

Progress report on the SNA update

Towards the
2025 SNA

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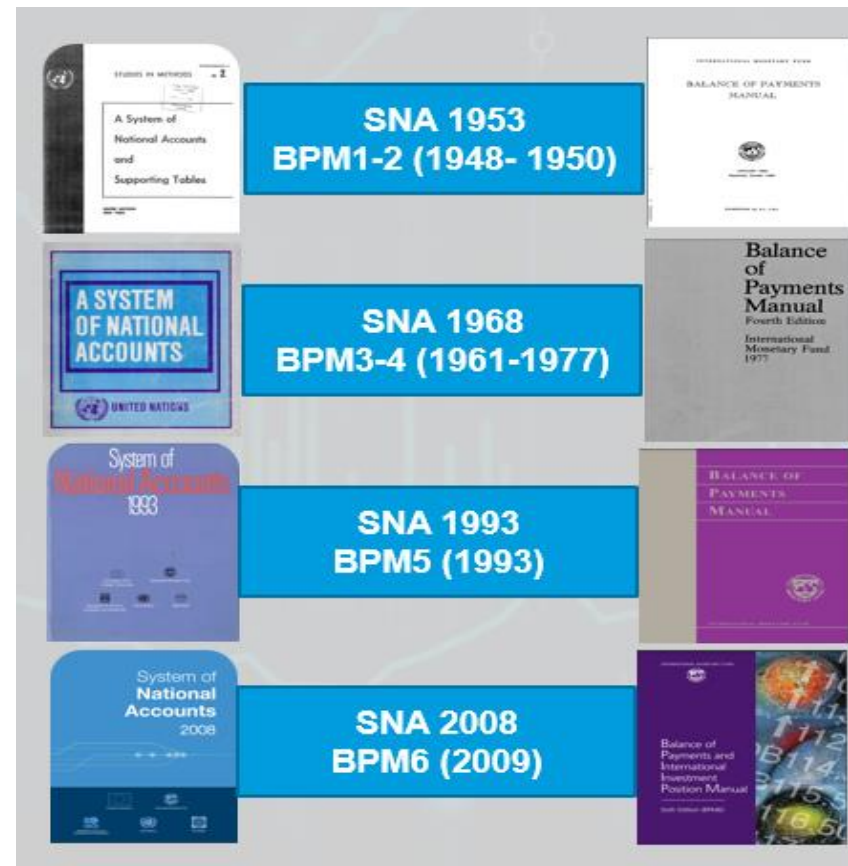
CES Seminar on the Implementation of the 2025
SNA in CES Member Countries
Geneva, 21 June 2024

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 MFSM)

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 ten 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)
- 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 the BPM Update Team) and discussed by the AEG (where these notes proposed substantive change to the SNA, they underwent global consultation)
- From this, also taking account of changes that had previously been agreed by the AEG and foreshadowed in various issues of SNA News and Notes, a **consolidated list of changes was prepared**

Short recap of the process up to now

- The consolidated list of changes was subject to **global consultation in August 2023**
- The list was updated to take account of comments from the global consultation
- Following discussion by the AEG in October 2023 the list was **submitted to the UNSC for its endorsement**
 - This was accompanied by a **background note** that summarised the feedback from the global consultation and explained how this feedback had been dealt with
- The UNSC discussed the list of proposed changes at its meeting in February 2024 and **endorsed all the proposals for change except for one relating to treating marketing assets as produced assets**
- The UNSC meeting highlighted the need to develop **compilation guidance** for those changes that have a significant impact and/or require significant effort to implement

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**
- **Split-asset approach for natural resources** (no impact on macro-economic indicators mentioned above) => 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**
- 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 well-being

- To arrive at an improved analysis of the **distribution of income, consumption, saving and wealth across households**:
 - Standard breakdown of households by **income and wealth decile**
 - More detailed **labour market tables**
- In addition, various **other breakdowns of households** (e.g., household composition, main source of income) are put forward as supplementary items
- Extended/thematic accounts and tables:
 - **Unpaid household service work**
 - **Education and human capital**
 - **Health**

Accounting for sustainability

- 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
- Within the integrated framework of national accounts, in addition to recording depletion as a cost of production:
 - **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 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

Drafting of chapters – new and significantly revised

- There are 16 chapters in this category
- They are being drafted ‘from scratch’ based on **annotated outlines** that were prepared in 2022 and underwent global consultation
- **Review process:**
 - Review by key stakeholders
 - Review by AEG (and BOPCOM)
 - Global consultation
 - Second review by AEG (and BOPCOM), to endorse chapters for inclusion in global consultation of the 2025 SNA

Drafting of chapters – new and significantly revised

- 2 National accounts and measures of wellbeing and economic sustainability
- 4 Flows, stocks and accounting rules*
- 5 Residence, institutional units and sectors*
- 16 Labour
- 20 Elaborating the accounts
- 21 Communicating the accounts*
- 22 Digitalization*
- 23 Globalization*
- 25 Selected issues on financial instruments
- 26 Islamic Finance*
- 29 Financial corporations
- 34 Measuring well-being
- 35 Measuring sustainability
- 37 From whom-to-whom tables
- 38 Thematic and extended accounts
- 39 Informal activities*

* Denotes joint SNA/BPM chapters

Drafting of “other” chapters

- The “other” chapters are being updated by taking the relevant 2008 SNA chapters and only making changes where necessary (i.e., to reflect the agreed recommendation for changing the SNA)
- This is being done in the **form of track changes**
- **Review process:**
 - Review by the BPM Editorial team (and, if relevant, the GFS- and MFS-community)
 - Review by the AEG
 - Not undergone global consultation on a chapter-by-chapter basis
- There are 23 chapters in this category

Drafting of “other” chapters

- 1 Introduction
- 3 Overview of the integrated framework
- 6 Enterprises, establishments and industries
- 7 Production account
- 8 Earned income accounts
- 9 Transfer of income accounts
- 10 Use of income accounts
- 11 Capital account
- 12 Financial account
- 13 Other changes in assets and liabilities accounts
- 14 Balance sheet
- 15 Supply-use tables
- 17 Capital services
- 18 Prices, volumes and productivity
- 19 Summarizing, integrating and balancing the accounts
- 24 Insurance and Pensions
- 27 Contract, leases, licences and permits
- 28 Non-financial corporations
- 30 General government and the public sector
- 31 Non-profit institutions
- 32 Households
- 33 Transactions between residents and non-residents
- 36 Input-output tables

Finalising the 2025 SNA

- Starting on 17 June 2024, the complete draft of the 2025 SNA will be circulated for global consultation
- Not all chapters available, remaining chapters will be added in the weeks to come
- Two types of chapters
 - The chapters that are new or substantially revised will be shown in “track changes” compared to the versions previously circulated for global consultation
 - The chapters that are not new or substantially revised will be 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
- The updated SNA will be sent for approval to the UNSC in early 2025

Finalising the 2025 SNA

- There are also **five annexes** that will be prepared later in 2024:
 - International standards for macro-economic statistics, and the links with the SNA
 - The classification hierarchies of the SNA and associated codes – update of 2008 SNA annex
 - The sequence of accounts – update of the 2008 SNA annex
 - Changes from the 2008 System of National Accounts – the consolidated list of changes will form the basis for this annex
 - Research agenda for the post-2025 SNA – discussions on this have commenced; there will be global consultation on this annex
- **Digital version of the SNA**
 - Work on preparing this will ramp up later in 2024
 - It is likely to be similar to the digital version of the ESA

Finalizing the 2025 SNA

- Key feature of the SNA and BPM update processes has been the development of a **harmonized glossary**, eventually to be used by all international macro-economic statistics standards
- Starting point, in 2023, was 1244 terms and definitions from **BPM and SNA/ESA as well as GFSM, MFSMCG, SEEA, BIS and IPSAS**
- First reviewed and harmonized by the Communications Task Team and then by the SNA/BPM editorial teams
- Subsequently reviewed **by AEG and BOPCOM**, who also provided guidance in resolving particular issues
- Also **reviewed by GFS, MFS and SEEA communities**
- The glossary has been **posted on the SNA Update website**, along with a cover note explaining how the glossary was developed
- Further changes needed in the coming months as a result of the drafting process, etc.

Key relationships

- Relationships with the **BPM update team** remain excellent and there continues to be strong coordination and cooperation between the two update teams
- The **Regional Commissions** are playing a valuable role in outreach
- **GFS, MFS and SEEA communities** continue to be involved in the update process as appropriate, for example:
 - Involvement in the glossary
 - Development of guidance and issues notes where relevant
 - Review of relevant draft chapters
- The **ILO** has been involved in the drafting and review of chapter 16 (Labour) and the review of chapter 34 (Measuring Wellbeing)
- 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)**

Thank you for your attention!

