

ELEVENTH MEETING OF THE ADVISORY EXPERT GROUP ON NATIONAL ACCOUNTS

5-7 December 2017, New York, USA

ANNOTATED AGENDA

I. Issues for Discussion

1. **2008 SNA Research Agenda and SNA Update Strategy**

The work on the SNA research agenda is currently focused on practical implementation, clarification and interpretation of the 2008 SNA. However, in the recent past several discussion forums explored aspects that could be considered for the future updating of the 2008 SNA. As developing guidance to address issues that go beyond the 2008 SNA may take a long time to resolve, a strategy to address these issues need to be identified.

This strategy needs to involve collaboration with users, such as policy makers and academia; and other statistical groupings, such as the IMF's Balance of Payments Committee (BOPCOM) and the Government Finance Statistics Advisory Committee (GFSAC), on key methodological issues. It will also involve establishing a proposed timeline for the update process.

- Background (*UNSD*)
- Future update (*OECD*)
- New developments (*IMF*)

2. **Accounting for Pensions**

a. Recording of flows between pension fund and sponsor.

The 2008 SNA states that when a pension sponsor is responsible for meeting the liabilities of a defined benefit pension fund in case of any shortfall, the shortfall should be recorded as a claim of the fund on the sponsor. In this way, the net worth of the pension fund is always equal to zero. The pension entitlements and assets of the pension fund are subject to many changes; therefore, the claim between the sponsor and the pension fund will also be affected by a variety of events. The 2008 SNA does not provide clear guidance on how to deal with any mismatch between the property income of a defined benefit pension fund and the unwinding of the discount factor on the pension liabilities, and also on how to deal with any other changes affecting the level of pension entitlements. An AEG consultation on the recording of flows between a defined benefit pension fund and its sponsor took place at the beginning of 2017 and the outcome of the consultation will be discussed.

- Outcome of the AEG consultation on the recording of flows between a defined benefit pension fund and its sponsor (*OECD*)

b. Pensions Supplementary Table and Household Retirement Resources

Entitlements related to pensions are valuable pieces of information for the analysis of household wealth, as well as consumption and savings decisions. However, not all pension

entitlements are included in the central framework of national accounts. Further clarification is needed as to when the flows and positions of defined benefit pension schemes are actually recorded in the core accounts. This session will discuss the available experiences in compiling the supplementary pensions table, including a status report on the European experiences as well as an update on the household retirement resources table.

- *Eurostat*
- *OECD*

3. Globalization

Economic globalization has created new opportunities for businesses to organize their production chains more efficiently by establishing economic activities worldwide. This has increased the complexity of compiling economic statistics as it is more difficult to allocate production activities on country-by-country basis. This has a direct impact on the measurement of key economic indicators, including GDP. As a consequence, a debate is ongoing on the adequacy of GDP as an indicator for measuring domestic activities, more specifically on how to define “economic ownership”. During this session, the discussion will focus on the way forward. What can and should be done, given the present international standards: definition of alternative indicators, additional breakdowns of multinational activities, additional tools for analyzing international trade and capital flows, etc. Should we also start research and discussion on possible changes that go beyond the current international standards?

- Update on the work of the UN Expert Group on international trade and economic globalization statistics (*Ireland*)
- Progress on the ECE Task Force on data exchange and sharing that will pursue the possibilities for more effective exchange of information, especially on the most complex MNEs (*ECE*)
- Classification of Factoryless good producers - Outcome of the discussion from the last meeting of the Expert Group on International Statistical Classifications (*UNSD*)
- De-globalized GDP by using modified GNI and cross-border inter affiliate flows of Intellectual Property and the consequences for the SNA framework (*Ireland*)
- Technological interventions in financial services (*IMF*)

4. Digital economy

Information technology has introduced a profusion of new products, processes and market channels. The internet also allows the appearance and development of new goods and services. Recent years have seen an explosion in new technologies to facilitate the exchange of goods and services, mainly among households. These activities have become generally characterized as “the sharing economy”, or “uberisation”, of the economy. This has raised new questions about whether current macroeconomic frameworks and compilation methods are adequate. It has also raised quite a number of quite fundamental questions around the adequacy of the price/volume split of nominal developments. The session will also examine the measurement

of the digital economy (including possible implications for the SNA production and asset boundaries, and/or the compilation of satellite accounts.

- *OECD/IMF/Eurostat*

5. Statistical Units

The SNA has preferred the use of the establishment unit to compile industrial statistics and supply and use tables, and the use of the institutional unit to compile institutional sector accounts. A primary reason for preferring establishments is that the units classified to the same industrial classification grouping shared similar characteristics in their production functions, and were broadly ‘homogeneous’. However, the increasing international fragmentation of production and the emergence of new types of producers have weakened this underlying assumption. Regarding the application of institutional units, it shows that the practical implementation is quite divergent across countries, some countries using the legal unit as a starting point, and others the enterprise (group), or a mixture of these units. This session will review the progress of the established Task Force and its work programme.

- Update on the Task force on Statistical Units (*OECD*)

6. Financial services

a. Islamic finance

Further research on the statistical implications of Islamic finance in the national accounts is required, and practical guidance on the treatment of these transactions in the SNA needs to be developed. This session will review the progress of the established Task Force and its work programme.

- Update in the Task force on Islamic finance (*UNSD*)

b. Treatment of negative interest rates

The sixth edition of the Balance of Payments and International Investment Position Manual (BPM6) and the 2008 SNA do not provide explicit guidance on the treatment of negative interest rates. Given the increasing size of deposits earning negative interest, compilers have raised questions about the treatment of negative interest rates in macroeconomic statistics. An AEG consultation on the treatment of negative interest rates took place at the beginning of 2017. The AEG will discuss the outcome of the consultation and how to move forward with this issue.

- Outcome of the AEG Consultation on the Treatment of negative interest rates (*IMF*)

7. Economic well-being and sustainability

a. Distributional aspects

Distributional measures of income, consumption, saving and wealth across household groups are being developed to assess economic well-being, vulnerability, interconnections and

spillovers on a regular basis. A methodology consistent with national accounts definitions is being further developed.

- *OECD*
- *IMF*

b. Informal sector

An exhaustive measurement of the size of the informal sector and the contribution of informal sector activities and informal employment to GDP is particularly challenging. Data collected for understanding the informal sector are often not sufficient for measuring economic activity. The SUT framework, with a possible distinction between formal and informal activities, provides the greatest potential in which available source data are combined and balanced to arrive at exhaustive estimates of economic activity.

- *IMF*

8. Manuals, handbooks and Satellite accounts

The ISWGNA continues its efforts to develop compilation guidance on national accounts and supporting statistics to strengthen the statistical capacity for compiling national accounts. This session will provide an overview of the progress on the manuals, handbooks and other guidance prepared by international/regional organizations as well as on the development of satellite accounts.

In fact, several handbooks are being developed on various satellite accounts, raising concerns about the negative impact of the proliferation of such accounts on the implementation of 2008 SNA. Priorities for the development of satellite accounts at the national level may differ, and therefore it would not be possible to prescribe international priorities. Nevertheless, a more consistent approach towards the development of satellite accounts relating to well-being and sustainability could be considered. Furthermore, it may be considered to develop more generic guidance on the main methodologies to compile satellite accounts, so that the burden of compiling them can be better shared with researchers and statisticians that would like to develop a satellite account for a certain area of interest.

- Overview (*UNSD*)
- Progress on the development of selected thematic satellite accounts (*UNSD/Statistics Canada*)
- *OECD*

9. SNA and BOP

The underlying methodology and concepts of the most recent revisions of the statistical standards for the national accounts (2008 SNA) and the balance of payments (BPM6) are consistent with each another. However, large differences in the statistical data still remain in practice and guidance is needed in order to reconcile the data discrepancies between the national accounts and the balance of payments. Recently regional workshops were organized

to discuss the main challenges in the production of national accounts and balance of payments statistics in the participating countries with a view of identifying priorities and recommendations for improving the consistency between SNA and BOP data.

From the conceptual side, further clarification is needed to ensure the consistency of the SNA and BOP such as for the recording of international trade flows on CIF and FOB-basis. The 2008 SNA recommends that imports and exports should be recorded on a strict change of ownership basis. Goods and services are recorded when there is a change of economic ownership from a unit in one economy to a unit in another country. Physical movement of the goods involved is not a necessary prerequisite for a transaction to take place. Still, the 2008 SNA dictates that imports and exports of goods are recorded at border values (at FOB-values, that is, at the exporter's customs frontier or, if the FOB-values are not available for detailed product breakdowns at CIF-values, that is at the importers custom frontier)

a. Harmonization of SNA and BOP data

- Update from the workshop in Latin America and future work (Uruguay)
- Update from the workshop in countries of Eastern Europe, Caucasus and Central Asia (EECCA) and South East Europe (SEE) (ECE)

b. Recording of international trade flows on CIF and FOB-basis.

- *Statistics Netherlands*

10. Accounting for carbon pricing

- *Statistics Canada*

11. Measuring Direct Economic Loss

Direct economic loss is one of the core disaster-related indicators for monitoring progress in the UN Sustainable Development Goals and in the Sendai Framework for Disaster Risk Reductions. There are major conceptual and practical challenges with meeting the demands for producing internationally harmonized indicators for direct economic loss in alignment with requirements for the SDGs and Sendai Framework targets, especially in the context of the existing standards for economic statistics compilation and valuation (i.e. 2008 SNA). Recommendations for disaster related statistics are needed.

- *ESCAP*

II. Items for Information

12. COICOP

The revised COICOP has been approved by the Expert Group on International Statistical Classifications. A presentation will be made on the issues relevant for national accounts that were discussed during the last meeting of the Expert Group on International Statistical Classifications.

- Update on the revision of the COICOP (*UNSD*)

13. Measuring resource extraction industries

Six workshops covering about 50 countries are taking place to provide training to countries on compiling a set of template tables to show national accounts stocks and flows related to natural resources in a standard presentation. The natural resources covered are those that are extracted and sold by the mining industries, including oil and gas extraction. The stocks and flows considered are those that fall within the scope of the SNA framework. The templates use the concepts recommended in the 2008 SNA. This activity is coordinated with the Government Finance Statistics template and with an NGO.

- *IMF*

14. Big data

Countries have already started exploring the use of big data to enhance the availability and timeliness of national accounts. However, further research is still needed to standardize the terminology and to understand more fully its use for compiling national accounts.

- *UNSD*
- *IMF*