

**Comments on draft SNA chapter:
Chapter 15: The Goods and Services Account and
Supply and Use Tables**

Deadline for comments: 29 November 2007

Send comments to: sna@un.org

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Submission date:	1 December 2007

This three-part template allows you to record your comments on draft chapter 15 easily and, at the same time, makes it easy for us to use your comments in considering revisions to the draft chapter. You may complete any one, any two, or all of the three parts of the template.

Save this template and send it as an attachment to the following e-mail address:
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Part I: General comments

In the space below, please provide any general comments, such as about the clarity with which the new recommendations were incorporated. Also, you may wish to comment on whether there is enough cross-referencing to earlier chapters for the basic concepts and definitions used in the supply and use tables (30 words or less).

Comment:

We very much welcome this chapter on goods and services accounts and supply and use tables. We do have two more general remarks. First of all, the text sometimes seems to mix conceptual discussions with practical considerations too much. As a consequence, neither of the two parts really comes into its own. In our opinion, the more practical parts may be more useful as part of a 'best practice manual' than as part of the SNA. As it stands now, these practical parts deserve a fuller description and analysis. Furthermore, the practical guidelines seem too specific regarding methods and data sources. Data sources and valuation can differ to quite some extent between countries. For example, in the Netherlands we do not have adequate information on transport being separately invoiced or not (para. 15.50), the Dutch survey of international trade includes both the fob and cif valuation (para. 15.52) and the CPI is not based on a household survey but on data from wholesalers and retailers (para. 15.122). Also note phrases such as "is to be assumed" (para. 15.65), "easiest" (para. 15.85).

A second more general remark relates to the tables. Throughout the chapter, tables are given as examples (table 15.1, 15.3, 15.4 etc.). We very much welcome such tables for illustrative purposes. In our opinion, however, the tables are now so abbreviated that their usefulness is compromised. We would like to suggest a more comprehensive example in which the various columns can be shown in the context of a complete supply and use table.

Part II: Comments on specific draft paragraphs or passages

In your review of draft chapter 15, you may wish to devote particular attention to the passages listed below. For ease of reference, we have identified the relevant paragraphs. For each passage, a Word table is provided for you to use in making your comments. In most cases, there is a row for general comments at the top of the table. Thereafter please use a separate row for each paragraph on which you wish to make detailed comments.

Goods and services account

As the foundation of the supply and use tables, the goods and services account is discussed in paragraphs 15.7. This account also serves as a preliminary step to the material on the summary measures of the accounts (now in chapter 14, but to be moved in the next version of the full set of chapters where this chapter on the goods and services account and supply and use table will be chapter 14, prices and volumes will be chapter 15 and part of the existing chapter 14 will be described as “Summarising and integrating the accounts” in place of the present title of “Summarising and presenting the accounts”> and will be chapter 16.).

1. Do you find this discussion useful? Is it clear and sufficient?

General comment	We prefer to have some further explanation of the treatment of trade and transport margins and the fact that the sum of the commodity balances is not equal to the identity of the goods and services account.
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Goods for processing

The implications of the new treatment for goods sent abroad for processing (and returned from abroad after processing) for the supply and use tables is described in paragraphs 15.32-15.36.

2. Is the discussion of goods for processing clear and sufficient?

General comment	In our opinion, the text on goods for processing is sufficiently described for this chapter.
15.32	Click here and start typing.
*	Click here and start typing.

* Insert rows in this Word table for each paragraph on which you wish to comment.

Trade and transport margins

The decision on how to record goods for processing has implications for how to record transport margins on such goods. Further, the principles of how to record trade and transports margins within supply and use tables when valuation is at basic prices as compared with purchaser's prices were not elaborated in the 1993 SNA text. Such a clarification is now provided (paragraphs 15.42-15.66)

3. Is the discussion of trade and transport margins clear and sufficient?

General comment	This section is very useful since it addresses a complex issue quite thoroughly. However, we do have some remarks on the various paragraphs concerned; see below.
Table 15.2 and par. 15.48	We would prefer to have some more explanation on the fourth case where A charges B for delivery but uses C to deliver. Is it meant here that A produces the transport margin and C supplies transport services to A? If this is the case, total output and intermediate consumption of transport (broadly defined) could increase significantly. Wouldn't it therefore be more useful to use a net registration in which in this case C produces the transport margin?
15.45	We would like to note that there seems to be some inconsistency in the use of the term 'cost'. First it is stated that "..., even though the total cost to B is similar throughout", whereas later in the paragraph it is stated that "..., is a reduction in the overall cost ...".
15.47	The description of intermediate consumption to a secondary activity could be simplified, in our opinion. As it is written down now, it seems to be somewhat overcomplicated.
15.51	We would like to note that goods delivered to off-shore establishments are not necessarily missed in customs statistics, as off-shore establishments on the continental shelf of a country are to be treated as domestic establishments for that country.

15.55	We would favour not to use the word ‘re-export’ here, but to use the same choice of words as in para. 15.54 and para. 15.56 in which it is stated that the transport cost is included in the export price of A.
15.64	We wonder whether this paragraph could not be deleted since it merely is a summary of the previous paragraphs.
15.65 (a)	It is stated here that “if the data come from other than customs documentation, it is to be assumed ...”. Since this paragraph is a recommendation, we propose a less prescriptive phrasing, for example “... it might be appropriate to assume that ...”.
15.65 (b and c)	A case is presented in which the cif valuation may approximate the basic price. We would like to suggest to add some discussion on how approximate this really is. There may be considerable long distance transport beyond borders of individual countries/custom unions. Transport costs will often not be negligible in such circumstances. Similarly, a fob valuation in combination with international transport from a large country/customs union may also lead to considerable distortions.
Table 15.3	As we see it, the amounts in the column ‘Cif/fob adjustment’ are not all on the right rows. The same also applies to table 15.4.

The supply and use tables in volume terms

Section D.2 provides a general discussion of the supply and use tables in volume terms, covering output, imports and exports, margins, taxes less subsidies on production, and value added.

4. Is the discussion of supply and use tables in volume terms clear and sufficient?

General comment	<p>As section D.2 is a continuation of the framework developed in D.1, we will comment here on the entire D section.</p> <p>Although we agree that the method described here is a way to deflate the supply and use table, it is neither the only method nor necessarily the best method. The supply and use table could, for example, also be deflated in purchaser prices. Both methods have their stronger and weaker sides. As noted in this section, it is an arduous task to separate trade and transport margins, taxes and subsidies on products, and the use from domestic production or imports, from values in purchaser prices. Although from a methodological point of view the resulting values are in basic prices which can be deflated using a PPI, in practice this is only an assumption. Using a PPI as a starting point for the deflation of purchaser</p>
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	<p>prices may methodologically be less sound, but in practice unlikely to be less accurate. It would also make better use of available data on output and use which are typically valued in purchaser prices. In addition, the use of the CPI is superior in the case of deflation in purchaser prices, instead of deflation in basic prices. Overall, the trade-off here is whether it is better to assume that the PPI is an accurate estimate for use prices or whether it is better to assume that the various adjustment layers are accurate enough to estimate values in basic prices.</p> <p>Deflating purchaser prices has a significant added benefit. It facilitates the simultaneous compilation of a supply and use table in current prices and constant prices. Such a simultaneous compilation process reinforces the overall framework tremendously, as it is possible to confront developments in supply and use excluding price changes. The interaction between current prices and constant prices does not only lead to better estimates for each good or service (quickly identifying data flaws and discontinuities in data sources). It also facilitates the estimation of variables such as labour productivity and the efficiency in use of other inputs.</p>
15.109	In the last sentence of this paragraph, it seems to be suggested that trade margins can never be a secondary activity of an industry. We do not agree with such a notion.
15.127	Two ways are given to create trade and transport margins in volume terms and the implications of both ways for price and volume. As we see it, the ways and implications are incorrectly linked. Method one should be linked to implication two and vice versa.
15.131	We wonder whether the last sentence of this paragraph is correct. A deflation method for taxes and subsidies on production could not be based on the production or use of products. A volume measure for taxes and subsidies on production can not be based on data in the system in the same way as taxes and subsidies on products. In the latter case, it can only be based on supplementary information. For example, wage subsidies could be deflated using the number of eligible workers. In our opinion, a clearer distinction in the deflation procedure for the two types of taxes and subsidies should be made.

Additions and deletions to the draft chapter

The chapter aims to give a more comprehensive view of supply and use tables and how they might be used than is found in the *1993 SNA*. As explained in the Note by the Editor, new material was added on several aspects.

5. Bearing in mind that input-output tables will be described in a later chapter, are there other aspects of supply and use tables that you feel should be added to the chapter?

Comment:

No general comments. However, please note our comments in part III below.

Table 15.3 of the 1993 SNA shows the cross classification of production account items by industries and institutional sectors. It has been omitted from the draft chapter.

6. Do you see any reason to restore it to the draft?

Comment:

We regret that the cross classification table has been dropped. In our opinion, it is a very important link between the supply and use framework tables and the (production) accounts of the institutional sector accounts. It is an important instrument for the reconciliation of data between the two principal systems of the national accounts. We would therefore recommend restoring it to the draft.
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Part III. Other specific comments

You are welcome to make other comments. Please do so by using Adobe Acrobat Version 6 or 7 to comment directly on the PDF of the draft chapter.

If you don't have Adobe Acrobat Version 6 or 7 and would like to make detailed comments, please send a message to sna@un.org requesting a version of the draft chapter that permits you to comment. To optimize your commenting tools, please download Adobe Reader 7.0 for free from <http://www.adobe.com/products/acrobat/readstep2.html>

A1) Commodity balances

General comment	In the introduction a number of cases are identified in which supply and use tables are useful to improve certain data. We would like to add here a more comprehensive description of the benefits of supply and use tables. The supply and use table is a powerful tool to improve data from various sources by making a detailed confrontation. In addition, supply and use tables are an essential component for describing markets and industries, measuring volume measures of macro-economic indicators, determining (labour) productivity, etc.
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15.3	In this paragraph, the identity is provided for a commodity balance. We feel that more explanation should be given on the trade and transport margins. The concept of these margins and the fact that the sum of all the commodity balances is not equal to the identity in para. 15.2 may well be the most complex part of the supply and use tables.
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A3) Supply and use tables

15.8	This paragraph states that “A use table at purchasers’ prices consists of a set of commodity balances”. We would like to note that the use table includes only half of the commodity balances.
15.11	We were somewhat unsure how a lack of a breakdown on household expenditure could be reconciled with the notion of an available set of CPI weights. We suggest to delete this paragraph.

A4) The industry dimension

General comment	In the beginning of chapter 15, the identity for the commodity balance is given. We think that the industry identity concerning output, intermediate consumption and value added is just as important for the compilation of supply and use tables as the commodity identity. We suggest to give the industry identity a more prominent place than it currently has.
15.12	We have some doubts about the usefulness of the first sentence in this paragraph. In addition, given the fact that industries relating one-to-one to products is more a theoretical concept than a practical notion, we think that a more practical description in which an industry produces more than one product may be preferable.
15.13	This paragraph could be clarified by adding the identity $\text{output} = \text{intermediate consumption} + \text{value added}$.

B3) Production

General comment	We agree that some remarks on the aspects of production are useful in this chapter. In the other hand however, we would like to stress that chapter 15 should primarily focus on supply and use tables and that principles and concepts of production should not be unduly copied from other chapters.
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15.28	In the second and third sentence of this paragraph, exceptions are mentioned. These exceptions seem to relate to the guidance as given in chapters 4 and 5. It should be made clear here that the exceptions are the same as in chapters 4 and 5.
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B4) Imports

General comment	As stated in relation to the section on production, we would like to stress that chapter 15 should primarily focus on supply and use tables and that, in this case, principles and concepts of imports should not be unduly copied from other chapters.
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B5) Valuation

15.45	In our opinion, it is somewhat confusing to state that taxes on production are included and that subsidies on production are excluded in the basic price. Although the net taxes/subsidies on production need to be paid out of the value added created, it would be wrong to suggest that they are part of the price of specific products. Furthermore, the use of included for taxes and excluded for subsidies does not improve the readability of this paragraph. We would like to suggest to at least add a reference to the positive recording of taxes and the negative recording of subsidies in the system.
15.48 - 15.51	These paragraphs seem to suggest that non-deductible VAT needs to be part of the system during the reconciliation of supply and use of the various products. We would like to suggest to add a paragraph stating that it may be useful to reconcile the supply and use of the various products excluding all VAT, adding the non-deductible VAT to the system after balancing.

C The use table

General comment	Again, we would like to stress that chapter 15 should primarily focus on supply and use tables and that, in this case, principles and concepts of the various uses should not be unduly copied from other chapters.
15.70	In this paragraph, it is stated that other information can be added to the use table. However, 'other information' only seems to relate to capital formation and the number of employees. We would like to note that of course there is no real limit to the information one can add to the use table as long as it can be divided among the various industries (for example the average number of employees per establishment).

C1 The use of products by producing units

15.75	We suggest to delete the phrase "... but mistaking one concept for the other is a common error made by users not very familiar with the nature of a supply and use table", since it is, in our opinion, a comment unrelated to the purpose of this chapter.
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