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## Economic Commission for Europe

### Conference of European Statisticians

#### Group of Experts on National Accounts

##### Nineteenth session

Geneva (online), 1, 3, 14, 16 and 18 September 2020

Item 7 of the provisional agenda

##### Adoption of the Chairmen's conclusions

## Report

### Note by the Secretariat

#### *Summary*

The meeting was organized following a decision of the Conference of European Statisticians in June 2019 (ECE/CES/2019/15/Add.1) and the recommendation of the previous meeting of the Group of Experts on National Accounts in April 2019 (ECE/CES/GE.20/2019/2). Due to COVID-19 the meeting was transformed into a series of online sessions that were held on 1, 3, 14, 16 and 18 September.

The present document is the report of the meeting and is provided to inform the Conference of European Statisticians of the organization and outcomes of the meeting.



## **I. Introduction**

1. The Meeting of the Group of Experts on National Accounts was held online on 1, 3, 14, 16 and 18 September 2020. The first online session on 1 September addressed the update of the System of National Accounts, 2008 (2008 SNA). The subsequent online sessions on 3, 14, 16 and 18 September addressed the priority areas of the 2008 SNA research agenda: globalization, digitalization, wellbeing and sustainability and communication of the SNA.

2. The meeting attracted big interest from country experts. In total 437 participants took part in it, many of them attending several sessions. The meeting was attended by representatives from Argentina, Armenia, Australia, Austria, Azerbaijan, Bahamas, Belarus, Belgium, Bolivia, Brazil, Bulgaria, Canada, Chile, China, Colombia, Costa Rica, Curacao, Cyprus, Denmark, Dominican Republic, Ecuador, Egypt, Estonia, Finland, France, Georgia, Germany, Guatemala, Hungary, India, Indonesia, Ireland, Israel, Italy, Jamaica, Japan, Jordan, Kuwait, Kyrgyzstan, Latvia, Lithuania, Luxembourg, Mauritania, Mexico, Mongolia, Montenegro, Nepal, Netherlands, Nicaragua, North Macedonia, Norway, Paraguay, Peru, Poland, Portugal, Qatar, Republic of Moldova, Romania, Russian Federation, Saudi Arabia, Serbia, Singapore, Slovakia, Somalia, South Africa, Spain, State of Palestine, Sweden, Switzerland, Trinidad and Tobago, Turkey, Ukraine, United Kingdom, United States, Uruguay and Uzbekistan.

3. The meeting was also attended by representatives from the European Central Bank (ECB), European Commission, Eurostat, International Monetary Fund (IMF), Interstate Statistical Committee of the Commonwealth of Independent States (CIS-STAT), Organisation for Economic Co-operation and Development (OECD), Economic and Social Commission for Asia and the Pacific (UNESCAP), United Nations Conference on Trade and Development (UNCTAD), United Nations Economic Commission for Latin America and the Caribbean (UNECLAC), United Nations Economic and Social Commission for Western Asia (UNESCWA), United Nations Statistics Division (UNSD) and World Bank.

## **II. Organization of the meeting**

4. The following substantive topics were discussed during the five online sessions:

- Update of the System of National Accounts, 2008 (2008 SNA)
- Wellbeing and sustainability
- Digitalization
- Globalization
- Communicating the System of National Accounts
- Other business and future work

## **III. Summary of the main conclusions reached at the meeting**

5. The main Chairmen's conclusions are given below. All documents for the meeting are available at: [www.unece.org/index.php?id=52561](http://www.unece.org/index.php?id=52561)

### **A. Update of the System of National Accounts, 2008 (2008 SNA)**

6. The session was organized by IMF, UNSD and UNECE. It was chaired by Gerard Eding (Statistics Netherlands), chair of the UNECE Steering Group on National Accounts and moderated by UNECE. The presentations were provided by Herman Smith (UNSD), James Tebrake and Paul Austin (IMF) introduced the background, the research areas, the programme and the timeline for the update of the 2008 SNA and the related macroeconomic statistical standards, such as the Balance of Payments Manual (BPM), System of Environmental-Economic Accounting and the Government Finance Statistics Manual.. While in the past the updating of the standards was done independently, with consistency

checks and reconciliation occurring mainly at the end of the process, significant efforts are made with the current update to coordinate the process from the very beginning. The aim of this effort is to ensure a coherent set of manuals and reduce duplication of work. As an example, ten task teams are working on the areas of the SNA research agenda and seven of them are organized jointly with balance of payments (BOP) compilers.

7. Dedicated work streams were established for each of the priority areas of the SNA research agenda: globalization, digitalization, and wellbeing and sustainability, and the drafting of the guidance notes on the research issues in the respective areas is under way. The guidance notes contain options and recommended approaches to resolve the issues. A new work stream was recently established to deal with issues related to communication of the SNA. Work is also launched in other areas like informal economy, intellectual property, financial innovation, Islamic finance, etc.

8. Another novelty of the current update process is that the countries are encouraged and invited to test and develop experimental estimates as part of the consultation process on the guidance notes. This would on one hand provide important input to verify the practical applicability and feasibility of the proposed changes and on the other will allow countries to implement quicker the updated standards as they would have already advanced on developing data sources and methods.

9. The participants were also informed about the work programme of the recently launched task team on informal economy. It will focus on three main areas: clarifying the terms and definitions used in relation to the informal economy; developing proposals on how the informal economy should be presented in the national accounts and balance of payments and providing guidance on the methods countries can use to measure the informal economy.

10. The session on the update of the SNA and related manuals was of great interest to the participants and they highly appreciated the provided information. This helps to get an overview of the update process and anticipate what is forthcoming. There are still several issues concerning the update process which should be carefully considered:

- The need to clarify which recommendations should be tested, how to involve more countries and what would be the timetable for the process.
- The continued (full) alignment of the SNA and BPM manuals during the update process should be effectively managed in practice and possible differences in the timetable should be addressed and solved. Full alignment of the two standards is of high priority for the countries.
- The timeline for the implementation of the new manuals should be well thought through and coordinated.

11. Based on the comments made during the session, countries give the highest priority to the guidance concerning globalization, digitalization, informal economy, and well-being and sustainability. The recent global health crisis has highlighted the significance of certain items on the SNA research agenda. Macroeconomic indicators will certainly be important also in the post-COVID-19 era, but in the short run the need for information on the issues related to well-being and sustainability will increase, for instance, on distributional issues like who are the most affected by the current crisis.

12. The participants expressed support and interest in contributing to the work of the task team on informal economy. Important aspects that were highlighted are the clarification of the terminology and of borderline issues between formal and informal sector and employment. Many of the latter are prompted by the quick development of digital economy and forms of employment. Caution should be paid to the use of indirect macroeconomic methods.

13. The participants noted that the session provided a welcome and needed overview of the SNA and BPM update process. The dialogue must continue and be intensified. There is wide interest and willingness to participate both in the conceptual discussions and the testing. The international organizations have an important role to play in encouraging countries from the different regions to actively participate in the update process. There is a clear need for

similar events providing information on the development of the guidance notes and the update process to be organized in the future.

## **B. Wellbeing and sustainability**

14. The session was organized and chaired by Catherine van Rompaey (World Bank) and Jorrit Zwijnenburg (OECD), and focused on the guidance notes developed as part of the work of the Task Team on Well-being and Sustainability. It included presentations of the notes prepared by the six underlying areas groups, focusing on (1) Unpaid household activities (Chris Payne, Office for National Statistics, UK); (2) Distribution of household income, consumption, saving and wealth (Jorrit Zwijnenburg, OECD); (3) Environmental-economic accounting (Mark de Haan, Statistics Netherlands); (4) Education and human capital (Michael Smedes, Australian Bureau of Statistics); (5) Health and social conditions (Ann Lisbet Brathaug, Statistics Norway); and (6) Broader framework for well-being and sustainability (Catherine van Rompaey, World Bank).

15. The presentations and subsequent discussions showed the high importance of this topic, with a lot of user demand for more insight into the various aspects of well-being and sustainability. The session also clearly highlighted the multidimensionality of the topic with a lot of interlinkages between the various underlying subjects. For that reason, it is important to analyse the topics in parallel and to present them in such a way that users may obtain more insights into specific trade-offs and win-wins (the main aim of the broader framework).

16. A lot of work has already been done in the various areas and the subgroups have taken this all on board in their guidance notes. The groups have also addressed several issues in view of a future update of the SNA, both of a conceptual and of a practical nature. Some may directly affect the central framework, whereas others tackle issues outside the central framework (i.e. in additional/supplementary tables). In assessing the various issues, it is also important to bear in mind that some may have an impact on other statistical domains (e.g. balance of payments or government finance statistics). For that reason, the notes should be circulated broadly, also obtaining feedback and views from experts and users in other statistical domains.

17. An important issue raised during the session was the practicality of some of the solutions proposed by the area groups. It is important to ensure that the guidance is feasible, also for less statistically developed countries. In that regard, it was acknowledged that the testing of the guidance will be an important part of the work on the SNA update. Furthermore, it was acknowledged that specific expert groups or task forces may need to be established to further develop practical guidance in some areas for which no such guidance is yet available.

18. The various comments and issues raised during the consultations and the session will be taken on board in the update of the notes. In October 2020 the notes will also be discussed at the Advisory Expert Group on National Accounts and subsequently the groups will start working on further updating. In that regard, participants are invited to raise any further questions, comments or concerns they may have at this stage.

## **C. Digitalization**

19. The session on the digitalization research agenda of the SNA was organized by Eurostat and the US Bureau of Economic Analysis. It was chaired by Erich Strassner (US BEA) and moderated by John Verrinder (Eurostat). The session included contributions from Richard Heys (UK Office of National Statistics), David Byrne (US Federal Reserve Board), Nicola Massarelli (Eurostat), Marshall Reinsdorf (IMF) and Jorrit Zwijnenburg (OECD).

20. The motivation for this session on digitalization is the growth and disruption of the digital transformation. While digitalization has become more common in economic activity, there is a need to re-examine and adapt the SNA to ensure that macroeconomic statistics remain relevant in the digital age. The purpose of this effort is to ensure that the internationally agreed upon frameworks evolve to meet the needs of policy makers and other users.

21. The session highlighted the five key areas of the research agenda on digitalization: making digitalization more visible within the SNA; the recording and valuation of data; the treatment of “free” products; price and volume measures affected by digitalization; and the recording of cryptocurrency assets. The Digitalization Subgroup of the Task Force on the SNA Research Agenda, including experts from all over the world, are working on these issues and considerable progress has been achieved. Additionally, work was acknowledged to be well advanced on a framework for a satellite account on the digital economy, where remains substantial empirical research to populate the tables and indicators. And further, more work, debate, and consultation remain to be done on all areas of the research agenda.

22. The presentation and discussion on the recording and valuation of data focused on the characteristics of data, including that it is produced, distinguished from non-produced observable phenomena, with a focus on digital data, its long-lived nature and inclusion as an asset that is subject to economic ownership, valuation and depreciation. This generated discussion on a wide range of related topics including valuation methods; services lives; the distinction among data, observable phenomena, and data files; and how to distinguish data originals from copies used for other purposes. Participants acknowledged the need for more work on the concepts and practical measurement issues, including the availability of using digital economy satellite accounts to focus on measurement.

23. The presentation on “free” products acknowledged that there is still active debate among the Subgroup participants, where the discussion has centred on the measurement of digital platforms and the debate examines whether to treat the “free” products as a barter transaction between the platform and the household consuming the services or as a bundled product offered by the platform, in which paid services of the platform subsidize the free service. There was broad agreement that these approaches are similar in nature and are different from those that are aimed at measuring consumer surplus and welfare. Some participants also supported tracking “free” products potentially through a satellite account framework and that changes may not be needed for the core accounts.

24. The presentations and discussion on prices and volumes gave participants a broad view on the evolving work on the Subgroup on establishing guidance both on best practices and on acceptable models or proxies in cases when countries may not have the data or ability to collect new data. It was recognized that there is more work ahead pending decisions about the guidance on digital supply-use tables, the recording of data, and the treatment of free products. Participants also discussed a few case studies on measurement and mis-measurement of price indexes, including mobile phones, that may leave national accountants using less-than-ideal price indexes. A message in this work is that for global products with global markets and with other hard to measure goods and services, it may be worthwhile to use a well-measured price produced by one country as a proxy with suitable adjustments for economic factors for the home market in another country.

25. The presentation and discussion on the recording of crypto assets acknowledged that there is general consensus in most areas of the interim guidance, where the role of the crypto assets is clear and there is a clear link to existing asset classes. However, there are still questions on how to record crypto asset acting as a store of value without a corresponding liability and how to account for their creation. This will be further explored in the coming period. Additionally, it was acknowledged that this is an evolving field, and that new crypto assets may be created in the future with different roles.

26. Participants acknowledged that these complex issues continue to challenge the current international frameworks and may have wide-ranging impacts on the system overall—the conceptual approaches, the practical measurement choices, as well as on the data requirements. Topics such as the economic role of data and the valuation of free products still need substantial conceptual development. Finally, substantial research is needed to understand the impact of new technologies on price levels and trends and to identify suitable price deflators for goods and services affected by digitalization. Countries are invited to engage in and provide input to ongoing discussions on the research agenda on digitalization.

## **D. Globalization**

27. The session was organized by the CSO of Ireland and the IMF, chaired by Mark de Haan (Statistics Netherlands) and moderated by Jennifer Ribarsky (IMF). Presentations of the work of the Globalization Task Team were made by Margarida Martins and Padma Sandhya Hurree Gobin (IMF) and Michael Connolly (CSO Ireland). The presentations focused on the high priority issues of the globalization task team (1) Valuation of imports & exports in the SNA; (2) Treatment of special purpose entities (SPEs); and (3) Treatment of multinational enterprises (MNEs) and intra-MNE flows.

28. On the valuation of imports and exports in the SNA, participants recognized that there should be a delineation of the conceptual treatment versus what can be done in practice. Participants expressed their concern about asymmetries and this aspect should be given high priority in the choice of a valuation method. They also indicated that the preparation of transaction data information from customs records requires in many countries an initial investment. Furthermore, questions about the demarcation between international trade in goods versus services were raised and the need of outreach to data users to get their perspectives, especially regarding potential impact on time series.

29. In the defining and separately identifying SPEs presentation, a few key themes and observations emerged. Attributing SPEs to their non-resident parents may lead to high asymmetries in BOP data, mainly in the financial account. At least in some countries, SPEs are easily identified, but it was noted that there is a grey area with units that are near-SPEs, meeting similar criteria but having, for example, slightly more than five employees. It was also noted that SPEs may currently be found classified in different (sub)sectors, e.g. non-financial corporations and captive financial institutions.

30. Finally, building on much work that has been done in this area, the presentation on the treatment of MNEs illustrated how the role of MNEs in the economy can be better highlighted using existing indicators, or by providing more detailed data. Participants noted the role of intangible capital produced and used by MNEs remains a tricky issue and it was noted that the Task Team on Intellectual Property Products will produce a guidance note on the topic.

## **E. Communicating the System of National Accounts**

31. This session was organised by the Office for National Statistics (ONS) UK, IMF and World Bank, chaired by Sanjiv Mahajan (ONS, UK) and moderated by James Tebrake (IMF). The presentations were provided by Sanjiv Mahajan (ONS, UK), James Tebrake (IMF), Eric Metreau (World Bank) and Benson Sim (UNSD). They informed the participants on the terms of reference of the task team on communication and the objectives, activities and work programme of the sub teams working on developing of a collaborative compilers hub, digitalization of the SNA and related manuals and handbooks, review of the SNA terminology, developing taxonomy for the national accounts compilation and assessment framework to measure alignment with the SNA.

32. The broad variety of questions during the discussion clearly illustrated the support for the proposals and the interest of the participants to shape the way forward.

33. There was agreement on the need to better educate and improve the understanding of the users and to bridge the user-producer gap. With the increased possibilities to reach broader groups of users it is also important to target the different audiences properly i.e to tailor the communication to the National Accounting community, academics, consultants, students (the next generation), etc. The partnerships and coordination with the dissemination department of the NSOs should be strengthened in order to enhance the use of all the wealth of information contained in the SNA (beyond headline GDP).

34. With respect to the review of the terminology the participants highlighted that various aspects should be carefully reviewed. On the one hand many of the terms have become part of the accepted vocabulary and are already in use by more specialized users. On the other hand it would be beneficial to develop alternative user-friendly terminology to reach broader



audience and complement this with suitable graphics, illustrations and schemes. Language(s) to be used will need to be tested (e.g. investment / GFCF, revision / update, etc.) to ensure clarity and avoid misunderstandings.

35. The participants also made a number of suggestions for the development of the collaborative hubs for compilers and the digitalization of the economic statistical standards. These included the importance of having consistent and coherent links across domains and manuals, recommendations to use new tools and technologies (e.g. wiki type platforms, etc.), the need to cover both teaching and training aspects as well as sharing of best practices, a confidential section (e.g. private conversation network) to be reflected in the hub and other functionalities to be developed.

## **F. Other business and future work**

36. The participants are invited to continue their engagement with the discussions on the SNA update. Further comments and questions on all the documents that were presented and posted at the meeting website could be sent to UNECE ([national.accounts@un.org](mailto:national.accounts@un.org)) or the respective session organizers and presenters by the end of October 2020. They will be considered in the update of the guidance notes.

37. The participants were informed that following a recommendation the Group of Experts on National Accounts and the CES Plenary, the Executive Committee of the UNECE supported a change in the intergovernmental structure of the Group from an “ad-hoc” meeting into a standing body. The support this change received from all UNECE member countries recognizes the importance of the work carried out by the Group.

38. The next meeting of the Group of Experts on National Accounts will be organized jointly by Eurostat, OECD and UNECE in 18-21 May 2021. Taking into account the importance of involving all countries in the conceptual and practical discussion of the SNA update process the agenda of the 2021 meeting will focus on the priority areas of the SNA research agenda.

39. The participants asked the UNECE Secretariat to inform the CES Bureau on the outcome of the meeting and to follow up on the recommended further work.

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