

Taking Account...

BEA Contributes to New SNA Guidelines

The System of National Accounts (SNA) is a set of international guidelines for national accounts that was last updated in 1993. Since then, the Bureau of Economic Analysis (BEA) has used the SNA as a guide to improving its economic accounts.

Several major improvements to the national accounts that were outlined in the 1993 SNA include chain-type price and quantity indexes, capitalization of software, and the recognition of the implicit services provided by commercial banks.

Since 1993, however, the economy has changed significantly. Transactions that were not discussed in the 1993 SNA, such as employee stock options, have become more important. The world economy has become more interdependent. The importance of intangible assets, such as research and development, has become better understood. And national accounts users have asked for better information on pension funding and liabilities.

In 2003, the United Nations Statistical Commission called for an update to the SNA. BEA has actively participated in that process, helping to develop a set of final recommendations on 44 is-

ssues. These recommendations were adopted by the U.N. Statistical Commission at its meeting in February–March 2007. BEA has already done considerable work on implementing key proposals and will do more. Recommendations to better account for the fast-changing economy include the following:

- Research and development (R&D) in principle should be treated as fixed investment. BEA has recently released a satellite R&D account and intends to treat R&D as investment in its core accounts by 2013.
- Employee stock options should be valued as compensation during the period between granting and vesting, and their valuation should be based on fair value. This treatment is similar to the latest standards adopted by the Financial Accounting Standards Board.
- For defined-benefit pension plans, the value of compensation should be based on the increase in the net present value of the employee's pension entitlement.
- Estimates of capital services should be part of the measurement of multifactor productivity. A new discussion of capital services and the user

cost formula will be included. Countries are encouraged to compile estimates of capital services and multifactor productivity.

- The updated SNA will include two recommendations that have already been adopted in BEA's accounts: A measure of insurance services that avoids large swings due to disasters, and the capitalization of military assets.
- The issue of whether to include a net return for the services of capital owned and used by government or non-profit institutions was placed on the research agenda.

Work will continue on the updated SNA, and BEA will continue to participate. The updated SNA will be released in two volumes, with the first volume containing the core of the system and integrating the 44 newly adopted proposals that are scheduled to be presented to the U.N. Statistical Commission for final approval in 2008.

BEA to Hold National Accounts User Meeting

The Bureau of Economic Analysis will host a meeting for users of the national income and product accounts at BEA's office in Washington, DC, on April 13, 2007.