



Main changes in the 2008 SNA Part II

Regional Workshop on Measuring
the Informal Sector and the Non-Observed Economy

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United Nations Statistics Division



Outline of presentation

- Main changes in the 2008 SNA
 - Further specifications of statistical units and revisions in institutional sectoring
 - Further specifications of scope of transactions including the production boundary
 - Extension and further specification of concept of assets, capital formation and consumption of fixed capital (CFC)
 - **Further refinement of treatment and definition of financial instruments and assets**
 - **Further specification of scope of transactions concerning government and public sector**
 - **Harmonization between concepts and classifications of the SNA and BPM6**
- Questions



Further refinement of treatment and definition of financial instruments and assets

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Financial asset classification (chapter 11)

- To reflect the innovations in the financial market the financial asset classification has been changed in the 2008 SNA

Monetary gold and SDRs Monetary gold SDRs	Equity and investment fund shares Equity Listed shares Unlisted shares Other equity Investment fund shares/units Money market fund shares/units Other investment fund shares/units
Currency and deposits Currency Transferable deposits Inter-bank deposits Other transferable deposits Other deposits	Insurance, pension and standardized guarantee schemes Non-life insurance technical provisions Life insurance and annuity entitlements Pension entitlements Claims of pension funds on pension managers Entitlements to non-pension benefits
Debt securities Short-term Long-term	Financial derivatives and employee stock options Financial derivatives Options Forwards Employee stock options
Loans Short-term Long-term	Other accounts receivable/payable Trade credits and advances Other accounts receivable/payable

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Further refinement of treatment and definition of financial instruments and assets

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Treatment of employee stock options (ESOs) described (para 11.125, 17.384-17.398)

- ESO – agreement made on a given date (grant date) under which an employee may purchase a given number of shares of the employer's stock at a stated price (strike price) either at a stated time (vesting date) or within a period of time (exercise period)
- 2008 SNA recommends that transactions in ESOs should be recorded in financial account as counterpart to compensation of employees represented by value of stock option
- 1993 SNA did not provide guidance on treatment of ESOs

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Further refinement of treatment and definition of financial instruments and assets

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Treatment of non-performing loans (NPLs) elaborated (para 11.130, 13.66-13.68)

- NPL – loan on which payments of interest and/or principal are past due by 90 days or more, or interest payments equal to 90 days or more have been capitalized, refinanced, or delayed by agreement, or payments are less than 90 days overdue, but there are other good reasons (such as a debtor filing for bankruptcy) to doubt that payments will be made in full
- 2008 SNA recommends that non-performing loans should continue to be recorded at nominal value in main accounts and interest should be shown accruing until a loan is repaid or principal is written off by mutual agreement

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Further refinement of treatment and definition of financial instruments and assets

United Nations Statistics Division

Treatment of non-performing loans (NPLs) elaborated (para 11.130, 13.66-13.68)

- Two memorandum items
 - Nominal value of loans deemed to be non-performing
 - Market equivalent value of these loans
- Interest receivable on non-performing loans should be shown as “of which” item
- 1993 SNA did not provide criteria to be applied to recording of non-performing loans

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Further refinement of treatment and definition of financial instruments and assets

United Nations Statistics Division

Distinction between financial and operating leasing based on economic ownership (para 17.301-17.309)

- Distinction between financial lease and operating lease based on economic ownership
- The 2008 SNA recognizes the distinction between an operating lease and a financial lease according to whether the lessee should be regarded as the economic owner of the asset or not
- The distinction between operating leasing and the financial leasing in the 1993 SNA was interpreted to be based on the length of the time of lease

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Further refinement of treatment and definition of financial instruments and assets

United Nations Statistics Division

Changes in recording pension entitlements (para 17.116-17.206)

- The 2008 SNA recognizes that employment-related pension entitlements are contractual engagements
 - They are expected or likely to be enforceable and therefore
 - Should be recognized as households' assets, irrespective of whether the assets exist in segregated schemes or not
- Consequently the 2008 SNA recommends recording of the liabilities of employment-related pension schemes, regardless of whether funding to meet them exists or not

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Further refinement of treatment and definition of financial instruments and assets

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Changes in recording pension entitlements (para 17.116-17.206)

- For pensions provided by government via social security however, countries have some flexibility to deviate from this rule in the set of standard tables
 - This is because the division between which pensions are provided by social security and which by other employment-related schemes varies considerably from country to country
- However, the full range of information required for a comprehensive analysis of pensions is recommended to be provided in a supplementary table that shows the liabilities and associated flows of all private and government pension schemes, whether funded or unfunded and including social security
 - See table 17.10 of the 2008 SNA

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Further specification of scope of transactions concerning government and public sector

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Boundary between private/public/government sectors clarified (para 4.25, 4.77-4.80, Chapter 22)

- Recognizing the fact that the powers, motivation and functions of government are different from those of other sectors of the economy and that it organizes its operations through different institutional units, the 2008 SNA gives extra guidance for the distinction between general government and public corporations
- A decision tree to help clarify conceptual basis for allocating institutional units to institutional sectors and to identify government and other public units

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Further specification of scope of transactions concerning government and public sector

United Nations Statistics Division

Treatment of restructuring agencies elaborated (para 22.47-22.50)

- Some public units are involved in restructuring of corporations that may or may not be controlled by government
- The 2008 SNA provides guidelines for the treatment of restructuring agencies
- The 1993 SNA did not provide guidance for the treatment of restructuring agencies

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Further specification of scope of transactions concerning government and public sector

United Nations Statistics Division

Tax credits (para 22.95-22.98)

- Tax credits represent tax relief and so reduce the tax liability of the beneficiary
- The 2008 SNA recommends that the payable credits should be recorded on a gross basis
- The presentation should permit derivation of tax credits on a net basis
- The 1993 SNA did not provide guidance on the treatment of tax credits

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Further specification of scope of transactions concerning government and public sector

United Nations Statistics Division

Treatment of ownership of fixed assets created through public-private partnerships clarified (para 22.154-22.163)

- Public-private partnerships (PPPs) are long-term contracts between two units, whereby a private unit acquires or builds an asset or set of assets, operates it for period and then hands the asset over to a unit in the public sector
- Such arrangements are usually between a private enterprise and government but other combinations are possible
- The 2008 SNA provides indicative guidance on the characteristics to be examined to determine whether the private or public partner is the economic owners of the assets
- The 1993 SNA did not give guidance on the treatment of PPPs

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Harmonization between concepts and classifications of the SNA and BPM6

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Goods sent abroad for processing are recorded on change of ownership basis (para 6.85-6.86, para 14.37-14.42)

- The 2008 SNA recommends that imports and exports should be recorded on a strict change of ownership basis
- Thus, flows of goods between the country owning the goods and the country providing the processing services should not be recorded as imports and exports of goods
- Instead the fee paid to the processing unit should be recorded as the import of processing services by the country owning the goods and an export of processing services by the country providing it
- The 1993 SNA treated goods that were sent abroad for processing and then returned to the country from where they were dispatched as underdoing an effective change of ownership

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Harmonization between concepts and classifications of the SNA and BPM6

United Nations Statistics Division

Merchanting (para 14.73)

- Is defined as the purchase of a good by a resident (of the compiling economy) from a non-resident and the subsequent resale of the good to another non-resident, without the good entering the merchant's economy
 - It is a form of global wholesaling, retailing and commodity trading
- The 2008 SNA recommends that goods acquired by the merchants should be recorded as negative exports on acquisition and positive exports on disposal
 - The difference between the two appears in exports of goods but appears as the production of a service in the merchant's economy
- The 1993 SNA did not give guidance on the treatment of merchanting

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Questions

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- Has your country switched over to the 2008 SNA?
- If yes
 - Which of the changes which have been presented did you implement?
 - What were the key challenges you encountered when implementing these changes?
- If no
 - Which of the changes which have been presented do you intend to introduce when you implement the 2008 SNA?
 - What key challenges do you expect to encounter when introducing these changes?

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Thank you