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MEASURING CHANGES IN INVENTORIES IN THE NATIONAL ACCOUNTS OF UKRAINE

Supporting paper submitted by the State Statistics Committee of Ukraine

SUMMARY\*

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\* Unofficial summary in English prepared by the State Statistics Committee of Ukraine. Original document is CES/AC.68/2000/30 which exists in Russian only.

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1. The Ukrainian System of National Accounts (USNA) applies the guidelines of SNA-93, while simultaneously taking into consideration the institutional structure of the economy, legal and regulatory framework in Ukraine, as well as the peculiarities of the information sources utilised to estimate the macroeconomic indicators. In accordance with the international standards, starting from 1989 the annual indicators of the system of national accounts are defined in Ukraine. Quarterly calculations of the Gross Domestic Product are made from the production side (from 1994) and from the expenditure side (from 1995). Today, the set of Ukrainian national accounts starts with the production account, with the value added as the balancing item and concludes with the accumulation accounts, in particular the capital account with net lending/borrowing as a balancing item.

2. One of the outspread estimations used for economic analysis is the GDP estimate by expenditures. An important element of GDP by expenditures is gross capital formation, which is in turn included into the capital account. Gross capital formation is an aggregate, comprising gross fixed capital formation, change in inventories, and acquisitions less disposals of valuables.

3. The estimation of changes in inventories is a challenge both at the phase of data collection and at their assessment in the USNA. Differences are mainly due to the particularity of primary recording of inventories in the business accounts - the main information source for their calculation. Annual and quarterly data of the accounting reports of the enterprises (Balance sheets of enterprises) comprise some inventory categories which are defined according to the SNA-93, such as work-in-progress and finished goods. Other categories deviate from the recommendations of the SNA-93. These are raw materials, livestock, instruments estimated at remaining cost, goods estimated at current purchasers' prices.

4. USNA applies the same calculation scheme for changes in inventories as recommended by SNA-93. In the USNA, the change in value of inventories during a given period is defined as the difference between the values at the end and at the beginning of the period under report, estimated at average market prices of this period to remove the impact of the price changes. Calculation is made by institutional sectors and industries according to the Classification of National Economy Branches (OKONH). At present a shift to the classification of economic activities is underway. An estimate of the holding gain is also made.

5. To assess the real changes in inventories the USNA reevaluates them in comparable prices (prices of the respective previous period). For this, a system of indices is applied: producer price index, consumer price index and physical

volume index. To re-evaluate individual components, supplementary indices are used, f.e. index of agricultural production.

6. At present, the work of the State Statistics Committee of Ukraine is focused on improving the methodology for calculating gross capital formation, in particular the changes in inventories, as well as on improving data sources for computing the national accounts indicators. Starting from 2000, new bookkeeping standards have been introduced elaborated according to the international requirements. This inspired the necessity for improving the calculation methods and the retrospective recalculations of time series.

7. Furthermore, the State Statistics Committee has carried out some preparatory work in order to estimate in future the seasonal character of particular products in the quarterly accounts (for example, in agriculture, construction and other industries). According to the SNA-93, reflection of work-in-progress at end of the reporting period is mandatory when calculating changes in inventories. This will enable us to produce seasonally adjusted time series of quarterly estimates.

8. As recommended by the SNA, to calculate changes in inventories in constant prices, it is necessary to apply the prices of a base period. Thus, in light of the distinctiveness of the economic development in Ukraine, 1997 is used as the comparison base year for the estimates at constant prices.

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