

## **VOORBURG CONFERENCE 2001: PROGRESS REPORT FROM UK**

### **Classification of service products**

#### Background

It is widely acknowledged that, given their economic importance, the classification of service industries in ISIC (the UN's 'International Standard Industrial Classification of all Economic Activities') is insufficiently detailed and is out of date. This is also true of the EU's equivalent system, NACE, which is closely based on ISIC, and of our own SIC(92) which is legally required to duplicate NACE down to and including the 4 digit Class (the lowest level of detail in NACE).

In 1999 the United Nations Statistical Commission endorsed proposals for:

- A minor update of ISIC to be published in 2002.
- A more comprehensive revision to be published in 2007.

To coincide with this, Eurostat is carrying out a minor update of NACE to be published in 2003, originally intended for 2002, and a major revision in 2007.

#### Progress

Eurostat's 2003 update of NACE will include the introduction of twelve new 4 digit level Classes in the service sector, covering transmission and supply of electricity and gas, wholesale of computers, software publishing, call centres, refuse disposal activities and service producing activities of private households for own use. All changes resulting from Eurostat's update of NACE are legally required to be incorporated in UK SIC(92).

Simultaneously, the UK will add 34 new 5 digit level 'national' Subclasses in the service sector of UK SIC(92). These have been requested by UK trade associations and other users of the classification who have identified a need within the UK for more detailed breakdowns of existing Classes. They will be in the following sectors:

- wholesale and retail trade (12)
- supporting and auxiliary transport activities (4)
- financial intermediation (7)
- other business activities (9)
- recreational, cultural and sporting activities (2)

### **SERVCOM**

During 2001, ONS carried out a pilot survey to collect "product" information from service industries. The pilot survey was modelled on the current PRODCOM (PROducts of the European COMMunity) which collects product level output information from manufacturing industries, and was called SERVCOM. Following the interest in e-commerce related activities the industry selected for the pilot was computer services.

The first part of the project developed a classification scheme for products within computer services. The classification scheme was based on the existing NACE and CPA and developed in consultation with UK Trade Associations. The product classification was then tested with a small number of companies. One of the results of this was the inability of companies to separate Internet and non-Internet related activity.

Survey forms were despatched in January 2001 requesting data from a sample of 2000 GB companies, stratified by employment. The response rate was good with 77 percent of forms were returned representing 84 percent of employment in the sample. The survey estimated that in 2000 the computer services industry was worth around £32.0 billion. Full results and further details about the survey are available on the National Statistics website at <http://www.statistics.gov.uk/products/p6869.asp>.

Overall the pilot SERVCOM survey was successful and has generated some interest in the media and from other users. The ONS is currently reviewing whether to repeat the computer services survey and develop further industries (e.g. telecommunications).

## **Information Society**

In May this year, the ONS published the first official UK statistics on e-commerce by business. The data were collected as part of the Eurostat E-commerce inquiry carried out by most EU countries. In addition, the ONS is planning to publish an index of connectivity to the internet later this year showing month-on-month change in connection by business and non-business users since January. The ONS also publishes quarterly data on household and individual access to the internet. New work on the information society includes the creation of an index which will benchmark the UK against eight other countries on a range of e-commerce indicators. This is due for publication in 2002.

## **Corporate Services Price Index (CSPI)**

The number of published indices increased to 28 in February 2001. Results have continued to be published under an "Experimental Statistics" banner on a quarterly basis via the UK National Statistics web-site.

(See [http://www.statistics.gov.uk/press\\_release/Experimental.asp](http://www.statistics.gov.uk/press_release/Experimental.asp).)

Development work is continuing for an additional 15 industries, 5 of which are expected to be publishable in early 2002 (hotels, rail fares, rail freight, business telecommunications (revised) and accountancy).

Some promising progress is being made with the development of price indices for banking and insurance services, which are proving even more difficult and challenging than most other sectors. A revised approach to a price index for business telecommunications also looks very positive and seems likely to avoid the difficulties experienced with the approach that was undertaken originally.

The CSPI is currently undergoing a process to rebase it to the year 2000 (the current base year is 1995). The main component of this is a one-off survey of turnover by product group.

This will provide updated weighting information and will also aid the recruitment of new contributors into the quarterly price inquiry.

We have been working closely with colleagues in National Accounts to be in line with their development priorities for measuring service sector output and we have also agreed with them a CSPI review programme for determining which CSPIs are suitable for use as deflators, and how they should be applied.

We have also been working closely with colleagues responsible for consumer price indices, identifying scope for joint data collection and for using similar pricing methodology, such as for telecommunications, rail fares and postal services.

## **Demand for purchased services**

### European Initiatives

The demand side pilot for 1998, mentioned in last year's progress report was a one off survey funded by Eurostat, and has not been repeated. We are currently participating in a Eurostat survey looking into "methodological development of harmonised data collection for business services". This collects information on client base for the computer industry and together with a turnover breakdown from Servcom will form a report and data for Eurostat by end September 2001. Eurostat will then suggest further industries for a second year.

### UK initiatives

The UK has had for the last 3 years a pilot development aimed at collecting purchases (demand side) information for the Distribution, Services and Construction sectors to supplement the information for the production sector which has been available for a number of years. The pilot is coming to an end and the final report on this work will be completed by October 2001. The pilot was used to determine which purchases questions should be asked for each particular industry, and the detail went right down to individual 5 digit SIC(92) form types. This reflects the purpose of the survey which is to produce information for Input-output users.

The results of the pilot have been used to inform the Purchases questions which are sent to a sub-sample of the Annual Business Inquiry (which collects the structural business statistics). For the 1999 survey, all production industries were asked Purchases questions, along with around 1/3rd of distribution and services industries. For the 2000 survey the coverage was increased to 2/3rds of distribution and services industries, and for 2001 the construction industry and all distribution and services industries will be sampled. Results for the production sector in 1999 are available on request, but the distribution and services results will not be released until all sectors are covered, as until 2001 no SIC(92) division will have complete coverage at 4/5 digit level.

## **Development of a Monthly Index of Services**

The ONS has made good progress in developing a monthly index of services, over the past year. The project aims to both produce a monthly indicator of change in gross value added of

the service sector and to improve the quality of the quarterly estimate of service sector gross value added. Improvement to the quarterly estimate comes from having more source data available when it is first published and from an industry-by-industry review of the indicators used to estimate gross value added.

Over the past year a team of fifteen has been built up to produce an experimental index on a monthly basis and to review and improve the indicators. A computer system, based on the system for producing quarterly estimates is now well established. The system uses monthly data where available. Where monthly data are not available quarterly data are forecast using Holt-Winters and a monthly path is interpolated using the Cubic Spline. The estimates are currently based on about 40 per cent monthly data. In December 2000 an experimental monthly Index of Services was first published, for the month August. Since then, the experimental monthly index has been published every month in the experimental statistics area of UK's National Statistics web-site.

(See: [http://www.statistics.gov.uk/press\\_release/Experimental.asp](http://www.statistics.gov.uk/press_release/Experimental.asp)). Data are published about thirteen weeks after the end of the quarter. Details are published for total Services and for five broad industry categories: distribution, hotels and restaurants, transport and communication, business services and finance and government and other services.

In May 2001 the experimental label was dropped from the distribution industries and publication of the index was brought forward. A monthly Index of Distribution is now published around nine weeks after the end of the month. Ninety eight per cent of the source data used to estimate the monthly Index of Distribution is available monthly. It is planned to speed up publication of the Index of Services to nine weeks from January 2002. Further improvements in timeliness will follow.

The industry-by-industry review of indicators is progressing. A review of motor trades and wholesale is nearing completion and it is intended to introduce new methodology and data sources next year. All ONS service sector turnover inquiries are now monthly; ONS' quarterly turnover inquiries were converted to monthly inquiries in two phases, from April 2000 and from January 2001. At least two to three years monthly data will be required to allow seasonal adjustment. Consequently until at least 2002 or 2003 new monthly series will be aggregated to quarters and have a monthly path interpolated. The development of a monthly Index of Services is expected to take at least another two to three years.