

**Comments on draft SNA chapter:
Chapter 26: The rest of the world accounts**

**Deadline for comments: 26 September 2008
Send comments to: sna@un.org**

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This template allows you to record your comments on draft SNA chapter 26 “The rest of the world accounts” 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 or all parts of the template.

There is no file comparing existing text with draft text for this chapter because the draft is largely new text.

Save this template and send it as an attachment to the following e-mail address:
sna@un.org

Part I: General comments

In the space below, please provide any general comments. This may cover e.g. the structure of the chapter, issues missing and (lack of) consistency with other chapters of the 2008 SNA.

General comments:

<p>General comment</p>	<ul style="list-style-type: none"> • This chapter is well-written and covers most areas as expected. However, the length could be reduced in some areas and more references to other chapters in the SNA 2008 Volume 1 and BPM6, thereby avoiding repetition. • More is needed in other areas, for example: <ul style="list-style-type: none"> ○ Impact of globalisation on the treatment of units, transactions, etc. and recognising the issues and difficulties. ○ How to handle the different types of goods for processing, toll processing, merchanting, etc. with either diagrammatic or numerical examples. ○ How are airlines treated? Addressing the centre of economic interest and the ticket sales in different countries from the main country base aspects. Similarly for shipping. ○ Treatment of research and development (in line with BPM6). • “International accounts” term is a new term, it would be better to use say, “rest of the world accounts” throughout the chapter and in line with use elsewhere in the SNA. • The reference to tables should be “Table 26.1” and not as “table 26.1”. The style is not consistently used throughout the chapter. Examples include Paragraphs 26.26, 26.29 and 26.84.
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Part II: Comments on specific draft paragraphs and sections

All comments on specific draft paragraphs are welcome. They can be about e.g. scope, content and clarity. Proposing a concrete alternative text or table is also possible. For the paragraphs in separate sections, separate forms are used for providing and collecting comments (see below).

A. Introduction (paragraphs 26.1-26.6)

General comment	See General Comment regarding the use of the term “international accounts”.

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

B. Accounting principles (paragraphs 26.7-26.34)

General comment	
26.9	2 nd sentence, would read better if the word use is in quotes, i.e. “use”.
26.10	<ul style="list-style-type: none">1st sentence, it is worth mentioning that for unquoted equity securities, a recognised alternative to market value is Own Funds of Book Value (OFBV). OFBV is the favoured alternative measure for the IMF Co-ordinated Direct Investment Survey, which is based on the Fourth Edition of the OECD Benchmark Definition (BD4). OFBV is already used in the UK direct investment surveys and under consideration by the Bank of England.Last sentence, replace “under-” with “under-invoicing”.Last sentence, remove the “-” between “market” and “equivalent”.A table would be useful, and make it clearer for the reader, covering the different valuations of imports and exports at the border, and as recorded in the importing and exporting countries. This should also allow for the different ways transportation can be provided, e.g. by the seller or by the purchaser or by a third party.
26.11	<ul style="list-style-type: none">Last sentence, to show the described treatment as a “negative export” seems intuitively and conceptual incorrect. The purchases of goods for resale without any further processing, which are then sold, the difference should be treated as the output, i.e. gross margin, and reflected as part of the resident country’s output and export, and not as a negative export. If the sale value is less than the purchase value, then the value of export would be negative matching the negative output entry.Need to also cover long-term contracts and progress payments and how they are treated, for example, construction activities, building of ships, aircraft, etc.Other areas to cover include toll processing, goods for processing, etc.

26.17	Need to make reference to the centre of economic interest criteria.
26.18	This paragraph should have a reference to Paragraphs 26.26 and 26.27.
26.19	Branches is a concept of limited use, much more reference is needed to show the links between branches and industries.
26.24	More should be provided on the treatment of airlines, including some examples, like say a UK based airline has sales offices in say, France and USA, how are ticket sales in these countries recorded, linking the domestic output/accounts and the rest of the world accounts?
26.25	Last sentence, spelling of “globalizatio” should be “globalization”.
Table 26.1	Replace “Nonfinancial” with “Non-financial”.

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

C. Structure of the international accounts (paragraphs 26.35-26.66)

General comment	Need to realign the numbering of paragraphs and sections.
26.34	Replace “nonprofit” with “non-profit”.
26.35	<i>SNA</i> should not be in italics – this is not consistent with the rest of the chapter when referring to the SNA.
Table 26.3	Value of net lending / net borrowing is missing.
26.39	The distinction does not just reflect policy interest but has to fit in a classification structure or framework as a way of recording the different activities, and providing a link between the goods and services recording in domestic accounts and the rest of the world accounts.
26.40	<ul style="list-style-type: none"> • Replace the term “CIF-type” with “CIF type”. • Replace the term “FOB-type” with “FOB type”. • Penultimate sentence, need to add the following clause, “...., if provided by a non-resident enterprise these are included within imports of services.”
26.41	Last sentence, “nonmonetary” should be replaced with “non-monetary”.
26.42	Need to mention that if the imports for re-export are held in the resident country for a period beyond that being measured (i.e. month, quarter or year), then the value of the import this will show an increase in the inventories of finished goods, and later on export, show a decrease in the inventories of finished goods. This ensures there is a balance across the accounts and between supply and demand for the product.

26.45	<p>The term “transactor-based items” is somewhat misleading, see paragraph below. What really distinguishes the three categories outlined in this paragraph is that, counter-intuitively they all include the value of goods. This would be a something to state in the second sentence.</p> <p>For construction, what defines the category is the provision of a certain type of product (a construction asset) not the type of transactor. It is different from other services products in that it is valued on a gross basis and takes explicit account of the value of goods and labour provision, but this does not make it transactor-based. For government goods and services nie, it is transactor based in the sense that all transactions included in the category involve government institutions as one part of the transaction but BPM6 stresses that where possible government transactions should be allocated to other services categories. So it is not the case that, as transactor-based, implies that all government transactions are included in government nie.</p>
26.47 & 26.48	<ul style="list-style-type: none"> • These paragraphs need to state that cross-border compensation of employees is part of the primary income account. Will also need to change the 1st sentence of Paragraph 26.47. • Need to distinguish between rent and rental.
26.52	<ul style="list-style-type: none"> • 1st sentence, needs to say that these are current transfers and not capital transfers. • Last sentence, this is misleading. Short-term when applied to individuals working abroad would generally be assumed to be for less than one year, remittances sent by these people form part of compensation of employees (credits) in the primary income account not the secondary income account. A better form of words would be to use, "individuals working abroad and resident in their new economies".
26.53 & 26.54	<p>These paragraphs on remittances are good but they should be in section E as they cross all categories of the capital and current accounts.</p>
26.56	<p>Penultimate sentence, this is misleading. It is the external balance on goods, services and primary incomes that feeds into GNI from BoP, in that GNI includes the goods and services balances. The external balance on primary income is what is added to GDP to get to GNI. The text needs to be clearer. Last sentence, the reference in line with Table 26.3, should be to the current account balance and not the current external balance.</p>
26.57	<ul style="list-style-type: none"> • 2nd sentence, “nonproduced” should be replaced with “non-produced”. • 2nd sentence, “nonfinancial” should be replaced with “non-financial”. • Penultimate sentence, bearing in mind Paragraph 26.89, this sentence should add at the end, “including debt forgiveness and debt assumption.”.
26.61	<p>3rd sentence, “nonfinancial” should be replaced with “non-financial”.</p>
26.62	<ul style="list-style-type: none"> • Need to be clearer of the relationship between debt instruments and debt. • Text needs to be clear whether financial derivatives part of debt?

26.64	Replace “instruments” with “categories”.
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* Insert rows in this Word table for each paragraph on which you wish to comment.

D. International accounts functional categories (paragraphs 26.67-26.84)

General comment	<ul style="list-style-type: none"> • The section uses letters for the categories in Paragraph 26.67 and numbers in the subsequent text – this is not consistent. • Also the numbering has gone awry (two number 1's and no number 5).
26.68	2 nd sentence, replace “instruments” with “assets and liabilities”.
26.70	Replace the term “instruments” with “categories”.
26.74	Although briefly referred to in Paragraph 26.71, greater clarity is needed to emphasise that transaction in debt instruments between selected affiliated financial corporations is not classified as direct investment because it is not considered to be so strongly connected to the direct investment relationship. The financial corporations covered by this case are central banks, deposit-taking corporations other than the central bank, investment funds, and other financial intermediaries except insurance companies and pension funds.
26.71 to 26.76	There is no reference to property investment, for example, 2 nd homes abroad. It is discussed in Paragraph 26.22 but it would be worth reiterating here that direct investment also includes investment by non-residents in notional resident unit's, for example, vacation homes.
26.77 & 26.78	<ul style="list-style-type: none"> • Is negotiability the best word? Would liquidity be better? • There is no mention of the reinvestment of earnings on investment fund shares. Reinvested earnings are clearly covered under direct investment but the same is true for portfolio investment. Any investment fund profits not distributed to the investors is deemed to be reinvested in the fund. An equal entry is needed in both the primary income account and financial account.
26.79	Replace the term “instruments” with “categories”.
26.80	<ul style="list-style-type: none"> • Bullet point a. other equity, it would useful to add an example in brackets, like subscriptions to international organisation. • Similarly, could an example be provided for bullet point f.?
26.83	3 rd sentence, “nonmarketable” should be replaced with “non-marketable”.

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

E. Special international accounts considerations (paragraphs 26.85-26.94)

General comment	Numbering of the paragraphs need to be correctly aligned.
Table 26.5	<ul style="list-style-type: none">• The small x for other equity under OI should be a large X as most countries have subscriptions to international organisations.• It is not clear what is represented by the small x is for investment fund shares under OI? Is this the imputed transaction for the reinvested earnings on investment fund shares referred to above?
26.85	<ul style="list-style-type: none">• It is worth saying in this paragraph that the analysis of bilateral imbalances between countries can also be used to improve quality.• 4th sentence, replace “ca” with “can”.
26.89	Last sentence, replace “chapter” with “Chapter”.

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

Part III. Other specific comments

You are welcome to make other specific comments. To assist you in doing so, the following points are provided as a guide to the types of points on which you might wish to comment. Note, though, that you are not restricted to commenting on only these points.

1. Is the consistency between BPM6 and the SNA sufficiently emphasised?
2. Is the description of the functional classification in BPM6 useful and clear to non balance of payments specialists?
3. Are tables 26.1 and 26.2 helpful?

Specific comments:

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

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>