Twinning Project

Strengthening the Capacity of the Georgian Statistical System

Component 2: *"Enhancing Methodological Soundness in the National Accounts in line with EU standards"*

Sub-component 2.2: "Compilation method of Supply – Use (SUT) tables and Input Output (I/O) Tables"

MISSION REPORT

Activity: 2.2.B "Calculation of target totals and initial component values"

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Table of contents

1. General comments

This mission report was prepared within the EU Twinning Project "Strengthening the Capacity of Georgian Statistical System". This was the second mission within the sub-component 2.2: "Compilation method of Supply – Use (SUT) tables and Input Output (I/O)" and was mainly devoted to calculation of target totals and initial component values.

The purposes of the mission were to discuss, asses and work on:

> ➢ The framework for supply and use tables with new classifications for products and industries.
> ➢ The series of annual targets for total output and intermediate consumption by the 64-industry NACE classification. How the targets are composed of data from primary statistics and supplement for small and non-observed units.
> ➢ The method used to provide input structures by the new products within the new industries.
> ➢ Initial distribution by new products of household final consumption.
> ➢ Import and export figures by the new product classification.
> ➢ The annual price indices assigned to the new products.

The consultants would like to express their gratitude to all officials and individuals met for the kind support and valuable information which they received during the stay in Georgia and which highly facilitated the work of the consultant.

The views and observations stated in this report are those of the consultants and do not necessarily correspond to the views of the European Union, Geostat, Statistics Denmark, or other statistical institutions involved in the implementation of the project.

2. Assessment and results

The focus of the mission was to work on the new framework with the new classifications based on NACE 2.rev. and SNA 2008. The Danish experts and the staff at Geostat have mainly discussed the new totals – initial/target values for total output and intermediate consumption by the 64-industry NACE classification. This combined with the upcoming publication of new figures for NA based on new classifications meant that the mission was dedicated almost entirely to tasks related to activity 2.1 instead of activity 2.2. The framework for the new figures that were the focus of the mission can however be used more or less directly in the new SUT system that will be implemented under activity 2.2.

Compilation steps
The compilation steps before the publication in November are:

1. Compilation of new benchmarks for 2017 and 2018 in current prices comprising:
   a. New NACE-classification (industry)
   b. New SNA2008-implementation
   c. New sources and methods (e.g. SBS in level)
2. Deflating the benchmark
3. Backcasting the new benchmark
4. Deflating the backcasted series

This mission was almost entirely dedicated to the first step – the compilation of a new benchmarks for 2017 and 2018 in current prices. The NA-staff at Geostat has done an impressive amount of work with producing new figures for the new benchmarks. The staff at Geostat presented the new figures for 2017 for the Danish experts and during the mission the framework for 2018 was also completed with figures. The deflating and

backcasting of the benchmark were also briefly discussed at the mission and the Danish experts made some recommendations and suggestions for the last three compilation steps.

The remaining compilations steps for the new benchmark at the mission were:
1. Filling in new figures in the framework and evaluating the new figures:
    a. From primary statistics to NA-concepts (from SBS, non-observed, NA-concepts)
    b. Comparing with the current published figures
    c. Evaluating the revision
2. Balancing

The mission focused on filling in new figures into the framework and assessing the new figures. Going through every part of the framework, scrutinizing every figure and evaluating whether further calculations were needed, took most of our time. This also included a comparison with the current NA-figures thereby considering whether the new calculations are reasonable. There was a discussion about the balancing, but the balancing is still remaining. To conclude, the work during this week revealed, that several important issues needs to be addressed before figures can be balanced. These issues will be a task for the staff at Geostat.

Filling in the new framework
The first step to fill in the figures for the new framework was to evaluate the figures for total output and intermediate consumption by industry and by source. The figures for output and intermediate consumption were put in a spreadsheet presented by the Danish experts that showed data from source – SBS, non-observed, household production, GFS, financial sector, NPISH and NA-conceptual adjustments like FISIM and bank services. This highlighted missing figures and most of these figures were filled in to the framework during the mission. The tables also showed issues that needs further assessment. All the "targets" – initial values before balancing – for production, intermediate consumption and final expenditures were filled in a spreadsheet presented by the Danish experts. The spreadsheet also contained the main aggregates, balancing item and the GDP-figure from the use- and supply side. All the main aggregates, input-coefficients and GDP were compared to published figures. The two spreadsheets worked as a framework for discussing and evaluating the new figures. The Danish experts and the staff at Geostat identified following issues that the staff at Geostat will need to address before the forthcoming publication:

➢ Agricultural and data from a new survey
➢ The correction done to in SBS to output should also be implemented in NA.
➢ Construction
    o Mark up for own account construction and the use of new survey
    o Civil engineering
➢ GFS figures –construction is missing from the target value.
➢ The Imports have decreased – a data revision or due to new BoP
➢ Intermediate consumption of FISIM in the calculation for dwellings were not ligned with the new FISIM distribution.
➢ Large changes in input-coefficients needs to be checked.

The results of the new survey for households – agricultural and construction will be send to the Danish experts. The Danish experts will try to help the staff at Geostat to assess the figures by e-mail.

Because of very limited time before the publication in November, the Danish experts recommend that the new figures will be balanced at a more aggregated (totals) level and not at product-level in the SUT-system. This will affect the chosen method for deflating. This was discussed at the mission and the Danish experts recommend that a product structure should be used for the output while implicit price indices from the old NA-accounts (converted to new classifications) are used for intermediate consumption and final use. Possible methods were discussed and the staff at Geostat will continue with the deflation once the benchmark in current

prices are balanced. In this light, the Danish experts recommend the staff at Geostat that the upcoming publication is on a more aggregated level - both for industry classification and for final consumption (households). The Danish experts also suggest that Geostat postpone the update of SUTs which has been planned for in December 2019. Next year a new SUT-system will be established and published as a result of activity 2.2. The new and more detailed SUT-system will anyway most likely lead to revisions on detailed levels and change the structure in the SUTs.

There was a brief discussion about the backcasting of the new benchmark at the mission. The Danish experts suggested the following calculation steps for the backcasting:

1. Establish a key between new and old industries based on an SBS with old and new industries.
2. Convert the old figures/series to new industries by using the "industry-key".
3. Replace some of the series with new figures, e.g. agriculture, construction, dwellings, GFS.
4. Change the corresponding series for final use – household consumption, government final expenditure (individual and collective) and GFCF.
5. Use the growth rates for the rest of the figures/series.
6. Balance on specific parts of the use-side for all years.

Because of very limited time, the experts recommend that the new figures should be balanced at a more aggregated level (totals) and not at product-level in the SUT-framework.

The new SUT-system were not introduced during the mission because of the focus on the upcoming publication. The Danish experts will introduce the new SUT system to Geostat during the next mission. At the next mission the system will be presented and the following should be on the agenda:

- How the new framework and benchmark can be used in the new SUT system
- The dimensions of the SUT system – rows (products) and columns (industries, groups for household consumption and other final uses)

To speed up this work and keeping the work with the new SUT system on time schedule, the staff at Geostat should send data for detailed export of goods to the Danish experts before the next mission. The Danish experts will then make a suggestion for a product classification in the new SUT system.

3. Conclusions and follow up

- The framework for the new benchmark – totals for output and intermediate consumption by industry and final uses – for the new figures were discussed and assessed. Several items were identified that needs to be addressed before the new benchmark is finalised.
- The staff at Geostat has done an impressive amount of work to produce new figures for the benchmark. Nevertheless there is a lot of work left to be done before the upcoming publication in November and the Danish experts therefore recommend Geostat to balance at an aggregated level (totals) and not at the product level as first planned.
- Balancing the new benchmark on an aggregated level will affect the planned deflation. The Danish experts suggest that the deflation of output is done by using the product distribution, while the intermediate consumption and final uses are deflated on an aggregated level with implicit price indices.
- Based on the two previous conclusions the Danish experts recommend that the upcoming publication should be at more aggregated level – for both industries and consumption groups.
- The focus of the mission was the upcoming publication, there is therefore no specific follow up related to the new SUT-system. The framework discussed during this mission will be used in the new SUT-system that should be introduced during the next activity in component 2.2.
- The new SUT system were not discussed during the mission, but a list with the detailed export should be sent to the Danish experts before the next mission. This will be used to make a first draft for the

product dimension in the new SUT system. The draft should be presented by the Danish experts at the next mission for component 2.2.

Actions needed for moving forward:

Action	Deadline	Responsible person
Detailed list with export of goods presented to the Danish experts	December 2019	Geostat
A first draft for the products in the new SUT system	January 2020	The Danish experts

Annex 1. Terms of Reference

Terms of Reference
EU Twinning Project GE 16 ENI ST 06 18
21st – 24th October 2019

Component 2: Enhancing methodological soundness in the National Accounts in line with the EU standards

Sub-component 2.2: Compilation method of Supply – Use (SUT) tables and Input Output (I/O) Tables

Mandatory results and benchmarks for sub-component 2.2:
- Compilation method of Supply-Use (SUT) tables improved and Input-Output (I/O) tables implemented

Indicators of Achievement (baseline and targets):
- Availability of Supply Use Tables (SUT) as a statistical product according to SNA08
  o **Baseline:** 2019 – SUT is produced but not according to SNA08
  o **Target:** End of 2020 – SUT produced in current and constant prices according to SNA08

- Availability of I/O Tables as a statistical product
  o **Baseline:** 2019 – I/O tables are not available
  o **Target:** End of 2020 – I/O tables available

Activity 2.2.B "Calculation of target totals and initial component values"

1. Purpose of the activity
  o Compilation of Target Totals of the SUT-table
  o Start-up of formatting and entering of figures into the SUT-table.
  o Identification of specific, remaining issues regarding the SNA2008 implementation plan
2. Expected output of the activity
  o Target totals for the SUT-system is set up. That is initial estimates for Total Production value and Intermediate Consumption for every Industry and all Consumption Groups
  o Initial values for components of value added by industries are set up.
  o Go through every compilation and evaluate coverage and completeness from SBS-data, grossing-up procedures, geographical coverage, informal activity, double counting etc.
  o Address especially the problems with non-observed economy and evaluate results from the survey conducted on expenditures on restaurants and accommodation
  o Continue exercises with the EXCEL-VBA based IT-tool developed for SUT-compilations
  o Identify work to be done before next mission and issues to address on the next mission
  o Input provided to the ToR of next activity
  o Mission report written
  o Updated road map for sub component 2.2

3. Participants

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