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**QUALITY REPORT 2017**

**Annual Gross Domestic Product**

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## **1. Introduction – Basic information about the survey**

### **1.1 Purpose, goal and subject of the survey**

The goal of calculating Gross Domestic Product by production and expenditure method is to obtain the basic and most important macroeconomic aggregate in the system of National Accounts. The application of this method of calculation shows the establishment of the basic relation on which National Accounts are based, that is, that the total value of the available goods and services (supply) must be equal to the total value of consumed goods and services (use) in the observed period at the level of the total economy.

The goal of calculating Gross Domestic Product by the production method is to obtain the basic and most important macro-economic aggregate in the system of National Accounts. This aggregate is the result of the production activities of all resident institutional units, which is an indicator of economic activity at the level of the whole country.

Gross Domestic Product by production method is calculated as the sum of added values of all resident institutional units, i.e. as the difference between the output (gross value of production) and intermediate consumption. The advantage of applying this method of calculation is to look at the contribution of individual activities to the overall economic growth of the country.

Gross Domestic Product by expenditure method is calculated as the sum of consumption of households, government consumption, investments, changes in inventories and the balance of exports and imports of goods and services.

### **1.2 Legal basis**

The Law on Official Statistics and Official Statistical System (Official Gazette of Montenegro No 18/12) defines provisions for collection, processing, and dissemination of data. The Law provides to the Statistical Office clear and wide legal powers to collect and access the data necessary for the implementation of Programme and Annual Plan. The Law gives a priority to the use of administrative data and right of access to individual data that are a result of survey of other official statistical producers. As an annex to legal provisions, Statistical Office has signed several memoranda on cooperation with administrative data providers.

### **1.3 Statistical units**

All economic units, legal and natural persons and households within defined production limits within the System of national accounts - SNA 2008 and European system of accounts - ESA 2010 methodologies:

The European System of National Accounts (ESA 2010) distinguishes two types of units and two ways of dividing the economy which serve to various analytical objectives:

- by grouping institutional units into sectors based on their main functions, behaviors and goals;
- by grouping local units in the activities based on their activity.

### **1.4 Coverage and scope of survey**

#### **1.4.1 Sectors**

All sectors defined by Classification of activity 2010 are covered except sector U: Activities of extraterritorial organizations and bodies.

#### **1.4.2 Statistical population**

National Accounts combine data from multiple sources so the concept of the statistical population cannot be applied in the context of National Accounts.

### **1.5 Referent geographical area**

Montenegro.

## 1.6 Concepts and definitions

Gross Domestic Product (GDP) measures the total incomes and total expenditures of the economy. It represents the market value of all final goods and services produced within a country in a given time interval. This interval is usually one year or a quarter (three months).

GDP at market prices is the final result of the production activities of resident production units and can be calculated in 3 ways:

- Production approach,
- Expenditure approach and
- Income approach.

Statistical Office calculates GDP by production and expenditure approach.

- According to the production approach:

GDP = the sum of Gross Value Added + taxes less subsidies on products.

Gross Value Added is the net result of output valued at basic prices minus intermediate consumption valued at purchaser's prices. Output consists of the products manufactured during the accounting period. Intermediate consumption includes the value of goods and services used as inputs in the production process, excluding fixed assets whose consumption is recorded as consumption of fixed capital. Taxes less subsidies on products are taxes (paid) less subsidies (received) per unit of product or service provided.

- According to the expenditure approach:

GDP = final consumption of households + government final consumption (individual and collective) + gross fixed capital formation + changes in inventories + exports - imports

Final consumption expenditure of households are expenses (including imputed expenditures) of resident households on individual consumption of goods and services (e.g. expenditure for food, clothing and footwear, housing, etc.). These expenditures do not include expenditures of households for the purchase of fixed assets (e.g. dwellings or valuables).

Government final consumption expenditure are expenses (including imputed expenditures) of the government sector to the individual and collective consumer goods and services. They are divided into two groups:

- the value of goods and services produced by the country and which, by convention, the country consumes - collective consumption (for example: services of the courts, defense, security, protection of environment, etc.), and
- government expenditures for the purchase of consumer goods and services produced by market producers and to which the state, without any transformation, supplies households through social transfers in kind - individual consumption (for example prescription pharmaceuticals on the basis of compulsory health insurance for the patient).

Gross capital formation consists of gross fixed capital formation, changes in inventories and net valuables. Gross fixed capital formation is measured by the total value of the producer's acquisition less disposals of new or used fixed assets during the accounting period. Net investments in fixed assets are gross fixed capital formation minus the consumption of fixed assets (depreciation).

Changes in inventories represent the difference between the level of stocks at the beginning and the end of the year, valued at the average market prices. Inventories can be: of materials, work in progress, finished goods, and merchandise.

Imports and exports of goods and services consist of transactions of goods (purchase/sale, exchange or gift) between resident and non-resident units.

Imports and exports of goods and services do not include:

- deliveries made by non-resident (foreign) representative offices of resident companies to non-residents and deliveries made by resident representative offices of non-resident companies to residents,
- flows of primary income abroad or from abroad (such as compensation of employees, interest or income from direct investment) and
- sales and purchases of non-produced assets (e.g. land or patents).

External balance of goods and services is the balancing item (balance) of goods and services foreign account. It represents the value of exports of goods and services minus imports of goods and services of the foreign sector. When the external balance of goods and services in foreign accounts is positive, it means a deficit (deficit) of the national economy in goods and services trade with foreign countries and vice versa if it is negative, it means a deficit of overseas and a surplus for the national economy.

- According to income approach :

Compensations of employees + Gross operating surplus and mixed income + Taxes less subsidies on production and imports.

GDP according to income approach is not available. There is ongoing work on defining the sources and methods for calculation of GDP by the income approach.

## **1.7 Classifications**

KD 2010 (NACE Rev. 2.), COFOG, COICOP, CPA, CN, HS.

## **1.8 Frequency of data collection**

Data is collected once a year.

## **1.9 Frequency of data dissemination**

Annual.

## **1.10 Methodology**

International recommended methodology for the calculation of National Accounts is the System of National Accounts 2008 (SNA 2008), which provides a detailed theoretical framework, while for the EU countries the methodology is prescribed by the European System of National Accounts (ESA 2010) which is fully consistent with the SNA 2008 and adapted to the European environment and practices. The legal obligation of each EU Member State is to respect the ESA 2010 in their statistical practices.

Link: <http://ec.europa.eu/eurostat/web/products-manuals-and-guidelines/-/KS-02-13-269>

## **1.11 Base period**

Previous year is the base period for calculation of GDP in constant prices.

## **1.12 Unit of measure**

The data are published in thousands of euros and in %.

## **1.13 Source of data**

The main data source for the calculation of GDP are financial statements of companies, banks, insurance companies, government sector, social security funds, local governments, entrepreneurs and data on the lump sum tax payers based on tax returns. All the above sources represent an administrative data source. The data obtained from statistical surveys are also used.

## 2. Relevance – Data users

### 2.1 User needs

#### International users:

- Eurostat,
- World Bank,
- UN organizations,
- International Monetary Fund

#### National users:

- Ministries and other public administration bodies,
- Local government, and other local government bodies.
- Non-governmental organizations,
- Students,
- Researchers,
- Media.

### 2.2 User satisfaction

The Statistical Office has adopted the Quality Management Strategy, the Guidebook to the Implementation of the Quality Management Strategy, as well as the Plan for the Implementation of the Quality Policy. In order to measure the degree to which fulfills obligations towards users and within the new quality policy, the Statistical Office conducted User satisfaction survey. Data collection was carried out through a web survey, in the period from 1 September to 20 October, 2017. The results of the survey are available on the Statistical Office website, link: <http://www.monstat.org/userfiles/file/KVALITET/Izvjestaj%20o%20zadovoljstvu%20korisnika%20eng.pdf>.

## 3. Accuracy and reliability

### 3.1 Accuracy – Overall remark

The compilation of National Accounts is a complex task that involves many different data sources and therefore it is not possible to provide simple measures of accuracy estimate. Accuracy and reliability are ensured by the application of methodological instructions in accordance with the methodology of National Accounts.

### 3.2 Sampling error

Not relevant.

#### *Indicators of sampling error*

Not relevant.

### 3.3 Non-sampling error

Not relevant.

#### *3.3.1 Coverage error*

Not relevant.

#### *Indicators of coverage error*

Not relevant.

### **3.3.2 Error of measurement**

Not relevant.

#### *Nonresponse rate*

Not relevant.

### **3.4 Seasonal adjustment**

Not available.

### **3.5 Data revision**

#### **3.5.1 Data revision policy**

Statistical Office has adopted the revision policy and it is available on the website:

<http://www.monstat.org/eng/page.php?id=1411&pageid=1411>

#### **3.5.2 Data revision practice**

Data from the National Accounts are subject to revisions in case of changes in international methodologies or if new data sources become available.

National Accounts represent a wide range of data on different areas that are integrated into the National Accounts system so that a change in one area will have an impact elsewhere, and therefore the revision of one part of National Accounts can lead to a revision of the data of the entire system of National Accounts

#### **3.5.3 Data revision - average size**

Not available.

## **4. Timeliness and punctuality**

### **4.1 Timeliness**

Data are published in accordance with the Annual Plan of Statistical Surveys and Statistical Release Calendar. The deadline for publishing data is the end of September of the current year for the previous year.

#### *Time lag of the first results*

Preliminary annual GDP data are available 83 days after the reference period. Preliminary data are compiled as a sum of quarterly GDP data.

#### *Time lag of the final results*

Final results are available 9 months after the reference period.

### **4.2 Punctuality**

Not available.

## **5. Availability and clarity**

### **5.1 Release**

Press release of the Gross Domestic Product of Montenegro:

<https://www.monstat.org/eng/page.php?id=163&pageid=19>

## 5.2 Publication

Statistical Office publishes the following regular publications:

1. Statistical yearbook,
2. Montenegro in numbers,

In addition to the above regular ones, Statistical Office publishes also additional publications. One of them is:

1. The most often used statistical data.

All publication published by Statistical Office are available at the following link:

<http://monstat.org/eng/publikacije.php>

## 5.3 Availability of microdata

The Law on Official Statistics and Official Statistical System (Official Gazette of Montenegro No 18/12) regulates rules under which external users can obtain an access to individual data for needs of research. Article 58 defines types of scientific and research organizations that can obtain such data. Providing individual data without identifier is possible only upon a written request of scientific and research institutions, with purpose of performing scientific and research activities as well as international statistical organizations and statistical producers from other countries. Research entity signs the agreement with Statistical Office, and it signs the statement on respecting the confidentiality principle. Official statistical producers keeps a separate records on users and purpose of using the statistical data given to these users

## 6. Comparability

### 6.1 Comparability - geographical

Applying the Regulation (EC) No 549/2013 which prescribes the application of ESA 2010 methodology enables the geographical comparability of data between Montenegro and other countries. In line with the Nomenclature of Territorial Units for Statistics (NUTS) and the Transmission Program of Data (ESA 2010 Transmission Program of Data) the Statistical Office submits to Eurostat data on quarterly and annually GDP at all three levels of the NUTS classification, the territory of Montenegro is considered as one statistical region.

### 6.2 Comparability - over time

From 2000 to 2005, the data are available by the ESA 95 methodology. Since 2006, data have been available according to the ESA 2010 methodology. Data are available by NACE Rev 1.1 classification for the data series from 2000-2005. year, and according to NACE Rev. 2. from 2006.