

9/9- { E P O R T

ON

THE ESTIMATES OF THE NATIONAL INCOME  
OF VIET-NAM

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### Summary of Recommendations.

1. The Preparation and improvement of full-scale annual estimates of National Income seems subject to sharply diminishing returns until a substantial amount of new and improved basic statistical data is available.
2. Work on improving and revising estimates of a number of the individual flows or sectors should be carried on. Preferably this should be done by a small full-time group well versed in the concepts and definitions of National Income.
3. To extent that such studies are fruitful of substantially improved estimates of particular flows they should be published for their intrinsic usefulness. To the extent possible such studies should seek to establish the changes in the flows for the past three or four years.
4. The two or three people engaged in this work should be augmented by a similar number of trained but inexperienced assistants. One of the main products of this group should be the training of these assistants.
5. The 1956 estimates should be published together with a relatively brief description of the methods used to estimate each flow. If desired the detailed notes indicating precisely the data used as well as the method should be mimeographed and available for circulation.
6. The National Income staff should assist and give advice regarding the development of new statistical data as well as in the major revision of existing statistical information bearing on the economy of Viet-Nam.



1. This is the second report I have made to you on the preparation of national income statistics in Vietnam. The first resulted from my six-week stay in April and May 1957 when I devoted my time more specifically to teaching and training some of the personnel of the Research Department of the National Bank in the concepts and definitions of national income. My participation in the preparations of the 1955 estimates was accordingly brief and limited to a review of their suitability in terms of the concepts.
2. This year, I shall have been in Vietnam for three months and have spent most of my time reviewing the individual estimates that had already been made and in advising and assisting in their revision as well as in the preparation of other estimates. In addition, I conducted a short course for about 25 persons in the concepts and definition of national income with reference to the problems of estimation in Vietnam. Rather than repeat all of the conclusions and recommendations contained in my first report, I may simply add that with one or two exceptions, those conclusions and recommendations appear to me valid today.
3. The major exception is the fact that I do not believe I was right in concluding that without substantial improvement in the basic estimates there could be little improvement over the 1955 estimates. With considerably more time at my disposal and being somewhat better acquainted with the statistics of Vietnam, I have concluded that important corrections can and should be made in the number of the 1955 estimates. This is particularly true in the matter of agriculture prices. Other revisions of the 1955 estimates will result largely from the availability of the family budget studies for Saigon-Cholon which were not available last year.
4. Despite some corrections and revisions that are being made in the 1955 estimates to bring them more nearly into comparability with the estimates for 1956, it is still true that the margins of error, both for 1955 and 1956, are likely greater than the differences they exhibit. Other than this change, and it is one of emphasis, I believe the recommendations and conclusions in my 1957 report are still sound.
5. It has been suggested that instead of preparing annual estimates of the National Income the personnel should concentrate on developing estimates of special sectors or flows. The thought underlying this is that by such concentration substantial improvements can be made in the estimation of a few important magnitudes, while others must await the development of census data before they can be any more than informed guesses. It has also been noted that such special studies would likely provide extremely useful information about a number of facets of the economy even in the absence of reliable full-scale National Income estimates. I am in complete agreement with this point of view, and would like to expand it.

6. It seems likely that there are a number of statistical series which are by-products of administration. Many of these may remain in the files of the agency compiling them since it may fail to reckon with their general usefulness as economic indicators. In other cases such statistics are maintained in a manner which greatly reduces their accuracy and usefulness, but which could be refurbished given an interested party. One of the important functions of national income work in a statistically under-developed country is to provide for a systematic review of the country's economic statistics. Such a review should be followed up by attempts to improve the accuracy and usefulness of such data. It is suggested that this should be done by the National Income Group.

#### THE QUESTION OF FURTHER WORK ON NATIONAL INCOME

77. The direction which further work on National Income estimates should take in Vietnam merits careful attention both as to the need and the possibility of meeting that need for these types of data. The available estimates, which are subject to some improvement as to accuracy and classification by industry and type of expenditure, do present in gross order of magnitude many of the major flows in the economy. The work of improving the overall totals as well as many of the individual estimates of production and consumption are subject to rapidly diminishing returns until more and better basic data are available. It is not likely that such data with a broad coverage will be available in the next year or two, that is before 1961 or 1962 when it is hoped results will be available from the proposed censuses of population and agriculture. Under these circumstances it is worthwhile to devote the time of one or two trained people to carry on annual estimates, making such improvements as can be done in the absence of basic census data. The answer to this question must depend in part on the availability of trained personnel, and the usefulness of alternative programs. I believe there are sufficient alternatives which if carried out would pay rich dividends in terms of current economic intelligence as well as contributing to the usefulness and accuracy of the National Income statistics to be prepared when the results of the census programs are available.

#### 8. SOME SUGGESTED STUDIES

8. The following topics are suggested for special studies by the National Income Group. The selection is based on the importance of each as well as the apparent possibility of useful results.
9. A study of capital formation is of considerable importance and some progress in improving the estimates seems likely. Initially I suggest concentrating on construction. This can be approached by an analysis of building permits as well as by obtaining data on building costs for various types of buildings and structures including roads. This will lead to developing ratios of material, labor and other elements of cost to the total cost. A detailed analysis of the import of



building materials for the past three years would also be useful. It does not seem that very much can be done on the estimation of installed equipment, other than a review of imports using the most detail available on commodity imports. As details on government purchases of capital equipment become available in the new budget data, this should probably be limited to collecting and estimating the percentage changes in the value of stocks with no attempt to estimate actual values.

10. It is also suggested that an intensive review and analysis be made of the results of the manpower survey conducted by the Ministry of Labor in Saigon-Cholon and the results of this survey in other cities as they become available. Attempts should be made to check the coverage of the very small size establishments as well as to relate the volume of employment by industry with other data or estimates already available. As a minimum the National Income investigators should become thoroughly familiar with the results and methods of this and other statistical surveys.
- II. While the present estimates of the income originating in Commerce are extremely weak this is a most important area of economic activity. I suggest that a study be made of marketing practices for the main imported and locally produced commodities. This is a first step to improving the estimates of this sector though the results of such a study will likely have value in themselves. Such a study should involve margins, detailed analyses of marketing practices, and purchased services as contrasted with those provided by the commercial establishments etc.
12. In addition to the studies noted above it is suggested that the National Income group review some of the more important administrative statistics with a view to advising on their improvement. One important area is the foreign trade statistics where there appears a need for a more useful economic classification than presently available. There also appears a need for the development of more appropriate units of measurement for the quantum data than presently available. I should also recommend a further review of the tax data with a view to its use in National Income estimation. This will probably require somewhat better cooperation between the Research Department of the National Bank and the tax authorities than has prevailed to date. Tax data if available in proper form can be made to yield a great deal of information and should be an important source for improvement in the Income estimates.
13. Experience to date indicates the extreme difficulty of obtaining useful financial data on small business establishments. It is suggested that the National Income group study this problem with a view to determine methods of obtaining this data. This should be done in cooperation with the National Institute of Statistics. In some countries this has been done in terms of the volume of sales in physical quantities and purchase and sale prices. This method is

of course only applicable if the shop sells a limited range of standardised items. Several approaches will have to be tried and the study will require a good deal of effort.

- I4. Further improvement of a major nature in the preparation of national income estimates depends on the availability of new statistical data. While it is recognized that most valid statistics series require a considerable time to prepare, it is believed that concentration on the three points listed below will pay dividends in the matter of improving the national income estimates for Vietnam as well as in providing much needed current information regarding the economy. These recommendations are being noted here while recognizing that their implementation is not within the purview of the National Bank. It is hoped however that by noting them here support for these vital needs will be stimulated.
- I5. Basic to this improvement is the need for an adequate and full scale census of population. The last available census for all Vietnam was taken over twenty years ago. The major need for census data in the field of national income work is that it provides a picture of the total human resources of the country with respect to age, employment status, and location. To be fully useful for national income purposes the population census should be supplemented by a number of sample studies on various aspects of the economy. With a population census available, relatively small samples can provide extremely good information.
- I6. Supplementing the population census is the need for small scale sample studies. Among the most needed for national income work is an expanded and improved sample survey of family budgets in the rural areas and a sample of small business establishments in the larger cities. To the extent possible with the resources at hand work should proceed on these small scale samples. This involves the preparation and pre-testing of schedules. This can frequently be done with relatively little enumeration time. The major demand for time is in the preparation and review work. It is here that the Research Department of the National Bank may be able to cooperate closely with the National Institute of Statistics.
- I7. One of the most important needs in the estimation of national income is that of adequate price data. It should be noted that prices are of equal importance with data on production and consumption in physical terms since together they comprise the values of the flows that are being estimated. As a result of my recent experiences, I believe the Government would do well to place way more emphasis on the development of a price data.
- I8. The collection of prices, unlike the collection of detailed statistics on production and consumption of a large number of small economic units, is a relatively simple and economically performed task. There is no need to collect prices of each



transaction; rather the ruling prices in any given market are the result of a very large number of transactions and can be obtained quite cheaply. The needs at the moment are for prices at the producer level, of failing that the primary market level for both domestic, agriculture and industry. In addition a wide variety of prices should be collected at the retail level. It is difficult to specify each of the items requiring prices but it is probably enough to note that for any major class of commodities the pricing of three or four representative items is usually sufficient. The most important matter in this connection is to develop clear-cut specifications for the items being priced so that comparability over time will be insured and so that the prices will be realistic in the sense of measuring identical commodities.

19. At the present time it is difficult to obtain useful prices or more properly average unit values for imported commodities since the only units available on the import statistics are in terms of tonnage. While this is appropriate for a wide range of commodities, other units are required, for instance the use of square or running measure for textiles and the number of units for many items of machinery and equipment. This information would permit the development of average unit values for import statistics which would be extremely useful in connection with the national income estimates as well as for the development of indices of import prices. The latter is required if a measure of changes in the terms of trade is to be developed.
20. It is recognized that statistical collection is not one of the functions of the Research Department of the National Bank. It should however provide guidance in these matters, especially as they bear a close relationship to the development of national income statistics. Specifically, it would appear desirable to have one or two members of the research department specializing on national income work to be in a position to review and make recommendations for changes in the collection of the basic statistics by the appropriate Vietnamese Government authority.

Personnel: The development of national income and the related studies estimates should, I believe, be the full-time responsibility of two or three competent people supplemented by clerical assistance. As used here the term national income work embraces not only the estimation of the annual totals but also the searching for more adequate basic information, some of which is likely available as well as the analysis of the meaning of the results. That is, the national income group should be in a position to provide the planning authorities and others dealing with the economy the estimates of various types of economic activity as required.

21. The principal work on the 1956 estimates has been done very largely by one person working full time and approximately half-time of another senior and competent person supplemented by some clerical assistance. In fact considerable of the actual work has been done by myself and Mr. Snyder of the MSU Group. As a training device, this has proved reasonably

satisfactory but the availability of outside assistance cannot always be counted on. It is desirable that the full-time of not less than two or three competent persons should be devoted to this work.

22. It is perhaps redundant to note the shortage of trained and experienced people in the field of National Income Estimation and the review and preparation of basic economic statistics. In the field of National Income this should be remedied by in-service training of several persons possessing a good educational background in economics. Such in-service training should be the responsibility of the National Income Group.
23. To the extent that the Research Department of the National Bank of Vietnam can insure that several senior staff members will be able to devote full-time to the work indicated in this report I recommended that the responsibility and location of such work be retained in its present setting. In part this recommendation is based on knowledge of the resources and work load of other possible agencies. It is also based on first hand knowledge of the general competence and devotion of the existing National Income group which I have found to be high.
24. In conclusion I wish to record my deep appreciation for the many courtesies which have been extended to me by the officials of the National Bank and of the other agencies of the Government of Vietnam. I am also deeply appreciative of the interest and the unfailing assistance of these officials and especially the members of the Research Department of the National Bank with whom I have worked closely.