GDP CALCULATION METHODOLOGY

Methodological basis for the National Accounts of Georgia is a standard methodology - System of National Accounts 2008 (SNA 2008), provided by the International Monetary Fund (IMF), the United Nations (UN), Commission of the European Communities – Eurostat, the Organization for Economic Co-operation and Development (OECD) and the World Bank.

Revision of annual figures for 2018 year was conducted based on the SNA 2008 and time series for 2010-2017 years has been revised based on it.

Main differences are related to consideration of globalization impact on indicators of multi-national corporations. Also, changes concerned to the capital and financial accounts. According to the SNA 2008 expenditures related to Research and Development (R&D) are considered as investments, while they were treated as current expenditures by the SNA 1993.

One of the most important economic indicators of national accounts is Gross Domestic Product (GDP), which represents total market value of all final goods and services produced in a country in a given year.

GDP in current prices is calculated using three different internationally recognized approaches:

1. Production Approach:

Total GDP is the sum of gross value added created within the economic territory of the country by institutional units, plus taxes on products and import (VAT, excise tax and customs duties) less subsidies on products.

Calculation of GDP by the production approach is based on National Classification of Economic Activities of Georgia (GNC 006-2016), which is based on standards of Classification of Economic Activities in the European Community (NACE Rev.2).

Calculation scheme is as follows:

Total output of goods and services by types of activities in basic prices

\- Intermediate consumption

= GDP at basic prices

\+ Taxes on products and import

\- Subsidies on products

= Total GDP at market prices.

2. Expenditure Approach:

GDP by expenditure approach is based on expenditures incurred by institutional units in a given period, which is calculated according to the following scheme:

Consumption expenditures of households

+ Expenditures incurred by non-profit institutions serving households (NPISH)

+ Expenditure on collective (public administration, defense, social security and safety) and personal services (education and healthcare) rendered by General Government

+ Gross capital formation

+ Changes in inventories

= Total expenditure at market prices

+ Exports of goods and services

- Imports of goods and services

= Total GDP at market prices.

3. Income Approach:

GDP by the income approach is based on a sum of income of those institutional units who are directly involved in production process of goods and services in a given period.

Calculation scheme is as follows:

Employment income in the form of wages and social benefits (including Income tax)

+ Mixed income received from self-employment

+ Total profit received by companies from economic activities

+ Taxes on production and import

- Subsidies on products and production

= Total GDP at market prices.

Economic transactions are recorded on accrual basis using current market prices in accordance with international methodology.

Calculation of quarterly GDP real growth indices is recommended by the SNA 2008. Besides, the growth in real terms is calculated in comparison with respective period of previous year on the basis of GDP data calculated in constant prices.

Calculation of GDP into constant prices by production approach is implemented using the method of double deflation. It is conducted by subtracting deflated intermediate consumption from the deflated figure of output. Deflation for indicators of GDP by expenditure approach is done using appropriate price indices for categories of use.

International methodology considers measuring non-observed economy in the process of GDP calculation.

Non-Observed Economy is measured by types of economic activities considering information on activities, output, income, consumption and other economic operations missed from the existing standard statistical sources. Direct as well as indirect measurement methods are used to assess non- observed economy.

The following sources of data are used in the GDP calculation process:

- Quarterly and annual business statistics surveys. The databases are processed quarterly in the format of the SNA, which represents a basis for calculation of total output by types of activities, considering non-observed economy;
- Quarterly Household Surveys data. Employment and households' final consumption databases are processed quarterly in the format of the national accounts;
- Price statistics data on producer, consumer and export and import prices indices;
- Quarterly and annual surveys of agricultural holdings;
- External trade statistics data about export and import of goods;
- Data from the National Bank of Georgia (NBG):
    - Monthly data on income and expenses of commercial banks;
    - Monthly data on income and expenses of NBG;
    - Data of Balance of Payments of the country;

- Quarterly data of Insurance Companies;
- Monthly data from the Ministry of Finance (MOF) (consolidated revenue, budget revenues of state and self-governing bodies (by types of taxes) and expenses (by functional and economic classifications)), which is processed to arrive at total output of public sector; and taxes on products and imports (VAT, excise and customs duties).

Notice: Detailed methodology is available at: MORE MORE