

**9th Meeting of the Advisory Expert Group on National Accounts,
8-10 September 2014, Washington DC**

Agenda item: 9.1

Issues going beyond the 2008 SNA recommendations

Introduction

Annex 4 of the 2008 SNA lists research issues that have emerged during the update of the 1993 SNA, but where more extensive consideration is needed than was possible in the course of the update process. At its meeting in 2012 the AEG agreed with ISWGNA to focus only on issues related to practical implementation, clarifications and interpretation of the 2008 SNA, and not touch upon issues beyond the 2008 SNA. However, a number of issues particularly related to the definition of income were brought to the attention of the ISWGNA, which require a general discussion on the way forward with issues going beyond the 2008 SNA recommendations. These issues include: the financial instrument and unit scope of FISIM and the connection between the recommendations on implementation of FISIM and the definition of income; whether the capital income derived from the investment of insurer's own funds should be included in the calculation of the output and value added of insurance; and the treatment of statistical units in the supply and use tables and institutional sector accounts.

Documentation

Issues note

Main issues to be discussed

The AEG is requested to provide guidance on addressing issues beyond the recommendations of the 2008 SNA

Issues going beyond the 2008 SNA recommendations

I. Background

1. Annex 4 of the 2008 SNA lists research issues that have emerged during the update of the 1993 SNA, but where more extensive consideration is needed than was possible in the course of the update process. At its meeting in 2012 the AEG agreed with ISWGNA to focus only on issues related to practical implementation, clarifications and interpretation of the 2008 SNA, and not touch upon issues beyond the 2008 SNA. However, a number of issues particularly related to the definition of income were brought to the attention of the ISWGNA, which require a general discussion on the way forward with issues going beyond the 2008 SNA recommendations. These issues include: the financial instrument and unit scope of FISIM and the connection between the recommendations on implementation of FISIM and the definition of income; whether the capital income derived from the investment of insurer's own funds should be included in the calculation of the output and value added of insurance; and the treatment of statistical units in the supply and use tables and institutional sector accounts.

II. The financial instrument and unit scope of FISIM and the connection between the recommendations on implementation of FISIM and the definition of income

2. It may be recalled that the mandate of the ISWGNA Task Force on FISIM is to consider these two issues, in addition to the clarification issue on how the composition of the services that FISIM covers—particularly risk management and liquidity transformation—affects the selection of the reference rate and the price and volume breakdown of FISIM. Now that the Task Force has completed its work on the clarification issue, there is a need to decide how to proceed with these two issues.

III. Whether the capital income derived from the investment of insurer's own funds should be included in the calculation of the output and value added of insurance

3. In the 2008 SNA, the calculation of the output and value added of insurance corporations excludes the capital income derived from the investment of the own funds of these corporations. It only includes the investment income earned from the investment of collected premiums. The Global Federation of Insurance Associations (GFIA) has recently suggested that the issue of including the capital income derived from the investment of an insurer's own funds in the calculation of the value added of insurance corporations be included on the 2008 SNA research agenda. This is on the basis that all the assets of an insurer serve the ultimate purpose of improving the risk-bearing capacity of an insurer – and thus the interests of policyholders - irrespective of whether they have been acquired through an insurer's own funds or collected premiums. Thus, all capital income is part of the production process of insurance protection. It may be useful to assess the implications of the suggestion by the GFIA and how it will impact on the recording of transactions and other flows in national accounts.

IV. The treatment of statistical units in the supply and use tables and institutional sector accounts

4. The rapidly changing nature of production and in particular the ways in which producers produce goods and services has cast a spotlight on the SNA's preference for the use of the establishment as the preferred unit to compile industrial statistics, and in particular, supply and use tables. One of the primary motivations for this preference reflected the view that establishments classified to the same industrial classification grouping shared similar characteristics in their production functions, and, so, were considered broadly 'homogeneous'. However the increasing international fragmentation of production, coupled with the growing emergence of new types of producers has weakened underlying assumptions of homogeneity. In addition to practical problems in implementing the concept of the establishment, this calls for a reconsideration of the statistical unit used in the supply and use framework.

5. Another discussion regarding statistical units relates to the interpretation of the SNA-definition of an "institutional unit" for the compilation of institutional sector accounts. Criteria such as autonomy of decision making or the ability to take economic decisions, and even the availability of a complete set of accounts, are interpreted in quite different ways, leading to a lack of an international comparable implementation. Sometimes, this may be caused by the availability of source data, in other cases it is a matter of interpreting the SNA differently. In practice, one can notice, for example, differences in the delineation of institutional sectors when it comes to the recognition of quasi-corporations. In other cases, one can observe the use of legal units, enterprises or even enterprise groups as being equivalent to institutional units, as a consequence of which for example unconsolidated data on debt differ substantially across countries. Another issue relates to the recognition of captive units as institutional units or not.

V. Recommendation

6. Notwithstanding the role of the AEG, there appears to be some merit in discussing how to handle the above-mentioned issues moving forward.

VI. Question for AEG discussion

7. The AEG is requested to provide guidance on addressing issues beyond the recommendations of the 2008 SNA.