

Steven Keuning
*Director General
Statistics*

Mr Robert Edwards
Director
Statistics Department
International Monetary Fund
700 19th Street, N.W.
Washington, DC 20431

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Contact person: Mr. R. Mink
Ext.: 7639
E-mail: reimund.mink@ecb.int

Dear Rob,

IMF seventh consultation on the updating of the 1993 SNA (draft chapter 16)

Please find attached the ECB comments on the SNA draft chapter 16, which appears well-written and providing a comprehensive overview of price and volume measurement in national accounts. The comments have been shared with the members of the Statistics Committee (STC) of the European System of Central Banks (ESCB).

Kind regards,

[Signed]

Steven Keuning

Encl.:

Form with comments on the draft SNA chapter 16 (price and volume measure)

- Cc: a) Members of the Statistics Committee
b) Permanent Representative of the ECB at the IMF
c) Members of the ISWGNA

Mr. Paul Cheung
Director
United Nations Statistics Division
Two United Nations Plaza
Room DC2-1656
New York, NY 10017
Fax (1 212) 963-9851

Ms. Shaida Badiie
Director
Development Data Group
The World Bank
1818 H Street, N.W.
Room MC2-747
Washington, D.C. 20433
Fax: (1 202) 522-3645

Mr. Enrico Giovannini
Director
Statistics Directorate
Organisation for Economic Cooperation and Development
2 Rue André Pascal
75755 Paris, Cedex 16
France
Fax: (33 1) 44 30 63 22

Mr. Hervé Carré
Director-General
Statistical Office of the European Communities
European Center
P.O. Box 1907
Luxembourg
Fax: (352-430) 13 30 15

- d) Project manager and Editor

Mrs. Carol S. Carson
Project manager
1993 SNA Revision Project
c/o International Monetary Fund

Mrs. Anne Harrison
Editor
1993 SNA Revision Project
c/o World Bank

e) Website “Comments on 1993 SNA updating issues”

Mr. Ivo Havinga

Chief of the Economic Statistics Branch

United Nations Statistics Division

Two United Nations Plaza

New York, NY 10017

sna@un.org

Fax (1 212) 963-1374

**Comments on draft SNA chapter:
Chapter 16: Price and volume measures**

Deadline for comments: 5 October 2007

Send comments to: sna@un.org

Your name:	Reimund Mink
Your country/organization:	ECB
Contact (e.g. email address):	reimund.mink@ecb.int
Submission date:	5 October 2007

This three-part template allows you to record your comments on draft chapter 16 easily and, at the same time, makes it easy for us to use your comments in considering revisions to the draft chapter. You may complete any one, any two, or all of the three parts of the template.

There is no file comparing existing text with draft text for this chapter due to the large amount of new text in this chapter.

Save this template and send it as an attachment to the following e-mail address: sna@un.org.

Part I: General comments

In the space below, please provide any general comments, such as about the clarity with which the new recommendations were incorporated (30 words or less).

Comment:

<p>This chapter provides a very comprehensive overview of price and volume measurement in national accounts. Our comments refer to parts A and B of this chapter. One specific issue that appears not to have been included so-far, is the treatment of price changes from zero to a price above zero (or vice versa), i.e. products that were initially offered for free, but for which buyers have to start paying (e.g. from initial free use of motorways to a toll charging system).</p>

Part II: Comments on specific draft paragraphs or passages

In your review of draft chapter 16, you may wish to devote particular attention to the passages listed below. For ease of reference, we have identified the relevant paragraphs. Please use the space provided to the right of the paragraph number to make your comment.

Index number theory

Section B presents an overview of index number theory as applied in the System. It has been updated to reflect work during the last decade embodied in the new manuals on consumer price indices, producer price indices, and export and import price indices (available in draft).

1. Paragraphs 16.10 - 16.88 present this overview. Are these paragraphs clear and appropriate to the SNA?

General comment	As regards chain indices, it would be appropriate to insert a statement that chaining only makes sense when it is implemented at a sufficiently detailed product level.
16.14"Unit value indices measure the change in the average value of units that are not homogeneous..." could be replaced by "Unit value indices measure the change in the average value of units that are not necessarily homogeneous..."
16.50	Contrary to what is stated, there are established standards as regards the chaining technique for the annual chaining of quarterly data. The IMF and Eurostat, for instance, recommend the use of the one-quarter overlap technique and consider the annual overlap technique as a good alternative, which has the advantage that no additional benchmarking is necessary for non-adjusted data. Most EU countries also use the annual overlap technique.
16.57	While chaining helps ameliorate problems of constant quality comparisons, it is not sufficient; The application of explicit quality adjustment techniques (e.g. hedonics and option pricing) is – as also acknowledged in 16.85 - still needed.
16.58	We question somewhat the wording that additivity is a very restrictive property, particular since accounting identities are at the core of national accounts. We suggest highlighting that Laspeyres volume indices have the positive feature of additivity and that Laspeyres volume indices in constant (previous) year's prices preserve this feature. This is also one practical advantage over Fisher indices which seem to be favoured in this draft.
16.63	Given that – within the EU – almost all countries have adopted the annual overlap method, we suggest adding an appropriate formula for contributions to growth also for this method (e.g. the formula used by Eurostat).
16.70	This paragraph is not completely clear; we do not understand what the reason is for treating changes in the customer-composition as a volume change.

* Insert rows in this Word table for each paragraph on which you wish to comment.

Derivation of volume measures in the national accounts

Section C is considerably expanded from its counterparts in the *SNA 1993*. The ISWGNA agreed that this expansion was needed and that the new price manuals provided useful input for the expansion.

2. Paragraphs 16.89 - 16.183 cover price deflation vs. quantity revaluation, volume measures of the output estimate of GDP, volume measures of the expenditure estimate of GDP, volumes and prices for stocks of non-financial assets and consumption of fixed capital, components of value added, measures of real income for the total economy, and other aspects of price and volume measurement. Are these paragraphs clear and appropriate to the SNA?

General comment	No comment
16.89	Click here and start typing.
*	Click here and start typing.

* Insert rows in this Word table for each paragraph on which you wish to comment.

International price and volume comparisons

Section D presents the theory and practical aspects of international comparisons of prices and volumes. It draws on the most recent round of the International Comparison Program, which involved 107 countries.

3. Paragraphs 16.184-16.225 present this material. Are these paragraphs clear and appropriate for the SNA?

General comment	No comment
16.184	Click here and start typing.

Part III. Other specific comments

You are welcome to make other comments. Please do so by using Adobe Acrobat Version 6 or 7 to comment directly on the PDF of the draft chapter.

If you don't have Adobe Acrobat Version 6 or 7 and would like to make detailed comments, please send a message to sna@un.org requesting a version of the draft chapter that permits you to comment. To optimize your commenting tools, please download Adobe Reader 7.0 for free from <http://www.adobe.com/products/acrobat/readstep2.html>