Comments on draft SNA chapter:
Chapter 26: Links to monetary and financial statistics

Deadline for comments: 12 February 2007
Send comments to: sna@un.org

Your name:	Peter Harper
Your country/organization:	ABS
Contact (e.g. email address):	peter.harper@abs.gov.au

This three-part template allows you to record your comments on draft chapter 26 easily 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 one, any two, or all of the three parts of the template.
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, such as about the clarity with which the new recommendations were incorporated (30 words or less).

Comment:

1. Chapter heading

The chapter heading implies that the material is somewhat incidental to the national accounts, but we see flow of funds statements, which are covered in the chapter, as an integral part of the national accounts. Perhaps this could be overcome by renaming the chapter "Flow of funds and links to monetary and financial statistics", with the flow of funds discussed first rather than later on in the chapter.

2. Theoretical context is missing

The notion of a separate chapter is supported in order to assist teasing out issues not addressed in chapters 10, 11, 12, 13 on asset accounting. However, the chapter lacks a theory context which would make implementation decisions more straightforward. Our suggestion is that a box, or a couple of boxes, dealing with the theory of money and credit, and the policy uses of such aggregates, would provide that context, perhaps along the lines of:

Box 1. Money: The basic notion is that there is a relationship between change in GDP and change in transaction balances. The difficulty is tracking the notion of transaction balances in a particular economy, and the possibility of changing relationships over time. Various measures moneybase, M1, M2, M3, broad money, all liabs (provide definitions) can be compiled from basic SNA instuments and sector aggregates, with reference to the theoretical notion. Show how....

Box 2. Credit aggregates also assist assessment of the impact of demand and supply of financial resources on the real economy. A range of defined credit measures can be constructed from SNA instrument and sector building blocks. Show how...

Box 3. Policy uses of aggregates. Direct control, indicators, targets. Usefulness of SNA accounts enhanced if there is a tight conceptual and methodological linkage between uses and accounts.

This would indicate to compilers how to solve a number of vexed questions like the distinction between loans and deposits, the classification of various equity-like instruments, the classification of a range of financial institutions.

2. Linkages with BPM are not teased out satisfactorily

To achieve consistency of BPM with SNA, a set of fundamental building blocks are necessary to support compilation of BPM standard components (on the one hand) and SNA accounts (on the other). The discussion of reserve assets (26.10) and functional categories (26.9) should lead to this but stop short of being helpful.

Part II: Comments on specific draft paragraphs or passages

In your review of draft chapter 26, you may wish to devote particular attention to the passages listed below. There is space after each issue for any comment you wish to make.

1. Do you like the idea of a chapter showing the link to monetary and financial accounts? If so, does this chapter cover sufficient material to facilitate the link?

   Comment:

   We think it is a good idea

2. Would you like to see the details on financial sub-sectors in this chapter or in chapter 4 on Institutional Units and Sectors?

   Comment:

   We feel this detail would be best presented in chapter 4, so that information on sectors and sub-sectors is all in the one place. Chapter 26 could refer to chapter

4 regarding the financial sub-sectors.

Part III. Other specific comments

26.2 and Appendix – These suggest that “captive financial institutions and money lenders” (called “Other financial corporations, except ICPFs” in the appendix) are not financial intermediaries. We disagree with this.

26.14 - This paragraph suggests that non-MMF investment funds are financial intermediaries which is not something we are comfortable with.

26.16 There can be contributions to the net errors and omissions being discussed from outside the capital and financial account (the income and use of income accounts). The flow of funds presentation moves the analysis to measurement of saving.

26.22 The sample tables (26.3(a) and 26.3(b)), as pointed out, are examples only. The internals are not consistent with the heading, as only some instruments are disaggregated fully by debtor/creditor. This will limit their usefulness for many significant purposes. I prefer a more consistent example of disaggregation by debtor/creditor. If the analysis by type of instrument is important, a separate set of tables will be of more use than compromising the debtor/creditor tables