

# National Accounts of Georgia

## I. Current situation of National Accounts and main outstanding issues from SNA93

The implementation of new methodology (SNA93) in Georgian National Accounts started nearly 20 years ago.

SNA 93 is the base for Georgian National Accounts that cover current and capital accounts, both annual and quarterly. Annual figures in current prices are balanced in supply and use tables. Calculation in constant prices is made for production side of GDP by activity annually and quarterly but there are no constant price estimates on the use side. No accounts on institutional sectors are compiled.

Quarterly GDP figures are published after 80 days and final annual figures are published after 11 month. Monthly rapid estimates are published 30 days after the reference month.

Time-series in current prices from 1996 to 2011 are available for GDP by production, expenditure and income approach. Supply and use tables by 45 activities and 67 products are available in current prices from 2006.

There are following outstanding issues from SNA93 recommendations:

- Constant price estimates of GDP by expenditure;
- Institutional sector accounts at current prices;
- Supply and use tables in constant prices;

National Statistics Office of Georgia with financial support of World Bank adopted a long-term strategy for improvement of statistical system in 2011-2014. One of the most important areas of improvement is National Accounts. According to this strategy, The System of National Accounts should be improved in two directions. The first one is to improve outstanding issues of SNA93, which also will be progress from SNA 2008 point of view. The second direction is to take into consideration new recommendations of SNA 2008, which differ from SNA93. In such cases priority will be given to SNA 2008.

By 2014, we expect to make a lot of improvements in National Accounts. Final implementation of SNA 2008 is expected in 2015.

## **II. The most important new recommendations of SNA 2008**

A lot of new recommendations of SNA 2008 should be considered in the Balance of Payments, which is compiled in National Bank of Georgia. Discussions with NBG representatives have been started on implementation of those issues. BPM6 recommendations will be used for BOP compilation in 2014.

Following new items of SNA 2008 have significant influence on basic macroeconomic indicators:

- Compilation of Capital accounts using SNA 2008 recommendations including research and development, military expenditures and software for own use in Gross Fixed Capital Formation;
- Development of business registers, identifying ancillary units;
- Calculation of output in the sector of financial corporations according to SNA 2008 recommendations.

Those issues should be considered in Georgian National Accounts by 2014.

## **III. Achieved results in 2011**

Detailed survey on investment in fixed capital was conducted by all institutional sectors of economy. The results of the survey will be used for compilation of capital accounts in accordance with SNA 2008 recommendations. The new capital accounts have the same structure as it is recommended in SNA 2008. It includes research and development, military expenditures and intellectual property items.

Imputed rent of own occupied dwellings were calculated by “User cost” method using experience of Polish Central Statistical Office.

Methods of regional GDP calculation were improved. Polish experts from Regional Statistical Office in Katowice shared their experience in compilation of Regional Accounts. European methodology of Regional Accounts has been implemented.

Three-year cooperation with Statistics Sweden started in 2011 by financial support of SIDA. The best Swedish experts in National Accounts will visit Georgia and share their experience in the most problematic areas of National Accounts.

The first mission of Swedish experts in National Accounts took place in November, 2011. As a result of the mission a list of recommendations were prepared to be dealt with during the project period. There are 20 recommendations in general, which are included in final

report of the mission prepared by Birgitta Magnusson-Warmark (Swedish expert in National Accounts). These recommendations generally cover following areas of National Accounts:

1. Compilation of capital accounts in current prices;
2. Deflation of Imports and Exports of goods and services;
3. Volume estimates of value added in Government, Education and Healthcare services;
4. Preparation of detailed Metadata for the users of National Accounts;
5. Compilation of quarterly estimates of Gross Fixed Capital Formation in current prices by the new method based on imported investment flows.

The second mission was conducted in March 2012 and a list of recommendations (18) was prepared as a result. A structure for the capital accounts was built up during the mission. The detailed information from investment survey was analyzed and most results seemed useful. However a few items, like own produced software, patents and mineral exploration were not properly caught by this survey and other alternatives for searching information was proposed.

The third mission of Swedish experts is planned for June 2012 and following work plan is proposed:

1. Work should continue on investment, capital stocks and depreciation, changes in stocks;
2. Identification of problems for Household sector accounts compilation;
3. Government issues. Government expenditure. Development of volume indicators in that sector.

#### **IV. Activities for Improvement of National Accounts in 2012-2014.**

Implementation of SNA 2008 recommendations will lead to changes in time-series of basic macroeconomic indicators (GDP, Gross Fixed Capital Formation etc.). Therefore, general revisions of time series should be made in every 5 years. The first general revisions of time-series will be made by the end of 2012.

New classification of economic activities NACE rev.2 will be implemented instead of NACE rev 1.1 at the end of 2013.

Cooperation with Statistics Sweden will be continued in 2012-2013. Cooperation covers following issues:

- Compilation of Capital Accounts in current prices in accordance with SNA 2008 recommendations;
- Deflation of GDP by expenditure components (Gross Fixed capital formation, Imports and Exports of goods and services etc.)
- Compilation of institutional sector accounts (Non-financial and Financial corporations, Households, Government and NPISH's)

The first estimates of GDP by expenditure at constant prices will be available at the end of 2013.

Sector Accounts by all institutional sectors will be compiled by the end of 2014.

## Annex 1

### Long term strategy for improvement of National Accounts

Strategy	Activities	Expected results	Expected time
<b>1. Calculation of Gross domestic product by expenditure in constant prices</b>			November, 2014
	1.1 Deflation of Imports and Exports of Goods and Services	Exports and Imports of Goods and Services in constant prices	November, 2012
	1.2 Deflation of Households Final Consumption Expenditure	Households Final Consumption Expenditure in constant prices	December, 2012
	1.3 Deflation of Government Final Consumption Expenditure	Government Final Consumption Expenditure in constant prices	June, 2013
	1.4 Deflation of Gross Fixed Capital Formation	Gross Fixed Capital Formation in constant prices	December, 2013
	1.5 Deflation of Changes in inventories	Changes in inventories at constant prices	June, 2014
	1.6 Compilation of Supply and Use tables in constant prices	Supply and use tables in constant prices	December, 2015
<b>2. Compilation of Institutional Sector Accounts</b>			<b>December, 2014</b>
	2.1 Compilation of Government Accounts	The Government Accounts	December, 2012

<b>Strategy</b>	<b>Activities</b>	<b>Expected results</b>	<b>Expected time</b>
	2.2 Compilation of Household Accounts	The Household Accounts	June, 2013
	2.3 Compilation of NPISH Accounts	The NPISH Accounts	December, 2013
	2.4 Compilation of Business Accounts	Accounts for Non-Financial and Financial Corporations	June, 2014
<b>3. Implementation of new SNA 2008 recommendations</b>			December, 2015
	3.1 Compilation of Capital Account according to SNA 2008 methodology	Capital Account in current prices by SNA 2008 methodology	April, 2012
	3.2 Adoption of NACE rev.2 classifications	time series of GDP by main activities of NACE rev.2	December, 2013
	3.3 Calculation of NBG output according to SNA 2008 recommendations	Adjusted time series of NBG output	June, 2014
	3.4 Calculation of FISIM using SNA 2008 recommendations and back-casting of time series	Adjusted figures of FISIM for 1996-2011	June, 2014
	3.5 Improvement of Business registers, identification of ancillary units	Output of ancillary unit measured at factor cost	November, 2014
<b>4. Improvement of Non-observed economy estimations</b>			June, 2013
	4.1 Detailed survey of Non-observed economy in education services	Updated Non-observed economy estimates in education services	June, 2012
	4.2 Detailed survey of Non-observed economy in transport and communication services	Updated Non-observed economy estimates in transport and communication services	June, 2013