2025 SNA

Latest developments and potential impact on ICP

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1. INTRODUCTION

Why revise the System of National Accounts (SNA)?

Economies change rapidly and new economic reality must be reflected in statistical standards through periodic updates.

Need to establish a methodologically rigorous framework that facilitates cross-national comparisons.

The Inter-Secretariat Working Group on National Accounts (ISWGNA) is the governance body, comprising UN, WB, IMF, OECD and Eurostat in an inter-agency collaborative model, currently chaired by the WB.

The Advisory Expert Group on National Accounts (AEG) supports the ISWGNA and includes members from national, regional and international statistical organizations.

Technical revision led by multiple dedicated task teams covering various domains in scope.

Click on United Nations webpage Towards the SNA to learn more and access documentation.

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1. INTRODUCTION (CONT.)

<u>What's new?</u>

Main pillars: globalization, digitalization, well-being and sustainability, financial risks and vulnerabilities

Broader vision of economic reality with improved best practices and an impact on GDP and other macro indicators.

<u>Status of the SNA update project</u>

<u>The revision is at an advanced stage</u>, with changes endorsed and full manual targeted for UNSC endorsement in March 2025.

1. INTRODUCTION (CONT.)

What is the World Bank's role?

Member and chair of the ISWGNA.

Leadership and collaboration on many task teams (well-being and sustainability, communications, informal economy, etc.)

World Bank's Global Data Facility Umbrella Trust Fund (GDF) is financing instrument for SNA update project.

Participation in testing/advanced implementation as capacity allows

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2. THE ROADMAP OF THE SNA UPDATE

Dates back to 2020; 2021 UNSC endorsement of 2008 SNA update work program.

The Inter-Secretariat Working Group in National Accounts (ISWGNA) oversees the SNA standards, supported by the Advisory Expert Group on National Accounts (AEG), a group of approximately 20 experts representative of various world regions.

65 unique guidance notes (GNs) prepared by 10 Tasks Teams and endorsed by AEG/BOPCOM.

New SNA targeted for UNSC endorsement in March 2025.

In parallel: IMF's Balance of Payments Committee of Experts (BOPCOM) launched BPM6 update. Joint task teams on overlapping issues.

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3. NEW 2025 SNA RECOMMENDATIONS

Conceptual changes	Additional statistics on globalization	Additional statistics on digitalization	Additional statistics on well-being and sustainability	Additional Statistics on Financial risks and vulnerabilities
• Data as an asset • Depletion as cost of production • Consistency on sum-of-costs approach • Output of central banks • Renewable energy resources • Split-asset approach • Other changes	• Breakdowns of corporations into *foreign-controlled*, *public*, and *national private* corporations • Extended SUTs • Data on SPEs when relevant	• Objective: better, more complete measure of the digital economy through: 1. Increased breakdown of intellectual property products in the sequence of accounts 2. Digital SUTs 3. Supplementary breakdown of financial corporations subsectors to include fintech-related activities (if relevant) 4. Non-produced, non financial assets to include crypto assets w/out corresponding liability and NFTs	• Distributional accounts • More detailed labor market tables • Extended/thematic accounts for unpaid household service work, education and human capital, and health • Compilation of statistics according to the SEEA Central Framework and Ecosystem Accounting • Distinguishing natural capital category of asset • Information on emission permits included as standard breakdown	• Supplementary tables on non-bank financial intermediation • Additional details for some financial instruments • Supplementary breakdowns for financial derivatives • From-whom-to-whom tables encouraged as supplementary tables

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3. NEW 2025 SNA RECOMMENDATIONS

The most relevant for ICP compilation are:

Treatment of data as produced asset

Return to capital of non-market producers

All output of central banks to be treated as non-market

3.1 TREATMENT OF DATA AS PRODUCED ASSET

Definition of data: information content that is produced by collecting, recording, organizing and storing observable phenomena in a digital format, which can be accessed electronically for reference or processing. Data from which its owner(s) derive economic benefits by using it in production for at least one year is an asset.

Combined asset for data and databases for reporting purposes. Both are typically produced and purchased together, hampering the compilation of separate estimates in practice.

Valuation. Sum of costs for own account.

Proxy measure when balance sheets not available. Draws on depreciation measures through simplified PIM.

Standard guidance provided. Occupations, involvement rates, mark up for non-labor costs, quality adjusted price index, PIM method for depreciation and net capital stocks, average service life

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3.2 RETURN TO CAPITAL OF NON-MARKET PRODUCERS

Responds to the need to improve consistency in sum-of-costs methodology: it was decided to include a net return to capital for non-market producers.

Definition of net return to capital for non-market production. Net return to capital = rate of return x value of non-financial assets used in production

Standard proposal. 2% rate for general government and central bank, 2.6% for NPISHs. Use target inflation to arrive at nominal rate

3.3 OUTPUT OF CENTRAL BANK

All output to be treated as non-market. Monetary policy services, services to promote financial stability, services to manage international reserves and payment systems, acting as government banker.

Monetary policy services and services to manage international reserves. Clearly provided for the benefit of the society at free/not-economically significant prices.

Financial stability promotion services. While important for financial intermediaries, they actually serve the whole financial system and therefore the community as a whole.

Supervision services. Provided to the community as a whole as safeguard from poor business practices. Payments by financial corporations regarding these services, if any, are compulsory, not in proportion to provided services and thus treated as current transfers.

Implicit financial services on loans and deposits. Loans and deposits by central bank are typically not held for commercial reasons and deemed to be irrelevant for their output.

Total output measured by sum of costs, with non-market output being obtained residually as the difference between total output and any occasional market output.

Total final consumption expenditure equals total output less production for own capital formation less market output, with all of it considered collective (so actual consumption equals final consumption)

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4. PRIORITIZATION IN TESTING AND EARLY IMPLEMENTATION

2025 SNA implementation strategy is a key feature

Aims to assist countries in preparing an action plan to implement 2025 SNA when endorsed by the UNSC in 2025

Includes (not being limited to)

- Developing best-practice guidelines
- Developing sources, methods and processes
- Assessing the possible impact of the update on GDP and other aggregates

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4. PRIORITIZATION IN THE TESTING AND EARLY IMPLEMENTATION

High priority

- Recording of data in national accounts (Eurostat/IMF task team)
- Natural capital (OECD expert group)
- Measuring crypto assets (IMF)
- Measuring non-market output return to capital (Compilation guidance in development)

Medium priority

- Artificial intelligence / cloud computing: visibility in the national accounts
- Digital intermediation platforms

Low priority

- Satellite account for free services
- Informal economy statistical framework

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5. EXPECTED IMPACT ON CLASSIFICATIONS

COFOG (Classification of the Functions of Government)

- Moderate impact: Increased detail in government expenditures, especially in health, education, and social protection.
- Potential for harmonization with COICOP and COPNI.

COICOP (Classification of Individual Consumption According to Purpose)

- Minimal direct impact: Focuses on household consumption, an area with minimal SNA changes.
- Potential indirect impact: Adjustments may be needed to classify digital goods and services.

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5. EXPECTED IMPACT ON CLASSIFICATIONS

COPNI (Classification of the Purposes of Non-Profit Institutions Serving Households)

- Impact: Improved measurement of non-profit activities.
- Enhanced clarity: Clearer distinction between non-profits serving households and businesses.
- Revisions expected to align with SNA's updated concepts

CPC (Central Product Classification)

- Significant Impact: Closely linked to SNA’s production boundary and definitions..
- Substantial updates may be needed due to changes in digitalization, intangibles and others.
- In line with the revision of the *International Standard Industrial Classification of All Economic Activities* (ISIC Rev.5)

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6. IMPLICATIONS FOR THE WORLD BANK

World Bank operational countries should not be left behind in the implementation of relevant SNA methodological changes for their respective economies

The Bank can support SNA implementation

- *Testing/advance implementation*
- *Technical Assistance/Capacity Development activities*
- *Leverage existing / new projects to support SNA implementation*

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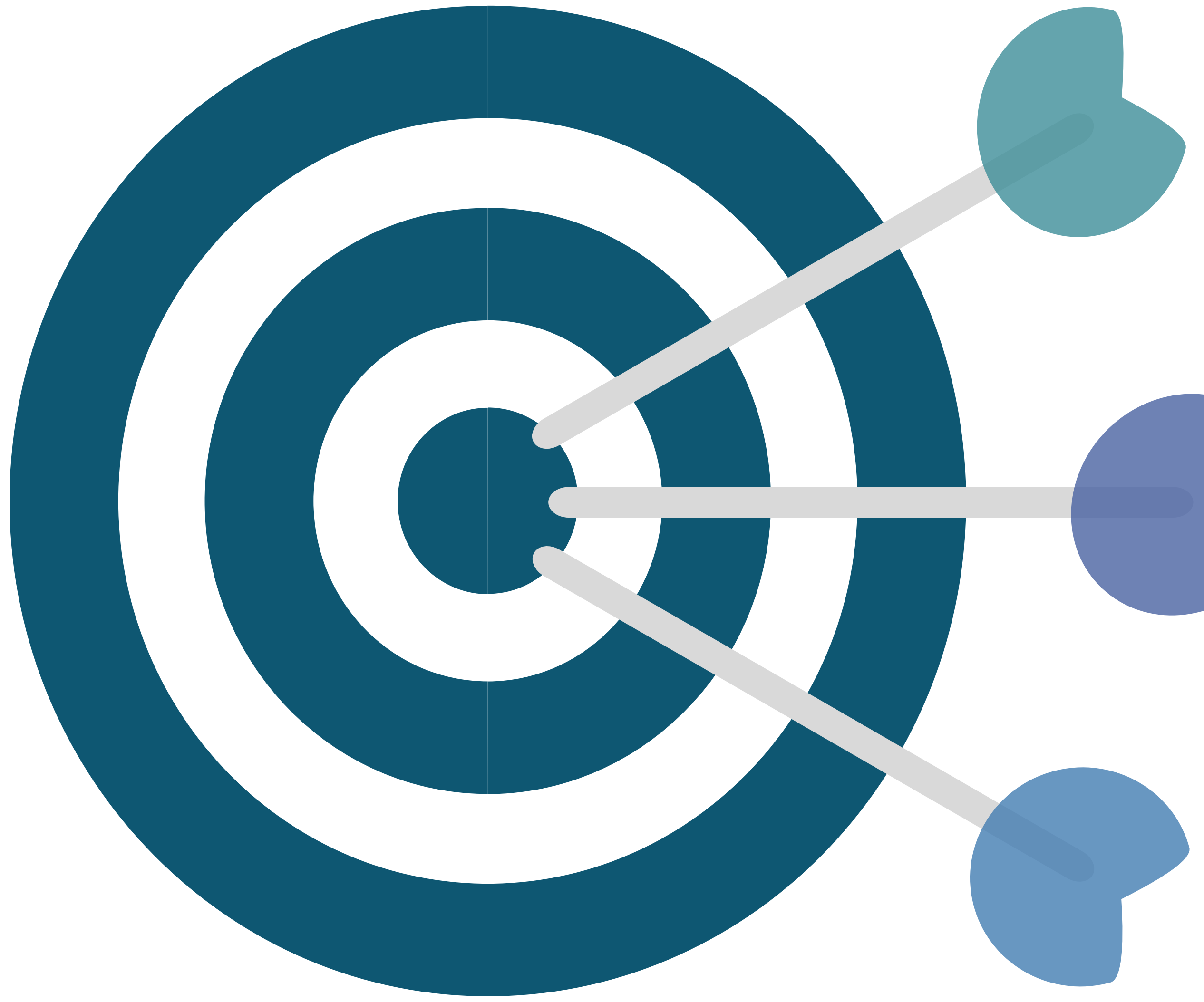
7. WORLD BANK (DECDG) NATIONAL ACCOUNTS TECHNICAL ASSISTANCE AND CAPACITY DEVELOPMENT WORK

Our Goals



- Focus on improving our client countries' capacity
- Practical approach to deliver, focused on ownership and sustainability
- Flexible enough to rapidly adapt to changing circumstances and respond to urgent requests with tight deadlines

Our Impact

- 120+ TA MISSIONS
- 100+ PROJECTS
- 10+ TOPICS

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7. WORLD BANK (DECDG) NATIONAL ACCOUNTS TECHNICAL ASSISTANCE AND CAPACITY DEVELOPMENT WORK

- TA and Assessment Missions
- Workshop / Training sessions
- Cooperation with other development partners to make best use of limited resources

7. WORLD BANK (DECDG) NATIONAL ACCOUNTS TECHNICAL ASSISTANCE AND CAPACITY DEVELOPMENT WORK

OUTPUTS

- Technical notes and TA reports
- Ad- hoc tools

OUTCOMES

Increase our client countries' capacity

- Quality assessments
- Rebasing
- Annual/ Quarterly Accounts
- SUT/ IOT
- Regional accounts
- Institutional Sector accounts
- Satellite Accounts
- Distributional accounts
- Digital Economy, etc.

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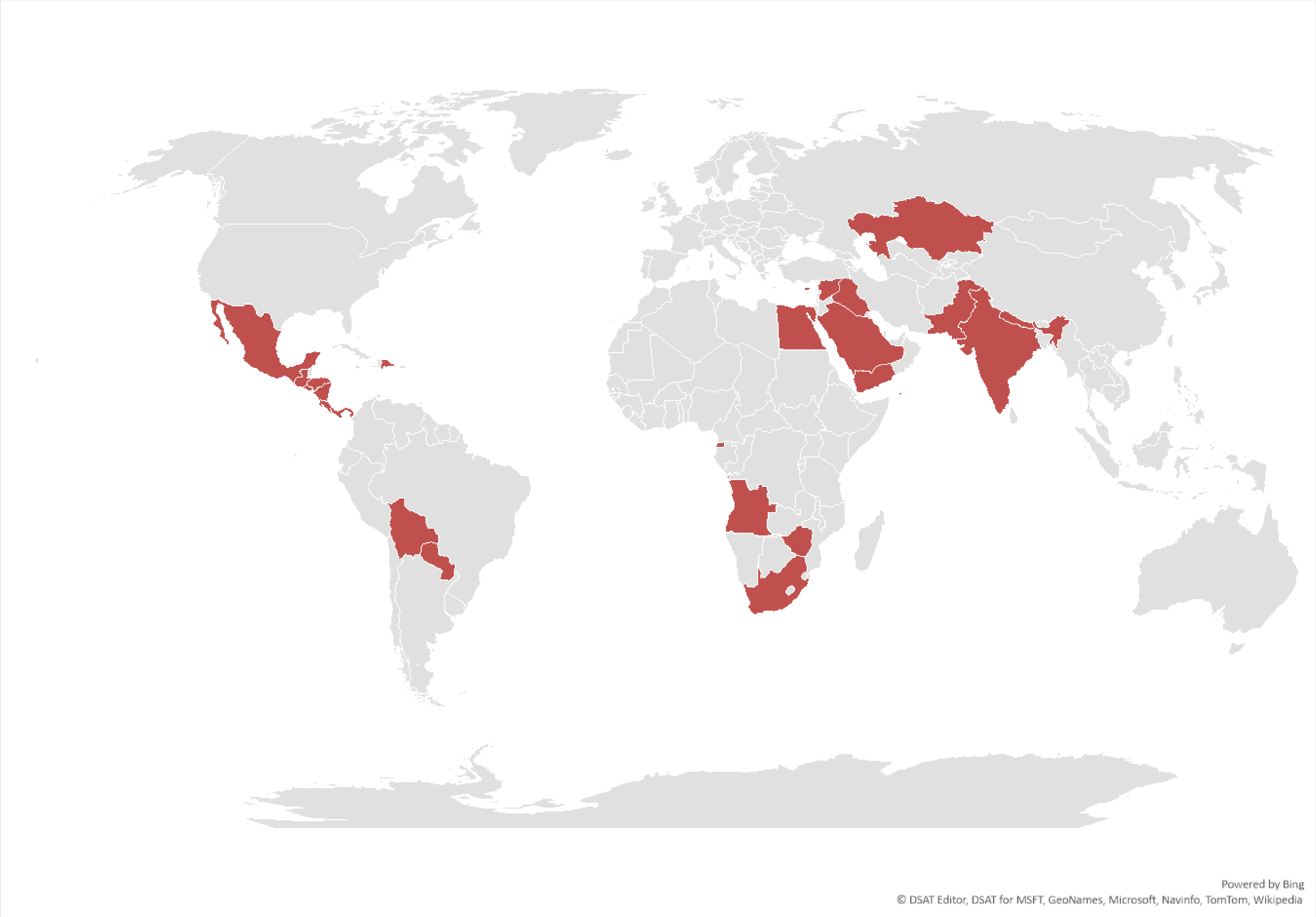
7. WORLD BANK (DECDG) NATIONAL ACCOUNTS TECHNICAL ASSISTANCE AND CAPACITY DEVELOPMENT WORK



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Guatemala
Gambia
Honduras
India
Mexico
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Kazakhstan
Nepal
Nicaragua
Pakistan
Panama
Paraguay
Saudi Arabia
South Africa
Syria
Yemen
Zimbabwe

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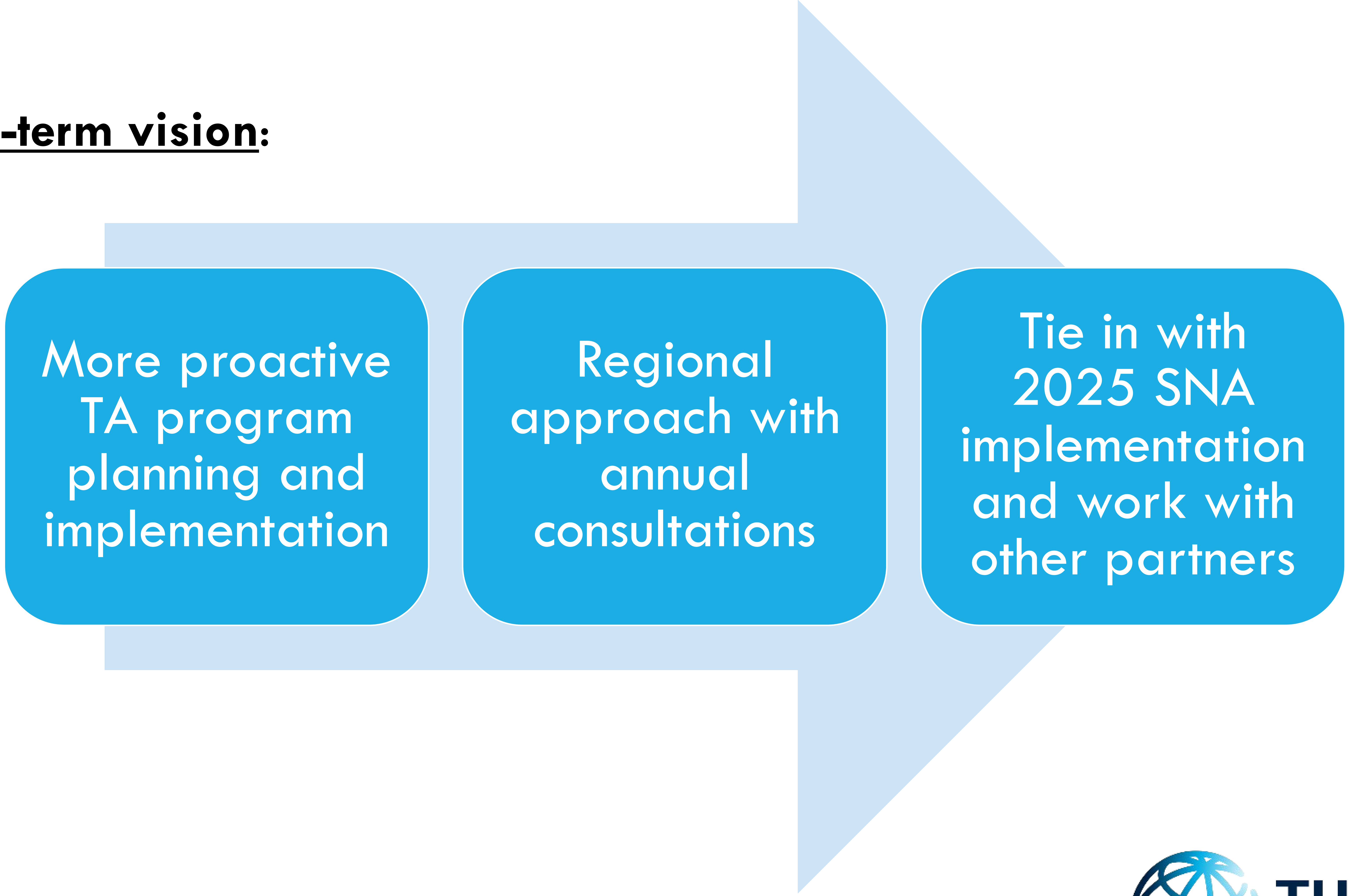
7. WORLD BANK (DECDG) NATIONAL ACCOUNTS TECHNICAL ASSISTANCE AND CAPACITY DEVELOPMENT WORK

Our long-term vision:



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THANK YOU FOR YOUR ATTENTION!