Data Processing, Hosting and Related Activities (ISIC 6311)

ITSIK TAL
Israel Central Bureau of Statistics
Background

- Development of a price index for Data processing, hosting and related activities (ISIC 6311) in Israel began in the first half of 2018 and is still in a very early stage.

- The price index will be used primarily as a deflator for national accounts.

- The development of the price index is planned to continue throughout 2019, with the aim of publishing the index by the end of 2019, along with a price index for Computer programming, consultancy and related activities (ISIC 62).
The biggest dealers in the industry, which are also the biggest employers in the industry, are engaged in providing payroll services and financial solutions, which involve the provision of hosted applications with integration to the infrastructure of the client (one of two subgroups found in CPA 63.11.13, Application service provisioning).

Data are based on ICBS (2017)

<table>
<thead>
<tr>
<th>Characteristics of the Industry</th>
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Dealers and Jobs In Class 6311
2011-2015

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
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<td>3885</td>
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</tbody>
</table>

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Characteristics of the Industry

Size of the Industry

- In 2017, Data Processing, hosting and related activities (ISIC 6311) accounted for more than 80% of the revenue from Information service activities (ISIC 63).

- In 2016, revenue accounted for approximately 2.2% of the revenue from Telecommunications, Computer programming and consultancy and related activities, and Information service activities (ISIC 61–63).

Concentration in the Industry 2015

Based on ICBS (2017)
Characteristics of the Industry

Annual Growth Comparison
2014-2017

- 6311 - Data processing, hosting and related activities
- 6201 - Computer programming activities

Based on ICBS (2018)
Characteristics of the Industry

Cloud Computing in Israel

Global cloud computing companies (Amazon, Microsoft, Salesforce) → Local cloud integrators → SaaS, PaaS, IaaS → Mostly IaaS

(Smaller) local cloud companies* → Mostly IaaS

* Can also operate as cloud integrators
Classification Issues

- Companies that offer services such as consultancy on migration to the cloud, planning, and cost-cutting shouldn’t be confused with cloud computing companies. These companies should be classified to Systems and software consultancy services (CPA 62.02.20).

- In Israel, a large portion of the revenue coming from the operation of data centers is made by telecommunications companies as a secondary activity.
Measurement Issues

- Services offered by some of the largest companies in the industry include Business process management services (CPA 70.22.17), as well as hosted applications with integration to client's infrastructure. These companies offer the services as one bundled service.

- Measurement of software price changes would be incomplete if SaaS is classified to ISIC 6311. On the other hand, classifying SaaS to 5820 means that what is known to be the biggest group in cloud computing would mostly not be taken in account when measuring price changes of cloud computing services.
Examples of Pricing Models

- Cloud computing – Pay per use model charged by hours of use in IaaS and monthly subscription fees in SaaS.

- Hosting services on data centers – Monthly fees

- Application hosting with integration to the infrastructure of the client – Pricing based on a contract that includes hosting, data processing, maintenance and Business process management services, all in a bundled service.

- Data entry services – Fixed prices