

Methodological note

GUIDANCE ON THE CLASSIFICATION OF UKRAINIAN REFUGEES IN NATIONAL ACCOUNTS

EUROSTAT, DIRECTORATE C

UNIT C1 — NATIONAL ACCOUNTS METHODOLOGY ; STANDARDS AND INDICATORS

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Interim recommendations for compilers of national account and balance of payment statistics for the classification of Ukrainian refugees as residents or non-residents.

This note has been subject to consultation of the members of the national account working group.

General situation

The consequence of Russia's military aggression of Ukraine has been the movement as refugees of millions of Ukrainian citizens to EU Member States and other countries. In some Member States – notably those bordering Ukraine – the refugees' economic activities could have a major impact on national accounts aggregates.

An important conceptual question for national accountants is whether the Ukrainian refugees should be considered as part of resident households in national accounts, and at what point in time.

In past waves of significant migration to the EU – notably following the Syrian crisis – many NSIs were cautious to classify refugees as resident in the national accounts, pending decisions from national authorities on the refugees' status.

The main guidance from ESA 2010 to be followed is:

ESA paragraph 11.06 – A person who is staying, or intends to stay, on the economic territory of the country for a period of one year or more is regarded as permanently settled there.

ESA paragraph 2.04 – An institutional unit is resident in a country when it has its centre of predominant economic interest in the economic territory of that country.

It is clear that the situation of Ukrainian refugees is different from that of previous waves of refugees. For Ukrainian refugees, the European Commission activated the Temporary Protection Directive, which aims to help refugees bypass the usual asylum procedures, allow them to stay for at least one year in the host country (with an automatic extension for a further year) and have immediate right to work and access to health-care, social welfare and education. Such a mechanism attempts to provide immediate protection for displaced Ukrainians who cannot return to their home country due to the war and it can be granted by any EU country, not only by the first country reached by the refugee.

There are good arguments for classifying the Ukrainian refugees as resident households from their time of arrival/registration. There is an uncertainty on the development of the war and of the extent to which refugees could return to Ukraine within a foreseeable future and it may be expected that many refugees would fully use the 1 year right of residency, extensible, awarded by the EU.

Tracking through surveys the actual intention of refugees is a challenging task in a situation where intention cannot be based on solid grounds (a general wish to return to Ukraine at some point in the future is not statistically useful). Also, identifying the expenses of Ukrainian refugees from those of resident nationals by whom they are often housed would be extremely difficult at the current juncture. The sharing of accommodation and food is considered in ESA paragraph 2.118⁽¹⁾ among the characteristics of a household. It can be noted that Ukrainian nationals registered under the scheme benefit from social benefits in kind and in cash awarded to other EU nationals. The proposed treatment would allow incidentally to treat all awarded government transfers in kind on behalf of Ukrainian residents in D63.

On the other hand, the accounting treatment of Ukrainian nationals in the EU should in principle be similar to the one applied to EU nationals residing in other Member States. For instance, in some countries other EU countries nationals are split between residents and non-residents according to their intention to stay, assessed through a set of criteria which could be in principle applied in the same way to Ukrainian refugees.

Treatment in statistics

A common approach across countries and in different statistical domains is essential. The following reviews the state of the discussion in different statistical areas.

1. GDP / GNI

A consultation of ESS countries for the GDP flash estimates showed that most of the countries favour classifying the refugees as resident households from arrival/registration for the purpose of the exercise.

Concerning GNI, the impact of classification of Ukrainian refugees as residents could come from two items:

⁽¹⁾ "...Households as consumers may be defined as small groups of persons who share the same living accommodation, who pool their income and wealth and who consume certain types of goods and services collectively, mainly housing and food...".

- Property income received from the Rest of the worlds should increase;
- Compensation of employees paid to rest of the world should decrease. When Ukrainian nationals are considered non-residents their compensation is considered as paid to Ukraine; when they become resident, compensation becomes resident-to-resident transactions. While some funds could be transferred to Ukraine as personal transfers, they do not impact GNI.

2. EMPLOYMENT STATISTICS

Eurostat intends to include the Ukrainian employed refugees in employment statistics.

3. POPULATION

Ukrainian refugees will be included in annual population statistics as well as decennial statistics based on censuses if they are resident in the territory for at least one year. However, an alternative definition based on legal registration in a population register (differing across countries) may apply, irrespective of the duration of residence. Therefore, one cannot exclude possible divergences in the future between the population including registered Ukrainian refugees for the purpose of national accounts and that effectively recorded in population statistics.

4. BALANCE OF PAYMENTS⁽²⁾

The relevant paragraph *BPM6 §4.128* states that: “*No special treatment is adopted for refugees. Their residence will change from their home territory to the territory of refuge, if they have stayed or intend to stay in their place of refuge for one year or more, even if that residence is involuntary or transient, and its future status is unclear.*”

a) Potential transactions if Ukrainian refugees are recorded as *residents*:

If refugees, for balance of payments purposes, are treated as persons who change from the Ukraine to one of the European Member States where they intend to live for 12 months or more, an attempt should be made to estimate any donations in cash or in-kind remitted to support relatives in the Ukraine and recorded as personal transfers (*BPM6 §12.21*).

Applicable to some refugees would be *BPM6 §9.21*, which says that “*when persons [...] change their economy of residence, their existing financial assets and liabilities are added to or removed from the IIP through a reclassification*”; this is because the residence of the owner changes but not the ownership of assets (such as bank balances and real estate ownership) between economies. For the ownership of land and buildings, the person now non-resident in the Ukraine (resident in the EU Member State) is treated as owning a notional resident unit in the Ukraine, see *BPM6 §4.34*. And, “*In addition to change in the status of existing assets, new financial claims and liabilities may be created by transactions around the time of change of residence. For example, new bank accounts may be created in the new economy of residence*” (*BPM6 §9.22*).

b) Potential transactions if refugees are treated as *non-residents*

In case refugees remain non-resident for the time being, all their expenditures for goods and services in the EU host or transit country would have to be recorded according to *BPM6 §10.94*

⁽²⁾ A guidance note on the statistical recording of cross-border transactions related to the Russian aggression against Ukraine is also published in the website of Eurostat.

as “no special treatment is adopted for refugees” (*BPM6 §4.128*). This would entail that goods and services (including rental payments *BPM6 §10.86*) acquired by refugees either financed by government transfers (current transfer debits) or by drawing on their private wealth (financial account debits – increase of financial assets or decrease of financial liabilities) would need to be recorded on the credit side of the EU host or transit country under personal travel similar to purchases by foreign tourists. Furthermore, if refugees were to take up work, all income received would need to be recorded as debits under compensation of employees with the corresponding social contributions and wage tax receipts as credits.

Conclusion: proposed classification in national accounts

Ukrainian nationals in the EU should in principle be split between resident and non-resident households based on ESA 2010 criteria of actual or intended duration of residence. However, in the absence of reliable data at the current stage, it is proposed as an interim approach in national accounts to classify Ukrainian refugees within domestic households when they are appropriately registered with the national authorities.

If a country gathers sufficient (and reliable) information to split Ukrainian refugees between resident and non-resident in line with the ESA 2010 requirements, a country could implement the split, while ensuring that a consistent treatment is applied across different sets of statistics.

In this case it is important that additional and reliable information be gathered on the economic activities of Ukrainian refugees, in particular their expenditures and revenues, so that a proper split may be made in national accounts data, without resort to sweeping assumptions. Applying consistent procedures across EU countries should be looked for (sharing best practice), and in particular for those countries most affected by the influx of refugees for the sake of consistency of national accounts in the EU, and in particular for the calculation of GNI.

The above interim approach could be reassessed with regard to the evolving situation in Ukraine in the coming months.