



STATISTICS

INTER SECRETARIAT
WORKING GROUP ON
NATIONAL ACCOUNTS

CM.2 Terminology and Branding of the Economic Accounting Statistical Standards (BOPCOM 22/16)/(SNA/M4.22/25)

Joint Thirty-Ninth Meeting of the IMF Committee on
Balance of Payments Statistics and Twenty-First Meeting of
the Advisory Expert Group on National Accounts

October 18–20, 2022

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Outline

- Summary of proposals
- Changes Made Since March 2022 AEG/BOPCOM Meeting
- Discussion of Proposals
- Questions for Meeting

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Terminology and Branding: Summary of Proposals

Objective: Review the current macroeconomic accounting terminology and develop a consistent set of recommendations that seek to improve users' understanding of macroeconomic statistics by communicating using non-technical, user-friendly language.

- **Align Terminology across domains where relevant:** e.g., align all domains on the use of *revenues* and *expenses*—replacing SNA's *resource and use* convention and BPM's *debit and credit* convention or implementing consistent use of the term *statistical discrepancy* across all three domains (replacing BPM's *net errors and omissions*).
- **Amend the labels of some accounts for closer alignment in terminology:** e.g., the SNA *allocation of primary income account*, *secondary distribution accounts*, and *use of disposable income account* to *allocation of income account*, *transfer of income account* and *use of income account*. Corresponding changes recommended for secondary income account.
- **Develop alternative terminology for users:** e.g., *employees' remuneration* as a supplement for *compensation of employees*, *natural resource rent* for *rent*, *depreciation* for *consumption of fixed capital*, etc.

Terminology and Branding: Summary of Proposals (Gross and Net)

A separate strand of work is ongoing to 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.

- **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.
- **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 of natural resources.

Revisions to the Guidance Note Since Global Consultation

- Updated the GN to reflect feedback from global consultation and Joint AEG/BOPCOM Meeting.
- For changes that were not well supported or where there were divergent views, we either eliminated the proposal or proposed alternatives.
- Clarified the changes that are proposed specifically for the SNA, BPM, and to be considered for the next revision of the GFSM.
- Clarified the proposals relating to the use of “gross” and “net” in the SNA, BPM, and GFSM (a new, separate GN (CM.4) is being prepared on this topic).

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Proposal (1): Harmonization of Concepts

The CMTT's proposals to further harmonize the terminology in the SNA, BPM, and the next GFSM based on the findings from the comparisons of the existing manuals.

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Proposal 1: Harmonization of Concepts

SNA	BPM	GFSM	Proposal
Resources	Credits	Revenue	Inflow or Revenue
Uses	Debits	Expense	Outflow or Expenditure
Changes in inventories		Net transactions in Inventories	Changes in inventories
Acquisitions less disposals of valuables		Net transactions in Valuables	Acquisitions less disposals of valuables
Acquisitions less disposals of non-produced assets		Net transactions in non-produced assets	Acquisitions less disposals of non-produced assets
Acquisitions less disposals of contracts, leases and licenses		Net transactions in Contacts, leases, and licenses	Acquisitions less disposals of contracts, leases and licenses
Purchases less sales of goodwill and marketing assets		Net transactions in Goodwill and marketing assets	Acquisitions less disposals of goodwill and marketing assets
Statistical discrepancy	Net errors and omissions	Statistical discrepancy	Statistical discrepancy

Maintained proposals that were well supported by the global consultation and previous AEG/BOPCOM meetings.

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Proposal (2): Amendments to Account Labels

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Proposal 2: Amendments to Account Labels

Current SNA Terminology	Proposed Updates	Economic Accounts Groups
The production account	No change	Current Economic Accounts
The generation of income account	No change	
The allocation of primary income account	The allocation of income account <i>Note: the balancing item will not change</i>	
The secondary distribution of income account	The transfer of income account <i>For the BPM, this implies to replace secondary income by transfer income.</i>	
The use of disposable income account	The use of income account	
The capital account	No change	Accumulation of Economic Assets Accounts
The financial account	No change	
Other changes in the volume of assets account	No change	
Balance Sheets	No change	Balance Sheets

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Proposal (3): User-Friendly Terminology

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Proposal 3: User-friendly Terminology

2008 SNA	Suggested Amendments	Rationale
Constant prices	Volume estimates or price-adjusted figures or inflation-adjusted data	Previous years' prices used as standard for deflating aggregates
Compensation of employees	Employees' remuneration	More user-friendly term since "compensation" has a mixed meaning.
Consumption of fixed capital	Depreciation	The term depreciation is simpler and more widely understood.
Financial Intermediation Services Indirectly Measured	Financial intermediation margin or: Interest earned on loans less interest paid on deposits	Proposal focuses on the basic idea, avoiding the technical measurement method
Financial Lease	Finance lease	Easier language
Imputed Rental	Owner-occupied dwelling services	Gives the concept and avoids confusing rent and rental
Rent	Natural resource rent	More clarity of what is covered
Resource lease	Natural resource lease	More clarity of what is covered
Trade margin	Distribution trade margin	Make clear that trade margins not only occur in retail / wholesale trade but also in other industries.

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Proposal 3: User-friendly Terminology

2008 SNA	Suggested Amendments	Rationale
Net exports of goods and services (under merchanting)	Balance of exports of goods and services (under merchanting)	Replace "net" if not related to consumption of fixed capital
Net (non-life) insurance premiums	Genuine (non-life) insurance premiums	idem
Net re-insurance premiums	Genuine re-insurance premiums	idem
Net social contributions	Genuine social contributions	idem
Net fees (guarantees)	Genuine fees (guarantees)	idem
Output for own final use	Goods and services produced for own final use	More clarity of what is covered
Product balance	Balance of the supply and use of a product	More clarity of what is covered

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Proposal (4): User-Friendly Explanations of Terms

Proposal 4: User-Friendly Explanations of Terms (Annex II)

Current Term	Explanation in easier to understand language
Actual final consumption (by households)	Actual final consumption is the value of goods and services consumed by households, including goods and services provided in-kind by general government or NPISHs. From a government perspective actual final consumption is its consumption expenditure less its expenditure on individual goods and services (provided as social transfers in kind to households).
Basic Price	Price of a good or service at the factory gate; taxes on products (e.g., VAT, excise duties) are not included and subsidies on products not deducted.
Collective Consumption Expenditure	Expenditures by general government (and NPISHs) on goods and services for the collective benefit of society such as public administration, infrastructure or defence.
Consumption of Fixed Capital/Depreciation	Consumption of fixed capital measures the decline in the value of the fixed assets used in production during the reporting period by enterprises and governments (as well as dwelling owners). Fixed assets decline in value due to normal wear and tear, foreseeable ageing (obsolescence) and a normal rate of accidental damage. Unforeseen obsolescence, major catastrophes and the depletion of natural resources, however, are not included. The valuation is at replacement costs (current market prices) and not at (historic) acquisition costs like in business accounting.
Disposable Income	The portion of income available to consume or to save, after deduction of taxes on income, etc. and social insurance contributions. Gross disposable income means that consumption of fixed capital is not deducted, whereas it is in the case of net disposable income.
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	Economic owner can claim the economic benefits and bears the economic risks of an economic asset. The economic owner may be different from the legal owner.

Proposal 4: User-Friendly Explanations of Terms (Annex II)

Current Term	Explanation In Easier To Understand Language
Financial Lease	A Finance Lease Is One In Which The Finance Company—the Lessor—as The Legal Owner Of An Asset Passes The Economic Ownership To The Lessee Who Then Accepts The Operating Risks And Receives Economic Benefits From Using The Asset In A Productive Activity.
General Government Final Consumption Expenditure	General Government Final Consumption Expenditure Is The Value Of All Goods And Services Provided By General Government Free Or Almost Free To Society.
Gross Capital Formation	The Acquisition (Including Own-account Production) Less Disposal Of Produced Assets, Including Additions To Inventories And Valuables.
Gross Domestic Product	Gross Domestic Product Measures The Value Added (I.E., Economic Output Minus All Intermediate Inputs Required To Produce This Output) Of All Producers On The Domestic Territory, During A Given Time Period. In Practice GDP Can Be Compiled By Three Approaches: The Production, The Expenditure, And The Income Approach.
Gross Fixed Capital Formation	The Value Of A Producer's Acquisitions (Including Own-account Production) Less Disposals, Of Produced Assets During The Reporting Period, To Be Used To Facilitate Production For More Than A Year.
Gross National Income	Gross National Income Measures The Total Income Earned By Residents Of An Economy As A Result Of Their Involvement In Production In The Domestic Territory As Well As Abroad, During A Given Time Period.
Gross Value Added	Gross Value Added Is The Additional Value Of Goods And Services Generated During The Production Process. For Any Producer It Is Derived As The Value Of This Output Of Goods And Services Less Intermediate Consumption (I.E., The Value Of Consumed Goods And Services As Purchased From Other Producers).
Household Final Consumption Expenditure	Household Final Consumption Expenditure Is The Value Of Those Goods And Services Acquired By Households.

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Proposal 4: User-Friendly Explanations of Terms (Annex II)

Current Term	Explanation in easier to understand language
Imputed Rental/ Owner-occupied dwelling services	It is the value of the housing service provided by an owner-occupied dwelling.
Individual consumption expenditure	That part of consumption expenditure of general government (and NPISH) to be provided to households for individual consumption, like free medical treatment, free education, etc.
Mineral exploration and evaluation	Expenditures made in the search for mineral resources (such as crude petroleum and natural gas and for non-petroleum deposits) as well as subsequent evaluation of the discoveries made to determine the technical feasibility and commercial viability of extracting the mineral resources.
Net lending/borrowing	Net lending / borrowing broadly represent that portion of disposable income which has not been spent on consumption or capital formation. If the figure is positive the amount can be lent to others or used to reduce liabilities, whereas a negative figure means borrowing from others or selling off assets.
Net premiums/Genuine premiums	They measure the insurance funds available for covering the expected damages. From premiums paid by the policyholders the insurance service charge is deducted, and income earned on premiums is added.
NPISH Final Consumption Expenditure	NPISHs final consumption expenditure is the value of all goods and services produced or purchased by non-profit institutions serving households (NPISHs) for collective or (in-kind) individual consumption.
Other capital transfers	Capital transfers are unrequited payments linked to the acquisition or disposal of an asset (e.g., capital and inheritance tax, investment grant). Other capital transfers is a sub-group, comprising for instance large insurance payments after a disaster or legacies or large gifts inter vivos.
Purchasers' prices	Price of a good or service at the purchaser's door; it measures the actual costs for the purchaser, including transport costs and any taxes due (and excluding subsidies).
Work-in-progress	Work-in-progress consists of goods and services produced by an enterprise that are partially finished in the reporting period, needing further work before it can be supplied to customers (like ships or software packages).

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Questions for Committee

- Do you agree with the changes made to the GN?
- Do you agree to send the work for user testing?
- Do you have other comments on the note?

THANK YOU!