



STATISTICS

**INTER SECRETARIAT
WORKING GROUP ON
NATIONAL ACCOUNTS**

Overview and Results of Global Consultation: CM.2 - Terminology and Branding of the Macroeconomic Accounting Frameworks

International Workshop on the Update of the System of National
Accounts, 2008

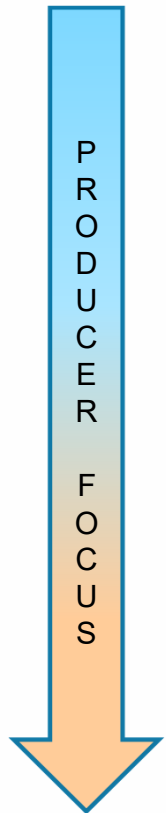
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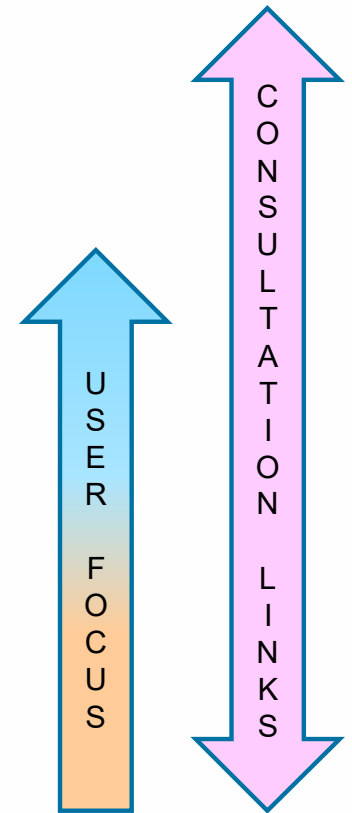
Outline

- Objective of the guidance note
- Summary of proposals
- Summary of global consultation results
- Next steps

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 economic statistics **glossary** covering the economic accounting statistical standards.
 - Primary focus on SNA and BPM but also GFSM, SEEA, MFS, etc.
- Glossary 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.



Terminology and Branding: Summary of Proposals

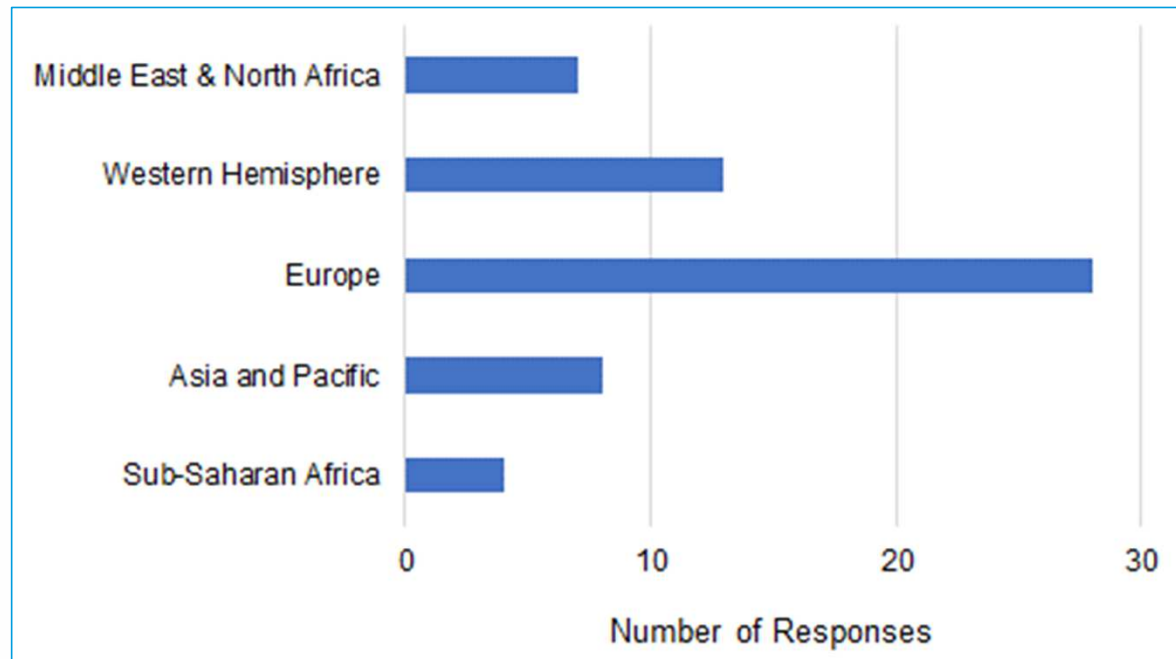
- Align all domains on the use of **revenues and expenses** - replacing SNA's **resource and use** convention and BPM's **debit and credit** convention. Consistent use of the term **statistical discrepancy** across all three domains (replacing BPM's **net errors and omissions**).
- Amend the labels of **the SNA allocation of primary income account, secondary distribution accounts, and use of disposable income account** to **earned income account, transfer income account, and use of income account**. Corresponding changes recommended for BPM.
- **Develop alternative terminologies:** for example, 'labour costs' as a supplement for 'compensation of employees', 'natural resource rent' for 'rent', 'depreciation' for 'consumption of fixed capital', etc.
- Develop an integrated **user-friendly glossary** which **provides expanded or clarified definitions to existing terms of the EASSs**. The expanded or clarified definition should make clear distinction between explanation of the concept and the measurement of the concept where relevant.

CM.2: Summary of Proposals

- **Eliminate the use of ‘gross’ or ‘net’ in the terminology (across domains) except in cases defined by the SNA.** Instead, emphasis should be given to the full term.
- **More prominence should be given to the “net” aggregates.** For example, referring to the "net" aggregates (e.g., net domestic product) in the sequence of accounts and recognizing the treatment of depletion and degradation.

Results of Global Consultation

Geographical Distribution of Responses



- 60 complete responses were received from 48 economies
- Respondents from Europe had the largest participation (47 per cent), followed by those from Western Hemisphere (22 per cent), Asia and Pacific (13 per cent), Middle East (12 per cent), and from Sub-Saharan Africa (7 per cent).
- All respondents agreed that greater harmonization in the terminologies is needed across statistical domains.

Proposal 1: Harmonization of Concepts

Current Terms (SNA/BPM/GFSM)	Current Proposal (sent to global consultation)	Percentage of Responses		
		Agree	Disagree	Neutral
Resources / Credits / Revenue	Revenue	55	40	5
Uses / Debits / Expense	Expenditure	55	38	7
Intermediate Consumption / Use of goods and services	Intermediate use of goods and services	58	20	22

- Vast support of respondents with the proposal to replace “*Net transactions in Inventories*” to “*Changes in inventories.*” Most respondents agreed to use *statistical discrepancy* across all domains.
- Clear majority of respondents agreed with the proposal to standardize “ “*Net transactions in valuables*“, “*net transactions in non-produced assets*”, “*net transactions in contracts, leases, and licenses*”, “*net transactions in goodwill and marketing assets*” to “*acquisition less disposal of....*”
- Respondents were less convinced that terms such as *revenue* and *expenditure* would be appropriate for the BPM. A minority of respondents were also not in favor of changing ‘*expense*’ to ‘*expenditure*’ for the GFSM.

Proposal 2: Amendments to Labels

Current Proposals (sent to global consultation)	Percentage of Respondents		
	Agree	Disagree	Neutral
SNA “accounts” to the ‘economic accounts’	48	18	33
GFS "Statements" to ‘government finance accounts’	40	5	55
‘Balance of payments / international investment position’ to ‘balance of international payments’ and ‘international investment accounts’	37	27	37
‘Allocation of primary’ income account to ‘allocation of earned income’ account	53	18	28
‘Secondary distribution of income’ account to ‘transfer income’ account	58	18	23
‘Use of disposable income’ account to the ‘use of income’ account	37	12	52
‘Use of adjusted disposable income’ account to the ‘use of adjusted income’ account	35	13	52

- Majority of the respondents were either in agreement with or neutral to the proposals.
- The proposal to change the label *balance of payments / international investment position* was not well received. Respondents supported the term *‘balance of international payments’* but strongly preferred to maintain *‘international investment position’*. Some respondents preferred *‘balance of international transactions and stock of external assets and liabilities’* instead.
- The proposals to amend the *allocation of primary income account to earned income account*, the *secondary distribution of income’ account to ‘transfer income’ account* were supported by majority of respondents, whereas changing the *use of disposable income account and the use of adjusted disposable income accounts to use of income/adjusted income accounts* were not well supported.

Proposal 3: Proposed Alternative Terminology

- Respondents agreed that all terminology should maintain distinction between intermediate and final consumption expenditure. Therefore, the following proposals should consider maintaining these distinctions.
- The proposals below took into consideration this feedback.

Current Terms	Proposed list of updates	Agree	Disagree	Neutral
Actual final consumption	Final consumption of produced goods and services	45	25	30
Final consumption expenditure	Expenditure on final consumption of produced goods and services	40	32	28
General government final consumption expenditure	General government expenditure on final consumption of produced goods and services	40	32	28
Household final consumption expenditure	Household expenditure on final consumption of goods and services	43	28	28
NPISH final consumption expenditure	NPISH expenditure on final consumption of goods and services	47	25	28

Proposal 3: Proposed Alternative Terminology

- The proposals for supplementary terms were widely supported by the consultation. In the cases below, specific suggestions were made to improve the proposed terms (these proposals had the highest rate of disapprovals from the respondents). The table shows the list that will be further updated.

Current Terms	Proposals (sent for global consultation)	Agree	Disagree	Neutral	Feedback
Compensation of employees	Employee labor costs	55	28	17	Remuneration of employees may be a more suitable alternative
Cultivated biological resources	Cultivated resources like trees, crops and plants	45	28	27	Maintain cultivated biological resources and include examples in the expanded definition.
Current prices	Actual prices	42	33	25	Actual prices could be misinterpreted as the prices actually paid for a good or service, not necessarily the market price.
Gross Capital Formation	Transactions in produced non-financial assets	48	23	28	'Formation' better captures components such as own-account production of assets
Other taxes on production	Taxes on production like fixed business rates	38	37	25	Fixed business rates is not a readily understood term.
Purchasers' prices	Actual price paid	38	35	27	Could be mistaken for 'actual prices' proposed earlier. Maintain current term.

Proposal 3: Proposed Alternative Terminology

GDP by Production, Income and Expenditure Approaches

- A minority of respondents were also concerned about proposed supplementary terms for the three approaches to GDP (*GDP by industries*, *GDP by expenditures*, *GDP by incomes*) for the following reasons:

Proposed updates:

- GDP from the production approach as GDP by producers or simply Gross Domestic Product (GDP)
- GDP from the expenditure approach as GDP by expenditures or Gross Domestic Expenditure (GDE)
- GDP from the income approach is described as GDP by incomes or Gross Domestic Income (GDI)

Depreciation as a supplementary term for consumption of fixed capital

- Approximately 30 per cent of respondents disagreed with this proposal. Though conceptually similar, respondents were concerned that this could mislead users on the composition and calculation of consumption of fixed capital.

Proposal 4: Provide (Expanded) User-Friendly Definitions

- There was broad support for most of the suggested expanded definitions.
- Some proposals were supported by less than 70 per cent of respondents.
- The CMTT received much feedback from the global consultation, AEG / BOPCOM and other discussions.
- Some initial changes are presented in the next slides.

Proposal 4: Expanded (Clarified) Definition

Updated Proposals

Basic Prices

Price of a good or service at the factory gate; taxes on products (e.g., VAT, excise duties) are not included and subsidies on products not deducted.

Disposable Income

The portion of income available to consume or to save, after deduction of taxes on income, etc. and social insurance contributions. Gross disposable income means that consumption of fixed capital is not deducted, whereas it is in the case of net disposable income.

Distributable Income of a Corporation

The portion of a corporation's entrepreneurial income that is available to be distributed to its owners or to be reinvested as retained earnings.

Economic Owner

Economic owner can claim the benefits and bears the risks of an economic activity. The economic owner may be different from the legal owner.

Financial Lease

A finance lease is one in which the finance company – the lessor – as the legal owner of an asset passes the economic ownership to the lessee who then accepts the operating risks and receives economic benefits from using the asset in a productive activity.

Proposal 4: Expanded (Clarified) Definition

Updated Proposals

General Government Final Consumption Expenditure

General government final consumption expenditure is the value of all goods and services provided by general government free or almost free to society.

Gross Capital Formation

The acquisition (including own-account production) less disposal of produced assets for purposes of fixed capital formation, inventories and valuables.

Gross Fixed Capital Formation

The value of a producer's acquisitions (including own-account production) less disposals, of produced assets during the reporting period, to be used to facilitate production for more than a year.

Net Premium

They measure the insurance funds available for covering the risks / entitlements. From premiums paid by the policyholders the insurance service charge is deducted, and income earned on premiums is added.

Net lending or net borrowing

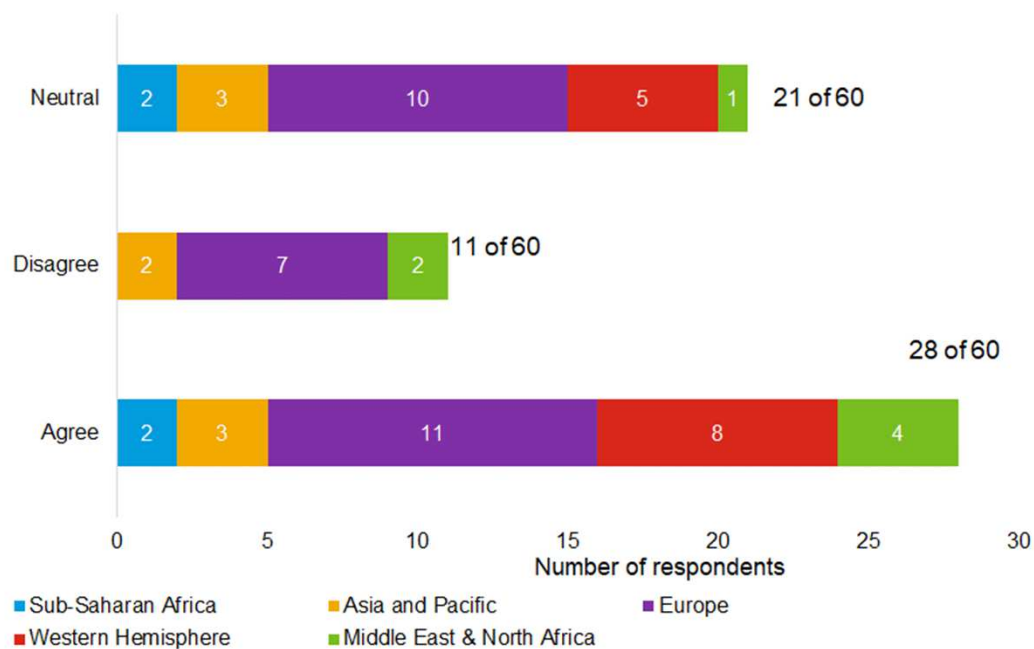
Net lending / borrowing broadly represent that portion of disposable income which has not been spent for consumption or capital formation. If the figure is positive the amount can be lent to others, whereas a negative figure means borrowing from others.

Purchasers' prices

Price of a good or service at the purchaser's door; it measures the actual costs for the purchaser including transport costs and any taxes due (and excluding subsidies).

Proposals 5 and 6: Gross vs Net Terms

- Majority of the respondents agreed with or were neutral to the proposals on the use of “gross” and “net”.



- In the minority of cases where the respondents disagreed, they requested additional clarification on the application to the key terms and balancing items in the BPM and GFSM.

Other Revisions to the Guidance Note

- Updated the GN to reflect feedback from global consultation and AEG / BOPCOM meeting
- For changes that were not well supported or where there were divergent views, we either eliminated the proposal or proposed alternatives
- Clarified the changes that are proposed specifically for the SNA, BPM and GFSM
- Clarified the proposals relating to the use of 'gross' and 'net' in the SNA, BPM and GFSM (a new, separate GN is being prepared on this topic).

Next Steps

- Testing of the proposals with a range of users is underway.
- Present revised version of the GN at the next meeting of the AEG / BOPCOM.

THANK YOU!