

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

**Deadline for comments: 5 October 2007
Send comments to: sna@un.org**

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Submission date:	10/05/2007

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:

The chapter seems generally in good shape. We welcome the inclusion of more information on index number theory and the references to the Consumer and Producer Indices Manuals.

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	In general, the text is clear although it would be useful to include more explanations in some paragraphs.
16.88	Part e) reads, “When constant price estimates are rebased, say every five to ten years...” A clear recommendation on changing the base year of the national accounts at least every five years should be included in this paragraph or somewhere in the text.

* 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	In general, the text is okay, but some clarifications are needed.
16.121	The paragraph reads, “An output single indicator method is indicated as preferred to an input one...Over the short run the potential bias involved in using single indicators may be negligible compared to errors in the double deflation estimates.” We would suggest editing this paragraph and recommending the double deflation method as the preferred one.
16.122	This paragraph states that one alternative to double deflation is to deflate current price value added directly by a price index for gross output. We would suggest deleting this statement and replacing it by the alternative of extrapolating value added with the same volume index that results from deflating output by a producer price index, as deflating value added directly is not a sound practice. Value added at current prices should not be deflated directly by output or input price indices.
16.162	When taxes and subsidies are ad valorem, changes in the tax/subsidy price are

	related to changes in the tax/subsidy rate along with changes in the prices of the goods and services that are subject to the tax/subsidy. Therefore, the price index to deflate taxes and subsidies in this case should include both price changes. That is why the preferred method to calculate volume measures of taxes/subsidies on products is by applying base-year-tax rates to the volume of transactions subject to a specific tax/subsidy or by extrapolating the base-year tax/subsidy using a volume extrapolator of transactions subject to a specific tax/subsidy (e.g. supply, sales).
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* 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	This section is very useful.
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>

Paragraph 16.8. Please spell out the meaning of ICP since this is the first time it is mentioned.