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| Magnification or manipulation: Guyana’s rebased national accounts series |

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| As indicated in last week’s column I had planned to continue this week with a discussion of the rebased national accounts series for Guyana. Since then, however, several readers have contacted me querying the magnification revealed in the official rebased calculations of Guyana’s national accounts, which uses 2006 prices in place of the 1988 prices previously in use until now.  It is a sad commentary on the confidence persons repose in official statistics when most of those who have contacted me have questioned the integrity of official motives behind this and go on to hint that the government is up to some scampishness and/or is manipulating the economic data for political purposes. While clearly from what I revealed last week, it would not be possible to accurately assess Guyana’s economic performance over the crucial two decades or so of the PPP/C administration, I need to state up front, however, I do not know what motivated the authorities to undertake the rebasing exercise at this juncture.   **Why now?** As a matter of pure fact, the Bureau of Statistics has offered at least three sensible reasons why the exercise was undertaken at this particular time. First, the Bureau has pointed out that since the first official preparation of Guyana’s national accounts in the 1960s, there have been two rebasing exercises. (There are, however, academic estimates of Guyana’s national accounts prepared as far back as the 1950s, by the University of the West Indies). The first rebasing exercise was undertaken in 1977, and the second in 1988.  This means therefore that, prior to the recent rebasing exercise, the national accounts were calculated on a price and output structure that is more than two decades old. During that time, however, Guyana’s production and consumption structures would have changed significantly. If so, then relative prices would have also changed. Further, as we now know entirely new products have emerged into prominence since then (for example, cell phones, computers, and television companies).  The second reason the Bureau has advanced is that the Committee of Caribbean Statisticians had passed a resolution stating that all member states of Caricom should revise their national accounts using a base year, which is year 2000 or later. This was designed to ensure greater comparability across the time series data for Member States.  The third reason, which explains why the year 2006 was specifically chosen for Guyana is that this is the reference year, which the Bureau had used for the Household Budget Survey. The structure of this survey and the information gathered from it would have been indispensable to the verification of the construction of the national accounts tables based on 2006 prices.  Results The exercise was undertaken by the Bureau of Statistics as a three-year project (2007-2009) supported by the Central Statistical Office of Trinidad and Tobago, the Inter-American Development Bank, the United States Census Bureau and the Caribbean Regional Technical Assistance Centre (CARTAC). As I pointed out last week the Bureau of Statistics has admitted that there are two inevitable consequences of this rebasing. One of these is that there would be increases in the values of key components of the national accounts.  And, the other is that the growth rates of the revised GDP (2006 prices) would be higher than in the old series (1988 prices).  For the convenience of readers, I have summarized the key results in these two areas in the Schedule (1) below. Schedule 1: GDP/Growth Calculations based on 1988 and 2006 prices (G$ billion)  Categories                                                                           Years   2006        2007     2008    2009   Gross domestic expenditure, 1988 prices          246.6    309.7     364.3    357.5  Gross domestic expenditure, 2006 prices         364.3     451.5     519.7    514.8   GDP at current factor cost, 1988 prices                154.0      171.2    190.8   202.2  GDP at current basic prices, 2006 prices              262.0      305.8    349.5   359.6   GDP at current market prices, 1988 prices            183.1     217.5      236.1   255.8  GDP at current purchasers’ prices, 2006 prices 292.0 352.1 391.5 413.1   Growth Rate\*, 1988 prices                                            5.1     5.4     3.1     2.3  Growth rate\*, 2006 prices                                         N.A.     7.0     2.0     3.3   Note\*:    GDP at constant prices based on the year as given. N.A. not applicable. Source:   Bureau of Statistics, 2010. Readers would observe from the schedule how large the increases are in the new 2006 revised national accounts categories, when compared to the old series based on 1988 prices. Thus, for example, the familiar GDP at current factor cost (or current basic prices in the revised version) has increased by more than three-quarters (77.5 per cent)! Indeed, this increase ranges from 71 per cent in 2006 to 83 per cent in 2008. GDP at current market prices (or current purchaser’s prices in the new 2006 prices) has increased by about 62 per cent.  Turning to the growth rate of constant GDP for the years 2007-9 based on the old 1988 prices and rebased 2006 prices, we observe a higher overall rate of growth in the latter. This is so despite the recorded slower rate of growth for 2008. The annual fluctuations are also larger based on the new 2006 prices (ranging from 7 per cent to 2 per cent) than is the case for the old 1988 prices (ranging from 5.4 to 2.3 per cent).  Because of these very large changes in the results readers could imagine how difficult it would now be to use a long-term times series, which includes the years 2006-2009 for analysis.  The use of data from the new series for these years would distort the trend, while their exclusion and reliance on the old 1988 series would be problematic. At the same time the new 2006 series only covers four years, which makes it of no use for long-term trend analyses of the economy.  Of note, the Bureau of Statistics also categorically claims that it cannot use the data it has, to recompute on the basis of 2006 prices, the national accounts for years earlier than 2006.   In conclusion readers should note that, consequent to the rebasing of the national accounts calculations on 2006 prices, the classification of the structure of Guyana’s economy has undergone significant revisions as well. Next week I shall address these changes before continuing with my evaluation of the impact of the ongoing global economic crisis on Guyana’s economy. |