

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

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

Your name:	Mr Sanjiv Mahajan
Your country/organization:	UK / Office for National Statistics
Contact (e.g. email address):	Head of National Accounts Strategy and Development National Accounts Co-ordination Division Zone GE 108 Office for National Statistics 1 Myddelton Street Islington London EC1R 1UW Tel no. +(44) 020 7014 2078 E-mail: sanjiv.mahajan@ons.gov.uk
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:

<p>General comment</p>	<ul style="list-style-type: none"> • This chapter is a good initial draft, and should play a key role in bringing together different aspects of the range of chapters in Volume 2, links to Volume 1, and beyond the SNA framework, without duplication. However, the structure and coverage seems rather arbitrary, and more details need to be provided in the introduction covering the purpose of this chapter and an overview to the various parts and their links. • More detail and the treatment of a number of other areas (briefly) is needed to provide a fuller and more balanced picture: <ul style="list-style-type: none"> ○ There is a section on “Accounts in volume terms”, prior to this section, there should be a brief section on “Accounts in current prices” and minimising any repetition from Volume 1. ○ Timing of 1st estimates (sometimes called “flash”) of GDP and subsequent revisions – balancing timeliness and quality. ○ Timing of the 1st set of quarterly accounts, annual accounts and the interactions like benchmarking and data reconciliations. ○ Drawing out “key derived aggregates” from the accounting structure and their emphasis, for example, GDP, GDP deflator, cost of living indices, household savings ratio, government debt and deficit, corporate lending, etc., and their roles in policy for example, for government, finance ministries and the Central Banks. ○ Seasonal adjustment. ○ Productivity. ○ Environmental Accounts. ○ Social Accounting Matrices. ○ Other extensions to the national accounts framework like satellite accounts. ○ Purchasing power parities. ○ Links to different types of micro and macro research by analysts, researchers, academics, etc. <p>Terminology and reference to GDP</p> <ul style="list-style-type: none"> • There is a need for consistency and correctness in the way references are made to GDP. There is one estimate of GDP and there are three approaches to measuring GDP, production, income and expenditure. When using reference to one approach, it should be written as production approach to measuring GDP and not the production measure of GDP – same applies when referring to the other approaches. In terms of GDP, reference should be to production and not output, however in terms of the industry, output is valid. This approach needs to be used in this chapter and other chapters. • Reference to “current values” should be replaced with “current price values” or “values in current prices”, either version is much clearer.
------------------------	--

Style and consistency points for this chapter and/or across SNA chapters

This section is evolving and expanding through the process of the feedback provided on the SNA chapters. This should be considered as a check list reflecting various issues identified through the chapters to date but the issue(s) may not occur in each and every chapter.

These are a number of specific points which you may wish to consider for “consistency” in the editing of the revised SNA as a whole publication. Examples include:

- There are various occurrences of American spelling and English spelling of words. I do not know which approach you are applying but consistency within each chapter, and across the chapters, is necessary. I would recommend the English spelling (not surprisingly!). For example, “organized” should be “organised”.
- There is an important style point which increases the usefulness for the reader. Many of the cross-paragraph references, for example, if there are exclusions in a list of examples, to know where the exclusions are included elsewhere in the SNA in the same text reference is extremely helpful. Although it is time and resource intensive to cross-check all such references, this needs to be balanced against the value and usefulness for the reader as well as ensuring consistency across the SNA.
- The separation of either a list of examples or list of bullet points need to be consistent across, e.g. “;” followed by for the penultimate point with “and” or use full stops for each point. Whichever the approach, it needs to be the same across the SNA. Also the beginning of a bullet point should start with a capital letter or a lowercase letter, again consistency is needed.
- In the text, reference to tables should be “Table x.x” and not as “table x.x”.
- Use of Latin phrases or the English equivalent written in full? Again, consistency is the underlying theme, I am happy with either approach.

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	
18.1	<ul style="list-style-type: none"> • 1st sentence, replace “The chapters up until this one” with “The chapters in Volume 1”. • 1st sentence, remove the word “first”. • 2nd sentence, replace “are about” with “describe”.
18.2	Penultimate sentence, the slant needs to change to reflect that the revisions performance of the national accounts data is an indicator of quality. “No revisions” or “many revisions”, do not necessarily mean poor quality accounts or components.
18.3	<ul style="list-style-type: none"> • 1st sentence, replace “... some aspects of national accounts in current values to...” with “... data in national accounts at current prices to...”. • 2nd sentence, remove “briefly exactly”, this removes confusion and contradiction.
18.5	2 nd sentence, replace the 2 nd “is” with “in”.
18.6	This paragraph mentions “The SNA is meant to be presented flexibly”. This reference needs to be qualified such that many countries, for example, EU Member States, are required to meet a set of detailed regulatory requirements which will often determine how the data should be presented. Countries can expand and show extra levels of detail if necessary.

* 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	<p>More is needed on time series, for example the different ways national accounts data can be presented, for example:</p> <ul style="list-style-type: none"> • Current and constant price data in countries’ own currency or use of a common unit. • Value indices and volume indices. • Reference years, base years, previous years’ prices and chained-volume terms. • Growth rates and contributions to growth. • Flows and levels.
-----------------	--

	<ul style="list-style-type: none"> Matrix structures like Supply and Use Tables for a single period viewed over time.
18.7	<ul style="list-style-type: none"> 2nd sentence, after "... aggregates" add "and detail structures". Last sentence, replace "columns" with "sectors".
18.8	Need to cover many users' needs (e.g. economists, modellers, analysts, etc.) for consistent data over a very long period, either quarterly or annually.
18.9	<ul style="list-style-type: none"> 2nd sentence, replace "1980's" with "1980s". 2nd sentence, replace "1990's" with "1990s".
18.10	<ul style="list-style-type: none"> 1st sentence, after "...and improve." add "reflecting the ever-changing economic structure like new processes and products, technological change, product substitution, import substitution, new purchasing channels, etc.". 3rd sentence, need to reflect the benefits and drawbacks of collecting data monthly, quarterly, annually or even 5-yearly. In the case used, the 5-yearly survey may be better replaced with an annual survey thereby removing the need for artificially modelling estimates, which are not likely to reflect economic reality.
18.11	Need to cover the issues and the challenge of either maintaining or reducing the burden on business (compliance) yet increase the data collection to reflect new economic activity or to improve the quality of existing estimates.
18.12	<ul style="list-style-type: none"> Need to also cover that discrepancies exist across the whole of the national accounts, thus there is a need for data validation, investigation and balancing processes. In terms of GDP, the Supply and Use Tables provide the natural framework that allows reconciliation of the components of the production, income and expenditure approaches to measuring GDP. Coherent and integrated production of the Supply and Use Tables will also provide the links between the goods and services account, production accounts by industry and sector, and the generation of income accounts by industry and sector. More is needed to reflect the different types of adjustments incorporated within the accounts in order to balance the various identities. For example, coverage adjustments, conceptual adjustments, quality adjustments and balancing adjustments (which are more subjective). UK Office for National Statistics has previously produced and published articles describing the different types of adjustments, and published each year the annual balancing adjustments needed to reconcile the different approaches to measuring GDP. An article reference you could use: <i>Annual Coherence Adjustments in the National Accounts</i> by Stephen Penneck and Sanjiv Mahajan. <i>Economic Trends</i> No. 551 October 1999 Published by TSO 1999 ISSN 0013 0400 <p>This paper was also presented and discussed at the OECD meeting of National Accounts Experts in September 1999.</p>

18.13	Need to mention although the sectoral dimension in the SNA framework does not recognise differences or imbalances across sectors, i.e. sector balancing items, some countries do publish the sector and financial accounts with such balancing items.
18.14	<ul style="list-style-type: none"> • Need to mention that increases to survey sample sizes can improve the quality of the results. • Role and quality of the business register is key to the quality of results of business surveys where the samples are drawn from the register.
18.15	<p>Need to mention although not in SNA, many countries have balancing items in their published quarterly and/or annual accounts, for example:</p> <ul style="list-style-type: none"> • Residual error. • Statistical discrepancies (on the income and expenditure approaches to measuring GDP). • Sector balancing items.
18.17	<ul style="list-style-type: none"> • 1st sentence, replace “very” with “more”. • 2nd sentence, replace “output measure” with the “production approach, sometimes using a single indicator approach to generate the volume estimates”. • 2nd sentence, insert “gross” before “capital”. • 3rd sentence, insert “final” between “household” and “consumption”, there are two occurrences in the sentence. • 3rd sentence, replace “...other parts of the estimates.” with “...the other components”. • 4th sentence, replace “output measure” with the “production approach”. • 4th sentence, replace “missing figures for” with “under-coverage of”. • 4th sentence, insert “final” between “household” and “consumption”. • 5th sentence, replace “If, then, the ...” with “If ...”. • 5th sentence, after “...taxes on production” add “and adding subsidies on production”. • At the end of the 5th sentence, remove “also”. • Last sentence, replace “...living conditions as household consumption.” with “...household final consumption.”, should not confuse living conditions with consumption.

* 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	
18.18	<ul style="list-style-type: none"> • Need to provide more on the role/distinction between the current price and volume data. Accounts in current prices provide for example the structural changes in the economy either by industry, product, sector, etc. as well as industry gross value added weights for compiling a volume estimate of GDP. Although accounts in volume terms can also allow for changes in the

	<p>basic structure of the economy to be assessed (e.g. volume of inputs and the type of inputs to be compared with the volume of outputs), the focus is much more on the rate of change in the size of the economy after stripping out price inflation.</p> <ul style="list-style-type: none"> • 2nd sentence, replace “abstract from” with “remove”.
18.20	<ul style="list-style-type: none"> • 1st sentence, remove the word “whole”. • 1st sentence, insert “both current prices and” between “...expressed in” and “volume terms”. • 2nd sentence, replace “current values” with “current price values”. • 3rd sentence, insert “gross” before “value”. • Last sentence, replace “current values” with “current price values”.
18.21	<p>Replace the sentence with “It is useful to consider the components of the production, income and expenditure approaches to measuring GDP separately, then through the production of balanced Supply and Use Tables. Capital stock measures also need to be considered when moving the “gross” concept to “net” concept, as well as an input to measuring non-market output of central government, local government and NPISHs final consumption expenditure.</p>
18.22	<ul style="list-style-type: none"> • Replace title with “Components of the expenditure approach to measuring GDP” • Replace the 1st sentence with “The easiest approach to measuring GDP in volume terms is through the deflation of the current price expenditure components.” • 2nd sentence, insert “final” before “consumption”. • 2nd sentence, insert “gross” before “capital”. • 3rd sentence, replace “...at as great a degree of detail as possible...” with “...at the lowest level of current price detail as possible...” • Need to make reference to the Prices and Volumes Manual for the different methods of deflation, etc.
18.23	<p>2nd sentence, replace “current values” with “current price values”.</p>
18.24	<ul style="list-style-type: none"> • Amend title to “Components of the production approach to measuring GDP”. Use of the word “output” in this case is incorrect. • 1st sentence, • 1st sentence, insert “gross” before “value”. • 1st sentence, replace “output measure of” with the “production approach to measuring”. • 3rd sentence, insert “gross” before “value”. • Last sentence, replace “purchaser’s prices” with “purchasers’ prices”. • Last sentence, remove “producers’ prices”. GVA and output are by definition measured at basic prices.
18.25	<ul style="list-style-type: none"> • 1st sentence, insert “gross” before “value”. • Last sentence, the reference to Chapter 20 on capital stocks, is this in the SNA (i.e. Capital Services and the National Accounts) or in the OECD Manual?

18.26	1 st sentence, insert “gross” before “capital”.
18.27	<ul style="list-style-type: none"> • Remove “a”. • Replace “current values” with “current price values”. • Need to briefly cover previous years’ prices and chained-volume terms.
18.29	1 st sentence, after “...single year” add “or quarter”.

* 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	
18.30	Last sentence, after “...to quarterly” add “accounting”.
18.33	Need to reflect liquid and illiquid assets and the role of maturity of long-term financial assets.
18.34	The treatment of a “working-day adjustment” (whether for a month, quarter or year) should be separated from the “seasonal adjustment” process, as the former should be under-taken explicitly and prior to seasonal adjustment.
18.37	The text in brackets after the 3rd sentence referring to shares should either be removed as shares are not part of inventories or re-worded to say, “...although shares are not included in inventories, the treatment is.....”.
18.38	Replace 1 st sentence with “The goods and services accounts can be expressed in current prices and volume terms both in the quarterly accounts and annual accounts”.
18.39	Much more coverage is needed to describe the quarterly accounts, for example sectors, different sets of accounts, etc. Presently Paragraph 18.39 does not add much information which is not already covered in 18.38.

* 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	Need to mention that the regional accounts data plays an important role in the allocation of regional structural funds and subsidies.
18.42	<ul style="list-style-type: none"> • Bullet point 1., replace “...the centre of interest of which ...” with “...where the centre of predominant economic interest...”. • Bullet point 2., replace “...the centre of interest of which ...” with “...where the centre of predominant economic interest...”.

	<ul style="list-style-type: none"> • Bullet point 3., replace “...centre of interest...” with “...centre of predominant economic interest...”.
18.43	Penultimate sentence, insert “gross” before both “value added” and “operating surplus”.
18.45	<ul style="list-style-type: none"> • Need to mention that some countries rely on the use of various sources and proxies to allocate the components of the income approach to measuring GDP, i.e. GVA by industry, by sector and by type of factor income. • Need to highlight items like taxes on products and subsidies on products cannot be allocated by industry or by sectors, thus cannot be allocated on a regional basis. As a result, regional focus is often through GVA and not GDP.
18.46	3rd sentence, insert “GVA per head” after “GDP per capita”, this is a regularly used indicator by many users.

* 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>Need to cover issues like:</p> <ul style="list-style-type: none"> • Revisions • Use of index numbers • Growth rates for volume detail and industry/product weights in current prices.
18.47	2 nd sentence, replace “transactions in financial instruments” with “financial transactions”.
18.48	<ul style="list-style-type: none"> • 1st sentence, replace “from the output” with “using the production”. • 1st sentence, replace “sides” with “approaches”.
18.49	<ul style="list-style-type: none"> • Replace title with “Production approach to measuring GDP”. • 1st sentence, replace “output measure” with “production approach”. • 3rd sentence, after “... presentations”, insert “at”. • 3rd sentence, replace “develop” with “developed”. • 4th sentence, replace “par” with “paragraphs”.
Table 18.1	Replace “rev 4” with “Rev. 4”.
18.50	<ul style="list-style-type: none"> • Need to recognise the level of detail will depend upon various issues like resources, compliance, systems, data availability, quality, coverage, etc. • 3rd sentence, remove “-“.
18.52	<ul style="list-style-type: none"> • Replace title with “Expenditure approach to measuring GDP”. • Text in brackets, remove “also”.

18.53	<ul style="list-style-type: none"> • Replace title with “Income approach to measuring GDP”. • The paragraph needs to start with that fact that the income approach can itself be compiled in three different ways, and should be undertaken in an integrated manner providing greater consistency and coherency across the accounts. The three ways being: <ul style="list-style-type: none"> ○ By industry ○ By institutional sector ○ By type of factor income • Last two sentences should be removed as they provide a confused message and also imply inconsistency with the production and expenditure approaches.
18.54	2 nd sentence, replace “income in kind” with “income earned-in-kind”.
Table 18.3	<ul style="list-style-type: none"> • For NPISHs reference, add “analysed using COPNI by product”. • For GGFCe, add “COFOG by product”. • For GFCF, add “industry by product”. • For changes in inventories, ad “industry by product”. • For exports and imports, add “geographical or by country analyses”.
18.56	2 nd sentence, remove the word “also”.

* 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	
-------------------	--

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>