Supply-Use Tables
Session 2.4: Balancing

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Balancing procedures

- We focus on step one: commodity flow
- Supply and Demand **must** be equal
- Balancing involves
  - Good judgment
  - Local knowledge, especially
  - Knowing which figures are the least reliable
- General principles
  - Fill in the gaps (often IC)
  - Take account of the supply chain
  - Increase whichever side is lower
  - Prefer to change Output and/or IC
  - Justify changes to GDP-E components
Exercises

Based on a real case – a balanced simplified SUT

- Commodity flow accounts (Part B)
- Summary production accounts (Part A)

- Exercise A  Data assembly
- Exercise B  Balancing practice
- Exercise C  Balancing alcohol consumption

A key identity

- Not only must each row balance, but also
  Total intermediate demand **must** equal
  Total intermediate consumption
  (measured by applying input-output ratios to the total output of each activity)

- Not so easy to achieve…
Balancing intermediates

- Could involve adjusting the input-output (IO) ratios by activity
  - These ratios are variable and many may have a wide range of possible values (but some will be correct)
- We are focusing on the simplified SUT as many countries do not have detailed coefficients by product
- **Doing a simplified SUT is an excellent start**

Compiling the IC matrix

- A cost-structure questionnaire should not be over-detailed, using (as far as possible) categories used by the businesses themselves
- A smaller-scale special study may sometimes be better than a big survey
- Coefficients from neighbouring countries (as a starting point) may be a good option
Balancing the IC matrix

- Given total output, the overall IO ratios and the more detailed coefficients (obtained from surveys, studies or elsewhere) will generate estimates of intermediate demand by product.
- These are to be compared with those in the simplified balance. This comparison:
  - Will indicate where adjustments are needed.
  - Can highlight error (e.g., big producer counted twice).

Final balancing

- With flexible IO ratios and adjustments to the coefficients, it should be possible to balance everything without any special tools.
- However, the RAS method can be used as a final step provided the remaining differences are very small.
Discussion please

Thank you for listening