

Twinning Project

Contract: GE 16 ENI ST 06 18

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.D (RS2) “Finalization of the population of figures into the SUT-table and initiating balancing”

Mission carried out by
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1. General comments

This mission report was prepared within the EU Twinning Project "Strengthening the Capacity of Georgian Statistical System". This was the fifth mission within the sub-component 2.2: "Compilation method of Supply – Use (SUT) tables and Input Output (I/O) Tables". Like the previous missions in June and September the mission was, due to COVID-19, carried out as a Remote Session in the period from December 4th to 22th. The mission was devoted to population of remaining missing figures into the SUT-table, corrections to some of the figures previously entered into the SUT-framework and initializing balancing of product balances.

The purposes of the mission were:

- To validate data inputs prepared by Geostat and Statistics Denmark since the previous mission.
- To adjust input data where necessary.
- Filling missing values in the layers for wholesale trade, retail trade, taxes less subsidies on products and VAT.
- Initialize balancing of products using the Excel macros prepared by the Danish experts.

The consultants would like to express their gratitude to the Geostat staff who participated in the mission, for the kind support and valuable information received before and during the mission.

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

This mission was carried out as a Remote Session in the period from December 4th to 22nd 2020. Three Zoom meetings were held within this period. Due to COVID19 precautions the Danish experts still had to work from their respective homes during the entire mission. At the start of the first meeting, it was detected that data files sent from Geostat as e-mail shortly before the meeting had not been received by the Danish experts, seemingly due to IT problems. As a result, the experts did not have identical files on their own PCs during the discussions.

The system of Excel macros for entering and adjusting data for the SUT-framework has been available for some time. Data inputs to this system have been prepared in the form of Excel-sheets in a standardized format for various areas of the economy. With 2018 as benchmark year, Geostat had now prepared data inputs covering production, foreign trade, intermediate consumption, GFCF and changes of inventories. Data for household final consumption, NPISH and general government had been drawn up in cooperation between Georgian staff and Danish experts. However, some of these areas still contained problematic values that needed further consideration and the first day was used to discuss such remaining problems.

In this mission attention was given to some specific areas: A new distribution of Imports CIF by products was presented. A similar distribution of exports FOB had been compiled, but the basic data seemed to contradict results from other data sources. The calculation of output of non-profit institutions („NPISHs”) was in principle calculated, but some significant sales revenues still needed to be looked at. It was possible to discuss solutions to the issues mentioned above, but the final versions of files with data inputs had to be finalized after the mission.

To initialize the balancing of supply and use of products, a presentation was shown that explained principles to be followed during this process.

Before beginning the process with balancing the system, the Danish Experts recommend that the staff at Geostat appoints a main balancer that is responsible for:

- organizing the work (create folders and dividing and appointing the rows and columns in complexes to the balancers),
- that all corrections are saved in the SUT-file,
- keeping track of the different versions of the SUT-file,
- making sure that all the targets are correct and updated,
- the final balancing

The Danish Experts suggest that the Geostat staff begins the balancing by looking at each row/product making sure that all relevant uses are included on the demand-side.

3. Conclusions and follow up

- Foreign trade: A new calculation of imports CIF by products has been produced based on detailed data from the National Bank of Georgia. The observed CIF figures from Geostat are here supplemented by estimates of non-observed inputs and corrected for “other adjustments”, transit of goods, shown in the compilation of balance of payments. A CIF-FOB correction needed to adjust total imports to the BoP-value has been calculated. There is a difference between total imports calculated in this way and the BoP total used in earlier figures, that should be explained! The available data for exports by products did not include the data needed to make a similar calculation. It should still be possible to obtain detailed export data used in the BoP-calculation from the National Bank. Exports by products has a significant influence on the values available for domestic uses and should be finalized before the product balances can be finalized. This is probably the issue that should be given the highest priority at this moment.
- General Government: Geostat used to treat non-market output from the central bank as government final consumption in accordance with the SNA 2008. After some discussion with the Danish Experts (and experts from the subcomponent on institutional sectors) it was decided instead to treat this output as intermediate consumption of financial intermediaries in accordance with ESA 2010.
- NPISH: The detailed data for NPISH units had been modified by a Danish expert. Reported figures for turnover are now only considered to be revenue from sales when it is significantly lower than the sum-of costs reported by the same unit, otherwise the assumption is, that the reported revenue covers other sources of income (or in other cases, the output-value calculated as sum-of costs). There are, however, still a number of units whose turnover may be sales, but seems suspiciously high. Someone from the Geostat staff should decide on realistic solutions to these questions.
- Taxes less subsidies on products: The “supply” of taxes on products had been distributed by SUT-on products by Geostat. To this mission, a distribution of subsidies on products was received from Geostat. A data-input sheet with net-taxes had been prepared by a Danish expert, but contained a serious error. It was corrected!
- Wholesale and retail trade margins: Geostat had completed the Excel environment’s trade margins by products. It was, however, not received by the Danish experts before the mission. A few margin percentages are still missing, but can be added during the balancing of supply and use of products.
- VAT: Default percentages for non-deductible VAT are calculated by formulas based on the average VAT-rate for each product, the share of each product that is supplied by VAT collecting units, the share of the product’s VAT that can be deducted as incoming by VAT-registered units and the share of each industry or use that is registered as VAT-collecting. Some questions on the choice of percentages will have to be resolved during the balancing. It was discussed whether the resulting total for VAT-turnover will be sufficiently close to the figure from the Ministry of finance. A final solution to this problem will, however, need to await the completion of the population of the uses-side of the SUT.
- Changes in inventories: New distributions of inventory changes had been compiled by Geostat. The calculations still contained a few inventory changes of products that cannot be kept in inventories, for instance services. They should be removed. Inventory changes of materials and supplies and finished goods and work-in-progress are now distributed in proportion with detailed inputs/outputs from the

corresponding industries. A similar detailed calculation of inventory changes of goods for resale had, however, not yet been produced. The danish experts promised to make a calculation based on the inventory changes by detailed NACE industries. This calculation has been sent to Geostat after the mission.

- Primary statistics values: A column showing the actual reported values to the right of the purchasers' value can contain useful information to the people that will be balancing supply and use. Such "Prim-stat" values have been added to the indata sheets for uses where such information is available. It should be possible to find similar values for outputs of industries covered by SBS. (Such values are calculated before non-observed output is added).

Because foreign trade data still needs to be investigated, results from balancing of supply and use for individual product balances would have to be reconsidered in the following mission. It was decided to have a short third meeting in the present mission and proposed to find some extra time for the actual balancing as soon as more reliable data is available.

It was agreed that the updated or missing parts needed for the population of the SUT environment shall be made available as soon as possible. It shall be ready before the next mission in which we will remove differences between supply and use for each product balance.

Another mission will be needed to – as far as possible – adjust total use within each column of the uses side to their corresponding target-values. Finally supply and use of trade, transport and VAT must be balanced.

Actions needed for moving forward:

Action	Deadline	Responsible person
A distribution of inventory changes of goods for resale by products using detailed SBS-data.	Around new year (Has been delivered!)	Søren Larsen, Statistics Denmark.
Data on the calculation steps from BoP should be obtained from the National Bank of Georgia. A final version of imports and exports from BoP for 2018 should be obtained.	As fast as possible!	Geostat
A "final" version of exports FOB by products should be produced using the data mentioned above	As soon as the data is available.	Søren Larsen, Statistics Denmark.
Decisions on the values of sales revenues of specific NPISH-units, typically membership-organizations	Before next mission	Geostat
Recalculation of the distribution of inventory changes by products for materials and supplies (Excluding services and subcontracted construction, see note)	As fast as possible!	Geostat
If possible: Send a file with reported output (excluding non-observed) by industries covered by SBS	As fast as possible!	Geostat

Annex 1. Terms of Reference

EU Twinning Project GE 16 ENI ST 06 18

4th December – 22 December 2020

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
 - **Baseline:** 2019 – SUT is produced in current prices
 - **Target:** March 2021 – SUT produced in current and constant prices according to SNA08
- Availability of I/O Tables as a statistical product
 - **Baseline:** 2019 – I/O tables are not available
 - **Target:** March 2021 – I/O tables available

Activity 2.2.D (RS) “Finalization of the population of figures into the SUT-table and initiating balancing”

1. Purpose of the activity

- Finalization of the population of figures into the SUT-table before balancing
- Initiating the balancing procedures

2. Expected output of the activity

- Progress made in the work towards balancing supply and use of products within the Excel-framework for SUTs
- Input provided to the ToR of next activity
- Mission report written
- Updated road map for sub component 2.2

Annex 2. Persons met

Geostat

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