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QUALITY REPORT 2018
Quarterly Gross Domestic Product

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1. Introduction – Basic information about the survey

1.1 Purpose, goal and subject of the survey

Quarterly National Accounts are compiled from a series of macroeconomic indicators, which provide a comprehensive picture of the economic situation and serve as a basis for economic analysis, forecasting and decision-making. The main aggregate of national accounts is Gross Domestic Product. The methodology which is used is consistent with the System of National Accounts (SNA 2008) and the European System of National Accounts (ESA 2010). The estimation of GDP includes all activities within the production boundary defined methodologies SNA 2008 and ESA 2010 and covers the entire territory of Montenegro. The objective of quarterly calculation of gross domestic product by expenditure approach is to obtain the basic macroeconomic aggregate in the system of national accounts. Applying this method of calculation, the establishment of the basic relation on which the national accounts are based is ensured and that is total value of available goods and services (supply) must be equal to the total value of goods and services (use) spent in the observed period at the level of the overall economy. Quarterly GDP by expenditure approach is estimated as sum of consumption of households, government consumption, investments, changes in inventories and net export and import of goods and services. The results of the estimation are valued at current and constant prices. Estimated data are expressed in thousands euros.

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 units, natural persons and households within the production boundary defined methodologies SNA 2008 and ESA 2010

1.4 Coverage and scope of survey

1.4.1 Sectors

The estimation of QGDP includes all activities within the production boundary defined methodologies SNA 2008 and ESA 2010 and covers the entire territory of Montenegro.

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

Quarterly gross domestic product (QGDP) measures the total income and total expenditure of the economy. QGDP represents the market value of all final goods and services produced within a country in a quarter (three months). GDP at market prices is the final result of the production activity of resident units and can be calculated in 3 ways:

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

MONSTAT currently compiles QGDP by expenditure approach.

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, environment, etc.) and
- Expenditures that the state performs for the purchase of consumer goods and services produced by market producers and which the state, without any transformation, supplying households through social transfers in kind - individual consumption (for example medicament taking on receipt according regular health insurance).

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 producers acquisition less disposals of new or used fixed assets during the accounting period.

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:

- Delivery of non-resident (foreign) representative offices of resident companies perform non-residents and delivery of resident representative offices of non-resident enterprises pots residents,
- flows of primary income to abroad or from abroad (such as compensation of employees, interest or income from direct investment) and
- sale and purchase 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 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.

1.7 Classifications

The ESA 2010 provides a methodology on common standards, definitions, internationally harmonized classifications and accounting rules that are used for compiling national accounts on comparable bases. The ESA 2010 defines classifications to be used for: institutional sectors, transactions in products, transactions in non-financial non-produced assets, distributive transactions, transactions in financial assets and liabilities, other changes in assets, balancing and net worth items, balance sheet entries, non-financial assets, financial assets and liabilities. In addition, for several breakdowns ESA 2010 makes use of other classifications: KD2010 classification of activities which is in line with NACE Rev. 2 for economic activities, CPA 2014 for products by economic activities, COFOG for the functions of government, COICOP for individual consumption by purpose NUTS 2013 for regional breakdowns. A full overview of classifications is available in:

- ESA 2010 Chapter 23 Classifications
- Eurostat's RAMON classification database:
https://ec.europa.eu/eurostat/ramon/index.cfm?TargetUrl=DSP_PUB_WELC
- MONSTAT: <https://www.monstat.org/eng/page.php?id=104&pageid=104>

1.8 Frequency of data collection

Quarterly data are collected after ending reference period for estimation of preliminary QGDP and 9 months after ending reference year and compiling GDP annual

1.9 Frequency of data dissemination

Quarterly.

1.10 Methodology

International prescribed methodology for calculation of national accounts is the System of National Accounts 2008 (SNA 2008), which provides a detailed theoretical framework, while for the countries of the European Union methodology 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 States to respect the ESA 2010 in their statistical practices. Handbook on price and volume measures in national accounts 2001, and Handbook on quarterly national accounts. Links:

- SNA 2008: <https://unstats.un.org/unsd/nationalaccount/sna2008.asp>
- ESA 2010: <https://ec.europa.eu/eurostat/web/products-manuals-and-guidelines/-/KS-02-13-269>
- Handbook on price and volume measures in national accounts <https://ec.europa.eu/eurostat/web/products-manuals-and-guidelines/-/KS-GQ-14-005>
- Handbook on quarterly national accounts: <https://ec.europa.eu/eurostat/web/products-manuals-and-guidelines/-/KS-GQ-13-004>

1.11 Base period

Corresponding quarter of previous year.

1.12 Unit of measure

The data are published in thousands euros and in %.

1.13 Source of data

National accounts compilation builds up on statistics that are primarily collected for other purposes (primary statistics). It relies on a variety of data sources, including administrative data: accounting financial statements, tax data, budgetary reports, population censuses, statistical surveys of businesses and households, statements of supervising institutions and branch organizations, annual and quarterly reports, trade statistics on goods and services, balance of payments information. There is no single survey source for national accounts. 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. Data from data sources usually are short-term and as such may change during time. Having in mind that QGDP are calculated only once and published as preliminary results, and revised only once within publishing final annual estimates.

1.14 Method of collection data

National accounts department typically do not collect data themselves but receive them from other departments or institutions. National Accounts combine data from many sources. Techniques for collecting data are different and depends on the available sources of information, timeliness of published data and other factors. Sources can be statistical surveys, administrative data and enterprises data. Data are collected in electronic format, via data requests and in paper.

2. Relevance – Data users

2.1 User needs

National Accounts data are key information for economic policy monitoring and decision making, forecasting, for administrative purposes and for information of the general public and for economic research.

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

The compilation of national accounts is a complex task that involves many different data sources. MONSTAT publishes all revision and explanations of the data when this occurs.

3.3 Data revision

3.3.1 Data revision policy

National accounts data are subject to continuous revisions as new input data become available. They are called routine revisions and entail regular revisions of country data and of the European aggregates, which are derived from the former. More rarely, exceptional revisions (called benchmark revisions) will result from major changes in data sources, classifications or methodology. For example, when changing from ESA95 to ESA 2010, a benchmark revision occurred at country level and at euro area/EU data level. Preliminary data are revised at the time of the availability of annual data. Information concerning revision policy for national accounts domains can be found on link: <http://www.monstat.org/eng/page.php?id=1411&pageid=1411>

3.3.2 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. While revisions should be seen as a process to progressively improve the quality of national accounts as e.g. better sources and/or methods become available, the availability of metadata on revisions is a key element for understanding national

accounts data and revisions between subsequent releases. After the publication of annual gross domestic product, quarterly GDP data are benchmarked to the annual data with aim to gain internal consistency.

3.3.3 Data revision - average size (A6)

3.4 Seasonal adjustment

The objectives of seasonal adjustment are to identify and remove seasonal fluctuations and calendar effects which can mask short and long-term movements in a time series and impede a clear understanding of underlying phenomena. Seasonal adjustment is therefore a fundamental process in the interpretation of time series to inform policy making (ESS guidelines on seasonal adjustment, 2015 Edition, Annex, point 1). In Montenegro, there is not yet defined procedures for adjustment data.

4. Timeliness and punctuality

4.1 Timeliness

Data are published in accordance with the Annual Plan of Statistical Surveys and Calendar of Statistical Data, 83 days after the end of the reference period.

Time lag of the first results

Preliminary annual GDP data are available 11 weeks after the referent period.

Time lag of the final results

Final quarterly GDP data are available 12 months after the referent period.

4.2 Punctuality

Not applicable

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

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

5.3 Releases

QGDP releases are available on link: <http://monstat.org/cg/page.php?id=1248&pageid=20>

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

In order to enable easy access to national accounts data, all validated national accounts data are available to users by publishing in an online database and other formats. An online database exist whith access to the data. Link: <http://monstat.org/eng/pxweb.php>

Other formats exists in excel on the website. Link: <https://www.monstat.org/eng/page.php?id=20&pageid=20>

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

The comparability is insured by the application of common definitions of ESA 2010 which enables the geographical comparability of data between Montenegro and other countries. In line with the Nomenclature of Territorial Units for Statistics (NUTS), the territory of Montenegro is considered as one statistical region..

6.2 Time comparability

As the data for all reference periods are compiled according to the requirements of the ESA 2010, national accounts data are fully comparable over time. Also, in the case of fundamental changes to methods or classifications, revisions of long time series are performed, usually going far back into the past. By using a common framework, the European System of Accounts ESA 2010, data for Montenegro can be comparable over time, for quarterly time series 2006-2018. Data are available and comparable with other countries data from first quarter of 2006 onwards, in current prices, and from the first quarter of 2007 onwards, in constant prices.