Approved by the order of the Chairman of the Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan

dated November 21, 2016 271

**Methodology for accounting for central bank services**

**Chapter 1. General Provisions**

1. The methodology for accounting for central bank services (hereinafter - the Methodology) refers to a statistical methodology, formed in accordance with international standards and approved in accordance with the Law of the Republic of Kazakhstan dated March 19, 2010 "On State Statistics".
2. This Methodology is applied by the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan when accounting for central bank services in accordance with international standards and is used for the purposes of the System of National Accounts.
3. The purpose of this Methodology is to improve the calculations of central bank services in accordance with the latest achievements in methodological research, increase the reliability of estimates of gross output, intermediate consumption and value added created in the financial sector.
4. The System of National Accounts 2008 prepared by the International Monetary Fund (IMF), the Organization for Economic Co-operation and Development (OECD), the Statistical Office of the European Communities (Eurostat), the United Nations (UN) and the World Bank was used as a methodological basis .

5. The following definitions are used in this Methodology:

1) intermediate consumption - represents the cost of goods and services that are transformed or completely consumed in the reporting period as costs for the production of goods and services in the production [process ;](http://mirslovarei.com/content_soc/markova-process-357.html)

2) gross value added - characterizes the final result of production activity and represents the value added by processing in this production process. Calculated at the level of sectors as the difference between the output of goods and services and intermediate consumption, includes the cost of fixed capital consumed in the production process;

3) gross domestic product (GDP) - one of the most important indicators of the system of national accounts, characterizing the final result of the country's economic activity;

4) non-market output - goods and individual or collective services produced by non-profit organizations serving households or government bodies, provided to other institutional units or to society as a whole free of charge or at economically insignificant prices;

5) market issue - an issue intended for sale at economically significant prices;

6) consumption of fixed capital - a decrease during the reporting period of the current value of the stock of fixed assets owned by the manufacturer and used by him, as a result of physical wear and tear, normal obsolescence or accidental damage;

7) other taxes on production - includes all taxes, except taxes on products, payable by enterprises as a result of their participation in production;

8) system of national accounts (SNA) - a system of statistical indicators, built in the form of a specific set of accounts and tables characterizing the results of the country's economic activity .

**Chapter 2. Classification of central bank services according to the System of National Accounts 2008**

1. The activity of the central bank consists in the implementation of market and non-market operations. The methodology for calculating the output of central bank services is based on a distinction between market and non-market transactions.

7. Services provided by the central bank are classified into three categories:

services related to the implementation of monetary policy;

financial intermediation services;

services for the implementation of supervision and control over financial institutions.

Monetary policy services are collective services provided to society as a whole and constitute non-market output. Non-market services represent activities carried out in the interests of the whole society, in the national accounts these activities are reflected as government final consumption expenditures.

Financial intermediation services are individual services and are treated as market services.

Services for the implementation of supervision and control over financial institutions are considered as borderline cases, and in international practice this category of services is considered as market or non-market services.

**Chapter 3. Calculation of the gross output of central bank services**

8. When calculating the output and intermediate consumption of central bank services, administrative data sources were used .

The classification of revenues, expenses and production costs used by the central bank is not consistent with the principles of the SNA and needs to be adapted to the principles of reflecting the activities of the central bank in the SNA. Financial reporting data represents the source information that requires further processing. When determining the costs of production of the central bank, the features in the organization of activities and methods of financing the costs of the central bank are taken into account. Central bank revenues and expenditures are dominated by interest receipts and payments, treated in the SNA as property income that is not part of output.

9. The methodology for determining the output of central bank services adopted in the System of National Accounts 2008 provides for the application of an approach in which the assessment of the gross output of central bank services is carried out by the sum of production costs.

In this Methodology, the gross output of central bank services is estimated as the sum of the following cost components:

intermediate consumption;

salary;

consumption of fixed capital;

other taxes on production.

10. Central bank intermediate consumption includes data on production costs and actual payments for services provided.

Intermediate consumption includes the following expenses: commission expenses, expenses on monetary activities, expenses on non-monetary activities, expenses on the issuance of banknotes and coins, other general business and administrative expenses.

Commission expenses include expenses on custodial, fiduciary (trust) and other activities, other commissions. Intermediate consumption does not include reimbursable expenses - expenses arising as a result of payment for services rendered to subsidiaries and other organizations, subsequently these expenses are subject to reimbursement by these organizations.

Other general and administrative expenses include travel expenses, motor transport expenses, expenses for communication services, expenses for security and signaling, expenses for utilities, expenses for current repairs and maintenance (inspection) of fixed assets, expenses for leased property and its insurance, other expenses (expenses for audit, consulting, other special services).

Of the other general and administrative expenses, intermediate consumption does not include the cost of insurance of fixed assets, the cost of inventories, per diems are included in the wage component.

11. The remuneration component includes wages and other settlements with personnel, personnel insurance costs, additional payments to wages, social contributions, social tax, personnel training costs.

12. Consumption of fixed capital includes depreciation and depreciation of fixed assets (computers, cars, tools, inventory, furniture, machinery and equipment, buildings and structures, transmission devices, other fixed assets).

13. The other taxes on production component includes the social tax (55% of the total social tax). The remaining amount of social tax is taken into account in the wage component. Payment for emissions into the environment, collection from auctions, other taxes are classified as other current taxes.

The calculation of the gross output of central bank services is given in Appendix 1 to this Methodology.

**Chapter 4 Determining the Market Output of Central Bank Services**

14. The market component of the output of central bank services includes the following items of income: commission income, income from the sale of coins, income from leased fixed assets, income from monetary activities, income from non-monetary activities, excluding interest income. Interest income shows the redistribution of income between different economic entities, which is not the provision of services and is not included in the calculation of output.

The Central Bank provides trust management services to trust companies, pension fund and subsidiaries, manages assets or invests received funds in financial instruments in accordance with the instructions of the client. The central bank receives a commission for the provision of these services, while the costs of the central bank, which are subject to reimbursement by the above organizations, are not included in the valuation of the issue.

The central bank supervises financial corporations, payments for the provision of supervisory services are not made, in the national accounts these services are recorded as non-market output.

15. A significant portion of the central bank's income arises from the purchase and sale of securities and foreign exchange. The implementation of these operations does not imply the provision of services by the central bank to the participants in the operations. As a consequence, income from such operations is not included in the output of central bank services.

**Chapter 5. Presentation of non-market output of central bank services**

16. The value of the market output, equal to the proceeds from the provision of market services, is subtracted from the total output calculated by the sum of production costs, the resulting difference is non-market output. Gross value added is defined as the difference between gross output and intermediate consumption.

The calculation of market, non-market output and gross value added of central bank services is given in Appendix 2 to this Methodology.

In accordance with the principles of the SNA, corporations, which include the central bank, do not have final consumption expenditures. Non-market services related to the implementation of monetary policy are treated as government final consumption expenditures. The government does not bear the costs actually incurred by the central bank. For this reason, a current transfer of the value of the non-market output of central bank services paid by the central bank and received by the government is recorded.

The current transfer from the central bank to the general government in the amount of the value of non-market output is reflected in the secondary distribution of income account: for the central bank on the use side, for the general government on the supply side. This transfer is used to finance general government spending on final consumption.

17. The practical application of the provisions of this Methodology will have an impact on the size, sectoral and institutional structure, indicators of the structure of the use of GDP. The new treatment of central bank output, consistent with the principles of the System of National Accounts 2008, will require changes not only in the production and secondary distribution of central bank revenues account, but also in the use of disposable income account of the general government considered as the final consumer of non-market output of central bank services. The approach used in this Methodology to estimate the gross output of central bank services by the amount of production costs is the basis for ensuring international comparability of the indicator of output and other SNA indicators related to it.

Appendix 1

to the Methodology for Accounting for Central Bank Services

**Calculation of gross output of central bank services**

|  |  |  |
| --- | --- | --- |
| No. | Name of the gross output component | Name of item/account from the income statement of the National Bank of the Republic of Kazakhstan |
| 1 | Intermediate consumption | Commission expenses |
| Other expenses on monetary activities |
| Other expenses on non-monetary activities |
| Costs of issuing banknotes and coins |
| Travel expenses |
| Communication service charges |
| Transportation costs |
| Expenses for security and signaling |
| Utility expenses |
| Costs for current repairs and maintenance (inspection) of fixed assets |
| Expenses for leased property and its insurance |
| other expenses |
| 2 | Salary | Payroll and other settlements with staff |
| Personnel insurance costs |
| Social tax (45% of total social tax) |
| Additional payments to wages (bonuses, benefits) |
| Training costs |
| Social Security contributions |
| 3 | Consumption of fixed capital | Depreciation and wear |
| 4 | Other taxes on production | Social tax (55% of total social tax) |
| 5 | Total gross output = Intermediate consumption + Wages + Consumption of fixed capital + Other taxes on production | |

appendix 2

to the Methodology for Accounting for Central Bank Services

**Calculation of market, non-market output and gross value added of central bank services**

|  |  |  |
| --- | --- | --- |
| No. | Component name | Name of item/account from the income statement of the National Bank of the Republic of Kazakhstan |
| 1 | Market release | Fee and commission income |
| Income from the sale of coins |
| Income from leased property, plant and equipment |
| Other income from monetary activities |
| Other income from non-monetary activities |
| 2 | Non-market output = Gross output - Market output | |
| 3 | Gross value added = Gross output – Intermediate consumption | |