

## The System of National Accounts 2008

### *The 2008 SNA – changes from the 1993 SNA*

In 2009, The United Nations Statistical Commission endorsed a revised set of international standards for the compilation of national accounts: the System of National Accounts (SNA) 2008, replacing the 1993 version of the SNA. For Colombia, the indicators presented in this publication are in line with the 1993 SNA. For the Russian Federation, the indicators are in line with the 1993 SNA until 2010 and with the 2008 SNA from 2011 onwards. For all the other countries, the indicators are based on the 2008 SNA. The 2008 SNA includes a number of changes from the 1993 SNA and was adopted by most OECD countries at the end of 2014.

### *Changes affecting whole economy levels of income*

For the United States, the adoption of the 2008 SNA in 2013 raised the level of GDP by 3.6 per cent, mainly due to the recognition of new forms of gross fixed capital formation (GFCF), notably Research and Development (R&D). The revision was also an opportunity for countries to implement some additional changes made in the 1993 SNA, which recognised entertainment originals as fixed assets. In addition changes were also made for the 2008 SNA recommendations on ownership transfer costs (see below). Current consumption expenditures of government in recent years were also revised downwards, reflecting 2008 SNA recommendations on defined benefit pensions plans as well as the net (of depreciation) effects of removing R&D expenditures from current consumption (see also below).

### *Research and experimental development*

R&D is recognised for the first time as a produced asset. This also means that payments for the acquisition of patents, treated as acquisition or disposal of non-produced, non-financial assets in the 1993 SNA, are treated as transactions in produced assets. This also has implications for sectoral gross value added as the 2008 SNA also recommends that a separate establishment be distinguished for R&D producers when possible. See also the OECD Handbook on Deriving Capital Measures of Intellectual Property Products. Under the 1993 SNA, expenditure on R&D by government already adds to government output (which is estimated on a sum of costs basis) and subsequently as general government final consumption. So, for government the direct impact of the capitalisation mainly involves a reclassification of expenditure from government final consumption to government GFCF. Indirectly however government output and, so GDP, will increase as part of the costs of government is an imputation for depreciation; which now includes a component for the capital stock of R&D by government.

### *Weapons systems*

Military weapons systems such as vehicles, warships, etc. used continuously in the production of defence (and deterrence) services are recognised as fixed assets in the 2008 SNA (the 1993 SNA recorded these as fixed assets only if they had dual civilian use and as intermediate consumption otherwise). Some single-use items such as certain types of ballistic missiles with a highly destructive capability, but which provide ongoing deterrence services, are also recognised as fixed assets in the 2008 SNA. Because most if not all of these expenditures are carried out by government (whose output is typically valued by summing costs) GDP will only increase by the related new consumption of fixed capital.

### *Financial Intermediation Services Indirectly Measured (FISIM)*

The method recommended in the 2008 SNA for the calculation of FISIM implies several changes from that in the 1993 SNA. For example it explicitly recommends that FISIM only apply to loans and deposits provided by/deposited with financial institutions, and that for financial intermediaries all loans and deposits are included, not just those of intermediated funds. In addition, the 2008 SNA no longer allows countries to record FISIM as a notional industry.

### *Financial services*

The 2008 SNA defines financial services more explicitly to ensure that services such as financial risk management and liquidity transformation, are captured.

### *Output of Central Banks*

The 2008 SNA has provided further clarification on the calculation of FISIM in calculating the output of Central Banks. Where Central Banks lend or borrow at rates above or below the effective market lending/borrowing rate, the 2008 SNA recommends the recording of a tax or subsidy from the counterpart lender/borrower to/from government to reflect the difference between the two rates. Correspondingly a current transfer (the counterpart to the tax/subsidy) is recorded between government and the Central Bank. These flows will have an impact on the distribution of income in national income compared with the 1993 SNA treatment.

### *Output of non-life insurance services*

The methodology used to indirectly estimate this activity in the 1993 SNA (premiums plus premium supplements minus claims) could lead to extremely volatile (and negative) series in cases of catastrophic losses. The 2008 SNA recommends a different indirect approach to measurement that better reflects the pricing structures used by insurance companies and the underlying provision of insurance services per se. The approach can be simply described as an ex ante expectation approach. Output is equal to premiums plus expected premium supplements minus expected claims. The 2008 SNA also recommends that exceptionally large claims, following a catastrophe, be recorded as capital, rather than current, transfers which will have an impact on (particularly sectoral) estimates of disposable income.

### *Valuation of output for own final use*

The 2008 SNA recommends that estimates of output for own final use should include a component for the return to capital as part of the sum of costs approach when comparable market prices are not available. However no return to capital should be included for non-market producers.

### *Costs of ownership transfer*

The 1993 SNA recommended that these costs (treated as GFCF in the accounts) should be written off over the life of the related asset. The 2008 SNA instead recommends that these costs be written off over the period the asset is expected to be held by the purchaser. This will impact on measures of net income and only marginally on gross measures, reflecting the calculation of output for own final use and government output (which is calculated as the sum of costs including depreciation).

### *Re-allocating income across categories*

#### *Goods sent abroad for processing*

The 2008 SNA recommends that imports and exports be recorded on a strict ownership basis. This means that the values of a flow of goods moving from one country (that retains ownership of the goods) to another providing processing services should not be recorded. Only the charge for the processing service should be recorded in the trade statistics. The 1993 SNA imputed an effective change of ownership.

#### *Merchanting*

Under the 1993 SNA merchanting - the purchase and subsequent resale of goods abroad without substantial transformation and without the goods entering or exiting the territory of the merchant - was classified as a services transaction. This treatment caused global imbalances in goods and services because while the merchant records an export of a service the country acquiring the good records an import of a good. Therefore, the 2008 SNA recommends classifying merchanting as a component of trade in goods. The acquisition of goods by the merchant are recorded as negative exports of the merchant's economy and the subsequent resale of goods by the merchant are recorded as a positive exports. The difference between sales and purchases of merchant goods is recorded under a new category "Net exports of goods under merchanting" of the merchant's economy.

#### *Defined benefit pension schemes*

The 1993 SNA stated that actual social contributions by employers and employees should reflect the amounts actually paid. The 2008 SNA differs, recognising that the amounts actually set aside may not match the liability to the employees. As such, the 2008 SNA recommends that the employer's contribution should reflect the increase in the net present value of the pension entitlement plus costs charged by the pension fund minus the employee's own contributions. This change will result in a shift of income between gross operating surplus and compensation of employees and between institutional sectors (corporations/government and households).

In some cases, a defined benefit pension plan may be underfunded implying the pension plan has insufficient financial assets to earn the returns that are necessary to meet promised future benefits. The promised future benefits are assets of the household sector and liabilities of the pension schemes, or the employer if there is no autonomous scheme. According to the 1993 SNA, only the funded component of pension plans should be reflected in liabilities. However, the new 2008 SNA recognises the importance of the liabilities of employers' pension schemes, regardless of whether they are funded or unfunded. For pensions provided by government to their employees, countries have some flexibility in the recording of the unfunded liabilities in the set of core tables. However, the full range of information is required in a new standard table (SNA Table 17.10) that shows the liabilities and associated flows of all private and public pension schemes, whether funded or unfunded, including social security.

#### *Ancillary activities*

The 2008 SNA recommends that if the activity of a unit undertaking purely ancillary activities is statistically observable (separate accounts, separate location) it should be recognised as a separate establishment.

*Holding companies* 

The 2008 SNA recommends that holding companies should always be allocated to the financial corporations sector even if all their subsidiary corporations are non-financial corporations. The 1993 SNA recommended that they be assigned to the institutional sector in which the main group of subsidiaries was concentrated.

 *Exceptional payments from public corporations* 

The 2008 SNA recommends that these should be recorded as withdrawals from equity when made from accumulated reserves or sales of assets. The 1993 SNA treated such transactions as dividends.

 *Exceptional payments from governments to quasi-public corporations* 

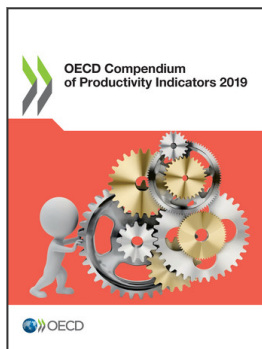
The 2008 SNA recommends that these should be treated as capital transfers to cover accumulated losses and as additions to equity when a valid expectation of a return in the form of property income exists. The 1993 SNA treated all such payments as additions to equity.

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