

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

**Deadline for comments: 5 October 2007  
Send comments to: [sna@un.org](mailto:sna@un.org)**

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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](mailto: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>A well written chapter of complex material. Notwithstanding the quality of the write-up, there is still considerable overlap between the theoretical part and the application part which should be avoided. Moreover, some of the text might be better presented in an electronic annex to the 1993 SNA Rev.1. because its nature is of practical compilation guidance.</p> <p>It is preferred that the notations are aligned with other international recommendations. In IMTS manuals, the notation CIF (or CIF-type) and FOB (or FOB-type) is used instead of cif, c.i.f., fob or f.o.b. To be even more precise, it is referred to as CIF-type and FOB-type since those encompass also slightly deviating valuations in addition to strict CIF and FOB valuations</p>
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**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	
16.13	suggest wording change to “These manuals have been prepared with a common structure in mind to assist readers. In particular, chapter 14 of each of these manuals ....”
16.14	<p>In para 16.14 the author moves from a theoretical to an empirical explanation of volume, price and unit value indices. In that view the language should be amended and I would suggest to change the following sentences:</p> <p>Current: Unit value indices measure the change in the average value of units that are not homogeneous and may therefore be affected by changes in the mix of items as well as by changes in their prices. Unit value indices cannot therefore be expected to provide good measures of average price changes over time.</p> <p>Suggested: Unit value indices measure the change in the average value of units that are not <b>necessarily</b> homogeneous and may therefore be affected by changes in the mix of items (<b>commonly referred to as compositional shift</b>) as well as by changes in their prices. <b>In cases where units are proven not to be homogeneous, unit value indices cannot</b> provide good measures of average price changes over time.</p>
16.14	Insert the following sentence at the end of the first sentence “...adequate for the purpose. <b>That is, data for homogeneous items are not available.</b> For example, ....”
16.15	Replace “There are many index number formulae differing from each other mainly in the weights ....” with “There are many index number formulae. These differ from each other mainly in the weights ....”
16.21	This paragraph suggests it is <i>better</i> practice to update the weights every 5 years rather than every ten years. Suggest that best practice also be mentioned here. That is, annually re-weighted chained indices and reference paragraph 16.39
16.28	Typo in first sentence “Economic theory postulates indifference curves that show how <del>consumes</del> <b>consumers</b> would alter their ...”
16.32	The first sentence states that “The Fisher index .... have led it to be extensively used in economic statistics.” Not sure that this is correct – particularly outside

	the US and Canada. I would suggest that the use of the Fisher index has been limited by the need to calculate the Paasche index first (and related need for current period weights).
16.48 – 16.49	May be useful to make reference to the IMF Quarterly National Accounts (Chapter VI) publication to support/supplement the discussion on benchmarking.
16.56	Suggest last sentence is “This is not easy in product areas <b>where quality changes rapidly</b> , such as personal computers.
16.62	Suggest first sentence be update to “Index number formulae simply do not cope well with time series data that can take negative or zero values.”  An numerical example might support the text.
16.63	A numerical example might support the text on “contributions to growth”.
16.71	Suggest including the following sentence “.....overstate price changes and understate volume changes. <b>The difficulty for price statisticians is to quantify or measure these quality changes.</b> National accountants need .....”
16.79	Suggest first sentence is “A more <del>general</del> <b>scientific</b> and powerful method of dealing with changes ...  Also suggest replacing “Provided there are sufficiently many differentiated models are on sale at the same time.....” with “Provided there are enough sufficiently different models on sale at the same time...”
16.80	It would appear necessary to include a short statement at the end of this paragraph about some of the challenges of hedonics. For example “It should be noted that the use of hedonics for the purpose of quality adjustment is, in general, a data hungry and resource intensive procedure requiring sound technical skills. These characteristics have, on occasions, limited its use.”
16.85	Would suggest that this paragraph also briefly mention some of the other methods to deal with products that change rapidly – particularly for countries where hedonics is not currently employed and is unlikely to be employed in the near future.

\* 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	Clear and well structured section. Minor suggestions to paragraphs suggested
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comment	below.
16.142	This paragraph is a little unclear. Suggest rewording.
16.144	The first sentence may read better as “Volume estimation should be undertaken at a detailed level, with different types of inventories distinguished. For example, stage of processing in manufacturing.”
16.148	The statement "and that transportation is always charged separately." is not correct. CIF implies that transportation charges are included. Unless something else was meant, this part should be deleted. [If something else was meant it should be properly explained]
16.151	The statement "Unit value indices may suffer further in recent times due to an increasing lack of comprehensiveness of the source data with increasing proportions of trade being in services and by e-commerce, and hence not covered by customs data." is wrong and should be deleted.  No major changes are expected for IMTS due to proposed changes in BOP. E-commerce is a means of buying, mostly retail on the internal market. International transactions through e-commerce are recorded via courier service or larger transportation means and will need to pass normal customs procedures.
16.151	the statement "Further, countries in customs and monetary unions are unlikely to have intra-union trade data as a by-product of customs documentation." does need rewording: "Further, countries in customs unions need to find sources other than customs declarations to measure intra-union trade."
16.151	The statement "but also to the often poor quality of recorded data on quantities." should be softened to "but also to the <b>sometimes</b> poor quality of recorded data on quantities."
16.166	Minor typo in first sentence “It is possible, <del>buy</del> by use of a .....

\* 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	Click here and start typing.
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](mailto: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>