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Description of Sources and Methods

Part A, GNI compilation

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Description of sources and methods

GNI compilation

Albania

GNI Compilation for Albania

This document deals with the statistical methods and sources used in Albanian national accounts to calculate gross national product and other aggregates in national accounts and meets the requirement to forward details of the methods used to the European Commission (EUROSTAT) under provisions to harmonise gross national product at market prices.

The description refers to annual National Accounts for reporting year 2012 and the figures therefore all refer to this year. It uses the structure recommended by EUROSTAT in its May 2014 "Guidelines for writing the ESA 2010 GNI Inventory" and is the fourth update of the "Description of sources and method for Albania" in the framework of IPA 2012 Multi-beneficiary Programme on Statistics, project PP1: National Accounts. This version incorporates updates due to major revisions performed due implementation of ESA 2010, inclusion of new sources of statistical and administrative data, as well as improving of statistical techniques and methods of compiling data for annual National Accounts.

This publication first gives an overview of the national accounts system in Albania (Chapter 1) and explains the revision national accounts policy (Chapter 2) and then sets out the three approaches to calculating GDP (Chapters 3, 4 and 5). The next chapters deal with technical procedures to ensure the quality of the GDP data, i.e. the balancing procedures and validation of estimates (Chapter 6), allowances for exhaustiveness (Chapter 7) and the transitions from gross domestic product to gross national income (Chapter 8). Finally, the main classifications used (Chapter 9) and the main data sources (Chapter 10) are presented.

Description of sources and method for GNI compilation in Albania was written by the staff of the units "Annual National accounts" and "Sector Institutional Accounts" within National Accounts Directory. Some specific sub-sections have required the contribution of other directories as well such as Directories of Agriculture Statistics, Economic statistics and Social statistics. A special thanks to the expert of the project Mr. Bas de Vet for his valuable collaboration and assistance on the description of Albanian compilation of GDP and GNI for year 2012.

Written by:

Gjergji Mano, gmano@instat.gov.al

Arber Memoci, amemoci@instat.gov.al

Artemis Progri, aprogri@instat.gov.al

Elirjeta Pepaj, epepaj@instat.gov.al

Elona Sevrani, esevrani@instat.gov.al

Eni Celo, ecelo@instat.gov.al

Eriola Ismalaj, eismalaj@instat.gov.al

Esterina Qesja, eqesja@instat.gov.al

Ina Shehu, ishehu@instat.gov.al

Rezarta Myrtollari, rmyrtollari@instat.gov.al

Sonil Bilaj, sbilaj@instat.gov.al

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ABBREVIATIONS AND ACRONYMS

ALL	Albanian Lek
ASF	Area Sampling Survey
ASS	Annual Structural Survey
BOA	Bank of Albania
BOP	Balance of Payments
BR	Business Register
CARDS	Community Assistance for Reconstruction Development and Stability in the Balkans
COFOG	Classification of Functions of Government
COICOP	Classification of Individual Consumption by Purpose
CCI	Construction Cost Index
CE	Coefficient of Expansion of segment
CIF	Cost, Insurance and Freight
CPA	Classification of Products by Activity
CPI	Consumer Price Index
EAA	Economic Accounts for Agriculture
ERE	Energy Regulator Entity
ERR	External reference rate
ESA 2010	European System of Accounts 2010
EU	European Union
FISIM	Financial Intermediation Services Indirectly Measured
FOB	Free On Board
FS	Financial Statements
FSA	Financial Supervisory Authority
FC	Final Consumption
GDP	Gross Domestic Product
GDT	General Directorate of Taxation
GFCF	Gross Fixed Capital Formation
GG	General Government
GVA	Gross Value Added
HBS	Household Budget Survey
HFCE	Household final consumption expenditure
HS	Harmonized System
IMF	International Monetary Fund
IOT	Input-Output Table
INSTAT	Albanian National Institute of Statistics
IRR	Internal reference rate
ISTAT	Italian National Institute of Statistics
LFS	Labour Force Survey

LSMS	Living Standard Measurement Survey
MAF	Ministry of Agriculture
MARDWA	Ministry of Agriculture, Rural Development and Water Administration
MOF	Ministry of Finance
MoU	Memorandum of Understanding
NA	National Accounts
NACE, Rev.2	Nomenclature statistique des Activités économiques dans la Communauté Européenne, Revision 2
NAD	National Accounts Directorate
NIPT	Identification Number
NOE	Non-observed Economy
NP	Classification of Products
NPISHs	Non-profit Institutions Serving Households
NRC	National Registration Centre
NVE	Classification of Economic Activities
OFI	Other financial intermediaries
PPI	Producer Price Index
PSI	Primary Sampling Unit
PSU-s	Primary Sampling Units
QNA	Quarterly National Account
SBS	Structural Business Statistics
SDDS	Special Data Dissemination Standard (IMF)
SNA 2008	System of National Accounts 2008
STS	Short Term Survey
SUT-s	Supply and Use Table
UVI	Unit Value Index
VAT	Value Added Tax

CHAPTER 1 OVERVIEW OF THE SYSTEM OF ACCOUNTS

1.1. Introduction

National accounts[1] record economic activities in a systematic manner, distinguishing actors belonging to institutional sectors such as households, corporations and government. The system describes the various transactions or other changes in assets (flows) during a period of time as well as the level (normally at the end of a period of time) of stocks.

A particular focus on the monitoring of fiscal policies in the EU is reflected through the development of government finance statistics. The recent financial and economic crisis has also underlined the importance of financial accounts, which present financial transactions, other changes in financial assets or liabilities, and financial balance sheets.

Furthermore, national accounts serve as the foundation of a broader statistical system. This is the case for social and economic statistics in general, and for satellite accounts in particular.

The European system of national and regional accounts known by the abbreviation ESA is fully consistent with the worldwide guidelines on national accounting, namely the system of national accounts (SNA): the SNA is published jointly by the United Nations, the Commission of the European Communities, the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD) and the World Bank.

The ESA is not restricted to annual national accounting, but applies also to quarterly accounts and regional accounts. The ESA consists of two main sets of tables, namely the input-output framework/accounts by industry and the sector accounts. The ESA also encompasses concepts of population and employment that are relevant for both the sector accounts and the input-output framework.

The accounts are the result of a process of integration of data from many sources, for example, statistical surveys of businesses and households and administrative data.

Annual data constitute the core of the national accounts system, both regarding their level of detail and their use for the estimation of quarterly data. Data within the national accounts domain encompasses information on the gross domestic product (GDP) and its components, final consumption aggregates, income, savings and employment. Breakdowns exist for certain variables by economic activity (as defined by the activity classification NACE), investment products, final consumption purpose and institutional sectors.

The analysis of GDP across countries is facilitated by studying GDP per capita, so removing the influence of the absolute size of the population. GDP per capita is often considered as a

[1] See: http://ec.europa.eu/eurostat/statistics-explained/index.php/National_accounts_-_an_overview

broad economic indicator of living standards, despite the fact that this is not the main purpose of such an indicator.

1.2. Institutional framework

INSTAT is the most important agency for the collection of Albanian macro-economic statistics. INSTAT undertakes most of data collection and compilation, with the main exception being that Balance of Payments (BoP), banking sector data is responsibility of the Bank of Albania (BoA), and government statistics is collected by the Ministry of Finances (MoF).

The institution has at its disposal the following instruments to plan, direct and monitor statistical activities in the country:

- Law on Official Statistics
- Five-year Programme of Statistics
- Five-year Strategic Plan of INSTAT
- One-year operational Plan of INSTAT
- One-year Budget Plan of INSTAT
- Quarterly progress reports on implementation of the Programme of Statistics
- Memorandums of Understanding between INSTAT and main counterparts

The Law on Official Statistics represents the foundation of the statistical system in the country and was adopted on 5 February 2004 (N° 9180). The scope of the Law is to establish the legal framework for the collection, organization, production and dissemination of official statistics in Albania. The Law on Official Statistics defines the status of the Programme of Official Statistics, the role and tasks of central statistical bodies in the country. It is quite comprehensive, modern and lays a strong foundation for the operation of INSTAT.

According to the Law on Official Statistics, INSTAT is responsible to draft and ensure the implementation of the **Programme of Official Statistics**. Article 6 of the Law states as follows:

"The Programme shall cover the statistical information necessary for the observation of the economic, social and environmental situation in the Republic of Albania, focusing on the phenomena which are essential for decision makers and respecting citizens' right to official data. To realize the Programme it is necessary to take into consideration the relation between the costs and burdens on one hand and the benefits on the other hand."

Official Statistics Programme for the period (2012-2016) is the second document of its kind after the entry into force of Law no. 9180, dated 05.02.2004, "Official Statistics".

INSTAT is responsible for proposing the Official Statistics Programme to the Statistical Council.

Statistical Council is the highest body in charge of supervision and support of INSTAT in his role for the implementation of statistical activities provided by Official Statistics Programme. Statistical Council is composed by 11 members who represent statistical agencies, the academic world and civil society. The nomination of members is approved by a special decision of the Ministers Council. Council of Statistics conducts its activities in accordance with Law nr. 9180, dated 05.02.2004 "On the Official Statistics" and DCM nr. 704, dated 16.11.2005 "On the approval of the criteria of presentation, selection, nomination and dismissal of members and the rules of functioning of Statistics Council", as amended.

The Programme includes central information on the development and production of Official Statistics in Albania, e.g.

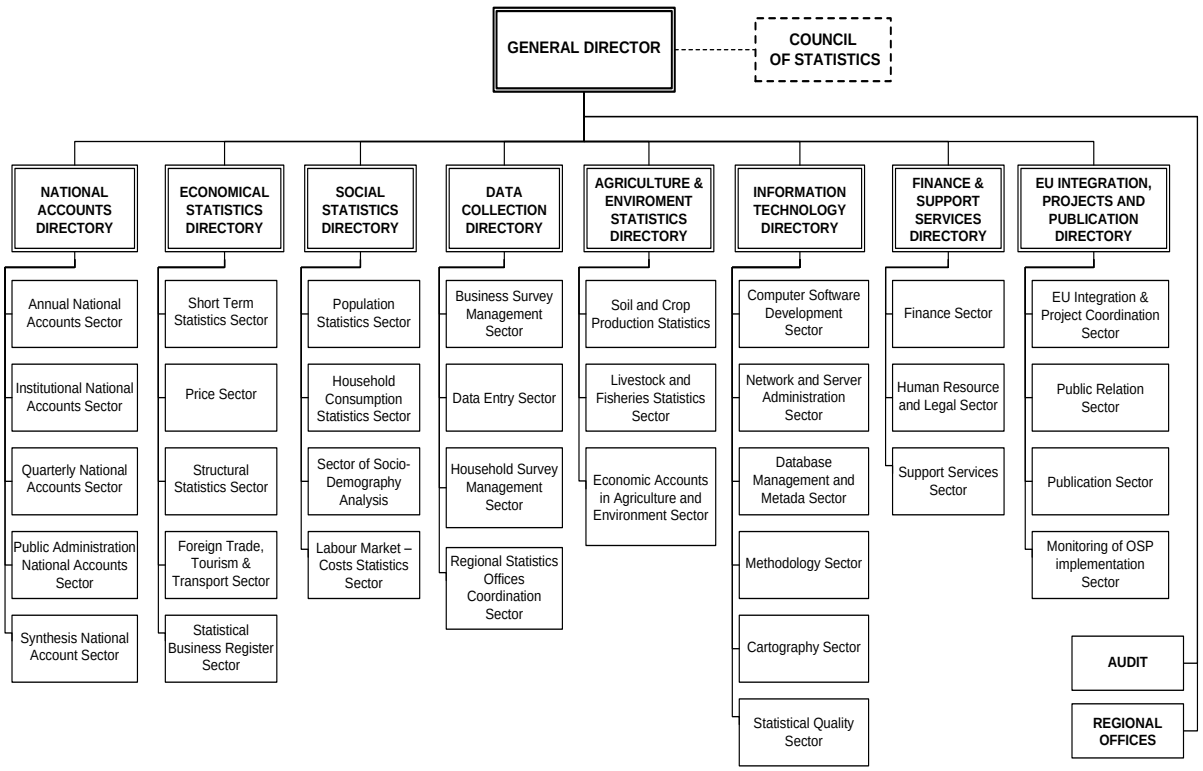
- Descriptions of the main statistics and indicators;
- Institutions responsible for producing and disseminating results;
- Classifications adopted;
- (regional) level at which the statistics and indicators are available;
- Frequency with which the statistics and indicators are available;
- Year when the statistics and indicators will be disseminated;
- List of sources used to produce the statistics and indicators.

The Programme of Official Statistics includes a general estimate of the annual operating costs of the Institute of Statistics for the years covered by the Programme. It does not include estimated costs of other statistical agencies (other authorities) which are specified in the Programme as authorized entities to undertake activities to produce official statistics.

The Article 8 of the Law on Official Statistics states that INSTAT shall seek to conclude **Memoranda of Understanding** (MoU) with all Statistical Agencies and with holders of administrative records that are used in the production of the Programme of Official Statistics covering business arrangements and mutual obligations.

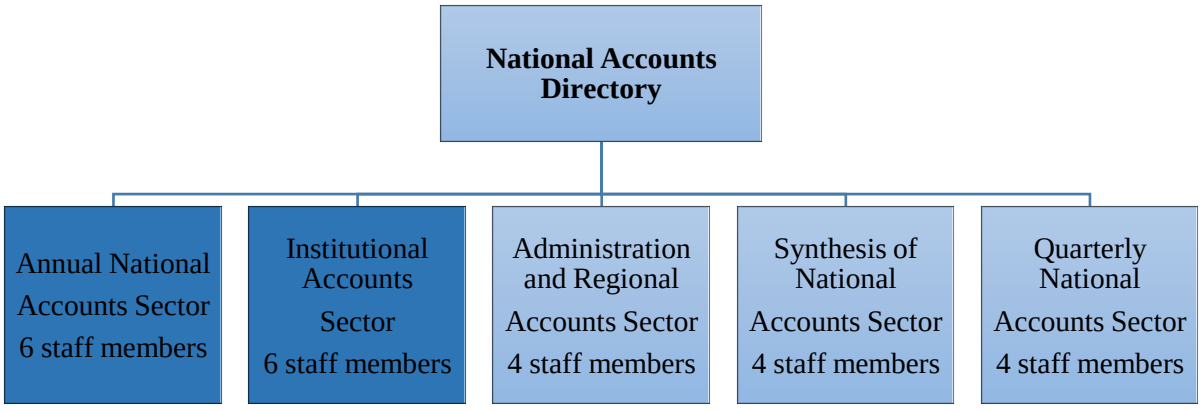
The organizational structure of INSTAT is proposed by Statistical Council and approved by a special order of Prime Minister. The total number of INSTAT’s employees (including Statistical Directorates in districts) is approved by Council of Ministers every year. The recruitment of the INSTAT's staff should be done in compliance with the stipulated regulates in the law on "Status of the civil servants" No. 8549 date 11.11.1999.

Figure 1-1: Organizational Chart of INSTAT



National Accounts Directory (NAD) is responsible for the compilation and co-ordination of all aspects of the national accounts. NA Directory consists of five separate sections as is shown below in Figure 1.

Figure 1-2: Organizational Chart of National Accounts Directory



Annual National Account Sector produces the estimations of annual Gross Domestic Production by production approach in current and at previous year prices. This sector is responsible for estimates of output, intermediate consumption and value added by industries

and the exhaustiveness adjustments of GDP. The development in national accounts fields for further improvements in quality and implementation of 2010 ESA/ 2008 SNA are part of the work of this sector. It has 6 staff members, the head of the sector and 5 specialists where each of them is responsible for the estimation of economic indicators of GDP of one respective industry at national level.

Institutional Account Sector has two main objectives:

1. Compiling institutional sector accounts;
2. Estimation of GDP according to the expenditure approach in current prices and prices of the previous year at national level, aiming coherence with ESA 2010 / SNA 2008 concepts.

It is composed by 6 staff members: head of the sector and 5 specialists. Work is organized in such a way that 3 of the staff members are dealing with the first objective (expenditure method of GDP) and the other 3 are working with the second objective (institutional sector accounts).

Administration and Regional Accounts Sector has 4 staff members, the head of the section which reports to the Director of National Accounts Department and 3 specialists who reports to the head of the sector. This sector has two main objectives:

1. Estimation of National Accounts indicators for General Government quarterly and annually;
2. Estimation of the indicators of GVA and GDP for Regional Accounts in Albania.

This sector provides information for the National Accounts Directory and also for estimation of different indicators of NA for General Government required by the EUROSTAT Transmission Procedure.

The Synthesis of National Accounts (SNA) Sector has 4 staff members, the head of the sector which reports to the Director of National Accounts Department and 3 specialists who reports to the head of the sector. The sector compiles supply and use tables at current and constant prices (under preparation), compiles symmetrical input-output tables. This sector, in cooperation with other NA sectors, is responsible for data source processing and participates in designing annual statistical surveys.

Quarterly National Accounts Sector is responsible for the estimation of quarterly gross domestic product (QGDP) by the production and expenditure approach. The sector estimates quarterly GDP at current and constant prices (changes in volume of the quarterly GDP) at average prices of the previous year and chain-linked with the reference year, (2010=100). The estimates of quarterly GDP are compiled in both original and seasonally adjusted formats. The Quarterly National Accounts Sector has 4 staff members, the head of the sector and 3 specialists.

1.3. The revisions policy and the timetable for revising and finalizing the estimates; major revisions since the last version of the GNI Inventory

Annual estimates of National Account aggregates are published on regular basis, according to the publications **release calendar** which is available on the INSTAT website before beginning of the respective year. Calendar INSTAT publications can be found at: http://www.instat.gov.al/en/publications/calendar.aspx

Estimates of annual GDP pass through three stages of calculations and publications.

- The first stage is the preliminary estimate of annual GDP, by the production and expenditure method, within eleven months after the end of the year (t+11) and is based on preliminary data sources of the annual Structural Bussines Survey and administrative sources.

- The second phase includes semi-final estimates of the annual accounts of the GDP for the year "t" within six months after the preliminary assessment (t+17). Semi-final calculations are based on more complete data sources and therefore almost entirely on direct methods.

- The third phase includes the final estimates of GDP for the year (t). In this third stage, when the data set of the year (t+1) is recieved, the data of the year (t) is reviewed once again in order to incorporate any changes made to the year (t) and to ensure the consistency of the two consecutive years. During this stage the final balancing in product level is performed between the two methods of GDP.

The published data are revised, based on revision policies of the national accounts. The annual estimates of the GDP and its components are subject of two types of revisions: routine and major revisions. Major revisions are linked with international methodology revisions (introduced by ESA 2010), changes in definitions, methods and classifications, as well as incorporation of a widening scope of various data sources.

1.4. Outline of the production approach

The production approach is the main method for compiling GDP in Albania. In the production approach, the economic output of the national economy is described from the producer's perspective. Gross value added is calculated by deducting the value of intermediate consumption from the total output of the country's economic resident units. As the indicator of the economic performance of all industries, gross value added is the key aggregate in the production approach. Taxes less subsidies on products therefore have to be added on gross value added (at basic prices) in order to obtain the gross domestic product. After the introduction of the new NACE Rev.2 classification in all business and employment statistics,

national accounts statistics were the last statistical domain implementing the new classification. Classifications updates are important to make indicators more useful to users, to reflect economic developments and to improve the comparability of data between EU countries. Actually, GDP is presented in 35 economic activities, being more detailed in the field of services.

Table 1-1: GDP by production approach, 2012, in ALL million

GDP PRODUCTION APPROACH	Final Estimates
Output of goods and services at basic prices	2,191,310
Intermediate consumption at purchasers' prices	1,036,563
Gross value added at basic prices	1,154,747
Taxes on products	179,559
Subsidies on products	1,494
Gross domestic product at market prices	**1,332,811**

National accounts produce, on a regular basis, annual estimates of production (valued added and GDP) at current prices and at the prices of previous year. The ***compilation procedure*** of the national accounts for the year 2012 can be described in four stages as following:

1. Integration of source data into the system of national accounts;
2. Analysis and plausibility checks of data at the detailed level;
3. Conceptual adjustments;
4. Exhaustiveness adjustments.

In Albanian national accounts the institutional unit is defined ***"the enterprise"***, because data from business accounts are only available for entire enterprises, and the enterprise, as the smallest legally independent institutional unit, is the starting point for the valuation process.

Business register is a base for the compilation of the statistics needed to provide indicators of both short-term and structural economic developments. The quality of the business register is substantial for an accurate and exhaustive calculation of GDP by the production approach. Full coverage of the population and correct information on the registered units are essential, both to enable representative samples to be selected for statistical surveys and to enable the figures to be grossed up correctly to cover the total population.

Market Output is valued ***in basic prices*** and is measured as the sum of sales, changes in inventories of finished goods and work in progress, the value of products which are produced for own final use and with the value of subsidies on products. ***Other non-market output*** is in accordance with ESA requirements valued at the total costs of production, i.e. the sum of:

intermediate consumption, compensation of employees, consumption of fixed capital and other taxes on production less other subsidies on production.

Intermediate consumption products are at purchasers' price. Uses of intermediate goods are usually estimated with purchases in the period plus withdrawals from inventories less increases of inventories.

The GDP compilation by production approach requires a lot of information and ***data sources*** including both administrative data and statistical surveys in order to be exhaustive and ensure the quality of the data. Financial statements and statistical survey (structural business survey) are the primary and exhaustive databases for all activities except agriculture activities and government. Agriculture survey data are used for the estimation of agriculture activities and government data are used for government output

1.5. Outline of the income approach

No estimations are made for the income approach method.

1.6. Outline of the expenditure approach

The expenditure approach for the GDP estimation is based on the use of a wide variety of sources, their thorough screening and plausibility and credibility analysis of the changes in the time series. Besides the production approach, the expenditure approach to GDP compilation is the second most important approach in Albania. The expenditure approach sums up components of demand side that are following: final consumption expenditure, gross capital formation and exports of goods and services less imports of goods and services, which are estimated separately in detailed structure.

Table 1-2: GDP by expenditure approach, 2012, in ALL million

No.	Description	Final estimates
	Expenditure Approach	
1	**Final Consumption (a+b+c)**	1,179,194
a	*Final Consumption of the Households*	1,032,478
b	*Final Consumption of General Government*	144,541
c	*Consumption of NPISHs*	2,175
2	**Gross Fixed Capital Formation**	353,044
4	**Net export**	-248,372
5	**Change in inventories**	24,522
6	**Statistical discrepancy**	24,424
	GROSS DOMESTIC PRODUCT (3+4+5 +6)	**1,332,811**

The main sources of data:

The household consumption expenditure is first of all compiled on the basis of information collected within Household Budget Survey; it is the main data source for this compilation, together with other administrative data sources.

Calculation of the volume and structure of the final consumption expenditure of government is based on administrative sources, e.g. state final account, Central and Local budgetary or semi-budgetary institutions etc.

The main data source for the calculation of the volume and structure of the final consumption expenditure of non-profit institutions serving households are annual financial accounts for non-profit institutions.

Gross fixed capital formation (P.51) is based on a set of various data, where the most important is data from statistical surveys (SBS), customs statement, financial statements of enterprises and data from Ministries. These estimates are done according to non-financial assets nomenclature and utilize mainly supply data and incorporate the revised data on mineral exploration and on databases into compilation.

Changes in inventories (P.52) include additions to and withdrawals from inventories adjusted for the influence of price changes in period between the acquisition during the year and use or closing stock of unused inventories at the end of year. This applies to types of inventories: materials, work in progress, finished goods and goods for resale. The major data sources are the financial statements of enterprises and SBS.

The main source of data for calculation of exports and imports of goods were customs statistics and for calculation of exports and imports of services balance of payments.

1.7. The balancing or integration procedure, and main approaches to validation

The differences between GDP by the production and by the expenditure approach are not eliminated in the process of finalization of estimates. The balancing between two GDP is done only in macro level. Therefore, the practice to show or publish statistical discrepancies as the difference between GDP by the production and by the expenditure approach is used in compiling and publishing national account data.

The most important step to validate the estimates of GDP level and particularly exhaustiveness is the introduction of Input Labour Method. The labour input statistics are used for the validation of estimates of GDP by the production approach, which allows the analysis of data exhaustiveness by activity level.

1.8. Overview of the allowances for exhaustiveness

When measuring the GDP, national accounts statisticians focus on taking into account all productive activities, more specifically, on measuring value added generated in the production process exhaustively. This means that the value added generated in the non-observed economy is also measured and included on GDP estimates. To ensure exhaustiveness of GDP estimates, INSTAT has improved the estimates based on "Tabular Approach to Exhaustiveness", which provides guidelines for data producers. This approach, adopted by a large number of countries, helps to systematically evaluate all potential sources of non-exhaustiveness.
The production approach is considered as the key compilation method referring to the availability of data sources and execution of methodological adjustments and estimates for exhaustiveness. No explicit estimates are made for expenditures approach because they are included in the estimates directly when they use the ratios taken from production approach which already includes exhaustiveness adjustments estimates.

Ensuring exhaustiveness the following types of possible non-exhaustiveness have been identified:
Producer Deliberately Not Registering (N1) - Not all enterprises fulfil the obligations to be register even by law all enterprises irrespective of their size are legally obliged to register their activities in Albania. For this reason explicit estimates are made for intentionally unregistered enterprises;
Producer Not Required to Register (N3) - The main exhaustiveness adjustment are made for agriculture production for own final use and own account construction of individual housing construction;
Misreporting by Producers (N6) - Underreporting of income and employment in order to diminish their tax assessment bases and social and health insurance contributions are widely practised. Corrections for the underreporting by producers are necessary and have a big share on exhaustiveness adjustments;
Other Statistical Deficiencies (N7) - An estimate of tips has been performed using a subjective estimate of the percentage of tips on the economic activities where exit this phenomenon.

Main methods of exhaustiveness adjustments:

The labour input method: To capture activities of producer that intentionally do not register (N1) and not registered employees to avoid payment of social security contribution (N6), INSTAT makes explicit estimates by using labour input method. It implied the comparisons of labour inputs within demand and supply side of data sources based business statistics and labour force survey. This method was used extensively for all economic activities, except Agriculture NACE A, Energy NACE D, Financial activities NACE K, Public administration NACE O, Public Education NACE P and Public Health NACE Q.

Franz method (Income based): This is a simplified version of the method proposed by Franz (1985), which is based on the principle that the receipts and costs data for an enterprise must be coherent. The theoretical justification behind this principle is that self-employed workers will change their employment status unless they receive at least the same income as they would have earned for the same time working in paid employment in the same type of economic activity (opportunity costs). In cases where the data collected in the basic statistics indicate that self-employed persons have a lower income, there is a good reason to assume that the difference is compensated for by incomes which are not declared to the tax authorities and to official statistics.

Expert method is used for exhaustiveness adjustment of agriculture activities and tips and is based on experts' opinions.

Demand based method is used for the estimation of Own construction were based on Households Budget Survey data relating to the costs of materials purchased for the ordinary and the extraordinary maintenance of dwellings.

GDP PRODUCTION APPROACH	Exhaustiveness Type							Total exhaustiveness
	N1	N2	N3	N4	N5	N6	N7	
Gross value added *(at basic prices)*	87,275		37,490			163,482	1,984	290,231
% of Total GVA adjustments	30.1%		12.9%			56.3%	0.7%	100.0%
GVA adjustments % of GDP	6.5%		2.8%			12.3%	0.1%	21.8%

1.9. The transition from GDP to GNI

Gross national income (GNI) is an income concept and is obtained by adding primary income receivable from the rest of the world (compensation of employees and property income) to the GDP and by subtracting primary income payable to the rest of the world (compensation of employees and property income). In 2012 GNI amounted to 1,322,883 million ALL; it is estimated as the sum of GDP at market prices at 1,332,811 million ALL plus primary income receivable from the rest of the world (compensation of employees plus property income) at 26,201 million ALL minus primary income payable to the rest of the world (ROW) at 36,128 million ALL. Table 1.8 shows the compilation in more detail.

The starting point for the components of GDP-GNI transition as well as the Rest of the world (ROW) account is the Balance of Payments (BoP) Statistics. BoP is compiled by the Bank of Albania in accordance with the International Monetary Fund's Balance of Payments Manual (fifth edition) recommendations and on the basis of monthly available data on transactions (International Transaction Reporting System – ITRS) and stocks, customs declarations data as the main source for recording merchandise and estimates.

Table 1.8 Transition from gross domestic product to gross national income, 2012

Description	In million ALL
Gross domestic product	1,332,811
plus compensation of employees, net	12,441
from the rest of the world	16,470
to the rest of the world (-)	4,028
Plus property income, net	-22,369
from the rest of the world	9,731
to the rest of the world (-)	32,100
GROSS NATIONAL INCOME	**1,322,883**

The starting point for the components of GDP-GNI transition as well as the Rest of the world (ROW) account is the Balance of Payments (BoP) Statistics. BoP is compiled by the Bank of Albania in accordance with the International Monetary Fund's Balance of Payments Manual (fifth edition) recommendations and on the basis of monthly available data on transactions (International Transaction Reporting System – ITRS) and stocks, customs declarations data as the main source for recording merchandise and estimates.

1.10. Main classifications used

Classifications are essential for the production, compilation and dissemination of statistics. The statistical classifications are updated continuously to better reflect the economic, technological and structural changes in the economy and to enable comparison and data connection at European level and in general, in the world as part of an integrated system.
Classifications used in National Accounts are:

- Nomenclatures of economic activities Rev. 2 (NACE Rev. 2).
- Nomenclature of products (CPA 2008);
- Classification of Individual Consumption by use (COICOP);
- The classification of government expenditure by function (COIFOG)
- The classification of fixed assests
- The classifiaction of inventories.

1.11. Main data sources used

Various statistical and administrative data sources are used in annual national accounts compilation. The following table list the main data sources used in compiling GDP by production and expenditure approach:

Table 1-2: List of data sources

Nr	Name of the data source	Prod.[2]	Exp.[3]
1	Annual accounting statements of enterprises, balance sheets	X	X
2	Structural Business Survey (SBS)	X	X
3	Value Added Tax declaration (VAT)	X	X
4	Social contributions and Social insurance	X	
5	Agriculture, Forestry and Fishery Statistical Declaration	X	X
6	Expenditure and income of General Government	X	X
7	Revenues and expenditures statement and Balance of Energy	X	X
8	Profit and loss account of Bank of Albania	X	
9	Quarterly profit and loss account of commercial bank	X	
10	Quarterly data for FISIM	X	X
11	Quarterly profit and loss account from non-banking monetary institutions	X	
12	Declaration from Insurance companies	X	X
13	Labour Force Survey (LFS)	X	X
14	Household Budget Survey (HBS)	X	X
15	Balance of payment		X

[2] The data source is used for the production approach to GDP.

[3] The data source is used for the expenditure approach to GDP.

CHAPTER 2 THE REVISIONS POLICY AND THE TIMETABLE FOR REVISING AND FINALISING THE ESTIMATES; MAJOR REVISIONS SINCE THE LAST VERSION OF THE GNI INVENTORY

2.1. The revisions policy and the timetable for revising and finalising the estimates

2.1.1. *Introduction*

Estimates of annual GDP pass through three stages of calculations and publications.

- The first stage is the preliminary estimate of annual GDP, by both methods, within eleven months after the end of the year (t+11) and is based on preliminary data sources of the annual Structural Bussines Survey and administrative sources.
- The second phase includes semi-final estimates of the annual accounts of the GDP for the year "t" within six months after the preliminary assessment (t+17). Semi-final calculations are based on data sources more complete and therefore almost entirely on direct methods.
- The third phase includes the final estimates of GDP for the year (t). In this third stage, when the data set of the year (t+1) is recieved, the data of the year (t) is reviewed once again in order to incorporate any changes made to the year (t) and to ensure the consistency of the two consecutive years. During this stage is performed the final balancing in product level between the two methods of GDP.

The published data are revised, based on revision policies of the national accounts. The annual estimates of the GDP and its components are subject of two types of revisions: routine and major revisions.

2.1.2. *Major revisions*

Major revisions are linked with international methodology revisions (introduced by ESA 2010), changes in definitions, methods and classifications, as well as incorporation of a widening scope of various data sources.

During 2014, INSTAT presented to users methodological and data sources revisions of GDP estimations at current and constant prices for the time series from 2008 to 2012. The revised estimates were the outcome of the concerted efforts of INSTAT to implement the revised international methodology introduced by SNA 2008 and ESA 2010, as well as continuous work on improving quality of the national accounts statistics through the incorporation of a widening scope of various statistical and administrative data sources and through implementation of internationally accepted best practices in applying statistical techniques. INSTAT work was supported by EU Project on "Alignment of Albanian Statistics with EU"

and "IMF project on Capacity Building for Sustainable Compilation of Real Sector Statistics in Eastern Europe", funded by the Government of Japan.

The impacts on GDP at current prices of major revisions for years 2008-2011 are presented in the following table.

Table 2-1: Major revision in GDP, in %

Revisions	2008	2009	2010	2011
Financial activities	-1,6	-1,9	-1,7	-1,5
SOOD	1,9	1,8	1,6	1,5
NOE and Census	-0,1	-0,2	1,2	-1,4
Statistical techniques	-4,1	-2,9	-3,1	-1,4
Energy sector	1,6	0,8	1,7	0,4
Taxes	-1,2	-0,8	-1,0	-0,2
Subsidies	0,0	0,0	0,0	0,3
FISIM allocation	2,7	2,8	2,8	2,5
Total	-0,79	-0,36	+1,41	+1,43

In May 2015 national accounts has implemented the classification of economic activities NACE Rev 2 as well. With the introduction of new NACE, GDP's compilation process is made in more detail level of economic activities breakdown. From 26 macro-branches of production and publication of GDP figures in NACE Rev 1, it is passed to the more detail compilation process at level A88 NACE Rev 2 and publication and at level A35.

2.1.3. *Routine revisions*

Annual routine revisions are as a result of updates of annual available data sources with the latest data of a given year 't". Estimation of GDP of year "t" pass through three stages of compilation until to final estimations. The first annual preliminary estimates on annual basis of the current year are available 11 months after the end of the reporting year (at the beginning of December of year t+1).

Annual preliminary estimations are based on preliminary and data of annual surveys and other administrative sources. Preliminary estimates of annual GVA are revised after six months based on more comprehensive and updated informations. At the same time there are also revised the estimates of the previous year (t-1) in order to transform the estimates from semi-final to final.

Table 2-2: Timetable for revising and finalizing the accounts

Provisional and final estimates of GDP

Deadline	**Estimated year**
November (t+11 month)	Flash Estimate of Year t
May (t+17 month)	Semi-Final Estimate of Year t and Final Estimate of year t-1

Table 2-3: Timetable for revising and finalizing the accounts

Production and Expenditure Approach		
Deadline	November (t+11 month)	May (t+17 month)
Estimated year t	Flash estimate of year t	Semi-final estimate of year t and final estimate of year t-1
Current prices	Yes	Yes
Constant prices (2010=100)	Yes	Yes
At prices of previous year	Yes	Yes
Nomenclatures	35 industries NACE Rev. 2	35 industries NACE Rev. 2
Indicators available.	1.Output; 2.Intermediate Consumption; 3.Value Added, 4.Final consumption of Households, 5.Final consumption of General Government, 6.Final consumption of NIPSH 7.Gross Fixed Capital Formation, 8.Net export on goods and services	1.Output; 2.Intermediate Consumption; 3.Value Added, 4.Final consumption of Households, 5.Final consumption of General Government, 6.Final consumption of NIPSH 7.Gross Fixed Capital Formation, 8.Net export on goods and services

Another version of presentation to better understand the idea is in table 2-4:

Table 2-4: Timetable for revising and finalizing the accounts (Year of Estimation)

Year of Estimation	**2012**		**2013**		**2014**		**2015**	
Reference year	May	November	May	November	May	November	May	November
2009	Final	-		-		-		-
2010	Semi final	-	Final	-		-		-
2011	-	Preliminary	Semi final		Final	-		-
2012	-	-	-	Preliminary	Semi final		Final	-
2013	-	-	-	-	-	Preliminary	Semi final	-
2014	-	-	-	-	-	-	-	Preliminary

2.2. Major revisions due to the transition from ESA 1995 to ESA 2010

Since introduction of ESA 2010 and 2008 SNA, the INSTAT was working on the implementation of new recommendations on methodology, with priorities on the issues that affect GDP estimates in Albania. The revisions due to implementation of new methodology were related to:

(i) The **new 2008 SNA/ ESA 2010 classification of financial sector** was introduced. The scope of financial sector estimates was widened to include all subsectors operating in Albania. It includes the following subsectors: Bank of Albania (BOA), other deposit-taking corporations (ODC), except the central bank and insurance corporations; financial auxiliaries, and other financial intermediaries (OFI).

(ii) The new method for calculating **financial intermediation services indirectly measured** (FISIM) has been introduced. The new calculations of FISIM were performed for ESA subsectors S.122 (deposit-taking corporations except the central bank) and S.125 (other financial intermediaries, except insurance corporations and pension funds). According to 1993 SNA/ ESA 1995, the money lenders who lend

their own funds do not generate output since they do not engage in financial intermediation activity. This treatment, however, was revised in 2008 SNA/ESA 2010, in which no exclusion is made for lending of own funds, and a service charge including FISIM associated with lending is recognized as an output.

(iii) The estimates of the **output of central bank** are introduced following 2008 SNA/ESA 2010 guidance, which specifies a distinction between market and non-market output. However if market output is not possible to separate from non-market output, all output is estimates with the cost method. Central Bank output is treated as non-market output and estimates with cost method equal to the sum of intermediate consumption (P.2), compensation of employees (D.11) and consumption of fix capital (K.1)

(iv) The definition of **the output of non-life direct insurance** services is revised. The basic algorithm of the *1993 SNA/ ESA 1995* (based on the balance of premiums and claims) was substituted by 2008 SNA/ ESA 2010 approach to account for catastrophic losses and investment income. The internationally recommended accounting approach was applied, in which output is calculated as: actual premiums earned plus premium supplements less adjusted claims incurred. The premium supplements correspond to investment income from insurance technical reserves. The adjusted claims are determined by using claims due plus the changes in equalization provisions and changes to own funds, when applicable.

(v) A complete treatment for **mineral exploration** has been realised. The collection of data was undertaken for mineral exploration and evaluation. The outcome has been included in the estimates for gross fixed capital formation.

(vi) The collection of the **computer software** component has been undertaken using the modified definition of 2008 SNA to include databases (software and databases are now treated as two subcomponents). The outcome of the new collection is included in gross fixed capital formation.

(vii) Following the specified recommendation of 2008 SNA/ESA2010, the **consumption of fixed capital** (estimated for general government sector) is measured at the average prices of the period with respect to a constant-quality price index of the asset concerned.

(viii) Valuation of **output for own final use by households** to include a return to capital. Following 2008 SNA/ESA 2010 recommends, the value of the output of goods and services produced by households for own final use include a return to capital as part of the sum of costs. However, adjustments are made to exclude return to capital when the household producing for own final use is defined as non-market producer.

(ix) The treatment of royalties for NACE, Rev.2 division 06 Extraction of crude petroleum and natural gas was revised following 2008 SNA, paragraph. 7.17 e,

7.110; ESA 2010, paragraph 4.74.A royalty payment is made by one unit to the owner of natural resources (Government) for the right to ongoing use of an asset. Royalties now are recorded under property income in the allocation of primary income account.

2.3. Major revisions since the last version of the GNI Inventory other than due to conceptual changes in ESA 2010

Annual time series of national accounts has been revised for other reasons than due to conceptual changes in ESA 2010. Two other reasons of major revisions were: (1) the inclusion of new sources of statistical and administrative data, as well as improving the existing ones; (2) improving statistical techniques and methods of compiling data for National Accounts.

2.3.1. *Revision due to changes in data sources*

Revisions due to changes in *source data* were related to:

(i) Incorporation of the results of the 2011 Population Census;

(ii) Revised data for the House Budget Surveys for 2007 and 2009 based on the new results of population census;

(iii) Use of revised data on Labour Force Surveys based on the new results of population census;

(iv) Census of Non-Agriculture Enterprises 2010

(v) Revised balance of payments (BOP) data that are now prepared and submitted to INSTAT by the Central Bank in Albania in national currency based on sound conversion procedures;

(vi) Improved quality and scope of variables of structural business survey (SBS) that allowed for broader use of these data in compilation of national accounts;

(vii) Improvements and widening the scope of INSTAT's processing of data from financial statements of enterprises that are used for validation of SBS data;

(viii) More detailed data on government sector from the Ministry of Finance, which allowed for several methodological improvements including application of Perpetual Inventory Method (PIM) for compilation of consumption of the government fixed capital;

(ix) More detailed data from the Central Bank of Albania on subsectors of financial sector;

(x) Processing the widened range of other administrative data from more than twenty government institutions, including Tax Authorities Data;

(xi) Compilation of the supply and use table, which allowed application of the elaborated product flow method used in compiling GDP by expenditure and reconciliation of GDP data from two approaches at microeconomic level.

2.3.2. *Revisions due to improvements in statistical techniques*

Revisions of statistics techniques are reflected both in current and in constant price estimations. Since the "Part A: Description of sources and method for GNI compilation" refers to current prices, the main focus is going on the revisions of statistical techniques and methods at current price estimates as following:

1. Improvements in **statistical techniques** applied for the processing of source data included (i) improved source data validation procedure by confronting different sources, (ii) wider use of financial statement of enterprises, (iii) wider use of administrative data (VAT declarations, social security files), (iv) improved data editing techniques, and (v) analysis of productivity by activity/enterprise size.

2. The main purpose of National Accounts is to offer an exhaustive description of an economy. This means that the main aim of compiling statistics is to cover as far as possible the productive activities belonging to the non-observed economy. The exhaustiveness of GDP estimates was improved by using the updated techniques for the estimates of **non-observed economy (NOE).** The estimates are based on the EUROSTAT tabular approach to exhaustiveness of national accounts and on the OECD Handbook. Based on the revised Labour Force Survey, Structural business survey and Household budget survey data, N1-N7 types of the non-exhaustiveness are identified and a direct estimation of the NOE was realised. The Labour Input Method was applied to estimate NOE N1 and N6 types of the EUROSTAT tabular approach for all activities except for agriculture, financial sector, and public administration. Also, to estimate underreporting (NOE, N6) the Franz method was introduced. The Franz method implies that income of the self-employed worker should be coherent with average compensation of employees for the relevant activity. In addition, the scope was augmented by estimates of own account construction (NOE, N3) based on the HBS data.

3. The scope of output estimates was increased to include **private education and private health** using the mixture of source data, such as financial statements and profit and loss accounts of registered enterprises, Structural business survey, Value Added Tax declaration, and Social Insurance declarations

4. The revised estimates for **electricity activity** was performed based on the detailed analysis of country's energy balance, Albanian Energy Regulator (ERE) Annual report, financial statements of relevant enterprises, and other available sources. The new estimates account for structural changes in electricity supply during last year's, provide new treatment of technical and non-technical losses. With the new method, the input/output ratio as well as value added (worker compensation, mixed income, and surplus), ratio to output at constant prices became more stable and explainable for all NACE classes, over years 2008-2012

5. Total value of **financial intermediary services indirectly measured** (**FISIM)** is equal to sum of FISIM on loans and FISIM on deposits. FISIM is calculated as the sum of the bank interest income on loans less the ESA/SNA interest on the same loans plus the ESA/SNA interest on deposits less the bank interest expenditures on the same deposits. The reference rate, or ESA rate, is the rate representing the pure cost of borrowing funds, which means that it is a rate from which the risk premium has been eliminated as much as possible and does not contain any intermediation service. This rate is calculated, based on interbank transactions, because banks are supposed not to charge each other with any intermediation service. The internal reference rate was used to calculate FISIM of the resident financial intermediaries by resident user institutional sector. The internal reference rate was calculated as a weighted average of rates on interbank loans and deposits using compound interest formula based on interest receivable on bank placements (assets) and interest payable on interbank placements (liabilities). Since the interest income/expenditure on bank placement is reported together with interest income/expenditures from transactions with treasury, the special estimates were performed to delineate these two income channels. Adjustments also were made to account for the special interest treatment of reserve requirements in national and foreign currency. **Exports of FISIM** were estimated using the external interbank reference rate, for loans granted to non-residents (excluding financial intermediaries) and for deposits of non-residents (excluding financial intermediaries). Since most of interbank deposits with non-resident banks are in EUR, the resulted external RR rate on deposits is validated against the interbank reference rate within the Economic and Monetary Union: **Euribor** (Euro Interbank Offered Rate).

6. The **allocation of FISIM** by user sector was not performed before. Based on available data on stocks of Other Depositary Corporations and Other Financial Intermediaries loans by sector, activity and by type, the FISIM allocation to various users was performed following 2008 SNA and ESA 2010 (para. 14.15), as follows:

a. For final consumption of households and intermediate consumption of non-market producers (Government, NPISH, households as final consumers).
b. For intermediate consumption of market producers (non-financial corporation at the level of NACE Rev 2 at 2 digit activity, other financial corporations, households as owners of dwellings and unincorporated enterprises)
c. Export for non-residents

7. User cost approach was applied for estimation of **owner occupied dwellings services**. Imputed rent is the rent considered to be paid by the owners of the dwellings if they are supposed to live in a rental dwelling. The so-called standard Stratification Approach recommended in the SNA for estimating imputed rent cannot be applied in Albania, since it required that rented dwellings constitute more than 25% of all the dwellings in the country and to be distributed over all parts of the country, in order to allowed the areas stratification.

   Under these certain and specific circumstances, SNA recommends to apply an alternative approach called User Costs-Approach that, can help to estimate rents by adding up the costs of renting a dwelling, such as:

   (i) Intermediate consumption (P2)

   (ii) Other taxes on production (D29)

   (iii) Consumption of fixed capital (K1)

   (iv) Net operating surplus (B2).

   Proper implementation of User Costs-Approach requires a large set of different data sources useful for each component that has to be integrated in the calculations. Census of Population and Dwellings, carried out in October 2011, provided more detailed information since it collected data on dwelling stocks in physical units, year of construction, etc.
   For expenditures on maintenance and repairs – HBS data were used. The basis of insurance data was new INSTAT calculations of insurance output, with reinsurance output excluded from estimates. FISIM was added to intermediate consumption based on new FISIM calculations implemented by INSTAT. The total stocks were adjusted to exclude dwellings that are used for other productive activities and abandoned (unoccupied) dwellings. Further adjustment to total stocks was made for the dwellings that are actually rented out (to be treated as output of market services). Calculations were based on the 2011 Population Census data stratified by twelve prefectures (divided in urban and rural area) the year of construction and type of dwellings (detached house, semi-detached house, row (or terraced) house, apartment). Since 2011 Population Census was conducted in October, it was assumed that it produced the mid-year stocks of dwellings; thus, no growth adjustments were made to reported

data. The value of the estimated number of existing dwellings was calculated using the surface area of dwellings by type multiplied by price of new buildings adjusted in respect to the age of dwellings and differences in quality. For calculating the net operating surplus, the recommended estimated rate of 2.5 is applied to the value of the land together with the value of dwellings. Where there were imputations rather than measurements, these are generally based on standardized assumptions to ensure comparability of results.

8. Application of geometric annual depreciation function is introduced in calculating **Consumption of Fixed Capital (CFC)** for the Government. This function is based on proportion of net stock value and is combined with the effect of the aging of the asset. The information on the service life (L) for different types of assets is based on the regulation on the bookkeeping standards in the Republic of Albania, which includes a more detailed analysis for some specific types of assets. To calculate CFC, the assumption is adopted that assets are acquired in the middle of the year and continue to be in use up to the middle of year L+1. To calculate CFC at constant prices, deflation is performed using relevant price indices for both stocks and flows (flow data are calculated at average prices of year, stock data - at end of the year prices). For mainly imported types of assets, the specific EU non-domestic output price indices are used. The calculation is performed for 22 groups of government's fixed assets.

9. Estimates on **household final consumption expenditure** at current and constant (previous year) prices are prepared in 4 digit COICOP categories. The data refer to national concept (the consumption expenditure of resident households in Albania and abroad). The household budget survey (HBS) is the primary source to estimate HFCE. The survey was conducted for years 2007 and 2009. For the year 2008 HBS data were imputed for each category as an average of 2007 and 2009. As a general rule, the relevant CPI item has been used as deflator. For the following years, in the absence of HBS, is used extrapolation of HBS data with the growth rate of retail trade for products, and the growth rate of services for the economic activities that correspond to other COICOP groups.

   The 2008-2012 revisions of Households' Final Consumption Expenditures (HFCE) were compiled based on the application of elaborated product flow method. The method substituted the techniques of extrapolating HBS data for 2007 and 2009 with the growth rate of retail trade. The application of elaborated product flow method became possible due to the new compilation of supply and use tables (SUT) at 60 product level of CPA based on the available information from different sources. Customized correspondence tables between NACE Rev.1, CPA and subsequently COICOP were revised and updated based on the EUROSTAT correspondence tables. This allowed incorporating output data into estimates in a systematic way. The same

procedure was applied to update and convert CN 9 digits external trade database into COICOP classes. Revaluation into purchasers' prices was performed based on the trade margin data from the production approach. VAT data were reconciled with data from government accounts. For expenditures of residents abroad and of non-residents in Albania the balance of payments statistics were used.

10. Estimates on **Gross Fixed Capital Formation (GFCF)** are done according to non-financial assets nomenclature and utilizes mainly supply data. The revised estimates for this component are the outcome of work on updating annual bridge tables between CN and BEC using EUROSTAT bridge tables; analysing adjustments made to initial BEC classification; verification of results using NIPT code of importers, verification of data on the GFCF in agriculture, and incorporating the revised data on mineral exploration and on databases into compilation

11. For the first time estimation of **Changes in Inventories** was done, based on stock data, applying the recommended relevant adjustments. In the first step, changes in inventories at current prices were estimated. Closing stocks were deflated to the annual average price level, and the same way opening stocks inflated. Changes in inventories are the difference of stock values at annual average price level.

12. The **recording of taxes on product** was improved. Several issues were revealed after comprehensive analysis of tax data from different sources, notably Ministry of Finance, Tax Authorities, and Customs. First, there is a need to account for the fact that, while MOF records expenditures on modified accrual basis, the revenues are so far recorded on cash basis. It is difficult to adjust tax data to accrual basis in national accounts, since the initial monthly payment is followed by the series of partial payments during several consecutive months. Second, over several past years, there is a persistent issue of timely reimbursing the deductible VAT, which should be recorded in national accounts on the net basis and refers only to non-deductible VAT (defined as the difference between VAT invoiced on the products, and VAT deductible by the users of these products). The underlying issue of VAT recording in national accounts is the fact that, in the VAT-deductible system, the VAT is ultimately charged in full to the final consumers. It should also be noted that transactions of small businesses are not subject to this tax in Albania. The minor discrepancies between Customs and Tax VAT data on imports were related to imports by hospitals and other direct imports to final consumers bypassing traders.

2.4. Planned actions for improvements

Despite later achievements on implementation of ESA 2010 in the National Accounts, INSTAT continually search to increase and improve the quality of National Accounts. There are important areas where could go further to enhance methods and to extend national

accounts aggregate in order to meet the highest requests of its users. The subsections below describe the list of planned activity on further improvements and development in National accounts.

2.4.1. Incorporation of SUT framework for the GDP final compilation

National Account Department policy is to set up an independent estimation of the SUT, as final platform for the reconciliation of all data sources, out of which the final estimate for GDP would follow. Compilation of supply and use tables after the compilation of production and expenditure approach does not allow an independent estimation of supply and use tables because the figures should remain in line with published results. After the full integration of SUT into NA structure, the final GDP estimates, based on supply and use table, will be released 3 years after the reporting period (t+3).

In line with annual estimates and revisions policy, the preliminary and semi-final estimates are based on GDP by production and expenditure approach and the final estimates will based on SUT estimates. The final estimate will bring together all available information incorporated as part of the SUTs balancing process, for deriving a consistent set of estimates.

Important is to consolidate the compilation of SUT at current and constant prices, and then to integrate this estimation with annual GDP in order to estimate final GDP figures from SUT framework.

Further development of the framework will require:

- Further expansion of the SUT rows into true product rows, product detail should be at 4-digit NACE / CPA, all data needs to be prepared / collected at this level.
- Conversion and compilation of tables according to the new NACE / CPA classifications.
- Inclusion of the components of GDP by income approach.
- Add remaining components to the framework to conform to the EU transmission programme requirements such as CIF/FOB adjustment, transactions for non-residents in Albania, transactions for residents abroad.
- Compile IOT using the product technology assumption.
- Add remaining parts to IOT framework, such as final demand, to conform to the EU transmission programme requirements.

Further elaboration of data sources will require:

- Improvement of data collection for output and IC is required to survey the product manufactured by industrial enterprises according PRODCOM classification and costs components, both at very detailed product level.
- Distribute of IC in two sub-groups: domestic and from imports.

- Introduce the distinction of output in sub groups:
  - Market production of general government.
  - Non-market production and own final use of general government.
  - Market production of non-profit institution.
  - Non-market production and own final use of non-profit institutions.
  - Enterprises market production.
  - Enterprise production for own final use.
- Improve the distribution of transport margins and trade margins, and to compile the trade and transport matrix from the use side.
- Compile the matrix distribution of taxes less subsidies on products.

2.4.2. Institutional sector accounts

INSTAT is responsible for the overall system of national accounts of Albania which must be seen by all agencies as the integrating framework.

INSTAT began the development of Institutional Sector Accounts (ISA) with the assistance provided by EUROSTAT in 2012. The assistance included the provision of a comprehensive compilation system for the current and capital accounts. INSTAT subsequently compiled a draft of a full sequence of accounts for General Government and production and generation of income accounts for the rest of the sectors, for 2009, consistent with the published annual national accounts estimates, using the same source data re-sorted by sectors. Currently, the first two accounts (production accounts and generation of income accounts) for the five Institutional Sectors of the Economy for the years 2009-2010 are estimated. These estimations are not yet finalized into a publication and are still subject to revisions and methodological improvements. The finalization process that will be concluded with the final publication of the Institutional Sectors has not yet been finished.

For the near future, we are planning to analyze the quality of the data sources available, to improve the existing estimations to have comparable results between subsectors. We plan to develop a time series for the first two accounts for the years 2009-2014 which will be published in 2017 and our plan is to develop the full sequence of non-financial accounts from 2012 onwards which will be part of the publications in 2018.

- ***General Government Sector***

A new IMF regional GFS project began in October 2014, working with both the MOF and INSTAT and the two agencies have been collaborating very effectively. As that project recommended, it is essential to quickly reach an agreement on the official responsibility for compiling GFS. Consistent with the sector accounts development overall, it is recommended that the GFS development include the full sequence of accounts, although it is recognized that

balance sheet data on non-financial assets will be particularly challenging and could be developed in a later phase.

- ***Financial Corporations Sector***

The Bank of Albania has begun a project to develop the financial accounts for Albania. It is essential that INSTAT and BOA closely collaborate to ensure consistency of classification, valuation, concepts, and complete coverage of institutional units, transactions and other flows (e.g., revaluations) and instruments in the balance sheet. Also repeated here is the recommendation that balance sheets be developed simultaneously with the financial account.

2.4.3. Good sent abroad for processing

In context of ESA 2010 treatment of goods sent abroad for processing will be recorded on a strict change of ownership basis, meaning that where goods sent abroad do not change ownership, they are excluded from the trade in goods data. Instead, the cost of the processing service is recorded as trade in services (*manufacturing services on physical inputs owned by others*). This methodological change in treatment has the most significant impact on national accounts (*SUT, quarterly accounts, and volume measures)* and balance of payments compilation. Updating the evaluation of imports and exports with ESA 2010 treatment will lead to more consistent data with financial actions and business accounting but inconsistency with IMTS (recommended that value of goods sent abroad for processing to be recorded as supplementary items for balancing).

During IPA 2012 PP1, INSTAT has conducted the first study for goods sent abroad for processing for years 2012 and 2013. This first estimation is based on customs administrative data. According to Law No 8449, dated 27.01.1999 'Customs Code of the Republic of Albania', as Amended and two practical guidance for inward and outward processing requires from all enterprises that import and export for processing should follow this practical guidance.

In case of Albania inward processing is important and therefore from the customs authorities is dedicated a special attention. Meanwhile outward processing is not significant the percentages in total flow of goods. The entire process is based in a detailed guidance and strictly supervised which ensures very good quality data.

Estimations of goods sent abroad should be in line with implementation of ESA 2010 and of Balance of Payments Manual BPM 6. INSTAT and BoA are collaborating together for set up a process for backward of estimates and further improvements on the current estimates of goods sent abroad for processing.

CHAPTER 3 THE PRODUCTION APPROACH

3.1. GDP according to the production approach

The compilation process of GDP by production approach can be summarized in two steps. In the first step gross value added at basic prices of all branches is estimated as the difference between output at basic prices and intermediate consumption at purchases' prices. In the second step taxes on products are added and subsidies on products are subtracted from the sum of gross value added of all branches to obtain GDP at market prices.

After the revision of national accounts due to implementation of 2010 ESA, FISIM is allocated by user industries and sectors. As consequence the intermediate consumption of each economic activity includes financial intermediation services indirectly measured as well. The table below shows main categories of GDP by the production approach.

Table 3-1: GDP by production approach, 2012, in ALL million

GDP PRODUCTION APPROACH	Basic for NA figures	Adjustments	Final Estimates
Output of goods and services at basic prices	1,571,257	620,053	2,191,310
Intermediate consumption at purchasers' prices	688,768	347,795	1,036,563
Gross value added at basic prices	882,489	272,257	1,154,747
Taxes on products	179,559		179,559
Subsidies on products	1,494		1,494
Gross domestic product at market prices	**1,060,554**	**272,257**	**1,332,811**

GDP by production approach is prepared as an independent estimate covered by exhaustive data sources (financial activities, post and communication, electricity, public administration, public education, public health, and for all activities with enterprises of more than 9 employees) and also sample surveys data sources for all sectors of the economy.

The main data sources are available by the beginning of October each year and the first estimations of annual GDP (preliminary data) by the production approach are finalized by end of November at the level of 35 activities. CHAPTER 9 illustrates in more detail the main classification used in the process of compilation by production approach. A table is provided below showing the breakdown of GDP for year 2012, according to the production approach by industries at level of detail A21, in ALL millions.

Table 3-2: GDP by economic activities, 2012, in ALL million

ECONOMIC ACTIVITIES	Level A21	Output	Intermediate consumption	Gross value added	Percent of total GVA	Percent of GDP
Agriculture, forestry and fishing	A	349,809	99,683	250,126	21.7	18.8
Mining and quarrying	B	111,383	51,188	60,195	5.2	4.5
Manufacturing	C	228,325	166,823	61,502	5.3	4.6
Electricity, gas, steam and air conditioning supply	D	32,862	10,564	22,298	1.9	1.7
Water supply; sewerage, waste management and remediation activities	E	33,173	23,500	9,673	0.8	0.7
Construction	F	449,116	297,323	151,793	13.1	11.4
Wholesale and retail trade; repair of motor vehicles and motorcycles	G	223,810	80,240	143,570	12.4	10.8
Transportation and storage	H	124,807	68,638	56,169	4.9	4.2
Accommodation and food service activities	I	49,955	25,422	24,533	2.1	1.8
Information and communication	J	104,967	63,232	41,735	3.6	3.1
Financial and insurance activities	K	50,694	18,561	32,133	2.8	2.4
Real estate activities	L	93,838	13,956	79,883	6.9	6.0
Professional, scientific and technical activities	M	54,813	26,545	28,268	2.4	2.1
Administrative and support service activities	N	46,119	22,542	23,578	2.0	1.8
Public administration and defence; compulsory social security	O	73,397	19,681	53,716	4.7	4.0
Education	P	69,273	11,579	57,694	5.0	4.3
Human health and social work activities	Q	48,618	15,363	33,255	2.9	2.5
Arts, entertainment and recreation	R	19,998	8,189	11,809	1.0	0.9
Other service activities	S	26,294	13,507	12,787	1.1	1.0
Activities of households as employers; undifferentiated goods- and services- producing activities of households for own use	T	59	28	31	0.0	0.0
Total		**2,191,310**	**1,036,563**	**1,154,747**	**100.0**	**86.6**
Taxes on products				179,559		13.5
Subsidies on products (-)				1,494		0.1
Gross domestic product				**1,332,811**		**100.0**

3.2. The reference framework

National accounts produce, on a regular basis, annual estimates of production (valued added and GDP) at current prices and at the prices of previous year. The compilation procedure of the national accounts for the year 2012 can be described in four stages as following:

5. Integration of source data into the system of national accounts;
6. Analysis and plausibility checks of data at the detailed level;
7. Conceptual adjustments;
8. Exhaustiveness adjustments.

In the first stage includes the acquisition and integration of data source into the system of national accounts. For the estimation of GDP is used the information provided by various statistical and administrative sources. Data could be a result of surveys conducted from INSTAT or administrative data from different institutions as Ministries, General Directorate of Taxes and Customs, National Registration Center, Bank of Albania, Financial Supervisory Authority, National Agency of Natural Resources, etc.

After the integration in the system of national accounts databases, the original data taken from the basic statistics are checked for completeness and plausibility at the second stage. There is a constant exchange of information between the national accounts and all important data providers. For each source, the internal and external coherence of individual data of enterprise level is checked by ascertaining that accounts are balanced, and the data in different sources are consistent in order to choose the most reliable data based on the appropriate coherency check.

The third stage includes conceptual adjustment due to transition from business accounts to national accounts concepts.

The fourth stage of compiling national accounts concerns exhaustiveness adjustments. From the perspective of exhaustiveness, different types of adjustments are applied for each group of statistical units taking into account size of enterprise. Exhaustiveness adjustments are done for: N1- Producer Deliberately Not Registering; N3-Producer Not Required to Register; N6-misreporting by the producer and N7-Other Statistical Deficiencies.

In Albanian national accounts the institutional unit is defined *"the enterprise",* because data from business accounts are only available for entire enterprises, and the enterprise, as the smallest legally independent institutional unit, is the starting point for the valuation process. They are classified into industries of NACE Rev 2 according to their primary economic activity, which is identified by measuring the contribution of each activity to the gross value added that the enterprise generates.

3.2.1. *Business register of Albania (BR)*

3.2.1.1.Introduction

Only public enterprises had existed in Albania until 1990. Since that period, however, the situation has changed considerably and private enterprises already play a significant role in the economy. The tremendous growth in the number and output of these enterprises has necessitated the development and use of a statistical business register to estimate GDP accurately and in a cost effective way. This process began on the 1st January 1993 with the establishment of a register that required all economic entities in Albania to register their businesses. Another important milestone was the establishment of a new law (no 7687 dated 16.03.1993 article 3) that obligated all tax offices to provide information to INSTAT on the creation of new enterprises, changes and deaths, and which was underpinned with a Memorandum of Understanding between INSTAT and the General Directorate of Taxation.

A new Law on business registration reform of May 3rd, 2007. Law 9723 "On National Registration Centre" establishes the National Registration Centre (NRC) as a new central public institution. The National Registration Centre began to operate in September 2007. NCR provides several important benefits for businesses as well as for government institutions by giving:

- *Simpler, faster and much less costly process for the registration of a new business;*
- *Simultaneous tax registration, social insurance, health insurance labour directorate and INSTAT registration using a single application procedure;*
- *Application windows has be located all over Albania;*
- *Free public access to Commercial Registry information via internet*

Business Register is based on administrative sources provided by General Directorate of Taxation (GDT) and from 2007 also by the National Registration Centre, NRC, as the important reform for simplified registration of new business registration procedures.

Nowadays the register of statistical units is established and maintaining by NSI according to the following legislative base

- Albanian Law No 9180 date 05.02.2004 “On official statistics”, amended by Law No.21/2012 “On an amendment of the Law No 9180 date 05.02.2004 On official statistics” and Law No 7/2013 “On some amendments of the Law No 9180 date 05.02.2004 On official statistics”, amended;
- Council Regulation (EEC) No 177/2008 of 20 February 2008 on Community coordination in drawing up business registers for statistical purposes;
- Decision of Albanian Parliament No. 3/2013 date 14/02/2013 “On Official Statistics Program 2012-2016”;

- Decision of Council of Ministers "On nomenclature of economic activities" No. 220 date 12.05.2014;
- Albanian Law No 8957 date 17.10.2002 "For small and medium enterprises, SME", amended by the Law No. 10042 date 22.12.2008.

3.2.1.2.Contents of Business Register

Statistical business register

Business register is a base for the compilation of the statistics needed to provide indicators of both short-term and structural economic developments.

The Business register holds all non-agricultural legal units (enterprises and institutions) that perform their activity inside the Albanian territory and based on the principle: legal unit = enterprises.

Legal forms included in Business Register (based on Albanian Low) are**:** Physical person: Unlimited Partnerships Companies; Limited Partnerships Companies; Limited Liability Companies; Simple Partnership Companies; Joint Stock Companies; Credit and Savings Companies; Branch/Representative Office of foreign companies.; Reciprocal Collaboration Companies; Public Enterprises (no JSC); Public Administration; Non Profit Organizations; International Organizations.

All the economic units operating on the Albanian territory has to be registered based on the Albanian Laws:

- Law No.9901 date. 14.04.2009 "For traders and companies"
- Law No. 8788 date 5/07/2001 "For Non Profit Organizations"
- Law No. 8088, date. 21.3.1996 "For Reciprocal Collaboration Companies"
- Law No. 8089, date. 21.3.1996 "For Credit and Savings Companies"
- Law No. 7850, date. 29.7.1994 "Civil code in Republic of Albania"

Each legal unit at the time of legal registration has to take an identification number called NIPT. The structure of NIPT is based on date of creation of taxpayer entities. Length of NIPT is 10 characters alphabetical and numeric. First characters is alphabetical, from second characters till nine characters are always numeric and last character is checked characters and always alphabetic. The same identification number code is used in every administrative or statistical register and records.

Business register covers all entities that are registered to NRC or GDT. There are no limits neither on size or activities for the legal unit to be registered. However, there are natural persons that have no obligation to be registered even they are carrying out production

activities. These persons are not included in the business register. In national accounts these activities are covered under type N3 of exhaustiveness adjustments that is the case of agricultural household producing goods for their own final use or own account construction.

The variables of Business Register are broadly divided into these categories:

1) Identification variables: ID number (NIPT), Legal form, Ownership, Name, Address, Communication (Tel, Fax, etc.)
2) Stratification variables: Main economic activity, Size by employed persons, Geographical location, Institutional sector
3) Demographic variables: Date of creation, Date of cessation

Census of enterprises was one of the main components of the IPA 2007 Project supported by the European Commission. It was conducted during November 2010 and the objective of the census was to bring updated statistical registers according to EU recommendations and standards, to produce reliable, accurate economic statistics to the user's hands.

Census made possible:

- Improved the quality of the existing variables;
- The double classification of the activity according to the existing nomenclature NVE Rev. 1.1 and the new one NVE Rev. 2;
- Set up of the Register of Local Units which did not exist and among other will be a base to calculate the regional indicators.

Local Unit register

The innovation of the Census of Economic Enterprises is the set-up of Local Units Register. This register is the base for calculating the regional indicators. To enable the right information for the local units has been prepared a special chapter in the questionnaire. In 2012 INSTAT started a new survey, in order to update Local Unit Register. Multi-location enterprise survey is regularly yearly survey. Enterprise with 50 and more are part of survey as well as multi-location enterprises. The addition of a question to the SBS for reference year asking enterprises if they have more than one local workplace is going to identified and to be part of survey others enterprises with more than one location. The questionnaire is prepared by pre-printed information from Local unit register, previous year.

3.2.1.3.Update of BR

The sources for updating of variables are: **administrative** (information from NRC, information from General Directorate of Taxation, VAT file and financial statements of enterprises), **statistical** (Newly Created Enterprises' survey, Multi-location enterprise survey,

Annual Structure Business Survey, Quarterly Survey (STS), Production Price survey (PPI) and other surveys.

Updated variables are: activity status (active or inactive); main economic activity; number of the employed; address; communication variable (telephone, fax, mobile phone, e-mail, and web).

Enterprises' economic activity is based on Nomenclatures for Economic Activities, NACE Rev 2. According to the Law on the BR, the principal economic activity is the registered economic activity or the economic activity defined by a regulation or an act of foundation. If the business entity performs more than one economic activity, the principal economic activity must be established. It is usually the activity indicated by the business entity in the administrative registration form.

The structure of BR broken down by industries is in the illustrated in the table below. It comprises the stock of active enterprises at the end of the year.

Table 3-3: Active enterprises by year of creation and economic activity

Year of creation	Total	Agriculture, forestry, fishing	Industry	Construction	Trade	Transport and storage	Accommodation and food service activities	Information and communication	Other Services
Total	**111,083**	**1,690**	**10,333**	**4,819**	**44,878**	**8,024**	**17,825**	**2,495**	**21,019**
2013	12,131	319	1,017	368	4,480	691	2,366	386	2,504
2012	12,248	263	931	394	4,750	671	2,590	315	2,334
2011	11,033	241	866	478	4,375	507	2,307	344	1,915
2010	12,091	279	910	470	4,920	763	2,236	494	2,019
2009	8,685	128	729	431	3,258	648	1,522	305	1,664
2008	10,010	146	1,009	478	4,107	744	1,472	196	1,858
2007	6,499	78	622	326	2,575	714	700	71	1,413
2006	6,214	42	601	266	2,832	337	962	71	1,103
÷2005	32,172	194	3,648	1,608	13,581	2,949	3,670	313	6,209

3.2.2. *Data sources of GDP by production approach*

The GDP compilation by production approach requires a lot of information and data sources including both administrative data and statistical surveys in order to be exhaustive and ensure the quality of the data. Financial statements and statistical survey (structural business survey) are the primary and exhaustive databases for all activities except agriculture activities and

government. Agriculture survey data are used for the estimation of agriculture activities and government data are used for government output. In the table below are listed all the data sources used in GDP by production approach.

Table 3-4: Data Sources

Nr	Name of the data source	Periodicity	Coverage	Availability of the data
1	Financial statements of enterprises, balance sheets	Annually	All NACE activities	T+9 month
2	Structural Business Survey (SBS)	Annually	All NACE activities except, section A, K, O, public P and Q	T+11 month
3	Value Added Tax declaration (VAT)	Quarterly	All NACE activities	T+60 days
4	Social contributions and Social insurance	Quarterly	All NACE activities	T+60 days
5	Agriculture, Forestry and Fishery Statistical Declaration	Annually	Section A	T+5 month
6	Expenditure and income of General Government	Quarterly	Government sector	T+60 days
7	Revenues and expenditures statement and Balance of Energy	Quarterly & Annually	Section D	T+60 days (Q) T+6 month (A)
8	Profit and loss account of Bank of Albania	Quarterly	Section K	T+60 days
9	Quarterly profit and loss account of commercial bank	Quarterly	Section K	T+60 days
10	Quarterly data for FISIM	Quarterly	Section K	T+60 days
11	Quarterly profit and loss account from non-banking monetary institutions	Quarterly	Section K	T+60 days
12	Declaration from Insurance companies	Annually	Section K	T+6 month
13	Labour Force Survey (LFS)	Quarterly	All Households in Albania	T+72 days

The main data sources are briefly described in the following but a more detailed description of all the data sources used by the production approach is found in CHAPTER 10 .

3.2.2.1.Administrative data sources

3.2.2.1.1 Financial statements of enterprises

Annual financial statements as the most important basic data sources for GDP by production approach cover profit and loss account, and balance sheets data on stocks of assets (stocks of assets at the beginning of the year, purchasing and sales during the year, and stocks by the end of the year) and they have been collected since1996. Starting from year 2010 another set of information that is added for statistical purposes to the financial statements are the statistical annexes. They contain detailed description of revenues and expenditures for some items in bookkeeping data in order to transform the business accounting standards to the concepts and definitions of national accounts.

Financial statements of enterprises are collected by General Directorate of Taxation and National Registration Centre for all enterprises that by Tax Legislation have to fulfil financial statement. Annual financial statements are collected for statistical purposes and for the purpose of public disclosure of accounting statements.

INSTAT accomplished the data-entry of these data for the need of national accounts and business statistics. Time of availability of the results is 9 month after the end of the reference period.

3.2.2.1.2 Financial statement of monetary institutions

Financial statements of monetary institutions are collected by the Bank of Albania. Data are collected for the purpose of supervision of monetary institutions and for macroeconomic statistics. Reporting units are all banks, savings banks, savings and loans undertakings and other non-banking monetary institutions. Data are monthly, quarterly and annual. They are provided to INSTAT on a quarterly basis 60 days after the end of the reference quarter in an electronic format.

3.2.2.1.3 Other statistical and administrative data sources

3.2.2.1.3.1 VAT and social security contribution declaration

Value added tax (VAT) and social security data are used as a supplementary source of data for enterprises which do not supply annual SBS or financial statements data. By the agreement with the Tax Administration, INSTAT obtained access to individual data of monthly value added tax reports and social security contribution of units.

The Treasury Department of Ministry of Finances collects all public revenues including taxes and social security contributions. Data shows current revenues of central and local government and of social security funds and the data are available on quarterly and annual basis.

For import duties and taxes on import, data from the customs statements are used. The Customs Administration is also responsible for collecting excise duties and data by type of excise are available to INSTAT on a monthly basis. The customs statement is also the source for VAT collected on imports.

3.2.2.1.3.2 Agriculture surveys

The information used for the estimation of Agriculture, forestry and fishery are the data taken from surveys conducted by Ministry of Agriculture, Rural Development and Water Administration (MARDWA) and elaborated from Directory of Agriculture statistics at INSTAT. There are three surveys, Annual Agriculture Survey, Green house survey and Big Farms survey. They have almost the same questionnaire structure but different target population and sampling frame method.

A. Annual Agricultural Survey

This survey is conducted in December, and the population of annual agricultural survey represents all farms that used agriculture land and breading livestock. From population are excluded big farms with more than 8 cows, more than 10 Ha, more than 150 small ruminants, more than 10 sows, as well as the farms that cultivated the vegetables in greenhouses.

To obtain the agriculture statistical information, the Ministry of Agriculture, Rural Development and Water Administration (MARDWA) has used the methodology of Area Sampling Frame (ASF). The Area Frame sampling selection method is one type of multi-stage cluster sampling. To perform a statistical survey on Albanian Agriculture at that time it was necessary to use this method because an up-to-date list frame with the names of all Albanian farmers was not available and also it was difficult to compile one since rural population was moving toward the cities and the list would need to be frequently updated. Therefore, with the Annual Agricultural survey, segments were sampled, farmers in each one were listed, and farmers were sampled from each list and interviewed.

B. Green Houses Survey:

Greenhouse survey was conducted twice in year in last week of July for first sown and in January of next year for second sown. The population of greenhouse survey represents all farms that cultivate the vegetables in greenhouse. List frame is the used methodology.

The full list of farms with greenhouses, with respective area, is provided by the structures of Ministry Agricultural Rural Development and Water Administration (MARDWA) in districts. The list is updated in yearly basis.

C. Survey on “Big Farms”

This survey is used only for big enterprise. Big farm survey is conducted in December, in the same time with annual agricultural survey, as well as is used the same questionnaire

List frame is the used methodology. The list of big farms with more than 8 cows, more than 10 Ha, more than 150 small ruminants or more than 10 sows is updated annually by MARDWA structures in districts. The farms are divided in 5 categories: by area, cow, sheep, goats, sows, and the stratification is applied for each category.

3.2.2.2.Statistical survey

3.2.2.2.1 Structural business survey

The main purpose of Structural Business Statistics is to show the structure of economic activities of enterprises in the country, through economic data. Structural Business Statistics measures the results of enterprises, investments, employment and labour costs for the total business sector, by branch and by size group.

Structural Business Statistics rely on Council Regulation (EC, EURATOM) No.58 / 97, December 20, 1996, as amended by the European Council Regulation No. 295/2008 on these statistics.

Sampling frame
The list of active enterprises from updated Business Register, codified at NACE Rev 2 in 4-digit, from which are not included:

- the enterprise's branches (Local Unit),
- enterprises with the main activity code (NACE) that are out of scope of SBS survey,
- the enterprises that are created after the 1-st September of reference year,
- State enterprises in Education (NACE 85) and Health (NACE 86, 87, 88).

Periodicity
SBS is the sample survey of economic enterprises with annual basis.

Results' availability
Results are available 11 months after the end of the reference year.

Coverage
Structural Business Statistics comprise all active enterprises in Albania of all legal forms. Population consists of all enterprises that according to Statistical Business Register were active in December of the reference year and they exercise their activity in one of the activities covered by SBS.

Population and sample size

Classification of enterprises according to the activity is done according to the nomenclature of Economic Activities, NACE Rev.2. Classification of enterprises by size is done by number of employed (measured as full-time employed).

Enterprises with 1-9 employed are surveyed by sample survey. Enterprises with 10 and more employed are surveyed exhaustively. Only for NACE 47, 85, 86, 87, 88 had enterprises with 1 to 4 belonging to Sample classes and with more than 5 belonging to Exhaustive part.

Survey response rate

The survey response rate is 82 percent according to the number of units.

Method used to impute for missing data

All cases of non-contact; full refuse and partial refuse (for different tables and indicators) are considered as non-response or missing data.

The treatment of partial non-response is done using direct methods or their combinations such as:

- Study of time series data of enterprise and branch
- Data from balance-sheet file
- The information from other files available in INSTAT such as:
    - Business register
    - VAT file
    - File of production price index
- Average data of branch where the enterprise is included
- Data from enterprises that have similar conditions
- Method of average structure, especially for expenditures

The imputation to cover the non-response of large enterprises is based on three methods: historical trend imputation for units with data from previous year in profit and loss account or in business register or in other surveys conducted by INSTAT; cold deck with use of the previous year administrative data for units for which we have data from administrative sources; mean value imputation for the rest of the response large enterprises in the respective stratum.

Variable used for grossing-up to the population

The weights for the turnover index are based on the turnover from the SBS statistics for the reference year.

Initial weight of enterprises in the stratum is estimated: $P(i)\ initial = Ni / ni$

Where: Ni - is the total number of enterprises in the stratum (i)
ni - is the number of sample enterprises in stratum (i)

3.2.2.2.2 Labour force survey

The main purpose of this survey is to obtain regular information about situation at the labour market, its dynamics, and to provide the decision-makers relevant statistics to compile well-oriented labour market policies.

Periodicity

The Quarterly Labour Force Survey is a household based survey. This survey is conducted annually for the years 2007-2011 and in quarterly level since year 2012.

Results' availability

Results are available 72 days after the end of the reference period.

Population and sample size

All individuals aged 15 years and over in the selected household are subject of labour force survey. LFS covers the entire territory of Albania. The data provide quarterly employment separately for agriculture, administration and non-agriculture sector.

Sampling method

The sample is based at a two-stage sampling procedure. In the first stage are selected the geographical areas with a proportional probability to the size of the enumeration area. In the second stage within each of the geographical areas (once selected in the first stage) are selected a fix number of 8 households by equal probability systematic sampling method. For the QLFS is used a rotating sampling design, whereby a household once initially selected for interview, is retained in the sample for a total of five consecutive quarters. The same household is scheduled to be interviewed, exactly after 13 weeks apart, so that the fifth interview takes place one year on after the first. According to the rotating sampling design, each quarter one fifth of the selected households are new and 80 percent of them are in common. So, in each quarter, in the selected sample, 1008 new households are added and the same number of households that has been interviewed for five consecutive quarters is dropped out from the sample.

Data collection

Data collection in the fieldwork is spread during all months of the year. The gathered data refers to a specific reference period named reference week. The reference week is the calendar week which starts on Monday and finishes on Sunday before the interview date.

3.3. The borderline cases

In order to estimate the value of output and intermediate consumption according to the requirements of the ESA 2010, the NAD makes a special focus on the business statistics and administrative sources for treatment of borderline cases.

3.3.1. *Borderline cases in output estimates*

Output value is the total of products created during the accounting period. The following borderline cases are treated to primary statistics data to meet the requirements of the national accounts.

a) Own account gross fixed capital formation

   i) It was realized a complete treatment for mineral exploration. The collection of data was undertaken for mineral exploration and evaluation. The outcome was included into estimates of gross fixed capital formation.

   ii) Own account production of fixed assets by enterprises as machinery, machine tools or constructions are included in the output estimates

   iii) The output includes the construction or extensions to dwellings by households. An estimation of own account construction is performed under exhaustiveness adjustments type N3.

b) Production, storage and processing of agricultural products for own-account by households are included in output of agriculture. As well an exhaustiveness adjustment is made on this item.

c) Dwelling services produced by owner-occupiers: Estimates of services of owner-occupied dwellings are performed with User cost approach. The benchmark estimates are made for year 2011.

d) Changes in inventories of finished goods and work-in-progress are included in the output as well.

3.3.2. *Borderline cases of Intermediate consumption*

The intermediate consumption includes goods and services such as materials, parts, fuel and business services used for the production of the primary and secondary outputs by industry. The following borderline cases are treated to primary statistics data to meet the requirements of the national accounts.

a) FISIM

FISIM is allocated by users industries and included in intermediate consumption. The allocation of FISIM is based on stock of loans and deposits of each industry and in the cases when this information is not reliable, in output of each industry.

b) Leasing

Financial leasing is recorded as part of gross fixes capital formation. There is no need for adjustments. Payment for using rented fixed assets, operational leasing is part of intermediate consumption.

c) Payment for licences for using natural resources

The treatment of royalties for NACE, Rev.2 division 06 Extraction of crude petroleum and natural gas was revised following ESA 2010, paragraph 4.74. A royalty payment is made by one unit to the owner of natural resources (Government) for the right to ongoing use of an asset. Royalties now are recorded under property income in the allocation of primary income account.

3.4. Valuation

In accordance with the basic accounting principle, data in financial statements which are used for the estimation of output and intermediate consumption components are on accrual basic and administrative sources which are on cash basic and therefore several adjustments are necessary in transfer from cash to accrual data.

In principle output is valued at basic prices and this excludes net taxes on products. Changes in inventories are adjusted for holding gains at industry level and by type of inventory. All goods and services included on intermediate consumption are valued at purchasers' prices.

Output of market producer is measured as the sum of sales, changes in inventories of finished goods and work in progress, the value of products which are produced for own final use and with the value of subsidies on products. Changes in inventories of finished goods, goods for own final consumption and work in progress are measured according to input costs. Goods for resale are valued at purchasers' prices.

The valuation in basic prices is not adopted primarily on ***output for own final use***, which is valued in principle at own costs not including profits. According to the ESA, the output for own final use should be valued at the basic prices of similar products on the market including net operating surplus or mixed income. In the Albanian national accounts, this requirement is fulfilled only for some components of output, i.e. imputed rent for housing services provided to themselves by owner-occupiers.

Other non-market output is in accordance with ESA requirements valued at the total costs of production, i.e. the sum of: intermediate consumption, compensation of employees, consumption of fixed capital and other taxes on production less other subsidies on production.

Output of Central Bank is valued at the total costs of production as well.

Trade margin as trade output is estimated as the difference between total sales of trade goods less the purchase value of sold goods for resale.

Intermediate consumption products are at purchasers' price. Uses of intermediate goods are usually estimated with purchases in the period plus withdrawals from inventories less increases of inventories.

The main ***taxes on products*** are taken from direct data sources on cash basis. VAT is estimated by monthly VAT reports submitted by the Tax Administration and annual data from Ministry of Finances. Some adjustments are done on the VAT tax in order to have the estimation in accrual basis. Import duties and taxes on import are estimated from customs statement. All excise duties due to payment by type of excise are shown in monthly reports by the Customs Administration as well as in annual data of budget statistics from Ministry of Finances. ***Subsidies on products*** are according to the budget statistics valued as accrual transactions in the period.

3.5. Transition from private accounting and administrative concepts to ESA 2010 national accounting concepts

Transition from private accounting and administrative concept to ESA 2010 national accounts concepts is an important part of national accounts compilation and particularly of GDP by the production approach. The estimation of GDP by production approach mostly depends on accounting statements' data (profit and loss accounts) as well as on annual structural survey, budget database from Ministry of Finances and other data sources. The questionnaires of SBS are gradually improved following national accounts' definitions (with detailed information on incomes and expenditures, intermediate cost survey, etc.). As well in the financial statements are added statistical annexes that contain detailed description of revenues and expenditures for some items in bookkeeping data in order to transform the business accounting standards to the concepts and definitions of national accounts.

3.5.1. *Transition from private accounting to ESA 2010 national accounting concepts*

The initial calculations are additionally adjusted for other conceptual differences between business accounting and national accounts definitions – adjustments for own account production, not recorded in business accounts; holding gains and losses, recording of business travel expenses; FISIM allocation.

Except of FISIM allocation, all the other adjustments are made directly in the first estimation of output and intermediate consumption from enterprises data. Accounting business data provide information on items, production of fixed assets, travel expenses, and financial expenses.

The values are grossed up to the total population of enterprises underlying in national accounts during the compilation process and is impossible to provide a separate value of each conceptual adjustments. It means that in ESA 2010 process table the value of output and intermediate consumption in the "Basis for NA Figures" include implicitly conceptual adjustments as well. Production and allocation of FISIM is a separate item on conceptual adjustments on ESA 2010 process tables.

Exhaustiveness adjustments for tips are made on GDP by production approach and they are treated as N7, statistical deficiencies in data. More detail information could be found in CHAPTER 7 .

Below are described the estimations of output and intermediate consumption from the accounting data of enterprises.

Output

For market producers production is composed of market production and production for own final use. Thus, production equals the value of produced goods and services in the period. Relevant output categories are shown in the following codes in financial statements for enterprises:

- sales of goods and services on domestic market and export (data are in an aggregate format);
- sales of trade goods on domestic market and export (data are in an aggregate format);
- additions to less withdrawals from inventories of finished goods and work-in-progress;
- value of goods for own final use;
- current transfers from general government , subsidies;
- purchase value of sold goods for resale.

The following table shows all steps from accounting data to the final value of output at basic prices in national accounts. The table shows the compilation process which is applied to all branches for which gross value added is estimated. In the first step, total output according to the data source is estimated; it equals the total turnover less the purchase value of sold goods for resale. Turnover equals the sum of all sales on domestic market and exports (items 1, 2 and 3 in Table), additions to less withdrawals from inventories (item 4), the value of goods for own final use (item 5) and all current transfers from the institutions of general government (item 6).

In item 5 “Value of goods for own final use” includes only the value of production of own capital formation. Data from business statistics provide direct information on production of fixed assets.

In the next step output at basic prices according to data sources is further adjusted for exhaustiveness which is not shown in business’ accounts. With these adjustments the final figure of output at basic prices in national accounts is estimated.

Table 3-5: Output components in data sources and national accounts adjustments for enterprises, 2012

Output components and adjustments
1. Sales of goods and services on domestic market and export
2. Sales of trade goods on domestic market and export
Total turnover (1 + 2)
3. Less: purchase value of sold goods for resale
4. Additions to less withdrawal from inventories
5. Value of goods for own final use
6. Current transfers from general government, subsidies
Output at basic prices according to data sources (1+2+3+4+5+6)
7. Exhaustiveness adjustments
Output at basic prices in national accounts

Intermediate consumption

Intermediate costs are shown in accounting data sources of companies:

- materials and supplies;
- services and other business costs, such as travel and accommodation on business trip and reimbursement of the other business costs of employees;
- other operating costs

The table shows steps and national accounts adjustments to data according to the business accounts. In the first step intermediate consumption at purchasers' prices is estimated according to the data source. In the second step FISIM is allocated among industry users and in the end it includes exhaustiveness adjustments.

Table 3-6: Intermediate consumption components in data sources and national accounts' adjustments for enterprises, 2012

Intermediate consumption, components and adjustments
1. Materials
2. Supplies and services
3. Other operating cost
Intermediate consumption according to data sources (1+2+3)
4. Conceptual adjustments, FISIM
5. Exhaustiveness adjustments
Intermediate consumption in national accounts

3.5.2. *Transitions from public accounting to ESA 2010 national accounting concepts*

Data on budget governments coming from accounting system of the Ministry of Finance are used for the estimation of General Government sector. By analysing in more detail the expenditure data from government budget coming from the Ministry of Finances can be seen an enormous effect of data redundancy from some of the fields. Data redundancy is the effect of repetition of data in database. IT processes are involved to reconstruct the databases in a more dynamic and workable in an effective way. For the National Account purpose a relatively analytic database is established for further improvement and implementation to the data source. In order to identify the transaction according to ESA 2010 and estimate output according to NACE Rev 2 classification, three bridge tables were applied to the data.

The first bridge table is used for the classifications of the units. First a structure of the all spending units is built. More than one spending units might be part of one single Institutional Units but this more detailed level of data allows us to have even more quality in the estimation of the separate parameters. During this step the information on each spending unit are analysed to estimate the institutional sector they belong into. This classification is made in the level of spending units. For some units that might represent some market output worth mentioning we used the 50% criteria to be more secure of the actual classification used. During the analyses of the budgetary units there were no cases of changes of classification due to the 50% criteria. After that is done, an estimate of the main activity for each separate unit was performed according to NACE Rev. 2 classification.

The second Bridge Table is used for secondary Activities classifications. Some institutions may have more than one main activity NACE code and for this reason the institutions are grouped in three institutional groups.

- only one activity;
- two or more activities;
- semi-budgetary units

The institution into the first group follows only one activity and the future classification using NACE is from the data of NACE group. For example: “Mother Theresa" University Hospital Centre has as its main activity health care (Section O of NACE Rev 2). All the expenditure made by this institution is targeted at the improvement of the health care process. This institution doesn’t have any other second activity (not a relevant one) and its output is mainly non-market oriented. The general government institutions are good cases of this group, because they have only one main activity and they firmly stick to it.

The second group is made by institutions the main activities of which are different. All these institutions have a general government activity (NACE 84.11), but looking into more detail at the expenditure, it can be seen that the kinds of activities are more than one.

This section is comprised mainly of the local units that operate into more than one activity for the good of the everyday life. The activities range from water distribution to recreation activities. For this units we have built a new bridge table.

This bridge table is built based on the COFOG classification. To estimate the pure branches of an economic activity the COFOG classification was transmuted into NACE Rev 2. For this classification the COFOG classification was transformed into ISIC and then was adapted to the Albanian classification of COFOG to pass to NACE Rev 2. (COFOG classification has the same structure in 3 digit level with the international classification but in a 6 digit level the data are arranged according to the Ministry of Finance Needs). This classification allows us to have a better classified estimation of secondary activity and to estimate the pure economic branches.

The Third Bridge Table is used for the transition from public account to ESA concepts**.** For this classification the full set of economic accounts of the Ministry of Finance was analysed and a bridge table was built (Table 3-7) in order to pass to ESA2010 requirements. For this classification information on the nature of the individual transaction were analysed and classified according to ESA2010 classification. To have more detailed information on ESA codes we used a seven digit level of accounts. This information helps us identify a good level of adoption of ESA 2010 codes that is acceptable.

This information is used to separately estimate the elements of Value Added and to identify the marked and non-market output and to be able to estimate all the non-financial accounts of General Government.

Table 3-7: Bridge Table

Economic Accounts	Description	ESA2010 codes	GFCF classification
2312101	Spending in order to increase Fixed Capital - administrative building	P.5111	AN.1121
2312108	Spending in order to increase Fixed Capital- construction of ports	P.5111	AN.1122
2315120	Spending in order to increase Fixed Capital - Cars	P.5111	AN.1131
2314250	Spending in order to increase Fixed Capital - equipment for protection against fire	P.5111	AN.1139
6001001	Basic Salary	D.11K	
6010100	The social insurance contributions	D.121	
6011100	Contributions for health insurance	D.121	
6022001	Electricity	P.21	
6022002	Water	P.21	
6030004	Subsidies for the price difference for the urban bus transport	D.319	
6032001	Subsidies to cover losses for the water supply for irrigation	D.39	
7030100	VAT on goods and services within the country	D.211	
7030200	VAT on imported goods	D.211	
7031500	Imported fuel excise	D.2122C	
7111001	Income from kindergartens	P.131	
7111002	Income from nests	P.131	
7111007	Income from parking lot	P.111	

After the three bridge tables are applied, the final estimation of the General Government by NACE Rev.2 is concluded for budgetary units. To analyse the full delimitation of Public Administration information on semi-budgetary units, information that is not part of the current data source from the Ministry of Finance, should be gathered using other administrative data sources or questionnaires data available to INSTAT. We are still working on identifying the semi-budgetary units and the work is not still finished to have the final delimitation of the General Government.

For these extra units, an extended estimation of the 50% criteria was applied (we tried to combine the 50% criteria with the new requirements of ESA2010 for control of Government Units). The decision tree of the Public Administration (Chapter 20 of ESA2010) was applied to some cases but the process is still under construction.

These units were added to the calculation of the budgetary units to build the estimation of the Public Sector.

3.5.2.1.Estimation of indicators for General Government sector

The Output of the government is considered as non-market output and is derived as sum of costs by the following formula:

Output = Value added + Intermediate Consumption

Value added

A cost method is used to measure the value added of the Government. For estimation of value added, data are used for the compensation of employees which is the cost paid by the government to the specific institute (budget database). It is supposed that the value of the value added by the government is the amount paid for the worker that made the final "product". The only information on wages and social security comes from the Ministry of Finances.

Table 3-8: Value added components in data sources and national accounts adjustments for enterprises, 2012

Value added component
1. Wages and salaries (D11)
2. Employers´ social contributions (D.12)
3. Other taxes on production (Paid) (D.29)
4. Subsidies on production (Paid) (D.3)
5. Consumption of fixed capital (K.1)
Total Value added (1+2+3+4+5)

To estimate the total Value Added a bridge table is used between the accounting codes of the Ministry of Finance and ESA2010 codes. This classification was used alongside the existing classification of NACE Rev 2 and COFOG to better estimate the total Value Added of the Public Administration. As well as in estimation of value added of government the calculated value of value added of Compulsory social and health securities (wages, salaries and social insurance) is added. Also in the system there are included other institutions outside the administrative data sources of the Ministry of Finance that are part of the public sectors.

Consumption of Fixed capital

Deprecation means the deprecation of tangible assets during one year. This estimation is done only at the end of the year. The process of collecting the data is not available in a short term period. For the estimation of Depreciation of the Public Sector, the PIM method was used. To estimate the PIM method the simplified IMF method was used covering the available data of CFC. Information of GFCF time series 2001-2014 was used as a basis for the compilation of CFC. The lifespan of assets and price levels in the different types of assets were estimated.

In the compilation process the valued added is adjusted by adding the value of the deprecation to the actual values to give a total value of the value added. The GVA of government has included the depreciation as required by ESA2010

Table 3-9: Consumption of fixed Capital, in ALL million

Branches	Year
	2012
Public Administration	8,160
Public Education	4,461
Public Health	3,371
Total	**15,992**

Intermediate consumption

Intermediate consumption in the Government is the material amount and services made to accomplish their duties. The intermediate consumption is made of the entire elements used to produce output, which are expenses to maintain the normal work. Intermediate consumption is the article P.21 – "Intermediate consumption". In the more detailed level of the article we adapted the detailed data sources of the economic accounts to better define the P.21 from other types of Expenditure.

Also as part of the estimation of the Intermediate consumption there were applied the adjustments of the FISIM. These adjustments were made on all separate estimation of IC for the Public Sector.

Table 3-10: Intermediate consumption components in data sources and national accounts' adjustments for enterprises, 2012

Intermediate consumption components

Intermediate consumption (article P.21)
1. Conceptual Adjustments (FISIM)
Total intermediate consumption (1+2)

3.6. The roles of direct and indirect estimation methods and of benchmarks and extrapolations

The estimation of annual GDP by production approach is based mostly on direct estimation methods. The annual data sources are standard and the same for each year. The work is carried out by using all data sourcing available and for grossing up imputation method is used

at the fullest extent of disaggregating, both to ensure good reliability of the estimates and to provide a sufficiently detailed breakdown to reflect trends in the various sectors.

The benchmark year (2011) and extrapolation are used only for estimation of dwelling activities (imputed rent) and in the following years price and volume indexes are used for estimation of indicators.

Table 3-11: Data Sources for GDP by Production Approach

GDP PRODUCTION APPROACH	Survey data	Administrative records	Benchmark extrapolations	Other extrapolations and models	Conceptual adjustments	Exhaustiveness adjustments
Industries A 21						
Section A	X				X	X
Section B	X	X		X	X	X
Section C	X	X		X	X	X
Section D		X			X	
Section E	X	X		X	X	X
Section F	X	X		X	X	X
Section G	X	X		X	X	X
Section H	X	X		X	X	X
Section I	X	X		X	X	X
Section J	X	X		X	X	X
Section K		X			X	
Section L	X	X			X	X
Section _L			X		X	X
Section M	X	X		X	X	X
Section N	X	X		X	X	X
Section O		X			X	
Section P	X	X		X	X	X
Section Q	X	X		X	X	X
Section R	X	X		X	X	X
Section S	X	X		X	X	X
Section T	X	X		X	X	X

Below are described the direct and indirect estimation used in GDP by production approach by economic activities.

3.6.1. *Estimation on Non-financial enterprises*

In order to maximize the available information, a specific procedure has been implemented to integrate such databases. This procedure enables the inclusion of all available data and achievement of quality.

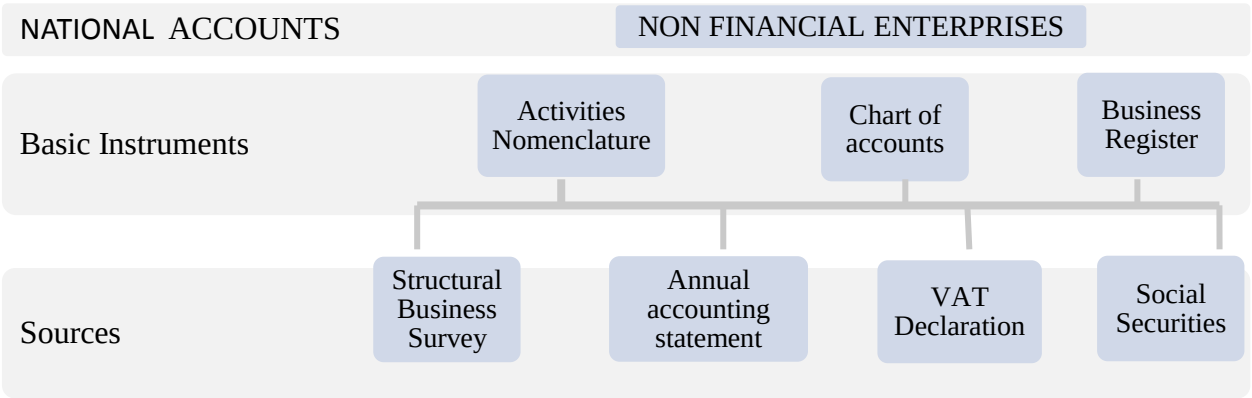
This is applied to the classification used only for national accounts' purpose. Branches that are not included in the following procedure and estimated differently are: Agriculture, Electricity, Financial activities, Public administration and defence, Public Education and Health.

The following structure demonstrates a synthesis of the methodology used to estimate output, intermediate cost and value added of the non-financial enterprises during year 2012. The procedure for estimation of indicators is developed in two phases:

3.6.1.1.First phase: Integration and verification of data

The various databases, VAT file, Structural Business Survey and Profit and Loss Accounts file, Social Security and Tax on Profit files are reorganized integrating into one database, to obtain a common format. In the national accounts, the original data taken from the basic statistics are checked for completeness and plausibility. There is a constant exchange of information between the national accounts and all important data providers.

Figure 3-1: First phase



It is also an opportunity for checking the internal coherence of financial statements data and survey data. For each source, the internal coherence of individual data is checked by ascertaining that accounts are balanced, that data in different tables are consistent and that the main data are economic items.

External coherence of both sources is also checked for each year based on the identity of current accounts available in both sources that means to make a comparison between

indicators (turnover, number of employees, wage and salaries, purchases, etc.) and balance sheets, VAT files, structural survey and other files in order to choose the most reliable data based on the appropriate coherency check.

All adjustments performed on data of enterprises, brings them into compliance with accounting rules of national accounts. At the end of this phase, the data from non-financial enterprises have made all possible adjustments before being subject to further improvement, processing and estimations.

3.6.1.2.Second phase: Estimations of indicators

Estimation of indicators, such as turnover, production, intermediate consumption and value added are based on groups created over three of the features:

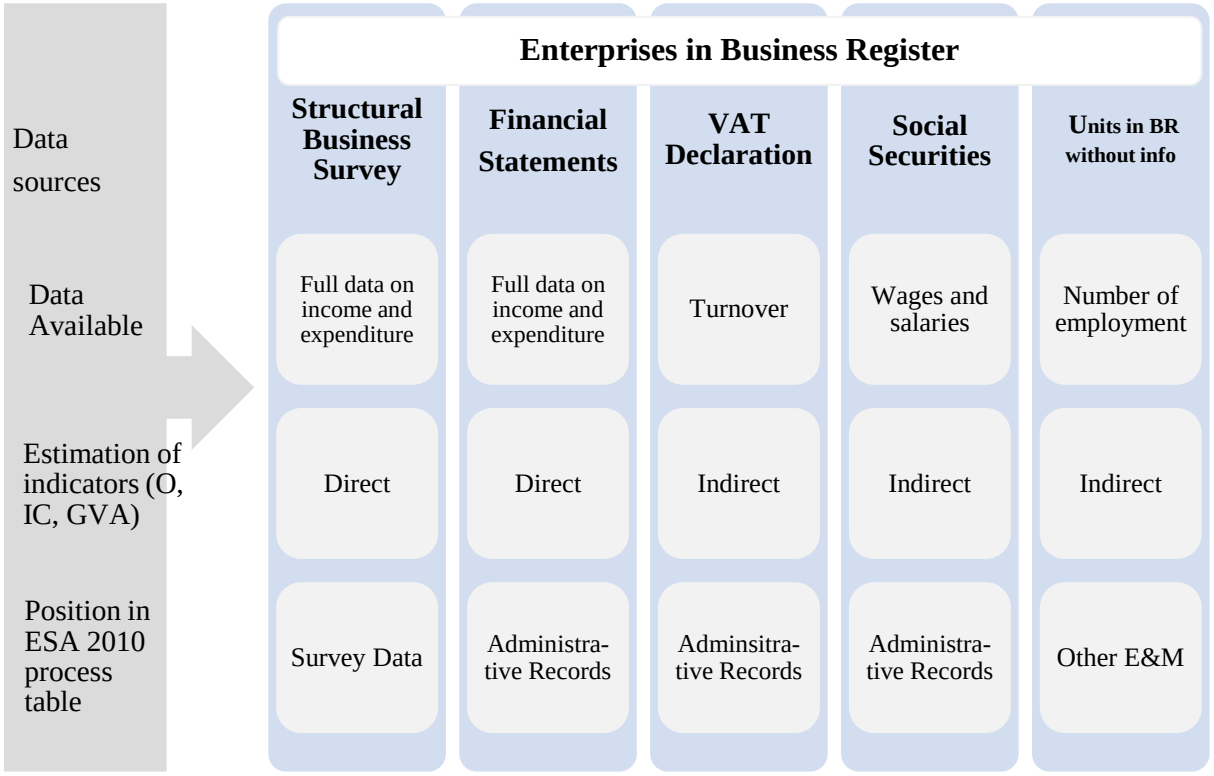
- Type of activity (based on the division with A88, NACE Rev.2);
- Size of enterprise in terms of employed (the units in the register are stratified into three strata: small enterprises with 1-4 employed, medium enterprises with 5-49 employed and large enterprises with 50 or more employed).
- Size of Small enterprises (1-4 employed) in terms of turnover (ALL 0-2 million, ALL 2-10 million and ALL 10 and more millions)

The enterprises underlying in national accounts are taken from BR and are split according to the data sources. Annual structural business survey and financial statements provide the necessary information at enterprise level to achieve direct estimation of output, intermediate consumption and gross value added.

However the structural business survey and annual accounting statements do not cover all enterprises of the BR, so indirect methods are used for the grossing up procedure of the other set of enterprises in BR. From the SBS and Financial statement are generated ratios i.e. output/employment, turnover/ output, intermediate consumption/output, wages and salaries/grass value added, etc; that are used for indirect estimation of National account indicators of enterprises in other data sources.

For the part of enterprises that are covered by administrative data sources such as files of VAT and Social security are provided only data on turnover and wages and salaries. Indicators like the number of enterprises and the number of employees are calculated on the basis of BR. Other indicators are estimated through indirect method by using ratios from direct estimates of SBS and Annual financial statements such as output/turnover, intermediate consumption/output, gross value added/ wages and salaries, etc.

Figure 3-2: Second phases



As well there are a set of enterprises recorded in business register but for which no data are available from any of the above four sources. These enterprises are considered as unit in BR without any other information. From BR, only the number of enterprises and the number of employees are directly evaluated. To make estimation of other indicators indirect method are used as in the previous stage by applying ratios output/employed, intermediate consumption/output, etc.

In order to have a better estimate of the output, intermediate costs and valued added various ratios are used according to stratification of enterprises by economic activities and size classes.

As regard to the compilation of the ESA 2010 process tables of the GDP by production approach the values of output, intermediate consumption and value added generated from Structural business survey are included in “Basis for NA Figures”, column “Survey data”; the values from financial statements, VAT and Social security files are included in column “Administrative data”. Meanwhile the estimation of “Units in BR without info” are in column “Other extrapolation and models”. More detail information on the direct and indirect methods of estimations could be found in Annex 1: GNI process tables.

3.6.2. *Estimation on Agriculture*

The main approach used to estimate output for agriculture is "price x quantity". The method and data sources are described in sub-section 3.8. The values of output, intermediate consumption and gross value added are included in column survey data in ESA 2010 process tables.

3.6.3. *Estimation on Financial activities*

Direct estimation of indicator for financial activities is performed through data sources from Albania Central Bank and Authority of Financial Supervision. The detail description is in sub-section 3.18.

3.6.4. *Estimation on Government (Public administration, Health, Education and Culture)*

Data from Ministry of Finance are transformed into national account concepts and direct estimates of General government sector are achieved.

3.7. The main approaches taken with respect to exhaustiveness

The exhaustiveness means the measure of the Non –observed economy (NOE) on direct or indirect way and it is an important quality aspect of national accounts. The production approach is the most elaborated as for both availability of data sources and methodological adjustments on the one hand, and estimates for exhaustiveness on the other hand.

To ensure exhaustiveness of GDP estimates, INSTAT has improved the estimate of NOE in the framework of IPA 2007 Component A: National Accounts, Activity 4-“Improve of the methodology and statistical measure of NOE”. The strategy for improving the coverage of the non-observed economy has followed the recommendations of the EUROSTAT Tabular Approach to exhaustiveness of national accounts and the OECD Handbook.

Based on the methodology developed and the data sources available a direct estimation of the NOE was realised but not all types of exhaustiveness adjustment are applied. All main exhaustiveness adjustments within the compilation of GDP by the production approach are already mentioned in the CHAPTER 7 . Total exhaustiveness adjustments of GDP 2012 are estimated at ALL 290,231 million or 21.8 percent of GDP.

Table 3-12: Exhaustiveness adjustments in National Accounts, 2012, in ALL million

GDP PRODUCTION APPROACH	Final Estimates	Exhaustiveness Adjustments	Percent of Totals
Output of goods and services at basic prices	2,191,310	619,898	28.3
Intermediate consumption at purchasers' prices	1,036,563	329,667	31.8
Gross value added at basic prices	1,154,747	290,231	25.1
Taxes on products	179,559		
Subsidies on products	1,494		
Gross domestic product at market prices	**1,332,811**	**290,231**	**21.8**

INSTAT has made estimates for the following exhaustiveness types:

Producer Deliberately Not Registering (N1) - Not all enterprises fulfil the obligations to be register even by law all enterprises irrespective of their size are legally obliged to register their activities in Albania. For this reason explicit estimates are made for intentionally unregistered enterprises;

Producer Not Required to Register (N3) **-** The main exhaustiveness adjustment are made for agriculture production for own final use and own account construction of individual housing construction;

Misreporting by Producers (N6) **-** Underreporting of income and employment in order to diminish their tax assessment bases and social and health insurance contributions are widely practised. Corrections for the underreporting by producers are necessary and have a big share on exhaustiveness adjustments;

Other Statistical Deficiencies (N7) **-** An estimate of tips has been performed using a subjective estimate of the percentage of tips which has been applied to the output for the activities of: Repair of motor vehicles, motorcycles and goods; Passenger transport by road; Accommodation, foods and beverage services and other services such as hairdressing and other beauty treatment.

Main method used in respect to exhaustiveness is Labour input method that is used to estimate type N1 and N6. Expert method is the second one used for types N3 and N7. Franz method was used for underreporting of gross output.

Table 3-13 presents the exhaustiveness adjustments broken down by type of adjustments in absolute terms (output, intermediate consumption and gross value added) and as % of the total adjustment of GVA.

Table 3-13: Exhaustiveness adjustments by type, 2012

GDP PRODUCTION APPROACH	Exhaustiveness Type							Total
	N1	N2	N3	N4	N5	N6	N7	
Output	197,012		54,232			366,670	1,984	619,898
Intermediate consumption	109,736		16,742			203,188		329,667
Gross value added	87,275		37,490			163,482	1,984	290,231
% of Total GVA adjustments	30.1%		12.9%			56.3%	0.7%	100.0%

3.8. Agriculture, forestry and fishing (NACE Rev.2 Section A)

3.8.1. *Introduction*

Section Agriculture, forestry and fishing (A) covers the exploitation of vegetal and animal natural resources, comprising the activities of growing crops, raising and breeding of animals, harvesting of timber, and other plants, animals or animals products from a farm or their natural habitats. The activities of Section (A) are distinguished in three divisions:

- Crop and animal production, hunting and related service activities
- Forestry and logging
- Fishing and aquaculture

Agriculture is an important sector in the economy of Albania because it provides food, income and employment for the majority of the rural dwellers. Detailed agricultural statistics are required at national, village and farmer levels for agricultural policy and decision making, placing agricultural development and estimates of the agricultural and national income

Agriculture represented about a fifth of total value added. The significance of this sector is proved by the fact that about 44.3 percent of the population resides in rural areas. Corporations, unincorporated enterprises (self-employed), individual farmers and in small part NPISH as well are engaged in this production. Individual farmers are farmers who do not need to register.

Total gross value added of Agriculture, forestry and fishing in 2012 is estimated at ALL 250,126 million and has a share of 18.8 per cent of GDP. Agriculture gives the highest contribution to the whole section by 97.62 percent of Section A.

The table below shows the figures on output, intermediate consumption and gross value added in ALL millions and percentages of GVA and GDP for the year 2012:

Table 3-14: Section A, in ALL million, 2012

NACE	Description	Output	Intermediate Consumption	Gross Value Added		
				Total	Structure	Percent of GDP
01	Agriculture	337,808	93,638	244,171	97.62	18.3
02	Forestry	5,953	1,835	4,118	1.65	0.3
03	Fishing	6,048	4,211	1,837	0.73	0.7
Total	Section A	349,809	99,683	250,126	100	18.8

3.8.2. *Data sources and methods*

The estimation of Economic Accounts of Agriculture are made by INSTAT, Agriculture Department. But for calculation of Agriculture indicators, INSTAT uses information provided by Statistics Department and Directorate of Fisheries Policy at the Ministry of Agriculture, Rural Development and Water Administration (MARDWA).

To obtain the agriculture statistical information, the Ministry of Agriculture, Rural Development and Water Administration (MARDWA) has carried out three main surveys for the collection of statistical information on agriculture production: Annual agriculture survey, Greenhouse survey and Big farms survey. Two of them are on annual basis and one is twice per year. The aim of these surveys is to collect statistical data and information processing on: agricultural area used for planting, productivity and production by the cultures and production of agricultural crops in volume, number of heads of livestock by type, productivity in the production of milk and meat and live weight, etc. Also, the greenhouse survey, the outlier survey and other data collected by village from Regional Directorate of Agriculture, are used. Hunting, forestry covers the conservation and development of forests, for example forest plantations; logging and gathering of forest products such as berries and mushrooms and hunting. Surveys also include data on expenses for seeds (quantity and prices), plants, and other costs of plantation, fuel, electricity, water, value of veterinary services or other services and value of material expenditures.

Ministry of Agriculture also collects data on prices for each agriculture product (weekly, monthly and annual prices), INSTAT uses annual average prices and monthly prices for estimation of quarterly indicators.

3.8.3. *Output in data sources, correction and adjustments*

National accounts estimates for agriculture are mostly based on the information of Economic Accounts for Agriculture (EAA). The agricultural statistics department has responsibilities for preparation of the EAA indicators. The aim of the agricultural indicators (production,

intermediate consumption and value added) is to describe and analyse the formation of income from economic activity in agriculture (income derived by the main activity and secondary activity). In this context, the main importance is measurement of production. Descriptions of output for each NACE division within Section A are shown following.

- *Division 01: Crop and animal production, hunting and related service activities*

A first step in this aspect is considered the drafting of the balance sheets' quantity of each agricultural product and livestock (sources and use), along with data taken from the area and performance, to determine the production in quantity. Analysis of the number of heads of livestock is done for each category of live animals in particular for subsidiary agriculture. Estimate for the number of heads is based on number of heads for each category of cattle sheep and goat pigs, poultry.

Agricultural production refers to different categories such as: wheat, maize, other cereals, potatoes, oilseeds, tobacco, other industrial plants, wines, forestry, fresh vegetables, fruits, flowers, nursery plants, other vegetable products, orchards, vineyards, full-grown cattle, calves, pigs, horses, sheep, goats, and fowls.

The National account production of this branch contains the following:

- Crop production;
- Livestock production;
- Agricultural services
- Hunting

By the consultations with experts from Ministry of Agriculture, the price production does not include taxes on products due to the lack of data for value added tax and other tax in this sector, which means the output at basic price, is equal to the one at production price. In particular:

- Crop production is measured by using data on quantities and prices for different kinds of vegetal products. The elaboration of production was directly made: the quantity of production multiplied by the average price (there are no different prices for different uses).
- Livestock production includes deliveries of live animals for slaughter or export and change in livestock net of imports of animals for breeding. The change in livestock is broken down into *gross fixed capital formation* and *change in inventories*.
  Gross fixed capital formation is equal to the variation over the year of breeding males over one year's old, dairy cows, and nurse cows. It also includes animal products such as: milk, eggs, honey, etc. Assessment of production of milk from cows is made on the basis of their average annual number, resulting from the number of heads and the average productivity of milk per cow. The same reasoning is followed for the

production of milk from sheep and goat. Number of heads referred to the situation in the beginning of the year. (1 January).Assessment for the production of meat for each animal species is based on calculations made for the number of heads, namely, the number of heads to slaughter for any animals and the average weight for the head of slaughter.

- Agriculture services mainly refer to the irrigation data available from MARDWA as total sum for irrigation (the data are not available in detail)
- Hunting covers the revenue obtained from hunting and fishing for entertainment or sport

The own-account production of agricultural goods for owns final consumption is included in the production of agriculture. This data are available from balance of supply-use by MARDWA on value of own –account production for final consumption. The questionnaire of survey on Agriculture production includes specifics items referred to the work in progress. Thanks to these items a specific estimate of this component has been included in national accounts' figures for adjustment of value of production.

- *Division 02: Forestry and logging*

Forestry and logging covers the conservation and development of forests, for example forest plantations; logging and gathering of forest products such as berries and mushrooms and hunting.

Estimates for forestry production cover:
- expenditures for a forestation, up keeping of forests, other specific works;
- the value of fallen trees;
- value of forest fruits and plants picked and sold;
- value of forest fruits and plants picked by the households for own consumption

The data sources for hunting and forestry are the statistics available at the MARDWA and the consolidated budget.

- *Division 03: Fishing and aquaculture*

Fishing activity takes place along the entire 450 km length of Albania's coastline, including its 12 miles offshore territorial waters up to the international boundary. However for the most part it is concentrated along the continental shelf zone, which on the Adriatic side in the north extends 25 miles, but only 2-4 miles on the side of the Ionian Sea.

Fishing in Albania primarily includes marine fisheries, although lagoon and inland fishing does take place on a limited scale. During recent years Aquaculture is being increasingly promoted with particular focus on carp fingerlings and fish for general consumption (including sea farm).

Individual fishermen do not register because they are not obligated to register and they do not report their income. The output is estimation used in the quantity of fish caught for each water category also the respective price for each water category (water category are: marine fishing, lagoon, inland water, costal, aquaculture and molluscs). Output value is calculated for each water category. The estimations are made at current prices and at previous year prices collect directly from boats.

Exhaustiveness adjustments

Exhaustiveness adjustments are related to type N3; producer not required to be registered, and are estimated by expert's methods. The "expert method" is based on experts' opinions where they assess the share of non-observed economy in each branch of economic activity**.** These experts provide percentages that represent the value of output and intermediate consumption underestimated in Section A. The percentages are applied in the observed output and intermediate consumption of the NACE divisions of the section A.

Total output in agriculture, forestry and fishing is estimated at ALL 349,809 million, of which exhaustiveness adjustments at ALL 43,302 million or 12.4 percent of total production in 2012.

Table 3-15: Section A - Output, in ALL million, 2012

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
01-03	Section A	306,507	-	-	0	43,302	349,809

3.8.4. *Intermediate consumption in data sources, correction and adjustments*

Intermediate consumption represents the value of all goods and services used as inputs in the production process, excluding fixed assets whose consumption is recorded as fixed capital consumption. The goods and services concerned are either transformed or used up in the production process. For each NACE divisions within Section A are described the inputs included in intermediate consumption.

- *Division 01*: Intermediate consumption for crop production includes the expenses made over the year for seeds, chemical and natural fertilizers, electricity, water, paid services, fuel and other materials. The value of intermediate consumption for livestock, covers the elements of the cost specifying by the economic unit: Livestock food produced at the farm (in quantities and respective prices), food purchased by the economic unit, medicaments, veterinary services work from third parties and other services for livestock.

- *Division 02:* Intermediate consumption for forestry covers expenses for seeds, plants, other costs of plantation, fuel, electricity, water, services, and material expenditures. It is evaluated about 30% of output.
- *Division 03*: Intermediate consumption of fishing and aquaculture covers expenses mainly for fuel, boat maintenance, fishhook, fishnet, etc.

Conceptual and exhaustiveness adjustments

Intermediate Consumption from basic data sources is corrected by conceptual adjustments and exhaustiveness adjustments. Allocation of FISIM as the only conceptual adjustment has a value of ALL 285 million.

Exhaustiveness adjustments of intermediate consumption for type N3 are estimated by expert's methods.

In total intermediate consumption is estimated at ALL 99,683 million in 2012. The table below shows the figures from basic data sources, as well as the adjustments of Intermediate Consumption for Section A.

Table 3-16: Section A - Intermediate Consumption, in ALL million, 2012

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
01-03	Section A	90,150	-	-	285	9,248	99,683

3.9. Mining and quarrying (NACE Rev. 2 Section B)

3.9.1. *Introduction*

Section B Mining and Quarrying is represented as a whole in Albanian National Accounts and it includes 5 activities within:

05- Mining of coal and lignite,
06 -Extraction of crude petroleum and natural gas,
07 -Mining of metal ores,
08 -Other mining and quarrying and,
09- Mining support service activities;

Total gross value added of Mining and Quarrying in 2012 is estimated at ALL 60,195 million and has a share of 4.52 per cent of GDP. Extraction of Crude petroleum gives the biggest contribution to the whole section where GVA increases every year and leads to optimistic predictions. Meanwhile the importance of mining of coal and lignite hugely decreased.

Almost all mining production of chrome, copper, etc. and extraction of crude petroleum is for export.

The table below shows the figures on output, intermediate consumption and gross value added in ALL millions and percentages of GVA and GDP for the year 2012:

Table 3-17: Section B, in ALL million, 2012

NACE	Description	Output	Intermediate Consumption	Gross Value Added		
				Total	Structure	Percent of GDP
05-09	Mining and Quarrying	111,383	51,188	60,195	100.0	4.52

3.9.2. *Data sources and methods*

Coverage of accounting statements for enterprises is complete and output, intermediate consumption and gross value added are estimated under the same principles, corrections and adjustment as for other industries.

3.9.3. *Output in data sources, correction and adjustments*

The final value of output is estimated according to accounting statements (profit and loss accounts), annual structure business survey (profit and loss accounts) and administrative data sources as the sum of sales, changes in inventories (finished goods and work in progress), own account production, trade margin and subsidies on products. These output components are standard and are estimated for all market producers.

Output from basic data sources is corrected by exhaustiveness adjustments. The most significant adjustments stand for the exhaustiveness where adjustments of underreporting had a value of ALL 4,521 million. Total output in extracting industry is estimated at ALL 111,383 million in 2012. Figures from surveys, administrative records and corrections are shown in the following table.

Table 3-18: Section B - Output, in ALL million, 2012

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
05-09	Section B	86,887	18,833	1,056	0	4,606	111,383

3.9.4. *Intermediate consumption in data sources, correction and adjustments*

Intermediate Consumption represents the value of products or services transformed or totally consumed during the production process. The sources for the calculation of IC are the same as for the Output. Intermediate Consumption from basic data sources is corrected by conceptual adjustments and exhaustiveness adjustments.

Allocation of FISIM as the only conceptual adjustment has a value of ALL 352 million. In total intermediate consumption is estimated at ALL 51,188 million in 2012.

The table below shows the figures from surveys and administrative records, as well as the adjustments of Intermediate Consumption for Section B.

Table 3-19: Section B - Intermediate Consumption, in ALL million, 2012

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
05-09	Section B	37,544	9,931	670	352	2,691	51,188

3.10. Manufacturing (NACE Rev. 2 Section C)

3.10.1. *Introduction*

This section provides information on manufacturing activity. In Albanian National Accounts there are distinguished nine industries of section C which are grouped as below based on 2 digits NACE:

NACE	DESCRIPTION
10-12	Manufacture of food products, beverages and tobacco products
13-15	Manufacture of textiles, wearing apparel and leather products
16-18	Manufacture of wood and paper products, and printing
19	Manufacture of coke and refined petroleum products
20.21	Manufacture of chemical and pharmaceutical products
22.23	Manufacture of rubber and plastic products and other non-metallic mineral products
24.25	Manufacture of basic metals and fabricated metal products, except machinery and equipment
26-28	Manufacture of machinery and equipment
31-33	Manufacture of furniture; other manufacturing; repair and installation of machinery and equipment

In 2012 this section accounted for 4.61 per cent of GDP having a gross value added estimated at ALL 61,502 million. Within the section itself Manufacture of textiles, wearing apparel and leather products cover the greatest share of around 28 per cent while Manufacture of machinery and equipment is the activity giving the smallest contribution to the group with modest values of output and gross value added.

This section contains the greatest number of large enterprises which operate in Albania. Table 3-20 shows the figures on output, intermediate consumption and gross value added in ALL millions and percentages of GVA and GDP for the year 2012.

Table 3-20: Section C, in ALL million, 2012

NACE	Description	Output	Intermediate Consumption	Gross Value Added		
				Total	Structure	Percent of GDP
10-12	Manufacture of food products, beverages and tobacco products	47,163	36,966	10,197	16.58	0.77
13-15	Manufacture of textiles, wearing apparel and leather products	37,536	20,090	17,446	28.37	1.31
16-18	Manufacture of wood and paper products, and printing	16,527	10,241	6,286	10.22	0.47
19	Manufacture of coke and refined petroleum products	9,259	11,399	-2,140	-3.48	(0.16)
20.21	Manufacture of chemical and pharmaceutical products	6,098	4,419	1,679	2.73	0.13
22.23	Manufacture of rubber and plastic products and other non-metallic mineral products	46,231	34,847	11,384	18.51	0.85
24.25	Manufacture of basic metals and fabricated metal products, except machinery and equipment	50,432	39,705	10,726	17.44	0.80
26-28	Manufacture of machinery and equipment	2,985	1,462	1,522	2.48	0.11

31-33	Manufacture of furniture; other manufacturing; repair and installation of machinery and equipment	12,095	7,695	4,400	7.15	0.33
Total	Section C	**228,325**	**166,823**	**61,502**	**100.00**	**4.61**

3.10.2. *Data sources and methods*

Coverage in data sources of manufacturing products is good for private enterprises and complete for state enterprises (financial statements and annual structure business survey).

3.10.3. *Output in data sources, correction and adjustments*

The final value of manufacturing output in national accounts at ALL 228,325 million in 2012 is estimated according to accounting statements (profit and loss accounts), annual structure business survey (profit and loss accounts) and administrative data sources as the sum of sales, changes in inventories (finished goods and work in progress), own account production, trade margin and subsidies on products. These output components are standard and are estimated for all market producers.

Output from basic data sources is corrected by exhaustiveness adjustments. The most significant adjustments stand for exhaustiveness where correction of underreporting had a value of ALL 28,340 million. Figures from surveys, administrative records and adjustments are shown in the following table.

Table 3-21: Section C - Output, in ALL million, 2012

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
10-33	Section C	128,738	53,039	11,852	-	34,695	228,325

3.10.4. *Intermediate consumption in data sources, correction and adjustment*

Intermediate consumption in manufacturing is estimated at ALL 166.823 million. The available data from basic data sources is corrected as Output by exhaustiveness adjustments and also by the conceptual adjustments of FISIM with a value of ALL 2,375 million. The table below shows the figures from surveys and administrative records, as well as the adjustments of Intermediate Consumption for Section C.

Table 3-22: Section C - Intermediate Consumption, in ALL million, 2012

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
10-33	Section C	95,188	38,663	7,675	2,375	22,921	166,823

3.11. Electricity, gas, steam and air conditioning supply (NACE Rev. 2 Section D)

3.11.1. *Introduction*

Prior to 2001, the Albanian Power Corporation (KESH) was government owned vertically integrated enterprise engaged in production, transmission, distribution, and trade (of imported) of electricity (the whole group 35.1 NACE, Rev. 2). In 2001, the KESH undertook structural changes which resulted in the creation of three divisions: the production division, the transmission division, and the distribution division. In 2004, the transmission division detached from KESH and established Transmission System Operator (TSO) - a new state owned company. In 2008, the distribution division was transformed into a new company called OSSH. In 2009, the CEZ Group entered the Albanian market by acquiring 76% of the local distribution company OSSH and creating CEZ Shpërndarje, the power distribution operator. The remaining 24% equity stake is held by the Government of Albania.

In 2011, there are four major players engaged in electric power activity: generation and wholesale (100 % government-owned KESH), transmission (government-owned TSO), and distribution (from 2009 – 2013, foreign direct investor *CEZ Shpërndarje).*

In 2012 section D accounted for 1.67 per cent of GDP. The table shows the figures for three divisions on output, intermediate consumption and gross value added in ALL million:

Table 3-23: Section D, in ALL million, 2012

NACE	Description	Output	Intermediate Consumption	Gross Value Added		
				Total	Structure	Per cent of GDP
35	Electricity production	19,294	2,131	17,163	76.97	1.29
	Electricity transmission	5,767	1,189	4,578	20.53	0.34
	Electricity distribution	7,800	7,244	556	2.50	0.04
Total	Section D	32,862	10,564	22,298	100.00	1.67

3.11.2. *Data sources and methods*

The source for the quantity of production is INSTAT data on the balance of electric power: Annual Reports of Albanian Regulatory Energy (ERE); Annual financial statements of KESH, TSO and CEZ are available together with various data on prices.

3.11.3. *Output in data sources, corrections and adjustments*

Production: Domestic electricity production units comprise:

a) public enterprises: KESH Group (KESH and medium and small public HPP),
b) private and concessionary HPPs; and
c) TEC-Vlora (public enterprise).

Output of KESH Group = production from cascades + production of SME HPP – production technical losses.

Output was estimated using detailed data on quantity and prices with subsequent reconciliation with KESH financial statement data. For proper valuation the total output of electricity production in quantity terms is further split into:

(i) Sold domestically from KESH group production
(ii) KESH own consumption
(iii) Sold to transmitter for own consumption and to cover losses in transmission
(iv) Exported by KESH
(v) Exchanged (bartered) by KESH
(vi) Sold domestically from private HPP production

Basic price for electricity produced by KESH and sold domestically is the price of wholesaler (part of KESH) to CEZ. This price is applied to the quantity of sales, which covers domestic demand (only this portion is sold to CEZ with tariff price). Thus, every time the quantity sold to CEZ is to be checked against the domestic demand data. Prices are available from ERE Annual Report and KESH statistical report.

Quantities and prices for private HPP, concessionary HPPs, and TEC-Vlora are taken from ERE Annual Report. It should be noted that KESH purchase prices from the private/concessionary HPPs are defined by ERE, according to an incentive formula which refers to the average import prices of electricity plus a bonus of 10%.

Distribution: The value of distribution output is calculated as sale of electricity minus purchase of electricity for distribution (similar to trade) assuming that there are no adjustments for taxes /subsidies. Data are taken directly from CEZ financial statement.

Transmission: Value of transmission services are taken from TSO annual financial statements and are equal to the payment for transmission service.

Table 3-24 shows the total value of output in Electricity, gas, steam and air conditioning supply activities are at ALL 32,862 million in 2012.

Table 3-24: Section D, Output, 2012, in million ALL

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
35	Section D	-	32,862	-	-	-	32,862

3.11.4. *Intermediate consumption in data sources, corrections and adjustments*

Value of intermediate consumption of KESH group is taken form KESH financial statement. Intermediate consumption of Section D is estimated ALL 10,564 million in 2012, adjusted with the only conceptual adjustments of FISIM with a value ALL of 1,406 million.

Table 3-25: Section D, Intermediate consumption, 2012, in million ALL

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
35	Section D	-	10,564	-	1,406	-	10,564

3.12. Water supply; sewerage, waste management and remediation activities (NACE Rev. 2 Section E)

3.12.1. *Introduction*

There are two industries distinguished in Section E: 36 Water supply and 37-39 Sewerage, waste management and remediation activities.

In 2012 this section accounted for 0.73 per cent of GDP. The table below shows the figures on output, intermediate consumption and gross value added in ALL million and percentages of GVA and GDP for the year 2012:

Table 3-26: Section E, in ALL million, 2012

NACE	Description	Output	Intermediate Consumption	Gross Value Added		
				Total	Structure	Percent of GDP
36	Water supply	9,209	4,256	4,953	51.21	0.37
37-39	Sewerage, waste management and remediation activities	23,964	19,244	4,720	48.79	0.35
Total	Section E	33,173	23,500	9,673	100.00	0.73

3.12.2. *Data sources and methods*

Data sources coverage (financial statements, annual structure business survey) for enterprises is complete and output, intermediate consumption and gross value added are estimated under the same principles, corrections and adjustments as for other industries.

3.12.3. *Output in data sources, corrections and adjustments*

The total value of output in Water supply; sewerage, waste management and remediation activities are at ALL 33,173 million in 2012. The final value of output is estimated according to accounting statements (profit and loss accounts), annual structure business survey (profit and loss accounts) and administrative data sources as the sum of sales, changes in inventories (finished goods and work in progress), own account production, trade margin and subsidies on products. These output components are standard and are estimated for all market producers.

Output from basic data sources is corrected by exhaustiveness adjustments. The most significant adjustments stand for exhaustiveness with a value of ALL 15,256 million. Detailed figures from surveys, administrative records and corrections applied to the Section E are shown in the following table.

Table 3-27: Section E - Output, in ALL million, 2012

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
36-39	Section E	13,263	3,668	986	-	15,256	33,173

3.12.4. *Intermediate consumption in data sources, corrections and adjustments*

Intermediate consumption is estimated at ALL 34 524 million`. It has been treated under the same corrections as Output including conceptual adjustments of FISIM with a value of ALL 627 million. The table below shows the figures from surveys and administrative records, as well as the adjustments of Intermediate Consumption for Section E.

Table 3-28: Section E - Intermediate Consumption, in ALL million, 2012

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
36-39	Section E	7,364	2,684	823	627	12,002	23,500

3.13. Construction (NACE Rev. 2 Section F)

3.13.1. *Introduction*

This section provides information on statistics of construction sector covered by Section F. According to NACE Rev. 2 classification, construction activity comprises the following divisions: construction of buildings (Division 41), civil engineering (Division 42) and collection of specialised activities (Division 43).

41 - Construction of buildings of all kinds

42 - Construction of roads and railways, utility projects, other civil engineering projects

43 - Demolition and site preparation, electrical, plumbing and other construction installation activities, building completion and finishing, other specialized construction activities.

Table 3-29 shows the figures on output, intermediate consumption and gross value added and percentages of GVA and GDP:

Table 3-29: Section F, in ALL million, 2012

NACE	Description	Output	Intermediate Consumption	Gross Value Added		
				GVA	Structure	Per cent of GDP
41-43	Section F	449,116	297,323	151,793	100.00	11.4

Total gross value added for construction activity for year 2012 is ALL 151,793 million. In 2012, the share of gross value for section F to the total value of GDP is 11.4 per cent of GDP.

3.13.2. *Data sources and methods*

The data sources and estimation techniques for the enterprises that perform their construction activity are the same as for other industries, such as: Structural Business Statistics (SBS), financial statements of individual companies and other administrative data sources.

3.13.3. *Output in data sources, corrections and adjustments*

Total output of this section which is estimated according to accounting statements (profit and loss accounts), annual structure business survey (profit and loss accounts) and administrative data sources as the sum of sales, changes in inventories (finished goods and work in progress), own account production, trade margin and subsidies on products is ALL 449,116 million in 2012. These output components are standard and are estimated for all market producers.

Output from basic data sources is corrected by exhaustiveness adjustments for type N1 and N6. Within these adjustments output of construction activity is corrected for N3 (own construction) as well. Exhaustiveness adjustment has a significant value of ALL 262,693 million in 2012.

The table below shows detailed figures from surveys and administrative records and respective corrections done for Section F.

Table 3-30: Section F, Output, in ALL million, 2012

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
41-43	Section F	102,076	70,013	14,334	-	262,693	449,116

3.13.4. *Intermediate consumption in data sources, corrections and adjustments*

The total intermediate consumption is estimated at ALL 297,323 in million. To the available data from basic data sources were done the same corrections as for Output including allocation of FISIM as the only conceptual adjustment with a value of ALL 3,113 million.

The table below shows the figures from surveys and administrative records of intermediate consumption, as well as the respective adjustments done for this section:

Table 3-31: Section F, Intermediate consumption, 2012, in million ALL

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
41-43	Section F	68,648	43,815	9,168	3,113	172,578	297,323

3.14. Wholesale and retail trade; repair of motor vehicles and motorcycles (NACE Rev. 2 Section G)

3.14.1. *Introduction*

This section provides information on the distributive trade sector. The main activities of trade (wholesale, retail trade and repair services) are related to the redistribution of goods.

The Wholesale and Retail Trade covered all activities classified under section G of the NACE Rev 2 Classification. It covers Divisions: 45 (wholesale and retail trade and repair of motor vehicles and motorcycles), 46 (wholesale trade, except of motor vehicles) and 47 (Retail trade, except of motor vehicles).

Division 45 includes all activities related to the sale and repair of motor vehicles and motorcycles, while divisions 46 and 47 include all other sale activities. The distinction between division 46 (wholesale) and division 47 (retail sale) is based on the predominant type of customer.

Wholesale and retail trade activities include a large number of small enterprises. Total gross value added of this branch estimated is 143,570 million ALL. The share of gross value added from trade activity from total value added is 10.8% in 2012. The table below shows the Contributions of NACE G to GDP.

Table 3-32: Section G, in ALL million, 2012

NACE	Description	Output	Intermediate Consumption	Gross Value Added		
				GVA	Structure	Per cent of GDP
45	Wholesale and retail trade and repair of motor vehicles and motorcycles	11,078	3,171	7,907	5.51	0.6
46	Wholesale trade, except of motor vehicles and motorcycles	139,559	56,016	83,543	58.19	6.3
47	Retail trade, except of motor vehicles and motorcycles	73,174	21,054	52,120	36.30	3.9
Total	Section G	223,810	80,240	143,570	100.00	10.8

Division 45 includes 5.51% of gross value added from total value added in 2012 of Section G. Divisions 46 generates 58.19% from total value added from trade, while divisions 47 include 36.30%. As it is shown in the table the major part of trade is covered by division 46.

3.14.2. *Data sources and methods*

The main data sources for observed economy in the wholesale and retail trade industry are the Structural Business Statistics (SBS), financial statements of individual companies and other administrative data sources.

3.14.3. *Output in data sources, corrections and adjustments*

The main part of output of this branch is trade margin. According to European system of accounts (ESA 2010) trade margin are defined as the difference between the actual or imputed sale price realized on a good purchased for resale, and the price that would have to be paid by the distributor to replace the good at the time it is sold or otherwise disposed of.

Data on turnover and the purchase value of sold goods for resale are shown separately in the basic national accounts sources and this allows direct estimation of trade margin. Exhaustiveness adjustments are necessary for small enterprises not reporting, producer deliberately not registering and underreporting of output.

Total output in Section G is estimated at ALL 223.810 million in year 2012 and include exhaustiveness adjustment for type N1, N6 and N7. The table below shows the figures from surveys and administrative records.

Table 3-33: Section G - Output, in ALL million, 2012

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
45-47	Section G	66,649	51,773	25,568	-	79,821	223,810

3.14.4. *Intermediate consumption in data sources, corrections and adjustments*

The table below shows the figures from surveys and administrative records of intermediate consumption:

Table 3-34: Section G - Intermediate consumption, 2012, in million ALL

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
45-47	Section G	24,535	21,952	6,483	6,227	21,043	80,240

Allocation of FISIM as the only conceptual adjustment has a value of ALL 6,227 million. In total intermediate consumption is estimated at ALL 80,240 in million. The same types of exhaustiveness adjustments are done for intermediate consumption as well.

3.15. Transportation and storage (NACE Rev. 2 Section H)

3.15.1. *Introduction*

This section includes the provision of passenger or freight transport, whether scheduled or not, by rail, pipeline, road, water or air and associated activities such as terminal and parking facilities, cargo handling, storage etc.

Included in this section is the renting of transport equipment with driver or operator. Also postal and courier activities are included since recently are becoming relatively more important as the population is increasing its online shopping.

The section is divided in three main groups as National Accounts believes that these are the most representative ones:

49 Land transport and transport via pipelines
50-52 Water and air transport; warehousing
53 Postal and courier activities

In 2012 this section accounted for 4.21 per cent of GDP. Gross valued added of this section is estimated at ALL 56.169 Million or 4.86 percent of the total of gross value added in 2012.

The table below shows the figures on output, intermediate consumption and gross value added in ALL millions and percentages of GVA and GDP for the year 2012:

Table 3-35: Section H, in ALL million, 2012

NACE	Description	Output	Intermediate Consumption	Gross Value Added		
				GVA	Structure	Per cent of GDP
49	Land transport and transport via pipelines	67.530	40.893	26.637	47,42	2,00
50-52	Water and air transport; warehousing	47.111	22.911	24.199	43,08	1,82
53	Postal and courier activities	10.167	4.834	5.333	9,50	0,40
Total	Section H	124.807	68.638	56.169	100	4.21

It has been a remarkable year for the water and air transport and warehousing as they have made a big increase in the structure of GVA from 38.35 percent in 2011 to 43.08 percent in 2012 due to a small reduction in the land transport and transport via pipelines activities.

The large contribution of transport comes from the tendency to a vast use of the private road transport. It constitutes 47.44 per cent of the Gross Value Added in the section with a contribution of 2 per cent in the Albanian GDP for the year 2012. On the other hand the railway transport is suffering a decrease of its volume of work in goods and in passengers, which has been a result of the competition between this kind of transport and road transport. Railway transport is subsidized by general government.

3.15.2. *Data sources and methods*

For enterprise, data sources (financial statements, annual business structure business, VAT file, and budget database from Ministry of Finances) methods are the same as for other industries.

3.15.3. *Output in data sources, corrections and adjustments*

Coverage in basic data sources is good for railway transport but is not good for other kind of transport (road transport and supporting transport activities) and adjustment for underreporting and misreporting is relatively higher for transport. The output of transport is estimated as other sections on industry and exhaustiveness adjustments are significant in this section for small enterprises and for non-reporting and underreporting of output.

Total output in Section H is estimated at ALL 124.807 million in year 2012 and includes exhaustiveness adjustment for type N1, N6 and N7. The table below shows the figures from surveys and administrative records.

Table 3-36: Section H - Output, in ALL million, 2012

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
49	Land transport and transport via pipelines	11.027	5.625	8.614	-	42.264	67.530
50-52	Water and air transport; warehousing	37.918	1.438	402	-	7.353	47.111
53	Postal and courier activities	2.627	238	4	-	7.298	10.167
Total	Section H	51.572	7.301	9.020	-	56.915	124.807

3.15.4. *Intermediate consumption in data sources, corrections and adjustments*

Conceptual corrections of intermediate consumption are standard and the same as for other sections and the total value is estimated at ALL 68.638 Million in 2012. Exhaustiveness adjustments are necessary for coverage of non-surveyed enterprises, misreporting and underreporting.

The table below shows the figures from surveys and administrative records of intermediate consumption:

Table 3-37: Section H - Intermediate consumption, 2012, in million ALL

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
49	Land transport and transport via pipelines	7.205	3.821	4.559	105	25.203	40.893
50-52	Water and air transport; warehousing	17.952	1.017	213	166	3.564	22.911
53	Postal and courier activities	824	72	2	10	3.926	4.834
Total	Section H	25.981	4.908	4.774	281	32.693	68.638

3.16. Accommodation and food service activities (NACE Rev. 2 Section I)

3.16.1. *Introduction*

This section includes the provision of short-stay accommodation for visitors and other travellers and the provision of complete meals and drinks fit for immediate consumption. The amount and type of supplementary services provided within this section can vary widely. The detail in section I (Accommodation and food service activities) has been increased to reflect the different nature and specialization of activities carried out.

This classification covers Divisions: 55 (Accommodation), 56 (Food and beverage service activities).

55 (Accommodation): This division includes the provision of short-stay accommodation for visitors and other travellers. Also included is the provision of longer term accommodation for students, workers and similar individuals

56 (Food and beverage service activities): This division includes food and beverage serving activities providing complete meals or drinks fit for immediate consumption, whether in traditional restaurants, self-service or take-away restaurants, whether as permanent or temporary stands with or without seating.

Public producers in this branch are homes for students and pupils which cover a part of their cost by general government financing. Total gross value added of this branch estimated is ALL 24,533 million. The share of gross value added from Accommodation and food service activities from total value added is 1.84% in 2012. The table below shows the Contributions of Section I to GDP.

Table 3-38: Section I, in ALL million, 2012

NACE	Description	Output	Intermediate Consumption	Gross Value Added		
				GVA	Structure	Per cent of GDP
55-56	Accommodation and food service activities	49,955	25,422	24,533	100.00	1.84

3.16.2. *Data sources and methods*

For accommodation and food services activities data sources (financial statements, annual business structure business, VAT file and other administrative data) and methods are the same as for other industries. For public non-market producer, general government data sources are provided by the Treasury Department of Ministry of Finances and the method used for estimation of output is cost method.

3.16.3. *Output in data sources, corrections and adjustments*

The main part of output of this branch is output for Accommodation and food service activities and this value is adjusted for change in inventories of goods and exhaustiveness adjustments are significant in this branch for small enterprises and for non-reporting and underreporting of output. Within these adjustments output is corrected for tips as well. The value of the output of the services of hotels, restaurants and cafes includes the value of the food, beverages, etc. consumed.

Total output of this branch is estimated at ALL 49 955 million in 2012.

Table 3-39 below shows the figures from surveys and administrative records.

Table 3-39: Section I - Output, in ALL million, 2012

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
55-56	Section I	8,126	10,208	15,693	-	15,927	49,955

3.16.4. *Intermediate consumption in data sources, corrections and adjustments*

Allocation of FISIM as the only conceptual adjustment has a value of 783 million ALL. In total intermediate consumption is estimated at ALL 25,422 in million for year 2012. The table below shows the figures from surveys and administrative records of intermediate consumption.

Table 3-40: Section I - Intermediate consumption 2012, in million ALL

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
55-56	Section I	4,662	6,150	7,745	783	6,082	25,422

3.17. Information and communication (NACE Rev. 2 Section J)

3.17.1. *Introduction*

This section includes the production and distribution of information and cultural products, the provision of the means to transmit or distribute these products, as well as data or communications, information technology activities and the processing of data and other information service activities.

The main components of this section are publishing activities (division 58), including software publishing, motion picture and sound recording activities (division 59), radio and TV broadcasting and programming activities (division 60), telecommunications activities (division 61), information technology activities (division 62) and other information service activities (division 63).

In the few last years, communication has been one of the most dynamic sectors in Albania. It has improved both in terms of diffusion on the territory and in the amount of information distributed throughout the country. This growth has been ensured as a result of increased investment rates in the fixed line telephone system, as well as the ever growing mobile market.

On January 2011, 3G network was launched for the first time in Albania which brought an increase in telecommunication market and so in all indicators.

This section is almost entirely dominated by communication corporations which represent a large part of total gross value added of communication in 2012.

Table 3-41: Section J, in ALL million, 2012

NACE	Description	Output	Intermediate Consumption	Gross Value Added		
				GVA	Structure	Per cent of GDP
58-60	Publishing, audio-visual activities	21.101	10.178	10.924	26	0,82
61	Telecommunications	77.670	50.421	27.249	65	2,04
62-63	IT and information service activities	6.195	2.634	3.561	9	0,27
Total	Section J	104.967	63.232	41.735	100	3.13

Gross valued added of this branch is estimated at ALL 41.735 million or 3.13 percent of the total GDP in 2012.

3.17.2. *Data sources and methods*

For enterprises data sources (financial statements, annual business structure business, VAT and social security files) methods are the same as for other industries.

For this section SBS data are more relevant as it is easy for these activities to be surveyed due to many large enterprises present in the market. Exhaustiveness adjustments are made as in other sections for enterprises for misreports and underreporting.

3.17.3. *Output in data sources, corrections and adjustments*

Total output of this section is estimated at ALL 104.967 million in 2012. Coverage in basic data sources is good and adjustment for underreporting and misreporting is relatively much lower than other sections.

Table 3-42: Section J - Output, in ALL million, 2012

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
58-60	Publishing, audio-visual activities	1.331	13.875	905	-	4.990	21.101
61	Telecommunications	58.392	3.717	4.217	-	11.345	77.670
62-63	IT and information service activities	2.793	1.917	230	-	1.256	6.195
Total	Section J	62.516	19.509	5.351	-	17.591	104.967

3.17.4. *Intermediate consumption in data sources, corrections and adjustments*

Conceptual corrections of intermediate consumption are standard and the same as for other sections and the total value is estimated at ALL 63.232 million in 2012.

Intermediate consumption to output ratio is at 60 percent which is relatively high, but the reason for that is related to services delivered between the companies itself and services provided from outside the country companies for example roaming and internet.

Table 3-43: Section J - Intermediate consumption, in ALL million, 2012

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
58-60	Publishing, audio-visual activities	769	5.957	477	218	2.757	10.178
61	Telecommunications	38.049	2.521	2.639	238	6.974	50.421
62-63	IT and information service activities	877	1.115	73	67	501	2.634
Total	Section J	39.694	9.593	3.190	522	10.233	63.232

3.18. Financial and insurance activities (NACE Rev. 2 Section K)

Financial Corporation's sector (S.12) (NACE Rev.2 Section K) consists of institutional units which are independent legal entities, market producers and whose principal activity is the production of financial services.

These institutional units are all corporations and quasi corporations which are principally engaged in:

- Financial intermediation (NACE 64);
- Insurance companies and pension funds (NACE 65);
- Auxiliary financial activities (NACE 66)

The current situation related to the classification of the financial sector from the available sources is shown in Table 3-44.

Table 3-44: Classification of financial sector in Albania

Activity code	Activity	Sub-Sector	Type of producer	Main sources
K.64	Financial service activities, except insurance and pension funds	S.121 S.122 S.125	Market & non-market	Quarterly profit and loss account, Monetary statistics, detailed structure of loans and deposits and accrued interest on loans and deposits, interbank loans and deposits, questionnaire on Bank of Albania expenditures. **All sources are available from Bank of Albania**
K.65	Insurance, reinsurance and pension funding	S.128	Market	Insurance Yearbook

3.18.1. *Financial service activities, except insurance and pension funds, (NACE 64)*

This division comprises Sub-sector 121 (Central Bank), Sub-sector 122 (Other deposit-taking corporations, except central bank) and Sub-sector 125 (other financial intermediaries, except insurance corporations and pension funds).

3.18.1.1. Sub-sector 121 (Bank of Albania)

This sub-sector comprises: the national central bank, including where it is part of a system of central banks; currency boards or independent currency authorities that issue national currency fully backed by foreign exchange reserves; and central monetary agencies of essentially public origin (for example, agencies managing foreign exchange or issuing banknotes or coins) that keep a complete set of accounts but are not classified as part of central government.

In the case of Albania in these subsector is included the Central Bank of Albania. Following ESA 2010 methodology, the output for this subsector is calculated as Non-market output (P.132), thus as sum of costs.

Data sources:

- Quarterly questionnaire that retrieves data on: Intermediate consumption (P.2), Wages and salaries (D.11) and Depreciation (K.1)

Table 3-45 reflects the results of S.121 for the year 2012:

Table 3-45: S.121results, in ALL million

S.121	Non-market output	Intermediate consumption	Gross value added
	1,744	640	1,104

3.18.1.2. Sub-sector 122 (Other deposit-taking corporations, except central bank)

In this sub-sector are included the financial institutions that have financial intermediation as their principal activity. They incur liabilities in the form of deposits or financial instruments that are close substitutes for deposits. In general, this sub-sector comprises commercial banks, universal banks, all-purpose banks, savings banks (including trustee savings banks and savings and loan associations), post office giro institutions, post banks, giro banks, rural credit banks, agricultural credit banks, cooperative credit banks, credit unions, and specialized banks or other financial corporation's if they take deposits or issue liabilities included in the national definition of broad money. There are two types of financial services;

a. Financial services provided in return for explicit charges;

b. Financial services provided in association with interest charges on loans and deposits which is recorded as FISIM;

This sub-sector comprises all commercial banks operating in Albania.

Data sources:

- Quarterly profit and loss account
- Detailed structure of loans and deposits for sub-sectors S.122 and S.125 by currency and accrued interest on loans and deposits by currency, each divided in institutional sector users
- Monetary Statistics
- Inter-bank loans and deposits
- Loans to households by district and purpose
- Loans by economic activity
- Monthly interest rates on loans and deposits

Methodology and estimation techniques:

The output of this subsector is calculated explicitly and implicitly

- Market output (Explicit)= Income from fees and commissions + other operating income (margins on trading securities)
- FISIM (Implicitly)= FISIM on loans + FISIM on deposits
- Intermediate Consumption= Commission expenses + other administrative expenses

Table 3-46 reflects the results of S.122 including FISIM, for the year 2012:

Table 3-46: S.122 results, in ALL million

S.122	Output	Intermediate consumption	Gross value added
	39,483	14,369	25,114

FISIM (P.119)

The new calculations of FISIM were performed for subsectors S.122 (deposit-taking corporations except the central bank) and S.125 (other financial intermediaries, except insurance corporations and pension funds). According to 1993 SNA (Para 6.134), the money lenders who lend their own funds do not generate output since they do not engage in financial intermediation activity.

This treatment, however, was revisited in 2008 SNA, in which no exclusion is made for lending of own funds, and a service charge including FISIM associated with lending is recognized as an output (2008 SNA, Para 17.251). **Following 2008 SNA and 2010 ESA, FISIM was not calculated for the central bank.**

The total FISIM was calculated as the sum of the bank interest income on loans less the ESA interest on the same loans plus the ESA interest on deposits less the bank interest expenditures on the same deposits. Exports of FISIM were estimated using the external interbank reference rate, for loans granted to non-residents (excluding FIs) and for deposits of non-residents (excluding FIs).

Various source data; mostly monthly, published on Bank of Albania website were utilized. Since bank interest is reported with no additional detail, these detail were reconstructed based on the stock data by sector and maturity and detailed effective interest rates using the following compound interest formula:

$$\text{Interest income} = PV((1+i)^n - 1)$$

Where:
PV – stock of relevant instrument for previous month
i - Annual interest rate for current month
n=1/12 (one month of the year)

The **internal reference rate** was used to calculate FISIM of the resident financial intermediaries by resident user institutional sector. The internal reference rate was calculated as weighted average of rates on interbank loans and deposits using compound interest formula based on interest receivable on bank placements (assets) and interest payable on interbank placements (liabilities).

$$i = \left(\frac{I}{PV} + 1\right)^{4} - 1$$

Where:
i - Annual interest rate for current quarter,
PV – stock of relevant instrument for previous month
I - Interest income in banks' placements

The **external reference rate** was calculated for estimates on export and import of FISIM. The reference rate used is the average interbank rate weighted by the level of stocks of loans and deposits between resident financial intermediaries and non-resident financial intermediaries. Since most of interbank deposits are with non-resident banks and in EUR, the resulted ERR rate on deposits is validated against interbank reference rate within the Economic and Monetary Union: **Euribor®** (Euro Interbank Offered Rate).

FISIM allocation

The allocation of FISIM was not performed before. Based on available data on stocks of ODCs and OFI loans by sector, activity and by type, the FISIM allocation to various users was performed following 2008 SNA and ESA 2010 (Para. 14.15), as follows:

a. For final consumption of households and intermediate consumption of non-market producers such as, Government, households as final consumers.
b. For intermediate consumption of market producers (non-financial corporation's at the level of NACE 2 digit activity, other financial corporations, households as owners of dwellings.
c. Exports.

The FISIM charges relating to interest payments on the mortgage loans were treated as part of the intermediate consumption of the production activity associated with renting the property (either for use by the owner or by a tenant), following 2008 SNA, Para. 24.58.

For final consumption of households and intermediate consumption of non-market producers consists of FISIM on:

(i) Government.

A. S.122 FISIM on government loans +

B. S.122 FISIM on government deposits +

C. S.125 FISIM on government loans

(ii) Households as final consumer

A. S.122 FISIM on HH consumer loans +

B. S.122 FISIM on deposits +

C. S.125 FISIM on HH consumer loans +

D. S.125 FISIM on HH deposits

For intermediate consumption of market producers the FISIM was allocated to the following constituencies:

i) Non-financial corporation

A. S.122 FISIM on NFC loans +

B. S.122 FISIM on NFC deposits +

C. S.125 FISIM on NFC loans+

ii) FISIM for other financial corporations

A. S.122 FISIM on NFC loans +

B. S.122 FISIM on NFC deposits

iii) Households as owners of occupied dwellings

A. S.122 FISIM on HH loans *share of mortgage loans in total loans to HH +

B. S.125 FISIM on HH loans *share of mortgage loans in total loans to HH

Table 3-47 reflects the results of FISIM and its allocation to among institutional sector users, for the year 2012:

Table 3-47: FISIM results and allocation, in ALL million

User institutional sectors	Average stock of loans	Accrued interest income value on loans	IRR&ERR interest income value on loans	FISIM on loans	Average stock of deposits	Accrued interest expenditure value on deposits	IRR&ERR interest expenditure value on deposits	FISIM on deposits	TOTAL FISIM
Other financial corporation's	10,320	823	388	435	9,120	195	320	125	560
Government	1,555	131	44	87	6,799	229	297	68	155
Public non-financial corporation's	20,876	1,690	810	880	14,890	628	722	93	974
Other non-financial corporation's	369,961	29,153	13,063	16,090	87,333	2,813	3,318	505	16,595
Household sector	141,418	13,854	5,681	8,173	811,964	29,678	34,113	4,435	12,627
Rest of the World	21,006	1,504	322	1,182	15,876	288	322	34	1,197

Table 3-48 reflects the further split of the household sector as; Final consumers and owner of occupied dwellings:

Table 3-48: FISIM of household sector, in ALL million

Household sector:	12,627
As Final consumers	7,945
As owner of occupied dwellings	4,682

The allocation of FISIM among user activities aggregation was based on the stocks of loans of each industry. Since attribution of loan stocks to activities was available from Bank of Albania only at aggregated level, further split into NACE rev.2 at division level was done based on the output of each industry.

Table 3-49 reflects the allocation of FISIM as intermediate consumption, among user activities.

Table 3-49: FISIM allocation among user activities, in ALL million

GDP PRODUCTION APPROACH	Level of Details	Allocation of FISIM
Industries	**A21**	
Agriculture, forestry and fishing	A	285
Mining and quarrying	B	352
Manufacturing	C	2,375
Electricity, gas, steam and air conditioning supply	D	1,406
Water supply; sewerage, waste management and remediation activities	E	627
Construction	F	3,113
Wholesale and retail trade; repair of motor vehicles and motorcycles	G	6,227
Transportation and storage	H	281
Accommodation and food service activities	I	783
Information and communication	J	522
Financial and insurance activities	K	560
Real estate activities	L	15
Professional, scientific and technical activities	M	80
Administrative and support service activities	N	63
Public administration and defence; compulsory social security	O	155
Education	P	241
Human health and social work activities	Q	213
Arts, entertainment and recreation	R	372
Other service activities	S	457
Activities of households as employers; undifferentiated goods- and services- producing activities of households for own use	T	1
Total		**18,129**

3.18.1.3. Sub-sector 125 (Other financial intermediaries except insurance corporations and pension funds)

Other financial intermediaries except insurance corporations and pension funds (OFI) data are included in GDP estimates. Quarterly income statement data for OFI are sent from the Bank of Albania.

Based on these data the quarterly OFI output and GVA are estimated. Their output is measured in the same way as output of S.122 that is measured directly (charges and fees, commissions, margins on the trading of securities and foreign exchange) and financial intermediation services indirectly measured (FISIM), which is incorporated in S.122 because data on stock of loans and deposits are reported together (S.122+S.125).

Table 3-50 reflects the results for Sub-sector 125 for the year 2012:

Table 3-50: S.125 results, in ALL million

S.125	Output	Intermediate consumption	Gross value Added
	3,280	1,445	1.835

3.18.2. *Insurance, reinsurance, and pension funding, except compulsory social security (NACE 65)*

For life and non-life insurance, only annual selected data from Albanian Financial Supervisory Authority (AFSA) are available.

Life and non-life insurance output is defined as premiums earned plus premium supplements less expected claims. Premiums earned include gross premiums written plus gross change in the provision for unearned premiums. Gross premiums written include premium for direct insurance plus rendered reinsurance premiums (currently not split in available data). In addition, output includes income from services for ancillary insurance services performed.

Premium supplements represent income earned on the technical reserves of non-life insurance corporations. Technical reserves consist of unearned premiums (most premiums are paid for a full year in advance) and unpaid claims (which arise because of delays in finalizing the payment of claims). Premium supplements do not include any income from investment of insurance corporations' own funds.

Gross claims incurred include gross claims paid plus gross change in the provision for outstanding claims. Gross claims paid include both claims paid for direct insurance and for rendered reinsurance and exclude claims paid by reinsurers.

The value of reinsurance services purchased, commissions payable to agents, and other expenditure on goods and services are intermediate consumption of direct insurance company. The value of reinsurance services purchased is calculated as premiums ceded to reinsurer minus clams received from reinsurer (gross claims paid by reinsurers are recorded as negative value on expenditure side).

Cost of claim in income statement includes costs pertaining to payment of claims, which are treated as claims management expenses, excluded from output, and included in IC.

For pension funds no data is available.

Table 3-51 reflects the results of Sub-sector 128 for the year 2012.

Table 3-51: S.128 results, in ALL million

S.128	Output	Intermediate consumption	Gross value added
	6,187	1,547	4,640

3.19. Real estate activities (NACE Rev. 2 Section L)

3.19.1. *Introduction*

This section includes acting as lessors, agents and/or brokers in one or more of the following: selling or buying real estate, renting real estate, providing other real estate services such as appraising real estate or acting as real estate escrow agents.

Activities in this section may be carried out on own or leased property and may be done on a fee or contract basis. Also included is the building of structures, combined with maintaining ownership or leasing of such structures.

Activities included under this section are the followings:

- Buying and selling of own real estate;
- Renting and operating of own or leased real estate;
- Real estate activities on a fee or contract basis;

This class excludes development of building projects for sale.

Under section L are included as well estimates of services to owner occupied dwellings which is a national accounts concepts. The method of estimations and data sources are different from other real estate activities. In the

Table 3-52 are given the data of output, intermediate consumption and value added for section L by distinguishing real estate activities and services on owner occupied dwellings.
Gross valued added of this section in 2012 is estimated at ALL 79.883 million or 6.92 percent of the total of gross value added by economic activities including imputed rent. Gross value added of Section L Real estate, renting and business activities in 2012 made a contribution of 5.99 per cent to GDP.

The table shows the main indicator for real estate activities and imputed rent, their structure and the contribution made to GDP by them.

Table 3-52: Section L, in ALL million, 2012

NACE	Description	Output	Intermediate Consumption	Gross Value Added		
				GVA	Structure	Per cent of GDP
L	Real estate activities	9.002	4.156	4.846	6,07	0,36
_L	Imputed rent	84.836	9.800	75.037	93,93	5,63
Total	Section L	93.838	13.956	79.883	100	5,99

3.19.2. *Real estate activities*

This paragraph is going to be referred only to real estate activities and does not include the imputed rent which is explained in details in paragraph 3.19.3.

3.19.2.1. Data sources and methods

The main data sources for observed economy in the real estate activities are the Structural Business Statistics (SBS), financial statements of individual companies and other administrative sources. Gross value added of trade is estimated using data from the different sources mentioned above. To see the distribution of output and intermediate consumption for the activity of trade by these sources, refer to the following tables.

3.19.2.2. Output in data sources, corrections and adjustments

Total output of this industry is estimated at ALL 9.002 million in 2012. Conceptual output adjustments for real estate activities are standard as for other sections. In real estate activities exhaustiveness adjustment are significant particularly for types N1 and N6. Total Output of Section L structured by data source and adjustment are shown in the table below.

Table 3-53: Section L - Output, in ALL million, 2012

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
68	Section L	2.409	3.442	636	0	2.515	9.002

3.19.2.3. Intermediate consumption in data sources, corrections and adjustments

The value of intermediate consumption is estimated at ALL 4.156 million and conceptual and exhaustiveness adjustments of intermediate consumption for real estate activities are made.

Total Intermediate Consumption of Section L structured by data source and adjustments are represented in the table below.

Table 3-54: Section L - Intermediate consumption, in ALL million, 2012, million ALL

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
68	Section L	1.170	1.568	268	15	1.134	4.156

3.19.3. *Imputed rent*

The standard procedure recommended in the SNA for estimating services of owner-occupied dwellings (OOD) is to assume that the rents that would be paid are the same as the rents actually paid for similar dwellings. Thus, the 2008 SNA recommends that the output of owner-occupied dwellings should be derived either by the rental equivalence approach, where the HBS question is on the envisaged rent that a tenant would have paid for the same type of accommodation. However, in Albania this standard procedure would not give plausible result, since actual paid rent is not representative of the phenomena. This is because (i) privately rented dwellings constitute less than 10 percent of the total dwelling stock by number; (ii) rented property are mainly properties in Tirana and coastal areas, thus rented dwellings are not evenly distributed over all parts of the country.

Under these certain and specific circumstances, the COMMISSION REGULATION (EC) No 1722/2005 recommends to apply an alternative approach called User Costs-Approach (UCA), where the output is valued by the total production costs incurred, such as:

Rental OOD = Intermediate Consumption (P2) + Other Taxes on Production (D29) + Consumption of Fixed Capital (K1) + Nominal Operating Surplus (B2)

The benchmark estimates were performed by applying this method to the newly available data from 2011 Census of Population and administrative data on prices. Proper implementation of UCA requires a large set of different data sources useful for each component that has to be integrated in the calculations. Where there were imputations rather than measurements, they were generally based on standardized assumptions to ensure comparability of results with other countries.

3.19.3.1. Data sources and methods

Expenditure on maintenance and repair of owner-occupied dwellings: Household budget survey 2009 (HBS). The questionnaire includes a set of questions related to the dwelling stock, expenditures on routine maintenance and repair of main and secondary dwellings, etc. that have been used as one of the main data sources for the estimation of intermediate consumption. In HBS, two COICOP classes are taken: (i) Class: 04.3.1 - Materials for the

maintenance and repair of the dwelling; (ii) Class: 04.3.1 Services for the maintenance and repair of the dwelling. The following basic information is classified according to twelve (12) prefectures:

- Total ordinary maintenance and repair of main dwellings,
- Total ordinary maintenance and repair of secondary dwellings.

The last HBS data were for year 2009 and revised with the new weights of population from Census of Population and Dwellings 2011. The total costs for maintenance and repair of owner-occupied dwellings for year 2011 are obtained by extrapolating the estimation of year 2009 with the value index of intermediate consumption 2011/2009 of small enterprises that operate in construction activities. The result of this item in total output of housing services was analyzed considering the fact that these expenditures may considerably vary by regions. In the neighbouring countries this share fluctuates around 10-15 percent.

Net insurance premiums paid by owners: Albanian Financial Supervisory Authority (Annual Report). The data for gross insurance premiums paid on dwellings and claims paid to owners are taken from AMF, in order to calculate insurance services as part of total intermediate consumption, according to the method set up by the OECD. The current calculations include premium supplements, which are the investment income on technical reserves (the share of premium supplements to gross premium earned is obtained from the output estimates from production approach).

The basis of data were new INSTAT calculations of insurance output, in which premium supplements were included, but reinsurance output was excluded specifically for imputed rent calculations. Since there were no separate data on house itself and on goods, the share was applied (proportion to the values of house and value of house goods). The imports of insurance services for dwelling are not phenomena in Albania.

FISIM: Intermediate consumption includes Financial Intermediation Services Indirectly Measured (FISIM) in accordance with Council Regulation (EC) No 448/98 (1). It was based on new FISIM calculations implemented by INSTAT. This includes intermediate consumption of households in their capacity as owners of dwellings in relation to dwelling loans.

Table 3-55 provides an explicit list of the items included in intermediate consumption in dwelling services with the results for year 2011 (in million ALL).

Table 3-55: Items of intermediate consumption

UCA	**Estimating expenditure on owner-occupied dwelling services**	**2011**
Item No.	**Description of item**	
UC (01)	Expenditure on maintenance and repair of (OOD)	**4,520**
UC (02)	Gross insurance premiums paid by (OOD)	1,134
UC (03)	Insurance claims paid to owners (minus)	231
	Premium Supplements	*78*
	FISIM on mortgages	*4,283*
UC (04)	Net insurance premiums paid by owners. (UC02)-(UC03)+ Premium Supplements + FISIM	**5,266**
UC (05)	***Total intermediate consumption. (UC01)+(UC04)***	**9,785**

The total value of intermediate consumption for year 2012 is 9,800 million ALL.

Other taxes on production: Ministry of Finance (MoF). Data on the value of property tax by type of tax and classified by prefectures are available separately since this category consists of two type taxes: taxes paid by owners on the value of owner occupied dwelling (tax levied on dwelling) and taxes paid by owners on the value of owner occupied dwelling associated land (tax levied on land). Moreover, data are provided on subsidies for owner occupiers (e.g., when government assistance regarding mortgage payments, etc) which are considered as negative taxes.

Consumption of fixed capital of owner occupied dwellings: The commonest way for estimating the net stock of a capital asset is the perpetual inventory method (PIM). Countries that estimate stock of dwelling by using PIM have already estimates of CFC, others that don't do so (case of Albania) uses alternative method. To calculate consumption of fixed capital, the estimated value of the stock of owner occupied dwellings excludes the value of the land on which the dwellings are situated since there is no consumption of fixed capital for land. It was assumed that the construction costs (excluding the value of the land) of similar dwellings across Albania are likely to be the same.

Information on the dwelling stock for twelve prefectures in Albania (urban/rural), by dividing urban area in two types of dwellings (houses and apartments) has been compiled from Census data. Since Census was conducted in October 2011, we can assume that it produces the mid-year stocks of dwellings, thus no growth adjustments are made to reported data.

Number of owner-occupied dwellings in the middle of current year is based on Census 2011 data and actually there are included conventional dwellings according tenure status of household:

- Owner with legal act of ownership, no mortgage or loan,
- Owner with legal act of ownership, paging mortgage or loan,
- In process of acquiring legal act,
- Occupant (free of rent).

Since the current stock of dwellings looked a little underestimated, it was proposed to split up the part of non-response according area and type of dwelling. To make the new number of dwelling the floor areas correspond, shares are used.

Furthermore, with the information available it was possible to calculate *the gross capital stock of dwellings* in Albania, including the value of land, at the beginning of 2011, in 2011 average prices by multiplying each type of dwelling with its estimated market price in 2011. In other words, the gross capital stock values of each dwelling as if they were new in 2011. In order to calculate *the net capital stock of dwellings* excluding land in 2011, at 2011 average prices, it is necessary to remove cumulative depreciation from gross capital stock. Total depreciation for any given dwelling will differ depending on its age. Calculations for (A) - average age of dwelling are based on Census 2011 data, stratified by the year of construction, prefecture, type of dwellings (detached house, semi - detached house, row (or terraced) house, apartment building).

The net capital stock of all dwellings, excluding land, in Albania at the end of 2011 is estimated as the value of all net capital stock of dwelling excluding land built in 2011 (GFCF) plus the value of the net capital stock excluding land at the beginning of 2011 minus any depreciation that occurs during 2011.

3.19.3.2. Methodological adjustments

The analytical process during theoretical and practical application of this method helped to highlight the strengths of the available information and on the other hand stressed some complex problems. In order to continue the estimations, it was necessary to make the following assumptions, with the approval and recommendations of experts too:

1. **The average service life of dwellings (L) – 70 years**, was used as an average of the age of demolished dwellings both for urban and rural areas. For average service life for dwelling (L) experts' assessment and data from neighbouring countries were considered. In European countries, service life varies between 50-90 years. The number of years that dwellings of different types, in different areas are expected to remain in use from the year of construction until they are demolished needs to be

determined by Census. Since it effectively determines the depreciation rate of 1.6 / (average service life), it must be considered as an important assumption.

2. The recommended **(D)-"declining balance factor" (1.6)** was used in the calculation consumption of fixed capital. "Declining balance rate" is usually assumed to lie between 1 and 3 but for dwellings in Europe, a value of 1.6 seems to provide a plausible pattern of consumption of fixed capital (CFC).
3. Net operating surplus is imputed using the opportunity cost principle; i.e., the net operating surplus is imputed on the basis of what owner occupiers could have earned on alternative investments is estimated by applying the assumed nominal rate of return to the value of the net stock of dwellings and associated land. After several estimations for finding the best rate of return, a common agreement on the application of a fixed **standard annual rate of return**, namely **2.5%** was accepted. This kind of assumption is done especially for countries that have financial markets that are less developed, not very well established and not widely used. Thus, the estimated rate within the range of 1.5-2.5 is a safe assumption.
4. Since it was agreed to take all the data by prefecture level (also detailed in urban and rural areas), the main difficulty in applying the User Cost method so far has to do with prices of new dwellings and existing ones, and in particular with those of land used exclusively for construction. The reason for this seems to be closely related to the diversity that our country represents. This breakdown is important because dwelling prices depend particularly on location. The *market* prices of dwellings for 2011 for rural and urban area by prefecture and type of dwelling are adjusted by:

    a) ***Quality adjustments factors*** of basic amenities such as: heating system, inside water supply system, toilette, etc based on the available data from 2011 Population Census.
    b) ***Using some factor prices*** to distinguish urban/rural area, houses/apartments. The price/value of land underlying dwellings was excluded from the value of capital stocks. The price of land was defined as a fixed share of the value of the dwellings located on it by prefectures and type of dwellings based on expert assessment, where it was assumed that land values represent about one-third of the value of the dwelling itself.

Table 3-56: Factor price on dwelling and land

Prefectures	Urban		Rural	Land
	House	Apartment		
Factor price	1	0.9	0.5	0.3

Table 3-57: User Cost Approach, year 2011

Year 2011		
Item No.	**Item description**	**Value in million ALL**
UC (05)	IC	9,785
UC (08)	Taxes	3,072
UC (09)	CFC	24,576
UC (14)	NOS	38,401
UC (15) = (UC 05) + (UC 08) + (UC 09) + (UC 14)	**Expenditure on owner-occupied dwelling services**	**75,834**

3.19.3.3. Actual Rent 2011

Actual rent for dwellings is estimated for the following categories:

- Dwellings rented at non-market prices (from Local Government)
- Dwellings rented at market prices (private dwellings).

The estimations are done for twelve prefectures in Albania on the basis of Census of Population 2011 from which are used data about the number of dwelling stock in which live subtenants in physical person property and dwelling stock in which live subtenants in others kind of properties. The data source for the value of annual expenditures (prices) per dwelling for dwelling stock is Household Budget Survey 2009 (HBS). To obtain the prices of the dwellings that are actually rented for year 2011, CPI is used. The total value of rent for year 2011 is 83,498 million ALL.

Table 3-58: Actual rent, 2011

Actual Rent	Dwellings rented at market prices	Dwellings rented at non-market prices	Rent price	Rent market	Rent non-market	Total Actual Rent
Total	41,248	3,591	1,428	7,223	440	7,663

3.19.3.4. Estimation on owner-occupied dwelling services for year 2012

For moving forward to the estimates for year 2012, in the framework of the project activities IPA 2012, statistics of building permits were used to update the estimated stock of dwellings. For the prices of dwellings in 2012 was used the same data source as for the previous year.

Table 3-59 provides a summary of major findings for the total expenditure on owner occupied dwellings services by the User Cost Approach for year 2012. The total value of actual rent for year 2012 is 7,786 million ALL.

Table 3-59: User Cost Approach

Year 2012		
Item No.	**Item description**	**Value in million ALL**
UC (05)	IC	9,799
UC (08)	Taxes	3,127
UC (09)	CFC	25,023
UC (14)	NOS	39,099
UC (15) = (UC 05) + (UC 08) + (UC 09) + (UC 14)	**Expenditure on owner-occupied dwelling services**	**77,050**

3.20. Professional, scientific and technical activities (NACE Rev. 2 Section M)

3.20.1. *Introduction*

This section includes specialised professional, scientific and technical activities. These activities require a high degree of training, and make specialised knowledge and skills available to users.

Section M "Professional, Scientific and Technical Activities" is composed of 7 different activities codes which are as follows:

69 Legal and accounting activities

This division includes legal representation of one party's interest against another party, whether or not before courts or other judicial bodies by, or under supervision of, persons who are members of the bar, such as advice and representation in civil cases, advice and representation in criminal actions, advice and representation in connection with labour disputes.

It also includes preparation of legal documents such as articles of incorporation, partnership agreements or similar documents in connection with company formation, patents and copyrights, preparation of deeds, wills, trusts, etc. as well as other activities of notaries public, civil law notaries, bailiffs, arbitrators, examiners and referees.

It also includes accounting and bookkeeping services such as auditing of accounting records, preparing financial statements and bookkeeping.

70 Activities of head offices; management consultancy activities;

This division includes the provision of advice and assistance to businesses and other organisations on management issues, such as strategic and organisational planning; financial planning and budgeting; marketing objectives and policies; human resource policies, practices, and planning; production scheduling; and control planning. It also includes the overseeing and managing of other units of the same company or enterprise, i.e. the activities of head offices.

71 Architectural and engineering activities; technical testing and analysis;

This division includes the provision of architectural services, engineering services, drafting services, building inspection services and surveying and mapping services. It also includes the performance of physical, chemical, and other analytical testing services.

72 Scientific research and development;

This division includes the activities of three types of research and development: 1) basic research: experimental or theoretical work undertaken primarily to acquire new knowledge of the underlying foundations of phenomena and observable facts, without particular application or use in view, 2) applied research: original investigation undertaken in order to acquire new knowledge, directed primarily towards a specific practical aim or objective and 3) experimental development: systematic work, drawing on existing knowledge gained from research and/or practical experience, directed to producing new materials, products and devices, to installing new processes, systems and services, and to improving substantially those already produced or installed.

73 Advertising and market research;

This division includes the creation of advertising campaigns and placement of such advertising in periodicals, newspapers, radio and television, or other media as well as the design of display structures and sites.

74 Other professional, scientific and technical activities;

This division includes the provision of professional scientific and technical services (except legal and accounting activities; architecture and engineering activities;

technical testing and analysis; management and management consultancy activities; research and development and advertising activities).

75 Veterinary activities.

This division includes the provision of animal health care and control activities for farm animals or pet animals. These activities are carried out by qualified veterinarians in veterinary hospitals as well as when visiting farms, kennels or homes, in own consulting and surgery rooms or elsewhere. It also includes animal ambulance activities.

Gross value added of Section M: Legal and accounting activities; management consultancy activities, professional services, in 2012 made a contribution of 1.66 per cent to GDP. The share of gross value added was 1.92 per cent. Scientific research and development; other professional, scientific and technical activities, made a contribution to GDP of 0.46 per cent. The share of gross value added was 0.53 per cent.

The main estimations for the section for the year 2012 are shown in the table below.

Table 3-60: Section M, in ALL million, 2012

NACE	Description	Output	Intermediate Consumption	Gross Value Added		
				GVA	Structure	Per cent of GDP
69-71	Legal and accounting activities; management consultancy activities.	40.761	18.617	22.144	78	1.66
72-75	Scientific research and development; other professional, scientific and technical activities.	14.052	7.928	6.124	22	0.46
Total	Section M	54.813	26.545	28.268	100	2.12

Legal and accounting activities; management consultancy activities constitute 78% of the Section, while scientific research and development and other professional, scientific and technical activities 22% of the section.

3.20.2. *Data sources and methods*

For business activities and government producers (research and development institutions), data sources are the same as for other sections (financial statements, annual structure business survey, VAT file, etc).

3.20.3. *Output in data sources, corrections and adjustments*

Total output of this industry is estimated at ALL 54.813 million in 2012. Conceptual output adjustments for business activities are standard as for other sections. In business activities exhaustiveness adjustment are significant particularly for producer deliberately not registering and misreporting. Total Output of Section M structured by data source, adjustments applied and industry on two digit level is given in the following table.

Table 3-61: Section M - Output, in ALL million, 2012

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
69-71	Legal and accounting activities; management consultancy activities.	5.426	17.276	2.369	0	15.690	40.761
72-75	Scientific research and other scientific and technical activities.	2.773	4.460	1.211	0	5.609	14.052
Total	Section M	8.199	21.736	3.580	0	21.299	54.813

The output of Section M is estimated as other sections on industry and exhaustiveness adjustments are significant in this section for small enterprises and for non-reporting and underreporting of output.

3.20.4. *Intermediate consumption in data sources, corrections and adjustments*

Intermediate Consumption from basic data sources is corrected by conceptual adjustments and exhaustiveness adjustments. Intermediate consumption conceptual adjustments are standard and the same as for other industries. Exhaustiveness adjustments are necessary for coverage of non-registered enterprises, misreporting and underreporting. Allocation of FISIM as the only conceptual adjustment has a value of ALL 80 million. In total intermediate consumption is estimated at ALL 26,545 million in 2012. The table below shows the figures from surveys and administrative records, as well as the adjustments of Intermediate Consumption for Section B.

Table 3-62: Section M - Intermediate consumption, in ALL million, 2012

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
69-71	Legal and accounting activities; management consultancy activities.	2.243	8.068	1.067	60	7.179	18.617
72-75	Scientific research and other scientific and technical activities.	2.039	2.109	674	20	3.086	7.928
Total	Section M	4.282	10.177	1.741	80	10.265	26.545

3.21. Administrative and support service activities (NACE Rev. 2 Section N)

3.21.1. *Introduction*

This section includes a variety of activities that support general business operations. These activities differ from those in section M, since their primary purpose is not the transfer of specialised knowledge.

77 Rental and leasing activities

This division includes the renting and leasing of tangible and non-financial intangible assets, including a wide array of tangible goods, such as automobiles, computers, consumer goods, and industrial machinery and equipment, to customers in return for a periodic rental or lease payment. It is subdivided into:

(1) the renting of motor vehicles,
(2) the renting of recreational and sports equipment and personal and household equipment,
(3) the leasing of other machinery and equipment of the kind often used for business operations, including other transport equipment (operational leasing) and,
(4) the leasing of intellectual property products and similar products.

78 Employment activities

This division includes activities of listing employment vacancies and referring or placing applicants for employment, where the individuals referred or placed are not employees of the employment agencies, supplying workers to clients' businesses for limited periods of time to supplement the working force of the client, and the activities of providing other human resources.

79 Travel agency, tour operator and other reservation service and related activities

This division includes the activity of agencies, primarily engaged in selling travel, tour, transportation and accommodation services to the general public and commercial clients and the activity of arranging and assembling tours that are sold through travel agencies or directly by agents such as tour operators; and other travel-related services including reservation services. The activities of tourist guides and tourism promotion activities are also included.

80 Security and investigation activities

This division includes security-related services such as: investigation and detective services; guard and patrol services; picking up and delivering money, receipts, or other valuable items with personnel and equipment to protect such properties while in transit; operation of electronic security alarm systems, such as burglar and fire alarms, where the activity focuses on remote monitoring these systems, but often involves also sale, installation and repair services. If the latter components are provided separate, they are excluded from this division and classified in retail sale, construction etc.

81 Services to buildings and landscape activities

This division includes the provision of a number of general support services, such as the provision of a combination of support services within a client's facilities, the interior and exterior cleaning of buildings of all types, cleaning of industrial machinery, cleaning of trains, buses, planes, etc., cleaning of the inside of road and sea tankers, disinfecting and exterminating activities for buildings, ships, trains, etc., bottle cleaning, street sweeping, snow and ice removal, provision of landscape care and maintenance services and provision of these services along with the design of landscape plans and/or the construction (i.e. installation) of walkways, retaining walls, decks, fences, ponds, and similar structures.

82 Office administrative, office support and other business support activities includes the provision of a range of day-to-day office administrative services, as well as ongoing routine business support functions for others, on a contract or fee basis.

Gross value added for Section N: Administrative and support service activities, in 2012 made a contribution of 1.77 per cent to GDP. The share of gross value added was 2.04 per cent of Total GVA.

The table below shows the figures on output, intermediate consumption and gross value added in ALL millions and percentages of GVA and GDP for the year 2012.

Table 3-63: Section N, in ALL million, 2012

NACE	Description	Output	Intermediate Consumption	Gross Value Added		
				GVA	Structure	Per cent of GDP
77-82	Administrative and support service activities	46.119	22.542	23.578	100	1.77

Major contribution in the section N gives division 80 security and investigation activities and division 82 offices administrative, office support and other business support activities which both accounts for almost 75 per cent of the gross value added in this section. Security and investigation activities give the highest contribution in the section as demand for such services has increased rapidly over the years.

3.21.2. *Data sources and methods*

For business activities and government producers, data sources are the same as for other sections (financial statements, annual structure business survey, VAT file, etc).

3.21.3. *Output in data sources, corrections and adjustments*

Total output of this industry is estimated at ALL 46.119 million in 2012. Conceptual output corrections for those activities are standard as for other sections. Exhaustiveness adjustments are significant particularly for producer deliberately not registering and misreporting. in this section. Total Output of Section N structured by data source and adjustments are given in table below.

Table 3-64: Section N - Output, in ALL million, 2012

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
77-82	Section N	9.700	14.723	1.998	0	19.698	46.119

3.21.4. *Intermediate consumption in data sources, corrections and adjustments*

Intermediate consumption conceptual adjustments are standard and the same as for other industries. Exhaustiveness adjustments are necessary for coverage of non-surveyed enterprises, misreporting and underreporting.

The final value of intermediate consumption is thus estimated at ALL 22.542 million in 2012. Total Intermediate Consumption of Section M structured by data source, adjustments applied and industry on two digit level. In the following table are presented the data for year 2012.

Table 3-65: Section N - Intermediate consumption, in ALL million, 2012

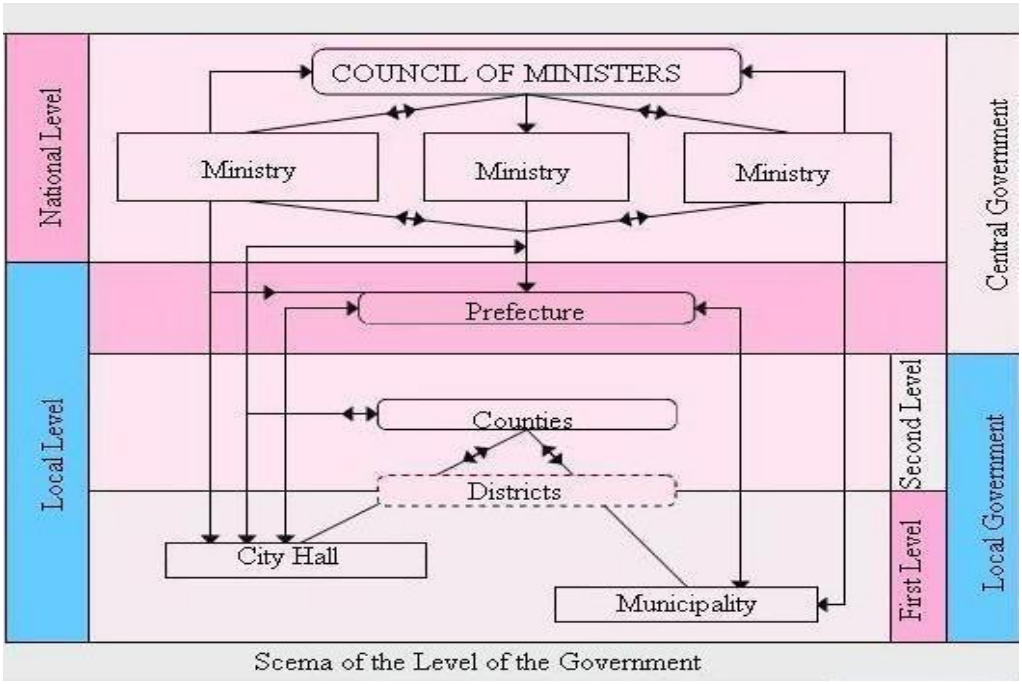
NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
77-82	Section N	4.006	6.740	903	63	10.829	22.542

3.22. Public administration and defence; compulsory social security (NACE Rev. 2 Section O)

3.22.1. *Introduction*

Activity of Public administration, defence, compulsory social security is performed only by general government units. The Government in Albanian Approach is divided into two parts: Central government and Local government. This is mainly an institutional division of the General Government and in practice has no large impact on measurement of figures.

Figure 3-3: Schema of the Level of the Government



The general government is the main structure of the government. It is made of important institutions (Ministry of Finance, Ministry of Defence etc.) other institutions like (Hospitals, Universities, etc.) or even other institutions (like charity fond, libraries etc.).

The Central Government includes the non-market institutions, since they provide a lot of services to the final consumer (to the household or to the government itself) with less than 50 percent of the market price.

The Ministry of Finance usually uses the data about the general government and their statistics are focused on this part of the data. It is a future plan to implement the local data in a separated way. This data could be used just as reference of the original data that are received (to have a reference to double check the original data).

The Local Government is made from the institutions at a local level. They are institutions like city halls and municipalities. The Local Government has lately a slightly wider autonomy on the management of the expenditure. They manage their expenditure and present a monthly report.

Some of these institutions, especially in small regions are treated as base receiver of funds even though they are not the final step. This case is taken into account and some improvements to the data are made to establish the real final step and the real destination is extrapolated from this data.

The number of activities made by a specific local government is higher than the one made by General Government. The structure of a local government involves more than one activity, like construction of roads, reconstruction of buildings, social benefits, etc.

Gross valued added of this branch in 2012 is estimated at ALL 53 716 million or 4.65 percent of the total of gross value added.

Table 3-66: Section O, 2012, in ALL million

Description	Output	Intermediate Consumption	Gross Value Added		
			Total	Structure	Percentage of Total
Total	**73,397**	**19,681**	**53,716**	**100.00**	**4.65**
Public administration	65,258	19,681	45,577	84.85	3.95
Depreciation	8,139	-	8,139	15.15	0.70

3.22.2. *Data sources and methods*

The only data source for these institutions is the Ministry of Finance. All these institutions make financial statements, but they are directly delivered to the Ministry of Finance, and are used only for the purpose of the ministry like internal data. The main data used by national accounts is the structure of the expenditure by the Ministry of Finance (budget database).

This structure is available in monthly interval period and the data are available in the official web site of this ministry. The structure is mainly based on the government accounting system. Each expense is detailed into every element from the institute to the main reason of this expenditure.

3.22.3. *Output in data sources, corrections and adjustments*

The procedure for calculation of output for section O is mentioned in the sub-section 3.3.1. Data are considered by definition as stemming from administrative sources and are not subject to exhaustiveness adjustments. Conceptual adjustments are made for FISIM allocation. The general government sector (GG) is estimated with cost method and FISIM as their intermediate consumption is also part of output.

Table 3-67: Section O - Output, in ALL million, 2012

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
84	Section O	-	73,242	-	155	-	73,397

3.22.1. *Intermediate consumption in data sources, corrections and adjustments*

The procedure for calculation of intermediate consumption for section O is mentioned in the sub-section 3.3.2. Conceptual adjustments for FISIM allocation as intermediate consumption are performed. No exhaustiveness adjustments are made.

Table 3-68: Section O – Intermediate consumption, in ALL million, 2012

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
84	Section O	-	19,526	-	155	-	19,681

3.23. Education (NACE Rev. 2 Section P)

3.23.1. *Introduction*

Section P includes just one division NACE 85, namely public and private education systems on all levels and degree of expertise, in verbal and written form.

This section includes education at any level or for any profession. The instructions may be oral or written and may be provided by radio, television, Internet or via correspondence. It includes education by the different institutions in the regular school system at its different

levels as well as adult education, literacy programmes etc. Also included are military schools and academies, prison schools etc. at their respective levels. The section includes public as well as private education. For each level of initial education, the classes include special education for physically or mentally handicapped pupils.

This section also includes instruction primarily concerned with sport and recreational activities such as tennis or golf and education support activities.

Section P made a contribution of 4.33 percent to GDP in 2012, with a total Value Added for the section of ALL 57.694 million.

Table 3-69: Section P, in ALL million, 2012

NACE	Description	Output	Intermediate Consumption	Gross Value Added		
				GVA	Structure	Per cent of GDP
85	Private Education	28.490	8.943	19.547	33	1.45
85.1	Public Education	40.783	2.395	38.388	67	2.88
Total	Section P	69.273	11.579	57.694	100	4.33

As seen in the table above public education remains the highest contributor in this section with 67 percent of GVA and 2.88 in GDP for the year 2012. The private education sector is increasing its share from year to year as demand for education services is getting higher.

3.23.2. *Data sources and methods*

For education private activities, market producer, data sources are the same as for other sections (financial statements, annual structure business survey, VAT file, etc.). For the education public producer, the main source used by national accounts is the structure of the expenditure by the Ministry of Finance (budget database).

3.23.3. *Output in data sources, corrections and adjustments*

Total output of this industry is estimated at 69.273 million ALL in 2012. The biggest part of output involves the government sector which constitutes 59% of the total output of the section. There is the main part of non-market producers, whose main economical function is to provide education services. The main financial sources of those units and their activities are the budget funds.

In this sector are included state and communal organizations, whose main sources - more than 50% - come from the government resources. Units from the sector of government institutions

provide especially non-market services, output of this sector has however a market part, for example governmental revenues from letting buildings or from selling publications.

Conceptual output corrections for this activity are standard as for other sections. In private education exhaustiveness adjustment are significant particularly for producer deliberately not registering and misreporting. Total Output of Section P structured by data source and adjustments are given in the following table.

Table 3-70: Section P - Output, in ALL million, 2012

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
85	Private education	5.047	4.043	950	0	18.450	28.490
85.1	Public education	0	40.783	0	0	0	40.783
Total	Section P	5.047	44.826	950	0	18.450	69.273

3.23.4. *Intermediate consumption in data sources, corrections and adjustments*

Conceptual corrections of intermediate consumption for private education are standard as for other sections. Exhaustiveness adjustments are necessary for coverage of non-surveyed enterprises, misreporting and underreporting. The final value of intermediate consumption is thus estimated at ALL 11.579 million in 2012.

Total Intermediate Consumption of Section P structured by data source, adjustments applied is shown in the table below.

Table 3-71: Section P - Intermediate consumption, in ALL million, 2012

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
85	Private Education	1.564	1.400	319	241	5.660	9.184
85.1	Public Education	0	2.395	0	0	0	2.395
Total	Section P	1.564	3.795	319	241	5.660	11.579

3.24. Human health and social work activities (NACE Rev. 2 Section Q)

3.24.1. *Introduction*

This division includes activities of short- or long-term hospitals, general or specialty medical, surgical, psychiatric and substance abuse hospitals, sanatoria, medical nursing homes, asylums, mental hospital institutions, rehabilitation centres, leprosaria and other human health institutions which have accommodation facilities and which engage in providing diagnostic and medical treatment to inpatients with any of a wide variety of medical conditions.

It also includes medical consultation and treatment in the field of general and specialised medicine by general practitioners and medical specialists and surgeons. It includes dental practice activities of a general or specialised nature and orthodontic activities. Additionally, this division includes activities for human health not performed by hospitals or by practicing medical doctors but by paramedical practitioners legally recognised to treat patients.

There are three main divisions within Section Q

- 86 Hospital activities;
- 87 Residential care activities;
- 88 Social work activities without accommodation.

At present the private sector in Albania has been increasing its share rapidly.

Section Q made a contribution of 2.50 percent to GDP in 2012, with a total Value Added for the section of ALL 33.255 million.

Table 3-72: Section Q, in ALL million, 2012

NACE	Description	Output	Intermediate Consumption	Gross Value Added		
				GVA	Structure	Per cent of GDP
86	Private Health	21.027	8.293	12.734	38	0.96
86.1	Public Health	27.591	7.070	20.521	62	1.54
Total	Section Q	48.618	15.363	33.255	100	2.50

Gross Value Added for Public Health constitutes 62% of the Section while Private Health constitutes only 38%.

3.24.2. *Data sources and methods*

For health private activities, market producer, data sources are the same as for other sections (financial statements, annual structure business survey, VAT file, etc). For the health public producer, the main source used by national accounts is the structure of the expenditure by the Ministry of Finance (budget database).

3.24.3. *Output in data sources, corrections and adjustments*

Total output of this industry is estimated at ALL 48.618 million in 2012. The biggest part of output involves the government sector (S.13) which constitutes 57% of the total output of the section. There is the main part of non-market organizations, whose main economical function is to provide health services. The main financial sources of those units and their activities are the budget funds. In this sector are included state and communal organizations, whose main sources - more than 50% - come from the government resources. Units from the sector of government institutions provide especially non-market services, output of this sector has however a market part, for example governmental revenues from letting buildings or from selling publications.

Conceptual output corrections for those activities are standard as for other sections. In private activities exhaustiveness adjustment are significant particularly for producer deliberately not registering and misreporting.

Total Output of Section Q structured by data source, adjustments applied and industries on two digit level are shown in the following table.

Table 3-73: Section Q, Output, in ALL million, 2012

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
86	Private Health	4.321	2.388	565	0	13.753	21.027
86.1	Public Health	0	27.591	0	0	0	27.591
Total	Section Q	4.321	29.979	565	0	13.753	48.618

3.24.4. *Intermediate consumption in data sources, corrections and adjustments*

Conceptual corrections of intermediate consumption for private education are standard as for other sections. Exhaustiveness adjustments are necessary for coverage of non-surveyed enterprises, misreporting and underreporting. The final value of intermediate consumption is thus estimated at ALL 15.363 million in 2012.

Total Intermediate Consumption of Section Q structured by data source, adjustments applied and industries in two digit level are shown in the following table.

Table 3-74: Section Q - Intermediate consumption, in ALL million, 2012

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
86	Private Health	1.055	1.510	232	213	5.283	8.293
86.1	Public Health	0	7.070	0	0	0	7.070
Total	Section Q	1.055	8.580	232	213	5.283	15.363

3.25. Arts, entertainment and recreation (NACE Rev. 2 Section R)

3.25.1. *Introduction*

This section includes a wide range of activities to meet varied cultural, entertainment and recreational interests of the general public, including live performances, operation of museum sites, gambling, sports and recreation activities.

90 Creative, arts and entertainment activities

This division includes the operation of facilities and provision of services to meet the cultural and entertainment interests of their customers. This includes the production and promotion of, and participation in, live performances, events or exhibits intended for public viewing; the provision of artistic, creative or technical skills for the production of artistic products and live performances.

91 Libraries, archives, museums and other cultural activities

This division includes the activities of libraries and archives; the operation of museums of all kinds, botanical and zoological gardens; the operation of historical sites and nature reserves activities. It also includes the preservation and exhibition of objects, sites and natural wonders of historical, cultural or educational interest (e.g. world heritage sites, etc).

92 Gambling and betting activities

This division includes the operation of gambling facilities such as casinos, bingo halls and video gaming terminals and the provision of gambling services, such as lotteries and off-track betting.

93 Sports activities and amusement and recreation activities

This division includes the provision of recreational, amusement and sports activities (except museums activities, preservation of historical sites, botanical and zoological gardens and nature reserves activities; and gambling and betting activities).

Section R made a contribution of 0.89 percent to GDP in 2012, with a total Value Added for the section of 11.809 million ALL.

Table 3-75: Section R, in ALL million, 2012

NACE	Description	Output	Intermediate Consumption	Gross Value Added		
				GVA	Structure	Per cent of GDP
90-93	Arts, entertainment and recreation	19.998	8.189	11.809	100	0.89

3.25.2. *Main sources used*

Coverage in basic data sources is not good for this section and adjustment for underreporting and misreporting is relatively higher. Data sources are the same as for other sections (financial statements, annual business structure business, VAT file).

3.25.3. *Output in data sources, corrections and adjustments*

Total output of this industry is estimated at 19.998 million ALL in 2012. Net recording for lotteries and gambling, NACE Rev.2 division 92 (i.e. the payment of a service charge) is applied. To meet the net valuation concept, the service charge is calculated as turnover of gambling activities minus disbursement of gains.
Conceptual output corrections for business activities are standard as for other sections. In business activities exhaustiveness adjustment are significant particularly for producer deliberately not registering and misreporting.

Table 3-76: Section R - Output, in ALL million, 2012

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
90-93	Section R	92	12.874	1.801	0	5.231	19.998

3.25.4. *Intermediate consumption in data sources, corrections and adjustments*

Intermediate consumption conceptual corrections are standard and the same as for other industries. Exhaustiveness adjustments are necessary for coverage of non-surveyed

enterprises, misreporting and underreporting. The final value of intermediate consumption is thus estimated at 8.189 million ALL in 2012.

Total Intermediate Consumption of Section R structured by data source, correction applied and industry on two digit level, 2012, million ALL

Table 3-77: Section R - Intermediate consumption, in ALL million, 2012

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
90-93	Section R	38	4.010	717	372	3.052	8.189

3.26. Other service activities (NACE Rev. 2 Section S)

3.26.1. *Introduction*

Other service activities include the activities of membership organisations, the repair of computers and personal and household goods and a variety of personal service activities.

It includes the following divisions:

94 Activities of membership organisations

95 Repair of computers and personal and household goods

96 Other personal service activities which includes types of services such as washing and (dry-) cleaning of textiles and fur products, hairdressing and other beauty treatment, funeral and related activities.

Sections S made a contribution of 0.96 percent to GDP in 2012, with a total Value Added for the section of ALL 12.787 million.

Table 3-78: Section S, in ALL million, 2012

NACE	Description	Output	Intermediate Consumption	Gross Value Added		
				GVA	Structure	Per cent of GDP
94-96	Other service activities	26.294	13.507	12.787	100	0.96

3.26.2. *Main sources used*

Coverage in basic data sources is not good for this section and adjustment for underreporting and misreporting is relatively higher. Data is covered mostly from administrative sources as the sampling for SBS is low in this section.

3.26.3. *Output in data sources, corrections and adjustments*

Total output of this industry is estimated at 26.294 million ALL in 2012. Conceptual output corrections for business activities are standard as for other branches. In other services activities exhaustiveness adjustment are significant particularly for producer deliberately not registering and misreporting.

Table 3-79: Section S, Output, in ALL million, 2012

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
94-96	Section S	1.560	7.325	9.281	-	8.128	26.294

3.26.4. *Intermediate consumption in data sources, corrections and adjustments*

Intermediate consumption conceptual corrections are standard and the same as for other industries. Exhaustiveness adjustments are necessary for coverage of non-surveyed enterprises, misreporting and underreporting. The final value of intermediate consumption is thus estimated at 13.507 million ALL in 2012.

Total Intermediate Consumption of Section S structured by data source, correction applied and industry on two digit level, 2012, million ALL.

Table 3-80: Section S - Intermediate consumption, in ALL million, 2012

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
94-96	Section S	687	3.829	4.590	457	3.944	13.507

3.27. Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use (NACE Rev. 2 section T)

3.27.1. *Introduction*

The output of these section activities is considered production in the ESA 2010 and for this purpose and for certain surveys this section has been included in the estimations of 2012 GDP by production approach. The estimated figures of section S are irrelevant compared other sections, due to little data sources available to National Accounts.

Division 97 includes only the activities of private households as employers of domestic personnel. While market activities should generally be described according to existing rules

for identifying the correct NACE code, application of these rules to activities for own use has proved difficult because, in contrast to market activities, it is difficult to quantify the value added. These activities often combine agricultural, construction, textile manufacturing, repair and other services.

Division 98 "Undifferentiated goods- and services-producing activities of private households for own use" is not relevant in business statistics, but in data collections covering household and subsistence activities.

Section T made a contribution of 0.89 percent to GDP in 2012, with a total Value Added for the section of 11.809 million ALL.

Table 3-81: Section T, in ALL million, 2012

NACE	Description	Output	Intermediate Consumption	Gross Value Added		
				GVA	Structure	Per cent of GDP
97-98	Activities of households	59	28	31	100	0.0023

3.27.2. *Main sources used*

Coverage in basic data sources is not good for this section and adjustment for underreporting and misreporting is relatively higher. Persons engaged in domestic services at households do not need to register. However, the number of persons performing domestic services to households is not indicated in the Business Surveys of Albania. Data is covered entirely from administrative sources as other types of data are not available at the present.

3.27.3. *Output in data sources, corrections and adjustments*

Total output of this section is estimated at ALL 59 million in 2012. Conceptual output corrections are standard as for other sections. In this section exhaustiveness adjustment are significant particularly for producer deliberately not registering and misreporting.

Table 3-82: Section T - Output, in ALL million, 2012

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
97-98	Section T	-	6	36	0	18	59

3.27.4. *Intermediate consumption in data sources, corrections and adjustments*

Intermediate consumption conceptual corrections are standard and the same as for other industries. Exhaustiveness adjustments are necessary for coverage misreporting and underreporting. The final value of intermediate consumption is thus estimated at 28 million ALL in 2012.

Total Intermediate Consumption of Section T structured by data source, correction applied and industry on two digit level, 2012, million ALL are shown in the table below.

Table 3-83: Section T - Intermediate consumption, in ALL million, 2012

NACE	Description	Survey data	Admin. records	Others E&M.	Conc. adjust.	Exhaust. adjust.	Total
97-98	Section T	-	2	17	1	8	28

3.28. Taxes on products, including VAT

3.28.1. *Introduction*

Taxes on production and imports in national accounts are divided into taxes on products and into other taxes on production. Taxes on products are levied on goods and services in proportion to value or quantity and are paid when goods and services are produced, imported or purchased by the buyer. Like all taxes, taxes on products as well are compulsory and unrequited payments to institutions of general government.

3.28.2. *Data sources and valuation*

The most important taxes on products (VAT, excise duties and all import duties and taxes) are estimated by direct data sources at cash value. No adjustments are made to convert taxes from cash into an accrual basis. VAT is estimated by monthly reports provided by the Tax Administration and the data from Ministry of Finance for annual estimation. Estimation of import duties and taxes on imports is based on customs statements and the data from Ministry of Finance. Other taxes on products are collected in the report on public finance revenues provided by Ministry of Finance and the Ministry of Finance makes an aggregation of the taxes from the above sources.

3.28.3. *Types of taxes on products*

The following table shows all types of taxes on products which are included in national accounts. The most important taxes with the biggest share are VAT, excise duties, import taxes and levies, amounting to approximately 99.49 percent of the total value.

Table 3-84: Taxes on products, 2012, in ALL million

Type of tax	Total	Structure
	179,559	**100.0**
703 Tax on internal goods and service	**167,497**	**93.28**
7030 V A T – Value added tax	112,386	62.59
7031 Excise	36,421	20.28
7032 Fee on specific service	4,776	2.66
7033 National fee on using of goods or permit for activities	10,476	5.83
7035 Local unit fee on using of goods or permit for activities	3,438	1.91
704 Fees on commerce and international transactions	**11,141**	**6.20**
7040 Custom fees on imported goods	6,117	3.41
7042 Custom fee service and parcel	0	0.00
7049 Fee on imported used vehicle's	5,024	2.80
705 Road Taxes	**99**	**0.05**
708 Other national fees	**822**	**0.46**

A Value Added Type Tax (VAT) is a tax on goods or services collected in stages by enterprises and which is ultimately charged in full to the final purchasers (ESA 2010). The VAT is one of the most important taxes in Albania.

Some additional adjustments are made to the taxes to estimate VAT taxes on accrual basis. Using the detailed information available from the VAT declaration form it is estimated a new value for VAT in accrual basis. This information is not available for other types of taxes so no adjustments were made for them.

As already mentioned the final purchasers are the final payers of this tax. They are some restrictions to the persons that are subject to this tax. Transactions made by small businesses are not subject to this tax. Also some medicines are not subject to these taxes.

The Excise is another important tax for us. The Excise is paid for imported materials and for produced material. The excise is mainly paid for products like tobacco, alcoholic drinks, domestic and imported fuel, café, etc.

3.29. Subsidies on products

Subsidies are current payments without compensation that governments make to enterprises on the basis of their production activity or the quantity or value of the goods and services they produce, sell or import.

Table 3-85: Subsidies, 2012, in ALL million

Type of subsidies	Total	Structure
	1,494	**100.00**
Water collection, treatment and supply	645	43.67
Railway transport of goods	443	28.84
Urban and suburban passenger land transport	57	4.70
Other food service activities	350	22.79

As for water collection, treatment and supply, the subvention is given mainly to help the system of potable water to our country. These subsidies are important to revitalize the system of services offered by the water supplier. All other subsidies are directly connected to product and are well defined.

The data source is the file of the Ministry of Finances on the expenditure side. Subsidies are treated as separate codes of the Accounting System of the Government and we can easily extract that kind of data. We can even use the financial statements that every business is obliged to deliver by the end of the first quarter of the year.

The data are well detailed and are related to the specific institute that holds the subsidies. Most of the subsidies are given to public corporations and therefore it could be easily allocated to a particular NACE category.

As regards the process of calculating the value added by the economy we subtract the value of the subsidies. This step is done because the subsidies are already declared in the output and they are directly reflected to the value added. It is needed to clear the subsidies from the value added to have a clearer view of the real facts.

We have taken into account this specific type of subventions that is more likely directly connected to the products. The Ministry of Finances uses a wider range of data also representing data about subsidies that might not be connected directly to products. All of the above mentioned subsidies are directly connected to the products. Behind the word "Subsidies" data not related to products can be hidden.

CHAPTER 4 THE INCOME APPROACH

No estimation is available in relation to this approach

CHAPTER 5 THE EXPENDITURE APPROACH

5.1. GDP according to the expenditure approach

The expenditure approach measures total expenditure on final goods and services produced in the economy or, alternatively, the sum of final uses of goods and services by resident institutional units plus exports less imports of goods and services.

The total is obtained from the sum of final consumption expenditure by households, non-profit institutions serving households (NPISH) and government on goods and services; gross capital formation (capital expenditure on fixed and intangible assets, changes in inventories and acquisitions less disposals of valuables); and net exports of goods and services.

These categories are estimated from a wide variety of data sources including expenditure surveys, the government's accounting system, surveys of traders and the administrative documents used in the importing and exporting of goods. The components that are part of the expenditure approach of GDP are summarized in the following table:

Table 5-1: Gross Domestic Product by Expenditure Approach, 2012 Million ALL

No.	Description	2012
	Expenditure Approach	
1	Final Consumption (a+b+c)	1,179,194
a	Final Consumption of the Households	1,032,478
b	Final Consumption of General Government	144,541
i	Individual consumption	70,533
ii	Collective consumption	74,008
c	Consumption of NPISHs	2,175
2	Gross Fixed Capital Formation	353,044
3	Domestic Absorption (1+2)	1,532,238
4	Net export (a-b)	-248,372
a	Exports of goods and services (F.O.B)	444,514
i	Exports of goods	212,132
ii	Exports of services	232,382
b	Imports of goods and services (F.O.B)	692,887
i	Imports of goods	490,029
ii	Imports of services	202,858
5	Change in inventories	24,522
6	Statistical discrepancy	24,424
	GROSS DOMESTIC PRODUCT (3+4+5)	1,332,811

5.2. The reference framework

Albanian national accounts produce in a regular base the estimation of GDP by expenditure approach in current prices and prices of previous year.

Household final consumption expenditure covers the purchase of goods and services to meet individuals' requirements for day to day living (including housing). It contains the purchased goods and services, i.e. consumption of goods and services paid for by the households, the consumption of own-account goods.

The main data sources for estimating the household final consumption expenditures are the Household Budget Survey, the Retail Trade Survey. The characteristics of these data sources are outlined in paragraph 5.8 (Household Final Consumption Expenditure).

NPISH final consumption expenditure is described in detail in paragraph 5.9.

General government final consumption expenditure is described in detail in paragraph 5.10. The calculation of General Government Final consumption expenditures are derived from the Production Account, for which the main data sources are expenditures and revenues taken from the Ministry of Finance.

Gross capital formation (P.51) consists of the two components distinguished by their role in the process of reproduction: gross fixed capital formation (P.51) and changes in inventories (P.52).

Gross fixed capital formation (P.51) includes acquisitions and disposals of tangible (P.511) and intangible (P.512) fixed assets. The acquisitions of fixed assets include new investments, reconstruction and modernization (P.5111, P.5121), purchases and free acquisitions of existing fixed assets (P.5112, P.5122).

Excluded from gross fixed capital formation are expenditures on acquisition of durables purchased by households.

The calculation of changes in inventories is described in detail in paragraph 5.12. Independent estimates on the change in inventories are available. Changes in inventories (P.52) are recorded by sector, by industry, by commodity and by type of inventories. Changes in inventories include additions to and withdrawals from inventories adjusted for the influence of price changes in period between the acquisition during the year and use or closing stock of unused inventories at the end of year. This applies to types of inventories: materials and assets of gradual consumption, work in progress and semi-finished products of own production, finished products and goods for resale.

Valuables are essentially goods which are not used in the production process, and which are generally held as a store of value. No estimation is available at the moment, for the Acquisitions less disposals of valuables.

Exports of goods and services covers the provision of goods and services by Albanians residents to non-residents. A detailed description of exports of goods and services can be found in paragraph 5.14 and paragraph **Error! Reference source not found.** respectively.

Imports of goods and services cover the provision of goods and services by non-residents to Albanians residents. A detailed description of imports of goods and services can be found in paragraph 5.16 and paragraph 5.17 respectively.

5.3. The borderline cases

Considering the importance of implementing the ESA 2010 requirements, the NAD pay a special attention on the business statistics and administrative sources for treatment of borderline cases.

5.3.1. *The borderline cases for HFCE*

a) Demarcation of Final Consumption Expenditure of Households from other transactions as defined in paragraph 3.95 of ESA 2010 is explained below:

In order to estimate dwelling services produced by owner-occupiers, the output of imputed rent calculated by Production Approach is used; Imputed Rent is estimated by the Production Approach, using the User Coast Approach. For more information on compilation of Imputed Rent we refer to the Production Approach.

Estimation of income in kind is explained as follows:

Household services produced by employed paid staff (servants, cooks, gardeners, chauffeurs, etc.) are not collected and as a result are not included in HFCE.

Estimation of items not treated as intermediate consumption is described below:

The value of materials for repairs and maintenance to consumer durables for the year 2012 is estimated by extrapolating 2011 data by the growth rate of retail trade output calculated by the Production Approach.

Output of FISIM is taken from the estimation by Production Approach. Only the part of FISIM belonging to private individuals is included into the final consumption of FISIM by households. Mortgage loans have been excluded as they are part of intermediate consumption of imputed rent.

Output of insurance services is taken from the estimation done by Production Approach. Output of life insurance is totally allocated to final consumption of households, while output of non-life insurance is only partly allocated to final consumption of households. Insurance connected with dwellings is excluded as it is part of intermediate consumption of imputed rent.

Direct payments from insurer to repairer and other service providers are not calculated.

Expenditures for annual registration of the vehicle are not collected and included in HFCE.

Pension funding services by the amount of the implicit service charge are not estimated and included in HFCE.

Payments by households for licenses, permits, etc. which are regarded as purchases of services (ESA 2010 §§4.79 and 4.80) are included in the calculation of HFCE. Items calculated, comprise payments for driving licenses, licenses to practice certain professions, permissions for exercising technical professions. Data is taken from the Sector of National Accounts of Public Administration and Regional Accounts which obtains it from the Ministry of Finance.

b) Exclusion of borderline cases from HFCE is explained below:

Social transfers in kind are not included in HFCE. They are calculated as Individual Consumption under the item of Final Consumption of General Government.

All those payments made by households which are to be regarded as taxes (ESA 2010 §§4.79 and 4.80), when the issue of licenses involves little or no work on the part of government, such as payments to government for passports, fees for provision of documents such as birth certificates and other documents, payments by households for licenses to own or use vehicles, boats for non-business purposes, as well as payment of licenses for use of guns for hunting, are excluded from HFCE.

Subscriptions, contributions and membership dues paid by households to NPISH; voluntary transfers in cash or in kind by households to charities etc. (ESA 2010 §§4.125- 4.126) are not included in HFCE.

Major expenditures that owner-occupiers perform on decoration, maintenance and repair of dwellings, not typically carried out by tenants are collected from Household Budget Survey. These expenditures are excluded from HFCE as they are intermediate consumption of imputed rent.

5.3.2. *The borderline cases for GFCF*

a) The inclusion of the borderline cases in GFCF (see ESA 2010 §3.129):

To enable the inclusion of mineral exploration and evaluation in GFCF, INSTAT realized the estimation for this item. Data for petroleum and gas exploration in Albania, since 2005, are included. For mineral sector in Albania all enterprises that operates in this sector are obliged to declare to Albanian Geological Service institution at quarterly frequencies all expenditures done for this purpose. The data are available for period 2011-2013 even that the activity has existed even for previous years. To back cast the data series we have to rely on the number of permits issued from Ministry of energy and Industry.

Livestock production includes deliveries of live animals for slaughter or export and change in livestock net of imported animals for breeding. The change in livestock is broken down into gross fixed capital formation and change in inventories. Based on the number of livestock for categories (Cattle, Sheep, Goat all up to 1 year old and pigs up to 2 months of age) and the prices for these categories, the GFCF is calculated at current and constant prices for each category. (Refer to 5.10.3.1).

As the GFCF on construction is estimated from the supply side, starting from the output of construction activity, the inclusion of structures used by the military and improvements to existing fixed assets (buildings) beyond ordinary maintenance and repairs is insured.

a) The exclusion of the borderline cases in GFCF (see ESA 2010 §3.129):

Machinery and equipment data are taken from Foreign Trade statistics in CIF value. Adjustment is made by adding VAT and trade margin in order to convert the value into purchaser prices. Commodity flow method is used here, as all transport vehicles in Albania come from import and there is no domestic production and export. The value of transport vehicles acquired by households for the purposes of final consumption is excluded from GFCF.

Transactions recorded as changes in inventories (animals raised for slaughter, trees grown for timber) are excluded from GFCF calculation. For details, refer to chapter 5.10.3.1.

In the Albanian financial accounts are assets capitalized which are in the production process for more than one year. Based on this criterion, purchase of small tools for production purposes are excluded from GFCF.

SBS contain data on production of construction activity, namely the production of new construction (by type of construction), major repairs and small maintenance. The share of small maintenance is applied on the total value of observed output (refer 5.10.3.2). For the non-observed output the share of maintenance is calculated from LFS data.

5.4. Valuation

In Albanian National Accounts, household final consumption and gross fixed capital formation were estimated by purchaser's prices and these data do not need any adjustments.

Household final consumption expenditure is valued at purchaser prices for purchased products. Data on Final Consumption Expenditure of Households is obtained by administrative sources at purchaser prices and by Household Budget Survey, which collects expenses made by households also at purchaser prices. Household Budget Surveys of 2007 and 2009 are used as a base. For the coming years, for which the survey is not available, the value of this expenditure is calculated by extrapolating HBS data. Indicators used for extrapolation are the growth rate of output and imports calculated by SUT or the growth rate of retail trade or different economic activities output calculated by the Production Approach. As a result HFCE of these items for the year 2012 is valued at purchaser prices.

Expenses made by households for some items like Purchase of Transport Vehicles, Equipment for the reception, recording and reproduction of sound and pictures, Major durables for outdoor recreation are estimated from customs data on import. This data is taken from the Sector of Foreign Trade at INSTAT and is available in CIF value. In this case, adjustment is made by adding VAT and trade margin in order to convert them into purchaser prices.

General government consumption expenditure is estimated as the sum of output by the cost approach, output for own final use and other non-market output.

In Albania, General Government Consumption in 2012 had the same value as the output estimated by the cost approach. Output estimated on the basis of the cost approach is equal with the sum of intermediate consumption, compensation of employees, other taxes on production and consumption of fixed capital estimated. Values of sales are not deducted from the total output.

Gross Fixed Capital Formation was valued at purchaser’s prices, including all expenditures that are necessary to make the asset ready for use.

Inventories are valued at average prices of the observed period and are published as a different component. Figures in accounting data of inventories (finished goods, work-in-progress, raw materials and other intermediate goods, and goods for resale) at the beginning and at the end of the period are recalculated (deflated/inflated) by activity and by type of inventory to the average prices of the period. Changes in inventories are the difference between the recalculated inventory levels at the end and at the beginning of the year.

As for the external trade statistics, estimates are made by the Bank of Albania. Imports of goods are estimated at CIF prices, while Export of Goods and services are evaluated at FOB prices. CIF/FOB adjustments are made to adjust the data on imports of goods.

5.5. Transition from private accounting and administrative concepts to ESA 2010 national accounts concepts

The Albanian National Accounts Directory ensures it receives enough data to make any adjustment necessary for the transition from business accounting concepts to ESA 2010 national accounts concepts, ensuring a correct treatment within the accounts.

The use of micro data to estimate the NA aggregates is one of the key points in compilation of the economic accounts.

All adjustments performed on data of construction enterprises, brings them into compliance with accounting rules of national accounts. At the end of this phase, the data from construction enterprises have made all possible adjustments before passed to further improvement, processing and estimations.

Analyzing in more detail, the government final consumption expenditure data came from government budget, from the Ministry of Finance, we can see an enormous effect of data redundancy from some of the fields. It is the effect of repetition of data in the database. In order to avoid having a database overpopulated with data repeated many time, many controls are made, base on an IT procedure, that is described in detailed on the output approach.

Conceptual adjustments made to Import & Export data from BOP are in compliance with the IMF Manual.

5.6. The roles of direct and indirect estimation methods and of benchmarks and extrapolations

Estimation of Final Consumption Expenditure of Households is based on different data sources such as administrative sources, output estimations done from the Production Approach and extrapolations. Administrative sources include data of Water supply and data for Sewerage, Transport vehicles, Major durables for outdoor recreation, Payments for licenses, permits made by households.

Output estimated from the Production Approach is used to evaluate items of Actual and Imputed Rent, FISIM, Financial Services, Insurance Services, Health and Education. Items of final consumption of households related to retail trade are estimated by extrapolating previous data by output of trade, calculated by the Production Approach; due to lack of reliable data on turnover of retail trade from Enterprise Surveys. Previous year is used as a benchmark year. Indicators for evaluation of other items of final consumption are also taken from estimation of

output of different economic activities, from the Production Approach. Indicators are chosen in order to be representative for items of final consumption of households to which they are applied, for example, output of Trade, Real estate activities, Transportation and storage activity, Telecommunications activity, Arts, entertainment and recreation activity, Accommodation and food services activities. A description of data sources used for each item of Final Consumption Expenditure of Households is described in the table below.

Table 5-2: Data Sources for FCEH

Data Sources		
1	**Food and non-alcoholic beverages**	Extrapolation by output of trade
2	**Alcoholic beverages, tobacco and narcotics**	Extrapolation by output of trade
3	**Clothing and footwear**	Extrapolation by output of trade
4	**Housing, water, electricity, gas and other fuels**	For Rent: output data on actual and imputed rent; For Water and for sewerage collection: data from enterprise for water supply and sewerage; For electric power: extrapolation by volume of energy distributed; For Fuel and power and for Other common expenditure on dwelling: extrapolation by output of Real estate activities
5	**Furnishing, households equipment and routine maintenance of the house**	Extrapolation by output of trade
6	**Health**	Output data on health For Medicaments and other pharmaceutical products: extrapolation by output of trade
7	**Transport**	For Purchase of transport vehicles: data from customs on import; For Equipment operations of personal transportation: extrapolation by output of trade; For Transport services: extrapolation by output of Transportation and storage activity
8	**Communications**	For Postal services: extrapolation by output of Transportation and storage activity; For Telephone and fax equipment: extrapolation by output of trade; For telephone and fax services: extrapolation by output of Telecommunications activity
9	**Recreation and culture**	For Recreational and cultural services: extrapolation by output of Arts, entertainment

		and recreation activity; For Major durables for outdoor recreation: data from customs; For Equipment for the reception, recording and reproduction of sound and pictures: data from customs For travel abroad data from balance of payments; For package holidays: extrapolation by output of Accommodation and food services activities; For Audio-visual photographic and information processing equipment, Other major durables for recreation and culture, Other recreational items and equipment, gardens and pets, Newspapers, books and stationary: extrapolation by output of trade
10	**Education**	Output data for education
11	**Restaurants and hotels**	For Catering services and Accommodation services: extrapolation by output of Accommodation and food service activities
12	**Miscellaneous goods and services**	Output of FISIM; output of insurance; output of financial activities; data from Ministry of Finance for payments by households for licenses, permits

5.7. The main approaches taken with respect to exhaustiveness

In the estimation of HFCE, the non-observed economy is included. Final Consumption of Households for Health and Education are estimated by output calculated by the Production Approach. Output for the activities of Health and Education includes both the observed and the non-observed economy, for the private sector as well as for the public one. As a result, the non-observed economy is directly included in the HFCE for these items.

Regarding items of Final Consumption of Households which are estimated by extrapolation, previous year data is extrapolated by the total value of output, including the observed as well as the non-observed economy. As a result, these estimations also include the non-observed economy, assuming that the share of the non-observed economy to the total economy is constant from year to year.

5.8. Household final consumption expenditure (HFCE)

5.8.1. *Overview*

Household final consumption expenditure consists of the expenditure made by resident households on goods and services that are used to satisfy individual needs and necessities. Final consumption expenditure can be made in the economic territory or in the rest of the world. It excludes therefore the final consumption expenditure of non-residents in the economic territory.

Estimates on household final consumption expenditure at current and constant (previous year) prices are prepared in 4 digit COICOP categories. The data refer to national concept (the consumption expenditure of resident households in Albania and abroad). The household budget survey (HBS) is the primary source to estimate HFCE. As a general rule, the relevant CPI item has been used as deflator.

This is the most significant numerical aggregate of gross domestic product from the demand perspective, with a share of 77.5 % for the year 2012.

Table 5-3: Household final consumption, year 2012, in ALL million

	Household final consumption expenditure	**1,032,478**
COICOP (1-dig)	01 - Food and non-alcoholic beverages	407,175
	02 - Alcoholic beverages, tobacco and narcotics	32,658
	03 - Clothing and footwear	42,423
	04 - Housing, water, electricity, gas and other fuels	132,257
	05 - Furnishings, household equipment and routine household maintenance	63,378
	06 - Health	47,774
	07 - Transport	58,651
	08 - Communication	19,548
	09 - Recreation and culture	19,394
	10 - Education	28,490
	11 - Restaurants and hotels	30,723
	12 - Miscellaneous goods and services	44,932

5.8.2. *Main data sources and their conversion to national accounts results*

Estimation of Final Consumption Expenditure of Households for the year 2012 is rather extraordinary because National Accounts in Albania are going through some changes during this period. In 2014, for the first time Supply and Use Tables (SUT) were compiled in Albania. Supply and Use Tables for 2009 - 2011 in current prices became available in 2014

and were published in February 2015. The SUT for 2008 is available, though not published. A revision of time series 2008 – 2011 was done in May 2014. Compilation of the Supply and Use Tables enabled the use of SUT indicators on the estimations done for the time series of 2008 – 2011.

Estimation of Final Consumption of Households for 2012 is based on different data sources including administrative ones, output estimations from the Production Approach and extrapolations. Administrative sources include data regarding Water supply and data for Sewerage, Transport vehicles, Major durables for outdoor recreation, Payments for licenses, permits made by households. Items of FISIM, Financial Services, Insurance Services, Actual and Imputed Rent, Health and Education are estimated from output of these activities calculated by the Production Approach.

Items of final consumption of households related to retail trade are estimated by extrapolation by output of trade, calculated by the Production Approach, due to lack of reliable data on retail trade turnover from Enterprise Surveys. Other indicators for evaluation of other items of final consumption are also taken from estimation of output of different economic activities, from the Production Approach.

Indicators are chosen in order to be representative for items of final consumption of households to which they are applied. Such indicators are: output of Trade, Real estate activities, Transportation and storage activity, Telecommunications activity, Arts, entertainment and recreation activity, Accommodation and food services activities.

Year 2011 is used as a benchmark year. Estimation of HFCE for the year 2011 was based on a combination of the different data sources mentioned above: administrative data, output estimation from the Production Approach as well as the Supply and Use Table indicators. Previous year data is extrapolated by output and imports growth rates obtained from SUT or HFCE growth rates estimated by SUT.

Compilation of the final Supply and Use Table for the year 2012 is still in progress. As a result it was not possible to put in use it's indicators in the estimation of Final Consumption of Households for the year 2012. For a description of sources and method for the compilation of the Supply and Use Table, refer to Part D.

5.8.3. *Detailed calculations by COICOP items*

Household final consumption expenditure for the year 2012 is estimated at ALL1.032.478 million with a share of 77.5 % in GDP. The three largest groups are Food and non-alcoholic beverages, Housing, water, electricity, gas and other fuels and Recreation and culture with a contribution of respectively 39.4%, 12.8 % and 12.1% to the total HFCE. Household Final

Consumption Expenditure is estimated at 4 digit level of COICOP classification. Estimation of each COICOP item and sources used are described below.

1. Food and non-alcoholic beverages

This group is estimated by extrapolating data of the year 2011 by retail trade output calculated by the Production Approach.

2. Alcoholic beverages, tobacco and narcotics

This group is estimated by extrapolating previous year data by retail trade output calculated by the Production Approach.

3. Clothing and footwear

This group is estimated by extrapolating previous year data by retail trade output calculated by the Production Approach.

4. Housing, water, electricity, gas and other fuels

Actual and Imputed rent are estimated using output data evaluated by the Production Approach; Imputed rent is estimated using the User Cost Approach. For a detailed compilation of actual and imputed rent, refer to the Production Approach.

For Water and for sewerage collection, data from enterprise for water supply and sewerage is taken.

Electric power is estimated by extrapolating previous year data by volume of electric power distributed, which is calculated by the Production Approach, assuming that the share of final consumption to the total consumption of electric power is constant for two consequent years. The statement of energy from the Distribution system operator of energy does not include losses of the enterprise from electric power, which has been consumed by households but has not been paid or the losses in the distribution network. This is part of final consumption made by households and in Albania it makes up a considerable share to the total distribution of electric power. For this reason, data of this statement is not used.

Estimation of Fuel and power and Other common expenditure on dwelling is done by extrapolating previous year data by output of Real estate activities estimated by Production Approach.

5. Furnishing, household equipment and routine maintenance of the house

This group is estimated by extrapolating previous year data by output of trade calculated by the Production Approach.

6. Health

Household final consumption for Health is estimated using the value of output for the private Health Activity including exhaustiveness adjustments calculated by the Production Approach.

For information on the compilation of output of Health, refer to the Production Approach.

For Medicaments and other pharmaceutical products extrapolation of previous year data by output of trade estimated by the Production Approach is done.

7. Transport

For Purchase of transport vehicles, data from customs on import is taken. This data is taken from the Sector of Foreign Trade at INSTAT in CIF value. Adjustment is made by adding VAT and trade margin in order to convert the value into purchaser prices. Commodity flow method is used here, as all transport vehicles in Albania come from import and there is no domestic production and export. The value of transport vehicles related only to final consumption of households is split using expert shares.

Evaluation of Equipment operations of personal transportation is done by extrapolation by output of trade, estimated by the Production Approach.

Transport services are estimated by extrapolation by output of Transportation and storage activity evaluated by the Production Approach.

8. Communications

For Postal services, extrapolation by output of Transportation and storage activity estimated by the Production Approach is used to evaluate HFCE for these services.

For Telephone and fax equipment, extrapolation by output of trade estimated by the Production Approach is done.

For telephone and fax services, extrapolation by output of Telecommunications activity estimated by the Production Approach is used.

9. Recreation and culture

In order to estimate Recreational and cultural services, extrapolation by output of Arts, entertainment and recreation activity calculated by the Production Approach is used.

Major durables for outdoor recreation are estimated by customs data on import. This data is taken from the Sector of Foreign Trade which obtains them from customs in CIF value. Adjustment is made by adding VAT and trade margin in order to convert the value into

purchaser prices. Commodity flow method is used here, as these items come in Albania totally from import and there is no domestic production and export.

For travel of Albanian residents abroad, data from balance of payments compiled by the central bank of Albania is used.

Package holidays are estimated by extrapolating previous year data by output of Accommodation and food services activities calculated by the Production Approach.

For Audio-visual photographic and information processing equipment, Other major durables for recreation and culture, Other recreational items and equipment, gardens and pets, Newspapers, books and stationary, extrapolation by output of trade is used.

Equipment for the reception, recording and reproduction of sound and pictures are estimated by data on import, taken from the Sector of Foreign Trade at INSTAT, in CIF value. Adjustment is made by adding VAT and trade margin in order to convert the value into purchaser prices. Commodity flow method is used here, as these items come in Albania totally from import and there is no domestic production and export.

10. Education

Household Final Consumption for Education is estimated using the value of output for the private Education Activity including exhaustiveness adjustments calculated by the Production Approach. For information on the compilation of output of Education, refer to the Production Approach.

11. Restaurants and hotels

Final Consumption of Households for Catering services and Accommodation services is estimated by extrapolating previous year data by output of Accommodation and food service activities, taken from the Production Approach.

12. Miscellaneous goods and services

FISIM is estimated using the output of FISIM calculated from the Production Approach. The part of FISIM related to households is estimated from the Production Approach and only this value is included in HFCE. Mortgage loans are excluded from FISIM as they are intermediate consumption of Imputed Rent.

Financial Services are also estimated using output of this activity taken from evaluation by the Production Approach. A share belonging to households is allocated to their final consumption of these services. An expert share is used because of lack of data on final consumption expenditure of households for these services.

Compilation of FISIM and Financial activities is described at the Production Approach.

Household final consumption for insurance services is calculated from the output of insurance services estimated by the Production Approach. Life insurance service is totally allocated to household final consumption. Regarding non-life insurance services, only a share belonging to households is allocated to their final consumption of these services. Expert shares are used because of lack of data on each group of non-life insurance. Insurance connected with dwellings is excluded from HFCE as it is part of intermediate consumption of imputed rent.

Payments done by households for licenses, permits, etc., in case when the government uses the issue of licenses to organize some proper regulatory function, which are regarded as purchases of services (ESA 2010 §§4.79 and 4.80) are included in the estimation of HFCE. Items calculated comprise payment for driving licenses, licenses to practice certain professions, permissions for exercising technical professions. Data is taken from the Sector of National Accounts of Public Administration and Regional Accounts which obtains it from the Ministry of Finance.

Adjustments made to HFCE estimation are explained below:

- Adjustment for National Concept
  In order to calculate HFCE based on National Concept some adjustments are necessary. Data taken from HBS collect only expenditures of Albanian residents within the economic territory of Albania. Expenditures made by non-residents in Albania are not collected by HBS. Purchases of Albanian residents abroad are obtained from the Balance of Payments compiled from the central Bank of Albania and are added to purchases of residents within Albania.

  Regarding items of Package Holidays and Accommodation Services both expenditure of Albanian residents within Albania and abroad is collected by HBS. For these items, expenditure of Albanian residents abroad are subtracted from HBS value, in order not to double count them, as they have already been included in the value obtained from the balance of payments. Adjustment is made in this way for the year 2009 for which HBS is available. For the coming years, 2010 – 2012 in which the survey is not available, the value of this expenditure is calculated by extrapolating HBS data. As a result, data regarding the year 2012 are adjusted to National Concept as well.

  This correction for Nation Concept is not possible for expenditure on Health and Education as it is estimated by output taken from estimations of the Production Approach, including both expenditure of residents and non-residents. The Sector of Institutional Sector Accounts has proposed some more details in the next Household Budget Survey of the year 2014, such as Travel, Food and Education in order to avoid

double counting of data for these items between the Balance of Payments and the Household Budget Survey.

- Adjustment for FISIM
  FISIM evaluated by the Production Approach is included into estimation of HFCE.

5.9. NPISH final consumption expenditure

The production accounts by institutional sectors provide data on other non-market output of NPISH. It should be noted that in the present version the value of market output of NPISH exceeds non-market output. It implies that the register of NPISH may contain enterprises belonging to the corporation sector.

In the HBS households report expenditure on religious services. This amount (P.131) is deducted from other non-market output of NPISH. The rest (P.132) is recorded as final consumption expenditure of NPISH, financed either from government or from donations.

In case of NPISH, the composite volume index of individual government services is used as deflator.

5.10. Government final consumption expenditure

For the estimation of the total Output of the Central Government we have followed a three step process that allows us to estimate the total value by NACE Rev 2.0 and to be able to identify the elements of Output required by ESA2010 separately. For this reasons we used the data source from the accounting system of the Ministry of Finance and we applied 3 bridge tables to estimate the final value of the Output. The steps needed are presented below:

By analyzing in more detail the expenditure data from government budget coming from the Ministry of Finances we can see an enormous effect of data redundancy from some of the fields. Data redundancy is the effect of repetition of data in database. The reason why we need to pay attention to this case is to avoid having a database overpopulated with data that repeat itself thousands of times.

This process is basically an IT process that involves the process of normalization of the database (reconstructing the database in a more dynamic and more effective way). For the National Account purpose a relatively analytic database is established for further improvement and implementation to the data source. After the data are normalized (structure in a more workable and easy way to process) the data are then analyzed in more detail:

The first bridge table provides the classification step. First a structure of the all spending units is built. More than one spending units might be part of one single Institutional Unit but this detailed level of information allows us to have even more quality in the estimation of some

important indicators such as NACE Rev 2, Institutional Sector, Region classification and some other supportive indicators. In this step the information on each spending unit is analyzed to estimate the institutional sector they belong into.

This classification is made at the level of spending units. For some units that might represent some market output worth mentioning we used the 50% criteria to be more secure of the actual classification used. During the analyses of the budgetary units, there were no cases of changes of classification due to the 50% criteria. After that is done we try to estimate the main activity of each separate unit. We have classified the units into NACE Rev 1.1 and NACE Rev. 2.0.

The second Bridge Table: Some institutions may have more than one main activity NACE code and for this reason the institutions are grouped in three institutional groups.

- only one activity;
- two or more activities;
- semi-budgetary units

The institution into the first group follows only one activity and the future classification using NACE is from the data of the NACE group. For example: "Mother Theresa" University Hospital Centre has as its main activity health care (Section Q of NACE Rev 2.0). All the expenditures made by this institution is targeted at the improvement of the health care process. This institution doesn't have any other second activity (not a relevant one) and its output is mainly non-market oriented. The general government institutions are good cases of this group, because they have only one main activity and they firmly stick to it.

The second group is made by institutions of which the main activities are different. All these institutions have a general government activity (NACE 84.11), but if we look into more detail at the expenditures, we can see that the kinds of activities are more than one. This section is comprised mainly of the local units that operate into more than one activity for the good of the everyday life. The activities range from water distribution to recreation activities. For these units we have built a new bridge table.

This bridge table is built based on the COFOG classification. To estimate the pure branches of an economic activity, the COFOG classification was transmuted into NACE Rev 2.0. For this classification the COFOG classification was transformed into ISIC and then was adapted to the Albanian classification of COFOG to pass to NACE Rev 2.0. (COFOG classification has the same structure in 3 digit level with the international classification but in a 6 digit level the data are arranged according to the Ministry of Finance Needs).

This classification allows us to have a better classified estimation of secondary activity and to estimate the pure economic branches.

The Third Bridge Table provides the Economic classification. For this classification, the full set of economic accounts of the Ministry of Finance was analyzed and a bridge table was built in order to pass to ESA2010 requirements. For this classification, information on the nature of the individual transaction was analyzed and classified according to ESA2010 classification. To have more detailed information on ESA codes we used a seven digit level of accounts. This information helps us identify a good level of adoption of ESA 2010 codes that is acceptable.

This information is used to separately estimate the elements of Value Added and to identify the marked and non-market output and to be able to estimate all the non-financial accounts of General Government.

Table 5-4 Bridge Table

Economic Accounts	Description	ESA2010 codes	GFCF classification
2312101	Spending in order to increase Fixed Capital - administrative building	P.5111	AN.1121
2312108	Spending in order to increase Fixed Capital- construction of ports	P.5111	AN.1122
2315120	Spending in order to increase Fixed Capital - Cars	P.5111	AN.1131
2314250	Spending in order to increase Fixed Capital - equipment for protection against fire	P.5111	AN.1139
6001001	Basic Salary	D.11K	
6010100	The social insurance contributions	D.121	
6011100	Contributions for health insurance	D.121	
6022001	Electricity	P.21	
6022002	Water	P.21	
6030004	Subsidies for the price difference for the urban bus transport	D.319	
6032001	Subsidies to cover losses for the water supply for irrigation	D.39	
7030100	VAT on goods and services within the country	D.211	
7030200	VAT on imported goods	D.211	
7031500	Imported fuel excise	D.2122C	
7111001	Income from kindergartens	P.131	
7111002	Income from nests	P.131	
7111007	Income from parking lot	P.111	

Semi-Budgetary units: After having a good classification of these accounts we started working on semi- budgetary units. We are still working on identifying the semi-budgetary units and the work is not still finished to have the final delimitation of the General Government. We have added some institutional units to the General Government classification.

For these extra units an extended estimation of the 50% criteria was applied (we tried to combine the 50% criteria with the new requirements of ESA2010 for control of Government Units).

The decision tree of the Public Administration (Chapter 20 of ESA2010) was applied to some cases but the process is still under development.

For the estimation of the final consumption of the General Government the same steps were taken to estimate the total Output as in the production approach. The two methods were conducted alongside and were coordinated along the different steps taken.

For the estimation of the collective and individual consumption of the Government the estimation by NACE Rev 2 at a two digit level were used. The detailed NACE Rev.2 at a two digit level was studied and was separated into individual and collective consumption.

For the moment a more in depth analyses of the COFOG elements is needed to estimate the Collective and Individual Consumption using COFOG.

Another important step in the estimation of the Government Final Consumption is the estimation of the market output. After analyzing the data source we separate the part of the market output and we didn't include this part in the Final Consumption of the General Government.

Table 5-5 Final Consumption Expenditure of General Government, in ALL million

Years	2010	2011	2012	2013*
Final Consumption of General Government	138.312	142.733	144.541	146.798
Individual consumption	66.233	68.475	70.533	72.307
Collective consumption	72.079	74.258	74.008	74.491

Government final consumption expenditure in Albanian National Accounts is estimated at ALL 144.541 million in 2012, or 10.84 per cent of GDP.

The detailed figures of general government final consumption expenditure are shown in Table 5-6.

Table 5-6: General government final consumption expenditure, in ALL million

General government final consumption expenditure	Year 2012
Public Administration	73,397
Public Education	40,782
Public Health	26,282
Other Public Services	4,080
GG final consumption expenditure	144,541

5.11. Acquisitions less disposals of produced fixed assets

5.11.1. *Overview*

Gross fixed capital formation (GFCF) is one of the principal components of final expenditures, typically accounting for around 26.5% of GDP, in 2012. The major part of gross fixed capital formation (GFCF) is tangible fixed assets. The component includes buildings and construction works, equipment and machinery together with cultivated assets.

Gross Fixed Capital Formation in the reference year represents the total value of acquisition of fixed assets less disposals of fixed assets in the accounting period plus certain additions to the value of non-produced assets. The main types of gross fixed capital formation are the following:

- Acquisitions less disposals of new and existing tangible fixed assets;
- Acquisitions less disposals of new and existing intangible fixed assets;

Acquisitions of fixed assets cover the value of payments for realized works and purchases in the reference year, the value of realized but unpaid works and purchases in the reference year, including the value of purchased fixed assets under financial lease, the value of fixed assets produced and retained by their producers for their use, the value of fixed assets acquired through barter and the value of fixed assets received as capital transfers in kind.

Acquisitions of new fixed assets cover renovations, reconstructions and expansions that considerably increase the productive capacity or extend the service life of the existing asset. These improvements are treated as a part of acquisitions of new fixed assets, even though they function as a part of existing assets.

In Albanian national accounts, GFCF is available by type of asset, AN_F6 classification suggested by ESA 2010. The value of GFCF for year 2012 is:

Table 5-7: GFCF, 2012, in ALL million

	Gross fixed capital formation	**353,044**
AN	111 Dwellings	178,021
	112 Other buildings and structures	94,369
	1121 Buildings other than dwellings	43,314
	1122 Other structures	51,055
	113 Machinery and equipment	63,688
	114 Weapons systems	-
	115 Cultivated biological resources	8,877
	1151 Animal resources yielding repeat products	748
	1152 Tree, crop and plant resources yielding repeat products	8,129
	117 Intellectual property products	8,089
	1171 Research and development	-
	1172 Mineral exploration and evaluation	7,502
	1173 Computer software and databases	587

5.11.2. *Main data sources and their conversion to national accounts result*

GFCF is estimated by type of investment. A special chapter dedicated to investments, exist in Structural Business Survey (SBS), but SBS covers non-financial corporations only, the government sector and financial corporations are not surveyed. As only the purchasers of the assets know all the costs associated with the acquisition of the assets (transport and installation costs, terminal costs including the restoration of environment, legal costs, taxes, etc.), the investment survey is indispensable to record the total costs associated with the investments.

The present version of GFCF utilizes mainly supply side data. Imports statistics provide data on machinery and equipments. The domestic production is insignificant.

5.11.3. *Detailed estimation methods used*

Estimates on Gross Fixed Capital Formation (GFCF) are done according to non-financial assets nomenclature and utilizes mainly supply data, using variations of commodity flow method.

5.11.3.1. Agriculture

Livestock production includes deliveries of live animals for slaughter or export and change in livestock net of imported animals for breeding. The change in livestock is broken down into gross fixed capital formation and change in inventories.

The main data sources for the GFCF in animals calculation is annual survey. The assessment of the number livestock is based on change in stock (final sock minus initial stock), production and utilization (slaughtering, sales and looses) for the following animals: cattle, sheep, goat, pig, horses. The quantity is estimated using the technical coefficient. Gross fixed capital formation is equal to the variation over the year of breeding males over one year old, dairy cows, and nurse cows.

Prices of breeding animals are derived from monthly data collection on prices of breeding animals sold at animal markets, organized by Ministry of Agriculture.

Livestock data are collected by an annual survey done by Agriculture Ministry.

Livestock calculations belong to January 1 – December 31 period of each year.

Referring to annual survey data, there are constructed balances for farming production, also the balance of the number of livestock (we call it Changes of Livestock).

Based on the number of livestock for categories (Cattle, Sheep, Goat all up to 1 year old, Perissodactyles and pigs up to 2 months of age) and the prices for these categories, the GFCF is calculated at current and constant prices for each category. The prices are collected by Agriculture Ministry.

Table 5-8: Livestock, year 2012, in ALL million

Gross Fixed Capital Formation	**748**
Cattle up to 1 year old	-93
Sheep	459
Goat all up to 1 year old	447
Perissodactyles	-64
Pigs up to 2 months of age	0

For the assessment of gross fixed capital formation in plantation the administrative records of the new planting and replanting of orchards and vineyards is used. The acreage planted and its value is provided by Ministry of Agriculture.

Orchards and vineyards includes trees that are cultivated in plantations for the products they yield year after year –such as fruit trees, vines, rubber trees, palm trees, etc. We take data by agriculture sector to INSTAT. These data provide information about the quantity and value (in 000/ALL) of different types of trees. Total value for orchards and vineyards constitute GFCF.

Table 5-9: Orchards and vineyards, year 2012, in million ALL

Permanent crops in growing 3 -years	**4,808**
Fruit trees	1,046
Olives	3,171
Citrus	253
Pergola	62
Vineyards	276
Support systems in vineyards	**116**
New plantations	**3,010**
Fruit trees	836
Olives	1,740
Citrus	240
Pergola	52
Vineyards	142
T O T A L	**7,934**

Forestry

Forestry covers the conservation and development of forests, for example forest plantations; logging and gathering of forest products such as berries and mushrooms and hunting.

Estimates for forestry production cover:
- expenditures for a forestation, up keeping of forests, other specific works;
- the value of fallen trees;
- revenues obtained from hunting and fishing for entertainment or sport;
- value of forest fruits and plants picked and sold;
- value of forest fruits and plants picked by the households for own consumption

The data sources for hunting and forestry are the statistics available at the Ministry of Agriculture and Food and the consolidated budget and no adjustments are made by national accounts.

5.11.3.2. Construction

As it is previously mentioned, Construction GFCF is measured from supply side. Construction is the dominant component in GFCF. It counts 77.15 % of GFCF in 2012.

Construction output is composed by:

- Observed construction which includes the output of construction enterprises. According to the annual accounts of construction enterprises, the revenues are as follows:
  a) Income from sales of own production
  b) Income from sales of services
  c) Other sales income

It was identified the **share** of revenues from construction activity, "Income from sales of own production" and income of sales of services, (which is pure construction) to the total revenues of all construction enterprises.

- Non-Observed construction which is the output calculated from the labour method calculation of non-observed economy .Only value added of Non-Observed Economy (NOE) was calculated by using the input of labour method**.**

Production and intermediate consumption of non-observed activity in construction were calculated by applying the same ratio of intermediate consumption / output of observed construction.

GFCF by expenditure approach for construction component has been considered the total output calculated from production approach. This data undergoes a lot of adjustments; separately calculated data are included: secondary construction activity of enterprises whose primary activity is not construction; and yet other ones are excluded: non-construction activity of construction enterprises, the services that construction enterprises do for other construction enterprises (which serve as intermediate consumption for the former), maintenance.

The commodity flow for construction is composed as follows:

1. Calculations are derived from the output of the construction industry.
2. About 21.5% of the output of construction enterprises goes to intermediate consumption of construction enterprises, separately part of observer and non-observer.
3. About 10% are recorded of secondary construction activities of enterprises not classified to construction for observed enterprises.
4. About 6% are recorded as value of secondary non-construction activity of construction enterprises. This value is deducted from the construction output. These two figures regarding secondary activities are taken from the SUT

5. According to the report of construction enterprises (from SBS) about 1% of their output goes to maintenance. In the SUT a significantly higher amount is recorded. We still keep the original 1% in case of observed enterprises. Non-observed small entrepreneurs are engaged in maintenance to a larger extent; the figure calculated from LFS is about 12%.

Table 5-10: Construction: commodity flow method, 2012

IC Construction to Construction	21.50%
Maintenance Observed (SBS)	0.04%
Maintenance Non-Observed NOE (LFS)	12.0%
Secondary Construction activity (SUT)	10%
Non-Construction activity (SUT)	6%

Based on the SBS data, output of construction activity by type of construction, it is possible to distribute construction GFCF in these categories:

- Residential building
- Non-residential buildings
- Civil engineering

For observer part we have use structure of the questionnaire on construction in SBS, and assuming that 80% of non-observer goes for residential building and 20 % goes to Non-residential buildings

Table 5-11: Construction GFCF, year 2012, in million ALL

GFCF in current prices	Observed	Non-Observed	Total
Construction	127,480	144,909	272,389
Residential buildings	62,093	115,927	178,021
Non-residential buildings	14,332	28,982	43,314
Civil engineering	51,055	-	51,055

5.11.3.3. Machinery and equipments

Gross fixed capital formation in machinery and equipments by producers consists on the value of their acquisitions of new of exiting machinery and equipments less the value of their disposals of their existing machinery and equipments.

Investments in machinery and equipment cover these two groups:

- Transport equipment

- Other machinery and equipment.

Investments in machinery and equipment cover:

- Domestic machinery and equipment and

- Imported machinery and equipment.

Machinery and equipment are estimated with a commodity flow method:

GFCF (Mach & Equip.)= Imports + Domestic production – Exports + estimated transport trade margins

Import and export of machinery and equipment are provided by the foreign trade sector of INSTAT, by NACE classification. Some proportions (by expert method) were decided in order to estimate the value of imported machinery and equipment that goes to GFCF. The calculations are made at level 4 of NACE, and then are aggregated at level 2 of NACE. Trade and transport margin is also based on estimation.

Trade margin is the difference between the price (in basic prices) charged to the consumer and the cost of acquisition in order to replace the goods at the time the goods were sold. Thus, the cost of goods sold recorded in business accounts reflects the book value of the goods, not the replacement value. ***Transport Margin*** only occur when transport service s are separately invoiced. If it is not invoiced separately by the producer to the trader then it is part of the basic price. If it is invoiced inclusively in the price of the goods sold by trader then it is part of the trade margins. It is called margin because it is the service that is provided to deliver goods to the users

We use trade and transport margin estimated by use and supply tables, the wholesaling and retailing activities may be recorded as producing more than trade products.

Table 5-12: Machinery and Equipment: 2012, All million

NACE Rev.2	Domestic Production	Imports	Exports	Machinery & Equipment	%	Trade & Transport Margin	Total
	1	*2*	*3*	*(4=1+2-3)*	*5*	*(6=5*4)*	*(7=6+4)*
28	654	5,002	3,112	2,544	6.31%	161	2,704
29	86	24,485	1,502	23,069	8.76%	2,021	25,090
30	-	4,968	190	4,777	1.11%	53	4,830
31	604	6,899	3,427	4,076	3.92%	160	4,235
32	6	4,281	296	3,990	2.00%	80	4,070
33	16	3,387	153	3,250	1.57%	51	3,301
34	-	15,622	337	15,284	3.20%	490	15,774
35	48	1,587	201	1,434	0.44%	6	1,440
36	465	3,249	1,573	2,141	4.76%	102	2,243
Total	**1,879**	**69,479**	**10,792**	**60,566**		**3,123**	**63,688**

5.11.3.4. Mineral exploration and evaluation

Mineral exploration and evaluation is recognized as an intellectual property assets in ESA 2010 category AN.1172), valued either on the basis of the accumulated amounts paid to other institutional units conducting the exploration and evaluation or on the basis of the cost incurred for exploration on own-account. According to ESA 2010 mineral exploration and evaluation covers the value of expenditures on exploration for petroleum and natural gas and for non-petroleum deposits and subsequent evaluation of the discoveries made. These expenditures include pre-license costs, license and acquisition costs, appraisal costs and the costs of actual test drilling and boring, as well as the costs of aerial and other surveys, transportation and communication costs also technical and commercial evaluation etc. incurred to make it possible to carry out the tests.

To enable the inclusion of mineral exploration and evaluation in GFCF, INSTAT conducted a study for this activity. Main data source is administrative data from the National Agencies of Natural Resources (AKBN) and Albanian Geological Survey (SHGJSH), the responsible institutions in licensing and control of expenses that enterprises performed for mineral exploration. For a better treatment licensed companies in mineral exploration are grouped in two categories:

- Petroleum Exploration
- Minerals (mining) Exploration

Companies that are operating in petroleum exploration, based on the current Albanian Legislation, have the obligation to declare at quarter frequency the statement of their expense to the responsible institutions, in this case is the National Agencies of Natural Resources (AKBN). The data are since 2005, which is the starting point of petroleum and gas exploration in Albania.

Meanwhile, based on Law for mineral sector in Albania, all enterprises that operate in this sector are obliged to declare to Albanian Geological Service institution at quarterly frequencies all expenditures done for this purpose. The data are available for period 2011-2013 even that the activity has existed even for previous years. To back cast the data series we are based on number of permits issued from Ministry of energy and Industry.

In table 1 are shown total investments on mineral exploration in Albania

Table 5-13: Exploration Cost Petroleum and Minerals, million ALL

Description	2009	2010	2011	2012
Mineral exploration	1,949	2,131	2,199	7,502
Mineral exploration in % of GFCF	0.52	0.60	0.58	2.13
Mineral exploration in % of GDP	0.18	0.19	0.18	0.58

5.11.3.5. Software

Software (assigned to code AN.1173 in the classification of assets) and databases are "Computer programs, program descriptions and supporting materials for both systems and applications software. Included are purchased software and software developed on own account, if the expenditure is large. Large expenditures on the purchase, development or extension of computer databases that are expected to be used for more than one year whether marketed or not, are also included."

Considering the fact that we have to be in line with ESA 2010, a special question was introduced in the SBS questionnaire, investment rubric. Enterprises are asked for the investments made on software, programs and databases.

5.12. Changes in inventories

As described in ESA 2010: Changes in inventories are measured by the value of the entries into inventories less the value of withdrawals and the value of any recurrent losses of goods held in inventories. Changes in inventories are split in four suggested categories in ESA 2010, i.e. materials and supplies, work-in-progress, finished goods and goods for resale. However, this breakdown is not explicitly shown in the published national accounts, given that only the total figure is published. The published figure on changes in inventories and the statistical discrepancy are separately published. The level of GDP is determined from the output side, and thus the statistical discrepancy represents the difference between the output and the expenditure approach. Change in inventories is published for the first time in 2013, and assessments have been made since 2009.

Table 5-14: Changes in Inventories, year 2012, ALL millions

Changes in inventories	Beginning of Period	End of Period	Total
Raw Materials	56,236	62,421	6,186
Work in Progress	52,257	57,813	5,555
Finished goods	37,269	38,483	1,214
Goods for Resale	129,098	140,665	11,567

The calculation of changes in inventories is derived from the difference between closing and opening stocks of inventories, which is a base for further adjustments. The difference between closing stocks and opening stocks is further adjusted for changes not caused by price changes.

In national accounts, the inventories are shown in a combined breakdown: a) according to type of inventories, and b) according to industry.

Inventories are divided into four type categories in accordance with ESA2010: a) materials and supplies, b) work in progress, c) finished goods, d) goods for resale.

Data sources:

The main data sources used for the four suggested categories are:

- Annual accounts and financial statements (for annual estimates)
- SBS data (for annual estimates)

Annual Statement of accounts of enterprises (Balance Sheets) and SBS gives us information on Inventories by type of assets as follows:

Table 5-15: Information on Inventories

Changes in inventories	Beginning of Period	End of Period
Materials and supplies	X	X
Work in progress	X	X
Finished goods	X	X
Goods for resale	X	X

To make an estimation of changes in inventories data are used from SBS and financial statements of enterprises. The primary source is based on the financial statements and for companies that have not met the financial statements information is analysed taken from SBS. To estimate the total value for a given year (year t), the information is taken from the previous year (t-1) and the following year (t + 1) in order to improve the information used from the enterprises. For each of the enterprises we take the value of materials at beginning of period (t), which is controlled with the value reported for the end of the period of the previous year, and the value at end of period (t) which is checked by the value originally reported from subsequent period. For all those enterprises which don't have information on the year (t), by the Financial Statements or SBS, we look if we have the data at the end of year (t-1) and the beginning of the year (t + 1), for same enterprises. All these enterprises shall have the information attached in the year (t).

It is desirable that the statistical data collected from enterprises be presented, as far as possible, at the valuation level applicable for the national accounts. In most cases those returning data do have difficulties with the desired recording principles. Administrative data that are sometimes used as statistical source, are generally not valued at the correct level. In these cases too, a revaluation and adjustment with other sources is undertaken to ensure that the data meet the requirements of the national accounts.

On the assessment of changes in inventories, in addition to assessing in terms of their absolute value, it is important to conduct the adjustment of values with corresponding prices. This

adjustment is necessary because the values deviate from price estimates in different periods. They are estimated as the difference between values at the end and at the beginning of the period at the average prices of the period.

Closing stocks were deflated to the annual average price level, and the same way opening stocks inflated. The following formula was followed in the valuation of the changes in inventories at current average prices. The annual average prices for the year t were divided by the mid/beginning of the year (t) indicates as (start stock) and end/mid of the year (t) as (end stock) indices.

$$\frac{Ind_{3112year(t)}}{ind_{31.07year(T)}}/\text{End stock-}\frac{ind_{31.07year(T)}}{ind_{31.01year(t)}} * \text{Start Stock} = \text{Change in inventory in current average price}$$

Table 5-16: Changes in Inventories from (2009-2013) by categories, ALL millions

Year	Raw Materials	Work in Progress	Finished goods	Goods for Resale	Total
2009	1,327	5,756	4,448	9,620	21,151
2010	-131	6,212	3,819	13,408	23,308
2011	3,133	6,922	4,932	11,641	26,628
2012	6,186	5,555	1,214	11,567	24,522
2013	17,556	2,257	4,245	13,305	37,363

Main indices used for the average prices of types of Inventories are:

- Raw Material: PPI and UVI for the respective activity;
- Finished goods, stock to producers, PPI is used;
- Goods for Resale, stock to trade activity: mainly CPI;
- Work in progress, stock to construction activity: Construction Cost Index.

Estimates are carried out by NACE Rev.2 activities, but not by enterprise size. The method is based on adjustment coefficients between the balance sheet data and National Accounts corresponding aggregates.

Conceptual adjustments include: a) the estimate of change in inventories for inward processing and b) the estimate of holding gains/losses.

a) For different types of inventories, different adjustment prices are applied carried out by branch of NACE Rev.2 activities. Opening stock is inflated with the average prices of the period instead closing stocks are deflated with the annual average price index. The opening stock is considered as a result of the economic behaviour of the previous year;

therefore the adjustment coefficient is picked up from the previous year. Instead for the closing stock it is used the coefficient from the current year.

c) Adjustment of valuation of stocks of inventories and calculation of holding gains/losses.

See the next subsection of this chapter.

Table 5-17: Changes in inventories: by categories, 2012, ALL million.

Type	Combined data (balance sheet and SBS)	Conceptual adjustments	Total
Materials and supplies	6,920	-735	6,186
Work in progress	5,930	-375	5,555
Finished goods	1,656	-442	1,214
Goods for resale	13,135	-1,567	11,567

Adjustments resulting have been incorporated into the data on types of inventories in sub-sector and industry classification:

Table 5-18: Changes in inventories: by industry, 2012, ALL million.

Code	(NACE)	Surveyed data	Conceptual adjustments	Total
A	Agriculture and hunting, Forestry	40	1	41
B	Fishing	20	2	22
C	Mining and quarrying	977	-334	643
D	Manufacturing	5.781	-437	5.344
E	Electricity, gas and water supply	580	-325	255
F	Construction	6.144	-517	5.627
G	Trade, repair of consumer goods	8.648	-1.434	7.213
H	Hotels and restaurants	226	-35	192
I	Transport, storage and communication	390	-6	384
J	Financial intermediation	297	-3	294
K	Real estate, renting and business activities	4.797	-29	4.768
L	Public administration	3	-0	3
M	Education	8	-0	7
N	Health and social work	53	-1	51
O	Other services	-322	0	-321
	Total	**27.641**	**-3.119**	**24.522**

The value of the inventories of an enterprise is equal to the value of inventories of goods acquired less the value of inventories of goods disposed of in the calculation period. A proportion of these acquisitions and disposals, respectively, are due to true purchases and sales, while others are due to internal transactions within the enterprise. The valuation principles mean that withdrawals by an enterprise from its own stocks of goods for consumption in production must be valued at the production price applicable to the period in question.

Inventories, which are calculated as the difference between the stock at the end of the period and that at the start of the period, are valued at the same price level in both cases.

The method used in Albania enables the exclusion of holding gains by some simplified way. Presently the bookkeeping system of enterprises, how they value the entries and withdrawals to inventories is as described below:

- Entering the last in first out (LIFO) cost of items sold or consumed during a period is calculated at prices as if they were sold or consumed at the time of their acquisition;
- Average Method: The cost of an item is determined by applying a weighted average cost of all goods that are available for sale over a period of time;
- The first in first out (FIFO) cost of items sold or consumed during a period is calculated at prices as if they were sold or consumed at the time of purchase of their most recent.

In the case of Albania for each category of changes in inventories relevant price indices are used in the revaluation account, changes in the value of inventories are recorded as a result of change in their prices– the holding gains/losses.

5.13. Acquisitions less disposals of valuables

No estimation is available in relation to this topic.

5.14. Exports of goods

Exports of goods consist of transactions in goods (sales, barter, gifts) from residents to non-residents.

Exports of goods are in national accounts and in Balance of Payments recorded in the same amount.

It is assumed that exports of goods occur when there are changes in ownership of goods between residents and non-residents (whether there are also corresponding physical movements of goods across frontiers or not).

Exports of goods are valued free on board at the border of the exporting country (f.o.b.). This value consists of the value of the goods at basic prices and the related transport and distributive services up to the point of the border, including the cost of loading onto a carrier for onward transportation.

Custom statistics are the main source used in Albanian national accounts and served to determination of total value of exports of goods and their commodity specification.

On the basis of the existing data, a methodology to compute export of goods, broken down by origin of branch of activity has been developed. The sources of data used are the customs statements for the export of goods.

Exports of goods are divided into exports into the EU and outside the EU:

Table 5-19: Exports of goods (fob) by Member States of the EU / third countries

Description	2008	2009	2010	2011	2012
EU Member States (evolving composition) incl. EU institutions	89,864	82,335	113,475	143,463	161,147
Euro area (Member States and Institutions of the Euro Area) changing composition	87,978	80,691	109,347	138,769	156,405
Intra EU Extra Euro Area (EU member states and institutions not belonging to the Euro area) changing composition	1,886	1,644	4,128	4,694	4,742
All the European Union institutions	Na	Na	Na	Na	Na
Extra-EU (evolving composition)	22,708	22,180	48,073	53,434	51,883
Total exports	112,572	104,515	161,548	196,897	213,030

5.15. Exports of services

Exports of services consist of all services rendered by residents to non-residents.

Exports of services are derived directly from the Bank of Albania's BOP at current prices. They are valued at FOB and converted from foreign currencies to national currencies, using monthly exchange rates.

Balance of payments statistics is a quarterly publication. The geographical allocation of resident/non-resident BOP transactions is performed according to the centre of predominant economic interest (residence) of units involved.

The main data source for the majority of Trade in Services is the reporting system from commercial bank (ITRS), surveys, estimations, and administrative sources. Apart from ITRS,

the frequency of other sources is quarterly. Most of data sources do not report on geographical breakdown. For most items, the source data requested by the BOPs for reporting by banks, government agencies, or other public and private enterprises, respect the definitions, scope, classification, and time of recording required by BPM6. Nevertheless there is still a need to follow carefully the criteria of residence for travellers related with data provided from Ministry of Interior.

The present system for compiling the trade in services is based on a banking system report and a set of forms and surveys designed to cover most economic entities participating in transactions with non-residents. Except of travel services, freight, government services and insurance services, the rest of categories are compiled based on ITRS.

The freight services item is compiled based on estimations derived from trade in goods survey. Travel services is compiled using the travel border survey designed by Bank of Albania in cooperation with INSTAT (responsible for data collection) and border statistics (provided by the Ministry of Interior). Data are obtained on expenditure of travel packages, as well as on the number of foreign travellers visiting Albania and the length of their stay. The same sources provide information on the number of Albanian residents visiting foreign countries and the length of their stay. Relying on results of sample surveys, Bank of Albania compiles expenditure-per-day estimates during visits. As a result, the total amount of travel receipts and payments can be calculated.

Government services are compiled based on ITRS (credit side) and on data provided from Ministry of Finance (debit side). Freight and insurance services related with goods are estimated by the coefficients resulted from the foreign trade survey and also used for FOB adjustment of imports of goods. The rest of insurance services are estimated by the information provided quarterly from Financial Supervision Authority (AFSA) on claims and premiums for all insurance companies. Government services Credits are based on ITRS.

5.16. Imports of goods

Imports of goods consist of transactions in goods (purchases, barter, gifts) from non-residents to residents.

Imports of goods data are recorded by the same amount in national accounts and in Balance of Payments.

Imports of goods are derived directly from the Bank of Albania's BOP at current prices. They are valued at FOB and converted from foreign currencies using monthly exchange rates.

Since the information on imports from customs statements is in CIF, for purposes of registration of imports at FOB value, according to the Balance of Payments standards, based on a study carried out by Bank of Albania, coefficients of transport and insurance cost as well

as other elements of trade are estimated. According to this study the transport cost of goods in imports is 6 percent of the total transaction cost, while the insurance cost is about 1 percent.

On the basis of the existing data, a methodology to compute import of goods, broken down by origin of branch of activity has been developed. The sources of data used are the customs statements for the import of goods.

Imports of goods are divided into imports from the EU and outside the EU:

Table 5-20: Imports of goods (fob) and service by Member States of the EU/third countries

Description	2008	2009	2010	2011	2012
EU Member States (evolving composition) incl. EU institutions	271,561	279,760	317,518	354,975	334,092
Euro area (Member States and Institutions of the Euro Area) changing composition	236,313	241,927	266,611	307,438	289,712
Intra EU Extra Euro Area (EU member states and institutions not belonging to the Euro area) changing composition	35,248	37,833	50,907	47,537	44,380
All the European Union institutions	Na	Na	Na	Na	Na
Extra-EU (evolving composition)	168,333	149,079	160,250	189,029	194,398
Total Imports	439,894	428,839	477,768	544,004	528,490

5.17. Imports of services

Imports of services are derived directly from the Bank of Albania's BOP at current prices. Monthly exchange rates are used to convert the data from foreign currencies to national currencies.

The main data source for the majority of Trade in Services is the reporting system from commercial bank (ITRS), surveys, estimations, and administrative sources. Apart from ITRS, the frequency of other sources is quarterly. Most of data sources do not report on geographical breakdown. For most items, the source data requested by the BOPs for reporting by banks, government agencies, or other public and private enterprises, respect the definitions, scope, classification, and time of recording required by BPM6. Nevertheless there is still a need to follow carefully the criteria of residence for travellers related with data provided from Ministry of Interior. Government services debits are calculated based on quarterly information provided by Ministry of Finance.

CHAPTER 6 THE BALANCING OR INTEGRATION PROCEDURE, AND VALIDATING THE ESTIMATES

6.1. GDP balancing procedure

A specific requirement of the Albanian National Account figures regards the necessity to ensure coherency between the supply and the demand side estimates. The main purpose of GDP revision work is improvement and completion of data sources and methods for the two GDP approaches. The process from the flash estimates to final annual GDP figure for a particular year is split into several steps.

The first stage is preliminary annual estimate of GDP by both production and expenditures approach which is prepared within eleven months after the end of the year and is based on preliminary data sources of Annual Structural Business Survey and some administrative data. Direct and indirect methods are used at this stage for estimation of all components of GDP by production and expenditures approaches. In this stage, only changes in inventory are not possible to be estimated due to lack of data and they are given together with statistical discrepancies as residuals to GDP by expenditure. Meanwhile, this component, changes in inventory + statistical discrepancies represents differences between two approaches of GDP.

The second stage includes the semi-final annual accounts estimates of GDP by production and expenditure approach within six months after the flash estimates. The semi-final accounts are based on more complete data sources and therefore almost entirely on direct methods.

It is necessary to underline that GDP by production approach is prepared as an independent estimate covered by exhaustive data sources for all sectors of the economy and methods. For this reason, **GDP nominal level in this step is determined by the production approach.** The value of GDP by expenditure approach has to be equal to the value of GDP by production approach. At the same time, we have estimated all components of GDP Expenditure side, such as HH' Final Consumption, Final Consumption of General Government and NPISH, Gross Fixed Capital Formation, Net-export. As well "Changes in inventories" are estimated during this stage by including holding gains adjustments. To equal both GDP, statistical discrepancies is used as balancing item and it is published separately. These estimates are almost quasi-final and only minor improvements or further revisions mostly regarding business activities are necessary at a later stage.

The final accounts' estimates are made after t + 29 months. An important aspect in this step is improvement of GDP with quality analysis of data sources and with additional elimination of mistakes and inconsistencies in data sources. However, these are slightly more important in the production activities, particularly in agriculture and other production activities due to changes in primary data sources and due to additional and more detailed analysis of data sources. The differences between GDP by the production and by the expenditure approach are

not eliminated in the process of finalization of estimates. The balancing between two GDP is done only in macro level. Therefore, the practice to show or publish statistical discrepancies as the difference between GDP by the production and by the expenditure approach is used in compiling and publishing national account data. The following tables showed the GDP by the production and expenditure approaches and the differences between them.

Table 6-1: GDP by production approach, 2012, in ALL million

GDP PRODUCTION APPROACH	**Level of Details**	**Output of goods and services** (at basic prices)	**Intermediate consumption** (at purchasers' prices)	**Gross value added** (at basic prices)
Industries	**A21**			
Agriculture, forestry and fishing	A	349,809	99,683	250,126
Mining and quarrying	B	111,383	51,188	60,195
Manufacturing	C	228,325	166,823	61,502
Electricity, gas, steam and air conditioning supply	D	32,862	10,564	22,298
Water supply; sewerage, waste management and remediation activities	E	33,173	23,500	9,673
Construction	F	449,116	297,323	151,793
Wholesale and retail trade; repair of motor vehicles and motorcycles	G	223,810	80,240	143,570
Transportation and storage	H	124,807	68,638	56,169
Accommodation and food service activities	I	49,955	25,422	24,533
Information and communication	J	104,967	63,232	41,735
Financial and insurance activities	K	50,694	18,561	32,133
Real estate activities	L	93,838	13,956	79,883
Professional, scientific and technical activities	M	54,813	26,545	28,268
Administrative and support service activities	N	46,119	22,542	23,578
Public administration and defence; compulsory social security	O	73,397	19,681	53,716
Education	P	69,273	11,579	57,694
Human health and social work activities	Q	48,618	15,363	33,255
Arts, entertainment and recreation	R	19,998	8,189	11,809
Other service activities	S	26,294	13,507	12,787
Activities of households as employers; undifferentiated goods- and services- producing activities of households for own use	T	59	28	31
Total		**2,191,310**	**1,036,563**	**1,154,747**
Taxes on products				179,559
Subsidies on products (-)				1,494
Gross domestic product at market prices				**1,332,811**

Table 6-2: GDP by expenditure approach, 2012, in ALL million

	GDP EXPENDITURE APPROACH	Year 2012
1. Total final consumption expenditure (a + b + c)		**1,179,194**
COICOP (1-dig)	**a) Household final consumption expenditure**	**1,032,478**
	01 - Food and non-alcoholic beverages	407,175
	02 - Alcoholic beverages, tobacco and narcotics	32,658
	03 - Clothing and footwear	42,423
	04 - Housing, water, electricity, gas and other fuels	132,257
	05 - Furnishings, household equipment and routine household maintenance	63,378
	06 - Health	47,774
	07 - Transport	58,651
	08 - Communication	19,548
	09 - Recreation and culture	19,394
	10 - Education	28,490
	11 - Restaurants and hotels	30,723
	12 - Miscellaneous goods and services	44,932
	Transition to national concept	105,075
	b) NPISH final consumption expenditure	**2,175**
	c) General government final consumption expenditure	**144,541**
2. Gross capital formation (c + d + e)		**377,566**
AN	**c) Gross fixed capital formation**	**353,044**
	111 Dwellings	178,021
	112 Other buildings and structures	94,368
	113 Machinery and equipment	63,688
	114 Weapons systems	-
	115 Cultivated biological resources	8,877
	117 Intellectual property products	8,089
	d) Changes in inventories	**24,522**
	materials and supplies	6,185
	work-in-progress	5,555
	finished goods	1,214
	goods for resale	11,568
	e) Acquisitions less disposals of valuables	-
3. Exports of goods and services		**444,514**
	goods	212,132
	services	232,382
4. Imports of goods and services		**692,887**
	goods	490,029
	services	202,858
5. Statistical discrepancies*		**24,424**
Gross domestic product at market prices (1+2+3-4+5)		**1,332,811**

**Item "Statistical discrepancies" represent the differences between two approaches of GDP*

Table 6-3: Differences in two approaches of GDP, 2012, in ALL Million

Compilation of GDP	Basic for NA figures	Adjustments	Balancing	Final Estimates
GDP PRODUCTION APPROACH				
Output of goods and services (at basic prices)	1,571,257	620,053		2,191,310
Intermediate consumption (at purchasers' prices)	688,768	347,795		1,036,563
Gross value added (at basic prices)	882,489	272,257		1,154,747
Net taxes	178,064			178,064
Taxes on products	179,559			179,559
Subsidies on products (-)	1,494			1,494
Gross domestic product at market prices	**1,060,554**	**272,257**		**1,332,811**
GDP EXPENDITURE APPROACH				
Total final consumption expenditure	1,179,194			1,179,194
Household final consumption expenditure	1,032,478			1,032,478
NPISH final consumption expenditure	2,175			2,175
General government final consumption expenditure	144,541			144,541
Gross capital formation	377,566			377,566
Gross fixed capital formation	353,044			353,044
Changes in inventories	24,522			24,522
Acquisitions less disposals of valuables	-			-
Exports of goods and services	444,514			444,514
Imports of goods and services (-)	692,887			692,887
Statistical discrepancies *			24,424	24,424
Gross domestic product at market prices	**1,308,387**		**24,424**	**1,332,811**

Balancing on SUT framework

Estimation from production and expenditure side, that INSTAT compile, generate different results because they are based on different surveys and administrative data sources. As is explained above the result of production approach were considered more reliable based on the analysis of reliability of data sources that is why the expenditure components were adjusted in order to achieve the same GDP figures. Balancing procedure is made mainly on aggregate level.

In order to make the GDP estimations more reliable and to eliminate those differences at the most detailed level possible INSTAT has developed a framework for (SUTs) compilation during IPA 2007 National Project "Support for alignment of Albanian statistics with EU standards.

In February 2015 INSTAT has published for the first time annual supply and use tables (SUT) at current prices for the years 2009 - 2011 and derived input-output tables (IOT) for year 2011. Compilation of supply and use tables (SUT) is based on the components of the production and expenditure approaches. However, the compilation of supply and use tables after the compilation of production and expenditure approach does not provide full freedom. The column totals for output and IC have not been changed, so as to leave GVA and hence GDP (O) unaffected. Also, imports, exports and government consumption have been left unchanged, statistical discrepancies generated are allocated to final household consumption expenditure, gross fixed capital formation and changes in inventories.

Until now the SUT framework is used as an extension to regular National Accounts without having a key role in the estimation of GDP. The next stage of the development is the full integration of SUT into NA structure, and this table will have a key role in the estimation of final GDP figures at current and constant prices.

INSTAT has elaborated a standard procedure of compilation and balancing the annual national accounts. After the full integration of SUT into NA structure, the final GDP estimates, based on supply and use table, will be released 3 years after the reporting period (t+36 month). In line with annual estimates and revisions policy, the preliminary and semi final estimates are based on GDP by production and expenditure approach and the final estimates will based on SUT estimates. The final estimate will bring together all available information incorporated as part of the SUTs balancing process, for deriving a consistent set of estimates.

6.2. Other approaches used to validate GDP

The most important step to validate the estimates of GDP level and particularly exhaustiveness was the introduction of Input Labour Method. Labour input calculations are an integral part of national accounts. The main source data for the labour accounts are statistical surveys on employees and the labour force survey. The labour inputs data are expressed in terms of average number of persons employed both for employees and self-employed persons and they are calculated using the same industry classification (NACE Rev.2). They are combined with the data for gross output; intermediate consumption and gross value added to estimates the labour productivity and adjusted GDP for non-exhaustiveness.

Thus, the labour input statistics are used for the validation of estimates of GDP by the production approach, which allows the analysis of data exhaustiveness by activity level.

CHAPTER 7 OVERVIEW OF THE ALLOWANCES FOR EXHAUSTIVENESS

7.1. Introduction

The main purpose of National Accounts is to offer an exhaustive description of an economy. This means that the main aim of compiling statistics is to cover as much as possible the productive activities that belong to production boundary. Despite the continuously national accountant efforts to integrate various and numerous data sources to be exhaustive there are data that can never be expected to cover all the production falling within the 2010 ESA or 2008 SNA boundary. Some of those productive activities have to be indirectly measured. An exhaustive coverage of national accounts is an important quality aspect because due to its comprehensive design they are seen as a high quality validation frame for estimations in specific areas.

To ensure exhaustiveness of GDP estimates, national accounts in Albania has been part of several international projects with the main focus on methods for measuring productive activities that are non-observed because they are underground, or informal, or undertaken by households for their own final use, or missed due to deficiencies in the basic data collection programme.

At the beginning, the National Accounts Directorate has used the so-called "*expert method*" to measure economic underground activities by using existing data sources covering the period 1996-2003. The method was based on experts' opinions where they assess the share of NOE in each branch of economic activity. These shares were then used for grossing up data on output, intermediate consumption and value added for each branch. This kind of the methodology adopted for non-observed economy (NOE) estimations suffered from a high degree of subjectivity.

For this reason, INSTAT planned to improve it and shift to a new methodology mainly based on a statistical approach. This has been done with the help of two different projects aimed to provide technical assistance to INSTAT in the field of National Accounts. The projects are funded by the EU Commission (through the CARDS programme) and by the IMF. It was a twinning project between INSTAT and the Statistical Institute of Italy (ISTAT), which was started in 2004, and provided assistance for the improvement in estimation of the non-observed economy in Albania, by developing and testing a methodology for NOE estimation based on the Italian approach of "*the labour input method"*. Estimates of employment were used to achieve exhaustiveness in national accounts by taking into consideration the non-observed economy**.** Data sources that contributed on the estimation of labour input were classified on basis of statistical units that provide information on labour demand (which were the Annual Structural Business Survey and Financial Statements) and on labour supply (Census of 2001 and Living Standard Measurement Survey).

From March 2010, Institute of Statistics (INSTAT) has been assisted from IPA 2007 National Project "Support for the alignment of the Albanian statistics with EU standards" and one of the components was "National accounts". One of the main objectives was to improve and extend the Albanian national accounts coverage for exhaustiveness. The improvements have been based on the availability of new information as well as efforts to improve actual methodologies and introducing new ones.

This chapter provides detailed information on current sources and methods that are used from Albanian National accountants for estimating specific types of adjustments. It will identify improvements in the national accounts compilation procedure, in order to ensure exhaustiveness of the national accounts estimates.

7.1.1. *Geographical coverage*

The economic territory is defined the Republic of Albania which is in line with the definition given in ESA 2010, paragraphs 2.05 to 2.07. In the compilation process of national accounts are included all the economic transactions realized in territory of Republic of Albania by resident units.

7.1.2. *General approach to exhaustiveness*

The key compilation method in Albanian national accounts is the output approach. It is the most elaborated as for both availability of data sources and execution of methodological adjustments on the one hand, and estimates for exhaustiveness on the other hand.

The estimates of GDP by production approach are considered the main approach in Albanian National Accounts. From the perspective of exhaustiveness, different types of adjustments are applied for each group of statistical units taking into account the size of the enterprise. Nevertheless, the adjustments are made not to all the groups of producers.

Output of non-market producers in the General Government sector is not adjusted for exhaustiveness. Electricity and Financial intermediation services are not adjusted either. Banking institutions, insurance companies and other financial intermediaries are strongly supervised by special authorities and their information provided for the Central Bank is considered as complete and exhaustive.

However an improvement on coverage was done in the framework of IPA 2007 Component A: National Accounts, by compiling exhaustiveness adjustments for private education and health and for own account construction as well.

Estimations of exhaustiveness are done on annual basis in each phase of GDP compilation. Main method used in respect to exhaustiveness is the Labour input method that is used to estimate type N1 and N6. Expert method is the second one used for types N3 and N7. Franz method was used for underreporting of gross output.

7.2. Allowances for exhaustiveness in the production approach

This section identifies the type of adjustments and describes general methods and compilation procedures that, in principle, are applied to any branch of economic activity. The choice of an appropriate method depends on the availability and quality of the data that could be used to derive indicators of production. The required data on exhaustiveness by type and economic activity are provided in this section as well.

7.2.1. *Identification of types of non-exhaustiveness*

The strategy for improving the coverage of the non-observed economy has followed the recommendations of the EUROSTAT tabular approach to exhaustiveness of national accounts and the OECD Handbook.

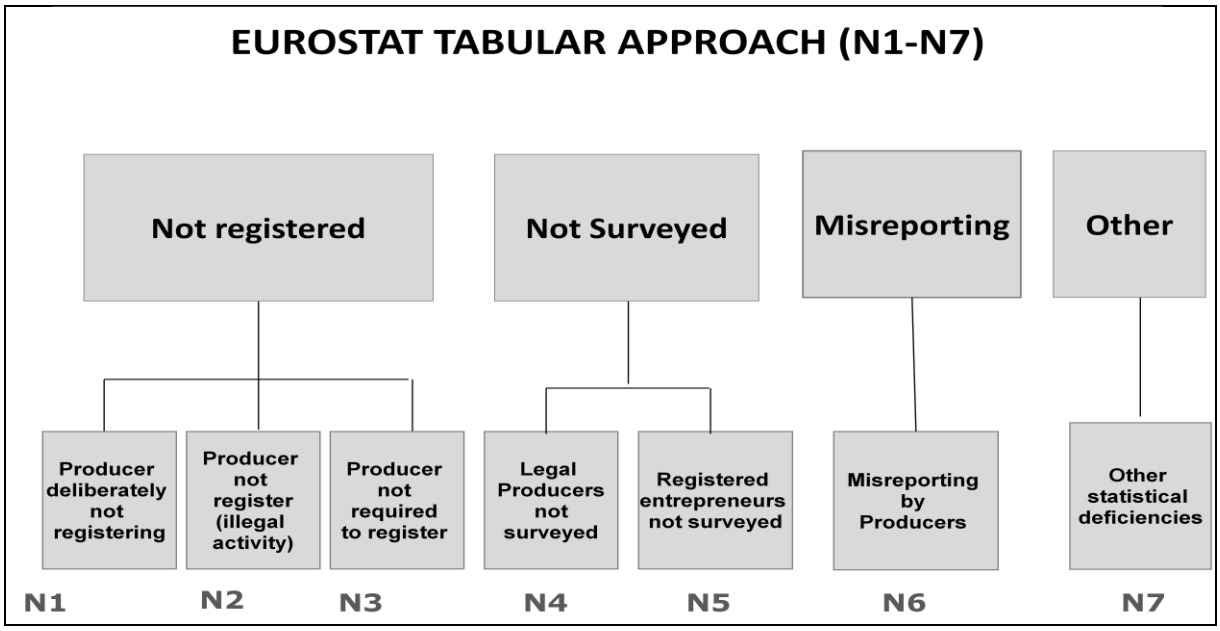
The Tabular Approach developed by EUROSTAT focuses on achieving exhaustiveness in the national accounts, i.e. that GDP estimates are as comprehensive and comparable as possible. The approach works by classifying and sub-dividing all producers according to their potential for non-exhaustiveness based on a standard set of non-exhaustiveness types N1 - N7. In general, producers may fail to register when involved in underground activities (N1) or illegal activities (N2), or do not need to register (N3), or registered but not surveyed (N4 for legal persons and N5 for entrepreneurs), or intentionally miss-reports (N6), or when there are statistical deficiencies in the data (N7).

The steps for Identification of all the types of the NOE, based on EUROSTAT approach, have been as following:

- analysing the legislation that settles the activity of economic operators, the way they adjust to the market economy requirements, by identifying the phenomena taking place in the economy and their effects on Albania society life;
- identifying that part of the economy that can be observed using data sources provided by the statistical, financial and administrative systems;
- identifying that part of the economy that should be covered by national accounts taking into consideration ESA 2010 methodology, but cannot be observed through the existing data sources;
- identifying the aspects of NOE from a statistical point of view in the actual situation of Albania, based on the EUROSTAT tabular approach;
- analysing the methodologies and practices used in other countries to estimate the NOE and the possibilities to adjust them in the specific conditions of Albanian economy;
- assessment of statistical and administrative data sources which could be used for the estimation of NOE;

- elaborating the methodology of valuation of the NOE that consider both the existing possibilities to find data sources and the possible improvements.

Based on the methodology developed and the data sources available a direct estimation of the NOE was realised but not all types of exhaustiveness adjustment are applied. For the purposes of national accounts, this N1-N7 framework is primarily relevant and useful for the production approach to GDP. Below are described all the types of exhaustiveness N1 to N7.



Types of exhaustiveness N1-N7:

N1- Producer Deliberately Not Registering

By law all enterprises irrespective of their size are legally obliged to register their activities in Albania. However, in recognition that not all enterprises fulfil these obligations, INSTAT makes explicit estimates for intentionally unregistered enterprises. The assumption is that these are typically small (on the grounds that large enterprises could not feasibility avoid detection) and by definition they are part of the household sector. It was used Labour input method to estimate the type N1.

N2- Producers Deliberately Not Registering – Illegal

According to ESA 2010 illegal activities where the parties are partners in an economic transaction are included in the production boundary. Illegal activities where either of the parties are not willing participants (e.g. theft) are not economic transactions and so are not included in the production boundary. Illegal activities recommended being included in national accounts estimates are the following:

- Prostitution;

- Production and trafficking of drugs;
- Smuggling of alcohol and tobacco products.

Among various types of illegal activities such as smuggling, prostitution, narcotics, INSTAT has decided to compile estimates only for drugs. INSTAT has done estimates for drug production, distribution and consumption on an experimental basis, under IPA 2011 project. So far estimates for illegal activities are not included in the official national GDP figures. The results need more analyzes before integration of the illegal economy in the current national accounts. The method requires still improvements in data sources and more collaboration with all institutions and experts in this field in order to have more reliable and qualitative data on the number of user, average doses, seizure rates and production capacity of drugs in Albania.

N3- Producer Not Required to Register

This type of N3 has no market output; typically, these are non-market household producers involved in production of goods for own consumption or for own fixed capital formation; or involved in construction of and repairs to dwellings; also included is market output that is below the level at which the producer is expected to register as an entrepreneur. The main exhaustiveness adjustments are made for agriculture products for own final use and own account construction. Small adjustments, using expert methods, are done for the total output and intermediate costs estimates of agriculture. The estimations of own account construction are based on Households Budget Survey data.

N4- Legal producer not surveyed & N5-Registered entrepreneurs not surveyed

The timely update of the statistical registers has an important role in exhaustiveness of national accounts. The Albanian Business register (BR) hold all non-agricultural legal unit (enterprises and institutions) that perform their economic activity inside Albanian territory. The BR covers all legal persons and also covers all natural persons who have a status of ‘entrepreneur’. It is regularly updated using information provided by several organizations such as NCR (QKR), Ministry of finance, GDT (DPT), VAT files, and Social security files for registration of different types of businesses. There are no general limitations in the register with regard to the size of the unit or type of economic activity undertaken. For this reason no separate estimates are performed for N4 and N5 types of exhaustiveness adjustments.

N6- Misreporting by the producer

There are considered as N6 underreporting of gross output or over-reporting of intermediate consumption in order to evade (or reduce) income tax, value added tax or

social security contributions. Two type of method are developed for estimation of N6, the first is labour input method for evaluation of under declared employees and the second "Franz (1985)[4]" method in order to correct the underreporting of output by producers.

N7 -Other Statistical Deficiencies

Under type N7 are included cases when data are incomplete, not collected or not directly collectable or the cases when the data are incorrectly handled, processed or compiled by statisticians. In Albania adjustments for type N7 are done only for tips.

In the table 7.1 is presented each method used for each type N1-N7 of exhaustiveness adjustment done in Albania.

Table 7-1: Method and type of exhaustiveness adjustments

Method	Type of Exhaustiveness						
	N1	**N2**	**N3**	**N4**	**N5**	**N6**	**N7**
Labour input Method	X					X	
Expert and demand based method			X				X
Franz method						X	

7.2.2. *Adjustments made for the different types of non-exhaustiveness*

The adjustments for exhaustiveness related to GDP by production approach are performed on the indicators of output, intermediate consumption and value added for all economic activities except for financial activities and public administration, education and health. In the Table 7-2 is given a summary of the total exhaustiveness adjustments to each indicator, broken down by types N1 to N7.

Table 7-2: Exhaustiveness of GDP by production approach

GDP by production approach	Exhaustiveness Type							Total exhaustiveness
	N1	N2	N3	N4	N5	N6	N7	
Output	197,012		54,232			366,670	1,984	**619,898**
Intermediate consumption	109,736		16,742			203,188		**329,667**
Gross value added	87,275		37,490			163,482	1,984	**290,231**

[4] See Franz A. (1985), Estimates of the hidden economy in Austria on the basis of official statistics, *The Review of Income and Wealth*, 4, 1985.

Labour input method is the main method of exhaustiveness adjustments. It is used to estimate type N1 and N6 and it covers 78% of total adjustments. Expert method is the second one that covers 13% of adjustments followed by Franz method used for underreporting of gross output by 9%. Demand based method used for estimates of own account construction covers only 1% of the adjustments.

Table 7-3: Adjustments by methods

Method	Type of Exhaustiveness							Total
	N1	N2	N3	N4	N5	N6	N7	
Labour input Method	87,275					137,693		224,969
Expert demand based method			37,490				1,984	39,474
Franz method						25,788		25,788
Total adjustments	87,275		37,490			163,482	1,984	290,231

Table 7-4: Share of each method by type of adjustments

Method	Type of Exhaustiveness							Total
	N1	N2	N3	N4	N5	N6	N7	
Labour input Method	38.8%					61.2%		78%
Expert and demand based method			95%				5%	14%
Franz method						100%		9%
Total adjustments	30.1%		12.9%			56.3%	0.7%	100%

The following tables present the results of exhaustiveness adjustment by type, by economic activities NACE Rev.2 at A21 level of breakdown. They bring together respective adjustments made for output, intermediate consumption and gross values added.

The total exhaustiveness adjustments represented 21,8% of GDP for year 2012. In terms of types of adjustments 30,1% for type N1-producer deliberately not-registered, 12,9% for N3-producer not required to be registered, 56,3% for N6-misreporting and 0,7% for N7-other statistical deficiencies. Misreporting by producer has the biggest share on overall exhaustiveness adjustments.

In terms of shares of adjustments in GDP by economic activities, the largest adjustments were made in construction NACE F (6,8% of GDP), trade NACE G (4.4% of GDP), agriculture NACE A (2.6% of GDP) and transport and storage NACE H (1,7% of GDP), and accommodation and food services NACE I (0,7% of GDP). The smallest adjustments were

made in mining and quarrying NACE B, water supply NACE E, and real estate activities staying close to 0,1% of GDP.

In terms of shares of adjustments in Gross Value Added (GVA) by economic activities, the total exhaustiveness adjustments represent 25,1% of GVA at basic prices. Compared to the total initial estimates of gross value added of the industries, the highest adjustments were made in construction industry NACE F (59,4% of GVA of the industry), transport and storage NACE H (43.1% of GVA), trade NACE G (40.9) and accommodation and food services NACE I (40,1%).

Table 7-5: Exhaustiveness adjustments of Gross value added by type and industries, 2012, in ALL million

GDP PRODUCTION APPROACH	Level of Details	Exhaustiveness adjustments								Final estimate	Total (adjust.) of GVA by industries	Total (adjust.) of GDP
		N1	N2	N3	N4	N5	N6	N7	Total exhaust.			
Industries	**A21**											
Gross value added (at basic prices)		**87,275**		**37,490**	**-**	**-**	**163,482**	**1,984**	**290,231**	**1,154,747**	**25.1%**	**21.8%**
Agriculture, forestry and fishing	**A**			34,054					34,054	250,126	13.6%	2.6%
Mining and quarrying	**B**	31					1,885		1,916	60,195	3.2%	0.1%
Manufacturing	**C**	1,822					9,951		11,774	61,502	19.1%	0.9%
Electricity, gas, steam and air conditioning supply	**D**									22,298	0.0%	0.0%
Water supply; sewerage, waste management and remediation activities	**E**	174					3,080		3,254	9,673	33.6%	0.2%
Construction	**F**	31,048		3,436			55,631		90,114	151,793	59.4%	6.8%
Wholesale and retail trade; repair of motor vehicles and motorcycles	**G**	31,466					27,308	4	58,778	143,570	40.9%	4.4%
Transportation and storage	**H**	10,734					13,456	32	24,222	56,169	43.1%	1.8%
Accommodation and food service activities	**I**	3,319					4,611	1,915	9,845	24,533	40.1%	0.7%
Information and communication	**J**	977					6,381		7,358	41,735	17.6%	0.6%
Financial and insurance activities	**K**									32,133	0.0%	0.0%
Real estate activities	**L**						1,381		1,381	154,920	0.9%	0.1%
Professional, scientific and technical activities	**M**	3,848					7,186		11,034	28,268	39.0%	0.8%
Administrative and support service activities	**N**	385					8,484		8,869	23,578	37.6%	0.7%
Public administration and defence; compulsory social security	**O**	-								53,716	0.0%	0.0%
Education	**P**	166					12,623		12,789	57,694	22.2%	1.0%
Human health and social work activities	**Q**	380					8,089		8,470	33,255	25.5%	0.6%
Arts, entertainment and recreation	**R**	765					1,414		2,179	11,809	18.5%	0.2%
Other service activities	**S**	2,159					1,992	33	4,185	12,787	32.7%	0.3%
Activities of HH as employers; goods and serv. prod. activities of HH for own use	**T**	1					8		10	31	30.8%	0.0%
Gross domestic product (*at market prices)*		**30.1%**		**12.9%**			**56.3%**	**0.7%**	**100.0%**	**1,332,811**	**25.1%**	**21.8%**

7.2.3. *Exhaustiveness methods*

As was described in the previous section, the main methods for measuring an exhaustive GDP estimates are Labour input method (LIM), Expert method and Franz method. This sub-section is focused on the deepness of the methods and data sources used for exhaustiveness adjustments.

7.2.3.1.Labour Input method

Although by Albanian law all enterprises irrespective of their size are legally obliged to register their activities and employees, not all enterprises fulfil these obligations. To capture activities of producer that intentionally do not register or not registered employees to avoid payment of social security contribution, INSTAT makes explicit estimates by using labour input method. Application of Labour input method is done for all branches except Agriculture NACE A, Energy NACE D, Financial activities NACE K, Public administration NACE O, Public Education NACE P and Public Health NACE Q. For the first time labour input is applied also for Private Education and Health. It should be mentioned that up to now Albania has not done estimation of employments in national accounts for whole economy. The estimations of employments are made only for LIM purposes in the economic activities for which this method is applied.

7.2.3.1.1 Data sources

Demand-side employment (point of view of the enterprises) is the employment underlying the estimate of GDP using the output approach, i.e. employment in those producer units which are covered by the estimate of the industries' gross value added. Structural business survey, Business Register and administrative data are the main data sources to identify the number of labour inputs from enterprises.

Supply-side employment is related to demographic employment figures reported by households in the form of population censuses and labour force surveys. For the first time the Labour Force Survey data are used for implementation of the Labour Input Method. In the previous estimates, the Living Standard Measurement Survey (LSMS) was used. LFS is a new and appropriate source of information on employment in Albania. It is a sample based survey, conducted on annual basis since 2007 and on a quarterly basis from 2012.

More information about the above data sources could be found in CHAPTER 9 . All the data are broken down by the economic activity according to NACE two digit classifications.

7.2.3.1.2 Method

Estimates of labour input are designed to achieve exhaustiveness in the national accounts by ensuring that all productive labour is taken into account. The main steps in obtaining a comprehensive measure of labour inputs are:

1. Obtaining estimates of labour input by integrating different sources of information representing the supply and the demand for labour
2. Obtaining estimates of output per unit of labour input and value added per unit of labour input for same industry and size breakdown from regular or special purpose enterprise survey
3. Multiplying the labour input estimates by the unit ratios to get output and value added for industry and size of the production unit.

Step 1: Estimates of Hidden Labour inputs

In order to perform an exhaustive estimate of Input of Labour it is crucial to harmonise and integrate the different sources of employment information from the supply and the demand of labour, with respect to concepts and definitions. Differences between the national accounts and the Labour Force Survey arise from definitions, classifications and other factors. There are persons classified as employed in the national accounts but not in the Labour Force Survey and vice versa. Other difference is that in the national accounts the employed are defined in accordance with the boundary of the economic territory, but in the Labour Force Survey according to nationality.

The employment data have been transformed to the national accounts concepts following ESA 2010 definitions and concepts. Adjustments are made to meet the residence requirement, i.e. the residents who are working abroad or in the extra-territorial organizations in Albania are excluded. Conceptual adjustments are made for maternity leave as well.

The undeclared employment in Albania is estimated through the comparison between LFS and Business statistics employment data. The number of hidden employment is obtained from the differences between those two sources. These comparisons are made only for that economic activity of which is estimated informal economy and not for the whole economy.

Basically to calculate undeclared labour input, distinguishing employees and employers, can be considered as the best solution by performing a comparison between the LFS and the Business Statistics data by distinguishing employers and employees by branch. In this way it could be obtained separate estimates of types N1 and N6 by applying labour input method. Nevertheless, taking in account the problem of miss-classification, a second best solution has been used by performing a comparison between the LFS and the Business Statistics without distinguishing employers and employees. The estimations of hidden employment are divided into employers and employees by using the share derived through the LFS. The part of hidden employers refers to type N1-small producer (mainly self-employed) that deliberately not registering, while the part of hidden employees refers to type N6- misreporting of employees by producer.

Step 2: Productivity of hidden labour input

The per capita value added of the enterprise, size class 1-49 workers, was used as the productivity generated from hidden labour inputs. Firstly the productivity is adjusted for misreporting with Franz method, which is going to be described in the next sub-section.

Step 3: Multiplication of labour input with revaluated value added

The value added for non-exhaustiveness it is estimated as a multiplication of revaluated per capita value of enterprises with the hidden employment. The ratios of intermediate consumption/value added of enterprises size class 1-49 were used to estimate the intermediate consumptions. Output is estimated as a sum of intermediate consumption and value added.

Table 7-6: Exhaustiveness adjustment with LIM

Industries	**A21**	**Number of hidden labour**	**GVA per labour input** (in 000 ALL)	**GVA** (in million ALL)	**Intermediate Consumption** (in million ALL)	**Output** (in million ALL)
Agriculture, forestry and fishing	A					
Mining and quarrying	B	925	1,651	1,526	2,691	4,217
Manufacturing	C	12,184	756	9,215	22,921	32,137
Electricity, gas, steam and air conditioning supply	D					
Water supply; sewerage, waste management and remediation activities	E	5,218	609	3,177	12,002	15,180
Construction	F	49,493	1,671	82,685	165,084	247,769
Wholesale and retail trade; repair of motor vehicles and motorcycles	G	41,551	1,099	45,666	21,043	66,709
Transportation and storage	H	22,778	1,035	23,567	32,693	56,260
Accommodation and food service activities	I	14,201	434	6,164	6,082	12,246
Information and communication	J	5,414	1,279	6,923	10,233	17,155
Financial and insurance activities	K					
Real estate activities	L	595	2,266	1,348	1,134	2,483
Professional, scientific and technical activities	M	4,943	1,880	9,294	10,265	19,558
Administrative and support service activities	N	8,598	1,007	8,660	10,829	19,490
Public administration and defence; compulsory social security	O					
Private Education	P	13,174	955	12,582	5,660	18,242
Private Human health and social work activities	Q	8,240	1,000	8,236	5,283	13,519
Arts, entertainment and recreation	R	2,293	853	1,955	3,052	5,007
Other service activities	S	5,854	676	3,960	3,944	7,904
Activities of HH as employers; goods and serv. prod. activities of HH for own use	T	23	420	10	8	18
Total		195,484	1,151	224,969	312,925	537,894

7.2.3.2.Franz method (Income based method)

In order to correct the underreporting by producers, Franz (1985) method has been applied to all businesses with legal form that allow detecting self-employed workers within the same unit of production (entrepreneurs and family workers). This is a simplified version of the method proposed by Franz (1985), which is based on the principle that the receipts and costs data for an enterprise must be coherent. The theoretical justification behind this principle is that self-employed workers will change their employment status unless they receive at least the same income as they would have earned for the same time working in paid employment in the same type of economic activity (opportunity costs). In cases where the data collected in the basic statistics indicate that self-employed persons have a lower income, there is a good reason to assume that the difference is compensated for by incomes which are not declared to the tax authorities and to official statistics. A key additional assumption for such a comparison of income is a reference income for the self-employed which can be compared with wages and salaries of the employees.

There are two hypotheses for underreporting:

- In hypothesis 1, the business under-reports turnover while reporting costs in full. Once it has been established that the income of the self-employed worker is lower than that of the employee, the income from self-employment is reassessed. The same amount is transferred to receipts, costs remain unchanged and value added is thus increased.
- In hypothesis 2, the business declares the same value added, reporting turnover in full but this time over-reporting costs by the same amount as that by which the first had under-reported turnover. The method leads to the same reassessment of value added.

In Albania the Franz method is used for underreporting according to hypotheses 1 and the process of correction for underreporting is done as following:

Step 1: Identification of enterprises that fulfil the above conditions to apply Franz method.

This new methodology is applied to a sub-sample of SBS which includes only the enterprises that have a legal form such as: (1) physical person, (4) limited liability company and (5) simple society. Furthermore, from this sub-sample, are chosen only the enterprises that have less than 49 workers. This means that only “Small – up to 5 employees” and “Medium – from 5 to 49 employees” enterprises are taken into account and excluding those that are considered “Large – 50 and more employees”. In order to take in account the business life cycle of the enterprises, the correction method is applied differentially according to the years of activity of the enterprises that fulfil the above conditions. For all the enterprises that have up to 1 year of activity the method is not applied while for, the enterprises that have from 1 to 2 years of activity the method is applied at 50%. The method is fully applied for those enterprises that have more than 2 years of activity. This distinction is done because the method does not

require enterprises that have negative gross profit, event that according business life cycle may occur in the early years of an enterprise.

Step 2: Calculation of compensation of employees by employees and incomes of self-employed.

Step 3: Adjustments are done for working hours between employees and self-employed. Adjustments of per capita of step 2 are done to take into account of different working time of employees and self-employed. The ratio between the hours worked by the two categories provides a correction factor, which is applied to the actual earnings of the worker in the specific enterprise in question. The adjustment coefficient of average amount of hours worked is taken from LFS data.

Step 4: Comparisons of per capita income of self-employed and per capita compensation of employees by size of enterprise and NACE Rev.2 breakdown. As it was specified before, the method has the aim to compare per capita income of self-employed with per capita compensation of employees which is now adjusted to the different working hours of the employee respect the employer. If the difference between the two values is negative, then "reported value added" and "reported output" from enterprises is revaluated with the amount of negative differences by obtaining in this way "revaluated value added" and "revaluated output". Intermediate consumption is not affected by the revaluation of output and value added since the latter two are changed with the same amount.

Step 5: By taking into account economic branches and dimensional classes, calculate:

a) The ratio between "adjusted value added" and "value added" reported from the enterprises
b) The difference between "adjusted value added" and "value added" reported in the enterprises, which is after divided to the number of total workers (self-employed plus employees). This is called revaluation coefficient.

Step 6: The amount of the revaluation grossed up to universe of enterprises underlying in national accounts is obtained by multiplying the coefficient calculated in the step 5 with the number of employed from all other enterprises that have the same that have the same features of legal form and economic activity of the enterprises in which Franz method is applied.

In the Table 7-7 is the correction for underreporting of value added illustrated. By the same amount the output is corrected as well. The sectors, most affected by underreporting of incomes, are the trade activities NACE G with a percentage of revaluation of 15 % that compound 50.8 % of total amount of revaluation. It is followed by manufacturing NACE C and construction activities NACE F with respectively 11% and 10 %. As well accommodation and food services activities NACE I, Professional, scientific and technical activities and

Private Human health and social work activities NACE Q have a large percentage of revaluation by 12 %, 11% and 14% but in terms of share it compound only 6.9 %, 6.7% and 0.9% in the total amount of revaluation.

Table 7-7: Exhaustiveness adjustment with Franz method

Industries	A21	GVA of SME (in million ALL)	Amount of revaluation (in million ALL)	Revaluated GVA of SME (in million ALL)	Percentage GVA revaluation	Shares
Agriculture, forestry and fishing	A					
Mining and quarrying	B	5,371	389	5,760	7%	0.2%
Manufacturing	C	21,266	2,559	23,825	11%	9.9%
Electricity, gas, steam and air conditioning supply	D					
Water supply; sewerage, waste management and remediation activities	E	1,617	76	1,693	5%	0.3%
Construction	F	37,386	3,994	41,380	10%	15.5%
Wholesale and retail trade; repair of motor vehicles and motorcycles	G	72,793	13,108	85,901	15%	50.8%
Transportation and storage	H	11,583	623	12,205	5%	2.4%
Accommodation and food service activities	I	13,387	1,767	15,154	12%	6.9%
Information and communication	J	7,025	435	7,460	6%	1.7%
Financial and insurance activities	K					
Real estate activities	L	3,029	33	3,061	1%	0.1%
Professional, scientific and technical activities	M	14,233	1,741	15,973	11%	6.7%
Administrative and support service activities	N	6,720	208	6,928	3%	0.8%
Public administration and defence; compulsory social security	O					
Private Education	P	2,788	207	2,995	7%	0.8%
Private Human health and social work activities	Q	1,395	233	1,628	14%	0.9%
Arts, entertainment and recreation	R	2,295	224	2,519	9%	0.9%
Other service activities	S	7,745	191	7,937	2%	0.7%
Activities of HH as employers; goods and serv. prod. activities of HH for own use	T					
Total		208,632	25,788	234,420	11%	100.0%

7.2.3.3.Expert method N3 & N7

This method is used for exhaustiveness adjustment of agriculture products for own final use and tips. The "expert method" is based on experts' opinions where they assess the share of NOE in each branch of economic activity**.** Percentages are applied to the values of output,

intermediate consumption or gross value added before the adjustments of the data for FISIM allocation.

- *Agriculture, forestry and fishing*

These experts provide percentages that represent the value of output and intermediate consumption under-coverage in section A of NACE Rev.2. Different percentages are applied to the observed output and intermediate consumption of agriculture and for fishing before conceptual adjustments. The way how the output and intermediate consumption from basic data in those branches were calculated, is shown in CHAPTER 3 . The non-observed value added is the difference between the non-observed output and non-observed intermediate consumption. The following table presents the "expert method".

Table 7-8: Exhaustiveness adjustment of Section A, 2012, in ALL million

Description			Surveyed data (a)	Percentage Expert (b)	Exhaustiveness adjustments (a)*(b)
Agriculture, forestry	1	Output	301,545	14.0%	42,216
	2	Intermediate consumption	86,574	10.0%	8,657
	3=1-2	Gross value added	214,971		33,559
Fishing	1	Output	4,962	21.9%	1,086
	2	Intermediate consumption	3,576	16.5%	590
	3=1-2	Gross value added	1,385		495
Section A	1	Output	306,507		43,302
	2	Intermediate consumption	90,150		9,248
	3=1-2	Gross value added	216,357		34,054

- *Tips*

An estimate of tips has been performed using a subjective estimate of the percentage of tips based also on the ratio used in Italian national accounts. That percentage has been applied to the value added for the following sectors of activity. For tips no intermediate consumption is calculated, therefore the adjusted value of output is equal to the adjustments made to gross value added.

Table 7-9:Exhaustiveness adjustment for tips, 2012, in ALL million

Description	Gross Value Added	Percentage Expert (b)	Exhaustiveness adjustments
Sale and repair of motor vehicles and motorcycles	5,199	0.07%	4
Accommodation	2,343	10.0%	234
Food services activities	13,128	12.8%	1,681
Passenger transport by road;	9,682	0.3%	32
Other services like personal care	1,877	1.78%	33
Total value of Tips			1,984

7.2.3.4.Demand based method

Meanwhile the estimation of Own construction were based on Households Budget Survey data. The data relating to the costs of materials purchased for the maintenance of dwelling collected though the Household Budget Survey has been used to perform and estimate of own-account production in main and secondary dwellings. In particular, the respondent that has declared only the cost for materials has been considered. The ordinary and the extraordinary maintenance have been included in the calculation. The data of the cost of materials provide an estimate of the intermediate costs. In order to obtain an estimate of value added the ratio value added/intermediate cost calculated on the small enterprises of the construction sector has been applied to the amount of cost of the material derived from HBS. The output is obtained by summing up value added and intermediate cost.

Table 7-10: Exhaustiveness adjustment for own account construction, 2012, in ALL million

Description	Exhaustiveness adjustments		
	Output	Intermediate consumption	Gross Value Added
Own account construction	10,930	7,494	3,436

7.3. Allowance for exhaustiveness in the expenditure approach

No explicit estimates are made for expenditures approach because they are included in the estimates directly when they use the ratios taken from production approach which already includes exhaustiveness adjustments estimates.

Gross Fixed Capital Formation (GFCF) components are estimated on the basis of different data sources. During the compilation procedure by each component, efforts are made to achieve greatest coverage and exhaustiveness in the figures used. GFCF included implicitly exhaustiveness adjustments that are done from production approach of GDP estimation. The part of construction activity which is included in GFCF; include the all types of exhaustiveness adjustments that are done from production approach. From own account

construction only the output of extraordinary maintenance has been part of gross fixed capital formation in GDP by expenditure approach.

Data on **exports and imports** are used in national accounts (without any exhaustiveness adjustment). The main data source used for the recording of transactions in goods with the Rest of the World is information collected by Customs. For export and imports of services data are directly obtained from the Balance of Payments that is compiled in Albanian Central Bank. The values of exported and imported services are estimated on the basis of surveys. An additional survey is carried out with an aim to estimate the value of purchases made by tourists. The interviewers are employed to observe the border traffic and expenses of the foreigners in the country.

Household final consumption

*Tips***:** Finally, from the expenditure side estimated result was taken into GDP estimate by production approach and distributed among the services producing units.

Private Health and education services produced in informal economy are included implicitly on Final Consumption of Household.

7.4. Allowances for exhaustiveness for the income approach

No estimates on GDP by income approach

CHAPTER 8 THE TRANSITION FROM GDP TO GNI

8.1. Introduction

This chapter describes the transition of Gross Domestic Product (GDP) to Gross National Income (GNI). This transition is realized through data on primary incomes between residents and non-residents (S.2). Main incomes are compensation of employees received by residents from non-residents and paid to non-residents from residents and property incomes received by residents and paid to non-residents.

The principal data source for compilation of GNI is the balance of payments (BoP) which is mainly based on IMF Balance of Payments Manual, sixth edition (BPM 6). The National Bank of Albania is responsible for compiling the Balance of Payments and the Institute of Statistics uses the data in the compilation of the GDP-GNI transition.

All the items used in the GDP-GNI transition are taken from the balance of payments directly. The transition from GDP to GNI is expressed in national accounts through the individual items of the external account of primary incomes. Gross National Income is the sum of Gross Domestic Product and the Balance of Net Primary Incomes of Residents.

The Balance of Net Primary Incomes of Residents in relation to the rest of the world is calculated as the difference between compensation of employees received and paid, net taxes on production and imports and net property incomes (interest, dividend, reinvested earnings on foreign direct investments and property income attributed to insurance policy holders).

The transition from GDP to GNI for year 2012 is described in Table 8.1. Individual items are described more fully in each of the sub-categories of this chapter.

Table 8-1: Transitions from Gross Domestic Product to Gross National Income

Year	2012	
Gross domestic product	1	**1,332,811**
Compensation of employees, net	2 = 3 - 4	12,441
from the rest of the world	3	16,470
to the rest of the world	4	4,028
Property income, net	5 = 6 - 7	(22,369)
from the rest of the world	6	9,731
to the rest of the world	7	32,100
GROSS NATIONAL INCOME	**8 = 1+2+5**	**1,322,883**

8.2. Income

Income covers two types of transactions between residents and non-residents:

i. Compensation of employees who are paid to non-resident workers (seasonal workers, border and others who work for a short-term) and
ii. Investment income (property income) in foreign assets and financial liabilities. The latter include the income and payment in direct investment, portfolio investment, other investments and income from reserve funds. The revenues from the use of physical assets are not included in income, but by the case they may be treated as other services, transport services or leasing

8.3. Compensation of employees

Compensation of employees (D.1) comprises total compensations in cash or in kind (including employers' social contributions). Payments to and from the ROW relate to non-resident employees of resident employers and to resident employees of non-resident employers.

Non-residents cover employees working in the resident economy for less than one year. They also include non-resident employees working for a resident employer, but who are based in their home country (cross-border workers). Some examples are seasonal and border workers, students who work and non-residents who stay in the resident economy for a limited period, usually for less than one year for the purpose of earning money.

Compensation of employees includes salary, bonuses and other benefits, obtained by non-resident individuals in an economy, for work performed for residents of this economy. This category also includes payments made by employers on behalf of workers' insurance contributions or pension funds that represent benefits for employees.
In this category of employees are included seasonal workers or those employed for a short-term (less than a year) and border workers who have their centre of economic interest in their country of origin.

As embassies and consulates are considered as non-resident units in economies which are located, compensation (salary, bonuses and other benefits) received by the local staff (the host country) employed in these institutions are classified as a payment from non-resident to residents.
Personal expenses made by seasonal and border workers, in economies in which they work are recorded in the voice “Travels”. Fees, fines, social security funds paid by the workers in these economies are recorded as “Current Transfers”.

In Albanian Balance of Payments records for these allowances and expenses are presented gross as it is recommended in the Balance of Payments Manual.

Table 8-2: Net compensation of employees' from/to the ROW, 2012, in million ALL

Year	2012	
Compensation of employees, net	2 = 3 - 4	12,441
from the rest of the world	3	16,470
to the rest of the world	4	4,028

8.4. Cross-border property income

This category covers income derived from ownership of residential units on foreign financial assets. The most common types of investments income are:

i. Income on equity (dividend)
ii. Income from debt (interest).

Dividend represents distributed profit to shareholders in proportion with their contribution in the capital of the company. It represents a payable income without the necessity of an agreement signed between the creditor and debtor. Other types of income from capital can be mentioning the income from subsidiaries and other enterprises (unincorporated) direct investment.

Interest includes income from deposits, loans and securities other than shares and other equity (bills, bonds, debentures, etc.). Total figures on interest received from or paid to the rest of the world are taken from the balance of payments. Interest is paid on the basis of an agreement between creditor and debtor.

Incomes from investments are classified as:

a) Interest on Reserves

Interest on reserves cover the receivable and payable income from interest on reserves invested in foreign assets in the form of deposits respectively by resident units abroad and by non-resident units to resident financial institutions.

b) Income from Capital

Two categories of income – "income from equity" and "debt income" – cover the revenues that a direct investor resident in one economy provides from ownership of the capital invested in an enterprise in another economy.

c) Other income from Investments

Other income from investment covers receipts and payments from interest on all claims (assets) and liabilities to non-residents, not included in other items. This category also includes income from life insurance and pension funds.

CHAPTER 9 MAIN CLASSIFICATIONS USED

9.1. Introduction

Classifications are essential for the production, compilation and dissemination of statistics. The statistical classification are updated continuously to better reflect the economic, technological and structural changes in the economy and to enable comparison and data connection at European level and in general, in the world as part of an integrated system.

Classifications used in National Accounts are:

- Nomenclatures of economic activities Rev. 2 (NACE Rev. 2).
- Nomenclature of products (CPA 2008);
- Classification of Individual Consumption by use (COICOP);
- The classification of government expenditure by function (COIFOG)
- The classification of fixed assests
- The classification of inventories

9.2. Classifications used for the production approach

9.2.1. *Classification of Economic Activities (NVE Rev 2)*

Classification of Economic Activities NVE Rev 2 (AL-NACE Rev 2) is a national version and is fully harmonized with NACE Rev.2. It was introduced for the first time on business register after the Census of non-agriculture enterprises 2010. The business register has been kept with double coding for three years. In the business statistics it was introduced for the first time in 2014 with the Governmental Regulation No. 220, date 28.05.2014. Since January 2015, NVE is the mandatory national standard for statistics and other administrative data collections and dissemination (General directory of Taxation, VAT Register, and National Centre of Registration, etc).

National accounts have implemented NACE Rev 2 in May 2015. Breakdown of activities according to NVE, used for the output, intermediate consumption and gross value added calculation is shown below.

Level of activity detail for the production approach

Description of NACE Rev 2 at 2 digits

A Agriculture, forestry and fishing

01 Crop animal production, hunting and related service activities

02 Forestry and logging

03 Fishing and aquaculture

B Mining and quarrying

05 Mining of coal and lignite

06 Extraction of crude petroleum and natural gas

07 Mining of metal ores

08 Other mining and quarrying

09 Mining support services activities

C Manufacturing

10 Manufacture of food products

11 Manufacture of beverages

12 Manufacture of tobacco products

13 Manufacture of textiles

14 Manufacture of wearing apparel

15 Manufacture of leather and related products

16 Manufacture of wood and of products of wood and cork, except furniture

17 Manufacture of paper and paper products

18 Printing and reproduction of recorded media

19 Manufacture of coke and refined petroleum products

20 Manufacture of chemicals and chemical products

21 Manufacture of pharmaceutical products and pharmaceutical preparations

22 Manufacture of rubber and plastic products

23 Manufacture of other non-metallic mineral products

24 Manufacture of basic metals

25 Manufacture of fabricated metal products, except machinery and equipment

26 Manufacture of computer, electronic and optical products

27 Manufacture of electronically equipment

28 Manufacture of machinery and equipment

29 Manufacture of motor vehicles, trailers and semi-trailers

30 Manufacture of other transport equipment

31 Manufacture of furniture

32 Other manufacturing

33 Repair and installation of machinery and equipment

D Electricity, gas, steam and air conditioning supply

35 Electricity, gas, steam and air conditioning supply

E Water supply, sewerage, waste management and remediation activities

36 Water collection, treatment and supply

37 Sewerage

38 Waste collection, treatment and disposal activities; materials recovery

39 Remediation activities and other waste management services

F Construction

41 Construction of buildings

42 Civil engineering

43 Specialised construction activities

G Wholesale and retail trade; repair of motor vehicles and motorcycles

45 Wholesale and retail trade and repair of motor vehicles and motorcycles

46 Wholesale trade, except of motor vehicles

47 Retail trade, except of motor vehicles

H Transport and storage

49 Land transport and transport via pipelines

50 Water transport

51 Air transport

52 Warehousing and support activities for transportation

53 Postal and courier activities

I Accommodation and food services activities

55 Accommodation

56 Food and beverage service activities

J Information and communication

58 Publishing activities

59 Motion picture, video and television programme production, sound recording and music publishing activities

60 Programming and broadcasting activities

61 Telecommunications

62 Computer programming, consultancy and related activities

63 Information service activities

K Financial and insurance activities

64 Financial service activities, except insurance and pension funding

65 Insurance, reinsurance and pension funding except compulsory social se

66 Activities auxiliary to financial and insurance services

L Real estate activities

68 Real estate activities

M Professional, scientific and technical activities

69 Legal and accounting activities

70 Activities of head offices; management consultancy activities

71 Architectural and engineering activities; technical testing

72 Scientific research and development

73 Advertising and market research

74 Other professional, scientific and technical activities

75 Veterinary activities

N Administrative and support service activities

77 Rental and leasing activities

78 Employment activities

79 Travel agency, tour of operator reservation service and related activities

80 Security and investigation activities

81 Services to buildings and landscape activities

82 Office administrative, office support and other business support activities

O Public administration and defence; compulsory social security

84 Public administration and defence; compulsory social security

P Education

85 Education

Q Health and social work

86 Human health activities

87 Residential care activities

88 Social work activities without accommodation

R Arts, entertainment and recreation

90 Creative, arts and entertainment activities

91 Libraries, archives, museums and other cultural activities

92 Gambling and betting activities

93 Sports activities and amusement and recreation activities

S Other service activities

94 Activities of membership organizations

95 Repair of computers and personal and household goods

96 Other personal services activities

T Activities of Households as employers; undifferentiated goods and services producing activities of households for own use

97 Activities of households as employers of domestic personnel

98 Undifferentiated goods- and services-producing activities of private households for own use

U Activities of extraterritorial organisations and bodies

99 Activities of extraterritorial organisations and bodies

For the publication and dissemination of the GDP figures by production approach the data are aggregated at A35 and A21 classification as following:

Table 9-1: Level of activity detail of NACE Rev 2 at A35 breakdown

A 35	NACE Rev.2-division level	Description of Economic activities
A1	1-3	Agriculture, forestry and fishing
A2	5-9	Mining and quarrying
A3	10-12	Manufacture of food products, beverages and tobacco products
A4	13-15	Manufacture of textiles, wearing apparel and leather products
A5	16-18	Manufacture of wood and paper products, and printing
A6	19	Manufacture of coke and refined petroleum products
A7	20.21	Manufacture of chemical and pharmaceutical products
A8	22.23	Manufacture of rubber and plastic products and other non-metallic mineral products
A9	24.25	Manufacture of basic metals and fabricated metal products, except machinery and equipment
A10	26-28	Manufacture of machinery and equipment
A11	31-33	Manufacture of furniture; other manufacturing; repair and installation of machinery and equipment
A12	35	Electricity, gas, steam and air-conditioning supply
A13	36	Water supply
A14	37-39	Sewerage, waste management and remediation activities
A15	41-43	Construction
A16	45	Wholesale and retail trade and repair of motor vehicles and motorcycles
A17	46	Wholesale trade, except of motor vehicles and motorcycles
A18	47	Retail trade, except of motor vehicles and motorcycles
A19	49	Land transport and transport via pipelines
A20	50-52	Water and air transport; warehousing
A21	53	Postal and courier activities
A22	55.56	Accommodation and food service activities
A23	58-60	Publishing, audio-visual and broadcasting activities
A24	61	Telecommunications
A25	62-63	Computer programming, consultancy and related activities; information service activities
A26	64-66	Financial and insurance activities
A27	68	Real estate activities
A28	69-71	Legal and accounting activities; management consultancy activities; architectural and engineering activities
A29	72-75	Scientific research and development; other professional, scientific and technical activities
A30	77-82	Administrative and support service activities
A31	84	Public administration and defence; compulsory social security
A32	85	Education
A33	86-88	Human health activities
A34	90-93	Arts, entertainment and recreation
A35	94-98	Other services and activities of households

Table 9-2: Level of activity detail of NACE Rev 2 at A21 breakdown

A 21	NACE Rev2_Section level	NVE Rev2_Division level	Description
A1	A	01_03	Agriculture, forestry and fishing
A2	B	05_09	Mining and quarrying
A3	C	10_33	Manufacturing
A4	D	35	Electricity, gas, steam and air conditioning supply
A5	E	36-39	Water supply, sewerage, waste management and remediation activities
A6	F	41-43	Construction
A7	G	45_47	Wholesale and retail trade; repair of motor vehicles and motorcycles
A8	H	49-53	Transport and storage
A9	I	55_56	Accommodation and food services activities
A10	J	58-63	Information and communication
A11	K	64-66	Financial and insurance activities
A12	L	68	Real estate activities
A13	M	69-75	Professional, scientific and technical activities
A14	N	77-82	Administrative and support service activities
A15	O	84	Public administration and defence; compulsory social security
A16	P	85	Education
A17	Q	86-88	Health and social work
A18	R	90-93	Arts, entertainment and recreation
A19	S	94-96	Other service activities
A20	T	97-98	Activities of Households as employers; undifferentiated goods and services producing activities of households for own use
A21	U	99	Activities of extraterritorial organisations and bodies

9.2.2. *Classification of Products of Activities (CPA 2008)*

Classification of Products (CPA 2008) was introduced for the first time in year 2014 in price and business statistics. It is harmonized with NACE Rev.2 to the first fourth digit and other two digits are part of products. Since January 2015 CPA 2008 is used by national accounts as well.

9.3. Classifications used for the expenditure approach

In Albanian national accounts, expenditure components of GDP are broken down according to the transactions in products consistently into the following four categories: final consumption expenditure, gross capital formation, exports of goods and services, and imports

of goods and services. Each of the categories is broken down further, consistently in line with this classification and also other classifications requested by ESA 2010. The following box gives an overview of the classifications used.

9.3.1. *Classification of individual consumption by purpose COICOP*

Table 9-3 shows level of detail at which the estimation of household final consumption expenditure according to the Classification of Individual Consumption by Purpose (COICOP) is made.

Table 9-3: Classification of Individual Consumption by Purpose

COICOP	DESCRIPTION
01	**Food and non-alcoholic beverages**
011	Food
0111	Bread and cereals
0112	Meat
0113	Fish
0114	Milk cheese and eggs
0115	Oils and fats
0116	Fruit
0117	Vegetables
0118	Sugar, jam, honey, chocolate and confectionary
0119	Food products n.e.c.
012	Non-alcoholic beverages
0121	Coffee, tea and cocoa
0122	Mineral water, soft drinks, fruit and vegetables juices
02	**Alcoholic beverages, tobacco and narcotics**
021	Alcoholic beverages
0211	Spirits
0212	Wine
0213	Beer
022	Tobacco
0221	Tobacco
03	**Clothing and footwear**
031	Clothing
0311	Clothing materials
0312	Garments
0313	Other articles of clothing and clothing accessories

0314	Cleaning, repair and hire of clothing
0315	Other expenditures of garments and footwear
032	Footwear
0321	Shoes and other footwear
0322	Repair and hire of footwear
04	**Housing, water, electricity, gas and other fuels**
041	Actual rentals for housing
0411	Actual rentals paid by tenants
042	Imputed rentals for housing
0421	Imputed rentals of owner-occupiers
0412	Other actual rentals
0422	Other imputed rentals
043	Maintenance and repair of the dwelling
0431	Materials for the maintenance and repair of the dwelling
0432	Services for the maintenance and repair of the dwelling
044	Water supply and miscellaneous services relating to the dwelling
0441	Water supply
0442	Refuse collection
0443	Sewerage collection
0444	Other services relating to the dwelling n.e.c.
045	Electricity, gas and other fuels
0451	Electricity
0452	Gas
0453	Liquid fuels
0454	Solid fuel
0455	Heat energy
049	Other common expenditure on dwelling
0491	Other common expenditure on dwelling
05	**Furnishings, household equipment and routine maintenance of the house**
051	Decor furniture, carpet , floor coverings and repairs
0511	Furniture and furnishings
0512	Carpets and other floor coverings
0513	Repair of furniture, furnishings and floor coverings
052	Household textiles
0521	Household textiles
053	Household appliances
0531	Major household appliances whether or not electrical

0532	Small electrical household appliances
0533	Repair of household appliance
054	Glassware, table-cloths and kitchen utensils
0541	Glassware, tableware and household utensils
055	Tools and equipment for house and garden
0551	Major tools and equipment
0552	Small tools and miscellaneous accessories
056	Goods and services for household maintenance
0561	Non-durable household goods
0562	Domestic services and household services
06	**Health**
061	Medicaments and other pharmaceutical product
0611	Pharmaceutical products
0612	Other medical product
0613	Therapeutic appliances and equipment
062	Medical, premedical and dental services
0621	Medical Services
0622	Dental services
0623	Paramedical services
063	Hospital services
0631	Hospital services
07	**Transport**
071	Purchase of transport vehicles
0711	Motor-cars
0712	Motor-cycle
0713	Bicycles
0714	Animal-drawn vehicles
072	Equipment operations of personal transportation
0721	Spare parts and accessories
0722	Fuels and lubricants
0723	Maintenance and repair of personal transport equipment
0724	Other services in respect of personal transport equipment
073	Transport services
0731	Passenger transport by railway
0732	Passenger transport by road
0733	Passenger transport by air
0734	Passenger transport by sea and inland waterway

0736	Other purchased transport services
08	**Communication**
081	Postal services
0811	Postal services
082	Telephone and telefax equipment
0821	Telephone and telefax equipment
083	Telephone and telefax equipment
0831	Telephone and telefax services
09	**Recreation and culture**
091	Audiovisual, photographic equipment and their repair
0911	Equipment for the reception, recording and reproduction of sound and pictures
0912	Photographic and cinematographic equipment and optical instruments
0913	Information processing equipment
0915	Repair of audio-visual, photographic and information processing equipment
092	Other major durables for recreation and culture
0921	Major durables for outdoor recreation
0922	Musical instruments and majors durables for indoor recreation
0923	Maintenance and repair of other major durables for recreation and culture
093	Other recreational items and equipment, gardens and pets
0931	Games, toys and hobbies
0932	Equipment for sport, camping and open-air recreation
0933	Gardens, plants and flowers
0934	Pets and related products
0935	Veterinary and other services for pets
094	Recreational and cultural services
0941	Recreational and sporting services
0942	Cultural services
0943	Games of chance
095	Newspapers, books and scholar equipment
0951	Books
0952	Newspapers and periodical
0953	Miscellaneous printed matter
096	Package holidays

0961	Package holidays
10	**Education**
101	Pre-primary and primary education
1011	Pre-primary and primary education
102	Secondary education
1021	Secondary education
103	Post-secondary non-tertiary education
1031	Post-secondary non-tertiary education
104	Tertiary education
1041	Tertiary education
105	Education not definable by level
1051	Education not definable by level
11	**Restaurants and hotels**
111	Catering
1111	Restaurants, cafés and the like
1112	Canteens
112	Accommodation booking service
1121	Accommodation services
12	**Miscellaneous goods and services**
121	Personal care
1211	Hairdressing salons and personal grooming establishments
1212	Electrical appliances for personal care
1213	Other appliances, articles and products for personal care
123	Personal effects n.e.c.
1231	Jewellery, clocks and watches
1232	Other personal effects
124	Social protection services
1241	Social protection services
125	Insurance
1252	Insurance connected with the dwelling
1253	Insurance connected with health
1254	Insurance connected with transport
126	Financial services n.e.c.
1262	Financial services n.e.c.
127	Other services n.e.c.
1271	Other services n.e.c.

9.3.2. *Classification of the functions of government COFOG*

The international classification COFOG is used as a national version of COFOG as well. In 2001 the Ministry of Finance put in use a functional classification (Functional classification which is in line with the international classification of COFOG) in the framework of a new budget classification intended for internal use and for international reporting standards.

The COFOG classification is used only for internal purposes and is not part of the current publication of INSTAT. The functional classification used for COFOG is based on the GFSM2001 (10 branches). The information by COFOG is provided by the Ministry of Finance on a monthly basis. This information is used by annual and quarterly account as well.

COFOG is composed of the following components:

1. General public services
2. Protection
3. Public Order and Safety
4. Economic Issues
5. Protecting the environment
6. Housing and community amenities
7. Health
8. Recreation, culture and religion
9. Education
10. Social Protection.

COFOG is applied only to budgetary unit and does not cover the entire General Government Sector. Data for the sector of general government are processed with the main classification being NACE Rev 2 with the help of conversion bridges between the Functional classifications (COFOG) on the one hand and the NACE Rev 2 on the other hand. The bridges were developed by the INSTAT using existing bridge classifications of NACE-ISIC-COFOG. This is a small example of the bridge table between COFOG and NACE used by INSTAT:

Table 9-4: Bridge table COFOG-NACE Rev2

COFOG	Description	NACE Rev 2	Type of Expenditure
01170	Services from the Civil Register	84.11	Collective Services
03280	Fire Fighter services	84.25	Collective Services
07450	Public Health Services	86.10	Individual Services
08230	Art and Culture	91.03	Individual Services
09240	Upper Secondary level education (vocational education)	85.32	Individual Services
10430	Social Protection	88.99	Individual Services

9.3.3. *Classification of fixed assets*

The classification of fixed assets applied to national accounts is as follows:

Table 9-5: Classification of fixed assets

Code	AN classification
AN.11	Fixed assets by type of asset
AN.111	Dwellings
AN.112	Other buildings and structures
AN.1121	Buildings other than dwellings
AN.1122	Other structures
AN.1123	Land improvements
AN.113	Machinery and equipment
AN.1131	Transport equipment
AN.1132	ICT equipment
AN.1139	Other machinery and equipment
AN.114	Weapons systems
AN.115	Cultivated biological resources
AN.1151	Vineyards, orchards and other plantations
AN.1152	Livestock
AN.117	Intellectual property products
AN.1171	Research and development
AN.1172	Mineral exploration
AN.1173	Computer software and database
AN.11731	Computer software
AN.11732	Database

9.3.4. *Classification of changes in inventories*

Changes in inventories are measured by the value of the entries into inventories less the value of withdrawals and the value of any recurrent losses of goods held in inventories.

Changes in inventories are classified according to ESA 2010 in four categories:

Table 9-6: Classification of changes in inventories

Code of National accounts	Description
AN.121	Raw materials and supplies
AN.122	Work-in-progress
AN.123	Finished goods,
AN.125	Goods for resale

9.4. Classifications used in the transition from GDP to GNI

The transition of Gross Domestic Product (GDP) to Gross National Income (GNI) is realized through data on primary incomes between residents and non-residents (S.2). The following items are added to the GDP in order to arrive at the GNI:

Gross domestic product (GDP)

+ Compensation of employees from abroad (D1)

- Compensation of employees to abroad (D1)

+ Property income from abroad (D4)

- Property income to abroad (D4)

= Gross national income (GNI)

CHAPTER 10 MAIN DATA SOURCES USED

The aim of chapter 10 is to provide information on the wide range of data sources used for GDP and GNI compilation by including both administrative data and statistical surveys. The main data sources used for ANA in Albania are listed in the following table.

Table 10-1: List of data sources

Nr	Name of the data source	Prod.[5]	Exp.[6]
1	Financial statements of enterprises, balance sheets	X	X
2	Structural Business Survey (SBS)	X	X
3	Value Added Tax declaration (VAT)	X	X
4	Social contributions and Social insurance	X	X
5	Agriculture, Forestry and Fishery Statistical Declaration	X	X
6	Expenditure and income of General Government	X	X
7	Revenues and expenditures statement and Balance of Energy	X	X
8	Profit and loss account of Bank of Albania	X	
9	Quarterly profit and loss account of commercial bank	X	
10	Quarterly data for FISIM	X	X
11	Quarterly profit and loss account from non-banking monetary institutions	X	
12	Declaration from Insurance companies	X	X
13	Labour Force Survey (LFS)	X	X
14	Household Budget Survey (HBS)	X	X
15	Balance of payment		X

10.1. Statistical surveys and other data sources used for the production approach

The estimation of annual GDP by production approach is based on direct estimation methods. The main data sources of GDP by production approach are:

Source 1: Financial statements of enterprises, balance sheets

One of the most important administrative sources for the compilation of Annual National Accounts is the Annual financial statements of enterprises. This data source covers the profit and loss account, balance sheets data on stocks of assets (stocks of assets at the beginning of the year, purchasing and sales during the year, and stocks by the end of the year).

[5] The data source is used for the production approach to GDP.
[6] The data source is used for the expenditure approach to GDP.

Starting from year 2010 another set of information that is added for statistical purposes to the annual statements are the statistical annexes. They contain a detailed description of revenues and expenditures for some items in bookkeeping data in order to transform the business accounting standards to the concepts and definitions of national accounts.

Financial statements are collected by the General Directorate of Taxation (GDT) and the National Registration Centre (NRC) for all enterprises that by Tax Legislation have to fulfil a financial statement. They are collected for statistical purposes and for the purpose of public disclosure of accounting statements.

Periodicity is annual, data are in paper and electronic format referring to the calendar year and data are available 6 (six) months after the end of the year.

One copy of Financial statements of enterprises is obligatory to be transmitted to the Institute of Statistics, according to the National Statistics Law.

INSTAT (NSI) accomplished the data-entry of these data for the need of national accounts and business statistics. Time of availability of the results is 9 month after the end of the reference period.

The profit and loss account and the statistical annexes are used for calculating output, intermediate consumption and value-added in the GDP by production approach. Financial statement data are used to compile GDP by expenditures approach as well in order to estimate the component GFCF and changes of inventories.

Table 10-2: Financial statements of enterprises

Name of data source:	***Financial statements***
Periodicity:	*Annual*
Organisation collecting the data, and purposes for which it is collected:	*GDT, NRC, NSI*
Reporting unit	*All enterprises that according to Tax Legislation has to fulfil annual financial statements*
Time of availability of results:	*9 month after the end of the reference period*

Main variables used in ANA:	– *Net sales, other operating revenue;,* – *Value of sold goods purchased for resale;* – *Changes in inventories;* – *costs of material (acquisition of materials, increase or decrease of inventory);* – *costs of services;* – *labour costs (wages and salaries, social security contributions, other labour costs);* – *depreciation;* – *other operating costs;* – *operating result (profit or loss);*

Source 2: Structural Business survey

Structural Business Survey (SBS) together with Financial Statements are the crucial data sources for annual national accounts estimates. The main purpose of Structural Business Statistics is to show the structure of economic activities of enterprises in the country, through economic data. Structural Business Statistics measures the results of enterprises, investments, employment and labour costs for the total business sector, by branch and by size group.

Structural Business Statistics rely on Council Regulation (EC, EURATOM) No.58 / 97, December 20, 1996, as amended by the European Council Regulation No. 295/2008 on these statistics. For being in compliance with European regulation, Structural Business Statistics are produced according to the below European Commission regulations:

- Regulation (EC) No. 1893/2006 for "Implementation of NACE Rev.2 in Structural Business Statistics";
- Regulation (EC) No. 295/8 for "Structural Business Statistics";
- Regulation (EC) No. 250/2009 for "Definitions used in Structural Business Statistics".

Sampling frame

The list of active enterprises from the updated Business Register codified at NACE Rev 2 in 4-digits. Not included are:

- the enterprise's branches (Local Units),
- enterprises with an activity code (NACE) that are out of scope of the SBS survey,
- the enterprises that are created after the 1-st of September of the reference year,
- State enterprises in Education (NACE 85) and Health (NACE 86, 87, 88).

Periodicity

SBS is a sample survey of economic enterprises on an annual basis.

Results' availability

Results are available 11 months after the end of the reference year.

Coverage

Structural Business Statistics comprise all active enterprises in Albania of all legal forms. Population consists of all enterprises that according to Statistical Business Register were active in December of the reference year and they exercise their activity in one of the activities covered by SBS.

Structural business statistics cover market enterprises which are based on the NACE Rev.2 having the main activity in:

Table 10-3: Industries covered by SBS based on NACE Rev.2

NACE Rev 2		Economic Activities covered by SBS
A	Agriculture, hunting and fishing	-
B	Mining and quarrying	Mining and quarrying
C	Manufacturing	Manufacturing
D	Electricity, gas, steam and air conditioning supply	Electricity, water and water management
E	Water supply, sewerage, waste management and remediation activities	
F	Construction	Construction
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	Trade
I	Accommodation and food service activities	Accommodation and food service activities
H	Transport and storage	Transport, information and communication
J	Information and communication	
K	Financial and insurance activities	-
L	Real estate activities	Other services
M	Professional, scientific and technical activities	
N	Administrative and support services activities	
O	Public and defence administration; compulsory social security	-
P	Private education	Other services
Q	Human health and social work activities	
R	Art, entertainment and recreation	
S	Other service activities	Other service activities (excluding S94)
T	Activities of households as employers; undifferentiated goods- and services- producing activities of households for own use	Other services
U	Extraterritorial organizations and bodies	-

Population and sample size

Classification of enterprises according to the activity is done according to the nomenclature of Economic Activities, NACE Rev.2. Classification of enterprises by size is based on the number of employed persons, both employees and employers measured as full-time employed. Based on number of employed, below is the classification for the variable "Size group":

1. Enterprises with 1 employed
2. Enterprises with 2-4 employed
3. Enterprises with 5-9 employed
4. Enterprises with 10-19 employed
5. Enterprises with 20-49 employed
6. Enterprises with 50-79 employed
7. Enterprises with 80-249 employed
8. Enterprises with 250 and more employed

Size group from 1 to 3 are included in Sample classes, while Size group from 4 to 8 are in VIP (annual turnover above 150 million ALL or approx. 1.07 million EUR) & Exhaustive classes. Only for NACE 47, 85, 86, 87, 88 we have: size group 1 and 2 belonging to Sample classes and size group from 3 to 8 belonging to VIP & Exhaustive.

Survey response rate

The survey response rate is 82 percent according to the number of units.

Main features of survey methodology

The Annual Structural Business Survey is part of the National Statistical Program. This statistical activity started in 1998 and aims to satisfy the demands for better statistical information of the trade market. The questionnaire is reviewed each year to improve the quality and quantity of data and to ensure a better implementation of EUROSTAT's requirements.

The questionnaire used for data entry of enterprises is compiled in two parts:

- general part, with general data for all enterprises
- specific part which contains specific features for each economic activity.

Method used to impute for missing data

All cases of non-contact; full refusal and partial refusal (for different tables and indicators) are considered as non-response or missing data.

The treatment of partial non-response is done using direct methods or their combinations such as:

- Study of time series data of the enterprise and branch of the industry;
- Data from the balance-sheets of enterprises;
- Information from other files, available in INSTAT such as:
    - Business register
    - VAT file
    - File of producer price index
- Average data of industry branch where the enterprise is included;
- Data from comparable enterprises that have similar conditions;
- Method of average structure, especially for expenditures.

For that part which remained without treatment a re-weighting method is used.

Imputation is done to cover the non-response of large enterprises. It is based on three methods:

- historical trend imputation for units with data from previous year in profit and loss account or in business register or in other surveys conducted by INSTAT;
- cold deck with use of the previous year administrative data for units for which we have data from administrative sources;
- mean value imputation for the rest of the response large enterprises in the respective stratum.

Number of enterprises and turnover used for grossing-up the sampled enterprises to the total population

The weights for the turnover index are based on the turnover from the SBS statistics for the reference year.

Initial weight of enterprises in the stratum is estimated P (i) initial = Ni / ni

Where: Ni - is the total number of enterprises in the stratum (i)

ni - is the number of sample enterprises in stratum (i)

Note: For the purpose of GDP estimations only individual data for each enterprise are used.

Main variables collected by the SBS

This survey has included all variables from the profit and loss account, identification part, investments, etc. For the purpose of GDP calculation the following variables are used:

- sales of goods and services in domestic market;
- sales of goods and services abroad (for export);
- sales of goods for resale in domestic market;
- own-account production;
- subsidies on products;
- other operating revenues;
- value of sold goods purchased for resale;
- costs of material (acquisition of materials, increase or decrease of inventory);
- costs of services;
- labour costs (wages and salaries, social security contributions, costs of other insurance, other labour costs);
- depreciation;
- other operating costs;
- operating result (profit or loss);
- number of employees;
- tangible assets by type;
- Intangible assets.

Publication

On December T+12, INSTAT releases general information for main variables for reference year T. On February, T+14, INSTAT releases the publication "Results of Structural Survey of Economic Enterprises" for reference year T. General data are also published in the Statistical Yearbook.

Table 10-4: Structural Business Survey

Name of survey:	***Structural Business Survey (SBS)***
Type of data source:	*Statistical data source*
Link to surveys undertaken at the European level:	*Structural business statistics are regulated by Council Regulation (EC, EURATOM) No. 58/97, 20 December 1996. For being in compliance with European regulation, structural business statistics are produced according to the below European Commission regulations:* - *Regulation (EC) No. 1893/2006 for "Implementation of NACE Rev.2 in Structural Business Statistics".* - *Regulation (EC) No. 295/8 for "Structural Business Statistics".* - *Regulation (EC) No. 250/2009 for "Definitions used in Structural Business Statistics".*
Coverage:	*All active enterprises in Albania of all legal forms*
Periodicity:	*Annual*
Time of availability of results:	*11 months after the end of the reference year*
Sampling frame:	*All active enterprises in Business Register codified at NACE Rev 2 in 4-digit, from which not included:* *- Local units* *- Enterprises with activity out of scope* *- Enterprises created after September 1st of the reference year* *- State enterprises in Education (NACE 85) and Health (NACE 86, 87, 88)*
Reporting unit:	*Structural business statistics cover market enterprises*
Type of collection method:	*Face to face interview*
Organization collecting data:	*INSTAT*
Population size:	*100,961 units*
Sample size:	*15,020 units*

Survey response rate:	*82%*
Variable used for grossing-up to the population:	- *Number of enterprises* - *Turnover*
Method used to impute for missing data:	*The treatment of partial non-response is done using direct methods or their combinations such as:* - *Study of time series data of enterprise and branch* - *Data from balance-sheets* - *The information from other files available in INSTAT such as:* - *Business register* - *VAT registration*
Main variables collected:	- *Turnover,* - *Purchase of goods and services,* - *Persons employed,*

Source 3: Value Added Tax declaration

Value added tax (VAT) data are used as a supplementary source of data for enterprises which do not supply the SBS or financial statements. This file is provided by the General Directorate of Taxes (GDT) in quarterly intervals and annual version. From VAT file, data are available for turnover and identification information at the individual level of enterprises, NACE 4 digit classification.

Table 10-5: Value Added Tax

Name of data source:	***Value Added Tax declaration***
Periodicity:	*Quarterly*
Time of availability of results:	*60 days after the end of the reference period*
Main variables used in ANA:	*- Turnover*

Source 4: Social contributions and Social insurance

Administrative data on employees is also available from General Directorate of Taxation, where enterprises declare and pay social contributions and social insurance for every

employee they have. Large enterprises have monthly declarations while small enterprises have quarterly declarations. These data are published in quarterly and annual periodicity.

Table 10-6: Social security

Name of data source:	***Social contributions and Social insurance***
Organization collecting the data, and purposes for which it is collected:	*General Directorate of Taxation; Employment*
Periodicity:	*Quarterly*
Time of availability of results:	*Results are available 85 days after the end of reference period*
Main variables used in ANA:	*- Number of employees and salaries* *- Health and social contributions* *- Wages*

Source 5: Agriculture, Forestry and Fishery data

The information used for the estimation of Agriculture, forestry and fishery are the data taken from surveys conducted by Ministry of Agriculture, Rural Development and Water Administration (MARDWA) and elaborated from Directory of Agriculture statistics at INSTAT. There are three surveys, Annual Agriculture Survey, Green house survey and Big Farms survey. They have almost the same questionnaire structure but different target population and sampling frame method. Below are described each of the surveys.

D. **Annual Agricultural Survey**

This survey is conducted in December, and the population of annual agricultural survey represents all farms that used agriculture land and breading livestock. From population are excluded big farms with more than 8 cows, more than 10 Ha, more than 150 small ruminants, more than 10 sows, as well as the farms that cultivated the vegetables in greenhouses.

During the farm visits, with interview face to face, data are collected on farm household demographic characteristics, livestock, number of heads by kind and categories, production of livestock products (meat, milk, wool, honey and eggs), harvest areas for crops cultivated in arable land and permanent crops, for main crops and secondary crops, successive and combined cropping, harvested production, farm practices, fertilizer and equipment rent costs, ownership of vehicles, farm equipment and appliances, sales of agricultural products in quantity and, expenditures (seeds, fertilizer, energy used for agriculture activity, pesticides, processing of agricultural products, water, contract work, transport, feeding staff, veterinary expenditure and medicaments), investment in agriculture activities etc.

The Survey was conducted by approximately 400 enumerators residing in or near the sample segments for which they were responsible for data collection. Immediately after the receipt of the first survey data, additional manual edit checks were completed by central office staff in

which districts and the data were entered directly from the forms into microcomputers using a customized data entry package. The data were then run through a comprehensive computer edit system used for detecting data entry, coding and enumerator errors. Necessary corrections were made on the forms and to the data set in the computers. The "cleaned" data were then summarized in tabular forms.

The methodology: Area Sampling Frame (ASF)

To obtain the agriculture statistical information, the Ministry of Agriculture, Rural Development and Water Administration (MARDWA) has used the methodology of Area Sampling Frame (ASF). The Area Frame sampling selection method is one type of multi-stage cluster sampling. To perform a statistical survey on Albanian Agriculture at that time, it was necessary to use this method because an up-to-date list frame with the names of all Albanian farmers was not available and also it was difficult to compile one since the rural population was moving toward the cities and the list would need to be frequently updated. Therefore, with the Annual Agricultural survey, segments were sampled, farmers in each one were listed, and farmers were sampled from each list and interviewed.

Stratification: Agriculture and livestock activities differ between regions of the country. To improve the data collected on new activities the land was first split into homogeneous zones (strata) prior to sample selection. The stratification method used included:

- Allocating land in strata (homogeneous zones) based on defined criteria (in our case land use intensity);
- Further allocating the strata into groups and then sub-groups which were similar based on the defined criteria.
- Multi-stage sampling**:** Each stratum was first split into Primary Sampling Units (PSU-s). Once the PSU had been defined and measured by using GIS, they were then split into segments based on target sizes desired in each stratum. Sample PSU-s was then selected on the basis of the number of segments located in each one. The use of this technique significantly reduced the required mapping measurement efforts.
- Analyses: The decisions on design were made on the basis of criteria of data reliability as well as the costs. This included the decisions made on defining the strata, the number of sub-strata, size of segments, the method of sample selection, etc.
- The list of the farms with or without activity, together with the total land, land inside and outside the segment, for each segment, is updated by the MAFCP structures in regions in annual basis. From 600 sample segments selected, 495 have agriculture activities. Approximately 6 farms for each segment are selected as subject for interviews. The total annual sample has about 3000 farmers

The steps for sample design:

- Stratification
- The construction of Primary Sampling Units (PSUs), their enumeration and selection,
- The construction of Sample Units (SU) called Segments, their selection and identification,
- The selection of a fixed number of farmers with activity for each selected segment.

The stratification standards:

- ❑ Stratum 1. The zone with land cultivation intensity over 75%.
- ❑ Stratum 2. The zone with land cultivation intensity from 25% to 74.9%.
- ❑ Stratum 3. The zone with land cultivation intensity under 25%.
- ❑ Stratum 4. The zone with land cultivation intensity 0%.
- ❑ Stratum 5. Military zone.
- ❑ Stratum 6. Principal cities.
- ❑ Stratum 7. Waters, rivers and lakes.

The PSUs are designed for each stratums based on the predefined size boundaries:

Stratum	Minimum	Desirable	Maximum
1.	800 hec	1000 hec	1200 hec
2.	800 hec	1000 hec	1200 hec
3.	1600 hec	2000 hec	2400 hec
4.	1600 hec	2000 hec	2400 hec

The segment is a confined surface of land inside a PSU with a definite size depending on stratum, identified absolutely at place via real physical boundaries.

The surface of segments

Stratum 1	25 Ha	+/ - 10%
Stratum 2	50 Ha	+/ - 10%
Stratum 3	100 Ha	+/ - 10%
Stratum 4	100 Ha	+/ - 10%

Total number of segments is 41513

A total number of PSU-s is selected based on the required precision of estimates. One segment is selected for each selected PSU. The number of selected segments (selected PSU) and their size is defined based on the sample variability, cost, problems related with identifiable boundaries, farm size, number of farms etc. The segments are identified and localized in maps, measured through the digitalization process, and identified in the field using maps of scale 1:10,000 or 1:25,000.

The coefficient of expansion is composed by three parts

Coefficient of expansion (CE) of segment

CE of segment = M/m

M – Total number of segments on prefecture x in strata x

m – Selected number of segment on prefecture x in strata x

Coefficient of expansion of the selected farms

CE of farm = N/n

N – Total number of farms with activity on selected segment in strata x of prefecture x

Ratio of farmers' land in the selected segment of his total land

Ratio = segment area / total area

Segment= Land is in segment

Total = Total owned by a farmer

So the coefficient of expansion is:

CE = CE of segment * CE of farmer * segment area / total area.

E. **Green Houses Survey:**

Greenhouse survey was conducted twice in year in the last week of July for the first sown and in January of next year for the second sown. The population of greenhouse survey represents all farms that cultivate the vegetables in a greenhouse. During the farm visits in both surveys, with interview face to face, data are collected on farm household demographic characteristics, harvested areas and production for vegetables, and permanent crops cultivated in greenhouses, by type of greenhouses and kind of crop products, farms that sells and prices of sell, value paid for hired mechanical equipment and equipment rent costs,, ways of marketing the greenhouse production, investment, farms that used chemical fertilizers, quantities and

value of chemical fertilizers by kind fertilizer, energy used (fuel and electricity) as well as quantity and value of pesticides used in greenhouses by kind.

Methodology: List frame

The full list of farms with greenhouses, with respective area, is provided by the structures of Ministry Agricultural Rural Development and Water Administration.(MARDWA) in districts. The list is updated in yearly basis.

Five stratums are defined for each prefecture (region):

Stratum 1- farms with less than 500 m2
Stratum 2- farms from 500-999 m2
Stratum 3- farms from 1000-1499 m2
Stratum 4- farms from 1500-4999 m2
Stratum 5- farms with more than 5000 m2

For the first four stratums for each prefecture, the sample size is calculated with a 95% confidence level. From stratum 5, all farms are selected. The selection of the farmers in each stratum is made systematically with the interval calculated by the total number of farms by sample size.

The sample size in greenhouse survey is 12%, from 5700 farms with greenhouses; a sample with about 700 farms is created.

F. **Survey on "Big Farms"**

This survey is used only for big enterprise. Big farm survey is conducted in December, in the same time with annual agricultural survey, as well as is used the same questionnaire. During the farm visits, with interview face to face, data are collected on farm household demographic characteristics, livestock, number of heads by kind and categories, production of livestock products (meat, milk, wool, honey and eggs), harvest areas for crops cultivated in arable land and permanent crops, for main crops and secondary crops, successive and combined cropping, harvested production, farm practices, fertilizer and equipment rent costs, ownership of vehicles, farm equipment and appliances, sales of agricultural products in quantity and, expenditures (seeds, fertilizer, energy used for agriculture activity, pesticides, processing of agricultural products, water, contract work, transport, feeding staff, veterinary expenditure and medicaments), investment in agriculture activities etc.

Methodology: List frame

The list of big farms with more than 8 cows, more than 10 Ha, more than 150 small ruminants or more than 10 sows is updated annually by MARDWA structures in districts.

The farms are divided in 5 categories: by area, cow, sheep, goats, sows, and the stratification is applied for each category.

Area category:
Stratum 1 – less or equal to 30 hectares
Stratum 2 – more than 30 Ha

Cow category:
Stratum 1– from 8 to 10 cows
Stratum 2 – more than 10 and less than or equal to 30 cows
Stratum 3 – more than 30 cows

Sheep category:
Stratum 1 – from 150 to 200 sheep
Stratum 2 – more than 200 and less than or equal to 350 sheep
Stratum 3 – more than 350 sheep

Goat category:
Stratum 1 – from 150 to 200 goats
Stratum 2 – more than 200 and less than or equal to 300 goats
Stratum 3 – more than 300 goats

Sow category:
Stratum 1 – from 10 to 20 sows
Stratum 2 – more than 20 sows

The sample size for each stratum is calculated with a 95% confidence level.

Every last stratum for each category is fully selected.

Table 10-7: Agriculture surveys

Name of data source:	***Annual Agricultural Survey***
Organization collecting the data, and purposes for which it is collected:	*Ministry of Agriculture, Rural Development and Water Administration; statistics on production and expenses of agriculture, hunting and forestry*
Periodicity:	*Annual(except Greenhouse survey that is twice per year)*
Time of availability of results:	*5 months after the end of the reference period*

Main variables used in ANA:	*- Output and intermediate consumption indicator for agriculture crop and livestock* *-Output and intermediate consumption indicator for secondary activities* *-Output and intermediate consumption indicator for forestry and hunting* *-Gross fixed capital formation*

G. **Surveys of prices for Agricultural products**

The statistical department in the Ministry of Agriculture was responsible for the collection, compilation and dissemination of the farm-gate prices of agricultural products. The price data are collected in terms of (a) weekly and daily wholesale prices, (b) retail prices of essential commodities, and (c) farm harvest prices. Farm-gate prices were collected by the field staff of the 26 regional directory of Agricultural in the level of farm level.

Data sources for prices

Price observation on farm market in Lushnja district (concentrated market of farmers) and survey for prices on green markets.

1. Prices of sales in national currency / kg for ***some cereals, potatoes, vegetables and fruits***.

Frequency

Twice a week

Main characteristics of the survey method

The experts of extension service select some "commercial" farmers (based on their knowledge and background information) who sell their agricultural products in green market at district level. There is 1 concentrated market in Lushnja district where the farmers can sell their products directly in market.

There are selected 5 farmers for each crop in order to estimate the average farm gate price. Based on this information MAFCP compile a weekly report on prices which contains the minimum, maximum and the average prices for every observed product on the reference week compared to that of the previous week.

2. Price report on products observed on ***animal markets***: Average price (LEK / kg, liter, piece) of live animals by kind and categories, selected forage crops, nuts, meat (in live weight), olives, wool, honey, milk by kind of livestock and eggs.

Frequency

Monthly, on the second week of the month.

Main characteristics of the survey method

Selected markets are observed by the experts of extension service of the MAFCP

Sampling method

Random sample.

Sample: It covers 36 districts. There are selected 5 farmers for each item in order to estimate the average farm gate price. Based on the collected information Ministry of Agriculture compile quarterly average price as a simple arithmetic average, except for meat where expert's estimation is used for estimating weighted arithmetic average.

3. Price report **on milk**: Average price (LEK / kg, liter, piece) on milk by kind of animals.

Frequency

Monthly

Main characteristics of the survey method

All the dairy houses are selected.

4. Survey on retail trade: Prices of sales in national currency / kg or liter **for selected fertilizers, plant protection products and fuel**

Frequency

Monthly

Main characteristics of the survey method

Sampling method

Select sellers who sell input products to farmers

Sample: 3 retailers for each district

Based on the collected information MAFCP compile a monthly report on prices which contains the minimum, maximum and average prices for every observed product on the reference month compared to that of the previous month.

Annual Agricultural Survey is also used for prices in case of products that are not observed by any other way, e.g. industrial crops.

H. **Fishing**

Fishing data are collected from surveys conducted by the Fishing Policy sector in the Ministry of Environmental Forestry and Water Administration. The data for fishing are collected every month by the fishing district inspectors which collect the data directly from the boats. They collect the quantity of fish caught (by species) and respective prices. Agriculture Directory is responsible for calculation indicators that use national accounts; Output and Intermediate consumption.

Table 10-8: Fishing survey

Name of data source:	***Fishery Sector***
Organization collecting the data, and purposes for which it is collected:	*Ministry of Agriculture, Rural Development and Water Administration; statistics on fishing*
Periodicity:	*Quarterly*
Time of availability of results:	*60 days after the end of the reference period*
Main variables used in ANA:	*-Output ,Intermediate consumption* *- Fishing volume indicator* *- Price indicator*

Source 6: Expenditure and income of General Government

The main source of the data used by national accounts is the structure of the expenditure and income by the Ministry of Finance (MoF). This structure is available in monthly bases and the data are available in the official web site of MoF. The structure is mainly based on the government accounting system. Each transaction is detailed into a very detailed level from the institute to the purpose of this expenditure using NACE and COFOG classification.

Taxes on products: The most important taxes on products (VAT, excise duties and all import duties and taxes) are provided by direct data sources at cash value. VAT is collected by monthly reports provided by the Tax Administration and the data from Ministry of Finance for annual estimation. Data for import duties, taxes on imports and other taxes on product are provided based on customs statements, public finance revenues provided by Ministry of Finance and the Ministry of Finance makes an aggregation of the taxes from the above sources.

Subsidies: Subsidies are treated as separate codes of the Accounting System of the Government and we can easily extract that kind of data. Most of the subsidies are given to public corporations and therefore it could be easily allocated to a particular NACE category.

Table 10-9: General government data

Name of data source:	***Expenditure and income of General Government***
Organization collecting the data, and purposes for which it is collected:	*Ministry of Finance; Calculation of indicators of public administration, education and health*
Periodicity:	*Quarterly and annually*
Time of availability of results:	*60 days after the end of the reference period*
Main variables used in ANA:	*- Indicators of public administration* *- Indicators of public-education* *- Indicators of public health* *- Average wage* *- Number of employees* *- Indicator of taxes on product* *- Indicator of subsidies on product*

Source 7: Revenues and expenditures statement and Balance of Energy

The data for the energy is available in electronic format 60 days after the end of the reference quarter. The balance of energy is taken as a composed structure consisting of three main companies respectively Production Company, Distribution Company and Transmission Company. The indicators of volume of energy (kWh) and value (million ALL) are available quarterly.

Data in volume and respective prices are taken from financial statements of the Production Company, the statement of income and expenditure of Production Company and Distribution Company and also the balance sheet and statement of income and expenditure of energy by Transmission Company (kWh). In the available data we have also an important part which shows the energy consumed by the households.

Table 10-10: Electricity data

Name of data source:	***Balance of Energy***
Organization collecting the data, and purposes for which it is collected:	*Production Company, Distribution Company, Transmission Company.*
Periodicity:	*Quarterly and annually*
Time of availability of results:	*60 days after the end of the reference period*
Main variables used in ANA:	*-Volume and prices indicators* *- Statements of income and expense* *- Value indicators*

Source 8: Profit and loss account of the Bank of Albania

Selected data from Profit & Loss account by bank of Albania are in accordance with the chart of accounts for banks. They mostly included incomes (P.111), Wages and salaries and Employers' social contributions (D.11 and D.12), expenditures for goods and services (P.2), Economic appearance of assets (K.1).

Table 10-11: Bank of Albania data source

Name of data source:	***Profit and loss account from the Bank of Albania***
Periodicity:	*Quarterly*
Time of availability of results:	*60 days after the end of the reference quarter*
Main variables used in ANA:	*-income on fee and commissions* *-labour indicators (wages and salaries, social contributions)* *-revenues and expenses* *-depreciation*

Source 9: Quarterly profit and loss account of commercial banks

This information is provided by the Bank of Albania. These data are available in quarterly frequency, and contains data on 16 commercial banks operating in Albania. These data are used to estimate the market output and IC. Indicators used for estimates are as following: (for market output) incomes from commissions, other income of the activity; and (for IC) expenses for commissions, other operating expenses, and other administrative expenses.

Also from these data obtained information for: Compensation of employees, consumption of fix capital; other taxes on production.

Table 10-12: Bank of Albania data source

Name of data source:	***Quarterly profit and loss account from commercial bank***
Periodicity:	*Quarterly*
Time of availability of results:	*60 days after the end of the reference quarter*
Main variables used in ANA:	*-incomes from commissions* *other income activity -* *expenses (commission, administrative, operating)*

Source 10: Quarterly data for FISIM

This data is completed by the bank of Albania in a quarterly frequency and contains information on:

(i) Amount of the stock of loans in national and foreign currency for each institutional sector,

(ii) Amount of the stock of deposits in national and foreign currency for each institutional sector,

(iii) Accrued interest received from loans in national and foreign currency for each institutional sector,

(iv) Accrued interest paid for deposits in national and foreign currency for each institutional sector and provided from the Bank of Albania,

(v) Transactions between resident and non-resident financial intermediaries for the calculation of internal and external reference rate.

Table 10-13: Bank of Albania data source

Name of data source:	***Quarterly data for FISIM estimates***
Periodicity:	*Quarterly*
Time of availability of results:	*60 days after the end of the reference quarter*
Main variables used in ANA:	*-Amount of the stock of loans* *-Amount of the stock of deposits* *-Accrued interest received from loans* *-Accrued interest paid for deposits* *-Transactions between resident and non-resident*

Source 11: Quarterly profit and loss account from non-banking monetary institutions

This account provide data by following activity: leasing companies, outsourcing companies, etc. These data provide information on 21 non-banking businesses. These data used to estimate Output and IC. Data source for calculation of market output: incomes from commissions, other income of the activity; and for IC: expenses for commissions, other operating expenses, and other administrative expenses. Also from these data obtained information for: Compensation of employees, consumption of fixed capital, taxes on production, and other taxes on production.

Table 10-14: Bank of Albania data source

Name of data source:	***Quarterly profit and loss account from non-banking institutions***
Periodicity:	*Quarterly*
Time of availability of results:	*60 days after the end of the reference quarter*
Main variables used in ANA:	*-incomes from commissions* *-other income activity* *-expenses(commission, administrative, operating)*

Source 12: Declaration from Insurance companies

Insurance companies that operate in Albania are obliged to report periodically to the Albanian Financial Supervisory Authority. The Financial Supervisory Authority provides data about: gross written premiums, gross claims paid, number of policies and number of paid claims.

Table 10-15: Insurance data sources

Name of data source:	***Declaration from Insurance companies***
Organization collecting the data, and purposes for which it is collected:	*Albanian Financial Supervisory Authority; Insurance*
Periodicity:	*Monthly*
Time of availability of results:	*30 days after the end of the reference quarter*
Main variables used in ANA:	*- Gross Written Premiums* *- Gross Paid Claims* *- Number of policies* *- Number of paid claims*

Source 13: Labour Force Survey (LFS)

The main purpose of this survey is to obtain regular information about situation at the labour market. The Quarterly Labour Force Survey is a household based survey. All individuals aged 15 years and over in the selected household are subject of labour force survey. LFS covers the entire territory of Albania.

The data provide quarterly employment separately for agriculture, administration and non-agriculture sector. This survey is conducted annually for the years 2007-2011 and in quarterly level since year 2012.

The sample is based at a two-stage sampling procedure. In the first stage are selected the geographical areas with a proportional probability to the size of the enumeration area. In the second stage within each of the geographical areas (once selected in the first stage) are selected a fix number of 8 households by equal probability systematic sampling method.

For the QLFS is used a rotational sampling design, whereby a household once initially selected for interview, is retained in the sample for a total of five consecutive quarters. The same household is scheduled to be interviewed, exactly after 13 weeks apart, so that the fifth interview takes place one year on after the first.

According to the rotating sampling design, each quarter, one fifth of the selected households is new and 80 percent of them are in common. So, in each quarter, in the selected sample,

1008 new households are added and the same number of households that has been interviewed for five consecutive quarters is dropped out from the sample.

Data collection in the fieldwork is spread during all months of the year. The gathered data refers to a specific reference period named reference week. The reference week is the calendar week which starts on Monday and finishes on Sunday before the interview date.

Table 10-16: Labour force survey

Name of survey:	***Labour Force Survey (LFS)***
Type of data source:	*Statistical*
Link to surveys undertaken at the European level:	*Labour Force Survey based on Council Regulation (EC) No 577/98*
Coverage:	*All private households in Albanian territory*
Periodicity:	*Continuous with quarterly results*
Time of availability of results:	*Quarterly data are available 72 days after the end of the reference quarter while yearly data are available four months after the end of the reference year.*
Sampling frame:	*Enumeration Area's data of the 2001 Housing and Population Census - updated .*
Type of collection method:	*The Quarterly Labour Force Survey (QLFS) is a household based survey. The sample is based in a two-stage sampling procedure. In the first stage are selected the geographical areas with a proportional probability to the size of the enumeration area. In the second stage within each of the geographical areas (once selected in the first stage) are selected a fix number of 8 households by equal probability systematic sampling method. The QLFS uses a rotational sampling design, whereby a household once initially selected for interview, is retained in the sample for a total of five consecutive quarters.*
Organisation collecting data:	*Data were collected through face to face interviews conducted by interviewers in the dwellings selected (main data on households and detailed data on employment for all individuals 15 years and over) by using PDA-s (Personal Digital Assistant), which is a handheld computer. At the end of each PSU (with 8 households), data were sent to INSTAT central office (Labour Statistics Unit), by e-mail as an attached file. Data files were created and data were checked in real time. So several files were created each week (in order to check the data quality) and the final quarterly file, at the end of the respective quarter.*

Content:	*Number of employed, number of unemployed, employment rate, unemployment rate, employment by economic activities, employment by occupations, employed by status in employment, youth unemployment rate, unemployment by duration, unemployment by job-search methods etc. Data are disaggregated also by sex and age-groups.*
Population size:	*2,296,574 persons of age 15 years old and over*
Sample size:	*5,040 households for each quarter of the year 2012*
Survey response rate:	*69%*

10.2. Statistical surveys and other data sources used for the expenditure approach

Main data sources used for the expenditure approach are listed in table 10.0: List of sources used for national accounts – "Exp." column relating to expenditure approach.

Source 1: Household budget survey (HBS)

HBS provides a source of information on qualitative and quantitative indicators of the standard of living in Albania and is the main source for GDP by Expenditure approach. The main purpose of the data collection is to estimate the level and structure of income, consumption expenditure in the country as a whole as well aggregated as by prefecture level.

The maintenance of a detailed diary of household expenditures over a two-week period by the surveyed households is thus the main distinguishing feature of the HBS. The reliability of the results depends largely on the accuracy, reliability and completeness of the information provided by the respondents.

The first Household Budget survey took place in 1993-1994 which were representative only in Tirana city, then was followed in 1999-2000 by an annually survey and was representative only in urban areas for whole country. The first real HBS was conducted in 2006/2007, and the second in 2008/2009. They were representative for the whole of Albania, at prefecture level and also for urban and rural level. The last redesigned HBS was launched in 2014 and is continued even in 2015 which mean that now is a continuous survey. HBS is being conducted following EUROSTAT recommendation.

There is no legal basis particularly for the HBS in Albania but the law "On Official Statistics" (adopted on No. 9180, date 5.2.2004) covers the obligation and confidentiality regarding statistics.

Participation in the survey is voluntary for the household.

Table 10-17: Household Budget survey

Name of survey:	***Household Budget survey (HBS)***
Type of data source:	*Statistical data source*
Coverage:	*The survey covers all the territory of Albania. The sample represents the whole population as well as its most typical groups. Collective households are not included in this survey. Elderly homes, nursing homes for disabled children, student hostels, hotels, soldier's barracks, hospitals, sanatoriums, imprisonment institutions, etc are excluded from the survey.*
Periodicity:	*Annual*
Sampling frame:	*The sampling frame is based on summary data for the enumeration areas (EAs) defined from the latest Albania Census of Population and Housing. The PSUs selected are updated in the field.*
Reporting unit:	*The unit of observation is a household*
Type of collection method:	*Face to face interview*
Organization collecting data:	*NSI*
Sample size:	*6210 households*
Survey response rate:	*Overall response rate is 90.2 %*
Survey's data weighting procedure	*In the determination of the sample's weights there could be marked out several steps. For the determination of HBS sample weights the following was done:* • *The inclusion probability of each household and it's corresponding design weight were calculated;* • *For each stratum the design weights were adjusted according to the actual response rate in each week;* • *The weights were calibrated taking into account the demographic data (sex and age).*

HBS questionnaire:	- ***Dairy of Purchases (Mod. HBS / 1)*** *will be completed by the household. It contains all household expenses in old ALL and quantities.* - ***Self-Consumption booklet (Mod. HBS/1A)*** *completed simultaneously with the purchased notebook. In this booklet the household records the amount of used/consumed and estimate values of items produced by the household itself. It is, only for those households that produce products like farmers, stockbreeder, hunter, fishermen, etc., so for households that have to plant a garden, climbing frame, orchard, vineyards, plantations, to increase reserves of fish, etc. There is a 14 day period to write entire articles used every day but produced by him, or kg / litter / piece / gram and ALL (the same price of the product if they would have bought in the nearest market).* - ***Final Interview (Mod. HBS / 2)*** *obtain data on the expenses incurred by the household for housing, equipment, products and other long-term non-food, as well as data on household income.*
Reference periods:	*The reference period is 14 days (food products, tobacco and alcoholic beverages) and various periods for other type of expenditures. These periods were determined according to the frequency of expenditure types made by the households.* *A unified retrospective period of 12 months are used for the following income and expenditure categories of the survey:* - *Durable goods and more rarely made purchases and payments (55 items);* - *Seasonal income (2 items);* - *Fringe benefits from the employer and social benefits in kind;* - *Income in cash from agricultural production activities in the household, etc.* *The last payment is used for the rent, water, electricity, gas, heating and the telephone.*
Accessibility:	*Data on the household consumption expenditure and income are published at INSTAT website (www.instat.gov.al), in Albanian and in English, in the following breakdowns:* • *Expenditure structure by main groups and by main characteristics of house household head* • *Monthly household and per capita consumption expenditures according to groups* • *Household consumption expenditures by classes* • *Household consumption expenditures by household typology* • *Household consumption expenditures by household size* • *Household budget by prefectures* • *Monthly income by prefectures* • *Monthly income by household size* • *Monthly income by education level of household head* • *Monthly income by household type*

10.3. Statistical surveys and other data sources used for the transition from GDP to GNI.

Balance of Payments is the only sources used for the transition from GDP to GNI

Source 1: Balance of Payments

The Albanian National Bank is in charge of the balance of payments compilation of the country. The balance of payments' methodology (IMF Balance of payments Manual, 5-th Edition) is conceptually related to that of the System of National Accounts (SNA). The items of the balance of payments correspond closely to the relevant categories of the rest of the world account in the SNA.

The Balance of Payments is used both for estimation the imports/export of services in the frame of the expenditure approach and for the transition from GDP to GNI.

The balance of payments provides a systematic record of transactions with non-residents. The balance of payments data are used for compiling National Accounts in the external account of goods and services, the external account of primary incomes and current transfers, capital account and financial account. Balance of payments is used to calculate Net Exports, a component of the expenditure approach.

Table 10-18: Balance of Payments data

Name of data source:	***Balance of Payments***
Organization collecting the data, and purposes for which it is collected:	*Bank of Albania, external account of goods and services*
Periodicity:	*Quarterly*
Time of availability of results:	*60 days after the end of the reference period*
Main variables used in ANA:	*-Current account* *- Capital account* *- Financial account components*