

Comparison of Government Finance Statistics with BEA's National Account Estimates

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Both the Bureau of Economic Analysis (BEA) national accounts and the International Monetary Fund (IMF) *Government Finance Statistics Manual 2014* (GFSM 2014) have their foundation in the *System of National Accounts* (SNA)¹; however, the focus of the government finance statistics (GFS) differs from that of the national accounts and the SNA.

GFSM 2014 provides a conceptual and reporting framework suitable for analyzing and evaluating fiscal policy (including comparisons across countries), specifically as it relates to the government sectors' spending and revenue.² The GFS framework is designed to provide statistics that enable users to study developments in the financial operations and financial position of the government and also to assess the liquidity and sustainability of the public sector.²

In BEA's national accounts, the statistics for the government sector record not only spending, revenue, and net saving, but also measure the production of the government sector.³ Specifically, the measure of government consumption expenditures and gross investment, which includes the concepts of gross output and value added, quantifies the production, investment, and consumption roles of government.

This documentation explores the similarities and differences in terminology, measurement, and concept between government statistics published in accordance with the GFS methodology and the national accounts methodology.

Overview

The GFS produced by BEA are derived from the national accounts and the Financial Accounts of the United States.⁴ Annual and quarterly data are presented in three tables: 1) government; 2) federal government; and 3) state and local governments combined. These tables show: 1) government revenue, expense, and transactions in nonfinancial assets and in financial assets and liabilities; and 2) a government balance sheet (net worth table) encompassing stocks of nonfinancial assets and financial assets and liabilities. Table 1 displays the terminology used by the IMF in the GFS tables and the comparable term used in BEA's national accounts for that transaction. Where appropriate, table 1 identifies measurement and conceptual differences between the statistics and refers to additional information about these differences.

Table 1. Comparison of Terminology Used by the IMF and BEA

GFS terminology	National accounts terminology	Measurement and conceptual differences
REVENUE	Receipts	See below
Taxes		See below
Taxes on income, profits, and capital gains		
Payable by individuals	Personal current taxes: income taxes; Taxes from rest of the world (federal only)	
Payable by corporations and other enterprises	Taxes on corporate income	
Taxes on payroll and workforce	Other taxes on production: other (state only)	
Taxes on property		
Recurrent taxes on immovable property	Other taxes on production: property taxes (state and local only)	
Recurrent taxes on net wealth*		
Estate, inheritance, and gift taxes	Capital transfers paid by persons: estate and gift taxes	Treated as capital transfers in the national accounts and included in Total Receipts
Capital levies	Capital transfers paid by private business	Treated as capital transfers in the national accounts and included in Total Receipts
Other recurrent taxes on property	Personal current taxes: property taxes (state and local only)	
Taxes on goods and services (G&S)		
General taxes on goods and services		
Value-added taxes**		
Sales taxes	Taxes on product: sales taxes (state and local only)	
Turnover & other general taxes on G&S**		
Taxes on financial and capital transactions	Taxes on product: other (state and local only)	
Excises	Taxes on product: excise taxes	
Taxes on specific services	Taxes on product: excise taxes, other; Insurance receipts (state and local only)	
Taxes on use of goods and on permission to use goods or perform activities		
Motor vehicles taxes	Motor vehicle licenses paid by persons and businesses (state and local only)	
Other	Licenses paid by persons and businesses (state and local only)	
Other taxes on goods and services	Taxes on production: other (federal only); Taxes on product: severance taxes (state and local only); Taxes on production: special assessments (state and local only)	
Taxes on international trade and transactions		
Customs and other import duties	Taxes on product: customs duties (federal only)	
Other taxes on international trade and transactions*		
Other taxes	Other taxes paid by persons and businesses (state and local only)	
Social contributions	Contributions for government social insurance	
Social security contributions		
Employee contributions		
Employer contributions		
Self-employed or nonemployed contributions		
Other social contributions		
Employee contributions*		
Employer contributions*		
Imputed contributions		
Grants		
From foreign governments		
Current	Current transfer receipts: from the rest of the world (federal only)	
Capital*		
From international organizations*		
Current*		
Capital*		
From other general government units		
Current	Current transfer receipts: federal grants-in-aid (state and local only)	
Capital	Capital transfers received: capital grants paid by federal government (state and local only)	Treated as capital transfers in the national accounts and included in Total Receipts
Other revenue		
Property income		
Interest	Income receipts on assets: interest receipts	GFS excludes adjustments for financial intermediation services indirectly measured (FISIM) that are included in the national accounts
From nonresidents		
From residents other than general government		
Dividends	Income receipts on assets: dividends	
Withdrawals from income of quasi-corporations	Current surplus of government enterprises	
Rent	Income receipts on assets: rents and royalties	
Sales of goods and services	Sales to other sectors (subtraction from consumption expenditures)	GFS includes revenues that are netted against certain expenditures in the NIPAs

GFS terminology	National accounts terminology	Measurement and conceptual differences
Fines, penalties, and forfeits	Current transfer receipts: fines paid by persons and businesses (state and local only)	
Transfers not elsewhere classified	Current transfer receipts: other payments by persons and businesses	
Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes	Current transfer receipts: deposit insurance premiums (federal); net insurance settlements (state and local only)	
EXPENSE	Expenditures	See below
Compensation of employees	Compensation of employees	GFS treats own-account expenditures on government-produced assets as investment
Use of goods and services	Intermediate goods and services purchased	GFS excludes financial intermediation services indirectly measured (FISIM) and own-account expenditures
Consumption of fixed capital	Consumption of general government fixed capital	GFS treats own-account expenditures on government-produced assets as investment
Interest	Interest payments	GFS excludes adjustments for financial intermediation services indirectly measured (FISIM) that are included in the national accounts
To nonresidents		
To residents other than general government		
Subsidies	Subsidies	
Grants (G26)		
To foreign governments		
Current	Current transfer payments to the rest of the world (federal only)	
Capital	Capital transfers paid: capital transfers paid to the rest of the world (federal only)	Treated as capital transfers in the national accounts and included in Total Expenditures
To international organizations		
Current	Current transfer payments to the rest of the world (federal only)	
Capital*		
To other general government units		
Current	Current transfer payments: grants-in-aid to state and local governments (federal only)	
Capital	Capital transfers paid: capital grants to state and local governments (federal only)	Treated as capital transfers in the national accounts and included in Total Expenditures
Social benefits	Current transfer payments: government social benefits	
Social security benefits		
Social assistance benefits		
Employer social benefits*		
Other expense		
Transfers not elsewhere classified		Includes current and capital transfers in the national accounts that are not identified elsewhere in GFS
Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes	Insurance payments (state and local only)	
Net investment in nonfinancial assets (Net acquisition of nonfinancial assets)		
Fixed assets		
Buildings and structures		
Machinery and equipment		
Intellectual property products		
Weapons systems		Weapons systems are not identified in the national accounts, but certain types of equipment investment are aggregated to form this category in GFS
Inventories		Government inventory investment is not measured in the national accounts, but certain flows are captured in federal consumption expenditures (only)
Valuables*		
Nonproduced assets	Net purchases of non-produced assets	
SUMMARY STATISTICS		
Total expenditure	Total expenditures	See above
Gross operating balance		
Net operating balance		
Net lending (+)/Net borrowing (-)	Net lending or net borrowing (-)	See above

* Not separately estimated or identifiable within the NIPAs

** Not applicable

Measurement and Conceptual Differences

Production of government output

GFS transactions differ because certain expenditures in the national accounts reflect costs associated with government production of goods and services. The production account records the activity of producing goods and services as defined within the SNA. Its balancing item, gross value added, is defined as the value of output less the value of intermediate consumption and is a measure of the contribution to GDP made by an individual producer, industry or sector.⁵ GFS does not measure government production. This difference leads to several measurement and presentation differences between GFS and the national accounts related to the input costs of government production: compensation, intermediate goods and services, and consumption of fixed capital.

In the national accounts, government revenue from the sale of goods and services are netted against the expenses to produce government output. This convention is adopted so that GDP is not double-counted; transactions are counted only in the sector for which they represent final demand. For example, goods and services produced by the government sector, but purchased by the household sector, are recorded as personal consumption expenditures, not government consumption expenditures.⁶ Examples of these types of sales include state and local government tuition and hospital charges. In the GFS framework, these revenues are not netted against expense, but instead are included as sales of goods and services within revenues. The GFS generally measure revenue on a gross basis.

Another difference in measurement is associated with the production of nonfinancial assets for the governments' own use. In the national accounts, the measures of compensation, intermediate goods and services, and consumption of fixed capital include the costs of own-account production in order to accurately measure value added and gross output. These costs in aggregate are then subtracted in the derivation of government consumption expenditures. The absence of a production account in the IMF's government finance presentation makes it impossible to show both the cost structure of own account production and its final use. Thus, for example, the compensation of government employees engaged in own account capital formation is directly classified as the acquisition of nonfinancial assets within the IMF framework and not as compensation of employees.⁷

Current and capital transactions

The GFS framework also differs in the way current and capital account transactions are recorded compared with BEA's featured measure of government current receipts and expenditures. According to the SNA, the current accounts record the production of goods and services, the generation of incomes by production, the subsequent distribution and redistribution of incomes among institutional units, and the use of incomes for purposes of consumption or saving.⁸ The SNA also states that the capital account records acquisitions and disposals of non-financial assets as a result of transactions with other units, internal bookkeeping transactions linked to production (such as changes in inventories and consumption of fixed capital) and the redistribution of wealth by means of capital transfers.⁹ GFS records all transactions by type, whether current or capital in nature, as either revenue, expense, or net acquisition of nonfinancial assets, because this framework is designed to provide statistics that enable users to study developments in the financial operations and financial position of the government and its liquidity and sustainability.

The national accounts do not display aggregates of current and capital transactions by type. The national accounts consider estate and gift taxes and capital grants for investment to fit within the SNA definition of capital account transactions and excludes them from the measurement of current receipts and expenditures. These items are included in the computation of total receipts and expenditures. By combining current and capital transactions in the national accounts, total receipts, total expenditures and net lending and net borrowing are derived that can be similarly compared to the major aggregates in GFS.

Financial intermediation services indirectly measured (FISIM)

Another distinction between the two frameworks is the treatment of government interest flows. In the national accounts, the output of the banking industry is allocated to all sectors of the economy, including government. The financial services provided by the banking industry typically are paid by implicit fees embedded in the interest rates paid to depositors and the interest rates charged to borrowers. These implicit fees, known as financial intermediation services indirectly measured (FISIM), are rerouted from interest transactions to intermediate goods and services purchased. Conversely, the GFS framework does not recognize this imputation, leaving the implicit fees embedded in the interest transactions. Thus, this GFS treatment leads to differences in interest revenue, interest expense, and the use of goods and services compared with transactions shown in BEA's national accounts.

Presentational Differences

The names of BEA's GFS tables differ from those shown on the IMF website; table 2 compares these table names.

Table 2. Website Table Names

GFS tables found on IMF website	GFS tables found on BEA website
Central government, with social security funds	Federal government
General government	Total government (combined federal government and state and local governments)
State governments	State and local governments combined

Note. Social security funds reported in the GFS framework are accounted for by “Contributions for government social insurance” and “Government social benefits” found in the national accounts.

1. The System of National Accounts is an internationally recognized set of national accounting recommendations, agreed upon by the United Nations Statistical Commission and adopted by many countries around the world.
2. International Monetary Fund (IMF) 2014. *Government Finance Statistics Manual 2014* (Washington, D.C.:IMF): 1–3.
3. Baker, Bruce E. and Pamela A. Kelly, “[A Primer on BEA's Government Accounts](#),” *Survey of Current Business* 88 (March 2008): 33-34.
4. See the “[Financial Accounts of the United States \(Z.1\)](#)” on the Federal Reserve’s website for more information.
5. European Commission, International Monetary Fund, Organisation for Economic Co-operation and Development, United Nations, and World Bank. 2008. *System of National Accounts 2008*. New York, NY: United Nations, para 1.17.
6. Baker, Bruce E. and Pamela A. Kelly, “[A Primer on BEA's Government Accounts](#),” *Survey of Current Business* 88 (March 2008): 32.
7. “2008 SNA,” para 22.71.
8. “2008 SNA,” para 1.16.
9. “2008 SNA,” para 1.20a.