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| Statistical illusion or real changes: Guyana’s new rebased national accounts |

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| Last Sunday’s column focused on two key results following on the rebasing of the national accounts calculations from the 1988 base year previously in use, to the 2006 base year.  One was the large increase in the size of familiar national accounts totals like GDP at factor cost and GDP at current market prices.  And, the other was an overall increase in the growth rates of GDP at constant 2006 prices as compared to those arrived at using constant 1988 prices.  It is also the case that some of these categories have been renamed.   Thus, GDP at factor cost, which was the term used previously, is now termed GDP at basic prices and, GDP at current prices now becomes GDP at purchaser’s prices. This week I shall wrap up the discussion of this topic.  I will focus on revealed changes to the structure or anatomy of Guyana’s economy and its performance, arising from the rebasing exercise.  Readers would recall that one of the key considerations, which has prompted the new rebasing exercise, is that there have been significant changes to the structure of Guyana’s economy since 1988, the base year on which the old series had been calculated.**From sector to industry**The rebased national accounts (2006 prices) is designed to secure at least three major innovations.  The first of these is to discover new, and hopefully more reliable, data sources for measuring the economy.  The second is to utilize an improved system for the classification of those economic activities which comprise the GDP.  The third is to apply new and improved techniques for calculating/estimating economic activities that are included in the measurement of GDP.  For this latter purpose the Bureau of Statistics will continue to use internationally agreed standards and measures for compiling the national accounts.The basic reference manual used for this purpose worldwide, is the United Nations System of National Accounts, which has been published in various revisions.  The version that was used prior to the 2006 rebasing exercise was the one issued in 1968.  The version that is now used for the rebased series (2006 prices) is the 1993 version.  However, the United Nations manual was revised again in 2008.  This recent version is not yet in widespread use, but several countries are planning to transition to the implementation of the 2008 version during the next five years.Of note the United Nations produces the national accounts reference manual in collaboration with a number of international economic organizations, namely, the IMF, World Bank, Organization of Economic Cooperation and Development (OECD) and the European Union (EU).The use of the 1993 reference manual has had several noticeable impacts on the revealed structure of Guyana’s economy.  Among the more important are, 1) significant changes in the sectoral (now relabelled industrial) composition of the GDP; 2) better coverage and classification of economic activities; and, 3) a far better integration of the established income, expenditure, and value-added approaches, toward the measurement of the national accounts.One striking result is clearly displayed in the usage of the United Nations, International Standard Industrial Classification (ISIC) System Revision 4.  This has replaced the concept of sector with that of industry.  For purposes of  Guyana’s national accounts, the economy is now classified into 14 of 21 industry clusters or categories derived from the ISIC, with the remaining seven captured as an Other  category.  The 14 sectors/industries are listed below (Schedule 1) along with the seven items included as Other.Schedule 1:1: Agriculture, forestry & fishing            8: Transport and Storage2: Mining & Quarrying                9: Information & Communication3: Manufacturing                 10: Financial & Insurance4: Electricity, gas & air conditioning          11: Real Estate5: Water Supply, sewerage & waste         12: Public Administrationmanagement6: Construction                    13: Education7: Wholesale & retail trade            14: Health & Social ServicesOther includes: Accommodation & Food Services; Professional & Technical; Administration & Support: Arts, Recreation & Entertainment; Household activities; Foreign Organizations; Miscellaneous.As a result of this reclassification, the structure of the Guyana economy as reported in the new national accounts 2006 series, differs from that portrayed in the series based on 1988 prices.  Thus for example, the top five industry or sector categories in 2009, account for about two-thirds of GDP when based on the new 2006 prices.  The top five for the same year, however, account for over three-quarters on the basis of the previous 1988 prices!  Of equal note, the composition of the top five industry or sector categories has shifted significantly between the two base years.These data are portrayed in Schedule 2 belowSchedule 2:Leading sectors percentages share of GDP at constant 1988 and 2006 prices for 2009Leading Sectors at 2006 prices              Leading Sectors at 1988 pricesAgriculture, fishing and forestry    (21.4%)        1. Agriculture, fishing and forestry  (28.1%)Mining and Quarrying                   (12.6%)        2. Transport and Communication       (14.2%)Wholesale Retail Trade                  (12.4%)        3. Government                     (11.5%)Construction                             (9.8%)        4. Engineering and construction      (11.0%)Public Administration                (9.0%)        5. Distribution                         (10.5%)Total                62%                            6.  Total                      75.3%Source: Bureau of Statistics 2010.The data in Schedule 2 reveal that calculations for the two base years (1988 and 2006) show “Agriculture, fishing and forestry” is the leading category, although to a lesser extent on the basis of 2006 prices (21 per cent) when compared to 1988 prices (28 per cent).  “Mining and Quarrying” appears in the list of five top industries/sectors based on 2006 prices, but does not appear in that for 1988 prices.Similarly, “Transport and Communication” appears on the top five list on the basis of 1988 prices, but does not appear in the top five list in the series based on 2006 prices.To what extent these changes in the size, rates of growth, and composition of the national accounts are a statistical illusion following on the rebasing exercise or are due to real developments in the economy will only become clear as data on the new (2006) series unfold in the future; as the saying goes, time will tell.Next week I shall conclude this topic and resume the discussion of the impact of the global crisis on Guyana and the wider Caricom region. |