

Trade margins in the National Accounts

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Overview

- How trade is treated in the National Accounts (NA)
- Statistical information required or desired by NA
 - Trade margin survey

Trade output

- Goods purchased for resale with only minimal processing are not treated as intermediate consumption of traders, but
- Activity regarded as a service to customers
- Value of output measured not as sales but as **trade margin**

Trade margin

System of NA definition:

The difference between
the price **realized** on a good
and

the price that would have to be paid to **replace** it

(Sales less purchases, adjusted for stocks)

Supply – Use Tables

- Framework showing:
 - Supply from domestic output and imports
 - Intermediate and final use
 - Income generation from production
- Recommended as the core of the National Accounts compilation system
- Important analytical tool

Supply – Use Tables cont.

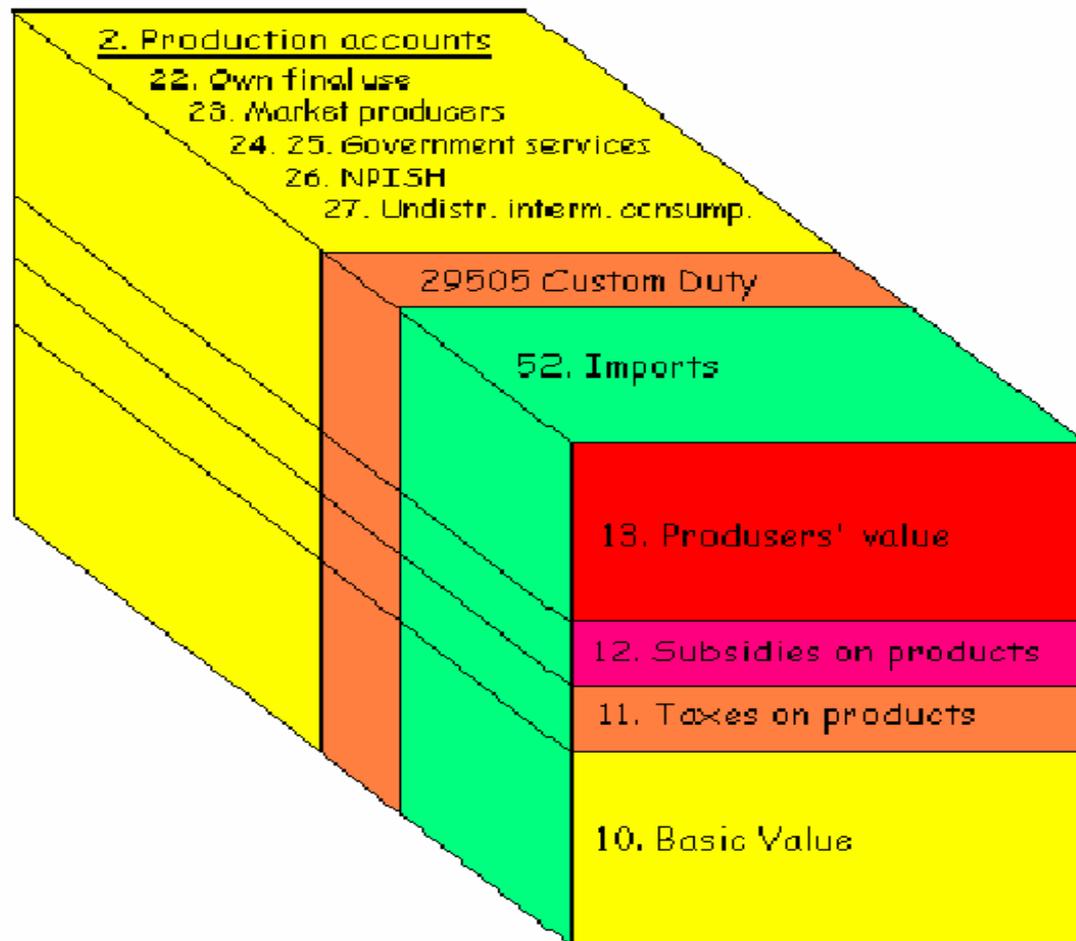
Matrices with three dimensions

- Industries/Use categories
- Products
- Valuation

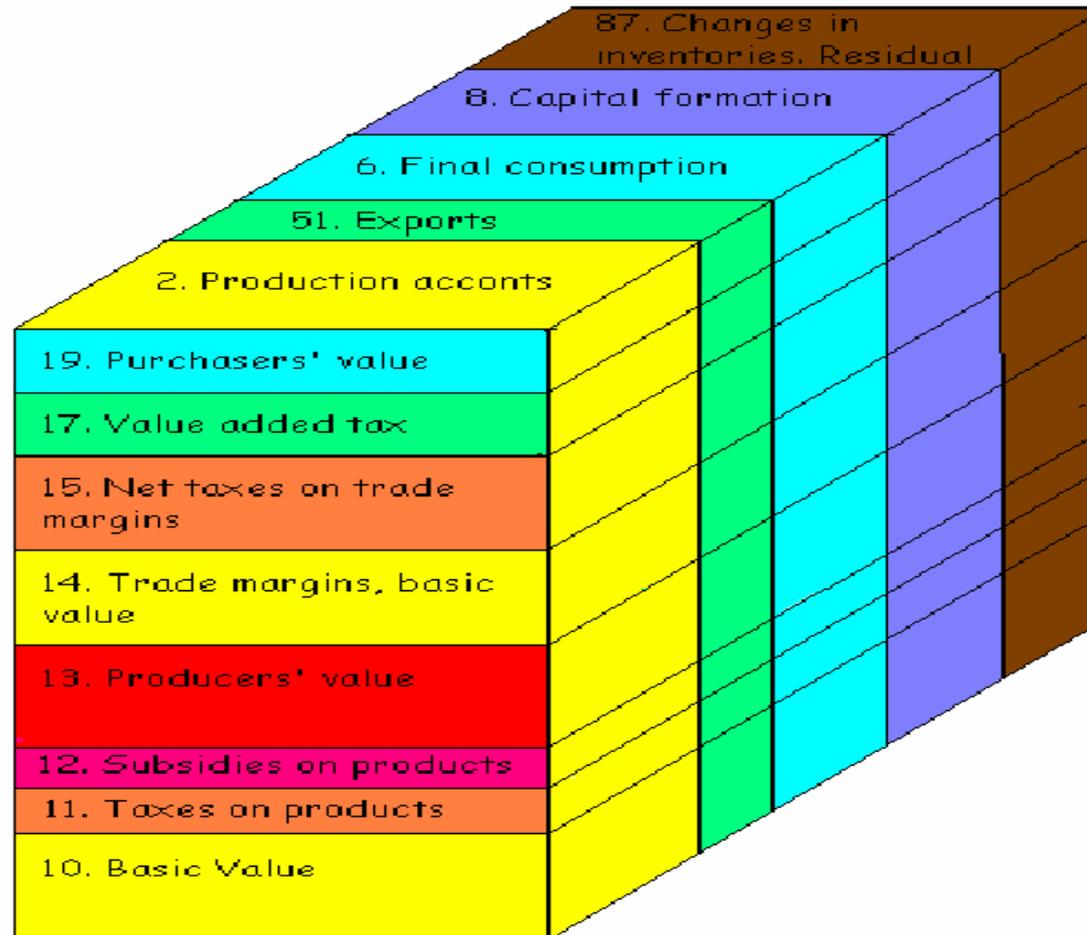
Valuation concepts

- Purchasers' prices (amount paid by purchaser)
- Non-deductible VAT
- **Trade margins**
- Transport margins
- = Producers' prices
- Net taxes on products
- = Basic prices (amount received by producer)

Supply table



Use table



Trade margin matrix

- A “layer” in the use table
(may be split in wholesale and retail)
- Shows trade margin by product and user category
- Compiled by applying **margin rates** to use matrix in producers’ prices
- Sum of trade margin matrix should equal supply of trade margin services (from SBS)

Trade margins in constant prices

Norwegian NA:

- Compiled in the SUT, t-1 prices
- Starting with flows of goods in basic prices
Apply margin **rates** from t-1
to get
trade margins in t-1 prices
 - Assumption: No quality change to trade service
- Sum of trade margins gives output of trade services
in t-1 prices

Trade margin survey

- Basis for establishing margin rates
- Need information on trade margin and turnover by product
- Ideally, from NA point of view:
- Detailed products, matching the SUT
- Information on the distribution channels
 - Who are traders selling to (HH/business)
 - Sales outside the trade channels
- But, difficult for traders to answer, high response burden

Trade margin survey

- Statistics Norway (SN):
- Latest survey in 1996/98
- **Wholesale and retail 2008,
data collection starting December 2009**
- Discussions with some major retail chains
 - Margin data by product available in head office accounting system

SN Trade margin survey 2008

- Modelled after other SN surveys of trade
 - SBS, turnover by product
- Wholesale and retail margins for about 100 product groups
- Enterprise as reporting unit
- Turnover and margin surveys will probably be merged in the future, and carried out every 5 years

Use of margins in SUT

Basic assumptions:

- Households buy from retailers
 - Wholesale and retail margins apply
- Business and gov't buy from wholesalers
 - Wholesale margins apply
- Room for adjustment of rates in the SUT balancing process