

National Accounts for 2020: Notes on Use

1. The current Japanese National Accounts (JSNA) are compiled based on the System of National Accounts 2008 (2008SNA), the international standard adopted by the United Nations in 2009.
2. In the annual compilation of the JSNA, the figures for the latest year (both fiscal and calendar) are estimated as “First Annual Estimates,” while the figures for the preceding year (both fiscal and calendar) are estimated reflecting newly available source data, including the *Census of Manufactures*, as “Second Annual Estimates.” In addition, the figures for the year before the “Second Annual Estimates” (both fiscal and calendar) are re-estimated as the “Third Annual Estimates” through a balancing process between the production side and the expenditure side under the framework of Supply and Use Tables (SUTs).
3. In the “National Accounts for 2020,” in addition to incorporating newly available source data, the following changes to the estimation methods have been introduced.

(1) Changes in the source data for the research and development (R&D) estimates

To estimate the output of R&D of market producers, the annual results of the *Survey on Planned Capital Spending* (Development Bank of Japan Inc.) used to be used for the First Annual Estimates. However, in order to improve the accuracy of the estimate, the annual results of the *Short-Term Economic Survey of Enterprises in Japan (Tankan)* (Bank of Japan) will be used from the National Accounts for 2020 onward.

(2) Adjustment of allocation ratios in the First Annual Estimates for FY2020

In the commodity flow method, the allocation ratios for demand items by commodity are, in principle, obtained from the most recent Third Annual Estimates (in the National Accounts for 2020, these are the estimates for 2018). However, for 2020, in view of the impact of the COVID-19 pandemic, the allocation ratios for some items have been adjusted to reflect recent changes in economic structure that cannot be captured by the fixed allocation ratios, by utilizing information from the Quarterly Estimates of GDP (QE), which incorporate demand-side statistics. Specifically, QE values using demand-side and supply-side statistics for 2020 (hereafter referred to as “post-integration QE”) are used to adjust the allocation ratios. For items for which growth differs significantly between the QE value using demand-side and supply-side statistics and the QE value using only supply-side statistics (livestock food products, alcoholic beverages), the allocation ratio is adjusted using the growth in final consumption expenditure of households in the post-integration QE to estimate the amount of final consumption expenditure of households.

(3) Accounting for major budget-related and other measures in FY2020 in response to COVID-19

Recording of measures to support households and stimulate consumption

(i) Special Fixed Benefits

Since these benefits are provided by the central government to households through local governments, they are recorded as “other current transfers” to households from the general government in the same way as other similar benefits are recorded.

(ii) Temporary loans of Emergency Small Amount Funds and General Support Funds

These subsidies from the central government to social welfare councils through local governments are recorded as “other current transfers” to Non-Profit Institutions Serving Households (NPISHs) from the general government. Loans from social welfare councils to households are recorded as “loans” to households from NPISHs.

(iii) Temporary Special Benefits for Low-income Single-parent Households

Since these benefits are provided by the central government to households through local governments, they are recorded as “social assistance benefits” to households from the general government.

(iv) Temporary Special Benefits for Households with Children

Since these benefits are paid by the central government to households through local governments, they are recorded as “social assistance benefits” to households from the general government.

(v) Emergency Student Support

Since this support is provided by the central government through the Japan Student Services Organization (JASSO), it is recorded as “other current transfers” to enterprises (public financial institutions) from the general government (central government) and to households from enterprises.

(vi) Support Fund and Allowance for the Leave Forced to be Taken under the COVID-19 Outbreak

The benefits (the support fund) for those insured by employment insurance are recorded as “social security benefits in cash” from the general government (social security fund) to households. On the other hand, benefits for those not insured by employment insurance are recorded as “other current transfers” to households from the general government (central government).

(vii) Subsidy for Guardians Affected by School Closures Related to COVID-19

These subsidies to employing enterprises are recorded as “other current transfers” from the general government (social security funds) to enterprises. In addition, benefits (subsidies) to individuals working on commission are recorded as “other current transfers” from the general government (central government) to households.

(viii) “Go To Campaign”

In the previous QE, “Go To Travel” discounts on accommodation and travel were recorded as “social transfers in kind (purchases of market output)” as a provisional treatment at the preliminary stage in the estimates; however, this was changed from the Annual Report on National Accounts for 2020 and such transfers now are recorded as “other current transfers” from the general government (central government) to households.

Compensation for cancellations due to the suspension of the “Go To Travel” campaign is recorded as “other current transfers” from the general government (central government) to enterprises.

Premiums and points for online food and beverage reservations for “Go To Eat” premium meal coupons are recorded as “other current transfers” from the general government (central government) to households.

Discount tickets and coupons for “Go To Events” are recorded as “other current transfers” from the general government (central government) to households.

Recording of business support measures

(i) Subsidy Program for Sustaining Businesses

These subsidies are recorded as “other current transfers” from the general government (central government) to enterprises.

(ii) Subsidy Program for Supporting Business Rent

These subsidies are recorded as “other current transfers” from the general government (central government) to enterprises.

(iii) Local Revitalization Grants in Response to COVID-19 (payments for cooperation with requests to shorten business hours, etc.)

Since the grants are disbursed by the central government through local governments, they are recorded as “other current transfers” from the general government to enterprises.

(iv) Special Measures for Employment Adjustment Subsidies

Employment Adjustment Subsidies (excluding Emergency Employment Security Subsidies) put in place as a special measure in response to COVID-19, are recorded as “other current transfers” from the general government (social security funds) to enterprises, as before. Emergency Employment Security Subsidies are recorded as “other current transfers” from the general government (central government) to enterprises.

(v) Expenses for Content Global Demand Creation Promotion Project

The expenses are recorded as “other current transfers” from the general government (central government) to enterprises.

(vi) Effectively Interest-free and Unsecured Loans

Interest subsidies from the central government to financial institutions through local governments are recorded as “other current transfers” from the central government to local governments and as “subsidies” from local governments to financial institutions. Loans to businesses from financial institutions are recorded as “loans from private financial corporation.” Guarantee fee subsidies from the central government to credit guarantee associations through the Japan Federation of Credit Guarantee Corporations are recorded as “other current transfers” from the central government to enterprises. Subsidies for the creation of a special fund established by the Japan Federation of Credit Guarantee Corporations are recorded as “capital transfers” from the central government to enterprises.

Loans from the central government to businesses through the Japan Finance Corporation (JFC), etc., are funded by loans to the JFC, etc., from the “Special Account for Fiscal Investment and Loan Program (Fiscal Loan Fund Account)” (public financial institutions) and equity from the central government to the JFC, etc., and are recorded as “loans from public financial institutions,” etc.

Recording of other measures

(i) Recording of Emergency Comprehensive Support Grants for COVID-19

Grants to health care workers and staff are recorded as “other current transfers” from the general government (social security funds) to households. Other grants to cover the costs of measures to prevent the spread of infections are recorded as “other current transfers” from the general government (social security funds) to enterprises.

(ii) Recording of Local Revitalization Grants for COVID-19 (excluding payments for cooperation with requests to shorten business hours, etc.)

The grants are recorded as “government final consumption expenditure” or “other

current transfers” from the general government to enterprises, etc., depending on the nature of the projects for which funds are disbursed from the central government through local governments.

(iii) Recording of the supply of COVID-19 vaccines and COVID-19 vaccinations

As for COVID-19 vaccinations administered entirely at public expense, the costs of purchasing vaccines are recorded as “government final consumption expenditure (intermediate input),” while the costs of vaccinations paid to medical institutions, etc. are recorded as “government final consumption expenditure (social transfers in kind (purchase of market output)).”

(4) Adjustment of intermediate inputs in the First Annual Estimates for FY2020

For the estimation of intermediate inputs based on the value added method, intermediate inputs for economic activities for which source data are available are estimated by item reflecting developments in those data.

However, due to limitations in the source data, at the stage of the First Annual Estimate, intermediate inputs for many economic activities are estimated based on the input structure in the second annual estimate of the previous year, and intermediate inputs for all economic activities are estimated by intermediate input items integrated into a certain unit. For this reason, taking the impact of restrictions on activities and other factors associated with the COVID-19 pandemic into account, adjustments are made to the level of consumption expenditure outside household (“lodging expenses and daily allowances”, and “social expenses”) and associated services (e.g., transport services) as intermediate inputs in each economic activity.

(5) Reflection of changes in various statistics, etc.

(i) Use of the *Annual Business Survey*

Since the *Survey of Selected Service Industries* (METI) ceased following the 2018 survey, the *Annual Business Survey* (MIC and METI) is used to estimate the intermediate input ratio for each economic activity in the value added method from 2019 (the Second Annual Estimate for 2019).

(ii) Response to the retroactive revision of the *Integrated Statistics on Construction Works*

The *Integrated Statistics on Construction Works* (MLIT) were retroactively revised on June 17, 2021, and corrected on October 19, 2021. The retroactive revision of the statistics after the correction is reflected in the first and second annual estimates of construction output (excluding construction repairs) and public investment.

(iii) Reflecting corrections to the *Basic Survey of Small and Medium Enterprises*

The *Basic Survey of Small and Medium Enterprises in 2019 (FY2018 Results)* (Small and Medium Enterprises Agency) was corrected in March 2021, and therefore, in estimating the intermediate input amount under the value added method, the corrected survey results are reflected.

(iv) Reflecting the retroactive revision of the *Flow of Funds Accounts*

In the revision of the *Flow of Funds Accounts* (Bank of Japan) in June 2021, the figures from FY2004 were retroactively revised. As a result, the corresponding data series in the JSNA shown in the following table have been revised retroactively up to FY2004.

Tables Including the Data Series Retroactively Revised from 2004 Onward
Flows
I . Integrated Accounts
Capital and Financial Accounts
Rest of the World Accounts
III . Capital and Financial Accounts Classified by Institutional Sector
V . Supporting Tables
6 (2). Account Classified by the Sub-sectors of General Government (GFS)
18. Net Lending(+) / Net Borrowing(-) Classified by Institutional Sector
19. Rest of the World Accounts
21. Capital and Financial Accounts of Private and Public Corporations
24. Transactions in Financial Assets and Liabilities
Stocks
I . Integrated Accounts
II . Accounts Classified by Institutional Sector
III . Supporting Tables
1. Closing Stocks of National Assets and Liabilities
2. Closing Stocks of Assets and Liabilities of the Private and Public Sectors
3. Closing Stocks of Assets and Liabilities Classified by the Sub-sectors of General Government
5. Closing Stocks of External Assets and Liabilities
6. Closing Stocks of Financial Assets and Liabilities
IV . Supplementary Tables
2. Non-performing Loans of Financial Corporations

(6) Classification of Government Affiliated Organizations (FY2020)

The classification of government affiliated organizations reflects the establishment, abolishment, and consolidation of government agencies during FY2020. The following is a major example:

- Tatsuno City Hospital Organization is classified as a “Local Incorporated Administrative Agency (public non-financial corporation).”