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