

The Role of Sector Accounts in the Progressive Alignment of Georgia with the European Statistical System

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Abstract. *The development of sector accounts within the system of national accounts is the high on the Development Strategy of the National System of Official Statistics of Georgia and the global policy agenda as well. The System of National Accounts (SNA) is a comprehensive, consistent and flexible set of macroeconomic accounts to meet the needs of government, policy-makers, decisions-takers and private-sector analysts. National accounts provide information to analyze the structure of economies and their development over time. SNA promotes the integration of economic and related statistics in a system that is based on consistent economic and statistical concepts and methods. As such, it allows domestic and international comparative analysis, helps economists to measure the level of economic development and the rate of economic growth, the change in consumption, saving, investment, debts and wealth for not only the total economy but also each of its institutional sectors. Institutional sector accounts present a complete and consistent set of data for sectors, which combine institutional units with broadly similar characteristics and behavior. The role of sector accounts is extremely important in constructing the comprehensive system of national accounts of any countries. As Georgian statistics is on its starting point to develop sector accounts, current abstract emphasizes the needs of sharing the best practice of the EU countries in compilation of sector accounts and making comprehensive analysis. Furthermore, progressive alignment of the statistical system of Georgia with the European Statistical System is defined by the EU-Georgia Association Agreement in order to ensure integrity and comparability of official statistics at the global level.*

Keywords: *System of National Accounts (SNA), Sector accounts, Statistics*

Introduction

The System of National Accounts (SNA) is the internationally agreed standard set of recommendations on how to compile measures of economic activity. The SNA describes a coherent, consistent and integrated set of macroeconomic accounts in the context of a set of internationally agreed concepts, definitions, classifications and accounting rules.

In addition, the SNA provides an overview of economic processes, recording how production is distributed among consumers, businesses, government and foreign nations. It shows how income originating in production, modified by taxes and transfers, flows to these groups and how they allocate these flows to consumption, saving and investment. Consequently, the national accounts are one of the building blocks of macroeconomic statistics forming a basis for economic analysis and policy formulation.

National accounts provide information to analyse the structure of economies and their development over time. They contain a wide range of statistics describing an economy in various ways. It should be highlighted that the National Accounts data is more than just GDP.

The SNA helps economists to measure the level of economic development and the rate of economic growth, the change in consumption, saving, investment, debts and wealth (or net worth) for not only the total economy but also each of its institutional sectors such as government, public and private corporations, households and non-profit institutions serving households.

Sector accounts provide more detailed information for analysis and expand the scope of economic policy and forecasting opportunities. It can be said that the indicators obtained on the basis of sector reports show the country's economy, its development dynamics and trends in a different way.

Sector accounts present a breakdown of economic activity for all resident institutional sectors in a complete and consistent set of quarterly data. They provide comprehensive information not only on the economic activities of households, non-financial corporations, financial corporations and government, but also on the interactions between these sectors and the rest of the world. This information allows for an analysis of the institutional structure and behaviour of every institutional sector in the economy.

Sector accounts derive for each institutional sector value added, primary income, disposable income, final consumption expenditure, saving, gross capital formation, net lending (+) or net borrowing (-) like those of the whole economy.

Results

The European sector accounts aim to provide a comprehensive and comparable overview of the European economy as a whole. They record all “transactions” between economic agents grouped by “sector”. The system forms a sequence of interlinked accounts.

Obviously, European sector accounts also provide us with detailed information about economic development according to institutional sectors.

Sector accounts consist of financial and non-financial accounts. They link financial and non-financial statistics, thereby allowing for an integrated analysis of non-financial economic activities (such as gross fixed capital formation) and financial transactions (such as the issuance of debt).

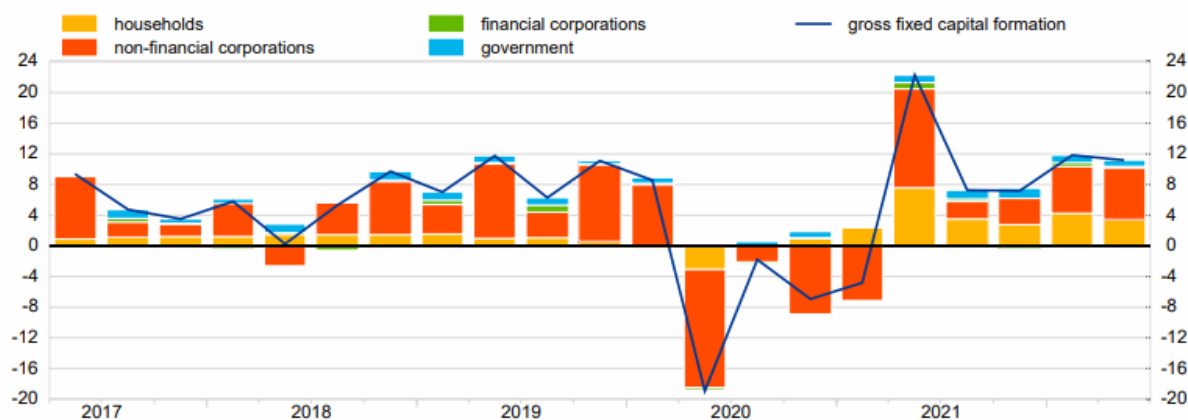
In order to show the comprehensiveness of sector accounts, to see how detailed information can be obtained for each of them in euro area, which is extremely valuable information for evidence-based decision making, we will present a few examples.

Gross capital formation, also known as Investments, is a major factor in changing the values of non-financial assets in the economy, consists of resident producers' acquisitions, less disposals, of fixed assets during a given period plus certain additions to the value of non-produced assets. These assets acquired are intended for use in processes of production.

The diagram below shows the growth of euro area gross fixed capital formation and contributions by sector. Following the outbreak of the COVID-19 pandemic, gross fixed capital formation (GFCF) in the euro area fell very rapidly in the first quarter of 2020, much faster than at the height of the global financial crisis.

Diagram 1

Growth of euro area gross fixed capital formation and contributions by sector
(annual percentage changes and percentage point contributions)

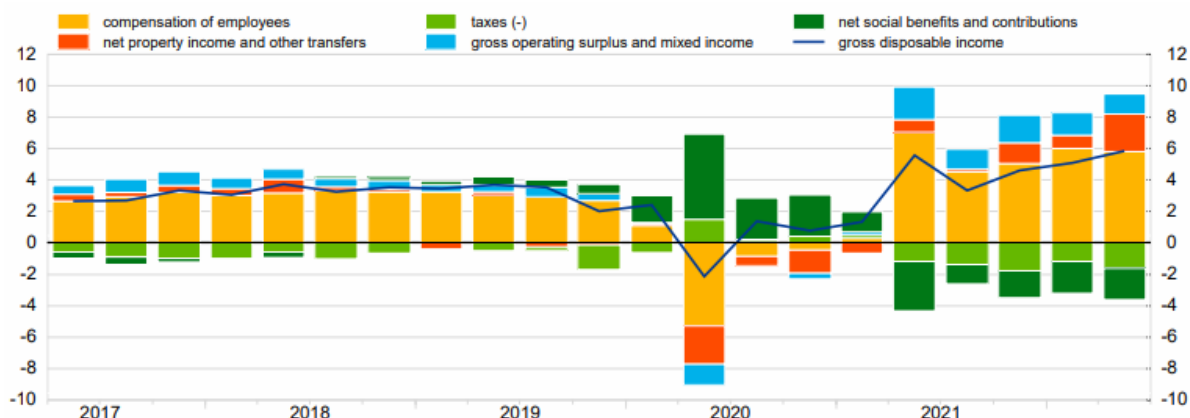


As for gross disposable household income, it is the amount of money that individuals in the household sector can spend or save after income distribution measures. At the macro level, disposable personal income is closely monitored as one of the key economic indicators used to gauge the overall state of the economy. The diagram below shows the growth of households' gross disposable income and contributions by income component.

During the first quarter of 2022, household gross disposable income (in nominal terms, seasonally adjusted) increased by 1.8% in the euro area, which is fundamentally explained by the large positive contribution of compensation of employees.

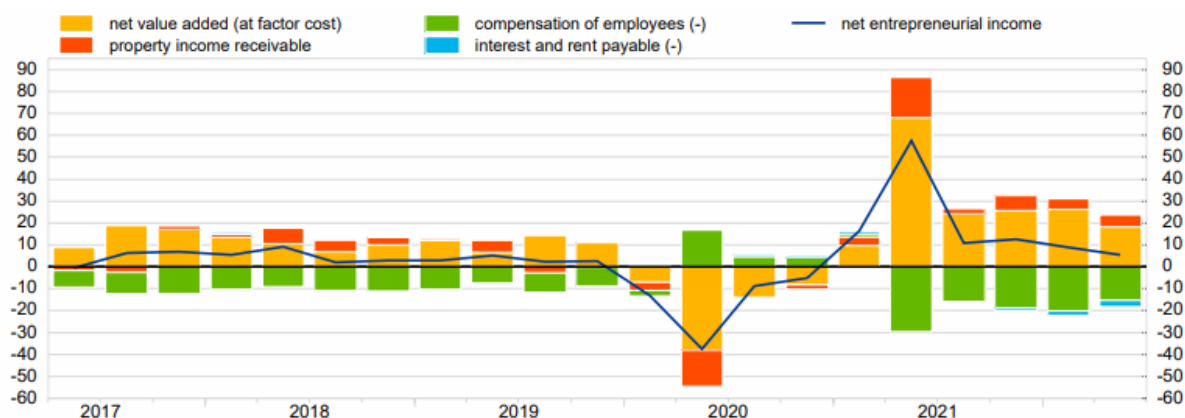
Diagram 2

Growth of households' gross disposable income and contributions by income component
(annual percentage changes and percentage point contributions)



Non-financial corporations' gross operating surplus increased at lower annual rate of 4.2% in the 1st quarter of 2022 (see Diagram 3). It was mostly contributed by the net value added.

Growth of operating surplus of non-financial corporations and contributions by component
(annual percentage changes and percentage point contributions)



Conclusions and Recommendations

SNA promotes the integration of economic and related statistics in a system that is based on consistent economic and statistical concepts and methods. As such, it allows domestic and international comparative analysis, helps economists to measure the level of economic development and the rate of economic growth, the change in consumption, saving, investment, debts and wealth for not only the total economy but also each of its institutional sectors. Institutional sector accounts present a complete and consistent set of data for sectors, which combine institutional units with broadly similar characteristics and behavior.

The share of each sector in the key indicators of the Eurozone differs significantly from one another.

The role of sector accounts is extremely important in constructing the comprehensive system of national accounts of any countries. As Georgian statistics is on its starting point to develop sector accounts, current abstract emphasizes the needs of sharing the best practice of the EU countries in compilation of sector accounts and making comprehensive analysis. Furthermore, progressive alignment of the statistical system of Georgia with the European Statistical System is defined by the EU-Georgia Association Agreement in order to ensure integrity and comparability of official statistics at the global level.

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