

*Improved Measurement of the Services
Sector by the U.S. Census Bureau
– An Update for 2004*

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Strategy Session
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Existing Data Gaps

- Services dominate the economy, but measures are inadequate; measures that do exist are available only annually
- There is a current imbalance between manufacturing and services product data
- Critical source data are needed to improve GDP and National Accounts
- Improved services measures are essential to improving key economic measures of growth, prices, productivity, and trade in services

Strategy for Addressing Service Data Gaps

- Multi-agency group developed a detailed plan
- Multi-phase, multi-component plan
 - Phase 1 – FY 2003 funding request (received)
 - Phase 2 – FY 2005 funding request (now before Congress)

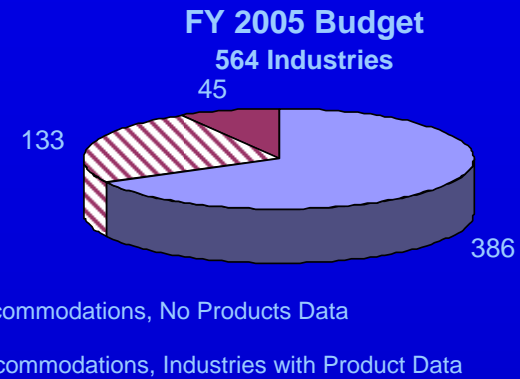
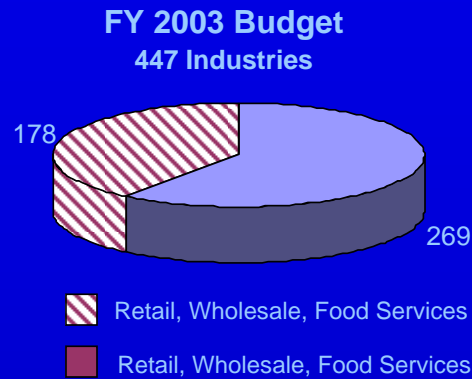
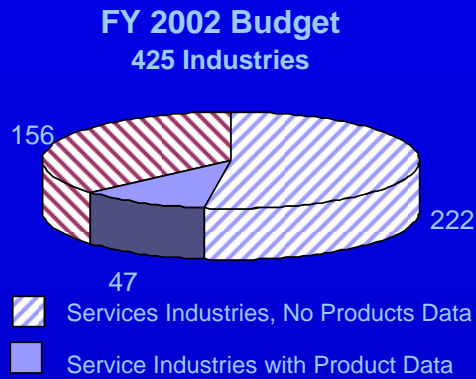
FY 2003 Improved Measurement of Services (Phase 1)

- FY03 Budget funding: \$5.5 million
 - This received funding:
 - Establishes a new quarterly principal economic indicator of service industry activity
 - Provides product data annually on the outputs of service industries
 - Provides annual information on the cost of purchased services and materials

FY 2005 Improved Measurement of Services (Phase 2)

- FY04 Budget request: \$4.0 million
 - This request (if approved) will:
 - Expand industry and product coverage in the Service Annual Survey (SAS), adding 117 industries to the existing 250 industries over a two-year period
 - Expand industry coverage of the new quarterly principal economic indicator of service activity
 - Provide new annual data on retail and wholesale industry products for 40 to 50 high volume industries that sell diverse and dynamic products

Service Statistics Expanding Annual Coverage and Product Detail



FY 2002 Budget
Base Program

FY 2003 Budget
+\$5.5 Million

FY 2005 Budget
\$4.0 Million

Expanding Annual Industry Coverage

Covers 269 service industries annually but excludes 117 other industries, including finance, insurance, real estate and utilities

Covers 69 wholesale industries annually but excludes agents, brokers, & manufactures' sales offices

Covers all 72 retail industries annually

Covers 269 service industries annually but excludes 117 other industries

Covers all wholesalers, new data for 22 industries

Covers all 72 retail industries annually

Adds annual coverage of 117 service industries, including finance, insurance, real estate, and utilities

Covers all wholesalers in annual survey

Covers all 72 retail industries annually

Expanding Annual Detail

Data on service products available annually for 47 service industries

No product data for any retail or wholesale industries

Very limited data on merchandise & services purchased by service industries

Exported services data available for 19 service industries

Product data available annually for 269 service industries

No product data for any retail or wholesale industries

Purchased services data available for 269 service industries

Exported services data available for 19 industries

Product data available for an additional 117 service industries

Products data for selected retail & wholesale industries selling diverse products

Purchased services data available for 386 service industries

Exported services data available for 19 industries

Increasing Frequency

No service data available more frequently than annually

Retail and wholesale estimates available monthly

New quarterly services indicator covers 4 service sectors

Retail and wholesale estimates available monthly

Quarterly services indicator expanded to cover additional 6 service sectors

Retail and wholesale estimates available monthly

Quarterly Services Survey (Phase 1)

Implementation Activities, Using Funding Provided for FY 2003

2004:

NAICS 51	Information
54	Professional, Scientific, and Technical Services
56	Administrative and Waste Management and Remediation Services

2005:

NAICS 622 and 623	Hospitals and Nursing and Residential Care Facilities
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Quarterly Services Survey (Phase 2)

Plans Pending FY 2005 Budget Approval

2006:

NAICS 484, 492, and 493	Truck Transportation, Couriers and Messengers, and Warehousing
5231, 5239	Securities and Commodity Contract Intermediation and Brokerage and Other Financial Investment Activities
532	Rental and Leasing
62, ex. 622, 623	Remainder of Health Care and Social Assistance
71	Arts, Entertainment and Recreation Services
81	Other Services

Quarterly Services Survey (Phase 2)

(continued)

Plans Pending FY 2005 Budget Approval

2007:

NAICS 22	Utilities
48 and 49, ex. 484, 492, and 493	Remainder of Transportation
52, ex. 5231, 5239	Remainder of Finance and Insurance
531	Real Estate
533	Lessors of Nonfinancial Intangible Assets
61	Educational Services

Service Annual Survey - North American Product Classification System (NAPCS) Product Data (Phase 1)

Implementation Activities, Using Funding
Provided for FY 2003

2004 SAS:

- | | |
|----------|---|
| NAICS 54 | Selected Professional, Scientific, and Technical Services |
| 56 | Selected Administrative and Waste Management and Remediation Services |

Service Annual Survey - North American Product Classification System (NAPCS) Product Data (Phase 1) (continued)

Implementation Activities, Using Funding Provided for FY 2003

2005 SAS:

NAICS 484, 492, and 493	Truck Transportation, Couriers and Messengers, and Warehousing
622 and 623	Hospitals and Nursing and Residential Care Facilities
71	Arts, Entertainment, and Recreation Services
81	Selected Other Services
54	Balance of Professional, Scientific, and Technical Services
56	Balance of Administrative and Waste Management and Remediation Services

Service Annual Survey - North American Product Classification System (NAPCS) Product Data (Phase 1) (continued)

Implementation Activities, Using Funding Provided for FY 2003

2006 SAS:

NAICS 5231, 5239	Securities and Commodity Contract Intermediation and Brokerage and Other Financial Investment Activities
532	Rental and Leasing
62, ex. 622, 623	Balance of Health Care and Social Assistance
81	Selected Other Services

*Service Annual Survey - North American
Product Classification System (NAPCS)
Product Data (Phase 1) (continued)*

Implementation Activities, Using Funding
Provided for FY 2003

2007 SAS:

NAICS 51	Balance of Information Services
81	Balance of Other Services

Service Annual Survey – North American Product Classification System (NAPCS) Product Data (Phase 2)

Plans Pending FY 2005 Budget Approval

2006 SAS:

NAICS 48 and 49, ex. 484, 492, and 493	Remainder of Transportation
52, ex. 5231, 5239	Remainder of Finance and Insurance

2007 SAS:

NAICS 22	Utilities
52593	Real Estate Investment Trusts
531	Real Estate
533	Lessors of Nonfinancial Intangible Assets
61	Selected Educational Services

Service Annual Survey – Value Added (Phase 1)

Implementation Activities, Using Funding Provided for FY 2003

2003 SAS:

NAICS 51	Information
54	Professional, Scientific, and Technical Services
56	Administrative and Waste Management and Remediation Services
622 and 623	Hospitals and Nursing and Residential Care Facilities
5231, 5239	Securities and Commodity Contract Intermediation and Brokerage and Other Financial Investment Activities

Service Annual Survey – Value Added *(Phase 1) (continued)*

Implementation Activities, Using Funding Provided for FY 2003

2004 SAS:

NAICS 484, 492, and 493	Truck Transportation, Couriers and Messengers, and Warehousing
532	Rental and Leasing
62, ex. 622, 623	Remainder of Health Care and Social Assistance
71	Arts, Entertainment and Recreation Services
81	Other Services

Service Annual Survey – Value Added (Phase 2)

Plans Pending FY 2005 Budget Approval

2006 SAS:

NAICS 48 and 49, ex. 484, 492, and 493	Remainder of Transportation
52, ex. 5231, 5239	Remainder of Finance and Insurance

2007 SAS:

NAICS 22	Utilities
52593	Real Estate Investment Trusts
531	Real Estate
533	Lessors of Nonfinancial Intangible Assets
61	Selected Educational Services

Service Annual Survey – Industry Expansion (Phase 2)

Plans Pending FY 2005 Budget Approval

2005 SAS: 117 Industries will be added in the following
sectors:

NAICS 22	Utilities
48 and 49, ex. 484, 492, and 493	Remainder of Transportation
52, ex. 5231, 5239	Remainder of Finance and Insurance
531	Real Estate
533	Lessors of Nonfinancial Intangible Assets
61	Selected Educational Services

Fallback Plans

(If We Don't Receive FY 2005 Budget Approval to Expand Industry Coverage and Data Detail for the SAS or the QSS)

Hierarchy of Priorities:

Survey

1. SAS
2. QSS

Fallback Plans (continued)

Hierarchy of Priorities:

Industry Coverage

SAS:

1. NAICS 52 Finance and Insurance
2. 48-49 Transportation
3. 61 Education
4. 22 Utilities
5. 53 Real Estate

Fallback Plans (continued)

Hierarchy of Priorities:

Industry Coverage

QSS:

1. NAICS 71 Arts, Entertainment, and Recreation
2. 81 Other Services
3. Balance of industries to mirror 2003 SAS coverage (250 industries)

Fallback Plans (continued)

Hierarchy of Priorities:

Data Detail

SAS:

1. Total revenue
2. Detailed expenses
3. NAPCS products

QSS:

1. Total revenue (expenses for hospitals and nursing and residential care facilities)

Our Experience, to Date, in Introducing the QSS

1. Sampling Information – Sample Size

<u>NAICS Sector</u>	<u>No. of Reporting Units</u>
51 Information	1,458
54 Professional, Scientific, and Technical Services	2,357
56 Administrative and Support and Waste Management and Remediation Services (except Landscaping Services)	1,158
Total	4,973

Our Experience, to Date, in Introducing the QSS (continued)

2. Response Information

First Quarter

1. 76% (unit response)
2. 81% (dollar response)

Second Quarter

1. 71% (unit response)
2. 80% (dollar response)

Our Experience, to Date, in Introducing the QSS (continued)

2. Response Information (continued)

Response modes and rates (as a % of total unit response)

	<u>2nd Quarter</u>	<u>1st Quarter</u>
Mail	43.09	49.11
Internet	27.27	22.68
Fax	22.16	18.80
Telephone	7.48	9.41

Our Experience, to Date, in Introducing the QSS (continued)

3. Seasonal Adjustment

These data will not be seasonally adjusted until we have at least 16 quarters of data

4. Benchmarking

We will benchmark yearly to the Service Annual Survey and every five years to the Economic Census

Our Experience, to Date, in Introducing the QSS (continued)

5. First Data Release

The first quarterly report is available at
<http://www.census.gov/qss.html>

The Bureau of Economic Analysis' statement
about the QSS is available at:
[http://www.census.gov/Press-
Release/www/releases/archives/BEA_on_qss
.pdf](http://www.census.gov/Press-Release/www/releases/archives/BEA_on_qss.pdf)

Our Experience, to Date, in Adding NAPCS Product Data and Expenses and Purchased Service Categories to the SAS (A Summary)

- Conducted 52 company visits to obtain feedback regarding new expense items
 - Same companies also respond to Census Bureau's Business Expense Survey (BES)
 - Companies concerned about duplication and additional burden
- To reduce respondent burden and be efficient in data collection, the SAS, instead of the BES, will be the collection instrument for detailed expenses for 2007

Our Experience, to Date, in Adding NAPCS Product Data and Expenses and Purchased Service Categories to the SAS (continued)

- A common set of core expense items will be created
 - Target goal to define core set of expenses is the end of 2004
 - Target date for core set of annual expenses to appear on SAS forms will be for the 2005 SAS, mailed in 2006
- All Census Bureau programs collecting annual expenses data will use core set regardless of whether it falls within an economic census year

Our Experience, to Date, in Adding NAPCS Product Data and Expenses and Purchased Service Categories to the SAS (continued)

- SAS covers over 260 industries
 - Includes most 5- and 6 digit NAICS industries
 - All industries collect total revenue and e-commerce revenue
 - All or a portion collect: product lines, sources of revenue, total expenses, detailed expenses, exports, and inventories
 - Product lines for specific industries in NAICS Sector 54 and Sector 56 will be collected in the 2004 SAS

Next Steps

- Proceed with Phase 1 Plans
- Pending FY 2005 Budget, proceed with Phase 2 Plans
- If no funds are received in the 2005 budget to expand SAS or QSS, we will consider redirecting existing funds to cover all or part of these expansions, based on interagency priorities

Thank You!