Problems of measuring retail trade due to the impact of different ways of organising distribution

Example: Retail sale of automotive fuels

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Retail Trade Index (background)

- compiled by Eurostat

  – monthly

  – based on national working day adjusted indices (weighted sums)

  – value and volume (deflated value) index

  – different regional (e.g. EA16, EU27) and industrial (e.g. food, non-food, energy) groupings

- STS-regulation, Annex III (Council Regulation (EC) № 1165/98)

- PEEI (Principal European Economic Indicator)

Retail Trade Index (scope)

- turnover: *"…the totals invoiced by the observation unit during the reference period. This corresponds to market sales of goods or services supplied to third parties."* (Commission Regulation (EC) № 1503/2006)

- observation unit: *"The observation unit … is the enterprise"* (Council Regulation (EC) № 1165/98)

Retail Trade Index (mandate)

"It is the objective of the turnover index to show the development of the market for goods and services." (Commission Regulation (EC) №1503/2006)

Retail Trade Index (usage)

- indicator for developments in final consumption

- first indicator available

- used for this purpose by our main users (Central Banks, Financial/Economic Research Institutes, NA)

Discovering a Problem

- "Retail Sale of Automotive Fuels" (4730) is new in "STS Retail Trade Index" since NACE rev. 2/ISIC rev. 4

- 2005 weights showed astonishing ratios

Weights 2005 for NACE 4730 in % of EU27 total

selected Member States

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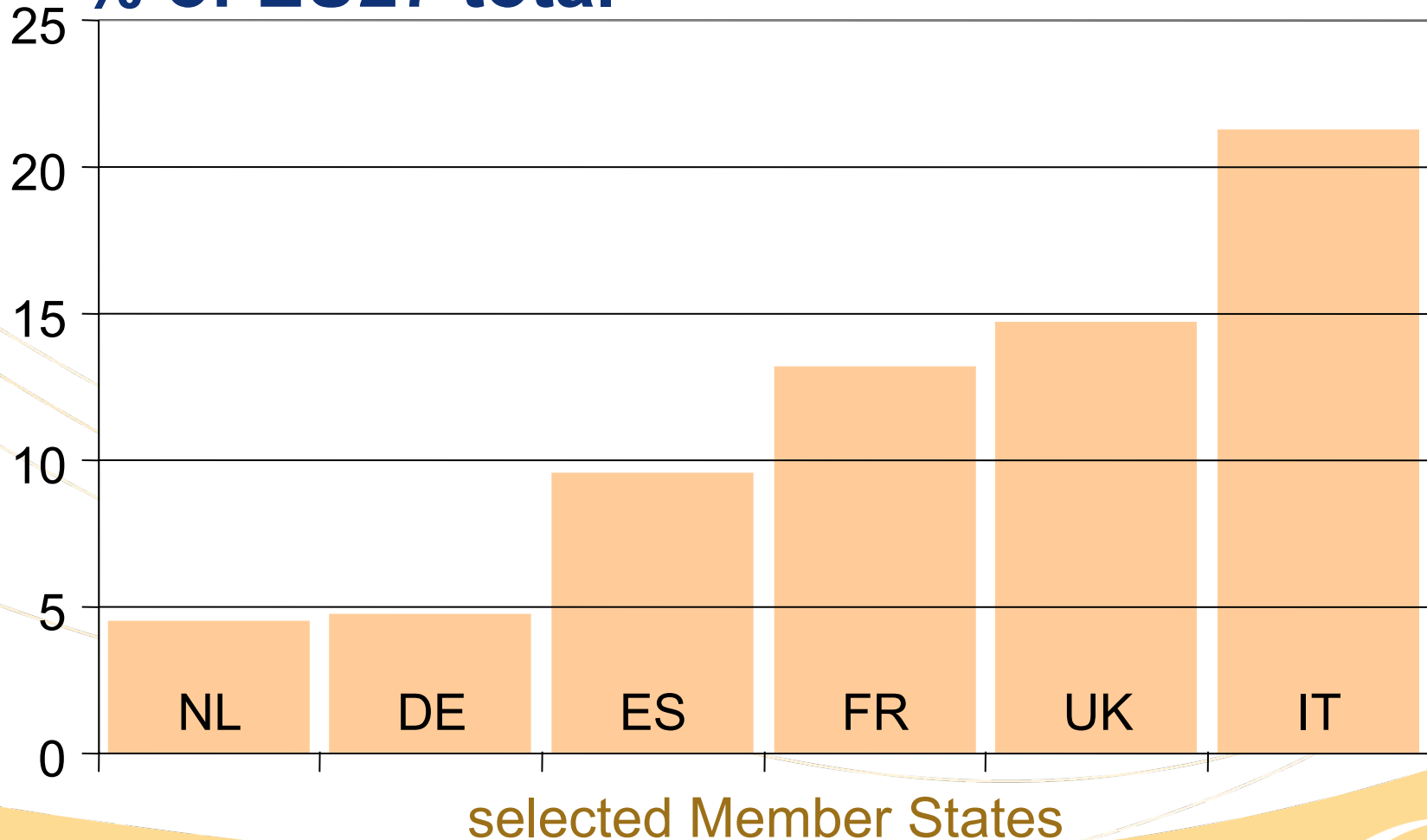
Comparison: weights 2005 for NACE 4730 and energy consumption of road transport (toe) 2005 in % of EU27 total

selected Member States

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Questionnaires to all Member States, **literature studies** and **Task Force on Retail Trade Quality**

exploring:

- market situation and organisation

- treatments

- other environments

Market Organisation: Agents

- appear in some Member States
- selling in the name and/or for the account of someone else (e.g. Mineral Oil Company)
- receive fees for their service (often cent per litre, regressive)
- attribution of agent's fee and of the products' value unclear and treated differently

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Turnover for two totally different kinds of "products"

- **fuels** (and shop items, car wash etc.)
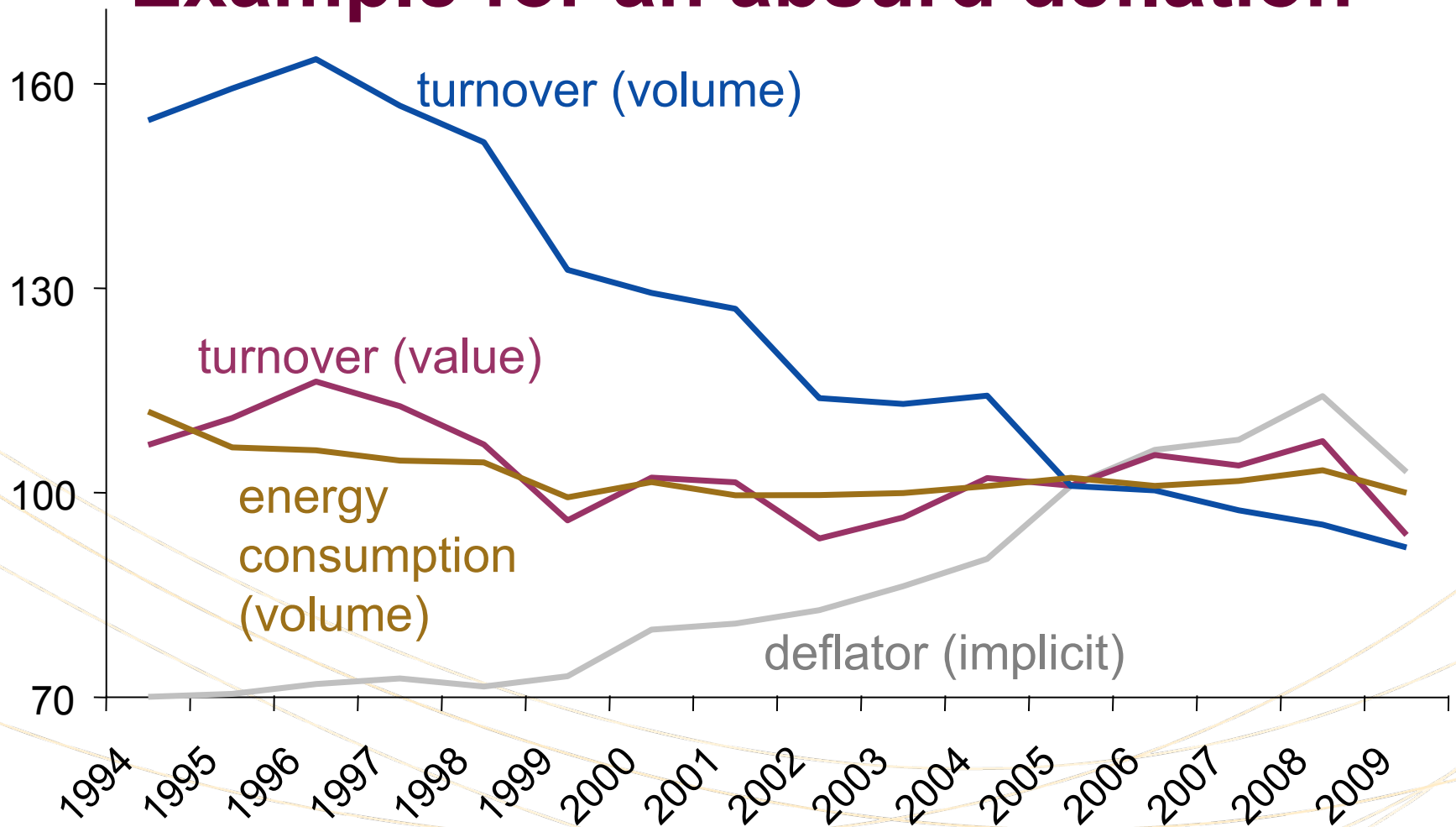
- **service fees, commissions**

According to NACE, both retail trader and agencies involved in retail trade have to be classified within retail trade.

Deflators used by EU27 countries

development of…

- fuel price

    <u>or</u>

- basket (fuel price and other shop items)

Example for an absurd deflation

Data for DE from STS (NACE 473) and energy statistics (road transport), annual averages, 2005=100

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Problems we are faced with

- different market situations (agency/principal)

- market structure unstable

- different "products" monitored (fuel, shop items vs. service)

- distributing fuel to consumers to some extent done by units classified elsewhere (oil refining, oil extraction, wholesale trade, other retail trade, etc.)

- different allocation of fuel values sold through agencies

- different treatment of commissions/fees in our Member States

- different treatment of excises in our Member States

  → **measurement of different developments**

- some Member States using with their turnover indices totally incompatible price indices

- uncertainty about weights for aggregation of EU totals

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Isolated problem in NACE 4730?

no:

- comparable problems with supermarkets and department stores renting shelf space incl. encashment service etc.
- direct selling of producers (e.g. bakeries)

but:

most visible in the sector retail sale of automotive fuels

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Suggestion of Eurostat's Task Force on Retail Trade Quality in STS:

A method[1]

With the gross data collected the whole value of (almost) all goods sold to private consumers is covered. Additional income such as commissions, rents or service fees are excluded.

B method[2]

The gross data contains the retail trade turnover of units having their main economic activity within retail trade. Additional income such as commissions, rents or service fees are excluded.

C method

The gross data collected are a mish-mash of different incomes of units running mainly retail trade shops.

[1] Method A is currently not in line with the STS-regulation. It is considered as being rather complex in terms of data availability. Nevertheless this method represents best the data expectancy of our main clients.

[2] Method B is fully in line with the STS-regulation and should be considered as an "A" method in terms of compliance issues. However the results created by this method do not meet our client's expectations best.

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What we urgently need:

- to know more how the different markets are organised

- harmonised and meaningful approaches for treating trade agencies involved in retail trade and of principals involved in retail trade but classified outside

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Thank you for your attention

and special thanks to the members of Eurostat's Task Force on Retail Trade Quality!

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