IMF Technical Assistance on PPIs for Services

OCTOBER 1, 2019

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Why should policy makers care about PPIs for services?

- Services activities (ISIC 50-99) contributed 65% of global GDP in 2017
- Share of GDP from service activities showing steady, secular growth; particularly in lower middle income countries
- Needed for accurate deflation of services production in national accounts
- Needed to identify services sector productivity
Services Share of 2016 GDP

Source: World Bank World Development Indicators Database
Services Share of GDP

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Services Share of GDP

Source: World Bank World Development Indicators Database
Deflation of services production in national accounts

- When PPIs for services are unavailable, CPIs often used in place
  - CPI represents very different basket
    - Excludes sales for export, includes imported services
    - Excludes sales to businesses and government, for example:
      - Warehousing
      - Freight transportation
      - Advertising sales
      - Custom software development
      - Cloud computing
      - Commercial rents
  - Price trends for services CPIs and services PPIs show persistent differences
Euro Area HICP-Services vs. SPPI (annual percent change)

Source: Eurostat
Japan Services PPI vs. Services CPI (annual percent change)

Source: Bank of Japan

Note: PPI in Japan is BtoB only
Comparison of prices with nominal GDP 2007-2010

Euro Area
(annual percent change)

Japan
(annual percent change)

Source: Eurostat, Bank of Japan

Note: PPI in Japan is BtoB only, Euro Area is BtoAll
US Legal Services CPI vs. PPI
(annual percent change)

Source: U.S. Bureau of Labor Statistics
Data for Decisions (D4D) Fund

- Multi-partner initiative to improve statistical capacity in low and low-middle income countries
- Project started in 2018, scheduled to complete in 2023
- Includes plan to provide workshops and technical assistance missions on PPIs for services

Data for Decisions (D4D) Fund

Services PPIs

Improving business and consumer surveys; identifying non-survey data sources
Data for Decisions (D4D) Fund

- 77 low and low middle income countries are IMF members
- 29 of these currently compile a PPI or WPI
- 9 of these have started development of PPIs for services
Workplan for D4D project module on PPIs for services

FY21 (May 2020 – April 2021)

Workshop in Sub-Saharan Africa

2 Missions in Sub-Saharan Africa

Potential for repeat missions to Asia and Pacific Region countries
Workplan for D4D project module on PPIs for services

Work will continue in FY22 and FY23
**Workshops**

- Focus on assisting countries with selecting services activities for development
  - Considering size, importance, complexity, cost
  - Practical exercises to identify country-specific data

- Overview of stages of PPI compilation, highlighting aspects unique to services:
  - Sampling
  - Weighting
  - Data collection
  - Index calculation
  - Analytical review
Context for developing countries

Challenges

• Large informal sectors
• Insufficient source data
• Insufficient data collection and review resources
• Unsure about where to start

Opportunities

• Resourceful staff
• Chance to develop and improve over time
Advice on SPPI development

• Typically start with transportation and telecommunications activities
  • Prices may be available from administrative sources
  • High industry concentration
  • Pricing methods well developed

• Accommodation and tourism may also be part of early development
  • For countries where foreign tourism is significant
  • If domestically oriented, CPI may be sufficient

• More challenging sectors later in development
  • Retail and wholesale trade
  • Financial services
Where Voorburg Group fits

- IMF will be utilizing the valuable resources developed by the Group
  - Sector papers
    - Telecom, warehousing, transportation, accommodation
    - Developing countries are often interested in banking (FISIM)
    - Revisiting the largest most significant services activities is helpful
  - Guidance papers
    - Bundling, alternative data, quality adjustment
  - Presentations of countries sharing development experiences
- Strong interest in country and activity-specific materials
  - Repository of questionnaires?
  - Please share anything you think may be helpful!
- Encourage country participation in Group, where practical