PRODUCTIVITY RESEARCH NOTES 2608

Product Tax Measurement, GDP Revision, and Productivity

Evidence from Fiji

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KEY MESSAGE

Fiji's 2019 national accounts revision lowered GDP at market prices, while net taxes on products were reduced by an even larger margin, resulting in an upward revision in GDP at basic prices. With compensation of employees largely unchanged, the revision increases the measured capital income share. The implications for total factor productivity (TFP) depend on the underlying pattern of input growth. In Fiji, where labor input has grown faster than capital, the revision reinforces the recent improvement in measured TFP.

WHY THIS MATTERS

In many national accounts systems, product taxes are estimated using a combination of administrative data and statistical models and may not be fully reconciled with fiscal records. National accounts, including industry accounts, are constructed to ensure consistency across production, income, and expenditure measures, with product taxes forming an integral part of this reconciliation. Value added at basic prices thus reflects this integrated framework and can be affected by revisions to the measurement of product taxes. Improvements in tax measurement can therefore alter the measured level of value added and its income components, particularly operating surplus, which is partly determined as a residual. This, in turn, can lead to significant shifts in factor income shares at basic prices, which form the basis of productivity measurement.

EVIDENCE FROM FIJI'S GDP REBASING

In September 2025, Fiji rebased its national accounts, changing the benchmark year from 2014 to 2019 (FBoS 2025). Figure 1 illustrates the divergent revisions in GDP components in 2019. GDP at market prices was revised downward by 215 million Fiji dollars. Over the same revision, net taxes on products declined by 460 million FJD. As the reduction in product taxes exceeded the decline in GDP at market prices, GDP at basic prices was revised upward by 245 million FJD.

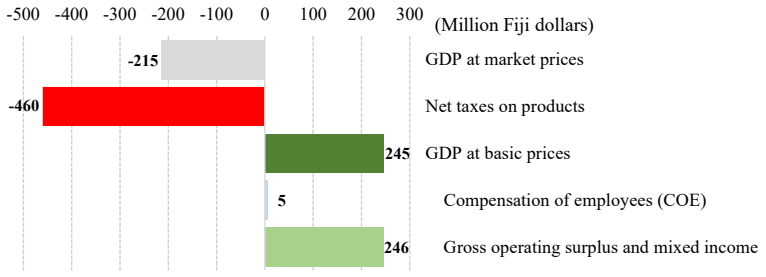

Figure 1. Divergent Revisions in GDP Components: Market Prices, Product Taxes, and Value Added, 2019

This pattern indicates that the revision affected product taxes more strongly than overall GDP. At the same time, compensation of employees shows limited change across the revision, implying

that the upward revision in value added is largely reflected in gross operating surplus. While detailed decomposition is not publicly documented, the revision is consistent with improvements in compilation practices, including the expanded use of administrative data sources.

INTERPRETATION

Growth accounting relies on value added at basic prices and its income components. The upward revision to value added, combined with relatively stable labor compensation, increases the measured capital income share. In capital-deepening economies—such as those in East Asia—this shift would tend to lower measured TFP growth, despite an upward revision in nominal value added. In Fiji, however, labor input has grown faster than capital input in recent decades, diverging from this pattern. Abstracting from other revisions, a higher capital income share raises the weight on capital input and, mechanically, increases the residual attributed to TFP. In this sense, the revision tends to raise measured TFP. Notably, in the previous series, Fiji's TFP growth showed signs of improvement in the 2010s (around 1.2 percent per year over 2010–23, based on the APO Productivity Database 2025). Under the revised accounts, this pattern is likely further reinforced. Part of the observed improvement, however, may reflect demand-side factors, including capacity utilization, rather than purely underlying productivity gains.

MEASUREMENT CONSIDERATIONS

The revision to GDP at market prices reflects updates to expenditure components, including household consumption, based on improved data sources and rebased indicators. At the same time, net taxes on products were revised downward by a larger margin, indicating a reassessment of tax measurement. This aligns with broader efforts, such as PFTAC (2025), to strengthen the use of administrative data in national accounts compilation, particularly for reconciling fiscal data with national accounts aggregates. In practice, national accounts are constructed through a reconciliation process across production, income, and expenditure approaches. As a result, value added at basic prices is not determined solely from industry-based statistics, but is also influenced by adjustments required to maintain consistency with GDP at market prices and the measurement of product taxes.

IMPLICATIONS

01

Revisions to product taxes can materially affect measured value added and its income composition, with direct implications for productivity measurement.

02

The impact on TFP depends on input growth patterns: it may reduce TFP in capital-deepening economies but reinforce it in economies where labor input grows faster than capital.

03

Better integration of tax records into national accounts can improve the measurement of product taxes and, thereby, the accuracy of value added and productivity statistics.

REFERENCES

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PFTAC (2025). "Supporting Macro-Financial Stability and Sustainable and Inclusive Growth in the Pacific," PFTAC Annual Report 2025, Pacific Financial Technical Assistance Centre.

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