



STATISTICS

**INTER SECRETARIAT
WORKING GROUP ON
NATIONAL ACCOUNTS**

CM.2 Terminology and Branding of the Economic Accounting Statistical Standards (BOPCOM VM1 22/XX)

Joint (Virtual) Thirty-Eighth Meeting of the IMF Committee on Balance of Payments Statistics and Eighteenth Meeting of the Advisory Expert Group on National Accounts

March 7–10, 2022

Outline

- Objective of the guidance note
- Summary of proposals
- Summary of global consultation outcome
- Next steps
- Conclusions and questions for the committee

Terminology and Branding: Summary of Proposals

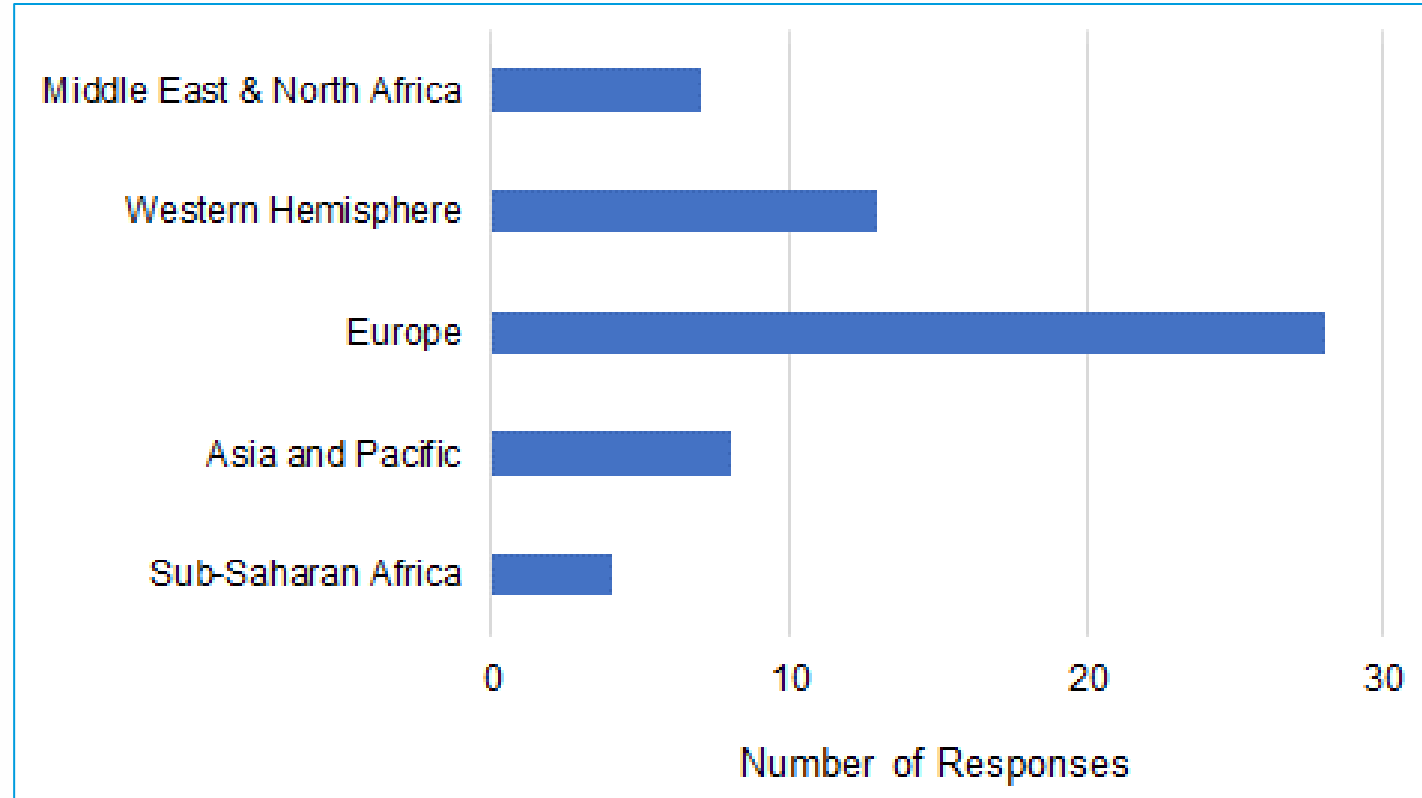
- Align all domains on the use of **revenues and expenses** - replacing SNA's **resource and use** convention and BPM's **debit and credit** convention. Consistent use of the term **statistical discrepancy** across all three domains (replacing BPM's **net errors and omissions**).
- Amend the labels of 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.
- **Develop alternative terminologies: for example** 'labour costs' as a supplement for 'compensation of employees', 'natural resource rent' for 'rent', 'depreciation' for 'consumption of fixed capital', etc.
- Develop an integrated **user-friendly glossary** which **provides expanded or clarified definitions to existing terms 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.

CM.2: Summary of Proposals

- **Eliminate 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~~.
- **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.
- **Standardize the naming convention of the three statistical domains** by branding the group of standards as the ***‘Economic Accounting Statistical Standards (EASS)’***

Results of Global Consultation

Geographical Distribution of Responses



- 60 complete responses were received from 48 economies
- Respondents from Europe had the largest participation (47 percent), followed by those from Western Hemisphere (22 percent), Asia and Pacific (13 percent), Middle East (12 percent), and from Sub-Saharan Africa (7 percent).
- All respondents agreed that greater harmonization in the terminologies is needed across statistical domains.

Proposal 1: Harmonization of Concepts

Current Terms (SNA/BPM/GFSM)	Current Proposal (sent to global consultation)	Percent of Responses		
		Agree	Disagree	Neutral
Resources / Credits / Revenue	Revenue	55	40	5
Uses / Debits / Expense	Expenditure	55	38	7
Intermediate Consumption / Use of goods and services	Intermediate use of goods and services	58	20	22

- Vast support of respondents with the proposal to replace “*Net transactions in Inventories*” to “*Changes in inventories.*” Most respondents agreed to use *statistical discrepancy* across all domains.
- Clear majority of respondents agreed with the proposal to standardize “ “*Net transactions in valuables*“, “*net transactions in non-produced assets*”, “*net transactions in contracts, leases, and licenses*”, “*net transactions in goodwill and marketing assets*” to “*acquisition less disposal of....*”
- Respondents were less convinced that terms such as *revenue* and *expenditure* would be appropriate for the BPM. A minority of respondents were also not in favor of changing ‘*expense*’ to ‘*expenditure*’ for the GFSM.

Proposal 2: Amendments to Labels

Current Proposals (sent to global consultation)	Percent of Respondents		
	Agree	Disagree	Neutral
SNA “accounts” to the ‘economic accounts’	48	18	33
GFS "Statements" to ‘government finance accounts’	40	5	55
‘Balance of payments / international investment position’ to ‘balance of international payments’ and ‘international investment accounts’	37	27	37
‘Allocation of primary’ income account to ‘allocation of earned income’ account	53	18	28
‘Secondary distribution of income’ account to ‘transfer income’ account	58	18	23
‘Use of disposable income’ account to the ‘use of income’ account	37	12	52
‘Use of adjusted disposable income’ account to the ‘use of adjusted income’ account	35	13	52

- Majority of the respondents were either in agreement with or neutral to the proposals.
- The proposal to change the label *balance of payments / international investment position* was not well received. Respondents supported the term ‘*balance of international payments*’ but strongly preferred to maintain ‘*international investment position*’. Some respondents preferred ‘*balance of international transactions and stock of external assets and liabilities*’ instead.
- *The proposals to amend the allocation of primary income account to earned income account, the secondary distribution of income’ account to ‘transfer income’ account were supported by a majority of respondents, whereas changing the use of disposable income account and the use of adjusted disposable income accounts to use of income/adjusted income accounts were not well supported.*

Proposal 3: Proposed Alternative Terminology

- Respondents agreed that all terminology should maintain distinction between intermediate and final consumption expenditure. Therefore, the following proposals should consider maintaining these distinctions.
- The proposals below took into consideration this feedback.

Current Terms	Proposed list of updates	Agree	Disagree	Neutral
Actual final consumption	Final consumption of produced goods and services	45	25	30
Final consumption expenditure	Expenditure on final consumption of produced goods and services	40	32	28
General government final consumption expenditure	General government expenditure on final consumption of produced goods and services	40	32	28
Household final consumption expenditure	Household expenditure on final consumption of goods and services	43	28	28
NPISH final consumption expenditure	NPISH expenditure on final consumption of goods and services	47	25	28

Proposal 3: Proposed Alternative Terminology

- The proposals for supplementary terms were widely supported by the consultation. In the cases below, specific suggestions were made to improve the proposed terms (these proposals had the highest rate of disapprovals from the respondents). The table shows the list that will be further updated.

Current Terms	Proposals (sent for global consultation)	Agree	Disagree	Neutral	Feedback
Compensation of employees	Employee labor costs	55	28	17	Remuneration of employees may be a more suitable alternative
Cultivated biological resources	Cultivated resources like trees, crops and plants	45	28	27	Maintain cultivated biological resources and include examples in the expanded definition.
Current prices	Actual prices	42	33	25	Actual prices could be misinterpreted as the prices actually paid for a good or service, not necessarily the market price.
Gross Capital Formation	Transactions in produced non-financial assets	48	23	28	'Formation' better captures components such as own-account production of assets
Other taxes on production	Taxes on production like fixed business rates	38	37	25	Fixed business rates is not a readily understood term.
Purchasers' prices	Actual price paid	38	35	27	Could be mistaken for 'actual prices' proposed earlier. Maintain current term.

Proposal 3: Proposed Alternative Terminology

GDP by Production, Income and Expenditure Approaches

- A minority of respondents were also concerned about proposed supplementary terms for the three approaches to GDP (*GDP by industries*, *GDP by expenditures*, *GDP by incomes*) for the following reasons:
 - Having two GDP (I)s may lead to miscommunication;
 - Presenting GDP by the production approach (by institutional sector), while referring GDP by industries could be confusing for users.

Proposed updates:

- GDP from the production approach as GDP by producers or simply Gross Domestic Product (GDP)
- GDP from the expenditure approach as GDP by expenditures or Gross Domestic Expenditure (GDE)
- GDP from the income approach is described as GDP by incomes or Gross Domestic Income (GDI)

Depreciation as a supplementary term for consumption of fixed capital

- Approximately 30 percent of respondents disagreed with this proposal. Though conceptually similar, respondents were concerned that this could mislead users on the composition and calculation of consumption of fixed capital.

Proposal 4: Expanded (Clarified) Definition

- There was broad support for most of the suggested expanded definitions.
- Nevertheless, some proposals were supported by less than 70 percent of respondents. The proposals (after incorporating comments from the consultation are presented for discussion):

Updated Proposals (for further refinement)

Basic Prices

Prices receivable by the producer from the purchaser, before taxes on products are added and subsidies on products are subtracted. It excludes any transport charges invoiced separately by the producer.

Disposable Income

The portion of income available after deducting current taxes on income, wealth etc. and social insurance contribution. In general, the portion of income available to consume or to accumulate financial / non-financial assets.

Distributable Income of a Corporation

The portion of a corporation's entrepreneurial income that is available to be distributed to its owners or to be reinvested as retained earnings.

Economic Owner

The institutional unit that is entitled to claim the benefits and accept the associated risks of an entity (such as goods, services, assets, natural resources etc.).

Proposal 4: Expanded (Clarified) Definition

Updated Proposals Updated Proposals (for further refinement)

General Government Final Consumption Expenditure

The value of expenditure on all goods and services produced, or purchased, by general government for either individual or collective consumption services.

Gross Capital Formation

The acquisition (including own-account production) less disposal of produced assets for purposes of fixed capital formation, inventories and valuables.

Gross Fixed Capital Formation

The total value of a producer's acquisitions (including own-account production) less disposals, of fixed assets during the accounting period plus certain specified expenditure on services that adds to the value of non-produced assets.

Net lending or net borrowing

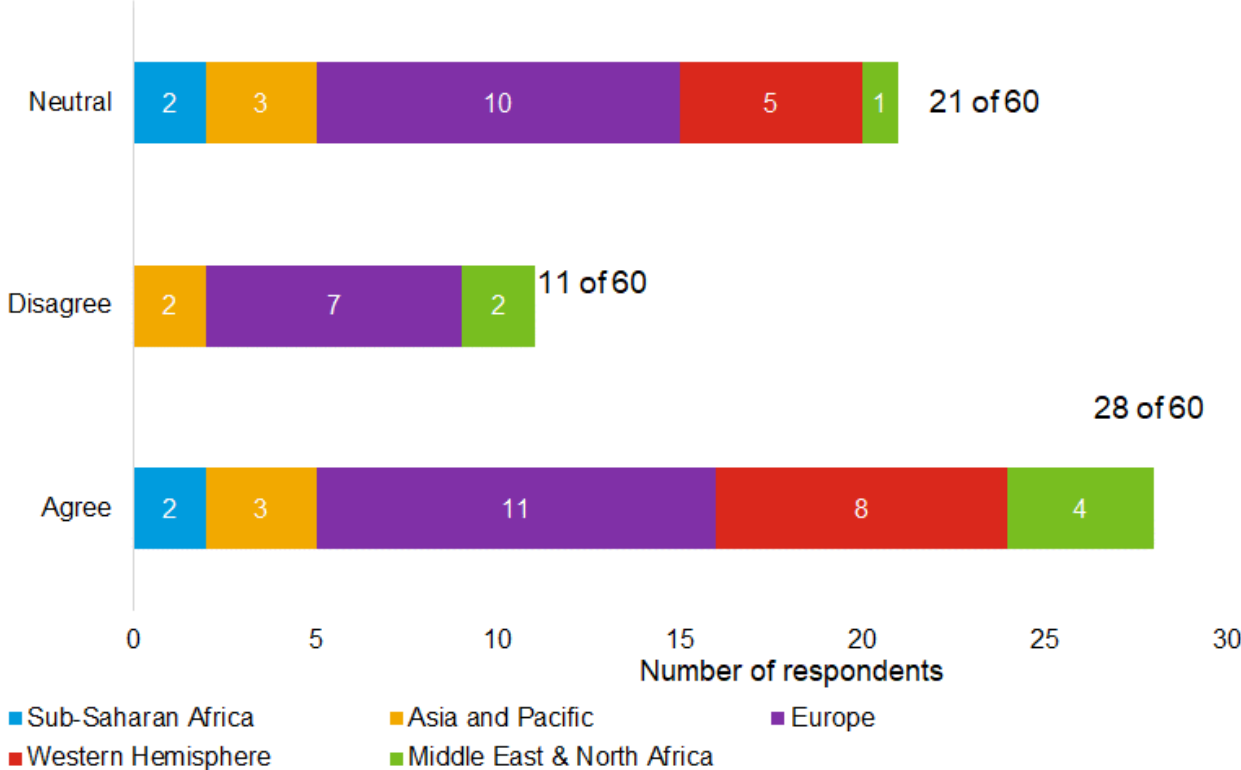
Net lending is the net amount that an institutional sector/unit has available to finance the acquisition of financial assets or redeem liabilities. Negative net lending is usually described as "net borrowing." It is defined as the difference between changes in net worth due to saving and capital transfers and net acquisitions of non-financial assets (acquisitions less disposals of nonfinancial assets, less consumption of fixed capital).

Purchasers' prices

Prices payable by the purchaser, excluding any deductible value-added tax or similar deductible tax, in order to take delivery of a unit of a good or service at the time and place required by the purchaser. The purchaser's price of a good includes any transport charges paid separately by the purchaser to take delivery at the required time and place.

Proposals 5 and 6: Gross vs Net Terms

- Majority of the respondents agreed with or were neutral to the proposals on the use of “gross” and “net”.



- In the minority of cases where the respondents disagreed, they requested additional clarification on the application to the key terms and balancing items in the BPM and GFSM.

Next Steps

Next Steps

1. Update the proposals in the GN:
 - Clarify the proposals will result in changes to the standards and those that are supplementary information for users.
 - ...for changes that were not well supported or where there were divergent views (e.g. changing *GDP by production* to *GDP by Industries*, *consumption of fixed capital* to *depreciation*) *we either eliminate the proposal or propose alternatives* (including alternatives received from the global consultation).
 - ...to clarify the changes that are proposed specifically for the SNA, BPM, and GFSM
 - ...to clarify the proposals related to the use of ‘gross’ and ‘net’ in the SNA, BPM, and GFSM.
 - ...to clarify the term and scope of “financial accounts”, in the GN.
2. Test the proposals with a select group of users.
3. Finalize the GN based on the feedback from global consultation and users for which strong support for change was noted (i.e. greater than 70% support for a change).
4. Present a finalized GN at the next meeting of the AEG/BOPCOM for approval.

Questions for the Committee

- Do you agree to continue the process of harmonizing key terms across the domains?
- Do you agree with the proposed next steps for the guidance note?
- Do you agree to test the proposals with the user community?
- Do you have other comments on the guidance note or global consultation?

THANK YOU!