Eurostat tabular approach

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Eurostat tabular approach

- Developed for the projects on Exhaustiveness of National Accounts with EU Candidate Countries

- First project (1998 – 2000): Tabular approach   T1 –T8;

- Second Project (2002 – 2003): refined Tabular approach to exhaustiveness N1 – N7

Eurostat tabular approach

- Defines standard set of non-exhaustiveness types (N1 to N7) and presents them in a tabular framework;

- Provides a comprehensive and systematic assessment to ensure exhaustiveness of NA;

- Facilitates cross-country comparisons of adjustments and adjustment methods and provides for similar level of coverage of NA.
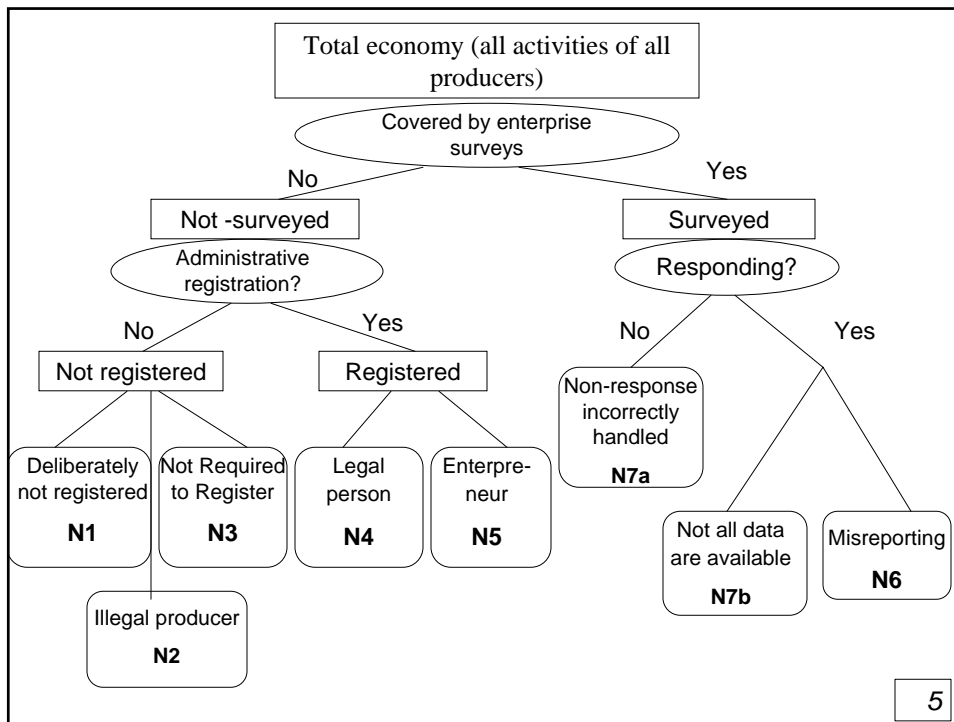
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Non-exhaustiveness types

- Starting point is the <u>output approach</u> due to the more uniform data sources; the adjustment are based on a breakdown of producers;

- Expenditure approach: more than one data source can be used for the same component; when sources are similar as in the output approach adjustments have to be consistent;

- Income approach: similar data sources as in output approach; often the estimates are not independent and the adjustments are linked.

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┌─────────────────────────────────┐
│ Total economy (all activities of all │
│           producers)            │
└─────────────────────────────────┘
            Covered by enterprise
                 surveys
      No                        Yes
  ┌──────────────┐          ┌──────────────┐
  │ Not -surveyed │         │   Surveyed   │
  └──────────────┘          └──────────────┘
   Administrative            Responding?
   registration?
   No        Yes          No            Yes
┌──────────┐ ┌──────────┐ ┌──────────┐
│   Not    │ │Registered│ │Non-response│
│registered│ │          │ │incorrectly│
└──────────┘ └──────────┘ │ handled   │
                          │   N7a     │
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Deliberately not registered **N1** · Not Required to Register **N3** · Legal person **N4** · Enterpre-neur **N5** · Not all data are available **N7b** · Misreporting **N6** · Illegal producer **N2**

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Non-exhaustiveness types (cont'd)

N1. Producer deliberately does not register (underground)

- Producer does not register in order to avoid tax and social security obligations or not to lose social benefits;

- Typically includes small producers with income above the set threshold;

- Does not include illegal producers (N2) and misreporting of underground activities (N6);

- Methods used: Labour input (LFS), supply-use method, demand-based method, commodity flow.

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Non-exhaustiveness types (cont'd)

N2. Not registered illegal producers

- Producer deliberately fails to register because he is involved in illegal activities;

- Includes prostitution, sale of stolen goods, sale of drugs, smuggling, gambling, etc.;

- Excludes illegal production of registered producers (N6 or under legal activity) and illegal production covered by estimates of units not required to register (N3);

- Methods used: quantity-price method; unit per input or use; expert judgement.

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Non-exhaustiveness types (cont'd)

N3. Producer not required to register

- Producers are not required to register because they do not have market output or it is below a set threshold;

- Involves production for own FC, own FCF and small-scale market output of households, paid domestic services, etc.;

- No adjustment needed if the estimation method for a certain activity implicitly includes N3 type of output;

- Methods used: HBS, building permits, commodity flow methods, administrative data, time use surveys, etc.

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Non-exhaustiveness types (cont'd)

N4. Legal persons (LPs) not surveyed

- The LPs are registered but systematically excluded from the BR and/or enterprise surveys;

- Involves deficiencies of the BR: BR excludes certain LP, newly registered LP are not included due to updating procedures, incorrect identification of statistical units; wrong activity or size code;

- Methods used: register quality surveys, review of update procedures, cross-checking with other administrative sources.

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Non-exhaustiveness types (cont'd)

N5. Registered entrepreneurs (REs) not surveyed

- The REs are not included in the BR and/or is excluded from the statistical surveys;

- Includes deficiencies of BR: exclusion of some entrepreneurs ("natural persons") e.g consultants, private teachers, writers, journalists, incorrect updating and coding of the BR;

- Methods used: register quality surveys, cross-checking with other administrative sources, income statements, specialised surveys.

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Non-exhaustiveness types (cont'd)

N6. Misreporting by producers

- Under-reporting of revenues (GO) and over-reporting of expenditures (IC) in order to avoid payment of income tax, VAT, other taxes, or social security contributions;

- Typically includes concealed sales, hidden secondary activities, cash settlements, VAT fraud, concealed salaries or salaries recorded as external services (IC);

- Methods used: use of tax audits data, comparisons of average salaries and profits, input/output ratios, special surveys and experts judgement.

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Non-exhaustiveness types (cont'd)

N7 Other statistical deficiencies

- Data are not directly available from surveys (7a) or are incorrectly processed (7b);

- The following items should be considered:
  - 7a: wages and salaries in kind, production for own final use by market producers, tips, etc;
  - 7b: non-response, valuation techniques, adjustments for accruals, etc.

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Standard tables

The Tabular Approach involves the completion of three standard tables both for output and expenditure approaches:

1. Elements of non-exhaustiveness (detailed breakdown by type of unit, activity,non-exhaustiveness type and adjustment procedure);

2. Exhaustiveness adjustments (including the absolute and relative size of the adjustments listed above);

3. Summary of adjustments (by institutional sector and NACE activity or expenditure component).

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Exhaustiveness adjustments - results

Exhaustiveness adjustments for the nine new EU member states, 2000

Non-exhaustiveness type	N1	N2	N3	N4	N5	N6	N7	Total
Total 9 countries (%)	15.5	6.4	7.9	7.5	5.8	48.6	8.2	100.0

Exhaustiveness adjustments for the Western Balkan Region, 2003*

Non-exhaustiveness type	N1	N2	N3	N4	N5	N6	N7	Total
Total Western Balkans	7.9	1.3	16.8	4.4	3.2	59.7	6.7	100.0

*2002 for Croatia, FYR of Macedonia and Montenegro, 2001 for Albania

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Conclusions

- TAE provides a consistent procedure to achieve exhaustiveness and has already been used by a big number of ECE countries: 13 EU member countries, 6 Western Balkan Countries, Azerbaijan, *Kyrgyzstan*, *Turkmenistan* and Ukraine;

- However, the distinction between the N-types is important but is not the main goal;

- Main goal: produce accurate NA and GDP estimates.

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