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For discussion

## CM.2 Terminology and Branding of the Economic Accounting Statistical Standards: Outcome of Global Consultation

Prepared by the Communication Task Team (CMTT)

INTERNATIONAL MONETARY FUND



## CM.2 Terminology and Branding of the Economic Accounting Statistical Standards: Outcome of Global Consultation<sup>1</sup>

*The global consultation<sup>2</sup> sought to ascertain views on the (i) proposals to harmonize the terminology and definitions across the System of National Accounts (SNA), the Balance of Payments Manual (BPM), and the Government Finance Statistics Manual (GFSM); (ii) proposals to amend (and harmonize) the labels of some of the key statements/accounts across the domains; (iii) proposed user-friendly terms and definitions to replace or supplement existing terms and definitions across the manuals; and (iv) proposals to streamline the use of the “gross” term and give more prominence to the “net” term in the SNA and other domains. The consultation showed that majority of respondents agreed with the objective of the guidance note (GN) and specifically with most of the key proposals. Nevertheless, the respondents provided several valuable suggestions to further harmonize the terminology of the economic accounting statistical standards that should be reflected in the final GN, to the extent possible.*

*In this meeting, the outcome of global consultation is presented so that the IMF’s Committee on Balance of Payments Statistics (the Committee) and the Advisory Expert Group on National Accounts (AEG) can take a final decision on the proposed changes to the GN.*

### SUMMARY OF GLOBAL CONSULTATION

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1. **Almost all respondents agreed that there is a need for greater harmonization in the terminologies across statistical domains.** Users agreed that more consistent terminology would promote better communication and provide additional benefits for non-specialist users. However, some users cautioned that some of the proposed changes in the guidance note (GN) could conflict with wider uses of the terms outside (statistical standards). Additionally, some respondents noted that a change of established account labels may require greater effort to sensitize users. In these cases, the respondents advocated solely for a user-friendly glossary (to support the statistical standards) to help users understand commonly misunderstood technical economic accounting concepts and methods.

### HARMONIZATION OF CONCEPTS

2. **After reviewing the terminology to communicate certain key concepts in the System of National Accounts, 2008 (2008 SNA), the Government Finance Statistics Manual, 2014 (GFSM2014), and the Balance of Payments and International Investment Position Manual, sixth edition (BPM6), the CMTT proposed the harmonization of several key terms**

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<sup>1</sup> Prepared by the Chair and Secretariat of the CMTT.

<sup>2</sup> The joint global consultation on the GN *CM.2 Terminology and Branding of the Economic Accounting Statistical Standards* took place during December 2021–February 2022 and received a total of 60 responses from 48 economies and international organizations (see Figure 1 for geographical distribution of responses). The responses represented the views of national accounts, balance of payments, and government finance statistics compilers. Respondents from European economies had the largest participation (46 percent), followed by those from Western Hemisphere countries (22 percent), Asia and Pacific countries (13 percent), Middle East and Central Asia countries (12 percent), and from Sub-Saharan Africa (seven percent).

across the domains (shown in Annex I/Table 1). Although the list is not exhaustive, they represent key areas in which different terms are used to communicate similar concepts across the domains.<sup>3</sup>

3. **On average, majority of the respondents agreed with all the proposals, particularly in the context of the SNA (see Annex I/Table 1).** However, some respondents were less convinced that terms such as *revenue* and *expenditure* would be appropriate in the context of the balance of payments—specifically for the income accounts. Likewise, a minority of respondents were not in favor of changing “expense” to “expenditure” for the GFSM, as this may lead to further confusion among users and create the need for extensive distinction between current and capital expenditure in the standard.<sup>4</sup> Likewise, it would be useful to clarify that these proposals do not apply to the *assets* and *liabilities* in the financial accounts.

#### CHANGES TO ACCOUNT LABELS

4. **The 2008 SNA provides a comprehensive set of interconnected tables and “accounts” that elaborate the composition of production, income distribution, income use, capital formation, and financing.** However, some of the titles of the accounts in the 2008 SNA (which also correspond to some titles in the *BPM6* and *GFSM2014*) are somewhat cumbersome from a communication standpoint. Therefore, the CMTT proposed to change the label of the term “accounts” across the statistical standards, to ensure that sufficient specificity is added to the label. As such the proposals are (i) amend the label of the “SNA accounts” to “economic accounts”; (ii) amend “GFS statements” used in the GFSM to “government finance accounts”; and (iii) “balance of payments”/“International investment position” used in the BPM to “balance of international payments” and “international investment accounts”, as appropriate. Stemming from these proposals, the CMTT also proposed to update the labels of the groups of economic accounts.

5. **Majority of the respondents generally agreed with (or were neutral) on the proposed changes to account labels (see Annex I/Table 2).** However, the proposals to change the label “*balance of payments/international investment position*” to “*balance of international payments/international investment accounts*”, the *allocation of primary income account to the earned income account*, the *use of disposable income account to the use of income account*, and the *use of adjusted disposable income account to the use of adjusted income account* were not well supported. Respondents supported the term “balance of international payments” but strongly preferred to maintain “international investment position”. They argued the historical consistency of these terms as well as the fact that “international investment position” lends to users’ understanding of the “stock” nature of the accounts. Some respondents suggested the term “balance of international transactions and stock of external assets and liabilities” instead.

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<sup>3</sup> These do not include the intentional differences between the terms used in the *GFSM2014* and the 2008 SNA.

<sup>4</sup> Expenditure is currently defined in the *GFSM2014* as the sum of expense and the net investment in nonfinancial assets and is presented as an additional aggregate in the statement of operations.

6. **Respondents agreed that the terms “primary” and “secondary” are not user-friendly and do not provide much information on the contents of the accounts.**

However, some requested additional clarification on the proposed terminology for the balancing items in these accounts. For the secondary distribution of income account, an alternative proposal is the *current transfer income account*. From balance of payments perspective, some respondents were against another change in the label of these accounts (since the labels were harmonized in the last update of the SNA and BPM), without a sufficiently strong justification.

#### PROPOSALS TO INTRODUCE EXPANDED (CLARIFIED) DEFINITIONS AND MORE USER-FRIENDLY (SUPPLEMENTARY) TERMS

7. **The CMTT took stock of a list of technical terms (across the statistical standards) generally used in the communication with the media/general public with the aim to simplify the terms used.** The key purpose of the proposals from this exercise is to propose less technical terms, without distorting the precision of the standards for the purpose of the “user”. Precise technical terms in the SNA and other statistical standards are crucial for methodological discussions and essential for international comparability of such data. However, these terms may not be immediately understood by all target user groups.

8. **The global consultation showed a divergence of views on the proposals relating to alternative terminology (see Annex I/Table 3).** Some proposals for example, a change from *consumption of fixed capital* to *depreciation*, from *other taxes on production* to *taxes on production like fixed business rates* were not well supported. On the other hand, respondents were largely in favor of other changes such as *rent* to *natural resource rent*; *constant prices (for GDP)* to *volume estimates*, *financial lease* to *finance lease*, etc.

9. **Stemming from the stock taking exercise, the GN also proposed to amend certain existing terms and definitions that are currently used in the statistical standards.** The proposals were generally intended for the SNA but should be extended to other BPM and GFSM where the terminologies are the same unless there are legitimate differences in the definitions or terminologies. Majority of respondents supported the clarified definitions (see Annex I/Table 4). In some instances, specific suggestions/comments were provided by the respondents. These are reflected in Table 4.

#### **Gross and Net Terms**

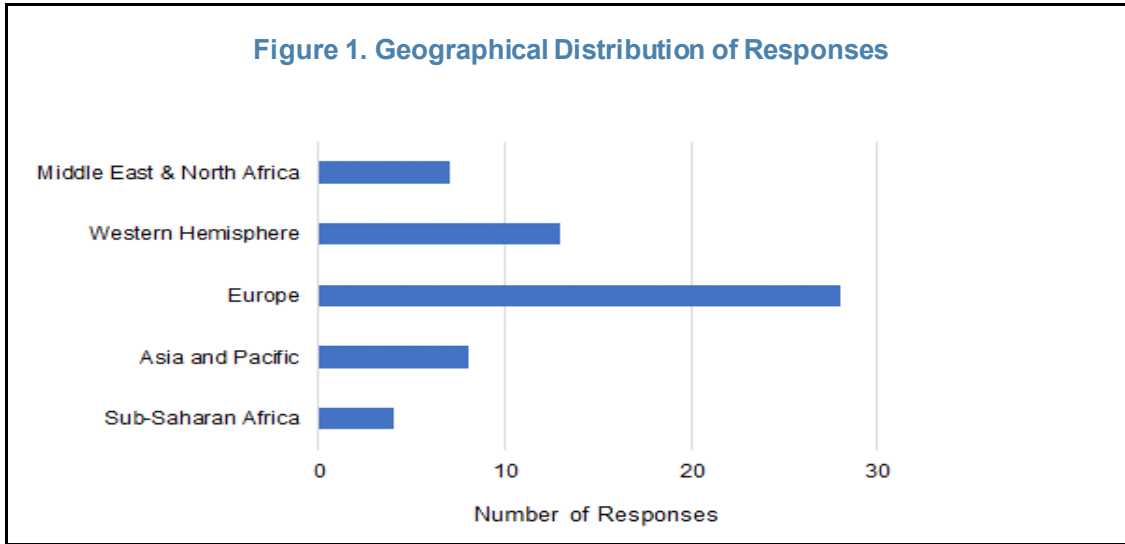
10. **Another area of divergence both within the SNA and among the SNA, the BPM, and GFS domains is the use of the terms “gross” and “net”.** Both terms “gross” and “net” in the context of economic and environmental statistics are used in various ways and are often misunderstood. The GN proposed that (i) the terms “gross” and “net” are only used in the context laid out in the 2008 SNA; and (ii) all other uses of such terms should be avoided, and the references made in full, for example, acquisitions less disposals, lending less borrowing, etc. By referring to the “net” aggregates (e.g., net domestic product) in the sequence of accounts (as in the attachment) as well as recognizing the treatment of depletion and degradation will help to give more prominence to the “net” aggregates.

11. **More than 80 per cent of respondents agreed with the proposals on the use of “gross” and “net”.** In the minority of cases where the respondents disagreed, they requested additional clarification on the application to the key terms and balancing items in the BPM and GFSM.

#### PROPOSED CHANGES TO GN (CM.2)

- a) Review and incorporate feedback on the terms and definitions received from the global consultation and previous AEG/BOPCOM consultations.
- b) Make clear in the GN, the changes that are proposed specifically for the SNA, BPM, and GFSM.
- c) Further clarify the proposals related to the use of ‘gross’ and ‘net’ in the SNA, BPM, and GFSM.
- d) Revisit some specific proposals such as changing *GDP by production* to *GDP by Industries*, *consumption of fixed capital* to *depreciation*, and other terms that were heavily disputed.
- e) Clarify the term “financial accounts”, in the statistical standards since the scope of the term is not fully clear among the standard (e.g., financial account in the SNA context is part of the accumulation account, in external statistics financial account is part of the BOP, and sometimes it seems to include the IIP as well).

## Annex I. Charts and Tables



**Table 1. Responses to Proposals to Harmonize Key Terms Across the SNA/BPM/GFSM**

Current Terms (SNA/BPM/GFSM)	Proposal	Percentage of Responses		
		Agree	Disagree	Neutral
Resources / Credits / Revenue	Revenue	55	40	5
Uses / Debits / Expense	Expenditure	55	38	7
Changes in inventories / Net transactions in Inventories	Changes in inventories	78	-	22
Acquisitions less disposals of valuables / Net transactions in Valuables	Acquisition less disposals of valuables	78	-	22
Acquisitions less disposals of non-produced assets / Net transactions in non-produced assets	Acquisition less disposals of non-produced assets	77	-	23
Acquisitions less disposals of contracts, leases and licenses / Net transactions in Contacts, leases, and licenses	Acquisition less disposals of contracts, leases and licenses	78	-	22
Purchases less sales of goodwill and marketing assets / Net transactions in Goodwill and marketing assets	Purchases less sales of goodwill and marketing assets	77	2	22
Statistical discrepancy / Net errors and omissions / Statistical discrepancy	Statistical discrepancy	88	3	8
Intermediate Consumption / Use of goods and services	Intermediate use of goods and services	58	20	22

**Table 2. Responses to Proposals to Change Account Labels**

<b>Proposals</b>	Percentage of Respondents		
	<b>Agree</b>	<b>Disagree</b>	<b>Neutral</b>
1 SNA "accounts" to the 'economic accounts'	48	18	33
2 GFS "Statements" to 'government finance accounts'	40	5	55
3 'Balance of payments / international investment position' to 'balance of international payments' and 'international investment accounts'	37	27	37
4 'Allocation of primary' income account to 'allocation of earned income' account	53	18	28
5 'Secondary distribution of income' account to 'transfer income' account	58	18	23
6 'Use of disposable income' account the 'use of income' account	37	12	52
7 'Use of adjusted disposable income' account the 'use of adjusted income' account	35	13	52
8 Label the SNA's production, generation of income, allocation of income, secondary distribution of income, and use of disposable income collectively as the <i>production, income and expenditure accounts</i>	53	8	38
9 SNA's capital account, financial account, and other changes in the volume of assets account collectively as the <i>accumulation of economic assets account</i>	50	12	38



**Table 3. Responses to Proposed Alternative Terminology**

*Respondents were generally supportive. However, they expressed reservation particularly for those that were deemed less concise/precise than the existing terms.*

Current Terminology	Proposal	Percent of Responses			Comments
		Agree	Disagree	Neutral <sup>5</sup>	
Actual Final Consumption	Consumption of produced goods and services	45	25	30	Respondents were keen to maintain the distinction between final and intermediate consumption in the proposed term.
Collective Consumption Expenditure	Expenditure on produced goods and services for collective consumption	48	22	30	
Constant prices	Volume estimates	53	23	23	
Compensation of employees	Employee labor costs	55	28	17	While the new term may reflect the enterprise' viewpoint, it may be less accurately reflective of the household's perspective. Likewise, the definition should clarify the exclusion of key components. Some users also recommended 'remuneration of employees'.
Consumption of Fixed Capital	Depreciation	45	28	27	
Cultivated biological resources	Cultivated resources like trees, crops and plants	45	28	27	Include livestock in the proposed term or keep the term biological (exclude the examples).
Current prices	Actual prices	42	33	25	Some respondents expressed concern that actual prices could be misinterpreted as the <i>prices actually paid for a good or service</i> , and not necessarily the market price of the product.

<sup>5</sup>Includes non-responses.

Financial Intermediation Services Indirectly Measured	Interest margin on loans and deposits	57	28	15	Since margin could also mean the difference between the lending and borrowing rate, a suggested term is implicit <i>financial intermediation services</i> .
Final consumption expenditure	Expenditure on consumption of produced goods and services	40	32	28	Suggestion: expenditure on <i>final</i> consumption of produced goods and services.
Financial Lease	Finance lease	67	10	23	
General Government Final Consumption Expenditure	General government expenditure on consumption of produced goods and services	40	32	28	Suggestion: general government expenditure on <i>final</i> consumption of produced goods and services. Some also argued that the proposed term is too long.
Gross Capital Formation	Transactions in produced non-financial assets	48	23	28	Some respondents argued that 'formation' better captures components like on own-account production of assets
GDP by production approach	GDP by Industries	43	32	25	This could easily create confusion for users: (i) having two GDP (I)s which may lead to miscommunication; (ii) presenting GDP by production by institutional sector (while referring to it as GDP by Industries) could be confusing for users.
GDP by expenditure approach	GDP by Expenditures	52	22	27	
GDP by income approach	GDP by Incomes	52	22	27	
Gross Fixed Capital Formation	Transactions in fixed assets	43	30	27	(i) Some respondents argued that 'formation' better captures components like creation of assets on own-account; (ii) from a business accounting perspective, fixed assets could include intangible and tangibles, which should be differentiated in the SNA.
Household Final Consumption Expenditure	Household expenditure on consumption of goods and services	43	28	28	Suggested to include the term <i>final</i> in the label.
Households' actual social	Household social contributions	62	10	28	

contributions					
Households' social contribution supplements	Income earned on pension and non-pension entitlements	60	10	30	Align proposals with SNA Chapter 17.
Imputed Rental	Imputed value of rental income of owner-occupied dwellings	63	8	28	Suggestion: Imputed rental income of owner-occupied dwellings.
Individual consumption expenditure	Expenditure on produced goods and services for individual consumption	52	20	28	
Intermediate consumption	Intermediate use of goods and services	50	22	28	
Mineral exploration and evaluation	Expenditure on Mineral exploration and evaluation	58	12	30	
Net domestic product	GDP after deducting depreciation	40	32	28	Some respondents not in favor of substituting COFC for depreciation.
Net premiums	Insurance premiums after deducting the service charges	67	12	22	
Net value added	Gross Value added, after deducting depreciation	40	33	27	Some respondents not in favor of substituting COFC for depreciation.
Non-cultivated biological resources	Non-cultivated resources like animals, birds, fish and plants.	47	25	28	
NPISH Final Consumption Expenditure	NPISH expenditure on consumption of goods and services	47	25	28	Some respondents support keeping the distinction between <i>final</i> and <i>intermediate</i> prominent in the label.
Other taxes on production	Taxes on production like fixed business rates	38	37	25	Respondents are largely against using examples in the labels, particularly those that may be economy-specific. <i>Fixed business rates</i> is not a readily understood term.

Output for own final use	Goods and services produced for own final use	60	12	28	
Product balance	Balance of the supply and use of a product	65	7	28	Suggestion: Balance of the supply and use of products
Property Income	Revenue from ownership of financial, and/or non-produced non-financial, assets	45	27	28	Although clear in the meaning, some respondents considered the new term to be too long.
Purchasers' prices	Actual price paid	38	35	27	"Purchasers' prices" may be more widely understood as prices paid by purchasers than 'actual price paid'. Additionally, 'actual prices' proposed earlier can be easily confused with 'actual prices paid.'
Rent	Natural resource rent	72	7	22	
Resource lease	Natural resource lease	72	5	23	
Trade margin	Distribution trade margin	60	15	25	

**Table 4. Responses to Proposed Expanded/Clarified Definitions**

Current Term	Expanded Definition	Percent of Responses			Comments
		Agree	Disagree	Neutral	
Actual Final Consumption	Actual final consumption is the value of goods and services consumed by households, including goods and services provided in-kind by general government or NPISHs.	62	3	35	
Basic Prices	Prices received by the producer, excluding some taxes, and including some subsidies, related to production.	53	12	35	Provide more clarity on the specific taxes and subsidies that are excluded/included.
Collective Consumption Expenditure	Expenditures by general government and NPISHs on goods and services for the collective benefit of households such as health, education, or social protection.	52	12	37	
Consumption of Fixed Capital	Consumption of fixed capital is the decline (during the accounting period) in the current value of the stock of fixed assets (owned and used by a producer) due to normal or expected levels of physical deterioration, obsolescence, and/or accidental damage. Conceptually, it should be based on the current market value, or replacement cost, of the asset and not the original asset acquisition (historic) cost.	60	5	35	
Disposable Income	It is the portion of income available to consume or to accumulate financial / non-financial assets.	57	8	35	Suggestion: The portion of income available after deduction of current taxes on income, wealth etc. and social insurance contribution. In general, the portion of income available to consume or to accumulate financial / non-financial assets.
Distributable Income	The portion of a corporation's entrepreneurial income that is available to be distributed to its owners or to be reinvested as	58	3	38	

of a Corporation	retained earnings.				
Economic Owner	It is the unit that is entitled to claim the benefits and accept the associated risks of an economic activity.	65	8	27	The institutional unit that is entitled to claim the benefits and accept the associated risks of an entity (such as goods, services, assets, natural resources etc.).
Financial Intermediation Services Indirectly Measured	FISIM is an indirect measure of the value of intermediation service provided by a financial intermediary to savers and borrowers, through deposits and loans.	68	8	23	
Financial Lease	A finance lease is one in which the finance company – the lessor – as the legal owner of an asset passes the economic ownership to the lessee who then accepts the operating risks and receives economic benefits from using the asset in a productive activity.	70	-	30	
General Government Final Consumption Expenditure	General government final consumption expenditure is the value of all goods and services produced, or purchased, by general government for either individual or collective consumption.	62	2	37	Suggestion: The value of expenditure on all goods and services produced, or purchased, by general government for either individual or collective consumption services.
Gross Capital Formation	The acquisition less disposal of produced assets for purposes of fixed capital formation, inventories and valuables.	60	5	35	Suggestion: The acquisition (including own-account production) less disposal of produced assets for purposes of fixed capital formation, inventories and valuables.
Gross Domestic Product	Gross Domestic Product reflects for the whole economy, in any single time period, the economic contribution made by all producers or the consumption of final goods and services by all users. OR Gross Domestic Product is the sum of the monetary values of the final goods and services produced by a	55	10	35	

	country in a given period of time (quarter, year), including taxes on products and less subsidies on products.				
Gross Fixed Capital Formation	The total value of a producer's acquisitions, less disposals, of fixed assets during the accounting period plus certain specified expenditure on services that adds to the value of non-produced assets.	62	3	35	Suggestion: The total value of a producer's acquisitions (including own-account production) less disposals, of fixed assets during the accounting period plus certain specified expenditure on services that adds to the value of non-produced assets.
Gross National Income	The total income generated by an economy through the production of goods and services, incomes earned from the rest of the world less incomes paid out to the rest of the world.	63	3	33	
Gross Value Added	Gross value added is the additional value of products and services generated during the production process. It is derived as the value of output less the value of intermediate consumption.	65	-	35	
Household Final Consumption Expenditure	Household final consumption expenditure is the value of all goods and services acquired and used by households.	63	2	35	
Imputed Rental	Imputed rental is the approximate rental value of the dwellings used by their owners. Imputed rental measures the service value of the dwelling consumed by its owner (s).	68	-	32	
Individual consumption expenditure	Value of goods and services consumed by households to satisfy the needs or wants of members of that household, including goods and services provided for free by general government and NPISHs.	65	-	35	
Mineral exploration and evaluation	Expenditures incurred in the search for mineral resources such as petroleum and natural gas and for non-petroleum deposits and subsequent evaluation of the discoveries made in determination of the technical feasibility and commercial	65	2	33	

	viability of extracting the mineral resources.				
Net lending or net borrowing	Net lending is the net amount a producer has available to finance other activities. Negative net lending is usually described as "net borrowing".	62	15	23	Suggestion: Net lending is the net amount that an institutional sector/unit has available to finance the acquisition of financial assets or redeem liabilities. Negative net lending is usually described as "net borrowing." It is defined as the difference between changes in net worth due to saving and capital transfers and net acquisitions of non-financial assets (acquisitions less disposals of nonfinancial assets, less consumption of fixed capital).
Net premiums	Net premiums are defined as actual premiums plus premium supplements (investment income earned on reserves policyholders) less the insurance service charge payable by the policyholders.	68	2	30	
NPISH Final Consumption Expenditure	NPISHs final consumption expenditure is the value of all goods and services produced, or purchased, by NPISHs for either individual or collective consumption. It consists of NPISHs non-market output plus NPISHs purchases of goods and services (without further transformation) on behalf of households (known as, social transfers in kind via market producers).	63	2	35	
Other capital transfers	Other capital transfers are unrequited transfers, which allow one or both parties of the transaction to acquire or dispose of assets; they exclude capital taxes and investment grants.	70	-	30	
Purchasers' prices	Prices paid by the purchaser, including taxes and excluding subsidies	62	5	33	Definition should note that the price includes any



Work-in-progress	Work-in-progress consists of output produced by an enterprise that is partially finished and not yet in the state in which it is normally supplied to other institutional units.	65	-	35	<p>transport charges paid separately by the purchaser to take delivery at the required time and place. It should also provide more information on types of taxes/subsidies that are excluded/included.</p>
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