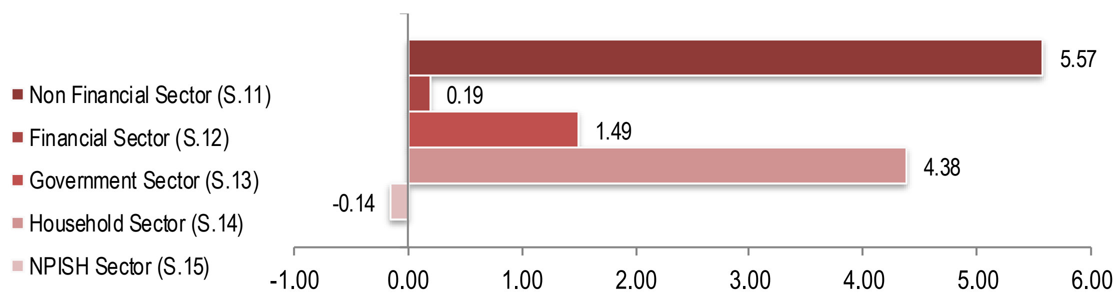
Annual Institutional Sector Accounts, 2023

Tirana, 27 September 2024: INSTAT publishes for the first time, full set of the accounts by institutional sectors for the series 2018-2023. For information for the period 2018 – 2023, please refer to the link: https://www.instat.gov.al/en/themes/economy-and-finance/annual-accounts-by-institutional-sector/#tab2

In 2023*, Nominal Gross Value Added, increased by 10,49 % compared to 2022. Non-Financial Sector (S.11) had the highest contribution by +5,57 percentage points, followed by Household Sector (S.14) by +4,38 percentage points. The Government Sector (S.13) contributed by +1,49 percentage points.

Fig. 1: Sectors' contribution in Nominal Growth Of Gross Values Added in percentage points, 2023*



2023 Semi-final data*

In the gross value added structure, Non-Financial Sector had the largest share with 45,48%, followed by Household Sector with 41,31%

Fig. 2: Gross Value Added structure by institutional sectors, 2022-2023*

For more information, visit INSTAT website: http://www.instat.gov.al/

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Methodology

Description of Institutional Sectors

An institutional unit is an economic entity characterized by decision-making autonomy in the exercise of its main function. A resident unit is considered a component of the institutional unit within the economic territory where it has its main center of economic interest, provided it has decision-making autonomy and maintains a complete set of accounts. For the purposes of the accounting system, institutional units are grouped into five sectors: **Non-Financial Corporations, Financial Corporations, General Government, Households, Non-Profit Institutions Serving Households.** These five sectors collectively comprise the overall economy, and each sector can be further divided into subsectors.

Within each institutional sector, production units are also grouped according to economic activities based on the nature of their main activities. The classification of each production unit into an economic activity is done using the Nomenclature of Economic Activities (NACE Rev2).

Accounts are classified into two categories**: Current Accounts** and **Accumulation Accounts.**

Current Accounts include:

- Production Account;
- Generation of Income Account;
- Primary Distribution of Income Account;
- Secondary Distribution of Income Account;
- Distribution of Income in Kind Account;
- Use of Income Account.

Accumulation Accounts show changes in the volume and value of assets and liabilities for each sector, and they include:

- Change in Net Worth Account from Savings and Capital Transfers;
- Acquisition of Non-Financial Assets Account.

To ensure harmonization and comparability, each indicator in the accounting system is coded according to the European System of Accounts standard (ESA 2010).

S.11 Non-Financial Sector consists of institutional units that are independent legal entities and market producers, whose main activity is the production of non-financial goods and services.

S.12 The financial sector consists of institutional units that are independent legal entities and market producers, whose main activity is the production of financial services.

S.13 The public administration sector consists of institutional units that are non-market producers, whose output is directed towards individual and collective consumption, and are primarily financed by mandatory payments made by units belonging to other sectors and institutional units engaged primarily in the redistribution of national income and wealth.

S.14 The households sector consists of individuals and groups of individuals as consumers and as entrepreneurs who produce market goods and financial and non-financial services (market producers) only if the production of goods and services is not carried out by specific entities treated as quasi-corporations. It also includes individuals or groups of individuals as producers of goods and non-financial services for personal final consumption.

S.15 The sector of non-profit institutions serving households (NPISH) consists of non-profit institutions that are distinct legal entities, serving households and that are private market producers. Their main resources are derived from voluntary contributions in cash or kind from families in their capacity as consumers, from payments made by public administration, and from income from assets.

Definitions of Variables

Production (P1): An activity carried out under the control and responsibility of an institutional unit that combines resources such as labour, capital, and goods and services to produce products or perform services. Purely natural processes without human intervention or control do not constitute production. There are three types of production: market production; production intended for individual final consumption; and other non-market production.

Intermediate Consumption (P2): The value of products or services that are transformed or fully consumed during the production process. The use of fixed assets employed is not considered; it is recorded under fixed capital consumption.

Final Consumption (P3): Final consumption is one of the main components of GDP. It consists of the goods and services used by individual households or communities and is calculated as the sum of final consumption of households, final consumption of public administration, and final consumption of Non-Profit Institutions Serving Households (NPISH).

Individual Final Consumption (P31) includes the final consumption of households, individual government consumption, and consumption by non-profit institutions serving households. It accounts for all goods and services that are used directly to meet the individual needs of resident households.

Expenditures for Collective Consumption (P32) of general government include its expenditures for collective consumption according to the relevant functions (COFOG). They are calculated as the difference between total non-market services and non-market production of services for individual consumption.

Gross Formation of Fixed Capital (P51): Consists of expenditures incurred for new capital or for other specific expenditures made by producers on goods or services with the aim of maintaining, increasing, or expanding their production capacity or creating new processing conditions in the future.

Change in Stocks (P52): Defined as the difference between inventory levels and in-process current assets at the end and at the beginning of the year.

Net Exports: Net exports are calculated as the difference between the export of goods and services (P6) (fob) and the import of goods and services (P7) (fob).

Compensation of Employees (D1): Defined as the total remuneration, in cash or in kind, that an employer pays to an employee in exchange for work performed by the latter during the accounting period. Compensation of employees includes wages and social contributions of employers.

Taxes on Products and Imports (D21): Taxes on products are taxes payable per unit of various goods and services, such as Value Added Tax (VAT), excise duties, and customs duties on imports.

Subsidies on Products and Imports (D31): Subsidies on products are non-repayable payments that public administration units make to enterprises as a specified amount of money for each unit of a good or service. Subsidies on imports consist of subsidizing goods or services that become payable when the good crosses the border of the economic territory or when services are provided to resident institutional units.

Gross Value Added (B1G): Gross value added represents the contribution of various activities to GDP and is calculated as the difference between production and intermediate consumption.

Gross Operating Profit / Mixed Income (B2g / B3g): Gross Operating Profit (B2g) is the difference remaining after subtracting from gross value added (at basic prices) the compensation of employees and other taxes and subsidies on production. The operating profit of the self-employed is referred to as "Gross Mixed Income (B3g)" because it also includes compensation for the work of self-employed individuals and their family members. **Gross National Income (B5g):** Gross national income includes all income earned by residents and businesses of a country, including income earned abroad.

Net Income from Assets (D4): This is the difference between income from assets and obligations paid from the ownership of financial and non-produced tangible assets (land, inland waters, forests, etc.). It includes interest (on deposits, bonds, and loans adjusted for financial intermediation services - FISIM), rents for land, dividends, other income from distributed profits, and income from enterprises.

Current Taxes on Income, Wealth, etc. (D5): These are taxes on the income and profits of individuals and legal entities and also include taxes on interest, dividends, winnings from bets and lotteries, as well as taxes on the purchase and sale of real estate.

Social Contributions and Benefits (D6): This includes mandatory and voluntary social contributions, social benefits excluding in-kind social transfers and in-kind social transfers.

Net Social Contributions (D61): These encompass all payments to providers of social benefits, contributions for mandatory social insurance, health insurance, and accident insurance, as well as supplementary pension insurance.

Social Benefits Excluding In-Kind Social Transfers (D62): This includes benefits resulting from participation in general social insurance schemes (pensions, sickness insurance benefits, etc.), mandatory accident insurance schemes (paid by employers for their employees), and supplementary pension insurance schemes.

In-Kind Social Transfers (D63): Transfers from general government or from non-profit institutions serving households to families.

Other Current Transfers (D7): This includes other current transfers received or paid, such as payments for non-life insurance, intra-governmental payments, current international cooperation, and other current transfers.

Adjustment for Changes in Pension Rights (D8): is the difference between expected insurance premiums and pensions paid.

Capital Transfers to be Paid (D9): are transactions that result in a change of ownership of material, non-material, and financial assets.

Net Lending (+)/Net Borrowing (-) (B9): is the value that a specific sector can lend or needs to borrow from another sector. In the national economy, net lending (+) or borrowing (-) is equal to the net resources that the economy has provided or borrowed from the rest of the world.

Accounts of Institutional Sectors as a core part of national accounts, are based on the European System of Accounts (ESA 2010) standard. They present a coherent picture of all economic transactions and the roles of sectors in the economy, showing interactions among them, including the link between the national economy and the rest of the world. Production units are grouped into five institutional sectors according to their primary role in the national economy: on-financial corporations (S11), financial corporations (S12), general government (S13), the household sector (S14), and non-profit institutions serving households (S15).

General principles of organization and recording in non-financial accounts of institutional sectors are fundamentally similar to principles known from business accounting. Each economic transaction is described in a separate account. The accounts record economic transactions, dividing them into resources, uses, and a balancing item for both sides of each account. The balancing item transfers from one account to another, creating a link between them.

Non-Financial Accounts are consistent with annual GDP publications, according to the production, expenditure, and income methods.

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