Outcome of the global consultation on volume 2 of the 2008 SNA

Prepared by the Intersecretariat Working Group on National Accounts
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Introduction

1. The report by the ISWGNA to the Statistical Commission (E/CN.3/2009/8) mentioned that a room document would be submitted to the Commission detailing the outcome of the global consultation on volume 2 of the SNA. This note includes a summary of these results and outlines the status of volume 1 and the finalization process foreseen to complete the publication.

Situation on volume 2

2. The review period of volume 2 closed on 15 February 2009. Forty-four replies in total were received. Twenty-three of these replies were satisfied to adopt the Volume 2 in its present state. Almost all the remainder supported its adoption but made suggestions that they felt would improve the SNA text. A number of comments were drafting suggestions.

3. The ISWGNA met on Thursday and Friday 19, 20 February 2009 to consider the comments from the global review. Some general remarks are perhaps helpful prior to outlining the specific comments on chapters.

4. All comments received were considered and many were adopted as suggested and others with slight variations in expression. However, some commentators were disappointed that not all their comments made in the first review round had been incorporated. Within a world-wide commenting process, it is impossible to incorporate every comment received. Some contradict each other, some introduce new issues or suggest over-turning previous decisions, while many are simply preferred drafting formulations. Further, some points raised concerned implementation issues, which will be addressed in other contexts (such as handbooks and compilation guides).

5. The organization of the volume was presented in the annex of the report of the ISWGNA, accepted by the 39th session of the Statistical Commission in 2008. During the recent review, three different suggestions were made to re-order the chapters and to add some others but the ISWGNA were not convinced that there was a strong case to overturn the earlier decision.

6. Some comments suggested greatly extending the length of some or all chapters but this was felt to be impractical in view of the commitment to the Statistical Commission to have the work finished by the time of the 40th session and to stay within the budget for the work. Moreover, the goal of volume 2 is not to explain all topics exhaustively but to give a feel for further elaborations and analyses possible with the accounts using external references to more complete documentation wherever possible. Since some comments also suggested drastic shortening of some chapters (one even of abandoning the whole of volume 2) the ISWGNA is of the opinion that a fair balance has been reached.
At an early stage in the update process, the Statistical Commission resolved that the text of the SNA and of BPM6 should be entirely consistent. Every effort has been made to ensure this is so by means of very close collaboration between the Editor and BPM staff. At this stage, there are no indications of anything other than very minor inconsistencies, which will be fixed in the final drafting, but any counter-examples that emerge will be addressed.

7. Turning to the comments on specific chapters, the following changes to volume 2 are proposed as a result of the recent world-wide review.

8. In chapter 18 (Elaborating and presenting the accounts), further discussion will be included on the discrepancy between net lending/borrowing as emerging from the capital and the financial accounts. Requests for more information on regional accounts will be met by referring to the Eurostat manual on the subject. Requests for more information on revisions policies will be met by reference to material on the OECD web site.

9. In chapter 19 (Population and labour inputs), quality adjusted indicators for labour input will be changed to be based on hourly wage measures rather than average wages per worker.

10. A number of detailed comments on the algebra and numerical examples will be incorporated in chapter 20 (Capital services and the national accounts).

11. Several significant suggestions were made in respect of chapter 21 (Measuring corporate activity). A better exposition of “bad debts” and the relationship with non-performing loans will be incorporated. The ISWGNA agreed that a new item should be added to the research agenda to continue to monitor the adequacy of the SNA to record events resulting from the financial crisis appropriately, including the treatment of one-off guarantees. In addition, as part of the research agenda item to monitor the development of international accounting standards, the treatment of mergers and acquisitions will be reviewed.

12. Chapter 22 (The general government and public sectors) proved to be a difficult chapter to draft. As in the first review round, this chapter provoked the widest disparity in comments. The main subject of concern was the text on economically significant prices. This had also been the subject of animated discussion at the meeting of the Advisory Expert Group on National Accounts (AEG) in November 2008. Comments included statements that the 50 per cent threshold for sales covering costs was too prescriptive, not sufficiently prescriptive, too high and too low. At its November meeting, the AEG considered the existing text to be even-handed, given these various conflicting views.

13. More detail on international relief agencies will be provided (including reference to BPM6) in chapter 23 (Non-profit institutions) and to the ongoing work on measuring voluntary labour (with reference to a forthcoming ILO handbook on the subject). It will be emphasized that, in the SNA, the output of non-profit institutions (NPIs) is measured according to the general rules applicable to all units.

14. An extensive list of additional subject matter was proposed for chapter 24 (The households sector). Following the proposals would have led to a considerable expansion of the volume and to the inclusion of material more suitably covered in other publications.
16. Chapter 25 (Informal aspects of the economy) was one of the more difficult chapters to prepare. A considerable number of detailed drafting suggestions were agreed by the ISWGNA to clarify the differences in approach between the SNA and ILO.

17. Most of the comments on chapter 28 (Input-output and other matrix-based analyses) were very technical, relating to a couple of specific points in the chapter. These will be addressed and the consequences incorporated in the text.

18. One comment related to the new treatment for goods for processing. This topic has been the subject of extensive discussion. The new treatment described in volume 1 reflects an AEG recommendation approved by the Statistical Commission in 2007. Therefore, the changes suggested could not be considered. However, the Task Force on Globalization is considering the implementation issues associated with this 2008 SNA recommendation.

19. References to further examples of satellite accounts are being sought to include in chapter 29 (Satellite accounts and other extensions).

20. For all chapters, a number of detailed drafting suggestions will be incorporated.

21. Annex 3 (Changes to the SNA) contains a list of the differences between the 2008 and 1993 SNAs sorted by the main topic. A request to present the changes to the SNA in a table will be met by text which lists the changes as they apply to each chapter in turn.

22. Annex 4 (The research agenda) was made available for the first time when the draft of volume 2 was placed on the SNA Update website on 24ember 2008. As well as proposing some suggestions for new research agenda items, during the recent review some comments had implications for (or primarily concerned) volume 1. Because the text of volume 1 should not now be changed, the ISWGNA agreed in a number of instances that the appropriate procedure was to include these suggestions as further research agenda items. In total the number of new research agenda items concern: continuing work on the informal sector; continued monitoring of the implications for the SNA of events resulting from the financial crisis including in particular the treatment of one-off guarantees; the treatment of index-linked instruments and the measurement of interest; covering the costs of non-produced assets in the measurement of output; the treatment of mergers and acquisitions will be reviewed as part of monitoring the development of international accounting standards; consumption subsidies and taxes.

23. To remain relevant the research agenda should be subject to continual update as new issues emerge. The aim is to systematically investigate the items on the research agenda and add new ones as required.

**Situation on volume 1**

24. The text in volume 1 has not yet been amended because all attention since the August 2008 version of the text was made available has been devoted to work on volume 2.
25. The ISWGNA report to the Statistical Commission mentions in paragraph 12 a list of changes proposed to volume 1. These changes cover:

- Non-life insurance claims;
- Some issues related to recording pension entitlements;
- Standardized guarantees;
- Some minor consistency issues.

26. The first three topics were discussed with the AEG and changes were agreed at the November 2008 meeting. The only substantive changes to volume 1 involving significant rewording are the following:

- Clarifying the text on the treatment of some non-life insurance claims as capital rather than current transfers. The new text will draw on material in a paper discussed by the AEG in November 2008.
- Incorporating changed text on the treatment of the implications of changes to pension plans. The situation is summarized in paragraph 17.188. New text for this paragraph was agreed at the AEG meeting in November 2008 and posted on the SNA Update web site in the same month as part of the short report from that meeting.
- The extension of standardized guarantees from loans to other financial instruments. This change is in response to the recent financial crisis and was agreed by the AEG in November 2008.

27. In addition to these changes, the need for some minor corrections to ensure exact consistency between SNA and BPM6 has been identified.

28. The changes noted will be incorporated in their primary position and all instances where there are consequences for text in other parts of the SNA identified and changed accordingly: a last consistency check will be undertaken; changes requested by the United Nations editor will be incorporated; an index will be prepared; a set of revised tables with more realistic values and including the codes agreed by the AEG will be inserted in volume 1; all cross-references will be checked; any remaining typographical errors will be eliminated.

29. With the exception of the changes already identified above, no substantive changes will be made. The ISWGNA will be consulted about any other proposed changes, which will be restricted to correcting clear errors, inconsistencies within the SNA or with BPM6, or clarifications beyond dispute. A note of all changes will be made available on the SNA Update web site.

**Finalization**

30. The first priority is to incorporate the comments on volume 2, as explained above. The timing is dictated by the availability of the United Nations editors to conduct this review. Once this is done the revised (pre- United Nations edit) version will be posted on the United Nations web site along with material showing the changes made. Work on volume 1 will resume once the text for volume 2 has passed to the United Nations editor.
31. The full revision process described above is expected to be completed by the end of August 2009. At that point, final text ready to go to publication, translation and to be published on the web will be available and the update process can be considered to be complete.

32. The 2008 SNA has been drafted in two separate volumes so that the main concepts (in volume 1) could be made available without delay while the second volume, containing elaborations and extensions of the accounts was being drafted. The two volumes combined will be about 700 pages which is small enough to be bound in a single publication. The ISWGNA Management Group recommends that the 2008 SNA should be published in a single book for the convenience of its users.