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VOORBURG GROUP MEETING PARIS 2019



VOORBURG - PARIS - 2019

IMF Technical Assistance on PPIs for Services

OCTOBER 1, 2019

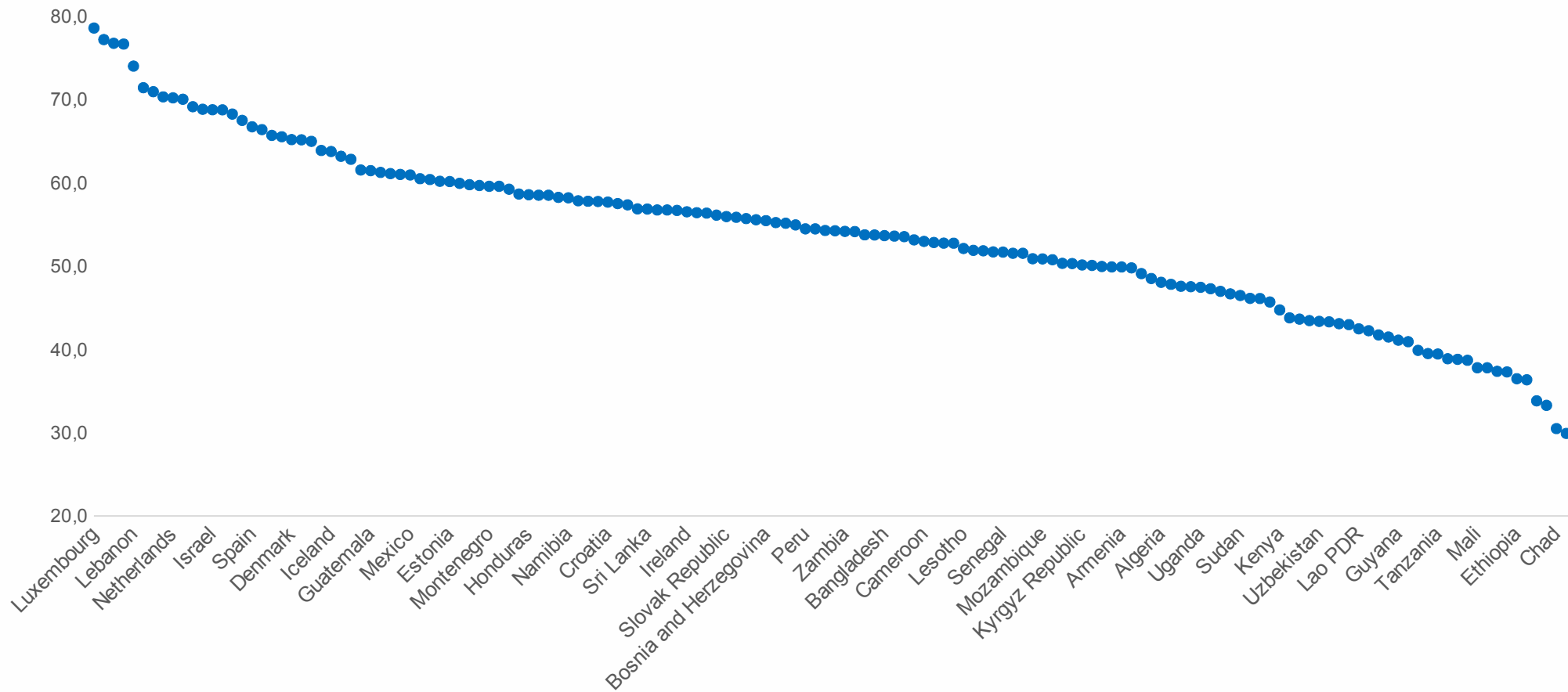
Andrew Baer
Sr. Economist, Real Sector Division
Statistics Department



Why should policy makers care about PPIs for services?

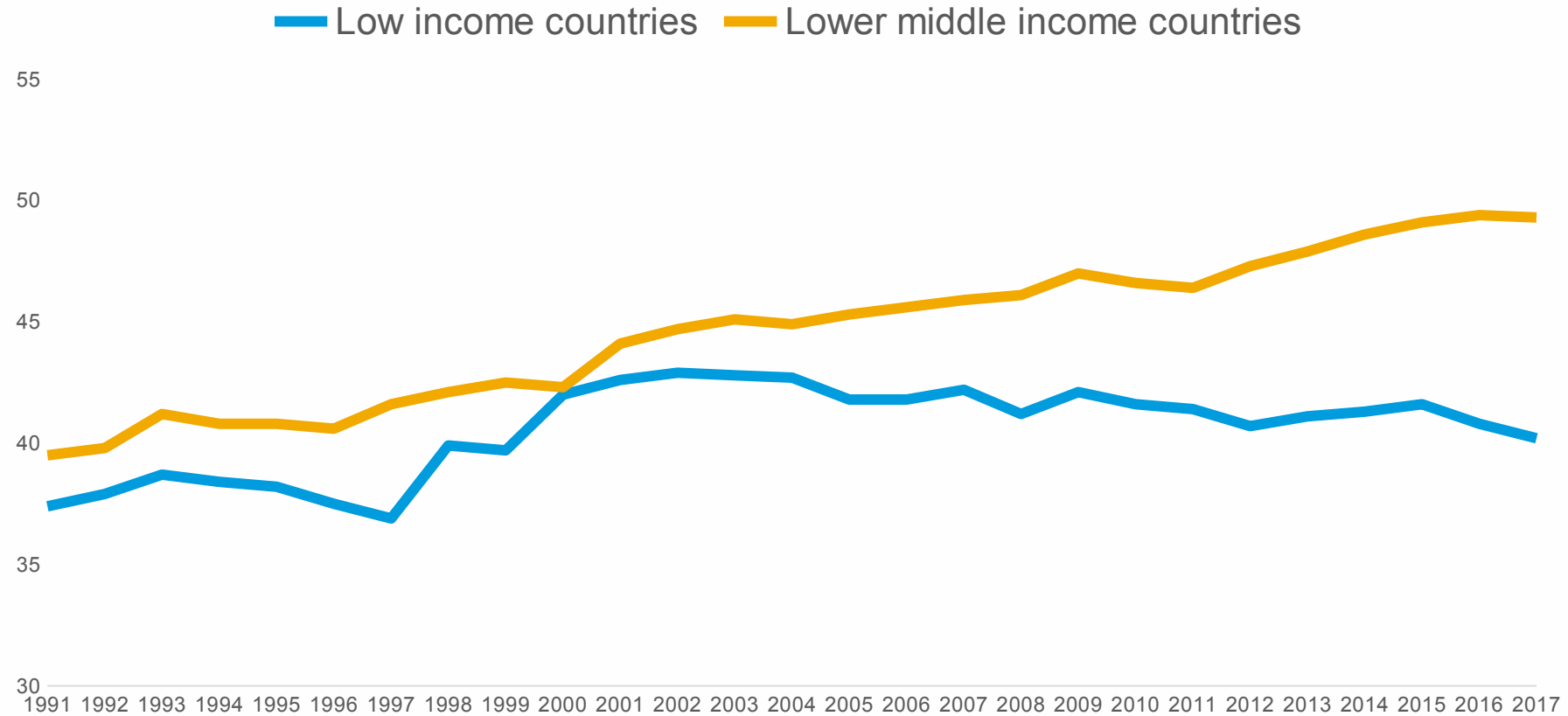
- Services activities (ISIC 50-99) contributed 65% of global GDP in 2017
- Share of GDP from service activities showing steady, secular growth; particularly in lower middle income countries
- Needed for accurate deflation of services production in national accounts
- Needed to identify services sector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

Services Share of 2016 GDP



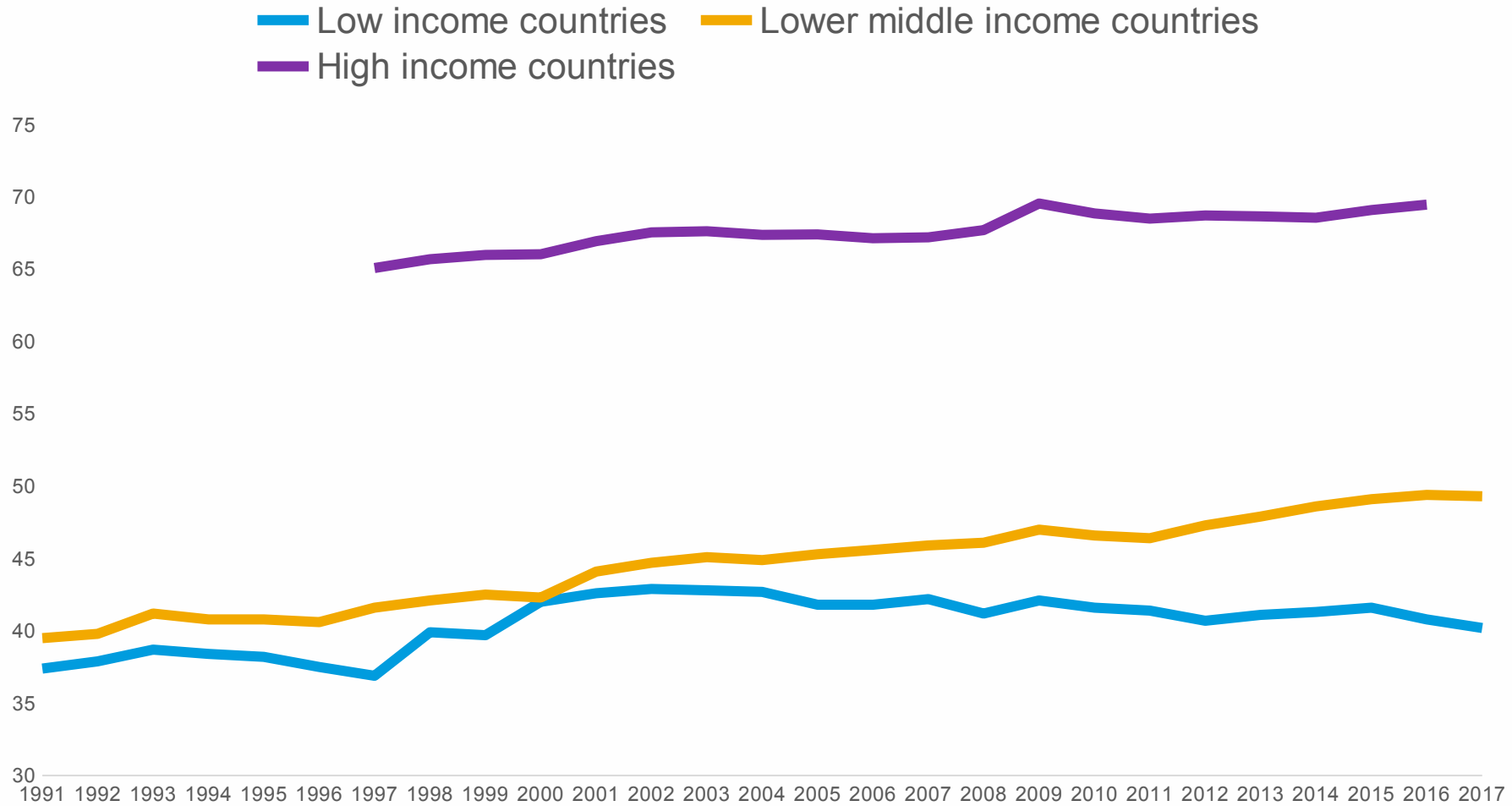
Source: World Bank World Development Indicators Database

Services Share of GDP



Source: World Bank World Development Indicators Database

Services Share of GDP

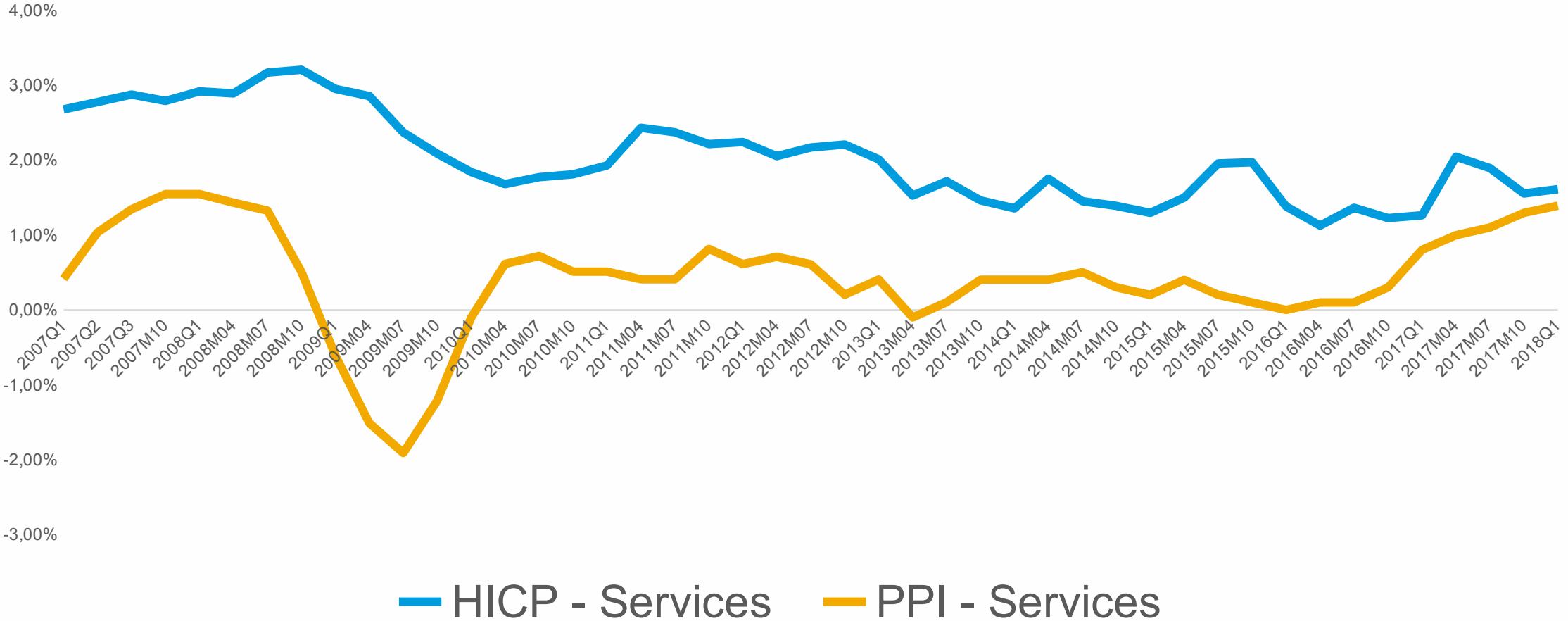


Source: World Bank World Development Indicators Database

Deflation of services production in national accounts

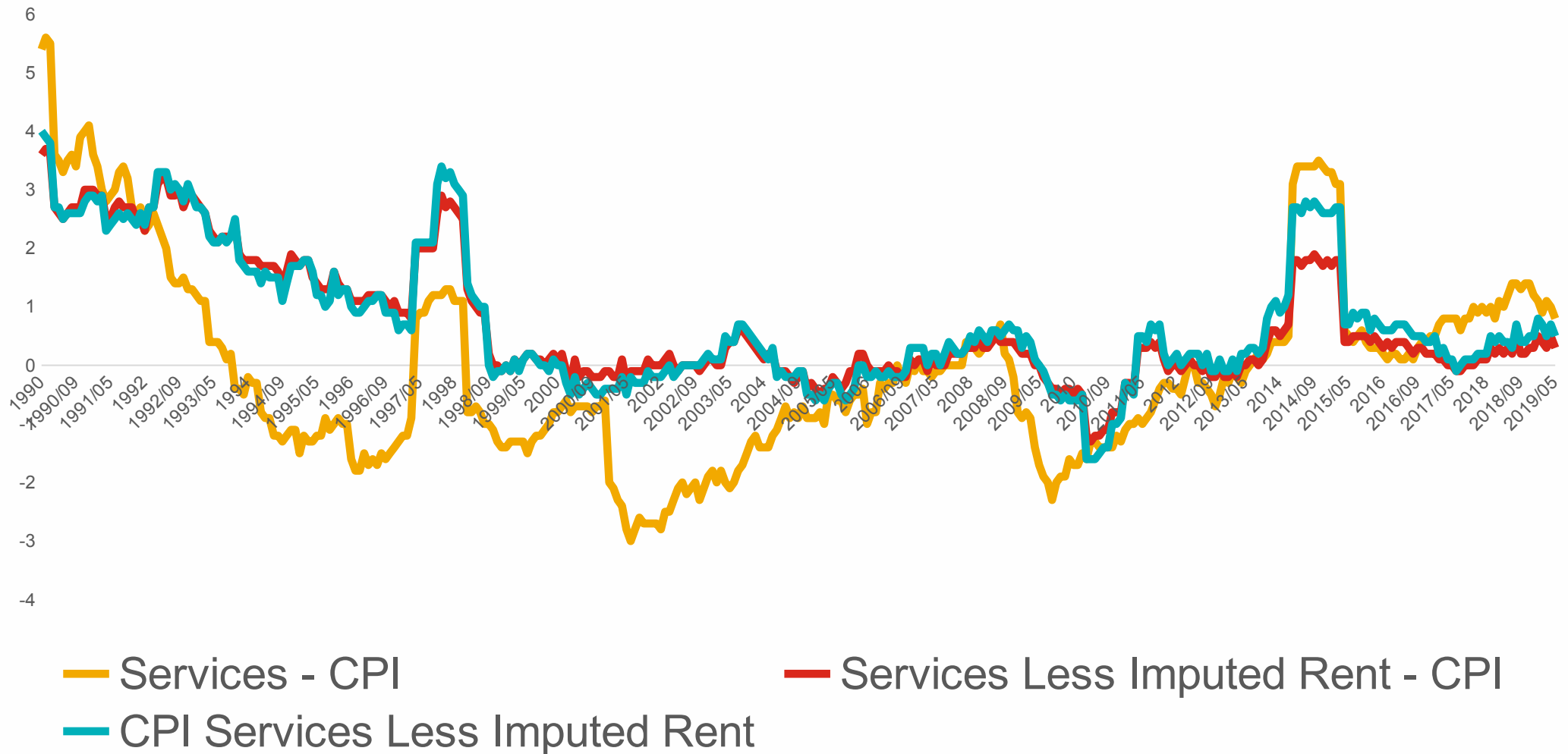
- When PPIs for services are unavailable, CPIs often used in place
 - CPI represents very different basket
 - Excludes sales for export, includes imported services
 - Excludes sales to businesses and government, for example:
 - Warehousing
 - Freight transportation
 - Advertising sales
 - Custom software 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)

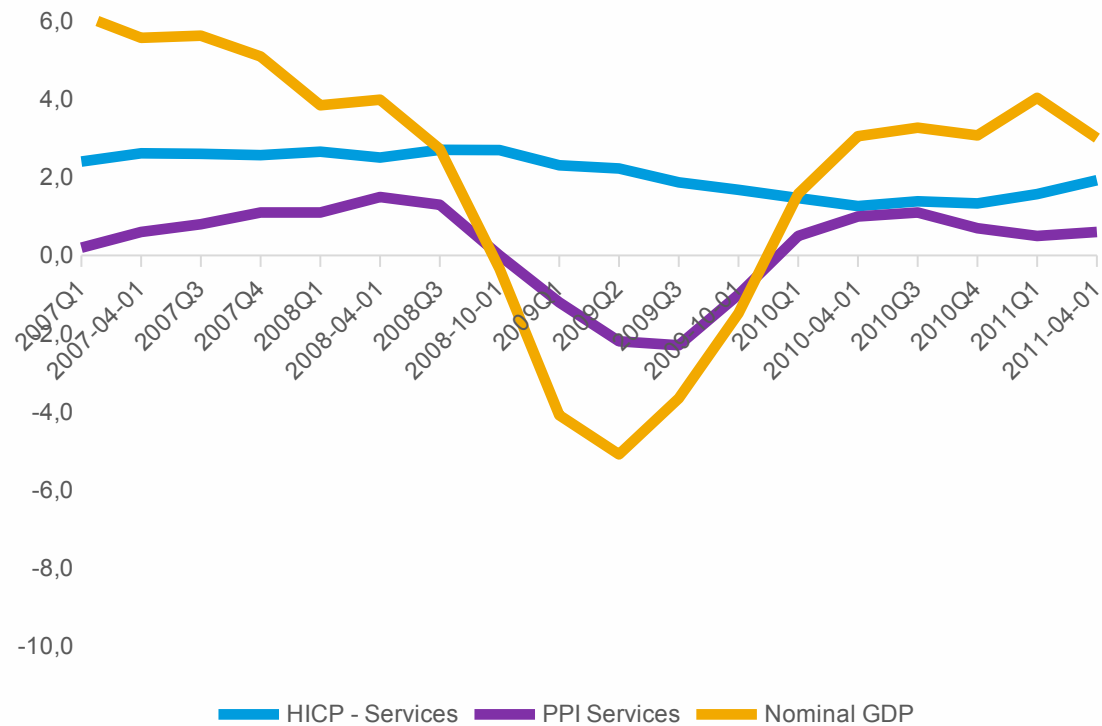


Source: Bank of Japan

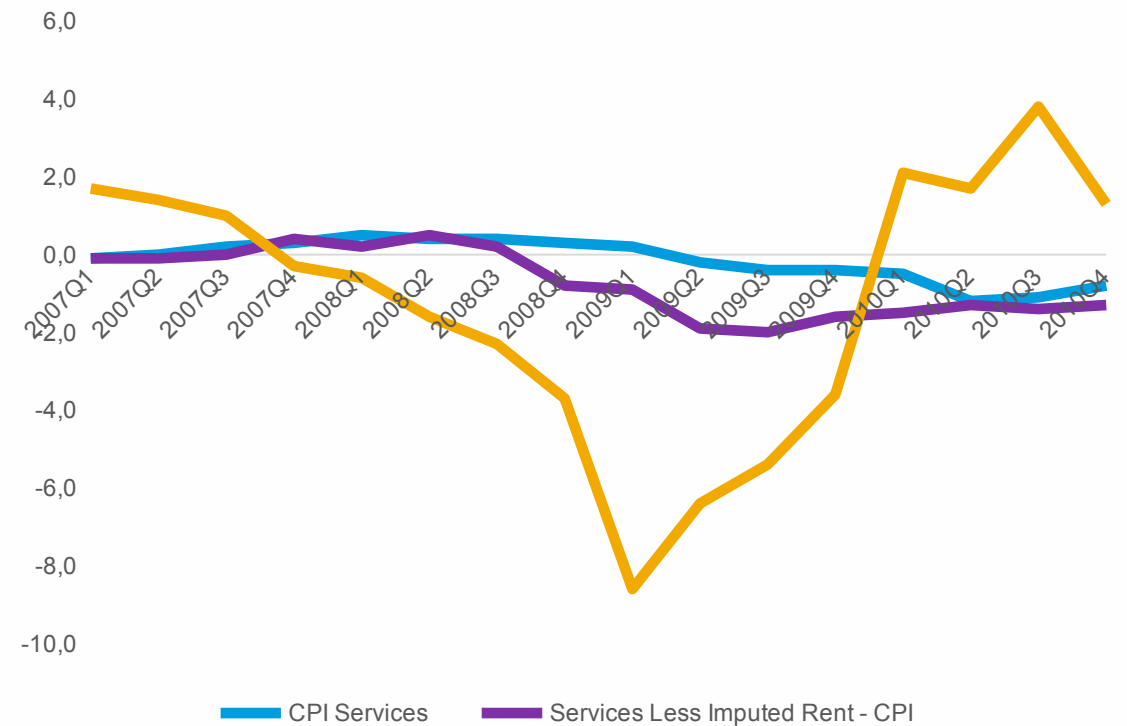
Note: PPI in Japan is BtoB only

Comparison of prices with nominal GDP 2007-2010

Euro Area
(annual percent change)



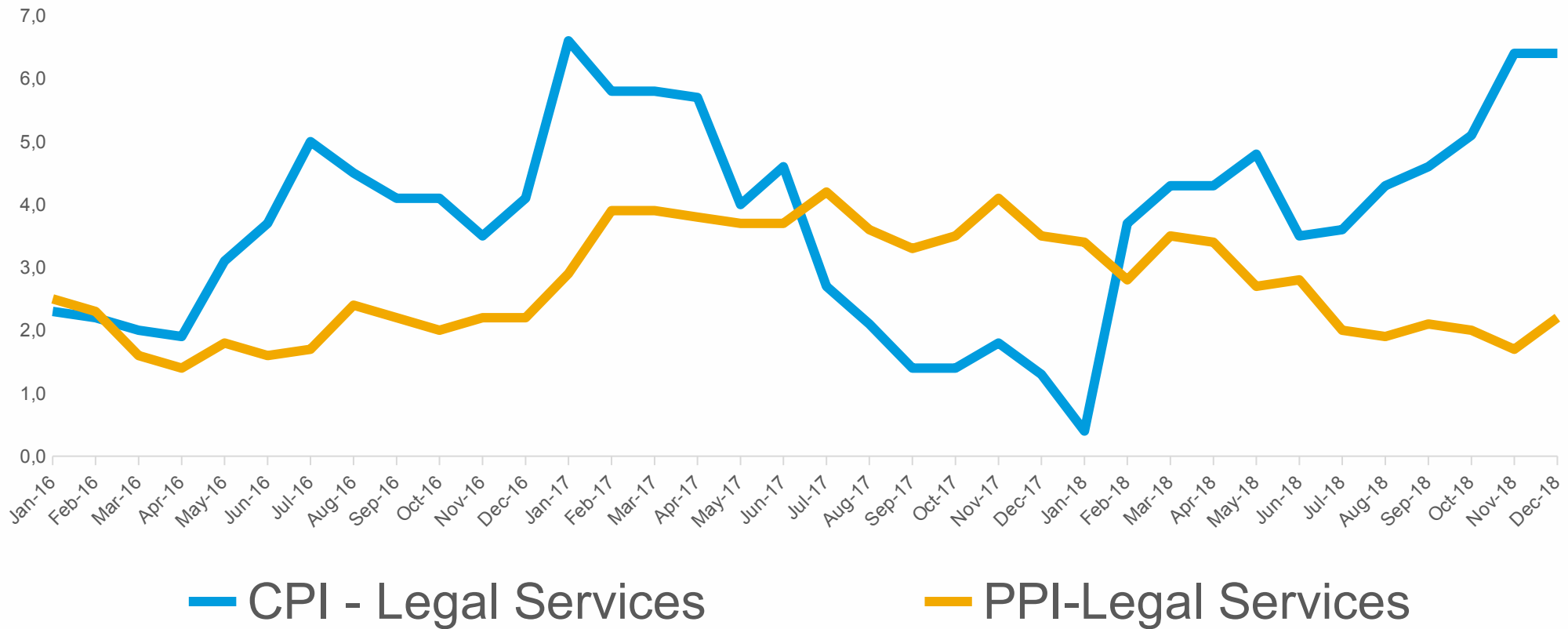
Japan
(annual percent change)



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

Partners

Luxembourg



Switzerland



European Union



The Netherlands



South Korea



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

<https://www.imf.org/en/Capacity-Development/d4d-fund>

Partners

China



Germany



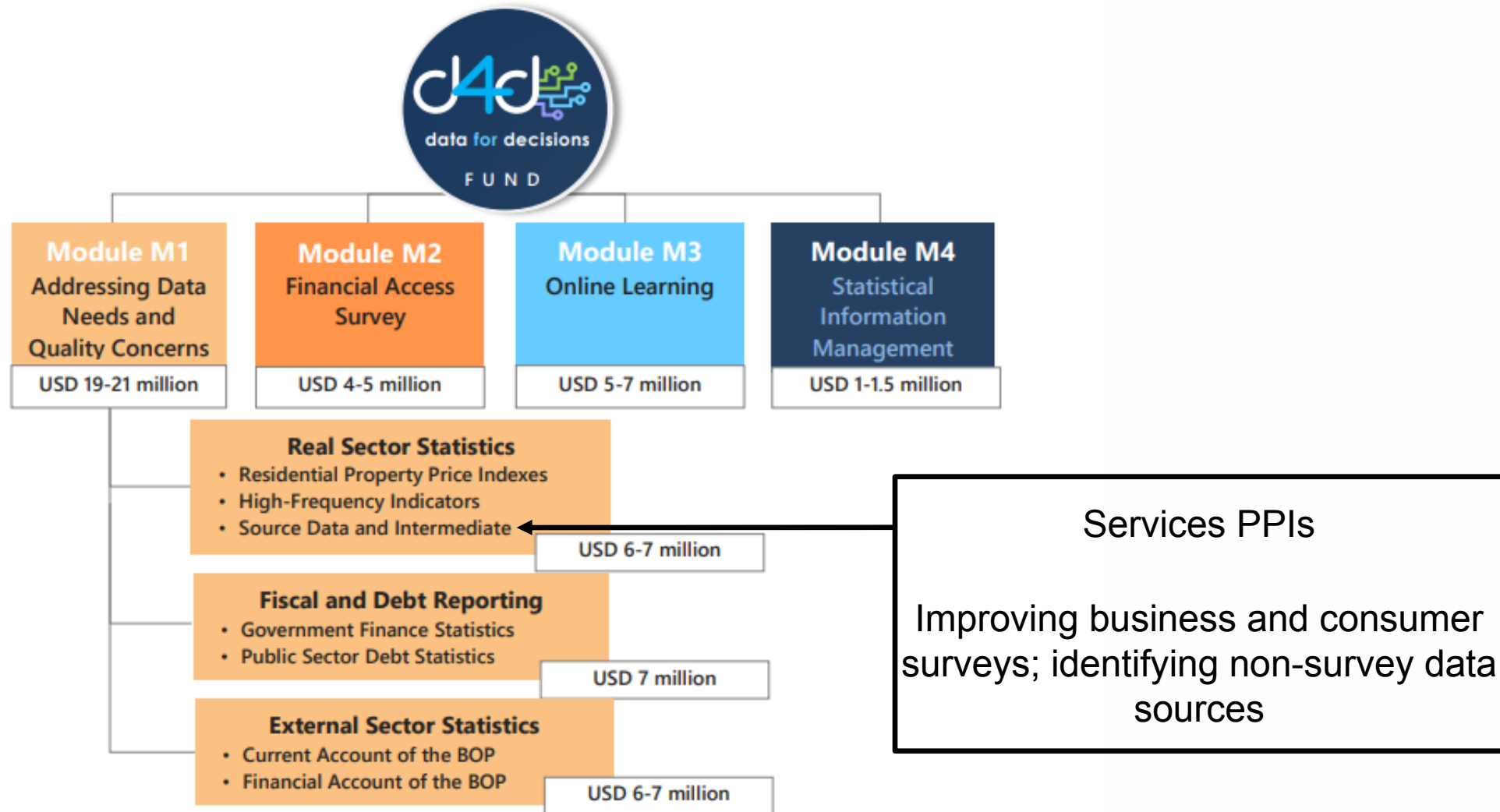
Japan



Norway



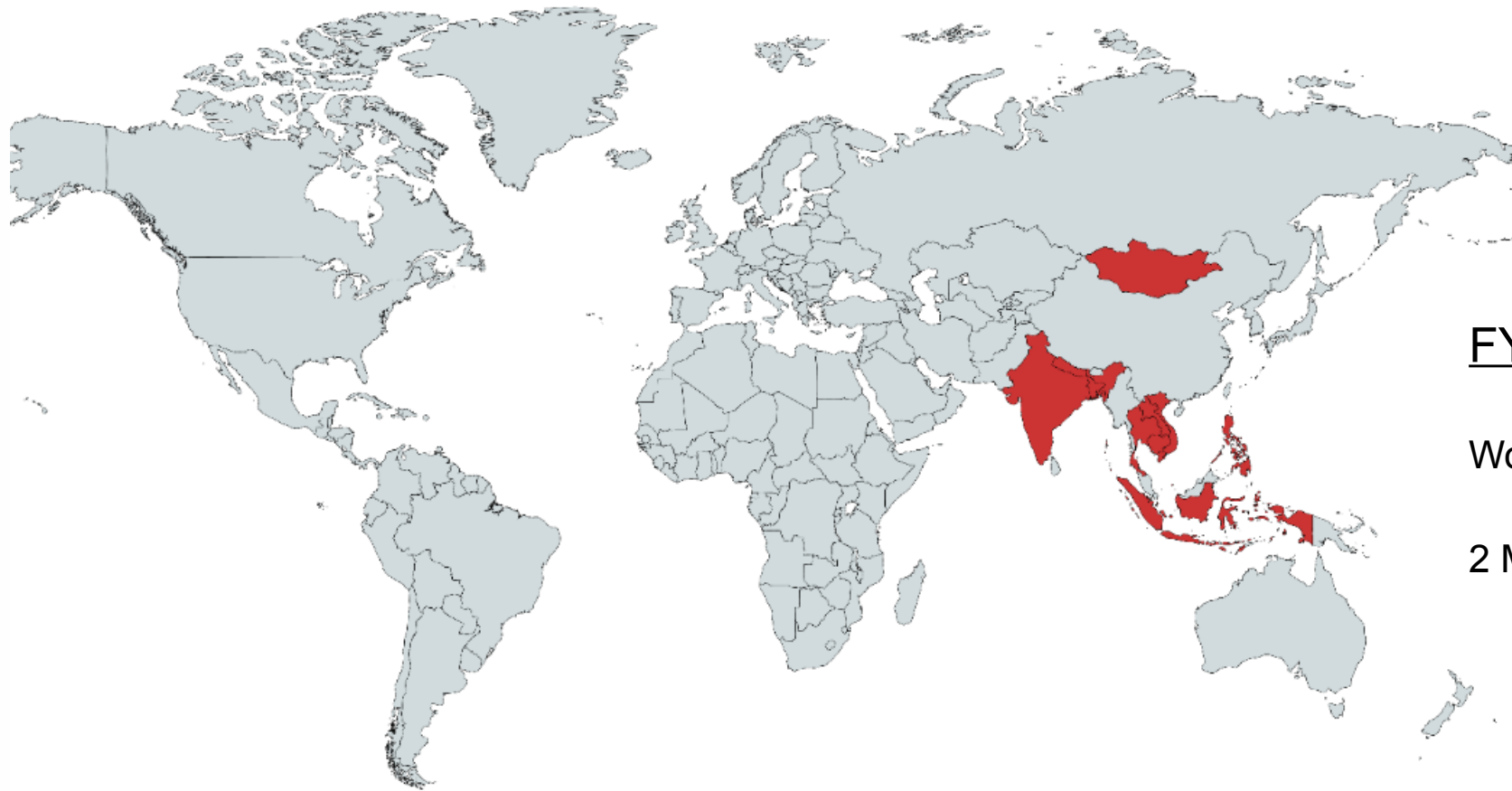
Data for Decisions (D4D) Fund



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

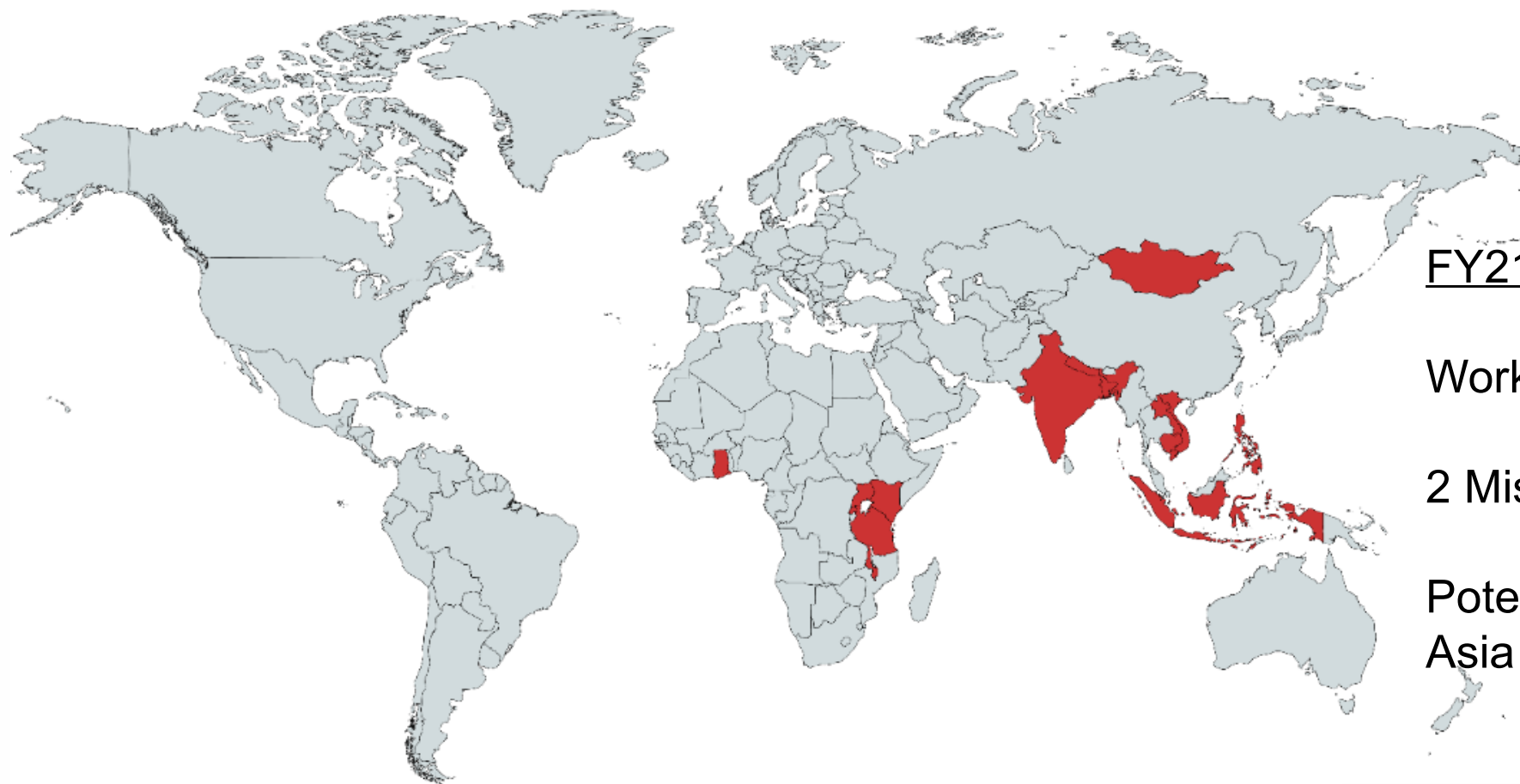


FY20 (May 2019 – April 2020)

Workshop in Thailand (10/19)

2 Missions in Asia and Pacific Region

Workplan for D4D project module on PPIs for services



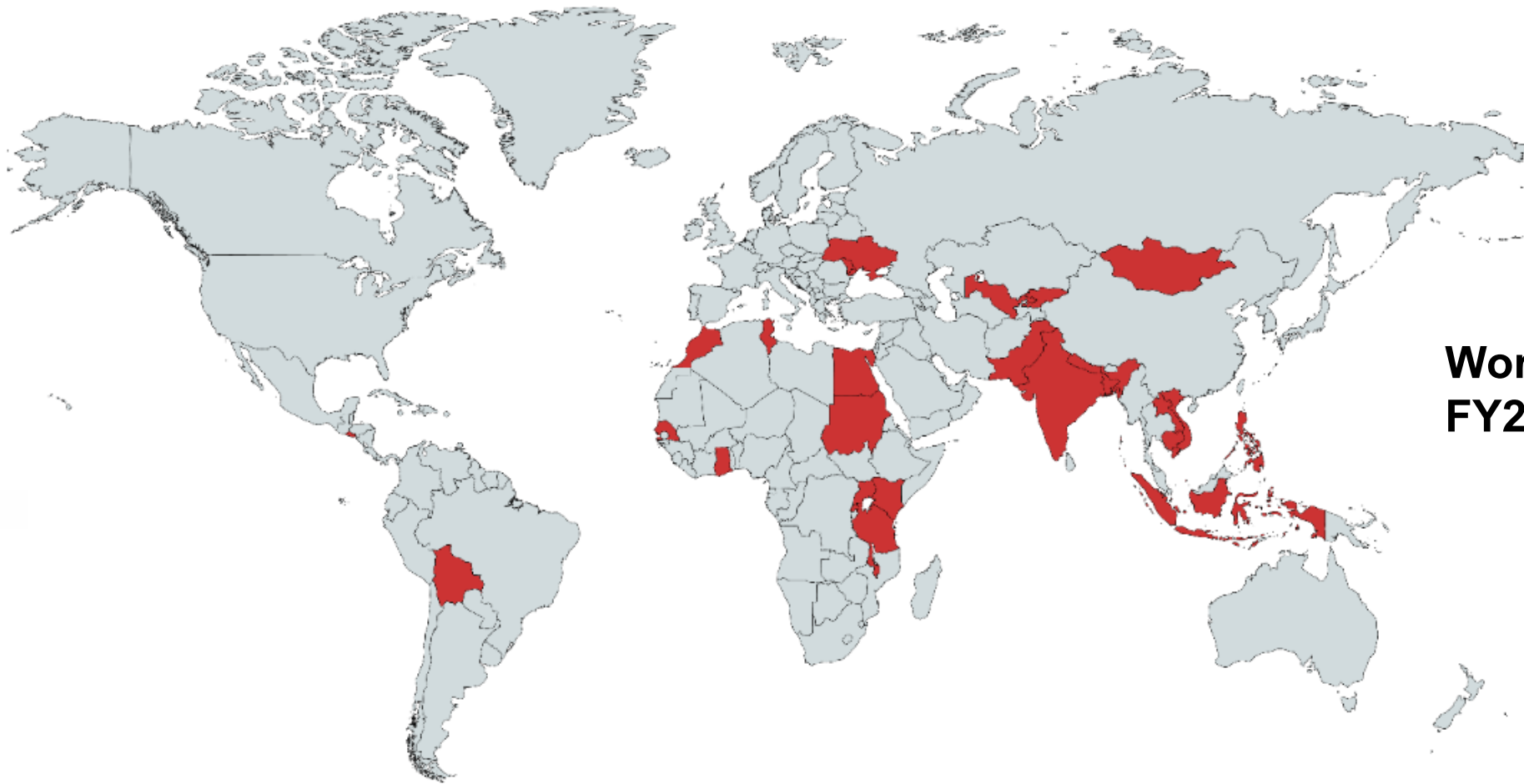
FY21 (May 2020 – April 2021)

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