

Annex 2. Country – Specific Issues and Concerns and Recommendations Based on Available Literature

COUNTRY	ISSUES	RECOMMENDATION/SUGGESTED COURSES OF ACTION
A. Major Differences Between Supply and Use Table and the Input-Output Table		
All	<p>a. On number of identities</p> <p>b. On method of compilation</p> <p>c. On role in SNA</p> <p>d. On conceptual</p>	<p>SUT - Two types of identities hold. Identity 1) column totals of industries (output at basic prices) and (identity 2) the row totals for products (supply at purchaser's price) of supply table and use table are equal.</p> <p>IOT -The two types of identities in the SUT are now reduced to one type of identity, that is only the Total supply by product and Total Use by product is equal.</p> <p>SUT reflects as much as possible basic data particularly with respect to data collected by censuses or surveys and classified by ISIC with minimum analytical manipulation (rectangular)</p> <p>IOT utilizes SUT and supplementary data as well as assumptions to derive a symmetric table (square)</p> <p>SUT enumerates the supply (production and imports) of products and uses of products by industries and final users. Its objectives are:</p> <ul style="list-style-type: none"> To compile and balance sources and uses of products in national accounts To use the benchmark production structure to estimate value added and GDP given only information on output To use the benchmark structure for double-deflating GDP SUT is crucial for the improvement of national accounts compilation The availability of SUT in the benchmark year allows GDP estimation by independent analysts <p>Input-output table describes the use of products for the production of products. Its objectives are:</p> <ul style="list-style-type: none"> Economic forecasting Economic impact, price and multiplier analysis <p>SUT have two main tables, 1) the supply table and 2) the use tables. Both tables are presented as product by industry matrices and use the industry (ISIC) and commodity (CPC) classifications system. The SUT are often referred to as rectangular input-output tables.</p> <p>IO-table is a product by product or industry by industry matrix. An IOT rearranges both supply and use information in a single table and either a product or an industry classification is used for both rows and columns. (Symmetric IO table is also referred to as square matrix).</p>
B. Accounting for the Non-observed Economy		
General	Scope of Economic Activities of the Informal Sector	For practical reasons, it is proposed to limit the scope of economic activities of the informal sector to household enterprises engaged in non-agricultural activities. Also it is recommended to include units engaged in professional and technical activities like doctors, lawyers, accountants, etc. Production undertaken inside residences or homes by outworkers or home workers who supply goods or services to an informal enterprise by prior arrangement contact, but whose place of work is not within any of the establishments which make up that enterprise, are also to be included when estimating output of the informal sector.
Maldives, Indonesia, Malaysia	Treatment of domestic servants	The issue of whether or not paid domestic workers should be included in the informal sector was left as open for determination by the countries themselves, depending upon their national circumstances and the intended uses of the statistics. However, it was recommended that, if included in the informal sector, paid domestic workers should be identified as a separate subcategory in order to enhance the international comparability of the statistics.

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Cambodia, Vietnam, Indonesia, Mongolia	Shuttle (or Border) traded goods and unrecorded transactions on imports and exports.	The primary measurement method is direct survey of shuttle traders . Some countries have used data from small samples of traders on the total number of shuttle trade journeys and the average values of goods imported or exported. In addition, estimates of smuggling in general and shuttle trade in particular may be obtained from comparison of supply and demand estimates for the goods involved together with customs data on imports declared and estimates of those not declared.
PRC, Cambodia, Thailand	Trading of illegal imported goods (underground economy)	This should technically include all illegal transactions where there is mutual consent among countries involved .
	Treatment and identification of smuggled goods	From a conceptual point of view, recording illegal production within the national accounts framework does not pose special problems if the production process resembles the production process for legal activities. This is the case for the production and distribution of illegal goods, services and counterfeit products, for productive activities carried out by unauthorized producers, and for smuggling. As recommended, sale of stolen/smuggled goods should be recorded similar to the recording of sales of second-hand goods, that is recording the value added and trade margin of distribution activities. Smuggled import and export of goods can be defined by the balance method as difference between registered resources and consumption of goods . On the basis of custom statistics and expert evaluations, we can define the relation of the margin to the value of goods in the prices of imports. Therefore, it is better to have a division of the smuggled goods into several categories, depending on the level of margin. For example, differentiate categories as households equipment and electronics, motor vehicles, alcohol beverages, tobacco and other goods. The trade output of the smuggled goods is defined as the sum of imported smuggled goods multiplied by the relevant trade margin . Intermediate consumption of the trade of smuggled goods is estimated as percentage from output
C. Treatment of Wastage and Systems Losses		
Bhutan	30% provision for loss of energy (distribution after transmission/transport)	Recurrent losses due to normal rates of wastage, theft and accidental damage are considered as (negative) changes in inventories (1993 SNA: 6.62). As a consequence, normal rates of theft from the stock of finished goods lead to a decrease of output, whereas normal rates of theft from the stock of materials and supplies lead to an increase of intermediate consumption. In both cases, value added decreases accordingly.
	Losses due to illegal tapping of electricity by households	In such cases, recording of theft as final household consumptions expenditure would depict the reality. To balance this increased household final consumption expenditure, a current transfers in kind need to be imputed from the producers to the households
Sri Lanka	Agriculture sector's wastages	<i>If wastages are intended to be used for intermediate consumption or for resale without further processing then it should be included in the changes in inventories.</i> Changes in inventories as defined in the system of national accounts consist of changes in:(a) stocks of outputs that are still held by the units that produced them prior to their being further processed, sold, delivered to other units or used in other ways; and (b) stocks of products acquired from other units that are intended to be used for intermediate consumption or for resale without further processing; they are measured by the value of the entries into inventories less the value of withdrawals and the value of any recurrent losses of goods held in inventories

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D. Qualifying Work in Progress and Changes in inventories		
China	Can work-in-progress be lumped under finished goods?	<p>No, work-in-progress should be shown as separate items from finished goods (D.Blades) as recommended. This imply that changes in inventories by goods producing industries should be broken down by: 1) raw materials and supply; 2) work-in-progress; 3) livestock, except breeding stocks; and 4) finished goods. It is possible to identify inventories of work-in-progress and finished products held by industries from results of production surveys.</p>
E. Disaggregating Levels of GFCF		
Nepal	GFCF by product and by industries cannot be estimated due to data deficiency. Is it alright to adopt the commodity flow method to estimate GFCF at aggregated level?	<p>This is acceptable since the commodity flow method is being used to expand the general types of goods into more detailed products. By using the commodity flow method, one should be able to identify capital goods from domestic production, imports and exports by the nature of the goods. The details coming from these information can then be used to come up with detailed breakdown for GFC. However, before dealing with details for GFC, it is crucial to estimate gross capital formation by product and one reasonable approach recommended is to first set up a matrix of gross capital formation by industries cross-classified by institutional sectors and by general types of goods (dwellings, other buildings and structures, transport equipment, other machinery and equipment).</p> <p>An important thing to remember in order to properly estimate GFC is that data must be classified by type and by industry. Own capital formation such as housing construction by households is very important in developing countries and may be covered in household income and expenditure surveys, or else a special survey should be conducted to capture this important output. Data on construction are available from construction surveys or can be estimated from building permits preferably on completed works. Data on plants, structures, equipment and other capital expenditures are from production surveys of industries. Capital formation of government and non-profit institutions comes from government financial accounts supplemented by information from the government agencies involved in various projects and from financial accounts of non-profit organizations.</p>
F. Treatment of Import of Gold		
Thailand, Vietnam	Should it be recorded into changes in inventories or should be treated as acquisition of valuable?	<p>It depends. It will be recorded into changes in inventories if gold held will be used for purposes of production. If gold held as a store of value and will not be used for industrial purpose, then it will be recorded in the Acquisition of Valuables. Valuables as defined in 1993 SNA are goods of considerable value that are not used primarily for purposes of production or consumption but are held as stores of value (UN SNA 10.7). The 1993 SNA notes that their principal economic benefit lies in the fact that they can be expected to hold their value relative to the prices of other goods and services.</p>

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		<p>Another important point to consider is that under the 'Rest of the World Account', the 1993 SNA differentiates the transactions in monetary gold conducted between the monetary authorities of the different countries from other transactions in gold as a commodity. It recommends that the transactions in monetary gold be recognized as financial items and not included in the imports or exports of goods (paragraph 14.93). The 1993 SNA distinguishes three types of gold: (1) monetary gold owned by monetary authorities as a component of international reserves; (2) gold held as a store of value; and (3) other gold used for industrial purposes. A transaction in the second and third category of gold is always treated as a transaction in a commodity, no matter who the transactor is. A transaction in monetary gold can only be conducted between the monetary authorities of one country and the monetary authorities of another country or international monetary authorities; such a transaction is always a financial transaction. All other transactions in gold are recognized as transactions in gold as a commodity.</p>
G. Qualifying/Classifying Imports Data		
Indonesia	How to separate imports used for domestic production from those used for final consumptions	<p>When products are available from both domestic and foreign sources, one solution may be to work at a more disaggregated level if that helps identify products that are always or never imported, but in general making the separation is a process involving considerable expert knowledge and informed judgment.</p> <p>Information regarding the imports and exports of the country is provided by Customs Agency, on the basis of the submitted customs declarations. According to customs requirements exports are reported at f.o.b. prices while imports at c.i.f. prices. For trade balance compilation both imports and exports have to be in fob prices. Therefore, imports have to be adjusted to fob prices. This recalculation is done by estimating the additional payments, mainly freight transportation, related to the import process and then deducting it from the imports at cif prices.</p>
Malaysia	How to estimate imports of services	<p>Most countries use data from Balance of Payments system. To obtain the breakdown required for the classification by product, additional information may obtained from the VAT files and other administrative sources usually from government data.</p>
H. Treatment of "unfunded" pension to public servants by Governments		
Sri Lanka	Treatment of unfunded pension to public servants by the government	<p>The ESA95 regards an employer operating an unfunded scheme as making an imputed contribution to the scheme on behalf of his employees. The imputed social contribution (D.122) is part of compensation to employees and is shown as payable by the employer in the generation of income account and receivable by households in the allocation of primary income account as parts of the core accounts. The employer's imputed contribution is shown again in the secondary distribution of income account as item D.612, payable by households and receivable by the employer. The amount of this contribution should be determined by reference to the employer's future obligations to provide benefits. In practice, however, the contribution is usually set equal to benefits payable in the current period (less employees' social contributions).</p>
I. Valuation		
China	The boundary of basic prices and producers prices according to 1993 SNA	<p>According to 1993 SNA, taxes on production can be divided into "taxes on products" and "other tax on production". Other tax on production refers to the tax accounts not based on the amounts or value of output and are included in basic priuces. Tax on product refers to the tax based on the amounts or values of output, such as turnover tax/business tax, value added tax, consumption tax, tariff etc, Taxes on products are excluded from basic prices but are included in purchaser's prices.</p>

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Indonesia	Valuation of Import at f.o.b	Imports are normally valued cost, insurance, freight (c.i.f.), at the domestic custom frontier by customs. To derive imports f.o.b., cost of freight and insurance services between the two borders must be estimated and deducted from imports c.i.f. Freight and insurance services on imports may be provided by either residents or non-residents. Those provided by non-residents are imports but those provided by residents are domestic output. Imports f.o.b. avoid counting domestic output as imports and avoid double counting imported freight and insurance services since they are already included in data on imports of services.

J. Taxes

Bhutan	Treatment of tax holiday, tax credits, and tax exemptions	The 1993 SNA does not give guidance on the treatment of tax credits although the Government Finance Statistics Manual does. In order to correct this omission, a choice has to be made between recording these as a reduction in government tax receipts and recording some or all as government expenditure. Some subsidies or social benefits are made available via the tax system in the form of tax credits, and the incidence of linking payment systems with the tax collection system is increasing.
Cambodia	Tax on products and subsidy by product is not available at the aggregated level.	Taxes (and subsidies) on products are usually estimated by product by applying the official tax (subsidy) rates to the various flows. Afterwards an analysis should be made of the differences with the tax assessments or the amounts actually paid.

K. Estimating Trade and Transport Margins

Cambodia, Bangladesh, Sri Lanka	How to derived trade and transport margins?	<p>The trade margin is defined as actual revenue realized on goods purchased for resale, minus cost of purchased products for trade. Estimates on trade margins by product should ideally be collected via establishments/enterprise/business surveys. If this is not possible, an approach to establish such estimates is proposed below. For the example given, it is assumed that only agricultural, energy and manufactured products are traded. The objective is to identify the trade margins for wholesale trade services (As trade margins are quite different for wholesale trade and retail trade, the two trade sectors are treated separately).</p> <ol style="list-style-type: none"> 1. Estimate production matrix with gross concept of trade by industry. 2. Determine the output relevant for trade services in the production matrix. It is assumed that only goods can be traded . 3. The shares (ratios) of product revenues relevant for trade services in total output of goods are calculated for each industry
Cambodia, Bangladesh, Sri Lanka	How to derived trade and transport margins?	<ol style="list-style-type: none"> 4. The gross output of wholesale/retail trade is allocated to product according to the share of products in tradable products. 5. The cost of purchased products for trade is estimated on the basis of assumed trade margins for each product 6. Finally, the trade margins of wholesale/retail trade services are estimated by deducting the cost of purchased products from the gross output of wholesale trade services .
	How to estimate trade and transport margin in the absence of trade surveys?	If no other data is available, one solution is to derived trade and transport margin as residual. (supply + taxes - use = ttm)

L. Others

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Cambodia	Gross output structures were taken from Vietnam IO 2005	It was clarified that GVARs for selected industries were actually taken from Vietnam IO 2005 for Southwest Vietnam.
Maldives	Resort, safari vessels, hotels and restaurants should be broken down into subsectors	Since this is a significant industry in the country, it is proposed that this activity be broken down further into subsector similar to the 2003 SUT. This means that it will have: 1) resort and safari vessels; and 2) Hotel restaurants and guesthouse and 4 products 1) resort islands 2) safari vessels 3) other hotel and guesthouse services and 4) restaurant services
Hong Kong, China; Cambodia	Establishment survey has very limited breakdown, not sure if we can reach the 50 products (rows) and 20 industries (columns) as required for the SUT	Given that some degree of details, specially for final demand component of the household from the 2005 ICP, all countries should be able to adhere to the minimum requirements
Nepal	Availability of 2003-2004 survey and 2005-2006 HES. What to use.	As a general rule, countries are advised to use results of the most recent surveys/census. In this case, the 2005-2006 HES should be used.
Thailand	Differences in Industrial survey results from different sources. What source to use	This is totally country dependent. When such issue arises, it is important for countries to determine which is a "stronger" or more reliable source that is likely to produce a more realistic estimate.

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