Session 2: Supply and Use Tables  
21.9.2017  
(Questions and answers)

Qn 1: Why do we have to include purchases of residents abroad? They are non-residents of the economy.

Ans: Please see the concepts of residency discussed in the PPT of session 1. If a person belonging to country A visits country B for short term (say, less than one year and also some exceptions), the person continues to be a resident of country A, and not country B. The person does not become a non-resident of country A while on short visits to country B. The person’s expenditures in the country B while on visit to country B, are treated as household consumption expenditures of country A and also imports of country A from country B.

For more details on the concept of residency, please see the presentation slides of session 8.

Qn 2: Could you please explain which classification is best to adopt on trade statistics between HS and SITC.

Ans: HS is mainly used by customs authorities to record imports and exports of goods and for levying import taxes. The SITC is used by other administrative agencies, such as ministry of commerce and trade, although the source of data on international trade is customs records. The main difference between the two being that the SITC is focused more on the economic functions of products at various stages of development, whereas the HS deals with a precise breakdown of the products’ individual categories.

Concordance tables are available between CPC and HS/SITC, to facilitate easy transformation of trade data to the product classification used in SUTs. Therefore, whichever classification is used for trade data in the countries, there should not be a problem in transforming the data to the products of SUTs.

Qn 3: Need some explanation on Acquisition could you tells me some accounts on acquisition.

Ans: I understand that this relates to acquisition less disposal of valuables, which is part of gross capital formation. Ideally, the establishment surveys and household surveys should be the source for estimating this item, but it may be difficult to obtain information from the surveys. The alternative method is to estimate through commodity flow approach

| acquisition less disposal of valuables | domestic production of valuables + imports + trade and transport margins + taxes less subsidies on products – intermediate consumption – change in inventories – exports |

Mostly, information on imports and exports of valuables is available from merchandise trade statistics. Also, information may be available on domestic production from establishment surveys. Using these data and assuming certain ratios based on discussion with the producers and dealers of valuables, estimates on acquisition less disposal of valuables, can be compiled.
Qn 4: In the case of transfer of existing goods, which table will it be recorded in? Supply or use?

Ans: I understand that the question relates to transfer of goods with or without any payment. The event of transfer of goods arises only when the goods are produced. The goods produced are recorded in the supply table and the transfer of goods relates to uses and is recorded in the use table in the appropriate columns. For example, a farmer produces $100 worth of maize and transfers $40 worth of maize to his/her household. The production of $100 is recorded in supply table under the industry agriculture and row maize. The value of $40 is recorded in the use table under the column of HFCE against the same row of maize. Production of goods for own final consumption is also included in the production boundary and therefore, becomes part of domestic production. Once production is recorded for an item there should be uses for this production, either by industries for their intermediate consumption or by final users including exports.

Qn 5: Data on imports is normally at cif, can you say again how we make it fob?
Ans: Detailed data on import of goods is available at cif values in the merchandise trade statistics. This is what is required for SUT. However, the total imports in the supply table should be valued on fob. This can be done by subtracting imports of freight and insurance services from the services imports (source is balance of payments) shown against the freight and insurance rows. Please see the table below, especially row 3, where the adjustment is carried out. M1 and M2 are at cif values.

The balance of payments shows imports of both goods and services at fob values, and also sometimes show the figure of cif-fob adjustment, separately. If this figure is not available in the balance of payments, please contact the compiling agency of balance of payments to provide the cif-fob adjustment data.

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Imports, c.i.f. (total f.o.b.)</th>
<th>c.i.f./f.o.b. adjustment</th>
<th>Imports, f.o.b.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Agriculture</td>
<td>M1</td>
<td></td>
<td>M1</td>
</tr>
<tr>
<td>2. Industry</td>
<td>M2</td>
<td></td>
<td>M2</td>
</tr>
<tr>
<td>3. Services</td>
<td>M3-ADJ</td>
<td>0</td>
<td>M3-ADJ</td>
</tr>
<tr>
<td>c.i.f./f.o.b. adjustment</td>
<td>-ADJ</td>
<td>+ADJ</td>
<td>0</td>
</tr>
<tr>
<td>Purchases of residents abroad</td>
<td>R</td>
<td></td>
<td>R</td>
</tr>
<tr>
<td>TOTAL IMPORTS, f.o.b.</td>
<td>M</td>
<td>0</td>
<td>M</td>
</tr>
</tbody>
</table>

Qn 6: Would you include informal sector in each column industry or as a separate balancing item?
Qn 11: In updating make matrix, do you need to conduct survey on informal sector or you can project informal data?

Ans: We need to estimate the output, intermediate consumption and value added for informal sector first and then include it in the values for total economy, along with those of other institutional sectors. Production carried out in the informal sector is included in the production boundary and is part of the production of the total economy.
Informal sector estimates can be compiled by direct methods based on direct surveys on informal sector or through indirect methods, such as labour input methods, using the data on employment in informal sector.

Sessions 9 and 10 deal with how to compile these data for informal sector. Also, please see the answer to Q9 in Session 1.

Qn 7: What are primary and secondary categories? Does it mean agriculture and industry respectively?
Ans: I have not used the terminologies of primary, secondary and tertiary to group the industries/activities. However, if you come across these terms, primary activities refer to agriculture, livestock, forestry and fisheries and also mining sometimes. Secondary activities refer to manufacturing, utilities and construction and mining if not included in the primary. Tertiary activities refer to services.

If the question refers to primary and secondary products, then the answer is different. Primary products are the characteristic products of each industry. For example, a maize farmer may also have a shop to sell his produce from the farm itself. In this case, the farmer is carrying out two activities, namely, agriculture and trading. So, in this case, the primary product is maize and the secondary product is trade.

Qn 8: What is HGFC?
Ans: I don’t remember to have used this term HGFC. There is no such term. However, it could be HFCE or GFCF or CFC.

Qn 9: What is the difference between stock and flow?
Ans: Stocks are positions in, or holdings of assets and liabilities, measured at a point of time. They are recorded in balance sheets. Examples are balance in the bank account as on 31.12.2016, inventories as on 1.1.2017.

Flows arise due to economic actions or events that take place within a given period of time. They are recorded in the accounts. Examples are wages earned during the month of August 2017, maize grown during the period of July to September 2017.

Relationship between flows and stocks:
Stock end of period = stock at start of period + flows during period

Qn 10: If there is a discrepancy between supply and use, where or how the discrepancy can be distributed or adjusted
Ans: Generally, when the data is posted in each of the columns of the supply and use tables for the first time, the total supply (in the supply table) differs with the total uses (in the use table), for each of the products. Since there is no scope for discrepancy in the SUTs, we need to balance the two tables, by ensuring that total supplies = total uses, for each product. This can be achieved through what is known as balancing process, in which the source data is revisited,
experts are consulted, commodity flow methods are applied, etc. to make adjustments either in the supply table or in the use table, so that the total supply equals total use of each product.

This topic is discussed in Session 4

Qn. 11. Since HFCE is available after 5 years or more depending to countries, can we make it as a residual when calculating GDP on expenditure side?

Ans: Usually, HFCE data on the GDP expenditure side for base year is compiled using the information available from the benchmark household expenditure survey. In many countries, these surveys are conducted infrequently, say once in 5 years.

For the years other than the base year, it is preferable to estimate the HFCE at product level either using data available from retail trade surveys, if they exist or alternatively using various indicators of consumption, such as electricity sales to households, food balance sheets compiled by ministry of agriculture, imports (if the items consumed are mostly imported), output of services on the production side (since services are produced and consumed at the same time), extrapolating the base year estimates with growth in population and relevant CPIs, commodity flow methods applied at individual product level, etc.

Calculating the total HFCE as a residual is not a correct method, for annual estimates, as this will implicitly include the statistical discrepancies also in the HFCE.

Qn 12: Who has the authority to collect data on NPISHs?

Ans: NPISHs are legal entities and a regulatory agency in the country grants licenses to them to operate. These regulatory agencies are required to collect the annual accounts of NPISHs to monitor their activities.

Usually, the NPISHs are exempted from paying income tax, as they are supposed to be non-profit organisations. The income tax authorities also may collect the annual accounts of NPISHs, even if they are exempt from income tax.

The national accounts compilers should get in touch with these organisations to collect the annual accounts of NPISHs. If this is not feasible, a separate code may be introduced in the economic censuses/establishment surveys to identify such units.

Qn 13: The presenter said stocks are not present in the SUT. What is the difference between stocks and inventories? Inventories are present in the SUT

Ans: It is true that inventories are present in the SUT in the use table and it is also true that inventories are stocks, but not flows. However, what is included in the use table is change in inventories, i.e. closing stocks minus opening stocks, which is a flow. This is the reason why I mentioned that stocks do not appear in SUT, but only flows appear.
Some countries use the terminology of change in stocks instead of change in inventories. There is no difference between the two terminologies.