

Appendix A3

Choice of Base-Year (1990)

With quantity data available for all years, the key question is one of price data availability. Publication of most of the official absolute price data ceases with the 1993 data, as the *Price Statistical Yearbook 1994* (with data for 1992 and 1993) is the last volume of its kind. The most recent year that is feasible as a base-year then is 1993. However, the data in the *Price Statistical Yearbook 1994* cover a much smaller range of products than the previous *Price Statistical Yearbook 1992* (with data for 1991) or other earlier versions of the yearbook (1988, 1989, 1990, 1991). The years 1993 and 1992 thus appear not ideal.

We use 1990 as the base-year. One argument in favor of 1990 is that 1990 is a standard base-year in Chinese statistical practice. For example, the NBS in the production approach to GDP during the period 1990 through 1999 also used 1990 base-year prices when calculating real growth in agriculture and industry (quantity data in these two sectors every year are multiplied by the base-year prices); thus, the published prices of 1990 might be of particularly good quality.

Second, later statistical sources occasionally repeat the data of earlier years, and when they do so, selectively, year 1990 data have a much higher likelihood of being included than, for example, year 1992 data. Thus, the *Rural Household Survey Yearbook 2002* has extensive, detailed data for 1990, some of it unique, but no detailed data for 1992.

Second, inflation in 1990 as measured by the CPI was minimal (3.1%), which implies that measurement problems due to inflation are likely to have been small. Inflation in 1992 at 6.4% was double the 1990 value; in 1993 it was 14.7%.

Fourth, household survey data for 1990 (both in the rural and urban case) are reported using two alternative expenditure classifications, the one in use at the time, plus a new one introduced in 1993, with retrospective data reported for 1990. The availability of two different classifications offers more choices in how to reconstruct the basket. In particular, the earlier classification in the urban case turns out to be much more amenable to the construction of baskets. For 1992, urban household survey data are only available following the more recent classification, and since 1993 both rural and urban household data are only available following the more recent classification.