

ANALYTICAL STUDY FOR THE RELATIONSHIP DEVELOPMENT BETWEEN THE ECONOMY SECTORS AND ITS IMPACT ON ECONOMIC DEVELOPMENT

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ABSTRACT

The Research aimed to identify relationships between different sectors in the Egyptian economy and its development through Social accounting *matrix*(SMA) which display and included national accounts data during 2006/2007,2007/2008, for the different sectors(production and Consumption sectors), also , the transactions with the rest of the world . the research showed throught SMA, the existence of a chronic deficit in addition to the growing decline in state revenues (for exsample the low volume of direct and indirect), which raised obsticals on the possibilities of developmentdis-aggregate households into scocio-economic groups which means in this case to the level and pattern of consumption expenditure and income distribution, that is to say to Egypt reality:

- 1) Regional differences (urban and rural household.
- 2) egypt level of the head of the household.
- 3) Access to productive forms of material wealth particularly

it is also proposed to dis-aggregate factor incomes in to compansation of employees and to the different types of property and entrepreneurial income, also to disaggregated the commodity exported to different type of commodities (consumer goods, capital goods) .So this will give the chance to decrease the dificet in the balance of payment.

INTRODUCTION

Development is a process needs all sectors of economy to work together to achieve all need targets , which will not done without identifying the relationship between these sectors . So , its important to have economic data for the various sectors and sub-sectors relationship which are being distinguished . These kind of data includes groups of more or less homogeneous types of transactors that play a role in the economic process , such as (various types of) producers , households , the government , ets . that's also will help for plane preparation , and policy analysis . This kind of data about different groups in the economy for identifying these relationship can be obtained throught blding Social accounting matrix (SMA). A Social accounting matrix (SMA) can be defined as a table, in the form of a matrix, containing in addition to data on the inputs and outputs of the productive brances in the economy, but among other things also data concerning the distribution of the various kinds of factor incomes over institutional groups and classes, the expenditures made by these groups on different types of commodities, and the savings and investments made by them. It is applied to purposes extending beyond the distributional analysis, it is use of a SAM as a data base for the modelling of the impact of policy measures on the balance of payments, or for the modelling of the macroeconomic role and impact of public enterprises . More than supplying an analytical tool in itself the SAM is to be inserted in to a

multisectoral model for basic needs planning. So, this research depends on SAM to identify the relationship between sectors for the purpose of policy making. (1)

Research problem

Making policies, and plan preparation faced some obstacles without identifying the nature of relationship between the different sectors in the economy which requires data that give capability to set right decisions.

Research objective

Research objective is to construct A Social accounting matrix (SMA) during 2006-2007, 2007-2008 years for the Egyptian economy in order to identify relationship development between sectors and its impact on economic development.

Data Resources and Research Methodology

The research based on secondary data published and unpublished, which was collected from the relevant official authority (ministry of economic development), as well as a number of references. The research based on use of some statistical descriptive and quantitative techniques, with constructing A Social accounting matrix (SMA).

RESEARCH RESULTS

Table (1), (2), represent the construction of SAM for Egypt through 2006/2007, and 2007/2008 years. The starting point in the construction of the Egypt SAM is given by the national accounts. For SAM construction, the situation differs from case to case with regard to the purpose, the different socioeconomic structures, data available in spite of the fact that they have certain basic characteristics. From the NA first a so-called basic SAM (2) (BASAM) for Egypt was estimated. The BASAM composed of the following aggregated accounts:

- 1) Production account for economy.
- 2) Income & outlay ac. For economy, and government data for H.H
- 3) Capital account for economy.
- 4) Rest of the world ac.

Each of the entries of the BASAM are built up from institutional and sectoral breakdowns applied in the NA for major income and commodity streams. These disaggregated BASAM values also function as control aggregates for the SAM itself. The BASAM for Egypt will be done for two years in current prices specifically to find the main reason for deficit (current transfers or balance of trade) and the proposed disaggregations for the Egypt economy. The following tables record an aggregated version of the Egyptian SAM for 2006/2007, and 2007/2008.

A BASAM of Egypt is a 9*9 matrix where if read in row context it represents outlay for the units to which the row headings and if it read in column context it represents an expenditure for the units which relate to the column context of the cells.

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Row 1&2 relates to the incomes received by the various factors of production (wage & Salaries & operating surplus), thus at the intersection of row (1)with column(6) we have the distribution of income between factors. At the intersection between row(1) and column(8) shows the factor incomes received from abroad.

Col 1&2 shows how factor incomes are paid out to providers of the factors of production, i.e institutions (intersection with row 3). Row 3&4 the primary source of income for household and companis from wages and salaries and operating surplus. There are also transfers between them: taxes paid to government profits distributed by companies to household, subsidies paid by government.

Col. 3&4 institutions payout some of their income as transfers for the rest they either save income,or spend it on consumer commodities (inter sections with row(7) .Savings represent a transfer to their capital account(intersection with row 5).

Row (5) institutions acquire capital funds in the first instance from their own saving(intersection with col. 3&4) .The total of funds available to the economy as a whole is increased by capital receipts from the rest of the world(intersection with col.8).

Col. (5) the funds acquired by each institution are in part transferred to the other institutions. They are spent on capital goods supplied (intersection with row 7).

Row (6) production activities receive money from the supply of different kinds of commodities in other words gross output of each of the production activity (intersection with column 7).

COL (6) the sales revenue of each production activity is taken up in part by purchases of raw materials (intersection with row 7) .The remainder of production costs takes the form of value added ,which is paid out to factor of production (intersection with row 1&2) in the form of wages and salaries and operating surplus.

Row. (7),the various types of commodities that are supplied are purchased and used by the different kinds of domestic institution, as well as by the rest of the world (the intersection with col. 3,4,5,6,8).

Col. (7),the supply of the various type of commodities and from foreign resources (intersection with row 6).

Row (8), as indicated above, imports are broked down by commodity type (the intersection with col. 7).

Col. (8), shows the various kinds of receipts from the rest of the world e.g factor incomes and non-factor incomes, capital flows and receipts and commodity exports (the intersections with rows 1,3,4,5,7).

The Dis Aggregations Porposed For egyptian'S Basam :

It is clear from the BASAM that there is a deification the government budget, in other words a negative saving, which may due to the height government expenditure on social security or subsidise, and other government service, or due to the low level of government revenue as from direct and indirect taxes and other service.

For this reason it will be reasonable to dis-aggregate households into socio-economic groups which means in this case to the level and pattern of consumption expenditure and income distribution, that is to say to Egypt reality:

- 1) Regional differences (urban and rural household.
- 2) Egypt level of the head of the household.
- 3) Access to productive forms of material wealth particularly agricultural and manufacturing wealth.

This will help the government to see which groups are higher income, own higher property, so it can make its plan for redistribution of subsidies, social security. In other way it could be look from the point of view to raise direct taxes for some groups. Apart from households, other domestic institutions are responsible for spending and saving. Enterprises and government are also of considerable importance in the process of income distribution and basic needs satisfaction.

From the point of view of the government expenditure, it is reasonable to assume to dis-aggregate this item in terms of goods and service to see the possibility to reduce its expenditure on it, especially if the social welfare for the society will decrease by looking from the point of view to social security or direct taxes. Enterprises are to be dis-aggregated according to whether their ownership is private or public or co-operate sector. This will help to see the incomes for different groups to increase the net indirect taxes, in other words to increase government revenues.

The balance of supply and demand in terms of commodity output is captured in the supply system, so a distinction to be made between commodities (domestic and imported). The proposed dis-aggregation is to be done for commodity of final demand categories, private (household). Consumption of goods and services is to dis-aggregated in to a set of consumption categories which may comprise (shares of) various commodities. This classification in to consumption categories is necessary for that the consumer category classification is helpful to the study of living standards. Commodities are grouped by their general nature and their observed relative importance in consumption patterns in terms of being considered basic or nonbasic.

It is also clear from the BASam that there is a deficit in the balance of payments (the surplus of Egypt economy -577.4 , -701.9 billion pounds) That is to say that they pay factor of income more than they received and the other current transfers to abroad more than they received. So it is proposed to dis-aggregate factor incomes in to compensation of employees and to the different types of property and entrepreneurial income, also to dis-aggregate the commodity exported to different type of commodities (consumer goods, capital goods). So this will give the chance to decrease the deficit in the balance of payment.

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- ٤ - وزارة التنمية الاقتصادية ، الحسابات القومية ، نشرات مختلفة .

دراسة تحليلية لتطور العلاقات بين قطاعات الاقتصاد الوطنى واثرها على التنمية الاقتصادية .

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استهدف البحث التعرف على العلاقات بين القطاعات المختلفة فى الاقتصاد المصرى وتطورها من خلال استخدام المصفوفة الاجتماعية، والمتضمنة عرض بيانات الحسابات القومية خلال عامى ٢٠٠٦/٢٠٠٧، ٢٠٠٧/٢٠٠٨، لقطاعات الانتاج وقطاعات الاستهلاك ، والتعاملات مع العالم الخارجى حيث تبين وجود عجز مزمن متزايد اضافة الى الانخفاض فى عوائد الدولة (انخفاض حجم الضرائب المباشرة وغير المباشرة) ، مما يؤثر على الامكانيات التنموية ، وقد اقترح البحث تقسيم البيانات الخاصة بالسلع والخدمات الى فئات / مستويات (ضرورية / كمالية) لعدالة توزيع كل من الضرائب والدعم وكذلك تقسيم البيانات الخاصة بالانفاق الحكومى على السلع والخدمات المنفق عليها لترشيد الانفاق عليها ، الامر الذى يمكن معه خفض عجز الموازنة العامة للدولة من جهة ، وتوفير اكبر قدر من الخدمات الاجتماعية ، وعدالة فى توزيع الاعباء بين افراد المجتمع من جهة أخرى .

قام بتحكيم البحث

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Table (1) : Egyptian Social Accounting Matrix (2006/2007)

		Factor of production A/C		Income & Outlay A/C		Capital A/C	Production A/C	Commodity A/C	REST OF THE WORLD A/C	Total
		W&S	O.S	H.H& Companies	Covt.					
Factor of production A/C	W&S	-	-	-	-	-	539.2	-	14	553.2
	O.S	-	-	-	-	-	321.1	-	-	321.1
Income & Qutaly A/C	H.H & Companies	553.2	321.1	Net production -746.2 Net transfere 12.9 Subsidise -13.8 Direct taxes 48.2		-	-	-	265.2	821.1
	Govt.	-	-	-	-	-	48.2	-	332.3	
Capital A/C		-	-	500.9	122	-	106.5	-	-577.4	152
Production A/C		-	-	-	-	-	-	1469.9	-	1469.9
Commodity A/C		-	-	812.7	84.4	152	454.9	-	225.3	1729.3
Rest of the world A/C		-	-	-	-	-	-	259.4	-	259.4
Totals		553.2	321.1	821.1		152	1469.9	1729.3	259.4	5306

Source: collected and calculated

Ministry of economic development , national accounting , different reports .

Table (2) : Egyptian Social Accounting Matrix (2007/2008)

		Factor of production A/C		Income & Outlay A/C		Capital A/C	Production A/C	Commodity A/C	REST OF THE WORLD A/C	Total
		W&S	O.S	H.H& Companies	Covt.					
Factor of production A/C	W&S	-	-	-	-	-	647.8	-	15.6	663.4
	O.S	-	-	-	-	-	399.9	-	-	399.9
Income & Qutaly A/C	H.H & Companies	663.3	399.9	N.I -805.1 N.T39.5 SUB-23.9 D.T73.6		-	-	-	236.9	1035
	Govt.	-	-	-	-	-	40.2	-	499.7	
Capital A/C		-	-	697	149	-	56.3	-	-701.9	200.4
Production A/C		-	-	-	-	-	-	1672.8	-	1672.8
Commodity A/C		-	-	896.6	97.5	200.4	528.6	-	295.8	2018.9
Rest of the world A/C		-	-	-	-	-	-	346.1	-	346.1
Totals		663.3	399.9	1035		200.4	1672.8	2018.9	346.1	6336.5

Source: collected and calculated

Ministry of economic development , national accounting , different reports .