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EUROPEAN CENTRAL BANK

Short-term Statistics on Services in the European Union

*Proposals to improve the availability of infra-annual data
for the eurozone and the EU*

17th Meeting of the Voorburg Group
Nantes, 23-27 September 2002

Background

1998 Monetary Committee Report on Statistical Requirements in EMU

- *development of statistical basis for the service sector*
- *focus on **cyclically sensitive** service industries*

2001 Economic and Financial Committee (4th Progress Report)

- *recognition of the insufficiency of short-term statistics on services*
- *co-ordination of national/EU objectives*
- *practical proposals from Eurostat SPC and CMFB in 2002*

2002 European Commission/Eurostat

- *paper on “The Evolution of Short-term Service Statistics”*

Comm. for Monetary, Financial and Balance of Payments Statistics

- *paper on “Short term Statistics on Services for the Euro Area”*

Economic and Financial Committee (5th Progress Report)

- *actions for MSs to increase availability of STS on services*

Shares of service activities in the euro area

Value added by service activity (thousands, year 2000)

		Eurozone		EU-15	
Breakdown	NACE	Euro billions	%	Euro billions	%
Whole economy	A-Q	6,061.8	100.0	7,870.7	100.0
Services	G-Q	4,188.9	69.1	5,481.9	69.6
Market services	G-K	2,902.9	47.9	3,790.2	48.2
<i>Trade, transport and communication</i>	<i>G,H,I</i>	<i>1,267.6</i>	<i>20.9</i>	<i>1,656.2</i>	<i>21.3</i>
<i>Financial intermediation, real estate</i>	<i>J,K</i>	<i>1,635.3</i>	<i>27.0</i>	<i>2,113.9</i>	<i>26.9</i>
Non-market services	L-Q	1,286.0	21.2	1,691.5	21.5

Source: Eurostat, National Accounts

“Cyclically sensitive” service industries

- *No agreed definition and difficult to test in the absence of statistics*
- *Possible operational definition: market and non-market services according to ESA definitions:*

Market output consists of output provided to the market and sold at economically significant prices (i.e. if more than 50% of the production costs is covered by sales)

Though “market” and “non-market” are not directly reflected in NACE, by convention often split between NACE G-K (*market*) and L-Q (*non-market*)

Sensitivity to business cycle of services

Are service activities “cyclically sensitive”?

- Difficult to judge, because short-term data are largely missing
- EU/EMU value added only available for 3 aggregates



Tentative classification of “cyclically sensitive” service industries

	Activity indicators										Prices		Labour market indicators			
	Value added		Turnover		New Orders		Ex/Import (or dom./ext. market)		Business climate		Output Prices		Employment (& hours worked)		Wages	
	Rel	Dyn	Rel	Dyn	Rel	Dyn	Rel	Dyn	Rel	Dyn	Rel	Dyn	Rel	Dyn	Rel	Dyn
G – Trade and Repair	++	++	++	++	++	-	+ 3)	++3)	++	++	++	+	++	+	++	+
H – Hotels and restaurants	++	++	++	-	-	++	-	-	++	++	++	+	++	++	++	+
I – Transport, storage and communication	++	++	++	+ 2)	++ 2)	++	+ 2)	++ 2)	++	++	++	+	++	+	++	+
J – Financial intermediation	++	+	-	-	-	-	-	-	++	++	+	+	++	+	++	+
K – Real estate, renting and business activities	++	+	+	-	-	-	-	-	++	++	++	+	++	+	++	+
L – Public administration and defence, compulsory social security	++	-	-	-	-	-	-	-	-	-	-	-	++	+	++	+
M – Education	++	-	-	-	-	-	-	-	-	-	-	-	++	+	++	+
N – Health and social work	++	+	-	-	-	-	-	-	-	-	-	-	++	+	++	+
O – Other community, social and personal service activities	++	+ 1)	+ 1)	-	-	-	+ 1)	+ 1)	+ 1)	+ 1)	+ 1)	+ 1)	++	+	++	+

1) for market activities; 2) for some transport and storage activities; 3) for wholesale trade.

Rel : Relevance for measuring economic activity, or prices, or labour market conditions

Dyn : Short-term dynamics

++ : highly relevant / high short-term dynamics

EU (legal) requirements exist in all relevant areas:

- National accounts
- Labour Force Surveys
- Labour Cost Indices
- Consumer prices
- EU Business Surveys (*partial*)
- Short-term business statistics (STS)

Coverage for industry and services by STS Regulation

	Industry		Services	
	Freq	Timeliness	Freq	Timeliness
Production	M	T+45	<i>Not required</i>	
Turnover (values)	M	T+60	Q *)	T+90
New orders received	M	T+50	<i>Not required</i>	
Persons employed	Q	T+90	Q *)	T+90
Hours worked	Q	T+90	<i>Not required</i>	
Gross wages and salaries	Q	T+90	<i>Not required</i>	
Output prices	M	T+35	<i>Not required</i>	

*) for selected branches only.

ECB requirements for short-term business statistics

- A methodologically sound and **consistent information system** is of high importance for purposes of economic and monetary purposes
- “Statistical Requirements of the ECB in the field of General Economic Statistics” (available under: <http://www.ecb.int>)
- ECB mandate \Rightarrow price statistics are of primary importance (*service producer prices would fill the existing gap!*)
- **Output indicators** and **labour market indicators** for service sector also important indicators for the short-term analysis of euro area economic performance (*second pillar*)

Expected improvements in EU/EMU service statistics

- **by 2003 and 2004**: implementation of existing regulations will be completed (2005 for labour costs)
- *National Accounts*: publication delay reduced to **70 days**, new information on **hours worked**
- *Labour Cost Index*: publication delay reduced to **70 days**, extension of the **coverage of the service sector**, provision of **more detailed branch data**
- *Labour Force Survey*: availability of European employment aggregates for branches.

Current coverage of STS Regulation

Sector (NACE Rev.1)	Turnover	Number of persons employed
Division 50: Sale of motor vehicles	<ul style="list-style-type: none"> - sum of 50.1, 50.3, 50.4 - 50.2 - 50.5 - Only 50 for small MS 	- 50
Division 51: Wholesale trade	<ul style="list-style-type: none"> - 51 at 3 digit level - Only 51 for small MS 	- 51
Division 52: Retail Trade	Treated in STS Regulation, Annex C	Treated in STS Regulation, Annex C
Division 55: Hotels and restaurants	- 55	- 55
Section I: Transport, storage, communication (Div. 60 -64)	<ul style="list-style-type: none"> - 60, 61, 62, 63 - 64 each at three-digit level - Only 64 for small MS 	<ul style="list-style-type: none"> - 60, 61, 62, 63, 64 - Only Section I for small MS
Division 72: Computer and related activities	- 72	- 72
Division 74: Other business activities	<ul style="list-style-type: none"> - sum of 74.11 to 74.14 - sum of 74.2, 74.3 - 74.4 to 74.8 each at three-digit level - Only 74 for small MS 	- 74

STS does NOT cover

- Entire Section J (Financial intermediation)
- Division 70 (Real estate activities)
- Division 71 (Renting activities)
- Division 73 (Research and development)
- All activities beyond Section K (assumed primarily state supplied services)

Proposed revision of STS Regulation in services

First phase (2003)

- Inclusion of **gross wages and salaries and hours worked for services**
- Change of **turnover indicator** to **monthly** reference period
- **Improvement of timeliness** of the turnover and employment indicators
- Coverage of data on **market oriented service sectors** currently not covered by STS Regulation (NACE sections L to Q)

Second Phase (2004 ??)

- New indicator of **output prices for services**

OECD-Eurostat Task Force on service prices

(supplementary to Voorburg group work)

- Available service price statistics in EU (Voorburg survey)
- Proposal for EU legal basis
 - Coverage of activities/products
 - Reference period
 - Delays for data delivery
 - Timetable for implementation
 - Definition(s) for the variable
 - Other legal basis aspects, e.g. permitted approximations
- Conclusions from Voorburg work for recommendations
- Resources needed: (respondents, NSIs, Eurostat)

Eurostat study based on questionnaire results

- Availability of data in Member States
- Feasibility of data collection
- Data sources and methodology of data collection
- Quality considerations
- Judgement on need for indicator
- Resources required
- Potential timetable for data collection
- Practical issues (base years, weights, w.d./s. adjust.)

Reference period

- Study on feasibility of monthly indicator for turnover until Spring 2003 (questionnaire results)
- Administrative sources vs. surveys
- Practical issues of importance for data quality

Timeliness

- Improvements in timeliness to T+60 by end 2004 for quarterly indicator
- Exploration of feasibility of (monthly) indicator with T+30

Emphasis on improving quality and clarity of indicator (Coping with different data sources in EU)

Reference period

- Concerns of data quality require medium-term quarterly index
- Monthly indicator remains long-term vision

Timeliness

- Improvements in timeliness to T+45 by end 2003 for quarterly indicator
- Long-term vision of T+30 for monthly indicator

Completion by “market oriented” services currently not covered by Regulation

- In current Regulation, pilot studies are stipulated on:
 - (i) Travel agents
 - (ii) Real estate
 - (iii) Renting activity
 - (iv) Research and development
 - (v) Management activities of holding companies
 - (vi) Service sectors in NACE Sections J, M, N and O
- Further pilot studies on a more detailed breakdown
 - Study on feasibility, availability and relevance of data
 - Analysis conducted by questionnaire to Member States.

Results expected for the **end of 2002**