Methodological guide for developing producer price indices for services

Joined Task Force
OECD-Eurostat
SPPI manual: 4 chapters

- **General aspects**
- **Main pricing methods for SPPIs**

- **Practical aspects**
  - Development process, quality change, quality assessment
  - Specific industries
SPPI manual: practical aspects

- Practice ➔ Harmonized Concepts ➔ Practice
- Chapter 3: development process
  - Describe main phases
  - Methodological aspects
  - Quality: assessment, treatment, maintenance
SPPI manual: practical aspects

• Chapter 4: specific industries
  – From one country’s practice to many
  – Current coverage
  – Common structure
  – Living chapter
SPPI Manual: Quality issues

• Treatment of quality change, maintenance
  – In chapter 3: Some examples on quality adjustment methods
  – In chapter 4: how in practice quality adjustments are done for specific services
  – Other specific methods for services?
  – Maintenance: concepts and practice?
SPPI Manual: Quality issues (2)

• Quality assessment
  – Based on two experiences
  – Paper (Kenessey, Buisson, McKenzie): input to assess the quality of the pricing method.
  To be developed in the manual?
SPPI Manual: chapter 4

• Country’s practice: from 1 to many
• Current coverage: 19 industries
  – Size of industries
  – Technical changes
  – Need from NA
  – Economic trend
SPPI Manual: chapter 4 aims

- Common structure
- Help for countries to implement or to renew
- Emphasize practical issues
SPPI Manual: chapter 4
Common structure

- Description of the sector
  - How the services industry is organised in countries
    Air transport: “...in majority of countries the pattern is quite similar, the number of largest enterprises is rather small for passenger air transport whereas small providers ... for other kind...”
  - Price mechanisms
    Telecommunications: “Increasing government deregulation... has stimulated strong competition amongst business...”
2. Classification aspects and scope of the survey

- Classification used (CPC, NACE, ISIC...)
  Real estate agency services (UK): 4 categories of property * 4 regions

- Final uses/users of the service
  Not only B to B, B to all. Distinction if necessary/possible
  Air transport: “...no distinction can be made whether the trip is for business or leisure purposes.”
SPPI Manual: chapter 4

Common structure

3. Sample design

• Sampling frame
  Business Register, Annual Services Inquiry (Accounting...Isic 7412)

• sampling methods
  - small sample sizes if market competitive and transparent (Industrial cleaning), but possible sub-markets with different price development
  - PPS sampling in many countries for Architectural and engineering activities, based on turnover

• stratification criteria
  employment/turnover, region (Cargo handling), burden (Post and courier)
SPPI Manual: chapter 4
Common structure

- Main pricing method used (statistician tool)
  - Use of classification (chapter 2)
  - Most suitable to capture prices development
  - But circumstances: industry pricing methods, accounting system

5. Costs and benefits of alternative pricing methods
SPPI Manual: chapter 4
Common structure

6. Quality issues

✓ Quality based on components / specifications (timeliness in road freight transport, staff and experience level in consultancy computer and related activities, characteristics of delivery in Post and courier activities), adjustments methods

✓ Link with pricing method (Telecommunication: unit value approach)

✓ Productivity measure

✓ Regular follow-up

To be investigated
7. Collection of information and specification of services

✓ Post survey, email answers

✓ Frequency: quarterly (Post and courier) even to annual (Auditing activities)

✓ Adequate and accurate specification
  - Freight transport by road: size and type of vehicle, nature and weight of cargo, time criteria for delivery, domestic or export,...
8. Specific aspects

✓ Subcontracting
- Road freight transport: included
- Architectural and engineering activities: excluded

✓ Weighting/Re-weighting
- Business and management consultancy activities: gross margin is used as weighting variable
- Telecommunications industry driven by technical changes: more frequent re-weighting

✓ Exports
- Legal services activities: not relevant
- Road freight transport: included; engineering activities: to be mentioned
9. Overview of national methodologies

- Pricing methods
- Quality changes
- Periodicity, index calculation
SPPI Manual and OECD-Eurostat TF: what next?

- Publication Eurostat/OECD
- New chapters
- Task Force
  quality assessment, quality treatment