



# Economic and Social Council

Distr.: General  
9 March 2022

Original: English

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## Economic Commission for Europe

### Conference of European Statisticians

#### Group of Experts on National Accounts

##### Twenty-first session

Online, 17, 19, 23 and 25 May 2022

Item 1 of the provisional agenda

#### Adoption of the agenda and election of officers

## Annotated provisional agenda for the twenty-first session

To be held online on 17, 19, 23 and 25 May 2022 starting at 13.00 CEST.

### I. Provisional agenda

1. Adoption of the agenda and election of officers
2. Update of the System of National Accounts 2008 and Balance of Payments Manual 6th Edition
3. New developments in communication, globalization and digitalization
4. Well-being and sustainability
5. Informal economy
6. Future work and adoption of the report
7. Other business

### II. Annotations to the provisional agenda

#### Item 1. Adoption of the agenda and election of officers

1. The meeting is organized following a decision of the Conference of European Statisticians (ECE/CES/2021/16 and ECE/CES/2021/16/Add.1). Due to the ongoing COVID-19 pandemic it will be held online.

## **Item 2. Update of the System of National Accounts 2008 and Balance of Payments Manual 6th Edition**

2. The session will introduce the status of the update programmes for the System of National Accounts 2008 (2008 SNA) and the Balance of Payments and International Investment Position Manual, 6th Edition (BPM6) since the previous meeting of the Group of Experts on National Accounts in May 2021. It will highlight the outcomes of the consultations on the guidance notes developed by the various task teams working on the SNA and BPM research agenda and inform about the new guidance notes that are in preparation. It will also update on the endorsed guidance notes that have been sent to countries for comments and, where relevant, for experimentation and testing. Attention will be paid on the possibilities for countries to get involved in the experimentation and testing process. The proposed structure of the updated SNA will also be presented.

## **Item 3. New developments in communication, globalization and digitalization**

### **1. Communication**

3. *Communication* is a very important topic when it comes to presenting statistical information, making sure that a wide range of users properly understand the results, the full extent of their analytical usefulness and draw the right conclusions. There is an ever-growing focus on the need to improve communication for a wide range of users. For this purpose, a Communication Task Team (CMTT) was established as a joint task team by the Advisory Expert Group (AEG), the Intersecretariat Working group on National Accounts (ISWGNA) and the IMF Committee on Balance of Payments Statistics (BOPCOM) to contribute to the work related to the updating of the 2008 SNA and BPM6. There are five workstreams generating three guidance notes and recommendations will be completed during 2022. This session will provide an update of the CMTT work on the compilers' hub and the feedback from the global consultation of the guidance notes including issues related to terminology and translating it into other languages.

4. The CMTT will present the summary *Results of the Alignment Survey*. The degree to which a country aligns with a macroeconomic accounting standard helps users understand the comparability and comprehensive nature of the countries' macroeconomic accounts. This presentation summarizes the results of the global consultation for the guidance note CM.1 - "A Framework for Measuring Alignment with the Economic Accounting and Statistical Standards" conducted by the CMTT during December 2021 – February 2022. The consultation sought to ascertain the views of compilers on the alignment framework proposed by the CMTT. The consultation showed that majority of respondents agreed with the need for a set of alignment frameworks in the statistical standards, as well as on the dimensions and elements of the proposed frameworks. Majority of the respondents noted that while completing the frameworks would require some initial resource investment, updating and maintaining them is not expected to be resource intensive. The respondents also provided some valuable suggestions to further improve the alignment framework that should be reflected in the final guidance note. This presentation will also highlight results from countries that tested the alignment questionnaire.

5. The Office for National Statistics (ONS) of the United Kingdom (UK) will discuss *How Faster Indicators Can be Used to Add Context for Official Statistics*. Leading and coincident indicators have the potential to help policymakers and economists track impacts in a timelier manner and help provide more insight into how the economy is evolving in response to a variety of challenges. In this presentation, ONS will show examples of when faster indicators are paired with other survey responses and can provide additional context to the quantitative figures such as businesses' trade challenges or their ability to procure goods from within the UK. Additionally, the presentation will explain how coherence can be sought when combining indicators with Business Insights and Conditions Survey (BICS) to understand wider impacts. The scope of faster indicators and BICS is far reaching and flexible and invaluable informing key areas of performance for the UK.

6. The United States Bureau for Economic Analysis (US BEA) will present *Communication Strategies for the U.S. National Accounts*. The United States uses several communication and outreach strategies to produce and disseminate timely, high-quality, and relevant macroeconomic statistics. These include opportunities to vet methodology choices with experts in the research community through advisory committees, research conferences, and periodic expert panels. Additionally, to ensure the integrity of the statistics, the release of principal federal economic indicators follow statistical policy directives established through the Office of Management and Budget's Chief Statistician of the United States. Moreover, the US BEA follows long-standing practices, updated over time, in how the statistics are communicated to the public to ensure, to the extent possible, maximum transparency for understanding the compilation of the statistics.

## 2. Globalization

7. In the area of *Globalization*, considerable progress has been achieved by the Task Team with several guidance notes in an advanced stage of the consultation and endorsement by the AEG on National Accounts and the BOPCOM. The session will highlight some of the latest developments regarding the treatment of knowledge based or marketing assets and the recording of the activities of Global Value Chains.

8. Statistics Indonesia will present the role of *Multinational Enterprises (MNEs) in the Indonesian Institutional Sectoral Accounts (ISA)*. The presence of foreign-affiliated companies grows as a result of globalization. That is in line with the increasingly open trade between countries in the world. Indonesia also faces the same phenomenon. A country with a stable investment environment and a large population, it is not surprising that Indonesia is one of the primary destinations for investment. The entry of foreign investment is expected to stimulate economic growth and contribute to the welfare of citizens. It is necessary to have accurate statistical data related to MNEs. The presentation introduces an experimental compilation of MNEs activities in Indonesia through ISA.

9. In the update of the System of National Accounts the question of *Including Marketing/Branding Assets in Capital Formation* has been debated. The outcome of these discussions is presented in the guidance note G.9 of the SNA Update Globalisation Task Team (GZTT). Central Statistics Office (CSO) of Ireland will present the view of an accountant on the feasibility of this proposal to recognise these assets in the economic accounting framework. The presentation will reference the recording of intangible assets and the relevant accounting standards, International Accounting Standard (IAS) 38 in particular. Ultimately the focus is on whether this data is readily available to the company accountant completing a survey form issued by a national statistical office or a central bank.

10. In addition, an update on the projects undertaken by National Institute of Statistics, Geography and Informatics (INEGI) Mexico to *extend the supply and use tables* and provide elements for Trade in Value Added (TiVA) measures and the measurement of global value chains, and a presentation by US Conference Board on *measuring intangible capital* in the US with focus on marketing assets will be provided.

## 3. Digitalization

11. In the area of *Digitalization*, a dedicated Task Team is conducting research work in view of updating the 2008 SNA, covering topics such as the valuation of free assets and free services, the recording of crypto assets, the identification and recording of digital intermediary platforms, cloud computing and artificial intelligence.

12. Data is a crucial input into productive activities across almost all facets of the economy. However, within the SNA2008, data is not explicitly identified as a standalone asset. Instead, some aspects of data investment are included in the estimation of database assets or implicitly recorded as goodwill when an entire economic unit is sold, or if an explicit transaction in databases occurs. Since the relevance of macroeconomic statistics depends on the ability to adapt the SNA to meet the evolving needs of policymakers and respond to a changing economy, the absence of an explicit data asset in the accounts is becoming increasingly untenable. The guidance

note *Recording of data in national accounts* developed by the SNA Update Digitalisation Task Team (DZTT) provides an overview of available options for recording data in the National Accounts, with each discussion ending with a recommendation. It also presents some practical considerations related to the proposed recommendations, most of which will need to be addressed during a testing and experimentation phase before inclusion in the revised SNA.

13. The *UK's new Digital Economy Survey* provides a fresh approach to measuring the UK's e-commerce and ICT activity. For over a decade, the ONS has been collecting data linked with measuring the UK's digital economy, a key source being the E-Commerce Survey aimed at measuring the adoption and use of information and communication technologies and electronic trading. The E-Commerce Survey was paused in December 2020 to undergo redevelopment. A fresh approach was taken to establish core questions by liaising with key stakeholders to identify data gaps and think about how these could be addressed through survey data collection. Key changes include collecting more geographic information, information on purchases of goods and services online whereas previously only sales information was captured and moving away from collecting the percentage of turnover generated online to capturing actual values. ONS has also taken the opportunity to rebrand the survey and upon relaunch, it will be called the "Digital Economy Survey".

14. This session will also introduce the experience of Netherlands in development of digital supply and use tables (tbc).

#### **Item 4. Well-being and sustainability**

15. One of the main criticisms regarding the System of National Accounts is that the growth of gross domestic product (GDP) falls short of capturing sustainability and broader measures of well-being. These criticisms cannot be addressed anymore by simply arguing that GDP is a measure of economic activity and should thus not be used as a measure of well-being. The question becomes how the SNA can support research, policy analysis and decision-making on well-being and sustainability. For that reason, *well-being and sustainability* is one of the priority areas within the SNA Research Agenda and a dedicated task team, consisting of country experts and representatives of international organisations, is working on guidance notes that will feed into an update of the 2008 SNA. This, amongst others, concerns unpaid household activities; environmental-economic accounting; distribution of household income, consumption, saving and wealth; education and human capital; health and social conditions; and defining a broader framework. This presentation will provide an overview of the state of play for the SNA Update Task Team on Wellbeing and Sustainability (WSTT), including highlights of proposed new concepts and extensions in each of area in scope for consideration.

16. US BEA will present a set of supplemental statistics called the *Health Care Satellite Account* which were developed to better measure spending trends and treatment prices. These statistics give policymakers, researchers and the public another way of understanding the economics of health care. The satellite account measures U.S. health care spending by the diseases being treated (for example, cancer or diabetes) instead of by the types of goods and services purchased (such as doctor's office visits or drugs). At the same time, BEA continues to produce the traditional goods-and-services health care estimates that are part of its core statistics, such as gross domestic product.

17. Statistics Canada introduces a step taken forward to advance the measurement and valuation of national accounts by producing updated Estimates of the Economic Value of *Unpaid Household Work* in Canada for 2015 to 2019. The concepts, sources and methods used in this study follow international guidelines and proposals for estimating the economic value of unpaid household work and are aligned with the general measurement approaches used within the 2008 SNA. By providing timely estimates of the economic value of unpaid household work, this study aids the discussion surrounding inclusive economic performance and inequalities in the assigned economic value of certain people, jobs and activities in society. Furthermore, the study can be used as an example of how national statistical agencies can advance the measurement and

valuation of the SNA by indicators of inclusive economic performance and broader socio-economic well-being.

18. Several environmental-economic issues were identified for the upcoming 2025 revision of the System of National Accounts. The presentation by Statistics Canada will provide a brief overview of the SNA revision process and an update on the development of the guidance notes that address *issues related to environmental-economic accounting*, amongst others on the economic ownership and depletion of natural resources, the accounting for biological resources, the recording of emission permits, and the accounting for renewable energy resources.

19. Cross-national estimates of comprehensive wealth from the World Bank, the United Nations Environment Programme and similar research initiatives broaden traditional SNA wealth concepts beyond produced capital and net foreign assets to include innovative measures of an increasing range of natural capital assets, along with estimates of human capital. In so doing, they enable meaningful advancement to wealth measurement and serve as an important complimentary tool for policy analysis directly addressing sustainability. The presentation by World Bank and Midsummer Analytics will provide a brief overview of *recent innovations in the World Bank's Changing Wealth of Nations program* and examine the potential of extensions proposed in the SNA update to support this measurement.

20. Towards an improved and more efficient *broader framework* by MetricsForTheFuture.com discusses two strategies to approach the development of a broader accounting framework for wellbeing and sustainability. The first strategy is when economists work from the "inside out" by adding satellite accounts to the "core" SNA. In this approach phenomena such as "externalities" and "comprehensive wealth" are estimated using well-established neoclassical welfare economics. This strategy is a pragmatic step-by-step theoretically-solid approach which is why it is used by the ISWGNA group on "a broader accounting framework for wellbeing and sustainability". The second strategy which is not based on incrementalism, is also conceivable. What would happen if economic theory was not so central? What insights might be obtained if we work from the "outside in"? How does the broader framework link to the "wellbeing economy" and natural science approaches such as "planetary boundaries"? Will the broader framework foster interdisciplinary understanding between economists and non-economists? The presentation argues that there is a synthesis possible between the two strategies leading to an improved and more efficient work program.

## **Item 5: Informal economy**

21. This session will review recent progress in relation to measuring the informal sector in the context of the update of the 2008 SNA and the BPM6 and will allow countries to provide feedback on the guidance note and the framework developed by the SNA Update Task Team on Informal Economy (IETT). It will pay particular attention to country efforts to ensure exhaustive coverage of national accounts and balance of payments and issues related to measuring the informal sector. The session will seek the exchange of experience between countries on the measurement of these issues and present lessons learned and possible directions of future work.

22. *Statistical Standards on the Informal economy* summarizes the proposal for a statistical framework on informality as developed through the ILO working group on the revision of the statistical standards on informality. The ILO working group was established following the decision at the 20th International Conference of Labour Statisticians (ICLS) in 2018 to revise the current statistical standards on informality. The objectives are to address known problems with the current standards, align them to the most recent statistical standards, and to increase global coverage and harmonization. The new set of standards will be presented and discussed at 21st ICLS in 2023. The presentation provides an overview of the expected structure of the new framework based on the underlying concept of informal productive activities as well as the overarching concepts of informal economy and informal market economy. It describes new concepts likely to be introduced such as partly informal productive activities and informal work, and highlights the main expected changes in terms of scope of existing concepts, intended to

strengthen the current definitions and contribute to increased harmonization. The new framework and the changes likely to be proposed, intends to create a more comprehensive set of statistical standards that improves the range of statistics available to understand informal work and the informal economy.

23. National Institute of Statistics of Italy (ISTAT) will introduce the recently developed procedure for *improving the measurement of under-reporting of value added and value-added tax (VAT) fraud* at micro level. According to preliminary estimates, in 2019, under-reporting amounts to 79.5 billion euros, while VAT fraud is about 6 billion euros. They represent a relevant share (about 40%) of the whole amount of informal economy in Italy. The new measurement procedure has been developed with a twofold purpose: to overcome the limitations of the old procedure for measuring under-reporting and to allow for providing a point estimate of VAT fraud at micro level. The new Receiver Operating Characteristics (ROC) Indicator method uses the wide informative set provided by the “Frame-Structural Business Statistics”, which includes comprehensive economic and structural information for the whole population of Italian firms (about 4.4 million units). The procedure grounds on the application of the ROC analysis used to define the threshold that permits to classify firms as under-reporting or not, according to the value of a composite indicator, which summarizes the main economic and structural characteristics of homogeneous enterprises. The same threshold is then used to adjust the value added of under-reporting firms. Furthermore, using the ROC indicator method for measuring under-reporting also allows for providing a separate firm-level estimate for VAT fraud.

24. The BPS-Statistics Indonesia presents the methodology and results of the mixed survey applied in 2009 through the Asian Development Bank’s regional technical assistance for Measuring the Informal Sector. The mixed survey approach has two phases: the first phase expanded the National Labor Force Survey (Sakernas) by adding questions to identify household unincorporated enterprises with at least some market production (HUEMs), informal enterprises, informal employment, benefits received, and working conditions of workers, while the second phase, the Informal Sector Survey (ISS), covered 142 primary sampling units for Yogyakarta and 123 for Banten. The sampling frame constituted the list of identified HUEMs in the first phase. A total of 1,830 HUEMs were included in the ISS for the two pilot provinces. The cost-effective data collection strategy presented a workable solution for generating informal employment and informal sector statistics in two pilot provinces. The presentation also introduces the new directions taken after the pilot.

25. Measuring informal economy is one of the priority areas on the updates of the 2008 SNA and BPM6. In this context the IETT has prepared a guidance note on *Statistical Framework for the Informal Economy* that contains a set of proposals to be included in the updated SNA and BPM. While some of the statistical components of informality are covered by current statistical recommendations there is a general lack of a comprehensive framework that allows a statistical understanding of the scope of informality and how the different components relate to each other. The proposed framework tries to fill this gap and contribute to a clearer understanding of informality from a statistical point of view. It focuses on the perspective of the economic unit and its relation to informal productive activities and the informal economy. This guidance note aims to 1) present recommendations for a coherent set of statistical recommendations necessary for measurement of work and economic activity in the informal economy, and 2) identify and delineate the statistical issues on the informal economy that should be addressed as part of the update of the 2008 SNA and the BPM6.

26. In September 2021 the Bureau of the Conference of European Statisticians carried out an in-depth review of measuring informal and non-observed economy, which was led by Mexico, IMF and UNECE. The review highlighted the need of an agreed statistical framework for measuring informal economy as part of the SNA and BPM Updates. INEGI will present the outcomes of the in-depth review and will introduce reflections on new informal economy framework proposed by IETT based on the current practice of Mexico.

## **Item 6. Future work and adoption of the report**

27. In this item, the proposals for future work will be presented and discussed. The report containing main decisions of the meeting will be put for adoption.

**Item 7. Other business**

28. Participants wishing to propose points under this item are requested to inform the secretariat as soon as possible.

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