that national estimates precede regional ones, these are aligned to the requirements of the most recent version of national values.

In addition to general reviews, national account aggregates are reviewed annually, mainly in order to bring estimates in line with the most updated information base.

On the first of March each year, preliminary estimates for national accounts for the previous year are published together with revised estimates for the two previous years; preliminary estimates for regional accounts relating to the previous year and revised results are generally published in October.

The figures presented in this chapter are in line with the national account estimates disseminated in 2010.

Warnings for time series comparisons

- For reference year 2000, the revision of the aggregate estimates led to the aggregates produced for the general review for reference year 1992- when European ESA95 regulations were introduced - to be realigned working backwards all the way to 1970. The main changes with respect to the series published in the past were: 1) the adoption of a different calculation of financial intermediation services indirectly measured (FISIM), i.e. those services that produce indirect profits through the spread between positive and negative interest rates, the use of which is now attributed to the various economic operators; 2) calculation methods have implemented the recommendations of the Gross National Income Committee regarding the estimate of certain investment assets (literary and artistic originals, software, profits reinvested in foreign investments, depreciation); 3) ATECO 2002 was adopted, that is the Italian version of NACE Rev.1.1. classification of economic activities. The resulting changes were extended to all the timeseries of national accounts back to 1970; the series before 1970 are not comparable with the current figures.
- Figures structured on a territorial level relating to the 1980-1995 period, reconstructed by Istat and *Svimez (Association for the development of industry in Southern Italy)* on the basis of ESA95 concepts and definitions, are not comparable with figures relating to the

1995-2009 period, in that regional estimates coherent with the latest national account revision are only available from 1995 onwards. Therefore two values are presented for that year, each coherent with the respective reference series.