



Communication Task Team (CMTT)

CM.2 Terminology and Branding

Results of User Consultation

JOINT AEG AND BOPCOM MEETING, 13TH JULY 2023

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Outline

- CM.2 Terminology and Branding
 - Background and links to the main process.
 - Since Global Consultation....,
 - Feedback from User Consultation
 - Overview and tables
 - Feedback from ESCoE Survey
 - Summary and question for the Joint AEG / BOPCOM Members

CM.2 Terminology and Branding Workstream

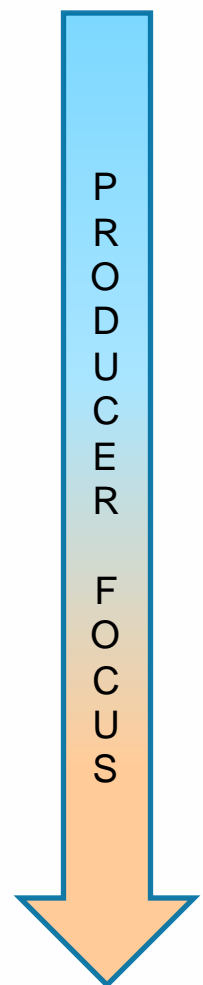
Objective: Review the current macroeconomic accounting terminology and propose **simpler alternative** terms and **clarified definitions / descriptions** for more consistent and accurate use in the communication with **users** to better convey the meaning and interpretation of the concepts and methods.

The goal is not to change the concepts or definitions used but to express them in a non-technical, easier to understand way to help **users**.

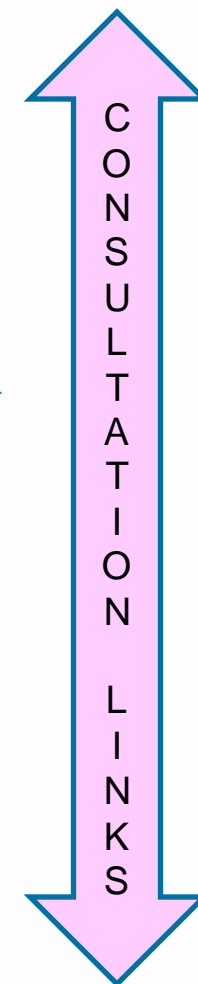
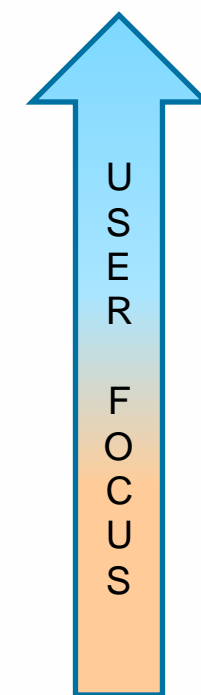
Public understanding of economics and economic statistics through COVID-19 pandemic:

- Using YouGov, ONS / ESCoE Survey in February 2020 (1,665 people) and in August 2022 (2,007 people).
- In general, public misperceptions about economic figures and the economy continue.
- Better understanding of inflation due to lots of analyses covering the cost of living crisis (including personal calculator) – still confusion over price levels, changes in prices and changes in inflation rate.
- GDP is still not well understood and labour related terms / definitions are poorly understood.
- Interest rates - strong understanding of how interest rates affect personal finances for borrowers and savers.

CM.2 Terminology and Branding: Links to the main process



- Ensure harmonised **definitions** across the economic accounting statistical standards primarily for producers.
 - Primary focus on SNA and BPM but also GFSM, SEEA, MFS, etc.
- Single, harmonised **Common Glossary of Macroeconomic Statistics** covering the economic accounting statistical standards.
 - Primary focus on SNA and BPM but also GFSM, SEEA, MFS, etc.
- Examples of “**user friendly**” and “**easier to understand**” terms for communicating with users.
 - Primary focus on SNA and BPM but also GFSM, SEEA, MFS, etc.
 - Goal is **not** to change the concepts and definitions used but to better communicate them using non-technical, user-friendly language.
 - An alternative term for users will not exist for all terms.



Since Global Consultation ...,

- **Global consultation on GN CM.2 Terminology and Branding of the Economic Accounting Statistical Standards took place during December 2021 - February 2022:**
 - Received a total of 60 responses from 48 economies and international organisations.
 - Majority of respondents agreed with most of the key proposals in the guidance note (GN).
 - Several valuable suggestions to further harmonise the terminology of the EASS.
 - Global Consultation feedback has been reflected in the revised versions of the GN.
- **Joint AEG / BOPCOM Meeting feedback (October 2022)**
 - Further two-week written consultation and feedback included.
- **Revised GN presented to the Joint AEG / BOPCOM Meeting for approval (March 2023)**
 - Small changes to GN and Questionnaire for user consultation complete (reflect translation issues).
 - User consultation complete as well as ESCoE Survey results.
- **Revised GN and user consultation results to be presented to AEG Meeting for approval (July 2023)**

To note, all the terms being addressed are in the existing standards and some degree of harmonisation and consistency is also being achieved.

User Consultation

➤ Overview

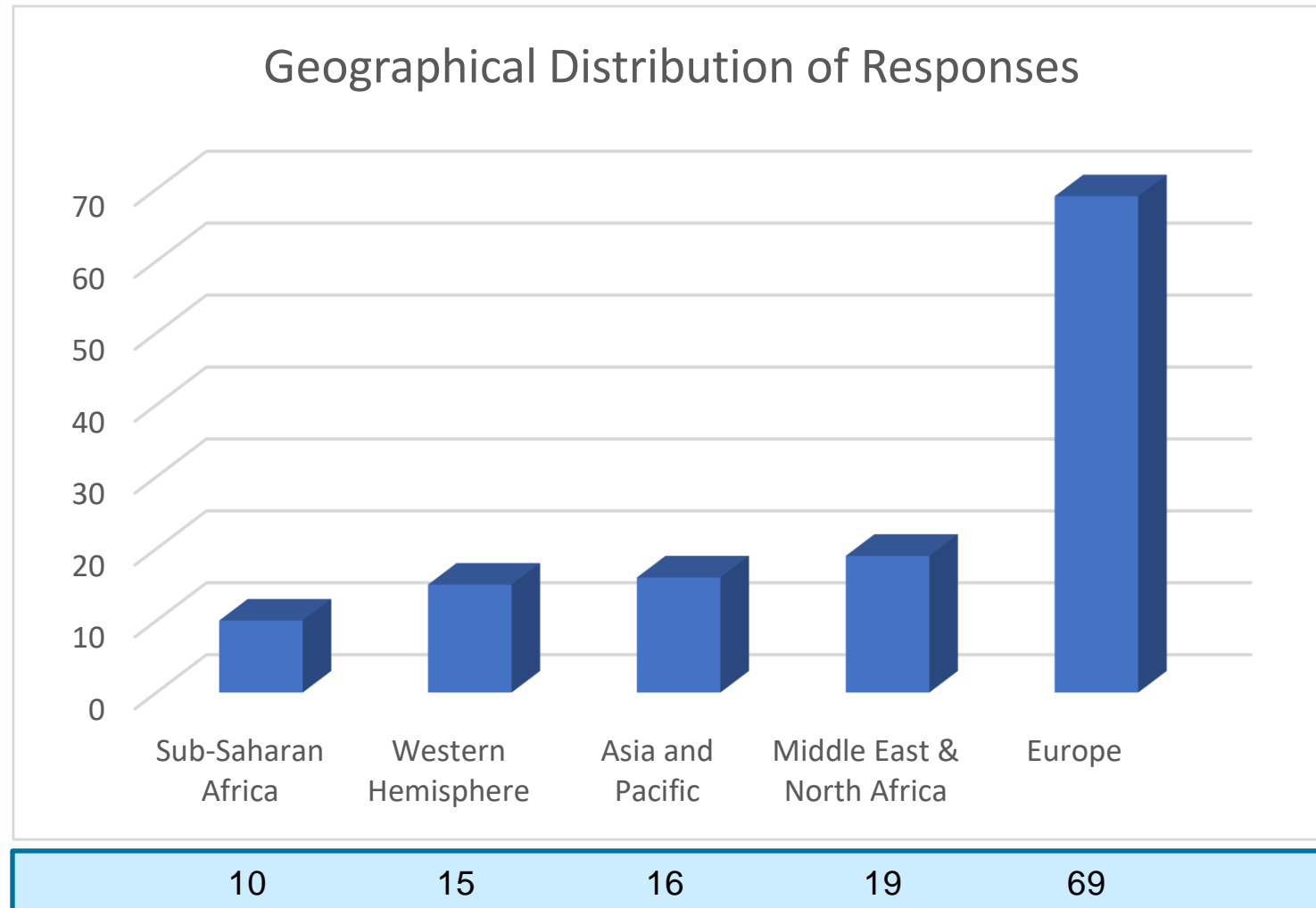
- Received a total of 130 responses (as at 6th July 2023).
 - Of which, 83 consented to publishing their verbatim responses (notable difference).
- Responses represented the views of users of national accounts, balance of payments / international investment position, government finance statistics and monetary and financial statistics.
- **Majority of respondents agreed with most of the key proposals.**
- Respondents provided their views and valuable suggestions to further harmonise the terminology of the economic accounting statistical standards – some contradictory comments.

➤ Now onto the main findings ...,

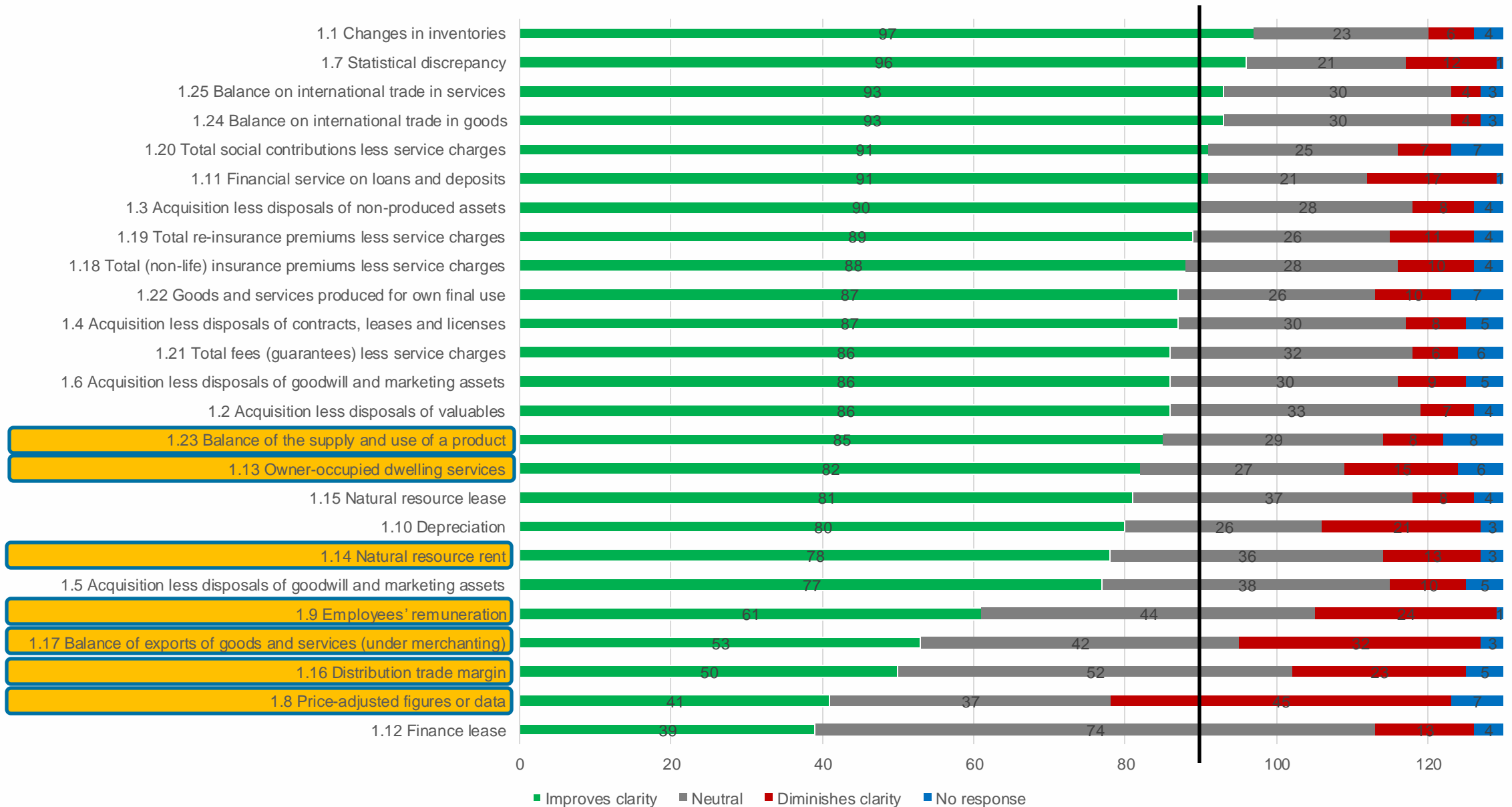
- *Approval set as “improves clarity” plus “neutral” where they are 90 or more responses.*
- Important to note we are focusing on users, not producers.
 - Received valid comments from producers (e.g., NSIs) with SNA definition focus and business accounts definition focus (which are not being changed) and already addressed in GC and AEG / BOPCOM Meetings.
- Reviewed all respondents' comments and tweaks made where appropriate.

Regional coverage

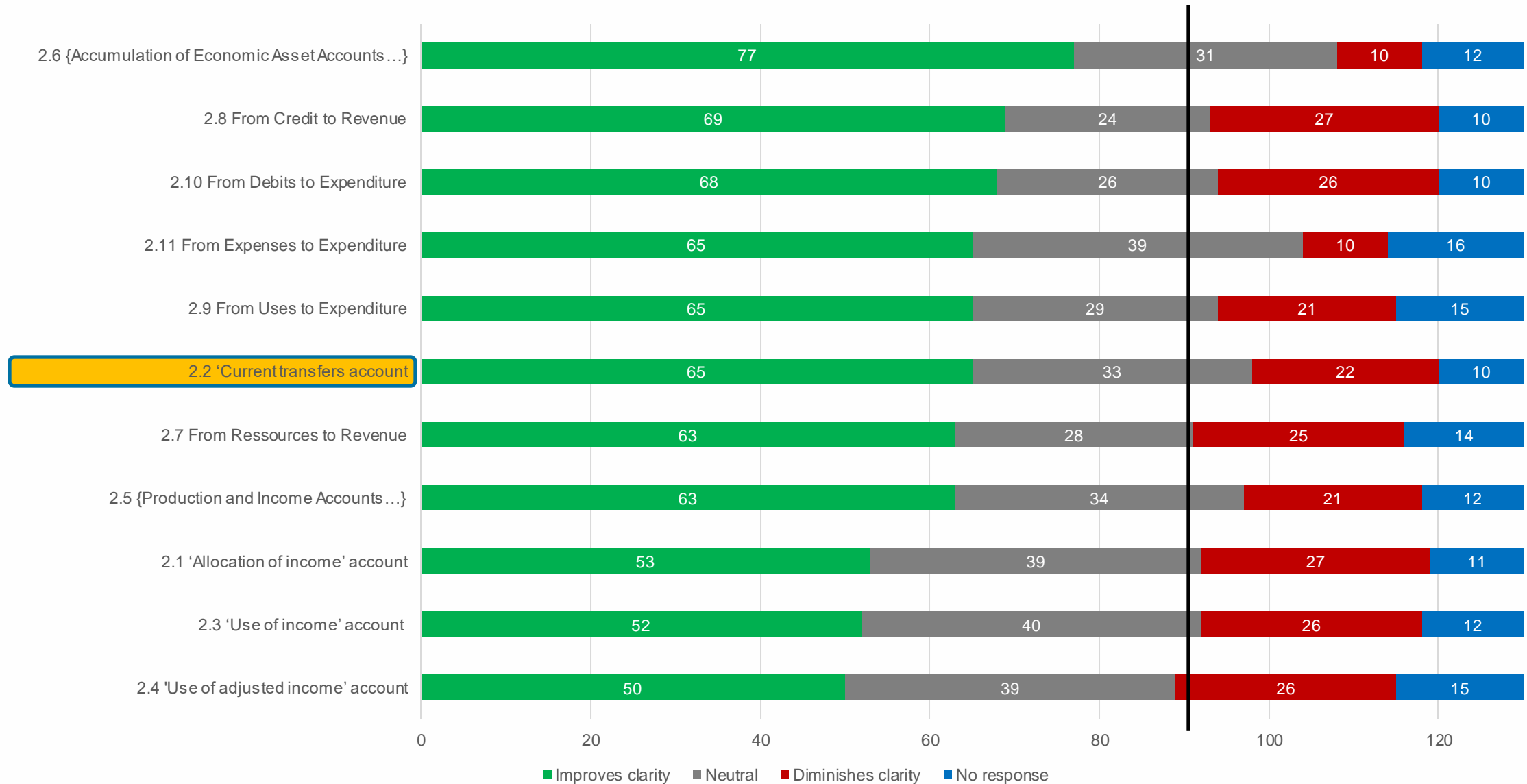
- **Overview** – 130 responses, of which one cannot be identified by region.



1. Evaluation of the Proposals for Further Alignment of Key Concepts in SNA/BPM/GFSM



2. Evaluation of the Proposals to Update the names of the Accounts



3. Evaluation of Improved Branding of Manuals for Different Statistical Domains



Table 1. Proposals for Further Alignment of Key Concepts in SNA/BPM/GFSM

	Current Terms	Proposed New Term	Improves clarity	Neutral	Diminishes clarity	No response	Total
1	Net transactions in Inventories	Changes in inventories	97	23	6	4	130
2	Net transactions in Valuables	Acquisition less disposals of valuables	86	33	7	4	130
3	Net transactions in non-produced assets	Acquisition less disposals of non-produced assets	90	28	8	4	130
4	Net transactions in Contacts, leases, and licenses	Acquisition less disposals of contracts, leases and licenses	87	30	8	5	130
5	Purchases less sales of goodwill and marketing assets /	Acquisition less disposals of goodwill and marketing assets	77	38	10	5	130
6	Net transactions in Goodwill and marketing assets	Acquisition less disposals of goodwill and marketing assets	86	30	9	5	130
7	Net errors and omissions	Statistical discrepancy	96	21	12	1	130
8	Constant prices	Price-adjusted figures or data	41	37	45	7	130
9	Compensation of employees	Employees' remuneration	61	44	24	1	130
10	Consumption of fixed capital	Depreciation	80	26	21	3	130
11	Financial Intermediation Services Indirectly Measured	Financial service on loans and deposits	91	21	17	1	130
12	Financial Lease	Finance lease	39	74	13	4	130
13	Imputed Rental	Owner-occupied dwelling services	82	27	15	6	130
14	Rent	Natural resource rent	78	36	13	3	130
15	Resource lease	Natural resource lease	81	37	8	4	130

Table 1 continued. Proposals for Further Alignment of Key Concepts in SNA/BPM/GFSM

	Current Terms	Proposed New Term	Improves clarity	Neutral	Diminishes clarity	No response	Total
16	Trade margin	Distribution trade margin	50	52	23	5	130
17	Net exports of goods and services (under merchanting)	Balance of exports of goods and services (under merchanting)	53	42	32	3	130
18	Net (non-life) insurance premiums	Total (non-life) insurance premiums less service charges	88	28	10	4	130
19	Net re-insurance premiums	Total re-insurance premiums less service charges	89	26	11	4	130
20	Net social contributions	Total social contributions less service charges	91	25	7	7	130
21	Net fees (guarantees)	Total fees (guarantees) less service charges	86	32	6	6	130
22	Output for own final use	Goods and services produced for own final use	87	26	10	7	130
23	Product balance	Balance of the supply and use of a product	85	29	8	8	130
24	Balance on trade in goods	Balance on international trade in goods	93	30	4	3	130
25	Balance on trade in services	Balance on international trade in services	93	30	4	3	130

Table 2. Proposals to Update the names of the accounts

	Current Terms	Proposed New Term	Improves clarity	Neutral	Diminishes clarity	No response	Total
1	'Allocation of primary' income account	'Allocation of income' account	53	39	27	11	130
2	'Secondary distribution of income' account	'Current transfers account'	65	33	22	10	130
3	'Use of disposable income' account	'Use of income' account	52	40	26	12	130
4	'Use of adjusted disposable income' account	"Use of adjusted income' account	50	39	26	15	130
5	Current Accounts: Production Account Generation of Income Account Allocation of Primary Income Account Secondary Distribution of Income Account Use of Disposable Income Account.	Production and Income Accounts: Production Account Generation of Income Account Allocation of Income Account Current Transfers Account Use of Income Account.	63	34	21	12	130
6	Accumulation Accounts Capital Account Financial Account Other Change in Asset Account	Accumulation of Economic Asset Accounts Capital Account Financial Account Other Change in Asset Account	77	31	10	12	130
7	Resources	Revenue	63	28	25	14	130
8	Credits	Revenue	69	24	27	10	130
9	Uses	Expenditure	65	29	21	15	130
10	Debits	Expenditure	68	26	26	10	130
11	Expenses	Expenditure	65	39	10	16	130

Table 3. Improved Branding of Manuals for Different Statistical Domains

	Current Name of the Manuals	Proposal	Improves clarity	Neutral	Diminishes clarity	No response	Total
1	No Umbrella for all manuals of economic statistics	Umbrella for all Manuals: Economic Accounting Statistical Standards (EASSs)	62	48	9	11	130
2	National Accounts	National Economic Accounts	55	40	24	11	130
3	Governments Finance Statistics Statements	Governments Finance Statistics Reports	45	63	9	13	130

Final suite of changes based on user consultation

	User Consultation Proposal	Amended proposal	Comment(s)
8	Price-adjusted figures or data	In volume terms	Reversal and user proposal covers both constant prices and PYP's.
9	Employees' remuneration	Remuneration of employees	Removal of “ “ – clearer meaning.
13	Owner-occupied dwelling services	Owner-occupied housing services	Housing and dwelling can have different meaning in translation, also avoid “imputed”.
14	Natural resource rent	Rent from natural resources	Clearer from where the rent is earned.
16	Distribution trade margin	Distribution margin	Removes confusion with trade.
17	Balance of exports of goods and services (under merchanting)	Exports, less imports, of goods and services (under merchanting)	Removes “balance” which was unclear and leaves any negative possible in exports.
23	Balance of the supply and use of a product	Balance of the supply and use of products	Clearer and more generic.
2	Current transfers account	Current income transfers account	Reinstatement of “income”. “Redistribution of income account” may be better alternative.

Notable comments from users - Price adjusted

- **Many responses laid out the challenges with the different variations without expressing a clear preference.**
- **Constant prices** is well understood as a volume measure of quantities in different periods aggregated with prices fixed, i.e., taken from one and the same period.
- **Price-adjusted figures** or data is more of a journalistic way of giving a picture of how nominal values can be adjusted for differences in prices between periods or regions (areas). The meaning is not very precise and some figures like volume measures that are aggregated does not even fit the description.
- The new term creates further confusion, there is no need to simplify the term of constant price. Furthermore, the word "price-adjusted figures or data" should be compared to the former word "real terms" in 2008 SNA. Constant prices and chain volume method are subset of real terms (or price-adjusted figure).
- We express concerns on the change of this term, given the how relevant it is to the economic community. To further elaborate we are of the opinion that the term "Price-adjustment" does not offer enough clarity and may not be continuous with how constant prices is used currently.
- Wrt to product and services series, we prefer the expression "volumes". It is unclear whether the proposal is supposed to be an umbrella term including volume measures or only for income-type variables which are deflated with appropriate price series ("real"). In any case, this is a sensitive matter and any proposal would need further elaboration. before final assessment.
- ***Way ahead*** – as some responses recommend to revert to previously suggested, "in volume terms".

Notable comments from users - Depreciation

- **Several responses, especially producers, referred to the differences between CFC in national accounts and Depreciation in business accounts.**
- **"Depreciation"** as an accounting term refers to the depreciation of surviving assets during the period, whereas the SNA "Consumption of fixed capital" in macro statistic, refers not only to the depreciation of surviving assets, but also "Losses of fixed assets due to normal or expected levels of accidental damage" (2008SNA para. 6.243), which refers to disposals of assets caused by disasters in the normally expected levels during a period of time. The scope of the concepts is clearly different. This point is not well known among SNA users, then we have explained it in response to inquiries from SNA departments, many times.
- Therefore, the use of the term deprecation in the next SNA is likely to cause further misunderstanding among SNA users.
- There are important conceptual differences between consumption of fixed capital and depreciation. Depreciation in nominal values refers to the price change of the same object from the beginning of a period to the end. That is the change in market value as the object gets older and becomes less productive. Consumption of fixed capital refers to the price changes of a newly produced object of the same kind (i.e. the replacement cost or supply price of the object) during a period and also taken into account the reduction in the remaining service life. The market price of an existing object and the supply price of a new object combined with the reduction in service life need not move in the same direction which is obvious in case of collectors' items no longer produced.
- Consumption of capital in constant prices also differ conceptually since depreciation is valued in real values, i.e. adjusted for the increase in the price level (inflation). Values in constant prices are not primarily a price adjustment of nominal values but rather the use of a common set of prices for the comparison of aggregates between periods.
- ***Way ahead*** – separating the producers' views from users' feedback, we propose CFC remains in the SNA accounts but depreciation is used in dialogue with users.

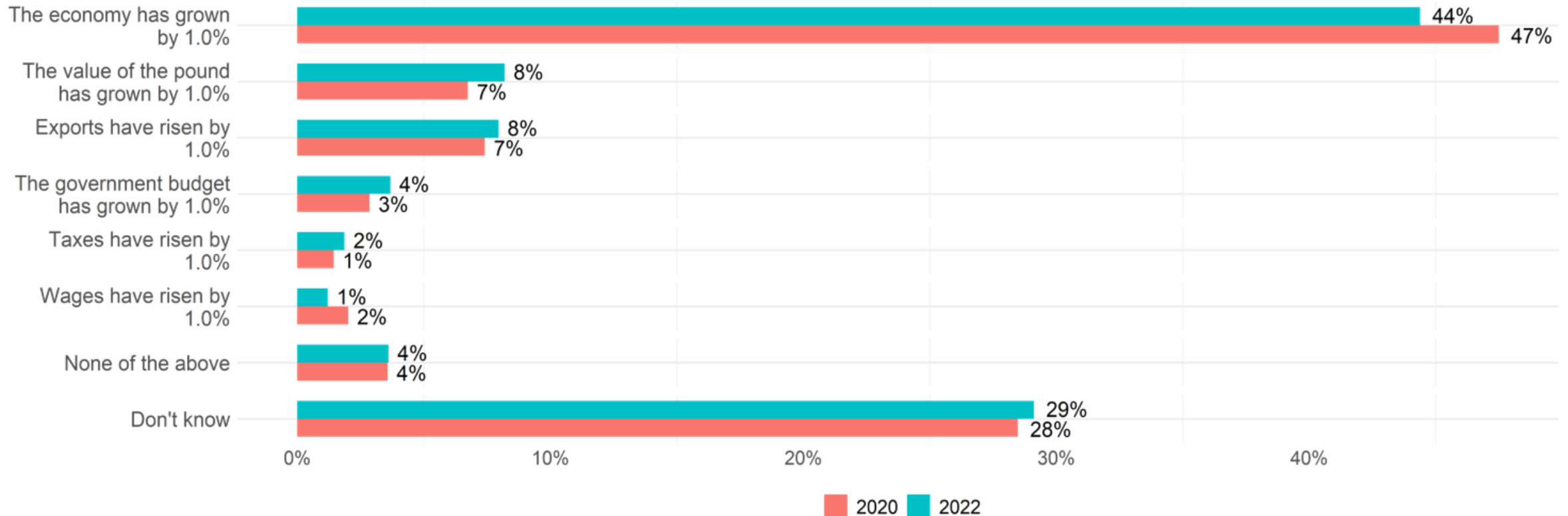
User Consultation

Public understanding of economic statistics

Less than half of the UK public can identify that GDP relates to the size of the economy.

Which of the following statements, if any, do you think best explains what it means when GDP has increased by 1.0%?

YouGov survey, 2022: N=2,007 GB adults, 23-24 August 2022. 2020: N=1,665 GB adults, 26-27 February 2020.



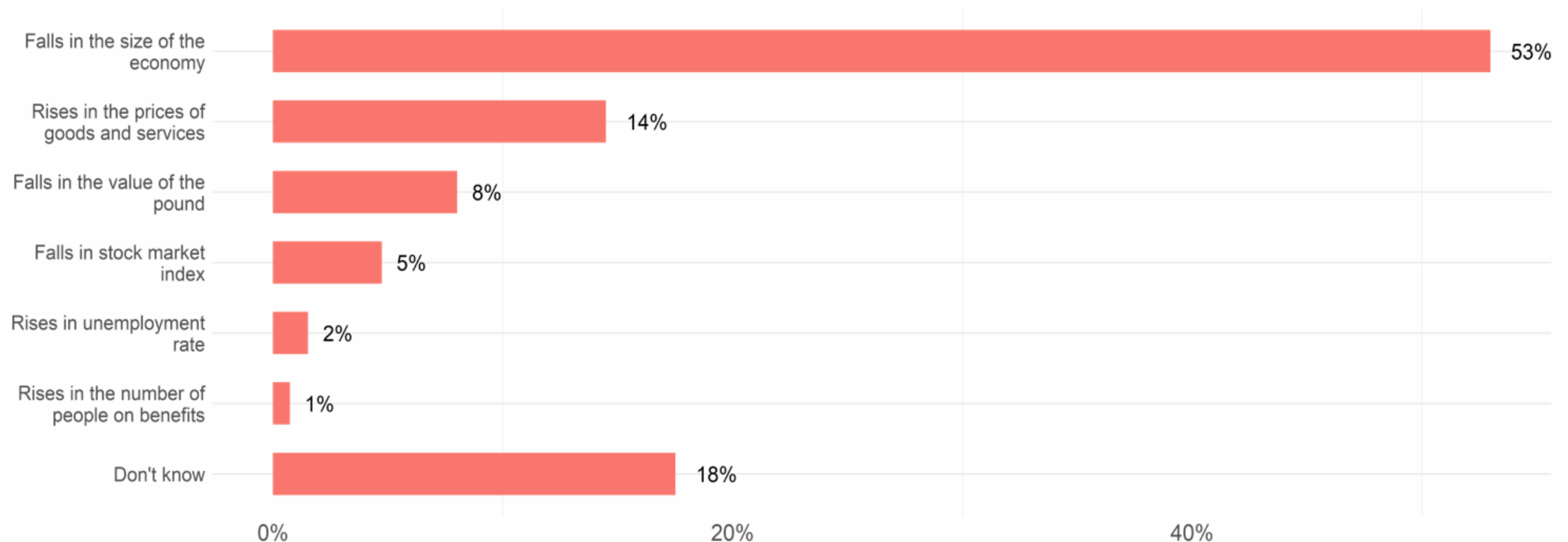
User Consultation

Public understanding of economic statistics

Just over half (53%) of people were able to identify that an “economic recession” usually refers to a fall in the size of the economy.

Which of the following do you think best explains what is most commonly meant by an "economic recession"?

YouGov survey, 2022: N=2,007 GB adults, 23-24 August 2022.



Outcome of User Consultation

Summary

Overall, very supportive and favourable responses from the user consultation and ESCoE Survey:

- Revised Guidance Note on CM.2 Terminology and Branding reflects the review of the comments from the user consultation and ESCoE Survey results.
- The final changes apply in principle to the SNA and BOP ensuring consistency and harmonisation, thereafter to other EASSs as appropriate.
- AEG Members are asked to endorse the revised Guidance Note as final and ask the SNA and BPM editors to incorporate the revised terms in the updated SNA and BPM – giving the SNA and BPM editors the liberty to make adjustments as needed to ensure internal consistency within and across the SNA and BPM.

This is a notable step in the direction of producers (e.g., NA, BoP, etc.) embracing much-needed change to better engage with the wide range of users of economic statistics.

