

Comments on Chapter 14

Part B. 1

The main objective of part B.1 is not realized when it is entitled "T-accounts and the goods and service account". This T-account is not representing the true nature of the T accounts for the sequence of accounts. Moreover, the equation $\text{Total use} = \text{consumption} + \text{exports} + \text{saving}$, may lead to confusion and should rather be avoided.

Given the importance of the goods and services account it is suggested to use more detailed tables to avoid confusion among national accounts users when the basic concepts are presented in a short cut way.

Table 14.1 to 14.4 in the draft can be replaced by the proposed tables 14.1 and 14.2, which is a condensed form of the current table 2.8 in the 1993 SNA. It shows the entries for a balanced goods and service account as part of the sequence of accounts. In addition it would be useful to also have a separate table for the goods and services account (see table 14.3). Unlike table 2.8, the proposed table 14.1 presents the generation of income account and the primary income account separately, mainly because it allows for the derivation and presentation of the balancing items properly, avoids the difficulty faced by readers to read table 2.8 and makes it fully compatible with the detailed sequence of accounts.

The two columns of goods and services (shadowed) may be removed without loss of information and table 14.3 can be set up by just picking uses and resources of goods and services from table 14.1 as they do not have counterpart in the sequence of accounts. The way it is presented in the current SNA, a counterpart of each category of goods and services are entered mainly as a trick to have the equality of "total" on both sides of the table.

The amendments to the text of chapter 14 are only a suggestion and if the new tables are accepted, the editor may wish to adjust the text to fit the overall style and content.

Part I, paragraphs 14.91 and 14.92

In reference to the presentation of national accounts tables it would be preferred if the presentation of the UNSD publication: "National Accounts Statistics: Main aggregates and tables" are used. These presentations are agreed upon by the UN, Eurostat and OECD.

Part I, Table 14.X

The introduction of monetary and non-monetary production may convey an idea that it is possible to separate them as such when the SNA does not even define them anywhere in the text. This idea may be interpretable in many different ways, for example, it is debatable whether education that is provided for free should be classified as monetary transactions as in this table.

Chapter 14: Summarising and presenting the accounts

Proposal for a conventional presentation

Table 14.1: The current accounts

	Uses					Resources			
	Total	Goods and services	Rest of the world	Total economy		Total economy	Rest of the world	Goods and services	Total
		R	U	U		R	R	U	
					PRODUCTION ACCOUNTS				
1	499	499			Imports of goods and services.		499		499
2	540		540		Exports of goods and services.			540	540
4	3604	3604			Output	3604			3604
5	1883			1883	Intermediate consumption			1883	1883
6	133	133			Taxes less subsidies on products	133			133
7	1854			1854	Value added at basic prices, gross				
					GENERATION OF INCOME ACCOUNTS				
8					Gross value added at basic prices	1854			1854
9	768		6	762	Compensation of employees				
10	191		0	191	Taxes less subsidies on production and imports				
11	901			901	Operating surplus and mixed income, gross				
					ALLOCATION OF PRIMARY INCOME				
12					Operating surplus and mixed income, gross	901			901
13					Compensation of employees	766	2		768
14					Taxes less subsidies on production and imports	191	0		191
15	454		63	391	Property income	416	38		454
16	1883			1883	Balance of primary income/National income, gross				
					SECONDARY DISTRIBUTION OF INCOME				
17					Balance of primary income/National income	1883			1883
18	213		1	212	Current taxes on income, wealth etc	213	0		213
19	322			322	Social contributions	322	0		322
20	332			332	Social benefits other than social transfers in kind	332	0		332
21	278		9	269	Other current transfers	239	39		278
22	1854			1854	Disposable income, gross				
					USES OF DISPOSABLE INCOME				
23					Disposable income, gross	1854			1854
24	1399			1399	Final consumption expenditures			1399	1399
25	11		0	11	Change in pension entitlements	11	0		11
26	455			455	Saving, gross				
27	-41		-41		Current external balance				

Table 14.2: The capital account

	Changes in assets					Changes in liabilities and net worth			
	Total	Goods and services (resources)	Rest of the world	Total economy		Total economy	Rest of the world	Goods and services (uses)	Total
					Saving, gross	455			455
21					Current external balance		-41		-41
22	414			414	Gross capital formation			414	414
23					Capital transfers, receivable	62	4		66
24					Capital transfers, payable	-65	-1		-66
25					Changes in net worth due to saving and capital transfers	452	-38		414
26	0		-38	38	Net lending (+) / Net borrowing (-)				

B. Gross and net domestic product

1. T accounts and the goods and services account

14.4 The tables presented in the previous chapters use a format very common in published tables; the items representing resources are shown in the right-hand side of the table and the items representing uses in the left-hand side of the table. This format is flexible because it allows a multiple number of columns to be shown for both parts of the table and even for the two parts to be shown on different pages if the columns are sufficiently numerous. However, there is another format for the tables that is particularly useful for explanatory purposes, the T account.

14.5 In a T account, only one set of descriptive headings (stubs) is shown in the middle of the table with values representing resources in columns to the right and values representing uses in columns to the left. An example of a T account is given in table 14.1 and gives a picture of the current accounts of the national economy plus the rest of the world, showing the principal economic relations and main aggregates. There is also a column for goods and services and a column for an overall total. The rows in the table show the rows from tables 6.1, 7.1, 7.2, 8.1 and 9.1 at a high level of aggregation. The total column shows the sum of the national economy plus the rest of the world and in the case where there is no counterpart entry the value in the goods and services column. All transactions within the national economy involve two resident institutions. Transactions with the rest of the world involve one resident unit and one non-resident unit.

Summarizing the current accounts

14.6 The table begins with imports and exports of goods and services, the entries from the rest of the world account that show the value of goods and services that reach the national economy from the rest of the world and those that are produced in the national economy but are provided to the rest of the world.

14.7 The immediately following rows show the main entries from the production account, output and taxes less subsidies on products on the resource side and intermediate consumption on the use side. The balancing item for the production account, value added appears next, also on the use side as the closing item of the production account.

14.8 The next entries come from the generation of income account. The first entry, the same figure as the previous balancing item is value added and it is shown on the same row as before. On the uses side are compensation of employees, taxes less subsidies on production and imports. The balancing item for the generation of income account is operating surplus and mixed income.

Gross operating surplus and mixed income = Gross value added at basic prices – compensation of employees payable – taxes less subsidies on production and imports payable

14.9 The balancing item for the generation of income account appears as resource in the allocation of primary income account. Property income is the next item to appear in the table. Property income may be payable by residents or non-residents and may be receivable by residents or non-residents. Once the values for three of them are known, the value of the last can also be derived. For example, property income receivable by residents must be equal to property income payable by both residents and non-residents less property income receivable by non-residents. Thus property income receivable by both residents and non-residents (shown under total resources) must be equal to property income payable by both residents and non-residents (shown under total uses). The balancing item of the allocation of primary income shown on the uses side is gross national income.

$$\text{Gross national income} = \text{Operating surplus and mixed income} + \text{primary income receivable} + \text{property income receivable} - \text{property income payable}$$

14.10 Gross national income appears as the first item on the resources side of the secondary distribution of income account. Current transfers payable by resident and non-resident units must be equal to current transfers receivable by both resident and non-resident units, and thus the use and resource are equal as is the case for property income.

$$\text{Gross disposable income} = \text{gross national income} + \text{current transfers receivable} - \text{current transfers payable}$$

14.12 Continuing in this fashion, disposable income is derived as the balancing item of secondary distribution of income account and appears as resources in the uses of disposable income account. The balancing item for the disposable income account is gross saving. Change in pension entitlements are entered on both sides; although it does not affect gross saving of the total economy, it affects gross saving of institutional sectors as it is recorded as payable by the financial institutional sector and receivable by the household sector, which are not elaborated in this summary account.

$$\text{Gross saving} = \text{gross disposable} - \text{final consumption expenditure}$$

14.13 Table 14.1 demonstrates a simple economic proposition in national accounting terms. Notwithstanding all the distribution and redistribution of income shown in the sequence of accounts, income as generated less consumption is equal to saving. Table 14.1 also shows the equality of the total uses and the total resources of each transaction shown in the columns "total" which are mostly the sums of the total economy and the rest of the world on each side of the table. However, there is one exception, the total of a given income generated in the right-hand side of the generation of income account must be compared with the corresponding incomes receivable in the left-hand side of the allocation of primary income account.

14.14 14.15

14.16 The capital account (tables 10.1), is summarized in the same way that the current accounts were summarized to give table 14.2. In this case, the titles given to the right- and left-hand columns are changed; the columns to the right are described as changes in liabilities and net worth, and those to the left show changes in assets.

14.17 Table 14.2 shows that capital transfers receivable and payable exactly offset one another in the same way that property income and current transfers do.

14.18 Table 14.2 shows that total saving adjusted for the current external balance (on the right-hand side of the account) matches total capital formation on the left.

14.19

The goods and services account

14.XX The row for a given transaction generally shows the uses and resources of each transacted item, except for the generation of income and allocation of primary income which are shown in separate accounts. For example, the row for property income shows that property income was payable by residents (391), and the rest of the world (63). In turn, it was receivable by residents (416) and the rest of the world (38). The total of payables is, of course, equal to the total of receivables (454). The presentation of transactions on goods and services is different. In this case, there is no balance for each type of transacted goods and services which are elaborated in the supply and use tables; however they are shown globally as output, imports, exports, final consumption and gross capital formation. Consequently, the goods and services account is shown as two columns, one for uses and another for resources. Imports of goods and services, for example, are recorded as resources of the rest of the world on the right-hand of the table, they are entered again as resources to the economy on the left-hand side, only to make the total on the two sides equal.

14.20 Clearly, ex-post the total amount of goods and services supplied to the economy must be equal to the total use made of those goods and services. Combining the equations for total supply and total use gives the following identity:

$$\text{Output in basic prices} + \text{taxes less subsidies on products} + \text{imports} = \text{intermediate consumption} + \text{final consumption} + \text{exports} + \text{capital formation}$$

The equation reflects the notion that goods and services produced now are used either to generate more goods and services in the current period (intermediate consumption) or to generate more goods and services in future periods (capital formation) or to satisfy human wants immediately (final consumption). However, because no economy is entirely closed, it is necessary to allow for those goods and services supplied from outside the economy (imports) and those goods and services used by other economies (exports).

14.21 This identity comprises the goods and services account. *The goods and services account shows the balance between the total goods and services supplied as resources*

to the economy as output and imports (including the value of taxes less subsidies on products not already included in the valuation of output) and the use of the same goods and services as intermediate consumption, final consumption, capital formation and exports.

Table 14.3 Goods and services account

Uses		Resources
	Total supply of goods and services in purchasers' prices	4,236
	Imports of goods and services	499
	Output in purchasers' prices	3,737
	Output in basic prices	3,604
	Taxes less subsidies on products	133
4,236	Total uses of goods and services in purchasers' prices	
540	Exports of goods and services	
3,696	Domestic uses	
1,883	Intermediate consumption	
1399	Final consumption expenditure	
414	Gross capital formation	