

Rebasing the National Accounts in the Central American Region (Success case of National Accounts Statistics in Phase II)

The region has been modernizing the real sector statistics to inform investment decisions and policy making better. At the core of this effort are recent projects to update the base year of the national accounts. Looking ahead, more capacity is needed to strengthen basic data, measure the informal sector, and ultimately, undertake benchmark revisions more independently.

A. Initial situation

The national account statistics in the region were markedly outdated. The time elapsed between 2018 and the base year of the gross domestic product (GDP) series averaged 14 years. In contrast, best standards (2008 SNA) recommend that the base year should be no older than 5-10 years. At the outset of Phase II (July 2014), countries faced the following shortcomings:

- Statistics lacked the quality to measure accurately the structure and activity in the economy, constraining its value for investment decisions and policy-making;
- Methodologies for volume were inaccurate and led to serious GDP bias; short-term indicators were mostly unavailable; and the informal sector was not measured, leading to an undervaluation of the GDP series; and
- The quality of statistics was also hindered by poor IT infrastructure, low-skilled human resources, and narrowed economic surveys.

B. Actions to success

The region set up the goal of improving the quality and accuracy of national account statistics. During Phase II, the priority was to gradually compile and disseminate statistics aligned with best standards. Countries began to prepare the ground to rebase the national accounts, including with steps to: (i) improve the collection of source data through adequate statistical techniques; (ii) upgrade methodologies to compile real sector statistics; and (iii) adopt modern techniques to measure the informal sector. Key strategic steps were taken to achieve this goal over time:

- **Action plans.** Countries identified gaps and remedial steps for the national accounts and price statistics. To focus on results, action plans were translated into RBM logframes to articulate an appropriate sequence of milestones and monitor implementation;
- **Regional training.** The Center delivered extensive training to help officials address gaps on statistics. Workshops focused on rebasing techniques, data sources, quarterly national accounts and prices, accumulation accounts and balance sheets. In addition to central bank officials, the national statistics offices, who oversaw economic surveys and price statistics mostly, participated in regional training for the first time;

- **Knowledge dissemination.** Countries shared new methodologies, experience, and templates as they moved along on the modernization of statistics. This effort helped address difficulties on the compilation of agricultural activity, the classification of industry, and the measurement of the value added on trade and transportation; and
- **Collaboration.** The Center collaborated closely with CEMLA, CMCA, ECLAC, and national statistical offices to leverage on available technical resources. This led to key benefits in terms of availability of specialized instructors, training installations at no cost for the Center, and dissemination of experience from countries with more advanced statistics.

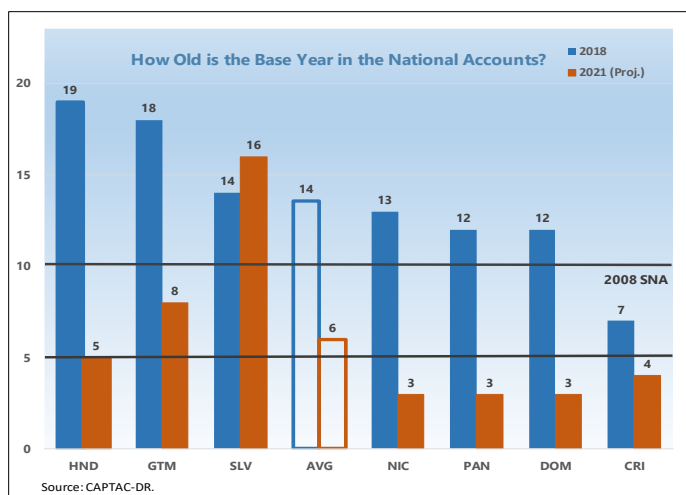
C. Progress achieved

The region has made progress in improving the quality and accuracy of the real sector statistics. Over the last couple of years, most countries have embarked on the rebasing of the national accounts, following progress in compilation methodologies and source data. Relevant progress and areas of improvement can be summarized as follows:

- Countries broadly observe *2008 SNA* standards, but need to improve methodologies of compilation in the financial sector, IT activities, and other emerging activities; and update IT systems to carry out recurrent compilations and rebasing projects more efficiently;
- Most countries utilize more adequate statistical techniques to collect basic data (Costa Rica, Guatemala, Honduras, Panama); the next step is to consolidate the capacity already built to attain self-sufficiency in sampling procedures and surveys; and
- Countries compile employment matrices to measure activity in the informal sector, but its incorporation into the national accounts is largely pending (El Salvador, Honduras, Nicaragua, Panama), creating a potential source of undervaluation in the GDP series.

D. Next steps

Countries are expected to conclude the rebasing of the national accounts statistics over the next two years, making the base year no older than 6 years on average (Text Chart). Guatemala will publish new national accounts this year (base year 2013), El Salvador is considering updating the current base year (2005), while the other five countries will have a newer base year (2016-18). The next steps focus on the following objectives:



- Conclude the pending agenda to improve compilation methodologies, economic surveys, and measurement of the informal sector;
- Consolidate capacity: (i) to select and revise the benchmark year, with the frequency advised by best standards; and (ii) to develop related work plans for base-year revisions, including budgeting of financial and human resources, and IT systems; and
- Collaborate with the CMCA to develop an agenda for the harmonization of the national accounts systems across the region. As initial step, consolidate capacity to rebase price indices and to lower dependency on CD assistance.