



# 2020 revision of the national accounts: main changes and impact

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# Table of contents

1	Introduction	3
2	Data coverage and coherence	3
3	Revision of methods and sources	3
4	Other changes	4
5	Impact on quarterly financial statements	4
6	Calendar	4

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# 1 Introduction

Switzerland's national accounts are synthesis statistics which describe, in a systematic way within a coherent and stable framework, the components (operations and stocks) of an economy and its relationships with the rest of the world.

To closely reflect the economic reality of a country or a region, the national accounts must be revised on a regular basis in order to integrate the most recent and relevant data sources as well as the latest conceptual and methodological developments. Since their first revision in the 1970s, the national accounts have been revised on a regular basis. At the start of the 1990s, an extra step was taken with the adoption of the European system of accounts (ESA). Since this date, the national accounts have implemented various versions of this system with the 2010 version (ESA 2010) currently in place. At the same time, at international level, work has been carried out for the past several years to coordinate the revision policy on macroeconomic statistics. The recommendations advise carrying out a revision every 5 years to set a new base year ("benchmark" revision) alternating with a conceptual revision planned every 10 years. The 2020 revision<sup>1</sup> of the national accounts is a "benchmark" revision. The aim of this type of revision is to improve the coverage, the structure and the coherence between resources and uses by means of new data sources or revised data, making it possible to set a new base year. This work is carried out for all institutional sectors and aggregates.

This publication will describe the main changes and presents the new data sources used as well as possible effects on gross domestic product (GDP).

## 2 Data coverage and coherence

High quality national accounts are essential for creating economic, monetary and budgetary policies as well as for economic research. An important aspect of their quality is coverage of all economic activities. This exhaustiveness is difficult to achieve due to the difficulty in recognising certain economic activities. Economic activities may include clandestine, illegal and informal production. Nonetheless, this insufficient coverage may also be the consequence of gaps in the basic data collection system. Moreover, for the national accounts, a lack of coverage means that there are inconsistencies between accounts, because certain parts of an economic transaction may be measured while other parts are not measured or are only partly measured. For example, household consumption in goods and services may be measured because buyers do not have any reason to hide their purchases

while the corresponding production activities will not be entirely declared by producers for tax reasons for example.

Key works were carried out at international level and in Switzerland to improve coverage of the national accounts. Nonetheless, the current situation of methodological research in Switzerland does not enable the underground economy to be explicitly included in the national accounts. At the same time, directives are being prepared at international level to ensure comparability of the methods used between countries.

With this revision, the national accounts, however, are making progress in this area by concentrating on illegal activities and coverage gaps in basic statistics as well as on imbalances between resources and uses. Although an initial estimate of illegal activities was introduced during the 2012 revision of the national accounts, new calculation methods and new data will allow these estimates to be revised. Similarly, by using a statistical model, better coverage of small enterprises in enterprise surveys will be achieved.

During this revision, particular attention is also given to double-entry recording (two actors concerned) between uses and resources in order to ensure internal coherence of the national accounts.

## 3 Revision of methods and sources

As indicated in the introduction, the current revision of the national accounts aims to establish a new base year while integrating the latest methodological developments and the latest and most relevant data, making it possible to update the levels of the different aggregates. This work, which is carried out for all institutional sectors and aggregates, concerns the following topics in particular:

- The **Household Budget Survey (HBS)** which will be based on data pooling from the Household Budget Survey. By increasing the sample size through aggregating the recordings over the past three years, the confidence intervals for each consumption item are reduced and the stability of the results obtained for the reference year is increased. In addition, a distinction will be made between purchases abroad (in foreign currency) and those made in Switzerland in order to apply relevant price indices, i.e. the CPI for purchases in Switzerland and a specific price deflator for purchases in foreign currency.

<sup>1</sup> The national accounts of most European countries were revised in 2019. In Switzerland, in order to take into account the most recent developments in certain

input statistics, this revision has been delayed until 2020. From 2024, Switzerland will comply with the internationally agreed upon agenda.

- The financial operations of **non-profit institutions serving households (NPISH)** will be recalculated based on information collected from annual management reports from a sample of institutions. Furthermore, operations concerning NPISHs will be separated from those of households which are currently consolidated in the sequence of accounts. This will make it possible to have a more accurate view of the household sector and of its aggregates.
- Various financial corporations (financial services auxiliaries (excluding insurers), fund managers) are not covered by the banking statistics. The monetary flows of these units are obtained by extrapolation. To improve estimates of these auxiliaries, direct estimates for some of these **financial auxiliaries** will be launched and extrapolation methods will be reviewed. Furthermore, the banking statistics partly include Swiss bank subsidiaries abroad. As activities abroad are not supposed to be included in the national accounts, the method to subtract these activities will be reviewed.
- **Investments in capital goods** are estimated according to the "commodity flow" method which, based on the balance between resources (production and imports) and uses (exports, investments and consumption), determines the investments in capital goods. The various settings (margins, investment rates, etc.) will be reassessed and adjusted if necessary.
- The **tourism balance** which records Switzerland's income and expenditure in the scope of cross-border trips undergoes several changes as part of this current revision. In order to improve quality and coverage, work has been done to improve data sources, the level of detail and the methodology applied. Although the main source for expenditure remains the Household Budget Survey, an analysis and a re-evaluation of the use of other existing data sources have also been carried out. New sources, such as the Swiss National Bank's cashless payment statistics, will also be integrated into the estimates.

Although significant effects to the level of certain aggregates cannot be excluded, the impact of these changes on GDP should remain moderate due to the limited importance of these positions.

## 4 Other changes

As part of the system of macroeconomic statistics and in coordination with this revision, the balance of payments published by the Swiss National Bank and the financial statistics of public authorities from the Federal Finance Administration are also revising some of their calculation methods and updating the data used.

Irrespective of the legal changes which occurred in 2019, the treatment of the radio and television licence fee will also be completely reassessed on the basis of recent international standards in this area. In the past, the national accounts considered these

fees as a service provided by radio and television suppliers and bought by households and enterprises. From now on, they will be booked as a tax paid to the state, which will subsidise radio and television. This change will affect all years from 1995 to 2019. These changes may have an impact on the GDP without it being possible to determine its significance at this time.

## 5 Impact on quarterly financial statements

The calculation methods for quarterly national accounts figures remain unchanged in principle. In future, annual data will also be converted into quarterly data based on suitable indicators and econometric models (temporal disaggregation). However, the revision of the annual values will be reflected in the quarterly data and will also to some extent bring about changes in the calculation method.

Every year in the summer when the new annual figures are available, quarterly reporting will be checked in detail. Improvements will be introduced where possible. In the case of an extensive revision as expected this year, it should be anticipated that major amendments will be made. This firstly means that in various cases alternative or additional indicators for quarterly reporting will be used, which will be in greater harmony with the revised annual data. Secondly, the econometric models will be checked and revised if required.

Furthermore, improvements and extensions of the quarterly national accounts will be introduced which do not have any direct link with the revision of the annual data. In particular, for the 2020 benchmark revision, the new provision of a breakdown into two branch groups is planned for the value added by manufacturing industry (NOGA 10-33). The calculation method shall be adapted correspondingly which will result in the revision of aggregates that have existed to date.

In addition to the planned data from 1995 according to ESNA 2010, SECO provides time series from 1980 for the most important aggregates. These are based on back calculations, which – given the extensive revision of the data from 1995 – also need to be revised.

Finally, the seasonal adjustment of all-time series will be precisely analysed and adjusted where required. For major revisions of non-seasonally adjusted quarterly data, it should be expected that seasonal adjustment models will also need to be adapted.

## 6 Calendar

The revised data from national accounts (annually from the FSO and quarterly from SECO) will be published on Monday

28.09.2020 and will be the subject of a joint communication between the two offices.