

Towards the
2025 SNA (and
BPM7)

Webinar on the 2025 System of National Accounts

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3:00 to 4:30 PM, EAT

Overview of the presentation

- **Context**
- **Developing the consolidated list of recommendations**
- **Response to general questions in the global consultation**
- **Concerns arising from the global consultation**
- **Main issues:**
 - **Natural resources**
 - **Data and marketing assets**
 - **Sum-of-costs method**
- **Task Teams developing implementation guidance**
- **Way forward**
- **Conclusions**

Context

- It has been **15 years** since the SNA was last updated
- During this time, there has been **striking changes** in the way that economies operate
 - **Digitalization and globalization** in particular have had a profound impact
 - Furthermore, there is increasing concern that economic decisions need to be considered within a broader framework of **wellbeing and sustainability**, including **environmental sustainability**
- It could be expected that there should be substantive **change to the SNA** to reflect these changes
 - It is essential that the national accounts **remain relevant** in a changing world
 - This will ensure that national accounts **are credible** in the eyes of policy makers and the broader community
 - We all want to maintain, and ideally increase the **support for national accounts statistics**, and the statistical organizations that produce them

Context (continued)

- It is recognised that significant changes to the SNA can be **challenging to implement**
 - For this reason, it is critical that the update of the SNA is accompanied by a **well thought-out implementation strategy**, which includes **developing guidance** for countries to produce robust, high quality and internationally comparable statistics
 - **Advocating** for the resources to make the requisite changes to the national accounts is also a critical element of this
- The SNA update is proceeding **in parallel with the updated of the IMF's Balance of Payments Manual**, with the aim of achieving maximum harmonization

Developing the consolidated list of recommendations

- **Changes to the 2008 SNA** have been mainly derived from Guidance Notes and Issue Notes, but also from SNA News & Notes, guidance provided in past AEG-meetings, etc.
- The **Guidance Notes** were the result of extensive research undertaken by Task Teams comprised of experts in relevant fields
 - Those that considered substantive change also underwent a **feasibility assessment** of the practicality of making the changes
- There was extensive consultation on the Guidance Notes (and other substantive issues relating to the update), including global consultation
- The **Advisory Expert Group (AEG) on National Accounts** carefully deliberated on the Guidance Notes and Issue Notes in determining the recommendations for changes to the 2008 SNA, taking into account the outcome of the global consultations

Developing the consolidated list of recommendations (continued)

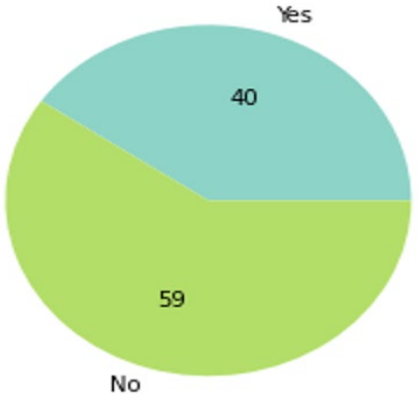
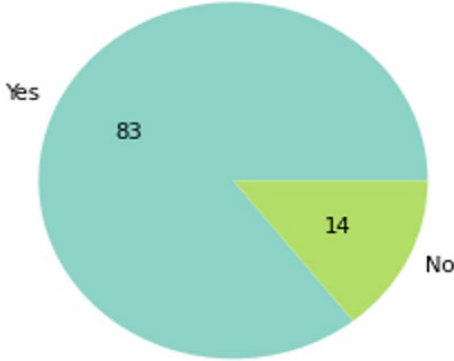
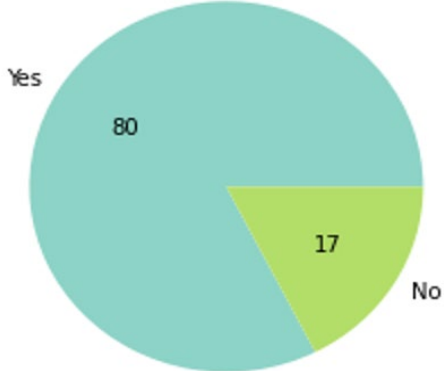
- The recommendations were consolidated into an **accessible and concise document** on the changes to the 2008 SNA, **which was put forward for global consultation for six weeks during August and September 2023**
- **The recommendations have been updated based on the outcome of the global consultation and the considerations of the AEG.**
- **These recommendations are presented in the ISWGNA report [2024-9-NationalAccounts-Recommendations-E.pdf](#) that is put forward for consideration and formal endorsement by the United Nations Statistical Commission at its 55th Session at the end of February 2024**

Outcome of global consultation: overview

- Q1A. Are the recommendations clear, straightforward, and unambiguous?

- Q2A. Are the recommendations consistent?

- Q3A. Do you have any other concerns about the recommendations?



Concerns expressed about the recommendations: general overview

- **Several requests for clarification:** These requests have been either addressed in the updated version of the list of recommendations, or they will be taken into account while drafting
- **Individual respondents, or few respondents, expressing disagreement on certain issues:** In general, these could not be fully addressed, except for further clarifications in some cases
- **Some countries expressed concerns about the (feasibility of) recording emission permits:** AEG will consider this on 20 February
- **Some countries not happy with parking the treatment of the atmosphere as an asset, one country even suggesting to postpone the update with one year to resolve this issue:** This issue is rather complex, and may have far-reaching consequences, also beyond BPM/SNA, therefore put on the post 2025 SNA Research Agenda

Concerns expressed about the recommendations: main issues

- Four issues where a more substantial number of countries (6 – 8), mainly from Europe, have expressed concerns:
 - Accounting for natural resources
 - Accounting for data
 - Accounting for marketing assets
 - Consistent application of the sum-of-costs method
- **Topic of the remainder of this presentation**, thereby trying to make a distinction between conceptual concerns versus concerns about feasibility and practical implementation
- **Note: In view of time, discussion is presented in a concise, and perhaps sometimes less nuanced, way**

Natural resources: main changes

1. Explicit recognition of **renewable energy resources**
2. Change in the **delineation between cultivated and non-cultivated biological resources** yielding once-only products (timber, fish and the like), and **clarification on accounting for work-in-progress**
3. The application of the **split-asset approach**
4. Accounting for **depletion as a cost of production**

Natural resources: conceptual concerns

- **Renewable energy resources:**
 - Wind, sun, etc. are not scarce and do not have an economic owner
 - Profitability of wind and solar extraction is in many countries highly influenced by taxes and subsidies
 - Potentially leading to double-counting, as it is already captured in the value of land
- **Response:**
 - Wind, sun, etc. are not scarce, but the exploitation of these resources may be restricted to certain economic agents having relevant permissions, or having ownership of e.g., land favourable for exploiting these resources
 - Other two concerns are acknowledged, and will be clarified in the guidance
 - Double-counting is probably relatively small, because the relevant land is not valued, or no land is involved; an exception being privately owned land, the value of which is based on actual transaction values

Natural resources: conceptual concerns (continued)

- **Biological resources yielding once-only products:**
 - Animals and plants should not be considered as producers of output
 - Eliminating the distinction between cultivated and non-cultivated resources leads to **GFCF for resources that are not actively managed**
 - **Regeneration to be recorded as GFCF, implying that inventories are excluded**
 - **Distinction between inventories and underlying asset not clear**
- **Response:**
 - The guidance continues to take **human involvement** as a starting point
 - Discretionary choice regarding degree of management difficult to apply in practice; **treating all growth of trees intended for timber production is easier to implement**
 - **Regeneration relates to the future potential of the underlying asset** (i.e., forest land), not to the growth of trees
 - Clarification: valuation of work-in-progress in line with the current guidance may result in the **implicit inclusion of the value of forest land**, if not properly accounted for

Natural resources: conceptual concerns (continued)

- **Split-asset approach:**

- Actual rents/royalties received represent the whole value

- **Response:**

- Overwhelming evidence that in many countries a significant part of the resource rent is captured by the extractor
- The entity having the right to extract clearly owns an income generating asset of some kind => split-asset approach provides an elegant way to account for the appropriation of income by the legal owner and the extractor

- **Accounting for depletion as cost of production:**

- Hardly any conceptual concerns; only one respondent noting that depletion is a kind of opportunity cost, and not in line with the concept of current actual costs

- **Response:**

- Depletion can be considered as an actual cost related to the exploitation of the resources, leading to a decrease of net worth, similar to consumption of fixed capital

Natural resources: concerns of feasibility

Several respondents expressed **reservations about the measurement of mineral and energy resources**: general concerns about the **valuation of (changes in) stocks**, including depletion, by applying **NPV-method**, which requires several assumptions : with a **potentially significant impact on the estimates => also impacting on NDP adjusted for depletion**

- **Not accounting for stocks of natural resources in the sequence of economic accounts:**
 - would involve **a dramatic change to the current guidance of the 2008 SNA; asset boundary has hardly been extended**
 - would give a **very poor signal to users, potentially decreasing the relevance of national accounts**
 - **may result in a very awkward set of accounts**, because actual transactions taking place need to be reflected in the sequence of accounts
- Important clarification for mineral and resources: **In practice the measurement will be restricted to class A (commercially recoverable resources)**, to be approximated by those resources for which permissions to exploit have been granted, and/or those for which the existence is explicitly recognised by (past) monetary transactions

Natural resources: concerns of feasibility (continued)

- NPV-method is the only feasible method; if actual transaction values would be available, these would clearly constitute the preferable valuation method; however, **hardly any transactions take place in stocks of mineral and energy resources**, which are also very heterogeneous
- Already now, the **2008 SNA recommends the use of the NPV-method** for natural resources
- **Using assumptions is relatively limited**: most important assumption relates to the future path of resource rents, for which a longer-term average of actual resource rents in the past can be used as an approximation
- Importantly, **implementation guidance for the measurement of mineral and energy resources in an internationally comparable way** is in the process of being developed; this should also resolve the issue around the measurement of depletion
- **Several countries already have practical experience** in compiling estimates

Data and marketing assets: conceptual concerns

- Most respondents expressing concerns seem to **explicitly agree with the conceptual soundness** of the recommendation to treat especially data and marketing assets as produced assets
- Also considered **highly relevant** to account for e.g., the role of data
- **However, individual respondents noted the following conceptual concerns:**
 - **Value of data is related to its use** rather than the dataset itself
 - **Doubts whether capitalized marketing expenditure can truly reflect the brand value/marketing assets of a company**
 - Marketing assets are **not used to increase the volume of output, only the value of output**
- **Response:**
 - **Value of data being related to its use is not inconsistent with the notion of an asset**, but perhaps the argument is misinterpreted
 - Second point not entirely clear: does this relate to **whether or not marketing assets can be actively produced?**
 - Future benefits **not necessarily restricted to an increase in the volume of output**

Data and marketing assets: concerns of feasibility

- **Most concerns** are expressed around the **feasibility of compiling internationally comparable estimates**:
 - Reliance on **assumptions** regarding occupations, service lives, etc., thereby **introducing model-based components in GDP**
 - **Major challenge to implement** for most countries around the world
 - **Lack of implementation guidance**
- **Response**:
 - **Two task teams are working on the development of practical implementation guidance**, one for data and another one for marketing assets
 - Including data and marketing assets may actually **simplify estimation of IPPs as a whole**
 - Estimating marketing assets by **capitalizing expenditures is a prudent approach to measuring its approximate value**, and may indeed not fully reflect the “true” value of these assets, certainly at an individual level

Sum-of-costs method: conceptual concerns

- **Market and non-market producers are fundamentally different from each other:** while market producers set their supply and prices in order to maximize profits, non-market producers base them on political and social considerations and may be required to provide services to areas of the economy that would not be covered otherwise; **difference in treatment of market and non-market production is not an inconsistency but a reflection of reality**
- **Opportunity costs should not feature in the system of national accounts,** but only actual costs should be recorded
- May possibly have an **impact on government deficit**

Sum-of-costs method: conceptual concerns

Response:

- **Sum-of-costs is a method to approximate a market-equivalent price**, in the absence of observed market prices, by summing up all costs involved in the production of the relevant goods or services; the **costs of using capital in production do not only concern consumption of fixed capital, but also the cost of borrowing funds to invest in capital**; as such, it is not about making profits, but about **recovering all costs involved**
- **The concept of opportunity costs (return on capital) is already applied to market production**
- Change in the measurement of government output, by adding a return on capital, **does not directly change government deficit**; however, possible secondary impact in the application of the 50% rule for distinguishing between market producers and non-market producers

Task Teams developing implementation guidance

- **Eurostat/IMF Task Team on Measuring Data as an Asset in the National Accounts**

- January 2024: Annotated outline of handbook available (is submitted as background document to the 2024 UNSC)
- January 2025: Final version of the handbook (to be submitted as background document to 2025 UNSC)

- **IMF Marketing Assets Task Team**

- January 2024: Annotated outline of handbook (is submitted as background document to the 2024 UNSC)
- March 2025: Final version of the handbook (to be submitted as background document to 2025 UNSC)

- **OECD Expert Group on Natural Capital**

- January 2024 to May 2024: First drafts of short practical guides for priority topics
- May 2024: Annotated outline of the handbook available
- February 2025: Publication of the final version of the handbook by the OECD

Way forward

- **The recommendations for the update of the 2008 SNA** are being put forward in the ISWGNA-reports to the United National Statistical Commission at the end of February 2024, for endorsement
- **A more detailed response to the feedback** from the global consultation on the recommendations are being provided in a background document to the ISWGNA-reports to the UNSC (https://unstats.un.org/UNSDWebsite/statcom/session_55/documents/BG-3f-NationalAccounts-E.pdf)
- The Task Teams will work during 2024 to **develop compilation guidance** in the key areas of concern, which will be subject to **global consultation** in due course
- An **implementation strategy** for the 2025 SNA is being developed. This will also be subject to global consultation and will be **submitted to the UNSC for its endorsement in 2025**, along with the 2025 SNA

Way forward (continued)

- The ISWGNA, with the assistance of the update team, will **continue to listen to the concerns** of countries and work with them on ways of addressing them
- While there will undoubtedly be challenges in implementing the 2025 SNA, it is likely to be **several years** before countries will actually implement it, thus giving a **substantial time period to prepare for the implementation**

Conclusion

- The endorsement by the Commission of the recommendations for the update of the 2008 SNA would be an important milestone towards the endorsement of the 2025 SNA.
- Countries are encouraged to include in their interventions to this agenda item not only a general statement of endorsement (or not), but also mention specific recommendations relevant to their countries as well as the recommendations related to:
 - **Accounting for natural resources**
 - **Accounting for data and**
 - **Accounting for marketing assets**
 - **Consistency in the application of the sum-of-costs approach**

Thank you

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