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Issues note regarding the glossary of terms and definitions for macro-economic statistics

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Prepared by the editorial teams for the update of BPM6 and the 2008 SNA

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Introduction

1. The glossary of terms and definitions has recently been put forward to the Advisory Expert Group (AEG) on National Accounts and the IMF Committee on Balance of Payments Statistics (Committee), for consultation. In this glossary, the latest decisions of the AEG and the Committee, agreed at their meetings in July 2023, have been reflected. This includes both the guidance notes endorsed at the relevant meetings, and also the decisions made regarding the issues presented in the progress report on the glossary. In respect of the latter, one of the decisions, i.e., the one on scoping down the number of terms and definitions related to Islamic finance to the ones actually used more frequently in BPM7 and the 2025 SNA, has not yet been applied. This will be done at a later stage during the process of drafting chapters.

2. Having said that, some issues still need further discussion and agreement with the AEG and the Committee. This concerns, for example, a number of recommendations for changing terminology in Guidance Note CM.2 on Terminology and branding of the economic accounting statistical standards, and also some environmentally related terms and definitions for non-financial and financial assets, as proposed in Guidance Note WS.12 on Environmental classifications. Also, a limited number of other issues became apparent during the latest rounds of reviewing the glossary, including some arising from the consultation of key stakeholders (GFS, MFS and SEEA).

3. This note provides a short overview of the remaining issues, which need to be resolved in order to finalize the glossary of terms and definitions. More specifically, the following issues are addressed:

- assessment of the recommendations made in Guidance Note CM.2 on Terminology and branding of the economic accounting statistical standards;
- environmentally related terms and definitions;
- terms and definitions related to control and ownership; and
- other specific terms and definitions:
    - claims of pension funds on pension manager;
    - other capital transfers (additional breakdown);
    - emission permits (pending outcomes of the workshop);
    - central bank and monetary authorities; and
    - different levels (central, state, and local) of general government.

4. The BPM and SNA editorial teams are providing recommendations for the topics discussed in the note. The AEG and the Committee are requested to endorse the recommended solutions and/or provide any other feedback.

Assessment of the recommendations made in Guidance Note CM.2 on Terminology and branding of the economic accounting statistical standards

5. Guidance Note CM.2 on Terminology and branding of the economic accounting statistical standards recommends, in Tables 3, 4, 5 and 7, a number of changes in terminology, many of which also have an impact on the glossary. The BPM and SNA editorial teams have closely assessed these recommendations for changing terminology in the updated versions of BPM6 and the 2008 SNA, in view of consistency and coherency. This assessment has led to the recommendations below. In this respect, please note that the issue of possibly changing debits/credits in BPM to revenue/expenditure is not addressed here. For this purpose, a separate issue note will be put forward, for consideration by the AEG and the Committee.

6. The following recommendations for changing terminology do not raise any concerns for inclusion in BPM7 and the 2025 SNA. These changes have also been reflected in the glossary of terms and definitions:

- *Accumulation accounts => Accumulation of economic assets accounts.* Here, it is proposed to retain "accumulation accounts" as an alternative term.
- *Constant prices => In volume terms***.** Here, it is not entirely clear how to include this in the glossary. For the time being, the term "volume estimates" has been applied.
- *Compensation of employees => Remuneration of employees.*
- *Consumption of fixed capital => Depreciation.*
- *Financial lease => Finance lease.* Here, it is proposed to retain "financial lease" as an alternative term.
- *Imputed rental => Owner-occupied housing services.* Here, it should be noted that the 2008 SNA typically does not use the term "imputed rental" in isolation. It is consistently used in a certain context, such as "imputed rental of owner-occupied dwellings".
- *Resource lease => Natural resource lease.*
- *Trade margin => Distribution margin.* Here, it is proposed to retain "trade margin" as an alternative term.
- *Net (non-life) insurance premiums => Total (non-life) insurance premiums less service charges.* It is proposed, however, not to put "non-life" between brackets. The term is only relevant for non-life insurance, and it would be good to clearly emphasise that. Moreover, it is proposed to remove "total", as the SNA and BPM typically do not add this word to a term. The proposal is therefore to use "non-life insurance premiums less service charges". Furthermore, in the glossary, both "non-life insurance premiums" (D.71g) and "non-life insurance premiums less service charges" (D.71n) have been included. A similar treatment is proposed for "social contributions"; see below.
- *Net social contributions => Total social contributions less service charges.* As noted above, "social contributions" (D.61g) as well as "social contributions less service charges" (D.61n) are included in the glossary, both without the word "total".
- *Product balance => Balance of the supply and use of products.*

- *Balance on trade in goods/services/goods and services => Balance of international trade in goods/services/goods and services.*

7. The following recommendations for changing terminology will also be included, although they do not have an impact on the glossary of terms and definitions:[1]

- *Purchases less sales of goodwill and marketing assets => Acquisitions less sales of goodwill*. Please note that marketing assets are not included, as it has been agreed to treat marketing assets as produced non-financial assets.
- *Net re-insurance premiums => Re-insurance premiums less service charges.*
- *Net fees (guarantees) => Fees (guarantees) less service charges.*

Furthermore, the recommendation to replace "rent" by "rent on natural resources" is not relevant anymore, because of the decision to extend the notion of rent to all non-produced non-financial assets.

Proposals for renaming accounts

8. On other hand, however, a number of recommendations for changing terminology are considered more problematic to implement. Three of them refer to renaming accounts within the sequence of economic accounts, as explained below:

- *Allocation of primary income account* => *Allocation of income account*, while not changing the term "primary income(s)".
- *Secondary distribution of income account* => *Current income transfers account*
- *Use of disposable income account* => *Use of income account*

In addition, it is recommended, at least implicitly, to change the term "current accounts" into "income and expenditure accounts".

9. The proposal to change "allocation of primary income account" into "allocation of income account" could work. However, different from the generation of income, the allocation of income is not necessarily limited to primary incomes, which is the reason why the latter account was further specified in the 2008 SNA, to make clear that it is not related to transfer income. Here, in line with previous proposals related to the titles of the chapters in the 2025 SNA and BPM7, it is proposed to use the term "earned income". This would result in the term "earned income accounts", which group together the "generation of earned income account" and the "allocation of earned income account". In addition, it is proposed to change the term "balance of primary incomes", which is very much related to the term "primary distribution of income account" (as opposed to secondary distribution of income account"), into "balance of earned incomes". See also the overview of accounts in the annex to this issues note.

10. The proposal to change "secondary distribution of income account" into "(current) income transfers account" does not work, as one needs to specify which account is referred to. However, one could apply this term for the sum of the two accounts covering the

[1] Please note that changes in terminology which affect the Government Finance Statistics Manual (GFSM) 2014, in order to arrive at a greater alignment with the SNA, have not been included here.

redistribution of income. Here, it is proposed to use the term "transfer income account" as the term for the accounts grouping together the redistribution of income. This would provide a nice alignment with the term "earned income", and also avoid the pleonasm included in the term "current income transfers". The two accounts for the redistribution of income would then be labelled as "income transfers other than social transfers in kind account" and "social transfers in kind account". For the balancing item of the latter account, one may consider either the term "adjusted disposable income" or "disposable income adjusted for social transfers in kind". In the glossary, and also in the annex with the overview of accounts, the latter term has been applied as the primary term, with the former term as an alternative.

11. Also, the proposal to change "use of disposable income account" into "use of income account" does not work, as again one needs to specify which account is referred to. Again, as in the case of the accounts for transfer income, the term works for the sum of the two accounts covering the use of income. This is actually already applied in the 2008 SNA. In line with the above change of the term for "adjusted disposable income", the term for "use of adjusted disposable income account" has been changed to "use of disposable income adjusted for social transfers in kind account".

12. Finally, in the context of renaming accounts, it is also proposed to not change the term "current accounts" into "income and expenditure accounts" (or, depending on the discussion regarding the change of the terms "debits" and credits", the more adequate alternative of "revenue and expenditure accounts"). Both editorial teams feel quite hesitant about such a change, mainly because the term "current accounts" is more concise, and appropriately reflects the content of the relevant accounts, as distinct from the accumulation (of economic assets) accounts. Further, changing the term "current account" would also imply changing the term "current account balance", which is a well-established terminology from the user perspective.

Other proposals for changing specific terms

13. It was also proposed to change the term "net errors and omissions" into "statistical discrepancy". Given the rather broad definition of statistical discrepancy in the current glossary, three possible options are considered for aligning these terms:

- Keep two separate terms in the glossary, one for "statistical discrepancy", defined as "statistical imbalances stemming from imperfections in source data and compilation"; and one for "net errors and omissions", defined as "specific type of statistical discrepancy derived residually as net lending/net borrowing from the financial account minus the same item derived from the current and capital accounts".
- Have one aligned term with a more narrow definition for "statistical discrepancy", which is in line with the one for "net errors and omissions", as follows: "difference between net lending/net borrowing derived from the financial account and net lending/net borrowing from the current and capital accounts". In this case, "net errors and omissions" could feature as an alternative term.
- Have a broader definition of "statistical discrepancy", with a clear reference to the way in which this term is most frequently used, as follows: "statistical imbalances stemming from imperfections in source data and compilation. In the balance of payments (and most

frequently in the national accounts), it is used to show the difference between net lending/net borrowing derived from the financial account and net lending/net borrowing from the current and capital accounts.

The editorial teams have a preference for the third option. The first option is considered problematic, as it would not support a further alignment in the use of terms across the BPM and the SNA.

14. The proposal to change the term "financial intermediation services indirectly measured" into "financial services on loans and deposits" is also considered slightly problematic, mainly because it does not distinguish between direct service charges on loans and deposits, and implicit service charges on loans and deposits. As an alternative, one could use "implicit financial services on loans and deposits", or simply refrain from changing the current term.

15. Net exports of goods and services (under merchanting) => Exports, less imports, of goods and services (under merchanting). This proposal is not appropriate and has been clarified in the annotated outlines of BPM7 chapters 10 (Goods account) and 11 (Services account). It is clarified that the treatment of the acquisition of goods by merchants as negative exports is necessary to assure a global balance of the accounts; if these purchases were considered as imports and exports in the merchant's economy, the global flows of the traded goods would be double counted. Further, it was also agreed to remove the reference on "services merchanting" from BPM.

16. Finally, it is proposed to change "output for own final use" into "goods and services produced for own final use". Looking at this change in isolation, it has an intuitive appeal. However, in combination with "market output", "other non-market output", one wonders about the merits of such a change. Here, it is proposed not to change the term.

Environmentally related terms and definitions

17. In Guidance Note WS.12 on Environmental classifications, it is recommended to group together all environmentally related assets. This raises some issues around the terminology of other non-financial assets. In addition, during the consultation of key stakeholders, questions have been raised about the use of the term "natural capital", "natural resources", and the like.

18. As it stands now, the glossary contains the following terms:

- Natural capital
    - Natural resources
    - Ecosystem assets
- Produced assets (excluding natural capital)
- Non-produced assets (excluding natural capital)

In the latter cases, where relevant, the text between brackets has also been added to relevant underlying asset categories, such as "fixed assets" and "inventories".

19. The first, simpler, question is whether one thinks it is acceptable to use, in relevant cases, the term without "(excluding natural capital)" as an alternative term. Although it may lack precision, it is proposed here to accept such alternative terms, because of the context in which these terms are often used. In a way, it is also not that different from using, for example, fixed assets, without referring to the fact that these assets only relate to produced assets.

20. Looking at the overarching terms and definitions which relate to environmental assets, the current version of the glossary contains the following:

- Environmental assets: Naturally occurring living and non-living components of the Earth, together constituting the biophysical environment, which may provide benefits to humanity. In macro-economic statistics, environmental assets are only recognised in as far they meet the asset boundary, by providing monetary benefits to their owners, either individually or collectively.
- Natural capital: The sum of natural resources and ecosystem assets, of which the latter are not recognised as assets in the sequence of economic accounts.
- Natural resources: Assets that naturally occur, such as land, water resources, timber and fish stocks, and mineral and energy resources that have an economic value and over which ownership may be enforced and transferred. Environmental assets over which ownership rights have not, or cannot, be enforced, such as open seas or air, are excluded.
- Ecosystem assets: Contiguous spaces of a specific ecosystem type characterized by a distinct set of biotic and abiotic components and their interactions, from which benefits can be derived that are used in economic and other human activity. Apart from the recognition of assets related to certain provisioning type of services, ecosystem assets are not recognised in the system of national accounts.

21. The first part of the term "environmental assets" has been copied, one-to-one, from SEEA 2012 Central Framework, while the latter sentence has been added to clarify its more restricted application in macro-economic statistics. The first part of the term "ecosystem assets" has been copied from SEEA Ecosystem Accounting. However, based on the feedback from the relevant key stakeholders, "from which benefits can be derived that are used in economic and other human activity" has been added to this definition. Similar to the definition of environmental assets, the last sentence has been added to clarify these assets in the context of macro-economic statistics. The term "natural resources" has been derived from the 2008 SNA, with a tweak about ownership. In addition, it has been made clear that assets "over which ownership rights have not, or cannot, be enforced" are excluded. Finally, the definition of "natural capital" is formulated as a simple aggregation of the two constituent elements, i.e., natural resources and ecosystem assets.

22. In general, these terms and definitions are considered appropriate and concise, and well aligned to the international standards for environmental-economic accounting. However, some concerns have been expressed in relation to the use of the term "natural capital". It has been argued, for example, that it is preferable to use the term "environmental assets" as the overarching term, which can be broken down into ecosystem assets and other

environmental assets (consistent with Table 11.2 in SEEA Ecosystem Accounting), the latter basically corresponding to natural resources. In doing so, natural capital would be defined as environmental assets expressed in monetary terms, which in the SNA would be restricted to the monetary value of natural resources, as ecosystem assets are outside the asset boundary. Others have argued that the term “natural capital” should be reserved (as an alternative term) for "produced natural resources", as non-produced assets do not qualify as "capital". Reference has also been made to “natural capital”, or “natural assets” as assets providing natural resource inputs and environmental services for economic production. Finally, it has been argued that “natural capital” refers to the extension of the economic idea of manufactured capital to include environmental goods and services. According to this latter view, “natural capital” consists of stocks of natural assets (e.g. soils, forests, water bodies) that yield a flow of valuable ecosystem goods or services into the future (in line with Costanza and Daly, 1992, page 38).

23. Apart from the suggestion to restrict natural capital to produced natural resources, which is not in line with the general perception of the notion of capital in the system of national accounts, the above discussion comes down to whether “natural capital” should be restricted to natural resources, in line with the asset boundary of the SNA, or that it could also encompass ecosystem assets. Here, it is proposed to take a broader view on natural capital, in line with what is now included in the glossary, and what has also been recommended, albeit implicitly, in Guidance Note WS.12, with the main argument that, although not (yet) recognised in the SNA, ecosystem assets are also capable of providing monetary benefits. In addition, this also makes it possible to reserve the term “environmental assets” for an even broader notion of environmentally related assets, for example including physical assets which do not provide any direct, or indirect, monetary benefits to society.

24. In addition, a number of other, more specific, environmentally related terms may be affected by further discussions in the context of the G20 Data Gaps Initiative 3 (DGI-3). This mainly concerns the definition of ESG and green financial instruments, but may also relate to terms such as “climate adaptation investment funds”, and “renewable energy installations”. Currently, the glossary contains some working definitions, but it has been agreed that a small group of experts involved in the DGI-exercise will put forward recommendations for more precise definitions of these terms. Therefore, this is not further elaborated here.

Terms and definitions related to control and ownership

25. Control and ownership are two different concepts. Regarding the potential of exercising control, a distinction should also be made between the ways in which private units can exercise control versus the ways in which government and other public units can control other units. Another relevant distinction concerns the way in which incorporated enterprises are controlled versus the control of non-profit institutions. Having said that, for the purpose of classifying institutional units as either public corporations or foreign-controlled corporations, the definition of control is the determining factor.

26. In the case of foreign-controlled corporations, it has been agreed that in practice control is determined to exist through (i) an immediate (foreign) direct investment relationship where the direct investor owns more than 50 per cent of the voting power in the

(foreign) direct investment corporation; or (ii) an indirect (foreign) direct investment relationship arising from the ownership of voting power in one direct investment corporation that owns voting power in another corporation(s) – indirectly through a chain of control. So, basically control and ownership coincide. It should be noted here that this definition of foreign control is different from the definition of foreign direct investment where ownership of 10 percent or more of the voting power is evidence of a direct investment relationship.

27. For public corporations, i.e., incorporated enterprises, quasi-corporations and non-profit institutions, with the production of market goods and services as their principal activity, who are controlled by a government unit, another public corporation or some combination of government units and public corporations, the concept of control is more ambiguous. In general terms, it is defined as "the ability to determine the general corporate policy of the corporation". For determining control, paragraph 4.80 of the 2008 SNA and also Box 2.2 of the Government Finance Statistics Manual (GFSM) 2014, lists eight indicators which will normally be the most important and likely factors to consider. This list will feature in the 2025 SNA as well.

28. Quite a number of terms and definitions in the glossary have a direct, or indirect, reference to control and ownership. The following terms and definitions are considered the most relevant ones:

- Control of a corporation: Ability to determine general corporate policy of a corporation, where general corporate policy is understood in a broad sense to mean the key financial and operating policies relating to the corporation's strategic objectives as a market producer. In practice, control is determined to exist if an investor has more than 50 percent of the voting power in an enterprise. The control may be direct (through ownership of voting power or other arrangements) or indirect (through ownership of enterprises that in turn have voting power).
- Control of a non-profit institution: Ability to determine general policy or program of the non-profit institution, where general policy or program is understood in a broad sense to refer to the constitution, articles of association, or other enabling instruments that dictate the parameters under which a non-profit institution may operate and the related financial risks to which it is exposed.
- Significant influence: Power to participate in the financial and operating policy decisions of an entity but not control those policies. Significant influence may be gained by an ownership interest, statute or agreement. In the case of foreign direct investment, a direct investor is considered to have a significant degree of influence if it owns between 10 and 50 per cent of the voting power in a direct investment entity.
- Public corporation: Corporations, or quasi-corporations, with the production of market goods and services as their principal activity, who are controlled by a government unit, another public corporation or some combination of government units and public corporations, where control is defined as the ability to determine the general corporate policy of the corporation.
- Foreign-controlled corporation: Corporation that is controlled by a non-resident unit and produces goods and/or services for the market.

- Direct investment (relevant for BPM): Category of cross-border investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise that is resident in another economy. Ownership of 10 percent or more of the voting power is evidence of a direct investment relationship.
- Direct investment relationship (relevant for BPM): An entity in one economy subject to control or a significant degree of influence by a direct investor that is resident in another economy.
- Direct investor (relevant for BPM): An entity or group of related entities that is able to exercise control or a significant degree of influence over another entity that is resident of a different economy.
- Multinational enterprise: Legal entity that has at least one non-resident affiliate or branch, and exercises control over its affiliate(s) or branch(es) either directly—by having over 50 percent of the voting power in the entity—or by indirect transmission of control. The multinational enterprise is the ultimate controlling parent—the direct investor at the top of the control chain.
- National private corporation: Corporation that is neither controlled by a government unit, or another public unit, nor by a non-resident unit.
- Ultimate controlling parent: Entity that ultimately controls an enterprise, identified by proceeding up the ownership chain from the enterprise through the controlling links (ownership of more than 50 per cent of the voting power) until an individual, household, or company that is not controlled by another company is reached. If there is no company, individual, or household that controls the resident company, then the resident company may be considered to be its own ultimate controlling parent.

29. In general, the editorial teams responsible for updating BPM6 and the 2008 SNA think that these definitions are fit for purpose. However, in the case of "control of a corporation", one may consider adding a sentence to account for cases in which government, or another public unit, controls a corporation without owning more than 50% of the voting power, as follows: "In the case of control by government, or another public unit, control can also be exercised in other ways than owning more than half of the voting power".

30. Furthermore, in the case of "direct investment relationship (relevant for BPM)" and "direct investor (relevant for BPM)", one may want to add the following sentence, in line with the definition of "direct investment (relevant for BPM)": "Ownership of 10 percent or more of the voting power is evidence of a direct investment relationship".

Other specific terms and definitions

Claims of pension funds on pension manager

31. The financial instrument "claims of pension funds on pension manager" is termed one-sided, in the sense that it represents a claim of the pension fund towards its pension manager, and not the other way around. However, in the case of overfunding of a defined benefit pension scheme, it is the pension manager who has a claim towards the pension fund. The current term suggests the recording of a negative claim in these cases. However, the definition which is currently included in the glossary is formulated in such a way that it could also represent a claim of the pension manager, as follows: "claims of defined benefit pension

funds on the relevant pension managers (and vice versa), to cover any shortfalls (or surpluses) on the value of accumulated assets compared to pension entitlements".

32. One could distinguish two possible options:

- Revise the term into "claims/liabilities between pension funds and pension manager", and keep the definition as is.
- Stick to the term, and revise the definition as follows: "claims of defined benefit pension funds on the relevant pension managers, to cover any shortfalls on the value of accumulated assets compared to pension entitlements. In the case of surpluses, the claim is recorded as a negative asset".

Here, it is proposed to apply the second option, and accept the possibility of a negative claim in individual cases, also taking into consideration that the aggregate of all claims will usually be positive.

Other capital transfers (additional breakdown)

33. In the current glossary, the term "other capital transfers" has been included with the following definition: "capital transfers other than investment grants, capital taxes, and debt forgiveness". However, it differs from the current breakdown of capital transfers in the 2008 SNA, which makes a distinction between (i) capital taxes (D.91); (ii) investment grants (D.92); and (iii) other capital transfers (D.99). BPM6 provides no definition of other capital transfers, although for balance of payments reporting BPM6 distinguishes two standard sub-components of capital transfers (see BPM6, Annex 9): (i) debt forgiveness; and (ii) other capital transfers (of which capital taxes (D91)). Here, it is proposed to align the sub-components of SNA/BPM as follows: capital taxes (D91), investment grants (D92), debt forgiveness (D93), and other capital transfers (D99), and use the relevant terms and definitions consistently in BPM/SNA.

Emission permits (pending outcomes of the workshop)

34. In the current glossary, "emission permits" are defined as follows: "permits to emit harmful substances to the atmosphere, land or water. They are recorded as financial assets (forward payments of taxes on production), with the taxes on production recorded at surrender, valued at issuance prices". It has been agreed to organise a workshop with the objective of looking at the feasibility of this and possibly alternative options for recording emission permits. It is recommended to keep the definition as is, but also keep open the possibility of having to change the definition in view of the outcomes of the workshop and subsequent decisions by the AEG and the Committee.

Central bank and monetary authorities

35. Due to time constraints, it was not yet possible to include definitions for "central bank" and "monetary authorities" at the time of distributing the glossary to the AEG and the Committee. In the meantime, further consultations between the editorial teams and the key stakeholders from Monetary and Financial Statistics have resulted in agreed proposals, as follows:

- Central bank: Financial institution (or institutions) that exercises control over key aspects of the financial system. Their principal functions generally include conducting monetary policy, including by issuing currency and regulating money supply and credit; managing international reserves and the payments system; promoting financial stability, including regulation and macroprudential supervision; and acting as banker to government.
- Monetary authorities (relevant for BPM): Authorities encompassing the central bank (which subsumes other institutional units included in the central bank subsector, such as the currency board) and certain operations usually attributed to the central bank but sometimes carried out by other government institutions or commercial banks, such as government-owned commercial banks. Such operations include the issuance of currency; maintenance and management of reserve assets, including those resulting from transactions with the IMF; and operation of exchange stabilization funds.

Different levels (central, state, and local) of general government

36. For (the definition of) the subsectors of general government, two different approaches can be applied: (i) grouping all social security funds together, next to central, state and local government, where it is understood that the latter subsectors exclude social security funds; and (ii) only distinguish central, state and local government, where it is understood that social security funds are combined with the relevant subsector.

37. The proposed definitions include references to both ways of sub-sectoring general government. The main item for discussion centres around which approach should take prominence in defining the different levels of government. The 2008 SNA shows a certain preference for the first approach (see paragraphs 4.128 – 4.133), while GFSM 2014 leaves the issue more open. Further consultations with the experts from Government Finance Statistics resulted in the following agreed definitions:

- Central government: Part of general government that includes all administrative departments of the state, other central agencies and those non-market non-profit institutions controlled by the central government, whose competence extends normally over the whole economic territory. All these resident units (with its territorial enclaves abroad) are included. Social security funds organized and managed by different level of government are typically classified in a separate subsector of general government. Alternatively, social security funds that are organized and managed by the central government could be included in the central government subsector.
- State government: Part of general government that includes all institutional units exercising some of the functions of government at a level below that of central government and above that of the governmental institutional units existing at a local level. They are institutional units whose fiscal, legislative and executive authority extends only over the individual "states" into which the country as a whole may be divided, as well as those non-market non-profit institutions controlled by state governments. States may be described by different names in different countries and the subsector may consist of state, provincial, or regional governments. Social security funds organized and managed by different levels of government are typically classified in a separate subsector of general

government. Alternatively, social security funds that are organized and managed by the state government could be included in the state government subsector.

- Local government: Part of general government that includes all institutional units whose fiscal, legislative, and executive authority extends over the smallest geographical areas distinguished for administrative and political purposes, as well as those non-market non-profit institutions controlled by local governments. Social security funds organized and managed by different levels of government are typically classified in a separate subsector of general government. Alternatively, social security funds that are organized and managed by the local government could be included in the local government subsector.

Annex: Overview of terms and definitions for the accounts in the sequence of economic accounts

SNA 2008/BPM6: Accounts	SNA 2008/BPM6: Balancing items	Proposed changes for renaming accounts (CM.2)	SNA 2025/BPM7: Proposal for renaming accounts	SNA 2025/BPM7: Balancing items
Current accounts		Income and expenditure accounts	Current accounts	
Goods and services account (BPM)	Balance on goods and services (BPM)		Goods account/services account (BPM)	Balance on international trade in goods and services (BPM)*
Production account	Value added		Production account	Value added
Distribution of income accounts (SNA)/Primary income account (BPM)	Balance of primary incomes		Earned income accounts	Balance of earned incomes
Generation of income account	Operating surplus/mixed income		Generation of earned income account	Operating surplus/mixed income
Allocation of primary income account	Balance of primary incomes	Allocation of income account	Allocation of earned income account	Balance of earned incomes
Redistribution of income accounts (SNA)/Secondary income account (BPM)	(Adjusted) disposable income		Transfer income accounts	Disposable income (adjusted for social transfers in kind)
Secondary distribution of income account	Disposable income	Current income transfers account	Income transfers other than social transfers in kind account	Disposable income
Redistribution of income in kind account	Adjusted disposable income		Social transfers in kind account	Disposable income adjusted for social transfers in kind
Use of income accounts	Saving		Use of income accounts	Saving
Use of disposable income account	Saving	Use of income account	Use of disposable income account	Saving
Use of adjusted disposable account	Saving		Use of disposable income adjusted for social transfers in kind account	Saving
Accumulation accounts		Accumulation of economic assets accounts	Accumulation of economic assets accounts	
Capital account	Changes in net worth due to saving and capital transfers *and* Net lending/net borrowing		Capital account	Changes in net worth due to saving and capital transfers *and* Net lending/net borrowing
Financial account	Net lending/net borrowing		Financial account	Net lending/net borrowing
Other changes in assets accounts			Other changes in assets and liabilities accounts	
Other changes in the volume of assets accounts	Changes in net worth due to other changes in the volume of assets		Other changes in the volume of assets and liabilities accounts	Changes in net worth due to other changes in the volume of assets
Revaluation account	Changes in net worth due to nominal holding gain and losses		Revaluation account	Changes in net worth due to nominal holding gain and losses
Balance sheet (SNA)/International Investment Position (IIP)	Net worth (SNA)/net IIP (BPM)		Balance sheet (SNA)/International Investment Position (IIP)	Net worth (SNA)/net IIP (BPM)

Cells highlighted in yellow in cases where renaming is proposed.

* GN CM.2 recommended balance on international trade in goods (services) to replace balance on trade in goods (services).