



# Workshop on National Accounts– Improvement in the Production and Dissemination of the System of National Accounts

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GDP E – estimates of GCF

# GDP E - Estimates of GFCF

- In virtually all the CARICOM countries, there is no local production of capital goods
- The international trade figures for imports are therefore used to estimate GFCF, using a commodity flow approach
- The flows can also include local goods where production is identified and significant.
- Usually the end-use assignment is based on the UN classification of Broad Economic Categories (BEC)

# GDP E - Estimates of GFCF

- Construction of buildings and other structures
- GFCF for dwellings and other structures are estimated as part of the output of the local construction industry
- The output is split into two types, new capital formation, and the maintenance and minor repair of existing buildings and structures
- Distribution, and installation margins allowing for local employment are applied to the inputs to derive the value of the output

# GDP E - Estimates of GFCF

- Construction of buildings and other structures (cont'd)
- The installation margins are derived from income surveys and other ad hoc sources which inform on the labour content of the construction output.
- The capital part of the output is the estimate for GFCF on dwellings and other structures

# GDP E Estimate of GFCF

- Machinery and equipment, and transport: vehicles, ships and aircraft
- The goods are identified as capital from the detail of the import headings in the SITC
- Distribution and contractor margins are applied to the value of locally produced goods and those being imported to obtain the purchasers' value of the GFCF
- The distribution and contractor margins can be estimated from production and income surveys

# GDP E – Estimates of GFCF

- In a similar way, estimates can also be made for other capital goods recognised in the local economy – e.g. live animals, computer software and artistic works

# Change in inventories

- Inventories can be
  - Stores of raw materials
  - Stores of finished goods
  - Work in progress
- These are difficult to measure, and attention should focus on those products and industries where significant changes in inventories can take place



# Change in inventories

- It is unlikely that changes in inventories of raw materials are recorded accurately in business accounts, and no undue effort should be made to “improve” on the raw figures available for economic surveys
- For finished goods, this can be important where very high value goods are concerned, and timing mismatches between the import of a finished good and the recording of consumption or capital formation on the demand side may be accounted for by a change in inventories of finished goods

# GDP E Change in inventories

- Work in progress can also be necessary in high value construction projects where the capital formation is recognised only at the end of the construction period of several years
- Including changes in work in progress is also important in accounting for agricultural production of seasonal crops, which come to market on harvesting. This is most likely to occur in estimates of quarterly national accounts.