

OECD SHORT-TERM ECONOMIC STATISTICS EXPERT GROUP (STESEG), 28 – 30 JUNE 2004

COMMENTS RECEIVED FROM COUNTRIES ON THE WORK OF THE TASK FORCE ON SERVICES

The focus of the 2004 meeting of the OECD Short-term Economic Statistics Expert Group (STESEG) to be held in Paris on 28-30 June will be discussion of draft documents containing recommendations from the task forces created at previous STESEG meetings arising from their work on: short-term indicators for services; data presentation and seasonal adjustment and; timeliness and benchmarking. These documents were forwarded to STESEG participants on 30 April 2004 with a request that written comments be provided by 10 May. The documents are available on the STESEG website at <http://www.oecd.org/std/steseg2004>.

This document presents comments received by the due date from: Switzerland; Norway; Hungary; US Census Bureau and the Bureau of Labour Statistics (BLS); Italy; Russian Federation; Korea; Netherlands; Luxembourg; China; Ireland; South Africa; Sweden; New Zealand; Czech Republic; Austria, United Kingdom, and the European Central Bank (ECB).

A. OVERALL COMMENTS

Questions raised by the Task force members

- 1) Do STESEG members have suggestions on the overall content of the prototype?
- 2) How do STESEG members view the contents in sections B, C and D of the prototype?
Specifically:

Comments

(Switzerland) We broadly agree on the general approach. In particular, we appreciate the idea not to give exclusive and imperative recommendations, but to follow a methodology that propose, in addition to the “first choice”, alternative solutions, and thus take into account the feasibility of the different propositions and of the practical implementation of the manual. From our point of view, it is also very important to give to the manual a double objective in order to take into account the fact that short term indicators are designed to meet many different needs.

Our reserve relates to the monthly periodicity. In the title of the manual, we are under the impression that the monthly periodicity of the indicator is agreed from the start. Although we agree that the final objective should be to have a monthly ISP, we would like the alternative possibility of a quarterly indicator not to be ignored.

(Netherlands) In general, we endorse the approach chosen in the manual. It is very helpful to have a set of practical guidelines to compile a monthly ISP. A point which we would like to make relates to the “use or serviceability” of the indicator. For some parts of the service sector, it is less relevant to have a monthly indicator than for other parts. As we are all confronted with budget restraints, we have to set priorities and therefore we have to formulate criteria. For “not so relevant ISIC groups” it may be not necessary to have “preferred methods” and it may also be acceptable to have quarterly data (or even annual in some extreme cases) simply prorated to contribute to the aggregation of a monthly index of full scope. The circumstances

where this may be acceptable need to be considered. So, we would like to suggest to include this issue in the manual.

(Luxembourg) In post-industrial societies with a continuously growing tertiary sector, reliable and meaningful service indicators have gained in importance during the last decade. Developing a short-term indicator measuring production in the very vast service sector should be an aim for every statistical agency, provided that it exists a statistical framework and that the necessary financial, human and institutional resources are available. The draft manual for a monthly index of service production, elaborated by the task force, represents, even at this relatively early stage, an extremely important working document especially for statistical agencies in smaller countries or in countries without the necessary experience in this domain.

(Norway) Statistics Norway has made an analysis of indicators used in our quarterly national account (QNA) as part of an exhaustive evaluation of the Norwegian QNA. Not very surprisingly one of the main conclusions is that volume indicators for service production are more or less absent or at best of poor quality. Another conclusion made by the project group is that short-term statistics on turnover can be a good approximation for volume production in several service industries. At the same time it is important to have focus on good price indices for the same industries.

Generally speaking the content of the manual seems to have a logical structure and sufficient completeness. But as a representative for a small country (Norway) I would strongly recommend the manual to be more explicitly open for quarterly series. In many countries short-term statistics with quarterly frequency is sufficient as input to quarterly national account.

(US) Except as noted below, the overall content of the prototype manual appears complete.

Section A – The tabular and graphical depictions of the growth of services in the five OECD countries illustrate the important need for an index of service production in analyzing short term economic movements. While the information is revealing, it quickly will become dated. We suggest, therefore, that it not be included as part of the compilation manual.

(ECB) It is essential for the ECB to have a methodologically sound and consistent information system which produces relevant information in a timely fashion, and includes the services sector. Here, most of the information required refers to market services, but labour variables (employment and wages/labour costs) are desirable for the non-market sector, too. For the purpose of short-term analysis of euro area developments, most data should be at monthly or quarterly frequency and produced in timely manner.

The prototype manual very much meets the objective of the STESEG TF to produce a reference document to be used as a guideline for the compilation of short-term indicators in the services sector. The progress from Eurostat's project 'Operation 2007', aimed at revising the statistical classifications of economic activities (NACE) and products (CPA), shall be closely monitored and reflected in the Handbook.

(Hungary) The overall content of the ISP Manual is very comprehensive; it covers all the important aspects of the compilation of a monthly index of services production. We don't have any further suggestions.

Concerning the definitions of statistical units and the terminologies for ISP (Section B and C) in the manual, we think that two different approaches are acceptable. In the first approach the manual should stick to a complete set of definitions (for example the ISIC definitions for statistical units or the SNA93 definitions of terminologies related to ISP) to keep the internal coherence of the definition system, and supplement it with additional information to make it more precise where needed. The preferred sources of

definitions (classifications, methodological handbooks) could be the ones created by UN, because most of the other sources (either international or national) are derived from, or related to these. In the second approach the manual should choose the best (the most comprehensive and the most precise) definition available, or create a new one from the existing definitions. In this case the consistency of the definition system has to be ensured.

(Germany) We welcome the initiative of the OECD to develop a manual on monthly service statistics. This clearly puts the emphasis on the collection of monthly short-term economic indicators, rather than on less timely quarterly data. It also provides the opportunity for all National Statistical Institutes of the OECD member countries to apply the same methods and terminologies. This would allow that the data collected and conclusions drawn are internationally comparable. Any reflections in the context of harmonising monthly service statistics should take into account that all proposed regulations be compatible with the existing regulatory systems in the OECD member countries. It can be assumed that all standards set by the OECD will be adhered to in practice by the OECD member countries only if they are in line with existing standards or can easily be derived from them.

(China) The OECD STESEG task force on services(TFS) provide a good structure and many helpful contents in the prototype of an index of services production(ISP) manual. There are more particular difficulties in measuring services activity, and corresponding indicators from various countries are less comparable than those for the industrial sector as international guidelines do not exist. Therefore the manual will be useful both for OECD members and other countries to compile a short-term ISP and improve the measurement of the production of services industries.

(Ireland) I read this draft manual with great interest and for the most part I can only agree with the recommendations made. I have noted the rare case where I disagreed. I hope I have satisfactorily answered the questions posed in the “specific issues”.

(France) how do you see the link between a project of an index of service production (which is understood as a "final statistical product") and the GDP calculation, which is another "final statistical product": do they have to be perfectly and explicitly linked (i.e. the index of service production is the service part of GDP calculation), or not ? If the answer is yes, then the question is in a way the one of the establishment of a monthly GDP: is it useful, for what purpose, with which kind of trade-off between the 3 approaches (output, demand, and income) of the GDP? If the answer is not, then, what are the advantages of having an indicator which looks like the service part of the GDP calculation, but which is not exactly the same? For me, there must be two different things. On one hand, national accounts, which have the advantage of a great macro-economic consistency, but first at the expenses of the detailed level of information; the need to make heterogeneous data more similar in order to add them to each other also requires some "conceptual" distortions which can make the information less readable. On the other hand, less elaborated indicators may be calculated at a greater level of detail, and are easier to calculate, to explain to users and to comment in relation with actual phenomena. But in this case, there is no need to seek for a great homogeneity in the concepts: for instance, having an index for market activities, distinct from a (potential) another one for financial activities, and from a third one for non-market activities, would better preserve the nature of the basic information. For me, a clarification of the objectives of the index of service production concerning this question would be very helpful."

(Sweden) The initiative to prepare guidelines for the compilation of a monthly or quarterly index of service production is welcomed by Statistics Sweden. To try to coordinate definitions and methods for

compiling the index is very important for the comparison between countries. Since many countries have not yet started their compilation of an ISP it would be very useful to have a manual that is commonly used.

Sweden is one of the countries that have not yet started to produce an ISP, but the subject is very interesting and there is a lot of user's asking for such an index. Since our experiences in the field are somewhat "poor" it has not been easy for us to give any detailed comments on the proposal. We do although have some general comments that are expressed below:

- We think that it is better to have a more aggregated indicator when it comes to the activity-level than to have a lot of detailed indicators with low quality (i.e. the option "other").
- Timeliness is a very important issue when it comes to the burden on enterprises. The faster an index is to be produced the lesser administrative data could be used.

(New Zealand) The main use of a services index is as an early indicator of GDP. In New Zealand our users (including the independent Advisory Committee on Economic Statistics) have placed more emphasis on accuracy over timeliness. We have not experienced any pressure to develop this type of index and we do not intend on producing a monthly services index at this stage. However, we do intend to extend our sub annual collections to other service industries in the near future. The manual is comprehensive and well presented.

(Czech Republic) We are in general agreement with the overall concept of the manual.

(Austria) Statistics Austria welcomes the efforts made by the OECD for the long-term project "Index of Service Production" (ISP). Statistics Austria currently is not preparing an ISP. Primarily there is a focus on EUROSTAT - commitments and the service sector is - as a statistically relatively new area - full of more direct problems to be solved. Thus there are many open questions relating the possibility of coverage (difficulties of measuring services as they are immaterial and dynamic), classification, deflators, definitions, limitation to the non- market sector and so on. These basic and often very practical challenges have to be solved, before an ISP can be constructed. In any case the project should be fully harmonised with ESTAT, for there are no resources available at Statistics Austria for installing two paths.

(United Kingdom) Generally the format and structure seems fine as does the progress on the manual. However, we believe that the manual could benefit from some additional sections added to the manual:

- Conceptual basis - The manual could benefit from a small section somewhere (perhaps in section C) explaining what the production measure of GDP is, how it is derived, and what steps are taken to approximate value added in the short-term.
- Computer systems (as an annex) - this may be of interest to users of the manual, i.e. what computers systems and platforms NSIs use to compile their ISPs and whether they are on a common platform with the rest of national accounts. This may be the kind of practical information that countries thinking about developing this would find useful. Similarly any links to countries documentation, metadata and methodology could be useful.
- Practical issues - As well as methodological issues, we also experience practical issues and problems in compiling the UK IoS. It may be worthwhile airing some of the potential pitfalls of compiling an ISP. In the UK we have some of the following problems:

erratic billing - where companies may bill quarterly, 6 monthly etc. this does not reflect a company's output and should be adjusted for work in progress. Currently we do not do this, although the data is collected. The problem is that they are not collected on the same form and it is difficult to reconcile the data

quality assurance of data - this is currently documented on the UK ONS website on our approach to this - the basic issue is that our turnover survey is designed to provide estimates of levels, whereas we are interested in estimates of growth. As a result some adjustments are needed to ensure that growth is correctly represented.

Much of the present draft of the manual discuss definitions from various international bodies and we are content with these sections.

B. COMMENTS ON SECTION B OF PROTOTYPE MANUAL

Questions raised by the Task force members

- 1) STESEG members are invited to provide advice on the (most) appropriate statistical unit(s) for the collection of basic information on services production and to ensure adequate coverage of services sector activity.
- 2) Do members agree that ISIC should be the primary activity classification used? If yes, should ISIC Rev. 3.1 or ISIC Rev. 4 be used?
- 3) Do members think concordance between ISIC Rev. 3.1 and Rev. 4 in section B.2.2 is necessary?

Comments

(Switzerland)

1) We agree on recommending the 'establishment' as the most appropriate statistical unit to collect basic information (i.e. in the end of B.2 page 15). It insures consistency with the indicators from the industrial sector

2) We assume that the indicators to be compiled in the framework of the Manual will not be disaggregated to the extent that it would create conflicts between ISIC and NACE.

Given that it will still require a certain time to complete the Manual, it is preferable to move towards next revisions of the classifications by activity: ISIC Rev.4, resp NACE Revision 2007.

(Luxembourg)

1) The best statistical unit for which information should be collected is, as pointed out in the manual, the local kind-of-activity unit or even the enterprise, which represents perhaps the most suitable statistical unit in the smaller countries.

2) In order to guarantee the best harmonization, ISIC (Rev.3.1/Rev.4) could be used for publishing OECD-wide results, even if other classifications are used on a national or regional basis (NACE Rev.1.1, NAICS 1997 or ANZSIC 1993).

Nevertheless, adjustments and correspondences between the different classifications remain possible. Because of their specificity that could cause a lot of methodological problems, non-market services should be excluded as well as the codes L, P and Q of ISIC Rev.3.1.

(Norway)

1) A unit used to get statistical information should ideally be a specific entity defined in such a way that it can not be confused with any other unit. It must be possible to count these elements without omissions or duplication. Statistical units may be identifiable legal or physical entities or statistical constructs.

The enterprise (EUROSTAT definition) is the smallest combination of legal units that is an organisational unit producing goods or services, which benefits from a certain degree of autonomy in decision-making, especially for the allocation of its current resources. An enterprise carries out one or more activities at one or more locations.

The kind-of-activity unit (EUROSTAT definition) groups all the parts of an enterprise contributing to the performance of an activity at class level (four digits) of NACE Rev. 1 and corresponds to one or more operational sub- divisions of the enterprise. The local kind-of-activity unit (LKAU) is the part of a KAU which corresponds to a local unit (=establishment).

For all statistics covered by the Council Regulation No 1165/98 the observation unit is decided to be either KAU or enterprise. The way Statistics Norway reads it OECD propose establishment (LKAU) as principal observation unit. We find this proposal satisfactory since establishment is the most disaggregated unit. At the same time it can be difficult to fulfill since most of Statistics Norway's statistics on turnover for the service industries are compiled using administrative data derived from a more aggregated unit level (legal unit).

2) As documented by OECD there are several different classifications in use. Some of them are related in such a way that one classification is just a further aggregation or disaggregation of another. Such a relationship exists for instance between NACE Rev. 1 and ISIC Rev.3 where the former is based on the elements of the latter.

The first level of ISIC Rev.3 (sections) is embodied in NACE Rev. 1 as an alphabetical code, A to Q, and is further disaggregated in some areas into subsections indicated by 2-digit alphabetical codes. The second level of ISIC Rev.3 (divisions) is included in NACE Rev. 1 without any changes. The third and fourth levels (groups and classes) are subdivided to reflect European needs, each 3- or 4-digit item in NACE Rev. 1 being capable of being aggregated to the 3- or 4-digit levels of ISIC Rev.3 from which they have been derived.

Statistics Norway support the use of ISIC Rev.1 as primary activity classification because of the close relationship between NACE Rev.1 and ISIC Rev.3 which makes it possible to use NACE series to compute ISIC Rev.3 series.

(US)

1) The choice of the most appropriate statistical unit depends on the availability and quality of data for production units included in each country's population frame. The data collected, industry, and typical record keeping practices of businesses within the industry also will influence the selection. For example, while the establishment is entirely appropriate for collecting sales/turnover for most service industries, it may not be for others like telecommunications, banking, pipelines, and utilities. For these "networked industries," allocating revenue, product, and other output data to a physical location is extremely burdensome and often not possible. Further, we have found many large companies organizing around units that are collections of physical locations or of employees working in diverse locations. In both of these instances, the enterprise or kind of activity unit may be a more appropriate statistical unit.

2) U.S. policy directives require that the North American Industry Classification System (NAICS) be used when producing industry-based short-term economic statistics by the U.S government. In developing NAICS, Canada, Mexico and the United States attempted to create industries that did not cross ISIC two digit boundaries. We anticipate that Rev 4 will bring a greater degree of comparability between NAICS and ISIC and, therefore, recommend that it be used.

(Korea) Korea agrees on the basic concept that data-collecting unit should be an establishment. But such a concept is not completely applied to Korea: Korea's refusal to come up with local indices forces it to get often together data both from the enterprises and the establishments in order to reduce costs and burden to respondents.

The Korean Service Business Activity Index(SBAI) is still based on the eighth revision of the Korea Standard Industrial Classification (KSIC rev.8), derived from its original ISIC rev.3.1, the rev.3.1 will be hereinafter employed for comparing statistical data among countries. If more and more countries adopt the rev. 4 system, Korea will consider taking their own course.

(ECB) On B1.1, the definition of statistical units shall ensure that proper aggregates can be compiled without losing the degree of comparability in the derived aggregates. The similarities between ISIC and NACE impose an almost identical definition of the service sector. A concordance table for ISIC and NACE definitions might be added to the chapter.

(Hungary)

- 1) We agree that theoretically the establishment would be the most appropriate preferred unit of statistical observation. In practice however, the unit of observation in the Hungarian short term services statistics most of the times is the enterprise.
- 2) For Hungary, as a European country, the usage of NACE classification would be the most convenient. From the international point of view however, we agree that ISIC would be the most appropriate classification, because the other main international industrial classifications are either derived from or related to this classification.

As the ISP Manual is expected to be finalized in 2006, the usage of ISIC Rev. 4 may be the better choice (although the revision of ISIC will be finished earliest in 2007).

(China) The appropriate unit should be establishment, or enterprise as an alternative, for there is generally a much higher proportion of small firms in service than in manufacturing, and a considerable amount of the services activities may be a secondary activity of a firm.

As a generally accepted standard, ISIC would be an appropriate choice for the primary activity classification.

(Ireland)

- 1) In my view the “enterprise” is the most appropriate statistical unit. Obviously this classifies all activity to the predominant or main activity of that enterprise but as this is the same approach adopted for our structural surveys, it provides more possibilities for benchmarking.

I think the Eurostat definition of the enterprise is probably sufficient for practical use but I agree with your analysis that it could also be the foundation for a more comprehensive definition, taking on board the wider ISIC Rev 3.1 definition.

- 2) The use of ISIC as the primary activity classification seems logical and shouldn't present any significant difficulties for European member states. As I understand it the ISIC/NACE 2007 revision will affect the services sectors most particularly, so obviously it would be preferable for an ISP to use the most up to date classification system available (i.e. ISIC Rev.4). However, depending on how significant the revision is, it may take countries some time to adopt the 2007 revisions. Therefore whether the ISP adopts ISIC Rev. 3.1 or Rev. 4 largely depends on timing. It might be pragmatic to adopt ISIC Rev. 3.1 for the first base periods but introduce a cut-off period (say 2010 or some other suitable harmonised base period) where ISIC Rev. 4 will be adopted.

(South Africa)

1) For short-term statistics, the most appropriate statistical unit for the collection of basic information on the services is the establishment. This ensures better coverage and minimise duplication. However, for South Africa in the short-term, the most practical statistical unit is the enterprise. This is because of the limitation of the frame which is only accurate at 1-digit ISIC Rev 3.1 level. Using the enterprise as a statistical unit has the limitation of coverage for specific industries but for the economy as a whole. But as the quality of the frame improves, the country will be able to use the establishment as the statistical unit.

2) ISIC should be used as the primary activity classification. South Africa uses the Standard Industrial Classification of all Economic Activities (SIC) which is based on the ISIC Rev 3.1.

(Sweden)

1) The suggestion to use establishment as the statistical unit is not something that we would prefer. We think the most appropriate unit to use is the kind-of-activity unit or, if that is not possible, the enterprise. This would enable us to give a more accurate picture of the activity that is measured.

2) ICIS Rev. 4 should be used since, hopefully, NACE and ISIC will be more harmonized in the future. To use ISIC Rev. 4 would therefore be better for comparison reasons between countries.

(New Zealand)

1) Most appropriate statistical unit for NZ – Kind of Activity Unit (KAU) for consistency with other collections.

2) New Zealand uses the ANZSIC (Australian and New Zealand Standard Industrial Classification). This is comparable with ISIC.

(Czech Republic)

1) As to the preferred statistical units, we aware that the issue is a very difficult one. Both of the methods have their advantages and disadvantages: using enterprises as a statistical unit is definitely easier and more consistent with the manner of monthly reporting but especially in the sector of services can lead to omitting various specific features of the services sector (services provided as a secondary activity, multiple activities of service enterprises). On the other hand, the establishment as a unit is more appropriate in above mentioned issues but the respondent burden and administrative difficulties are the main disadvantages that could threaten the timeliness of the surveys.

2) As to our information, the ISIC Rev. 4 shall be ready by 2007, which be an obstacle for the ISP Manual.

C. COMMENTS ON SECTION C OF PROTOTYPE MANUAL

Questions raised by the Task force members

- 1) STESEG members are invited to provide comment on the various definitions presented.
- 2) STESEG members are invited to comment of the types and definitions of input variables that can be used for ISP compilation.
- 3) Do STESEG members believe a clear distinction between turnover/sales/ receipts is necessary?

Comments

(Switzerland) We do not have any particular remarks on the various variables. The problems that occur are mainly practical. They consist in particular in reconciling theoretical concepts with the difficulties in entering the data, difficulties which are known to be very big in the case of short-term statistics. It is precisely these practical difficulties that prevent for example statisticians to draw a clear borderline between “turnover/sales/receipts” and to work transparently with these 3 terminologies.

From our view, the distinction between market and non-market services is important in two ways, even essential. The evolution can be very different between both. Furthermore it has to be considered that although for the short-term statistics the observation of market services could be sufficient, the quarterly national accounts must take into account non-market services.

(Luxembourg) As a Member State of the European Union having to provide statistics according to highly harmonised European standards, Luxembourg prefers the European definitions to the sometimes slightly different other definitions proposed in the manual. Joined efforts by OECD and Eurostat will be necessary in order to harmonize and to clarify the concepts and methods.

(Norway) No comments on section C

(US)

1) To develop a single operational definition of service activities to be used in defining the scope of an ISP is difficult. The broadly defined Eurostat and OECD definitions of services activities are not analytically useful for the construct of an ISP. Instead, a categorical approach of enumerating areas of the classification covered by the ISP would be more useful.

ESA 1995 (1) defines market producers as units that produce market output. ESA 1995 defines market output as including products supplied by one local KAU to another within the same institutional unit to be used as intermediate inputs or for final use. Census surveys exclude these units and domestic intra-company transfers from estimates of total output for service industries.

The Census Bureau agrees that the ISP should be presented with sub-indexes for market and non-market production.

2) In addition to sales/turnover, we would envisage the possible use of physical output for many component series used in the construction of the index. The Bureau of Transportation Statistics, U.S. Department of Transportation, currently publishes an experimental transportation index covering for-hire commercial activities composed of the following component series that utilize physical output data:

- Aviation – Revenue freight ton-miles, passenger-miles revenue

- Trucking – Monthly tonnage index
- Rail – Carload traffic and number of intermodal units, revenue passenger-miles
- Water Transportation – Inland waterborne tonnage and ton-miles
- Pipeline – Production, imports and exports, movements and inventories of petroleum products
- Transit – Public transit ridership

Examples of physical output measures for other service industries include:

- Postal Services – Pieces of mail and their weight. Volumes could be adjusted by the distance delivered and average days for delivery.
- Telephone Services – Monthly change in subscribers; interstate switched access minutes
- Aviation – Number of arrivals and departures
- Hospitals – Number of admissions; in-patient days; out-patient visits
- Health Insurance – Policies issued (enrollment); claims processed
- Social Security Services – Disability claims; retirement insurance claims; appeals handled; Social Security Numbers issued; and the like
- Funeral Services – Vital statistics reports on deaths
- Advertising – Newspaper circulation
- Real Estate – New homes sales; sales of existing homes; office vacancy rates
- Finance – Mutual fund sales and redemptions, daily bond transactions, foreign exchange transactions, commodity transactions, monthly initial public offerings, weekly treasury bill and note sales, ATM transactions, and the like.

In addition, detailed employment and hours worked data (adjusted by changes in productivity) could be used as proxies for output data.

3) The Census Bureau recommends that the compilation manual draws a clear distinction between turnover, sales, and receipts when presenting terminologies related to the ISP. We are not overly concerned, however, that these differences will detract from comparisons of the movements of the indexes between countries.

(Korea) Though there is no conceptual difference between turnover and sales as suggested in the manual, worldly used terminologies need to be unified throughout the world. A unification and clarification of concepts used in ISP may help enhance the relativity of statistics between countries.

(ECB)

1) & 2) The requested split for the whole economy of total services production into market and non-market services production is supported. It might be considered to introduce such a split for labour variables, e.g. employment, wages.

3) On the (possible) distinction between turnover, sales and receipts, it seems as if the theoretical definitions suggest an interchangeable use. However, practices across countries might differ. A review of current practices and an assessment of implications might be warranted.

(Hungary)

1) & 2) We don't have any particular comments on the various definition and on the types of the input variables except for the comments on definitions that we have made in the overall content section.

- 3) There should be a precise definition of the variable that the manual intend to observe, irrespective of what is the name of the variable (turnover/sales/receipt) in order to ensure the comparability of the different OECD countries. The differences in the coverage of the variable, the inclusion or exclusion of the various indirect taxes can modify the results.

(Ireland)

- 1) While I agree with your overall analysis, the OECD definition is quite repetitive and could I believe be distilled further. I completely agree any definition of services should highlight both the traded and non-traded sectors.

I suggest some text from the OECD definition could be dropped:

Services are heterogeneous outputs produced to order and which cannot be traded separately from their production. Services are not separate entities over which ownership rights can be established. Services typically consist of changes in the conditions of the consuming units realised by the activities of producers at the demand of the consumers. By the time their production is completed they must have been provided to the consumer. The service sector covers both market and non-market services.

- 2) Market Producers – I would agree that the second definition of market producers (i.e. ESA 1995 (2)) is preferable to the first.

Market Output – While the ESA 1995 definition may provide more detail, I'm not convinced the extra detail yields anything particularly useful. I think the SNA 1993 definition is the more succinct and certainly no less useful than the ESA 1995 definition.

Economically significant prices – Again I believe the SNA 1993 definition to be the superior of the two.

Index of Market Services Production & Index of Non-market Services Production – I think this is a very sensible suggestion. The non-market index will undoubtedly be the more difficult to compile and probably the less comparable also. It makes sense therefore to separate a market sub-index, which should be more straight-forward to compile and more comparable.

- 3) I don't think anything particularly useful will be served from drawing a clear distinction between Turnover, Sales and Receipts, if any actually exists. In Ireland we adhere as far as possible to the Eurostat definition and refer to Turnover in our questionnaires. However for the responding businesses turnover and sales are certainly used interchangeably and I suspect this is the case for receipts also. From a purely pragmatic point of view I would prefer to use the Eurostat definition of turnover as this is the definition used throughout all our other short-term and structural business surveys.

I don't agree however that any of the measures (turnover, sales or receipts) will yield a deflated measure of gross output. Turnover (or sales etc.) is a value measure not a volume or deflated measure.

(South Africa)

1. Terminology

The recommendations are sound and well researched.

2. Input Variables

In South Africa, we don't use the terms turnover and receipts.

Sales refers to sales of goods (including export sales), progress payments billed for long-term contracts, customers not invoiced with separate delivery and/or installation charges, railage and transport-out, export freight charges, finance charges and payments received under hire purchase arrangements. But **excludes** net profit or loss on sales of fixed assets, interest income, VAT and rent, leasing and hiring income.

(Sweden) We would prefer to use Eurostats definition on turnover. The reason is that the definition is simple and, at least in the European countries, commonly used. It could become problematic to ask enterprises to divide "turnover" into turnover, sales and receipts.

(New Zealand)

3) A clear distinction between turnover, sales and receipts should be included.

(Czech Republic)

1) As to the definitions in section C, the analyses of definitions differences carried out in the concept seem to be detailed enough and their conclusions are acceptable.

3) Regarding the definitions of turnover, sales and receipt, the precise distinction between these terms is not necessary at the time.

D. COMMENTS ON SECTION D OF PROTOTYPE MANUAL

Questions raised by the Task force members

- 1) Do STESEG Members endorse the approach of compiling a table that presents three options?
- 2) Do STESEG Members endorse the use of the Eurostat Prices & volume manual as a basis for the principles for deciding appropriate indicators (proxies)?
- 3) Do STESEG Members agree that data sources should be those that are the most appropriate indicators (proxies) for measuring short-term change in Gross Value Added?
- 4) STESEG members are invited to comment on the tables presented in D.4.2: format and contents.

Comments

(Switzerland)

1) It seems relevant to us to establish for each activity a hierarchy of the options to be use to choose data sources. Once established, the proposed preferences will have to be looked into in much detail.

2) We support the use of the methodology already existing.

3) Considering the observation of the value added as primary objective means that it is implicitly accepted that data sources should be adapted to the observed variable, i.e. to the value added. But the problem is other: The right question is to know if, in the short-term statistics area, there are other choices than to use the deflated gross production value as the best approximation for the value added (and to admit as a consequence that in the case of services, the gross production should, by absence of a better solution, be approximated by the turnover.). As far as we are concerned, we subscribe to the work hypothesis underlying the compilation methodology of the ISP, in particular because a certain consistency should be kept with the methodological approach used for the industrial production indices compilation.

4) These tables look very useful to us on the “statistical operationnality” point of view. The content deserves a careful examination and possibly some improvements or corrections. As far as we are concerned, for the time being, we regret not to have been able yet to analyse these tables in more details.

(Netherlands) We would suggest to integrate the issue of "use or serviceableness" into the assessment framework and classifying variables within the manual [see also the overall comments].

(Luxembourg)

1) We approve the idea to compose a table presenting three options for choosing the most appropriate data source for compiling an indicator of service production.

2) &3) The ‘Eurostat Prices & volume manual’ can be used as a solid instrument helping to decide what are the most appropriate indicators or at least proxies to measure short-term changes in Gross Value Added.

4) Clearly formatted and detailed tables, as those in D.4.2., will constitute an appropriate working instruction for the agencies in charge of those statistics. In Luxembourg, where an ISP is not yet implemented, the useful conclusions of the task force are very welcome.

(Norway)

- 1) Yes
- 2) Yes
- 3) Yes
- 4) No comment

(US)

1) The Census Bureau endorses the approach of presenting three options (preferred, alternative and other) to the conceptual appropriateness of using output indicators in the index. We agree to the use of the Eurostat Prices and Volume Manual in defining criteria for judging the appropriateness of an indicator.

In assessing the quality of a data source and its suitability for use in the ISP, we recommend adding the variable's performance relative to established benchmarks, and the proportion and effects of non-response on the data to the quality measures listed. We believe the compilation manual should include guidelines on the frequency with which data sources should be reviewed in assessing their quality.

3) We agree that data sources should be those that are the most appropriate indicators of measuring short-term changes in Gross Value Added.

4) We find the tabular presentation in section D.4.2 helpful in its presentation of these data. The contents are appropriate for the examples cited.

(Korea)

1) Korea willingly consents to the task force's proposal of three options, since every country has different statistical conditions.

2) It is difficult for Korea to give a clear voice to using the Eurostat as a basis for indicators, for the two following reasons: one is that the Eurostat's price and volume handbook is designed to compile annual indicators; the other is that the Eurostat's price and volume handbook is less known in Korea.

4) When it comes to the modalities of the table presented in D.4.2, the manual of the task force allows individual countries to opt for indices pertinent to its own statistical circumstances. Thus, it is better to work out a final manual in accordance with the modalities of the manual.

(ECB)

1) The approach of compiling a table that presents three options is considered useful. In addition, if certain methods and definitions are not supported or recommended, the tables might be expanded with such a fourth column.

(Hungary)

1) We endorse the approach of a table that – similarly to the Eurostat Handbook on price and volume measures – present three options for data sources (preferred data sources, alternative data sources and other data sources that might be used, accepting that they will produce a less precise measure). With the

use of this approach each country can choose the most adequate method according to its statistical environment and the state of development of its statistical infrastructure.

- 2) We support the use of the Eurostat Handbook on price and volume measures as a basis for the principles for deciding appropriate indicators. The quality measures used for the evaluation of the variables (coverage, timeliness, periodicity/frequency, accuracy, relevance and consistency) are quite comprehensive.
- 3) We agree that data sources should be those that are the most appropriate indicators (proxies for short term change in gross value added. In many cases the short-term movement of the output can be a reasonable proxy for the movement of the gross value added.
- 4) We don't have any comments on the format and the contents of the tables presented in D.4.2

(China) Presenting preferred, alternative and other data sources as options are welcome. The types and range of indicators available for the services sector vary significantly from country to country, and the appropriate variable for measuring service production may not always be unparalleled. Providing three options will help to avoid inappropriately overpaying for consistency and accuracy of data (cost-effectiveness criteria).

Preferred data sources for ISP should be those that are the most appropriate indicators (proxies) for measuring short-term change. But when they are not available, using output information could be an alternative.

(Ireland)

1) The proposal to allow for three options (preferred/alternative/other) is a sensible one in my view. For users interpreting the data it may present difficulties however but nothing that can't be overcome by good metadata. No comments other than to agree with criteria on the quality measures..

3) I agree wholeheartedly that it is not practical to collect data on intermediate consumption on a monthly basis. It also seems reasonable to assume that deflated turnover will provide a reasonable indicator of GVA in the short term. I would also agree that the index should if possible be benchmarked to quarterly or annual estimates of constant price GVA. On that point, are there any recommendations on how best to treat resulting revisions?

4) The volume indicator is an interesting idea and at first glance seems a reasonable and pragmatic one. For both the deflators where available and for the indicators where they aren't, the main issue will be comparability across countries. That said, I completely agree with the note that measure for deflating GVA depends on how important that sector is for the country in question.

(South Africa)

1. Approach of having three options

The three options approach is acceptable as it will allow countries at different levels of services' statistics development to implement the ISP as soon as possible. Over a period of time, these countries can then move to the 'A method' as more data becomes available.

2. Use of the Eurostat price and volume manual

Stats SA uses the Southern African Development Community (SADC) manual of the SNA '93 in the compilation of national accounts. But, the SADC manual is quiet on the principles for deciding the appropriate indicators.

Stats SA uses the Eurostat price and volume manual as a basis for the principles for deciding the appropriate indicators.

3. Data sources

It is important to use data sources that are the most appropriate indicators for measuring short-term changes in GVA as analysts and policy makers are interested in the contribution of the services to the GDP.

(Sweden)

- 1) The proposal to have three options for each ISIC category will be very useful. The only difficulty would be to compare the different methods used, but at least you have an idea of the quality of the index.
- 2) We endorse the use of the Eurostat Prices & volume manual as a basis for deciding on appropriate indicators.
- 3) Yes.
- 4) We have no objections to table D.4.2. It gives a good guideline on how to compile the index.

(New Zealand)

- 1) The inclusion of three practical options with a clearly defined preference is ideal. It increases the value of the manual considerably.
- 3) Agree that the data sources should be those that are the most appropriate indicators for measuring short term change in Gross Value Added. Where possible they should be consistent with data sources used in the compilation of NA.
- 4) The tables in D.4.2 are well presented and easy to follow.

(Czech Republic)

1), 2) & 3) As to the section D, the answer for the three questions is yes, the approach presented in the concept is suitable. The idea of dividing the indicators into three groups according to their ability to represent the output changes is a very good one and also the definitions of particular indicators in each group are appropriate.

4) The format of tables presented in D.4.2 is understandable and their content detailed enough.

(United Kingdom)

D.2 - We are happy to see the quality frameworks are consistent with the Eurostat one. In addition, the idea of scoring each of these is a good one. If desirable, the UK could provide our own interpretation of this. For the IoS we split out quality into conceptual and data quality, for conceptual we consider:

industrial appropriateness - are the data sources defined in line with SIC(92)

functional stability - are they designed to measure short-term change

coverage – do they cover the full range of businesses in the industry, are all companies in the UK included, etc.

comprehensive – all organisations classified to the SIC should be included in the estimation process

timeliness – how soon are the data sources available after the end of the reference period

periodicity – ideally the turnover data should consist of monthly observations

consistency – it is imperative that any indicator of short-term change is consistent through time

national accounts definitions – are the data sources consistent with what national accounts need

For data quality we consider:

sample attributes

response rates and revisions

analysis of volatility

sampling errors (if available)

coherence with other data sources

A fuller explanation of these last points could be provided if required.

E. LINKS TO NATIONAL PRACTICES AND ADDITIONAL COMMENTS

(Norway) Links to national practices

[NOS D 258: National Accounts 1995-2002. Production, Uses and Employment](#)

(US) The following links related to the development of an ISP are provided:

- Experimental Transportation Service Index
<http://199.79.179.77/xml/tsi/src/index.xml>
- Quarterly Services Survey
<http://help.econ.census.gov/BHS/QSS/index.html>
- GDP by Industry Accounts
<http://www.bea.gov/beat2.htm>

(ECB)

- The manual of the STESEG might focus even more strongly on “good practices”, taking into account the expected results for the EU Member States for services indicators. The TF might discuss the usefulness of deflated turnover indicators as opposed to true volume indicators.
- The ECB is very much interested in a split of turnover data by customer groups (business to business, to consumer, to government). The TF might assess the feasibility of such a breakdown.
- The TF might assess whether the “new orders” indicator is a useful concept for the services sector.

(South Africa)

Data Sources in South Africa

Present monthly services surveys

Survey	Indicators	Deflators
1. Retail trade	- Sales	- respective product CPI deflator
2. Motor trade	- Sales	- respective product CPI deflator
3. Land freight	- Sales	- respective product CPI deflator
4. Wholesale trade	- Sales	- respective product CPI deflator

Future monthly services surveys

Survey	Indicators
1. Accommodation	- Sales - Room occupancy rates
2. Restaurant, bars and canteens	- Sales

Compilation Method: Stats SA uses the production method for the services sector in the GDP.

(Ireland) I would also like to pose two questions (1) are there any recommendations on whether the ISP should be trading day or working day adjusted? If so, are there any recommendations on whether using weights or regression is the best methodology? (2) are there any recommendations on how best to treat possible revisions resulting from benchmarking to a structural source?

(Finland) The future work in STESEG could still be partially aimed at the development of new short-term indicators in service sectors. After the development of output service prices will be completed, new indicators are still needed to reflect the economy in service sectors. The new draft amendment to the STS Regulation (1165/98) does not significantly change the amount and coverage of services statistics. At the same time the importance of service sectors is increasing and the changes inside service activities become more complex.

Comments from Statistics Norway¹

Comments on the prototype compilation manual for a monthly index of service production

Do STESEG members have suggestions on the overall content of the prototype?

Statistics Norway has made an analysis of indicators used in our quarterly national account (QNA) as part of an exhaustive evaluation of the Norwegian QNA². Not very surprisingly one of the main conclusions is that volume indicators for service production is more or less absent or at best of poor quality. Another conclusion made by the project group is that short-term statistics on turnover can be a good approximation for volume production in several service industries. At the same time it is important to have focus on good price indices for the same industries.

Generally speaking the content of the manual seems to have a logical structure and sufficient completeness. But as a representative for a small country (Norway) I would strongly recommend the manual to be more explicitly open for quarterly series. In many countries short-term statistics with quarterly frequency is sufficient as input to quarterly national account.

STESEG members are invited to provide advice on the (most) appropriate statistical unit(s) for the collection of basic information on services production and to ensure adequate coverage of services sector activity.

A unit used to get statistical information should ideally be a specific entity defined in such a way that it can not be confused with any other unit. It must be possible to count these elements without omissions or duplication. Statistical units may be identifiable legal or physical entities or statistical constructs.

The enterprise (EUROSTAT definition) is the smallest combination of legal units that is an organisational unit producing goods or services, which benefits from a certain degree of autonomy in decision-making, especially for the allocation of its current resources. An enterprise carries out one or more activities at one or more locations.

The kind-of-activity unit (EUROSTAT definition) groups all the parts of an enterprise contributing to the performance of an activity at class level (four digits) of NACE Rev. 1 and corresponds to one or more operational sub- divisions of the enterprise. The local kind-of-activity unit (LKAU) is the part of a KAU which corresponds to a local unit (=establishment).

For all statistics covered by the Council Regulation No 1165/98 the observation unit is decided to be either KAU or enterprise. The way Statistics Norway reads it OECD propose establishment (LKAU) as principal observation unit. We find this proposal satisfactory since establishment is the most disaggregated unit. At the same time it can be difficult to fulfill since most of Statistics Norways statistics on turnover for the service industries are compiled using administrative data derived from a more aggregated unit level (legal unit).

2) Do members agree that ISIC should be the primary activity classification used? If yes, should ISIC Rev. 3.1 or ISIC Rev. 4 be used?

¹ Head of Division for Economic Indicators

² Kvalitetsarbeid knyttet til kvartalsvis nasjonalregnskap (KNR) (Quality management in the quarterly national account) Trude Nygård Evensen. Notater 2004/42. Statistics Norway (In Norwegian only) http://www.ssb.no/emner/09/01/notat_200442/notat_200442.pdf

As documented by OECD there are several different classifications in use. Some of them are related in such a way that one classification is just a further aggregation or disaggregation of another. Such a relationship exists for instance between NACE Rev. 1 and ISIC Rev.3 where the former is based on the elements of the latter.

The first level of ISIC Rev.3 (sections) is embodied in NACE Rev. 1 as an alphabetical code, A to Q, and is further disaggregated in some areas into subsections indicated by 2-digit alphabetical codes. The second level of ISIC Rev.3 (divisions) is included in NACE Rev. 1 without any changes. The third and fourth levels (groups and classes) are subdivided to reflect European needs, each 3- or 4-digit item in NACE Rev. 1 being capable of being aggregated to the 3- or 4-digit levels of ISIC Rev.3 from which they have been derived.

Statistics Norway support the use of ISIC Rev.1 as primary activity classification because of the close relationship between NACE Rev.1 and ISIC Rev.3 which makes it possible to use NACE series to compute ISIC Rev.3 series.

For section C

STESEG members are invited to provide comment on the various definitions presented.

No comment.

STESEG members are invited to comment of the types and definitions of input variables that can be used for ISP compilation.

No comment

Do STESEG members believe a clear distinction between turnover/sales/ receipts is necessary?

No comment

For section D

Do STESEG Members endorse the approach of compiling a table that presents three options?

Yes

Do STESEG Members endorse the use of the Eurostat Prices & volume manual as a basis for the principles for deciding appropriate indicators (proxies)?

Yes

Do STESEG Members agree that data sources should be those that are the most appropriate indicators (proxies) for measuring short-term change in Gross Value Added?

Yes

STESEG members are invited to comment on the tables presented in D.4.2: format and contents.

No comment

- STESEG members are finally asked to provide the task force with summary information or references (links) to national practices in their own country with respect to ISP. This includes information/references on the availability of data and their deflators, compilation method for the services sector in their GDP or monthly or quarterly ISP.

[NOS D 258: National Accounts 1995-2002. Production, Uses and Employment](#)

U.S. Census Bureau Response to Task Forces Recommendations

1. The U.S. Census Bureau commends the OECD Short-term Economic Statistics Expert Group (STESEG) for its progress in developing recommendations on best practices for improving the quality, timeliness, comparability, and presentation of short-term economic statistics. The Census Bureau welcomes the opportunity to comment on the STESEG draft documents covering short-term indicators for services, data presentation and seasonal adjustment, and timeliness and benchmarking. These comments address the questions accompanying the task forces' recommendations.

Prototype manual for the compilation of a monthly index of service production (ISP)

2. Except as noted below, the overall content of the prototype manual appears complete. Comments on individual sections follow.
3. Section A – The tabular and graphical depictions of the growth of services in the five OECD countries illustrate the important need for an index of service production in analyzing short term economic movements. While the information is revealing, it quickly will become dated. We suggest, therefore, that it not be included as part of the compilation manual.
4. Section B – The choice of the most appropriate statistical unit depends on the availability and quality of data for production units included in each country's population frame. The data collected, industry, and typical record keeping practices of businesses within the industry also will influence the selection. For example, while the establishment is entirely appropriate for collecting sales/turnover for most service industries, it may not be for others like telecommunications, banking, pipelines, and utilities. For these "networked industries," allocating revenue, product, and other output data to a physical location is extremely burdensome and often not possible. Further, we have found many large companies organizing around units that are collections of physical locations or of employees working in diverse locations. In both of these instances, the enterprise or kind of activity unit may be a more appropriate statistical unit.
5. U.S. policy directives require that the North American Industry Classification System (NAICS) be used when producing industry-based short-term economic statistics by the U.S. government. In developing NAICS, Canada, Mexico and the United States attempted to create industries that did not cross ISIC two digit boundaries. We anticipate that Rev 4 will bring a greater degree of comparability between NAICS and ISIC and, therefore, recommend that it be used.
6. Section C – To develop a single operational definition of service activities to be used in defining the scope of an ISP is difficult. The broadly defined Eurostat and OECD definitions of services activities are not analytically useful for the construct of an ISP. Instead, a categorical approach of enumerating areas of the classification covered by the ISP would be more useful.
7. ESA 1995 (1) defines market producers as units that produce market output. ESA 1995 defines market output as including products supplied by one local KAU to another within the same institutional unit to be used as intermediate inputs or for final use. Census surveys exclude these units and domestic intra-company transfers from estimates of total output for service industries.
8. The Census Bureau agrees that the ISP should be presented with sub-indexes for market and non-market production.

9. In addition to sales/turnover, we would envisage the possible use of physical output for many component series used in the construction of the index. The Bureau of Transportation Statistics, U.S. Department of Transportation, currently publishes an experimental transportation index covering for-hire commercial activities composed of the following component series that utilize physical output data:

- Aviation – Revenue freight ton-miles, passenger-miles revenue
- Trucking – Monthly tonnage index
- Rail – Carload traffic and number of intermodal units, revenue passenger-miles
- Water Transportation – Inland waterborne tonnage and ton-miles
- Pipeline – Production, imports and exports, movements and inventories of petroleum products
- Transit – Public transit ridership

Examples of physical output measures for other service industries include:

- Postal Services – Pieces of mail and their weight. Volumes could be adjusted by the distance delivered and average days for delivery.
- Telephone Services – Monthly change in subscribers; interstate switched access minutes
- Aviation – Number of arrivals and departures
- Hospitals – Number of admissions; in-patient days; out-patient visits
- Health Insurance – Policies issued (enrollment); claims processed
- Social Security Services – Disability claims; retirement insurance claims; appeals handled; Social Security Numbers issued; and the like
- Funeral Services – Vital statistics reports on deaths
- Advertising – Newspaper circulation
- Real Estate – New homes sales; sales of existing homes; office vacancy rates
- Finance – Mutual fund sales and redemptions, daily bond transactions, foreign exchange transactions, commodity transactions, monthly initial public offerings, weekly treasury bill and note sales, ATM transactions, and the like.

10. In addition, detailed employment and hours worked data (adjusted by changes in productivity) could be used as proxies for output data.

11. In assessing the quality of a data source and its suitability for use in the ISP, we recommend adding the variable's performance relative to established benchmarks, and the proportion and effects of non-response on the data to the quality measures listed. We believe the compilation manual should include guidelines on the frequency with which data sources should be reviewed in assessing their quality.

12. The Census Bureau recommends that the compilation manual draws a clear distinction between turnover, sales, and receipts when presenting terminologies related to the ISP. We are not overly concerned, however, that these differences will detract from comparisons of the movements of the indexes between countries.

13. The Census Bureau endorses the approach of presenting three options (preferred, alternative and other) to the conceptual appropriateness of using output indicators in the index. We agree to the use of the Eurostat Prices and Volume Manual in defining criteria for judging the appropriateness of an indicator.

14. We agree that data sources should be those that are the most appropriate indicators of measuring short-term changes in Gross Value Added.

15. We find the tabular presentation in section D.4.2 helpful in its presentation of these data. The contents are appropriate for the examples cited.

16. The following links related to the development of an ISP are provided:

- Experimental Transportation Service Index
<http://199.79.179.77/xml/tsi/src/index.xml>
- Quarterly Services Survey
<http://help.econ.census.gov/BHS/QSS/index.html>

- GDP by Industry Accounts
<http://www.bea.gov/bea/an2.htm>

Comments from Switzerland

1. Manual for a monthly ISP (prototype)

General comments

We broadly agree on the general approach. In particular, we appreciate the idea not to give exclusive and imperative recommendations, but to follow a methodology that propose, in addition to the “first choice”, alternative solutions, and thus take into account the feasibility of the different propositions and of the practical implementation of the manual.

From our point of view, It is also very important to give to the manual a double objective in order to take into account the fact that short term indicators are designed to meet many different needs.

Our reserve relates to the monthly periodicity. In the title of the manual, we are under the impression that the monthly periodicity of the indicator is agreed from the start. Although we agree that the final objective should be to have a monthly ISP, we would like the alternative possibility of a quarterly indicator not to be ignored.

Section B (Infrastructure):

We agree on recommending the ‘establishment’ as in the end of B.2 page 15. It insures consistency with the indicators from the industrial sector

We assume that the indicators to be compiled in the framework of the Manual will not be disaggregated to the extent that it would create conflicts between ISIC and NACE.

Given that it will still require a certain time to complete the Manual, it is preferable to move towards next revisions of the classifications by activity: ISIC Rev.4, resp NACE Revision 2007.

Section C (Terminologies):

We do not have any particular remarks on the various variables. The problems that occur are mainly practical. They consist in particular in reconciling theoretical concepts with the difficulties in entering the data, difficulties which are known to be very big in the case of short-term statistics. It is precisely these practical difficulties that prevent for example statisticians to draw a clear borderline between “turnover/sales/receipts’ and to work transparently with these 3 terminologies.

From our view, the distinction between market and non-market services is important in two ways, even essential. The evolution can be very different between both. Furthermore it has to be considered that although for the short-term statistics the observation of market services could be sufficient, the quarterly national accounts must take into account non-market services.

Section D (Sources and methods):

Question 1: It seems relevant to us to establish for each activity a hierarchy of the options to be use to choose data sources. Once established, the proposed preferences will have to be looked into in much detail.

Question 2: We support the use of the methodology already existing.

Question 3: Considering the observation of the value added as primary objective means that it is implicitly accepted that data sources should be adapted to the observed variable, i.e. to the value added. But the problem is other: The right question is to know if, in the short-term statistics area, there are other choices than to use the deflated gross production value as the best approximation for the value added (and to admit as a consequence that in the case of services, the gross production should, by absence of a better solution, be approximated by the turnover.). As far as we are concerned, we subscribe to the work hypothesis underlying the compilation methodology of the ISP, in particular because a certain consistency should be kept with the methodological approach used for the industrial production indices compilation.

Question 4: These tables look very useful to us on the “statistical operationnality” point of view. The content deserves a careful examination and possibly some improvements or corrections. As far as we are concerned, for the time being, we regret not to have been able yet to analyse these tables in more details.

Comments from Netherlands

In general, we endorse the approach chosen in the manual. It is very helpful to have a set of practical guidelines to compile a monthly ISP.

A point which we would like to make relates to the “use or serviceability” of the indicator. For some parts of the service sector, it is less relevant to have a monthly indicator than for other parts. As we are all confronted with budget restraints, we have to set priorities and therefore we have to formulate criteria. For “not so relevant ISIC groups” it may be not necessary to have “preferred methods” and it may also be acceptable to have quarterly data (or even annual in some extreme cases) simply prorated to contribute to the aggregation of a monthly index of full scope. The circumstances where this may be acceptable need to be considered. So, we would like to suggest to include this issue in the manual.

Comments from Luxembourg

1. TF ‘Short term indicators for services’

1.1. In post-industrial societies with a continuously growing tertiary sector, reliable and meaningful service indicators have gained in importance during the last decade. Developing a short-term indicator measuring production in the very vast service sector should be an aim for every statistical agency, provided that it exists a statistical framework and that the necessary financial, human and institutional resources are available. The draft manual for a monthly index of service production, elaborated by the task force, represents, even at this relatively early stage, an extremely important working document especially for statistical agencies in smaller countries or in countries without the necessary experience in this domain.

1.2. The best statistical unit for which information should be collected is, as pointed out in the manual, the local kind-of-activity unit or even the enterprise, which represents perhaps the most suitable statistical unit in the smaller countries. In order to guarantee the best harmonization, ISIC (Rev.3.1/Rev.4) could be used for publishing OECD-wide results, even if other classifications are used on a national or regional basis (NACE Rev.1.1, NAICS 1997 or ANZSIC 1993). Nevertheless, adjustments and correspondences between the different classifications remain possible. Because of their specificity that could cause a lot of methodological problems, non-market services should be excluded as well as the codes L, P and Q of ISIC Rev.3.1.

1.3. As a Member State of the European Union having to provide statistics according to highly harmonised European standards, Luxembourg prefers the European definitions to the sometimes slightly different other definitions proposed in the manual. Joined efforts by OECD and Eurostat will be necessary in order to harmonize and to clarify the concepts and methods.

1.4. Luxembourg approves the idea to compose a table presenting three options for choosing the most appropriate data source for compiling an indicator of service production. The ‘Eurostat Prices & volume manual’ can be used as a solid instrument helping to decide what are the most appropriate indicators or at least proxies to measure short-term changes in Gross Value Added. Clearly formatted and detailed tables, as those in D.4.2., will constitute an appropriate working instruction for the agencies in charge of those statistics. In Luxembourg, where an ISP is not yet implemented, the useful conclusions of the task force are very welcome.

ECB's comments on Task Force on short-term indicators for services

It is essential for the ECB to have a methodologically sound and consistent information system which produces relevant information in a timely fashion, and includes the services sector. Here, most of the information required refers to market services, but labour variables (employment and wages/labour costs) are desirable for the non-market sector, too. For the purpose of short-term analysis of euro area developments, most data should be at monthly or quarterly frequency and produced in timely manner.

Specific comments on the prototype manual for a monthly index of service production:

- The prototype manual very much meets the objective of the STESEG TF to produce a reference document to be used as a guideline for the compilation of short-term indicators in the services sector. The progress from Eurostat's project 'Operation 2007', aimed at revising the statistical classifications of economic activities (NACE) and products (CPA), shall be closely monitored and reflected in the Handbook.
- B1.1: The definition of statistical units shall ensure that proper aggregates can be compiled without losing the degree of comparability in the derived aggregates. The similarities between ISIC and NACE impose an almost identical definition of the service sector. A concordance table for ISIC and NACE definitions might be added to the chapter.
- C.1.2: The requested split for the whole economy of total services production into market and nonmarket services production is supported. It might be considered to introduce such a split for labour variables, e.g. employment, wages.
- C.2.1: On the (possible) distinction between turnover, sales and receipts, it seems as if the theoretical definitions suggest an interchangeable use. However, practices across countries might differ. A review of current practices and an assessment of implications might be warranted.
- Section D: The approach of compiling a table that presents three options is considered useful. In addition, if certain methods and definitions are not supported or recommended, the tables might be expanded with such a fourth column.

With regard to further work of the STESEG, the following topics might be considered:

- The manual of the STESEG might focus even more strongly on "good practices", taking into account the expected results for the EU Member States for services indicators. The TF might discuss the usefulness of deflated turnover indicators as opposed to true volume indicators.
- The ECB is very much interested in a split of turnover data by customer groups (business to business, to consumer, to government). The TF might assess the feasibility of such a breakdown.
- The TF might assess whether the "new orders" indicator is a useful concept for the services sector.

Korea's comments on Task force on services

For section B

Korea agrees on the basic concept that data-collecting unit should be an establishment. But such a concept is not completely applied to Korea: Korea's refusal to come up with local indices forces it to get often together data both from the enterprises and the establishments in order to reduce costs and burden to respondents.

The Korean Service Business Activity Index (SBAI) is still based on the eighth revision of the Korea Standard Industrial Classification (KSIC rev.8), derived from its original ISIC rev.3.1, the rev.3.1 will be hereinafter employed for comparing statistical data among countries. If more and more countries adopt the rev. 4 system, Korea will consider taking their own course.

For section C

Though there is no conceptual difference between turnover and sales as suggested in the manual, worldly used terminologies need to be unified throughout the world. A unification and clarification of concepts used in ISP may help enhance the relativity of statistics between countries.

For section D

Korea willingly consents to the task force's proposal of three options, since every country has different statistical conditions. When it comes to the modalities of the table presented in D.4.2, the manual of the task force allows individual countries to opt for indices pertinent to its own statistical circumstances. Thus, it is better to work out a final manual in accordance with the modalities of the manual.

Now, it is difficult for Korea to give a clear voice to using the Eurostat as a basis for indicators, for the two following reasons: one is that the Eurostat's price and volume handbook is designed to compile annual indicators; the other is that the Eurostat's price and volume handbook is less known in Korea.

Comments from Hungary

Comments on the overall content

The overall content of the ISP Manual is very comprehensive; it covers all the important aspects of the compilation of a monthly index of services production. We don't have any further suggestions.

Concerning the definitions of statistical units and the terminologies for ISP (Section B and C) in the manual, we think that two different approaches are acceptable. In the first approach the manual should stick to a complete set of definitions (for example the ISIC definitions for statistical units or the SNA93 definitions of terminologies related to ISP) to keep the internal coherence of the definition system, and supplement it with additional information to make it more precise where needed. The preferred sources of definitions (classifications, methodological handbooks) could be the ones created by UN, because most of the other sources (either international or national) are derived from, or related to these. In the second approach the manual should choose the best (the most comprehensive and the most precise) definition available, or create a new one from the existing definitions. In this case the consistency of the definition system has to be ensured.

For section B

- 1) We agree that theoretically the establishment would be the most appropriate preferred unit of statistical observation. In practice however, the unit of observation in the Hungarian short term services statistics most of the times is the enterprise.
- 2) For Hungary, as a European country, the usage of NACE classification would be the most convenient. From the international point of view however, we agree that ISIC would be the most appropriate classification, because the other main international industrial classifications are either derived from or related to this classification.

As the ISP Manual is expected to be finalized in 2006, the usage of ISIC Rev. 4 may be the better choice (although the revision of ISIC will be finished earliest in 2007).

For section C

- 1) and 2) We don't have any particular comments on the various definition and on the types of the input variables except for the comments on definitions that we have made in the overall content section.
- 3) There should be a precise definition of the variable that the manual intend to observe, irrespective of what is the name of the variable (turnover/sales/receipt) in order to ensure the comparability of the different OECD countries. The differences in the coverage of the variable, the inclusion or exclusion of the various indirect taxes can modify the results.

For section D

- 1) We endorse the approach of a table that – similarly to the Eurostat Handbook on price and volume measures – present three options for data sources (preferred data sources, alternative data sources and other data sources that might be used, accepting that they will produce a less precise measure). With the use of this approach each country can choose the most adequate method according to its statistical environment and the state of development of its statistical infrastructure.
- 2) We support the use of the Eurostat Handbook on price and volume measures as a basis for the principles for deciding appropriate indicators. The quality measures used for the evaluation of the variables

(coverage, timeliness, periodicity/frequency, accuracy, relevance and consistency) are quite comprehensive.

- 3) We agree that data sources should be those that are the most appropriate indicators (proxies for short term change in gross value added. In many cases the short-term movement of the output can be a reasonable proxy for the movement of the gross value added.
- 4) We don't have any comments on the format and the contents of the tables presented in D.4.2

Comments from Germany

We welcome the initiative of the OECD to develop a manual on monthly service statistics. This clearly puts the emphasis on the collection of monthly short-term economic indicators, rather than on less timely quarterly data. It also provides the opportunity for all National Statistical Institutes of the OECD member countries to apply the same methods and terminologies. This would allow that the data collected and conclusions drawn are internationally comparable. Any reflections in the context of harmonising monthly service statistics should take into account that all proposed regulations be compatible with the existing regulatory systems in the OECD member countries. It can be assumed that all standards set by the OECD will be adhered to in practice by the OECD member countries only if they are in line with existing standards or can easily be derived from them.

Comments from China

The OECD STESEG task force on services(TFS) provide a good structure and many helpful contents in the prototype of an index of services production(ISP) manual. There are more particular difficulties in measuring services activity, and corresponding indicators from various countries are less comparable than those for the industrial sector as international guidelines do not exist. Therefore the manual will be useful both for OECD members and other countries to compile a short-term ISP and improve the measurement of the production of services industries.

The appropriate unit should be establishment, or enterprise as an alternative, for there is generally a much higher proportion of small firms in service than in manufacturing, and a considerable amount of the services activities may be a secondary activity of a firm.

As a generally accepted standard, ISIC would be an appropriate choice for the primary activity classification.

Presenting preferred, alternative and other data sources as options are welcome. The types and range of indicators available for the services sector vary significantly from country to country, and the appropriate variable for measuring service production may not always be unparalleled. Providing three options will help to avoid inappropriately overpaying for consistency and accuracy of data (cost-effectiveness criteria).

Preferred data sources for ISP should be those that are the most appropriate indicators (proxies) for measuring short-term change. But when they are not available, using output information could be an alternative.

Comments from Ireland

Prototype compilation manual for a monthly index of service production

I read this draft manual with great interest and for the most part I can only agree with the recommendations made. I have noted the rare case where I disagreed. I hope I have satisfactorily answered the questions posed in the “specific issues”. I will be happy to clarify any answers if clarification is needed.

I would also like to pose two questions (1) are there any recommendations on whether the ISP should be trading day or working day adjusted? If so, are there any recommendations on whether using weights or regression is the best methodology? (2) are there any recommendations on how best to treat possible revisions resulting from benchmarking to a structural source?

My specific comments and answers are detailed below:

Section B: Infrastructure

B.1 – Statistical units

In my view the “enterprise” is the most appropriate statistical unit. Obviously this classifies all activity to the predominant or main activity of that enterprise but as this is the same approach adopted for our structural surveys, it provides more possibilities for benchmarking.

I think the Eurostat definition of the enterprise is probably sufficient for practical use but I agree with your analysis that it could also be the foundation for a more comprehensive definition, taking on board the wider ISIC Rev 3.1 definition.

B.2 – Classification

The use of ISIC as the primary activity classification seems logical and shouldn't present any significant difficulties for European member states. As I understand it the ISIC/NACE 2007 revision will affect the services sectors most particularly, so obviously it would be preferable for an ISP to use the most up to date classification system available (i.e. ISIC Rev.4). However, depending on how significant the revision is, it may take countries some time to adopt the 2007 revisions. Therefore whether the ISP adopts ISIC Rev. 3.1 or Rev. 4 largely depends on timing. It might be pragmatic to adopt ISIC Rev. 3.1 for the first base periods but introduce a cut-off period (say 2010 or some other suitable harmonised base period) where ISIC Rev. 4 will be adopted.

Section C: Terminologies for Index of Services Production

C.1.1 Services activities

While I agree with your overall analysis, the OECD definition is quite repetitive and could I believe be distilled further. I completely agree any definition of services should highlight both the traded and non-traded sectors.

I suggest some text from the OECD definition could be dropped:

Services are heterogeneous outputs produced to order and which cannot be traded separately from their production. Services are not separate entities over which ownership rights can be established. Services typically consist of changes in the conditions of the consuming units realised by the activities of producers at the demand of the consumers. By the time their production is completed they must have been provided to the consumer. The service sector covers both market and non-market services.

C.1.2 Market and Non-market services

Market Producers – I would agree that the second definition of market producers (i.e. ESA 1995 (2)) is preferable to the first.

Market Output – While the ESA 1995 definition may provide more detail, I'm not convinced the extra detail yields anything particularly useful. I think the SNA 1993 definition is the more succinct and certainly no less useful than the ESA 1995 definition.

Economically significant prices – Again I believe the SNA 1993 definition to be the superior of the two.

Index of Market Services Production & Index of Non-market Services Production – I think this is a very sensible suggestion. The non-market index will undoubtedly be the more difficult to compile and probably the less comparable also. It makes sense therefore to separate a market sub-index, which should be more straight-forward to compile and more comparable.

C.2.1 Deflated gross output (turnover, sales, receipt)

I don't think anything particularly useful will be served from drawing a clear distinction between Turnover, Sales and Receipts, if any actually exists. In Ireland we adhere as far as possible to the Eurostat definition and refer to Turnover in our questionnaires. However for the responding businesses turnover and sales are certainly used interchangeably and I suspect this is the case for receipts also. From a purely pragmatic point of view I would prefer to use the Eurostat definition of turnover as this is the definition used throughout all our other short-term and structural business surveys.

I don't agree however that any of the measures (turnover, sales or receipts) will yield a deflated measure of gross output. Turnover (or sales etc.) is a value measure not a volume or deflated measure.

Section D: Sources and methods for compiling an ISP

D.1 Description of Preferred, Alternative and Other methods for ISP

The proposal to allow for three options (preferred/alternative/other) is a sensible one in my view. For users interpreting the data it may present difficulties however but nothing that can't be overcome by good metadata.

D.2 Evaluation of a variable: quality measures

No comments other than to agree with criteria.

D.3 Criteria for conceptual appropriateness

I agree wholeheartedly that it is not practical to collect data on intermediate consumption on a monthly basis. It also seems reasonable to assume that deflated turnover will provide a reasonable indicator of GVA in the short term. I would also agree that the index should if possible be benchmarked to quarterly or annual estimates of constant price GVA. On that point, are there any recommendations on how best to treat resulting revisions?

D.4 Recommendations for variables and deflators by services activity

The volume indicator is an interesting idea and at first glance seems a reasonable and pragmatic one. For both the deflators where available and for the indicators where they aren't, the main issue will be comparability across countries. That said, I completely agree with the note that measure for deflating GVA depends on how important that sector is for the country in question.

Comments from Russia

The document, presented on this issue is a project of the Handbook on calculating monthly indicators of service output. Currently, this Handbook is under development. It is assumed that it will be composed from 6 chapters, from which only four are prepared: A. Introduction, B. Infrastructure, C. Terminology for the service output index – SOI and D. Sources and methods of SOI calculation. Thereby, where the first two chapters are presented complete, the chapters C and D some subsections are not presented.

It was attempted in the draft Handbook to compare the definitions, concepts and terminology content in the field of services, used in SNA-93, ISIC 3.1 and developed by different international organizations (OECD, Eurostat), which shows that there is no internationally accepted conceptual system in the field of service statistics.

From the show parts of the draft Handbook we see that there is no definition of a **common roundup indicator to measure service output**.

In the C.2.1 subsection a list of four pretenders on the role of such an indicator are presented (gross output, turnover, sales, earnings) and three of them are defined as in the OECD and Eurostat dictionaries. Differences between these indicators show up in the composition of the influential elements.

Turnover.

As it is noted in the OECD dictionary, currently there is no universal definition of the “**turnover**” **concept**. This terminology is still being discussed. OECD and Eurostat concur that the closest to the standard are different definitions of the turnover, located in the Leading Directive on structural economic statistics, which are defining the turnover as “sums, for which accounts are established by the observation unit in the observed period, and which are corresponding to the sales volumes of goods and services, delivered to a third party... Price recession, allowances and discounts, as well as the packing cost should also be charged. Price recession, allowances and discounts to clients (for the end of the year) are not included in the estimation”³.

The turnover includes all charges and taxes on goods and services, for which calculations are established by observation units, excluding VAT, imposed by observation units to its purchaser, and other similar charged taxes, directly related to the turnover. It also includes all the other input (transport, baggage etc.), which are transferred on the purchaser. The income, classified as operational income, financial income and excess profit in the business accounts are excluded from the turnover. Subsidies to the income in the company accounts are excluded from the turnover. Production subsidies, received from EU public organizations should also be excluded.

The concepts of “turnover” and “sales” are often used by national and international services as interchangeable. Unfortunately, in many cases it doesn’t give enough detailing on the indicator, called “turnover” so that would possible to adjust that definition and to identify that indicator. Some countries use the “turnover” concept only in the context of trade sales incomes (i.e. incomes from the main type of activity of the observed unit), when others also include other types of income, such as those from rendering services, repairs, commission charges etc. In some countries, taxes re excluded from the turnover or sales, but diverse payments for the contracted jobs are included.

Sales

According to the Eurostat dictionary, **sales are covering the cost of the realized production, excluding taxes on products, but including all payments made by nationwide bodies and EU organizations and donations to any producer of the given type of activity, i.e. all payments, related to the value and cost of the output, are considered, and payments, covering the gross deficit are excluded.**

³ Hereinafter, extracts from the draft Handbook on calculating monthly indexes of service output are shown in italics.

OECD defines **sales as a gross operational income excluding allowances, discounts and returns of production. Sales should be measured separately from the consummation and sale taxes, as well as VAT.**

It is possible to follow an interrelation of the turnover, sales and earnings indicators when stagewise forming the production indicator, in the course of which the following rules must be followed:

1. Excluding the subsidies (to the producers).
2. Taking only the sales cost of own production into account.
3. Taking payments for uncompleted production into account.
4. Exclude allowances, discounts and returns of production.
5. Exclude consummation and sales taxes, VAT, imposed over the purchasers. On this stage, the indicator corresponds to the “turnover” concept and corresponds to definitions in the retail sector.
6. Transport and storage expenditures, if it is possible to impose specific accounts for them, can be included in the next level, called “sales”.
7. Including all taxes, listed in the point 5, together with the sales cost of other products, now listed in the point 2, “sales” can be called “earnings”

Output (Gross output)

Definition of output, to which OECD, Eurostat and SNA-93 agree:

“Output can be:

- Sold;
- Included in the property of the producer before sale, barter etc.;
- Proposed to other institutions, belonging to the same institution, for use in the intermediate consumption;
- Held by the proprietary for own final consumption or own gross accumulation of capital assets;
- Proposed in a free way or sold for prices, which cannot be considered as economically significant, to other institutional units;
- Transferred to workers as salary in a natural form, or used for other natural payments;
- Bartered or interchanged for other goods, services or property”.

In a number of countries (Canada, US), as it is told in the draft Handbook, the “turnover” concept is not used. The terms “sales” and “earnings” are used to define similar concepts. Based on this, it is recommended in the draft Handbook to “follow the assessment borders for mutual settlements, set by SNA-93 (SNA-93, 3.84)”.

That way, the issue of SOI definition consists mostly in the selection from the aforementioned indicators of one, which must be the admission for SOI calculation, i.e. in the selection of measurement instrument of service production volume, and then in the calculation of the SOI itself. In the draft Handbook it is recommended to define SOI as “weighted average of real output volume..., where weights are based on their share in the general value added of the service sector”.

SOI measures the time changes in the service sector output volumes. It defines the relation of output volume, produced in the service branch in the concerned period, to the output volume of the same branches in a basic period. Products are taken into account, which are included in the gross production of the service branch, also products can be taken into accounts, which are not of main production; products can be goods or services.

Irrespective from the indicator that will be recommended from the proposed ones by the Handbook as the admission indicator for SOI calculation, it is important to provide methodological unity with a similar indicator on goods.

A. STESEG task force on short-term indicators for services

A.1 Manual for a Monthly Index of Service Production

Section B

1. Statistical Unit

For short-term statistics, the most appropriate statistical unit for the collection of basic information on the services is the establishment. This ensures better coverage and minimise duplication.

However, for South Africa in the short-term, the most practical statistical unit is the enterprise. This is because of the limitation of the frame which is only accurate at 1-digit ISIC Rev 3.1 level. Using the enterprise as a statistical unit has the limitation of coverage for specific industries but for the economy as a whole.

But as the quality of the frame improves, the country will be able to use the establishment as the statistical unit.

2. Classification

ISIC should be used as the primary activity classification.

South Africa uses the Standard Industrial Classification of all Economic Activities (SIC) which is based on the ISIC Rev 3.1.

Section C

3. Terminology

The recommendations are sound and well researched.

4. Input Variables

In South Africa, we don't use the terms turnover and receipts.

Sales refers to sales of goods (including export sales), progress payments billed for long-term contracts, customers not invoiced with separate delivery and/or installation charges, railage and transport-out, export freight charges, finance charges and payments received under hire purchase arrangements. But **excludes** net profit or loss on sales of fixed assets, interest income, VAT and rent, leasing and hiring income.

Section D

4. Approach of having three options

The three options approach is acceptable as it will allow countries at different levels of services' statistics development to implement the ISP as soon as possible. Over a period of time, these countries can then move to the 'A method' as more data becomes available.

5. Use of the Eurostat price and volume manual

Stats SA uses the Southern African Development Community (SADC) manual of the SNA '93 in the compilation of national accounts. But, the SADC manual is quiet on the principles for deciding the appropriate indicators.

Stats SA uses the Eurostat price and volume manual as a basis for the principles for deciding the appropriate indicators.

6. Data sources

It is important to use data sources that are the most appropriate indicators for measuring short-term changes in GVA as analysts and policy makers are interested in the contribution of the services to the GDP.

A.2 Data Sources in South Africa

Present monthly services surveys

Survey	Indicators	Deflators
1. Retail trade	- Sales	- respective product CPI deflator
2. Motor trade	- Sales	- respective product CPI deflator
3. Land freight	- Sales	- respective product CPI deflator
4. Wholesale trade	- Sales	- respective product CPI deflator

Future monthly services surveys

Survey	Indicators
3. Accommodation	- Sales - Room occupancy rates
4. Restaurant, bars and canteens	- Sales

A.3 Compilation Method

Stats SA uses the production method for the services sector in the GDP.

Comments from Sweden

Overall comments

The initiative to prepare guidelines for the compilation of a monthly or quarterly index of service production is welcomed by Statistics Sweden. To try to coordinate definitions and methods for compiling the index is very important for the comparison between countries. Since many countries have not yet started their compilation of an ISP it would be very useful to have a manual that is commonly used.

Sweden is one of the countries that have not yet started to produce an ISP, but the subject is very interesting and there is a lot of user's asking for such an index. Since our experiences in the field are somewhat "poor" it has not been easy for us to give any detailed comments on the proposal. We do although have some general comments that are expressed below:

- We think that it is better to have a more aggregated indicator when it comes to the activity-level than to have a lot of detailed indicators with low quality (i.e. the option "other").
- Timeliness is a very important issue when it comes to the burden on enterprises. The faster an index is to be produced the lesser administrative data could be used.

Section B

- 1) The suggestion to use establishment as the statistical unit is not something that we would prefer. We think the most appropriate unit to use is the kind-of-activity unit or, if that is not possible, the enterprise. This would enable us to give a more accurate picture of the activity that is measured.
- 2) ICIS Rev. 4 should be used since, hopefully, NACE and ISIC will be more harmonized in the future. To use ISIC Rev. 4 would therefore be better for comparison reasons between countries.

Section C

- 3) We would prefer to use Eurostats definition on turnover. The reason is that the definition is simple and, at least in the European countries, commonly used. It could become problematic to ask enterprises to divide "turnover" into turnover, sales and receipts.

Section D

- 1) The proposal to have three options for each ISIC category will be very useful. The only difficulty would be to compare the different methods used, but at least you have an idea of the quality of the index.
- 2) We endorse the use of the Eurostat Prices & volume manual as a basis for deciding on appropriate indicators.
- 3) Yes.
- 4) We have no objections to table D.4.2. It gives a good guideline on how to compile the index.

Comments from Czech Republic

The concept of prepared ISP Manual is divided into six parts. The first two parts concern general issues and infrastructure of the services sector and its activities. The third and fourth ones deal with definitions, methods, and input data and their deflators for the compilation of monthly ISP. Detailed technical issues, implementation and dissemination will be presented in last two sections.

- We are in general agreement with the overall concept of the manual.
- As to the preferred statistical units, we aware that the issue is a very difficult one. Both of the methods have their advantages and disadvantages: using enterprises as a statistical unit is definitely easier and more consistent with the manner of monthly reporting but especially in the sector of services can lead to omitting various specific features of the services sector (services provided as a secondary activity, multiple activities of service enterprises). On the other hand, the establishment as a unit is more appropriate in above mentioned issues but the respondent burden and administrative difficulties are the main disadvantages that could threaten the timeliness of the surveys.
- As to our information, the ISIC Rev. 4 shall be ready by 2007, which be an obstacle for the ISP Manual.
- As to the definitions in section C, the analyses of definitions differences carried out in the concept seem to be detailed enough and their conclusions are acceptable.
- Regarding the definitions of turnover, sales and receipt, the precise distinction between these terms is not necessary at the time.
- As to the section D, the answer for the three questions is yes, the approach presented in the concept is suitable. The idea of dividing the indicators into three groups according to their ability to represent the output changes is a very good one and also the definitions of particular indicators in each group are appropriate.
- The format of tables presented in D.4.2 is understandable and their content detailed enough.

Support is available in the new PPI manual, in the Handbook on Price and Volume Measures in National Accounts, in existing (field of national accounts: Annex A to Council Regulation 2223/96, Commission Decision of 17 December 2002) and future (field of short-term statistics: Amendment to STS Council Regulation 1165/98 applicable regulations within the EU).

As statistics on services are a priority area, Eurostat offered the possibility of applying for grants for the development of service price indices, both within STS and NA.

Given the size of the service sector in our economy, the quality of the initial estimates of overall GDP growth are heavily influenced by the quality of the service sector estimates.

Demand for services

The survey is a combination of quantitative and qualitative questions. The quantitative questions should lead to recommendations to the EU-Commission. If it is possible to extend the statistical coverage of the service sector by breaking down the Structural Business Variable SBS 13110 "total purchases of goods and services". The qualitative questions should lead to a better understanding of relations to the service sector, the potential growth, and the potentials for internationalisation in the service sector. Final questionnaire will be ready in June. Survey will take place in the autumn and the final results will be ready around March 2005.

The questionnaire is a kind of model questions and it is possible to initiate other countries to do surveys in the area. . The results of the pilot testing would be very interesting.

a. Trade, transport, commercial services in CR

Monthly survey on services focuses on monitoring of sales and number of employees and it is carried out in the following sections and divisions of NACE Rev. 1:

G – Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods

H – Hotels and restaurants

I – Transport, storage and communication

K – (except of NACE rev. 1 – 73 Research and development) – Real estate, renting and business activities

93 - Other service activities.

Sales of all industries except of wholesale trade (NACE rev. 1 – 51) are calculated to constant prices.

Sample survey covers all the size groups of enterprises classified in the surveyed branches by their prevailing activity. The sampling is stratified, the strata are determined by the prevailing activity (4-digit CZ-NACE codes or their clusters, 3-digit CZ-NACE codes or their clusters) and by size according to the number of employees in the Business Register. The size groups of enterprises are as follows: No employees, 1-19 employees, 20-49 employees, 50-99 employees, 100 employees or more. Large enterprises are sent all; in the strata with a lower number of employees, random sampling is made using a random number assigned to each unit in the universe, but the minimum number of units in a stratum is 50. If there are fewer units in a stratum than 50, all units are selected. So-called rotation, i.e. partial exchange of the sample, is used in groups with random sampling in the following year. As a rule, one fourth of units in the sample are exchanged.

Indices (and deflators) are calculated at the so-called “CZ-NACE cluster” level, i.e. 3-digit codes or their clusters, in some cases in retail trade 4-digit CZ-NACE; an aggregate index (and aggregate deflator) for 2-digit CZ-NACE are calculated from them. In order to calculate aggregates for 2-digit CZ-NACE at current prices, the weights of 2000 are used multiplied by the appropriate year-on-year indices (so-called chaining); this methodology is based on the Laspeyres index. Aggregate deflators related to the 2000 average (base year) at 2000 average prices are based on newly calculated weights for the reference period – so-called Paasche index. Using deflators constructed like this, turnover at current prices is revaluated into the 2000 average prices. This revaluated turnover is used to calculate indices at constant prices.

The weights of 3-digit CZ-NACE codes or their clusters, in some cases in retail trade 4-digit CZ-NACE codes, make up the shares of individual clusters in 2-digit CZ-NACE.

b. Market services price index in CR

The aggregate price index of market services includes the following price indices in the business sphere (i.e. between businesses): price indices of internal goods transport, postal and communications services, financial intermediation, and the other business services and sewerage. Price surveys of these

market services, which are aggregated into the aggregate price index, include selected services of the CZ-CPA and CZ-NACE (national version of NACE) in the following Divisions: 60, 61, 62, 64, 65, 66, 70, 71, 72, 74, and 90.

Price indices are calculated on the basis of prices for selected groups of representatives to the sum using a modified Laspeyres formula. For the calculation, the weights of the base period are used (i.e. annual structure of sales, revenues, etc.). December 1999 prices are the basis of indices published after a standard revision made. The 1999 annual structure of sales, annual insurance fee, annual revenues for communication outputs, etc. is the constant weight of indices. Prices that are the subject of statistical surveys are primarily realisation prices, contractual ones (without own consumption) determined especially for the domestic market. Prices surveyed are adjusted for value added tax.

The constant weight of the aggregate index is a sum of weights in the individual areas of services published for 1999. Weights within the individual areas of services reflect only those groups of services that can be covered by a price survey and for which it is possible to create price indices in a suitable way.

Comments from New Zealand

Paper 1 – Task force on services

The main use of a services index is as an early indicator of GDP. In New Zealand our users (including the independent Advisory Committee on Economic Statistics) have placed more emphasis on accuracy over timeliness. We have not experienced any pressure to develop this type of index and we do not intend on producing a monthly services index at this stage. However, we do intend to extend our sub annual collections to other service industries in the near future.

Paper 2 – Compilation manual for a monthly index of services

The manual is comprehensive and well presented.

Section B

- Most appropriate statistical unit for NZ – Kind of Activity Unit (KAU) for consistency with other collections.
- New Zealand uses the ANZSIC (Australian and New Zealand Standard Industrial Classification). This is comparable with ISIC.

Section C

- A clear distinction between turnover, sales and receipts should be included.

Section D

- The inclusion of three practical options with a clearly defined preference is ideal. It increases the value of the manual considerably.
- Agree that the data sources should be those that are the most appropriate indicators for measuring short term change in Gross Value Added. Where possible they should be consistent with data sources used in the compilation of NA.
- The tables in D.4.2 are well presented and easy to follow.

Comment from Austria

General Feedback

Statistics Austria welcomes the efforts made by the OECD for the long-term project "Index of Service Production" (ISP).

Statistics Austria currently is not preparing an ISP.

Primarily there is a focus on EUROSTAT - commitments and the service sector is - as a statistically relatively new area - full of more direct problems to be solved.

Thus there are many open questions relating the possibility of coverage (difficulties of measuring services as they are immaterial and dynamic), classification, deflators, definitions, limitation to the non- market sector and so on.

These basic and often very practical challenges have to be solved, before an ISP can be constructed. In any case the project should be fully harmonised with ESTAT, for there are no resources available at Statistics Austria for installing two paths.

Comments from the United Kingdom

Overall structure

Generally the format and structure seems fine as does the progress on the manual. However, we believe that the manual could benefit from some additional sections added to the manual:

- Conceptual basis - The manual could benefit from a small section somewhere (perhaps in section C) explaining what the production measure of GDP is, how it is derived, and what steps are taken to approximate value added in the short-term.
- Computer systems (as an annex) - this may be of interest to users of the manual, i.e. what computers systems and platforms NSIs use to compile their ISPs and whether they are on a common platform with the rest of national accounts. This may be the kind of practical information that countries thinking about developing this would find useful. Similarly any links to countries documentation, metadata and methodology could be useful.
- Practical issues - As well as methodological issues, we also experience practical issues and problems in compiling the UK IoS. It may be worthwhile airing some of the potential pitfalls of compiling an ISP. In the UK we have some of the following problems:

erratic billing - where companies may bill quarterly, 6 monthly etc. this does not reflect a company's output and should be adjusted for work in progress. Currently we do not do this, although the data is collected. The problem is that they are not collected on the same form and it is difficult to reconcile the data

quality assurance of data - this is currently documented on the UK ONS website on our approach to this - the basic issue is that our turnover survey is designed to provide estimates of levels, whereas we are interested in estimates of growth. As a result some adjustments are needed to ensure that growth is correctly represented.

Specific comments

Much of the present draft of the manual discuss definitions from various international bodies and we are content with these sections.

D.2 - We are happy to see the quality frameworks are consistent with the Eurostat one. In addition, the idea of scoring each of these is a good one. If desirable, the UK could provide our own interpretation of this. For the IoS we split out quality into conceptual and data quality, for conceptual we consider:

industrial appropriateness - are the data sources defined in line with SIC(92)

functional stability - are they designed to measure short-term change

coverage – do they cover the full range of businesses in the industry, are all companies in the UK included, etc.

comprehensive – all organisations classified to the SIC should be included in the estimation process

timeliness – how soon are the data sources available after the end of the reference period

periodicity – ideally the turnover data should consist of monthly observations

consistency – it is imperative that any indicator of short-term change is consistent through time

national accounts definitions – are the data sources consistent with what national accounts need

For data quality we consider:

sample attributes

response rates and revisions

analysis of volatility

sampling errors (if available)

coherence with other data sources

A fuller explanation of these last points could be provided if required.

Comments from Finland

Suggestions for Future Work in STESEG

Short-term indicators in service sectors

The future work in STESEG could still be partially aimed at the development of new short-term indicators in service sectors. After the development of output service prices will be completed, new indicators are still needed to reflect the economy in service sectors. The new draft amendment to the STS Regulation (1165/98) does not significantly change the amount and coverage of services statistics. At the same time the importance of service sectors is increasing and the changes inside service activities become more complex.