

**Comments on draft SNA chapter:  
Chapter 6: The production account**

**Deadline for comments: 15 April 2007  
Send comments to: [sna@un.org](mailto:sna@un.org)**

Your name:	Reimund Mink
Your country/organization:	European Central Bank
Contact (e.g. email address):	Reimund.mink@ecb.int
Submission date:	

This three-part template allows you to record your comments on draft chapter 6 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](mailto: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. As in other cases the chapter is too long, repetitive and lacks concise and easily understood definitions (examples to follow). Again, there are many pages which would fit more appropriately in a compilation guide: examples include: the pages 8 to 13 for the production boundary; the pages 22 to 27 for the recording of market output, the pages 38 to 40 on the boundary for intermediate consumption, and the pages 14 to 16 on VAT.
2. There are under lap/overlap/consistency issues with other chapters. See in particular, the alternative measurement of GDP (paragraphs 6.78 to 6.79) in chapter 14; the contribution of financial assets and liabilities (paragraphs 6.149 to 6.165) in chapter 17; a further discussion of economically significant prices (paragraph 6.91) in chapter 20; a comprehensive discussion on leasing (paragraph 6.201) in chapter 17; and a fuller discussion on consumption of fixed capital (Section H, already four pages) in chapter 19, capital services.
3. In the introduction, the definition of the production account (6.2) should include a definition of the balancing item, gross value added, equal to output less intermediate consumption. The sum of gross value added and taxes less subsidies on products is GDP at market prices. This comes later in the chapter, on page 16. Would it not be also better to bring into the introduction: paragraphs 6.65 to 6.69 on value added and GDP; to include also the definition of GDP (paragraph 6.78) as the measurement of total domestic activity and as a definition which has two alternative valid measures; and to include the definition of "GDP at market prices" which is also referred to as purchasers' prices (paragraphs 6.61 to 6.64)?
4. Paragraph 6.3 addresses three concepts. These should be better flagged as headings.

Indeed where is the third concept: the link to the generation of income?

5. Puzzled by Table 6.1 aside from the fact, we prefer no numbers. But, should the production account for the economy show as resources: output, plus taxes, less subsidies and uses: intermediate consumption and gross value added/GDP?

6. The paragraphs on VAT (and other taxes) could easily go to the general government/public sectors chapter.

7. Concerning the output of central banks please be aware that EU countries have to follow the regulation that

a. Financial services provided by the central bank: The central bank must not be included in the calculation of FISIM: its output is measured as the sum of costs; and

b. The central bank output should be entirely allocated to the intermediate consumption of other financial intermediaries (current subsectors S122 and S123). (See Council Regulation (EC) No 448/98 of 16 February 1998 and Commission Regulation (EC) No 1889/2002).

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

In your review of draft chapter 6, 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. In section B, the text extends the definition of services to cover margin services explicitly. Is this a useful extension? This section also is more precise about products capturing knowledge, some of which have many of the characteristics of goods. Is this precision useful?

*Comment:*

For both margin services and products capturing knowledge, examples for paragraphs 6.21 and 6.22 would help definitely. Why do we need to mention two other institutional units in case of financial assets? (paragraph 6.21)

2. Section D now discusses GDP as derived from the production account only. The expenditure based estimate and the relationship between this, the income based estimate of GDP and the production based measure are now discussed in chapter 14 after the components of the other estimates have been discussed in the accounts where they occur. Do you agree to this placement of the material on the alternative estimates of GDP?

*Comment:*

As above, prefer to have the alternative estimates of GDP, included at the beginning of Chapter 6.

3. The AEG recommended that goods sent abroad for processing should be recorded without imputing a change of ownership when no change actually happened. They further recommended that the same principle should be adopted for processing of goods by another resident unit. Does the text in section E reflect this recommendation adequately?

*Comment:*

Could not see this recommendation so clearly and, as suggested above, prefer to see most of section E, in a compilation guide.

4. Section E introduces the recommended change in terminology for kinds of production. Market production covers production for sale (short-hand term that includes other deliveries also) and for own use; non-market production relates only to production by general government and NPISHs. Is the resulting text sufficiently clear?

*Comment:*

Could not see this recommendation so clearly and, as suggested above, prefer to see most of this section E, in a compilation guide.

5. The output of the central bank is described in a stand-alone subsection of section F. Is the resulting text sufficiently clear on the proposals for compiling and allocating monetary policy services and financial intermediation services provided by the central bank?

*Comment:*

Section F should be less prescriptive. The text needs further fine-tuning to reflect also the common practice in the EU. Especially, paragraphs 6.146 and 6.147 are in contradiction to what is said in the 1995 ESA (no current transfers at all). See also item 7 of the general comments.

Paragraph 6.147: Is the concept correct of "artificially high or low" interest rates? How could such a concept be measured?

6. In section F, new text has been provided for the financial services. Is this text accurate and clear? This part of the text has been extended to include margins as well as FISIM and insurance charges. Are there any comments on this extension? (Further material will be added when chapter 17 is posted).

*Comment:*

See overlapping/under lapping/consistency comment above, on cross-cutting references to be included in Chapter 17.

In detail:

- Auxiliary financial activities do put themselves at risk (paragraph 6.150);
- Financial services are not produced almost exclusively by financial institutions, "because of the usually stringent supervision of the provision of those services";
- The mechanics of credit card charges (paragraph 6.153) needs to be checked and the principle set out rather more concisely;
- There are financial subsidiaries of retailers who do accept both loans and deposits; and
- I am not sure one can be as definite as to say: "The service charge made by the financial institution offering a security is not linked to the payment of interest, no matter how it is calculated".

7. Section G has a brief discussion of leasing, leaving the main discussion for chapter 17 on cross-cutting issues. Is the discussion here adequate in the context of chapter 6?

*Comment:*

Paragraph 6.201 on leasing is clear, but then the reader will be surprised to discover that he has to refer to a more comprehensive discussion, in Chapter 17!

8. The discussion of consumption of fixed capital, in section H, is reduced from that in the 1993 SNA. The previous recommendations have been superseded; fuller discussion will appear in chapter 19 on capital services. Is the discussion in chapter 6 adequate in this content?

*Comment:*

Very adequate and subsections 3 on calculation and 4 on the perpetual inventory method could go to a compilation guide.

### **Part III. Other specific comments**

You are welcome to make other comments. Please do so by using Adobe Acrobat Version 6 or 7 to comments directly on the PDF of the draft chapter.

If you don't have Adobe Acrobat Version 6 or 7 and would like to make very detailed comments please send a message to [sna@un.org](mailto:sna@un.org) requesting to receive a version of the draft chapter permitting 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>

Paragraphs (Ps) 6.6 and 6.7 are repetitive.

Paragraph (P) 6.13: The concept of knowledge-capturing goods is not yet explained or defined.

Ps 6.10 and 6.24 describe/define production. Why is it necessary to have two paragraphs?

P 6.29 (b): I would doubt whether there are no suitable market prices.

P 6.34: Why 'has been'? Better 'is'.

P 6.35: Is this not an implementation issue?

Ps 6.40 and 6.41: What are public authorities?

Ps 6.56, 6.57 and 6.61: Is a net recording really the normal case? Sales are usually not recorded excluding invoiced VAT. Contradiction between p 6.60 and 6.61 in which the purchaser's price is defined as the price excluding VAT.

Section 4: Why not to start with market output?

P 6.97: The difference between amounts payable and paid should be shown as payables/receivables and not only as trade credits.

P 6.100: Do not understand why intra-enterprise deliveries should be recorded? Do we record them at all (intra-flows)?

P 6.123 and others: We should use general government instead of only government.

Section 7, P 6.147ff: We should use the terminology as agreed: insurance corporations, liabilities, financial corporations, debt securities, pension funds or pension schemes, general government?

P 6.147: The rates are by definition fixed by policy intervention. It is not obvious how to determine what an "artificial" rate is.

P 6.151: Last sentence: This example may not be the clearest one.

Ps 6.156 and 6.158: Even if deposits were equal to loans, I presume one could not derive the reference rate as a simple average of rates on deposits and loans? One may therefore start 6.156 at "However, the depositor of funds...".

P 6.157: What is an actual corporation?

P 6.164: What is meant by equities?

P 6.165: I presume that paragraph 6.156 refers to FX transactions rather than to "foreign currency". Correct?

P 6.209: The first sentence might be misleading. Consumption of fixed capital has to be determined by period taking predominantly into account past events.