Advisory: Historical revision of the System of National Accounts, 1981 to the second quarter 2012

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Beginning October 1, 2012, Statistics Canada will publish revised data for several important economic indicators, including quarterly gross domestic product, labour productivity and balance of payments, as well as provincial and territorial economic accounts.

These revisions to data in the Canadian System of National Accounts span more than 30 years.

The revised data are the result of a project to more closely align the Canadian system with new international standards released in 2009 by international bodies, including the United Nations and International Monetary Fund.

This strategy is in line with Statistics Canada's goal of maintaining the accuracy and relevance of its economic accounts. It will also ensure Canadian economic data are internationally comparable and are compiled using the latest methodological advances.

The new standards will incorporate changes to classifications of sectors, industries and categories of transactions; changes to terminology and presentation formats; and modifications to basic definitions and concepts for a number of components.

As a result, many familiar terms, such as corporate profits, labour income and personal expenditures, will no longer appear in either Statistics Canada texts or tables.

Instead, the revisions will add important new variables and concepts, such as compensation of employees, gross operating surplus, gross mixed income and household final consumption expenditure.

Why an historical revision?

Statistics Canada has been preparing for the current historical revision for more than two years. Foremost, the revisions will improve international comparability. Nations around the world are aligning their national accounts to the revised international standard which was developed jointly by a number of international organizations, including the World Bank and International Monetary Fund. The United States is set to release data based on the new standards in the summer of 2013.

In addition, the revisions will update the underlying classification systems used by the Canadian System of National Accounts, ensuring that the information remains relevant.

They will incorporate the latest advances in methodology in the area of economic measurement. They will also integrate updated source data and statistical techniques to add detail to economic estimates and reflect the changing nature of the Canadian economy.

"Sequence of accounts" approach

The historically revised data will be presented as a "sequence of accounts." That is, it will use a sequence of nine inter-related accounts. Balancing items will be carried down from one account to the next in sequence as an opening entry.

This approach incorporates an increased number of variables, as well as measuring income flows for more sectors of the economy.

Its advantage is that it better highlights what sources of income are for households, governments and businesses. It also highlights how the income is used for consumption or saving, and how it is re-routed to other sectors through the borrowing and lending process.

In addition, the approach means that some new terminology and income concepts will be introduced, and more detailed information will be presented for the various sectors of the Canadian economy.

More detailed sector information

In the current Canadian System of National Accounts, there are three main resident sectors: persons and unincorporated businesses sector; the corporate sector; and the government sector.

Under the revisions, there will be five resident institutional sectors: financial corporations; non-financial corporations; general government; non-profit institutions serving households; and households.

One important development is that the corporate sector will be split. Transactions of non-financial corporations will be identified separately from those of financial corporations. Transactions between all sectors of the economy with financial institutions will become explicit, highlighting the role and importance of the financial sector to the economy.

The refinement of the household sector better reflects the economic transactions of households with the rest of the economy, an important step forward for the Canadian System of National Accounts.

Complex project

The revision of the Canadian System of National Accounts is a complex project including structural, presentational, conceptual and statistical changes.

Regular users of Statistics Canada's data are encouraged to familiarize themselves with these changes.

These developments will require substantial alterations to texts for data releases published in *The Daily*. In addition, there will be many new-look tables in *The Daily* and CANSIM, the Agency's database.

Timetable for release

October 1, 2012: *Quarterly gross domestic product (GDP), Current and capital accounts, Balance of payments and Canada's international investment position, 1981 to second quarter 2012.*

October 12, 2012: *Labour productivity for the business sector, 1981 to second quarter 2012.*

October 15, 2012: *National balance sheet accounts, 1990 to second quarter 2012.*

November 19, 2012: *Provincial and territorial economic accounts, 2007 to 2011, and 2009 National and provincial input–output tables.*

November 30, 2012: *Financial flow accounts, 1990 to fourth quarter 2011.*

In addition, Statistics Canada will release revised data for GDP by industry early in 2013.

Users are invited to consult three documents on our website for an in-depth explanation of the revisions: Overview and structure of the CSNA; A new presentation for the quarterly National Accounts; and Canadian System of National Accounts 2012 Historical Revision.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Statistics Canada's National Contact Centre (toll-free 1-800-263-1136; 613-951-8116; infostats@statcan.gc.ca) or the Media Hotline (613-951-4636; mediahotline@statcan.gc.ca).