

GLOBALIZATION IN SERVICES

Some Perspectives from National Accounts and Producer Price Index for Services

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INTRODUCTION

- Changing face of globalization
 - Since the early 19th century, the trade and communication costs have fallen dramatically
 - Now and in the future, face-to-face costs will decline due to technology. Globalization will enter a people-centric service sector
- Finland is an example of a small and open economy which benefits from global trade



TRADE COSTS
cost of moving goods



COMMUNICATION COSTS
cost of moving ideas



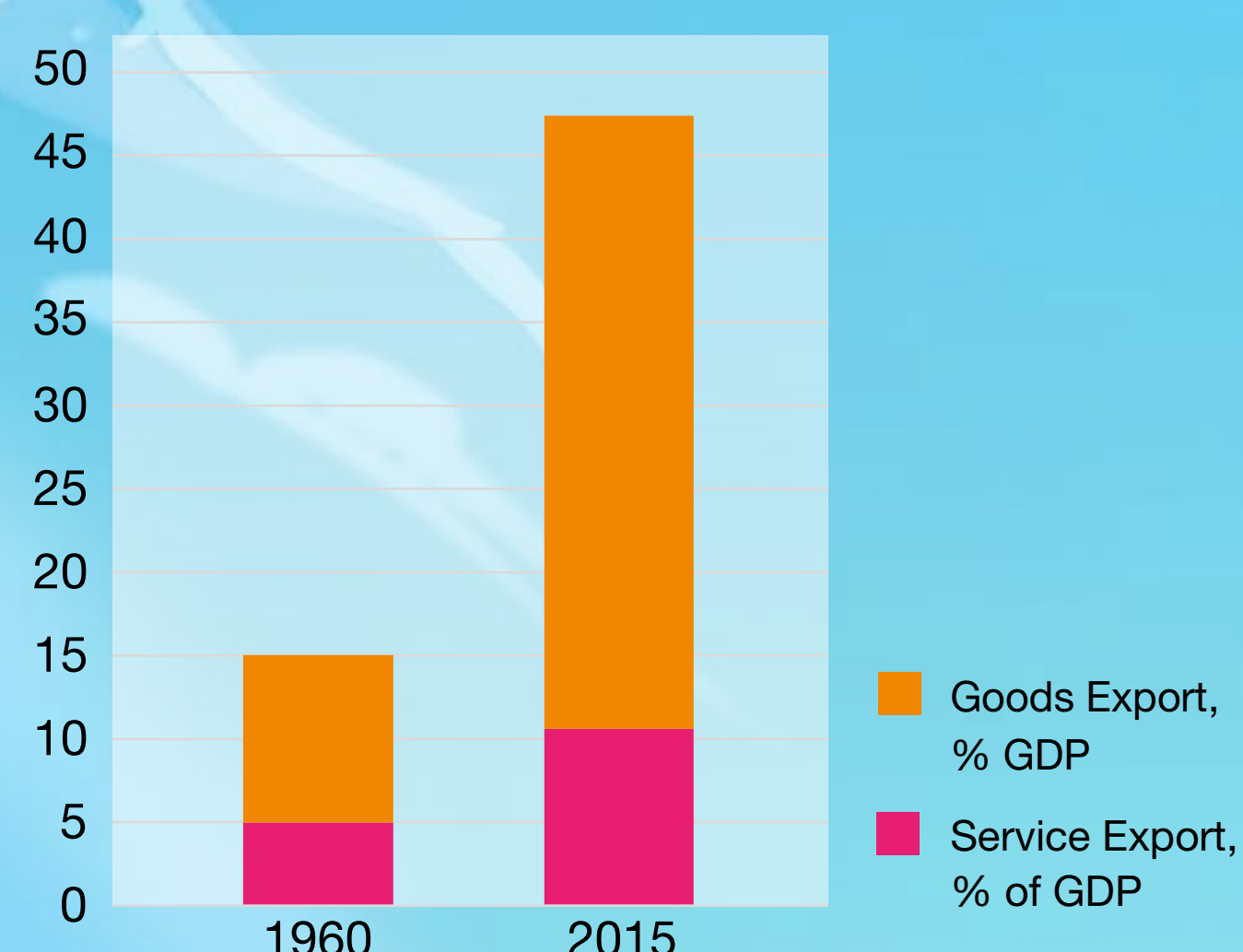
FACE-TO-FACE COSTS
cost of moving people

Source: Baldwin, R. (2016). *The Great Convergence: Information Technology and the New Globalization*. The Belknap Press of Harvard University Press.

CLASSIFICATION

FACTORYLESS GOODS PRODUCTION:
How is the output classified?
Is it classified as services (e.g. IPP)
or as goods (end product)?
Practices vary between countries.
Statistics Finland classifies the
output according to the end product,
which reduces the share of services.

Share of service and goods export of GDP (%) in Finland in 1960 and 2015



Source: Statistics Finland, National Accounts

CLASSIFICATION

PRODUCT
Is the output classified as software publishing services or computer programming services?
INDUSTRY
What about the industry of the enterprise? The coherence between statistics needs to be considered.

CHALLENGES FOR PRICES:

SOFTWARE PUBLISHING SERVICES

- Players all over the world → exchange rates, taxation, pricing strategies
- Role of global distribution channels in pricing decisions → possible sources for price information → coordination of international organizations, e.g. OECD, IMF, Eurostat

- No separate price indices for domestic and export services

ADVERTISING SERVICES

- Lack of price information for online marketing
- Lack of import price index

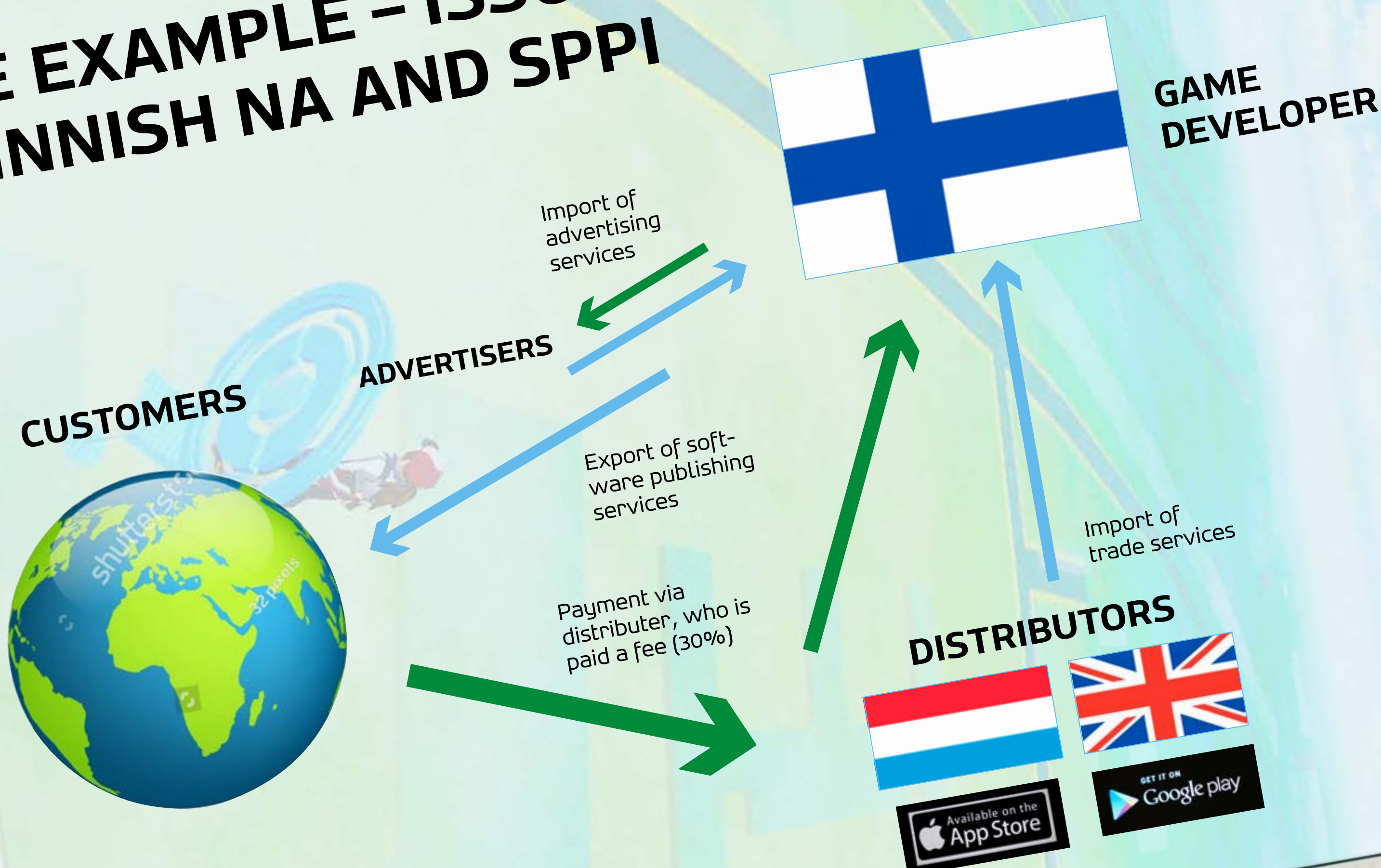
TRADE SERVICES

- Lack of price information for trade services
- Lack of import price index

CHALLENGES FOR NATIONAL ACCOUNTS:

- In free2play games the output comes from in-game sales → balanced output, export, household consumption and how to classify in-game sales in the SUT
- Advertising and marketing → how to measure the right shares of different kind of services
- Role of global distribution channels → coherence and quality of source statistics
- How to choose the best price indices for volume calculations

CASE EXAMPLE - ISSUES AND SOLUTIONS IN FINNISH NA AND SPPI



CONCLUSION

- Development of service statistics: output by product, export and import prices, digital services etc.
- International guidelines together with different statistical domains: SNA, volume indices, SBS, prices
- International data sharing: MNEs, LCUs, international asymmetries
- In-house co-operation at national level, e.g. deflation group in Statistics Finland

