

Comments to System of National Accounts 2008 – Draft version of volume 2

Chapter 18 Elaborating the accounts

- Generally* The chapter is very useful and gives a good overview of the system of the accounts. A few specific comments and suggestions follow below:
- 18.9 About time series. The example of *macro economic modelling* could be added to the sentence "For some purposes, as long a run as possible may be interesting.....". The sentence would then be "For some purposes, in particular macro economic modelling, as long a run as possible may be interesting and some countries have series going back for over fifty years".
- 18.11 and 18.12 The two paragraphs discuss revisions. It would be useful to mention that many countries distinguish between current revisions and major revisions.
- 18.13-18.19 These paragraphs discuss discrepancies, and in the beginning of the section (18.13 and 18.14) discrepancies for both GDP and net lending are mentioned. However, in the following paragraphs (18.15-18.19) only discrepancies for GDP are discussed. The discrepancies between net lending from the non-financial and the financial side should be discussed as well, at least shortly.
- 18.20-18.31 Accounts in volume terms. The use of chain indices might deserve a few more words in this section. They are only mentioned with reference to chapter 15. Under presentational issues (18.61) it is stated that chain indices are recommended in the SNA. Therefore it might be appropriate to describe them a bit further in paragraphs 18.20-18.31.

Chapter 22 The general government and public sectors

- 22.13 We suggest the following sentence deleted:
- As a result, compilers of statistics for government units and public corporations sometimes act more as accountants than as statisticians**
.....
- 22.25 We suggest the headline changed to:
- NPIs (Non Profit Institutions) controlled by government**
- 22.43-22.56 We would prefer the description of PPP's to be included in the chapter "Borderline cases" and not in the chapter "Relations of general government with corporations"

22.71 We would like to change the first sentence to the following:

The government finance presentation (GFSM2001) differs from the

We prefer the above formulation because GFS in a European context do distinguish outlays on FISIM from interest.

22.92 We would like the second sentence to be changed to the following:

Further, when accrued taxes are calculated from assessments of taxes due or cash based data, there may be a risk of over or under recording tax revenue.

22.135 We would like to change the last sentence to the following:

Payments that are often large and irregular, based on reserves accumulated over several years or sales of assets are recorded as withdrawal of equity.

Chapter 25 Informal aspects of the economy

Figure 25.1 The non-observed economy and the informal sector. The figure is difficult to understand and not very intuitive.

Chapter 27 Links to monetary statistics and the flow of funds

27.20 “To monitor” at the end of the paragraph belongs to 27.21

27.21 We propose to change the paragraph to:
To monitor possible liquidity risks, it may also be helpful to split long-term instruments into instruments with a residual maturity of less than a year or instruments with a residual maturity over a year (residual maturity is the time left before maturity).

27.24 We propose to extend the sentence in the middle:
... The rationale for this is that the balance item of the financial account (credit) should be exactly equal in magnitude but opposite in sign to that in the capital account (debit)....

Chapter 28 Input-output and other matrix-based analyses

The treatment of margins on imports [The CIF/FOB adjustment]

28.9-28.15 This section is an attempt to remedy somewhat the incorrect exposition in chapter 14 (in tables 14.4 and 14.15 and related text) of the “CIF/FOB adjustment” in the supply and use table. In spite of the good-will to incorporate some of the earlier received comments this attempt is not successful, but contributes further to the confusion.

Behind the confusion is the lack of the fundamentally distinction between: (1) At the detailed product level the supply and use of the individual products are adjusted so that they can be meaningfully balanced under the CIF valuation of goods (this is a practical problem that compilers of supply and use tables have always had to solve) and (2) At the macro-level, to insert the adjustment entries (the sum of which must be zero) that will make the separate totals for exports and imports of goods and of services equal to what is shown in the account for the rest of the world, where a FOB valuation of imports of goods is applied (it was because of this change of valuation of imports of goods with the 1993 SNA that the CIF/FOB adjustment was originally introduced as a macro-adjustment).

Firstly it is not correct (as said in 28.14) that the assumption in chapter 14 is that all margins are supplied by non-residents. The assumptions implicit in the table 14.4 are clearly worked out in the numerical example Statistics Denmark attached to our comment to chapter 14. The only (implicit) assumption in the table and the related text is that the domestically supplied part of the CIF/FOB difference is treated as negative imports rather than exports of services.

Secondly, the process where the supply to the domestic market of services is adjusted to the CIF valuation of goods takes place at the level of the detailed services (the very idea is that we must have for each service a supply and use that can be meaningfully balanced). Therefore the domestically produced services that are contained in the CIF value of goods must (as well as the imported part) be eliminated from the supply to the domestic market. This can happen either by increasing exports with this amount (3 in the example), or to treat it as negative imports (although the former would be formally most correct, as it would give the correct distribution on domestic supply and foreign supply of the use of the individual services).

Thirdly, as the above must happen at the detailed product level the way table 28.5 is made, is not helpful, as the 3 must under any circumstances be distributed by services, and the table should therefore as a minimum also include an export column for services that would show this distribution to get the domestic supply by service correct (but also the lack of separate columns for imports of goods and services make the example lose any illustrative power). In this case – in a second round - the overall CIF/FOB adjustment could be shown in a row as -10 for goods, + 7 for imports of service and -3 for

exports. Thus it is not correct in 28.15 to state that “the alternative is to treat the 3 as the true CIF to FOB adjustment....” If only the -3 (= -10+7) is shown on the import side, then there would to this belongs also an entry -3 on the export side, as the net result of the CIF/FOB adjustment must always be zero.

Fourthly, there should be no doubt that the over-all CIF/FOB adjustment for goods is -10 (this is where we start). And depending on how the counter-entry to the domestically supplied part of this difference is made (as positive exports or as negative imports) – either + 7 for imports of service and -3 for exports – or +10 for imports of services, in a single row.

In general we would like to again refer to the comprehensive comments earlier given on this matter with our comments on the drafts chapters 14 and 28.

Other substantial comments to chapter 28

- 28.16 The two farmers do clearly not carry out the same physical activity. But they are classified in the same economic activity.
- 28.23-25 These paragraphs gives the wrong impression that the gross value of goods sent abroad for processing will no longer be found in official statistical sources. However, these gross values will still be recorded in the foreign trade statistics. It is only in the BMP6 that a net recording will occur, but the BOP statistics is not the source data used for detailed products in the supply and use tables. The IMTS, Rev 2 (International Merchandise Trade Statistics) that is planned for final adoption by the Statistical Commission in 2010, still includes gross recording (i.e. no change). The paragraph should refer to this important fact.
- Table 28.7* It is misleading to indicate that such a table exist. The market/non-market distinction may possible appear as memo items at the bottom of the table, but only for total output by economic activity.
- 28.37 Not a good example. Of course a column exists for electricity and water, but it has in the particular numerical example been aggregated with other columns. Anyway the elementary message that the dimension of the symmetric table cannot exceed the number of industries in the SUT can be given in a simpler way.
- 28.43 and 28.44 Should be deleted. The contents are highly speculation and may not be true (in fact the opposite may as well be claimed). It could alternatively be replaced by some examples of standard IO analysis (multipliers, indirect contents etc.)
- 28.45 Should be placed just after 28.36.

- 28.50 The information in the supply matrix is used to derive the symmetric IO table, but a reorganised diagonal supply matrix that may implicitly result from this calculation is not usually shown anywhere, and it is confusing to refer to it here.
- 28.51 “not changing the row allocation” is not clear; it must be understood to mean “changing the allocation within rows, but not between rows”. The last sentence: “It assumes that.....” can be taken either as a general statement that is self evident and thus empty. If, however it should cover both the cases of industry and product technology for the product by product table (which must be assumed) it is not correct, as it does not cover the case of an industry technology.
- 28.52 The last sentence “It assumes that as the level.....” This is a model statement. What is probably intended is a statistical statement that should cover both the cases of fixed product sales structure and fixed industry sales structure. (The present text, if interpreted in statistical terms, only refers to the latter).
- 28.55 There is a problem with the references to table numbers here. Table 28.10 is something else (as referred to in paragraph 29.68) etc. Thus the “table 28.10” referred to here seems to be missing.
- 28.57 “Depends on the manufacturing industry, regardless of where they are actually produced” is only true if there is no secondary production in manufacturing, which, however, there is according to table 14.12. This illustrates the big problems of trying to give simple numerical examples that basically include inverted matrices!
- 28.58 Last sentence “Negative entries cannot appear.....” But the major question here is: When they appear, so what, as they cannot realistically exist.
- 28.61 and 28.62 The text of these two paragraphs does not make any sense, and seems – if any interpretation can be made at all - in fact to say almost the opposite of what is actually going on in these types of transformation.
- 28.68 Table 28.11 have industries in the columns and rows, and not products as now written in the table.

Annex 3

Section B, heading 7: “preponderant” is a difficult word. Is it possible to find a more straightforward alternative?

Annex 4

- A4.17 We were somewhat surprised to see this item on the research agenda. The enterprise is one of the two main statistical units in the business register and an important unit in regional accounting.