

Quality report 2014

Slovak Republic

Part 1: General information

1.1 Major changes and improvements to sources and methods of national accounts

The Statistical Office of the Slovak Republic (SO SR) in comparison with the previous GNI Questionnaire 2013 had carried out revisions due to the new information based on ESA95 methodology, implementation of results of solutions of GNI reservations and the next step was the transition to ESA2010 methodology. These revisions have affected the whole time series 1995-2013. As far as the sources and methods of national accounts compilation were concerned, the GDP compiled in 2011 and 2012 was adjusted on the basis of new information, more precise data and ESA2010 methodology; however GDP in 2013 is still preliminary.

1.2 Changes in the revisions policy and timetable for finalising the estimates; (domestic) publication date of the submitted numbers

There is no change in the revision policy and the timetable for finalising the estimates. Revision policy for national accounts is published on our website in line with the valid timetable for publishing of data of SO SR. Data will be published on the website of the SOSR as of 21 October 2014.

1.3 Results of any investigations on the quality of GNI and its components

On the basis of the Statistical Office's estimate, compensation of employees (D.1) received from RoW reached in 2013 the amount of 1 546,291 mill. Euro. Compared to last year, it is an increase.

In 2013, the number of working residents increased as compared to 2012. Based on current data for the first two quarters of 2014, we expect an increase in the number of working residents abroad.

Taxes on production and imports (D.2) paid to the EU institutions, which consist of payments of own resources, decreased in 2013 to 114,587 mill. Euro. This value consists of import duties in amount of 109,555 mill. Euro (from which 25 % are in exports of services) and of taxes on imports excluding VAT and import duties in amount of 5,032 mill. Euro (from which 25 % are included in exports of services). Data related to Property income (D.4) for years 2012 and 2013 are preliminary estimates, which will be updated after obtaining final results from National Bank of Slovakia.

In this GNI questionnaire FISIM is allocated.

1.4 Description of developments in major sources

As regards exhaustiveness of main data sources for the sector of non-financial corporations we can state that the response rate for group of enterprises with the number of employees more than 20 slightly decreased in comparison with the previous year (from 92,2 % to 91,7 %). Response rate of financial companies in comparison with the previous year slightly decreased. Response rate of insurance companies as compared to the previous year slightly increased. We can also state that, as in the previous year, there was again 100% questionnaire response rate for financial corporations dealing with financial intermediation, insurance and pension funding.

Part 2: Changes to sources and methods to final estimates

There is nothing to report this year.

Part 3: Revisions to years 2010 to 2012

3.1 Routine (current) revisions

Routine revisions were carried out due to the achievement of additional information from statistical and administrative data sources according to the ESA95; they influenced the years 2011-201. In addition, a change in compensation of employees' item had been done. This change was related to 2009 (-79,032 mill. Eur) and 2012 (-22,060 mill. Eur). It was based on the Eurostat decision on the recording of payments to the 2nd Pillar of the pension scheme from D.611REC to D.99REC.

3.2 Revisions related to the work on reservations

The SO SR has been recently solving 2 concrete and 8 transversal reservations. The work being performed is described in more details in Annexes according to the list presented in part 4.

Two of them have had an impact on changes in national accounts data:

Specific reservation 2 - Assets included in government gross fixed capital formation

GNP/GNI QUESTIONNAIRE 2013		SLOVAKIA								
Table 1: GDP and GNI (ESA 95)		2002-2008 million SKK; from 2009 million EUR								
2002-2009										
As of 22/09/2013										
	code ESA 95	2002	2003	2004	2005	2006	2007	2008	2009	
Change of GDP/GNI due to incorporation of Specific reservation 2										
PRODUCTION APPROACH										
1	Output of goods and services (at basic prices)	P1				3,000	3,000	3,000	0,179	
2	Intermediate consumption (at purchasers' prices)	P2								
3	Gross value added (at basic prices)	B1G				3,000	3,000	3,000	0,179	
4	Taxes on products	D21								
5	Subsidies on products	D31								
EXPENDITURE APPROACH										
6	Total final consumption expenditure	P3				3,000	3,000	3,000	0,179	
7	Household final consumption expenditure	P3								
8	NPISH final consumption expenditure	P3								
9	General government final consumption expenditure	P3				3,000	3,000	3,000	0,179	
10	Gross capital formation	P5								
11	Gross fixed capital formation	P51								
12	Changes in inventories	P52								
13	Acquisitions less disposals of valuables	P53								
14	Exports of goods and services	P6								
15	Imports of goods and services	P7								
INCOME APPROACH										
16	Compensation of employees	D1								
17	Gross operating surplus and mixed income	B2G+B3G				3,000	3,000	3,000	0,179	
18	Taxes on production and imports	D2								
19	Subsidies	D3								
20	Gross domestic product (ESA 95)	B1*G	0	0	0	0	3,000	3,000	3,000	0,179
21	Compensation of employees received from the rest of the world	D1								
22	Compensation of employees paid to the rest of the world	D1								
23	Taxes on production and imports paid to the Institutions of the EU	D2								
24	Subsidies received from the Institutions of the EU	D3								
25	Property income received from the rest of the world	D4								
26	Property income paid to the rest of the world	D4								
27	Gross national income (ESA 95)	B5*G	0	0	0	0	3,000	3,000	3,000	0,179
28	Impact on GNI (ESA95) of allocation of FISIM	FISIM								
29	Gross national income (ESA 95) excluding FISIM allocation	B5*G ex FISIM	0	0	0	0	3,000	3,000	3,000	0,179

Transversal reservation II - FISIM

GNP/GNI QUESTIONNAIRE 2014		SLOVAKIA								
Table 1: GDP and GNI (ESA 95)		2002-2008 million SKK; from 2009 million EUR								
2002-2009										
As of 22/09/2013										
	code ESA 95	2002	2003	2004	2005	2006	2007	2008	2009	
Change of GDP/GNI due to incorporation of Transversal reservation II										
PRODUCTION APPROACH										
1	Output of goods and services (at basic prices)	P1	126	71	48	97	150	209	160	16
2	Intermediate consumption (at purchasers' prices)	P2	490	275	189	375	580	807	618	62
3	Gross value added (at basic prices)	B1G	-364	-204	-141	-278	-430	-598	-458	-46
4	Taxes on products	D21								
5	Subsidies on products	D31								
EXPENDITURE APPROACH										
6	Total final consumption expenditure	P3	133	75	51	102	158	221	169	17
7	Household final consumption expenditure	P3	7	4	3	5	8	12	9	1
8	NPISH final consumption expenditure	P3	0	0	0	0	0	0	0	0
9	General government final consumption expenditure	P3	126	71	48	97	150	209	160	16
10	Gross capital formation	P5								
11	Gross fixed capital formation	P51								
12	Changes in inventories	P52								
13	Acquisitions less disposals of valuables	P53								
14	Exports of goods and services	P6								
15	Imports of goods and services	P7	497	279	192	380	588	819	627	62
INCOME APPROACH										
16	Compensation of employees	D1								
17	Gross operating surplus and mixed income	B2G+B3G	-364	-204	-141	-278	-430	-598	-458	-46
18	Taxes on production and imports	D2								
19	Subsidies	D3								
20	Gross domestic product (ESA 95)	B1*G	-364	-204	-141	-278	-430	-598	-458	-46
21	Compensation of employees received from the rest of the world	D1								
22	Compensation of employees paid to the rest of the world	D1								
23	Taxes on production and imports paid to the Institutions of the EU	D2								
24	Subsidies received from the Institutions of the EU	D3								
25	Property income received from the rest of the world	D4	425	239	164	325	503	701	537	53
26	Property income paid to the rest of the world	D4	-72	-40	-28	-55	-85	-118	-90	-9
27	Gross national income (ESA 95)	B5*G	133	75	51	102	158	221	169	17
28	Impact on GNI (ESA95) of allocation of FISIM	FISIM	-717	-402	-277	-548	-849	-1182	-905	-90
29	Gross national income (ESA 95) excluding FISIM allocation	B5*G ex FISIM	850	477	328	650	1007	1403	1074	107

3.3 Other revisions due to changes in methods and sources

The SOSR did other revisions due to the changes in sources and methods.

Sectoral reclassification of the Railways of the SR (ZSR)

Based on the conclusions of Eurostat's EDP mission held in November 2013 and in compliance with the rules of the ESA 95 methodology we reconsidered the sectoral classification of ZSR. ZSR were reclassified into the sector of government backwards from 2011 (incl.). This change influenced the level of GDP in 2011-2013 as follows (see table 2)

Table 2:

	in %		
ZSR	2011	2012	2013
Impact on GDP	0,48	0,44	0,46

The next revision of data was caused by **recording the VAT registered non-residents' trade**, i.e. change of imports, exports and external balance of goods and services due to incorporating the change of reporting trade of non-residents.

The SOSR decided to change the recording of import and export of goods in foreign trade due to the trade of VAT registered non-residents.

This topic was discussed in two Prague's seminars held in 2012 a 2013, based on which Eurostat sent a questionnaire to the MSs mapping this issue.

This change was carried out based on the analyses of the comparisons of VAT declarations and the foreign trade statistics data. This comparison has shown that the volume of trade of non-residents in the Slovak territory overestimates the export data and, on the contrary, underestimates the import data. Several analyses and comparisons had been made, based on which we decided, jointly with the Central Bank of Slovakia, to revise the foreign trade data in national accounts as well as in the Balance of Payments. This change influenced the years 2008 - 2013. Table 3 presents the impact of this change on GDP.

Table 3

in mill.Eur	
DIC	Impact on GDP
2008	-0,48
2009	-0,84
2010	-1,07
2011	-1,29
2012	-1,25
2013	-1,02

In addition to the implementation of the above mentioned changes, the **calculation of imputed rent had been changed**, in case of which we took the results of 2011 Census into consideration.

3.4 Revisions due to the transition from ESA 95 to ESA 2010

The impact of particular changes in the context of the transition from ESA95 to ESA 2010 is shown in the annexed table, which is presenting data of the reference year being 2010.

Research and development

(1a) R&D created by a market producer

Expenditures on R&D in the sector S.11 according to ESA 95 were treated as intermediate consumption. Under the ESA 2010 data on intermediate consumption related to R&D were reclassified into GFCF. The data on output and intermediate consumption are available from statistics collected according to Frascati manual as well as from statistical data sources

(1b) R&D created by a non-market producer

For the sector S.13 R&D expenditures are reclassified from consumption expenditure to CF (P.5). We distinguish:

A, R&D produced for own account: R&D activities are classified as output for own final use (P.12) and the corresponding expenditure as investment (P.51).

B, R&D purchased - the purchase is now treated as an investment, so intermediate consumption decrease (P.2), consequently the final consumption expenditure (P.3) is also changed. The decrease of final consumption expenditure (P.3) is counterbalanced by the increase of CF (P.5).

In both cases there is no impact on GDP, but GDP finally increases by the amount of consumption of assets produced/purchased in the previous period (increase of P.51c).

The main data sources for the calculating of the expenditures on the R&D are the financial revenues and expenditure statements of units specialised in research activities. The concerned expenditures are determined by using code of classification SK NACE, COFOG. The output of R&D for own use is also calculated on the basis of total production costs (ratio of the output on R&D to the total output - data analysis in the time series).

(2) Valuation of output for own final use for market producers

In national accounts the output of market producers for own final use is valued at basic prices and the own account gross fixed capital formation is valued at production costs + profit margin already according to ESA95. Thus, this change has no impact on national accounts of the SR.

(3) Non-life insurance - Output, claims due to catastrophes, and reinsurance

By searching for possible data sources related to insurance claims paid by insurance corporations due to natural disaster, it was found out, that there is no institution, which would collect information of this type yet and it was extremely complicated to estimate them. Based on publicly available information from the Internet, where estimates of damage from natural disasters for each corresponding year were stated, an experimental estimate in the whole time series was made. It was considered, that in the Slovak Republic no heavy damages were caused and thus not many insurance claims were dealt of this type. The largest damages were caused in the years 2010 and 2011, where a slight decline in production was visible, however there was no year, where the production of Insurance Corporation would lapse to negative values. Therefore the principle of equalization reserves for the period 2009-2013 was applied. In 2010, when the most extensive damage happened, an assumption was used that it is a capital transfer (in the allocation of insurance are indicators D.71 and D.72 identical). For the remaining years it is not a capital transfer and thus the indicators D.71 and D.72 are different. Due to improvement of the data source, a new indicator was introduced in the statistical survey Poi P 5-01, starting from year 2013, where the insurance corporations will report the cost of insurance claims caused by natural disasters.

(4) Weapon systems in government recognised as capital assets

The acquisition of military weapon system was recorded as current expenditure (intermediate consumption P.2) under ESA 95. According ESA2010 the acquisition is recorded as capital formation (P.5).

The revision: In the production approach, P.2 decreases because the military weapon systems are now treated as capital formation (P.5); consequently, the government output (P.1) decreases by the same amount. In the expenditure approach, government final consumption expenditure (P.3) decreases (by the same amount as output and intermediate consumption) but this decrease is counter balanced by the increase of gross fixed capital formation ($P.5=P.5111+P.52$). GDP is increased by the amount of consumption of assets acquired in the previous period (P.51c).

The concerned ESA 2010 Transactions: P.2, P.5111, P.52, P.51c.

The data sources: Financial revenues and expenditure statement of Ministry of Defence of SR - expenditures by COFOG (Classification of the functions of government) code 02 - Defence and Economic classification of budgetary classification.

(5) Decommissioning costs for large capital assets

Currently we estimate the value of liquidation of assets by linear approach during the life span of particular types of assets. However, in practise we are not able to estimate the life span of large capital assets. In case of ultimate decommissioning of, for example, the nuclear power plant we will record the decommissioning costs as GFCF.

(6) Government, public and private sector classification

In accordance with the ESA2010, two units were reclassified into the sector of government, i.e. NDS (National Motorway Company) being established in 2005 and EOSA, which was established in 2013. The reclassification of NDS is accompanied by the change in the calculation of output, what results in a slight change in GDP.

NDS	2005	2006	2007	2008	2009	2010	2011	2012	2013
Impact on GDP	0,10	0,10	0,03	0,04	0,09	0,16	0,08	0,04	0,06

(7) Small tools

Based on the information from SUT (intermediation consumption matrix) we separated that part of IC which represented the expenditures on small tools and based on the utilisation criterion being more than 1 year we moved these data into GFCF.

(8) VAT-based third EU own resource

According to ESA 2010 the third own resource based on VAT is recorded as a current transfer paid by the government of each member country to the EU institutions. Such contribution to the budget of EU institutions is recorded under the heading D76 "own resources of EU based on VAT and GNI". Part of taxes on

production and import (D.211) was shifted under the item D.76, which caused that GNI increased by the corresponding value.

(9) Index-linked debt instruments

The issue of recording the index-linked debt instruments resulting from the methodological change between ESA95 and ESA2010 is extremely complicated. Nowadays the SOSR is collaborating with the National Bank of Slovakia, which prepares the information on the stocks of index-linked debt instruments based on which the SOSR will make estimates of the expected interest according to ESA2010 and consequently of holding gains and losses, which enters the intermediate consumption P.2. Depending on the development of the holding (+/-) the GDP increases or decreases in the sector of financial corporations S.12.

Currently there is no available information, thus, for the time being “0” is presented in table.

(10) Central Bank - allocation of output

The production of Central Bank classified in sub-sector S.121 is measured by the amount of its costs, as it is indicated in the methodology ESA2010 - Section 3.63 (c). At the same time, the proportion of the total production of the Central bank consisting from the sum of costs adjusted by commissions and fees, which the Central bank received from other sub-sectors S.12 and other sectors of the economy, is allocated into intermediate consumption of other financial intermediaries. Due to the unavailability of information on the fees and commission paid by particular sectors of economy to the Central Bank, we are nowadays discussing with the CBS the possible estimate.

(11) Land improvements recognised as a separate asset

Under the conditions of the SR we do not have sufficient information, which would allow us the separate identification of the new asset “land improvement”. Similarly as until now by ESA95 it remains classified under the heading AN 1112 Building and constructions.

Part 4: Revisions related to reservations

4.1 Revisions related to GNP reservations (1995-2001)

Not relevant for the SR

4.2 Revisions related to GNI reservations (2002-2010)

The solutions of specific as well as transversal reservations are annexed as separate documents in Annexes according to the below mentioned list:

Annex 1 Specific reservation 1

Annex 2 Specific reservation 2

Annex 3 Transversal reservation I

Annex 4 Transversal reservation II

Annex 5 Transversal reservation III

Annex 6 Transversal reservation IV

Annex 7 Transversal reservation V

Annex 8 Transversal reservation VI

Annex 9 Transversal reservation VII

Annex 10 Transversal reservation VIII