

IARNIW Seminar on

‘2025 SNA – Changes from the 2008 SNA’

**Seeking clarifications on the conceptual changes  
affecting key macro-economic indicators**

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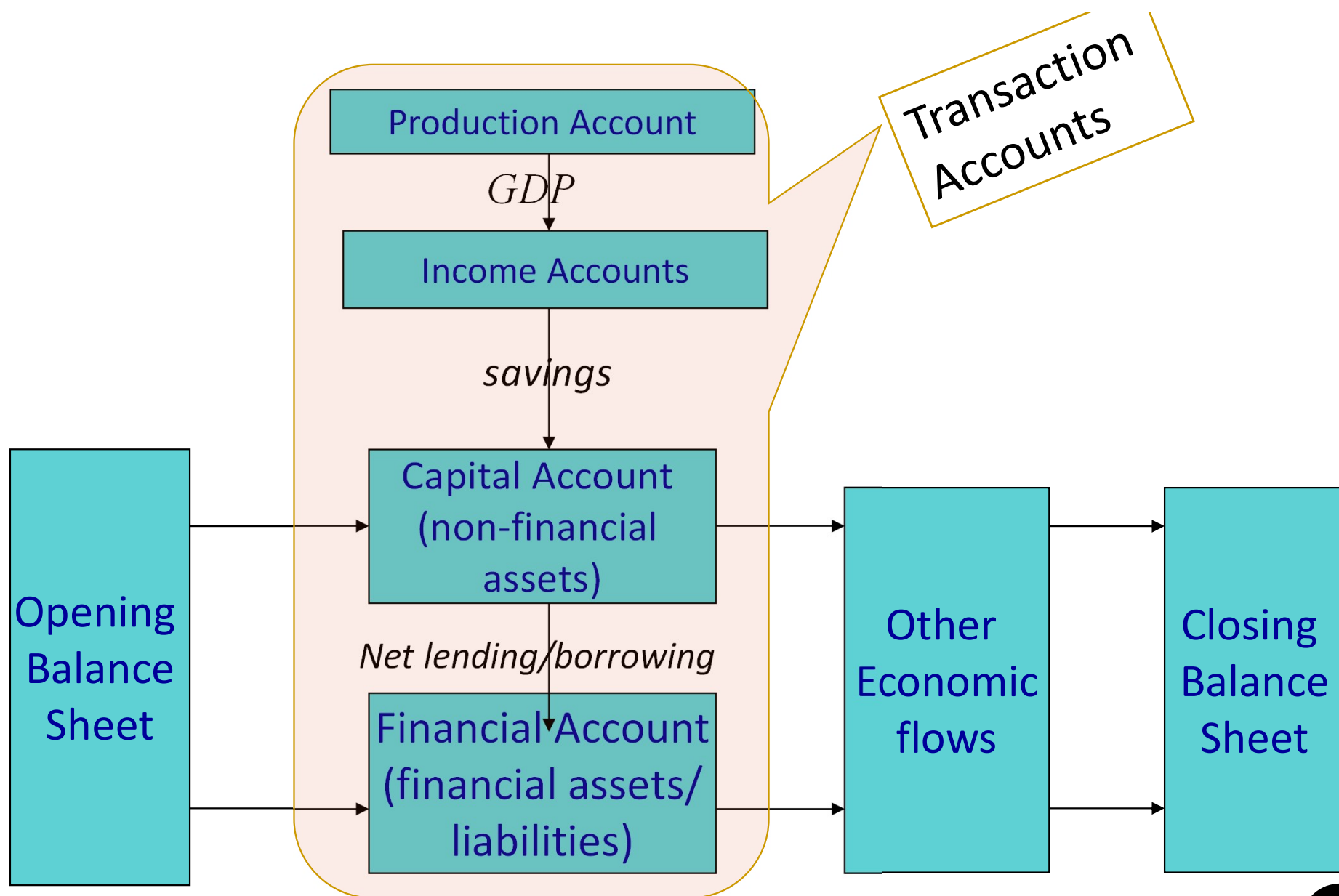
# Conceptual changes affecting GDP

Mainly four:

1. Recognising “data” as produced assets (IPP)
2. Treating “depletion” of natural assets as cost of production
3. Bringing about consistency in application of “sum-of-costs” method
4. Measuring output of Central Bank

*Our focus*

# In 2008 SNA - Links between the Accounts



# In 2008 SNA - Links between the Accounts

## Other Volume Change

Changes in Assets	Changes in Liabilities and NW
Addition/reduction of non financial (produced and non-produced)	Addition/reduction due to other changes in volume of liabilities
Change in financial assets due to other changes in volume of assets	Change in net worth due to other changes in volume of assets

## Revaluation Account

Changes in Assets	Changes in Liabilities and NW
Addition/reduction of non financial and financial assets due to price change	Addition/reduction due to price change of financial liabilities
	Change in net worth due to price change (holding gain/loss)

# In 2008 SNA - Links between the Accounts

## Changes in Balance Sheet

Net Acquisition of Assets	Net Lending and addition to Net Worth
<ul style="list-style-type: none"><li>■ Change in value of non-financial assets</li><li>■ Change in value of financial assets / liabilities</li></ul>	<ul style="list-style-type: none"><li>■ Change in financial liabilities</li></ul>
	<ul style="list-style-type: none"><li>■ Change in net worth<ul style="list-style-type: none"><li>Due to transactions</li><li>Volume change</li><li>Holding gain</li></ul></li></ul>

# In 2008 SNA - Links between the Accounts

## Opening Balance Sheet

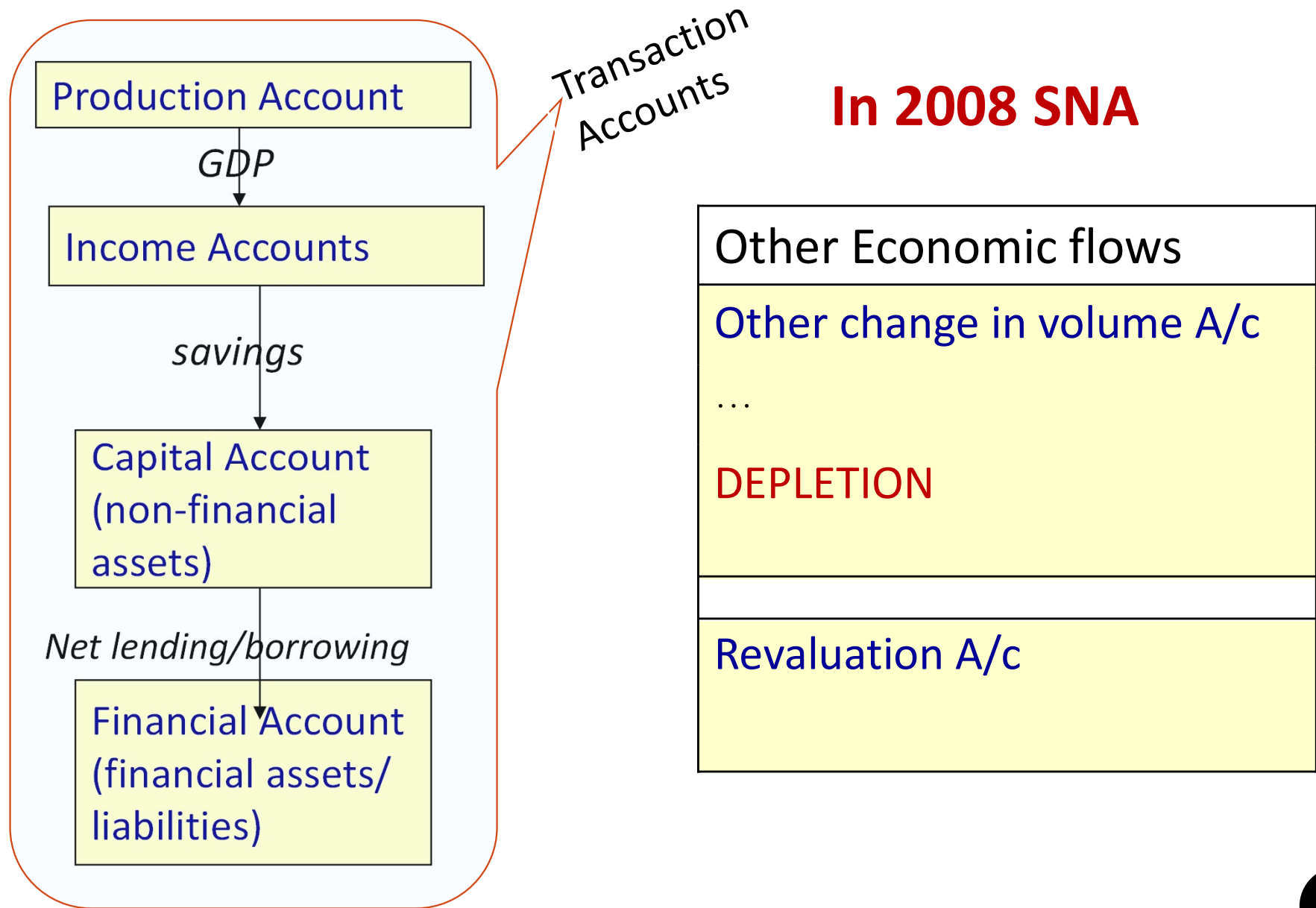
Asset	Liabilities and net worth
Non Financial (NF) Assets Produced assets Non-produced assets Financial Assets (FA)	Financial Liabilities (FL)  Net Worth (NW)

## Closing Balance Sheet

Asset	Liabilities and net worth
Opening NF asset + Change in NF asset produced assets non-produced assets Opening FA + Change in FA	Opening FL + Change in FL  Opening Net Worth + Change in Net Worth

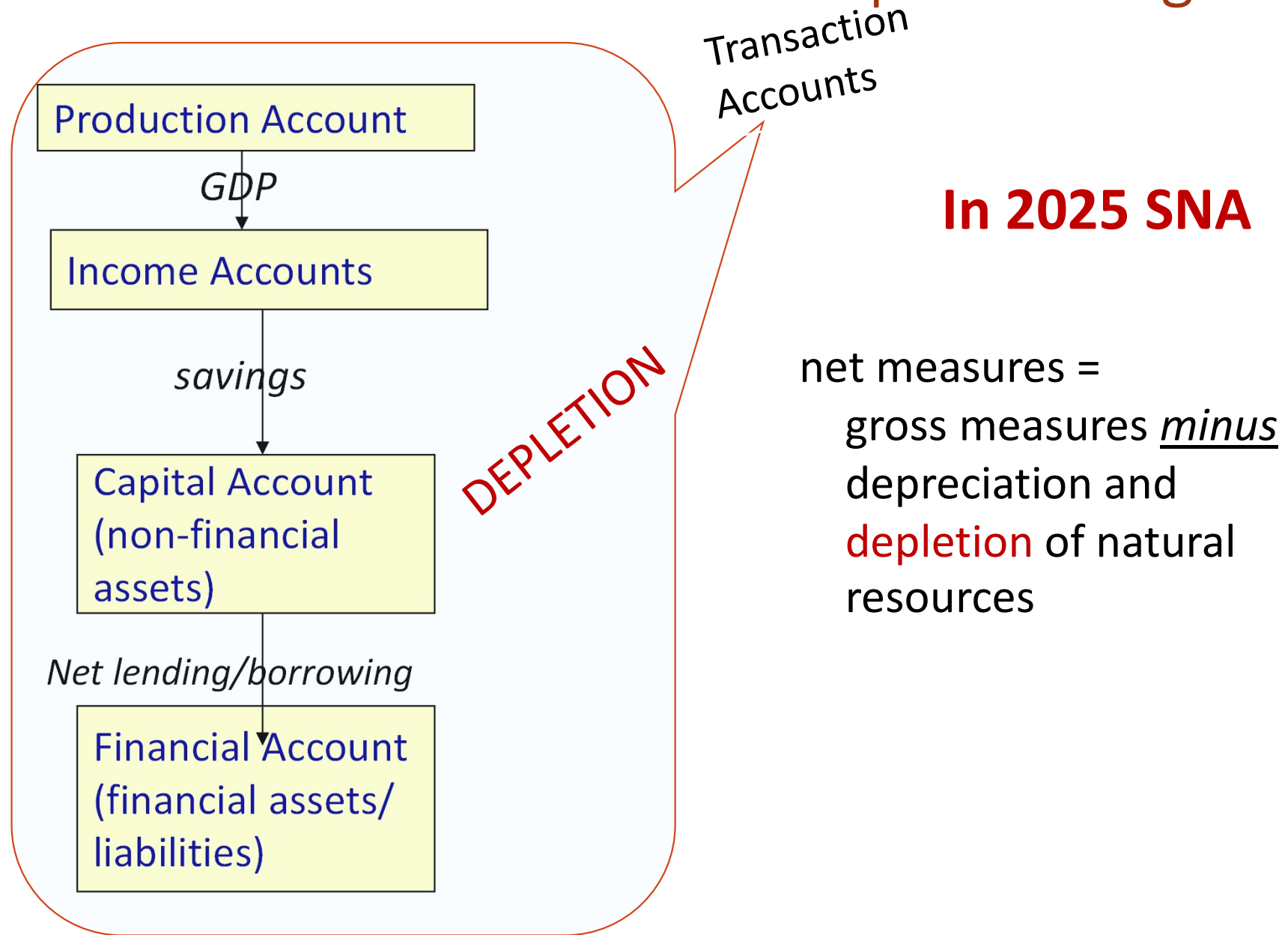
# Treatment of “depletion” –

the main conceptual change



# Treatment of “depletion”

– the main conceptual change





# Depletion – two broad kinds

1. Depletion of non-renewable natural resources
2. Depletion of non-cultivated biological resources yielding once-only products.
  - When only the amount of extraction is above the level of growth is recorded as +ve depletion;
  - When the amount of extraction is below the level of growth, it is recorded as -ve depletion.

# Putting conceptual framework in perspective

- The balancing item of capital and financial accounts, “net lending / net borrowing”, is the end result of all domestic and cross-border monetary transactions.
- All revenue and expenditures relating to domestic non-monetary transactions should, therefore, cancel out to zero.

## Implication:

The 2025 SNA sequence of economic accounts records depletion as a cost of production of the extractor (the economic owner).

Thus, the foreign extraction companies should be treated as domestic quasi-corporate.

# Clarifications on Depletion

1. Mineral exploration only does not attract “depletion”. Thus, a foreign company carrying out mineral exploration for the government need not be treated as a domestic quasi-corporate, so long it does not carry out any extraction. But, once it gets involved in extraction, it should necessarily be treated as a domestic quasi-corporate.

Will it be difficult to implement in the Indian context?

2. NIC 2008 has the provision of distinguishing exploration and extraction. Division 09 “Mining support service activities” includes exploration and the activity of extraction is allocated to the other specific divisions of Mining & Quarrying.

But, do we have data separately for exploration and extraction?

# Clarifications on Depletion (contd.)

3. Growth in forest cover in forest area under protection of Joint Forest Management Committee, which should be treated as a NPISH.

Is this a case of –ve depletion?

# Sum-of-costs method

Output of own final use & non-market producers are valued by the total production costs incurred as the sum of

- Intermediate consumption
- Remuneration of employees
- Depreciation (and depletion where relevant),
- Other taxes (less subsidies) on production other than taxes or subsidies on products,
- A net return to non-financial assets used in production and
- Rent payable on the use of non-produced non-financial assets (e.g. land (?), marketing assets).

*Not in 2008 SNA*



# Clarifications on sum-of-costs method

Does “Rent payable on the use of non-produced non-financial asset” include rent on leased-in land, for

- a. Own-use production of Market producers?
- b. Non-market production?
- c. Own-use production by others?

If ‘yes’, why not interest on borrowed financial assets?

Thanks