Press release

Statistics Netherlands

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GDP nearly 32 billion guilders (4.2%) higher after revision

A revision of definitions and computation methods at the national accounts department of Statistics Netherlands has pushed up Dutch GDP for 1998 by 4.2%. The adjustment is largely caused by the mandatory application by all EU member states of new national accounts regulations to take effect on 1 May this year. The new rules will render national accounts, the statistical description of national economies, more accurate and globally comparable. The revision has consequences for a number of policy indicators. The government deficit for example is now estimated to amount to 0.7% of GDP, instead of 0.9%.

The revised national accounts give a more accurate representation of a number of relatively recent developments, such as the greatly increased significance of services, computer technology, information and knowledge.

Effect on government deficit differs from year to year

The alterations caused by the revision reduce the government deficit to 0.7% of GDP instead of 0.9% in 1998. However, the effect of the revision is not consistently downward. For 1997 the deficit rises to 1.2% instead of 0.9%. The adjustments do have a consistently lowering effect on the calculation of the government debt. The debt comes out slightly over 2 percentage points lower for each year.

Spending: larger role for investment

On the expenditure side of the economy, investments have been assigned a larger share, mainly by extending the concept of investment to include software and other intangible assets. These changes pushed up investment by a total of nearly 16%.

In foreign trade, both import and export figures were adjusted upwards; both turn out about 50 billion guilders higher.

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Consumption expenditure was 2.9% higher after adjustment. Most of this is caused by an increase in consumption by central government.

Income distribution: depreciation more significant

On the income side, depreciation in particular has undergone adjustment, resulting in an increase of 37%. The extension of the definition of investment and the introduction of depreciation on dykes, roads and other infrastructure are important in this respect. Remuneration of employees has been increased by 5% because of a change in the registration of wages in kind and of payment of employees at sheltered workshops. The net operating surplus of enterprises and mixed income of the self-employed together are calculated to be 7% lower.

Production structure

Value added in agriculture has been raised by 10%, that of industry by 7%, mainly because of the change in registration of employees at sheltered workshops. The value added of services is computed to be 3% higher. On the one hand the share of government is now larger, while on the other, that of banks is slightly smaller as the way interest margins are registered has been changed. The share of the industry class “transport over land” has been reduced due to the breakdown of Netherlands Railways into several independent units (some of which have a non-transport main activity). The share of leasing of and trade in real estate is also deemed to have diminished because of a lower estimation of imputed rental values of owner-occupied homes.

Labour volume 4% higher

Labour volume has been increased by 4%. Statistics Netherlands has further taken this opportunity to make the figures in the national accounts consistent with those from the labour accounts.

Slighter adjustment of NNI

The net national income (NNI) is 1.1% higher after revision. This adjustment is much smaller than that of the GDP, mainly because the upward adjustment of depreciation is not relevant for the NNI. The increase in NNI is largely due to the fact that this definition now includes undistributed profits of foreign subsidiaries of Dutch companies. As a consequence of the relatively large significance of large multi-national companies for the Dutch economy, the undistributed profits of foreign subsidiaries of Dutch companies are just over 8 billion guilders higher than the undistributed profits of Dutch subsidiaries of foreign companies.

Explanatory notes

Background

The adjustment of the economic indicators is the result of an overall revision of the national accounts. These adjustments are related to the introduction of the most recent international directives as laid down in the world-wide recognised System of National Accounts (SNA) of the United Nations and the European System of National and Regional Accounts 1995 based on the SNA. Many other member states of the European Union will be releasing revised macro-economic indicators this week.

The main reasons for the adjustment of GDP in 1995 are:

- From now on depreciation of the value of roads and dykes, sewerage systems and other infrastructure will be taken into account; this raises the gross costs of government administration and increases GDP by 1.4%.
- Software will from now on be considered as a capital good, increasing GDP by 0.8%.
- Payments to workers at sheltered workshops are to be recorded as wages and no longer as social benefits; this increases the value added of these schemes and thus increases GDP, namely by 0.6%.
- A new registration of “company cars” and other forms of wages in kind leads to an increase in the wage sum, adding 0.4% to GDP.
- A new method of calculation of the production value of insurance services (including endowment mortgages etc.) raises GDP by 0.4%.

The main changes in registration in the central government accounts are:

- A number of taxes, e.g. wage tax, are no longer booked on a cash basis but on a transaction basis (the moment of the tax assessment determines the amount); this means that the definite accounts of transfers between social funds and central government are reflected in a consistent manner.
- A number of non-compulsory social funds, such as early retirement funds, are no longer counted under central government.

The main reason for the higher amount of investment is that the term has been extended to include intangible assets such as software, exploration of natural gas reserves and original copies of CDs, films etc. Investment also includes purchases of durable goods by the Ministry of Defence which can be used for civil purposes.

The higher import and export figures are based on two changes:

- The way in which distribution centres etc. are registered has been changed, so that there is less transit trade and more incoming and outgoing goods traffic.
- In the finishing trade (part processing abroad of textiles, footwear, electronic etc.) the total values of the outgoing and incoming goods are considered as exported and imported goods, while before the revision only the balance of these trade flows was recorded (as imports).

Consumption expenditure by central government comes out higher mainly because depreciation of infrastructure is now taken into account and because a number of government-funded private institutions are now included under central government.

Definitions

The gross domestic product (GDP) is the indicator of a country’s total value added.

The gross national product (GNP) is total income from production of the citizens of a country. GNP is defined as GDP plus net wages, profits and interest received from the rest of the world.

The net national income (NNI) is the total income earned by Dutch citizens, leaving depreciation out of consideration. NNI is defined as GNP minus depreciation.

For further information

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Table 1: New macro-economic indicators, 1998

	Amount (bln NLG)	**Adjust-ment (%)**
Gross domestic product (m.p.)	782	4.2
Consumption expenditure	563	2.9
Investments	174	15.8
Imports	419	15.7
Exports	463	11.8
Remuneration of employees	387	4.8
Operating surplus/mixed income (net)	196	-7.1
Depreciation	115	36.6

Table 2: Government deficit as % of GDP

	1995	**1996**	**1997**	**1998**
Before revision	4.0	2.0	0.9	0.9
After revision	4.2	1.6	1.2	0.7
Adjustment	+0.2	-0.4	+0.3	-0.2

Table 3: Main changes with consequences for GDP, 1995

	In ESR con-text	**Effect on GDP in %-points**
Introduction of depreciation of infrastructure	yes	1.4
Treatment of software as capital good	yes	0.8
Registration of employees at shel-tered workshops	yes	0.6
Change in registration of “company cars” etc.	yes	0.4
Revised calculation of insurance production	yes	0.4
Booking of investment now includes Ministry of Defence	yes	0.2
Adjustments of other accounting regulations	yes	0.8
Other revisions	no	-0.5
Total adjustment GDP (1995)		4.1