

UK STATISTICS AUTHORITY

NATIONAL STATISTICIAN'S COMMITTEE FOR ADVICE ON STANDARDS FOR ECONOMIC STATISTICS

NSCASE(22)01

Priorities for NSCASE

Purpose

1. This paper summarises the main international statistical guidance used in the compilation of the UK's economic statistics and provides an overview of the updates planned to this guidance over the next several years. It presents some key considerations for NSCASE, as well as an initial framework for grouping proposals likely to be brought before the Committee over the next two years.
2. Members of NSCASE are invited to:
 - a. Consider the various forms of guidance currently used in the production of UK Economic Statistics
 - b. Consider and provide feedback on the proposed mechanisms for providing briefing to NSCASE and to offer views on the content which they would like to see when considering an issue of guidance.
 - c. Consider and provide feedback on the outline log of guidance issues on which ONS will likely seek NSCASE's perspective and advice.

Background

3. The UK's economic statistics are produced using a range of statistical standards, manuals and other international guidance. Our National Accounts are based on the European System of Accounts (ESA), which itself is based on the United Nations' [System of National Accounts](#) (SNA). The UK Government and Public Sector Finances are based on the [Manual on Government Deficit and Debt \(MGDD\)](#), while statistics on the UK's cross-border flows are based on the IMF's [Balance of Payments Manual](#) (BPM). The ESA, MGDD and the BPM all sit within the measurement framework established by the SNA.
4. As the economy develops and our understanding of measurement evolves, these manuals undergo a lengthy update process. The SNA was last published in 2008, replacing the SNA 1993. The process to update the current SNA was started by the 2020 UN Statistical Commission (UNSC) with the aim of delivering a new version for adoption in 2025.
5. This update has triggered revisions to the other manuals which sit under the SNA umbrella. The IMF Committee of Experts on Balance of Payments Statistics (BOPCOM) has decided to launch a parallel process for updating the current BPM – BPM6 – with a target release date of March 2025. A new version of ESA will likely follow the new SNA – possibly in 2027. Guidance on government finance statistics has continued to evolve since the last MGDD in 2019, but a new version of the MGDD is now due, having been delayed by the pandemic.

6. The update process for the SNA is the starting point for much of this work. The 2021 UNSC approved a work programme and timeline for the new SNA, providing time for technical research, consultation and ensuring consistency with related manuals. Guidance notes are currently being developed on an issue-by-issue basis, ahead of formal redrafting of the SNA and BPM later this year. This work will initially focus on developing outlines of new or significantly revised chapters before the full set of recommended changes is circulated in the second half of 2023 and submitted to the UNSC in March 2024 for endorsement. A complete draft of the updated SNA will be sent to countries by May 2024, although they will likely have been consulted earlier on new or heavily revised guidance.
7. Sign off for the new guidance at a global level will come in two stages. The Accounts Expert Group (AEG) and the Inter-Secretariat Working Group on National Accounts (ISWGNA) – the delegated committees under UNSC – will approve the updated SNA at the end of 2024. The updated SNA will be submitted to the UNSC for endorsement in March 2025.

Discussion

8. Implications for NS-CASE

NSCASE's role is to advise the National Statistician on the suitability of current guidance for economic statistics and how that guidance should evolve in the future. As there is no automatic process by which ONS can adopt new statistical guidance, the advice of NSCASE will play an important role in determining the National Statistician's recommendations to the UK Statistics Authority Board on whether – for instance – the UK should adopt the new System of National Accounts. It follows that NSCASE needs to understand the proposed changes to guidance and the challenges for measurement to provide informed advice to the National Statistician.

9. As NSCASE considers these proposals, the Committee will need to take a view on three central issues. Firstly, where there are differences between international manuals – between the SNA and ESA, for instance – NSCASE will need to carefully consider what standards best meet UK measurement needs. Alignment with ESA (as at present) would ensure a continued high level of comparability with European measurement standards. However, the UK has no influence over how Eurostat draft this interpretation of the SNA. It may consequently not meet UK measurement needs and may constrain comparability between the UK and other non-EU nations. Symmetrically, alignment to SNA may improve comparability between the UK and other global economies, albeit at the loss of some comparability with EU nations.
10. Secondly, there is an issue of timing. Although NSCASE will begin considering changes to international statistical guidance now, the full SNA will not emerge for some time and a revised version of ESA will likely follow around two years later. The Committee should consequently consider in advance how it wants to advise the National Statistician: whether it would prefer to take a view on guidance as it emerges, on the new SNA when it becomes available, or whether it wants to wait for the new ESA to be produced.

11. Thirdly, there is a question of domestic innovation. Conceivably, NSCASE could consider that neither ESA – which reflects a European consensus – or SNA – which reflects a global consensus – is adequate for UK measurement needs. In these areas NSCASE might consider how the UK can meet these needs while ensuring international comparability.

12. **Committee business**

To ensure a logical flow of business to NSCASE, ONS are establishing a parallel guidance team to support the Committee's secretariat in the UK Statistics Authority. This guidance team will manage a log of the issues which NSCASE needs to consider. They will manage additions and deletions from this log, and they will facilitate the prioritisation of items on the log so that the Committee has view of the most important issues.

13. The Guidance team and Secretariat will jointly commission briefing from subject matter experts in ONS in good time ahead of NSCASE meetings. This briefing will highlight the key measurement issues and present arguments for and against a change in statistical guidance for consideration. The Guidance and Secretariat teams will work with the National Statistician to agree a forward look for NSCASE agendas for the coming six-nine months to ensure adequate advance notice on priority issues, agreeing this look ahead with the Chair.

14. As NSCASE and its supporting structure become established, we anticipate that it will be necessary to consider these arrangements and to adjust them based on feedback from the Committee and from ONS colleagues. We welcome your thoughts on these arrangements and processes.

15. **Guidance priorities**

The issues which ONS expect to ask NSCASE to provide advice on fall naturally into several groups (see Annex A). The first and largest set concern the **planned updates to the guidance we currently use**, including the SNA. The changes planned for the SNA are elaborated in detail in Annex B, which summarises our understanding of the new proposed framework which will expand the current SNA 2008 model of 29 chapters and four annexes to 39 chapters, and four annexes.

16. Although initially dominated by the SNA, this area of the log is likely to be supplemented by revisions to other manuals and guidance as they develop. As the IMF's work to update the BPM develops, there will be a need for NSCASE to consider and offer advice on the changes proposed. Similarly, an update to the MGDD is now due, perhaps as early as the end of 2022. NSCASE's advice in relation to these manuals will be central to ensuring that the UK has a considered position in relation to these updates.

17. The second set of issues comprises **guidance issues which are UK priority topics or emerging issues which have not been taken forward as part of the global guidance updates**. In part, this reflects the challenge inherent in the mission of international organisations: where they strive to push measurement forward while maintaining a global consensus. NSCASE's advice in relation to these matters should consequently help to

encourage measurement innovation in the UK, while paying careful attention to international comparability.

18. The third set of guidance issues emerge **from our exit from the EU**. This group contains several different kinds of guidance issue. Firstly, there are a number of areas in which Eurostat's statistical guidance has continued to evolve since the UK left the EU. As ONS has chosen to remain consistent with Eurostat guidance following our exit, the status of this new guidance is unclear. NSCASE's advice on whether we should adopt this additional guidance – since our formal obligation to follow some of it has fallen away – will be sought.
19. Secondly, there are several guidance questions which the UK may want to consider in which the Eurostat approach may not be appropriate for the UK context. This area, which contains a number of difficult questions related to price measurement (notably, the HICP treatment of package holidays) and pension liabilities (and the associated discount rate), includes a number of live measurement issues.
20. Finally, there is a small number of areas in which the Eurostat statistical guidance diverges from that included in the System of National Accounts. Outside of the EU – the Trade and Cooperation Agreement notwithstanding – the UK can consider some of these matters afresh. NSCASE's advice on all of these issues will help to ensure that the UK's approach to measurement is as strong as possible.

Conclusion

21. Members are asked to:
 - i. Consider the various forms of guidance currently used in the production of UK Economic Statistics
 - ii. Consider and provide feedback on the proposed mechanisms for providing briefing to NSCASE and to offer views on the content which they would like to see when considering an issue of guidance.
 - iii. Consider and provide feedback on the outline log of guidance issues on which ONS will likely seek NSCASE's perspective and advice.

Richard Heys and Philip Wales, Macroeconomic Statistics and Analysis, June 2022

Annexes

Annex 1: NSCASE areas of guidance for consideration

Planned updates and additions to the statistical guidance that the UK currently uses

- Changes to the asset boundary to bring marketing assets and data as an asset into the set of non-financial (intangible) assets.
- The introduction of a Labour Account into the core SNA framework.
- The treatment of crypto assets, particularly those without a corresponding liability
- Islamic Finance
- Treatment of natural capital including resource depletion and environmental degradation, potentially including the merits of retaining the distinction between produced and non-produced assets, and physical supply-use tables.
- Revisions to language / terms used in the National Accounts
- Globalisation and its impact on multi-national, special purpose enterprises
- Productivity: new treatment within the core system of national accounts
- Capital Services: new treatment within the core system of national accounts.
- Concessions: a new EU guide on the statistical recording of Concessions in Government Finance Statistics is expected shortly. This will supplement the existing, quite high-level guidance in MGDD and provide a much clearer distinction between the on- and off-balance sheet arrangements for concessions.

These changes will likely be complemented by lightly redrafted guidance on a range of core issues in the accounts. Further information on changes to the SNA is in Annex B.

Guidance issues which are UK priorities, but are not currently being taken forward as part of the global update

- The treatment of non-fungible tokens as a class of crypto assets and their recording in the National and Sector Financial Accounts
- The treatment of non-monetary gold and its impact on the UK National Accounts.

Guidance issues which arise from our exit from the EU:

- Since our exit from the EU, Eurostat has issued six clarification notices related to their Government Finance Statistics guidance, including on:
 - [Delineation between resource taxes and rent](#) (29 March 2022)
 - [Attribution of tax revenue to government subsectors](#) (29 March 2022)
 - [Licence cancellation payments](#) (29 March 2022)
 - [Vaccines and vaccination programmes](#) (29 March 2022)
 - [Recording of per diems](#) (28 September 2021)
 - [Some aspects of factoring operations](#) (28 September 2021)

As these have the potential to impact on our statistics, NSCASE advice will likely be sought on whether the UK should formally adopt these interpretations.

- Similarly, Eurostat has issued a new guidance note and a clarification of existing GFS guidance since we left the EU. While these concern the treatment of intra-community flows, in principle it is possible that these notes might have a wider application in the future.

- Quality adjustment of non-market output: this is an important area of difference between the SNA and ESA.
- Assumptions concerning the recording of pension liabilities in Government Finance Statistics.
- Treatment of package holidays in Consumer Prices

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Annex 2: Anticipated Changes to SNA Chapter Structure (As of May 2022)

Considerable changes are expected to both the content and the structure of the new SNA. The structure of the existing SNA 2008 is widely recognised as limited, as the current chapter ordering neither presents a clear narrative nor a linear structure for users to work through. The aim of the new draft is to give an improved narrative form to the new document, with an increase in the number of chapters and better signposting to a wider set of statistical standards.

The current structure can be stylised as

- A. Introduction and overview (chapters 1 – 2)
- B. The main foundations (chapters 3 – 5)
- C. Structure of the framework and the sequence of economic accounts (chapters 6 – 16, and chapters 18 - 20)
- D. Cross-cutting issues (chapter 17)
- E. Institutional units and sectors in more detail (chapters 21 – 24, and chapter 26)
- F. Extended and thematic accounts and tables (chapter 25, and chapters 27 – 29)
- G. Supplementary material (annexes 1 – 4)

The new proposed structure aims to address the following recognised weaknesses in the current document:

- Issues around well-being and sustainability have become much more prominent in discussing the role and composition of the national accounts, including what the SNA measures or, more importantly, what it does not measure through the introduction of three new chapters:
 - Chapter 2. National Accounts and measures of well-being and (environmental) sustainability: More general discussion on the SNA and measures of welfare, or more generally, well-being and sustainability, followed by the introduction of a broader framework of national accounts
 - Chapter 34. Measuring well-being: Discussion of the concept of well-being and various approaches/methods to measure it, and how extended accounts can support all of this
 - Chapter 35. Measuring sustainability: discussion on monitoring sustainability using the capital approach, what the SNA does and does not measure, and the System of Environmental-Economic Accounts as a complementary system to monitor environmental sustainability
- Issues around two new phenomena, including their impact on the compilation and interpretation of the main macro-economic indicators derived from the system of national accounts
 - Chapter 22. Digitalisation: focus on recording of recently emerged phenomena, such as digital intermediary platforms, “free” services, crypto assets, data, e-commerce, etc.; and addressing the compilation of supplementary tables such as digital supply and use tables
 - Chapter 23. Globalisation: consolidated overview of the newly established guidance on global production arrangements, SPEs, the impact of the minimisation of the global tax burden, etc.; and tools for better understanding domestic developments (breaking out transactions and positions of multinational enterprises, Global Value Chains, Trade in Value Added, and the consolidation of corporate activities using the “nationality” perspective

- Greater clarity on statistics by industry, through grouping together the following chapters to better link national accounts and productivity concepts:
 - Chapter 15. Supply and use tables
 - Chapter 16. Labour accounts (including re-allocation of the part on population)
 - Chapter 17. Capital services (including re-allocation of the part on valuation of assets)
 - Chapter 18. Measuring prices, volumes and productivity
 - Chapter 19. Summarising, integrating and balancing the accounts
 - Chapter 20. Institutional sector accounts:
 - Temporal disaggregation (e.g., quarterly accounts)
 - Territorial disaggregation (e.g., regional accounts)
 - Regular and benchmark revisions, and the compilation of time series data
- A more granular breakdown of the lengthy chapters on cross-cutting issues, particularly around finance to include:
 - Chapter 24. Insurance and pensions (Part 1 and 2 of chapter 17 in the 2008 SNA)
 - Chapter 25. Specificities of certain financial instruments (Part 3, 4 and 6 of chapter 17 in the 2008 SNA)
 - Chapter 26. Islamic finance (new chapter)
 - Chapter 27. Contract, leases, licenses and permits (Part 5 of chapter 17 in the 2008 SNA)
 - Splitting the current chapter 21 on measuring corporate activity into two chapters, one dealing with non-financial corporations (chapter 28 in the 2025 SNA, and another one focusing on financial corporations (chapter 29 in the 2025 SNA)
 - Refocusing the current chapter 27 on links to monetary statistics and the flow of funds to matrix-based presentations of institutional sector accounts (from-whom-to-whom tables) (chapter 37 in the 2025 SNA)
- A new focus on communication
 - New chapter 21 on communicating the accounts, including
 - Terminology for revisions of estimates and the status of statistics (official statistics versus experimental estimates), including the various types of additional accounts and tables
 - The assessment of the alignment of a country's national accounts with the international standards

The new proposed structure therefore will come in six parts, composed of 39 chapters and five annexes, as follows:

- A. Introduction and overview
 - a. Chapter 1. Introduction (revised content)
 - b. Chapter 2. National accounts and measures of well-being and environmental sustainability (new chapter)
 - c. Chapter 3. Overview of the economic accounts (revised title)
- B. The main foundations
 - a. Chapter 4. Stocks, flows and accounting rules
 - b. Chapter 5. Institutional units and sectors
 - c. Chapter 6. Enterprises, establishments and industries

- C. Structure of the framework and the sequence of economic accounts
 - a. Chapter 7. The production account
 - b. Chapter 8. The distribution of income accounts
 - c. Chapter 9. The redistribution of income accounts
 - d. Chapter 10. The use of income accounts
 - e. Chapter 11. The capital account
 - f. Chapter 12. The financial account
 - g. Chapter 13. The other changes in assets account
 - h. Chapter 14. The balance sheet
 - i. Chapter 15. The supply and use tables (revised title)
 - j. Chapter 16. Labour accounts (chapter 19 in the 2008 SNA, moved upwards, revised title and revised content)
 - k. Chapter 17. Capital services (chapter 20 in the 2008 SNA, moved upwards, revised title and revised content)
 - l. Chapter 18. Measuring prices, volumes and productivity (revised title and revised content)
 - m. Chapter 19. Summarizing, integrating and balancing the accounts (revised title and revised content)
 - n. Chapter 20. Elaborating the accounts (moved upwards, revised title and revised content)
 - o. Chapter 21. Communicating the accounts (new chapter)
- D. Cross-cutting issues
 - a. Chapter 22. Digitalisation (new chapter)
 - b. Chapter 23. Globalisation (new chapter)
 - c. Chapter 24. Insurance and pensions (Parts 1 and 2 of chapter 17 in the 2008 SNA, moved downwards)
 - d. Chapter 25. Specificities of certain financial instruments (Parts 3, 4 and 6 of chapter 17 in the 2008 SNA, moved downwards)
 - e. Chapter 26. Islamic finance (new chapter)
 - f. Chapter 27. Contracts, leases, licenses and permits (Part 5 of chapter 17 in the 2008 SNA, moved downwards)
- E. Institutional units and sectors in more detail
 - a. Chapter 28. Non-financial corporations (revised title and revised content)
 - b. Chapter 29. Financial corporations (new chapter)
 - c. Chapter 30. General government and the public sector (revised title)
 - d. Chapter 31. Non-profit institutions
 - e. Chapter 32. Households (revised title and revised content)
 - f. Chapter 33. Transactions between residents and non-residents (moved upwards, revised title)
- F. Extended and thematic accounts and tables
 - a. Chapter 34. Measuring well-being (new chapter)
 - b. Chapter 35. Measuring sustainability (new chapter)
 - c. Chapter 36. Input-output tables (moved upwards, revised title and revised content)
 - d. Chapter 37. From-whom-to-whom tables (chapter 27 of the 2008 SNA, moved downwards, revised title and revised content)
 - e. Chapter 38. Thematic accounts (moved upwards, revised title and revised content)
 - f. Chapter 39. Informal activities (moved downwards, revised title)
- G. Supplementary material

- a. Annex 1. International standards for macro-economic statistics, and the links with the SNA
- b. Annex 2. The classification hierarchies of the SNA and associated codes (revised content)
- c. Annex 3. The sequence of accounts
- d. Annex 4. Changes from the 2008 System of National Accounts (revised title)
- e. Annex 5. Research agenda References Glossary Index

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