

**16<sup>th</sup> Meeting of the Advisory Expert Group on National Accounts,  
12-14 July 2021, Remote Meeting**

**Agenda item: 4.3**

**Digitalization Task Team**

**Guidance Notes on  
Recording and Valuing “Free” Digital Products  
in the core SNA and in an SNA Satellite Account**

**Cover note for the AEG meeting of 12-14 July 2021**

**1. Summary**

1. Options for the treatment of “free” digital products in the *SNA* were considered by the ISWGNA Digitalization Task Team in an issue paper in March 2020. In November 2020, the Task Team decided to move forward with two parallel work streams on “free” digital products. One stream is a clarification of how “free” digital products are currently treated in the *SNA*. The other stream is to develop guidance on the treatment of “free” digital products in a satellite account. In both cases, no changes are expected to the *SNA* central framework. Two mutually consistent but separate guidance notes are presented here reflecting the advancement of these two work streams so far.

2. A first guidance note argues that free digital products are already covered by the current SNA and describes their current treatment. It points out that both platform and non-platform market producers often bundle items that are free or priced below cost with marked up items to maximize profits, and the bundle as a whole generates revenue that is commensurate with the amount of production taking place. Digital platforms play an intermediary role by supplying “free” products that facilitate the interaction of two or more parties. There is a funder side and a subsidized side. The funder side (e.g., an advertiser) pays a markup to the intermediary that covers the cost of the “free” products and then recovers that cost in the advertised product that it sells. The subsidized side (e.g., a household) indirectly pays for the use of the “free” products with the purchase of the advertised product. The salient point of the GN is that the ubiquity of bundled digital and non-digital products should have a consistent treatment in the SNA central framework and there should be no different treatment for “free” digital products.

3. The second note summarizes considerations for recording and valuing “free” digital products in an *SNA* satellite account. The note defines “free” products in the scope of the satellite account as “digital content that is provided to households without monetary charge for the full value in order to access household observable phenomena that can be transformed into a data asset

that can enrich the effectiveness of advertising messages or can be resold or otherwise used in production”. It briefly discusses the intersection of “free” digital products and data as an asset and then walks through the *SNA* sequence of accounts to outline two options for a satellite account on “free” digital products. The first option merely separates the value of “free” digital products that are bundled in the value of other products under the current *SNA* treatment. The second option builds on the first option by including costs associated with the production of a data asset — recording and processing (R&P) costs plus observable phenomena procurement (OP-P) costs. Each option increases the visibility of the household’s role as a final consumer of “free” digital products. Likewise, the second option increases the visibility of the intersection of “free” digital products and data as an asset. Moreover, both options avoid double counting the production of “free” digital products and mitigate imputed transactions, which have been cited as concerns in the development of a treatment for “free” digital products. Given the Digitalization Task Team’s work on data as an asset and the orientation to revise the *SNA* to include data in the scope of the *SNA* boundaries, the second option is recommended for an *SNA* satellite account on “free” digital products.

### **Questions for the AEG**

1. Do you agree that the production and consumption of free digital products of market producers including platforms is already covered in the ‘core’ national accounts and that no change is required, but that an explanation should be included in the revised *SNA*?
2. Do you agree that a satellite account is the appropriate tool to give visibility to free products and the flows among sectors and institutional units?
3. Do you agree with the proposed definition/scope of “free” digital products for the satellite account?
4. Do you support the second option for a satellite account on “free” digital products, which includes costs associated with the production of a data asset?