# Comments on draft SNA chapter:
# Chapter 14: Summarising and presenting the accounts

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|---|---|
| Your name: | Gallo Gueye |
| Your country/organization: | Eurostat |
| Contact (e.g. email address): | gallo.gueye@ec.europa.eu |

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## Part I: General comments

*Comment:*

We think that this chapter still needs substantial revision.

Our main concerns are with part B.1 and particularly with the tables presented in this part. Part B.1 presents a partial consolidation between the national economy and Row (partial because it doesn't consolidate the goods and services account transactions, imports and exports). This presentation is according to our view rather artificial and creates problems, particularly in relation to the treatment of saving (see detailed comments).

Our preferred option is that the chapter starts directly from a table for an open economy such as 14.5, and that the relevant material now treated in part B.1 is introduces on that structure. Mainly, rather than forcing the saving and investment equality with the artificial semi-consolidated economy case, we see it preferable to start from the open economy case of table 14.5, where *saving+ net capital transfers from Row = GFC + net lending abroad*. Then the closed economy could be shown as a special case.

Alternatively, part B.1 could be redrafted for the case of a closed economy (without imports and exports) to show the *saving = investment* identity. The closed economy case can also be interpreted as the world economy. However we prefer the first option because the second would lead to repetition. Furthermore, in the numerical examples, imports and exports would have to be fitted into output and domestic uses and value added would change.

Furthermore, the central importance of the goods and services account is not introduced clearly and no table is presented for it.

Finally, a lot of the material presented in B and C in is repeated again in section I. Alternative presentations could be made in an Annex.

## Part II: Comments on specific draft paragraphs or passages

1. Sections B and C describe the derivation of the most common macro-economic aggregates.

*Comment:*

**Section B**

As said in the general comments, this part is our main cause of concern.

Table 14.1 is derived by consolidating the national economy and the Row entries in accounts as presented for instance in table 2.8 of the 93 SNA, but also in table 14.5 that comes later in the draft chapter 14. It should be noticed however that consolidation of national economy and Row is not applied to the Goods and services accounts transactions.

The main problem that emerges in table 14.1 is that saving (which should be defined as income minus consumption as in the draft chapter 9, see also 14.13 and 14.80) is equal to 1854-1399=455. The value of 414 shown in the table for 'saving' is obtained by adding **-** 41, which is the current external account balance from the point of view of the Row (therefore the surplus of the national economy before consolidation which in the context of table 14.1 can readily be calculated as exports-imports). The explanation for this is just sketched in 14.12, and a more clear (but still not entirely satisfactorily) explanation comes too late in 14.36 and 14.37. Before coming to that explanation the entry saving = 414 is used everywhere in section B, especially to show equality with investment. The use of the word saving with (different types of) inverted commas made in 14.12 and 14.36 is also a source of confusion for the reader.

As said in the general comments, we support a change of part B.1 according to the options suggested. Below we complete the comments to this section with some other detailed comments.

- **Table 14.1**
  - "transactions and other flows" should be "transactions and balancing items";
  - Imports and exports are very difficult to digest in the consolidated national economy/Row proposed presentation;
  - Check the value of balance of primary income (in table 14.1 it is 1854, in table 14.5 it is 1883);
  - The entry for "Saving" is equal to income – consumption – current external balance and not to income – consumption as given in the table.
- **14.12**: Last sentence, why saving is in inverted commas? This last sentence is not enough to explain the main point referred to in the third paragraph above of our comments to section B.
- **14**.**13**: "Income as generated less consumption is equal to saving". This is also repeated in 14.80. This gives saving =455, not 414 as 'saving' in tables 14.1 and 14.2.

- **Table 14.2**
  – “transactions and other flows” should be “transactions and balancing items”;
  – Imports and exports are very difficult to digest in the consolidated national economy/Row proposed presentation;
  – The entry for "Saving" is equal to income - consumption - current external balance (see above).

- **14.15 – 14.19**: Besides the use of saving = 414, all this part is not particularly convincing, starting from the equations in 14.15 until table14.4 which shows a so-called consolidated financial account which is actually empty.
- **14.20-14.21**: Is this the right place and way to fit the goods and services account? Generally speaking, the treatment of goods and services account is not satisfactory in our opinion. Its central role as a global economic balance in transactions on G & S doesn't appear well. The link between these paragraphs and those that come before is not made clear. The very mention of an "ex-post" equation only for this account risks suggesting that for other accounts this is not the case.
- **14**.**22**: Does “this balance” refer to the goods and services account? See above.
- **14**.**23**: the right-hand side gives 1860.
- **14.26**: “Income is usually defined as the amount that can be ~~spent~~ <u>consumed</u> while keeping the level of capital intact”

**Section C**

- **Table 14.5**
  – “transactions and other flows” should be “transactions and balancing items”;
  – Check value of balance of primary income (in table 14.1 1854, in table 14.5 1883);
- **14.31**: Concerning the sentence “As well … any taxes on product payable by non-residents” (and vice-versa), it remains to be checked which taxes are to be recorded here and to have the cross references in other chapters. Concerning D21, they are already included in the value of cross border transactions in goods and services. Concerning D29, in the EU there is certainly the part which goes to the EU institutions. However, it's not clear from the manuals if a D29 could be paid to the rest of the world and viceversa.
- **14**.**36-14.37**: the reference to "dis-saving" does not seem appropriate according to our view. The negative current external balance in the end determines the net lending of the national economy (except that the net capital transfers also intervene in the capital account to determine net lending). So it seems preferable to say that national saving (455) is partly lent abroad and for that part it is not transformed into real investment inside the national economy. Concerning the explanation given with the sentence “This means that more of the goods and services produced in the economy are exported than imported and so the amount left for use as consumption or capital formation is less than the amount produced”, we have two problems: (a) The first part of the sentence could be clarified with “This means that more of the goods and services produced in the economy are exported than <u>the goods and services</u> imported”. (b) More importantly, in the numerical example given in the tables net incomes received from the Row is zero, but if this is not the case, the current external balance is also influenced by these transactions, so the explanation is not sufficient.

2. Section D mentions the need to present the accounts in time series format.

*Comment:*

Some comments to the present section D that still contains 4, 5 and 6 on volume measure are given below in the box for section E.

3. Section E describes the place of volume measures in the accounts.

*Comment:*

This is actually covered in section D of the chapter as posted on the site. There must be something still to fit with the sequence of sections and subsections.

**14.53**, the first part is not clear: (a) It seems that one could conceive studies of productivity starting from a volume measure of value added derived as explained in 14.52, but 14.53 seems to say that this is not possible. (b) the last sentence is also unclear to us: can the <u>costs</u> of capital and labour exhaust a <u>volume measure</u> of value added?

4. Sections F to I describe briefly other possible dimensions to the accounts.

*Comment:*

5. Section J describes alternative presentations of the accounts.

*Comment:*

Section J is missing

## Part III. Other specific comments

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