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**QUALITY REPORT 2018**

**Annual Gross Domestic Product**

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## **Content:**

<b>1. Introduction – Basic information about the survey</b> .....	<b>1</b>
<b>1.1 Purpose, goal and subject of the survey</b> .....	<b>1</b>
<b>1.2 Legal basis</b> .....	<b>1</b>
<b>1.3 Statistical units</b> .....	<b>1</b>
<b>1.4 Coverage and scope of survey</b> .....	<b>2</b>
1.4.1 Sectors .....	2
1.4.2. Statistical population .....	2
<b>1.5 Referent geographical area</b> .....	<b>2</b>
<b>1.6 Concepts and definitions</b> .....	<b>2</b>
<b>1.7 Classifications</b> .....	<b>3</b>
<b>1.8 Frequency of data collection</b> .....	<b>4</b>
<b>1.9 Frequency of data dissemination</b> .....	<b>4</b>
<b>1.10 Methodology</b> .....	<b>4</b>
<b>1.11 Base period</b> .....	<b>4</b>
<b>1.12 Unit of measure</b> .....	<b>4</b>
<b>1.13 Source of data</b> .....	<b>4</b>
<b>2. Relevance – Data users</b> .....	<b>4</b>
<b>2.1 User needs</b> .....	<b>5</b>
<b>2.2 User satisfaction</b> .....	<b>5</b>
<b>3. Accuracy and reliability</b> .....	<b>5</b>
<b>3.1 Accuracy – Overall remark</b> .....	<b>5</b>
<b>3.2 Sampling error</b> .....	<b>6</b>
<b>3.3 Non-sampling error</b> .....	<b>6</b>
<b>3.4 Seasonal adjustment</b> .....	<b>6</b>
<b>3.5 Data revision</b> .....	<b>6</b>
3.5.1 Data revision policy .....	6
3.5.2 Data revision practice .....	6
3.5.3 Data revision - average size (A6) .....	6
<b>4. Timeliness and punctuality</b> .....	<b>6</b>
<b>4.1 Timeliness</b> .....	<b>6</b>
<b>4.2 Punctuality</b> .....	<b>7</b>
<b>5. Availability and clarity</b> .....	<b>7</b>
<b>5.1 Statistical Release Calendar</b> .....	<b>7</b>
<b>5.2 Access the data Release Calendar</b> .....	<b>7</b>
<b>5.3 Releases</b> .....	<b>7</b>
<b>5.4 Publication</b> .....	<b>7</b>
<b>5.5 On-line databas</b> .....	<b>8</b>
<b>5.6 Access to micro data</b> .....	<b>8</b>
<b>6. Comparability</b> .....	<b>8</b>
<b>6.1 Spatial comparability</b> .....	<b>8</b>
<b>6.2 Time comparability</b> .....	<b>8</b>

## **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 more data sources so that the concept of 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.

- GDP according to the production approach:

$GDP = \text{the sum of Gross Value Added} + \text{taxes less subsidies on products.}$

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.

- GDP according to the expenditure approach:

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

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.

- GDP 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 1999 (Nace Rev.1.), 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

### **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,
- Central bank of Montenegro,
- 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. 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.

### **3.3 Non-sampling error**

Not relevant.

### **3.4 Seasonal adjustment**

Not relevant.

### **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 (A6)***

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 Statistical Release Calendar**

The Law on Official Statistics and Official Statistical System (*Official Gazette of Montenegro No 18/12*) stipulates that official statistical producers prepare, update, and publish Statistical Release Calendar. It is published on the website of Statistical Office not later than 20 December for the next year, for all official statistical producers that includes date of releasing statistical data. Any change in date of releasing in the Calendar is published in advance in accordance with the Procedure on Unplanned Revisions.

### **5.2 Access the data Release Calendar**

<http://www.monstat.org/eng/page.php?id=12&pageid=12>

### **5.3 Releases**

Release of the annual gross domestic product of Montenegro,

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

### **5.4 Publication**

Statistical Office publishes the following regular publications:

1. Statistical Yearbook,
2. Montenegro in figures,
3. Monthly statistical review.

In addition to the above regular ones, Statistical Office publishes also additionally publications. Some of the most important additional publications are as it follows:

1. Women and Men in Montenegro,
2. The most often used statistical data.

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

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

## **5.5 On-line databas**

An online database existt which can access the data, link: <http://monstat.org/eng/pxweb.php>

## **5.6 Access to micro data**

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 Spatial comparability**

Regulation (EC) No 549/2013 which prescribes the application of ESA 2010 methodology enabled the geographical comparability of data between Montenegro and other countries.

### **6.2 Time comparability**

From 2000 to 2005, the available data applied by the ESA 95 methodology according to the NACE Rev.1.1.clasification. 2006 onwards data are available according to the ESA 2010 methodology and by NACE Rev2 clasification.