

Minutes

ISWGNA Meeting Eurostat, Luxembourg 8 -9 May 2008

Participants

Eurostat: G.Gueye (Chair), C.Ravets, F.Malherbe, A.Nordin, L. Frankford
IMF: K. Zieschang
World Bank : B. Hexeberg
OECD: C.Aspden
UNSD: I. Havinga, H.Smith
UNECE: L.Bratanova,
1993 SNA Update project: P.McCarthy (Project Manager), A. Harrison (Editor)

The meeting was devoted to the examination of the final round of all country comments on Volume 1. It was decided to first analyze systematically all comments received. All typos, errors and other straightforward issues were passed on to the Editor to consider and incorporate in the text if she felt it appropriate. Of the other comments, some were considered as being substantive and needed further analysis; others were out of scope of the review mandated by the SC.

The second step was to discuss in detail the issues considered to be substantive and so requiring detailed consideration. The outcomes of the discussion on these substantive issues are set out below.

- **Intra establishment deliveries**

The text in 6.84 will be kept as it reflects the AEG agreement that deliveries within the domestic economy should be recorded in a manner consistent with the goods for processing decision. Since there is no change of ownership between establishments of the same enterprise, the principle of transferring risks and rewards is used to determine whether a delivery of goods is recorded or only a service is provided

- **Own intermediate consumption**

The Editor will check the wording on when own intermediate consumption might be recorded and clarify this issue, taking into account, where appropriate, earlier ISWGNA discussions.

- **The tax element of capital services**

On chapter 6, reference will be made to the exposition on capital services in chapter 20. In chapter 20, the issue of the treatment of taxes will be mentioned but not described in detail; readers will be referred to the forthcoming OECD Manual on Capital Services for that.

- **Non-life insurance claims as capital transfers**

The ISWGNA reaffirmed the decision taken in October 2007 to treat the payment of all claims under non-life insurance, including those associated with a catastrophe to be as current transfers. However, it was agreed that the text would recommend that exceptionally large payments should be shown explicitly in the accounts as an “of which” item under *Non-life insurance claims*. This would provide the information to allow alternative measure of household saving to be computed excluding this item.

It was agreed that there are still various issues associated with insurance, including the process by which cover for periodic non-life events is provided, that should be taken further and that these will be put on the research agenda

- **Return to fixed capital and rent on land in the calculation of production for own final use**

In calculating the value of production for own final use, a return to capital will be included unless the production is undertaken by a non-market producer.

Rent on land will not be included in the sum of costs for any producer, but this item will be placed on the research agenda.

- **Codes**

It was decided not to change the revised codes contained in the draft SNA. The changes were necessary because adding new items required new codes to be inserted. This could not be done within the structure of the 1993 SNA codes. The need to change some codes in order to facilitate data transmission had also been flagged as a clarification issue. This rationale for revising the codes will be explained to the Management Group. However, it was considered that the codes could still be reviewed before the transmission program enters into force.

- **FISIM**

The editor will propose a form of words taking into account those included in the report of the Frankfurt AEG about the reference rate reflecting the risks and maturity structures of loans and deposits. This is a slight revision to the text for paragraph 6.163. The inter-bank rate will continue to be given as an example of a possible reference rate.

The issue of FISIM will be put on the research agenda.

- **CIF/FOB**

The present treatment of the CIF/FOB distinction in chapter 14 will remain. This item will be further elaborated in chapter 28. A reference will be made in chapter 14 to the Eurostat Manual of Supply, Use and Input-Output Tables.

- **Pensions**

It was agreed that the last refinements of the Eurostat/ECB TF on pensions, in particular issues related to the effects of changes in pension schemes could not be taken into account in Volume 1 because it is too late to consult outside Europe. They will be included as part of the research agenda instead. The Editor will check the supplementary table again in the light of the final report from the TF.

- **Life insurance**

Changes in technical reserves due solely to changes in legal requirements should not be included in the change in the reserves feeding into the formula for the calculation of output.

- **Entrepreneurial income**

The formula for the calculation of entrepreneurial income in the 1993 SNA is inconsistent between the text and the tables. It was agreed that the position of the tables, where other investment income payable is included as well as interest and dividends was correct and the text of the updated SNA should reflect this.

- **R&D**

It was agreed to insert the following text in paragraph 10.104 to give further guidance on the treatment of R&D as capital formation.

Research and development expenditure should be recognized as part of capital formation. In order to achieve this, several issues have to be addressed. These include deriving measures of research and development, price indices and service lives. Specific guidelines, together with handbooks on methodology and practice, will provide a useful way of working towards solutions that give the appropriate level of confidence in the resulting measures.

- **Leases and licenses**

It was agreed that further research was needed on leases and licenses to ensure the SNA consistently treats various categories (for instance, the issue of emission permits).

- **Output of central banks**

It was confirmed that the text of Volume 1 will be reviewed to reflect the results of ISWGNA discussions on the output of central banks (issue 6) on 1-2 November 2007 in Washington.

- **Cost of transfers of ownership transfer**

It was confirmed that the costs of ownership transfer on land should be treated as land improvements. The issue of the costs of ownership transfer on non-produced assets other than land will be put on the research agenda.

Any other business

The title of the publication

Among 70 comments received, 57 indicated their preferences concerning the title of the publication. 39 preferred SNA 2008 against 18 who preferred SNA 1993 rev.1

Management Group

Based on the conclusions above, the Project Manager will prepare a draft note on the review for the Management Group teleconference on 16 May 2008. The draft note will be circulated to the ISWGNA for quick comments before submission to the MG.

Next teleconference of ISWGNA-NA

The next teleconference will take place in about two weeks followed by another in early June.

Next meeting of ISWGNA

25 and 26 September were proposed as provisional dates to discuss the comments from the world-wide review on Volume 2.