

# French SPPI – SPPI by institutional sectors

For a full recognition of “B to E”

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# Structure of the presentation

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A) A current lack of guidance on  $B2All = B2B + B2C$  or  $B2All = B2B + B2C + B2E$ ?

B) What all stakeholders should expect, hence  $B2All = B2B + B2C + B2E$

C) Organization of observation, calculation and dissemination by Institutional Sector

# A) A lack of guidance on B2E or not B2E?

## Eurostat-OECD manual

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*“The aim of this guide is to aid countries to develop producer price indices for ‘business services’, i.e., those services that are mainly aimed at uses other than household consumption [...]”*

*“An SPPI is defined here as [...] The index covers services provided for all uses, intermediate and final consumption, and for exports. However, the use in intermediate consumption dominates [...]”*

*“The coverage of all output means that SPPI comprise prices [...] to all institutional sectors, financial and non-financial corporations, government units, non-profit institutions (NPISH), households and the rest of the world. [...] Subdivision of an SPPI by destination of output can therefore be desirable [...].”*

*=> requests B2All, supposed to be very close to B2B*

# A) A lack of guidance on B2E or not B2E? European STS regulation and handbook

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*“3. The output price variable (No 310) covers services delivered to customers that are enterprises or persons representing enterprises.”*

5. The output price variable (No 310) is to be transmitted according to the following activities and groupings of NACE Rev. 2:

49.4, 51, 52.1, 52.24, 53.1, 53.2, 61, 62, 63.1, 63.9, 71, 73, 78, 80, 81.2;

sum of (50.1 and 50.2);

sum of (69.1, 69.2 and 70.2).

NACE Rev. 2 Division 78 covers the total price of labour recruited and personnel provided.

No consideration about exports in the STS methodology handbook.

*=> requests B2B, not B2All, inclusion of B2E not mentioned*

# A) A lack of guidance on B2E or not B2E?

## The European Members States practice

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The Eurostat SPPI TF of May 2009 observed that exports to foreign businesses were usually included in B2B:

- to base the calculation of the B2All index on the B2B index and additional data like the CPI (Consumer Price Index) data;
- the Business to All index is easily available and has to be decomposed to extract the B2B part of it.

The choice of one or the other practice depends on the service activities, on the pricing methods used and on the availability of data in businesses accounts. UK showed in its presentation the need to harmonise the CPI and the SPPI when the third method is used (some taxes are to be removed from CPI for example). The prices followed generally correspond to the services output including the exports of businesses. Even if some countries do ask for the destination of the services, there is no compilation/calculation of a pure export SPPI in countries.

*=> B2E usually included in B2B (for foreign enterprises)*

# A) B2B and/or B2All?

## The European Members States practice

The Eurostat SPPI TF of May 2009 stated that B2All indicators were still new at that time:

According to the information provided in summer 2008, a majority of countries calculate B2B indices according to the Regulation. Some countries calculate only B2All indices and a few could provide both indices.

H501 and H502	Sea and coastal water transport	10 countries B2B; 5 countries B2All
H51	Air transport	7 countries B2B; 11 countries B2All
H53	Postal and courier activities	
H531	Postal activities under universal service obligation	10 countries B2B; 7 countries B2All
H532	Other postal and courier activities	11 countries B2B; 7 countries B2All
J61	Telecommunications	13 countries B2B ;7 countries B2All
M69 and M702	Legal, accounting and management consultancy activities	
M691	Legal activities	9 countries B2B; 6 countries B2All

*=> articulation between B2B and B2All unclear (at least in 2009)*

# A) No mention of B2E in STS-package

Only B2B and B2All:

Variable <sup>(1)</sup>	Reference period / Periodicity	Form	Country Group	Level of Detail	Deadlines <sup>(2)</sup>
310 <sup>(3)</sup> Producer prices (PRON)	quarter or month / periodicity accordingly	indices: - unadjusted	S, M	N494, sum of (H501 and H502)(= H501_H502), H51, H521, H5224, H53 (= sum of (H531 and H532), H531, H532; J61, J62, J63; M69, M702 (= split of M69_M702), M71, M73, N78, N80, N812.  In order to compile the European ISP, deflators will also be needed for the following activities: H49, H50, H52; I55, I56; J58, J59, J60; L68; M74; N77, N79, N81, N82. However, for some areas there will be alternative deflators so that the final list of new SPPIs is likely to be smaller than the proposed list. The appropriate scope of the SPPi, in terms of NACE and of coverage B2B / B2all, will be explored in the framework of the TF ISP.	3 months
			L	as Groups S, M. <b>Additionally: J631, J639</b>	

The idea of B2E was supported by the delegate of OECD, but no text is yet available on Eurostat side...

=> *implicitly, the idea is still that B2All = B2B + B2C*

## B) But what are the normal purposes of (S)PPI?

IMF manual on PPI (2004):

- “2.51 - Price instability introduces uncertainty into economic analysis and decision making, so the main uses of the PPI relate to efforts to minimize this uncertainty. The PPI therefore has the following main uses:
  - ⇒ Short-term indicator of inflationary trends;
  - ⇒ National accounts deflators; rather B2B, B2C, B2E apart (≠ uses)
  - ⇒ Indexation in legal contracts in both the public and private sectors. particularly for more detailed PPI components; rather B2E out of B2B
  - ⇒ Required by international organizations such as Eurostat, the OECD, IMF, and European Central Bank (ECB) for economic monitoring and comparison; should appreciate B2E, even B2E1 (euro-zone)
  - ⇒ Current cost accounting;
  - ⇒ Compilation of other inflation measure such as the final expenditure price index (FEPI); and
  - ⇒ Analytical tool for businesses / researchers”

## B) What National Accounts should request

The commodity flow by product is written this way:

$$\begin{array}{ccccccccc}
 P & + M & + TTM & + T-L & = & IC & + FC & + GFCF & + X \\
 \text{Production} & \text{Imports} & \text{Transport and trade margins} & \text{Taxes less subsidies on products} & & \text{Intermediate Consumption} & & \text{Gross fixed capital formation} & \text{Exports} \\
 & & & & & & \text{Final Consumption} & & 
 \end{array}$$

It should be balanced both in current prices and in previous year prices, preferably by deflation, which needs such indicators:

$$\begin{array}{ccccccccc}
 P & + M & + T-L & = & IC & + FC & + GFCF & + X \\
 \text{B to All} & \text{Import price ?} & \text{Implicit breakdown between volume and price relying on the uses side} & & \text{B to B} & \text{B to C} & \text{B to B} & \text{B to E}
 \end{array}$$

## B) “B2E” in the sense of National Accounts

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Foreign households, if they consume “on the territory”, are “tourists”, and their expenditures are considered as Final Consumption, moreover covered by CPI.

But if the “tourists” are in fact “business travellers”, their expenditures have to be considered as exports (or as imports and intermediate consumption).

For National Accounts, because of Cif-Fob conventions for international exchange of goods, international freight transportation has to be considered as export of services, irrespectively of the nationality of the customer.

## B) National Accounts expectations

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SNA 2008 was quoting “new initiatives”:

■ “15.160 - *Exports and imports consist of both goods and services. For both exports and imports, goods and services are expressed in volume terms using quite different deflators because of the very different sources available for goods and services. New initiatives are under way to improve price indices for external trade in services that should lead to improved data in this area*”

## B) GATS and the diverse modes of ITS

Mode	Supplier presence	Criteria	Treatment in NA / BoP
Mode 1: Cross-border supply	Service supplier not present within the territory of the consumer	Service delivered within the territory of the consumer, from the territory of another country (of the supplier)	imports / exports
Mode 2: Consumption abroad		Service delivered outside the territory of the consumer, in the territory of another country (of the supplier)	Others: imports / exports
Mode 3: Commercial presence	Service supplier present within the territory of the consumer	[Redacted]	
Mode 4: Presence of a natural person		Service delivered within the territory of the consumer, with supplier present as a natural person	imports / exports

For NA

Note that in modes 1 and 4, exports can concern natural persons (not businesses), their FC is not “in the territory” of the supplier and the prices are not covered by CPI (passengers transport, financial services, e-commerce, some personal services).

Note also that MSITS manual would appreciate exports and imports prices by product and by mode.

## B) If we desire as much information on services as on industry...

For industry, the distinction between imports and production on one hand, and between domestic market and “exports” on the other hand, is more important than between B2B and B2C (indeed not requested).

### (c) List of variables

1. The statistics in this Annex comprise the following variables:

Variable	Name
110	Production
120	Turnover
121	Domestic turnover
122	Non-domestic turnover
130	New orders received
131	Domestic new orders
132	Non-domestic new orders
210	Number of persons employed
220	Hours worked
230	Gross wages and salaries
310	Output prices
311	Output prices of the domestic market
312	<u>Output prices of the non-domestic market</u>
340	<u>Import prices</u>

# C) Observation of turnover in SBS questionnaires

Detailed products → Services sales → Product code ~ CPA 6-digits → Amount in €

Produits détaillés	Code produit	% ou montants en euros
<b>ACTIVITÉS INFORMATIQUES</b>		
• Infogérance, gestion d'installations informatiques		
◆ Prise en charge de la fonction informatique (facilities management, infogérance).....	6203Z10	<input type="text"/>
◆ Gestion et assistance des centres informatiques du client (gérance d'exploitation).....	6203Z21	<input type="text"/>
◆ Secours informatiques (back up).....	6209Z20	<input type="text"/>
◆ Tierce maintenance de systèmes et d'applications informatiques.....	6202B00	<input type="text"/>
◆ Mise à disposition de matériels et réseaux informatiques (y compris serveurs et hébergement de sites Internet, non compris la location de matériels).....	6311Z21	<input type="text"/>

by kind of customers

Répartition du chiffre d'affaires	%
Entreprises du groupe <sup>1</sup> auquel vous appartenez	Intragroup BtoB
Entreprises hors du groupe auquel vous appartenez (y compris entreprises publiques : SNCF, EDF)	BtoB
Administrations (y compris collectivités locales, hôpitaux...)	(GG) BtoB
Particuliers, hors services rendus à leur domicile (y compris associations, syndicats de copropriétés,...)	BtoC
Particuliers, services rendus à leur domicile	BtoC
TOTAL	100%

Turnover breakdown

Répartition du chiffre d'affaires	%
Clientèle nationale	domestic
Union européenne	EU
Hors Union européenne	non-EU
TOTAL	100%

by country

# C) Confirmation of weights at the enterprise level, from visit report



**Direction des statistiques d'entreprises**  
 Département des statistiques de court terme  
 Division des Indices des prix à la production

## 6-3. TURNOVER BREAKDOWN (M€, excluding VAT) : DATA FOR YEAR 200.

<b>Total turnover, including intra-group transactions (= 1 + 2 + 3 + P)</b>	
<i>Including :</i>	
(1) Turnover from produced good, out of activity	
(2) Turnover from produced services, out of activity	
(3) Turnover from re-sold goods	
<b>(P) Turnover from domestic produced goods for the activity, sold to domestic or foreign markets (= C + H + E)</b>	
<i>Including :</i>	
<b>(C) Turnover from national production, sold to businesses within the country</b>	
<b>(H) Turnover from national production, sold to households within the country</b>	
<b>(E) Turnover from national production (= E1+E9), sold to foreign countries</b>	
Including (E1) to foreign countries, members of Euro-zone	
Including (E9) to foreign countries, non-members of Euro-zone	

# C) Fine weights at enterprise x elementary product level, from visit report



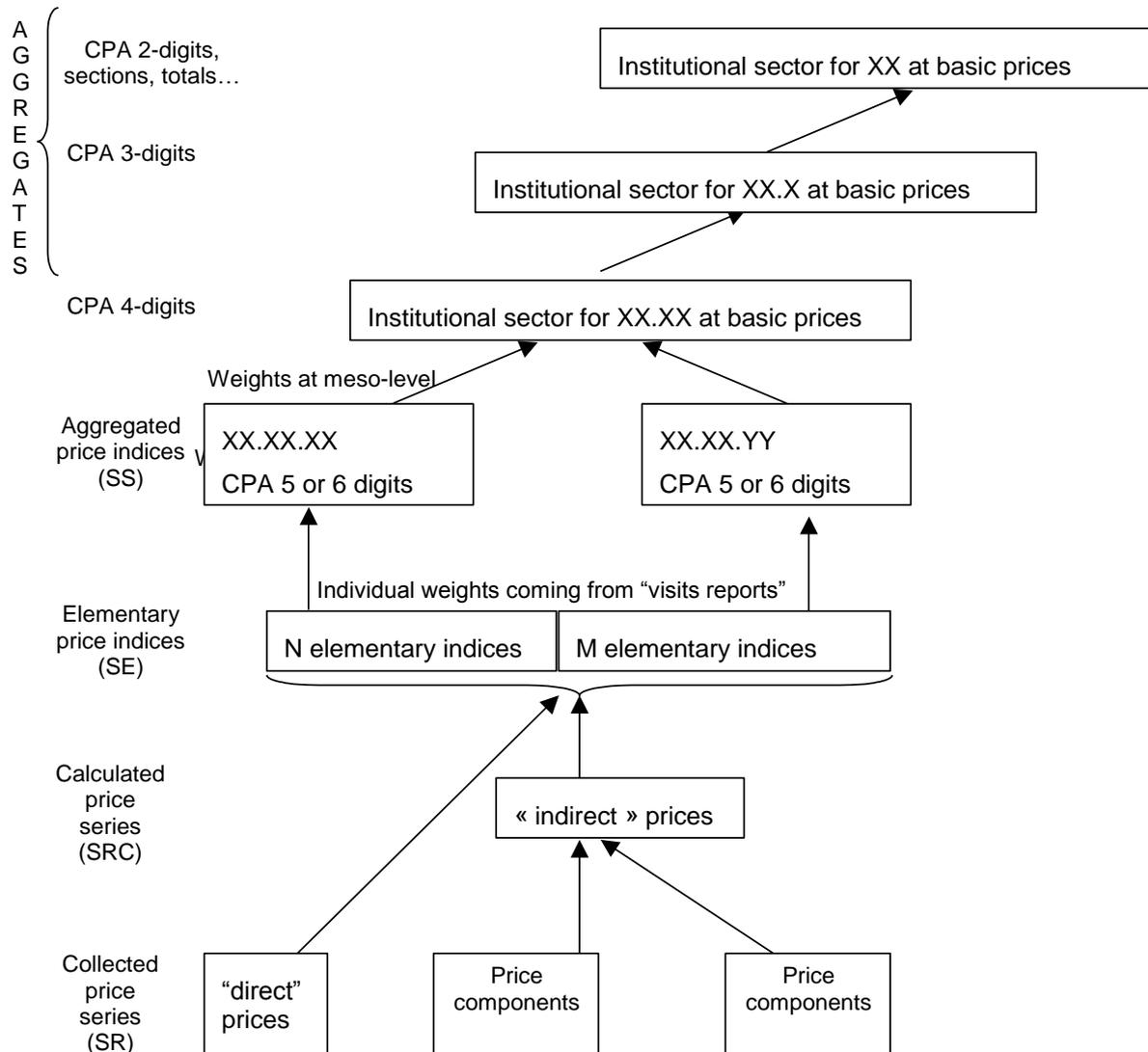
**Direction des statistiques d'entreprises**  
 Département des statistiques de court terme  
 Division des Indices des prix à la production

CPF .... - ..... Foreign markets : transactions sampled							
TURNOVER FROM FOREIGN EUROZONE MARKETS (E1) : ..... K€ (excluding VAT)							
N°	Data collection classification (code)	Heading of data collection classification	Sales of the group of products	Former / new product	Definition of price series with kind of customer	Precisions on prices	Weight of product

TURNOVER FROM FOREIGN NON-EUROZONE MARKETS (E9) : ..... K€ (excluding VAT)							
N°	Data collection classification (code)	Heading of data collection classification	Sales of the group of products	Former / new product	Definition of price series with kind of customer	Precisions on prices	Weight of product



# C) Vertical aggregation (bottom-up) for B2B, B2C, B2E1 and B2E9 indicators



## C) Horizontal aggregation for B2E and B2All indicators

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B2E is obtained by aggregation of B2E1 and B2E9;

B2All is obtained by aggregation of B2B, B2C and B2E.

At each product level (CPA 4-digits or infra, CPA 3-digits, etc.)

# C) Dissemination on Insee BDM website

The screenshot shows a Firefox browser window displaying the Insee BDM website. The address bar shows the URL: [www.bdm.insee.fr/bdm2/choixTheme?request\\_locale=en&code=20](http://www.bdm.insee.fr/bdm2/choixTheme?request_locale=en&code=20). The website has a navigation menu with buttons for Home, Topics, Databases, Publications and services, Regions, Definitions and methods, Publics, and INSEE and official statistics. The 'Databases' button is highlighted in red. Below the navigation menu, there is a breadcrumb trail: Home > Databases > Statistical... > Macro-econo... > Prices and price indices. The main content area is titled 'Prices and price indices' and contains a tree view of categories. The tree view is expanded to show the following items:

- Prices and price indices
  - Raw materials prices and production means prices
  - Production and import price indices
    - Producer price indices and wholesale prices in agriculture
    - Industrial producer and import price indices
      - Producer price indices of French industry for all markets (base 2010)
      - Producer price indices of French industry for the French market (base 2010) - Basic price
      - Producer price indices of French industry for the French market (base 2010) - Purchaser's price for contract escalation
      - Producer price indices of French industry for foreign markets (base 2010)
      - Import price indices of industrial products (base 2010)
      - Total supply of industrial products price indices (base 2010) - (contract escalation)
      - Old base years
    - Services producer price indices
      - French services producer price indices for all markets (BtoAll)
      - French services producer price indices sold to French businesses (BtoB) - Basic price
      - French services sell price indices to French businesses (BtoB) - Purchaser's price for contract escalation
      - French services producer price indices sold to households in France (BtoC)
      - French services producer price indices for foreign markets (BtoE)
      - Old base years
    - Construction producer price and costs indices
    - Price and revision of leases indices in the real estate sector
    - Retail prices and consumer price indices

Industry and services as similar as possible (B2All, B2B at basic prices, B2B at market prices, B2E)

# C) Methods A, B, C typology for SPPI by institutional sectors

Relevance	Kind of observation / calculation	B to B	B to C	B to E	B to All
A <sup>+</sup>	“true” elementary price indices issued from transactions by a specific enterprise on a specific product toward a specific institutional sector (1 SE by SR).				
A <sup>-</sup>	relevant elementary price indices issued from transactions by a specific enterprise on a specific product toward a broad set of institutional sectors (usually both domestic and non-domestic), with corresponding weights (several SE by SR).	83 %	15 %	57 %	65 %
	“B to C” obtained from CPI with relevant consistency COICOP function / CPA product and correction of taxes and subsidies on products influence on price development	NA	76 %	NA	19 %
B	price indices at CPA 4-digits level imputed from other institutional sector of same CPA 4-digits product.	5 %	6 %	29 %	6 %
C	price indices at CPA 4-digits level imputed from other CPA 4-digits product.	12 %	3 %	14 %	10 %

# Conclusion: next step, development of import prices and “total supply” SPPI

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In some cases like air transport or inland waterways freight transport, private users or professional unions are not interested only by (domestic) SPPI, but by import prices, or more simply by “input prices” representing both production and importations, notably “total supply for businesses”.

We are currently developing such indices, both in inland waterways freight transport (50.40), passenger air transport (51.10) and freight air transport (51.21).

The difficulty is usually to find a sample framework for importations, but all information exists on air transport.

# French SPPI – SPPI by institutional sectors

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## Thank you for your attention

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