



Section D

Sources and methods for compiling an ISP

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Overview

- Introduction
- Summary of Section D
- Progress since last year
- Outstanding work
- Feedback from STESEG members
- Points for discussion

Content

A practical manual

- Explanation of Preferred, Alternative & Other approach (D.1)
- Quality measures (D.2)
- Criteria for conceptual appropriateness (D.3)
- Proposed criteria for indicators (D.4.1)
- Deflators (D.4.2)
- Recommended variables (D.4.3 & Annex 2)

Explanation of 'Preferred, Alternative & Other' approach

- Not always practical to achieve conceptual best
 - financial constraints; measurement difficulties; burden on business
- ISP presents 3 options:
 - Preferred data source(s)
 - Alternative data source(s)
 - Other data source(s)

Quality measures

- Used to assess suitability of data sources
- Suitability a prerequisite for conceptually appropriate series
- Assesses coverage; timeliness; periodicity/frequency; accuracy; relevance; consistency
- Subjective approach
- Simple scoring system

Criteria for conceptual appropriateness

- Criteria based on Eurostat *Handbook on price and volume measures in national accounts*
 - developed for annual indicators
 - Uses A, B, C categorisation
- ISP manual uses same principles but with more latitude
 - based on Eurostat recommendations for output

Proposed criteria

- Preferred
 - turnover deflated by appropriate output price
 - detailed appropriate volume indicators
- Acceptable
 - turnover deflated by a less appropriate price
 - volume indicator (less detailed)
 - input series for non-market collective services
- Other
 - input series

Deflators

- Section on measurement of service sector prices



Recommended variables

- Services classified by ISIC categories
- Short text to describe ISIC class & raise relevant issues
- Explanatory notes
 - what is included/excluded
- Preferred, Alternative & Other
- Some suggestions on helpful sub-division of categories



Progress since last year

- Section on Deflation
 - Why remove prices?
 - Level of deflation
 - CPIs & SPPIs
 - Application of deflators
 - Approach to deflation
 - Constructing SPPIs & CPIs
- Extrapolation & interpolation
- Recommended variables & deflators section expanded to cover entire Service Sector

Outstanding work

- Identify additional variables
- Review conceptually difficult areas
 - E.g. FISIM & Insurance
- Take on comments from STESEG members



Feedback from STESEG members

‘Preferred, alternative & other’ approach

- Unanimous support for three categories
 - Positive feedback from Germany, Hungary, Luxembourg, Netherlands, New Zealand, Slovak Republic and UK
- “Useful to have alternative options”
- “Enables each country to choose the most appropriate method taking into account its statistical environment and state of development of its statistical infrastructure”
- “The choice...will depend on the accessibility/availability of data”



Assessment of quality

- Approval of approach
- Bank of Italy comments that “The assessment of quality is extremely useful”
- Bank of Italy suggests quantitative approach for making choices between alternative variables

Criteria for selecting variables

- Should the ISP aim to measure change in output or gross value added?
- “Interpretation of real gross output as the preferred outputrather than real GVA imposes some limitations on quality” (US)

Deflation & weights

- Manual implies that price indexes should be chain-linked. New Zealand produces..CPI, PPI, CGPI, none of which are chain-linked
- Concern over balance between Laspeyres & Fisher index (US)
 - “concluding remark gives impression that only a Laspeyres index should be used for volume measures”
- “Overall section D could use a bit more clarity on the relationship between the monthly gross output indicators and the Fisher weighted value added weights” (US)



Recommended variables

Comment on variables

- “Generally agree with the recommendations” (USA & Korea)
- Some detailed comments received (e.g. from Netherlands & New Zealand)
- Luxembourg comment that use of employment data should be kept to a minimum
- “Review...variables against definitions in the SNA...e.g.FISIM (New Zealand)



Recommended variables

Comment on variables

- “Consider ‘gross value added deflated by appropriate quality-adjusted price indices’ as another preferred variable” (US)
- “Classification of some variables in ‘alternative’ and ‘other’ seems too mechanic” (Istat)
 - “worked hours are a variable to be preferred to crude proxies based on physical quantities”

Recommended variables – Structure & content

- “Structure & content of tables is adequate” (Italy)
- “Layout of tables is easy to follow” (NZ)
- List of variables useful & complete (Luxembourg)
- “Useful to have specific examples for the different approaches” (NZ)
- “Deflators...are extensive (Australia)
 - They provide enough alternatives for those who do not have adequate PPIs to support the detailed level of deflation that is suggested....”
- ISIC classification basis & sector coverage is useful (Denmark)

Recommended variables – Structure & content

- Manual recommends variables & deflators based on current UK practices...List of variables deserves a more thorough review for completeness (US).

Points for discussion

Assessment of quality

- Is the recommended approach adequate?
 - Should a more quantitative approach be adopted for making choices between alternative variables?

Criteria for selecting variables

- Should the ISP aim to measure change in output or GVA?
 - If GVA, should real GVA be proposed under “preferred” for some industries?

Deflation

- Should the manual recommend that price indices are annually chain-linked?
- Is the balance between use of Laspeyres & Fisher indexes right?
- Should the manual recommend output proxies but GVA weights?

Points for discussion

Recommended variables

- Is the classification of some variables in ‘alternative’ and ‘other’ too mechanic?
 - Istat suggest that worked hours should be classified as preferred for some industries.
 - Does any country have experience of collecting and using hours worked?
- “US comments that list of variables deserves a more thorough review for completeness. Others comment that list of variables is complete.
 - Are any NSIs aware of variables that they use but are not included?
 - Are there any offers to review the list?