Press Information Notice

1 October 2014

Gross Domestic Product: Introducing ESA 2010

New national accounts data for Malta was uploaded on Eurostat’s website late yesterday evening, in conformity with the European System of National and Regional Accounts (ESA 2010), a new international methodology which replaces ESA 1995 as from 1 September 2014. EU Member States, including Malta, are taking the opportunity of carrying out benchmark revisions in conjunction with the adoption of ESA 2010. These benchmark revisions implement remaining conceptual and methodological issues from previous frameworks, and also reflect improvements in the sources used to draw up the national accounts.

In the case of Malta, the entire time series from 1995 onwards has been revised. However, the revision does not imply large scale changes in Malta’s economic history, and the new GDP data confirm the trends previously reported. The introduction of ESA 2010 and methodological improvements will lead to an average annual increase in the nominal GDP level of 2.2 per cent over the whole time series. The gross national income (GNI) series is revised upwards by an average 2.7 per cent.

**GDP at current prices**

The main change to Malta’s GDP at current prices, due to the introduction of ESA 2010, was the capitalisation of research and development (R&D) expenditure. Another revision includes the reallocation of two public sector entities within the general government sector.

Other major updates, due to methodological improvements and the availability of new data sources, comprise the following:

- A revised method of calculation of the insurance sub-sector
- The financial sector, which is now inclusive of special purpose entities
- An updated estimate for online purchases
- The inclusion of estimates on prostitution and narcotics
- The inclusion of the latest available Structural Business Statistics

**GDP in real terms**

Under ESA 1995, the volume series of the quarterly national accounts were published in constant base-year prices (the base year was 2000). The ESA 2010 series will henceforth be calculated using chain-linked prices, with 2010 as the reference year. This involves calculating the aggregates on the basis of the most recent price structure available, and hence incorporates better the impact of changes in the aggregates’ relative prices over time. This approach will make Malta’s real GDP data more internationally comparable, as almost all developed countries apply this approach.

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However users should note that chain-linking gives rise to components of GDP not adding up to the aggregate real GDP series. This non-additivity, similar to that in other countries’ national accounts, is due to mathematical reasons, and reflects the fact that chain-linked volumes are calculated by separately extrapolating both totals and their sub-components. The growth rate of aggregate real GDP is derived from the growth rate of the sum of the sub-components, expressed in prices of the preceding period.

**Note to users**

On 17 October, the National Statistics Office will be issuing a news release providing comprehensive methodological information on the transition to ESA 2010, together with national accounts annual time series data from 1995 to 2013 at current market prices, and from 2000 to 2013 in chain-linked volumes. Quarterly data will be available online. A more detailed explanation of the methodological, conceptual and data source changes will also be made available. Further information is available upon written request to: nso@gov.mt