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## Economic Commission for Europe

Conference of European Statisticians

### Group of Experts on National Accounts

Twenty-second session

Geneva, 25 – 27 April 2023

## Report of the twenty-second session of the Group of Experts on National Accounts

Note by the Secretariat

### *Summary*

The present document is the report of the meeting of the Group of Experts on National Accounts, held on 25-27 April 2023 in Geneva. It 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 on 25-27 April 2023 in Palais des Nations, Geneva. The sessions were also webcasted through the UN Web TV. The meeting was attended in-person by representatives from Albania, Armenia, Austria, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Canada, Croatia, Denmark, Finland, Georgia, Germany, Hungary, India, Indonesia, Ireland, Italy, Japan, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Mexico, Montenegro, Netherlands, North Macedonia, Norway, Portugal, Qatar, Republic of Korea, Republic of Moldova, Romania, Serbia, Slovakia, Slovenia, South Africa, Spain, Switzerland, Tajikistan, Turkmenistan, Ukraine, United Kingdom, United States of America, Uruguay and Uzbekistan.
2. The meeting was also attended by representatives from the European Central Bank (ECB), European Commission (Eurostat), International Monetary Fund (IMF), International Labour Organization (ILO), Interstate Statistical Committee of the Commonwealth of Independent States (CIS-STAT), Organisation for Economic Co-operation and Development (OECD), United Nations Conference on Trade and Development (UNCTAD), United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP), United Nations Statistical Institute for Asia and the Pacific (UN SIAP), United Nations Statistics Division (UNSD) and World Bank. The meeting was also attended by several researchers and invited experts.
3. Mr. Gerard Eding from Statistics Netherlands chaired the meeting of the Group of Experts on National Accounts.
4. The provisional agenda was adopted.

## II. Organization of the meeting

5. The aim of the 2023 meeting of the Group of Experts on National Accounts was twofold. First, to discuss the update of the 2008 System of National Accounts (2008 SNA) and the Balance of Payments Manual, 6<sup>th</sup> Edition (BPM6), focusing on the country experience from the testing and early implementation of the new recommendations. Second, to address pressing topical issues facing National Accounts and Balance of Payments compilers.
6. The following substantive topics were discussed:
  - Update of the System of National Accounts 2008 and Balance of Payments Manual 6<sup>th</sup> Edition
    - a. General overview and progress reports from the Communication and Informal Economy Task Teams
    - b. Globalization
    - c. Digitalisation
    - d. Well-being and sustainability
  - Impact of migration on national accounts
  - Real-time indicators and nowcasting
  - Impact of high inflation on national accounts

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

7. The main conclusions of the meeting are given below. All documents for the meeting are available at: <https://unece.org/info/events/event/373321>

## A. Update of the System of National Accounts 2008 and Balance of Payments Manual 6<sup>th</sup> Edition

8. This session was organised by UNSD and the Lead Editor of the System of National Accounts (SNA) update. Gerard Eding (Statistics Netherlands and chair of the UNECE Steering Group on National Accounts) chaired the session. The presentations were provided by UNSD, the Lead Editor of the SNA Update, the Chair of Communication Task Team and UNECE on behalf of the Informal Economy Task Team. The session informed participants about the state of play on the update process and proposed structure of the 2025 SNA, and presented progress made by Communication and Informal Economy Task Teams.

9. The meeting welcomed the progress achieved by the SNA update team and recognized the tremendous support to the work by countries. Each global consultation of guidance notes received from 50 to 100 responses. The final set of guidance notes will soon be available on the SNA website (<https://unstats.un.org/unsd/nationalaccount/towards2025.asp>), which provides the most comprehensive and the most recent information on the update process.

10. Annotated outlines for new and significantly revised chapters have also been presented for global consultation and they have received very positive feedback. Drafting of these chapters, including their global consultation, will happen in the course of 2023. Further, the consolidated list of changes to be made to 2008 SNA is planned to be sent, after the global consultation, for adoption by United Nations Statistical Commission (UNSC) in March 2024.

11. The meeting was also informed about the foreseen timeline of the global consultation of the full draft of 2025 SNA with the aim to be endorsed by the UNSC in March 2025.

12. The importance of early implementation and testing of the guidance notes in the countries was highlighted. It was also noted that, after the endorsement, the implementation of 2025 SNA will be a major effort requiring implementation guidance, training and capacity development. In this respect joint efforts by international organisations, avoiding overlap, were requested and welcomed. It was further noted that the successful implementation will also require elaborate implementation plans in the countries including communication with users and main stakeholders.

13. The meeting furthermore welcomed the progress made by the Communication Task Team and recognised the importance of using clear terminology in producer-user dialogue. The development of a common glossary of terms and definitions, aligned across macro-economic statistics and related statistical standards was highlighted as a major result of the Communication Task Team. The state of play of the guidance notes was also covered, including the role and impact of translation of proposed changes.

14. Finally, the meeting welcomed the conceptual framework for the informal economy and noted its importance to address policy needs. The collaboration between the ILO, the Intersecretariat Working Group on National Accounts (ISWGNA) and Advisory Expert Group on National Accounts (AEG) was strongly supported and the importance of a consistent framework for labour statistics and economic accounts was highlighted. The value added of more detailed practical guidance and explaining the links to non-observed economy (NOE) adjustments was recognised.

## B. Globalization

15. This session was organized by Central Statistics Office of Ireland (CSO Ireland) and IMF and chaired by Michael Connolly (CSO Ireland). Presentations were provided by the Globalization Task Team, Statistics Denmark, Statistics Finland and National Statistical Institute (ISTAT) from Italy.

16. Major part of the work of the Globalization Task Team is now largely completed. The meeting was informed about the need of establishing a task force to address outstanding issues related to marketing assets. Interested countries were asked to contact IMF (JRibarsky@IMF.org).

17. It was noted that the country-by-country reports addressing base erosion and profit shifting (BEPS) present a rich and valuable data source and countries should try to access them through tax authorities or concerned multinational enterprises (MNE). International organizations should also play a role in exploring ways to access this data source for statistical purposes.

18. The meeting recognised that data sharing is essential when looking for consistent solutions to the challenges related to global production. Ways to facilitate data sharing should be explored both domestically and internationally. All future activities need to be linked with existing international work.

19. It was further recognised that there are no significant gaps in available international guidance (Impact of Globalization on National Accounts, Guide to Measuring Global Production, Handbook on Accounting for Global Value Chains, Guide to OECD TiVA Indicators, Guide to Sharing Economic Data, etc.) but the need to provide additional granularity and breakdowns must be emphasized. The recommendations of the Globalization Task Team for the 2025 SNA go fully in that direction.

20. It was also noted that the mission of economic statistics is challenged. Producers of official statistics need to help users to better understand the economic data and statistics compiled and disseminated. In line with the recommendations of the Globalization Task Team, the three country presentations by Statistics Denmark, Statistics Finland and ISTAT highlighted the value of providing additional information for users, for instance, the use of extended supply and use tables (eSUTs) to explain globalization and trade in value added (TiVa) indicators to examine global value chains (GVCs).

21. A more informed view of merchandise trade in goods and services was promoted by Statistics Denmark looking at the transition from cross border transactions in goods compared to goods on a change in ownership basis that include the impact of merchandising and processing.

22. The decision tree presented in the Guide to Measuring Global Production was recognised as a useful tool in assigning economic ownership over intellectual property products (IPP). There are challenges in applying it in different statistical systems but it is the best possible solution that can be used at the global level.

### **C. Digitalization**

23. This session was organized by Eurostat, IMF and the Bureau of Economic Analysis from the United States (US BEA) and chaired by Erich Strassner (IMF). Presentations were provided by the Digitalization Task Team and Statistics Indonesia, Statistics Canada and National Institute of Statistics and Geography (INEGI) from Mexico.

24. The meeting welcomed the information given in the presentations on the status of the work of the Digitalization Task Team, the digital economy measurement efforts by Indonesia and Mexico, and the ongoing work to value data as an asset by Canada.

25. It was noted that the guidance on digitalization, now endorsed by the AEG, have made considerable progress on the conceptual treatment of high priority research topics, including data as an asset, while also acknowledging that more work is needed to develop practical measurement guidance. Particularly, measurement should take a holistic approach toward own-account IPP valuation to avoid overlaps and duplication. It was also noted that there is more work ahead to develop appropriate price and volume measurement as well as on how to depreciate the assets to be recorded as gross fixed capital formation.

26. The presentations by Indonesia and Mexico demonstrated that while making digitalization more visible in national accounts still requires substantial work, there continues to be progress by leveraging existing and new classification systems as well as traditional and non-traditional data to develop statistics. The statistical community continues to benefit from learning by doing and sharing experiences with one another.

27. It was highlighted that the measurement of data as an asset could be achieved by different methods. These include, for example, market-based methods, cost-based methods, and income based-methods. The cost-based methods have been considered most feasible.

28. The Canadian analysis indicates that the value of data assets is relevant and over time has become a relevant production factor. The journey to develop appropriate methodology continues and this topic will definitely benefit from open dialogue and exchange of ideas.

29. Countries were invited to continue their contributions to the high priority work on digitalization by engaging in the development of experimental estimates and early implementation of endorsed guidance and share their experiences

#### **D. Well-being and sustainability**

30. The session was organized by OECD and World Bank and chaired by Eric Metreau (World Bank) and Jorrit Zwijnenburg (OECD). Presentations were provided by the Well-being and Sustainability Task Team, Statistics Indonesia, ISTAT (Italy), INEGI (Mexico), Deutsche Bundesbank and ECB.

31. Presentations showed the high relevance of information on well-being and sustainability. Linking this information to SNA framework provides benefits of analysing results in coherence and analysing trade-offs and win-wins. Specific chapters in the 2025 SNA focusing on well-being and sustainability will further facilitate measuring and communicating that aspect in the context of the SNA.

32. It was noted that some specific conceptual and practical challenges in the work should not prevent developing this important information. Presentations indicated that there is a lot of ongoing research and implementation in countries and international organisations.

33. The presentations covered the work on extended and thematic accounts on various well-being and sustainability topics (INEGI), natural capital and unpaid household activities (Statistics Indonesia), impact of emission trading permits on accounts (Deutsche Bundesbank), development of distribution of household consumption (ISTAT) and estimates of distribution of household wealth for European Union (ECB).

34. Despite the good progress in this high priority area, the need to exchange best practices and develop further guidance on specific topics cannot be ignored.

35. The meeting underlined the importance of early implementation and testing, which will contribute to developing practical implementation manuals and help adopting the new recommendations. It is also important to involve (main) users, both in view of communicating the results and in view of prioritization of the information provided.

#### **E. Impact of migration on national accounts**

36. The session was organized by Eurostat and chaired by Louis Be Duc (Eurostat). Presentations were provided by the Central Bank of Armenia, National Bank of Moldova and the Office for National Statistics from the United Kingdom (ONS UK).

37. Country presentations showed that recording of transactions of immigrants and refugees in national accounts is a challenge because of different definitions in administrative data, concomitant in-and out-flows, differentiated impact across sectors and difficult estimation of the duration of stay.

38. The presentations also illustrated useful examples of different approaches, models and data sources that could be used to compile relevant measures. Several ways to face the data challenge were discussed, including combining and cross-checking multiple survey and administrative data (including non-traditional data), frequently updated estimation models and new ad hoc reporting.

39. It was further recognised that the impact of high migration may also be a challenge for the compilation of labour indicators, human capital and productivity measures.

40. The central role of the definition of residence in the SNA, based on one-year stay, was highlighted in the discussion, and it is important to clarify and communicate how it relates with definitions in other statistical standards and methods used worldwide.

41. Finally, the importance of sharing national experience and cooperation among compilers to cross-check information and solve possible asymmetries was emphasized.

## **F. Real time indicators and nowcasting**

42. The session was organized by OECD and CSO Ireland and chaired by Michael Connolly (CSO Ireland) and Jorrit Zwijnenburg (OECD). Presentations were provided by the ONS UK, IMF, Central Bank of Armenia, National Bank of Ukraine, Reserve Bank of India, Federal Statistical Office of Germany (DESTATIS) and UNCTAD.

43. The meeting noted that there is a clear interest in real-time indicators and nowcasting techniques to arrive at new, faster, more granular and more frequent indicators. Many countries and international organisations have responded by exploring various types of techniques across different statistical domains. This was illustrated in the presentations of countries and international organisations.

44. It was underlined that as the application of different nowcasting techniques often involve the use of external data sets, establishing good partnerships with the administrative data holders and other data providers is crucial.

45. It was also emphasized that nowcasting techniques may serve several different purposes, including: 1) deriving independent high frequency indicators; 2) deriving inputs to feed into official statistics; and 3) producing estimates that may be used in validating results (i.e., for quality assurance).

46. It was recognised that the work requires different kinds of skills, and often involves collaboration with colleagues from different departments. Further, it was noted that different information technology and data science tools are used (such as R, Python, Stata), often with the aim to automate estimation and compilation processes.

47. Checking the plausibility (and robustness) of the results is also a very important element of the work. Meaningful information must be separated from the random, unwanted variation or fluctuation that interferes with what should be measured (“signal versus noise”). It is important to assess how appropriate the models and techniques being used are, particularly, in times of high uncertainty.

48. Communication was also recognised as critical. This relates to both the correct labelling of results (e.g. as “experimental”) as well as in advertising the results to users.

49. In terms of next steps, it is important to continue exploring (new) data sources and techniques to arrive at new, more timely, more granular and more frequent results. Furthermore, it will be relevant to continue exchanging best practices and, where possible, sharing tools.

50. The session was concluded by noting that nowcasting techniques and real time indicators are here to stay and the producers of official statistics should be involved in this development.

## **G. Impact of high inflation on national accounts**

51. The session was organized by Statistics Netherlands, US BEA, ONS UK and Statistics Canada, and chaired by Gerard Eding (Statistics Netherlands). Presentations were provided by the US BEA, ONS UK, Statistics Canada, the Economic and Social Research Institute from Japan and Statistics Canada. The session was concluded with a panel discussion. The panellists were Peter Van De Ven (Lead Editor of the Update of the 2008 SNA), Jorrit Zwijnenburg (OECD), Stanimira Kosekova (ECB) and Michael Manamela (South African Reserve Bank).

52. The presentations, interventions from the floor and the panel discussion clearly indicated high inflation is causing many challenges for national accounts. Those include, for instance, higher weights on the last (sub)period, changes in relative prices, accounting for holding gains and losses, time lag between payments and deliveries, and interpretation of institutional sector accounts.

53. Further, the presentations introduced several good practices to manage the impact of high inflation on national accounts. It is essential to use “common sense”, be flexible and adjust methods and data sources continuously to provide the best estimates in challenging circumstances.

54. It was recognised that use of and finding new direct volume measures, compiling SUTs in volume terms, building in additional validations (for example, intermediate consumption (IC) and output ratio or per capita estimates) can be helpful.

55. It was noted that the level of application for deflation is important and greater attention should be put on the implied gross domestic product (GDP) deflators.

56. The importance of documentation and metadata to facilitate assessing international comparability and getting feedback from users and other producers was underlined. Talking to the core users and data providers is key for understanding the impacts and looking for solutions. With globalization the inter-countries effects are even stronger. There is a need for more work on international comparability, bringing different compilers together, sharing experience and good practice, and reviewing and adjusting the available guidance to fit it to the current globalized world.

57. The panellists also recommended already available guidance for accounting under high inflation. Those include the OECD Manual on National Accounting Under Conditions of High Inflation<sup>1</sup> and the guidance prepared by IMF. The 2025 SNA will again include a section on national accounts in high inflation with useful references. Furthermore, the SNA Communication Hub, when in place, was recognized providing a possibility to quickly interact and share experiences between compilers.

## H. Other business and future work

58. 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 can be sent to UNECE ([national.accounts@un.org](mailto:national.accounts@un.org)) or the respective session organizers and presenters.

59. The next meeting of the Group of Experts on National Accounts will be organized on 23-25 April 2024. Considering the importance of involving all countries in the conceptual and practical discussion of the SNA update issues, the agenda of the meeting will focus on the priority areas of the SNA research agenda and more particularly on results of the feasibility testing and early implementation of the new recommendations by the countries. Specific issues and country experience related to recent global developments and crisis will also be addressed. The following preliminary topics were suggested for the agenda of the meeting:

- Follow up on the SNA and BPM update:
  - i. State of play of the high priority areas:
    1. Globalization
    2. Digitalisation
    3. Well-being and sustainability
    4. Communication

<sup>1</sup> <https://www.oecd-ilibrary.org/docserver/9789264299511-en.pdf?expires=1683720722&id=id&accname=ocid84004878&checksum=E865EA70577EF7F9BCF78F13E1B40B9B>

- ii. Testing and early implementation, guidance, implementation plans
- iii. Classification changes
- iv. 2025 SNA research agenda

- Communicating macroeconomic information alongside social and environmental information
- Data as an asset: experimental estimates and practical guidance
- Improvement of measures of consumption of fixed capital (CFC), natural capital and depletion in the context of the new SNA and BPM
- Technological innovation, automation and use of new data sources in compilation processes
- Compilation of (new) thematic accounts
- Compilation of regional accounts and other disaggregations, like households
- Main revisions and benchmarking, policy and practice
- Valuation of financial services and sectorization of financial corporations
- Informal and non-observed economy

60. Further, follow up on some of the topics from the 2023 meeting of the Group of Experts on National Accounts, such as compiling national accounts in high inflation and nowcasting, could be organized in the form of additional short webinars presenting different country experiences and best practice.

61. The UNECE and partner of organizations should also consider organizing a special session for EECCA and SEE countries, back-to-back with the main meeting or targeted workshops and training session for interested countries. The possible topics could include financial accounts and balance sheets, measuring non-observed and informal economy, compilation of SUT as a basis for eSUTs, TiVA and globalization indicators, training and practical recommendations in the SNA Update recommendations.

62. 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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