

MEASURING PRODUCER PRICE INDICES AND PRODUCTIVITY GROWTH IN SERVICES

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The objective of the paper is to investigate to which extent measuring productivity growth in services industries could benefit from recent progress made in measuring producer price indices for services (SPPI). Empirical evidence suggests relatively low productivity growth over long periods for several service industries, also in the case of services for which rapid technological change and increasing competitive pressures may argue for a higher trend. The evidence may, however, be linked to an under-estimation of productivity growth in services, notably due to difficulties in measuring prices and hence volume series of output and value added. Different to goods producing, it is often more difficult to track price changes over time and, especially, to separate pure price changes from changes in quality for services. This is linked to a specific feature of many services: they are unique and not repeated, at least not in a fully comparable manner, and designed to meet the particular demands of customers. Over the past ten years, much progress has been made in measuring SPPI. Considerable methodological and practical work in this area, in particular in business sector services, has been undertaken by OECD countries and this has significantly increased the availability and international comparability of SPPIs. The paper starts with analysing the importance that producer price index measurement may have for measured productivity growth (Section 1). It then highlights the main difficulties in measuring SPPIs (Section 2) and provides an overview of the progress made in OECD countries (Section 3). It also dwells upon lessons to be learnt for both statisticians and policy makers, and provides some suggestions for the way forward. Specific attention will be paid to two selected business sector services.

Keywords: Price index measurement, Producer price indices, Real value added, Volume measures, Productivity, Business sector services, Cross-country comparability.