Empirical best prediction of small area bivariate parameters

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Funding information
Generalitat Valenciana, Grant/Award Number: Prometeo/2021/063; Ministerio de Ciencia e Innovación, Grant/Award Numbers: PGC2018-096840-B-I00, PID2020-113578RB-I00; Xunta de Galicia, Grant/Award Numbers: ED431G 2019/01, ED431C 2020/14, COV20/00604

Abstract
This paper introduces empirical best predictors of small area bivariate parameters, like ratios of sums or sums of ratios, by assuming that the target unit-level vector follows a bivariate nested error regression model. The corresponding means squared errors are estimated by parametric bootstrap. Several simulation experiments empirically study the behavior of the introduced statistical methodology. An application to real data from the Spanish household budget survey gives estimators of ratios of food household expenditures by provinces.

KEYWORDS
best linear unbiased predictors, household budget surveys, multivariate linear mixed models, nested error regression models, ratio estimators, small area estimation

INTRODUCTION
Complex indicators based on more than one variable play an important role in public statistics. For a finite population, partitioned in domains or small areas, examples of such indicators are the ratios of domain means or the domain means of ratios. In the first case, we may have the quotient between the mean annual expenditure on food of the households from a given territory and the corresponding mean annual expenditure on all items of expenditure. In the second case, we have the domain mean of the proportions of annual household expenditures used for food.
One way to estimate a ratio of domain means is to estimate the numerator and denominator separately and independently and substitute in its expression. This approach leads to the use of plug-in estimators, which have the problem of being biased even though their components are unbiasedly estimated. There are two additional inconveniences. The first one is not considering the correlation between the variables that intervene in the definition of the population parameters of the ratio type. The second one is that the asymptotic property of unbiasedness cannot be assumed for estimators of domain indicators if sample sizes are small.

For estimating domain means of households ratios of food expenditure, as well as for other nonlinear bivariate parameters, the statistical literature presents few model-based contributions. For covering this gap, Erciulescu et al. (2018) gave an interesting proposal. They discussed some methods of applying benchmarking constraints to a triplet (numerator, denominator, ratio), at multiple stages of aggregation, where the denominator and the ratio are modeled and the numerator is derived. This manuscript follows a different approach by introducing predictors of ratio-type domain indicators based on unit-level bivariate models.

Small area estimation (SAE) gives statistical methodology to estimate parameters of population subsets, called domains or small areas. The word “small” refers to sample size and not to population size. To overcome the problem of having a small sample size in a domain, SAE complements the data of the target variable with data of auxiliary variables, information taken from other domains and correlation structures. All this can be done by fitting models to the available data for the entire population and building estimators based on the selected model. This is the unit-level model-based approach. Alternatively, models can be used for aggregated data and then inferential procedures are based on area-level models.

This paper defines domain parameter as a function of the values taken by one or more objective variables in all units of the population. The mathematical expression (formula) of a domain parameter is therefore relevant. If the target variables are continuous, then it is possible to estimate linear domain parameters with empirical best linear unbiased predictors (EBLUP) based on linear mixed models (LMM). However, domain parameters are often nonlinear or defined by non-continuous target variables. In those cases, it is quite common to estimate domain parameters with empirical best (or Bayes) predictors (EBP) based on LMMs or on generalized LMMs (GLMM). This paper deals with the estimation of domain parameters that are nonlinear functions of two continuous variables and puts special emphasis in the estimation of ratios of domain means and domain means of ratios.

As the domain parameters of interest depend on several target variables, the use of multivariate models is recommended. Since the first works of Fay (1987), Datta et al. (1991, 1999), the statistical literature contains some applications of these models to the SAE setup. Concerning area-level multivariate models, Molina et al. (2007), López-Vizcaíno et al. (2013, 2015) and Esteban et al. (2020) derived predictors for totals of employed and unemployed people and for unemployment rates based on multinomial-logit or compositional mixed models. Morales et al. (2015), Porter et al. (2015), Benavent and Morales (2016, 2021) or Arima et al. (2017) studied the problem of estimating poverty indicators, including the nonlinear poverty gap. Marchetti and Secondi (2017) and Ubaidillah et al. (2019) estimated household consumption expenditures by applying Fay-Herriot models. Erciulescu and Opsomer (2019) predicted employee compensation components by using a hierarchical Bayes bivariate Fay-Herriot models.

Concerning unit-level multivariate models, Fuller and Harter (1987) introduced the multivariate nested error regression (NER) model and Datta et al. (1998) applied this model to hierarchical Bayes prediction of small area mean vectors. For analyzing unit-level multivariate data in SAE, Ngaruye et al. (2017), Ito and Kubokawa (2021) and Esteban et al. (2022) gave EBLUPs of domain
means and totals to treat problems of repeated measures, posted land prices, and expenditure data, respectively. Furthermore, Erciulescu et al. (2019) employed a bivariate hierarchical Bayesian unit-level model for estimating cropland cash rental rates at the county level.

On the other hand, the EBPs are widely employed when the domain parameters of interest are nonlinear. Since the first works of Jiang and Lahiri (2001) and Jiang (2003), where EBPs of functions of fixed effects and small-area-specific random effects were developed under GLMMs, some authors have extended their procedures and applied EBPs in the SAE context. For example, Boubeta et al. (2016, 2017) and Hobza and Morales (2016); Hobza et al. (2018) derived EBPs of small area poverty proportions based on area-level Poisson mixed models and unit-level logit mixed models, respectively. Erciulescu and Fuller (2016) introduced predictors under alternative specifications of generalized mixed models. Erciulescu and Fuller (2018) constructed bootstrap prediction intervals for small area means from unit-level nonlinear models. Marino et al. (2019) and Hobza et al. (2020) proposed EBPs under semi-parametric and parametric unit-level GLMMs.

Chandra et al. (2017, 2018) and Chandra and Salvati (2018) introduced SAE predictors of spatially correlated count data. Torabi (2019) proposed a class of spatial GLMMs to obtain small area predictors of esophageal cancer prevalence. This uncomplete list of contribution shows the high impact that the EBP approach has in SAE. We refer to Rao and Molina (2015) or to Morales et al. (2021) for a more complete list of references.

Based on the NER model, the seminal paper of Molina and Rao (2010) introduced the basic theory for calculating EBPs of domain nonlinear parameters, depending on one continuous target variable, under unit-level LMMs. Molina et al. (2014) and Guadarrama et al. (2016) assumed that a transformation of the study variable follows a NER model. Their results where later extended to the two-fold NER model by Marhuenda et al. (2017), to log-normal models by Molina, and Martin (2018), to data-driven transformations by Rojas-Perilla et al. (2020) and to to unit-level mixed models with skewed distributions by Graf et al. (2019) and Diallo and Rao (2018). However, the statistical literature has not yet treated the problem of constructing EBPs, based on bivariate NER models, for estimating domain nonlinear parameters defined by two continuous variables. The new best predictors are unbiased under the distribution of the selected model. This is the main contribution of this paper.

By following González-Manteiga et al. (2007, 2008), this article introduces a parametric bootstrap procedure for estimating the mean squared errors (MSE) of the EBPs. As the optimality properties of the best predictors might not hold for EBPs when the number of domains and the domain sample sizes are small, an empirical research is carried out. In addition to the mathematical developments, Monte Carlo simulations empirically investigates the properties of the EBPs and the corresponding MSE estimators. Finally, the new statistical methodology is applied to data from the 2016 Spanish Household Budget Survey (SHBS). The target is to estimate means of ratios and ratios of means of food expenditures in Spanish households at the province level. Both indicators are employed in macro- and micro-economic studies, respectively.

The paper derives statistical methodology for SAE under the unit-level model-based approach. This is to say, it assumes the prediction theory for finite population inference. See for example, Valliant et al. (2000) for a description of this theory. Therefore, this paper does not take into account the sampling design distribution and related issues in the derivation of the predictors and in the study of their properties. The proposed statistical methodology is based on a bivariate NER model, where the error term is normally distributed. Like many other SAE methods, our proposal follows the parametric statistical inference approach. That has advantages and disadvantages. The advantage is that we introduce a predictor with optimality properties under the assumption that
the assumed hypotheses are fulfilled. The drawback is that these hypotheses are not always fulfilled in practice. Therefore, it is necessary to make a diagnosis of the model before accepting it as a working tool to calculate predictors of small area parameters.

The rest of the paper is organized as follows. Section 2 introduces the bivariate NER model. Section 3 derives the EBPs of additive and nonadditive domain parameters, including predictors of domain ratios. Section 4 describes a parametric bootstrap procedure to estimate MSEs of the introduced predictors. Section 5 carries out simulation experiments to investigate the behavior of the predictors of ratio-type domain parameters and the MSE estimators. Section 6 gives an illustrative application to data from the SHBS of 2016, where the target is the SAEd of means of ratios and ratios of means of household annual food expenditures by provinces. Section 7 summarizes some conclusions. We give Data S1 with several appendices. Appendix A gives alternative mathematical derivations for the best predictors of random effects. Appendices B and C contain complementary simulation results. Appendices D, E, and F present further insights on the application to real data.

## 2 | THE MODEL

Let $U$ be a population of size $N$ partitioned into $D$ domains or areas $U_1, \ldots, U_D$ of sizes $N_1, \ldots, N_D$ respectively. Let $N = \sum_{d=1}^{D} N_d$ be the global population size. Let $y_{dj} = (y_{dj1}, y_{dj2})'$ be a vector of continuous variables measured on the sample unit $j$ of domain $d$, $d = 1, \ldots, D$, $j = 1, \ldots, N_d$. For $k = 1, 2$, let $x_{dkj} = (x_{dj1k}, \ldots, x_{dkpj})$ be a row vector containing $p_k$ explanatory variables and let $X_{dj} = \text{diag}(x_{dj1}, x_{dj2})_{2 \times p}$ with $p = p_1 + p_2$. Let $\beta_k$ be a column vector of size $p_k$ containing regression parameters and let $\beta = (\beta_1', \beta_2')_{p \times 1}$. The population homoscedastic bivariate NER (BNER) model assumes that

\[
y_{dj} = X_{dj} \beta + u_d + e_{dj}, \quad d = 1, \ldots, D, \quad j = 1, \ldots, N_d.
\]

where the vectors of random effects $\{u_d\}$ and random errors $\{e_{dj}\}$ are independent with multivariate distributions

\[
u_d \sim N_2(0, V_{ud}), \quad e_{dj} \sim N_2(0, V_{edj}),
\]

and variance-covariance matrices that do not vary with units or domains, that is,

\[
V_{ud} = \left( \begin{array}{cc} \sigma_{u1}^2 & \rho_{u12}\sigma_{u1}\sigma_{u2} \\ \rho_{u12}\sigma_{u1}\sigma_{u2} & \sigma_{u2}^2 \end{array} \right), \quad V_{edj} = \left( \begin{array}{cc} \sigma_{e1}^2 & \rho_{e12}\sigma_{e1}\sigma_{e2} \\ \rho_{e12}\sigma_{e1}\sigma_{e2} & \sigma_{e2}^2 \end{array} \right),
\]

with parameters $\theta_1 = \sigma_{u1}^2, \theta_2 = \sigma_{u2}^2, \theta_3 = \rho_{u12}, \theta_4 = \sigma_{e1}^2, \theta_5 = \sigma_{e2}^2$ and $\theta_6 = \rho_{e12}$. Let $I_m$ be the $m \times m$ identity matrix. We define the $2N_d \times 1$ vectors and the $2N_d \times p$ and $2N_d \times 2$ matrices

\[
y_d = \text{col}_{1 \leq j \leq N_d} (y_{dj}), \quad e_d = \text{col}_{1 \leq j \leq N_d} (e_{dj}), \quad X_d = \text{col}_{1 \leq j \leq N_d} (X_{dj}), \quad Z_d = \text{col}_{1 \leq j \leq N_d} (I_2).
\]

Model (1) can be written in the domain-level form

\[
y_d = X_d \beta + Z_d u_d + e_d, \quad d = 1, \ldots, D,
\]
where \( u_d \sim N_2(0, V_{ud}) \), \( e_d \sim N_{2N_d}(0, V_{ed}) \) are independent and \( V_{ed} = \text{diag} \left( V_{edj} \right) \). We define the \( 2N \times 1 \) and \( 2D \times 1 \) vectors and the \( 2N \times p \) and \( 2N \times 2D \) matrices

\[
y = \col(y_d), \quad e = \col(e_d), \quad u = \col(u_d), \quad X = \col(X_d), \quad Z = \text{diag}(Z_d).
\]

Model (1) can be written in the linear mixed model form

\[
y = X\beta + Zu + e.
\]

As this paper assumes the prediction theory, where the only source of randomness comes from the distribution of vector \( y \), derived from model (3), the inference is carried out based on a fixed subset (called sample), \( s \), of the finite population \( U \). Let \( s = \cup_{d=1}^D s_d \) and \( r = \cup_{d=1}^D r_d \), with \( s \cap r = \emptyset \) and \( s \cup r = U \), denote the subsets containing the “sample” and “out-of-sample” units. Let \( y_s \) and \( y_ds \) be the subvectors of \( y \) and \( y_d \) corresponding to sample elements and \( y_r \) and \( y_dr \) the subvectors of \( y \) and \( y_d \) corresponding to the out-of-sample elements. Without loss of generality, we can write \( y_d = (y'_{ds}, y'_{dr})' \). Define also the corresponding decompositions of \( X_d, Z_d, V_{ed} \) and \( V_d \).

As we assume that sample indexes are fixed, the sample subvectors \( y_{ds} \) follow the marginal models derived from the population model (2), that is,

\[
y_{ds} = X_{ds}\beta + Z_{ds}u_d + e_{ds}, \quad d = 1, \ldots, D,
\]

where \( u_d \sim N_2(0, V_{ud}) \), \( e_d \sim N_{2N_d}(0, V_{ed,s}) \) are independent and \( V_{ed,s} = \text{diag} \left( V_{edj} \right) \). For \( d = 1, \ldots, D \), the vectors \( y_{ds} \) are independent with \( y_{ds} \sim N_{n_d}(\mu_{ds}, V_{ds}) \), \( \mu_{ds} = X_{ds}\beta, V_{ds} = Z_{ds}V_{ud}Z'_{ds} + V_{ed,s} \). When the variance component parameters are known, the best linear unbiased estimator (BLUE) of \( \beta \) and the best linear unbiased predictor (BLUP) of \( u_d, d = 1, \ldots, D \), are

\[
\hat{\beta}_B = (X'_sV_{s}^{-1}X_s)^{-1}X'_sV_{s}^{-1}y_s, \quad \hat{u}_{Bd} = V_{ud}Z'_{ds}V_{ds}^{-1}(y_{ds} - X_{ds}\hat{\beta}_B).
\]

This paper estimates the model parameters by using the residual maximum likelihood (REML) method. See e.g. McCulloch et al. (2008) for a description of this method and Esteban et al. (2020) for the derivation of the updating equation of the Fisher-scoring algorithm that calculates the REML estimators of the BNER model. By substituting parameters by REML estimators in (4), the empirical BLUE and BLUP are obtained.

The out-of-sample subvectors \( y_{dr} \) follow the marginal models derived from the population model (2), that is,

\[
y_{dr} = X_{dr}\beta + Z_{dr}u_d + e_{dr}, \quad d = 1, \ldots, D,
\]

where \( u_d \sim N_2(0, V_{ud}) \), \( e_d \sim N_{2(N_d-n_d)}(0, V_{ed,r}) \) are independent and \( V_{ed,r} = \text{diag} \left( V_{edj} \right) \). The vectors \( y_{dr} \) are independent with \( y_{dr} \sim N_{n_d}(\mu_{dr}, V_{dr}) \), \( \mu_{dr} = X_{dr}\beta, V_{dr} = Z_{dr}V_{ud}Z'_{dr} + V_{ed,r} \). The covariance matrix between \( y_{dr} \) and \( y_{ds} \) is

\[
V_{drs} = \text{cov}(y_{dr}, y_{ds}) = \text{cov}(X_{dr}\beta + Z_{dr}u_d + e_{dr}, X_{ds}\beta + Z_{ds}u_d + e_{ds}) = Z_{dr}\text{var}(u_d)Z'_{ds} = Z_{dr}V_{ud}Z'_{dr}.
\]
The distribution of \( y_{dr} \), given the sample data \( y_s \), is

\[
y_{dr}|y_s \sim N(\mu_{dr|s}, V_{dr|s}).
\] (5)

The conditional \((N_d - n_d) \times 1\) mean vector is

\[
\mu_{dr|s} = \mu_d + V_{drs}^{-1}(y_{ds} - \mu_d) = X_d \beta + Z_d V_{ud}^{-1} V_{dsr}^{-1}(y_{ds} - X_d \beta)
\]

\[
= X_d \beta + Z_d V_{ud}^{-1} Z_{dsr}^{-1} \left( \begin{array}{c}
V_{ed,s}^{-1} - V_{ed,s}^{-1} Z_{dsr}^{-1} Z_{dsr}^{-1} Z_{dsr} \end{array} \right) (y_{ds} - X_d \beta).
\]

The conditional covariance matrix is

\[
V_{dr|s} = V_d - V_{drs} V_{dsr}^{-1} = Z_d V_{ud}^{-1} Z_{dr} + V_{ed,r} - Z_d V_{ud}^{-1} Z_{dsr}^{-1} Z_{dsr} V_{ud} Z_{dr}^{-1}
\]

\[
= Z_d V_{ud}^{-1} Z_{dr} + V_{ed,r} - n_d Z_d V_{ud}^{-1} V_{edj} V_{ud}^{-1} + n_d^2 Z_d V_{ud}^{-1} V_{edj}^{-1} V_{edj}^{-1} V_{edj} V_{ud} Z_{dr}^{-1}
\]

If \( n_d \neq 0 \) and \( j \in r_d, j > n_d \), the conditional \( 2 \times 1 \) mean vector is

\[
\mu_{dj|s} = X_{dj} \beta + V_{ud} \left( I_2 - n_d V_{edj}^{-1} V_{edj}^{-1} \right) \sum_{j=1}^{n_d} V_{edj}^{-1} (y_{dj} - X_{dj} \beta).
\]

If \( n_d = 0 \) and \( j \in r_d \), the conditional \( 2 \times 1 \) mean vector is

\[
\mu_{dj|s} = X_{dj} \beta.
\]

If \( n_d \neq 0 \) and \( j \in r_d, j > n_d \), the conditional \( 2 \times 2 \) covariance matrix is

\[
V_{dj|s} = V_{dj|s} = V_{ud} + n_d V_{ud}^{-1} V_{ud} + n_d^2 V_{ud}^{-1} V_{edj}^{-1} V_{edj}^{-1} V_{ud}.
\]

If \( n_d = 0 \) and \( j \in r_d \), the conditional \( 2 \times 2 \) covariance matrix is

\[
V_{dj|s} = V_{dj|s} = V_{ud} + V_{edj}.
\]

Appendix A of Data S1 gives an alternative derivation of the conditional distribution (5). More concretely, it shows the out-of-sample element \( y_{dj} = (y_{dj1}, y_{dj2})' \), \( j \in r_d \), conditioned to the sampled vector \( y_{ds} \), has the representation

\[
y_{dj} = X_{dj} \beta + \bar{u}_d + e_{dj}, \quad j \in r_d, \quad d = 1, \ldots, D,
\]

where \( e_{dj} \sim N_2(0, V_{edj}) \), \( \bar{u}_d \sim N_2(\bar{\mu}_d, \bar{V}_{uu}) \) are all independent, with

\[
\bar{\mu}_d = V_{ud}(V_{ud} + n_d^{-1} V_{edj})^{-1}(\bar{y}_d - \bar{X}_d \beta), \quad \bar{V}_{uu} = n_d^{-1} V_{ud} (V_{ud} + n_d^{-1} V_{edj})^{-1} V_{edj},
\]

\[
\bar{y}_d = n_d^{-1} \sum_{j=1}^{n_d} y_{dj}, \quad \bar{X}_d = n_d^{-1} \sum_{j=1}^{n_d} X_{dj}.
\]
3 | EBPS OF DOMAIN PARAMETERS

3.1 | EBPs of additive parameters

Let \( z_{dj} = (z_{dj1}, z_{dj2})' \) be a vector of continuous positive variables measured on the sample unit \( j \) of domain \( d, d = 1, \ldots, D, j = 1, \ldots, n_d \). This section consider additive domain \( 2 \times 1 \) or \( 1 \times 1 \) parameters that can be written in the form

\[
\delta_d = \frac{1}{N_d} \sum_{j=1}^{N_d} h(z_{dj}), \quad d = 1, \ldots, D, 
\]  

(6)

where \( h \) is a known measurable function \( R^2 \mapsto R^t, t = 1, 2 \). Examples of real-valued function \( h : R^2 \mapsto R \) are \( h(z_{dj}) = z_{dj1}, h(z_{dj}) = z_{dj2}, \) and \( h(z_{dj}) = z_{dj1} / (z_{dj1} + z_{dj2}) \). The corresponding domain parameters (means of marginal variables or of unit-level ratios) are

\[
\bar{Z}_{d1} = \frac{1}{N_d} \sum_{j=1}^{N_d} z_{dj1}, \quad \bar{Z}_{d2} = \frac{1}{N_d} \sum_{j=1}^{N_d} z_{dj2}, \quad A_d = \frac{1}{N_d} \sum_{j=1}^{N_d} \frac{z_{dj1}}{z_{dj1} + z_{dj2}}, \quad d = 1, \ldots, D. 
\]  

(7)

In applications to real data \( z_{dj1} \) and \( z_{dj2} \) might not follow normal distributions, as may happens with expenditure variables that are typically asymmetric. This is why we assume that there exist a one-to-one transformation \( g : R^2 \mapsto R^2 \) such that \( y_{dj} = g(z_{dj}) \) follows the BNER model (1). We further assume that \( g \) is separable, i.e.

\[
y_{dj} = g(z_{dj}) = (g_1(z_{dj1}), g_2(z_{dj2}))', \quad z_{dj} = g^{-1}(y_{dj}) = (g_1^{-1}(y_{dj1}), g_2^{-1}(y_{dj2}))'.
\]

where \( g_1 : (0, \infty) \mapsto R \) and \( g_2 : (0, \infty) \mapsto R \) are one-to-one functions. For \( d = 1, \ldots, D, \) we write (6) and (7) as functions of \( y_{dj1} \) and \( y_{dj2} \), that is,

\[
\delta_d = \frac{1}{N_d} \sum_{j=1}^{N_d} h(g^{-1}(y_{dj})), \quad \bar{Z}_{d1} = \frac{1}{N_d} \sum_{j=1}^{N_d} g_1^{-1}(y_{dj1}), \quad \bar{Z}_{d2} = \frac{1}{N_d} \sum_{j=1}^{N_d} g_2^{-1}(y_{dj2}), \quad A_d = \frac{1}{N_d} \sum_{j=1}^{N_d} \frac{g_1^{-1}(y_{dj1})}{g_1^{-1}(y_{dj1}) + g_2^{-1}(y_{dj2})}. 
\]

The best predictor (BP) of \( \delta_d \) is

\[
\hat{\delta}_d^B = E_{y_s} \left[ \frac{1}{N_d} \sum_{j=1}^{N_d} h(g^{-1}(y_{dj})) \big| y_s \right] = \frac{1}{N_d} \left\{ \sum_{j \in s} h(g^{-1}(y_{dj})) \right\} + \sum_{j \in s} E_{y_s} \left[ h(g^{-1}(y_{dj})) \right] 
\]

The conditional distribution (5) depends on the vector \( \psi = (\beta', \theta')' \) of unknown model parameters, which must be estimated, that is,

\[
E_{y_s} \left[ h(g^{-1}(y_{dj})) \big| y_s \right] = E_{y_s} \left[ h(g^{-1}(y_{dj})) \big| y_s; \psi \right].
\]
Let \( \hat{\psi} = (\hat{\beta}', \hat{\theta}')' \) be an estimator based on sample data \( y_s \). The EBP of \( \delta_d \) is

\[
\hat{\delta}_d^{eb} = \frac{1}{N_d} \left\{ \sum_{j \in s_d} h(g^{-1}(y_{dj})) + \sum_{j \in r_d} E_{y_s} \left[ h(g^{-1}(y_{dj})) \big| y_s; \hat{\psi} \right] \right\}.
\]

For a general function \( h \), the expected value above might be not tractable analytically. When this occurs, the following Monte Carlo procedure can be applied.

(a) Estimate the unknown parameter \( \psi = (\beta', \theta')' \) using sample data \((y_s, X_s)\).

(b) Replacing \( \psi = (\beta', \theta')' \) by the estimate \( \hat{\psi} = (\hat{\beta}', \hat{\theta}')' \) obtained in (a), draw \( L \) copies of each nonsample variable \( y_{dj} \) as

\[
y_{dj}(^c) \sim N_2(\mu_{dj|s}, \nu_{dj|s}), \quad j \in r_d, \quad d = 1, \ldots, D, \quad c = 1, \ldots, L.
\]

where

\[
\hat{\mu}_{dj|s} = \begin{cases} 
X_{dj}\hat{\beta} + \nu_{ud}Z'_{ds} \left( V^{-1}_{eds} - V^{-1}_{eds}Z_{ds}(V^{-1}_{ud} + n_d V^{-1}_{edj})^{-1} Z'_{ds} V^{-1}_{edj} \right) (y_{ds} - X_{ds}\hat{\beta}) & \text{if } n_d \neq 0, \\
X_{dj}\hat{\beta} & \text{if } n_d \neq 0,
\end{cases}
\]

and

\[
\hat{\nu}_{dj} = \begin{cases} 
\nu_{ud} + \nu_{edj} - n_d \nu_{ud} \nu_{edj} V_{ud} + n_d^2 \nu_{ud} \nu_{edj} (V^{-1}_{ud} + n_d \nu_{edj})^{-1} \nu_{edj} V_{ud} & \text{if } n_d \neq 0, \\
\nu_{ud} + \nu_{edj} & \text{if } n_d \neq 0.
\end{cases}
\]

(c) The Monte Carlo approximation of the expected value is

\[
E_{y_s} \left[ h(g^{-1}(y_{dj})) \big| y_s; \hat{\psi} \right] \approx \frac{1}{L} \sum_{c=1}^{L} h \left( g^{-1}(y_{dj}^{(c)}) \right), \quad j \in r_d, \quad d = 1, \ldots, D.
\]

The Monte Carlo approximation of the EBP of \( \delta_d \) is

\[
\hat{\delta}_d^{eb} \approx \frac{1}{L} \sum_{c=1}^{L} \delta_d^{(c)}, \quad \delta_d^{(c)} = \frac{1}{N_d} \left( \sum_{j \in s_d} h(g^{-1}(y_{dj})) + \sum_{j \in r_d} h \left( g^{-1}(y_{dj}^{(c)}) \right) \right).
\]

**Remark 1.** In many practical cases the values of the auxiliary variables are not available for all the population units. If in addition some of the variables are continuous, the EBP method is not applicable. An important particular case, where this method is applicable, is when the number of values of the vector of auxiliary variables is finite. More concretely, suppose that the covariates are categorical such that \( X_{dj} \in \{X_{01}, \ldots, X_{0T}\} \), then we can calculate \( \delta_d^{(c)} \) as

\[
\delta_d^{(c)} = \frac{1}{N_d} \left[ \sum_{j=1}^{n_d} h(g^{-1}(y_{dj})) + \sum_{t=1}^{T} \sum_{j=1}^{N_d - n_d} h \left( g^{-1}(y_{dj}^{(c)}) \right) \right],
\]

where \( N_{dt} = \# \{ j \in U_d : X_{dj} = X_{0t} \} \) is available from external data sources (aggregated auxiliary information), \( n_{dt} = \# \{ j \in s_d : X_{dj} = X_{0t} \} \), \( y_{dj}^{(c)} \sim N_2(\mu_{dt|s}, \nu_{dt|s}) \), \( d = 1, \ldots, D, j = 1, \ldots, N_{dt} - n_{dt}, t = 1, \ldots, T \).
1, ..., T, \ell = 1, ..., L, where

\begin{equation}
\hat{\mu}_{dt|s} = \begin{cases} 
\hat{\mathbf{X}}_0 \hat{\beta} + \hat{V}_{ud} \hat{Z}_{ds} \left( \hat{\mathbf{V}}_{eds}^{-1} - \hat{\mathbf{V}}_{eds} \hat{Z}_{ds} \left( \hat{\mathbf{V}}_{ud}^{-1} + n_d \hat{\mathbf{V}}_{edj}^{-1} \right) \right)^{-1} \hat{\mathbf{V}}_{eds}^{-1} \left( \mathbf{Y}_{ds} - \mathbf{X}_{ds} \hat{\beta} \right) & \text{if } n_d \neq 0, \\
\mathbf{X}_0 \hat{\beta} & \text{if } n_d = 0.
\end{cases}
\end{equation}

(11)

and \( \hat{V}_{ds} \) was defined in (8).

### 3.2 EBPs of nonadditive parameters

Let \( \mathbf{z}_{dj} = (\mathbf{z}_{dj1}, \mathbf{z}_{dj2})' \) be a vector of continuous positive variables measured on the sample unit \( j \) of domain \( d, d = 1, ..., D, j = 1, ..., n_d \). Define \( \mathbf{z}_d = \text{col}_{1 \leq j \leq n_d} (\mathbf{z}_{dj}) \). This section consider domain 2 \times 1 or 1 \times 1 parameters that can be written in the form

\[ \delta_d = h(\mathbf{z}_d), \]  

(12)

where \( h \) is a known measurable function \( \mathbb{R}^{2n_d} \mapsto \mathbb{R}^t, t = 1, 2 \). A domain parameter is the ratio

\[ R_d = \frac{\mathbf{Z}_{d1}}{\mathbf{Z}_{d1} + \mathbf{Z}_{d2}}, \quad \text{where } h(\mathbf{z}_d) = \frac{\sum_{j=1}^{N_d} \mathbf{z}_{dj1}}{\sum_{j=1}^{N_d} (\mathbf{z}_{dj1} + \mathbf{z}_{dj2})}. \]  

(13)

As in Section 3.1, we assume that there exist a one-to-one transformation \( g : \mathbb{R}^2 \mapsto \mathbb{R}^t \) such that \( \mathbf{y}_{dj} = g(\mathbf{z}_{dj}) \) follows the BNER model (1). We further assume that \( g \) is separable, that is

\[ \mathbf{y}_{dj} = g(\mathbf{z}_{dj}) = (g_1(\mathbf{z}_{dj1}), g_2(\mathbf{z}_{dj2}))', \quad \mathbf{z}_{dj} = g^{-1}(\mathbf{y}_{dj}) = (g^{-1}_1(\mathbf{y}_{dj1}), g^{-1}_2(\mathbf{y}_{dj2}))', \]

where \( g_1 : (0, \infty) \mapsto \mathbb{R} \) and \( g_2 : (0, \infty) \mapsto \mathbb{R} \) are one-to-one functions. For ease of notation, we define the \( 2n_d \times 1 \) vectors

\[ \mathbf{z}_d = g^{-1}(\mathbf{y}_d) = \text{col}_{1 \leq j \leq n_d} (g^{-1}_1(\mathbf{y}_{dj1})), \quad d = 1, ..., D. \]

We can write (12) and (13) as functions of \( \mathbf{y}_{dj1} \) and \( \mathbf{y}_{dj2} \), i.e.

\[ \delta_d = h(g^{-1}(\mathbf{y}_d)), \quad R_d = \frac{\sum_{j=1}^{N_d} g_1^{-1}(\mathbf{y}_{dj1})}{\sum_{j=1}^{N_d} (g_1^{-1}(\mathbf{y}_{dj1}) + g_2^{-1}(\mathbf{y}_{dj2}))}. \]

The BP of \( \delta_d \) is

\[ \delta_d^B = \mathbb{E}_{\mathbf{y}_d} \left[ h(g^{-1}(\mathbf{y}_d)) | \mathbf{y}_d \right]. \]

The conditional distribution (5) depends on the vector \( \psi = (\beta', \theta')' \) of unknown model parameters, which must be estimated, that is,

\[ \mathbb{E}_{\mathbf{y}_d} \left[ h(g^{-1}(\mathbf{y}_d)) | \mathbf{y}_d \right] = \mathbb{E}_{\mathbf{y}_d} \left[ h(g^{-1}(\mathbf{y}_d)) | \mathbf{y}_d; \psi \right]. \]
Let \( \hat{\psi} = (\hat{\beta}', \hat{\theta}')' \) be an estimator based on sample data \( y_s \). The EBP of \( \delta_d \) is

\[
\delta_{eb}^{eb} = E_{y_s} \left[ h(g^{-1}(y_d))|y_s; \hat{\psi} \right].
\]

For a general function \( h \), the expected value above might be not tractable analytically. When this occurs, we can apply a following Monte Carlo procedure with the same steps (a) and (b) of Section 3.1 and with the following new steps

(c) Construct the vectors

\[
y_{dr} = \text{col}_{j \in i_d} \left( y_{dij} \right), \quad y_{ds} = \text{col}_{j \in i_d} \left( y_{dj} \right), \quad y_d = \left( y_{ds}, y_{dr} \right)'.
\]

(d) The Monte Carlo approximation of the EBP of \( \delta_d \) is

\[
\delta_{eb}^{eb} \approx \frac{1}{L} \sum_{t=1}^L h \left( g^{-1}(y_d') \right), \quad d = 1, \ldots, D.
\]

**Remark 2.** Under the categorical covariate setup of Remark 1, we can write the elements of \( y \) as \( y_{dij} = (y_{dij1}, y_{dij2})' \), where \( d, i \) and \( j \) denote domain, category and individual, respectively. We approximate \( \hat{R}_d \) as

\[
\hat{R}_d^{eb} = \frac{1}{L} \sum_{t=1}^L \frac{\sum_{j=1}^{n_d} g_1^{-1}(y_{dij1}) + \sum_{t=1}^T \sum_{j=1}^{N_d-n_d} g_1^{-1}(y_{dij1}^{(e)})}{\sum_{j=1}^{n_d} (g_1^{-1}(y_{dij1}) + g_2^{-1}(y_{dij2})) + \sum_{t=1}^T \sum_{j=1}^{N_d-n_d} (g_1^{-1}(y_{dij1}^{(e)}) + g_2^{-1}(y_{dij2}^{(e)}))},
\]

where \( n_{dt} = \# \{ j \in U_d : X_{dij} = X_{dtj} \} \) is available from external data sources (aggregated auxiliary information), \( n_{dt} = \# \{ j \in s_d : X_{dij} = X_{dtj} \} \), \( y_{dij}^{(e)} = (y_{dij1}^{(e)}, y_{dij2}^{(e)})' \sim N_2(\hat{\mu}_{dijl}, \hat{\Sigma}_{dij}) \), \( d = 1, \ldots, D \), \( j = 1, \ldots, N_{dt} - n_{dt} \), \( t = 1, \ldots, T \), \( e = 1, \ldots, L \), where \( \hat{\mu}_{dijl} \) and \( \hat{\Sigma}_{dij} \) were defined in (11) and (8) respectively.

### 4 | PARAMETRIC BOOTSTRAP MSE ESTIMATOR

Analytical approximations to the MSE are difficult to derive in the case of complex parameters. We therefore propose a parametric bootstrap MSE estimator by following the bootstrap method for finite populations of González-Manteiga et al. (2007, 2008). We present the case of additive domain parameters. The modifications to deal with nonadditive parameters are straightforward. The steps for implementing this method are

1. Fit the model (1) to sample data \( (y_s, X_s) \) and calculate an estimator \( \hat{\phi} = (\hat{\beta}', \hat{\theta}')' \) of \( \psi = (\beta', \theta')' \).
2. For \( d = 1, \ldots, D, j = 1, \ldots, N_d \), generate independently \( u_{d}^* \sim N(0, \hat{\Sigma}_{ud}) \) and \( e_{dij}^* \sim N(0, \hat{\Sigma}_{ed}) \).
3. Construct the bootstrap superpopulation model \( \xi^* \) using \( \{ u_{d}^* \}, \{ e_{dij}^* \}, \{ X_{dij} \} \) and \( \hat{\phi} \), that is,

\[
\xi^* : y_{dij}^* = X_{dij} \hat{\beta} + u_{d}^* + e_{dij}^*, \quad d = 1, \ldots, D, j = 1, \ldots, N_d.
\]
4. Under the bootstrap superpopulation model (15), generate a large number \( B \) of i.i.d. bootstrap populations \( \{y_{dj}^{(b)}: \ d = 1, \ldots, D, j = 1, \ldots, N_d\} \) and calculate the bootstrap population parameters

\[
\hat{\delta}_d^{(b)} = \frac{1}{N_d} \sum_{j=1}^{N_d} g^{-1}(y_{dj}^{(b)}), \quad b = 1, \ldots, B.
\]

5. From each bootstrap population \( b \) generated in Step 4, take the sample with the same indices \( s \subset U \) as the initial sample, and calculate the bootstrap EBPs, \( \hat{\delta}_d^{eb(b)} \), as described in Section 3.1 using the bootstrap sample data \( y_s^{(b)} \) and the known values \( X_{dj} \).

6. A Monte Carlo approximation to the theoretical bootstrap estimator

\[
\text{MSE}_s \left( \hat{\delta}_d^{eb} \right) = \text{E}_{\zeta_s} \left[ \left( \hat{\delta}_d^{eb} - \delta_d^* \right) \left( \hat{\delta}_d^{eb} - \delta_d^* \right)' \right]
\]

is

\[
\text{mse}_s \left( \hat{\delta}_d^{eb} \right) = \frac{1}{B} \sum_{b=1}^{B} \left( \delta_d^{eb(b)} - \delta_d^{s(b)} \right) \left( \delta_d^{eb(b)} - \delta_d^{s(b)} \right)'.
\]

The estimator (16) is used to estimate \( \text{MSE}(\hat{\delta}_d^{eb}) \).

Hall and Maiti (2006a, 2006b) and Erciulescu and Fuller (2016, 2018) derived parametric double-bootstrap algorithms for estimating the MSE of predictors of “model-based” small area parameters. Their domain parameters of interest are functions of elements of the assumed population model. Although these approaches are asymptotically more efficient, the corresponding methodologies are not directly applicable to domains parameters of the form (6) or (12), which are functions of \( z_{dj} \). The aforementioned methods could be adapted to the EBPs of additive and non-additive parameters, but they may still have the drawback of computational cost in many of the applications to real data, where the population sizes of the domains, \( N_d \), are very large. This is the case of the SHBS, treated in Section 6. Nevertheless, the fast double bootstrap approach of Erciulescu and Fuller (2016) is not computationally intensive, as it requires one sample at the second level. The adaptation of their approach to bivariate NER models is thus an interesting alternative.

5 | SIMULATIONS

This section presents simulation experiments for investigating the EBPs and the MSE estimators. We carry out the simulations with a correlation structure similar to that of the application to real data. This is to say, with positive correlation parameters \( \rho_{u12} \) and \( \rho_{e12} \). We generate artificial population data as follows. Take \( p_1 = p_2 = 2, \ p = 4, \ \beta_1 = (\beta_{11}, \beta_{12})' = (10, 10)' \), \( \beta_2 = (\beta_{21}, \beta_{22})' = (10, 10)' \). For \( k = 1, 2, d = 1, \ldots, D, j = 1, \ldots, n_d, \) generate \( X_{dj} = \text{diag}(X_{d1j1}, X_{d1j2})_{2 \times 4} \), where \( X_{d1j1} = (x_{d1j1}, x_{d1j2}), \ X_{d1j2} = (x_{d2j1}, x_{d2j2}), \ x_{d1j1} = x_{d2j1} = 1, \ x_{d1j2} \sim \text{Bin}(1, 1/2), \ x_{d2j2} \sim \text{Bin}(1, 1/2) \). For \( d = 1, \ldots, D, \ j = 1, \ldots, N_d, \) simulate \( u_{dj} \sim N_2(0, V_{ud}) \) and \( e_{dj} \sim N_2(0, V_{edj}) \), where

\[
V_{ud} = \begin{pmatrix}
\theta_1 & \theta_3 \sqrt{\theta_1 \theta_2} \\
\theta_3 \sqrt{\theta_1 \theta_2} & \theta_2
\end{pmatrix}, \quad V_{edj} = \begin{pmatrix}
\theta_4 & \theta_6 \sqrt{\theta_4 \theta_5} \\
\theta_6 \sqrt{\theta_4 \theta_5} & \theta_5
\end{pmatrix}.
\]
with \( \theta_1 = 0.50, \theta_2 = 0.75, \theta_4 = 0.75, \theta_5 = 1.00 \) and \( \theta_3 = 0.6, \theta_6 = 0.4 \). The simulations generate only four different matrices \( X_{dj} \). They are

\[
X_{dj} = \begin{pmatrix}
    x_{dj11} & x_{dj12} & 0 & 0 \\
    0 & 0 & x_{dj21} & x_{dj22}
\end{pmatrix} \in \{X_{01}, X_{02}, X_{03}, X_{04}\},
\]

where

\[
X_{01} = \begin{pmatrix}
    1 & 0 & 0 & 0 \\
    0 & 0 & 1 & 0
\end{pmatrix}, \quad X_{02} = \begin{pmatrix}
    1 & 0 & 0 & 0 \\
    0 & 0 & 1 & 1
\end{pmatrix},
\]

\[
X_{03} = \begin{pmatrix}
    1 & 1 & 0 & 0 \\
    0 & 0 & 1 & 0
\end{pmatrix}, \quad X_{04} = \begin{pmatrix}
    1 & 1 & 0 & 0 \\
    0 & 0 & 1 & 1
\end{pmatrix}.
\]

The simulations apply the same transformations as in the application to real data, that is, \( g_1(z_{dj1}) = \log z_{dj1} \) and \( g_2(z_{dj2}) = \log z_{dj2} \), so that \( z_{dj1} = \exp(y_{dj1}) \) and \( z_{dj2} = \exp(y_{dj2}) \), \( d = 1, \ldots, D, j = 1, \ldots, N_d \). We apply the function `mvtnorm` of the R package `mvtnorm` for generating multivariate normal vectors.

### 5.1 Simulation 1

The target of Simulation 1 is to investigate the behavior of the EBPs, \( A_{eb}^d \) and \( \hat{R}_{eb}^d \), based on the BNER model. For this sake, we carry out a simulation experiment with \( I = 200 \) Monte Carlo iterations. We further take, \( L = 200 \) and \( N_d = 200, d = 1, \ldots, D \). The steps of Simulation 1 are

1. Generate \( x_{djk}, d = 1, \ldots, D, j = 1, \ldots, N_d, k = 1, 2 \). Construct the population matrices \( X_d \) and \( Z_d \) of dimensions \( 2N_d \times p \) and \( 2N_d \times 2 \) respectively. For \( d = 1, \ldots, D, t = 1, \ldots, T, T = 4 \), calculate

   \[
   N_d = \# \{ j \in U_d : X_j = X_{0t} \} = \# \{ j \in I : N : j \leq N_d, X_j = X_{0t} \},
   \]

   \[
   n_d = \# \{ j \in s_d : X_j = X_{0t} \} = \# \{ j \in I : N : j \leq n_d, X_j = X_{0t} \}.
   \]

2. Repeat \( I = 200 \) times (\( i = 1, \ldots, 200 \))

   2.1. Generate the populations random vectors \( u_d^{(i)} \sim N_2(0, V_{ad}), \quad e_d^{(i)} \sim N_{2N_d}(0, V_{ed}), \quad y_d^{(i)} = X_d\beta + Z_d u_d^{(i)} + e_d^{(i)} \), where \( V_{ed} = \text{diag}(V_{edj}), d = 1, \ldots, D \). Calculate \( z_{dj1}^{(i)} = \exp \{ y_d^{(i)} \}, z_{dj2}^{(i)} = \exp \{ y_d^{(i)} \}, d = 1, \ldots, D, j = 1, \ldots, N_d \).

   2.2. Calculate the domain ratio parameters, that is,

   \[
   A_d^{(i)} = \frac{1}{N_d} \sum_{j=1}^{N_d} z_{dj1}^{(i)} z_{dj2}^{(i)} + \sum_{j=1}^{N_d} z_{dj2}^{(i)} z_{dj1}^{(i)}, \quad R_d^{(i)} = \frac{\sum_{j=1}^{N_d} z_{dj1}^{(i)} z_{dj2}^{(i)}}{\sum_{j=1}^{N_d} z_{dj1}^{(i)} z_{dj2}^{(i)}} - 1, \quad d = 1, \ldots, D.
   \]

2.3. Extract the sample \( \left( y_{dj}^{(i)}, X_{dj} \right), d = 1, \ldots, D, j = 1, \ldots, n_d, \) with \( n_d \in \{3, 5, 10, 25, 50, 100\} \).

2.4. Calculate the REML estimators \( \hat{\beta}_{11}^{(i)}, \hat{\beta}_{12}^{(i)}, \hat{\beta}_{21}^{(i)}, \hat{\beta}_{22}^{(i)}, \hat{\beta}_1^{(i)}, \ldots, \hat{\beta}_6^{(i)} \).
2.5. For $d = 1, \ldots, D$, $t = 1, \ldots, T$, calculate
\[
\hat{\theta}_{dt}^{(i)} = X_{dt} \hat{\beta}^{(i)} + \hat{V}_{ft}^{(i)} Z_{dt}^{(i)} \{ \hat{V}_{ft}^{(i)-1} - \hat{V}_{ft}^{(i)-1} Z_{dt}^{(i)} \}^{-1} Z_{dt}^{(i)} \{ \hat{V}_{ft}^{(i)-1} - \hat{V}_{ft}^{(i)-1} \},
\]
\[
\hat{V}_{dt}^{(i)} = \hat{V}_{dt}^{(i)} + n_d \hat{V}_{edt}^{(i)} \hat{V}_{dt}^{(i)-1} \hat{V}_{edt}^{(i)} + n_d^2 \hat{V}_{edt}^{(i)} \hat{V}_{dt}^{(i)-1} \hat{V}_{edt}^{(i)} \hat{V}_{dt}^{(i)-1} \hat{V}_{edt}^{(i)} - 1 \hat{V}_{edt}^{(i)} \hat{V}_{dt}^{(i)}.
\]

2.6. For $d = 1, \ldots, D$, $j = 1, \ldots, N_{dt} - n_{dt}$, $t = 1, \ldots, T$, $\ell' = 1, \ldots, L$, generate
\[
y_{dtj}^{(\ell')} = \left( y_{dtj1}^{(\ell')}, y_{dtj2}^{(\ell')} \right) \sim N_2 \left( \hat{\mu}_{dtj}^{(i)}, \hat{\Sigma}_{dtj}^{(i)} \right),
\]
and calculate $\tilde{z}_{dij}^{(\ell')} = \exp \left\{ y_{dtj1}^{(\ell')}, y_{dtj2}^{(\ell')} \right\}$.

2.7. For $d = 1, \ldots, D$, calculate the EBPs $\hat{A}_d^{eb(i)}$ and $\hat{R}_d^{eb(i)}$, that is
\[
\hat{A}_d^{eb(i)} = \frac{1}{L} \sum_{\ell=1}^{L} \sum_{j=1}^{n_d} \sum_{i=1}^{T} \sum_{j=1}^{N_{dt} - n_{dt}} \hat{z}_{dij}^{(\ell')}, \quad \hat{R}_d^{eb(i)} = \frac{1}{L} \sum_{\ell=1}^{L} \sum_{j=1}^{n_d} \sum_{i=1}^{T} \sum_{j=1}^{N_{dt} - n_{dt}} \hat{z}_{dij}^{(\ell')}.
\]

3. For $\hat{\eta}_d^{(i)} \in \{ \hat{A}_d^{eb(i)}, \hat{R}_d^{eb(i)} \}$, $\eta_d^{(i)} \in \{ \hat{A}_d^{(i)}, \hat{R}_d^{(i)} \}$, $d = 1, \ldots, D$, calculate
\[
B_d(\eta) = \frac{1}{I} \sum_{i=1}^{I} \left( \hat{\eta}_d^{(i)} - \eta_d^{(i)} \right)^2, \quad \text{RE}_d(\eta) = \left( \frac{1}{I} \sum_{i=1}^{I} \left( \hat{\eta}_d^{(i)} - \eta_d^{(i)} \right)^2 \right)^{1/2}, \quad \eta_d = \frac{1}{I} \sum_{i=1}^{I} \eta_d^{(i)},
\]
\[
\text{RB}_d(\eta) = \frac{B_d(\eta)}{\eta_d} 100, \quad \text{RRE}_d(\eta) = \frac{\text{RE}_d(\eta)}{\eta_d} 100, \quad \text{AB}(\eta) = \frac{1}{D} \sum_{d=1}^{D} |B_d(\eta)|,
\]
\[
\text{RE}(\eta) = \frac{1}{D} \sum_{d=1}^{D} \text{RE}_d(\eta), \quad \text{RAB} = \frac{1}{D} \sum_{d=1}^{D} |\text{RB}_d(\eta)|, \quad \text{RRE} = \frac{1}{D} \sum_{d=1}^{D} \text{RRE}_d(\eta).
\]

Simulation 1 takes sample sizes depending (variable) and not depending (constant) on $d$. The considered constant sample sizes are $n_d = 3, 5, 10, 25, 50, 100$, $d = 1, \ldots, D$. In the case of variable sample sizes, the $n_d$’s are drawn at random from the set $\{2, 3, \ldots, 20\}$. Simulation 1 makes this selection before starting the loops, so that the samples sizes are the same in all the iterations. This case is called $n_d = 10$, . Tables 1, 2, 3, and 4 present the average absolute and relative performances measures for $D = 25, 50, 100, 200$. We observe that the EBPs are basically unbiased and that the MSEs decrease as the sample sizes increase. These results indicate that the optimality properties of the BPs are inherited by the EBPs. The performance measures remain stable as the number of domains $D$ increases, with small fluctuations due to the number of Monte Carlo iterations ($I = 200$). This is somehow expected because the rate between the number of observations and the number of domains quantities, $A_d$ and $R_d$, $d = 1, \ldots, D$, to predict remains constant as the number of domains $D$ increases.

For studying the effect of deviations from normality, we change the multivariate normal distributions of $u_d^{(i)}$ and $e_d^{(i)}$ in step 2.1 by multivariate skew-normal and Student’s $t$ distributions,
### Table 1
**AB(\(\eta\)) with N_d = 200**

| \(D\) | \(\eta\) | \(n_d = 3\) | \(n_d = 5\) | \(n_d = 10\) | \(n_d = 25\) | \(n_d = 50\) | \(n_d = 100\) |
|-------|---------|-------------|-------------|-------------|-------------|-------------|-------------|
| 25    | \(A_{eb}\) | 0.0030      | 0.0021      | 0.0015      | 0.0015      | 0.0012      | 0.0008      | 0.0004      |
|       | \(R_{eb}\) | 0.0083      | 0.0066      | 0.0045      | 0.0046      | 0.0031      | 0.0020      | 0.0015      |
| 50    | \(A_{eb}\) | 0.0029      | 0.0023      | 0.0016      | 0.0019      | 0.0011      | 0.0009      | 0.0005      |
|       | \(R_{eb}\) | 0.0145      | 0.0072      | 0.0049      | 0.0047      | 0.0029      | 0.0023      | 0.0015      |
| 100   | \(A_{eb}\) | 0.0022      | 0.0019      | 0.0018      | 0.0017      | 0.0011      | 0.0008      | 0.0005      |
|       | \(R_{eb}\) | 0.0088      | 0.0065      | 0.0060      | 0.0052      | 0.0031      | 0.0023      | 0.0014      |
| 200   | \(A_{eb}\) | 0.0024      | 0.0023      | 0.0017      | 0.0016      | 0.0010      | 0.0008      | 0.0005      |
|       | \(R_{eb}\) | 0.0086      | 0.0060      | 0.0057      | 0.0049      | 0.0028      | 0.0022      | 0.0015      |

### Table 2
**RE(\(\eta\)) with N_d = 200**

| \(D\) | \(\eta\) | \(n_d = 3\) | \(n_d = 5\) | \(n_d = 10\) | \(n_d = 25\) | \(n_d = 50\) | \(n_d = 100\) |
|-------|---------|-------------|-------------|-------------|-------------|-------------|-------------|
| 25    | \(A_{eb}\) | 0.0475      | 0.0390      | 0.0311      | 0.0292      | 0.0193      | 0.0134      | 0.0087      |
|       | \(R_{eb}\) | 0.1215      | 0.1004      | 0.0793      | 0.0748      | 0.0520      | 0.0381      | 0.0273      |
| 50    | \(A_{eb}\) | 0.0461      | 0.0389      | 0.0315      | 0.0295      | 0.0196      | 0.0136      | 0.0087      |
|       | \(R_{eb}\) | 0.1146      | 0.0957      | 0.0785      | 0.0736      | 0.0511      | 0.0384      | 0.0274      |
| 100   | \(A_{eb}\) | 0.0455      | 0.0380      | 0.0310      | 0.0293      | 0.0193      | 0.0136      | 0.0086      |
|       | \(R_{eb}\) | 0.1098      | 0.0928      | 0.0771      | 0.0728      | 0.0503      | 0.0386      | 0.0269      |
| 200   | \(A_{eb}\) | 0.0449      | 0.0377      | 0.0305      | 0.0291      | 0.0192      | 0.0135      | 0.0087      |
|       | \(R_{eb}\) | 0.1087      | 0.0916      | 0.0751      | 0.0718      | 0.0509      | 0.0383      | 0.0269      |

### Table 3
**RAB(\(\eta\)) in %, with N_d = 200**

| \(D\) | \(\eta\) | \(n_d = 3\) | \(n_d = 5\) | \(n_d = 10\) | \(n_d = 25\) | \(n_d = 50\) | \(n_d = 100\) |
|-------|---------|-------------|-------------|-------------|-------------|-------------|-------------|
| 25    | \(A_{eb}\) | 0.5930      | 0.4312      | 0.2942      | 0.2903      | 0.2515      | 0.1715      | 0.0854      |
|       | \(R_{eb}\) | 1.7489      | 1.4044      | 0.9409      | 0.9618      | 0.6658      | 0.4195      | 0.3308      |
| 50    | \(A_{eb}\) | 0.5925      | 0.4515      | 0.3200      | 0.3821      | 0.2172      | 0.1825      | 0.0979      |
|       | \(R_{eb}\) | 3.0777      | 1.5197      | 1.0194      | 0.9856      | 0.6090      | 0.4865      | 0.3277      |
| 100   | \(A_{eb}\) | 0.4510      | 0.3891      | 0.3601      | 0.3357      | 0.2263      | 0.1542      | 0.1012      |
|       | \(R_{eb}\) | 1.8718      | 1.3810      | 1.2520      | 1.0983      | 0.6520      | 0.4901      | 0.3021      |
| 200   | \(A_{eb}\) | 0.4810      | 0.4675      | 0.3458      | 0.3198      | 0.1980      | 0.1643      | 0.0962      |
|       | \(R_{eb}\) | 1.8249      | 1.2685      | 1.2065      | 1.0427      | 0.5874      | 0.4722      | 0.3249      |
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TABLE 4  RRE(\(\eta\)) in %, with \(N_d = 200\)

| \(D\) | \(\eta\) | \(n_d = 3\) | \(n_d = 5\) | \(n_d = 10\) | \(n_d = 25\) | \(n_d = 50\) | \(n_d = 100\) |
|------|-------|---------|---------|---------|---------|---------|---------|
| 25   | \(\hat{A}^{eb}\) | 9.6226  | 7.8797  | 6.2522  | 3.8985  | 2.7157  | 1.7634  |
|      | \(\hat{R}^{eb}\) | 25.9849 | 21.3923 | 16.8070 | 11.0848 | 8.1627  | 5.8238  |
| 50   | \(\hat{A}^{eb}\) | 9.3201  | 7.8455  | 6.3447  | 5.9508  | 3.9476  | 2.7463  |
|      | \(\hat{R}^{eb}\) | 24.4787 | 20.3999 | 16.6696 | 15.6100 | 10.9063 | 8.1760  |
| 100  | \(\hat{A}^{eb}\) | 9.1647  | 7.6393  | 6.2438  | 5.9145  | 3.8943  | 2.7210  |
|      | \(\hat{R}^{eb}\) | 23.3933 | 19.6736 | 16.3651 | 15.5579 | 10.7073 | 8.2119  |
| 200  | \(\hat{A}^{eb}\) | 9.0275  | 7.5733  | 6.1196  | 5.8423  | 3.8611  | 2.7210  |
|      | \(\hat{R}^{eb}\) | 23.1056 | 19.4270 | 15.9273 | 15.2669 | 10.8071 | 5.7284  |

TABLE 5  Empirical skewness and kurtosis, with \(I = 2 \cdot 10^6\) replicates

| Measure | \(\alpha_1 = 0\) | \(\alpha_2 = 2\) | \(\alpha_2 = 5\) | \(\alpha_2 = 10\) | \(df = 15\) | \(df = 10\) | \(df = 5\) |
|---------|-----------------|-----------------|-----------------|-----------------|----------|----------|----------|
| Skewness | \(v_1\) | 0.0000 | 0.0497 | 0.0575 | 0.0591 | 0.0004 | -0.0025 | 0.0192 |
|         | \(v_2\) | 0.0000 | 0.4445 | 0.8272 | 0.9337 | 0.0002 | -0.0051 | -0.0245 |
| Kurtosis | \(v_1\) | 0.0000 | -0.0313 | -0.0259 | -0.0249 | 0.5519 | 1.0226 | 6.2916 |
|         | \(v_2\) | 0.0000 | 0.2472 | 0.5656 | 0.6778 | 0.5433 | 0.9982 | 6.6255 |

keeping the same mean and variance component parameters. The simulations of skew-normal and Student’s t random vectors are carried out with the functions rMSN and rmvt of the R packages sn and mvtnorm, respectively. We generate bivariate skew-normal random vectors with skewness parameters \((\alpha_1, \alpha_2) = (0, 0), (0, 2), (0, 5), (0, 10)\) and bivariate Student’s t vectors with degrees of freedom \(\nu = 15, 10, 5\). We recall that \((\alpha_1, \alpha_2) = (0, 0)\) yields to the multivariate normal distribution, which is now simulated from function rMSN of R package sn and not from rmvnorm of mvtnorm, as before. Table 5 presents the empirical skewness and kurtosis calculated from simulated random vectors \(v_i = (v_{i1}, v_{i2}), i = 1, \ldots, 2 \cdot 10^6\). For the sake of comparison, we include the case of normality \((\alpha_1, \alpha_2) = (0, 0)\) and its theoretical measures.

Table 6 presents the relative performance measures for \(D = 50, n_d = 10, N_d = 200\). We observe that relative biases and root-MSEs have a moderate increment as the skewness parameter increases. However, these measures are more sensible to the decrease of the degrees of freedom of the multivariate Student’s t distribution. For the nonlinear parameter \(R_d\), the increase in RRE is more noticeable; that is, the increase of kurtosis makes EBP less efficient and therefore we should be more cautious when applying it.

5.2  Simulation 2

For investigating the behavior of the bootstrap-based MSE estimators of predictors \(\hat{A}^{eb}_{d}\) and \(\hat{R}^{eb}_{d}\), we take \(I = 200, L = 200, N_d = 200, D = 50\) and \(n_d = 10, d = 1, \ldots, D\). A second objective of simulation
TABLE 6 RAB(η) and RRE(η) with D = 50, n_d = 10, N_d = 200

| η | Skew-normal, α_1 = 0 | Student’s t |
|---|---|---|
|   | α_2 = 0 | α_2 = 2 | α_2 = 5 | α_2 = 10 | df = 15 | df = 10 | df = 5 |
| RAB | A^eb | 0.3035 | 0.3055 | 0.3278 | 0.3419 | 0.3018 | 0.3222 | 0.3636 |
|     | K^eb | 1.0152 | 1.1382 | 1.5557 | 1.6195 | 0.9955 | 1.0379 | 2.1487 |
| RRE | A^eb | 5.8948 | 5.8620 | 5.7729 | 5.7572 | 6.2152 | 6.3045 | 6.9143 |
|     | K^eb | 15.4235 | 15.4207 | 15.1357 | 15.0809 | 18.3089 | 20.6769 | 37.5347 |

2 is to give recommendations on how many bootstrap replicates B should be applied so that the MSE estimator is acceptably accurate. The steps of Simulation 2 are

1. For D = 50, generate x_{djk}, d = 1, ..., D, j = 1, ..., N_d, k = 1, 2. Construct the population matrices X_{dj} of dimensions 2 × p.
2. Take MSE_d(η) = RE_d(η)^2, η ∈ {A_d, R_d}, d = 1, ..., D, from the output of Simulation 1.
3. Repeat J = 200 times (i = 1, ..., 200)

3.1. Generate the population random vectors u_{dij}^{(i)} ∼ N_2(0, V_{ud}), e_{dj}^{(i)} ∼ N_2(0, V_{edj}) and y_{dj}^{(i)} = X_{dj}β + u_{dij}^{(i)} + e_{dj}^{(i)}, d = 1, ..., D, j = 1, ..., N_d (N_d = 200). Calculate ζ_{dj1}^{(i)} = \exp \{y_{dj1}^{(i)}\}, ζ_{dj2}^{(i)} = \exp \{y_{dj2}^{(i)}\}, d = 1, ..., D, j = 1, ..., N_d.

3.2. Extract the sample (y_{dj}, X_{dj}), d = 1, ..., D, j = 1, ..., n_d (n_d = 10).

3.3. Calculate the REML estimators \hat{β}_{11}^{(i)}, \hat{β}_{12}^{(i)}, \hat{β}_{21}^{(i)}, \hat{β}_{22}^{(i)}, \hat{θ}_1^{(i)}, ..., \hat{θ}_6^{(i)} and the EBPs A^eb, R^eb, d = 1, ..., D.

3.4. Repeat B times, B = \{50,100, 200,400\} (b = 1, ..., B).

(a) Generate the bootstrap population vectors u_{dij}^{*,(ib)} ∼ N_2(0, \hat{V}_{ud}) , e_{dj}^{*,(ib)} ∼ N_2(0, \hat{V}_{edj}) ,

\[ y_{dj}^{*,(ib)} = X_{dj}β^{*(i)} + u_{dij}^{*,(ib)} + e_{dj}^{*,(ib)}, \quad d = 1, ..., D, \quad j = 1, ..., N_d, \]

where \hat{V}_{ud} = V_{ud}(\hat{θ}_1, \hat{θ}_2, \hat{θ}_3) and \hat{V}_{edj} = V_{edj}(\hat{θ}_4, \hat{θ}_5, \hat{θ}_6). Calculate ζ_{dj1}^{*,(ib)} = \exp \{y_{dj1}^{*,(ib)}\}, ζ_{dj2}^{*,(ib)} = \exp \{y_{dj2}^{*,(ib)}\}, d = 1, ..., D, j = 1, ..., N_d.

(b) Calculate the bootstrap domain ratio parameters, that is,

\[ A_d^{*,(ib)} = \frac{1}{N_d} \sum_{j=1}^{N_d} ζ_{dj1}^{*,(ib)} + ζ_{dj2}^{*,(ib)}, \quad R_d^{*,(ib)} = \frac{\sum_{j=1}^{N_d} ζ_{dj1}^{*,(ib)}}{\sum_{j=1}^{N_d} ζ_{dj1}^{*,(ib)} + \sum_{j=1}^{N_d} ζ_{dj2}^{*,(ib)}}, \quad d = 1, ..., D. \]

(c) Extract the bootstrap sample \( y_{dj}^{*,(ib)}, X_{dj} \), d = 1, ..., D, j = 1, ..., n_d.

(d) Calculate the bootstrap REML estimators \hat{β}_{11}^{*,(ib)}, \hat{β}_{12}^{*,(ib)}, \hat{β}_{21}^{*,(ib)}, \hat{β}_{22}^{*,(ib)}, \hat{θ}_1^{*,(ib)}, ..., \hat{θ}_6^{*,(ib)} .

(e) Calculate the EBPs A^eb^{*,(ib)}, R^eb^{*,(ib)} and R^{inv,(ib)}, d = 1, ..., D, as in (17) and (18), with \( L = 200 \).
3.5. For $\hat{\eta}_d^{\text{st}} \in \left\{ \hat{A}_d^{\text{st}}, \hat{R}_d^{\text{st}} \right\}$, $\eta_d^{\text{st}} \in \left\{ \hat{A}_d^{\text{st}}, \hat{R}_d^{\text{st}} \right\}$, $d = 1, \ldots, D$, calculate

$$mse_d^{\text{st}}(i) = \frac{1}{B} \sum_{b=1}^{B} \left( \hat{\eta}_d^{\text{st}(b)} - \eta_d^{\text{st}(b)} \right)^2.$$ 

3.6. For $\eta_d^{(i)} \in \left\{ \hat{A}_d^{(i)}, \hat{R}_d^{(i)} \right\}$, $\hat{\eta}_d^{\text{eb}} \in \left\{ \hat{A}_d^{\text{eb}}, \hat{R}_d^{\text{eb}} \right\}$, $d = 1, \ldots, D$, calculate the coverage

$$C_{\eta_d}^{\text{st}(i)} = I \left( \eta_d^{(i)} \in \left( \hat{\eta}_d^{\text{eb}(i)} - z_{0.975} mse_d^{\text{st}(i)/2}, \hat{\eta}_d^{\text{eb}(i)} + z_{0.975} mse_d^{\text{st}(i)/2} \right) \right).$$

4. For $d = 1, \ldots, D$, $\hat{\eta} \in \left\{ \hat{A}_d, \hat{R}_d \right\}$, calculate

$$B_d(\hat{\eta}) = \frac{1}{I} \sum_{i=1}^{I} \left( mse_d^{\text{st}(i)} - MSE_d(\hat{\eta}) \right), \quad \text{RE}_d(\hat{\eta}) = \left( \frac{1}{I} \sum_{i=1}^{I} \left( mse_d^{\text{st}(i)} - MSE_d(\hat{\eta}) \right)^2 \right)^{1/2},$$

$$RB_d(\hat{\eta}) = \frac{B_d(\hat{\eta})}{MSE_d(\hat{\eta})} \times 100, \quad \text{RRE}_d(\hat{\eta}) = \frac{\text{RE}_d(\hat{\eta})}{MSE_d(\hat{\eta})} \times 100, \quad \text{AB}(\hat{\eta}) = \frac{1}{D} \sum_{d=1}^{D} |B_d(\hat{\eta})|, \quad \text{RE}(\hat{\eta}) = \frac{1}{D} \sum_{d=1}^{D} \text{RE}_d(\hat{\eta}), \quad \text{RAB}(\hat{\eta}) = \frac{1}{D} \sum_{d=1}^{D} |RB_d(\hat{\eta})|, \quad \text{RRE}(\hat{\eta}) = \frac{1}{D} \sum_{d=1}^{D} \text{RRE}_d(\hat{\eta}).$$

5. For $d = 1, \ldots, D$, $\eta_d \in \left\{ A_d, R_d \right\}$, calculate the coverage rates

$$C_{\eta_d} = \frac{1}{I} \sum_{i=1}^{I} C_{\eta_d}^{\text{st}(i)}, \quad C_\eta = \frac{1}{D} \sum_{d=1}^{D} C_{\eta_d}.$$ 

Tables 7 and 8 present the average absolute and relative performance measures, respectively, for $D = 50, B = 50, 100, 200, 300, 400$, and $n_d = 10, N_d = 200, d = 1, \ldots, D$. We note that the absolute biases of $\hat{\eta}_d^{\text{st}}$ are smaller than the absolute biases of $\hat{\eta}_d^{\text{eb}}$, while their corresponding relative absolute biases are similar. This is due to the division by the corresponding Monte Carlo approximation to the true MSE. We observe that the MSEs of the MSE estimators decrease when the number of bootstrap resamples $B$ increases. However the biases of the MSE estimators remain stable when $B$ increases. It is remarkable that $	ext{RRE}(\hat{\eta})$ is below 15% if $B = 200$ and it is around 12% if $B = 400$. Table 9 presents the coverage rates $C_\eta$ for $D = 50, B = 50, 100, 200, 300, 400$ and $n_d = 10, N_d = 200, d = 1, \ldots, D$. They remain stable and close to the nominal value 0.95 even in the case $B = 50$. Therefore, the confidence interval based on the asymptotic normal distribution works “well” if the data is simulated from the model. To obtain more accurate results, it should be necessary to increase the number of Monte Carlo iterations. We have not carried out Simulation 2 with more iterations because of the high computational time.

| Table 7 | $10^3 \text{AB}(\hat{\eta})$ (left) and $10^3 \text{RE}(\hat{\eta})$ (right) with $D = 50, n_d = 10, N_d = 200$ |
|---------|--------------------------------------------------|
| $B$     | 50  | 100 | 200 | 300 | 400 | 50  | 100 | 200 | 300 | 400 |
| $A^{eb}$| 0.0732 | 0.0744 | 0.0736 | 0.0744 | 0.0731 | 0.1878 | 0.1503 | 0.1251 | 0.1165 | 0.1087 |
| $R^{eb}$| 0.3903 | 0.4346 | 0.4186 | 0.4370 | 0.4270 | 1.1833 | 0.9584 | 0.7672 | 0.7235 | 0.6757 |
### Table 8
RAB(\(\bar{\eta}\)) (left) and RRE(\(\bar{\eta}\)) (right), in %, with \(D = 50, n_d = 10, N_d = 200\)

| \(B\) | 50   | 100  | 200  | 300  | 400  | 50   | 100  | 200  | 300  | 400  |
|------|------|------|------|------|------|------|------|------|------|------|
| \(\hat{A}^{eb}\) | 8.146 | 8.277 | 8.178 | 8.265 | 8.123 | 21.417 | 17.100 | 14.177 | 13.181 | 12.268 |
| \(\hat{R}^{eb}\) | 7.218 | 7.995 | 7.734 | 8.061 | 7.923 | 21.923 | 17.740 | 14.246 | 13.440 | 12.565 |

### Table 9
\(C_{\eta}\), with \(D = 50, n_d = 10, N_d = 200\)

| \(B\) | 50 | 100 | 200 | 300 | 400 | Nominal |
|------|----|-----|-----|-----|-----|---------|
| \(C_A\) | 0.940 | 0.945 | 0.948 | 0.944 | 0.938 | 0.950 |
| \(C_R\) | 0.943 | 0.944 | 0.947 | 0.944 | 0.940 | 0.950 |

#### Figure 1
Relative biases of the mean squared error estimators for \(\hat{A}^{eb}\) (left) and \(\hat{R}^{eb}\) (right).

Figure 1 contains the boxplots of the empirical relative biases (Rbiases), in %, of the parametric bootstrap estimators of the MSEs of the predictors \(\hat{A}^{eb}\) (left) and \(\hat{R}^{eb}\) (right). Figure 2 presents the corresponding boxplots for the relative empirical relative root-MSEs (RRMSEs). More concretely, Figures 1 and 2 plot the quantities \(RB_{\eta}(\bar{\eta})\) and \(RRE_{\eta}(\bar{\eta})\), \(d = 1, \ldots, D\), for \(\bar{\eta} \in \{\hat{A}^{eb}, \hat{R}^{eb}\}\), respectively. The first figure shows that the bootstrap MSE estimators are rather unbiased, with a small tendency to underestimate. The second figure suggests running around \(B = 400\) iterations in the bootstrap resampling procedure for obtaining good approximations to the MSEs of the EBPs.

For studying the effect of deviations from normality, we repeat Simulation 2 by considering the same nonnormal scenarios as in Simulation 1. Table 10 presents the relative performance measures for \(D = 50, n_d = 10, N_d = 200\). Table 11 gives the coverage rates. We observe that relative biases and root-MSEs have a moderate increment as the skewness parameter increases. However, these measures are more sensible to the decrease of the degrees of freedom of the multivariate Student’s \(t\) distribution. In the case of \(R_d\), the coverage rates move away from the nominal value 95% for high values of the kurtosis.

### 6 Illustrative Application to SHBS Data

The SHBS is annually carried out by the “Instituto Nacional de Estadística” (INE), with the objective of obtaining information on the nature and destination of the consumption expenses, as well
as on various characteristics related to the conditions of household life. In the Spanish economy it is important to have good estimates of consumer spending, since this spending represents, approximately, 60% of gross domestic product. However, global political measures are not often satisfactory for regional authorities, which can also develop their own economic strategies. They need some tools to determine, with precision and reliability, the main variables and consumer indicators in order to implement their strategies. Among the main consumer indicators are the local means of food and nonfood annual expenses of households and the ratios of annual food household expenses. For example, regional authorities are interested in providing aid for vulnerable families in basic necessities, such as food at province level. For this, it is necessary to know the mean expenditure of families on this type of goods.

This section presents an application of the new statistical methodology to the estimation of domain parameters defined as additive functions of two types of expense variables. We deal with data from the SHBS of 2016. The domains are the 50 Spanish provinces plus the autonomous cities Ceuta and Melilla, so that \( D = 52 \). Let \( z_{dj1} \) and \( z_{dj2} \) be the food and nonfood annually expenses of household \( j \) of domain \( d \). The domain mean of food and nonfood household annually expenses
are

\[
\overline{Z}_{d1} = \frac{1}{N_d} \sum_{j=1}^{N_d} z_{dj1}, \quad \overline{Z}_{d2} = \frac{1}{N_d} \sum_{j=1}^{N_d} z_{dj2}, \quad d = 1, \ldots, D,
\]

which are additive parameters with \( h(z_{dj}) = \frac{1}{N_d} (z_{dj1}, z_{dj2}) \). For each domain \( d \), the ratio of the mean annually household expenses on food to the mean annually household expenses is

\[
R_d = \frac{\overline{Z}_{d1}}{\overline{Z}_{d1} + \overline{Z}_{d2}}, \quad d = 1, \ldots, D,
\]

which are ratios of additive parameters. For each domain \( d \), the mean of the ratios of food household annually expenses to the corresponding total household annually expenses is

\[
A_d = \frac{1}{N_d} \sum_{j=1}^{N_d} \frac{z_{dj1}}{z_{dj1} + z_{dj2}}, \quad d = 1, \ldots, D,
\]

which are a additive parameters with \( h(z_{dj}) = z_{dj1}/(z_{dj1} + z_{dj2}) \). As we do not have a Spanish census file dated around 2016, we estimate the domain parameters \( \overline{Z}_{d1}, \overline{Z}_{d2}, A_d \) and \( R_d \) by using the EBPs \( \hat{\delta}^{eb} \) defined in (10) and (14), respectively. For this sake, we fit a BNER model to the target variables \( z_{dj1} \) and \( z_{dj2} \) with categorical covariates that are related to consumption. Scealy and Welsh (2017) showed that categorical auxiliary variables that influence the household consumption are the household composition and the area of usual residence. We only use the household typology because the area of usual residence was not significant. As auxiliary variable, we thus consider the household composition FC with categories

- FC1: Single person or adult couple with at least one members with age over 65,
- FC2: Other compositions with a single person or a couple without children,
- FC3: Couple with children under 16 years old or adult with children under 16 years old,
- FC4: Other households.

The variable FC is treated as a factor with reference category FC4.

For calculating the EBPs of the domain parameters of interest, by means of the formulas (14) and (10), we need the true population sizes, \( N_{dt} \), of the crossings of provinces with the categories of the variable FC. We calculate these sizes by using the sampling weights of the Spanish Labor Force Survey (SLFS). The SLFS sampling weights are calibrated to the population sizes of the provinces crossed with sex and age groups. These demographic quantities come from the INE population projection system and are considered the most accurate demographic figures in Spain. The SHBS sampling weights are calibrated to the population sizes of the autonomous community (NUTS 2) crossed with sex and age groups. These weights make the direct estimators of socioeconomic indicators at the autonomous community level basically unbiased. However, they introduce a nonnegligible bias in the direct estimators of such indicators at the province level. For a detailed study of the influence of these weights and the construction of alternative estimators, see Appendix E in Data S1.
We first fit a BNER model to the expenditure variables $z_{d1j}$ and $z_{d2j}$. As the shape of the histogram estimators of the probability density functions of the model marginal residuals are slightly skewed, we apply the log transformation. Therefore, we fit a BNER model to $y_{d1j} = \log z_{d1j}$ and $y_{d2j} = \log z_{d2j}$, with $z_1$ and $z_2$ expressed in 10$^4$ euros and with the same auxiliary variables. For each target variable, $y_1$ and $y_2$, Table 12 presents the estimates of the regression parameters and their standard errors. It also presents the asymptotic $p$-values for testing the hypotheses $H_0 : \beta_{kr} = 0$, $k = 1, 2$, $r = 1, 2, 3, 4$.

Table 13 presents the estimates of the variance and correlation parameters with their 95% confidence intervals, on the left side the asymptotic normality intervals and on the right side the bootstrap percentile intervals (Shao & Tu, 1995). This table shows that all the estimated parameters are significantly greater than zero. We remark that correlations $\rho_u$ and $\rho_e$ are significantly greater than zero, so that the independent univariate modeling of $y_1$ and $y_2$ is not appropriate.

Figure 3 plots the histograms of the $D = 52$ standardized EBPs of the random effects of the fitted BNER model for food (left) and nonfood (right) expenditures. The standardization of $\hat{u}_{d1}$ and $\hat{u}_{d2}$ is carried out by subtracting their mean value and dividing by their SD. It also prints the corresponding probability density function estimates. The shapes of the densities are quite symmetrical, which indicates that the distributions of the random effects are not very far from the normal distributions. Since $D$ is too small to obtain a good non-parametric estimate of the density functions, the definitive conclusions cannot be drawn.

### Table 12 Regression parameters and $p$-values

| $y$ | $x$-variable | Estimation | z-value | SE  | $p$-Value |
|-----|--------------|------------|---------|-----|-----------|
| $y_1$ | Intercept | -0.80 | 45.29 | 0.02 | 0.00 |
|     | FC1        | -0.36 | 28.94 | 0.01 | 0.00 |
|     | FC2        | -0.61 | 49.23 | 0.01 | 0.00 |
|     | FC3        | -0.14 | 10.79 | 0.02 | 0.00 |
| $y_2$ | Intercept | 0.83  | 42.00 | 0.02 | 0.00 |
|     | FC1        | -0.39 | 37.24 | 0.01 | 0.00 |
|     | FC2        | -0.29 | 27.93 | 0.01 | 0.00 |
|     | FC3        | 0.01  | 1.14  | 0.01 | 0.25 |

### Table 13 Estimation and confidence intervals of variance and correlation parameters

| Parameter | Estimation | L.CI | U.CI | L.CI.boot | U.CI.boot |
|-----------|------------|------|------|-----------|-----------|
| $\sigma^2_{u1}$ | 0.013 | 0.007 | 0.018 | 0.007 | 0.019 |
| $\sigma^2_{u2}$ | 0.018 | 0.010 | 0.025 | 0.010 | 0.026 |
| $\rho_u$ | 0.614 | 0.421 | 0.807 | 0.367 | 0.774 |
| $\sigma^2_{e1}$ | 0.451 | 0.442 | 0.459 | 0.448 | 0.467 |
| $\sigma^2_{e2}$ | 0.318 | 0.312 | 0.324 | 0.315 | 0.327 |
| $\rho_e$ | 0.377 | 0.366 | 0.389 | 0.364 | 0.387 |
Figure 4 plots the histograms of the $n = 22,010$ standardized residuals (sresiduals) of the fitted BNER model for the first (left) and second (right) response variables. The standardization of $\hat{e}_{d_j1}$ and $\hat{e}_{d_j2}$ is carried out by subtracting their mean value and dividing by their SD. It also prints the corresponding probability density function estimates. The curves of the estimated densities have longer left tails and slightly skewed shape. Nevertheless, we could admit that the distributions of standardized residuals is not too far from normality.

Figure 5 plots the standardized residuals versus the predicted values of the fitted BNER model, which correspond to the logarithms of food (Y1) and nonfood (Y2) expenditures. In both cases, the main cloud of residuals is situated symmetrically around zero without any recognizable pattern.

Appendix D of Data S1 includes the results derived from using the transformations cube-root and fifth-root. Density figures D.2 and D.5 of standardized residuals are quite symmetrical and show that distributions are not too far from normality. Dispersion graphs D.3 and D.6 of standardized residuals versus predicted values show that the clouds of points are situated symmetrically around zero without any recognizable patterns. Table D.5 presents the skewness and kurtosis of the standardized residuals for the three transformations. It shows skewness close to zero in all cases and smaller kurtosis in case of the log transformation. Table D.6 presents the skewness and kurtosis of the random effects and leads to similar conclusions. For the marginal random effects, the Jarque–Bera normality test does not reject normality in any of the cases. In what follows, we present the EBPs based on the BNER model with the log transformation. Data S1 gives additional information about EBPs in two appendixes. Appendix E discusses the influence of the SLFS sampling weights on the estimation of the population sizes appearing in the formula of the EBPs. For this sake, it constructs alternative EBPs with population sizes estimated from SHBS sampling weights.
Direct estimators of small area parameters are not very precise because the sample size is small in the domains. However, they are approximately unbiased estimators under the distribution of the sample design. For this reason, the comparison of model-based predictors with direct estimators is of interest to researchers. In particular, the predictors are expected to follow the pattern of the direct estimates, but in a smoothed way. Appendix F presents some figures.
containing plots of direct and EBP estimates and plots of the corresponding estimates of the relative root-MSEs (RRMSE). It also gives tables with condensed numerical results.

Figure 6 (left) maps the means of the household annual expenditures in food by Spanish provinces. Figure 6 (right) maps the estimated RRMSE in %. These figures show that expenditures on food is rather variable between provinces.

Figure 7 (left) and Figure 8 (left) plot the ratios of means and the mean of ratios of household expenditures in food by Spanish provinces in %. Figure 7 (right) and Figure 8 (right) plot the corresponding RRMSE in %. An interesting feature observed here is that within some autonomous regions, the province percentages of food expenditure, $R_d$, could be rather variable. The same happens for the province means of household percentages of food expenditure $A_d$. This happens mostly in the Autonomous Regions of Andalucía, Aragón, Castilla León or in Galicia, where there are many provinces and some of them are more deprived than others. In contrast, there are other regions, such as Cataluña and Basque Country where the variability of the estimated ratios is smaller.
CONCLUSIONS

This paper introduces small area predictors of expenditure means and ratios based on the BNER model (1). Best predictors minimize the MSE, within the class of unbiased predictors, under the model distribution. This optimality property approximately holds if we substitute true model parameters by consistent estimators, as the REML estimators are. The paper proposes estimating the MSEs of the EBPs by parametric bootstrap. As far as we know, this is the first time that EBPs for nonlinear bivariate parameters are introduced.

Two simulation experiments are carried out to empirically investigate and to check the behavior of the EBPs and the MSE estimators when the number of domains or the domain sample sizes are small. This is to say, in scenarios where the asymptotic properties might not hold. Simulation 1 investigates the biases and the MSEs of the EBPs. This simulation shows that the EBPs are basically unbiased, even in cases with rather small sample sizes, and that the MSEs decrease as the sample sizes increase. Simulation 2 gives the recommendation of doing $B = 400$ iterations when applying the introduced parametric bootstrap procedures for estimating the MSEs.

For studying the effect of deviations from normality, Simulations 1 and 2 also changes the multivariate normal distributions of random effects and errors by multivariate skew-normal and Student’s $t$ distributions, keeping the same mean and variance component parameters. These simulations illustrate how efficiency measures worsen with increasing skewness or kurtosis of multivariate distributions. Data S1 contains additional simulations. Appendix B carries out new variants of Simulations 1 and 2 for studying the effect of correlations between the components of the random effects and errors in the behavior of the EBPs and MSE estimators. Appendix C moves apart from the unit-level model-based theory, where the sample is a deterministic subset of the population. In the new simulations the samples and the corresponding sizes are random and depends on the target vector $y$. The main findings are that the EBPs are not much affected because of the implemented informative sampling scenarios, but the parametric bootstrap estimators of their MSEs are drastically affected.

The introduced EBP methodology is applied to data from the SHBS of 2016. The target is to estimate province means of food and nonfood household annual expenditures, ratios of province
means of household annual expenditures and province means of ratios of household annual expenditures. The estimation procedure takes into account the correlation between the two target variables. The paper also compares the model-based estimates with direct estimates and it shows that introduced EBPs have lower MSEs.

The new methodology is not universal. It is limited to the assumed hypotheses. A key point is the need of having an auxiliary census files if the fitted model contains continuous auxiliary variables. This is a drawback that limits the applicability of the methodology, since there are few countries that maintain updated population censuses. However, it does not reduce the applicability to zero. The EBP approach, introduced by Molina and Rao (2010), can be applied using recent population censuses. For example, the World Bank traditionally used the Elbers et al. (2003) census-based methodology to map poverty in developing countries. On the other hand, the method is applicable to business surveys, where it is common to have a census of companies. The restriction of having a census is circumvented in the case that categorical explanatory variables are used. This is the example of the application to SHBS data, since Spain does not maintain an updated population census. It is true that in this case the predictive power of the model is reduced, but thus the whole model introduces valuable information that allows the construction of more efficient predictors than direct estimators.

We finally recall that we have carried out a research under the unit-level model-based approach. The corresponding extensions to the model-assisted or informative sampling approach will allow incorporating sampling design features into the statistical methodology, including point estimation and bootstrap MSE estimation.

ACKNOWLEDGMENTS
Supported by the Instituto Galego de Estatística, by the grants PGC2018-096840-B-I00 and PID2020-113578RB-I00 of the Spanish Ministerio de Economía y Competitividad, by the grant Prometeo/2021/063 of the Generalitat Valenciana, and by the Xunta de Galicia (Grupos de Referencia Competitiva ED431C 2020/14), and by GAIN (Galician Innovation Agency) and the Regional Ministry of Economy, Employment and Industry grant COV20/00604 and Centro de Investigación del Sistema Universitario de Galicia ED431G 2019/01, all of them through the ERDF.

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**How to cite this article:** Esteban, M. D., Lombardía, M. J., López-Vizcaíno, E., Morales, D., & Pérez, A. (2022). Empirical best prediction of small area bivariate parameters. *Scandinavian Journal of Statistics, 49*(4), 1699–1727. [https://doi.org/10.1111/sjos.12618](https://doi.org/10.1111/sjos.12618)