

## National Accounts for 2021: 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 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 2021,” in addition to incorporating newly available source data, the following changes to the estimation methods have been introduced.

**(1) Accounting for major budget-related and other measures in FY2021 in response to COVID-19, etc.**

○ Recording of measures to support households and stimulate consumption

(i) Temporary Special Benefits for Families with Children

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

(ii) Temporary Special Benefits for Households Exempt from Residential Tax

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

(iii) Special Benefits for Supporting Low-income Families with Children

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

(iv) Emergency Benefits for Continuing the Learning of Students, etc.

Since these benefits are provided by the central government through the Japan Student Services Organization (JASSO), they are recorded as “other current transfers” to

enterprises (public financial institutions) from the general government (central government) and to households from enterprises.

- (v) Payment of Support Grants to Promote Independence for the Needy Influence of COVID-19

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

- (vi) My Number Card Point's 2nd Series

The granted points are recorded as “other current transfers” from general government (central government) to households.

- (vii) Green Housing Point System

The granted points are recorded as “other current transfers” from general government (central government) to households.

- Recording of business support measures

- (i) Temporary Support Grant / Monthly Support Grant

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

- (ii) Business Revival Support Grant

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

- (iii) Green Innovation Fund

These supports are recorded as “capital transfers” from general government (central government) to enterprises.

- (iv) SME Business Reconstruction Promotion Subsidies

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

- (v) Fuel Oil Price Cataclysm Mitigation Project

It is recorded as “subsidies” from general government (central government) to enterprises.

○ Recording of other supporting measures via local governments, etc.

(i) Regional Tourism Projects Support

As the support to consumers of travel service expenses including the discount of accommodation fees is financed by central government and conducted by prefectures, these supports are recorded as “other current transfers” from general government to households.

On the other hand, the support of the expenses related to hygiene measures to the accommodation industry is recorded as “other current transfers” from general government to enterprises.

(ii) Special Grant for Regional Revitalization for COVID-19 Response (Financial Resources of Inspection Promotion)

Depending on the specific inspection measures, they are recorded as “government final consumption expenditure,” or other appropriate items.

**(2) Adjustment of allocation ratios in the Second Annual Estimates for 2020 and the First Annual Estimates for 2021**

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 2021, these are the estimates for 2019). However, for 2020, in view of the impact of the COVID-19 pandemic, the allocation ratios for some commodities have been adjusted to reflect recent economic structure changes by making use of source statistics and data. Specifically, for the commodities including livestock food products, alcoholic beverages, milled rice, etc., the allocation ratio is adjusted using the growth in final consumption expenditure of households which is estimated by utilizing various source data including private sector statistics.

The allocation ratio for those commodities in 2021 is in principle estimated in a similar manner to the Second Annual Estimates for 2020 (that said, for alcoholic beverages, sufficient source data are not sufficient, and the allocation ratio in 2021 is assumed to be the same as that in 2020).

**(3) Incorporation of *Building Extension and Renovation Survey***

From the Second Annual Estimates for 2020, the quarterly data of *Building Extension and Renovation Survey* (MLIT) are used to divide the output of “Construction; Maintenance and Repair” into those distributed to gross fixed capital formation(GFCF) and those to intermediate demand. Specifically, the quarterly data on the orders received by type of construction in *Building Extension and Renovation Survey* are converted into the values of construction put in place based on the information on the construction period.

Then, the ratio of construction values that are distributed to GFCF is calculated and used in the estimation.

**(4) Review of the Estimation of Steel Ships Shipment in the Second Annual Estimates**

The shipment of steel ships in the Second Annual Estimates is estimated using *Survey on Shipbuilding and Engineering* (MLIT), instead of *Census of Manufactures* (METI), in order to improve the consistency with the quinquennial benchmark year estimation method.

**(5) Review of the Integrating Ratio of Demand Side Estimate and Supply Side Estimate on Final Consumption Expenditure of Households**

Accompanying the improvement of quarterly supply side estimate with more granular commodity categories, the integration ratio of demand side and supply side estimates of final consumption expenditure of households is updated, where the differences between the growth rates of quarterly preliminary estimates and those of annual estimates is minimized. Due to this change, the time series data in the following tables (both quarterly data and fiscal year data) are retroactively revised since 1994.

Tables Including the Data Series Retroactively Revised from 1994 Onward
Flows
I. Integrated Accounts
Gross Domestic Product Account
National Disposable Income and its Use Account
Capital and Financial Accounts
II. Income and Outlay Accounts classified by Institutional Sectors
Total Economy
Households (including Private Unincorporated Enterprises)
III. Capital and Financial Accounts Classified by Institutional Sector
Households (including Private Unincorporated Enterprises)
IV. Main Time Series
1. Gross Domestic Product(Expenditure Approach)
V. Supporting Tables
11. Composition of Final Consumption Expenditure of Households classified by Type
12. Composition of Final Consumption Expenditure of Households classified by Purpose
18. Net Lending(+)/Net Borrowing(-) classified by Institutional Sectors
23. Real National Disposable Income

## **(6) Review of the estimation of the deflator on mobile phone communication charge**

The deflator on mobile phone communication charge in household final consumption expenditure, etc. is based on the corresponding indice of “*Consumer Price Index (CPI)*” by MIC. Considering the fact that the compiling method in CPI’s mobile phone communication charge is changed from 2022 January data to reflect the weights of consumers with the reduced charge contracts, which major telecommunication companies introduced from 2021, and those with the normal price contracts, the methodology of estimating the deflator from the second quarter to the fourth quarter of 2021 in the National Accounts is reviewed on the occasion of the Annual Estimates for 2021.

Specifically, by using the information from a private sector source in this industry, the ratio of users with reduced charge contracts is calculated. Then, by multiplying this ratio to the decrease rate of CPI (mobile phone communication charge) from April 2021 to December 2021, the decrease rate of the corresponding deflator is estimated. This treatment is based on the assumption that the decrease in CPI (mobile phone communication charge) from April to December 2021 is fully caused by the introduction of reduced charge contracts.

## **(7) Adjustment of intermediate inputs in the Second Annual Estimates for 2020 and the First Annual Estimates for 2021**

For the estimation of intermediate inputs based on the value added method, intermediate inputs for economic activities, where the source data are available, are estimated by using the development of relevant items in those data.

In the Second Annual Estimates for 2020 and the First Annual Estimates for 2021, the intermediate inputs for economic activities, where the source data to directly estimate the development of intermediate inputs are hardly available, are adjusted taking into account the impact of restrictions on activities and other factors associated with the COVID-19 pandemic. Specifically, adjustments are made to the level of consumption expenditure outside households (“lodging expenses and daily allowances”, and “social expenses”) and associated services (e.g., transport services) as intermediate inputs in each economic activity, by making use of various supporting data.

## **(8) Reflection of changes in various statistics, etc.**

### **(i) Use of the *2021 Economic Census for Business Activity***

The *2021 Economic Census for Business Activity* (MIC, METI) is used for compiling shipments, changes in inventories (materials and supplies, work in progress, finished goods), and intermediate input ratios for manufacturing commodities/industries in the Second Annual Estimates for 2020, instead of *Census of Manufactures*, which is usually the source statistics for the Second Annual Estimates but is not conducted for the year

2020. The *2021 Economic Census for Business Activity* is also used as a source data for estimating the turnover of wholesales and retails, instead of *Current Survey of Commerce* (METI), to calculate the output (i.e. margin) of this sector, combined with the margin ratio derived from *Financial Statements Statistics of Corporations by Industry* (MOF).

Furthermore, the *2021 Economic Census for Business Activity* is used to divide the gross fixed capital formation into sub-industries (economic activities) of the manufacturing sector for the Second Annual Estimates for 2020, instead of *Census of Manufactures*.

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

The retroactive revision of *Integrated Statistics on Construction Works* (MLIT), which was released on August 5, 2022, was already incorporated to retroactively revise the data back to 2018 in the Quarterly Estimates of GDP for April-June 2022 (First Preliminary, released on August 15, 2022). In the Annual Estimates for 2021, the revision of *Integrated Statistics on Construction Works* is incorporated to estimate the series including fixed assets, consumption of fixed capital and operating surplus and mixed income (net) after 2018.

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

In the revision of the *Flow of Funds Accounts* (Bank of Japan) in June 2022, 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

**(9) Classification of Government Affiliated Organizations (FY2021)**

The classification of government-affiliated organizations reflects the establishment, abolishment, and consolidation of government agencies during FY2021. The following are major examples:

- *Osaka Tennoji Zoo* is classified as “local government.”
- *Saitama Prefectural Hospital Organization* and *Tamano Medical Center* are classified as “public non-financial corporation.”