Session II

Improving national accounts: Regional GDP compilation in Mongolia

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Research questions, objectives and scope of study

Questions:

➢ GDP is the main measurement of national accounts, summarizing the economic situation of a country/region.

➢ The regional GDP /GDP per capita/ - key indicators, measures represents important disparities between the economic development of the regions of an economy.

➢ The regional GDP is the main indicator for policy making at the regional level.

➢ Regional development is one of the issues addressed under the sustainable development goals.
Research questions, objectives and scope of study

Objectives:

- Align GDP methodology and estimates with principle of National account.
- Ensure that regional GDP estimates are consistent with national GDP estimates and equal to national estimates.
- Revise national GDP and regional GDP based on annual SUT.

Scope of work:

- 5 regions: 21 aimags and capital city.
- GDP at current prices on annual basis.
- Regional GDP by industry (by production approach).
Methodology

- Two essential principles of National Accounts
  - Residence
  - Statistical unit
- Methods of regionalization
- Accuracy of regional accounts estimates (A, B and C-methods).
1. Two essential principles of National Accounts:

- **Residence and territory principles:**
  
  *Residence principle*: The general principle for regional accounts is that transactions should be allocated to the region where the production unit or household is residing.

  *Territorial principle*: The territorial concept implies that activities are allocated to the territory where they are actually taking place regardless of the residence of the units involved in the activity.

- **Statistical unit:**
  
  - Statistical unit may be defined as the entities responsible for what kind of information is sought and what kind of statistics are ultimately compiled.
  
  - The different types of standard statistical units: enterprise, institutional unit, kind-of activity unit (KAU), local unit, local kind-of activity unit (Local KAU) and establishment.

  The relationship between these different statistical units:

<table>
<thead>
<tr>
<th>One or more locations</th>
<th>A single location</th>
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<tbody>
<tr>
<td>One or more activities</td>
<td><em>Enterprise; Institutional unit</em></td>
</tr>
<tr>
<td>One single activity</td>
<td><em>kind-of activity unit (KAU)</em></td>
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Methodology

2. Methods of regionalization
- Bottom-up method (building up regional estimates from local enterprises)
- Top down method (regional indicators are used to allocate national GDP to regions)

<table>
<thead>
<tr>
<th>Region</th>
<th>Uniregional SBS</th>
<th>Multi-regional SBS</th>
<th>Small SBS</th>
<th>Total SBS</th>
<th>Difference total SBS – national accounts total</th>
<th>Regional total adding up to national accounts total</th>
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<tbody>
<tr>
<td></td>
<td>All covered units</td>
<td>All covered units</td>
<td>Sample</td>
<td></td>
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<tr>
<td>1</td>
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<table>
<thead>
<tr>
<th>National</th>
<th>National uniregional</th>
<th>National multi-regional</th>
<th>National small</th>
<th>National total SBS</th>
<th>Difference</th>
<th>National accounts total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Method</td>
<td>Bottom-up</td>
<td>Pseudo bottom-up</td>
<td>Top-down</td>
<td>Mixed</td>
<td>Top-down</td>
<td>Mixed</td>
</tr>
</tbody>
</table>

3. Accuracy of regional accounts estimates (A, B and C-methods)

“A methods” represents the actual values or approximate the ideal as closely as possible

“B methods” are acceptable alternatives: they are further away from the ideal but still provide an acceptable approximation.

“C methods” are too far away from the ideal to be considered as acceptable and should be improved if possible.
Findings

**Regionalization methods of GVA by industries, %**

- Agriculture
- Mining and quarrying
- Manufacturing
- Electricity
- Water supply
- Construction
- Trade
- Transport
- Accommodation and food services
- Information, communication
- Financial and insurance
- Real estate activities
- Professional, scientific, technical activities
- Administrative and support services
- Public administration
- Education
- Human health
- Arts, entertainment and recreation
- Other services
- Total

- **top down**
- **bottom-up**
- **pseudo-bottom-up**
Remaining issues/further research

• Regional GDP estimation at constant prices
• Move from the enterprise-based estimates to the LKAU based estimates
• Identification of LKAU is still difficult (for mining sector, slaughtering animals)
• An assessment of the allocation of regional GDP based on indicators for multi-regional enterprises reveals that “C” rating is on average, need to improve the rating and upgrade ”C” to ”B” and “B” to “A” as much as possible
• Pay attention to the readiness of Asian countries on application of Eurostat methods.
THANK YOU.

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