

# **TWINNING CONTRACT**

## **Support to the Statistics**

### **Kosovo**



## **MISSION REPORT**

**on**

### **2.5.3. Continued support to implementation of Action Plan - Annual national accounts and QNA**

#### **Component no 2 National Accounts**

Mission carried out by  
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4-8 January 2016

***IPA 2012***

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## List of Abbreviations

ANA	Annual National Accounts
BoPs	Balance of Payments
BPM6	Balance of Payment and International Investments Position Manual, sixth edition
CFC	Consumption of Fixed Capital
CPI	Consumer Price Index
ESA 2010	European System of Accounts 2010
FISIM	Financial Intermediation Services Indirectly Measured
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GFC	Government Final Consumption
HFC	Households Final Consumption
IMPI	Import Price Index
IPA	Instrument for Pre-accession Assistance
IMF	International Monetary Fund
QGDP	Quarterly GDP
KAS	Kosovo Agency for Statistics
MoU	Memorandum of Understanding
NAD	National Accounts Department
NPISHs	Non-Profit Institutions Serving Households
NOE	Non-Observed Economy
PPI	Producer Price Index
SIDA	Swedish International Development Cooperation Agency
SBS	Structural Business Survey
STS	Short term statistics
SUTs	Supply and Use Tables
ToRs	Terms of Reference

## Executive Summary

The main objective of the present mission carried out under component 2 – *National accounts* of the twinning project was to continue the technical support provided to Kosovo Statistical Agency (KAS) in the field of quarterly Gross Domestic Product (QGDP) estimation. The activity was focussed on the revision of QGDP 2014, by production and expenditure approaches, at current and constant prices, and benchmark the estimates to annual data.

KAS started the implementation of QGDP by production and expenditure approaches in the frame of IPA 2011 project, in 2014; the activity continued with the technical support of the twinning project. A time series was built for the years 2010-2013 based on annual data and the available statistical and administrative data sources. In the period December 2014 – June 2015, KAS elaborated and published the quarterly GDP for the year 2014 with the technical support of the twinning project.

For the first time, the annual GDP 2014, as sum of quarters, was available in June 2015 before the release of annual estimates (November 2015). The estimates of QGDP for 2014 were provisional; the revision of data started during the present mission based on annual estimates of GDP. The methodological aspects of the benchmarking procedure were discussed; special spreadsheets were developed and the first revised data for the four quarters 2014 of GDP by production and expenditure approaches, at current and constant prices were available at the end of the mission. The activity will continue, specially for balancing the QGDP by the two approaches, at current and constant prices. The revision of QGDP 2014 will be published in February 2016, together with QGDP third quarter 2015.

It was recommended that KAS elaborates a revision strategy of quarterly data in line with European recommendations and international practices and to inform the users. As the revision of QGDP represents a new aspect of the national accounts compilation, it was recommended to organise a special meeting with the main users and the media in order to present the methodological aspect of this process, the practice of European countries and the new results of Kosovo QGDP 2014.

In future, based on improvement of data sources and the experience gained, KAS will reduce the gap of quarterly GDP dissemination for next year; in this respect, the first quarter 2016 will be available in July 2016, the second in October 2016 and third quarter in December. In this way, the estimates will be available at 90 days after the end of the reference period, closer with the European recommendations.

## 1. General comments

This mission report was prepared within the Twinning Project „Support to Statistics”. The objective of the mission was to support KAS for the revision of QGDP 2014 benchmarked to annual estimates.

**This views and observations stated in this report are those of the consultant and do not necessarily correspond to the views of EU, KAS or Statistics Denmark and our implementation partners ( NI-CO / Statistics Finland / Istat / Statistics Lithuania).**

## **2. Assessment and results**

The QGDP estimates for the year 2014, by production and expenditure approaches were based on available administrative and statistical sources. In the statistical system few sources are available:

- Quarterly hotel statistics (number of tourists, nights spend) with data starting from 2009;
- Quarterly LFS, starting with 2012;
- Quarterly transport indicators as passengers-km and tone- km;
- Statistical data concerning prices (Producer Price Index (PPI), Consumer Price Index (CPI), Import Price Index (IMPI), Construction Cost Index (CCI) and agriculture prices (for output and inputs).

The available administrative sources used for the QGDP estimates are:

- Data from Tax Authority concerning the turnover and the purchases of enterprises (purchases for intermediate consumption and purchases for investment);
- Administrative data from big companies with activity in the production and distribution of electricity, post activity, air transport;
- Financial statements of banks and insurance companies;
- Government revenues and expenditures provided by Ministry of Finance;
- Data concerning the planned surface provided by Ministry of Agriculture and number of animals provided by Veterinary Agency
- Balance of Payments elaborated by Central Bank.

The methods applied for the estimation of output, intermediate consumption and GVA were different from one activity to another. In the agriculture sector is a huge lack of data sources on quarterly basis. For this reason, the output was estimated having the assumption that the volume of the crop output is in correlation with the surface planted. Veterinary Agency provided information concerning the number of animals the quarterly output was estimated based on the assumption that the annual growth rate of number of animal is the same for all quarters.

The output of non-financial units which cover mining, manufacturing and market services was estimated based on turnover data provided by Tax Authority. The intermediate consumption was estimated using the same ratio of input/output as the corresponding quarter of the previous year. The construction output was estimated following the annual estimation methodology, based on the input method. Financial activity in quarterly basis is directly estimated based on monthly data provided by Central Bank following the same methodology

as in annual calculations. The output of government services was estimated based on cost approach, using the detail information from Ministry of Finance. The quarterly output of NPISHs was estimated based on corresponding CPI and considering the real growth rate at the same level as previous year. The estimation of taxes and subsidies on products follows the annual methodology. The constant values of the output and intermediate consumption were estimated using the corresponding PPI, CPI, CCI and agriculture prices.

Households Final Consumption (HFC) was estimated based on the commodity flow approach. The calculations were made for the following big categories of consumption: Consumptions of goods from trade activity; Consumption of agriculture goods from own account production; Hotel and restaurant; Transport; Financial services (including FISIM and insurance) and other services (health, education and other services for population). The HFCE in constant prices was estimated by deflation, using the corresponding CPI. The estimation of quarterly GFCF followed the annual methodology and is based on imported data and domestic production of raw materials used in construction. The Government Final Consumption was estimated based on revenues and expenditure of government, provided by Ministry of Finance. Import and export of goods and services were estimated based on balance of payments data.

In November 2015, KAS published the annual data for GDP, at current and constant prices, by production and expenditure approaches. The estimates were based on annual available data sources, as the following:

- Turnover of non-financial units provided by Tax Authority;
- Financial statements of financial units (Central Bank of Kosovo, other commercial banks, insurance companies);
- Financial statements of government concerning the expenditures and revenues, provided by Ministry of Finance;
- Balance of Payments (BoPs) provided by Central Bank of Kosovo
- Structural Business Survey (SBS) for 2014
- Statistical data concerning the prices (Producer Price Index (PPI), Consumer Price Index (CPI), Construction Cost Index (CCI) Import Price Index (IMPI) and agriculture output and input prices.

The differences between annually and quarterly estimates are not significant (see annex 1) and are due, specially because of the differences of data sources and in data provided by statistical and administrative sources. The revision was made using different methods. For the production approach, the data at current prices were revised based on the new available information and the share of quarterly output and GVA in annual data of previous years. The quarterly components of GDP by expenditure approaches, were revised based on the new available information and following the annual methodology. The estimates at constant prices were realised using the same price indexes as those used in the first estimates.

At the end of the mission, the quarterly GDP by production and expenditure approaches at current and constant prices were revised and benched to annual data. But, there are some imbalances at quarter level, between the two approaches. The NAD staff will continue the

analysis of data based on recommendations provided during the mission and the imbalances will be eliminated.

### **3. Conclusions and recommendations**

Implementation of QGDP in 2014 represents one of the main improvements in the field of national accounts and one of the important results of the activities carried out in the frame of the twining project.

The analysis of the differences between annual and quarterly results provided information for further improvements of compilation methods and data sources used for quarterly estimates. It was strongly recommended to improve short term statistics; a special attention should be paid for the agriculture sector.

It was recommended to elaborate the QGDP revision policy and to inform all users about it before the release for the first time of the revised data for 2014 ( February 2016).

## Annex 1 GDP

Table 1 GDP by production approach, at current prices

NACE rev.2	Activities	Sum of quarters	Annual data
A	Agriculture, forestry and fishing	627.232	661.820
B	Mining and quarrying	125.419	116.411
C	Manufacturing	580.904	575.830
D+E	Electricity, gas, steam;-Water supply	185.532	203.817
F	Construction	320.002	335.153
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	679.184	688.580
H	Transportation and storage	215.236	197.360
I	Accommodation and food service activities	55.990	52.093
K	Financial and insurance activities	227.426	221.158
L	Real estate activities	545.932	499.116
O	Public administration (as a sector)	794.460	775.587
N+P+Q+R+S +T+U	Other services	181.566	290.528
	TOTAL GVA	4.538.884	4.617.452
	Taxes on product	999.415	971.540
	Subsidies on product	-53.281	-21.497
	<b>GDP</b>	<b>5.485.019</b>	<b>5.567.495</b>



Table 2 GDP by expenditure approach, at current prices

		Sum of quarters	Annual data
<b>GDP at current prices</b>		<b>5.485.019</b>	<b>5.567.494</b>
<b>Final consumption expenditure</b>		5.766.948	5.855.295
Final consumption of households		4.802.427	4.926.183
Final consumption of Government		928.762	910.353
Government of Kosovo		745.744	723.527
Donor wages)		183.018	186.826
Final consumption expenditure of NPIs		35.759	18.759
<b>Gross capital formation</b>		1.434.554	1.434.870
Gross fixed capital formation		1.293.519	1.293.835
Changes in inventories		141.035	141.035
<b>Net export</b>		<b>1.716.484</b>	<b>1.722.671</b>
<b>Exports of goods and services</b>		1.089.082	1.091.468
Exports of goods		320.761	324.275
Exports of services		768.321	767.193
<b>Imports of goods and services</b>		2.805.566	2.814.139
Imports of goods		2.372.308	2.382.883
Imports of services		433.258	431.256

## Annex 2 ToRs



### EU Twinning Project

KS12 IB ST 01

Support to Statistics

#### Terms of Reference:

**Component 2: National Accounts**

**Activity 2.5.3: Continued support to implementation of Action Plan – Annual NA and QNA**

#### Scheduling:

**Tor –ready date: 18 December 2015**

**Start / end of activity: 4-8 January 2016**

**Reporting time: 15 January 2016**

#### Mandatory result of the component:

Mandatory Result	Intervention logic	Benchmarks	Sources of information	Assumptions
2.5.3	<b>Continued support to implementation of Action Plan – Annual NA and QNA</b>	<ul style="list-style-type: none"> <li>• Mission report uploaded on project homepage</li> <li>• Roadmap detailing the implementation of the action plan agreed</li> <li>• Timeline for implementation of NA developed and discussed</li> </ul>	<ul style="list-style-type: none"> <li>• Twinning quarterly reports</li> <li>• Mission Report</li> <li>• Updated action plan</li> </ul>	<ul style="list-style-type: none"> <li>• Sufficient absorption capacity</li> <li>• Low turn-over of staff involved in implementation</li> <li>• Staff works on project related tasks in between missions</li> <li>• Access to accurate primary statistics</li> <li>• A detailed Terms of</li> </ul>

				Reference is developed in a timely manner detailing tasks (input), expected output, participants of the activity and agenda
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### **Subject / purpose of activity: 2.5.3 activity**

Further support to KAS including consultations and discussion with National Accounts Department concerning quarterly national accounts compilation.

This mission is a continuation of previous mission on NA improving quality of Quarterly National Accounts in Kosovo. During the mission the expert will further have consultations and discussion with the unit of National Accounts.

The road map for National Accounts (Assessment and update of Action Plan by Graversen and Ungureanu, 2014) details a number of required steps in order to accomplish. The work plan elaborated by KAS in 2014 and approved by the Government foreseen to have the estimation of quarterly GDP by production and expenditure approaches, at current and constant prices in a regular basis and to decrease the lag of data dissemination. .

### **Expected output of activity 2.5.3**

Mission report.

Support KAS to bench quarterly GDP by production and expenditure approaches, at current and constant prices to annual data for 2014 and revise quarterly GDP 2015 ( quarter 1 and 2).

On job training on quarterly accounts estimation

### **KAS resources:**

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**Description of the background for the activity**

The 2012 Adapted Global Assessment report (AGA) prepared by Eurostat states the following about National Accounts (p.53-54): In 2010 KAS prepared with IPA support an “Action Plan for compiling and publishing comprehensive statistics on National Accounts and labour market”. That Plan is in principle a useful instrument to organize the future development of National Accounts together with the development of standards and sources that are needed for the enhancement of coverage and improvement of National Accounts data.

The AGA further states that The National Accounts division needs to be provided with data of high quality from various statistical areas, and in particular from business statistics.

**The expected activities are:**

- Support KAS to bench quarterly GDP by production and expenditure approaches, at current and constant prices to annual data for 2014 and revise quarterly GDP 2015

**Expected output:**

- Mission report – according to template
- Recommendations for further activities for improving NA in Kosovo

### Annex 3. Programme, 4-8 January 2016

Day	Place	Time	Event
1	KAS	09.00	Planning the week
		09:30 – 16:00	Benchmarking quarterly GDP 2014 by production and expenditure approaches at current prices to annual data
2	KAS	09:00- 16.00	Benchmarking quarterly GDP 2014 by production and expenditure approaches at current prices to annual data-continuation
3	KAS	09:00- 16.00	Benchmarking quarterly GDP 2014 by production and expenditure approaches at constant prices to annual data
4	KAS	09:00- 16.00	Revising quarterly GDP 2015
5	KAS	09:00- 16.00	Recommendations Report writing Debriefing: Experts, Component Leader and RTA