



# Section D

## Sources and methods for compiling an ISP

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# Overview

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# Introduction

- Heterogeneous nature of services
- Wide range of current practices
  - dependent on national needs & availability of data
- ISP manual will assist countries in:
  - developing a monthly (or quarterly) ISP
  - improving measurement of services
  - increasing consistency & coherence within and outside the OECD
- Deflated turnover is preferred method
  - PPIs for services

# Approach

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

## Preferred, Alternative & Other

- Preferred - most appropriate conceptually; but only suitable if general conditions (quality measures) met
- Alternative - use if Preferred not available or if Preferred is considered unsuitable (fails quality measures)
- Other - less precise measure but reasonable to use in the absence of other sources



# Quality measures

- Used to assess suitability of data sources
- Suitability a prerequisite for conceptually appropriate series
- Quality measures are broadly consistent with quality frameworks of IMF & Eurostat
- Subjective approach
- Simple scoring system

# Quality measures

- Coverage
- Timeliness
- Periodicity/frequency
- Accuracy
- Relevance
- Consistency

## Defining criteria for indicators

- Criteria based on Eurostat *Handbook on price and volume measures in national accounts*
- ISP manual uses same principles but with more latitude





- Eurostat price and volume handbook uses A, B, C method to evaluate appropriateness

<b>A methods</b>	Most appropriate methods
<b>B methods</b>	Those methods which can be applied in case an A method cannot be applied
<b>C methods</b>	Those methods which shall not be used



- Manual relates to annual data
- Recommend the same principles should be used for sub-annual data (although with more latitude)

# Market Output

- Generally three different ways of measuring output:
  - Deflated turnover (using PPIs, CPIs)
  - Volume extrapolation using output indicators
  - Volume extrapolation using input indicators

## Market Output - A methods

- For A methods, turnover deflated by PPIs is preferred, but it must:
  - be an index of the price of the output of exactly that product
  - take account of quality changes
  - be valued at basic prices
- Use of CPI is an A method if output is consumed wholly by households

## Market Output - B methods

- The following will usually be B methods:
  - Turnover deflated by a less appropriate PPI (i.e. without quality adjustments, or a smaller/larger coverage than the product heading)
  - A CPI that satisfies the same criteria as specified for PPIs above
  - Output volume indicators

## Market Output - C methods

- The following will usually be C methods:
  - Input methods
  - Secondary indicators (i.e. not directly related to the output)
  - Deflation using PPIs / CPIs that do not correspond at all with the product/industry (i.e. general CPI)

# Appropriateness of Eurostat handbook

- Developed for annual indicators
  - principles hold
  - impractical to measure intermediate consumption
  - base criteria for appropriate ISP indicators broadly on Eurostat recommendations for output

# Proposed criteria

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



# Deflators

- Section on measurement of service sector prices



## Recommended variables

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

# Milestones

- Complete first draft of recommended variables by end 2004
- Circulate to STESEG members for suggestions/ comments in 2005
- Complete by end 2005



Any questions?