



OECD SHORT-TERM ECONOMIC STATISTICS WORKING PARTY
(STESWP)

**Country comments on the draft compilation manual for an index of services
production and an experimental index of services production for the French
ICT industry**

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Meeting:
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Franqueville Room
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LUXEMBOURG

STESWP taskforce on short term indicators for services

The draft manual for an index of service production is an extremely important working document for countries that don't have the necessary experience in this domain. It gives a good overview on definitions and concepts and is therefore very useful before implementing an ISP. Luxembourg agrees with both the structure and the contents of the handbook. One of the most important parts in the handbook is the annexed list of variables and deflators to be used. The proposed coverage (ISIC G to Q) is complete, but could also be restricted by excluding the public administration and defence, compulsory social security (L), education (M), private households with employed persons (P) and extra-territorial organisations and bodies (Q). These four, very specific (and almost non-merchant) categories may cause a lot of methodological and practical problems. It would be preferably to classify the activities into two classes: the "basic" service activities (G to K, N, O) and those "special" activities (L, M, P, Q) that could be voluntarily added to the coverage. Luxembourg agrees with the recommendations provided for weights to be used, although it could be difficult to compound weights for the lowest level of the ISIC.

In short term, Luxembourg will not be able to implement an index of services production for two major reasons:

- a lack of financial and human resources
- missing deflators

In fact, Luxembourg has not yet implemented output prices in the service sector and has asked for several derogations to the amended short term statistics regulation. It is foreseen to implement this output price index before 2009/2010.

NORWAY

Item 8: Short-term indicators for services

Statistics Norway wishes the compilation manual for an index of service production welcome, and we will find it useful in the work of creating new short-term indicators for the service sector.

The three first chapters are already known information from other manuals and reference work, but is a good introduction to the manual: the need for measurement of the production in the service sector, information of statistical units, information about the different international industrial classifications, definition of statistical variables and so on.

In chapter 4 it is concluded that deflated turnover is the preferred method to measure the production in the service sector, while other volume indicators like hours worked, employment, number of haircuts, number of passenger-kilometres etc. is preferred as alternative methods. The pro arguments for using deflated turnover are somewhat absent in the manual. In the case of Norway the seasonal variations in the turnover indices tend to be problematic in some cases, because they reflect the time when payment/ invoice are done, and not when the actual production is done. Some examples in the manual looking at this issue would be useful.

A lot of the focus in the manual is on price measurement, with reference to the SPPI-manual, but not so much is mentioned about how to make good turnover indices (for example balancing good quality vs. timeliness, the choice of data sources vs. report burden on data providers).

When it comes to the experimental index of service production for the French ICT Industry the work that is done seems reasonable, and it is a good example of the use of the recommendations in the ISP-manual. We support the question asked in section 6.2 (Evaluation of the recommendations in the ISP Manual).

Statistics Norway is not producing any production index for the service sector today, except from a volume index for wholesale trade and retail trade. Regarding short-term economic statistics of the service sector the focus is to produce indicators according to the EU-regulation on short-term statistics. To compile a production index for the service sector require both turnover statistics and price statistics. Today Statistics Norway disseminates turnover statistics for the following industries (Nace Rev. 1.1):

- Wholesale and retail trade (Section G)
- Hotels and restaurants (Section H)
- Transport, storage and communication (Section I)
- Real estate, renting and business activities (Section K)
- Sewage and refuse disposal, sanitation and similar activities (Division 90)
- Radio and television activities (Group 92.2)
- Washing and dry-cleaning of textile and fur products (Class 93.01)
- Hairdressing and other beauty treatment (Class 93.02)
- Funeral and related activities (Class 93.03)

The other service industries listed in table 3 at page 14 in the manual is not covered by any turnover statistics today.

Regarding price statistics the focus in Statistics Norway is to develop new price indices for selected industries in the service sector, and the work of developing these indices is coordinated in a project group (the price project).

As of 2006 Statistics Norway is disseminating price indices for the following service activities:

- Wholesale trade (Division 51 excl. group 51.1)
- Retail trade (Division 52) (Produced, but not disseminated)
- Car rental (Group 71.1)
- Architectural activities (National level 74.201)

In addition there are projects already running to develop, or plans to develop, new price indices for several service activities:

- Freight transport by road (Class 60.24)
- Scheduled air transport (Group 62.1)
- Storage and warehousing (Class 63.12)
- Telecommunications (Group 64.2)
- Computers and related activities (Division 72)
- Legal, accounting, book-keeping and auditing activities, tax consultancy, market research and public opinion polling, business and management consultancy (Class 74.11-74.14)
- Architectural and engineering activities and related technical consultancy (Group 74.2)
- Technical testing and analysis (Group 74.3)
- Advertising (Group 74.4)
- Labour recruitment and provision of personnel (Group 74.5)
- Investigation and security activities (Group 74.6)

- Industrial cleaning (Nace 74.7)

In addition we will look at the possibilities develop a price index for group 70.2 (Letting of own property).

We hope that the development of these new price indicators can provide us with good deflators for many of the activities in the service sector. However, the fact that Statistics Norway does not produce turnover statistics and price index for all the activities in the service sector (as listed in the manual), it will be difficult to produce a production index that covers all sectors of the service industry.

JAPAN

Item 8 Index of Services Production

1) Comments on para 10 of the paper document;

We appreciate it that the Compilation Manual for an Index of Services Production is very useful for us to refer to our compiling works of indexes. As we also understand that statistical data on services production would be difficult to grasp accurate and appropriate data on quality, quantity and frequency basis compared with the goods data, it would be very useful for us, compilers, to provide information how to grasp data. In the manual, detailed information written with the flow-chart provide us of procedures to resolve practical issues. It also provides useful information for statistical users to use its data. Therefore, we think that the manual should be also distributed widely for users.

2) Overview of Japanese work

In Japan, there are two typical indexes on services. The Indices of Tertiary Industrial Activity compiled by the Ministry of Economy Trade and Industry (METI) are calculated as production indices. On the other hand, the Corporate Service Price Index (CSPI) compiled by the Bank of Japan (BOJ) is index on service price.

Statistical data relating to the tertiary industry is insufficient, and it is difficult to select data that provide an indicator of production activity on the basis of unified concepts or rules. Therefore priority is given, when selecting data for preparing the indices, to quantitative data that is indicative of production. When that is unavailable, data indicating the monetary value of production is converted to real form before it is used. In addition, when series revealing production activity are unobtainable, data such as quantitative data that can substitute for production activity, or monetary value data that can serve as a substitute for production activity, are employed.

In recent years, statistical environment on service sector data is changing rapidly in Japan. The Economic Census will be conducted in 2009, in which existing Survey on Service Industries will be included. In addition, the census collecting comprehensive data on service production, new monthly survey on production and employment in the service sector will be planned to conduct in the near future. The Survey of Selected Service Industries conducted by the METI will be also revised taking into consideration overall system on service production statistics. These actual situations will affect the reviewing whether such new data can be accepted as appropriate data for services or not.

UK

Item 8: STESWP taskforce on short term indicators for services

Paper 4: An experimental index of services production for the French ICT industry (11 pages)
<http://www.oecd.org/dataoecd/31/1/36596536.pdf>

OECD questions:

Comments are invited on the methodology and data used.

UK response

Generally this is a positive paper that shows that the manual does work in practice. The example of the French ICT industries is useful as it has a number of different scenarios and highlights some of the key problems faced by ISP compilers.

The application of benchmarking employment onto turnover is good for 64.20. The weighting together of a proxy deflator for 72.2 is also good practice which should perhaps be included in the manual as one of the key omissions are deflators. Another example of good practice is the principle of equal weighting in the absence of any other information - it is something that we do in the UK and perhaps should be included.

The conclusions of the paper are positive and highlight 3 potential enhancements:

1) The first point is concerned with how you choose the best indicator (preferred quarterly v alternative monthly). It is difficult to make specific rules for this and we should rely on statisticians' judgement. In the UK we analyse each indicator using the quality framework and come to some kind of relative judgement. If both indicators stand up to scrutiny we may benchmark the monthly onto the quarterly, or we may discount the monthly or quarterly on the basis of analysis. Ultimately, this is a value judgement by statisticians, but the manual could include some guidance on ways of arriving at such a decision.

2) The paper also comments whether the frequency of revision for seasonal adjustment be applied to other kinds of revision (extended historical data, data with better coverage, new data). In the UK we revise our ISP in line with our national accounts revision policy, but is it favourable to have a completely open policy or a more rigid policy? E.g. in the UK, the Retail sales index is revised back as far as the oldest significant revision, i.e. if we think we have a better quality estimate for whatever reason, we favour revising.

3) Should a minimum period be specified for forecasting, etc. or should it be left to default parameters of the relevant computer programme? In practice in the UK, this is largely a question for informed statistical judgement, but we believe it may help to have some more rigorous guidance here, and perhaps indicate in the manual that the default should always be the period specified by the relevant computer programme.

KOREA

For Item 8. Task force on services

A. General view on contents and structure of the Manual

We are in general agreement with contents of the Manual. It contains overall processes to plan and compile an ISP. It also covers the presentation and the dissemination of the ISP. The contents especially focus on the empirical and practical aspects to compile an ISP, so they're relevant and useful to the practical work. Theoretical contents are sometimes presented in some sections to give theoretical

background supporting methods that are currently applied and scheduled to use, therefore these parts are also beneficial to strengthen the empirical work. One of the best points we think is to present a variety of sources and methods to compile an ISP because there are various cases depending on countries. The other points are to deal with benchmarking and to assess the quality. They are required to reduce the users' confusion with other related indicators and to enhance the existing indicators that should give users reliability.

The structure of the Manual is well organized in sequence of detailed process, so it's easy of reference if we would like to find some guidelines and solutions in some steps.

B. Any Comments on various sections of the Manual (especially on Section 5.4)

Generally we agree the contents and recommendations for each sector of the Manual. Most of the contents are almost same as the compilation of Korean ISP.

Section 2.1.3

As the Manual mentioned, the establishment is recommended as the primary source for collecting information because it is frequent to enter and leave the market. We think that recommendations are strongly needed to present the sophisticated methods for substitution of establishments and search for new-entry ones in order to keep the statistical population constant. For similar reason, sampling techniques such as rotation sampling can be also taken into consideration.

Section 3.1.3

Statistics Korea compiles an ISP with Categories G to K, M to O of ISIC Rev. 3 and Category N is used partly, only including Health work (Corresponding to KSIC Rev. 8). We reviewed to incorporate with more non-market services. There are two issues to discuss. Which one should we put emphasis on for natures of the ISP, catching more sensitive short-term movement or providing national accounts with relevant information? While market services are likely to undergo economic cycles, non-market services are less sensitive. Therefore incorporating them makes the ISP fluctuate less and we might not detect the movement well. But it is also important to provide national accounts with relevant information because the ISP is almost only source to make national accounts for services. Statistics Korea tends to be positive to the latter. It is necessary to think over the major purpose of the ISP.

Section 3.2.1

We have one ambiguous point about turnover/sales. Some services establishments perform more than one activity. Do we have to consider each activity's turnover separately of the unit or do we have to take account of the main activity of the unit? In Korea, we consider each activity's turnover separately if each activity's portion is similarly large. Otherwise we just collect main activity's turnover.

Section 4.4.1

Statistics Korea suggests another possible variable by services activity. We compile monthly ISP. If there are no monthly turnover (even quarterly one) or no proper physical quantity data, proxy turnover data can be used. Financial industry rarely has monthly turnover and volume indicators in Korea, so we use alternative data as proxy. For example, it is recommended to survey FISIM in banks, but we collect monthly debts assuming that interest margin occupies large portion of turnover and the relationship between debt and interest margin is stable. This kind of proxy data can be regarded as "alternative".

Section 5.3.1

Korean ISP is based on fixed weight Laspeyres index and revises the information of base year and weights every five years. We think it's a good idea to update weights for higher levels more frequently than those lower levels in case of resource and data constraints. We would like to get more detailed information about this. Is it right that we need to allocate weights for lower levels in the proportion of existing one simultaneously if we revise weights for higher levels annually?

Section 5.3.2

It is desirable to benchmark monthly ISP to quarterly or annual GDP. However we haven't performed the benchmarking process owing to the minute classification discrepancy between GDP and ISP. Instead of that, we compare the annual services structure survey. After collaboration with national accountants, we will design the benchmarking technique on the coherence with quarterly or annual GDP.

Section 5.4

We find this section very useful to beginner who would be about to compile an ISP and to reviewers who want to improve it. This section seems like comprehensive contents summarizing all processes to make an ISP.

C. Do you think the Manual will be useful?

We think that this Manual is very useful especially to countries trying to develop an ISP showing the practical guidelines. It is also practical and useful to countries making the ISP already. It proposes possible solutions for existing problems and let us know ahead future problems that may arise when we plan to work for improvement. In addition, it makes us clarify issues such as terminologies that we've been confused with. We hope that this manual will develop future issues and contain more empirical examples with on-line access after completing this paper manual.

D. Do you have any plan to compile the ISP in the near future?

Korea has compiled the ISP since January 1999 and released the first result in August 2000. Korean ISP is currently based on fixed weight Laspeyres index and we have plans to enhance it by reviewing the availability of data about weights to make an annual chained Laspeyres index. Korean IIP is also based on fixed weight Laspeyres index and it's in the process of developing annual chained Fisher index. If proxy

weights information is available and the work of developing new IIP is satisfactory, new type of Korean ISP can be developed as a more reasonable estimate of short-term change in GVA for services.

(Proxy weights information: there are no available sources to update weights for services other than Service Census. For annual chained linking index, other proxy sources such as structure survey, existing ISP data are needed. When Service census data is available, revisions work should be carried out.)

E. Comments for the paper on the experimental ISP for French ICT services - In particular, on the methodology used, assumptions made, etc., in the light of available data

The experimental ISP for French ICT assures us that the manual is a practical tool to compile an ISP. The Manual presents methods how to deal with coverage, input data, deflators, weights and so on. We feel something lacking of expressions about linking. In practice work, linking is a big issue to make long-term time series. But we are generally satisfied with this Manual's content and formation.

F. Other comments

We would like to discuss the following issues.

Sample Structure - multiplier

The compiling process of Korean ISP includes the estimation of gross volume before indexation, so we use a concept that the Manual doesn't mention. That is "multipliers". The sampling method for Korean ISP is the modified cut-off sampling. Therefore we need multipliers to estimate the gross amount in sample stratum. Multipliers can be benchmarked to annual services survey to reflect actual economic activities. We would like to get member's comment about this.

Various analysis

The main indicators of Korean ISP are year-on-year rates of raw data series and month-on-month rates of seasonal adjusted series. General public sometimes complain that these indicators don't reflect the actual economic activities. Such as price index, general public think this indicator is not sensory. Statistics Korea is under considering to develop various analysis to respond this request. Here' are two examples we consider internally. One is to use employee data(the number of workers)to consolidate the ISP instead of weights based on value-added. The other is to distinguish between personal services and enterprise services like market services and non-market services. This is the matter to think over more.

Diversity of Index for Special Purpose

Beside the regular ISP, statistics Korea presents more indicators of special purposes - Information communication technology, Tourism, Environment, Distribution, Sport, Culture. We think this kind of indicator will be focused on if it will be elaborated. The method of compilation and consolidation is same to the ISP.

NZ

DRAFT AGENDA: ITEM 8 STESWP taskforce on short term indicators for services

9. Paper 1 outlines the work of the task force on services and asks STESWP members to comment on the draft Compilation Manual for an Index of Service Production (ISP), included as Paper 2 and Paper 3. Members are also asked if they have any plan to compile the ISP in the near future and to comment on the experimental ISP for French ICT services (Paper 4). Comments follow below.

10. The Manual is now in its third draft, so is at a refined level. The structure of the Manual is logical and easy to follow, moving from background, to defining terms and concepts, through to sources and methodology, compilation and then dissemination. Although some of the detail in the Manual is technical (especially Section 5), it is written in a user-friendly way and is understandable for someone with a low degree of technical knowledge. The Manual is sufficiently detailed and allows user flexibility depending on their own needs and data collection issues. The “preferred”, “alternative” and “other” categories work well. One comment would be that the contents page does not include page numbers – presumably the final Manual will have these so users can more easily find specific sections.

11. It is noted that on page 39 of the draft Manual it is proposed to include the table of variables and recommended deflators (currently in Annex 2 of the Manual) in the manual itself. Given the level of detail in Annex 2 and its current length (55 pages), would it not be better to retain this as an Annex? Also if this is to be included in the main body of the Manual, then Annex 1 should perhaps also be included.

12. Regarding Section 5.4, Statistics New Zealand do not have a formal manual for doing what is described but follow similar steps. Some of the tools might be different but the process is much the same. Temporary breaks would not necessarily be ignored: it would depend on the effect of the aggregate and seasonally adjusted series. That is, will this cause the user interpretation problems? The process would not necessarily be linear but may loop until an acceptable solution is found. We would necessarily want to deal with permanent breaks in level (table 9) by multiplying the data. Depending on the type of break we may leave it to X12 to handle or tell it where the break is and the approximate size. We use Cholette's modification of Denton's method for benchmarking but are limited by INTERP to quarters from annuals. The time series network has proposed that we continue with a research project next year looking at our needs for benchmarking and evaluate possible replacements for INTERP. We intend to pursue this area as the need at Statistics NZ is growing for such a tool. At present we are unable to do point 4 on p. 73 (quarterly from annual only).

13. The Manual will be extremely useful, not only for those compiling an ISP but also for reviewing current collection/compilation methods within existing collections, such as Retail and Wholesale Trade. The Manual also includes some useful technical information on index compilation, which is applicable to areas wider than an ISP.

14. Statistics New Zealand is currently reviewing its collection strategy for short-term economic statistics. There have been concerns for some time over the limited coverage of the service industries in our current collections, particularly from those working on QGDP. We have thus far been reluctant to introduce a new survey mainly due to respondent burden and cost, but have recently begun work on trying to better understand the administrative (tax) data that is already collected for the Service industries. While Statistics New Zealand is not likely to be producing an ISP in the near future, the Manual will be useful in reviewing our collection strategy and investigating how we might provide better coverage of the service industries. Another issue is that, unlike the UK, we do not currently produce an index for our other short-term economic statistics, such as manufacturing production, but use actual, seasonally adjusted and trend dollar values. Shifting to an index approach may represent a significant shift, especially for our data users.

15. Paper 4, on the experimental ISP for French ICT services, is a useful case study showing how the Manual might be used. It also illustrates that further refinement of the Manual will be most easily achieved

by users actually testing its use and commenting on difficulties and questions unanswered by the Manual. In terms of the data and methods used it is noted that the most volatile of the series, Renting of Office Machinery and Equipment, is the one which had seemingly the poorest deflation, with the price of printers being used as a “proxy” for all types of office machinery and equipment.

GERMANY

Item 8: Index of services production

No further remarks (see our statement last year).

GREECE

Item 8 of the agenda: Index of Services Production

The third draft version of the manual for an Index of Services Production (ISP) is a really good work as it is comprehensive, it gives practical guidelines and covers all important issues. It focuses on the need of harmonization on variables, definitions, deflators and, generally, on a lot of methodological and technical aspects in order to ensure comparability between countries. Taking into account that there is little experience in compiling indexes for the service sector, this manual is a really useful tool for NSSG.

The NSSG has as a high priority to be compliant with the requirements of the Council Regulation No 1165/98 of Short Term Statistics and the Amendment Regulation No 1158/05. This is a great challenge for us because the sector of services has a different behaviour from that of industry and there is no “tradition” in compiling such kind of indexes. For this reason, the work has started from an initial point and the lack of experience causes difficulties in our efforts. Moreover, Greek economy includes a large proportion of small enterprises which complicates the situation. Under these circumstances, the compilation of an ISP is not in our plans for the short-term period. We agree, of course, that an index like this is very useful as it complements the IPI and helps to have an overall picture of economy, but the absence of experts and the limited resources do not allow having so ambitious plans for the near future.

According to the requirements of Eurostat, the indexes of turnover in other services will be published in 2006 and the output prices in services will be published during 2009, so as the main components of an ISP only then will be available and hence, the compilation of the ISP will be feasible. For the time being it seems extremely difficult to achieve a total coverage of all service activities, as the manual considers. In the manual there are a lot of service activities, which are not required by the STS Regulation, and we have no intention in the near future to broaden the coverage unless there is a reconsideration of national needs and additional resources. Furthermore, as the output price and turnover indexes (except turnover retail trade which is monthly) are quarterly (according to the Regulation), it will be difficult for us to compile a monthly index. The manual proposes to create a monthly path from quarterly data, but creating a path for almost all the variables seems to be a time and human intensive procedure.

Focusing on the structure and the content of the manual, our comments are the following:

We agree with the additions that took place at this version of the manual. Due to them, the sessions became more comprehensive.

Mostly, the new section 5.4 (“procedures carried out at various compilation stages”) gives practical instructions describing step by step the appropriate actions. Especially the inclusion of flowcharts gives a concise picture of the whole procedure and therefore, it makes easier for the reader to apply the guidelines.

Moreover, the additions in subsection 5.1.1, the reference to the ‘midyear index’ and the example of a 5 year chained Laspeyres (pages 43, 44) clarify the notions related to the linking of series in the case of changing the base year and the weighting coefficients.

The new paragraph of linking methods (pages 46, 47) supplements the topic of linking. However, this paragraph seems to have been written for National Accounts purposes and, perhaps, could have an approach more close to STS. In addition, the relation of the methods presented at this paragraph, with those of section 3 of the paper of linking methods for IPI needs further clarification, taking into account the coherence target for ISP and IPI.

The reader notes the removal of a few paragraphs from one place to another, at this third version of the manual, in comparison with the previous one. We agree with these changes as they lead to a better coherence of the notions. Especially the removal of the paragraph which describes the creation of a monthly path from a quarterly series using a cubic spline, from the section of deflators (D.4.2 of the first draft version) to this of managing problems (5.2.1 of the third version), was a good option, as the content of the paragraph is more relevant to the new place. Another successful example is the paragraph on productivity, which was isolated at last year’s version and now suits better at the paragraph of input indicator (page 33).

We support the inclusion of numerical examples (e.g. Denton method, pages 72-73). As the manual should focus on practical concepts, it is necessary to add more examples, and on parallel, explain them in a brief but comprehensive way. For example, how the rate of changes at the last column of page 73 derived from? Moreover, the inclusion of references to relevant “pdf” files from the Internet is helpful for the less experienced readers.

For the presentation and dissemination of data, we agree that different levels of detail of information could be offered to different kinds of users. Experts and analysts need to have the opportunity to get access to detailed metadata and adjusted series. On the other hand, it would be better if press releases could include raw and adjusted data. Adjusted data are, surely, appropriate for analytical users who examine the trend of a series and seek for the underlying movements, but raw data are needed to show how the adjusted data derived.

According to the analysts of the experimental index of French ICT Industry, the manual achieved its goal, as it helped them organize better the stages of compiling the index and solve problems. The questions that are posed at the end of this paper are significant, especially the selection of a deflator between a quarterly index and a monthly index of other activity in the same group. It should be clarified if the use of quarterly indexes (and the creation of a monthly path) should always be our priority or it would be better to use an alternative monthly index, when there is strong evidence that has a similar behavior.

SLOVAK REPUBLIC

2. Task Force on services

A year ago we already expressed our general support to the proposed Compilation manual for an index of service production. We consider it to be very interesting.

Concerning our plans we would like to investigate the possibility of such kind of complex index compilation. However, with regard to the other priorities in the area of short-term statistics we suppose to deal with this task in medium term period.

AUSTRIA

Item 8: TF on short-term indicators for services

The handbook is appreciated and the production of the experimental index of services production in ICT industry has been noticed with interest. The Austrian comments concerning the manual as of June 2005¹ still apply.

In Austria the development and expansion of comprehensive service statistics will be a medium-term target, dependent on the available resources. The priority is the implementation of European regulations with a focus on improving the timeliness of variables (turnover, employment, IPI). The development of an ISP at the European level has not been discussed yet in the relevant Eurostat working groups for STS, so in Austria no efforts for development of an ISP have been made. With the exception of short term indicators for trade only nominal indicators are available in Austria. So the development of seasonal and working day adjusted turnover indicators for service statistics will be another main goal. Also, studies for other variables, such as hours worked and wages and salaries, as foreseen in the amended STS regulation are conducted. Further projects are not possible at the moment because of the lack of resources at the moment.

POLAND

Agenda item 8 - STESWP Task Force on services

The elaboration of the ISP Manual is strongly recommended as information included in it will enable to develop the harmonized methods for compiling the index of services production. The usage of harmonized methods will allow comparing data on services sector between various countries.

The layout of manual can be generally evaluated as clear and user friendly. The separate sections of manual focus on the particular issues connected with the consecutive stages of compiling the index of services production.

The special attention should be taken to the section 5.4 of the manual "Procedures carried out at various compilation stages". It comprises the practical guidelines for using the methods described in the suitable sections of manual. The content of that section is presented in interesting and clear way by means of flowcharts. The process of compiling the index of services production is illustrated as an algorithm of the particular steps.

In Poland, as far as for compiling the index of services production there are data on variable turnover in the current prices for the following services activities available only at the level of division according to the NACE

¹ <http://www.oecd.org/dataoecd/13/60/35032513.pdf>

Rev.1.1: division 70 (Real estate activities), division 71 (Renting of machinery and equipment (without operator) and of personal and household goods), division 72 (Computer and related activities), division 74 (Other business activities), division 90 (Sewage and refuse disposal, sanitation and similar activities), division 93 (Other services activities).

Moreover, there are no data on output prices for the a/m services activities. However, the works aiming at elaborating the methodology of survey for obtaining these data are in progress. Nowadays, due to the lack of the necessary input data we are not able to compile the preferred index of production for the a/m services activities.

Besides, for the division 60-64 data concerning variable turnover in the current prices are available only at the level of groups (not classes) according to the NACE Rev.1.1. Nowadays, conducting the STS survey it is impossible to obtain the results on the turnover at the level of classes for divisions from 60 to 64.

After analyzing the paper concerning an experimental index of services production for the French ICT Industry it can be stated that recommendations listed in the ISP manual are very useful. The example included in this paper allows us to follow each stage of calculating the ISP index and solutions chosen from the methods (preferred, alternative and other). The presented example proves the usefulness and practicability of the ISP Manual for the harmonization of methods for compiling the ISP index.

ITALY

Draft agenda: item 8

STESWP taskforce on short term indicators for services

Paper 1: Overview of STESWP work on services over the last three years and lists issues for written comment <http://www.oecd.org/dataoecd/30/47/36596355.pdf>

Paper 2: Draft Compilation Manual for an Index of Service Production (ISP)
<http://www.oecd.org/dataoecd/23/42/36566631.pdf>

Paper 3: Recommended variables and deflators and their sources
<http://www.oecd.org/dataoecd/23/41/36566771.pdf>

I think that the structure of the manual is appropriate for providing a valuable assistance in the challenging task to produce an ISP at high frequency. Even if I am not a producer, I have the impression that all main issues are covered, with important methodological and operative hints. I appreciate the flexible approach with respect to data already available and practice already in place in a country as this makes the production of the new index less cumbersome. In this respect I however wonder about the risk of loss in international comparability, which would add to the incumbent difficulties concerning national accounts statistics. I mention the key issue regarding the quality adjustment, about which in section 5.4 some operative recommendations would be helpful rather than leaving the choice fully open to the single statistical agency.

In my opinion the manual is a useful tool in view of developing a timely indicator about service sector starting from the sparse evidence occasionally available about the single activities. This is a valuable point by itself and as an input for national accountants. Some improvements could be obtained in recommending a monthly frequency in producing the ISP and in identifying some key industries, such as retail trade and finance - where the unit and the production process are subject to important changes due to ICT - for which urging statistical agencies to consider additional efforts in improving and enlarging data collection.

Paper 4: An experimental index of services production for the French ICT industry
<http://www.oecd.org/dataoecd/31/1/36596536.pdf>

Subject to my limited entitlement to provide comments due to my status of user of STES, I agree that the exercise on ICT is a valuable test to verify both the usefulness of the manual and of some possible integration as for the frequency preference and, in my view, to the quality treatment - which the study does not perform at all.

CANADA

Compilation Manual for an Index of Services Production

The proposed Manual is very complete, well presented and easy to read. In many occasions, the Manual refers to the compilation of ISP and IIP. We feel it is important to always link these two very compatible sets of data. Both sets are required in order to build an economy-wide set of indicators. We hope the manual on industrial statistics being prepared by UNSD will also emphasize that point.

Is there any link between the OECD Task Force on Services and the UNSD initiative to rewrite the International Recommendations for Industrial Statistics Manual (IRIS 83)?

Specific comments:

In the section 5.3.3 Overall Quality Assessment of ISPs or Section 4: Sources and Methods, the compilation manual could promote the use of secondary indicators. For example, large increases in truck transportation services can often be associated with sharp increases of manufacturing shipments. The availability of secondary indicators such as employment, exports, imports, or vacation rate (hotels) are very useful to assess the quality and accuracy of the results.

In section 5.2.1 sub-sections Permanent breaks, we feel the issue of reclassification could be addressed. Breaks in series are often due to reclassification of entities on the registry. These reclassifications are necessary to properly reflect industrial activity. Adjustments should not be made in the first place; more importantly, processes must be put in place to detect the reclassifications. Temporary adjustments could however be made to the series when calculating seasonal factors.

As indicated in section 5.2.2, Statistics Canada carries out seasonal adjustment at the lowest level in the industry classification. This could be viewed as excessive but like ONS, we feel seasonality is much better

captured for homogeneous series. Of course, the level of seasonal adjustment is very dependent of the level of the data available. Secondary indicators should also be seasonally adjusted at the lowest level as possible.

The proposed approach to separate original series and their adjustments is fully supported by STC. The capacity to remove adjustment quickly in light of new information is very important. Leaving unnecessary adjustments in a time series can translate into large unexplainable seasonal factors.

In section 5.4.2: STC runs seasonal adjustment on a concurrent basis. However, in the first phase of the compilation, results are analysed using an advance seasonal factor. In a second phase, results are analysed using the most current seasonal factor. Large change to a seasonal factor compared to previous years is often a sign that the original series do not behave like in the past, suggesting something unusual is happening.

In the case of the missing data, the Manual suggest to interpolate the series using a moving average. Using movement (average movements) of the series for similar period should give much better results.

ISTAT

To be added

DENMARK

Item 8 STESWP taskforce on short term indicators for services

Comments to the Compilation Manual for an Index of Service Production

The manual which seems nearly complete now, has a logical structure, focusing first on the needs and aims for such a manual and the nomenclature and terminologies to be used.

The structure around the Preferred, Alternative and Other methods seems very usable, in an area where a lot of compromises have to be taken into account.

Section 5 of the manual will be useful for the statistician when actually thinking of preparing for or compiling the index. The flowcharts of section 5.4 give an overview and visualize the processes.

All this together indicate that the manual will be useful in the development of ISP in the future. The importance stressed on the practical aspect adds to this.

Denmark does not, for the moment, have plans to compile an ISP as this would demand resources that we do not have at the moment.

SPAIN

No comments

CANADA

Computation and linking methods used in Canada for output-based monthly GDP

Historically, the preferred method of estimating the volume of economic activity in Canada was the Laspeyres formula and the published constant price estimates of output-based GDP were calculated using the fixed prices of a year in the past. Annual estimates were derived within the framework of the Input-Output (IO) Accounts and the monthly indicator based estimates were adjusted to match the IO benchmarks as soon as these annual values became available.

While the Laspeyres method was considered a practical and easily-understood technique, the use of fixed base year prices throughout an extended period of time produced significant biases when the price structure of the current period became too different from the one which existed in the base year. For over 4 decades, the solution to this problem was periodic rebasing, in other words, choosing a new base year that was closer to the current period.

Rebasing

In Canada, rebasing has traditionally been done at ten year intervals, implementing 1961, 1971 and 1981 as base years. Following the implementation of 1981, the 10 year interval had been reduced and 1986, 1992 and 1997 served as the next three base years. Soon, however, with the rapid developments in industries belonging to the information and communication technologies sector since the mid 1980's, periodic rebasing even at five or six year intervals became insufficient. Beginning in 2003, the rebasing of the Laspeyres estimates became an annual event, adopting each IO year beginning with 1997 as base years. The most current monthly estimates of value added are expressed in the prices of 2002, which is presently the latest available IO year in Canada.

Linking

A drawback of changing to a new base year is that it causes discontinuity in the series if the change is not worked back to all preceding periods. In order to maintain an unbroken series of the monthly GDP estimates, the published monthly measures are calculated using new base year prices from the new base year forward only and for periods prior to the base year, the constant price series at each level of detail is adjusted to the new base year segment by multiplying each month's value by a link factor. The link factor is an annual number calculated as the ratio in the new base year between GDP evaluated at new prices and at preceding base year prices. This 12-month link method is necessary in order to ensure that the yearly sums of the linked monthly series match the linked annual benchmarks from the Input-Output tables.

Seasonal adjustment

As it is currently an annual practice in the Canadian System of National Accounts to implement a new base year for the output-based monthly GDP and to re-scale the various base year segments in the prior period by linking, each base year segment of the Laspeyres series is too short to be seasonally adjusted. In order to produce seasonally adjusted estimates, longer time series are required which will maintain continuity and consistency over a period of at least 5 years. To satisfy this requirement by the seasonal adjustment process, new base year prices are implemented on both sides of the new base year and the constant price measures prior to the new base year are also recalculated. It should be emphasized, that these re-valued prior period estimates are for seasonal adjustment purposes only. The published historical estimates in preceding periods are produced by a mechanical linking process as described above.

Breaks in continuity introduced by the 12-month link method

Inherent in the mechanical scaling process which multiplies each historical value by an annual link factor is the introduction of breaks where one linked base year segment connects to the next. In the past, such breaks were created only at 10 or 5 year intervals, but with the current practice of annual rebasing in the Canadian System of National Accounts the problem is magnified, as breaks are introduced between each December and January. This led Statistics Canada to search for a new improved approach to the linking process. The method that is currently considered to alleviate the problem is a quadratic minimization process equipped with a forward linking option. The use of such benchmarking procedure will integrate the linked annual IO benchmarks into the historical years and produce a monthly series with a smooth transition from one base year segment to the next.

Historical years

Although the first estimates of monthly output by industry were released in 1926 and ever since, monthly measures have been prepared and published by Statistics Canada on a regular and continuing basis, at first continuous long time series were not constructed. Unbroken record of production by industry for long term economic analysis exists only from 1961 forward, and with the implementation of 1981, 1986 and 1992 as base years, the historical Laspeyres volume measures were recalculated each time by linking to cover the entire period stretching back to 1961.

Following the implementation in 2001 of the North American Industry Classification System and the adoption of 1997 as the new base year, however, continuous historical Laspeyres estimates were extended back to 1981 only. This was due to the unavailability of the necessary IO based annual benchmarks for the period 1961 to 1980. Presently, Statistics Canada is planning to produce the missing historical years as soon as resource allocation permits it.

It is important to emphasize, that it is not possible to preserve the accounting relationship between an aggregate and its components when time series are constructed by linking (also called chaining). The purpose of linking the historical years is to eliminate breaks between consecutive base year periods while preserving the volume movements at each level of aggregation. Original growth rates, however, can only be maintained at the cost of losing additive consistency. The chained monthly output-based GDP estimates by industry, therefore, are intended primarily for the long-term analysis of single industries when taken in isolation.

BLS

Agenda item 8. Index of services production

A reviewer from the BLS Division of Industrial Prices and Price Indexes, Branch of Industry Pricing, thought the documents were well written and very interesting, noting especially the sections that discussed output measures and various deflation techniques.

One suggestion for improvement related to the section on Draft compilation Manual for an Index of Service Production. The reviewer noted that the examples for the U.K. seem incomplete due to the failure to examine all possible strategies for the development of price indexes. For example, for the trade sectors, there is no mention of using a PPI index that measures trade margins. Also it was noted that a list of recommended variables and deflators and their sources will be excluded from the manual. That would appear to be omission of a key section.

US

Task Force on Services and Recommendations of the ISP Manual

The OECD draft manual for compiling an Index of Service Production (ISP) represents an impressive effort at developing guidelines for this ambitious undertaking. A wide range of conceptual and practical issues are identified and addressed in a clear, concise format. The final version of this manual should prove very useful for any statistical agency interested in developing a short-term ISP program.

The Federal Reserve Board (FRB) developed an experimental service index (ISP) in the mid- to late-1980s. Its overall design was similar to the FRB's Index of Industrial Production (IIP). The aim of the index was to show the monthly change in the output of the services sector by aggregating individual index series of the quantity of production for various service outputs, either measured directly or derived indirectly from input data. The paucity of quantity indicators for services was a drawback in the estimating work and the index was eventually discontinued. The recent statistical advances at the Census Bureau, BLS, and BEA as well as other government and nongovernmental organizations have improved the prospects for monthly or quarterly measurement of an ISP. There are, however, no immediate plans to do so.

CZ

The ISP manual

Services have been playing more and more important role in the economy but the amount of information is much lower comparing to other statistics. What is missing most from the point of view of users is the information about development the service sector as a whole. Such sort of data is possible to get only from national account statistics. For that the ISP Manual prepared by STESWP can accelerate compiling information about development of service sector.

Structure and contents of manual is well balanced between practice and theory.

The content of capture 5.4 give a useful summary of possible methods of compilation aggregated series as well as a good guide for preparation of benchmarking technique though the practical implementation of benchmark methods will take some time in national statistical agencies. Due to irregular character of some services activities the quarterly periodicity gives more smooth series. On the other hand, experience of some countries showed that monthly data are widely accepted by most users despite the fact of relatively low quality.