

National Income Accounting in Pakistan

A system of national accounts consists of a coherent, consistent and interrelated set of economic accounts for sectors or sub-sectors of the economy as a whole. It provides a set of concepts, definitions and classifications within a broad accounting framework. It is designed for purposes of economic analysis and policy-making, including the formulation and monitoring of economic programmes and development planning. Data of a scientific, technological or social nature can be systematically related to economic data within the framework of an overall system of accounts.

In Pakistan, the national accounts are prepared as per guidelines provided by the United Nations System of National Accounts (UNSNA). The first United Nations System of National Accounts (SNA) was published in 1953. The UN recommended countries to compile their economic accounts within the SNA framework to achieve consistency and facilitate international economic comparison. SNA has been revised several times to take account of these wider concerns. The latest version of the system was completed in 1993 and provides measures of production, income, consumption, savings, capital formation and their financing for individual sectors and for the economy as a whole. SNA is a powerful and flexible tool to provide the detailed economic information required to meet analytical and policy needs.

The first estimates of national accounts of Pakistan were prepared by the Economic Advisor's Office in 1949. On the setting up of the Central Statistical Office (CSO) in 1950, the job was transferred to CSO, now Federal Bureau of Statistics (FBS). Since then the FBS has been preparing different series of national accounts at current and constant prices.

For improvement of national accounts, several groups and committees were set up from time to time, the prominent being the National Income Commission-1963 and IBRD Statistical Mission-1969. As a result the national accounts of Pakistan have undergone modifications and improvements at various stages with respect to timeliness, data availability, coverage and statistical techniques involved in their computation. In 1972-73, FBS undertook an exercise for switching over the base from 1959-60 to 1969-70. These estimates were presented before the National Accounts Committee but could not be adopted due to inconsistencies in the estimates of manufacturing sector. The Committee directed the FBS to prepare estimates with 1975-76 base. The estimates with base 1975-76, on improved data availability, concepts and methodology were prepared for the year 1975-76 through 1983-84 and presented before the Committee but could not be adopted by it due to persistent inconsistencies. Despite successive efforts for the improvement of national accounting in Pakistan, the desired results have not been achieved. In particular the revised UN System of National Accounts-1968 could not be implemented even though nearly two decades have elapsed since their adoption. During the year 1984-85, the NEC decided to shift the base to 1980-81. Accordingly a Committee on National Accounts was constituted to review the present methodology for preparation of National Accounts and to propose improvements considered necessary by the Committee. The result was the 1980-81 base completed in 1988.

Efforts were made from time to time to shift the base from 1980-81 but due to one reason or the other, the work was postponed. Finally, in 2003, the NAC decided to shift the base year from 1980-81 to 1999-2000.

Sectoral Estimation of GNP/GDP:

GDP in Pakistan is estimated as per guidelines provided by the SNA. For the purpose of GDP estimation by sectoral activities (current & constant prices), product, income and expenditure approaches are applied. The economy is divided into the following sectors.

(a) Production Sectors

(i) Agriculture

- Major Crops
- Minor Crops
- Livestock
- Fishing
- Forestry

(ii) Industry

- Mining & Quarrying
- Manufacturing
 - Large-Scale
 - Small-Scale
 - Slaughtering
- Construction
- Electricity, Gas and Water Supply

(b) Service Sectors

- Transport, Storage & Communications
- Wholesale & Retail Trade
- Finance and Insurance
- Ownership of Dwellings
- Public Administration & Defence
- Community, Social & Private Services

GDP is computed by a combination of product, income and expenditure methods. Product method is applied to compute value added in agriculture, mining and quarrying, manufacturing, electricity & gas distribution, wholesale & retail trade and ownership of dwellings whereas income method is used to work out income accruing from transport, storage & communication, finance and insurance, public administration & defence and services sectors. Expenditure method is used to estimate value added in construction on the basis of investment made and the co-efficient of value added relating to investment.

GNP/GDP Approaches	Sectors
Product method	Agriculture, mining and quarrying; manufacturing; electricity and gas distribution; wholesale and retail trade; and ownership of dwellings.
Income method	Transport; storage and communication; finance and insurance; public administration and defence; and service sector.
Expenditure method	Used to estimate value added in construction on basis of investment made and the co-efficient of value added relating to investment.

Gross Fixed Capital Formation (GFCF):

As per system of national Accounts SNA 1993 the gross fixed capital formation is measured by the total value of a producer's acquisitions, less disposals of fixed assets during the accounting period plus certain additions to the value of non-produced assets realized by the productive activity of institutional units. Fixed assets are tangible or intangible assets produced as outputs from processes of production that are themselves used repeatedly or continuously in other processes of production for more than one year.

The estimates of GFCF in Pakistan are primarily constructed separately for private and public sectors by economic activity as well as by capital assets. It comprises expenditure incurred on the acquisition of fixed assets, replacement, additions and major improvements of fixed capital viz. land improvement, buildings, civil and engineering works, machinery, transport equipment and furniture and fixture. The methodology used to estimate GFCF in private and public sectors including general government is given in the succeeding paragraphs:

Private Sector: Estimates of private sector are computed by a combination of approaches i.e. commodity flow approach, expenditure approach (Survey Method) and financial approach. Commodity flow approach that uses the net availability of capital goods in value terms from domestic production and imports and exports, duly adjusted for various margins, is applied to the following three sectors.

- (i) Agriculture
- (ii) Construction
- (iii) Transport

Expenditure approach (Survey Method) is applied to the following sectors:

- (i) Mining & Quarrying
- (ii) Large Scale Manufacturing (In-Production)
- (iii) Small & Household Manufacturing Industries
- (iv) Wholesale & Retail Trade
- (v) Financial Corporate Sector
- (vi) Ownership of Dwellings

(vii) Services

Financial approach is used to estimate GFCF in under-construction large scale manufacturing establishments, livestock farming, poultry farming and fishing supplemented by survey method.

Public Sector: The estimates of gross fixed capital formation in the public sector are compiled on the basis of data received from all the autonomous institutions by sub-sectors of the economy.