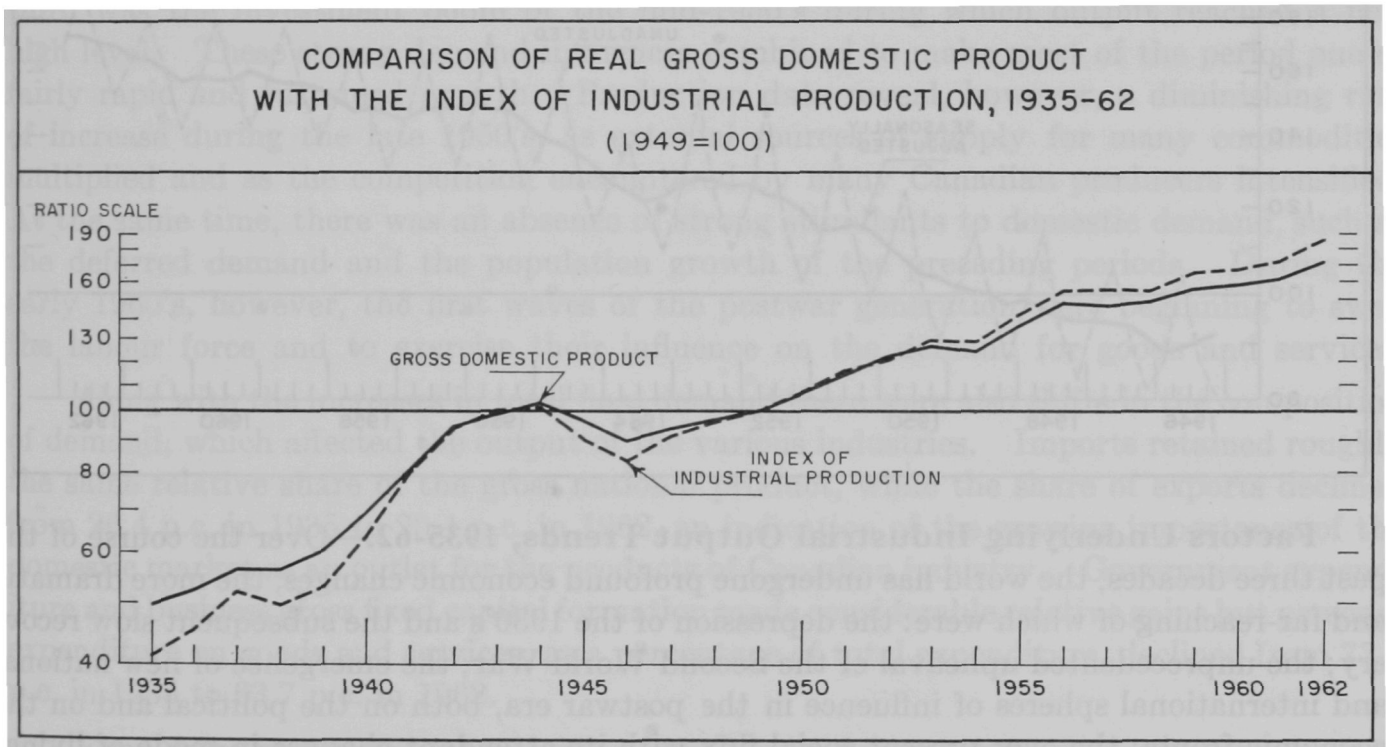


In measuring the production of a single product such as steel, it is normal to think of so many tons of steel when the question of quantity arises. When measuring the combined production of steel and natural gas, there is an obvious need for a common denominator and, in such a case, it is appropriate to use the average unit prices of some time period (chosen as a base) to value the quantities produced before adding them together. The resultant quantity, volume, or real output measure can subsequently be left in its constant or base period dollar form or it can be expressed in index number form. The latter is accomplished by dividing the constant dollar aggregate of the current period by the dollar aggregate for the base period and multiplying by 100. In constructing a quantity index for a combination of industries where the output of one industry becomes the input of another, the portion double-counted must be eliminated. This is accomplished by re-valuing both intermediate inputs (materials, fuel, etc.) and total output in terms of the dollars of a common base year and subtracting the constant dollar value of the former from the latter to yield a constant dollar value added aggregate.\* This aggregate is the quantity or volume measure represented by the indexes presented herein.



The value added or GDP volume indexes can be regarded as an extension of the index of industrial production† to encompass the remainder of the economy. Concepts and basic methodology used to construct the indexes are the same in both cases. Thus, industry production index coverage is extended from mining, manufacturing, and electric power and gas utilities, for which volume indexes have been published since the 1920's, to encompass all other major industrial divisions—agriculture, forestry, fishing and trapping, construction, retail and wholesale trade, finance, insurance and real estate, transportation, storage, communication, public administration and defence, and community, recreation, business and personal service; however, only the index of industrial production and its components are published currently and on a monthly basis. The GDP indexes can also be regarded as an extension of the national accounting framework, i.e., as an elaboration of the supply side of the national accounts.\*

\* *Indexes of Real Domestic Product by Industry of Origin, 1935-61* (Catalogue No. 61-505). This paper provides a detailed explanation of concepts, uses and limitations, data sources, methodology, etc., as well as a much wider range of industries than provided in this Section.

† See *Revised Index of Industrial Production, 1935-1957* (Catalogue No. 61-502) and the current monthly publication *Index of Industrial Production* (Catalogue No. 61-005).