

# Conclusions

## 21<sup>st</sup> Meeting of the Advisory Expert Group on National Accounts Washington, DC 17 – 18 October 2022

The Advisory Expert Group on National Accounts:

1. Welcomed the opportunity to have an in-person meeting for the first time since its 13<sup>th</sup> meeting in October 2019.
2. Welcomed its new member, Jennifer Withington.
3. Expressed its appreciation to the International Monetary Fund for hosting and providing the excellent facilities for the meeting.
4. Expressed its appreciation for the 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by the task teams, joint task teams, committees, working groups and expert groups and authors of the issues papers and draft guidance notes, which allows for a better understanding of the various topics for discussion.

### **Progress report on the programme for the update of 2008 SNA**

5. Welcomed the progress report on the SNA update and the approach to organize the experimentation and testing exercise in two phases but noted the need to come up with appropriate terminologies to describe the objectives and scope of the two phases.
6. Agreed that a joint AEG/BOPCOM on-line meeting should be organized in the first quarter of 2023 to endorse the remaining guidance notes and requested UNSD to discuss with the BPM update secretariat the possible dates of the meeting as soon as possible and update the AEG thereafter.

### **Draft annotated outlines for selected 2025 SNA Chapters**

7. Expressed its appreciation for the work done by the SNA update editorial team in preparing the draft annotated outlines and took note of the main issues below from written consultation.
8. Noted the need to consider the use of annexes or boxes in the relevant chapters to elaborate on concepts, definitions and accounts.
9. Requested the authors of the chapters to coordinate closely to ensure the consistent use of style, concepts and definitions, to enhance the readability of the chapters for various users. Also to ensure that the digitized version of the 2025 SNA can be linked to various handbooks and compilation guides using digital tools.
10. Noted the need for the relevant chapters to provide references to the various initiatives on compiling complementary measures to GDP.

### *Chapter 2. National Accounts and measures of well-being and sustainability*

11. Acknowledged the concern about the possible expanded size of the SNA if the topics are treated in detail and noted the need for a careful balance on the breadth of material that can be covered in the chapter to keep it concise for a non-technical audience.

12. Acknowledged the suggestion to include links to the work of the United Nations Network of Economic Statisticians in the chapter.

13. Supported the explanation of the need to incorporate measures of sustainability and well-being and highlight the advantages of the SNA in playing a role in supporting related analysis.

*Chapter 34. Measuring well-being*

14. Acknowledged the clarification that the purpose of the chapter is not to develop a precise definition of well-being but to demonstrate how the SNA can contribute to its measurement.

*Chapter 35. Measuring sustainability*

15. Agreed on the need to draft clear and succinct introductory paragraphs for this chapter describing the concept of sustainability (what it is and what it is not) in the SNA context. After doing so, to reflect on whether the title of the chapter could be improved or whether the introductory text is sufficient to define the scope of what is covered.

*Chapter 16. Labour accounts*

16. Supported the proposed change in the title from “*Labour Accounts*” to “*Labour*” and agreed on the need to address possible terminology and definitional differences between SNA and ICLS.

*Chapter 20. Elaborating the accounts*

17. Agreed broadly with the proposed structure and coverage of topics in the chapter and stressed the need to avoid overlaps with the communication chapter.

*Chapter 25. Selected issues on financial instruments*

18. Acknowledged the need to re-evaluate what can be included in this chapter compared to others to ensure that the purpose, direction, and balance of chapters are clear and duplication avoided and agreed that all financial instruments should preferably be covered in one place (probably chapter 25), rather than in different chapters.

*Chapter 29. Financial corporations*

19. Agreed broadly with the proposed structure and coverage of topics in the chapter.

20. Requested to have a more in-depth discussion of the linkages between financial corporations’ sub-sectors and the MFSM.

*Chapter 37. From-whom-to-whom tables*

21. Agreed broadly with the proposed structure and coverage of topics in the chapter, including it being the main location for a discussion on financial stability.

*Chapter 38. Thematic accounts*

22. Supported changing the title to “*Thematic and extended accounts*”.

23. Acknowledged the need to further clarify the distinction between a thematic account and an extended account in collaboration with the Communications Task Team.

## **2025 SNA: Master log of changes**

24. Appreciated the work done in preparing the master log of changes, including the inputs provided by the Project manager, task team leads and ISWGNA.
25. Endorsed the addition of a new section in the 2025 SNA chapter 18 on measuring prices, volumes and productivity to elaborate on the price and volume measurement of specific products, like section F of 2008 SNA chapter 6 on measuring output for specific industries, given the widespread interest in this topic, and requested the authors of the new section to consult with the price statistics community when drafting the new section.
26. Noted the need for the lead editor and FITT to discuss the status of the guidance note on share buybacks.
27. Noted the need to clarify the changes needed in the SNA to accommodate the classification of subscription rights, which have a definite time horizon, as equity, which has no time horizon.

## **Assessment of the SNA research agenda**

### *Issues without a concrete proposal for way forward*

28. Agreed for issue 28 (statistical units) to leave the conceptual guidance in the SNA on establishments and enterprise units as it is, given the practical challenges encountered by compiling agencies in implementing one or the other of these concepts and, to provide more guidance on the usefulness of using the concept of enterprises and establishments in the relevant parts of the accounts.
29. Agreed for issue 47 (calculation of FISIM) to leave the conceptual guidance in the SNA as it is and to include the issue in the post-2025 SNA research agenda.
30. Noted for issue 52 (recognition of social security entitlements as liabilities) that a quick resolution is not feasible, so this issue should be added to the post-2025 SNA Research Agenda and supported in principle to include the household retirement resources table as well as the proposal that the editorial team review the current guidance on contingent liabilities.
31. Stressed that additional issues should not be opened for the SNA update while being mindful to address possible topics that may impact the coherence and consistency of the SNA.

### *Action points*

32. Agreed with the action points for addressing the outstanding issues on the SNA research agenda.
33. Noted that guidance on using multiple exchange rates in the compilation of national accounts will be provided in the 2025 SNA.

### *Issues to be kept or dropped*

34. Agreed to drop issues 25, 42, 43, 59 and 60 from the SNA research agenda altogether.
35. Agreed to keep issues 28, 30, 36, 38, 40, 41, 46, 49 and 51 on the post-2025 SNA research agenda but requested the lead editor of the SNA update programme to clarify the scope of issue 41.

### *Update of manuals*

36. Agreed that there is a need to consider the update of various manuals such as the measurement of prices, the UN Handbook on Links between Business Accounting and National Accounts and other manuals in the field of macroeconomic statistics.

### *Way forward on the post-2025 SNA research agenda*

37. Supported the proposal to form task teams to draft guidance notes for the issues in the post-2025 SNA Research Agenda once a staggered process for the future update of the SNA has been agreed.

### **Digital version of the 2025 SNA and Compilers hub**

38. Appreciated the update on the progress of the work on the digital version of the 2025 SNA and compilers hub.

39. Acknowledged that the substantive content of the 2025 SNA will need to be finalized and agreed before an assessment of how to develop the digital version of the 2025 SNA can be made.

40. Noted that there is an ongoing effort towards compiling a glossary of terms, the result of which would need to be subject to AEG/BOPCOM approval.

41. Noted that the digital version of the 2025 SNA will facilitate the linking of the SNA with other macroeconomic manuals, handbooks and guides.

42. Noted the dual roles of the compiler's hub as a community hub and collaborative hub.

43. Noted that ownership and governance of the platform hosting the digital versions of the updated SNA and BPM and the community hub must be carefully defined.

### **CM.4 Use of net measures in the presentation of the national accounts**

44. Supported the recommendation to increase the prominence of net measures of macroeconomic indicators communicated through official releases and other channels.

45. Noted that it may be useful to continue reporting economic growth using gross domestic product but increasingly highlight to users the conceptual superiority and relevance of net measures via increased prominence in official releases and other communication efforts.

46. Acknowledged the need to educate users on the definition, scope and recording of depletion.

47. Acknowledged that many developing economies may lack the resources to compile estimates of consumption of fixed capital and that assistance may be needed to help countries make the transition from gross to net measures in the national accounts.

48. Noted that the compilers hub may include interactive tools to help compilers and users estimate consumption of fixed capital by entering basic information such as expected lives of assets and their depreciation pattern.

49. Agreed that the guidance note can be circulated for global consultation after removing the sections on valuation and accounting for wealth and the extensive references to the measurement of capital services.

50. Agreed that the questions for global consultation should reflect the specific issues raised by the AEG.

## **AI.1 Valuation principles and methodologies**

51. Agreed to provide more detailed written comments and suggestions on the draft guidance note after the meeting.
52. Noted the need to (a) use different valuation methods for specific types of assets; (b) ensure that the valuation methods are comparable over time; and (c) develop a hierarchy of valuation methods, indicating market prices as the preferred method whenever available and reliable.

## **AI.2 Treatment of Rent**

53. Expressed a general preference for changing the definition of rent and to use option A1 (Broaden the definition of rent to cover all payments/receipts related to the use of non-produced non-financial assets with assumed infinite life span).
54. Agreed to further discuss the rationale to record rent higher in the sequence of accounts.
55. Supported the proposal to consider rent payments as a production cost in the 'sum of costs' valuation, while noting this may contradict classical notions of rent as a form of property income and necessitate the need to clarify that other property income is implicitly included in the sum of costs (as rate of return on invested capital).
56. Requested the task team to incorporate the comments provided into the revised version of the guidance note and submit it to the AEG for further review and agreed that the guidance note should also be revised to align with the decisions on other related guidance notes.

## **WS.1 A broader framework for Well-being and Sustainability**

57. Welcomed the progress of the work to broadening the national accounts' framework to better account for elements affecting well-being and sustainability.
58. Observed that the aim is to measure elements that affect well-being and sustainability rather than (current and future) well-being itself and that the end product may not satisfy the full range of needs and demands of a diverse group of users.
59. Supported the proposal to change the original terminology of "broader framework" to "Enhancing and broadening the framework" as this is more aligned with the work of relevant task teams.
60. Recommended that the task team prepare a "succinct" guidance note on the topic which incorporates the outcomes of the global consultation of related guidance notes under wellbeing and sustainability and circulate it to the AEG for endorsement for global consultation, and to coordinate the drafting of the guidance note and the drafting of the annotated outlines for chapters 2, 34 and 35 which touch on similar material.
61. Recommended that certain terms (such as 'central framework', and 'adjusted GDP') should be avoided and that the communication task team should support the consistent use of terms to facilitate better communication to users.
62. Observed that some elements of work on broadening the framework such as unpaid household work and the distribution of national accounts by socio-demographic variables have linkages to the work of the informal economy task team and requested the task team to coordinate its work with this group.

63. Agreed that the multi-dimensional aspects of well-being and sustainability (e.g., weighting different and unlinked concepts) imply that it will not be feasible to advocate a single composite indicator in the proposed framework and recommended the reasons for not doing so should be clearly communicated to users.
64. Agreed that the updated SNA would describe the concept of comprehensive wealth, whilst clarifying which elements of that wealth are covered by the SNA.
65. Recommended: (a) to include relevant types of wealth measures in the SNA framework and others in extensions of the SNA framework; and (b) requested the task team to collaborate with the World Bank to develop a consistent concept of wealth.
66. Observed that time use data may be needed to compile specific indicators in the proposed framework and noted the costs involved in gathering such data.

### **WS.7 Emission permits**

67. Observed that the global consultation revealed no clear consensus on the preferred option for recording emission trading schemes and noted the difference in preferences among geographical regions and domains.
68. Discussed the various options and generally supported option 4 (Emission Permits recorded as a financial asset with taxes on production recorded at surrender) but noted that (a) a minority of AEG members saw option 4 only as the second-best option; and (b) the feasibility of the sub-options (a) and (b) of option 4 will need to be further discussed, also with the BOP community.
69. Recognised the need to reconcile the recording of emission permits resulting from this AEG decision and radio spectra in the national accounts (also see discussion on WS.8, WS.10 and WS.11)
70. Requested the authors to update the guidance note to reflect the AEG's view, to provide guidance on the recording of multi-national schemes (in collaboration with the balance of payments community) on the valuation of the tax at the time of surrender and on the purchases of emission permits by non-profit organizations which do not subsequently surrender them.

### **WS.12 Environmental Classifications**

71. Stressed the importance of these classifications to enhance the visibility of environmental aspects in the SNA.
72. Expressed the need for the proposed classifications to be consistent to ensure future proofing and noted the need to engage with the classification community to see how the ongoing revision of international classifications will align with the proposed classifications.
73. Supported the implementation of breakdowns, for instance, in the case of emission permits, to increase the visibility of those parts of the accounts where data are being demanded.
74. Recommended, as a priority, that focus should preferably be placed on classification in terms of products and financial instruments rather than economic activities and institutional sectors, as the relevant economic agents may have primary activities and very different secondary activities associated with the relevant products and financial instruments.

75. Noted that the separate classification of produced assets and non-produced assets is less important since users tend to attach greater importance to the type of assets rather than whether the assets are produced or non-produced.

76. Requested the task team to revise the guidance note to incorporate the decisions on other relevant well-being and sustainability guidance notes related to environmental-economic issues and then submit it for approval to for global consultation.

**WS.8 Accounting for biological resources, WS.10 Valuation of mineral and energy resources and WS.11 Renewable energy resources**

77. Expressed its appreciation for the excellent work by the task team on the global consultation on these complicated issues and how comments from the global consultation were addressed; and noted that addressing related issues together facilitates the development of coherent and consistent recommendations.

78. Emphasized the need for a hierarchy of valuation methods so that the net present value method is used only in the absence of appropriate observable and reliable market prices.

79. Acknowledged the need for further work on the recording of depletion and regeneration of biological resources in the national accounts.

80. Noted the ongoing testing exercise on the feasibility of implementing the split asset approach on non-renewable energy resources and that the outcome of the testing exercise will be applied to other relevant natural assets such as biological resources and renewable energy resources.

81. Endorsed the guidance notes for publication, except for the recommendations on the split asset approach.

82. Requested the SNA update editorial team to prepare a holistic note to: (a) address other implications raised such as the recording the various services derived from the atmosphere; (b) develop appropriate terminology on the use of atmosphere-related services; and (c) reconcile the recording of radio spectrum and emission permits in the national accounts.