

Conclusions

19th Meeting of the Advisory Expert Group on National Accounts Remote meetings 20 and 26 April and 10 May 2022

The Advisory Expert Group on National Accounts:

1. Appreciated the (a) work done by the task teams, joint task teams, committees, working groups and expert groups and authors of the issues papers and draft guidance notes, and (b) report of the project manager and lead editor on the progress of their work, which allowed for a better understanding of the various topics for discussion and an assessment of the status of the SNA update, respectively.

Report of the Project Manager and Lead Editor

2. Underscored that the editing process should be as transparent as possible through frequent consultations with the global statistical community and other stakeholders.

3. Requested the ISWGNA to provide advance notice on the timing of the experimental estimation and/or early implementation exercises so that participating compiling agencies will have sufficient time to incorporate these exercises into their workplans and, if necessary, make resources available for them.

Review of Well-being and Sustainability Task Team guidance notes

WS.7 Treatment of emission trading schemes – seeking approval for global consultation

4. Approved the circulation of the guidance note to the national accounts, environmental-economic accounting and government finance statistics communities for global consultation after it has been revised to (a) incorporate a fifth option (a combination of options 2 and 3, i.e., the auction of an ETS as an issuance of a liability reflecting the time lag between the issuance and surrendering, with the latter being a taxing event), (b) elaborate on the specific services provided by the atmosphere, (c) assess the cross-border implications of the flows, and (d) clarify the plus and minus signs in some of the tables, and suggested to consider a longer consultation period due to the complexities of the issues involved and future implications.

WS.9 Recording of provisions – seeking approval for global consultation

5. Approved the circulation of the guidance note for global consultation after it has been revised to (a) include examples on the recording of terminal costs using the T-accounts, (b) assess the impact of an integrated recording of provisions in the SNA framework, (c) address some current inconsistencies such as the recognition of stock data on provisions in supplementary tables only, but including the impact of provisions on some income flows (e.g., retained earnings) in the main SNA accounts, and (d) clarify the meaning of terms such as supplementary tables, supplementary items, memorandum items and “of which” items.

WS.10 Valuation of mineral and energy resources – seeking approval for global consultation

6. Approved the circulation of the guidance note to the national accounts, environmental-economic accounting and government finance statistics communities for global consultation.
7. Noted the need to consider reducing the flexibility of options to value these types of resources, particularly given the possibly large impact on important economic aggregates, including government finance statistics.
8. Observed that company accounts may provide information on how to value these resources.

WS.14 Distinction between recording a tax, a services transaction and similar boundary cases

9. Agreed that the issue of how to distinguish between a tax, a service and a property income payment (and for some transactions possibly other alternatives) may have wider implications than environmental-economic issues and that the well-being and sustainability task team should prepare the next version of the guidance note, in collaboration with the government finance statistics community.
10. Agreed that, in general, a generic approach should be developed to deal with this distinction in practice, but noted that, in some instances, there may still be a need to assess the characteristics of some transactions individually in order to make this distinction.

WS.8 Accounting for biological resources

11. Approved the circulation of the guidance note to the national accounts, environmental-economic accounting and government finance statistics communities for global consultation after it has been revised by incorporating the footnote on the alternative to the split asset approach, i.e., to level up the rent to the amount of the resource rent and to have a concomitant income or capital transfer, to the main body of the guidance note as an option to account for these resources.
12. Highlighted, however, the need for a well-designed questionnaire and longer consultation period for the global consultation and welcomed the proposal to organize a dedicated webinar to present the issues and recommendations in the guidance note in conjunction with the global consultation.
13. Noted that the practical implementation of the recommendations will be challenging for many countries and that an extensive early implementation exercise will be very beneficial.
14. Noted that, in the absence of observed market prices, the net present value method is still the most appropriate method to value biological resources, notwithstanding known issues such as the sensitivity of the estimates to different discount rates, and that the 2008 SNA also recommends this method to value fixed assets.

WS.11 Treatment of renewable energy resources as assets – seeking approval for global consultation

15. Requested the task team to reflect on and if necessary update the text of the guidance note in view of the issues raised during the meeting, such as how to account for the renewable

energy resources generated by households themselves, how to account for renewable energy resources in the production account, how to disentangle the renewable energy resources from the underlying technology that generate them, the rationale for the choice of measurement units to measure the quantity of renewable energy resources, the definition of renewable energy resources in relation to the SEEA's definition, and the impact of renewable energy resources on the value of land that has alternative productive uses (such as agriculture).

16. Requested the task team to revise the guidance note to (a) include the split-asset approach identified in *WS.8 Accounting for Biological Resources* as one of the options to value renewable energy resources, and (b) adopt the use of consistent terminologies such as net present value of future resource rents instead of residual valuation method.

17. Welcomed the proposal to organize a dedicated webinar to present the issues and recommendations in the guidance note in conjunction with the global consultation.

18. Acknowledged that the current scope of renewable energy resources excludes the generation of biomass due to the complexities involved.

WS.6 Economic ownership and depletion of natural resources – Results from the global consultation

19. Acknowledged the concerns of the government finance statistics community with the split asset approach recommendation to allocate the ownership of natural resources and its alternative proposal to record the extractor's "share" of resource rent as a "right to use" permit, but cautioned that the merits of the net present valuation method underlying the split asset recommendation should not be discounted due to its foundation in economic theory and its widespread use in the economics literature.

20. Agreed with the proposal to test the split asset approach recommendation and report the results of the test to the AEG.

Proposal for global consultation for guidance notes with common themes and issues

21. Agreed with the proposal to (a) develop a single questionnaire for the guidance notes WS.8 Accounting for biological resources, WS.10 Valuation methods and WS.11 Renewable energy resources as they have common themes and issues, (b) circulate the three guidance notes simultaneously to the national accounts, government finance statistics and environmental-economic accounting communities for global consultation, (c) increase the duration of the global consultation to eight weeks, and (d) organize webinars during the global consultation period to present the issues and recommendations in these guidance notes.

Review of the Structure for the 2025 SNA

22. Welcomed the proposed draft structure of the 2025 SNA.

23. Appreciated the close collaboration with the BOPCOM editorial team and the proposal to involve the Task Team leads and other key stake holder communities in the drafting of the relevant chapters.

24. Emphasised the importance of the concepts of net income and net saving to be included in the proposed chapter 2 on national accounts and measures of well-being and environmental sustainability.

25. Proposed to include in the proposed chapter 17 on capital measurements a more in-depth conceptual discussion of consumption of fixed capital (COFC) and its relation to well-

being, but advised that this discussion should avoid including excessive practical guidance on calculating COFC.

26. Recommended that the editorial team consider re-introducing an annex on using multiple and parallel exchange rates to compile national accounts.

27. Agreed that the drafting process should consider structures that increase the utility of the digitized version of the 2025 SNA as the main product of the SNA update process and highlighted the importance of the glossary of macroeconomic statistics terms and definitions in that regard.

Discussion of the ISIC and CPC update

28. Appreciated the update on the progress with the updates of the ISIC and CPC to incorporate developments in the economy and society, including digitalization, globalization and environmental issues and noted that (a) the Statistical Commission had approved the revised structure of ISIC up to the group (3-digit) level at its 53rd session in March 2022, and (b) consultations at the more detailed level and explanation notes are in progress.

29. Reiterated that changes in the production process such as through digitalization may not necessarily result in changes in the nature of economic activities or output and, thus, should not be the primary criterion in classifying economic activities and products in the ISIC and CPC, respectively.

30. Requested that the classifications community should develop principles to delineate the scope of intermediation activities in the ISIC and observed that the recommendation to classify intermediation activities to the respective industries in which they are intermediating in ISIC rather than a specific centralized industry may reduce the statistical visibility of these activities and also hamper the ability of compiling agencies to publish such data if there is only a limited number of firms undertaking such activities in their economies.

31. Highlighted that the changing characteristics of the output of economic activities due to developments such as digitalization and globalization may necessitate a review of the definition and scope of goods and services in economic statistics and classifications and recommended that the classifications community should consider highlighting intangibles as a third group of products in the CPC.

32. Noted the recommendation to classify factoryless producers in manufacturing services in the ISIC, but observed that the classifications community may need to assess how to reconcile this classification with the classification of the output of contractors as goods in the CPC.

Review of the paper on the Treatment of Rent for the “Recording of Data”, “Marketing Assets”, “Biological Resources”

33. Agreed to discuss the paper at the next meeting of the AEG.

Results from global consultation on IE.1 Statistical Framework for the Informal Economy

34. Endorsed the outcome of the global consultation.

35. Agreed with the proposed changes to the guidance note and requested that the term informal economy is clarified in its relation to the economy.

36. Requested that the revised guidance note is recirculated to the AEG for final endorsement.

37. Welcomed the plans to draft a supplementary note to provide practical guidance, referencing existing and upcoming guidance on related issues such as household production of services and update guidance on measuring the informal sector taking into account the revised definition.

Next meetings of the AEG

38. Proposed to organize the next two AEG meetings in (a) the last week of June 2022 and July 2022 in an online format and (b) October 2022 in a face-to-face format.