

Conclusions

22nd Meeting of the Advisory Expert Group on National Accounts Remote meeting 29 – 31 March 2023

29 March 2023

The Advisory Expert Group on National Accounts:

1. Welcomed its new member, Maka Kalandarishvili from Georgia and David Wasshausen from USA.
2. 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by the task teams, joint task teams, committees, working groups and expert groups and authors of the issues notes and draft guidance notes, which allowed for a better understanding of the various topics for discussion.

Overview of information items

3. Welcomed the update by the project manager on the various information items that are listed under item 22 on the meeting website, which include: the updates from the Project Manager and Lead Editor; progress on action items arising from the Oct 2022 AEG meeting; the process for drafting the updated SNA, including a timetable; responses to Global Consultation on the annotated outlines; a note on additional data items and tables for the 2025 SNA; a note on implementation guidance and manuals to be developed; and a note on the progress with developing the Common Glossary of Macroeconomic Statistics.
4. Noted that after the meeting there will be an opportunity for the AEG to provide written comments on these information items.

Issues note on: Consistency in measuring the output of central banks

5. Agreed with the proposal to simplify the guidance for measuring the output of central banks in the updated SNA which include (i) the broadening of services provided by central banks, by also recognizing, in addition to monetary policy and supervision services, services related to promoting financial stability and services related to facilitating payment systems; (ii) to exclude FISIM from the estimation of central bank output; and (iii) to treat all services provided by central banks as collective services, to be valued at the sum of costs.
6. Recognised the possible existence of other services such as training and technical assistance provided by central banks.
7. Requested the issues note be updated to present the options to treat (i) payments to the central bank as current transfers with an allocation of the output as collective services and final consumption expenditure of the central bank and (ii) the payments as taxes (with a concomitant

transfer from government to the central bank) with an allocation of the output as collective services to government requiring a concomitant current transfer from the central bank to government; to add appropriate numerical examples for these two options; and to submit the revised note to the AEG for approval for global consultation.

8. Recognised that the allocation of collective services to final consumption of the central bank will constitute a change in the SNA by extending the concept of collective consumption beyond government and NPISHs.

Issues note on: Treatment of trusts and other types of funds as separate institutional units

9. Acknowledged the difficulties to determine whether trusts and other types of funds are separate institutional units if they are located in the same economic territory as their owners/investors/beneficiaries.

10. Requested that the issues note be updated to (i) clarify the classification of trusts with multiple beneficiaries, (ii) clarify how to classify hybrid real estate investment funds using the dominant economic activity criterion, (iii) clarify how to classify investment funds that invest in crypto assets, (iv) provide more clarification on the role of traditional SNA rules, such as the ability to make autonomous economic decisions and existence of a complete set of accounts, including a balance sheet of assets and liabilities, in determining whether trusts and other types of funds are separate institutional units, (v) provide more clarification on why real estate investment funds which own, and rent out, dwellings and/or commercial property, as providers of rental and other types of real estate services are classified into the non-financial corporations sector, while real estate investment funds which primarily invest in debt and equity instruments in companies which own, and rent out, dwellings and/or commercial property are classified in the non-MMF investment funds subsector of the financial corporations sector, (vi) clarify how to classify real estate investment funds which invest in overseas properties, and (vii) if necessary, align the recommendations with those in guidance note G.4 Treatment of Special Purpose Entities and Residency.

11. Requested the updated issues note be circulated to the AEG for endorsement; and agreed that it does not need to be circulated for global consultation.

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Issues note on: Consistency in the application of the sum of costs approach

12. Recognised the potential impact on non-market output of government and NPISHs if the recommendation to include net return to capital in the sum of costs method of non-market output is adopted.

13. Requested that the issues note be updated to (i) provide the conceptual justification(s) for excluding net return to capital from the current sum of costs method to measure non-market output, (ii) clarify why the possibility of non-market producers making profit or gross operating surplus should not be a key determinant in excluding net return to capital in the sum of costs method, (iii) clarify why inventories are included in the measurement of capital services, and (iv)

clarify why the sum of costs method to measure insurance output includes an additional element “allowance for normal profit” and elaborate on what is meant by “normal profit”.

14. Requested that the revised issues note and a consultation questionnaire be sent to the AEG for approval to circulate it to the national accounts and government finance statistics communities for global consultation.

Issues note on: Treatment of holding gains/losses and capital income in the measurement of insurance output

15. For non-life insurance, agreed that the property income earned on the investment of funds which are available to the insurer through the insurance technical reserves (thus excluding holding gains and losses) should be used to measure the property income attributable to insurance policy holders and agreed that this decision should also apply to reinsurance and standardized guarantee schemes.

16. Noted that the life insurance and pensions parts of the issues note and a cover-note on some clarifications on the measurement of output of non-life insurance will be reviewed by selected AEG members and then circulated to the AEG for its consideration.

Note on resolving minor action points, focusing on action point A.12 on Work-in-progress, transfer of ownership and capital services, and action point B.10 on Recording of non-life insurance claims in the case of losses of capital assets

A.12 Work-in-progress, transfer of ownership and capital services

17. Agreed that the 2025 SNA should include (i) more generic guidance on the recording of work-in-progress, and not restrict the transfer of ownership of incomplete assets to buildings and other structures, (ii) the conceptually preferred recording of work-in-progress (only record a transfer in the case of an effective transfer of ownership; record partially completed structures as work-in-progress, also after a partial hand-over; record differences between stage payments and the effective transfer of ownership as other accounts payable/receivable), (iii) possible exceptions to the conceptually preferred recording, in view of problems related to practical implementation, (iv) explicit guidance on the measurement of capital services for inventories, (v) updated guidance on the measurement of capital services for natural resources, in line with the recommendations of the relevant Guidance Notes (WS.6, WS.8, WS.10 and WS.11), (vi) refer to the theoretical need to assign capital services to working capital other than inventories but exclude them on practical grounds; and (vii) additional discussion of the appropriate rate of return and the inclusion of clear and consistent guidance on the use of discount rates, in line with amongst others Guidance Note WS.10.

18. Requested that the relevant section of the note be revised with an assessment of how the nature of the underlying contract may affect the relevant recommendations and to submit the revised note to the AEG for endorsement.

B.10 on Recording of non-life insurance claims in the case of losses of capital assets

19. Agreed to (i) keep the current guidance for recording non-life insurance claims in the sequence of economic accounts of the SNA, (ii) extend the recording of capital transfers in the case of catastrophic events to claims related to inventories and non-financial assets other than dwellings, building and structures, (iii) add clarifications on the recording of reinsurance claims which are related to catastrophic events, (iv) add clarifications on the recording of claims in the case of damage to consumer durables, whether or not these are arising from catastrophic events, (v) arrive at a consistent recording of non-life insurance claims due to catastrophic events in international transfers by applying a relatively strict delineation of major catastrophic events, and (vi) cover more details regarding the treatment of non-life insurance in the context of distributional national accounts in Chapter 32 (Households) and/or Chapter 34 (Measuring well-being) of the 2025 SNA.
20. Endorsed the recommendations subject to incorporating these decisions.

Environmental classifications (WS.12)

Outcome of global consultation

21. Welcomed the strong support for the majority of the recommendations in the guidance note during the global consultation, but acknowledged that the guidance note should be updated to address some concerns which were raised during the global consultation.

Recommendation 1 – Non-MMF ESG Subsector

22. Agreed to not include an ESG institutional sub-sector classification in the SNA.

Recommendations 2,3,4 - Bonds, Loans and Equity

23. Agreed to include ‘of which’ categories for ESG Bonds, Loans and Equity and Investment Fund Shares and for Green Bonds, Loans and Equity and Investment Fund Shares in the SNA Financial Asset classification, as proposed in the guidance note.
24. Agreed to include definitions for ESG/Green Financial Instruments in the 2025 SNA and noted that the definitions may need to be updated as they evolve over time.
25. Requested that the economic-environmental accounting community and the relevant task team of phase three of the G20 data gaps initiative(the Working Group on Securities Databases for G 20 DGI Recommendation 4) be consulted regarding these definitions and the hierarchical structure of the additional instrument breakdown, including on the usefulness of nesting ‘of which: green’ under ‘of which: ESG’.

Recommendation 5 – Resource Rent

26. Agreed to include resource rents in the classification of transactions in the 2025 SNA with slight modifications based on feedback from the global consultation to better align with SEEA.

Recommendations 6, 7 and 8 - Carbon pricing, Environmental Taxes and Subsidies

27. Agreed to move forward with the recommendation to create a revenue from “carbon pricing mechanisms” aggregation and to include definitions for environmental taxes and subsidies in the updated SNA but not to include these classes in the classification of transactions.

Recommendations 9,10,11 – Produced Assets

28. Agreed that the 2025 SNA should include guidance (and an illustrative version) of how the produced asset classification system can be presented on a functional basis (with environmental-purposed produced assets as the basis for the illustration), instead of adding classes of these assets to the SNA transactions and classification system.

Recommendation 12 – Renewables/non-renewables split

29. Agreed to include breakdowns of non-renewable mineral and energy resources (AN.2121) and renewable mineral and energy resources (AN.2122) as proposed in the guidance note, with some modifications to ensure consistency with the SEEA.

Recommendation 13, 14 – Human, Social and Natural Capital, Inclusive Wealth

30. Agreed that the guidance note should be updated to better reflect that Human capital, Social Capital and Ecosystem Capital are not part of the SNA asset boundary.

31. Noted that the SNA should use the term “comprehensive wealth”, as proposed in the guidance note, rather than “inclusive wealth”.

Next steps

32. Requested that the guidance note be updated to incorporate the above concerns and circulate the revised note to the AEG for endorsement.

Use of Net measures in the presentation of the National Accounts (CM.4)

33. Endorsed the recommendations of the guidance note, subject to updating it to (i) underscore that the decision on whether to use net or gross measures in the denominator of ratio indicators would depend on the need of the compiling agency, (ii) highlight the need for practical guidance on the calculation of volume estimates of net measures, and (iii) underscore the need for communicating to users and other stakeholders that net measures are meant to complement and supplement gross measures rather than replace them.

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Economic ownership and depletion of natural resources (WS.6) – Split asset approach

Positive results from testing

34. Endorsed, given the positive results from testing, the recommendations to (i) adopt the split asset approach using the resource rent methodology proposed by the SEEA and elaborated in the guidance note, (ii) incorporate information on the corresponding balance sheets of governments and non-financial corporations (and any other sectors) to give a more accurate reflection of the sectors’ net worth, and (iii) record initial appearances and/or ownership changes of natural resource assets as other changes in the volume of assets rather than as capital transfers.

Resolution of some measurement principles

35. Agreed that (i) average resource rent shares should be used to split asset values, (ii) the economic appearance of an asset is concurrent with financial arrangements and ownership rights

being established, (iii) a natural resource ownership change amongst sectors should be recorded as an other change in the volume of assets and (iv) changes in royalty regimes should be recorded as an other change in the volume of assets.

Next steps

36. Noted the intricate assumptions underlying some of the above recommendations and that the above decisions are tentative, given the need to consult the government finance statistics and economic-environmental communities on results of the global consultation.

37. Requested to update the guidance note to incorporate the testing results from selected countries (if they agree) and internal experimentation by the task team as well as numerical examples on alternative ways of recording the split asset approach and circulate the updated note to the government finance statistics and economic-environmental accounting communities for consultation.

38. Underscored that the final conclusions on adopting the recommendations after the consultations with the government finance statistics and economic-environmental accounting communities should also take into account the endorsed recommendations in guidance notes WS.8, WS.10 and WS.11.

A Broader SNA framework for Wellbeing and Sustainability (WS.1)

39. Agreed that it would be preferable to use terms such as measures that “complement GDP” rather than “adjusted GDP” to track well-being and sustainability.

40. Requested that the guidance note be updated to (i) incorporate changes to the guidance note on environmental classifications (WS.12), (ii) reflect changes related to the subcategories of natural capital that are still dependent on decisions regarding, for example, the recording of the split-asset approach, and (iii) coordinate with the communication task team on how to differentiate between extended and thematic tables.

41. Underscored that the questionnaire for the global consultation should focus on asking respondents for their views on the way the broader framework is presented and how they would prioritize its implementation, the resources needed, and challenges involved, rather than their views on already-endorsed recommendations.

42. Requested that the updated guidance note and consultation questionnaire be submitted to the AEG for approval for global consultation.

Treatment of Rent (AI.2)

43. Requested to include in the guidance note examples to delineate options A1 (broaden the definition of rent to cover all payments/receipts related to the use of non-financial assets with infinite life span) and A2 (broaden the definition of rent to cover all payments/receipts related to the use of non-produced non-financial assets) in the recommendation for definition of rent and submit the revised version to the AEG for written consultation.

44. Requested the subsequent updated guidance note and consultation questionnaire be submitted to the AEG for approval for global consultation of the national accounts, balance of payments, government finance statistics and economic-environmental accounting communities.

Recording of Data in the National Accounts (DZ.6)

45. Endorsed the recommendation to include data in the SNA production and asset boundaries.

46. Agreed with the proposal to develop a compilation handbook to address the practical implementation challenges and to produce internationally comparable estimates of data.

47. Requested the ISWGNA to coordinate with the classifications task team working on the update of the CPC on how to improve the statistical visibility of data in the CPC.

Recording of Non-Fungible Tokens (NFTs) in Macroeconomic Statistics (DZ.10)

48. Endorsed the guidance note as amended to incorporate the feedback from the global consultation subject to further clarification on (i) how to account for NFTs with uncertain legal status, and (ii) whether transaction fees also refer to ownership transfer costs.

Asymmetric Treatment of Retained Earnings (F.2)

49. Endorsed the recommendation to record the allocation of retained earnings in a supplementary table and noted that the recording in the supplementary table also apply to domestic transactions and positions.

50. Noted the challenges faced by compilers in compiling the supplementary table.

51. Agreed with the proposal to provide additional guidance to compilers, with emphasis on methods to estimate retained earnings through indirect approaches such as the residual method and requested the task team to coordinate the work on this proposal.

Update by project manager on next steps

52. Welcomed the proposal of the project manager to discuss with the ISWGNA secretariat the best approach to circulate the relevant guidance and issues notes to the AEG for written consultation.