

Comments on the 1993 SNA Updating Issues (September 2006)

1993 SNA updating issues

Financial derivatives
(issue 44)

Feedback from Hong Kong, China

Considering that detailed statistics are analytically useful for some economies but not for all, we suggest that the sub-category breakdowns proposed, i.e. forwards/ options split and further breakdowns for financial derivatives, should be provided as supplementary items, taking into consideration the cost of compiling such breakdowns as well.

Further consequences for
the classification of
financial assets (issue 44)

Considering that detailed statistics are analytically useful for some economies but not for all, we suggest that the sub-category breakdowns proposed, such as quoted/unquoted split for shares and forwards/options split for financial derivatives, should be provided as supplementary items, taking into consideration the cost of compiling such breakdowns as well.

Consistency issues

Non-life insurance (issue
21), financial services
(issue 22)

It appears that the recommended **treatment of own funds is not consistent** for non-life insurance and financial service, which are both classified under the financial corporation sector. For non-life insurance, income from own funds is **excluded** in the calculation of output. For financial services, lending own funds is treated as a financial service and hence relevant income is **included** in the calculation of output. It is suggested to revisit the two recommendations with a view to harmonizing the treatment of own funds. If no change will be made after the review, adequate explanation on the rationales of the different treatments should be included in the updated version of the 1993 SNA.

Residence (issue 39)

The concept of residence is crucial in both SNA and Balance of Payments Manual (BPM). It is important that

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in determining the residency of different types of entities or individuals, the revised BPM and SNA should be consistent and harmonize with each other. To avoid confusion, same practical guidelines should be given in the two systems.

Treatments of goods for processing (issue 40) and merchanting (issue 41)

The AEG's recommendations on goods for processing and merchanting are **not consistent** with the international manual "International Merchandise Trade Statistics: Concepts and Definitions, Revision 2 (IMTS, Rev.2)" published by the United Nations.

The implication is that if the recommendations are to be implemented in national accounts statistics, it is likely that there will be two different sets of trade in goods statistics, one set based on the change in ownership principle while the other set based on the physical movement of goods entering and leaving an economy.

The issues of harmonization of two sets of statistics (e.g. the differences in applications of the two sets of statistics) and implication on international trade negotiation will need to be addressed.

Other issues

It is noted that the revised BPM suggests classifying goods delivered electronically as goods. In the 1993 SNA Rev.1, this issue is not specified. To be consistent with the revised BPM, some elaborations on the treatment of this item is required.