

Voorburg 2003: Progress Report from the UK

1. PPI for Services

The Corporate Services Price Index (CSPI) project continues to make good progress.

Price indices for 31 separate industries are now published quarterly on an experimental basis. CSPIs for 3 more industries were added in February 2003 (hotels, rail freight and business rail fares). Development activity has continued for a further 11 industries with particular focus on price indices for computer services, advertising, accountancy, management consultancy and banking services.

A large project to rebase the CSPIs to the year 2000 and to develop larger, improved samples has now been completed. The rebased CSPIs will be published in November 2003. Central to this project was a survey of turnover (sales) by service category for all service industries covered by the CSPI, including those under development. The results of this survey were used to calculate new weightings for each service category in each of the industry-level price indices. The CSPI is now based on weightings that are consistent and much more representative of the industries concerned than before.

Enhanced samples for the quarterly survey of prices have been developed by selecting from the respondents to the turnover survey mentioned above. This has resulted in improved coverage for all currently published CSPIs and a doubling of the overall sample size to almost 2,000 contributors.

In addition to the 10 CSPIs currently in use as deflators in the monthly Index of Services, a further 9 were assessed during 2003 as being fit for such use.

A revised and improved price index for business telecommunications will be released in November 2003, replacing the existing price index for this industry. A new prototype index for banking services is also planned for release in this month. It is anticipated that an experimental index for computer services should be available in 2004. Indices for accountancy and advertising should also be available in the near future.

2. Classification of Service Products

The UK is contributing to the future development of revisions to ISIC (and NACE in the EU) and has implemented the changes to the 2003 update of NACE.

Eurostat's 2003 update of NACE led to the incorporation into UK SIC(92) of 12 new 4-digit level Classes in the service sector. These covered: 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.

Simultaneously, the UK added 34 new 5-digit level 'national' Subclasses in the service sector of UK SIC(92), as requested by UK trade associations and other users, i.e:

- wholesale and retail trade (12)

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

Further progress has been made with Operation 2007. Discussions with Eurostat have established general support for increasing the level of detail in services. The UK strongly supports the creation of an 'Information and Communication' sector and is contributing to the work to define the sector's boundaries.

3. Information Society Statistics

Continued development covers:

- the ICT infrastructure and investment required to support electronic interaction;
- better measures of output of the ICT sector;
- improved coverage of e-commerce and other electronic processes between businesses and households;
- analysis of the impact on business performance.

Attention has continued to focus on business and household use, with some progress in the area of e-government (see later). The ONS is considering its strategy in the context of international developments.

ONS is currently processing the results of the third official UK inquiry on e-commerce by business, in respect of 2002. The data were collected as part of the Eurostat E-commerce inquiry carried out by EU countries. The survey sampled the smallest micro businesses (with employment between 0 and 9) for the second time; most EU Member States generally use cut-offs of 5 or 10 employment. The cut-off can make a large difference to results. Questions on businesses' interaction with public authorities were added to the survey for the first time, and questions on electronic business processes links within and between businesses were run for the second year.

ONS aims to release the 2002 survey results this autumn. As last year the estimates of the value of e-commerce activity will be published excluding the financial sector, given the need to develop improved definitions for this sector (see below).

The ONS also publishes every month an index of connectivity to the internet, showing the change in connections of various types as reported by Internet Service Providers. Data on household and individual access to the Internet continues to be published quarterly. Earlier this year a review of data on individuals' use of the Internet resulted in a shift of focus from 'ever accessed' the Internet to those who have used it in the 'three months prior to interview' and from 'personal' to 'general' use of the Internet. Other changes include new questions on the use of e-government by individuals and on non-Internet users.

The International Benchmarking Study (IBS), a telephone survey conducted for DTI has been run again during 2003. This survey covers some issues in greater depth than the official ONS survey and its report is due in November 2003. The study is continuing to investigate the link between the strategic and cultural climate of businesses and the effectiveness of their use of ICTs.

The UK (ONS and DTI) continues to contribute actively to development of business and household/individual surveys in a number of international forums - including Eurostat, the e-Europe initiative, OECD. The UK has contributed vigorously to the drafting of a new EU Regulation governing data supply on the Information Society which has just entered the first part of the European Parliamentary process.

Development of a workable approach to collection of value data, particularly from the financial sector, continues to be the most difficult statistical issue. Considerable progress has been made during 2003 by a joint Eurostat/OECD Task Force chaired by the ONS and a proposed Eurostat led pilot for the financial sector has now been drawn up. The UK plans to take part in this during 2004.

Collection of information on electronic business processes is important from a policy viewpoint, and is proving to be a challenging and complex area for businesses to report on. A second joint Task Force, chaired by DTI, has drawn up draft proposals.

The UK has published a framework bringing together a large number of indicators for e-commerce adoption using the 'readiness, use, impact' methodology. It has been used in November 2002 to underpin the e-Summit bringing together outcome and policy comparisons for nine countries (Australia, Canada, France, Germany, Italy, Japan, Sweden, UK, US), and also developed by other countries.

The UK has also now completed the first round of its work on ICT impact on enterprise behaviour and performance. This has contributed to the OECD publication 'ICT, Seizing the benefits' and the detailed work will be published by the ONS soon.

The UK hosted the IAOS conference 2002 on Measurement of the New Economy' and Len Cook submitted a report of main conclusions and actions recommended to the UNSC at its meeting in March 2003. The UK is working with a number of international organisations to move forward on these recommendations. The ONS welcomes and supports the recent initiative by UNCTAD to broaden the existing mechanisms for international collaboration through the creation of a virtual forum for ICT and e-commerce measurement.

4. Ad hoc issues

4.a Non-profit institutions

The UK does not have well developed statistics for non-profit institutions. A certain amount is available from a charity survey conducted in respect of 1994, updated since by information from the published accounts of charities. There are also some exercises to get data from public sources on some categories of NPIs such as unions and political parties. These exercises enable some key variables to be estimated for non-profit institutions serving households (NPISH) in the national accounts.

A project is underway to develop a full NPISH account. This requires new data collection and will take some years to complete due to reduced resources and a lack

of compliance cover (respondent load) for the inquiries. At present in national accounts the household and NPISH sectors are combined.

4.b Sales by service products

Following the successful pilot survey into the detailed breakdown of computer services in 2000, UK continues to explore ways to improve the quality and availability of product statistics in the growing service sector. ONS is seeking to balance its portfolio of economic outputs which, at the moment, is still weighted towards manufacturing industry. In doing so, the necessary direct savings and compliance reduction could be achieved in order to redirect resources appropriately.

Two initiatives are currently underway:

1. SERVCOM Scoping Study

The objective of this Eurostat funded project is to assess and report on the feasibility of introducing a SERVCOM inquiry across all services as classified in the CPA (the Statistical Classification of Products by Activity in the European Economic Community). This inquiry would be similar to the current Products of the European Community (PRODCOM) inquiry, but would collect data on service industry sales by type of service 'product' and would fill a gap in the availability of detailed 'product' statistics for services. Information would be useful to a wide range of public and private users and would provide a detailed breakdown of service sector activity classification and sales that is not currently available from other ONS sources. Some examples of the uses would be to improve balancing of the components of GDP through the Input-Output framework, to improve the quality of the Corporate Services Price Index (CSPI) and to generally provide a better breakdown of service sector activity classification.

2. Business Services Pilot Study

Carried out under Eurostat regulation, this two year project involves the detailed collection of turnover by product and client for industries classified to Division 72 (computer services) and Division 74 (business services). Turnover breakdowns have been realised using the CPA classification system and early indications suggest few problems with companies being able to provide the product data requested.

4.c Short-term indicators for services

Data are supplied quarterly to Eurostat for turnover in the service sector - this covers NACE 50,51,55,72 and 74 at about T+90 days. In the latest amendments to the regulation Eurostat are investigating the feasibility of collecting this data monthly at T+30 days. UK data are already collected monthly and could be sent within this timescale.

Currently data are not supplied for SIC(92) 6010, 6030, 6110, 6120, 6210, 6220, 6323 and 6411 (transport and postal industries) - these industries are not required for any of the UK indicators at present but are required by Eurostat. We are currently

investigating whether these variables could be supplied from VAT data, it is hoped that data will be supplied by the end of 2003.

Development of a Monthly Index of Services

Progress on developing the monthly Index of Services (IoS) has continued 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 (using output as a proxy for gross value added).

Since December 2000 the experimental monthly IoS has been published on the experimental statistics area of UK's National Statistics web-site. Results 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. The monthly distribution component is also published on its own right as the Index of Distribution after 8 weeks.

Progress

For developing the IoS, an industry review process has been put in place to review the data sources and methods on an industry-by-industry basis. The review process during 2002-03 has concentrated on: retail; post and telecommunications; hotels and restaurants; and business services. New methods resulting from these reviews are being implemented at the end of September 2003.

Industry review work during 2003-04 will concentrate on: government; land transport services; and real estate services.