

**10th Meeting of the Advisory Expert Group on National Accounts,
13-15 April 2016, Paris, France**

Agenda item: 1.3

European needs for a future SNA/ESA

Summary of the final report of the Eurostat Task Force

Introduction

The revision process of the international standards takes time, and it is already useful to plan work on the research agenda for future versions of SNA/ESA/BPM. Of course, the short term priority is to work on implementation issues of the present international standards (2008 SNA, BPM6, ESA 2010), and the focus of statisticians remains concentrated on the complete entry into force of these standards and improved quality.

The Eurostat Task Force on European needs for the future SNA organised a prioritisation exercise of research agenda items and an enquiry on national accounts users' needs. The final report of the Task Force, which is summarised here, presents a proposal for selecting twelve "top" issues and for the way forward on each of these "top" issues.

Documentation

Paper 1. A Summary of the final report of the Eurostat Task Force

Paper 2. Final Report from the Task Force "Towards ESA 202X – European needs for a future SNA"

Main issues to be discussed

The AEG is requested to:

- Provide an opinion on the results of the prioritization exercise and of the questionnaire to users; in particular, is it considered that important issues are missing in the list of top priorities?
- Give its views on the proposed way forward on the selected issues.

Paper 1:

Summary of the final report of the Eurostat Task Force

I: PRESENTATION

At its 25-26 November 2014 meeting, the National Accounts Working Group (NAWG) decided to create a Task Force on European needs for a future SNA.

According to its mandate, the Task Force had the objective to:

- Discuss European views on the development of the research work for future versions of SNA/ESA/BPM, and notably on scope and prioritisation of topics;
- Develop recommendations on the big challenges on which it is worth investing for preparing a European view for future international discussions.

Participation in the Task Force was open to all countries or organisations represented in the NAWG. The representatives of 11 Member States (Belgium, Finland, France, Germany, Hungary, Ireland, Italy, The Netherlands, Poland, Sweden, and United Kingdom) and of ECB and OECD joined the Task Force.

The Task Force undertook:

- A consultation of users of national accounts, drawing on national needs and learning from 2008 SNA/ ESA 2010 implementation;
- A prioritization exercise of items in the 2008 SNA Research Agenda and of other identified items; this exercise was held on the basis of seven criteria defined by the Task Force.

II: NEEDS OF USERS OF NATIONAL ACCOUNTS

At the May 2015 meeting of the NAWG, Members were invited, on a voluntary basis, to consult their users at national and international levels.

To facilitate the collection of users' needs, the Task Force "Towards ESA 202x - European needs for a future SNA" had elaborated a questionnaire to users.

About 200 users from the various countries replied to the questionnaire.

The results of the consultation are the following:

- On the process of revision of the accounts:

A majority of users responded that they were sufficiently involved, and that the communication from statisticians was satisfactory. A large majority of replies supported the methodological changes introduced by 2008 SNA, considering they are meaningful and

improve the information provided by the national accounts. The balance between core accounts and supplementary/satellite account is considered as satisfactory. Some users stressed the necessity to leave the core accounts stable, and to develop satellite accounts for the users who need other data. The opinion according to which information from satellite accounts can, in a second step when mature (example: some environmental data), be added to the core accounts was also expressed. Satellite accounts would be welcome in particular for households (by income/wealth categories), for non-financial corporations (by broad size/industry categories), for social domains, for new assets (marketing, innovation, human capital).

- The views for the future SNA:

In order to better organise the process of revision of national accounts in the future, it was suggested to have an early involvement of users at the stage of first international discussions (via explanatory notes/workshops) and more consultations of users (via interviews/web-questionnaires/seminars/on-line forums) to know which existing statistics are not often used, and which new statistics would be useful. The priority to be given to the increase of the quality of statistics rather than to their scope should also be considered. Users need consistent long time series based on a stable methodology; this is why a majority of respondents prefer the revision of national accounts standards being conducted in a "big bang" rather than taking place step by step.

-The main needs (top priorities):

Short-term top priority is to address the issues related to the implementation of 2008 SNA/ESA 2010. At medium and long run, the ranking of top priorities by users is fully consistent with the results of the prioritisation exercise: twelve top priorities have been selected, as presented under III results of the prioritisation exercise.

III: RESULTS OF THE PRIORITISATION EXERCISE

The Task Force has defined the following seven criteria for prioritising the items in the 2008 SNA Annex 4 Research Agenda and additional items identified by the Task Force, giving a total of 48 items:

Impact: size of the potential impact on main national accounts aggregates (notably GDP, GNI, public deficit and debt, saving, household disposable income, investment (fixed capital formation), balance of imports and exports);

Relevance: relevance from the point of view of users' needs, as expressed by them when consulted, and including new analytical needs. The relevance is also to be assessed considering past developments in economic theory and in international accounting standards;

Value added: value added of integrating the issue in the national accounts system if similar information already exists elsewhere in the official statistics system;

Measurability: the expectation of a high level of reliability and comparability among countries;

Proportionality: the compilation burden (on both national accountants and basic data providers) must be proportionate to the expected benefits;

Feasibility: basic data sources exist and will continue to exist; or do not yet exist but are expected with strong certainty to exist in the future;

Timeliness: the measurement of the issue will not significantly delay the production of national accounts on a quarterly or annual basis.

The three first criteria are covering theoretical aspects; the four following ones are covering practical aspects.

The Task Force in its prioritisation exercise has selected twelve top issues, which also correspond to the priorities expressed by the users in the enquiry.

For each of these twelve top issues, the Task Force has examined on which aspects Europe should propose to take the lead, and on which aspects Europe should contribute to the work of international groups:

- Europe should pursue and launch initiatives in the coming years and propose to take the lead on issues of particular interest at EU level:
 - Globalisation (EU direct involvement in FIGARO and IGA projects, another area could be ISIC classification);
 - Concept of income;
 - Internet services;
 - Productivity calculations (EU direct involvement in labour and capital productivity indicators);
 - Delineation rules between households and corporations sectors;
 - Distributional aspects of income, consumption and wealth (EU stock-taking on work on "GDP and beyond" at Member States level);
 - Borderline between payments for services and taxes);
 - Development of aggregates net of the consumption of fixed capital: harmonisation of service lives.

- Europe may involve itself in ongoing and future work on large dimensional issues discussed in several international groups:
 - Globalisation (areas not mentioned above);
 - Relationship between national accounts and business accounts;
 - Statistical units, including the treatment of establishments;
 - Extension of the production boundary (marketing, brands, innovation, human capital, etc.);
 - Distributional aspects of income, consumption and wealth;
 - Development of aggregates net of the consumption of fixed capital (CFC): extension of the CFC to environmental concerns;
 - Measurement of well-being.

PAPER 2:
FINAL REPORT FROM THE TASK FORCE
"TOWARDS ESA 202X – EUROPEAN NEEDS FOR A FUTURE SNA"

PART I: PRESENTATION

At its 25-26 November 2014 meeting, the National Accounts Working Group (NAWG) approved the creation of a Task Force on European needs for a future SNA.

The aim given to the Task Force was to discuss overall European interest for a future SNA/ESA: what are the main needs for a future SNA at core accounts, supplementary accounts and satellite accounts levels?

Also, in their 17-18 December 2014 meeting, the Directors of Macro Economic Statistics (DMES) expressed their interest in the establishment of this Task Force, considering that Europe should be proactive in the future process of revision of international standards.

The SNA Review will require international cooperation, and it is important to define how EU can contribute and help to that collective task.

It is obvious that the short term priority is to work on implementation issues of the present international standards (2008 SNA, BPM6, ESA 2010), and that after one year only of implementation the focus of statisticians remains concentrated on the complete entry into force of these standards and improved quality. The Task Force has also considered the main problems encountered in this implementation and many users that were consulted indicated their preference for solving the current problems related to methodology and data availability rather than pursuing conceptual changes in the short term. Users have also expressed the need for consistent long time series based on a stable methodology.

The Task Force acknowledges these stability needs and the top priority to be given in 2016 to the consolidation of ESA 2010 implementation; at the same time, the Task Force has identified areas where further progress should be made in future years. We know that the revision process of the international standards takes time, and it is already useful to plan work on the research agenda for future versions of SNA/ESA/BPM. The purpose here is not to launch the SNA review right now, but to be ready when this process of revision of the standards starts at international level. As in previous developments of new standards, Eurostat and the statistical authorities of EU Member States will work together to ensure that European needs are taken into account during this future process.

The changes in the economy that represent challenges for national accountants, for instance: how to deal with the increasing globalisation and international fragmentation of the production process; how to respond to increased demand for distributional data on income, wealth and indebtedness; how to reflect the increasing importance of intellectual property

assets and of internet services, how to improve productivity analysis; how to address sustainability and environmental issues, etc.

In this context, it is important to discuss European interests, to be in a position to express a European opinion on thematic groups or other structures that should be set up in the coming years at international level, on the role of Europe in these groups, and on the initiatives where Europe should take the lead. Eurostat will actively participate in the work of the Inter-Secretariat Working Group on National Accounts (ISWGNA) and the Advisory Expert Group (AEG) to this effect.

According to its mandate, the Task Force had the objective to:

- Discuss European views on the development of the research work for future versions of SNA/ESA/BPM, and notably on scope and prioritisation of topics;
- Develop recommendations, to be considered by the NAWG and the DMES, on the big challenges on which it is worth investing for preparing a European view for future international discussions.

The Task Force undertook appropriate consultations of both compilers and users of national accounts, drawing on national needs and experiences and learning from ESA 2010 implementation.

The Task Force defined criteria for giving a priority to revision topics.

Participation in the Task Force was open to all countries or organisations represented in the NAWG. The representatives of 11 Member States (Belgium, Finland, France, Germany, Hungary, Ireland, Italy, The Netherlands, Poland, Sweden, and United Kingdom) and of ECB and OECD joined the Task Force; their names are provided in Annex 1.

The Task Force met twice, on 10 March and 7 October 2015.

The present report includes comments made by NAWG members in their November 2015 meeting and also comments made by DMES members in their December 2015 meeting, relating to the explanations of the prioritized items.

PART II: RESULTS OF THE PRIORITISATION EXERCISE

In its first meeting on 10 March 2015, the Task Force "Towards ESA 202x – European needs for a future SNA" discussed the possible criteria for selecting and prioritising the major topics to be taken forward in the future SNA/ESA revision process, addressing both theoretical and practical aspects.

I. Criteria for prioritisation

On the basis of this discussion, a list of criteria was elaborated and presented to the NAWG in its May 2015 meeting.

Preliminary to theoretical and practical aspects, it was considered as important to manage process aspects: as for the 2008 SNA process, it is preferable that issues of a controversial nature should not be re-opened if a deliberate decision was taken in the existing SNA, except where it can be shown that either there have been relevant changes in the economic environment or progress in methodology research which warrant their consideration for updating.

The seven criteria are the following:

- **IMPACT:** size of the potential impact on main national accounts aggregates (notably GDP, GNI, public deficit and debt, saving, household disposable income, investment (fixed capital formation), balance of imports and exports);
- **RELEVANCE:** relevance from the point of view of users' needs, as expressed by them when consulted, and including new analytical needs. The relevance is also to be assessed considering past developments in economic theory and in international accounting standards;
- **VALUE ADDED:** value added of integrating the issue in the national accounts system if similar information already exists elsewhere in the official statistics system;
- **MEASURABILITY:** the expectation of a high level of reliability and comparability among countries;
- **PROPORTIONALITY:** the compilation burden (on both national accountants and basic data providers) must be proportionate to the expected benefits;
- **FEASIBILITY:** relevant basic data sources exist and will continue to exist; or do not yet exist but are expected with strong certainty to exist in the future;
- **TIMELINESS:** the measurement of the issue will not significantly delay the production of national accounts on a quarterly or annual basis.

The three first criteria are covering theoretical aspects; the four following ones are covering practical aspects.

II. Items to be prioritised

Items to be considered have been identified by the Task Force, in addition to items in 2008 SNA Annex 4 – Research Agenda. This gives a total of 48 items, to be prioritised according to the seven criteria.

Task Force Members were invited to fill the attached table, indicating in each cell corresponding to each item and each criteria "H" for high priority, "M" for medium priority or "L" for low priority.

For the theoretical criteria "impact", "relevance" and "value added", "H" means high impact on NA aggregates, high relevance for users, or high interest of integrating the issue also in national accounts.

For the practical criteria measurability, proportionality, feasibility and timeliness, "H" means expected high level of reliability and comparability of data, high benefits as compared to the compilation burden, relevant data sources or little delay in the production of accounts.

This means that an issue receiving all "H" scores could be considered as of high priority because it has high impact, relevance and value-added whilst being expected to be measurable, proportional, feasible and timely.

PRIORITISATION ACCORDING TO CRITERIA	IMPACT	RELEVANCE	VALUE ADDED	MEASURABILITY	PROPORTIONALITY	FEASIBILITY	TIMELINESS
ITEMS IDENTIFIED BY THE TASK FORCE TOWARDS ESA 202X							
Globalisation							
Distributional aspects of income, consumption and wealth by households categories							
Productivity analysis and extension of the asset boundary in national accounts (marketing, brands, innovation, human capital) (E.3 SNA research agenda)							
Scope of production (household own-account production of services)							
Internet services							
Concept of income (inclusion of holding gains/losses in the income account) (C.1 SNA research agenda)							
Development of aggregates net of the consumption of fixed capital (NDP,NNI)							
Measurement of well-being, integrating in particular sustainability and environmental aspects							
Relationship between national accounts and business accounts (B.1 SNA research agenda)							
Statistical units in National accounts (B.2/ B.3/B.8 SNA research agenda)							
Borderline between life insurance and financial services							
Market/non-market character of NPISHs							
Delineation rules between households and corporations sectors							
Borderline between payments for services and taxes							
Wider definition of financial assets covering crypto currencies							
Rearranged transactions							
Capital injections in public quasi-corporations							
Business NPIs having prices set by government							
ITEMS IN 2008 SNA ANNEX 4 – RESEACH AGENDA (if not included in items identified by the Task Force)							
B3.Trusts							
B4. Final consumption of corporations							
B5. Measuring the output of government services							
B6. The treatment of social transfers in kind to the rest of the world							

PRIORITISATION ACCORDING TO CRITERIA	IMPACT	RELEVANCE	VALUE ADDED	MEASURABILITY	PROPORTIONALITY	FEASIBILITY	TIMELINESS
B7. Output of central banks: taxes and subsidies on interest rates applied by central banks							
B8. The treatment of establishments in the SNA							
B9. The inclusion of international organizations in the SNA							
C2. GDP at basic prices							
C3. The role of taxes in the SNA							
C4. Life insurance							
C5. Reinvested earnings							
C6. Accruing interest in the SNA							
C7. Calculation of FISIM							
C8. High inflation							
C9. The measurement of neutral and real holding gains and losses							
C10. Income arising from assets							
C11. Income from activities undertaken on an informal basis							
D1. Issues arising from a financial crisis							
D2. Recognition of social security entitlements as liabilities							
D3. Wider use of fair value for loans							
D4 .Provisions							
D5. Debt concessionality							
D6. Equity valuation and its implications							
D7. Reverse transactions							
E1. Tradable emission permits							
E2. Leases to use or exploit natural resources							
E4. Costs of ownership transfer of valuables and non-produced assets							
E5. Distinction between current maintenance and capital repairs							
E6. Treatment of Private-Public Partnerships							
E7. Transfer of ownership of an asset during its life							

III. Results obtained: 12 "top" items

Eleven Task Force Members completed the table.

On the basis of the replies received, the 48 items were ranked by order of priority, considering their global (multi-criteria) score "H"+"M".

As there are three possible scores ("H", "M" or "L"), we can consider that items which received more than 1/3 of "H" replies and/or more than 2/3 of "H"+"M" replies as the most important ones.

From an examination of the results, we can observe that most items identified separately by the Task Force come first in the ranking, and that only 12 items receive 2/3 or more of "H"+"M" replies, whereas 36 items receive "L" in more than 1/3 of replies.

Only globalisation and concept of income items obtained a proportion of "H" superior to 1/3: 48% for globalisation and 46% for the concept of income.

Then come 10 items having a proportion of "H"+"M" superior to 2/3 of replies:

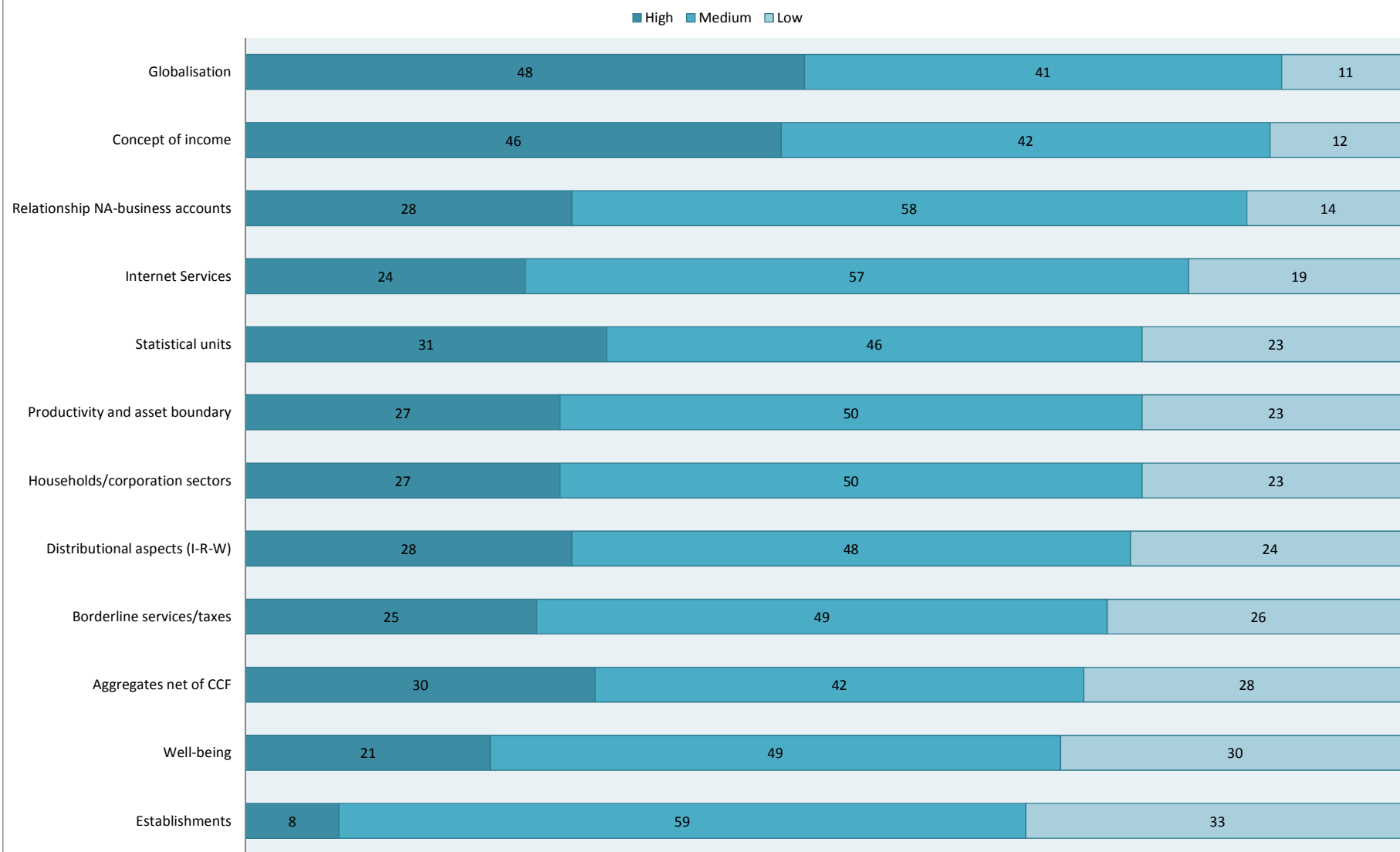
- Relationship between national accounts and business accounts ("H"+"M" equal to 86%)
- Internet services (81%)
- Statistical units (77%)
- Productivity analysis and extension of the asset boundary (77%)
- Delineation rules between households and corporations sectors (77%)
- Distributional aspects of income, consumption and wealth (76%)
- Borderline between payments for services and taxes (74%)
- Development of aggregates net of the consumption of fixed capital (72%)
- Measurement of well-being (70%)
- The treatment of establishments in the SNA (67%)

It can be noted that, among the 48 issues, a relatively small number is related to financial accounts; this result may be further discussed and confirmed with the relevant groups. Some issues, such as issues arising from the financial crisis, are in the SNA research agenda (item D1) but need to be discussed further.¹

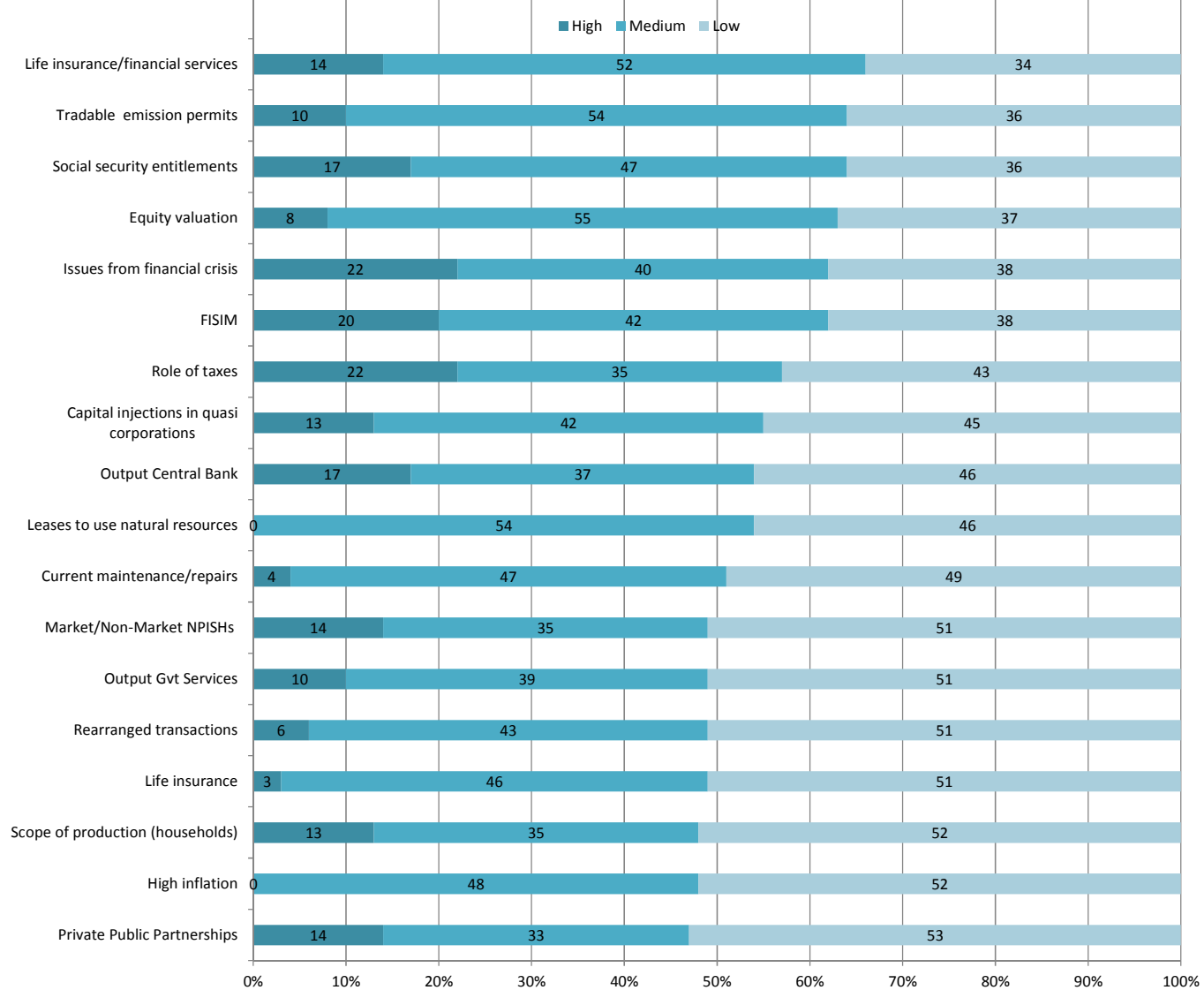
A number of issues impact Government Finance Statistics, and there will be a presentation in the EDPS Working Group.

¹ Specifications of the financial crisis issues (capturing of risk in financial instruments, more detailed sub-sectorisation of the financial sector) were supported by some users but did not make the top items.

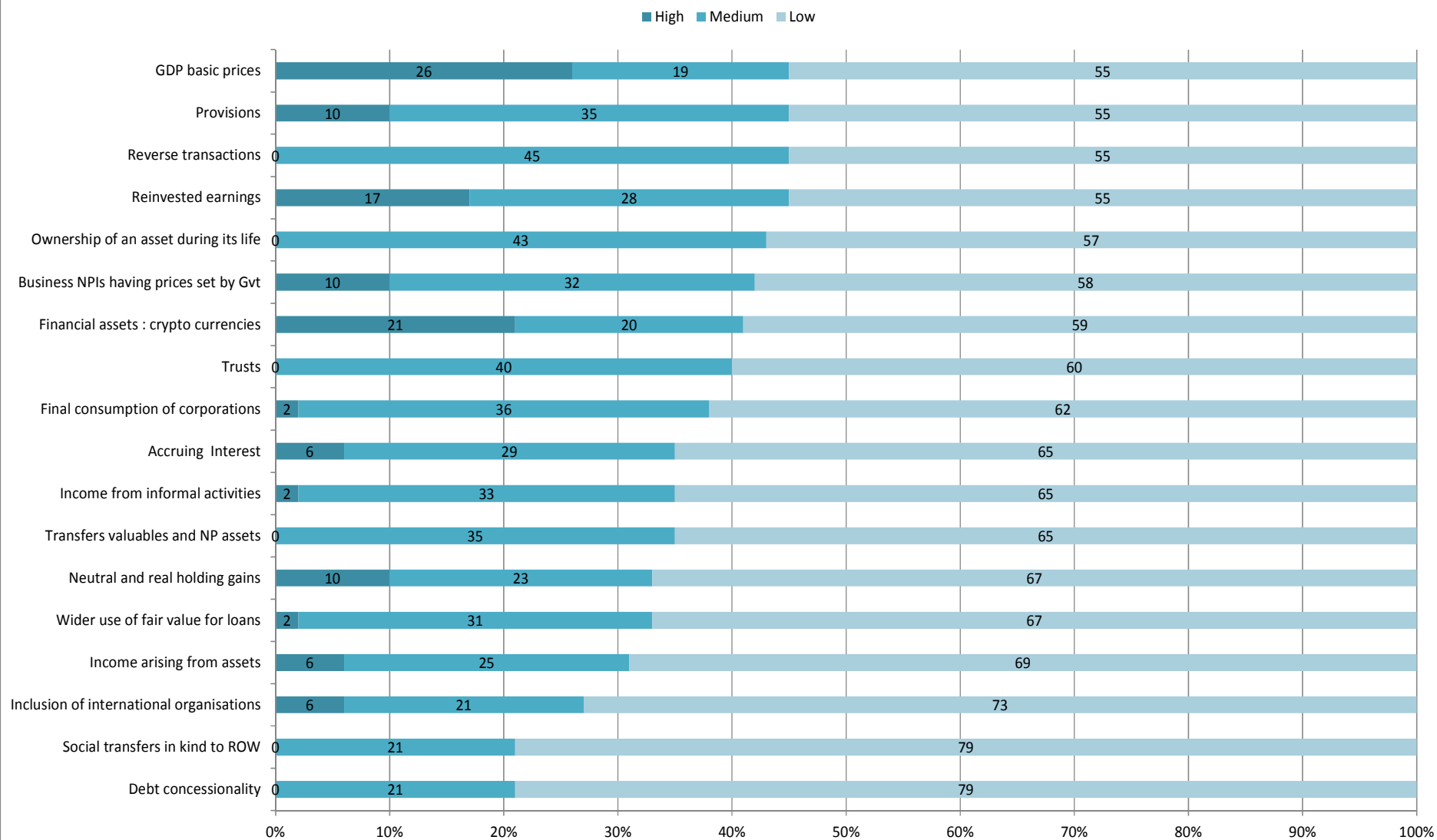
ITEMS HAVING SCORES "HIGH" + "MEDIUM" SUPERIOR TO 2/3



ITEMS HAVING SCORES "HIGH + MEDIUM" INFERIOR TO 2/3 (first part)



ITEMS HAVING SCORES "HIGH + MEDIUM" INFERIOR TO 2/3 (second part)



The results in each cell of the prioritisation table have been filled to show its most frequent score in the attached synthesis table. This synthesis table presents in dark blue the cells with a more frequent score "H", in light blue the cells with a more frequent score "M" and in white the cells with a more frequent score "L"; the twelve "top" items are coloured in yellow.

We can observe a majority of "L" scores, particularly in the second part of the table which lists items in the 2008 SNA Annex 4 which were given a lower priority by the Task Force.

"H" scores are much more frequent for theoretical criteria (impact, relevance, value added) than for practical criteria (measurability, proportionality, feasibility, timeliness): several items are considered as important in theory, but their implementation would not be easy in practice. The 12 "top" issues obtained together 16 "H" scores for the three theoretical criteria, but only 4 "H" scores for the four practical criteria.

Some challenges were experienced by the task force members when filling in the table. Many items are multidimensional, and prioritisation results depend on how the actual contents of items are interpreted. In addition, several items on the list are interconnected.

Nevertheless, it was concluded that the prioritisation approach itself proved very useful and could be utilised also in the future work related to the update of national accounts.

PRIORITISATION ACCORDING TO CRITERIA	IMPACT	RELEVANCE	VALUE ADDED	MEASURABILITY	PROPORTIONALITY	FEASIBILITY	TIMELINESS
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E7. Transfer of ownership of an asset during its life							

PART III: NEEDS OF USERS OF NATIONAL ACCOUNTS

Introduction

At the May 2015 meeting of the NAWG, Members were invited, on a voluntary basis, to consult their users at national and international levels.

To facilitate the collection of users' needs, the Task Force "Towards ESA 202x - European needs for a future SNA" had elaborated a questionnaire to users.

It was agreed that a synthesis of replies to the questionnaire received by NAWG Members would be sent to Eurostat in early September.

Eurostat thanks the twelve Member States plus OECD, ECB and DG ECFIN that sent replies:

Poland (about 100 users replied to the various questions)

Germany 25

France 12

Italy 11

Greece 9

Finland 8

Hungary 7

Belgium 5

Sweden 5

Denmark 3

The Netherlands 3

Ireland 2

ECB 2 groups of users

OECD

DG ECFIN

The questionnaire was structured in four parts:

- Your organisation;
- The process of revision of the accounts (past experience);
- Your views for the future SNA;
- Your main needs (top priorities).

I. The organisation of the user

1. Description of the organisation

The questionnaire was proposing seven categories:

- a. Public administration
- b. Private non-financial sector
- c. Central Bank
- d. Financial sector

- e. Universities and research institutes
- f. Media
- g. Others

Most respondents were from public administration (60%); universities and research institutes represented 20% of replies, the remaining 20% being constituted by the private non-financial and financial sectors, the Central Bank, and the media.

2. The areas of national accounts which were most cited by respondents

Eight areas were proposed in the questionnaire:

- a. Main aggregates
- b. Annual accounts
- c. Quarterly accounts
- d. Regional accounts
- e. Government statistics
- f. Sector accounts
- g. Financial accounts
- h. Others

Analysis of answers received indicates that the respondents were most interested in four areas of national accounts: annual accounts, main aggregates, sector accounts and quarterly accounts. Then come government statistics, followed by financial accounts and regional accounts. This reflects that predominantly NSI users were consulted.

II. The process of revision of the accounts

1. Opinion of users concerning the past revision of national accounts, leading to 2008 SNA and ESA 2010

A majority of users responded that they were sufficiently involved, and that the communication from statisticians was satisfactory. The information provided at national and EU levels is considered as sufficient for the users' needs to understand the revision and the process of revision. In particular, the presentations given and material circulated regarding the impact of ESA 2010 transition on macro-economic aggregates were useful. Some users stressed that early information starting in the discussion phase would be also important. It was in particular proposed that, when the new SNA would be almost finalised, a satellite accounts process would be started to estimate the impact of main methodological changes on the ESA main aggregates.

2. Opinion of users concerning the time-lag between the revision of 2008 SNA and the implementation of ESA 2010 in September 2014

Few respondents had an opinion. Almost all those who replied considered that the time-lag between the revision of 2008 SNA and the implementation of ESA 2010 was proper. It is broadly recognised that the preparation of the implementation of a new international standard requires time, in particular to adapt the primary sources; also, it was important to ensure that

all EU countries moved to ESA 2010 at the same time. Squeezing the transition period should not be done at the cost of lower data quality. It seems also that some users do not know that the SNA is a preliminary stage.

3. Users' views on the meaningfulness of main methodological changes brought by 2008 SNA/ESA 2010 (for instance, capitalisation of R&D and of military expenditures, goods sent abroad for processing, pension liabilities...)

A large majority of replies supported the changes, considering they are meaningful and improve the information provided by the national accounts.

However, some users mentioned the risk of the increasing use of model estimations instead of statistical data. There is an issue for the quality of quarterly accounts; in particular quarterly estimation of R&D expenditures needs to be improved.

4. Users' comments on the process of introduction and usefulness of smaller methodological changes in the 2008 SNA/ESA 2010:

A majority of users did not reply to this question. Most of opinions welcome the smaller methodological changes. Some users fear that these changes would complicate the accounts and disturb the reliability of long time series.

5. Users' opinion concerning SNA and ESA manuals: Are they too detailed/ detailed enough? Is the availability of complementary technical manuals sufficient?

A majority of respondents considered that SNA and ESA manuals are detailed enough and useful. Complementary technical manuals are welcome, in particular by public administration and universities/research institutes. The Manual on Government Deficit and Debt (MGDD) is considered as particularly important. Some users indicated that numerical examples should be developed in technical manuals. Also, a request from several users is to get complementary information on the sources and methods used in the various countries.

6. Users' views on the balance introduced between core accounts and supplementary/satellite accounts

Most users expressing an opinion considered as satisfactory the balance between core accounts and supplementary/satellite accounts.

Some users stressed the necessity to leave the core accounts stable, and to develop satellite accounts for the users who need other data. The opinion according to which information from satellite accounts can, in a second step when mature (example: some environmental data), be added to the core accounts was also expressed.

Satellite accounts would be welcome in particular for households (by income/wealth categories), for non-financial corporations (by broad size/industry categories), for social domains, for new assets (marketing, innovation, human capital).

III. Views for the future SNA

1. How the process of revision of national accounts standards could be better organised in the future

Few users replied to this question; proposals received were:

- a) An early involvement of users at the stage of first international discussions (via explanatory notes/workshops);
 - b) More consultation of users (via interviews/web-questionnaires/seminars/on-line forums) to know which existing statistics are not often used, and which new statistics would be useful;
 - c) The necessity to balance users' needs and to use the statistical feasibility as a criterion, also considering the priority to be given to the increase of the quality of statistics rather than to their scope.
2. Should the revision of national accounts be conducted in a "big bang", ensuring stability of methodology for many years, or should it take place step by step, with smaller but more frequent adaptations?

Users need consistent data over a long period; a majority of respondents prefer the revision being conducted in a "big bang". The time span between revisions should be long enough, as users of national accounts have in revision periods to adapt their systems to the new standard instead of doing actual analysis based on existing national accounts methods. It is considered that, for the purposes of economic analysis, the stability of the methodology and the comparability of the data series over large periods are very important. Some users commented that step by step revisions could cause confusion and breaks in the series, difficulties in the retropolation or in interpretation of data not retropolated, therefore complicate communication to policy makers.

Those having expressed a preference for the "step by step" approach consider that a "big bang" is less transparent, as some changes may be concealed by others, and that it is important to preserve a good description of main economic stocks and flows.

It was also suggested to mix "step by step" methodological discussions and decisions and their "big bang" implementation.

3. Are there any conceptual approaches in the existing SNA/ESA which should be removed because they are not useful, or even of negative value, to you as a user?

Few opinions were expressed on this issue. Among those who replied, a majority indicated having no suggestions. However, those mentioned as candidates for removal were: estimations of hidden economy and illegal activities; capitalisation of military expenditures and costs of ownership transfer on real estate; super-dividends; FISIM; pension liabilities; imputed rents; new treatment of goods for processing (because of its impact on IOT); measurement problems for intangible assets and capital value of R&D.

IV. Main needs: the three top priorities for future national accounts standards to satisfy your needs as a user of national accounts data

From the replies to the questionnaire received by Member States, the ranking of top priorities is the following (top 6 priorities):

- Globalisation (ranked in first place in the prioritisation exercise);
- Internet services (ranked in 4th place in the prioritisation exercise);
- Productivity analysis and extension of the asset boundary (ranked in 6th place in the prioritisation exercise);
- Relationship between national accounts and business accounts (ranked in 3th place in the prioritisation exercise);
- Distributional aspects of income, consumption and wealth (ranked in 8th place in the prioritisation exercise);
- Concept of income (ranked in second place in the prioritisation exercise).

These results are consistent with the prioritisation exercise, as the 6 top priorities above were also selected in the top 12 issues of the prioritisation exercise.

However, it should be noted that the questionnaire to users had an appendix containing a sample list of issues to provoke comments; that list was quite restrictive, as not mentioning four issues which are well ranked in the prioritisation exercise.

These issues are:

- Statistical units in national accounts (ranked in 5th place in the prioritisation exercise) and, linked to it,
- The treatment of establishments in the SNA (ranked in 11th place in the prioritisation exercise) ;
- Delineation rules between households and corporations sectors (ranked in 7th place in the prioritisation exercise);
- Borderline between payments for services and taxes (ranked in 9th place in the prioritisation exercise).

Two other issues were proposed in the appendix of the questionnaire, and were also mentioned –to a lesser extent- as top priorities by some users; these issues are:

-The development of aggregates net of the consumption of fixed capital (ranked in 10th place in the prioritisation exercise) and

-The measurement of well-being (ranked in 12th place in the prioritisation exercise)

Respondents to the questionnaire also mentioned other issues. It is important to say that, when asked about their top priorities, many users indicated issues related to the implementation of present SNA/ESA or to the degree of detail of available data, rather than to methodology.

For the moment, as a first priority, many users prefer solving current problems related to methodology and data availability rather than conceptual changes.

To illustrate this, we can list some of the needs which were expressed, most of them not related to expected changes in methodology:

- Services categories are not detailed enough;
- A88 sectoral breakdown for main indicators should be more timely and frequent;
- Need for more disaggregated and annual IOTs;
- Need for long and unbroken data series at euro area and country levels;
- Need for an improvement of quarterly sectoral income and expense;
- Need for a more detailed breakdown of the financial sector (shadow banking);
- Need for better capturing of risk in financial instruments;
- Need for consistency between the primary data sources and financial accounts data;
- Measurement problems of volume growth of intangible production/consumption;
- Measurement methods for international trade in services should be improved;
- GDP and t+30;
- Equal treatment of Foreign Direct Investment and portfolio investment;
- The holding companies classification in the financial sector involves low net lending for non-financial corporations;
- The cost of using natural resources should be introduced in the core accounts.

The Task Force members found the replies to the questionnaire as very useful, and agreed that the top priority for 2016 is to address the issues related to the implementation of ESA 2010.

PART IV: PRESENTATION AND WAY FORWARD ON THE TWELVE SELECTED TOP PRIORITIES

As said in Part I "Introduction" of the report, the purpose of the Task Force is not to push for the launch of the next SNA Review, but to be prepared early for a future revision of the international standards.

Therefore, in advance of the review, it is important to discuss European needs, in order to express in future international discussions in which areas Europe (both producers and users) have strong interest.

The objective is also to define on which issues Europe should offer to take the lead, and put resources in the coming years, as part of the international efforts coordinated by the ISWGNA.

The Task Force examined each "top" issue in order to develop recommendations on the way forward, to be validated by the NAWG and the DMES.

It should be noted that there are clear linkages between many of these items, as they are multidimensional and interconnected.

This is obviously the case for the broad issue of *globalisation*, as *internet services*, *statistical units and establishments* may be seen as particular aspects of globalisation.

Also, the items *delineation rules between households and corporations*, and *distributive aspects of income, consumption and wealth by categories of households* are linked, as the first issue determines the scope of the second.

The items *extension of the asset boundary*, *aggregates net of the consumption of fixed capital* and *well-being* are linked as the asset boundary as well as environmental aspects impact the level of the consumption of fixed capital.

Also, some "top" items mainly have a conceptual nature, related to the methodology of national accounts, whereas other "top" items mainly have a practical nature, related to the compilation of national accounts.

It is difficult to classify *globalisation*, as it covers many aspects, some of them having conceptual characteristics, while some others are practical.

The *concept of income* is mainly conceptual, but also implies practical problems such as the split between realised and unrealised holding gains. Before introducing significant changes in the core (central) accounts, it would probably be necessary to test them in satellite accounts.

Relationship between national and business accounts is a practical issue, the aim for core national accounts being to obtain data of sufficient quality from respondents.

Internet services are mainly a conceptual topic, as related to the treatment of these new services, but there are also practical measurement aspects. Depending of the issue at stake, this could affect both core and satellite accounts.

Statistical units and establishments constitute a conceptual issue, even if measurement problems are involved, for inclusion in the core accounts.

Productivity and extension of the asset boundary: Whereas productivity analysis is mainly a practical item, the extension of the asset boundary is conceptual.

Delineation between households and corporations is a practical issue requiring implementation guidance for a better harmonisation of core accounts.

Distributional aspects of income, consumption and wealth by categories of households include many practical aspects related to the linkage between micro and macro data, with possible implications both for the core and (by extension) satellite accounts.

Borderline between payments for services and taxes is an implementation issue, for a correct borderline in the core accounts.

Development of aggregates net of the consumption of fixed capital: The harmonisation of service lives is a practical issue, for a better comparability of core accounts, whereas the idea of a broader consumption of fixed capital to include environment is conceptual, to be potentially developed, at least in a first step, in satellite accounts.

The measurement of well-being, integrating in particular sustainability and environmental aspects is a conceptual issue, to be treated in satellite accounts.

Globalisation

There are broad cultural, political and environmental dimensions of globalization. Economic globalization is a historical process, the result of human innovation and technological progress. It refers to the increasing integration of economies around the world, particularly through trade and financial flows, as technological advances have made it easier and quicker to complete international transactions. It also refers to the movement of people (work force) and knowledge (technology) across international borders. Global markets mean that people can have access to more capital flows, technology, cheaper imports, and larger export markets.

But countries have to embrace the policies needed to be in a position to share the benefits of this increased efficiency, and national accountants have to inform policy makers about the impact of globalisation on the economic development of the country.

The increasing number of enterprises running their business on an international scale and the growing cross-border movement of people, financial capital, goods and services pose specific problems to compilers of national statistics. In particular, there is a need to better measure the activity of multinational enterprises and to develop indicators which capture the growing interdependence of national economies.

As expressed by the users, many aspects of increasing globalisation challenge the quality and relevance of national accounts (goods for processing, merchanting, outsourcing, factoryless goods producers, and above all multinational enterprises).

The measurement of global value chains is vital for users. Inter-linkages between multinationals, including ownership structures, have to be examined more in depth.

The Task Force considered the possibility of two sets of accounts, based on the resident/non-resident ownership structures, with an eventual deconstruction of the Rest of the World sector.

Data on Intellectual Property Products (IPP) and on services are of poor or medium quality. There is a need to revise the ISIC classification in those areas.

Linkages between BOP and national accounts have to be retained.

Complementary globalisation projects in national accounts and in business statistics should be developed.

The Task Force also considered important to promote data sharing and to examine the practical implementation of the new treatment of goods for processing.

Way forward

Conceptual and practical issues relevant for future work at international level are presented in the UNECE "Guide to measuring global production". Globalisation is a broad issue, and work is being developed world-wide, with the involvement of EU.

Eurostat cooperates with the Joint Research Centre to construct experimental EU multi-country supply- use and input-output tables (project FIGARO); also, Eurostat will launch in 2016 a project on Integrated Global Accounts and Global Production (IGA).

Also, from the ISIC classification angle, an early top-down exercise could be launched.

Concept of income (inclusion of holding gains/losses in the income accounts)

The current concept of income in SNA/ESA is narrower than the concept of income as understood by most economists. The income accounts as currently constituted are transactions accounts, excluding holding gains/losses because there is no direct interaction between institutional units. This creates difficulties in the measurement of the output of many businesses which rely on holding gains for their revenues. A thorough review of the concept of income in the SNA/ESA, including the implications for all property income flows, would address this concern. For example, representatives of insurers often claim that insurance activities are underestimated in GDP, because the definition of income does not include all their sources of revenue.

Some users expressed the danger of integrating holding gains in the measurement of income, because an important requirement of the national accounts is to distinguish between a real creation of wealth for the society corresponding to value added and a simple revaluation. The Task Force also considered the risk of disconnecting income measures from the labour market.

On the production side, the extended concept of income would imply an allocation of the holding gains/losses by sector/industry. The Task Force considered that realised and

unrealised holding gains/losses should be considered separately: the inclusion of unrealised holding gains/losses would result in erratic main aggregates; the inclusion of realised holding gains/losses could be provided as supplementary information, therefore presenting two measures of households' income.

For the insurance sector, it was suggested to treat the impact of disasters in the capital account.

Way forward

The Task Force proposal is to offer to launch, relatively early in the process, a European initiative on this issue.

Relationship between national accounts and business accounts

Even if the national accounts and business accounts share some common principles, they also have some fundamental differences in compilation and presentation. This has implications for interpretation of the accounts and the use of business accounts data as source data for the national accounts.

Some users argue that national accounts should learn from business accounts, including in such areas as measurement of income, and the recording of provisions and contingent liabilities.

Other users would favour the establishment of a clear transition from business accounts to national accounts, in order to obtain data of sufficient quality from respondents. In particular, transfer prices are an issue for comparability.

The Task Force recommended to closely following the development of the FRIBS framework.

Way forward

It was considered as important to develop work and discussions on reconciling business accounts with national accounts. This world-wide issue would require, at international level, to discuss concrete proposals with the International Accounting Standards Board (IASB), on the basis of expected developments in International Financial Reporting Standards (IFRSs), implying changes in data sources, to ensure that the needs of national accountants are taken into account. Also, cooperation is needed with the International Public Accounting Standards Board (IPSASB).

Internet services

Innovation in the IT and internet field creates measurement problems for national accounts, in particular from the point of view of imports/exports of services. In this context, this item is one of the aspects of globalisation.

There is a need to distinguish goods invoiced via Internet (which may or may not cross the border) and services, particularly difficult to value. The recording of new services, like cloud services, is not easy. Data on internet – based trade (consumption expenditures/retail and wholesale trade/cross-border transactions) are required by users

Information technology has introduced a profusion of new products, processes and market channels. Internet modifies the quality of existing services, but these quality changes are difficult to capture: is it still the same product with a cheaper price or a new product ? We observe the emergence of new products and more varieties of similar products. New services are sometimes not covered in trade surveys and would require an adaptation of ISIC/NACE.

Free and small-scale services are not observed by statistical reporting systems. And if the production and export side of internet services could relatively correctly be captured by surveying a population of specialised companies engaged in these activities, their consumption and import is harder to know, because any resident household may be involved.

On-line advertising is a form of promotion that uses internet for delivering marketing messages to attract customers. It is growing rapidly, and as many services on the web seem to be free, and more and more such services are financed by advertising, how can these products and activities be properly treated in the national accounts?

Way forward

The underestimation of household consumption of internet services has therefore two components: these transactions are difficult to capture; when captured, the price of the service is low (even free) due to on-line advertising. On these two areas of research, and considering the potential impacts on GDP/GNI, and the growing interest of this issue in the coming years, the Task Force proposes that EU would offer to take the lead.

Statistical units and the treatment of establishments

The concepts of establishments and institutional units are both being questioned.

SNA 2008 distinguishes two types of statistical units: establishments (local KAUs in ESA) having a production basis for the compilation of supply and use tables as well as for the compilation of regional accounts, and institutional units having an ownership basis for the compilation of institutional sectors accounts.

Historically, the rationale of the concept of establishment was to have a unit that related, as far as possible, to only one activity in only one location, so that the link to the physical process of production was as clear as possible. However, the increasing international fragmentation of production, according to some users, calls for a reconsideration of establishments in the supply and use framework.

In some EU countries, enterprises (institutional units) appear to be equivalent to legal units, whereas in other countries enterprises can consist of many legal units. The criteria of autonomy of decision may be interpreted in different ways. The international comparability is hampered by these differences, for instance unconsolidated data on debt differ substantially among countries.

The role of establishments and of institutional units can be reassessed, due to the substantial changes in the economy and the related difficulties of appropriately describing all relevant new phenomena in the accounts.

Way forward

The recent Eurostat Task Force on Statistical Units has defined some guiding principles and operational rules. However, this work is separate from the more fundamental discussion on statistical units which should take place at international level, in the context of a future international Task Force on Statistical Units led by the OECD. This Task Force and other international forums with EU participation will have to coordinate national statistics, balance of payments statistics, business statistics and classifications, and address both globalisation and regional accounts issues.

Productivity analysis and extension of the asset boundary in national accounts (marketing, brands, innovation, human capital...)

Productivity defined as a ratio of volume measure of output to a volume measure of input has several objectives: trace technical change, efficiency gains, and economies of scale. There are two types of output measures (gross output or value added) on which to base productivity calculations. For the type of input, there are single factor productivity measures (labour or capital) and multiple factor productivity measures (labour and capital, and KLEMS which integrate in addition intermediate inputs (energy, materials,..) .

Many users underline the need to bring more productivity-relevant information into the SNA System, for example on capital services and detailed labour inputs.

There is less interest in expanding in the core accounts the asset boundary for intellectual property products, natural resources, perhaps even human capital. Given the extension under 2008 SNA of the fixed assets boundary to include Research and Development expenditure, it is considered by some users that part, but not all, of the innovation process has been captured. For example, market research to determine the demand for a new product, and marketing expenditures for product promotion continues to be treated as intermediate consumption. Also, brand names, trademarks, logos and domain names are not fully captured.

Way forward

The Task Force proposes to launch European initiatives to improve the quality of productivity analysis. Eurostat already cooperates with the Joint Research Centre on labour productivity indicators for the EU 28 (quality adjusted labour input) and on capital productivity indicators for the EU 28.

Work on the extension of the asset boundary, for example to marketing assets should continue to be organised via international forums, such as the Canberra Group, to discuss their possible inclusion in the core accounts or in satellite accounts.

Delineation rules between households and corporations sectors

The borderline between the households and corporations sectors is not harmonised among countries, but based on different thresholds related to the number of employees, turnover or legal status for small enterprises (sole proprietors and unlimited partnerships). The lack of clear and unified criteria for defining when sole proprietors and unlimited partnerships should be treated as quasi-corporations impacts cross-country comparability and interpretation of data for sectors of corporations and households. Therefore, the operating surplus and mixed income are difficult to analyse in international comparisons. The issue is made complex due to the variety of national rules related to small enterprises from one country to another.

Way forward

The Task Force considered that this practical issue requires more implementation guidance. This can be managed at EU level initially, but could be shared later internationally.

Distributional aspects of income, consumption and wealth by categories of households

This issue is a follow-up of the Stiglitz/Sen/Fitoussi "Commission on the measurement of Economic Performance and Social Progress", which recommended greater emphasis on the "household perspective".

Average income, consumption and wealth are meaningful statistics, but they do not tell the whole story about living standards. For example, a rise in average income could be unequal across income groups, leaving some households relatively worse-off than others. Thus, average measures of income, consumption and wealth should be accompanied by indicators that reflect their distribution across households.

A vital indicator of the financial status of a firm is its balance sheet and the same holds for households. To construct the balance sheet accounts for households, we need to develop comprehensive accounts of their assets (mostly dwellings and land) and their liabilities.

Another area of research to complement the distributional analysis are services that households produce for themselves and which are not recognised in official income and production measures, yet they constitute an important aspect of economic activity. Such own-

account production should be accounted for, to the extent that it spares households the buying of equivalent goods and services. This could start with collecting information on the value of such production that would feed the periodic dissemination of households' satellite accounts. The analytical usefulness of distributional aspects is considered by many users as a high priority, as it would bring extended and improved information on households' income, consumption and wealth, with a breakdown by suitable categories. This would provide detailed data useful for tax and welfare policies. When reliable, this information could be integrated in the ESA Transmission Programme.

Way forward

The Task Force considered that the difficulty here was the linkage between micro and macro data, and that work undertaken at international level (OECD Expert Group on Distributional Information on Income, Consumption and Savings in National Accounts) should be pursued, with European involvement. Eurostat is also looking at significant investment in this area. The DMES could therefore be looking into "GDP and beyond" issues, including a stock-taking of work at Member States level. These activities could lead to inclusion of approaches in SNA.

Borderline between payments for services and taxes

2008 SNA, ESA 2010 and the Manual on General Government Deficit and Debt (MGDD) provide guidance for the delineation between services provided by General Government and taxes. However, in borderline cases, it is not easy to determine what the correct treatment is.

Way forward

The Task Force considered that this issue is rather an implementation one and is already discussed in an EU context, in the EDPSWG and the MGDD Task Force.

Development of aggregates net of the consumption of fixed capital (NDP, NNI)

Aggregates net of consumption of fixed capital (CFC) are conceptually more relevant and appropriate for analytical purposes, even if the gross aggregates are easier to estimate and therefore more reliable. The development of reliable headline net aggregates requires further work on the harmonization of the calculation of CFC. This supposes to further harmonise the service lives at a detailed level of each category of asset.

A more complex issue is the inclusion of the use of natural resources into the central framework of the national accounts system, which would imply that the consumption of fixed capital also incorporates the depletion of non-renewable natural resources and the degradation of air, land and water resources.

Way forward

The Task Force considered that the harmonisation of service lives was typically a European problem, especially where it impacts GDP/GNI, whereas the SNA cannot be too prescriptive in this area. Therefore, the Task Force proposes to have a renewed European initiative on service lives.

A broader consumption of fixed capital to include environment is to be analysed under GDP and beyond objectives, as a follow-up of the Stiglitz report. The Task Force considered that this could be examined at international level, with the objective in a first step to develop satellite accounts; this is an area where the London Group on environmental accounting is proactive.

Measurement of well-being, integrating in particular sustainability and environmental aspects

The concept of well-being integrates sustainability aspects: the economic, social and environmental systems must be simultaneously sustainable in and of themselves.

Should the measurement of well-being be integrated in the accounts, with alternative official aggregates such as well-being adjusted measures of domestic product and disposable income? Some users argue that the valuation of the depletion and degradation of natural resources caused by economic activities deserves further attention, with a view to bringing these measures into the core national accounts. Most users would prefer to treat these questions, at least in a first step, only in supplementary/satellite accounts.

Way forward

The Task Force proposes that this broad issue remains to be managed at international level, in particular via the Sponsorship Group for well-being.

PART V: CONCLUSION

The Task Force proposals are the following concerning the top issues:

- Europe should pursue and launch initiatives in the coming years and propose to take the lead on issues of particular interest at EU level:
 - Globalisation (EU direct involvement in FIGARO and IGA projects, another area could be ISIC classification);
 - Concept of income;
 - Internet services;
 - Productivity calculations (EU direct involvement in labour and capital productivity indicators);
 - Delineation rules between households and corporations sectors;
 - Distributional aspects of income, consumption and wealth (EU stock-taking on work on "GDP and beyond" at Member States level);
 - Borderline between payments for services and taxes (EDPSWG and TF MGDD);
 - Development of aggregates net of the consumption of fixed capital: harmonisation of service lives.

- Europe may involve itself in ongoing and future work on large dimensional issues discussed in several international groups:
 - Globalisation (areas not mentioned above);
 - Relationship between national accounts and business accounts;
 - Statistical units, including the treatment of establishments;
 - Extension of the production boundary (marketing, brands, innovation, human capital, etc.);
 - Distributional aspects of income, consumption and wealth;
 - Development of aggregates net of the consumption of fixed capital (CFC): extension of the CFC to environmental concerns;
 - Measurement of well-being.

The feedback of users has proven to be helpful and their expressed needs should be considered more broadly.

Annex 1: List of participants

BELGIUM	Ms Catherine RIGO
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