



Statistiska centralbyrån Statistics Sweden

Quality Adjustment for Small Countries





Progress in the development

- 2000 – 2003 17 new PPI for services
- 2004 – price collection for another 6 indices started
- First results of PPI for export of services under analysis
- New compilation system for generating results under development





Main purpose of the development

- To provide NA with deflators at product group level
- 120 product groups dealing with services
- To meet new requirement from STS
- To provide other users with good tools for analysis of Swedish economy





Requirements on service price index

- PPI that describes the average price development at the producer level, where services are delivered from domestic service producers. The index figure refers to a quarter period and the price data represent an average per quarter
- Measured services should be representative and stable





Requirements, cont.

- Measurements should refer to transaction prices
- Take quality changes into account
- PPS (sampling by probability proportional to size) as a main sampling methodology





General methods of QA

- No adjustment = pure price effect
- Automatic chaining = pure quality difference
- Option prices, e.g. it is known what has been changed and also the market prices for these changes
- Production costs, does not take the user's valuation into account





General methods of QA, cont.

- Expert valuation
- Hedonic models
- Overlap
- New sample, multiple chaining and re-sampling
- Imputation from a higher level to a lower level





Key procedures in Sweden

- New PPS sample every year
- Updating of the weight structure every year
- New questionnaires every year
- Ongoing methodological review of industry indices every 3 – 4 years





New PPS sample every year

- During November
- Smallest enterprises are excluded
- The size limit is chosen subjectively, depending on what is appropriate for the specific industry.
- The sample is "self-weighted", which means that it is not necessary to construct weights from ambiguous sources, as is often the case





New PPS sample every year

- To ensure that the burden of respondents is not too large and that changes in the industry are not missed, new samples are drawn every year and 20 percent of enterprises rotate out of the sample





Updating of the weight structure every year

- The structure of services more changeable than manufacturing industries
- Use new information in the Business Register when it is available
- Other sources are used
- Questions to enterprises once a year





New questionnaires every year

- Once a year the enterprises are asked to select themselves at least four representative and stabile services (and specify them carefully) and then asked to set a price for the same service in the following quarters. It is important to regularly update the representative services





New questionnaires every year

- The index figure refers to one quarter and, if the service has been carried out several times during the period, the price data should represent an average for the quarter.





Ongoing review of indices every 3 – 4 years

- The aim is to look over both the index construction and the industry as a whole periodically. When large changes occur in an industry, a new industry description is made. Since changes occur rapidly, a cycle of 3-4 years is a suitable interval for review.





Conclusions

- PPI for services as relevant as possible
- Keep the size of all industries samples small, good quality of the indices
- Lower burden of enterprises by 20% rotation





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