OECD activity on the Short-Term Indictors for Services

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Introduction

1.   OECD has been playing a leading role to broaden the availability of short-term indicators for the services sector for a couple of years via the activities of the Short-Term Indicators for Services Task Force (STISTF). These activities entail development of short-term supply and demand indicators, focusing initially on indices of services production. This note summarizes the current work of STISTF in these areas, in particular, presenting progress made until the first half of 2003 and plans for future activities.

2.   To date, STISTF activities on services have mostly been discussed within the confines of the task force and the OECD Short-term Economic Statistics Expert Group (STESEG), though appropriate links between STISTF work and the evolution of producer price indices (PPIs) for services have been established through participation at the Joint OECD-Eurostat task force on PPIs for services meeting held in March 2003.

3.   STF members strongly support the need to share views, experiences and expectations with other expert groups, in particular, with members of the Voorburg Group. Thus, we seek any comments and suggestions and/or other constructive inputs on the STISTF activities from the Voorburg Group members, in particular, on:

Background to creation of STISTF

4.   STF was formed as one of the outcomes of the first OECD STESEG meeting held in Paris in June 2002. The task force was asked to deal with a number of broad themes related to short-term indicators for the services sector including extending the range of short-term indicators available for services sector. There are currently thirteen task force members representing twelve OECD Member countries, and a delegate from the IMF. Six members are from the statistical offices of non-European OECD Member countries (Australia, Canada, New Zealand, Mexico and the US) and seven members are from European countries (Belgium, Czech Republic, Denmark, France, Hungary, Iceland and the UK). The OECD leads the work of STISTF.

Progress made to June 2003

Identification of initial work priorities

5.   The initial task of the group was to flesh out a work program to pursue specific issues related to the broad themes identified at the June 2002 STESEG meeting. The OECD prepared a note, "Short-Term Indicators for Services Task Force – Initial views on activities", which outlined a range of possible issues and work to be covered by STISTF, such as the elaboration of concepts, STISTF outputs, areas where STISTF members wish to contribute, organisation of future work and an initial timeframe leading up to the 2003 STESEG meeting in June 2003. Based on feedback from task force members on the initial views document, it was agreed that the task force would cover supply and demand indicators for short-term services activities. The focus of task force work until June 2003 was issues related to monthly and quarterly indices of services production (ISP) for the entire services sector (or as broad a subset of services as possible).

6.   The task force agreed on three priority areas of work related to the short-term ISP, to:

- identify the most common practices of OECD Member countries to compile monthly or quarterly ISPs;
- formulate recommendations for the most suitable variables to measure various service activities in the short-term;
- propose harmonised or standardised definitions or titles for key variables in short-term service production (and possibly demand).

7.   As a first step to identify the most common practices of OECD Member countries with respect to the compilation of ISPs, the OECD prepared a questionnaire to collect information on national practices for monthly ISPs and other relevant indicators. The contributions of task force members on the development of the questionnaire were very useful for understanding the present situation in Member countries in relation to short-term services production indicators. The UK, Korea, Finland and Canada provided input on their services production activities; Hungary, Mexico, Iceland, and USA for services turnover. The OECD prepared a note which illustrated the national practices of a selected group of OECD Member countries, i.e. Canada, Korea and the UK, to compile monthly ISPs.

Summary of review of national practices with respect to monthly ISPs of Canada, Korea and UK

8.   Comparisons of national practices were made for various criteria such as variables used to measure the activity, coverage, frequency and timeliness of the data, and deflators [see (Benoit et al 2003) for further details]. The information analysed was obtained in responses to the questionnaire. Although the analysis was admittedly based on a very small number of countries the issues and problems identified are no doubt relevant to other OECD Members.

9.   As Table 1 below shows, there are some similarities in some practices. All three countries publish monthly results within 2 months after the reference month. Input data are sourced mainly from surveys which are complemented by administrative information. While services sectors cover very wide range of activities, all three monthly series at least cover Categories G to O except L.

Table 1: Similarities across the countries in the compilation of indices of services production – initial analysis

	Similarities between			
	Canada &UK	Canada & Korea	UK & Korea	Three countries
Estimation of value-added	No similarity	No similarity	Use gross output as a proxy for value- added	No similarity
Frequency	Monthly	Monthly	Monthly	Monthly
Timeliness	2 months	Within 2 months	Within 2 months	Within 2 months
Coverage of ISIC REV.3 sectors - Across - Within (up to Division level)	- G – P - Not available	- G – O except L - Not available	- G – O except L - 50 (G); H; 74 (K); 90, 93 (O)	- G – O except L - Not available
Types of Sources	Survey and administrative	Survey and administrative	Survey and administrative	Main sources are surveys but administrative sources are used as complementary
Types of variables - Across - Within (up to Division level)	- Value and volume - Value and volume: 63, 64 (I); 65; 70 (K); 92 (O) - Value: 66, 67 (J), P	- No similarity - Value: 66 (J)	- No similarity - Value: G, H, 72 (K), 93 (O)	- No similarity - Value: 66 (J)
Level at which input data are collected	Various levels are used	No similarity	No similarity	No similarity
Deflators - Overall - Consumer - Producer - Consumer and producer - Producer and other deflators	- CPI, PPI (or IPI) and other deflators - H; 66, 67 (J); 92(O) - No similarity - No similarity - 51 (G)	- CPI and PPI (or IPI) - 52 (G), H, 92 (O) - No similarity - 60 (I) - No similarity	- CPI and PPI - H; 92, 93 (O) - 90 (O) - 60 (I) - No similarity	- CPI and PPI (or IPI) - H, 92 (O) - No similarity - No similarity - No similarity

Note: other deflators are import price index, export price index, GDP deflator, etc.

10.   The initial analysis of the questionnaires identified significant differences in the following areas:

- Compilation methodologies: Canada uses value-added converted from gross output, though the UK and Korea, in general, use gross output weighted according to value-added in the base year.
- Titles for the measure of service production activities.
- Coverage of monthly indicators: ISIC Categories G to P is covered by Canada and UK but Categories L and P are excluded by Korea; and inclusion of sub-sectors or various activities within an activity are different across countries.
- Types of variables: use of value and volume data, different terminologies for the same or similar variables, and possible differences for the same terminologies.
- Types of deflators used to convert value data to volume.

<u>Views of task force members on the differences in the national practices with respect to compilation of ISPs</u>

11.   The views of the task force members (and those of participants at the June 2003 STESEG meeting) can be summarized as follows:

- With regard to the harmonisation of the differences, participants think that it would be an advantage if the title used for the indicator revealed the nature of indices, in particular, ISPs. At the same time, agreement on definitions for services indicators is essential.
  - However, differences in national practices may have to be retained due to a number of constraints, e.g. resources, organisation priorities, statistical environment, etc.   In particular, national classifications are difficult to harmonise in short-term.
- Preference is to develop monthly ISPs with clear consideration of user needs such as business cycle analysis and the compilation of quarterly national accounts.
- Input from three task force activities [see Table 2 below] may be used in the preparation of a final document/manual outlining options in preferred order appropriate to each service activity.
- The Eurostat manual on short-term business statistics could be used as a starting point for services (Eurostat 2002).
- STESEG members agree to provide STISTF with necessary information on their own countries with respect to services sectors, regardless of their participation in the STISTF.

Future work of STISTF

12.   Over the next 12 months STISTF will undertake all the activities outlined in Table 2:

- During the period between the second half of 2003 and 2004, the task force will tackle remaining tasks with respect to compilation of monthly ISPs, which can be categorized into three activities as outlined in the table. Each activity will be carried out by an activity leader and selected members of the task force, where the selection was made according to members' preferences.

- In 2004, the task force will launch work on:

  - Demand indicators for services: Statistics Denmark will lead in conjunction with their work in the Eurostat context.
  - The preparation of final output of the task force will be in the form of a document/manual whose content will evolve as the required input is received from task force members and national sources.

Table 2: STISTF activities and schedule during the second half of 2003 and the first half of 2004

Dates	Tasks	Leader	Participating TF members[1]
July 2003 - 2004	• Tackle remaining tasks on the compilation of the monthly index for services production, i.e. - identify the most common or optimal practices of the OECD; - recommend the most suitable variables used to measure various short-term services activities to be commenced in September 2003; - harmonise or standardise definitions or titles for key variables of short-term service production.	- Eun-Pyo HONG (OECD) - Rob Pike (UK) - Bernard Lefrancois (CAN)	- UK, MEX, CAN, BEL, CZK, FRA, IMF, and DEU - UK, US, NZ, BEL, ISL, FRA, IMF, and DEN - HUN, MEX, CAN, US, BEL, and CZK -
From 2004	• Prepare a document/manual that can be used as a basis for a guideline to compile short-term index for services production activities; • Launch work on demand indicators for services sector.	• Eun-Pyo HONG (OECD) • Jens Thomasen (DEN)	- a small group of TF members (to be determined) - To be determined

13.   Most of the discussions between task force members will be carried out via emails and an EDG and the results will be presented at annual meetings of STESEG (the next of which is scheduled for 28-29 June 2004). In order to facilitate task force work, members will meet for 2 days in the first week of February 2004, e.g. 3-4 February:

• Invitations to the meeting will be extended to other OECD countries which are not currently representing on STISTF.

14.   At the same time, in dealing with these issues, STISTF will take a note of and utilize the work of other forums including the:

• Joint OECD-Eurostat task force on PPIs for services. The STISTF made an introductory presentation of its activities at the March 2003 meeting in Paris;
• annual OECD meeting of National Accounts Experts.
• Voorburg Group – refer para. 3 above.

References

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