

Towards the 2025 SNA

The New SNA

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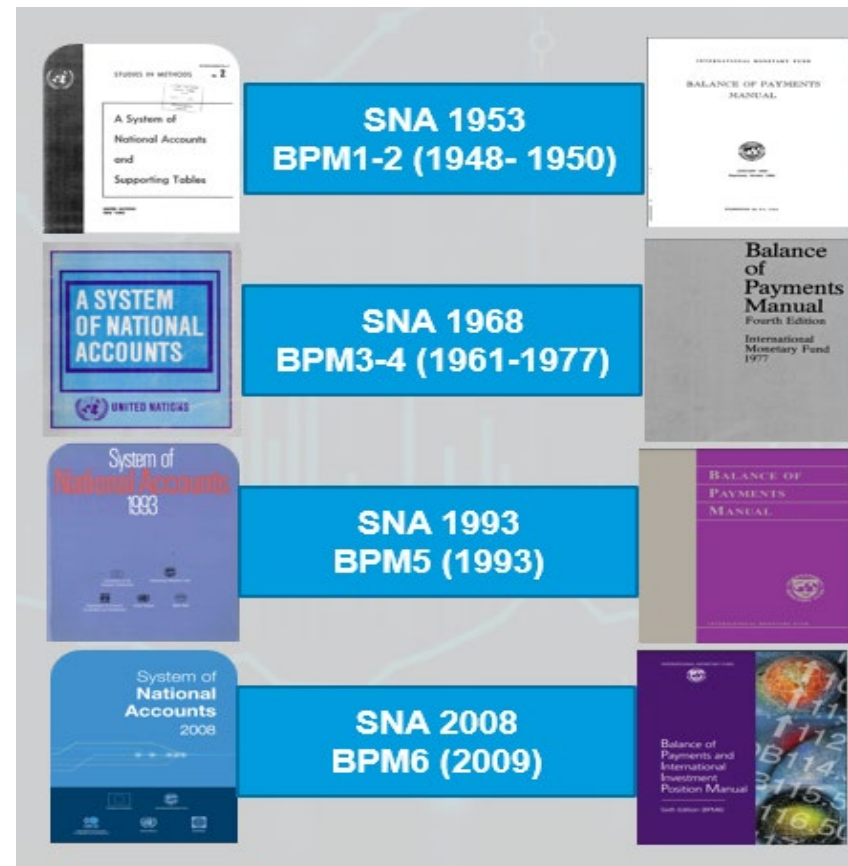
Conference of European Statistics Stakeholders
Paris, 15 – 16 October 2024

A short reminder

Why an update of the 2008 SNA (and BPM6)?

- **Major shifts in the global economy**
 - Global financial crisis highlighted data shortcomings
 - Digitalization, financial innovation, globalization
 - Increasing demand for data to address issues of well-being and sustainability
- **The conceptual frameworks designed to be robust and resilient**
 - However, shortcomings in analytical usefulness exposed
 - Digitalization and globalization posed new challenges to data compilation
- **Respond to identified data needs**
 - G20 Data Gaps Initiative
 - Stiglitz-Sen-Fitoussi Commission

A short reminder



- **Conceptual updates** (what is measured)
- **Methodological updates** (how activities are measured)
- **Presentational updates** (how statistics are presented)
- More and more attention to arrive at **consistency with other standards** (e.g., SEEA, GFSM and MFSMCG)

Short recap of the process up to now

- In 2020 UNSC requested the Inter-Secretariat Working Group on National Accounts (ISWGNA) to submit, for consideration by the Commission at its fifty-second session in 2021, **a road map for the revision of SNA** for adoption by the Commission in 2025
- Subsequently, the IMF Committee of Experts on Balance of Payments Statistics (BOPCOM) decided to launch a parallel process **for updating the BPM6** with a target release date of March 2025
- The **2021 UNSC meeting endorsed the work programme** for the update of the 2008 SNA
- In early 2022, the Project Manager (**Pete Harper**) and Lead Editor (**Peter van de Ven**) commenced work. They are supported by a **five-person editorial team**.
- The update of the SNA is **overseen by the ISWGNA**, assisted by the **Advisory Expert Group** (AEG) on National Accounts

Short recap of the process up to now

- **65 Guidance Notes** were prepared by **10 Task Teams** that had been set up to undertake the research phase of the SNA Update (some of these Task Teams were joint SNA/BPM task teams)

Guidance notes – Globalisation



- G.1: Valuation of imports and exports
- G.2: Treatment of MNE and intra-MNE flows
- G.3: Transfer pricing within MNE group (combined with GN G.5)
- G.4: Treatment of Special Purpose Entities and residency
- G.5: Economic ownership and recording of intellectual property products
- G.6: Merchanting and factory-less goods producers and recording of their transactions (combined with GN C.4)
- G.7: Global value chains and trade in value-added
- G.8: Typology of global production arrangements (combined with C.4)
- G.9: Payments for “knowledge-based capital”

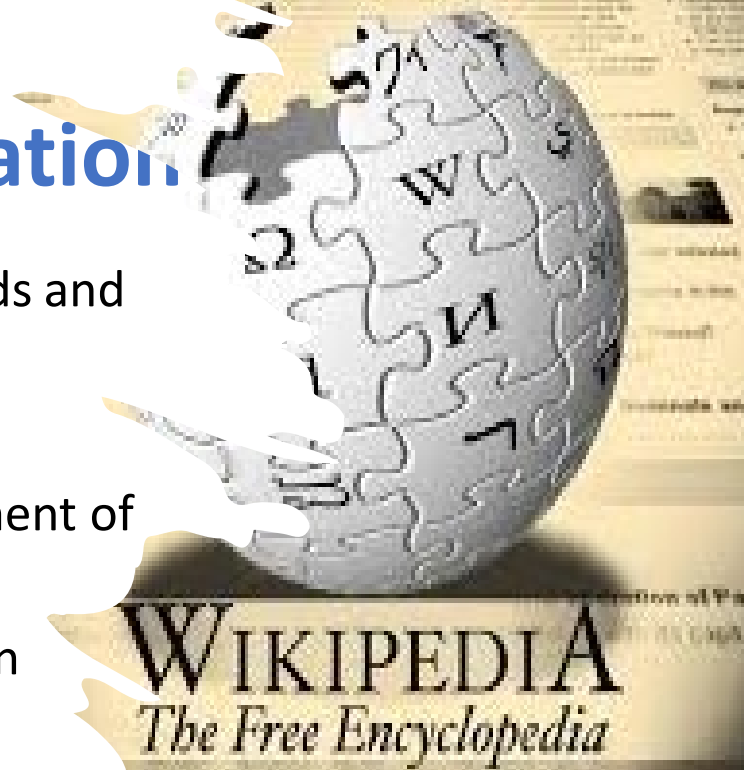
Ireland's Economists Left Speechless by
26% Growth Figure (Bloomberg)

Why GDP growth of 26% a year is mad
(Economist)

**It's complete bullshit, it's Alice in
Wonderland economics** (Colm McCarthy,
University College Dublin)

Guidance notes – Digitalisation

- DZ.1: Price and volume measurement of goods and services affected by digitalization
- DZ.2: Crypto assets (combined with GN F.18)
- DZ.3: Clarifications to the existing SNA treatment of “free” products
- DZ.4: Recording and valuing “free” products in an SNA satellite account
- DZ.5: Digital supply and use tables
- DZ.6: Recording of data in the national accounts
- DZ.7: Artificial Intelligence
- DZ.8: Cloud computing
- DZ.9: Digital intermediary platforms
- DZ.10: Non-fungible tokens



Guidance notes – Well-being and Sustainability

- WS.1: Broader framework
- WS.2: Distribution of household income, consumption, saving and wealth
- WS.3: Unpaid household service work
- WS.4: Labour, education and human capital
- WS.5: Health and social conditions
- WS.6: Economic ownership and depletion of natural resources:
- WS.7: Emission permits: the atmosphere as an asset
- WS.8: Accounting for biological resources
- WS.9: Recording of provisions
- WS.10: Valuation methods
- WS.11: Renewable energy resources
- WS.12: SEEA classifications
- ~~WS.13: Recording of losses (dropped)~~
- WS.14: Distinction between taxes and services



Guidance notes – Other issues

- **Communications Task Team (CMTT):**
 - Alignment of terminology on type of statistical releases and updates, different types of tables and accounts
 - More user-friendly terms and definitions
 - Assessing alignment to international standards
- **Financial Issues Task Team (FITT):**
 - Non-bank financial intermediation (“shadow banking”)
 - Rather specific recommendations on financial services and instruments (financial derivatives, reverse transactions, factoring, cash collateral)
 - Valuation of financial instruments
- **Islamic Finance Task Team (IFTT)**
- **Informal Economy Task Team (IETT)**
- **Various issues related to balance of payments**, some of which interrelated with above issues

Short recap of the process up to now

- Each GN was initially **reviewed by AEG** (and BOPCOM where relevant) and then underwent **global consultation**
- Following the incorporation of feedback from the global consultation, the GNs were **endorsed by AEG/BOPCOM**
- In addition, **various other Issues Notes** addressing items on the 2008 SNA research agenda were prepared by the editorial team (often in conjunction with BPM editorial team) and discussed by the AEG
- From this, a **consolidated list of changes was prepared**
- The consolidated list of changes was subject to **global consultation in August 2023**
- In February 2024, the UNSC **endorsed all proposals except treating marketing assets as produced assets**
- The UNSC highlighted the need to develop **compilation guidance** for changes that have a significant impact and/or require significant effort to implement

Finalising the 2025 SNA

- **Starting on 17 June 2024, the complete draft of the 2025 SNA has been circulated for global consultation**
- **Two types of chapters**
 - The **chapters that are new or substantially revised** are shown in “track changes” compared to the versions previously circulated for global consultation (based on agreed annotated outlines)
 - The **chapters that are not new or substantially revised** are shown in “track changes” compared to the equivalent SNA 2008 chapter
- End date of global consultation: 13 September 2024
- **Sign-off on the updated SNA by the AEG/ISWGNA: end of October 2024**
- Work on preparing a **digital version** will ramp up later in 2024
- **The updated SNA will be sent for approval to the UNSC in early 2025**

Key relationships

- Close relationships with the **BPM update team**
- The **Regional Commissions** are playing a valuable role in outreach
- **GFS, MFS and SEEA communities** have been closely involved in the update process as appropriate
- The **ILO** has been involved in the drafting and review of chapter 16 (Labour) and the review of chapters 34 (Measuring Wellbeing) and 30 (Informal economy)
- The **UNSD (Time Use)** has been involved in the drafting and review of chapter 34 (Measuring Wellbeing)
- The **ISIC and CPC update programs** have considered SNA update issues as part of their review processes
- There is coordination between the SNA 2025 update and the **G20 Data Gaps Initiative (DGI)**

Proposals
for
conceptual
change

**So, what are the main changes to the 2008
System of National Accounts?**

Proposals for conceptual change

There are only a **limited number of conceptual changes affecting key macro-economic indicators**, such as GDP/NDP, government deficit, and net worth

- Recognition of **data as produced assets**
- ~~Recognition of **marketing assets as produced assets**~~ NOT AGREED AT 2024 UNSC
- Recording **depletion of natural resources as a cost of production**
- Improving consistency in the **application of the sum-of-costs method**, by including a return to capital in all cases, also for non-market producers
- Changes in the measurement of the **output of central banks**, by treating all central bank output as non-market output, to be recorded as final consumption expenditure of the central banks

Other proposals for conceptual change

- **Treatment of dividends for FDI-enterprises:** can now be paid out of previous periods' profits
- Extension of the **definition of rent** (i.e., payments to the owner for putting certain non-produced assets at the disposal of another unit), by including non-produced non-financial assets other than natural resources
- **Recording of work-in-progress for fixed assets** partially transferred and for fixed assets produced for own final use
- **Limitation of concessional loans** to those provided by employers to employees
- All **equity in international organizations** to be considered as "other equity"
- **Securities provided as collateral by central banks**, which are not readily available for meeting balance of payments financing needs, to be excluded from the cash borrower's reserve assets; for gold swaps, this reclassification leads to a demonetization of the gold bullion

Proposals for new statistics

- A distinction can be made between the following tables and data items:
 - **Integrated framework of national accounts:** standard set of accounts and tables, the compilation of which is recommended
 - **Supplementary tables/items**
 - **Extended/thematic accounts/tables**
- The **SNA does not have the power of law**, but one of the main factors for the success of the SNA is the worldwide compilation of statistics according to its conceptual guidance
- The objective is that **as many countries as possible compile the integrated framework of national accounts**
- Other tables and accounts more dependent on national and regional priorities

Accounting for globalization

- To arrive at a better understanding of the impact of globalization on the generation and distribution of income, and also to arrive at an improved international comparison of fiscal balances, **standard breakdowns of corporations into:**
 - **Foreign-controlled corporations**
 - **Public corporations**
 - **Of which: Part of domestic MNEs**
 - **National private corporations**
 - **Of which: Part of domestic MNEs**
- In addition, various supplementary items and tables are encouraged:
 - **Extended supply and use tables (eSUTs)**
 - Data on **Special Purpose Entities (SPEs)** for those countries where these entities are important

Accounting for digitalization

- To improve the visibility of the digital economy:
 - **More detailed breakdowns of certain asset categories** within intellectual property products, in the integrated framework of national accounts
 - In addition, **digital supply and use tables** are encouraged as extended/thematic tables, also including **extended accounting for “free” services** (Facebook, Instagram, TikTok, etc.)
 - Further breakdowns of subsectors of financial corporations of **fintech-related activities**, as supplementary items in countries where these activities are significant
 - Standard breakdown, under non-produced non-financial assets, for **crypto assets without a corresponding liability** designed as a medium of exchange and **non-fungible tokens**

Accounting for financial risks and vulnerabilities

- Since the Great Financial Crisis, it is considered important to arrive at an improved accounting for financial risks and vulnerabilities:
 - **Non-bank financial intermediation** (shadow banking): supplementary tables with more detailed breakdowns of financial corporations, as well as additional details for certain financial instruments
 - Breakdowns of **financial derivatives**
 - **From-whom-to-whom tables** (supplementary) (not included in the consolidated list)

Other supplementary items and tables

- **Concessional loans:** supplementary data on concessional loans provided by government and international organizations
- **Reinvested earnings:**
 - **Breakdown of FDI-related dividends** into payments as defined for non-FDI corporations and other payments
 - Supplementary data on **recording reinvested earnings for all equity in corporations**, direct investment as well as portfolio investment
- **Valuation of debt securities** at both market value and nominal value for liability positions
- Supplementary table on **provisions**, broken down into three categories: financial assets related, non-financial assets related, and provisions unrelated to assets

Accounting for well-being and sustainability

- Lots of criticism on GDP in providing adequate guidance for policy:
 - Does not appropriately measure **well-being** (including its distribution), or progress of society more generally
 - Does not address **environmental issues** and ecological boundaries
- **GDP \neq (sustainable) well-being**
- **GDP \approx measure of economic activity**
- A promising **all-encompassing summary indicator for well-being and sustainability**, which can meet minimum levels of scrutiny, **has not yet been developed**
- Best alternative for capturing well-being: **dashboard of indicators addressing different aspects of well-being (and sustainability)**, such as OECD Better Life Index and UN SDGs
- In the case of monitoring sustainability: **broadening the measures of capital**

FASCINATION WITH GDP



Monitoring well-being (and sustainability)

- Starting point: well-being is a **multidimensional phenomenon**
- **One single measure not feasible**
- OECD Better Life Index, various dimensions:
 - Housing
 - Income
 - Jobs
 - Education
 - Civic engagement
 - Health
 - Life satisfaction
 - Safety
 - Work-life balance, etc.



A response from national accounts

Clear distinction made between:

- **What can be done within the integrated framework of national accounts**
- **What can be done when going beyond the integrated framework of national accounts, by establishing a broader framework of accounts, which ...**
 - ... addresses certain aspects of well-being and sustainability
 - ... can support the analysis of broader measures of well-being and sustainability

Accounting for sustainability (within the integrated framework of national accounts)

- Recording **depletion of natural resources as a cost of production**
- **Split-asset approach for natural resources** => value of asset to be shared between owner and extractor based on shares of resource rent
- Recognition of **renewable energy resources**
- Adjustments in the **treatment of biological resources**
- **Natural capital as a separate category**, including both produced and non-produced assets
- **More detailed breakdowns of non-financial assets and financial assets**, including for **emission permits** (to be treated as financial assets with taxes on production recorded at surrender, valued at issuance value)
- **Focus on improving the estimation of natural resources**



Accounting for sustainability (beyond the integrated framework of national accounts)

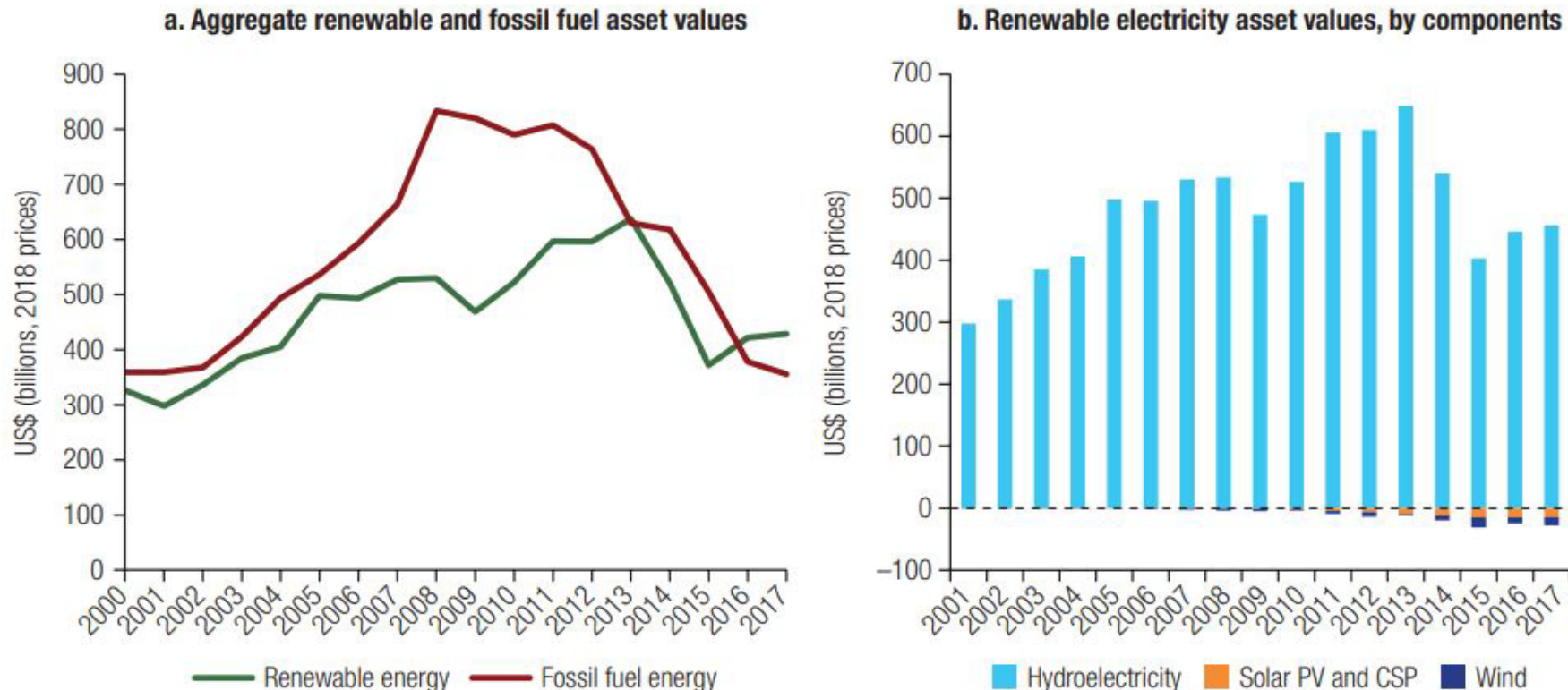
- To arrive at an improved accounting of (environmental) sustainability, **SEEA Central Framework 2012** and **SEEA Ecosystem Accounting** recognized as important frameworks which are complementary to and consistent with the SNA



Accounting for sustainability (beyond the integrated framework of national accounts)

- **Supplementary data on Green and ESG Finance**
- **Much more emphasis on more encompassing (monetary) measures of capital:**
 - Economic capital (as included in the integrated framework of national accounts)
 - Natural capital (further extension to ecosystem assets and physical measures, in line with SEEA)
 - Human capital (provision of provisional guidance on measurement)
 - Social capital (difficult to capture)
- Implicitly assumes **perfect substitution**, while **critical levels** of especially environmental capital may/do exist
- Monetary measures don't tell the whole story, need to be supplemented by **physical measures**, which may be much more important in monitoring sustainability

Renewable and non-renewable energy asset values in Canada, 2000–2017



Sources: World Bank staff calculations.

Note: Panel a illustrates the evolution of aggregate renewable and nonrenewable (fossil fuel) energy asset values. Panel b breaks down the value of renewable electricity asset value into its components. Results are shown for short time series only since 2000 for clarity.

Technically, an asset cannot have a negative value, but in panel b negative numbers show “how far” renewable energy assets are from making positive contributions to national wealth. CSP = concentrated solar power; PV = photovoltaic.

Energy resources in Indonesia, 2022

Classification of Environmental Assets in the SEEA Central Framework

No	Type of Energy Asset	Monetary Value (billion IDR)	Share (percent)
(1)	(2)	(3)	(4)
1	Coal	15,178,689	73.35
2	Natural Gas	3,019,090	14.59
3	Crude Oil	2,275,564	10.99
	Sub-Total of Non-Renewable Energy	20,473,343	98.93
4	Hydroelectric	113,884	0.55
5	Geothermal	106,986	0.52
6	Solar Energy	-	-
	Sub-Total of Renewable Energy	220,869	1.07
	Total Energy Resources	20,694,212	100.00

Source: BPS-Statistics Indonesia (2024), "[Valuation of Renewable Energy Resources in Indonesia](#)"

Developing practical guidance

- The compilation of natural capital estimates can be **challenging**
- An **Expert Group on Natural Capital** was established in 2023 to develop practical guidance to assist countries in compiling the relevant estimates
- The group has been discussing **data sources, compilation techniques** and the use of **specific assumptions**
- The group consists of **experts** from statistical offices and international organisations, covering NA, GFS and SEEA
- The **draft handbook** "Measuring natural capital in the national accounts: a compilation guide" will become available in 2025

Accounting for well-being (within the integrated framework of national accounts)

Very valid recommendations made in the **Stiglitz-Sen-Fitoussi Report**, in respect of macro-economic statistics, by putting people at the centre:

1. When evaluating material well-being, **look at income and consumption** rather than production
2. Emphasise the **household perspective**
3. Consider **income and consumption jointly with wealth**
4. Give more prominence to the **distribution of income, consumption and wealth**
5. Broaden income measures to non-market activities

Accounting for well-being (within the integrated framework of national accounts)

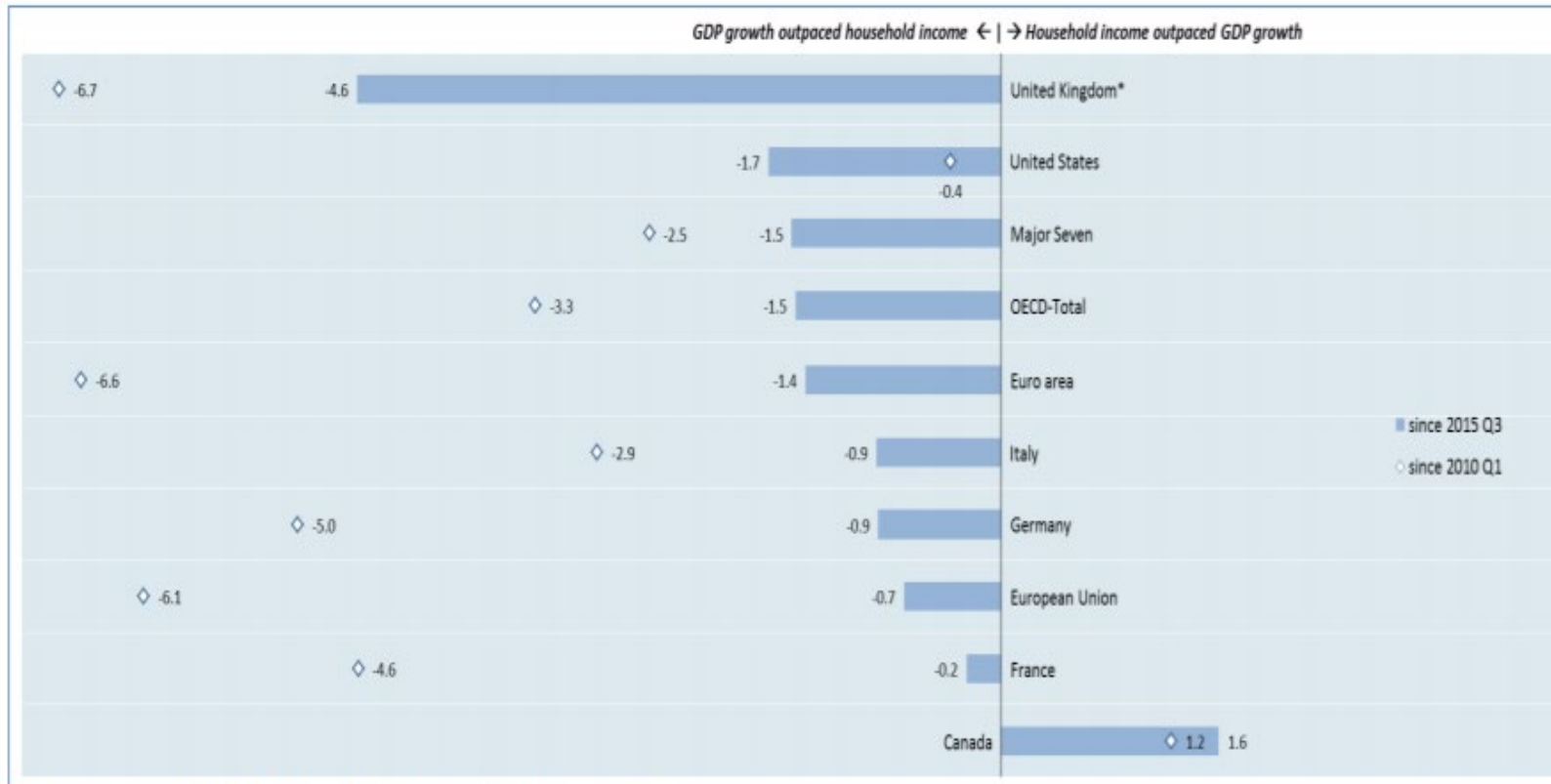
- More prominent use and dissemination of available **indicators for the household sector**: household (adjusted) disposable income, household final consumption, household wealth, etc.
- Integrate **distributional information** for income, consumption, saving and wealth of households => standard breakdown of households by **income and wealth decile**
- More detailed **labour market tables**
- But also: put more emphasis on **net measures, adjusted for depreciation and depletion**

Accounting for well-being (beyond the integrated framework of national accounts)

- Introducing **other breakdowns of households** (e.g., household composition, main source of income) are put forward as supplementary items
- A broader set of accounts, with the primary objective of establishing a **system of interconnected thematic and extended accounts**, addressing certain aspects of well-being (and sustainability)
- **Pragmatic approach**, based on existing international standards and guidance:
 - **Unpaid household activities**: contribution of unpaid household work to GDP and economic well-being
 - **Education and training (and human capital)**: more details on labour inputs, the role of education, and the measurement of human capital
 - **Health and social conditions**: more details on health outputs, including inputs for production

GDP growth versus real household adjusted disposable income

Growth in GDP per capita has outpaced household income per capita in most OECD countries since 2010
 Percentage points difference in cumulative growth rates of real household income per capita and GDP per capita



* See country note for the United Kingdom in the technical note.

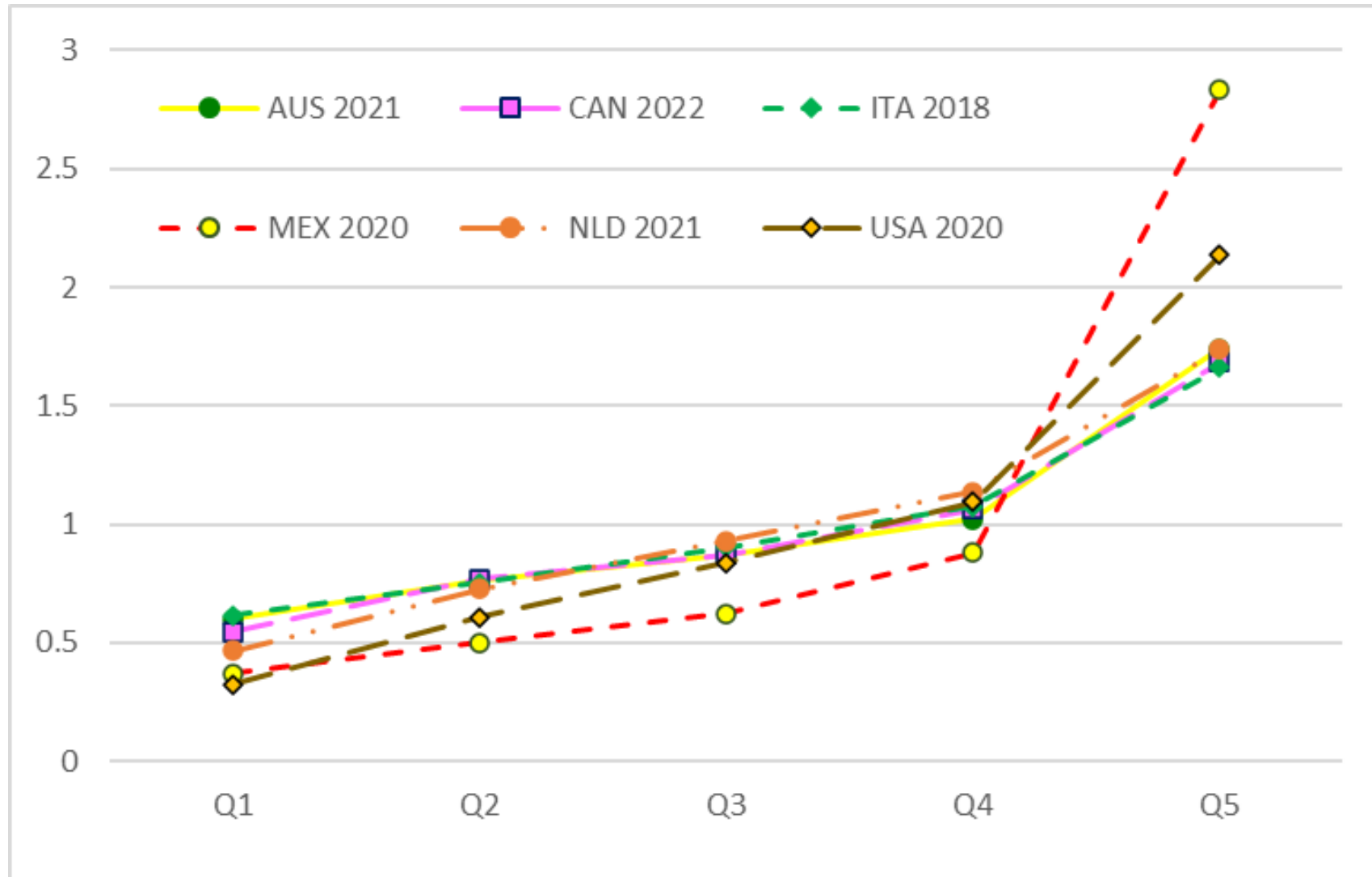
Distributional national accounts

- Development of results for the **complete sequence of accounts**, capturing income, consumption and wealth
- **Unit of analysis** is the household
- Focus is on **private households**, as institutional households (e.g., people living in prison, boarding schools, nursing homes) behave differently and results are not comparable
- Focus on **equivalized results**, i.e., taking into account different consumption needs of households of different size and composition, although still discussion for wealth
- Household groupings:
 - Standard breakdown: standard of living on basis of current income or wealth (quintiles/deciles/percentiles)
 - Supplementary breakdowns:
 - Main source of income
 - Household type
 - ...



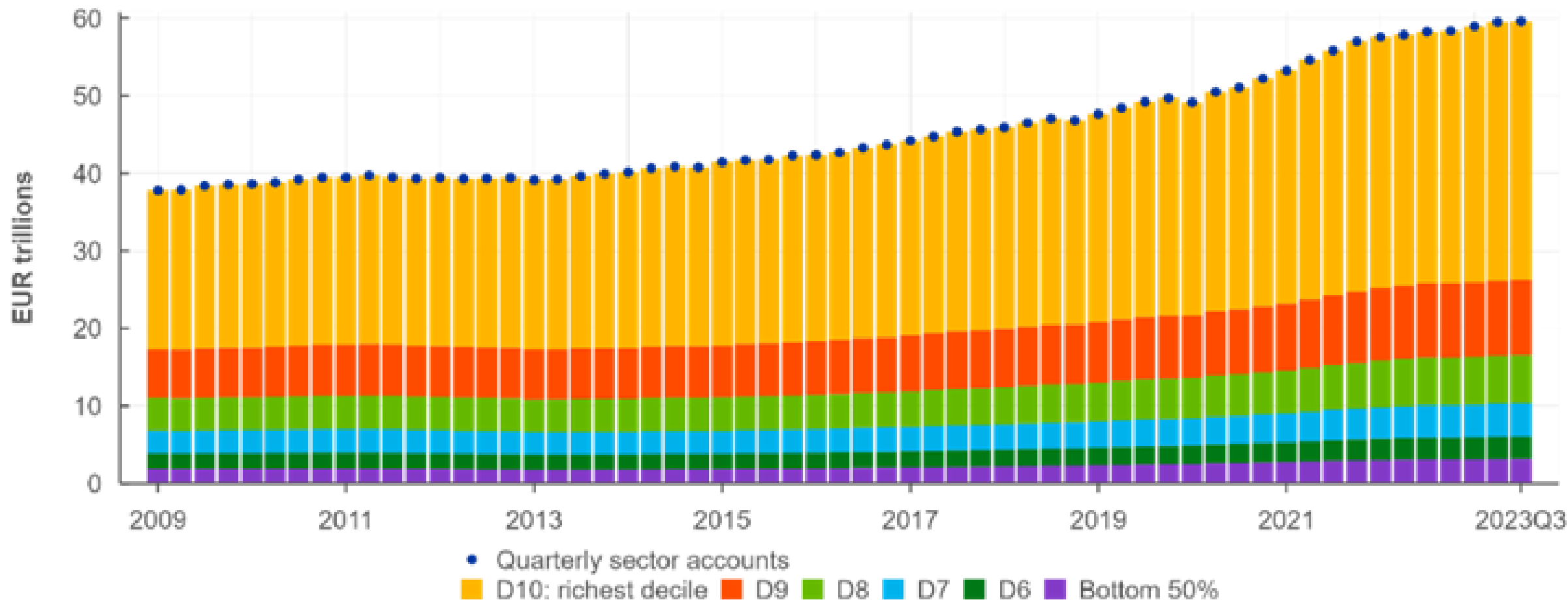
Distributional national accounts

Ratio to the average for adjusted disposable income



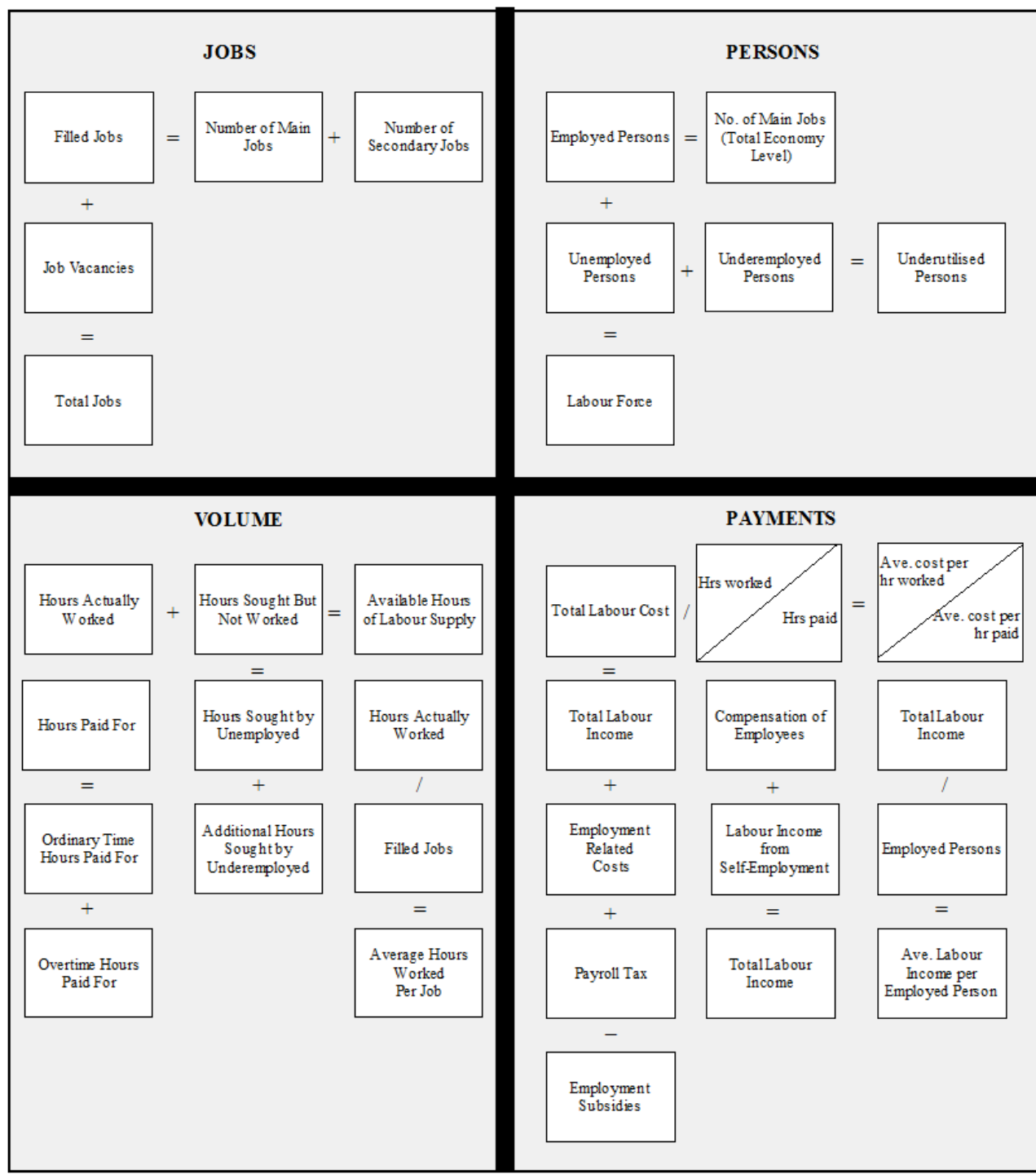
Distributional national accounts

Household net wealth by wealth groups, euro area



Source: ECB

New labour tables



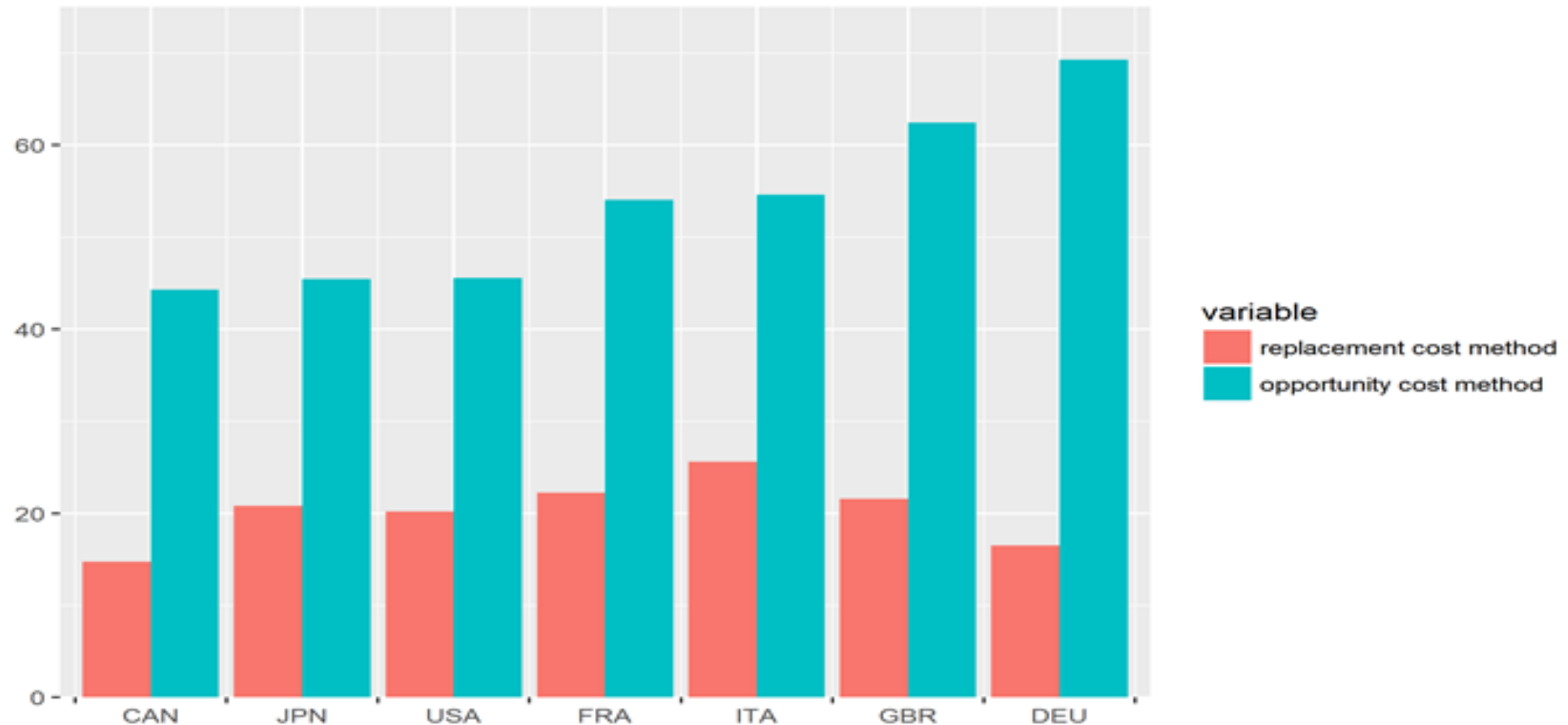
Unpaid household service work

- Apply **third-party criterion** to include unpaid household service work
- Proposal to distinguish the **following categories**:
 - Unpaid childcare (including passive supervisory care)
 - Adult care (including passive supervisory care)
 - Nutrition
 - Transport
 - Household management services
 - Laundry and clothing services
 - Informal volunteering
 - Shopping
 - Information services
 - Other unpaid household production not elsewhere classified
- **Input-approach** should be adopted for valuation of unpaid work, using main activities recorded by a harmonized **time-use survey**
- **Specialist wage rates** should be selected from market occupation



Unpaid household activities: contribution to GDP

Value of own-account production of unpaid household services (% of GDP), 2015



Unpaid household activities: impact on growth rates

Average annual real growth in GDP, excluding and including an imputed value for unpaid household services

Canada	Period	81-86	86-92	92-98	98-05		05-10	10-15		81-15
	Official	2.39	1.60	4.93	3.31		1.14	2.24		2.39
	Replacement	2.26	1.54	4.57	3.04		1.35	2.02		2.25
	Opportunity	1.98	1.34	3.90	2.51		1.57	1.58		1.96
United Kingdom	Period				95-00	00-05	05-14			95-14
	Official				3.32	2.76	1.08			2.10
	Replacement				3.38	1.92	1.03			1.88
	Opportunity				3.60	0.97	0.99			1.66
United States	Period	75-85	85-98		98-03	03-08	08-10	10-14	14-16	75-16
	Official	3.50	3.26		2.86	2.25	-0.16	2.02	2.17	2.80
	Replacement	3.02	2.96		2.36	1.85	-0.05	1.66	2.32	2.46
	Opportunity	2.60	2.70		1.85	1.47	0.07	1.33	2.46	2.15

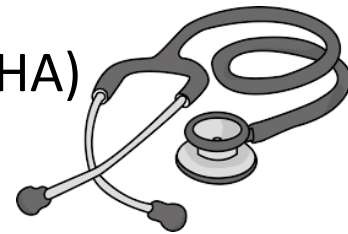
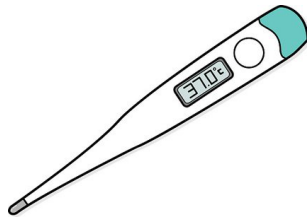
Education and human capital

- Extended accounts on **education and training**, including monetary and non-monetary data:
 - Breakdowns **by purpose**: Pre-primary education, primary education, secondary education, higher education, cultural, sport and recreation education, other education and vocational training, in-house training, and other education.
 - Breakdowns **by provider**: Central government, state government, local government, NPISH, market producers in education, other market producers, and non-residents.
 - Breakdowns **by financing**: Central government, state government, local government, NPISH, households, other institutional sectors, and exports.
- Explore the development of experimental estimates for **human capital**, focusing on both cost-based and income-based measures



Health care

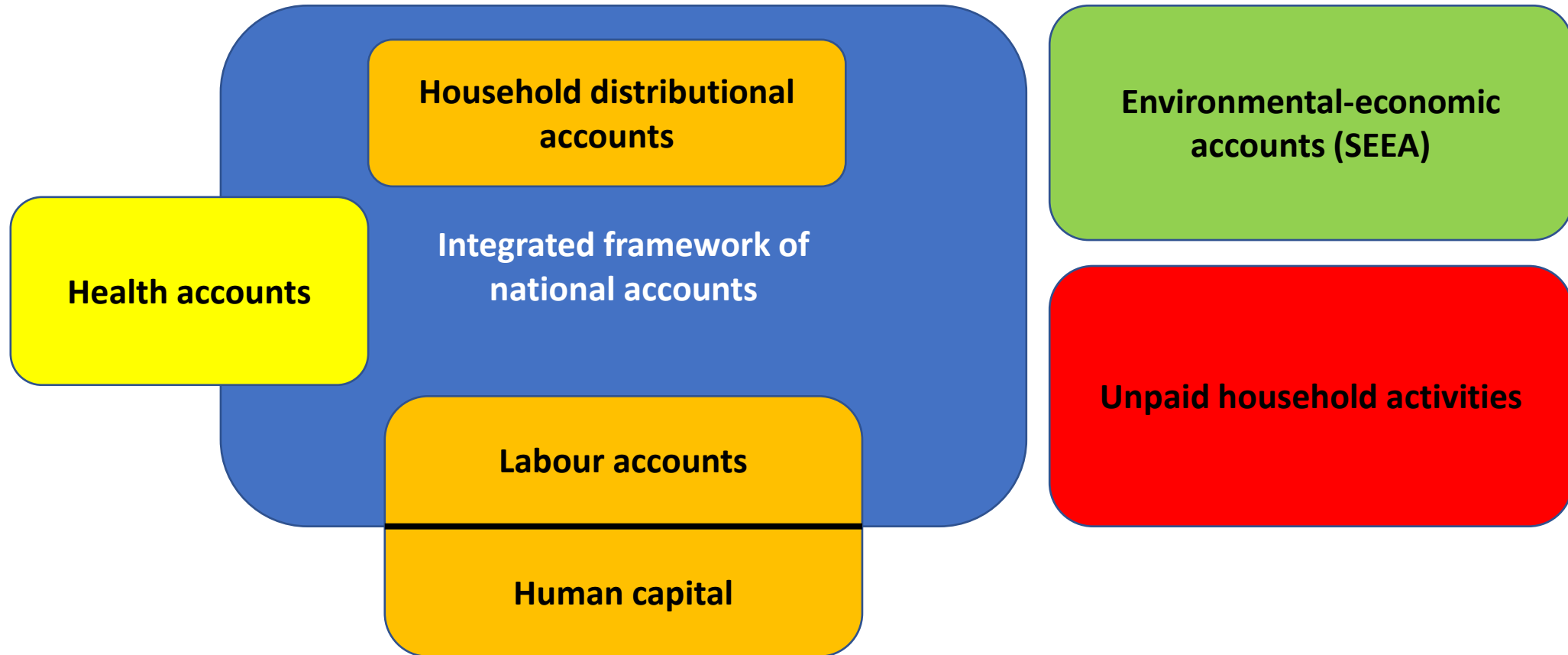
- Extended supply and use tables for health care and long-term social care
 - Breakdowns **by function**: curative care, rehabilitative care, long-term care, ancillary services, medical goods, preventive care, governance and health system and financing administration, and other health care services.
 - Breakdowns **by providers**: hospitals, residential long-term care facilities, providers of ambulatory health care, providers of ancillary services, retailers and providers of medical goods, providers of preventive care, providers of health care system administration and financing, the rest of the economy, and the rest of the world.
 - Breakdowns **by financing**: government schemes and compulsory contributory health care financing schemes, voluntary health care payment schemes, household out-of-pocket payments, and non-resident financing schemes.
- Develop additional indicators to inform policy on health care, social care and well-being
- Close alignment with System of Health Accounts (SHA)



Accounting for well-being (beyond the integrated framework of national accounts)

- Main goal of the broader set of accounts: establishing a **much better link** between the macro-economic framework and the work on well-being and sustainability
- Providing an **improved information basis for analysing trade-offs and win-wins** between various aspects of well-being and sustainability
- Of special note:
 - Dashboards often contain **outcome-based indicators**, while the broader framework is often limited to **output-based indicators**
 - Output is instrumental to achieving certain outcomes
 - Policy to improve outcomes runs via activities and related outputs

Beyond NA: a broader framework of accounts



A Vision for the Future

“So, it has come to this. The global diversity crisis is so severe that brilliant scientists, political leaders, eco-warriors, and religious gurus can no longer save us from ourselves. The military are powerless, but there may be one last hope for life on earth:”
(Jonathan Watts)

A Vision for the Future

“So, it has come to this. The global diversity crisis is so severe that brilliant scientists, political leaders, eco-warriors, and religious gurus can no longer save us from ourselves. The military are powerless, but there may be one last hope for life on earth: **accountants”
(Jonathan Watts)**

Thank you for your attention!

