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Coverage of the services sector in short-term statistics
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Coverage of the services sector in short-term statistics

At a time when the Programme of Business and Consumer Surveys is considering which services activities to include, it is perhaps interesting to recall that the official short-term statistics went through a similar process a few years ago and to report on some of the results.

Process

Historically, short-term statistics focused mainly on industry (index of industrial production, industrial output prices and so on). In the 1990s there were ever-stronger calls to improve the supply of short-term statistics on services.

For instance, the Monetary Committee's report in 1998 on information requirements in EMU called for development of indicators for the "cyclically sensitive service industries".

The problem of course was there were no statistics \textit{a priori} to show which services would in fact prove to be "cyclically sensitive". Instead the list was developed heuristically.

The first distinction that was recognised - and which existed already in national accounts - is between market and non-market services. The non-market services include categories such as general government administration and defence, education and, to varying degrees, health services. It is probably fair to assume these are not cyclically sensitive but their development over time is fairly smooth and depends on factors which are not the usual short-term economic determinants.

Among the market services, there are some where the cyclical nature is questionable; for instance one big part of GDP is renting of housing (including imputed rents for owner-occupiers).

Another block left out was financial intermediation. This might appear to be the cyclical activity \textit{par excellence}, but probably the concern was how to measure the output and prices. It will be recalled that national accounts resort to indirect measurement of output of financial intermediaries essentially as the difference between interest received on loans and the lower interest paid on deposits. For insurance the difference between premiums received and claims paid is considered to cover the operating costs and profits of insurance enterprises. (both of these conventions have been further refined, but this short form is sufficient for the present paper).

So, starting with a list of all services and throwing out certain categories, the result was that the Council Regulation on short-term statistics n°1165 in 1998 required data on turnover and employment for the following service activities.
Retail trade
Wholesale trade
Transport
  • land,
  • water,
  • air,
  • Supporting and auxiliary services of transport (incl travel agencies)
Post and telecommunications
Computer and related activities
Business activities
  • Legal accounting book-keeping, market research, management consultancy
  • Architectural and engineering activities
  • Technical testing and analysis
  • Advertising
  • Investigation and security services
  • Labour recruitment and provision of personnel
  • Industrial cleaning
  • Miscellaneous (photography, packaging, translation, etc)

Taken together these are most of the market services and represent up to 20% of GDP in modern economies.

For comparison, the services that not included in the STS Regulation are hotels and restaurants, financial intermediation, real estate activities and renting of machinery, public administration, education and health.

Quarterly data on turnover at current prices and employment are now published regularly by Eurostat.

An amending Regulation in 2005 added a requirement to calculate indices of prices of output for these services, but in recognition of the fact that the necessary enquiries did not exist in most countries and the enquiries are complex and costly, almost all Member States were granted a transition period (derogation) for price indices until August 2008.

**Results**

Eurostat publishes quarterly data on all these services, which could perhaps today help to identify *ex post* which services actually seem to exhibit some cyclical tendencies. A few specimen industries are shown on the following two pages. All series are for turnover of the industry, at current prices, seasonally adjusted, index 2000=100.
At first sight the graphs seem to show that various industries have evolved in different ways, responding to phenomena specific to that industry.

For instance, postal services decline (graph not shown) and telecommunications grow. However telecommunications clearly seem to reach a peak at the beginning of 2006. Remember this data is at current prices and it would be interesting to see the separate effects of price and volume of service delivered.

Air transport (passenger and freight) seems to grow, but at a pace which differs surprisingly between countries. In any case the air transport industry in each country is of course dominated by one or two key players.
Computer services and business services - which might be expected to be the most connected to the level of production activity in the economy - both increase, though again with surprising differences between countries.

![Computer activities graph](image1)

![Business services graph](image2)

Clearly these industries are reacting to economic factors; but it would take a more thorough analysis to disentangle technological changes occurring in individual industries from "cyclical" effects in the classical sense. Eurostat would be happy to assist analysts who wish to look more closely at this data.