

**Comments on draft SNA chapter:
Chapter 18: Elaborating the accounts**

**Deadline for comments: 29 September 2008
Send comments to: sna@un.org**

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Submission date:	29 September 2008

This template allows you to record your comments on draft SNA chapter 18 “Elaborating the 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:

General comment	Click here and start typing.
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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 18.1-18.6)

General comment	No comments.
18.1	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.

B. Time series, revisions and discrepancies (paragraphs 18.7-18.17)

General comment	
18.14	The last sentence is awkwardly worded and unclear. (“...and these [<i>statistical offices?</i>] may not be able to ensure that these [<i>administrative sources of data?</i>] exactly meet the statistician’s needs.”)
18.17	The reasoning in this paragraph seems somewhat confused. When household final consumption expenditures are derived residually, the text should differentiate between cases in which it is inaccurate because: (a) the initial estimate of GDP is inaccurate, or (b) GDP is accurate, but the allocation between expenditure components is inaccurate. In the latter case (GDP is accurate), the inaccuracy of household consumption does not carry forward to the estimate of the gross operating surplus. If the estimate of GDP is inaccurate, all subsequent balancing items are likely to be inaccurate. But household consumption and gross operating surplus are not tied to each other, as implied by this paragraph, but rather both are tied to the accuracy of the GDP estimate.

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

C. Accounts in volume terms (paragraphs 18.18-18.29)

General comment	This section should also briefly describe the role of the national accounts in deriving price indexes for broad economic aggregates.
18.18	While the statement that the accounts in volume terms show “changes from one year to the next that would have resulted if there had been no change in prices” may be true, it is also may be a bit misleading. Because the accounts in volume terms also show changes for periods longer than one year to the next, the chained volume measures don’t carry the property of “no change in prices”;

	instead, each pair of years is calculated with no change in prices for the pair, but these prices change as the pairs of years are chained together.
18.23	Consider adding a mention of direct volume measures, such as those discussed by the Eurostat <i>Handbook on Price and Volume Measures in National Accounts</i> or the OECD draft handbook, <i>Measuring Education and Health Volume Output</i> .
18.24	The second sentence (“Statements can be found saying that it is not possible to think of a balancing item having price and volume dimensions”) is not explained, and consequently appears to be a pointless digression. We recommend dropping the sentence unless there are good reasons to develop and explain this point in much more detail.

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

D. Quarterly accounts (paragraphs 18.30-18.39)

General comment	The section omits, and should include, a brief discussion of basic extrapolation with an indicator, which is the most fundamental technique used for compiling the quarterly accounts. A brief summary of this technique could be based on the discussion in the IMF <i>Quarterly National Accounts Manual</i> , paragraphs 6.17 to 6.21.
18.30	Click here and start typing.
18.35	Instead of the vague statement, “Many computer programs available to statistical offices automatically adjust to ensure that no such step results,” it would be better to reference a specific method or methods. We note that the IMF <i>Quarterly National Accounts Manual</i> endorses an enhanced proportional Denton method. We agree with the IMF’s recommendation and suggest that this paragraph mention the Denton method.
18.36	This paragraph is not well explained, confuses several concepts, and ends with a faulty recommendation. In general, surveys report inventories as “book values,” which—depending on the accounting method—may be valued at historical cost, current cost, or some mixture historical and current cost. If they are measured at historical cost, the holding gains or losses since the inventories were acquired must be removed. The removal of these holding gains or losses requires information on recent price changes and some information turnover rates—that is, how long goods are typically held in inventory before sold. Generally, high-frequency price information, such as monthly price indexes, are needed to remove the holding gains/losses. These adjustments to remove holding gains/losses, however, must be applied to both annual and sub-annual inventory data, and there may be good reasons to prefer the end-of-year stocks from an annual survey to the end-of-year stock from a quarterly or monthly survey—for example, it may be derived from a larger sample or may provide more information about the composition of inventories. It is necessary to reconcile the quarterly changes with the annual changes, but we disagree that the sum of the quarterly changes is generally to be preferred to the annual changes.

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

E. Regional accounts (paragraphs 18.40-18.46)

General comment	
18.40	Click here and start typing.
18.44	Perhaps it may be useful to mention that there can be differences between regions in price levels, and that accounting for these differences may be difficult. Standard price indexes measure changes in price over time and do not measure differences in price level across regions. An approach similar to purchasing power parities may be needed if the statistical office wishes to measure prices and volumes at the regional level.

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

F. Presentational issues (paragraphs 18.47-18.57)

General comment	<p>It may be useful to mention presentations that are designed to enhance the transparency of the accounts and the relationship of the national accounts estimates to the source data. Some examples of such presentations in the U.S. national accounts include the following:</p> <ul style="list-style-type: none"> • Reconciliation tables showing the relationship of national accounts estimates to source data and the explicit adjustments that are made for differences in coverage, concepts, etc. • For preliminary or “advance” quarterly accounts, we present information on our assumptions for source data that are not yet available. For example, sometimes indicators are available for only two months and we need to fill in the third month with an assumption; the transparency of the accounts is enhanced by our publication of these assumptions. • Some special tables provide information, for example, on imputations in the national accounts. By making this information widely available, we are able to answer questions and enhance the public trust in our estimates. For example, these estimates show that movements in GDP are not explained by imputations.
18.47	Click here and start typing.
18.55	In the third sentence, add “for years other than the reference year” to the statement that “aggregates may not be equal to the sum of the components. In the next sentence, change “One solution” to “One alternative” (that is, the presentation of volume estimates in index number form is not a “solution” to the lack of additivity). This paragraph should also say that the accounts can present “contributions to change” that are additive, and that many statistical offices provide these presentations. For chained Laspeyres aggregates, the contributions can be calculated based on the prior year’s prices. For countries that use chained Fisher aggregates, formulae are available for calculating contributions to change (for example, see pages 4-21 to 4-22 of

	http://www.bea.gov/national/pdf/NIPAhandbookch1-4.pdf .)
18.56	The U.S. Bureau of Economic Analysis has recently dropped the compilation and presentation of seasonally unadjusted estimates, finding that there was relatively little user interest in the seasonally unadjusted estimates. Therefore, we question the recommendation that quarterly estimates should be presented on both a seasonally adjusted and an unadjusted basis.

* 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. Are there any other major issues concerning the presentation of the accounts you feel should be covered?
2. Are the examples of possible tables in section F helpful and sufficient?

Specific comments:

Specific comments	Click here and start typing.
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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>