



C.2 Terminology and Branding of the Economic Accounting Statistical Standards

**17TH MEETING OF THE ADVISORY EXPERT GROUP ON
NATIONAL ACCOUNTS**

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Outline

- **Motivation and Objective of the CMTT - Terminology Workstream**
- Summary of Proposals
- Future Work on the Glossary
- Branding the Statistical Manuals and Systems
- Questions

The state of play now reflects the discussions, inputs and agreement within the respective CMTT workstreams concluding with a DRAFT Guidance Note.

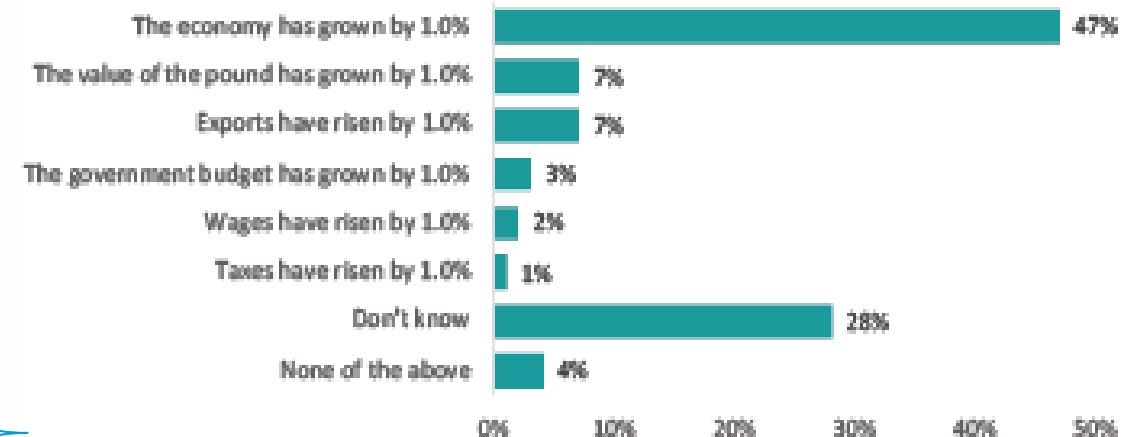
Motivation for CMTT – Terminology and Branding Workstream

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Key findings regarding public perceptions from UK ESCoE / ONS Study:

1. Public understanding of economic concepts can be described as **'thin' and 'superficial'**.
2. People **struggle to interpret size of economic indicators**.
3. People **demonstrate limited knowledge and often misperceptions about how measures are collected and calculated**.
4. People seemed to **consider the government / politicians as main source of statistics** despite the ONS being identified as the source.
5. Variations across key demographics.

Which of the following statements, if any, do you think best explains what is meant when GDP has increased by 1.0%?



What is the economy?

'When I think of economy, you just automatically think of money, lack of.'
Female participant, Manchester.

'I would think of money straight away.'
Female participant, Birmingham.

'In a nutshell, it's essentially how much money the country makes, whether that be through trading or just the employment.'
Male participant, Manchester.

Objective: CMTT – Terminology Workstream

Objective: Conduct a review of the current macroeconomic accounting terminology and develop a consistent set of recommendations that seek to improve users' understanding of macroeconomic statistics.

The goal is not to change the concepts currently used but to better communicate them using non-technical, user-friendly language.

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Terminology and Branding: Summary of Proposals

- **Proposal 1:** Change the name of the **SNA allocation of primary income account, secondary distribution accounts, and use of disposable income account** to ***earned income account, transfer income account, and use of income account***. Corresponding changes recommended for BPM.
- **Proposal 2:** Align all domains on the use of ***revenues and expenses*** - replacing SNA's ***resource and use*** convention and BPM's ***debit and credit*** convention. Consistent use of the term ***statistical discrepancy*** across all three domains (replacing BPM's ***net errors and omissions***).
- **Proposal 3:** Develop an integrated **user-friendly glossary** which **clarifies or proposes alternatives to some existing terms and definitions** of the EASSs. The expanded or clarified definition should make clear distinction between explanation of the concept and the measurement of the concept where relevant.
- **Proposal 4: Alternative terminologies for example:** 'labour costs' replaces 'compensation of employees', 'natural resource rent' replaces 'rent', 'depreciation' replaces 'consumption of fixed capital', etc.

Terminology and Branding: Summary of Proposals

- **Proposal 5: Avoid the use of ‘gross’ or ‘net’ in the terminology (across domains) except in cases defined by the SNA.** Instead, emphasis should be given to the full term e.g., Acquisitions less disposals of valuables instead of ~~Net transactions in valuables.~~
- **Proposal 6: More prominence should be given to the “net” aggregates.** For example, referring to the "net" aggregates (e.g. net domestic product) in the sequence of accounts and recognizing the treatment of depletion and degradation.
- **Proposal 7: Standardize the naming convention of the EASS across all domains.**
- **Proposal 8: Brand the group of standards as the ‘*Economic Accounting Statistical Standards (EASS)*’**

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Next Steps: Harmonized Economic Statistics Glossary

- (1) Further review the *2008 SNA*, *BPM6*, and *GFSM 2014* glossaries with the view of developing a consistent set of user-friendly terminologies and definitions to explain the concepts and methods used in the relevant domains. The glossary will make note of exceptions where there must be legitimate differences in terminologies and definitions.
- (2) Compare terms and definitions with relevant accounting standards.

Proposed Harmonized Glossary											
Term	Current Definition					Proposed Term	Proposed Harmonized Definition	Exception			Reason for change
	SNA	BPM	GFS	IFRS	IPSAS			SNA	BPM	GFS	

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- **Rebranding the Statistical Standards**
- Questions for the Committee

Rebranding the System

The way we in which we “brand” the accounting standards can impact users’ expectations and understanding of the standards and data.



What does the name – System of National Accounts (2008) convey to users?

- 2008 → Dated? Does this only apply up to 2008. Is it no longer relevant?
- System → Complete, Integrated?
- Accounts → Are these Economic Accounts? Social Accounts? Company Accounts?

Rebranding the Statistical Ecosystem

- What is the difference between a “*Manual*”, a “*Standard*”, a “*System*”?
- How should we refer to the group of *standards/manuals/systems*?

▶ Proposal

- **International Economic Statistical Standards**
 - System of National Accounts Manual
 - Balance of Payments and International Investment Position Manual
 - Government Finance Statistics Manual
- How should the versions be demarcated - “*release year*”, “*edition*” or “*revision*”?

▶ Proposal

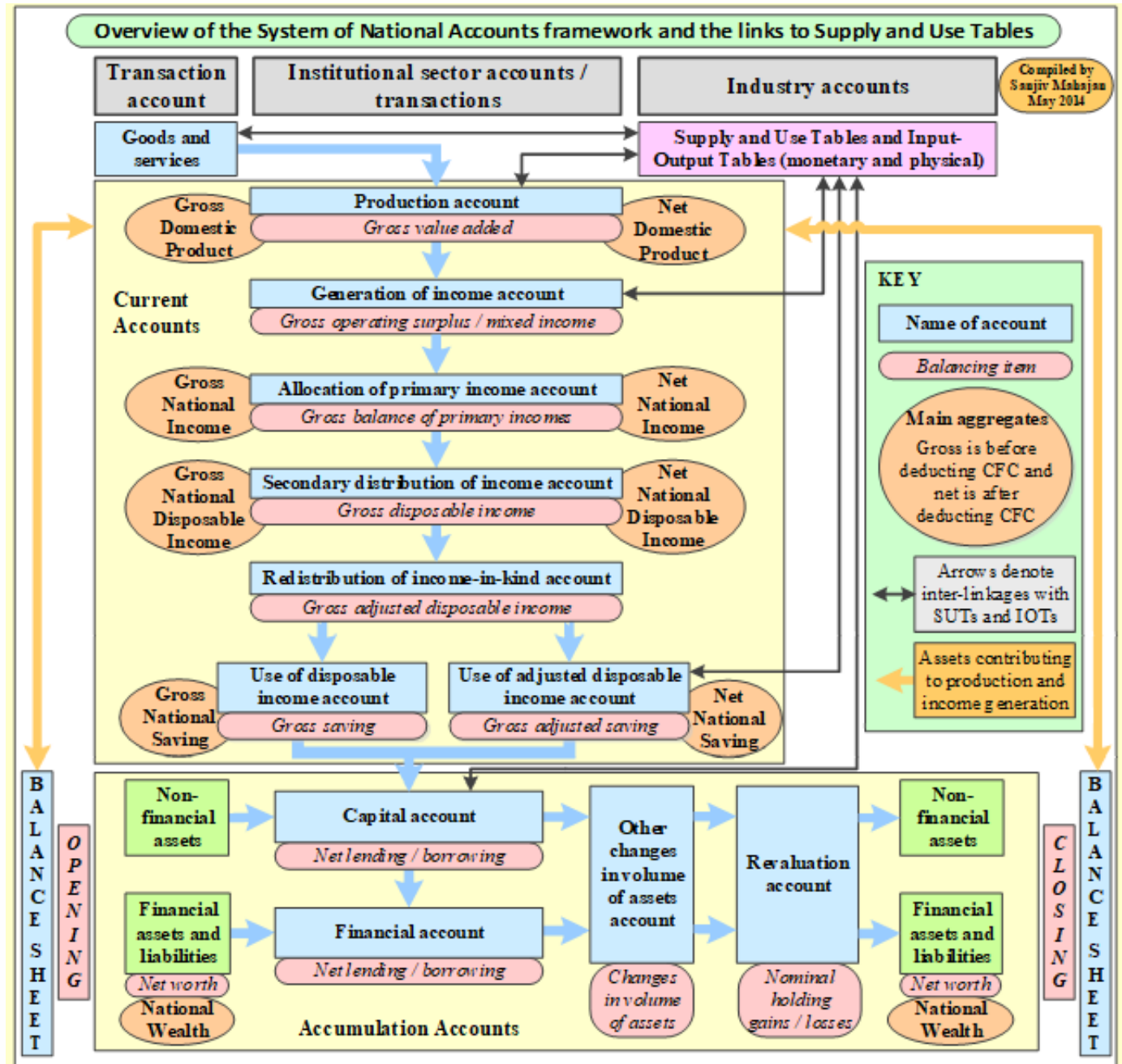
- Harmonize the demarcation of the EASSs with the release year, for example as *the System of National Accounts, 20xx*

Questions for Committee

- Do you approve the note for global consultation?
- Do you agree with the changes to the accounts and terminology mentioned in the GN?
- Do you agree with the proposed *branding of the future SNA, BPM and GFSM*?
- Do you agree with the current proposals in the glossary?
- Do you have other proposals on the terms and definitions to be included?
- Do you agree to stop the use of the term “*net*” other than the two cases in which the *2008 SNA* covers: consumption of fixed capital and financial accounts / from whom to whom accounts?
- Do you agree there should be a high priority work program to improve the quality of the estimates of capital stock, and in turn CFC?

Additional Slides

The Use of Gross and Net in the Statistical and Environmental Statistics



(1/2)

The Use of Gross and Net in the Statistical and Environmental Statistics

(2/2)



CFC related type links

Various components of the main aggregates and related statistics will also exist both on a gross basis and a net basis, for example, gross capital stock and net capital stock, gross operating surplus and net operating surplus.

Terminology type links

Conceptual reference	Alternative reference
Changes in liabilities	Net incurrence of liabilities
Changes in assets	Net acquisition of financial assets
Changes in assets and liabilities	Changes in net worth
Net lending or borrowing	Net financial balance

Conceptual type links

- Net return to (fixed) capital relates to the mark-up in estimating the output of market producers' own-account capital formation.
- Net social contributions are the actual or imputed contributions made by households to social insurance schemes but will exclude any administrative fees charged.
- Net fees are calculated as fees receivable plus fee supplements less the value of the services consumed.
- Net present value is a method of discounting future earnings to produce a current value.
- To note: Net is not the same as netting or consolidation.

Rules and links



Arithmetic type links

Gross variable(s)	Net variable
Acquisitions	<i>Net acquisitions</i> is acquisitions less disposals (fixed assets or financial assets)
Disposals	
Purchases	<i>Net purchases</i> is purchases less sales (or vice versa)
Sales	
Exports	<i>Net exports or net trade</i> is exports less imports (or vice-versa)
Imports	
Premiums	<i>Net premiums</i> is premiums less claims
Claims	
Sales	Sales net of invoiced VAT
Invoiced VAT	
Revenues	<i>Net revenues</i> (or net operating balance) is revenues less expenses
Expenses	
Lending	<i>Net lending</i> is lending less borrowing
Borrowing	
Gross income	<i>Net income</i> is income less tax
Income tax	
(Gross / net tax concepts can be applied in various areas of the accounts)	
Receivable	<i>Net current transfers</i> is receivable from abroad less payable to abroad
Payable	
Assets	<i>Net worth</i> is assets (non-financial and financial) less liabilities
Liabilities	
<i>Net international investment position</i> is the stock of external financial assets less the stock of external liabilities.	

