Annex 21. Statistical units and residence in the case of industries

2.3.1.1. Introduction[51]

A feature of the system is the use of types of unit corresponding to three ways of subdividing the economy (ESA 2010, par. 2.03): a. To analyse flows and positions, it is essential to select units, which make it possible to study behavioural relationships among economic agents. b. To analyse the process of production, it is essential to select units that bring out relationships of a technological-economic nature, or that reflect local activities. c. To allow regional analyses, units that reflect local kinds of activity are needed.

Institutional units are defined to meet the first of these objectives. Behavioural relationships as described in (a) require units reflecting all of their institutional economic activity. The production processes, technological-economic relationships and regional analyses of (b) and (c) require units such as local kind-of-activity units (local KAUs).

Two types of unit are distinguished for the national economy. Firstly, records for the institutional unit reflect flows affecting income, capital and financial transactions, other flows and balance sheets. Enterprises are an example of an institutional unit. A characteristic of enterprises is that they can engage in production activities at more than one location, and for regional accounts it is necessary to allocate the activities to location. Where enterprises are partitioned by location, the partitioned parts are called local units.

Institutional units can be classified on the basis of economic activities, describing the economy's production activities by industry. This results in heterogeneous industries, as many enterprises have substantial secondary activities that are different from their principal activity. It also results in some industries having the principal product of the industry as a small proportion of total output. In order to obtain groups of producers whose activities are more homogeneous in terms of output, cost structure and technology of production, enterprises are partitioned into smaller and more homogeneous units. These are called kind-of-activity units (KAUs).

The local kind-of-activity unit (local KAU) is the part of a KAU which corresponds to a local unit. When a KAU is engaged in production activities in several regions, the information on the KAU is split in order to obtain regional accounts.

Secondly, records for the local KAU show flows occurring in the process of production and in the use of goods and services (ESA 2010, par. 13.13). For regional accounts, depending on the size of the regional level, two types of institutional units can be distinguished: Uniregional units and multiregional units.

2.3.1.2. Uniregional units

Uniregional units are units for which the centre of predominant economic interest is in one region. Examples of uniregional units are: households; unincorporated enterprises; corporations whose local KAUs are all located in the same region; most local and regional governments; part of social security; and some non-profit institutions serving households (NPISH). All their transactions are allocated to the region in which they are resident.

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[51]This Annex reproduces subsection 2.3.1. of the Manual on Regional Accounts Methods, Eurostat, December 2012

2.3.1.3. Multiregional and heterogeneous units

Multiregional units are units for which the centre of predominant economic interest is in more than one region. Corporations and NPISH are examples of units which can span regions. Other examples are institutional units whose activities span the whole country, such as central government and a small number of corporations exercising monopolies or near-monopolies.

With regard to available data for regionalisation of activities of industries, two main possible situations can be distinguished: 1. Full data for the local KAUs can be provided. No problems arise; the compilation of aggregates by industry and their correct regional allocation is straightforward. 2. Full information exists only at enterprise level. The regional data have to be estimated for all enterprises or KAUs with local KAUs in different regions.