

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

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2025 SNA Adoption – Principles for NSCASE

Recommendation paper

NSCASE(24)01

Executive Summary

1. This paper summarises the key headline principles which NSCASE can consider in relation to the forthcoming update of the System of National Accounts. It acts as a precursor to ONS seeking NSCASE advice on new and edited chapters in the 2025 System of National Accounts (SNA). A similar set of considerations and principles can apply to the update of other statistics manuals such as the Balance of Payments.

Introduction

2. Implementing the updated 2025 SNA will have noticeable effects on the UK's main macroeconomic aggregates. Changes within the 2025 SNA documentation are likely to have substantive direct effects on the National Accounts. How decisions to follow guidance are made is a key question for the ONS, UKSA and NSCASE in terms of providing in-depth and well thought through advice. This is essential to ensuring an efficient process of manual adoption over the next SNA revision cycle.
3. ONS understands that these principles may not be applicable to every chapter that is taken forward. ONS will provide to NSCASE draft chapters upon their release to discuss at the next available NSCASE meeting. Where appropriate and possible ONS will provide its response to the UN consultation. An example of this process is provided in the accompanying paper "2025 SNA Chapter 2: National accounts and measures of wellbeing and sustainability foreword"
4. In some instances, ONS may provide draft chapters that it feels does not require significant discussion or analysis with little to no comment. This could be because no need for divergence is identified, or the chapter remains unchanged in any significant way, and we expect NSCASE to provide advice to the National Statistician to adopt unless significant issues are identified.
5. **We ask NSCASE to consider the principles below and discuss how they wish to provide advice on upcoming SNA draft chapters.**

Principles to be noted by NSCASE when providing advice on the upcoming SNA draft chapters.

6. The UK's economic statistics are produced using a range of statistical standards, manuals and other international guidance.
 - a. Our National Accounts are currently based on the European System of Accounts (ESA), which itself is based on the United Nations' SNA.
 - b. The UK Government and Public Sector Finances are currently based on the Manual on Government Deficit and Debt ([MGDD](#), 2019), while statistics on the UK's cross-border flows are based on the IMF's Balance of Payments Manual ([BPM](#), 2009). The ESA, MGDD and the BPM all sit alongside the measurement framework established by the SNA.
7. The System of National Accounts is a framework, the production of which is led by the United Nations to support all countries in producing consistent and comparable National Accounts. These methods are subject to routine updates and revisions, so concepts can and do change through time. Changes are based on negotiation and the latest research reflecting changing needs, new data sources and improved methodological techniques.
8. International frameworks are an important reference point for economic statistics:
 - a. They sometimes have direct financial consequences, for example the UK's contributions to the EU both in the past and under the withdrawal agreement, are based on national accounts concepts in ESA 2010. Additionally, these data are used via GNI to compute foreign aid targets and OECD funding.
 - b. They allow comparability and failure to adopt them therefore has consequences. For example, part of our trade asymmetry with the US is because the UK has moved to be compliant with BPM 6 and the US have remained on BPM 5 in relation to Goods for Processing.
 - c. Compliance with these frameworks is an important indicator of the robustness of our economic statistics.
9. As opposed to ESA, which was a legislative requirement with the potential for fines associated with non-compliance, the SNA is a framework agreed at the UN after discussion and input by all countries with no formal mechanisms to assure compliance.
 - a. NSCASE's role is to advise the National Statistician on the suitability of current framework for economic statistics for the UK, and how that framework should be applied in the future.
 - b. The advice of NSCASE will play a significant role in determining the National Statistician's recommendations to the UK Statistics Authority Board on the approach the UK should adopt relating to the update to the System of

National Accounts, expected in 2025. It follows that NSCASE needs to provide informed advice to the National Statistician on topics and issues which are of importance to the ONS.

10. Adopted standards should reflect economic reality in the UK.

- a. Consideration should be given to the uses of these statistics for example public finance statistics are used to set fiscal policy.
- b. Consideration should be given to whether the standards are practicable and consider whether can we measure it?

Considerations for NSCASE

11. As NSCASE considers these proposals on the new SNA, the Committee will need to take a view on three central issues. **Does NSCASE agree with the three considerations?**

12. NSCASE will consider which recommendations from the default standard to adopt, after careful consideration of which best meets UK measurement needs.

- a. Firstly, if there are differences between international manuals, such as presently exist between the SNA and ESA, for instance, NSCASE will need to recommend which to adopt, with the 2025 SNA as the default standard.

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 (as is currently the case now). Symmetrically, alignment to SNA may improve comparability between the UK and other global economies, albeit at the loss of some comparability with EU nations.

- b. Whilst the international community is working to minimise instances of this, rare instances of conflict should be expected. There may also be instances of internal incoherency¹ within specific manuals where again NSCASE will need to recommend a preferred approach after careful consideration. The ONS is operating on the assumption this is the key role of NS-CASE and is not contentious.

13. NSCASE will consider in advance how it wants to advise the National Statistician.

¹ For example where two goods, services or assets with similar characteristics are ascribed to different treatments which lead to their being treated materially differently in the accounts.

- a. Although NSCASE will begin considering changes to international statistical guidance now, the full SNA will not emerge until 2025 and a revised version of ESA will follow around two years later.
- b. Whether it would prefer to take a provisional view on the new SNA when it becomes available in 2025, or whether it wants to wait for the new ESA to be produced (timeframe unknown) to be able to compare and contrast any differences before making a single definitive recommendation.
- c. The ONS is working on the assumption that NSCASE will provide advice based on the SNA in 2025.

14. NSCASE will consider the effects on overall international comparability when considering specific deviations from SNA and similar standards, recognising that comparability may not always be ideal given the UK's circumstances.

- a. Whilst the ONS has been proactively involved in the negotiation of changes to the SNA, there may remain instances where the proposed changes may not be felt to reflect the particular needs of the UK. The SNA is produced by a process of consensus with which the UK agrees, however, there may arise examples, as we observe with other countries, where the compromises involved are viewed to be too significant to permit meaningful measurement of a key aspect of the UK economy.
- b. There is therefore a test of domestic relevance, which NSCASE should consider, to determine whether adoption of a standard (or part thereof) is adequate / appropriate for UK measurement needs. In these areas NSCASE might consider how the UK can meet these needs while remaining as internationally comparable as possible.
- c. This decision may need to be informed by the stance taken by other countries.
- d. ONS notes that advice to diverge would need to fully take account of the quadruple-accounting system inherent in the National Accounts. One such example, where this was possible, is the explicit quality adjustments on non-market output as they were in volume terms and separable from current price requirements (e.g. GNI). Additionally, deviations from the guidance may have an impact on the UK's compatibility, dependent on equivalent decisions made by partner countries.
- e. The ONS is working on the assumption that there will be a limited number of instances where NSCASE will recommend divergence from detailed elements of new guidance, and that NSCASE will look to maintain

international consistency as far as possible in any recommendations to diverge.

- f. We recognise early adoption of 2025 SNA may reduce comparability in the short term.

15. The conclusion of this process will require NS-CASE to make recommendations on how to navigate this changing landscape. It would be helpful from a working level to have a steer from NS-CASE of its guiding principles (noting that these may be diverged from in exceptional cases) because the lead-in time for IT development can be extended. Assuming the UK will not wish to continue to use ESA 2010, which approach will the NS-CASE, by principle, lean towards in replacing ESA 10?

- a. Direct adherence to 2025 SNA
- b. Indirect adherence to 2025 SNA via implementation of the methods outlined in ESA 2027 (presumed date of publication)
- c. Adherence to 2025 SNA supported by a 'UK Statement of Methods and Practices' which captures those areas where the UK has chosen to diverge from SNA 2025, or which details the specific application the UK has selected.

16. As the SNA 2025 is not final, the principles set out in this paper can be changed by ONS as required.

To discuss in the NSCASE Committee meeting

- 17. Does the committee agree with the principles set out in paragraphs 4 to 7?
- 18. Does the committee agree with the core considerations for SNA chapters set out in paragraphs 9 to 11?

Annex - Background

- 19. The United Nations has recently provided a draft version on the consolidated set of recommendations for the update of the 2008 SNA ([United Nations](#), 2023) showcasing the changes and clarifications to the 2008 SNA. This update is closely aligned with the update of the Sixth Edition of the Balance of Payments (BPM6).
- 20. This update is overseen by the Inter-Secretariat Working Group on National Accounts (ISWGNA), assisted by the Advisory Expert Group (AEG) on National Accounts. A list of changes to the SNA are provided on the website 'Towards the 2025 SNA' ([United Nations](#), 2023) covering:

- a. Generic issues;
 - b. Further specifications of statistical units and revisions in institutional sectoring;
 - c. Further specifications of the scope of transactions including the production boundary;
 - d. Extensions and further specifications of the concepts of non-financial assets, capital formation and consumption of fixed capital/depletion, including changes related to other transactions in goods and services;
 - e. Further refinement of the treatment and definition of financial corporations, financial instruments and financial assets;
 - f. Further specifications of the scope of transactions concerning government and public sector;
 - g. Broadening the framework of national accounts to capture wellbeing and sustainability;
 - h. Other issues.
21. The full set of consolidated recommendations will go for global consultation, first as annotated outlines, then as draft chapters. ONS, alongside all other national statistical institutes (NSIs), will have the opportunity to provide comments before being asked to consider adoption. Both the annotated outlines and the draft chapters can be found on the website “The list of 2025 SNA Chapters” ([United Nations](#), 2023)
22. These changes are broadly generational: The System of National Accounts (SNA), based off an initial report published in 1947 have been revised in 1953, 1960, 1964, 1968, 1993 and 2008. These revisions have updated and amended key concepts and the recommended methods used to measure them.
23. The current version of the SNA is 2008 SNA. The UK currently produces its National Accounts in line with ESA 2010, which was drafted considering 2008 SNA and outlines that whilst Europe is broadly consistent with the current SNA there are areas, specifically the measurement of the general government and NPISH sectors where ESA 2010 differs from the approach proposed as optimal in 2008 SNA.
24. The UK completed implementation of ESA 2010 during the SR15 period and remains compliant in line with the EU Exit arrangements. The UK still have GNI reservations to complete and are currently still liaising closely with Eurostat to

ensure these reservations are satisfactorily addressed. The UK will remain consistent under these treaties until 2024².

25. Within the European Union, to ensure consistency between member states this role is achieved by meeting the requirements laid out by the European System of Accounts (ESA) framework document, which is drafted in legislation by Eurostat in consultation with the member states. The SNA can be considered to define 'what' should be done and ESA to define 'how' this should be delivered. Other countries directly apply the SNA, either in full or with selected omissions relevant to their particular circumstances.
26. There is a wider issue where Eurostat's other statistical guidance has continued to evolve since the UK left the EU; for example, the Manual for Government Deficit and Debt (MGDD) was updated in February 2023. As ONS has chosen to remain 'consistent' with Eurostat guidance following our exit, the status of new guidance is unclear: does 'consistency' mean we take on board revisions or comply with the version of MGDD in place on our data of exit? NSCASE's advice on whether we should adopt this additional guidance has already been sought but is relevant if NS-CASE was to advise that the UK should remain consistent with a future version of EA, if that was then revised.

References

MGDD. (2023)

Manual on Government Deficit and Debt (PDF Download)

<https://ec.europa.eu/eurostat/documents/3859598/10042108/KS-GQ-19-007-EN-N.pdf/5d6fc8f4-58e3-4354-acd3-a29a66f2e00c>

BPM. (2009)

Balance of Payments and International Investment Position Manual (PDF Download)

[Balance of Payments and International Investment Position Manual - Sixth Edition \(BPM6\) \(imf.org\)](#)

United Nations. (2023)

Update of the 2008 SNA - Consolidated List of Recommendations (PDF Download)

[Consolidated List of Recommendations.pdf \(un.org\)](#)

² There is a wider issue where Eurostat's other statistical guidance has continued to evolve since the UK left the EU; for example the Manual for Government Deficit and Debt (MGDD) was updated in February 2023. As ONS has chosen to remain 'consistent' with Eurostat guidance following our exit, the status of new guidance is unclear: does 'consistency' mean we take on board revisions or comply with the version of MGDD in place on our data of exit? NSCASE's advice on whether we should adopt this additional guidance is already being sought, but is relevant if NS-CASE was to advise that the UK should remain consistent with a future version of EA, if that was then revised.

United Nations. (2023)

Towards the 2025 SNA Webpage

<https://unstats.un.org/unsd/nationalaccount/Towards2025.asp>

United Nations. (2023)

List of 2025 SNA Chapters

<https://unstats.un.org/unsd/nationalaccount/SNAUpdate/2025/chapters.asp>

2025 SNA Chapter 2: National accounts and measures of wellbeing and sustainability foreword

Recommendation paper

NSCASE(24)02

Executive Summary

1. This paper sets out the ONS position in relation to the draft version of the 2025 System for National Accounts (SNA) Chapter 2: National accounts and measures of wellbeing and sustainability ([United Nations](#), 2023).

Introduction

2. ONS consulted on the draft 2025 version System for National Accounts (SNA) Chapter 2 in late 2023 and found overall that the chapter was not satisfactory. It should be noted that additional details on the connections between suggested accounting approaches and the SNA sequence of economic accounts is provided in Chapter 34 ([United Nations](#), 2023) but its content is not covered in this paper.
3. In Annex 1 the ONS provides specific comments on paragraphs within the chapter. These were submitted to the UN as part of the international consultation on the 9th of October 2023.
4. The development of the SNA 2025 and its drafting discussion is set out within a parallel paper “SNA 2025 Background & SNA Drafting Principles”. **We ask NSCASE to begin discussions around the themes of the chapter, its principles, and its overall direction in line with the principles set out in the SNA 2025 Background & SNA Drafting Principles.**
5. ONS understands that Chapter 2 is likely to be significantly redrafted. ONS will return to NSCASE with the redrafted chapter and would ask NSCASE to reserve judgement on any points until this final version is tabled. Having discussed the broad principles and direction in a previous meeting, this should enable to committee to focus on the specifics of the final chapter and be better placed to offer their advice.

Background

6. The chapter discussed the importance of measuring wellbeing and sustainability for all countries and how the SNA can contribute to this effort. It acknowledges the presence of various economic, social, and environmental challenges such as poverty, food insecurity, health inequality, climate change and biodiversity loss. These challenges impact both the current and future generation's ability to meet their needs in terms of well-being and sustainability.

7. Measuring wellbeing and sustainability requires considering their environmental, social, and economic dimensions. The SNA offers a comprehensive statistical framework for organizing economic data in line with national accounting rules. It has been widely used for over 70 years and has given global economic prominence to well-known statistics like Gross Domestic Product (GDP).
8. Despite the widespread use of GDP and similar economic measures as indicators of a country's performance, the author notes that these measures should not be considered direct measures of wellbeing or sustainability. It highlights the development of various frameworks and approaches for measuring these aspects.
9. The chapter outlines two primary avenues through which the SNA can contribute to measuring wellbeing and sustainability. The first avenue involves using a wide range of data and aggregate measures within the SNA's economic accounts, such as household income, consumption, saving, and net worth, to inform discussions on wellbeing and sustainability. These measures can also be broken down by various characteristics to provide more detailed information.
10. The second avenue recognises that the SNA's accounting rules and structures can be extended and adapted to organise data on the environmental and social dimensions of wellbeing and sustainability. This includes topics like unpaid household service work, healthcare expenditure, education, and environmental data. The motivation for these accounting-based approaches is to connect data from the SNA's economic accounts with data on environmental and social dimensions.
11. This edition of the SNA will not provide an overarching or inclusive framework for the integration of all aspects of wellbeing and sustainability. Nor does it propose a single indicator for these concepts but anticipates that accounting-based approaches can serve as a springboard for further research and discussion.
12. Further research may focus on achieving higher levels of agreement on accounting rules, delineating the role of the SNA within a wider framework, building methods and data for comprehensive accounts, clarifying the limits of accounting-based approaches, and explaining the role of measurement and accounting in decision-making about wellbeing and sustainability.
13. Within the chapter, are sections that introduce concepts of wellbeing and sustainability, the measurement scope, the role of accounting-based approaches, and the range of measures relevant to these concepts within the SNA's sequence of economic accounts.

ONS Considerations

14. Chapter 2 is one of three new chapters within the SNA 2025 and clarity about the scope of these changes is central to ensuring the SNA can be well communicated with users. The ONS feels an economic measurement system can never serve the need of becoming an all-inclusive wellbeing framework, but this chapter presents an ambitious package.
15. As a developed National Statistical Institute (NSI) the ONS acknowledges that the guidance, except for depletion, is within the bandwidth of what is already done. ONS feels the SNA should focus on delivering overarching principles. For example, the chapter references accounting prices which may cause issues to NSI's.
16. ONS does feel that overall direction of the content within the chapter is acceptable. However, we feel that it is not as ambitious as it could be and ONS would like to diverge in terms of going farther. In fact, ONS currently already does in terms its Beyond GDP research workstream including calculating human capital stocks as well as inclusive wealth and inclusive income.

ONS Concerns

17. ONS provided detailed feedback on this draft chapter, which is included in Annex 1. Our current understanding is that this chapter will have substantial redrafting by the UN based on the global feedback. This current section ("ONS Concerns") of the foreword draws together some of the general themes which came out of that feedback. These themes relate to the general principles, scope, and direction for this chapter rather than the particulars of individual sentences or section, and as such are designed to facilitate a more general, initial discussion on the topic this SNA chapter covers. We focus on those themes which could impact on how the UK chooses to implement this aspect of the SNA.
18. Given the importance of this topic and the centrality of the communications message, we fed back that this chapter required a refocusing effort to enhance its content and clarity, particularly concerning users' needs for wellbeing and sustainability statistics and their connection to the broader concepts of the SNA.
19. The chapter navigated a delicate balancing act between explaining that the SNA isn't a wellbeing framework while emphasising that it produces valuable measures, either independently or when combined to gauge wellbeing more broadly. Given the evolving state of wellbeing research, we recommended refraining from commenting on when and where these measures should be used. The extensive focus on what the user should avoid creates two significant issues.
20. Firstly, in some instances, the chapter referenced topics that fall outside the scope of the SNA. For example, there were paragraphs discussing welfare prices without adequately explaining what they are. These paragraphs primarily stated that they are inappropriate for welfare measurement without providing a thorough

discussion of why this is the case or why the SNA should be advising on such topics. Additionally, the chapter should acknowledge that there are legitimate uses for such prices beyond the confines of the SNA.

21. Secondly, this is a rapidly evolving area, especially within the domain of material wellbeing. The chapter identifies cases where it unequivocally states that certain outputs 'cannot' be delivered, even though the UK has already begun routinely publishing statistical data in these areas. For example, the UK publishes composite indicators that merge national accounts, household satellite account, and environmental account data to create a measure consistent with GDP and national accounts methods. This measure captures the creation, depreciation, and output of human, natural, and productive capital.
22. Such statements unjustifiably cast doubt on the progress made by leading countries in this debate and could imply that such development activities should not be pursued. The SNA, as an empowering framework, should be designed to encourage innovation and the enhanced use of economic data.
23. To address these issues, ONS recommended that the chapter should be refocused to highlight the positive impact of the SNA and the measures it enables in this debate. Additionally, we recommended that the chapter should leave the questions of where, when, and how to use these measures to other parties and most importantly the compilers themselves.
24. Furthermore, there is a list of future research topics in the chapter. We recommended that the editors should carefully assess the overlap between these topics and the mandate of the SNA revision. This list may raise expectations among readers that these topics should have been included in the update. For clarity, we suggested it might be advisable to remove this list to avoid unproductive debate.
25. In striving for the sensible balance described above, the broader aspects of wellbeing measurement are not adequately covered. ONS fear this could lead readers to believe that the wellbeing topic is narrower than it truly is. If the chapter aims to provide an overview of wellbeing, we recommended that it should be substantially re-edited to encompass alternative perspectives on wellbeing. It should acknowledge that these perspectives won't be universal. For example, there should be mention of approaches to wellbeing that do not solely focus on the experiences of individuals or households. For instance, the New Zealand wellbeing framework ([NZ Treasury](#), 2023), based on Māori perspectives, places the environment at the centre and considers humanity's place within this framework.
26. ONS recognised that these revisions might make the chapter longer and potentially off-target. Therefore, we suggested that this chapter explicitly state that the SNA's contribution to the wellbeing debate is through providing a

mechanism for measuring key factors related to material wellbeing, primarily in market and market-equivalent prices, and not in other areas. To address this, we proposed the inclusion of a focused introductory paragraph. This may benefit from input written from a non-economist perspective to ensure the proper framing of the content.

27. Addressing these matters should help the chapter provide a much clearer presentation of its core message: how economic measures created within the SNA can support the measurement of material wellbeing and encourage innovation and wider use of these metrics, either independently or as components of broader work. This will enable the chapter to draw more meaningful connections to other relevant chapters within the SNA and conclude with a more concise and robust set of recommendations.

Annex 1: Paragraph specific comments

The following sections outline specific comments on paragraphs:

A: Introduction (2.1 - 2.7)

28. **Paragraph 2.6:** Points out that ‘future research is necessary... to describe a more integrated accounting framework’. This is not particularly challenging but given that the UK has been publishing inclusive income since 2022, and we are in active discussions with Eurostat and Stats Canada who have exhibited interest in replicating this, we believe this direction and existing work could be more appropriately reflected in the paragraph to capture what is already possible.
29. **Paragraph 2.3:** States advice that GDP “cannot” be used as a measure of wellbeing, economic or general. It is our opinion that this language is too strong. While the UK recognises that there is a role for statisticians to recommend and state what statistics are intended to measure, we avoid telling users what they can and cannot use as a measure for wellbeing. It is vitally important to note that many economists take the view that *all* measures of price and volume are in some form a measure of wellbeing; GDP may be seen as a theoretically weak measure of wellbeing because of the elements it is known to exclude, but it a measure, nonetheless. Several academic disciplines often used GDP as an easily available, well-understood, first-point-of-call for cross country economic wellbeing comparisons. While we might encourage them to consider other measures and develop new statistics to better meet their needs, we would advise against stating or implying what users “cannot” do in this area, but instead focus on the reasons why alternatives may be superior.
30. **Paragraph 2.3: Minor edit** “This has [also] occurred notwithstanding” is repeated. Suggest rewording. B: Approaches to the measurement of wellbeing and sustainability (2.8 - 2.44). The UK recommend streamlining the phrasing between paragraphs 2.33 - 2.44.

31. **Paragraph 2.20:** The UK ONS's present research suggests that this paragraph may be an optimistic reading as conceptual challenges remain and recognise that this is an example where the development of research in this area is outpacing the drafting of guidance quite substantially.
32. **Paragraph 2.24:** States that an accounting-based approach can help overcome the challenges of composite indicators, which paragraph 2.23 describes as the challenge of determining comparable and objective weights and the lack of coherent connections between indicators. The UK flag that there is no following justification in the paragraphs that follow. There is a justification for saying that accounting approaches are better for helping to understanding a system, or for specifying an appropriate scope for what's being investigated, but those seem like different benefits. An accounting system, for example, in many cases still requires objective weights, the SNA effectively uses market / exchange prices for this purpose. Volume accounts are possible, but for the volumes to be comparable once again objective weights need to be specified e.g., in the case of emissions, examining these in CO2 equivalent emission volumes. Similarly, an accounting approach, from what is written in the chapter, doesn't seem to help "overcome" the challenge of a lack of connection between indicators. It is not clear what it is in an accounting approach that would help overcome the difficulty connecting levels of how safe people feel walking at night and carbon emissions, both measures which could plausibly go into a well-being framework. Once research is done that connects these two, it's possible that could be captured in an accounting approach. Even if it could be portrayed in an accounting approach, the UK flag that it is likely it would be the research which helped overcome the lack of understanding of the connection rather than the accounting approach itself, although the accounting approach could be called a useful way to communicate that connection to users.
33. **Paragraph 2.43:** Implies that welfare values, which in paragraph 2.42 implies inclusion of consumer surplus, are the market prices which would prevail if all externalities were internalised. The UK is unsure whether this is correct. Even in a perfect market, with perfect information and perfect competition, consumer surplus will not be reflected in valuations at market price if the demand curve is downwards sloping. In general paragraphs 2.42 to 2.44 lack discussion on welfare prices as it is quite short to warrant the conclusions in paragraph 2.44. It may be that the discussion of the valuation technique lies outside the scope of the SNA. The UK believe this section would be improved by focusing on clarification of what exchange prices in the SNA include and don't include, and how they can be interpreted through a wellbeing lens as a result. C: The role of the SNA sequence of economic accounts in measuring wellbeing and sustainability (2.45 - 2.67)
34. **Paragraphs 2.65-2.67:** The UK would like to see a clear delineation of SEEA / SNA and additional guidance on what to use and / or the differences. The UK recognise that some of this is covered in paragraphs 2.77-2.81. D: Accounting

approaches for the measurement of wellbeing and sustainability (2.68 - 2.91)

35. **Paragraph 2.83:** The UK wishes to flag that the terminology may not be correct or the right approach to the topic. Terminology such as “labour tables” and the “recommendation” approach are concerns. It is also unclear what tables are proposed.
36. **Paragraph 2.84:** The UK suggest rewording the start of this paragraph. Well-being is obviously multifaceted. In some individual circumstances health may not be a fundamental element of people’s wellbeing: e.g., you may be in ill-health, but your well-being and state of mind has reached an acceptance. Footnote 3 suggests that differences between the SNA and the SHA should be aligned, implying in future the SHA framework should be changed. This would have implications for how meaningful cross-country comparisons of healthcare spending by financing mechanism (ICHA-HF) would be. The best example of deviation between the SHA and the SNA is the inclusion of subsidies in healthcare expenditure estimates. The UK would recommend the International Health Accounts teams at OECD and WHO should receive sight of any recommendations relating to alterations to the SHA framework. Also, there is a reference to SHA 2011 covering age and gender which is not in its constituent analyses.
37. **Paragraph 2.88:** Similarly, to the previous comment, “sense of self-fulfilment, also enhancing well-being” seems to be an assumption. The UK would suggest including information to justify this and is unsure of the well-being link here to this issue.
38. **Paragraph 2.90-2.91:** The UK suggest adding more detail and focus.

Annex 2

A series of global responses from international economists

Jointly prepared by globally leading environmental economists	It may be worth pointing out that the debate about whether the national accounts should provide a measure of welfare or change in welfare goes back to the origins of national accounting. Concepts of GDP and NDP are regularly used in theory and in practice related to welfare, wellbeing, and sustainability. Moreover, leading economists continue to argue for the need for welfare measures extractable from national accounts (e.g., Nordhaus and Tobin 1973; Jorgenson 2018), and this desire can be traced back to Pigou, Fisher, and Kuznets. This appears in paragraph 2.33, and care should be taken there, because there is a long debate about the prime consideration and wellbeing in national income accounting.
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	<p>Many early contributors did believe that national welfare was a prime concern.</p> <p>Also paragraph 2.64 is excellent and should be highlighted earlier. This paragraph focuses on the importance of spatial variation and potentially subnational spatial variation.</p> <p>Paragraph 2.38 and elsewhere confuses flows and stocks that are unmeasured in the SNA with misattribution, where misattribution can be a form of double counting where intermediate goods are not deducted. Paragraph 2.38 uses the example of pollutants saying if there is no penalty when they go uncounted. [...] If a government manages pollution flows on behalf of a community, a reasonable person would interpret the SNA guidance as possible counting a measure of air quality as an asset.</p> <p>Paragraph 2.66 points out that many elements of the SNA related to the environment are seldom implemented. This paragraph should go one step further and emphasize the importance of making in-scope environmentally related transactions visible. This is an opportunity to show that the SNA community has made recommendations to make the national accounts more relevant for measuring wellbeing and sustainability – something countries are asking for. Therefore, countries need to support full implementation of these steps.</p> <p>Along with the discussion of boundaries, is the need to revisit what is a “final” household service. This is somewhat touched upon, but a more careful treatment of defensive expenditure is needed. The discussion about defensive expenditures in national accounting is old. New computational techniques make it feasible to produce accounts with and without defensive expenditures. Paragraph 2.37 is very well written, but stops just short of making this point as clearly as it needs to be made.</p> <p>Use of multiple boundaries is not novel. For instance, the U.S. produces 6 different types of unemployment using multiple boundaries. Furthermore, providing a multiple boundaries framework would help differentiate between a multiple boundaries perspective and “multiple values perspective.” A multiple boundaries perspective enables a non-controversial extension of the marginal value (price) concept to other flows (and stocks) outside the SNA production (asset) boundary. Whereas, the multiple values perspective often sounds like alternative value or price concepts, which will be harder to align with SNA statistics. Failing to clarify where multiple values come from is good for politics but bad for actually progress on measuring wellbeing and sustainability in the national accounts.</p>
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	<p>In writing this chapter care should be taken not to draw flows and stocks out of economic relevance just because they fall outside the existing production boundary (e.g., 2.78).</p> <p>There is a missed opportunity when discussing sustainability. All of the economic theory of sustainability is about real changes over time and not levels. There is a brief mention of real measures. Some explanation of the fact that the supply-use tables do not actually contain changes over time is important, and there is opportunity to better connect to how change over-time (chaining) indices (Fisher Idea, Tornqvist, or other superlative indices) are computed, which is necessary for sustainability measures based on changes in real wealth. For example in paragraphs 2.17 and 2.46, the theory is all about changes in stock not levels. The chapter really should be more clear about this. Section 2.49 is very good and could be improved by linking to the sections on computing real changes and chaining measures that are already used to compute real changes in GDP.</p> <p>Paragraphs 2.42-2.43 needs to be revised to bring clarity to an old and confused debate. The 2008 SNA (and perhaps early) made the unfortunate choice to use the term “exchange value” instead of “exchange price” for a marginal value or price. This has led to comparison to “welfare values,” which is associated with consumer surplus. Change in consumer surplus (consumer surplus can only be measured as a change) generally is not a marginal value – it is an area under a price curve and above the price paid.</p> <p>In 2.43 the statement “whereas welfare values recognize the value...externalities were able to be internalized,” maybe what national accountants think when they think when they write “welfare values,” but this is not what is measured in many welfare focused benefit-cost analysis.</p> <p>In paragraph 2.34 where the sentence reads “relative costs of production .. relative benefits,” this should read “relative marginal costs of production ... relative marginal benefits.” Historically the SNA has been rather sloppy about the terms costs, benefits, values, and prices. This has created a good deal of confusion. What is being measured is prices, which are marginal. Also, in this paragraph, the last sentence seems to contradict the prior one.</p> <p>The chapter could be more transparent about the current shortcomings related to the measurement of unpaid work. Heading 3 Labour through 7 Human capital is about human</p>
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	<p>capital and the flows from human capital. These sections should be better harmonized into a coherent framework. SEEA provides this for ecosystem services and natural capital, which makes the preceding section flow better.</p>
Mexico INEGI	<p>It is suggested that, for the development and approach of accounting approaches for measuring well-being and sustainability, the experience in the compilation and development of the different thematic satellite accounts be considered and mentioned, since some of the approaches discussed in the document, they have already been addressed from the satellite perspective.</p> <p>Introduction:</p> <p>It is not clear whether the recognition of new frameworks and approaches will be included in the SNA update or will only be recognized for independent consultation.</p> <p>B.Approaches to the measurement</p> <p>The well-being approach focused on households limits measurements that are a need expressed by society, such as the role in the economy by sex or age, for example, for this it is advisable to go beyond the measurement border of the existing National Accounting.</p> <p>Considerations in the interpretation of accounting based measures of wellbeing and the connection to welfare values</p> <ul style="list-style-type: none"> • It is probably convenient to define a reduced set of aggregate indicators that combine traditional measures (central framework) with expanded measures of the identified well-being themes. The above could facilitate a more integrated understanding of the inclusion of well-being issues in large economic aggregates. • Considering that well-being values are still a very broad concept and that they can capture economic elements, it would be convenient to define with clear examples in which well-being indicators economic issues can be immersed. To do this, there must be a more robust vision of well-being indicators since this term tends to be very broad and subjective conceptually and in measurement.

	<ul style="list-style-type: none"> Paragraph 2.36. The ruling that the exclusion of services (such as the labor services of people provided free of charge to non-profit institutions) from the production frontier is not a denial of the relevance of the services but a recognition of that its inclusion would restore value, rather than increase it. Does the paragraph refer to intermediate consumption that would imply lower added value? It is suggested to expand the explanation in this regard. <p>C. The role of the SNA sequence...</p> <p>In general, the idea of measuring the well-being of households continues only through the recording of measurable aspects such as income, employment, infrastructure, etc., however, there is no accounting alternative for subjective aspects related to well-being. such as satisfaction with employment, security, or education. In that sense, the proposal of this chapter is very biased to the purely economic field and not to integral well-being.</p>
SingStat	<p>Introduction:</p> <p>It is mentioned respectively in Para 2.2 and Para 2.6 that “The measurement of wellbeing and sustainability involves encompassing and integrating its environmental, social and economic dimensions...” and “... This edition of the SNA does not describe an overarching or inclusive framework for the integration of all aspects of wellbeing and sustainability... Rather, the discussion anticipates that accounting-based approaches can provide a basis for further discussion and research about the integrated measurement of wellbeing and sustainability”.</p> <p>To provide better context, we suggest that the 2008 SNA update team consider mentioning the ‘Central Framework for Inclusive and Sustainable Wellbeing’ proposed by the UN Network of Economic Statisticians in Section A, with further elaboration in Section D or Chapter 34 on measuring wellbeing.</p>
Germany FSO	<p>The purpose of this chapter is not clear. Is it to prepare for the fact that the SNA will in future serve less and less as a system for describing anthropogenic economic activity and instead be developed in the direction of an all-encompassing world model, the scope of which will also include natural processes and social distribution issues? This would be the wrong way to go. At the</p>

	<p>same time, the SNA as a framework cannot have the guiding function to measure the all-encompassing concepts of sustainability or well-being. Following the concept of sustainability, which considers these three pillars - economy, ecology and social issues - equally important, the SNA cannot take on a leading role in this respect. Rather, it would be a building block alongside environmental accounts (which already exist in the form of the SEEA CF and EA) and social accounts, which are to be developed even more closely.</p> <p>Therefore, it would be desirable to make it clear that the SNA is a system for measuring economic activity and not a concept for measuring sustainability, nor is it intended to become one in the future.</p> <p>Introduction:</p> <p>To place sustainability and well-being side by side as "equals" (2.1) contradicts the concept of sustainability, which includes well-being. It would be sufficient to use the UN definition for sustainability as in 2.10.</p> <p>B. Approaches to measuring ..</p> <p>Regarding paragraph 2.36, we want to inform that there is an ongoing discussion in the EU if the own account production of electricity and heating should also be included.</p> <p>General remark regarding section B.2: While the recording of additional environmental stocks and stock changes may be helpful in analyzing sustainability, it does not measure it per se. Even the SEEA does not explicitly claim that it measures sustainability.</p> <p>"Produced capital" in paragraphs 2.12, 2.17, 2.18 (and footnote 1) and 2.31 - the definition of "produced capital" will lead to a confusion. According to paragraph 2.17 and the accompanying footnote (once corrected for typos), we assume that "produced capital" de facto includes:</p> <ol style="list-style-type: none"> 1. produced non-financial assets (excluding natural capital) (AN.1) 2. non-produced non-financial assets (excluding natural capital) (AN.2) 3. financial assets and liabilities (AF). <p>Why is "produced capital" associated with these 3 asset types is questionable (not clear) and preferably should be replaced with some more suitable term (or one can name all the components).</p>
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	<p>There seems to be also a contradiction with paragraph 2.18 saying: “...<i>produced capital falls within the scope of the SNA sequence of economic accounts. The relevant data covers the values of the stock of produced capital and changes in those values including due to investment, depreciation and revaluation....</i>”</p> <p>The paragraph 2.18 then continues “...<i>Some elements related to natural capital are also recorded in the sequence of economic accounts, including benefits arising from and depletion associated with the extraction of mineral and energy resources, cultivated biological resources yielding repeat products, and the harvest of timber and fish resources...</i>” Depletion is not relevant for “cultivated biological resources yielding repeat products”, these are by nature produced (fixed) assets and are supposed to be depreciated except for animals (or at least it was the case in 2008 SNA). Moving them under natural capital in 2025 SNA should not change the fact that they are depreciated.</p> <p>In the same vain, the assets AN.32, AN.4, AN.5 are for some (unclear) reason included in the non-financial asset classification together with other economic assets. This may lead to confusion what is (not) covered in the sequence of economic accounts (i.e. difference between core accounts vs. extensions). To sum up, in 2008 SNA was clear what is in the core system and what is outside, in this chapter 2, it seems to be often blurred.</p> <p>C. The role of the SNA sequence Paragraph 2.61 – this paragraph would deserve some more considerations. “Infrastructure” is a functional category, so far not defined in the SNA and in the paragraph are just some examples. As there is no harmonized functional classification of (fixed) assets in the SNA, the capital stocks related to “infrastructure” will be some national based figures, i.e., not cross country comparable. This is not clear from this paragraph.</p>
Colombia DSCN	<p>Introduction:</p> <p>First, a global articulation is suggested to promote a transformation process at the detailed level proposed by the International Financial Reporting Standards – IFRS, which allows data disclosure beyond the financial and monetary context, involving measures of the assets, costs, and expenses of natural resources with greater disaggregation. This involves specifying accounting information with different approaches, for</p>

	<p>instance, environmental, social, digital and data value, so that an integrated measure of well-being and sustainability is achieved.</p> <p>Secondly, the connections and intersections between economic growth, environmental sustainability and socio-demographic development must be established, hence, facilitating the collection and coordinated processing of the data required for its measurement.</p> <p>Chapter needs to clarify the specific challenges when integrating environmental and social dimensions into the measurement of wellbeing and sustainability.</p> <p>B. Approaches to the measuring...</p> <p>Incorporated accounting approaches consider different aspects of well-being that highlight the need to address the limitations of measures aimed solely at material well-being.</p> <p>Bearing in mind that the measurement of well-being focuses on the lives of people, it is pertinent to have a comprehensive record of information related to the household sector in all its dimensions, including those that are not part of the economic, environmental and socio-demographic measurement frameworks.</p> <p>The following concerns are related to the measurement of well-being and sustainability. They are aimed at reflecting and deciding if it is necessary to develop the answers explicitly in the chapter:</p> <p>What are the aspects of well-being that are beyond the scope of economic account sequences? How can the limitations of material well-being measures be addressed to comprehensively capture "well-being" in its broadest sense? How can approaches be more effectively integrated? Is it contemplated to standardize the basic needs of a household (food, health, education, among others? How?</p>
IMF	<p>Introduction:</p> <p>2.2, final sentence - I think it would be useful to stress that the GDP has had its success as an economic measure because it is derived from a system of accounts, which allows more in-depth analysis. Were the GDP a standalone indicator, it would probably not have achieved such success.</p> <p>2.3, penultimate and final sentences - in terms of style, I agree with the message, but maybe the language should be different if written in a standard. Maybe saying that GDP has been used incorrectly?</p>

	<p>2.6, second sentence - this seems to imply that this is the prerogative of the SNA to describe an overarching framework, which it is not. Rather than saying what is not, it would be better to say what the SNA—and hence this chapter—focuses on.</p> <p>B. approaches to the measuring...</p> <p>2.18, final sentence - are cultivated biological resources natural resources or produced assets in the SNA? Or has the SNA adopted the SEEA classification? Perhaps this could be clarified.</p> <p>2.42 - regarding 'welfare values' - certainly, welfare values are outside of the scope of the SNA but so is the value of ecosystem services using exchange values. I think that here the point is that while ecosystem services valued using exchange values can be compared to outputs of goods and services within the SNA, if they are valued using welfare values, comparisons cannot be made.</p> <p>C. The role of the SNA sequence</p> <p>2.66, first sentence - this should read, 'the environment and its connection with the economy'. This wording makes it clear that the SEEA is the accounting framework for the environment and as such also covers its interaction with the economy.</p> <p>D. Accounting approaches...</p> <p>2.68 - it would be helpful to mention that this section refers to measures outside the scope of the SNA</p>
Italy ISTAT	<p>Introduction:</p> <p>The first sentence of §4 ("This chapter describes the ways in which the SNA can contribute appropriately to the wider objective of measuring wellbeing and sustainability") should be the first of the whole chapter. The three paragraphs before it may otherwise give the impression that the main purpose of the SNA is to measure well-being and sustainability tout-court rather than - as appropriate - give a contribution to it, limited to economic aspects. This limitation should be explicitly mentioned, along with an explanation to how "economic" is defined by the SNA whole system itself.</p> <p>B. Approaches to the measuring ...</p> <p>In §11, a special relevance is given to "The standard economic concept of utility". The text seems to imply that this concept is uncontroversial and at the basis of the SNA. This is not, and should not be, the case. The quoted words may be replaced by "Monetary measurement".</p>

	<p>§43 should highlight upfront that welfare values are a conceptual construct and not an observable phenomenon, differently from prices and quantities involved in transactions. Also, the expression “the value that would accrue to different economic units in a situation where all externalities were able to be internalized” does not seem to reflect the standard definition of welfare values as “exchange value plus consumer surplus” but more the notion of “total economic value” used in Cost-benefit Analysis (the two are related but are not the same).</p> <p>D. Accounting approaches ...</p> <p>§77 “the intent to harmonize concepts” is best served by clarifying the concepts by preserving and emphasising their systemic relation, rather than by obliterating differences by spreading a “capital” blanket on them and trying to “internalise” bits of the SEEA into the SNA. The visibility of environmental issues will not increase: on the contrary, the false perception that economic aggregates are adjusted for environmental damage will prevail and further justify the use as well-being indicators of monetary aggregates largely discredited for that use.</p> <p>§80 All examples concern ecosystem services. This reflects an instrumental view on Nature that is coherent with the capitals approach but not with a laic understanding of ecosystems’ fundamental importance. The most valuable pieces of information the SEEA EA can help frame is not about services but about extents, transitions and conditions. Services measured according to the SEEA EA may grow in physical terms just because more use is made of them (which is not necessarily good news from the ecological point of view). As for monetary aggregates connected to services, they may change for a number of reasons, making the link with sustainability and well-being even less univocal, and weaker. Finally, The SEEA Ecosystem Accounting surely applies an extension of the SNA’s production boundary in chapters 8 and beyond but not – or not necessarily – in its statistical standard part (chs. 1-7).</p>
France INSEE	<p>Introduction:</p> <p>There may be a lack of definition at the beginning of the chapter of what well-being is or is not. [...] It would be appropriate to define the purpose of the exercise and set its boundaries. Many dimensions of well-being are not addressed: fundamental freedoms (such as thinking, expressing, and moving), basic</p>

	<p>capabilities (writing, reading) are not either. This is consistent with the exercise, but it seems necessary to refer from the beginning to the Sustainable Development Goals to clarify what well-being in this context is or is not.</p> <p>C. The role of the SNA sequence</p> <p>This paragraph may be supplemented by the consideration that, ultimately, all wealth in the economy belongs to households, directly or indirectly. This is partly reflected in the SNA financial balance sheet (through the household ownership of corporation shares for example), but not completely. So, it is not only the “household sector’s sequence of accounts” which is at stake here, but truly all sectors.</p> <p>Para 2.62: The expression <i>“not all households are equal”</i> seems inappropriate and may be replaced by <i>“not all households receive the average value”</i>.</p> <p>Para 2.64: This paragraph should be supplemented with a sentence indicating that the variance of income, consumption or wealth within administrative areas can nevertheless be high, if they are not extremely detailed.</p> <p>The last application example <i>“...supporting policy responses in cases of catastrophic events such as floods, hurricanes and storms.”</i> seems a bit farfetched as is. Maybe change for <i>“policy responses in the aftermath of catastrophic events...”</i>?</p> <p>D. Accounting approaches</p> <p>Regarding section 4, the link between 'health care' and well-being is important and needs to be measured, but it's essential to specify that it differs from 'health conditions.' Maybe the text should make a more explicit reference to the discussion “outputs vs. outcomes” in para 2.39.</p> <p>Again, we think it would be really important to mention the issue of leisure time and its value here, otherwise the discussion of the relationship between labour and wellbeing is incomplete.</p> <p>At first sight, the concept of “human capital” does not seem to fit very well into the SNA accounting sequence. Indeed, there is no such thing as “human capital accumulation” in the SNA, for many reasons (the economic flows related to work and related to capital are treated completely differently).</p> <p>As a bare minimum, we think it is therefore necessary that there is a short discussion on this issue here, and as a consequence a reminder that there is no consensus on the very notion of describing labour inputs as coming from “human capital”.</p> <p>But ideally, we suggest that section 7 be removed, and its content partially merged with “6. Education”. In fact, there is no</p>
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	<p>precise definition of human capital. The concept itself is debatable, and its practical measurement is very difficult. Consequently, paragraph 2.75 should be rewritten to mention 5 dimensions (eliminating 'human capital'), and 'labour' should be brought closer to 'unpaid household,' which could be supplemented by including 'leisure time'.</p> <p>By the way, we naturally strongly oppose the inclusion of a new (and void!) “AN.4 Human capital” item in the new balance sheet asset nomenclature (chapter 14).</p>
Japan	<p>B. Approaches to the measuring ...</p> <p>2.39 First, in keeping with the SNA production boundary, material wellbeing is measured in relation to <u>the outputs produced and consumed by households</u> rather than in relation to the outcomes arising from their consumption.</p> <p>In this sentence, it can be interpreted that material well-being should be measured by outputs produced only by households. Japan suggests changing the expression for more clarification.</p> <p>However, I think material wellbeing should be measured by outputs</p> <ul style="list-style-type: none"> • produced by all economic territories (not only by households and but also by other units) • and consumed by the households.
Biodiversity Consultant	<p>B. Approaches to the measuring ...</p> <p>There is not always clarity about which elements of natural capital are addressed in the SNA and the SEEA respectively.</p>
StatNetherlands	<p>B. Approaches to the measuring ...</p> <p>We do not welcome the contrasted presentation of accounting versus indicator sets (2.23). Based on quite long experience and user feedback, at Statistics Netherlands we have come to the conclusion that accounting and indicator frameworks are complementary rather than contradictory.</p>
UNESCO JPO	<p>C. The role of the SNA sequence...</p> <p>The Section C discusses the SNA sequence of economic accounts in measuring well-being and sustainability. However, we need to pay close attention to the well-being of ALL individuals, particularly those engaged in the informal economy, which is mostly prevalent in developing and the least developed countries. According to the IMF, approximately 60 percent of the world's population participates in the informal sector (2021). From the perspective of the Global South, therefore, how will SNA 2025 address the challenges associated with accounting for the income and wealth distribution of workers</p>

	<p>in informal sector? It's suggested to give some answers in this Section.</p> <p>D. Accounting approaches...</p> <p>Given the rapid advancement of digital technologies and the increasing availability of online data, it raises questions about whether innovative data sources like Citizen Generated Data (CGD) will be considered in the SNA. Additionally, it is crucial to address how the well-being of digital labor will be accounted for, and if possible, how to measure the well-being of digital labor by combining both online and traditional data?</p>
Eurostat	<p>General:</p> <p>The main purpose of this new chapter on wellbeing and sustainability is to introduce concepts related to wellbeing and sustainability that are not part of the core system of national accounts (the sequence of accounts). It therefore seems highly questionable to have such a chapter so early in the sequence of chapter, if such a chapter is indeed warranted as sections could meaningfully be merged with existing parts of 2008 SNA. In particular:</p> <p>Chapter 1 (introduction), especially sections D (The boundaries of the SNA), G (Expanding the scope of the SNA) and H (The SNA and measures of welfare).</p> <p>Chapter 29 (Satellite accounts and other extensions), especially sections B.1 (COICOP) B.2 (COFOG), F.2 (environmental accounting) and F.4 (unpaid household activity).</p> <p>Therefore, it should be envisaged to take the relevant paragraphs from this draft and merge them with these existing sections. Such a merging exercise will also expose that many of the paragraphs of this new chapter are already represented in the current 2008 SNA, quite often in a more concise and clearer way. This seems especially relevant as beside this new chapter 2, two more new chapters on more or less the same subject are proposed: chapter 34: Measuring well-being and chapter 35: Measuring sustainability of well-being.</p> <p>If the SNA editors insist on keeping this separate chapter, they should motivate why a merger with existing chapter is not a good idea. Furthermore, within this new chapter they should make references to other parts of the SNA where relevant.</p> <p>Finally the text in this new chapter is sometimes hard to understand as the writers are using terms (e.g. 'non-monetary' and 'produced capital') in different ways as defined in the 2008 SNA. The SNA editors should not use one term to describe two</p>

	<p>different phenomena and hence should find another word for new phenomena. Overall the writing should be more sober in general.</p> <p>A.Introduction</p> <p>In paragraph 2.1 we read: “<i>There can be no doubting the relevance of measuring wellbeing and sustainability for all countries</i>”, what is the idea behind this sentence? It seems a justification for this chapter (and proposed chapter 34/35) without giving an actual justification like “measuring wellbeing and sustainability is important to understand and compare economies and societies”? It is too absolute to. The paragraph continues: “<i>We face a real and growing range of economic, social and environmental challenges including poverty and food insecurity, social and health inequality, climate change and biodiversity loss.</i>” It seems inappropriate to us to write a statistical manual in the plural first-person pronoun form, except for the foreword. Who does the ‘we’ represent that faces all these problems? The authors? The international institutions? The statistical community? The paragraph continues: “<i>In different but related ways these challenges affect our capacity to satisfy the needs of current generations (wellbeing) and to ensure future generations can satisfy their needs (sustainability).</i>” Why in a different way? Poverty and food insecurity, social and health inequality, climate change and biodiversity loss seem to have a direct impact in how we satisfy the needs of current generations (wellbeing) and to ensure future generations can satisfy their needs. The paragraph ends with: “<i>Developing and implementing solutions to these challenges requires that a significant focus be given to the relevant measurement issues by the community of official statisticians and other experts.</i>” ‘The relevant measurement issues’ seems to refer to something, but it is unclear what issues are meant.</p> <p>B. Approaches to the measurement of wellbeing and sustainability</p> <p>On paragraph 2.13 when discussing more details for household consumption regarding the goods and services consumed it might be useful to refer to COICOP.</p> <p>On paragraph 2.15 it seems that with ‘non-monetary’ terms for measuring wellbeing the volume component of transactions is meant (quantities consumed, hours worked, etc). It is not clear</p>
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	<p>what the purpose of this paragraph is as the usefulness (or necessity) of measuring volumes is well established. Moreover, this use of 'non-monetary' is confusingly different from the 'non-monetary' as described in 2008 SNA paragraphs 3.75-3.90 that is reserved to describe barter, remuneration in kind, payments in kind other than compensation in kind and transfers in kind. The SNA editors should not use one term to describe two different phenomena and hence should find another word.</p> <p>On the footnote of paragraph 2.18, we think to understand that the term 'produced capital' is to encompass (some) non-produced assets and financial assets. That is simply very confusing and the authors are advised to find another terminology that is not conflicting with terminology already in use. Furthermore, it is not clear why this term needs to be coined in the first place.</p> <p>On paragraph 2.19 we read this sentence: "<i>The scope of the SEEA covers natural resources, land and ecosystems and includes measurement of the non-market ecosystem services supplied by ecosystems such as global climate regulation, air filtration, water regulation and visual amenity services</i>". First, a lot of terminology is used here that needs explanation and unpacking before the sentence can be understood. Or at the very least a reference to the specific SEEA paragraphs needs to be made. From the SEEA glossary we understand that <i>Ecosystems are areas containing a dynamic complex of biotic communities (e.g., plants, animals and microorganisms) and their non-living environment interacting as a functional unit to provide environmental structures, processes and functions</i> and that <i>"Ecosystem services are the benefits supplied by the functions of ecosystems and received by humanity"</i>. From SEEA paragraph 2.22 we think to understand the 'regulation' in 'global climate regulation' is not meant in the legal sense of making global rules on climate, but rather climatic/chemical way to describe how forests when act as a 'sink' for carbon.</p> <p>Second, it seems that the notion of 'non-market ecosystem services' does not stem from the central framework but is mentioned in the SEEA Experimental Ecosystem Accounting framework (paragraph 5.95. As the SEEA consist of more than one framework it seems better to be precise what SEEA framework is referred to instead of 'the SEEA' for transparency reasons. Furthermore, is this the same notion as non-market as used in SNA (paragraph 6.128-6.132)(as this is not clear to us from SEEA Experimental Ecosystem Framework paragraph 1.3). Probably not. If this is not the same notion of 'non-market',</p>
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	<p>another term should be found in order to mitigate the current confusion. If this is the same notion of 'non-market', and thus entering government production and consumption, what is the link with COFOG, in particular with division 05 (environmental protection) and division 06 (housing and community amenities)? Please note that the 2019 COFOG manual analyses the linkages between the environmental accounts and COFOG functions and that a similar analysis could be made in SNA. Third, is there a link to be made between the activities mentioned in the above sentence and ISIC? Finally, is there a link to the newly proposed (memorandum) item 'ecosystem asset'?</p> <p>On paragraph 2.27 the link between 'unpaid household work' and 'measures of health care expenditure' is not immediately apparent. Is it meant that the care of one household member to another household member could be considered as 'missed' production in the SNA, similar to cooking your own meals? Is it meant that monetary expenditure on health care is a substitute to providing the service within the household? Indeed, it can be considered a substitute in the same sense that taking the train is a substitute for taking the car. However, it cannot be considered the same service as the provision of care by a professional is not the same as the service provided by your loved one within the household. Furthermore, reasoning from an opportunity cost point of view it implies that when the service is provided within the household instead of bought from a health care provider, the value of this internal service should be valued higher than the tariff of the health care provider, as otherwise the household would have bought it on the market.</p> <p>Paragraph 2.35 should refer to the correct naming 'actual final consumption' and not 'actual consumption'. Furthermore, this paragraph is very similar to existing 2008 SNA paragraphs and therefore not adding to the conciseness of the manual. If to be kept it can be merged in for example current 2008 SNA paragraphs 1.76, 6.234, 9.6 or 9.81-9.83 on household actual final consumption.</p> <p>C. The role of the SNA Sequence of economic accounts in measuring wellbeing and sustainability</p> <p>On paragraph 2.57 "investment" is equated to "capital formation". Please use the correct wording 'gross fixed capital formation' (if our proposal is not accepted to drop the 'gross' part in the new SNA as it is fundamentally a net transaction due to disposals). Please reconsider the use of 'investment' throughout the chapter (see also paragraph 2.61) in this way as this is often</p>
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	<p>used to include or solely mean financial assets. Also in the use of 'investment income' (2008 SNA paragraph 7.108) it refers to financial assets.</p> <p>The following sentence in paragraph 2.64 is unclear: "<i>Such spatial information can be of high relevance in understanding the variation in trends in wellbeing across a country but also in terms of supporting policy responses in cases of catastrophic events such as floods, hurricanes and storms</i>". Is meant that the impact of such catastrophic events could be measured and aid the policy responses to the disaster? Such spatial information normally comes with a very large time lag. For example, in Europe the transmission to Eurostat of national account data per region of household accounts (NUTS level 2) is done with a two-year delay. That seems too late to help for most policy responses. If regional data is to be used to assess the vulnerability before the catastrophe indeed such regional data can be used.</p> <p>The following sentence in paragraph 2.66 is unclear: "<i>As well, the accounts will contain data on transactions that can be associated with the environment such as environmental protection expenditure (and associated financing arrangements), environmental taxes and subsidies and payments for access to resources, although these transactions are not usually readily identifiable in standard presentations of the economic accounts</i>". Is COFOG division 5 meant with environmental protection expenditure? Please note that COFOG at group level is readily identifiable in standard presentations of the economic accounts in Europe. If this COFOG division is meant, please rephrase the term 'financing arrangement' as it can easily be misunderstood as to include financial transactions that are not part of the expenditure definition in SNA. If COFOG is not meant, please use another term to avoid confusion.</p> <p>D. Accounting approaches for the measurement of wellbeing and sustainability</p> <p>In paragraph 2.77 we read this sentence: "<i>The significant advancements in the SEEA since 2010 have provided important inputs to the update of the SNA with the intent to harmonize concepts, increase the visibility of environmental issues and refine valuation concepts and methods in the context of both statistical frameworks.</i>" We suggest adding "where possible" after "<i>harmonize concepts</i>". It should be stated that different accounting frameworks are in place to measure different phenomena, therefore leading to different definitions that should</p>
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	never be harmonised. The only thing that should be assured is that not the same terminology is used for these different phenomena. For example consistently refer to ‘economic asset’ and ‘environmental asset’ instead of just ‘asset’.
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United Nations. (2023)
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https://unstats.un.org/unsd/nationalaccount/aeg/2023/M24/M24_4F_Chapter34.pdf

NZ Treasury. (2023)
He Ara Waiora is a framework that helps the Treasury to understand waiora, a concept that relates to Māori perspectives on wellbeing and living standards.
<https://www.treasury.govt.nz/information-and-services/nz-economy/higher-living-standards/he-ara-waiora>

2025 SNA Joint Chapter 26 and BPM Chapter 17: Islamic Finance - UK Response

NSCASE(24)05

General Comments

1. Generally, the UK is satisfied with the Chapter and the editors have done well to consolidate the information.
2. There are areas where the text is quite dense which could be made clearer with tables or the occasional worked example particularly on separating Islamic from non-Islamic financial activities and examples from Islamic countries.
3. One example of 'density' is a potential ambiguity at para 26.44: '*...they are shown as payable by the beneficiary to the fund...*' where this wording could mean: either 'payable by the beneficiary of the fund...'; or, 'payable to the fund by the beneficiary...'. (The first seems intended.)
4. The UK note that a compilation guide may be useful to have.

Specific paragraph comments

S.14 Household – S.15 NPISH

5. The chapter correctly identifies that a major part of Islamic finance is charitable donations by Muslims, but it would be helpful to consider a worked example table to bring out the specific links between the S.14 Households sector and S.15 Non-Profit Institutions Serving Households (NPISH), and between the different financial corporations subsectors. For insurance for example it notes that some of the money contributed will be in the form of donations, but the chapter fails to address how to map out these transactions from S.14 to S.15, while at the same time retaining the financial investment / pooling part of the transaction that remains within S.12 Financial Corporations.

S.127 Captive Financial Institutions and Money Lenders

6. Typically, S.127 consists of holding companies with some money lending using lenders own assets rather than raising funds to lend in the market.
7. Further guidance would be helpful on how to separate how Waqf funds religious / charitable endowments from S.15 NPISH and the transactions with S.14 Households. This is a prime example of where a single paragraph of text would benefit from worked examples.

Other Comments:

Banking – separation / disclosure

8. The UK express some concern with level of detail. The UK note that the extra detail could risk being disclosive but also note that this is down to the complier on whether to show the particular items.
9. There is also the issue of how to correctly identify some of these activities, for example in the case of restricted investment accounts that are S.124 NMMFs the money is channelled through an Islamic bank, how to separate S.122 Banks from S.124 investment funds? Chapter 26 does not provide any guidance any examples of how this is currently done in practice.
10. Hajj funds potentially create disclosure issues. Hajj funds will be drawn down as Hajj approaches and built up during the remainder of the year. Given the nature of the restricted financial instruments these Hajj funds can invest in there may be disclosure issues in official statistics.

Other paragraph specific comments

11. Para 26.19 and 26.42 - The paragraph states "Islamic investment banks and investment companies are included in Other financial intermediaries (S125)." This may be true for some jurisdictions, but I wouldn't go as far as to state that the classification applies for all jurisdictions. In the UK for example, if the institution had a deposit taking license it would be deemed to be a deposit-taking corporation (S122).
12. Para 26.39 – There is mention that "Intermediation services employ FISIM methodology to estimate output". Given the known challenges around FISIM, would it be worth mentioning that "*where market output is not separated from non-market output, the whole of the output of the central bank should be treated as non-market and valued at the sum of costs.*"
13. Para 26.83 – Typo "Their use".
14. Para 26-87 – Incorrect reference to para 26.74 whereas it should be 26.70.

Updates January 2024: Crypto-Assets without Corresponding Liability

NSCASE(24)03

Introduction

1. This paper provides a brief update on the SNA 2025 proposed treatment of crypto-assets without corresponding liability.

Scope of the proposal

2. This proposal is one of the most contentious of the SNA revision process because crypto-assets without corresponding liability (CAWL) (e.g. bitcoin) do not cleanly meet the principles used to be allocate an asset to be a financial asset. We have presented significant evidence that the inclusion of a 'quasi-financial'¹ asset such as CAWL or non-monetary gold as a produced asset causes significant issues in terms of volatility impacting National Accounts and the Balance of Payments.
3. International Organisations have strong and conflicting positions which have led to a 'compromise' recommendation to set CAWL as non-produced non-financial assets.

Background

4. CAWL is an issue where the UK submitted significant evidence to the UN revision process, primarily due to the similarities with non-monetary gold, another 'quasi-financial' asset, which has caused the UK significant challenges and which NS-CASE has resolved in the absence of non-monetary gold being considered by the SNA 2025 process.
5. The UK's primary fears around presenting these assets as produced assets is that CAWL are assets with a high degree of price volatility which when compounded by the concentrations of trading volumes into 'exchanges', which serve the purpose of credible market-places, means that a country with such an exchange may find their national accounts being materially affected. Whilst the UK is not in this position, the challenges around non-monetary gold suggest it would not be wise to expose particularly smaller economies to this challenge.

¹ We are using this in an informal sense to describe assets which are not recognised as financial assets by SNA 2008, but which in their usage and nature have characteristics akin to a financial asset, primarily as means of exchange / mediums of payment and as a store of value.

Challenges

6. There are two primary challenges arising from the current compromise proposal.
 - a. There has been discussion around three quasi-financial assets, each of which has no corresponding liability. The proposed treatments of these are inconsistent:
 - i. Non-monetary gold – produced, non-financial asset
 - ii. CAWL – non-produced, non-financial asset
 - iii. Tradeable emissions permits – financial asset
 - b. By making CAWL a non-produced asset the energy, ICT and labour inputs which go into its creation need to be accounted for. The proposed treatment is that these are used in algorithm solving services, which are then bartered for pre-existing CAWL. The argument is essentially that CAWL have always existed as a metaphysical concept, but only began to be bartered in this context. How to address what could be large-scale and volatile barter transactions again needs further consideration.

Next Steps

7. The most significant challenge in this space is this proposal remains draft. The SNA process has noted that it may re-open this proposal if significant market regulators change their treatment of these assets to better reflect market realities. Given recent issues concerning major US crypto-exchanges, this is not inconceivable, so we await to see a finalised proposal for NS-CASE to consider.
8. In the main we have considered issues within either the non-financial or financial sides of the Accounts, whereas this has the potential to see a change crossing this barrier, which would have impacts on net lending and borrowing and may have wider implications.

Timeline

9. As with the rest of the chapters we expect to see final drafts in 2024 for sign-off at the UN Statistics Commission of February 2025. We should therefore be able to have greater clarity in the coming year.

Updates January 2024: The Quality Adjustment of Public Services

NSCASE(24)04

Introduction

1. This paper provides a brief update on the proposal to re-introduce quality adjustment of public services into the National Accounts. The Office for National Statistics (ONS) is now working with HM Treasury and other government departments to improve both our data sources and our methods. A series of outputs have been and will continue to be produced to show the work being done. Conversations have started with National Accounts colleagues mapping the processes involved in incorporating Quality Adjustments into National Accounts.
2. This paper provides a brief update on the proposal to re-introduce quality adjustment of public services into the National Accounts. It will present the actions taken following the April's discussion with the National Statistician's Committee for Advice on Standards for Economic Statistics NSCASE(23)12 ([NSCASE, 2023](#)) and how we embed these in the Public Service Productivity Review (PSPR) framework which has started in July 2023.

Scope of the proposal

3. This proposal focuses on the measures of non-market output of public services, which are either 'free at the point of delivery or provided without economically significant prices', such as social protection, education, and healthcare services.
4. We have proposed to re-introduce quality adjustment of public services to the National Accounts and changes to align with the System of National Accounts 2008 (2008 SNA). This would result in:
 - quality adjustments being applied to chain volume measured (CVM) estimates of public service output.
 - current price estimates would remain unchanged.
5. Our previous paper has described the conceptual issues and the importance of such adjustments. We have also highlighted that agreement would imply significant development investment by Office for National Statistics (ONS) to operationalise this decision. Recent internal discussions bring us to estimate this implementation after 2028.

Feedback from the NSCASE Committee in April 2023

6. This proposal was discussed in April 2023, and the Committee had accepted all recommendations presented. During the meeting, it was also highlighted that the Committee would like to be updated on the implementation of the Committee's recommendations and on how decisions were being taken through the ONS. The Committee has also asked ONS to continue the research of quality measures data across the Devolved Nations, recommending not treating English data as representative of the UK except where absolutely necessary.

Background of the proposal

7. In the United Kingdom, around 20% of gross domestic product (GDP) is accounted for by the output of public services. Other G7 countries record similar magnitudes (ranging from 19% to 24%), with the only exception being the United States, which is around 14%. Accurate measurement of these services is a common issue affecting all countries.
8. The UK has been working to improve its methods since the 1990s, leading to a seminal moment in 2005, when Sir Tony Atkinson delivered an independent review of the measurement of government output in the national accounts ([Atkinson, 2005](#)), which argued for a coherent framework of quality adjustments being applied to strong measures of public service output as the optimal method. This publication, alongside earlier UK work, and European developments, informed the development of the System of National Accounts 2008 (2008 SNA) in how to conceptualise and then empirically measure the outputs of public services contained in GDP, in line with practice in the UK and selected European countries, which had taken this one in the early 2000s.
9. From the late-2000s, however, international guidance diverged. Whilst the 2008 SNA permits quality adjustment, based in part on the European experience, the subsequent European System of National Accounts 2010 (ESA10) moved to reject this approach due to the challenges of ensuring comparability.

What has been done since the last meeting?

10. In June 2023, the Chancellor of the Exchequer asked Sir Ian Diamond, the National Statistician, to undertake a review of public service productivity (PSPR).

11. The Office for National Statistics (ONS) is now working with HM Treasury and other government departments to improve both our data sources and our methods, to ensure we capture changes in productivity across the public sector in a better and consistent way.

First outputs of the PSPR: [Public service productivity, UK: 1997 to 2022](#)

12. The first output of this review overviews the UK annual public service productivity (between 1997 and 2019) and introduces new experimental measures for the path of annual UK public service productivity 2021 and 2022 ([ONS, 2023](#)).
13. We utilise two experimental components. The first method analyses the baseline trend taken from the existing annual total public service productivity data (available from 1997 to 2020) to understand the long-term potential of productivity growth. We calculate baseline growth rates for 1997 and 2019 for Total Public Service productivity and three particular services areas: healthcare, education, and public order and safety. This method aims to provide insight into the current underlying trend in public service productivity, to better policymakers' ability to measure future performance.
14. Given the lag in which official estimates of public service productivity are currently produced, the second method is a nowcast estimate for public service productivity in 2021 and 2022, based on both the existing annual data and the quarterly public service productivity data. The quarterly data are currently available for the period Quarter 1 1997 to Quarter 2 2023 and are without quality adjustment. The nowcast estimate we developed estimates the annual data based on the observed quarterly and annual data. Nevertheless, they should be considered as experimental and subject to further updating: our work on the Public Services Productivity Review will continue to evaluate other nowcasting methods as well as identifying new data sources.
15. Our first findings have been prepared for the Chancellor's Autumn Statement, with the project expected to run over two years. Further details of both methods can be found in [Public service productivity, UK: 1997 to 2022](#) ([ONS, 2023](#)).

Second outputs of the PSPR: Methodological article

16. Alongside the bulletin on Public service productivity, UK: 1997 to 2022 ([ONS, 2023](#)), we have published an updated Quality and Methodology article (QMI) ([ONS, 2023](#)), which includes the main information on the public service productivity releases, including strengths and limitations of the data, methods

used, and data uses and users.

17. The QMI is the first publication which summarises all the changes made to the measurement of public services in the years affected by the COVID-19 pandemic.
18. As a result of the coronavirus (COVID-19) pandemic, notable adjustments, which included alteration of data sources and methods, were required to capture non-quality and quality adjusted output that reflected activities for separate service areas. Adjustments were performed predominantly because of the lack of conventional data (for example, GCSE attainment data which are used for quality adjustment in education), and to capture additional activities that arose because of the coronavirus pandemic. The adjustments applied were specific to individual service areas and are described throughout the QMI article.

Looking forward

Third output of the PSPR: improvements on Total PSP

19. The third output of this review will be to implement a series of improvements to the measure of inputs and output for various services of public service productivity. We are working on the following service areas:
 - **Healthcare:** We are collaborating with the Department for Health and Social Care (DHSC) to undertake a comprehensive review and, whenever it is possible, an improvement of healthcare inputs (e.g. intermediate consumption), outputs (e.g., adding new outputs) and quality adjustments (e.g. Quality of Outcomes Framework (QOF), patient satisfaction).
 - **Police:** Policing is currently measured using an “inputs-equals-output” approach. The key aim of the review is to move away from method, in an iterative approach. The first stage is a detailed investigation of possible outputs and inputs for police. For outputs, which is our main focus, we have begun identifying potential key sources of data. We are working closely with the Home Office and His Majesty’s Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) to evaluate any possible outputs and inputs that we identify. We are also researching how police productivity is measured internationally.
 - **Education:** We are currently reviewing the outputs, inputs and quality adjustments used in Education. In the first instance, we are focusing intermediate consumption inputs, labour inputs, Further Education/Higher Education input classifications, the scope of education outputs (i.e., Post-16), and existing COVID adjustments.

- **Public Order and Safety:** As the first stage of the review Public Order and Safety is focusing on the refinement of COVID adjustments.

Implementation of changes to National Accounts

20. We have started the conversation with National Accounts colleagues mapping the processes involved in incorporating Quality Adjustments into National Accounts. It is not a straightforward process, as their system is more complex than ours (partially because they use the central shared database (CSDB) and Central ONS Repository for Data (CORD)), and it needs to take into consideration a number of measures used to create the final GDP. Discussions have begun as to how it could be incorporated into the current National Accounts system, and some of the technical decisions that need to be made (e.g., quality adjusting individual items of aggregated indices).

Collaborations

21. Over the last few months, we have had several introductory meetings and workshops with other government departments (OGDs) and experts on public service areas, where we have discussed the improvements and the priorities. We have scheduled weekly meetings with colleagues in OGDs to discuss progress and issues.
22. We have initiated discussions with government departments in England to review measurement improvements for England. Simultaneously, we will be collaborating with devolved administrations to share best practices and determine necessary data sources for improving estimates in Scotland, Wales, and Northern Ireland. This is to allow National Accounts to incorporate UK wide measurement improvements in the future.
23. The PSPR is overseen by a sponsorship group made up of the National Statistician and permanent secretaries from HM Treasury. There is also a steering group co-chaired by the Chief Economist at the ONS and Director of Public Spending at HM Treasury.

Timeline

24. The introduction of the quality adjustment of public services into the National Account requires a system development.
25. ONS will focus on developing the NA system for the quality adjustment after the Public Service Productivity Review (PSPR) is finalised. The PSPR is expected to run over the next two years.

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Updates January 2024: The statistical recording of the Bank of England Asset Purchase Facility

NSCASE(24)06

Introduction

1. This briefing paper was prepared by members of public sector division in ONS and is provided to address questions raised by NSCASE members which were prompted by discussions that took place in the context of the adoption of the Manual on Government Deficit and Debt 2022.
2. Members of NSCASE are asked only to note the contents of this paper as the ONS does not seek advice on this topic.

Background

3. The Bank of England's Monetary Policy Committee (MPC) initiated a programme of quantitative easing in 2009. The Bank of England created a vehicle called the Bank of England Asset Purchase Facility Fund Limited (BEAPFF) to conduct quantitative easing. The BEAPFF was established as a wholly owned subsidiary of the Bank of England on 30 January 2009.
4. The Bank of England issues central bank reserves and lends the proceeds, at Bank Rate, to the BEAPFF. The BEAPFF then uses these proceeds to purchase financial assets. The majority of the assets acquired by the BEAPFF were UK government gilts bought on the secondary market, with a range of maturities that largely reflected the composition of the gilt market.
5. The activities of BEAPFF are fully indemnified by HM Treasury, so any financial losses of BEAPFF are borne by HM Treasury, and any gains are owed to HM Treasury. It was initially envisaged by the Bank of England and HM Treasury that the payments due under the indemnity would be settled when quantitative easing ended, and the assets were sold.
6. Over time, the BEAPFF received large interest (coupon) payments from government on the gilts it holds, which far exceeded the interest paid (at Bank Rate) on the Bank of England loan. This created large cash reserves inside the BEAPFF. These cash reserves were initially retained by the BEAPFF to cover any losses made when this programme of quantitative easing was unwound, and the gilts sold back to the market.
7. On 9 November 2012, a joint announcement ([BOE and HMT, 2012](#)) was made by the Bank of England and HM Treasury stating that the cash reserves held by BEAPFF would be transferred to HM Treasury, and that from March 2013, additional regular quarterly payments would be made to prevent further build-up of cash reserves. These payments continued until July 2022, by which time a cumulative total of £123.9 billion had been transferred from BEAPFF to HM Treasury ([ONS, 2023](#)).

8. The Bank Rate has risen sharply during 2022 and 2023, meaning the BEAPFF now makes cash losses for two reasons: the interest earned on its gilt holding is less than payments on its loan; and quantitative easing is winding down meaning gilts held by the BEAPFF are being sold, crystallising holding losses.
9. Due to the 2012 cash management agreement ([BOE and HMT, 2012](#)), BEAPFF losses are covered by HM Treasury by transferring money on a quarterly basis. The first of these payments was made in October 2022, and by the end of October 2023, a cumulative total of £38.2 billion had been paid by HM Treasury to BEAPFF ([ONS, 2023](#)).
10. Estimates of the overall net position of the BEAPFF are highly uncertain and highly sensitive to the assumptions made by forecasters. In November 2023, the Office for Budget Responsibility ([OBR, 2023](#)) updated their estimate of the cumulative net lifetime loss of the BEAPFF to £126.0 billion, which was £63.4 billion more than was estimated in their July 2023 Fiscal Risks and Sustainability report (based on assumptions from the March 2023 forecast).

Statistical classification of units and flows

a) Bank of England Asset Purchase Facility Fund Limited (BEAPFF)

11. ONS considered that BEAPFF did not meet the criteria to be an institutional unit and it was therefore classified with its controlling body, the Bank of England ([ESA, 1995 2.13\(c\)](#), unchanged in [ESA, 2010](#)), in the Central bank subsector (S.121). As such, the Bank of England is classified as a Public financial corporation, which means it falls within the public sector boundary, but outside the General government sector.

b) Flows from BEAPFF to HM Treasury

12. Following the changes to the cash management arrangements in November 2012, when cash reserves began to be paid to HM Treasury, ONS considered all the relevant guidance to determine in which category these flows should be recorded ([ONS, 2016](#)). More specifically the guidance about super-dividends applies ([MGDD, 2019](#), Chapter 3.5; unchanged but in Chapter 3.6 of [MGDD, 2022](#)).
13. [MGDD 2022](#), 3.6.2.1, 8 states “Super-dividends are different in nature from dividends, as they are paid out of accumulated cash reserves, accounted for in the own funds of the corporation. Any withdrawal from own funds is to be recorded as a withdrawal of equity (F.5), at least for the amount in excess of the distributable income of the accounting year.” The distributable income, or entrepreneurial income, is also defined by the statistical guidance, and this amount determines the threshold.

14. Therefore, these flows are recorded as dividends, until the amount reaches a defined threshold in a year. Any amounts paid which exceed that threshold are recorded instead as a withdrawal of equity. Of the total of around £124 billion transferred from the BEAPFF to HM Treasury between 2013 and 2022, about £98 billion was recorded as dividends and the remainder as withdrawals of equity.

c) Flows from HM Treasury to BEAPFF

15. ONS also considered the fact that under the indemnity, and when gilts mature and are sold back to the market (crystallising holding losses), there were likely to be future payments from HM Treasury to BEAPFF. It was agreed that the Capital Injections into Public Corporations guidance, in Chapter III.5 of the ESA95 MGDD, currently in [MGDD 2022](#), Chapter 3.2, was appropriate. Essentially, as the payments are triggered by losses, they should be recorded as Other Capital Transfers (D.99). For further details, see [MGDD 2022, Chapter 3.2 and paragraph 12](#). The first such payment was made in October 2022.

d) Eurostat

16. In February 2013, ONS formally sought Eurostat's advice on the UK's classification decisions. Their preliminary view was that they were content with the guidance ONS has applied, including the application of the super-dividend test and the capital injections test, with Eurostat reserving the right to reconsider if the implementation of the operational approach changed. This view was confirmed by published letter ([Eurostat, 2013](#)) and Eurostat did not subsequently reconsider their advice.

e) Indemnity guarantee provided by HM Treasury for the BEAPFF

17. The guarantee provided by HM Treasury to indemnify the BEAPFF against losses is treated as a contingent liability, because it is uncertain whether the guarantee will be called.
18. The European System of Accounts 2010 ([ESA, 2010](#)) paragraph 5.08 provides a definition: "Contingent assets and contingent liabilities are agreements whereby one party is obliged to provide a payment or series of payments to another unit only where certain specific conditions prevail. As they do not give rise to unconditional obligations, contingent assets and contingent liabilities are not considered as financial assets and liabilities."
19. The System of National Accounts 2008 ([SNA, 2008](#)) paragraph 11.23 states "...A contingent liability is one where the size of payment may or may not be known with certainty but there is uncertainty about whether there will be a payment required or not."
20. Contingent liabilities are not generally recorded within the core national accounts framework ([ESA, 2010 paragraph 5.11](#) and [2008 SNA paragraph](#)

[11.22](#)). The exception cited for standardised guarantees (those issued in large numbers, usually for small amounts) is not applicable to this indemnity guarantee, which is instead a one-off guarantee. Public sector finances statistics also follow the national accounts definitions.

21. The SNA 2008, ESA 2010 and the IMF Government Finance Statistics Manual (GFSM) acknowledge that contingent arrangements have an economic impact for the parties involved. These manuals all recommend that information be presented as supplementary data or memorandum items.

Recording the BEAPFF in fiscal statistics

a) Public sector net borrowing

22. Public sector net borrowing (PSNB) is a flow measure, quantifying the gap, in each time period, between expenditure and receipts on an accruals basis.
23. At the whole public sector level, the flows between government (including HM Treasury) and the Bank of England (including BEAPFF) consolidate or cancel out, resulting in no impact on public sector net borrowing.
24. The flows between government and the BEAPFF include interest (gilt coupon payments), dividends, and capital transfers, and they are all reported within the ONS public sector finances release and accompanying tables (specifically Table PSA9B) ([ONS, 2023](#)).
25. There are two flows related to the BEAPFF that cross over the public sector boundary. One is the interest that is paid (at Bank Rate) on the central bank reserves that were issued at the outset to fund the purchase of financial assets. This interest is paid by the Bank of England to the private sector and is part of public sector expenditure. The other such flow is the interest that is received on corporate bonds held by the BEAPFF. This interest is paid by the private sector to the BEAPFF and is part of public sector receipts. It is the net impact of these two flows that contributes to public sector net borrowing.

b) Public sector net debt

26. Public sector net debt (PSND) is a stock measure, representing the amount of money the public sector owes in the form of loans, debt securities (mainly gilts), deposit holdings and currency, net of liquid financial assets held.
27. At the whole public sector level, after consolidation, the impact on the level of public sector net debt at a point in time comes from the difference between the central bank reserves created for the BEAPFF to purchase its gilts (at market value) and the redemption value of those gilts. At the end of October 2023, this difference stood at £104.9 billion ([ONS, 2023](#)).

28. If a gilt is sold by the BEAPFF to the private sector rather than being held until redemption, the difference between the achieved sale price and the original purchase price of the gilt (at respective market values) results in a cash loss (or surplus) for the BEAPFF, and this contributes to public sector net debt at the time of the sale. The proceeds from gilt sales are then used to extinguish central bank reserves created to purchase the gilts.
29. Further, the net interest flows with the private sector have an impact on debt, through the financing of the cash loss (or surplus) for the public sector.
30. A breakdown showing the contribution of the BEAPFF to public sector net debt is published within the ONS public sector finances release and accompanying tables (specifically Table PSA9A) ([ONS, 2023](#)).

c) Other fiscal statistics

31. ONS publishes a range of fiscal statistics to provide a fuller picture of the public finances and to meet differing needs. While the headline measures of the public sector finances include the Bank of England (and therefore the BEAPFF), we also publish borrowing and debt statistics which exclude the Bank of England. A notable example is public sector net debt excluding both the public sector banks and the Bank of England (PSND ex BoE), and this, given as a percentage of gross domestic product, is the measure chosen for the UK government's fiscal mandate.
32. Alongside the public sector finances release, ONS publishes supplementary data, including a presentation consistent with the IMF Government Finance Statistics framework ([ONS, 2023](#)). Although the GFSM framework includes a statement for contingent liabilities, including memorandum items for a category including indemnities, ONS does not currently compile statistics for those items. In the long-term, we aim to introduce a statement for contingent liabilities within our GFSM tables once wider development work has been completed.

d) Bank of England Asset Purchase Facility Quarterly Report

33. In the interests of openness and transparency, the Bank of England publishes a quarterly report on the transactions carried out as part of the Asset Purchase Facility. The reports are published shortly after the end of each quarter ([BOE, 2023](#)).

e) Commentary by the Office for Budget Responsibility (OBR)

34. The OBR provides forecasts for the flows to and from the BEAPFF within their Economic and Fiscal Outlook ([OBR, 2023](#)). A summary is provided in Box 4.5 together with a chart to illustrate both the position to date (using ONS data) and the latest forecasts for future flows. An equivalent analysis also appears in the OBR Fiscal Risks and Sustainability report. Accompanying commentary

emphasises the estimates of the lifetime cash flow of the BEAPFF are highly uncertain and highly sensitive to assumptions.

Ongoing development work

35. In ONS, we are undertaking development work to improve our statistics for the Bank of England, including the BEAPFF, within the public sector finances. We aim to improve the precision of our monthly statistics by using monthly data sources for variables which are presently estimated using annual data. This would also improve the accuracy of consolidation between the accounts of the Bank of England and the BEAPFF. Although important, these improvements will not change the underlying concepts or methods or affect the content of this briefing paper.

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Referenced Chapters

MGDD 2022, Chapter 3.2.2.2. Para 12

When the corporation has accumulated net losses or, made 'one off' losses, as a general rule, the capital injection is treated as a non-financial transaction for its full amount.

ESA2010 - 2.13(c)

The following principles apply whenever an entity does not possess the characteristics of an institutional unit:

- (a) households are deemed to enjoy autonomy of decision in respect of their principal function and are, therefore, institutional units nonetheless, even though they do not keep a complete set of accounts;
- (b) entities which do not keep a complete set of accounts, and are not able to compile a complete set of accounts if required to do so, are not institutional units;
- (c) entities which, while keeping a complete set of accounts, have no autonomy of decision, are part of the units which control them;

ESA2010 - 5.11

Although contingent assets and contingent liabilities are not recorded in the accounts, they are important for policy and analysis, and information on them needs to be collected and presented as supplementary data. Even though no payments may turn out to be due for contingent assets and contingent liabilities, a high level of contingencies may indicate an undesirable level of risk on the part of those units offering them.

SNA08 - 11.22

Many types of contractual financial arrangements between institutional units do not give rise to unconditional requirements either to make payments or to provide other objects of value; often the arrangements themselves do not have transferable economic value. These arrangements, which are often referred to as contingencies, are not actual current financial assets and are not recorded in the SNA. The principal characteristic of contingencies is that one or more conditions must be fulfilled before a financial transaction takes place. One-off guarantees of payment by third parties are contingencies since payment is only required if the principal debtor defaults. Until the default is evident, the value of the one-off guarantee should be shown as a memorandum item. Loan commitments provide a guarantee that funds will be made available but no financial asset exists until funds are actually advanced. Letters of credit constitute promises to make a payment conditional upon the presentation of certain documents specified by contract. Underwritten note issuance facilities (NIFs) provide a guarantee that a potential debtor will be able to sell short-term securities (notes) that he issues and that the bank or banks issuing the facility will take up any notes not sold in the market or will provide equivalent advances. The facility itself is contingent, and the creation of the facility gives rise to no entry in the financial account. Only if the underwriting institution is requested to make funds available will it acquire an actual asset, which is recorded in the financial account.