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Cooperation between product data and PPI for services Example Sweden

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1. Background

Since the mid-1980s, the unit for Economic Statistics on Services at Statistics Sweden has annually produced data on turnover by detailed product for different activities. The surveys have been intermittent, which means that each activity is investigated at intervals of one to five years. The time period varies from sector to sector mostly depending on how expansive/dynamic the different sectors are. The data has mainly been used by the National Accounts for producing input-output tables.

During the autumn 1999, the staff from the three different units at Economic Statistics at Statistics Sweden, namely the National Accounts division, the Price division and the Services division, planned a joint project within the Economic Statistics Department. The projects' purpose was to develop Producer price indices within the service sector. The three organisational divisions, namely the National Accounts (NR), Prices (PR) and Services (TN), would take on different roles in the project:

NR - customer and provider of guidelines

PR - development of PPIs for services with price index expertise

TN –statistics producer with knowledge of industries within the service sector.

From 2000 and onwards the Methodological division was also involved.

In this context, it should be mentioned that TN, in the long-term, had a need for price indices for their own time series while PPI for services required economic statistics as a basis for weightings in price index calculations. In the National Accounts the PPI for services are used to calculate production at fixed prices on a product group level.

The development project of PPIs for services started in January 2000 and finished in December 2003. During this time 17 new PPIs for services were developed.

2. Cooperation between price division and services division within the framework of the development project of PPIs for services

The cooperation between services division (TN) and price division (PR), within the framework of the PPIs for services project, has been fruitful in those industries where TN's intermittent surveys on turnover by detailed product were carried out shortly before PR's development tasks of PPIs for services in the same industry. This took place during 2001 for Computer services (NACE Rev 1.1 72) and during 2002 for Accounting, book-keeping and auditing services; tax consultancy services (NACE Rev 1.1 74.12). On both occasions, TN and PR worked together to produce the respective industry descriptions. Industry descriptions make up an essential part of the PPI for services project's development reports. During 2003 there was a similar cooperation for Advertising (NACE Rev 1.1 74.4).

Whenever a PPI is developed for a new product group within services, access to detailed information is necessary. The intermittent surveys are by nature not regular and therefore PR was forced to find alternative sources for development of price indices for example, for car hire and legal consultancy services.

In order to better satisfy the requirements of the National Accounts and the PPI for services the intermittent surveys, from survey year 2003 and onwards, will be annual and cover all service industries. The intermittent surveys will be integrated into the survey on SBS. For those industries that are included in the EU development project on Business Services and those industries for which unit for TN have carried out surveys relatively recently, TN have a fairly good understanding of products in these industries. For other industries, TN have started from the Classification of Product by Activity, CPA, and here TN expects to discover that some things would not work as they should. Through continued cooperation between the PPI for services and the SBS survey, it is tried to make use of each others expertise and experience as far as possible.

Below two cases of a successful cooperation between the colleagues from price division (PR) and services division (TN) are shortly described. One case from 2001 and another from 2002. The text in chapters 3 and 4 is mostly from the price experts' view of the possibilities to use TN:s intermittent surveys. Future needs/wishes are also given.

3. The use of intermittent surveys within Computer services (NACE Rev 1.1 72)

Data on net turnover per type of service is used in order to find representative service categories i.e. products. For example, for this purpose, more time is spent visiting enterprises that work with consultancy services than those carrying out repair services.

Since prices per products for consultancy services are not available, the charge out rates method is used. The price is average invoiced price per debited hour of consultancy services. Representative categories of consultants were chosen and weights for chosen categories are collected annually by PPI for services survey.

Because intermittent surveys for Computer services were carried out in the same year as the price index for the industry was planned, price division received a lot of help from services division with the industry description. In addition, valuable "special expertise" on the largest enterprises was also used.

Within NACE Rev 1.1 72, there are six sub-groups. Using the intermittent surveys, it could be seen that many enterprises work within several different sub-groups and that the smaller enterprises were more specialised. When drawing a sample now, therefore, enterprises that have NACE Rev 1.1 72 as their 1st, 2nd or 3rd activity are chosen. The information on enterprises also meant that the price survey was divided into four sub-surveys. Using up to date information on turnover, number of employees, etc. it could be ensured that the right questionnaire was sent to the right enterprise in the test survey of PPI on services.

Because it had been seen that households account for only two per cent of IT companies' turnover, IT companies' services to households were excluded from the PPI on services survey.

Detailed information on enterprises was used to calculate weightings within the test survey.

Production

In total, 120 enterprises are included in the survey, which consists of 4 sub-surveys.

Needs/wishes

If annual data on turnover per NACE Rev 1.1 72.1, 72.2, 72.3, 72.4, 72.5 and 72.6 were available, the information could be used in the following ways:

1) Up to date information on turnover and number of employees would help PPI for services to send the appropriate questionnaire to each enterprise. This would lead to savings in the sense that PPI for services would then, in all probability, need to replace fewer enterprises because they have been placed in an incorrect sector.

2) PPI for services could obtain particular knowledge about the larger enterprises and get the up to date weightings.

If it were not possible to obtain the above-mentioned information on an annual basis, it would be preferable to have intermittent surveys in the same year as when a new sample is drawn up for the PPI on services survey to help guarantee that representative services categories are surveyed and up to date weightings are used, primarily, for the enterprises covered by the total survey.

4. Use of intermittent surveys within Auditing, accountancy and book-keeping services (NACE Rev 1.1 74.12)

In order to be able to publish a price index for NACE Rev 1.1 74.12 on a more detailed level than is possible today, parts of the intermittent surveys are needed, most immediately on CPA level.

The producer price indices (PPI) for auditing, book-keeping and other accountancy services are being developed. The ambition is to divide up the NACE Rev 1.1.74.12 and publish:

a total index (74.12)

an auditing index (74.120.01)

an accountancy and book-keeping index (74.120.02-05)

It was decided not to produce PPI for tax advisory services (74.120.06), as it is mainly lawyers, not financial consultants, which take care of tax advisory services in the largest market-dominating enterprises.

The industry, which has several different industry organisations, showed to be very interested in such a division of indices as auditing differs greatly in price from accountancy. A total index is considered too rough in this context.

Since prices per products are not available, the charge out rates method is used. The price is average invoiced price per debited hour of auditing services or accounting and book-keeping services. The companies choose representative services themselves. Weights for chosen services are collected annually by PPI for services survey.

It is important to keep in mind that there are major differences among auditing services and accounting and book-keeping services. Especially when asked from industry organisations and enterprises.

Needs/wishes

The intermittent surveys carry information on how the sector “looks”. The following is necessary for production:

Current turnover figures (preferably by enterprise unit, if possible) to be able to draw the sample and weightings in the two strata used (the 6 largest enterprises and others).

Other information such as, specific services and prices and the reciprocal weightings for these services are taken directly from the PPI for services survey.

5. Conclusions

Previous experiences of the irregularity of the intermittent surveys (compared to previous plans, i.e. hotels and restaurants, car hire) meant that a general use of the intermittent surveys in the context of the PPI for services weightings were considered an unsafe alternative. However, the two cooperation described above have worked well and the intermittent surveys have played a role to speed up the development of the index.

Today, it is easy to note that, in comparison with other countries, the development of the PPI for services has certain advantages, namely that via the intermittent surveys (when these are at their best, i.e. coordinated with the PPI for services project's development plan) it has access to information which makes it possible to gain an overview of the scope of the services and the distribution of users.

The cooperation between the affected organisational divisions (Prices, National accounts, Services and the Methodological division) within the PPI for services project was good for the consistency in the economic statistics. Even if the development project is finished today, the development of new PPIs for services continue. The transformation of the intermittent surveys to yearly surveys within the Structural Business Statistics makes a continued cooperation during the coming year concerning industry descriptions a stable ground for development of new producer price indices for services.