Support for Alignment of Albanian Statistics with EU standards

New independent estimation of expenditure components of GDP

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Main objectives

- The general objective of the IPA 2007 National Project, GDP by Expenditure (GDPE) module, was to implement an independent method for GDP by Expenditure Approach, following ESA 95 concepts and definitions.

Results:

- Improved data sources (SBS Questionnaire; Incorporation into estimates of HBS, etc.)
- New estimates of Expenditure approach components
- More data available for the users (a set of new tables will be published)

Results: (cont.)

- New estimates of Expenditure approach components can be seen in three aspects:
  - Data sources (HBS in Household Final Consumption Expenditure).
  - Statistical techniques (New method on Changes in Inventories calculations)
  - Concepts and definitions (new concept introduced in GFCF estimations; modifications in HFCE)

GDP by Expenditure Approach components

- Household Final Consumption Expenditure (HFCE)
- General Government Expenditure
- Non-profit Institutions Serving Households (NPISH)
- Gross Capital Formation
- Imports and Exports of Goods and Services

Household Final Consumption Expenditure

New data sources incorporated into estimates:

Household budget survey as the primary source for HFCE estimations:

- Estimates on HFCE at current and constant (previous year) prices are treated at 6 digit level of COICOP categories (more than 370 products)

- The data refer to national concept (the consumption expenditure of resident households in Albania and abroad)

- The relevant CPIs has been used as deflators

Household Final Consumption Expenditure (cont.)

Main corrections made:

- *Second hand goods* - The purchase of second hand goods of domestic origin are not recorded according to ESA, as they are consumed when purchased at first time.

- *Consumption of own account agricultural products* - Own account agricultural production estimated by the Ministry of Agriculture was accepted.

- *Electricity and water supply* - The figure reported in HBS was substituted by the administrative data from production side.

Household Final Consumption Expenditure (cont.)

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- Tobacco consumption
- FISIM
- Insurance services
- Imputed rents
- Expenditure on health services
- Consumption of resident households abroad

Household Final Consumption Expenditure (cont.)

Dissemination mode:

- More information available for users, regarding Household expenditure on specific commodities
- Data will be published in a detailed level, according to the relevant nomenclature, COICOP

Government Final Consumption Expenditure (GFCE)

- **GFCE** =

  Total Output (cost method) of Government Sector

  - Own account gross capital formation

  - Sales of goods and services (mostly non-tax fees)

Government Final Consumption Expenditure (cont.)

■ The value of GFCE is divided into:

➢ *Individual consumption*, expenditure whose recipients are individual persons or individual households (health services, education services, social security and welfare, sports, recreation, culture, etc.)

➢ *Collective consumption*, expenditure for general population - public goods - (public administration, defence, law & order-police, infrastructure & economic development, R&D etc.)

Gross Capital Formation (GCF)

■ P.5 Gross Capital Formation:

➢ P.51 Gross Fixed Capital Formation
➢ P.52 Changes in Inventories

Gross Fixed Capital Formation

GFCF estimations based on ESA 95 classification:

- **(AN.111) Tangible fixed assets**
  - (AN.1114) Cultivated assets
    - ☐ (AN: 11141) Livestock for breeding, dairy, draught, etc.
    - ☐ (AN.11142) Orchards, vineyards, and other plantations of trees yielding repeat products, Forestry
  - (AN.1111) Dwellings
  - (AN.1112) Other buildings and structures
  - (AN.1113) Machinery and equipment
    - ☐ (AN.11131) Transport equipment
    - ☐ (AN.11132) Other machinery and equipment
- **(AN.112) Intangible fixed assets**
  - (AN: 1121) Mineral exploitation
  - (AN.1122) Computer software and database

Gross Fixed Capital Formation (cont.)

New method proposed for the GFCF calculation:

- The new version utilises mainly the supply side data.

- The Directory of Agriculture, INSTAT, supplies data on cultivated assets, livestock, etc.

- Imports statistics provide data on machinery and equipments. The domestic production is insignificant.

- Construction is the dominant component of GFCF. It was proposed to use a variation of commodity flow method, whose value relies on the present version of SUT.

- GFCF has been deflated separately for each type of assets, using different indices, such as CCI, UVI, PPI, etc.

Gross Fixed Capital Formation (cont.)

Dissemination mode:

- A detailed information on Investment realized during current year

- Detailed data on type of investment (cultivated assets, type of constructions, such as Dwellings; Other buildings and structures; Machinery and equipments; etc)

Changes in Inventories (CI):

Estimation of Changes in Inventories by type of Inventories:

- Materials and supplies

- Work-in-progress: growing crops, maturing trees and livestock, uncompleted structures and other fixed assets, partially completed services

- Finished goods

- Goods for resale

Changes in Inventories (cont.)

New method proposed of the CI (which enables the exclusion of Holding gains):

- Changes in inventories have been estimated from stock levels.

- In the first step changes in inventories at current prices have been estimated.

- Stocks at the beginning and at the end of period are revalued at the period average price

- Changes in inventories are the difference of stock values at annual average price level.

Changes in Inventories (cont.)

The constant price values have been calculated by deflating the changes at average annual price level using annual average price indices

- Different price indices have been used to deflate different types of goods held in inventories:
  - Material and supplies have been deflated by average PPI (CCI in Construction)
  - Work in progress:
    - In case of livestock raised for slaughter, the constant price changes are estimated directly
    - Industrial semi finished goods are treated as finished goods
  - Finished goods are deflated by PPI of the same industry
  - Goods for resale are deflated by the average PPI (except trade activity where CPI was used)

Further Work:

- Finalizing calculation of Expenditure GDP components based on 2011 Population CENSUS results

- Finalizing implementation of IPA 2007 Short term Experts Recommendations, related to:
  - Data sources
  - Methodological aspect
  - New publication table format

- Incorporation of other project results
  - IPA 2011 Multi Beneficiary, IMF, etc.

THANK YOU!