



# **Infrastructure and Terminology for the Index of Service Production**

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# Background

- Compilation Manual for ISP
- Common terminology required
- International comparability

# Sources

- Generally accepted definitions
- Sources
  - SNA 1993/ESA 1995
  - Eurostat Concepts and Definitions Database (CODED)
  - OECD Glossary of Statistical Terms



## Services – sources

- SNA 1993: 6.8, 6.9
- Eurostat: based on SNA 1993
- OECD: based on SNA 1993
- *Recommendation: OECD version.*

# Services – recommendation

Services are 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. They cannot be traded separately from their production. Services are heterogeneous outputs produced to order and typically consist of changes in the conditions of the consuming units realized 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 consumers.

# Service sector – sources

- There are important variations
- NACE 1.1
  - Sections G to K and M to O
  - Exclusions:
    - L: Public administration and defence; compulsory social security
    - P: Activities of households
    - Q: Extra-territorial organizations and bodies
- ISIC 3.1
  - Sections G to Q

# Service sector – recommendation

- ISIC 3.1 – Sections G to Q
  - G Wholesale and retail trade; repair of mot. veh., motorcycles and personal and household goods
  - H Hotels and restaurants
  - I Transport, storage and communications
  - J Financial intermediation
  - K Real estate, renting and business activities
  - L Public administration and defence; compulsory social security
  - M Education
  - N Health and social work
  - O Other community, social and personal services
  - P Activities of households
  - Q Extra-territorial organizations and bodies

## Service sector – notes

- ISP to measure domestic activity
  - Establishments in Section Q are not domestic by convention (SNA 1993)
  - Section Q will be excluded
- First version of ISP Manual will not use ISIC Rev. 4
  - Final version will not likely be ready in time for the ISP Manual
- Sector defined in terms of industry classes
- Includes all activities of each class, whether they are goods- or service-producing



# Market/Non-market activities

- Definitions as per SNA 1993/ESA 1995
  - Main difference is that ESA 1995 definitions are more operational
- Economically significant prices
  - Prices are said to be economically significant when they have a significant influence on the amounts the producers are willing to supply and on the amounts the purchasers wish to buy

# Market/Non-market producers

- SNA 1993 (4.58, 6.52)
  - Market producers are producers that sell most or all of their output at prices that are economically significant
- ESA 1995 (3.19, 3.24, 3.27-3.40)
  - Market producers are producers that sell their output at economically significant prices. Non-market producers are producers that provide most of their output to others free or at prices that are not economically significant. (...) by convention all the output of unincorporated enterprises owned by households sold to other institutional units is (...) to be regarded as market output. For other institutional units, output is only sold at economically significant prices when more than 50% of the production costs is covered by sales.

## Market/Non-market ISP

- ISP to include market and non-market activities
  - Bulk of non-market activities in Sections L, M, N (ISIC 3.1)
- ISP to be presented with
  - Breakdown by ISIC sections
  - Market and non-market sub-indexes if feasible
- How to distinguish market and non-market services operationally?
  - Guidelines likely required

## Index of service production (ISP) – recommendation

An Index of Service Production (ISP) measures changes over time in the gross value added in real terms of the Service sector. More precisely, it is defined as the ratio of the volume of output produced by the service industries in a given time period to that produced in a specified base period. (...)



## Output (Gross output) – SNA 1993 6.38

Output consists of those goods or services that are produced within an establishment that become available for use outside that establishment, plus any goods and services produced for own final use.

# Receipts/Sales/Turnover...

- No universal definition of “turnover”
  - e.g. not used in Canada and United States
- Receipts/Sales/Turnover may be used interchangeably by the same organisation
- Some valuation boundaries:
  - Own products vs consignments
  - Taxes
  - Subsidies
  - Rebates, discounts, returns
  - Work-in-progress payments
- Expert Group recommended that the Task Force investigate