

## **12 REGIONAL ACCOUNTS AND INTERNATIONAL COMPARISON**

Regional accounts deal with the breakdown of national accounts indicators into territorial units of greater detail. They use the same concepts and definitions as accounts for the national economy. They are based on the annual national accounts compiled for the Czech Republic and methodology corresponding to the European System of Accounts (ESA 1995). They strictly adhere to rules valid for the Member States of the European Union and are harmonised with regional accounts of other Member States of the European Union.

A complete system of accounts for regional units would mean to deal with each region as with an independent economic area and to measure all its external transactions with other regions separately. Such measurements would be conceptually so difficult that this explains why regional accounts are limited to recording of certain aggregated indicators and to partial accounts of institutional sectors.

Regional accounts are focused on the compiling of the macroeconomic indicators as follows: gross value added by activity, gross domestic product, formation of gross fixed capital, indicators of employment (jobs, employees, hours worked), and sector accounts of households – primary income distribution account, secondary income distribution account.

Regional units shall mean territories according to the NUTS<sup>1</sup> classification – unified Nomenclature of Territorial Units of the European Union. In the Czech Republic there are the level NUTS 3 – small regions (14 units) and the level NUTS 2 – basic regions (8 units). The Czech Republic as a whole is classified as NUTS 1, even though it is not in compliance with the currently valid rules of the European Union.

Regional accounts are based on transactions of units, which are residents to the region territory. Respective indicators are measured by a statistical survey at the level of local units (e.g. plants), that means data for an enterprise are allocated to regions according to the actual location of the local unit activities. Indicators of household accounts relate to the locality to the household permanent residence.

If information for local units, which are residents to the given territory, is not available, than a distribution key close to the measured indicator is applied for the allocation of data for a higher level (enterprise, national economy). Gross value added for multi-regional organisations is allocated on the basis of the structure of wages paid by the entities in respective regions (so-called pseudo-bottom-up method).

Regional macroeconomic indicators are revised in accord with revisions of annual national accounts. For 2010 they are based on the preliminary version of the annual national accounts. A time series from 1995 is available, while the current regions were formed as late as in 2000 (previously, data for local units were available broken down by district, grouping of which gave birth to the current regions as well). On the contrary to the annual national accounts, data for the period of 1990 – 1994 are not available.

For the needs of international comparisons the indicator of the total GDP is converted into the purchasing parity standard (PPS)<sup>2</sup> according to data published by the statistical office of the European Union (Eurostat). The aforementioned conversion is applied in this chapter not merely to compare the CR regions to the EU average, yet also to compare the level of the national GDP per capita of the Member States and of selected non-member states to the EU average, and also to compare price levels in respective countries to the EU average.

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<sup>1</sup> NUTS (Nomenclature of Territorial Units for Statistics) The current form of the territorial determination of NUTS in the European Union is based on the Regulation (EC) No 1059/2003 of the European Parliament and of the Council, establishing population limits for respective NUTS and rules and frequency of potential revisions of the regional breakdown. They are set the way, for instance, the NUTS 3 in a Member State must have 150–800 thousand population on average, the NUTS 2 must have 0.8–3 million population on average, and the NUTS 1 must have 3–7 million population on average.

<sup>2</sup> PPS (purchasing power standard) is an artificial currency applied in international comparisons to express volume of aggregated economic indicators. Using the currency all components of GDP are converted into the average price level of the European Union and thus differences in price levels (or distortions related to exchange rates of national currencies and euro, respectively) are eliminated.