

Overview of sources and methods for GDP E

Workshop on national accounts
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General principals

- Measuring GDP through the output approach depends on data drawn from business accounts, and administrative records
- Measuring GDP through the expenditure approach depends on business and government accounts for fixed capital formation, change in inventories, and government final consumption.

General principles

- But it also depends on personal responses for estimates of household spending – based on non-accounting records such as diaries
- For imports and exports it depends on administrative records for goods, and business and international visitor surveys for trade in services
- For non-base years, expenditure components often depend on commodity flow estimates, using the structure of the base year

GDP E

- In a base year, correspondence tables are needed as part of the supply-use framework
- These tables match the supply of products with the demand for the use of these products – by purpose
- The product classification of output is the CPC, which matches the Harmonised System of classification of international trade in goods, and the industry activity classification of the ISIC

GDP E classifications of purpose

- Each final demand category has a classification of its own which matches the purpose for which products are supplied
- For example, Household spending is classified according to COICOP
- Classification of Individual COnsumption according to Purpose
- 14 main headings such as Food, drink, recreation and culture, education

GDP E classifications of purpose

- Classification of spending according to purpose
- COFOG
- Classification Of the Functions of Government
- The main categories include Housing, health, social protection etc. usually reflecting the departmental structure of the Civil Service

GDP E classifications of purpose

- Non-profit institutions serving households
- These units provide non-market services to households, and the classification is similar to government COFOG, but with some special categories such as religion, health, social protection
- COPNI
- Classification Of the Purposes of Non-profit Institutions serving households

GDP E classifications of purpose

- Fixed Capital Formation
- This is classified by investing industry, using the ISIC
- And type e.g. plant and machinery, construction.
- The capital assets acquired are classified according to the CPC (which is consistent with the Harmonised System of the International trade in Merchandised Goods classification)

GDP E classifications of purpose

- International Trade in goods and services
- The classification system used in the national accounts for international trade in goods is
 - SITC
 - Standard International Trade Classification (Rev 4)
- This is based on the Harmonised System (HS) for coding commodities traded, and so is consistent with the CPC and ISIC.

GDP E classifications of purpose

- International Trade in Services
- The classification used is based on the MSITS –
 - Manual on Statistics of International Trade in Services
- A higher level of classification is the one in the IMF BoP Manual Rev 6
- EBOPS – Extended Balance Of Payments Services

Correspondence tables

- Established in the base year through supply use balances
- Used to transfer changes in supply to categories of expenditure
- If carried out at a detailed level, with a near one to one correspondence of output with purpose, it is labelled a commodity flow technique
- with some assurance of credibility and independence of output if largely reliant on imports

Commodity flow estimation

- A Weakness occurs when the correspondence is not one to one
- Then changes in technology or composition will generate errors
- When a large part of the supply is domestic but a unique allocation to purpose, then the estimate will be reliable, but not useful in testing the robustness of the output measure, as it is not independent
- In raising producer price to purchaser prices by the application of trade margins, installation costs, and expenditure taxes, assumptions are made about stability.

Non-profit institutions
serving households

What are they?

- They are serving a social purpose with no profit motive
- Typical examples are charities, church organisations, social protection schemes (Salvation Army).
- Because they usually have no sales, it is necessary to value their output as sum of costs
- But they do keep accounts usually, and so if they can be identified and surveyed, firm measures of output and purchases can be made

NPISHs

- But they can be transient
- They may keep poor records / accounts
- They may have a poor record of the structure of inputs (as does government)
- They are usually small and independent – hard to find and survey

Large associations

- In the UK, the Church of England, the Catholic Church has good annual accounts of their activities and costs
- So do large charities such as OXFAM, Amnesty International, Salvation Army, The Scout Association
- But there are many small local institutions (“give your neighbour a lift to a medical appointment”) which there is little chance of surveying.

Should we bother?

- If we believe that what they do for society is effectively the same as what a home worker does for the family, then there seems little need to identify them separately from the Household sector
- But if they behave differently from households, then we should identify them and show them as a separate part of Final Consumption
- In the UK – we think they are relatively small, behave like households, and are just too much bother.
- But – in CARICOM countries