

Estimation of balanced PYP supply and use tables: the European experience

Topic: Supply, Use and IO Tables: Previous Year Prices

Author: Antonio F. Amores

Co-Authors: Sanjiv Mahajan, Marisa Asensio Pardo, Elena Márquez Ordóñez, Cesar Martin Nuñez, José Manuel Rueda-Cantucho, Isabelle Rémond-Tiedrez

The Eurostat Handbook on Prices and Volumes classifies deflators in different groups according to their suitability for each type of category household final consumption expenditure, gross fixed capital formation, government output, etc.). However, applying different sets of deflators to each part of a set of Supply and Use Tables (SUTs) does not ensure that the system remains balanced after deflation or that deflation is on a consistent basis conceptually.

This paper presents a different but consistent and transparent approach to deflating SUTs that retains a balanced system at every step, ensuring consistency and furthermore, generating a pure double deflation of Gross Value Added.

Firstly, a series of steps are undertaken to transform the SUTs at purchasers' prices into producers' (not basic) prices. Then, domestic supply and uses of domestically produced products (intermediate and final) are deflated row-wise by appropriate producer price indices while imports are deflated by import price indices. In both cases, this ensures that the current price values and the indices are on a consistent valuation basis, i.e. producers' prices. Finally, SUTs in previous years' prices (PYPs) valued at purchasers' prices can be obtained by applying the rates in the previous year current price SUTs applied to the tables at that stage in volume terms at producers' prices to estimate the trade and transport margins and taxes and subsidies on products. After the whole process is complete, a set of quality checks and reconciliation of various components using direct deflation (e.g. household final consumption expenditure at purchasers' prices using consumer price indices) is undertaken. Any subsequent adjustments would then be implemented in a balanced manner.

The above approach is under discussion in Eurostat in order to estimate consolidated EU SUTs in PYPs at basic prices.