

Session 4 Final Consumption in the SUT

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Final consumption in SUT

- Individual consumption expenditure by households
- Individual consumption expenditure by Non Profit Institutions Serving Households (NPISH)
- Individual consumption expenditure by general government
- Collective consumption expenditure by general government

Components of Individual Consumption Expenditure by Households

- By far the largest component. Usually more than 65% of GDP. Consists of
 - Goods and services bought for cash or on credit (hire purchase)
 - Imputed rents of owner-occupied dwellings
 - Value of own-produced farm produce and other goods
 - Services provided by domestic servants
 - Goods and services in kind as wages
 - Trade margins on second-hand goods
 - Purchases by residents abroad
 - *less* Purchases by non-residents at home

Data Sources

- Household surveys
 - Budget surveys
 - Living standards measurement surveys
- Retail sales statistics
- Import statistics
- Administrative sources
 - Alcohol
 - Tobacco
 - VAT statistics

ICP 2005

- In ICP 2005 countries classified household consumption expenditure into 110 Basic Headings (BHs)
- BHs were defined according to the ICP Expenditure Classification which is different from CPC
- Two alternatives:
 - Reclassify household expenditure by CPC
 - Regroup CPC rows to match the 110 BHs.

Example of regrouping CPC rows to match the 110 BHs.

| CPC rows | Intermediate consumption | Gross Capital Formation | Government and NPISH | Households | 110 BHs |
|-------------|--------------------------|-------------------------|----------------------|------------|------------|
| Rice 1 | X | | X | X | Rice |
| Rice 2 | X | | | X | |
| Sorghum | X | | | | |
| Garments 1 | | | X | X | Garments |
| Garments 2 | | X | | X | |
| Garments 3 | | | X | X | |
| Motorcars 1 | | X | X | X | Motor cars |
| Motorcars 2 | | X | | X | |

Individual consumption expenditure by NPISH

- Usually a very small percentage of GDP
- In many countries not separately published but combined with household expenditure
- Data sources:
 - Special surveys
 - Administrative data
 - Accounts of international NPISH – Red Crescent, Doctors Without Borders, Handicap International
- How big are they really? Should you be making more effort to record NPISH?

Consumption Expenditure by General Government

- This consists of INDIVIDUAL and COLLECTIVE consumption expenditures of government
- For 146 countries in ICP 2005, individual consumption was about 4% of GDP and collective consumption about 10%.
- The distinction between individual and collective consumption expenditures is required to estimate “Actual consumption of households”
- General government covers all levels of government

Individual consumption expenditure of government

- Strictly speaking it covers:
 - Health
 - Education
 - Recreation, culture, religion
 - Social security and welfare services
 - Housing, refuse collection and sewerage services
- In practice health and education are the largest and in many countries the only types of individual consumption expenditure

Collective consumption expenditure of government

- Defence
- Internal law and order
- Tax collection
- Customs authority
- Statistics office
- Ministries of finance, agriculture, industry, economic affairs etc

Data Sources

- Government accounts
 - Budget or “planned” expenditures
 - Actual expenditure records - first, second, final
- Budgets are sometimes more detailed than actual expenditure records
- Some countries take all expenditures by Ministries of Health and Education as INDIVIDUAL. The remainder is COLLECTIVE.

Thank you.

Your questions please.