

Progress report on the SNA update

Towards the
2025 SNA

Pete Harper
SNA Update Project Manager

Peter van de Ven
SNA Update Lead Editor

Herman Smith
United Nations Statistics Division

UNECE Group of Experts on National Accounts

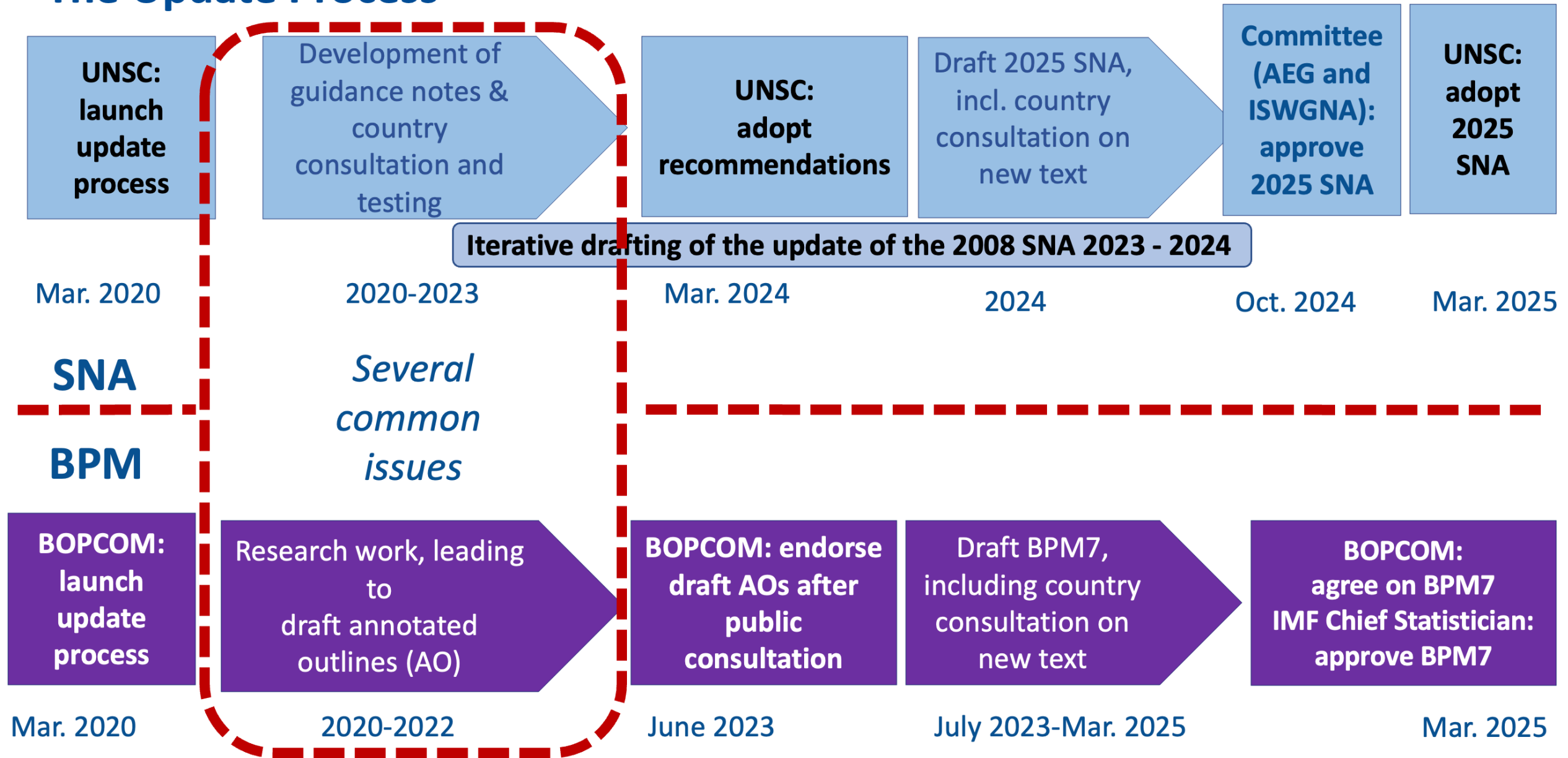
Geneva

23– 25 April 2024

Background

- 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

The Update Process



Developing the proposals for change to the SNA (continued)

- **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 **subsequently 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, and 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**

Developing the proposals for change to the SNA

(continued)

- 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**
 - Including a return to capital in all cases, including for non-market producers
- Changes in the measurement of the **output of central banks**
 - All central bank output treated as non-market, 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:
 - **Sequence of economic 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 sequence of economic 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 accounts**
- 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** will be recognized as important frameworks which are systematic frameworks complementary to and consistent with the SNA
- Within the SNA sequence of economic accounts, in addition to recording depletion as a cost of production:
 - **Natural capital as a separate category**, including both produced and non-produced non-financial 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 sequence of economic 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

Progress with drafting chapters – new and significantly revised -- Summary

- 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
- As of 8 April 2024:
 - AEG has provided final approval for **one** chapter
 - **Seven** chapters have had global consultation completed and are in the process of being finalised for AEG approval
 - **Two** chapters are with the AEG for approval for global consultation
 - **Four** chapters have been reviewed by AEG and are being prepared for approval for global consultation
 - **Two** chapters are being reviewed by AEG

* Note: joint SNA/BPM chapters also involve BOPCOM in the review and approval processes

Progress with drafting chapters – new and significantly revised -- Global consultation

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

* Denotes joint SNA/BPM chapters

Progress with drafting other chapters -- Summary

- 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 changes to the SNA)
 - This is being done in the **form of track changes**
 - The chapters are reviewed by the IMF where relevant
 - These chapters are undergoing consultation with the AEG (during February to May) but will not undergo global consultation on a chapter-by-chapter basis
- There are 23 chapters in this category
- As of 8 April 2024:
 - **Five** chapters have been reviewed by AEG and are being finalised
 - **Four** chapters are being reviewed by the AEG
 - **Three** chapters are ready for AEG review
 - **Two** chapters are being prepared for AEG review
 - **Three** chapters are being prepared for IMF review
 - **Six** chapters are in the process of initial drafting

List 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

- In June-August 2024 the **complete draft of the 2025 SNA will be circulated for global consultation**
 - 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
- The AEG/ISWGNA will ‘sign off’ on the updated SNA around October 2024 in anticipation of **approval by UNSC in early 2025**
- There are also **5 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 – will be an update of 2008 SNA annex
 - The sequence of accounts – will be an 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

Glossary

- A key feature of the SNA and BPM update processes has been the development of a **common, harmonized glossary**
 - It is anticipated that this glossary will be eventually used be all international macro-economic statistics standards
- The initial version was developed during 2023
- The starting point was 1244 terms and definitions from **BPM and SNA/ESA as well as GFSM, MFSMCG, SEEA, BIS and IPSAS**
- These were reviewed and harmonized firstly by the Communications Task Team and then by the SNA/BPM editorial teams
- The glossary was **reviewed by AEG and BOPCOM**, who also provided guidance in resolving particular issues
- The glossary was also **reviewed by GFS, MFS and SEEA communities**

Glossary

- The glossary has been **posted on the SNA Update website**, along with a cover note explaining how the glossary was developed
 - Further changes may need to be made in due course as a result of the drafting process, etc.
- The UNSD will arrange **translation** of the glossary, later in 2024
- This is a very significant achievement involving **considerable effort** from many people and **exemplary cooperation** between the BPM and SNA update teams

Outreach

There has already been **significant outreach** regarding the SNA update, for example:

- Several regional webinars and forums devoted specifically to the update
- Discussion of the SNA update at key regional meetings, such as the UNECE's Group of National Accounts, the OECD's Conference on National Economic and Financial Accounts and various Eurostat meetings
- Presentation on the SNA update at the World Statistical Congress
- The November 2022 Eurostat and UNSD conference on macroeconomic statistics for the future, which focused on the update of SNA.
- The August 2023 Webinar on the Consolidated list of changes, to support the global consultation
- The 'Towards SNA 2025' pages on the UNSD website, which provides a wealth of information about the update project
- The global consultation process on the guidance notes, the annotated outlines, the consolidated list of changes and the updated chapters (ongoing)
- Various articles in the SNA News and Notes on the update process
- Reports to the UNSC

Outreach (continued)

- A round of **regional outreach seminars** is currently being conducted jointly with the IMF's BPM7 update team
 - The **seminars are virtual** and cover the proposed changes to to the SNA (and BPM). The target audience is NA and BOP compilers. There is a combination of joint sessions and sessions specific to the BPM and SNA.
 - These seminars are taking place between December 2023 and mid 2024
 - They are being conducted in collaboration with regional financial institutions and UN regional commissions
- Consideration is being given to **user outreach events** that could be conducted during the second half of 2024 that will focus on the proposed changes to the SNA
- The **2025 UNSC meeting** could also provide an opportunity for outreach events
- **In 2025 second round of regional outreach events** is planned, following the endorsement of the 2025 SNA and BPM7
 - The target audience will comprise senior officials as well as NA and BOP compilers
 - The session will focus on methodological changes and new data breakdowns, and participants will be invited to share their thinking about implementation planning, including timelines and possible capacity development needs
 - The seminars are expected to be in person, although the exact modalities are still under consideration

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)**

Early implementation

- A key feature of the SNA 2008 update is a program of **early implementation**
 - This follows a program of feasibility testing for certain guidance notes
- The aim of early implementation is to **assist countries in preparing for the implementation** of the SNA update after its adoption by the UNSC in 2025
- This will be achieved by:
 - Developing '**best practice**' **guidelines** to aid in the implementation of recommendations in GNs
 - Encouraging countries in the early implementation of recommendations by developing **sources, methods and processes**
 - Gaining an understanding of the **impact of recommendations** on key national accounting aggregates
- Not all changes to the SNA are part of early implementation. Only those that may have an impact on key national accounts aggregates (e.g., GDP) or those that because of their complexity involve significant methodological challenges in implementation are part of early implementation.

Early implementation

- **High priority**
 - Three **task teams** have been established to take forward the early implementation work in high priority areas:
 - Eurostat/IMF task team on **Recording of Data in the National Accounts**
 - IMF task team on **Payments for Non-produced Knowledge-Based Capital (Marketing Assets)**
 - The OECD Expert Group on **Natural Capital**
 - IMF is developing guidance on measuring **crypto assets**
 - Guidance is needed on measuring the **return to capital for estimating non-market output**
- **Medium priority**
 - Improving the visibility of artificial intelligence in the national accounts
 - Cloud computing
 - Incorporating digital Intermediation platforms into the SNA
 - Including certain autonomous employer-independent schemes as social insurance
- **Low priority**
 - Recording and valuing “free” products in an SNA satellite account
 - Supplementary tables on retained earnings for all equity relationships
 - Statistical framework for the informal economy

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

- The final product by the Task Team will be a **compilation guide in the form of a handbook** in line with the 2025 SNA on the methodology to produce **meaningful estimates** of data assets in a **comparable way** across countries.
- The task team is exploring data sources and methods, **building on the experience of countries** that have already produced experimental estimates of data assets, among which the United States, Australia, Canada, Germany, Japan and Pakistan.
- The task team has identified the following aspects as crucial
 - identifying the **occupations involved in producing data assets**
 - creating **volume estimates** of data assets; in particular, identifying suitable price indices
 - creating **capital stock estimates**, including defining suitable service lives and discount rates for data assets.

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

(continued)

- The task team is chaired by the IMF, with the support of Eurostat which provides the secretariat.
- **Members** include representatives of National Statistical Institutes of Australia, Austria, Canada, Chile, China, Denmark, Germany, Japan, the Netherlands, Norway, Pakistan, the United Kingdom, the United States as well as the OECD, the United Nations Statistics Division, and the lead editor and the project manager for the 2008 SNA update
- The task team kicked off in June 2023 and aims to complete its work by the end of 2024, with a view to **submitting the handbook to the UN Statistical Commission in March 2025** together with the updated SNA
- A **detailed annotated outline** of the compilation guide was presented to the UN Statistical Commission in March 2024

IMF Task Team on Measuring Marketing Assets

- The **purpose** of the task team is to provide recommendations on measuring knowledge-based capital (marketing assets) in macroeconomic statistics, particularly by **expanding the asset boundary of national accounts to treat them as produced assets in extended accounts.**
 - This will advance the research agenda
- The **main activities** of the task team are as follows:
 - To identify main points of **practical guidance needed**
 - **To review experimental work** already undertaken in countries
 - **To develop an initial draft of the compilation guide,** discussing practical guidance issues as the draft is developed
 - **To oversee the development of estimates** by volunteering countries during 2024-2025 based on the draft guide under development

IMF Task Team on Measuring Marketing Assets

(continued)

- **The Task Team is chaired by the IMF**, who also provide the secretariat
- **Members** include representatives from national statistical institutes in Australia, Ireland, Japan, Netherlands, South Africa, United Kingdom, United States as well as Eurostat, IMF, UNSD, World Bank and the lead editor and the project manager for the 2008 SNA update
- **Key dates**
 - April 2024 to June 2025: drafting of chapters.
 - October 2025: Full draft to AEG
 - November/December 2025: Global consultation
 - End 2025: Include AEG comments and finalize guidance
 - Early 2026: Revised guidance circulated to AEG for approval

OECD Expert Group on Natural Capital

- There will be **several important changes in the 2025 SNA regarding the measurement of natural capital**, such as the recording of depletion as a cost of production, an explicit recognition of renewable energy resources as economic assets, changes in the treatment biological resources, and splitting ownership of natural resources between government and private sector.
- To address the practical implementation challenges of these changes the OECD established in July 2023 an Expert Group on Natural Capital (EG NC).
- The objective of the EG NC is to **provide practical guidance** to countries on implementing changes relating to natural capital in the 2025 SNA **in the form of a handbook** (working title Natural Capital Compilation Guide).
- The EG NC consists of i) countries – currently there are 18 countries participating; ii) international organisations; iii) selected experts; iv) representatives of communities that have a key stake in the guidelines such as the SEEA and the Government Finance Statistics (GFS) community

OECD Expert Group on Natural Capital

(continued)

- To allow for in-depth technical discussions **five topical subgroup have been formed** that meet regularly on:
 - depletion
 - subsoil assets
 - renewable energy
 - biological resources – timber
 - biological resources – fish
- Testing of the emerging guidance by member countries has been taking place in each of these areas
- The handbook will be developed progressively over the coming months with an initial draft for wider **consultation planned for end of October 2024**, aiming for a **release by early 2025**

IMF work on measuring crypto assets

- The IMF is leading work on developing **compilation guidance for crypto assets**
 - Further, the IMF is leading the G20 DGI-3 Recommendation 11 on Digital Money, for which compilation guidance is also required to support the work on its implementation.
- The purpose of the compilation guidance is to provide **practical guidance on the source data and compilation methods** for measuring crypto assets related transactions/positions in macroeconomic statistics—covering national and external accounts, and monetary and financial statistics
- This guidance aims to provide national compilers guidance to adapt the data sources and compilation methods, aligned with national circumstances, to ensure compilation and dissemination of consistent and comparable estimates related to these assets across countries.

IMF work on measuring crypto assets

- The **IMF Statistics Department established an intra-departmental team with experts** from the external sector statistics, monetary and financial statistics, and national accounts for developing the compilation guidance. The team started working in August 2023.
- The team prepared a **draft outline of the compilation guidance and presented it to the AEG and BOPCOM in October 2023** and received full support.
- Work is proceeding in investigating various aspects of the measurement of crypto assets and the drafting of relevant components of the proposed compilation guidance
 - This work will be reviewed by the IMF STA Committee on Methodology later in April
- There will be a session on the recording of crypto assets at the DGI Rec 11 workshop during April 30-May 2. The IMF plans to invite national accounts/ESS compilers from selected AEG/BOPCOM member countries
- Draft compilation guidance will be circulated **for consultation late 2024** with the view of **finalizing the guidance in early 2025**

Measuring return on capital for estimating non- market output

- Work on developing this guidance **will commence in May**
- The initial guidance will be prepared by the SNA Update Project Team, including consultation with experts in this area the consideration of related work on this issue and consultation with experts
- This initial guidance will then be discussed by the AEG
- This will be followed by global consultation later in 2024
- The **finalized guidance will be submitted to the 2025 UNSC meeting**

Developing an implementation strategy

- Initial ideas on the **implementation strategy for the 2025 SNA** were put forward for discussion at the recent AEG meeting
- Following the AEG discussion, the ideas will be fleshed out and a preliminary version of an SNA 2025 implementation strategy will be developed
- The AEG will provide ongoing advice to the ISWGNA on the development of the strategy
- The strategy will also undergo broader **consultation**
- The **finalized implementation** strategy will be presented to the 2025 UNSC meeting
 - By way of comparison, the Implementation Strategy for the 2008 SNA was presented to the 2009 UNSC Meeting

Implementation strategy components

- **Core elements**
 - Strategic approach
 - Advocacy
 - Training
 - Technical assistance
 - Preparing manuals and handbooks
 - Ongoing research
- **Program modalities**
 - Monitoring and evaluation
 - Assessment of country preparedness
 - Implementation stages
 - Timing of implementation
 - Coordination and governance



THANK YOU!