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PRODUCER PRICE INDEX FOR SERVICES

THE CURRENT SITUATION IN BRAZIL

Roberto da Cruz Saldanha
Brazilian Institute of Geography and Statistics

The current situation in Brazil

I - Introduction

Brazilian Institute of Geography and Statistics (IBGE) intends to undertake new projects related to services industry as an integrating part of its program of statistics economics. One of these projects is a Monthly Survey for Services, which should be implemented in the next two years through a pilot survey.

This new survey is a very important project for IBGE as long as it comes to complement the current program of short-term statistics that already includes statistics for retail trade and manufacturing sectors. This new project also represents a great step toward the strengthening of statistics program for services industry besides seeking the integration between annual and monthly surveys. The project also aims to meet the growing demand for short-term statistics that will provide conjuncture indexes for services.

Nevertheless, for carrying out the Monthly Survey for Services it's necessary also to implement a specific Producer Price Index for Services (PPIS) to be used as deflator for its series. For developing this PPIS it's necessary to take into account the activities already comprised by Annual Survey for Services.

II - A briefing of the Annual Survey for Services

The Annual Survey for Services was implemented in 1998 with the following aims:

- To measure the main economic characteristics of service industry
- To provide information to the National Accounts System.
- To update the National Statistics System, as the last comprehensive data collection for services industry is concerned to the 1985 Economic Census¹.
- To be a frame for satellites surveys

Since 1998 the service survey has been providing information on number of enterprises, employment, paid wages, labor costs, expenditures, turnover and added value, which allow to follow the evolution and structure changes of this sector.

¹ The Brazilian Institute of Geography and Statistics (IBGE) had been carrying out Economic Census each five years up to 1985. In 1994 IBGE abolished this data collecting system and implemented a new model for economic statistics based on a National Directory of Enterprises updated annually with business registers and annual surveys by sample.

The survey covers all the non-financial enterprises with a sample that amounts to 62.000 enterprises, which represents a universe of 1.200.000 enterprises. This sample is divided in two strata:

- Take all stratum: is formed by enterprises with 20 or more employees. All these enterprises are collected every year and they are selected by probability 1. This stratum amounts to 30.000 enterprises.
- Random stratum: is formed by enterprises with less than 20 employees, which are randomly selected at random. This stratum amounts to 32.000 enterprises.

The activities covered by this survey are as following:

II.1 - Household Services

- Food and Accommodation
- Passengers Transport (by road, railroad, water and air)
- Post and Telecommunications
- Real State Services
- Renting of cars and personnel and household goods
- Recreational, Cultural and Entertainment Services (radio and television broadcasting, theaters and motion pictures theaters, nightclubs, amusement parks, etc.)
- Maintenance and Repair of cars and personnel and household goods
- Personnel Services (laundry services, health centers, beauty salon, etc.)

II.2 - Professional and Business Services

- Freight Transport (by road, railroad, water and air)
- Transport Support Activities (warehousing, load and unload of freight, ports and airports management, parking, aircraft cleaning, etc.)
- Computer Services
- Professional Services (accounting, auditing and legal services, financial assistance, engineering projects, advertising services, etc.)

III - Special Survey for Products

In 2000 IBGE started studying products for services through the introduction of a Special Forms to the main questionnaire of the Annual Survey for Services. These Special Forms have been filled only by enterprises that belong to Take all stratum.

This Product Survey collects the turnover breakdown (in percentage) by products for the following activities:

III.1 - Information Sector

- Telecommunications
- Computer Services
- Audio-visual Services

III.2 - Transport Sector

- Road Transport
- Railroad Transport
- Water Transport
- Air Transport

In 2004 IBGE will introduce a new Special Form for Engineering and Architecture Services to meet the demand for such products by government bodies and users in general.

IV - Producer Price Index for Services (PPIS)

An alternative to take into account in the incoming Monthly Survey for Services is to construct a specific index just for Professional and Business Services Group, because Consumer Prices Index (CPI) covers all the Household Services. Thus, the Producer Price Index for Services (PPIS) could be the combined result of these two indexes.

Nevertheless it's important to discuss the best way for using PPIS and the problems involved with some specific activities, due their own peculiarities.

IV.1 - Telecommunications

In this activity most part of services are performed to household as long as 87,2% of the total turnover comes from fixed and cellular telephony (including sales of cellular telephone) and these products are covered by CIP. The 12,8% of remaining products are

performed to enterprises like data transmission, fax, mobile communications by water and air, etc.

Internet provider is an other service performed for both household and enterprises and although it accounts for as little as 2,4% of the total turnover and it's impossible to identify its final users.

Considering that most part of the services are related to household, an alternative would be to use CPI for all the Telecommunications Services and do not include services for enterprises in the PPIS.

IV.2 - Computer Services

We can presume that services such as: hardware technical assistance, development of customized software, development and edition of software ready to use, data processing, etc., are performed to enterprises.

Nevertheless, maintenance and repair services (including upgrade) of computer and peripheral equipment are performed for both enterprises and household. These services account for 19,6% of the computer services' total turnover and it's impossible to identify its final users.

V - Monthly Survey for Services

The frame to develop a Monthly Survey for Services will be the Annual Survey for Services and one of the alternatives is to focus only on enterprises that belong to Take all stratum because they are very representative regarding the total turnover. This stratum accounts for 3,6 of the total enterprises, 59,4% of the employment and 80,0% of the turnover.

The pilot survey may be carried out in a State to be selected according the share of services activities in its economy.

VI - Lists of products by activity

The lists of products must be used to construct Brazilian PPIS and to weight the price system. IBGE will also develop specific lists for Professional and Business Services as a whole and Engineering and Architecture Services are the first steps to be implemented in 2004.

VI.1 - Telecommunications

- Basic fixed telephony
 - Basic fixed local telephony
 - Intrastate fixed telephony
 - Interstate fixed telephony

- Basic fixed long distance telephony
- International fixed telephony
- Basic fixed telephony public
- Telephony services paid by the company that receives the calls
- Added value services (directory search, tourism information, etc.)
- Additional services (follow me, calling features, call waiting, telephone agenda, recall, etc.)
- Complementary services (subscriptions, changing in ownership, etc.)

Mobile telephone (Cellular telephony and radio)

- Cellular telephony paid in advance on a fixed fee basis
- Cellular telephony paid on a signature basis
 - Cellular local telephony
 - Long distance calls (intrastate and interstate cellular telephony)
 - International cellular telephony
- Added value services - directory search, tourism information, etc.
- Additional services – follow me, calling features, call waiting, telephone agenda, recall, etc.
- Complementary services (subscriptions, changing in ownership, etc.)
- Roaming services
- Wireless Internet
- Sales of cellular telephones

Other telecommunications services

- Other mobile telephony services – air and water communication
- Carriers services
- Interconnection services
- Paging services
- Data transmission in private network or special transmission in packets
- Lecture transmission in private circuit
- Clearinghouse services

Telecommunications by Internet

- Internet backbone services
- Internet service providers
 - Narrow band
 - Broad band
- Other services by Internet – fax and special transmissions

Maintenance services

- Installation and maintenance of telephone equipment
- Telecommunications network maintenance services
- Other maintenance services

VI.2 - Computer Services

Hardware technical assistance

- Technical assistance on type and configuration and incidental software development; user's needs analysis and assistance for purchases of computers

- Networks development projects

- Technical assistance for purchases of computer facilities related to hardware's security

- Computer auditing services

Development and edition of software ready to use

- Development and production of software ready to use

- Licensing and leasing of software ready to use

Development of customized software

- Development of customized software (analysis, project, programming, tests and preparation of documentation)

- Database development projects

Computer services connected with Internet (not including Internet access provider)

- Web design

- Internet database development and management activities

Database activities except for Internet

- Database content management activities except for Internet

Data processing

- Data processing services (including printing of reports)

- Time-share computer services

- Data entry services

- Web hosting

- Special processing services (photos, sound, maps, images and all kinds of documents)

Other computer services

- Services related to computer security (antiviruses, cryptography, hackers protection systems)

- Software disaster recovery services

- Software maintenance services (including upgrades)

- Outsourcing

Maintenance and repair services

- Computers and peripheral equipment (including upgrades)

- Office and accounting machinery

Other services related to computer services

- Special printing services (visiting cards, identification cards for workers, logotypes, etc.)
- Computer training services
- Computer and facilities rental services
- Internet access provider
- Sales of computer equipment manufactured by the company
- Sales of computer and peripheral equipment manufactured by others

VI.3 - Audio-visual Services

- Pay television distribution services
 - Basic programming package
 - Premium programming package
 - Pay-per-view

- Television broadcasting
 - Program distribution networks advertising
 - Sales of soap operas, special programs, etc.
 - Rent of TV network
 - Television program rights
 - Others services connected to television broadcasting

- Radio broadcasting
 - Radio broadcasting advertising and merchandising
 - Others services connected to radio broadcasting

- Motion picture and video production
 - Motion picture production
 - Feature film
 - Short film
 - Documentaries
 - Educational, training, corporate, religious and direct-to-home films and video/DVDs production
 - Commercial films and advertising videos
 - Television films and shows production
 - Postproduction services
 - Films development
 - Editing
 - Audio-visual postproduction services
 - Dubbing
 - Transformation of motion picture to DVD movie
 - Rental of set
 - Motion picture distribution
 - Domestic films
 - Foreign films
 - Video commerce and distribution
 - To video home

- To DVD
- To broadcasting television stations
- To cable and subscription programming televisions
- Motion picture and video exhibition
 - Motion picture theater, including drive-in
 - Special motion picture and video exhibitions

VI.4 - Road Transport

Passengers Transport by Road

Regular and scheduled routes

- Urban, suburban and rural transport within a city limit (including metropolitan area)

- Interurban transport

- Interstate transport

- International transport

- Special transport (school buses services, employees buses services, etc.). Not including tourism services

Non-scheduled routes

- Taxi operation services

- Van services

- Tourism services-sightseeing and excursions transport

- Other non-scheduled transport

Freight Transport by Road

- Dry products - manufactured, baled and packed products

- Solid products in bulk - cereals, sand, ore, coal and grains in general

- Refrigerated products

- Non-dangerous liquid products – water, milk, juices, etc

- Dangerous products

- Petrol, gasoline, fuels in general and liquefied petroleum gas

- Chemical products and explosives

- Freight in containers

- Alive animals

- Vehicles

- Large tonnage products (hydroelectric turbines, generators, cranes, tractors, etc.)

- Mail, small packs, etc.

- Furniture removal

- Other kind of products

Other services

- Renting of vehicles without drivers

- Renting of machinery and equipment (cranes, tractors, fork-lift trucks, etc., without operators)

- Advertisements in vehicles

- Loading and unloading services

Warehousing and storage services, including furniture
Freight brokerage services
Cargo packing services

VI.6 - Railroad Transport

Passengers Transport by Railroad

Urban and suburban lines within a city limit
Interurban transport
Interstate transport
International transport

Subway

Freight Transport by Railroad

Liquid products and gas
Solid products in bulk (cereals, sand, ore, coal and grains in general)
Dry products (manufactured, baled and packed products)
Freight in Containers

Other services

Towing services by railroad
Warehousing and storage services
Advertisements in coaches

VI.7 - Water Transport

Deep Sea, Coastal, and Inland Waterways (rivers, lakes, bays, etc.)

Freight transport over water

Oil, gasoline and fuels in general
Dry products (manufactured, baled and packed products)
Solid products in bulk (cereals, sand, ore, coal and grains in general)
Refrigerated products
Freight in containers
Dangerous products (chemical products and explosives, not including oil, gasoline and fuels in general)
Animals
Vehicles
Large tonnage products (hydroelectric turbines, generators, cranes, tractors, etc.)
Soft products (mail, small packs, etc.)
Other kind of freights
Special ship rental with crew

Passengers transport by water

Regular and scheduled routes

Tourism services (sightseeing and excursions)
Special ship rental with crew

Other services

Piloting vessels and towing services
Water and food supply, ship cleaning and other support activities
Ship freight brokerage services
Cargo grouping and packing services
Ship rental without crew

VI.8 - Air Transport

Passengers Transport by Air

Regular and scheduled routes
Domestic routes to cities with more than one million inhabitants
International routes
Domestic routes to cities with less than one million inhabitants
Non-regular routes
Charter flights and aircraft rental with crew and pilot
Air taxi- including helicopter services

Freight Transport by Air

Domestic and international air mail
Domestic and international air freight

Other services

Repair and maintenance of aircraft not owned by the company
Warehousing and storage services
Aircraft rental without crew and/or pilot
Excess baggage charges