

The national accounts have switched to the 2014 base

On 30 May 2018, the national accounts changed base on the occasion of the publication of the second estimate for Q1 2018, switching to "2014 base". Although the estimation of growth in the macroeconomic aggregates is updated each year for the previous three years to take account of any new information that has become available since the last publication, on 30 May 2018, it was all the aggregates since 1949 that were modified. Such a benchmark revision implies reviewing the methods, classifications and statistical sources used for the national accounts in order to reflect the economic reality as closely as possible.

The switch to the 2014 base, unlike that to the 2010 base, makes few changes to the concepts and classifications, which remain aligned on the European System of Accounts, "ESA 2010". This benchmark revision primarily affects the accounts for the institutional sectors: its purpose is notably to harmonise the national accounts and the balance of payments (BdP, established by the Banque de France) as regards the balance of current transactions and the capital account, as well as the net borrowing (B9NF) of France. These aggregates are calculated both by INSEE and the BdP, applying different scopes and methodologies. The differences had widened in recent years, thereby making harmonisation necessary. This benchmark revision is also an opportunity to conduct an in-depth revision of the estimations of property income flows.

In addition to this main objective, other more minor modifications have been made, as the benchmark revision provides an opportunity to improve certain estimations by modifying sources or methods. As regards the quarterly accounts, the general methodology for their preparation does not change: the principles are identical to those for the previous base.

A comparative analysis of the two bases shows that the revisions in gross domestic product (GDP) are very small, as the revisions in the main aggregates of demand (notably consumption and exports) offset each other almost entirely.

As regards the agent accounts, the impact is naturally more visible: the accounts of non-financial corporations (NFC) and the household accounts are affected by the change in the level and trajectory of interest and dividends paid and received, which are reflected more particularly in the self-financing ratio of the former and the savings ratio of the latter.

Reduce differences in the balance of current transactions and net borrowing of France

The main objective of the 2014 base was to harmonise the INSEE and BdP estimations of foreign exchanges and the net borrowing of France. For the national accounts, this harmonisation has resulted in practical terms in partial or total alignment on certain operations estimated by the BdP. In detail, the balance of exchanges in services has been increased to be coherent with the BdP. In addition, new data on expenditure in France by non-residents, taken from the methodological restructuring by the BdP of the processing of the foreign visitors survey (EVE), have been included in the national accounts.

The national accounts have also been harmonised with the BdP on the wages of payroll employees and on property income. Interest, dividends and income from investment funds in the rest of the world have also been aligned on those of the BdP. In addition, households have seen their interest and dividends reassessed thanks to the processing of new tax sources. In both cases, NFCs ensure the resources-uses balance for dividends and interest.

GDP is practically unchanged, but gross national income is revised significantly upwards

As far as transactions in goods and services are concerned, the revisions mainly concern foreign exchanges and household consumption. These two components offset each other in the total aggregate and the trend in GDP is therefore almost unchanged (*Figure 1*). In detail:

- The balance of foreign exchanges has been revised significantly upwards (+€6.6 billion in 2014). This is mainly due to the integration of data from the new balance of payments survey on expenditure by non-residents in France (+€10.2 billion in 2014). Exports of services excluding tourism have also been raised in the base year (+€6.6 billion in 2014) and imports lowered slightly (-€1.1 billion).

- In parallel, resident household consumption has been revised downwards (-€18.1 billion in 2014). In addition to the rise in expenditure by non-residents, which is entirely offset by the fall in that of residents, the main item to be revised is that of teaching services (-€5.4 billion), further to the inclusion of the latest data from the Directorate for the Coordination of Research, Studies and Statistics (DARES) on vocational training.

We should also mention various modifications that are quite unrelated to those above and which the benchmark revision has made possible: the inclusion of the results of the latest housing survey, resulting in increasing the rates of change in rents in the past and very slightly modifying the rate of growth in GDP since the beginning of the 2000s, plus the inclusion of drug-related activities (which have a negligible impact on GDP growth rates).

The different macroeconomic aggregates for transactions in goods and services have been revised more significantly in terms of level than of variation, which therefore makes little change to the short-term analysis. Also, although GDP has been revised only very slightly (*Figure 1*) the same cannot be said of gross national income (GNI). It has been revised significantly upwards (by €19.9 billion in 2013 and €17.9 billion in 2014) via the revision of the primary balances with the rest of the world, mainly due to the revision of interest.

The self-financing ratio of NFCs has been revised upwards on account of the revision of property income while the net borrowing of France has been revised downwards.

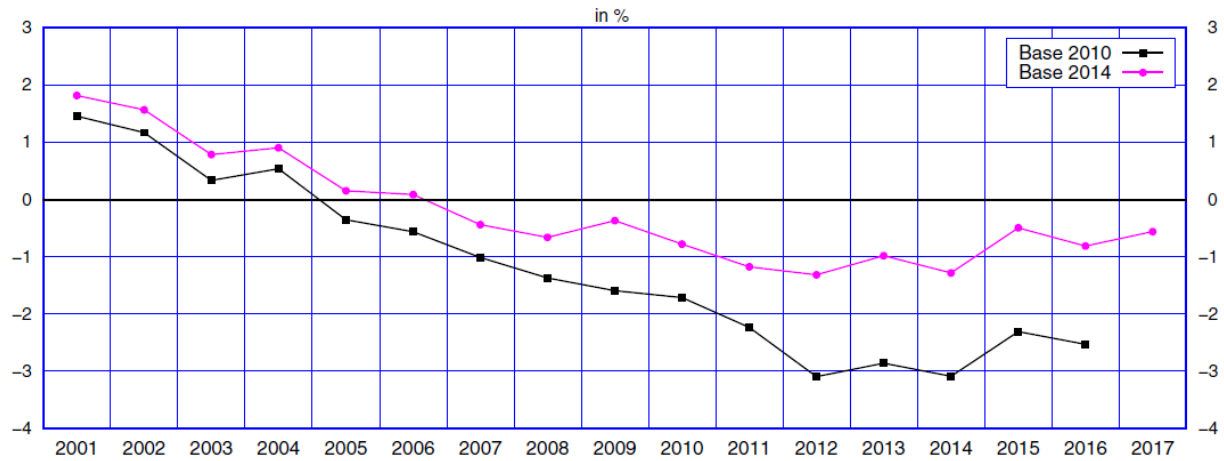
The profound restructuring of the estimations of property income has made some considerable changes to the data on interest and dividends, both for their levels and trajectories.

Concerning dividends, the short-term message is modified from the 2010 base and becomes more coherent with trends in the taxation of dividends: it will be noticed in particular that dividends received by households stalled in 2013, as did dividends paid out by NFCs in return. This coincides with the end of the fixed levy at source. All in all, net property income paid out by NFCs has been revised downwards (€47.2 billion in 2013 and €38.4 billion in 2014) and that paid out by financial corporations (FC) has been revised upwards (+€17.3 billion in 2013 and +€15.0 billion in 2014). That received by pure households has been revised downwards, by €29.5 billion in 2013 and by €28.8 billion in 2014.

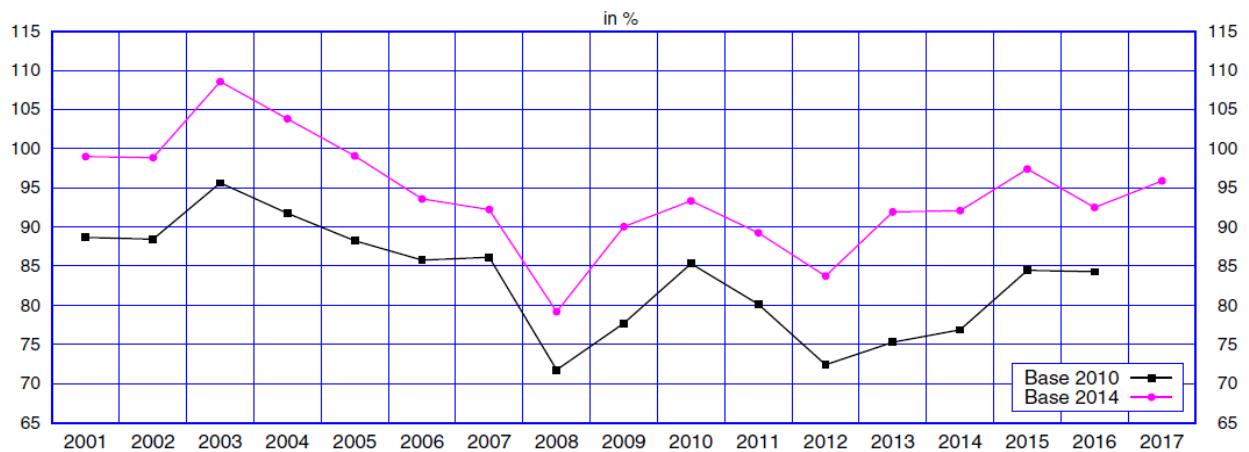
This change leads to a revision in the self-financing ratio of NFCs (*Figure 2*), since the savings of the latter have been revised upwards and their investment has not been revised. The level of net borrowing of NFCs has therefore been revised downwards significantly, which is to be taken into account when analysing debt dynamics.

The net borrowing of France is also revised downwards and comes closer to the estimates of the BdP. From around 3% of GDP in 2014 in the 2010 base, it stands at 1.2% of GDP in 2014 in the 2014 base (*Figure 3*). The savings ratio of households, meanwhile, is revised downwards through to 2009 (*Figure 4*), notably due to the lowering of the dividends received.

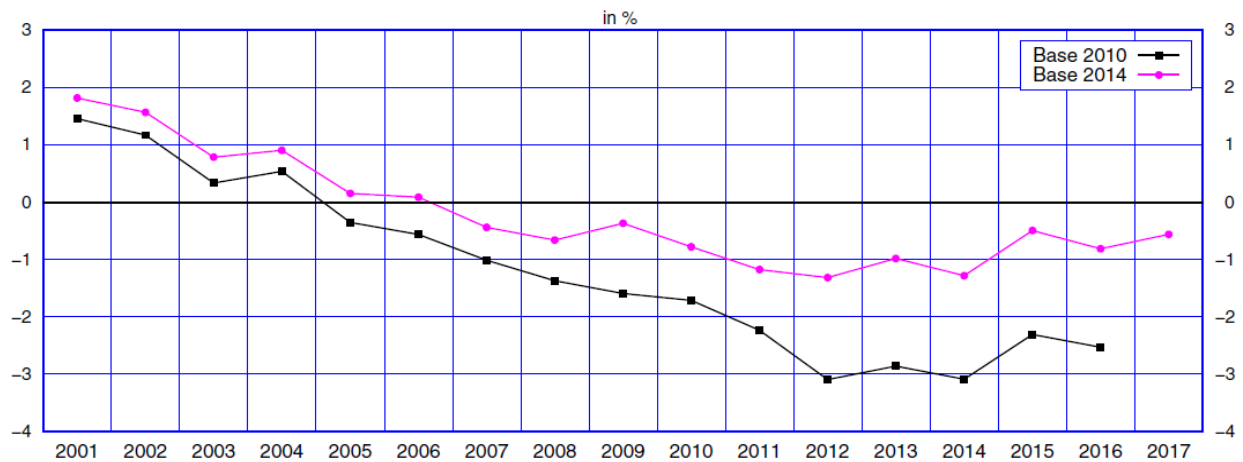
1 - Revision of changes in GDP (in chain-linked volumes at the price of the previous year) between the two bases



2 - Self-financing ratio of NFCs: revision between the two bases



3 - Revision of the net borrowing of France (as a share of GDP) between the two bases



Note: the difference between the two series in 2015 and 2016 comprises, in addition to the modifications due to the benchmark revision, the usual revisions linked to the inclusion of more detailed data.

4 - Household savings ratio: revision between the two bases

