Qn.1 What data sources can be used for estimating acquisition less disposal of valuables in GCF?

Ans: The ideal data source for estimating valuables is the information collected on expenditures made on acquisitions and disposals of valuables by the producers and households through the establishment surveys, household surveys, business accounts and government accounts. However, in practice it is difficult to collect reliable information on valuables in these surveys. Also several developing countries may not have regular business and household surveys.

The alternative for estimating acquisition less disposal of valuables is through the commodity flow approach, based on the data available on domestic production and imports and exports. While the imports and exports data comes from customs authorities, domestic production and the underlying intermediate consumption can be estimated from the relevant ISIC groups of producers of valuables in the establishment surveys.

For example, if domestic production is 100, imports is 50, TTM, taxes and acquisition costs are assumed to be 10%, exports 60, intermediate consumption is 40, then Acquisition less disposal of valuables can be estimated as 100+50+15 (10%(100+50)) – 40-60=65

Qn.2 The balancing process is not so easy. What is your suggestion to do in this process?

Ans: Yes, it is true that balancing process is not easy. This requires systematic confrontation of all collected data, using justifiable assumptions, discussing with subject specialists, estimating missing values using commodity flow approach, etc. This is an iterative and lengthy process, but with experience gained by SUTs compilers over the years, balancing process becomes easier. Involving the administrative ministries, like agriculture, mining, construction, power, etc. and subject specialists in the balancing process is also a step in simplifying the balancing process. Also, the food balance sheets and other similar compilations of ministries can provide important information in the balancing process. Once the difference between supplies and uses is reduced to +/- 5%, automatic balancing method can be applied. The automatic balancing will work only if the differences between supplies and uses of all products sums up to zero.

An important step in simplifying the balancing process is by establishing target values for the columns and rows in the SUTs.

**Target values for columns in SUTs:** The target values for columns are the preliminary control figures for all the marginal totals (output, TTM, taxes/subsidies, IC, HFCE, GFCE, NPISH consumption expenditure, GFCE, change in inventories, acquisition less disposals of valuables and exports/imports) by examining and processing the data gathered from source agencies for compiling the SUTs. This process is similar to the compilation work done by national accountants for estimating GDP regularly. These
preliminary control figures can become target values for columns in both supply and use tables, after the cells in the SUTs are filled up with product details. The difference between the sum of cell values in the column and the target values is shown in a bridge row.

**Target values for rows in SUTs:** It is not possible to establish target values for total supplies and uses for the products simultaneously. A simpler method is to firm up the supply table first and then taking the row totals in the supply table as target values for the uses of products in the use table. Of course, at any stage of balancing if it is observed that the use table figures are firmer or when a new data is received, then the supply table figures can be revised and new target values for rows can be established for use table. The difference between the sum of row totals and the target values can be shown in a bridge column.

**Balancing process after establishing target values and bridge rows/columns:** Once we have the bridge rows/columns showing the differences between the sum and target values, the balancing process is carried out to ensure that both the bridge row and bridge column show zero values eventually. While balancing the two tables, the compilers need to examine each cell value, keep an eye on the values in the bridge row and bridge column to be adjusted, examine the data source, and check whether the coefficients (IC and final use to target value in column; and use to target value in row) are in order. Please remember that at any stage, the target values can be changed if a need for such a revision arises.

**Qn.3** If I understood it properly, the percentages provided under the manual balancing implies making changes to the USE table, which is point c. is implying. However, the discrepancies (at least some) do not 'equate' to the percentages given. Is this then a matter of 'eye-ballling as it were the figures? Point c. says that the changes should be made to the USE table only.

**Ans:** I think, this question pertains to the exercise of Session 4. The assumption made in this exercise is that the discrepancies are to be adjusted only in the use table and that too only in the final use cells. It is not necessary that the percentages assumed in consultation with subject specialist experts when applied to a particular cell will not result in the elimination of discrepancy in the row, but can result in a new value of discrepancy both in row and column. The cell values need to be examined again to eliminate these discrepancies. This is an iteration process.

The assumptions made for the exercise are not general assumptions applicable to SUTs. Please also see the answer the Qn.2 above.

**Qn.4** Are grants different from government subsidies?

**Ans:** Subsidies are given only to the resident producers and importers, and not to final consumers. For the resident producers they may be designed to influence their levels of production, the prices at which their outputs are sold or the remuneration of the institutional units engaged in
production. Subsidies have the same impact as negative taxes on production. Essentially, subsidies are given to reduce selling prices. For example, subsidies given to electricity units to sell electricity to farmers at cheaper price.

Grants are mostly current transfers. But they can also be capital transfers or subsidies, depending upon the purpose for which they are given. Examples of treatment of grants in national accounts:

- Current transfers: Old age pensions, scholarships given to students, maternity grants, etc. These type of grants are mostly given to households and are treated as social benefits.
- Capital transfers: payments made to farmers for purchase of tractors; to household enterprises for purchase of a fixed asset, etc.
- Subsidies: Payments made to farmers to encourage production of oilseeds

Qn.5 Just to clarify, does that mean that in this instance (for this exercise), the SUPPLY table, which provides the control totals will remain unchanged?

Ans: Yes, for this exercise, the supply table remain unchanged. However, while compiling Supply and use tables, cell values and control totals can change in either or both the tables, until the SUTs are balanced and finalised. Please see the answer to Qn.2

Qn 6: What is difference b/w Basic price and purchase price?

Ans. In simple terms, the basic price refers to the price at the farmgate/factory gate, while the purchasers' price refers to the price paid by the purchasers. The producers receive the values for their produce at the basic price. For example, if a farmer sells his/her maize at $100 per tonne, the basic price is $100 per tonne.

The products from the producers have to go through transporters and traders before they reach the buyers. In this example, a household may buy the same maize at $150 per tonne, as this involves transport charges to reach the trader, say $15, the trader charges his margin, say $25 and the taxes on maize is $10. So, the purchasers' price of maize is $150.

The equation between the two prices is:

Purchasers'price = basic price + trade and transport margins + taxes on products - subsidies on products.

Qn 7. Is the manual method of calculation based on the flow method?

Ans: Yes, the manual balancing method to balance the two tables is based on commodity flow method mostly, but at the same time, we need to ensure that total output = total input for each industry. Inputs are two types, the material inputs (which is intermediate consumption) and
primary inputs (compensation of employees, consumption of fixed capital, other taxes less subsidies on production and net operating surplus/mixed income).

Qn 8: Can you give an idea of how much time manual balancing can take depending on the size of the economy, and the number of sectors

Ans: Time taken in the manual balancing method certainly depends on the number of products and industries included in SUTs. There is no clear cut answer to how much time it takes in the manual balancing process. With experience, the balancing process becomes easier for the compilers of national accounts. Also, involvement of ministries and subject specialists in the balancing process is important, as they can identify the outliers in the cell values and appropriately guide the compilers. Normally, the balancing process should be completed in a period of 1 to 3 months, but again it depends on resources, source data quality, number of industries/products included in SUTs, cooperation of line ministries, etc.