

**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

Your name:	Sumiye Okubo
Your country/organization:	Bureau of Economic Analysis
Contact (e.g. email address):	Sumiye.Okubo@bea.gov
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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.

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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:

Paragraph 15.28 notes exceptions to the general rule that ancillary activities do not give rise to output. (I assume this means final output). One exception noted is where the ancillary unit is treated as a separate establishment “because of its geographical location where it may be a source of significant employment.”

This seems possibly more restrictive than the AEG recommendation to treat ancillary units as separate as long as they satisfy the conditions to be an establishment (and are statistically observable). Couldn't they meet the criteria without significant employment?

Para. 15.29 discusses the production part of the supply matrix having columns corresponding to “types of producing units” – does “type” refer to whether it is market, own-account, or non-market, as shown in the subsequent example (table 15.1)? If so, it is unclear how this should lead to a matrix dominated by zeros, as said later in the same paragraph (and table 15.1 is not dominated by zeros). If, on the other hand, “types” refers to establishments, it makes sense – but then using table 15.1 as an example isn't illustrative of that fact. Para. 15.30 notes that it is not apparent that most entries are zero, but is more apparent for own use and non-market

production. But the fact that there are a few more zeros in these columns doesn't clarify this – I would think that the statement in para. 15.29 that “the goal of creating establishments is to partition...enterprises so that each row and column...is dominated by one entry with zeroes elsewhere” must refer to a matrix showing establishments, rather than market-type, in the columns.

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	
15.7	<p>If the goods and services accounts is intended to illustrate sources and uses of commodities, it would be better to define it as: $output + imports + taxes\ on\ products - subsidies\ on\ products - intermediate\ consumption = final\ consumption + capital\ formation + exports.$</p> <p>I would retain the equation currently shown in order to make the point below the equation about how it can be used to define both the expenditure and production approaches to measuring GDP.</p>

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	The implications of this discussion for contract domestic production activities in the supply and use tables is not clear. More elaboration may be needed. For example, if an independent domestic crude oil producer contracts with a domestic refinery to produce refined petroleum products for further distribution, should the crude oil be treated as an intermediate input of the crude oil producer rather than the refiner? Should the refiner be shown as producing refined petroleum or providing a contract service? How would the contract or processing fees then be handled?
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* 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	The discussion appears to be complete in the sense that all possibilities are covered. In practice, however, some countries may employ conventions that result in different treatments. For example, in the U.S. input-output accounts, transport costs are shown as though they were purchased separately by the commodity users, regardless of who actually pays. This valuation convention is described as unbundling and forward shifting. As a result, transport charges paid by a manufacturer or retailer would not be treated as intermediate input by those industries but rather as a margin incurred by the consumer of the product. The possibility for this type of treatment should be recognized. A few of the tables could be improved by incorporating suggestions below.
15.65-15.66	The example tables 15.3 and 15.4 are incorrect. In table 15.3, the adjustment for transportation and trade activity (duty) in the cif/fob adjustment column should be in the rows for transportation and trade (row 4) and not in real estate (row 7) and business services (row 8). In table 15.4, offsets to transportation and trade to adjust from basic prices to purchasers' prices should be in transportation and trade (row 4) and not in real estate (row 7) and business services (row 8).

15.97	The example table 15.8 could be improved. The values for change in inventories are somewhat misleading—it would be unusual to have large values for inventory change for wholesale and retail sale, transport, accommodation and food services (line 4) and for information and communication services (line 5) while the values for goods (lines 1 and 2) are relatively small.

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

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	
15.127	<p>The stated implications of the assumptions for margin price indexes may need further review and clarification. In the first deflation procedure described, it appears that both sales prices and margin rates are held constant from the reference year. If so, the implied margin price index is the product of the sales price index and the margin rate index, not just the sales price index. Moreover, this treatment does not imply that the entire margin change is a volume change, although it may imply that the entire margin <i>rate</i> change is treated as a margin price change. The second deflation procedure, which holds constant the current-period margin rate, implies that the margin price index equals the sales price index. This in turn implies that the margin rate change is treated as a margin volume change.</p> <p>It should also be mentioned that some countries have started to compile margin price indexes that could be used to directly deflate nominal gross margins, rather than making assumptions about sales prices and margin rates. Also, it is possible but not simple to calculate margin price indexes using a double-deflation method.</p>

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

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 additions at this time.

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:

No comment.

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>