

### Selected comments on chapter 6 “Production account”

**Par. 6.130.** It would seem to be useful to make an explicit formulation of output of producers of non-market services as a sum of output of market and non-market establishments and to recommend to make a clear distinction between the costs incurred by market and non-market establishments (the recommendation on this distinction is formulated explicitly in the IMF 2001 Manual on the Government Finance Statistics). Then in the definition of output of non-market establishments the reference should be explicitly made to the costs incurred by non-market establishments. Then non-market output of non-market establishments should be defined as the difference between total output of non-market establishments and their secondary market output. It follows from the above that in the definition of market output (par.6.96) an explicit distinction should be made between output of market establishments and secondary market output of non-market establishments. It would be useful to edit the text on this topic in par.6.130 in a more definite language.

It should be also clarified that existence of market establishments implies the possibility of **net** operating surplus of producers of non-market services.

A clear distinction between market and non-market establishments of producers of non-market services is essential for the present organization of the Russian economy and the failure to make this distinction may result in some mistakes. For example some subdivisions of the state universities and hospitals sell their services at market prices. Moscow State University finances increasingly costs from sales of services including sales by commercial subdivisions. In some cases the imputed market establishments should be set up and some input should be allocated to them (probably using some conventions). If sales by these units are treated as secondary market output there will be some distortions in measuring non-market output.

In the IMF Manual on GFS (2001) it is recommended to include in output of producers of non-market services the imputed sales of products produced by the government and provided in kind to employees and other units. It appears that the list of these products is larger in GFS than in the par. 6.97. Besides the value of goods and services used for payments of compensation of employees in kind (item “c”) does not necessarily refer to those produced by the same establishment while goods and services purchased and then delivered in kind should not be included in output for sale.

**Par. 6.123.** The list of items to be used for the valuation of output produced for own use contains among other things “net return to fixed capital” which is seemingly a new item. Would not it be appropriate to make a reference to the appropriate part of the updated SNA 1993 where explanation of methodology of computation of this item can be found? We can assume that imputation of this item in the CIS countries will be difficult to implement.

In this context it is also not clear whether this item should be shown in the primary income accounts.

**Par. 6.92.** The list of items to be included in the valuation of non-market output produced by government and NPISH does not include rent on land used in production while in par. 6.128 this item is included in the valuation.

**Par. 6.226.** It would be useful to clarify in the text on treatment of research and development the type of activity on research and development which does not entail any economic benefits for its producer and which should be treated as intermediate consumption. The text in par. 6.203 where computation of output of research and development is explained does not clarify this distinction.

**Par. 6.121.** In some countries output of agriculture and own intermediate consumption include seeds and fodder produced and intermediary consumed within the same year.

**Par 6.27c.** Distinction between knowledge-capturing services and knowledge-capturing products is not very clear. Besides it is not clear how knowledge-capturing services retained by their producers can be treated as own final consumption considering the clarification that such products produced by households for their own use are excluded.

**Par. 6.119.** It would be desirable to clarify the text on treatment of own intermediate consumption. It is not very clear when delivery services should be treated as secondary products used for own intermediate consumption. It is not also clear how delivery services are defined.

**Par. 6.87.** It would be desirable to elaborate the following sentence in this paragraph: “a. excluding the value of any goods and services used in an activity for which the establishment does not assume the risk of using the products in production”.

In the same paragraph under the item “b.” there is the reference to own final consumption. Would not it be appropriate to specify in parenthesis that own final consumption refers to output of unincorporated enterprises owned by households?