

JEL Classification Numbers:

E65, P20, P22, P24, P27

Summary of

WP/94/6

"Measuring the Transition: A User's View on
National Accounts in Russia" by Vincent Koen

As Russia's transition unfolds, the traditional national accounts concepts and reporting mechanisms become increasingly inadequate. Notwithstanding the substantial work already carried out by the statistical authorities, with the technical assistance of several multilateral institutions, the margin of error associated with basic price and quantity estimates is widening substantially. This paper discusses key measurement and interpretation issues and provides examples that reveal the dangers associated with uncritical use of raw data. While the paper's focus is on Russia, similar issues arise in the other states of the former Soviet Union and, to a lesser extent, in the economies in transition of Central and Eastern Europe.

Severe index problems affect the measurement of prices and volumes. In a short period, Russia moved from a system of rigid price lists to decentralized price setting and from repressed to open--and very high--inflation. Even with the best statistical apparatus, such a radical change would create extremely difficult measurement problems. Given the breakdown of the traditional reporting mechanisms and the extent of structural change, the information conveyed by the existing retail and producer indices became misleading and a new consumer price index was set up. Further work, however, remains to be done on the other key deflators, which either suffer from technical deficiencies or are not available. For the same reasons, output volumes are mismeasured, all the more so because the traditional census approach to data collection often prevails. The problem is particularly acute for the service sector.

Some of the analytical and policy implications of these index problems are discussed. Estimates of the size of the economy are likely to vary considerably depending on the indices used, implying that cross-country comparisons are hazardous. Rates of change in real output are also difficult to measure under these circumstances. An assessment of the evolution of wages, consumption, profits, and stockbuilding in real terms is heavily influenced by the choice of deflator. Pervasive arrears and tardy adjustments for inflation in stock valuation distort some of the key aggregates in the national accounts.