

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

**Deadline for comments: 15 April 2007
Send comments to: sna@un.org**

Your name:	
Your country/organization:	Germany / Federal Statistical Office
Contact (e.g. email address):	Abteilung-III@destatis.de
Submission date:	10 April 2007

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

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:

- Chapter 6 seems very long and sometimes not easily to understand for “normal” readers. Sometimes it is difficult to decide which piece of information is important.
- We would recommend to keep § 6.143-6.146 of the present SNA-93 on the production of originals and copies.
- It seems that there is a substantial extension of the production boundary by introducing in § 6.27b “for own final consumption of the producers”.

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:

General: The extension would be even more helpful if examples for typical “margin services” and “products capturing knowledge” would be included.

6.15 We wonder why goods are restricted to physical goods and hence do exclude intangibles. The problem appears in 6.22 where it seems that a new intermediate category is introduced (i.e. services, which can be traded and used repeatedly).

6.22: We have the impression that the new concept of *Knowledge-capturing products* does not fit in the system of goods and services. As can be seen at the end of this para., an ambiguous term is introduced and we cannot see the benefit for the SNA. We suggest to keep intangible goods as a category in the system and (possibly) to mention *knowledge-capturing products* as an example.

6.23 and 6.26 We would prefer to have no distinction in the headings between general production boundary and the general production in the system, one heading production boundary seems sufficient to us.

6.27 b By including own account production of “knowledge embodying services” for own final consumption of the producers (i.e. an unpublished private poem or song), we fear that this definition is a tremendous enlargement of the present production boundary. We have to insist, that the part “for own final consumption of the producers” is deleted.

6.29: It would seem very useful to add a few examples where money changes hands between household members for a service provided to the household, which is outside the production boundary (e.g. a child receives money for mowing the lawn or for washing the family car).

6.44: Please add at the end “Estimates on the value added from illegal productive activities should be added, if these activities – after correction for double-counting – represent an important share in the economy.

6.45: Please add at the end: “On the other hand, double-counting has to be avoided when including illegal activities. Such double-counting may occur, firstly because the intermediate consumption and GFCF relating to the illegal activities is already included in the accounts, for instance in private consumption expenditure. Another example is fictitious business transactions, which are used to disguise the revenue from illegal transactions. These fictitious transactions usually are covered by the existing statistical data and therefore have to be excluded to avoid double-counting.”

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:

We agree that in Section D the GDP from the production side is presented. It would seem useful to mention the other two approaches to compile GDP as well.

6.80: We are a bit astonished to read “This output is an export of a resident producer and the productive activity does not contribute to the GDP of the country.” In our view something can only be exported if it has been produced in the country before. Moreover, we think that as a matter of principle GDP is intended to measure the production taking place within the economic territory.

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:

Click here and start typing.

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:

Click here and start typing.

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:

6.139: We would prefer to state, that a gross presentation of wholesale and retail trade is completely acceptable, but that for certain reasons a net presentation (i.e. the trade margin) is preferred in national accounts.

6.144: In our view a central bank is not engaged in intermediation of money but in central bank money creation. Therefore, the concept of FISIM can not be applied. In the EU the output of central banks is calculated as sum of administrative costs which is at the same time intermediate consumption of domestic banks.

6.149-6.152: The distinction between “risk management” and “put themselves at risk” (= risk assumption) is blurred. (par. 6.150). Risk management is a service rendered to 3rd parties, which requires the input of labour and assets, whereas pure risk assumption does not require such inputs and therefore cannot be treated as productive activity. As a consequence, the intermediation service is the difference between the reference rate and the risk-adjusted actual rate.

6.155-6.160: The definition of FISIM should be reformulated as difference between the risk-adjusted actual rate and the reference rate. Otherwise pure risk assumption is treated as productive activity, which is not in line with the fundamentals of the SNA (see above)

6.166- 6.174: As long as this part is not complete, comments can hardly be made.

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:

Click here and start typing.

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:

Click here and start typing.

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:

Click here and start typing.

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 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>