

STATISTICS DIRECTORATE

National Accounts and Economic Statistics – International Trade Statistics

**Services Statistics: International Development Work and Coordination -
Towards a Strategic View**

Interim Report to The United Nations Statistical Commission March 2004

*OECD INTERNATIONAL TRADE STATISTICS MEETING (ITS) AND OECD-EUROSTAT MEETING OF
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Room 6

**Room Document 9 attached for item 17 d) of the draft agenda: OECD Services
Coordination Project**

SERVICES STATISTICS: INTERNATIONAL DEVELOPMENT WORK AND COORDINATION

- TOWARDS A STRATEGIC VIEW

Interim Report to The United Nations Statistical Commission March 2004

This paper provides an interim report on an OECD project to improve the coordination of international development work in the field of services statistics, and sets out ideas on development of a strategic approach.

The Statistical Commission is invited to consider and discuss the following questions:-

- 1 Are the proposals on coordination for services statistics as set out here appropriate?
- 2 Does the Commission agree with the measurement issues on services statistics identified in table 1?
- 3 By what means could the participation of a wider range of countries and especially developing countries in expert groups on services statistics be improved?

Any comments or questions on the paper are invited.

OECD Statistics Directorate

Contact email: std.servstat@oecd.org

Background

1. At the request of United Nations Statistical Commission (UNSC) in 2002, the Australian Bureau of Statistics (ABS) submitted a report¹ to the 2003 UNSC meeting on the statistics of services. This report identified considerable progress in the measurement of services over the last twenty years with a wide range of current activities and active groups. Given continuing development needs, two key issues, that ABS identified, were:-
 - how current coordination mechanisms could be made more efficient to avoid duplication of effort, identify and ensure coverage of essential issues,
 - how to communicate conceptual/methodological outputs to all countries that need them.
2. The UNSC in March 2003 invited OECD to assist it by coordinating development work on services statistics that is being undertaken by international organisations and international expert groups. An important initial aim would be to develop proposals on a **strategy for services statistics** to be discussed at the 2005 UNSC meeting.

The ABS report in summary

3. The ABS paper reviewed international work concerning conceptual development and practical measurement issues in the field of services statistics. The paper considered work undertaken, by various international groups and organisations, on classification of services and products, price indexes for services, international trade in services, and short-term indicators of services activity. Conceptual and measurement issues in some emerging cross-cutting areas such as information and communication technology (ICT), knowledge-based economy, innovation, globalization, and non-profit institutions were also covered.
4. ABS concluded that there are many worthwhile initiatives that have been completed in recent years, or are currently underway, which will significantly improve the cause of services statistics internationally. Pleasing progress has been made by international agencies, taskforces and other expert groups. This paper highlighted, however, a number of areas where we might look to improve our collective efforts.
5. The main questions identified and summarised by ABS are:
 - Whether the international statistical community needs to increase the priority of, and resources devoted to, services statistics. For instance, establishing the concepts, frameworks and techniques required for the measurement (including classification) of service activities in the economy, expanding measures of international trade in services, specialised sectoral work on, for example, tourism, ICT, health, education. Whether there is also a need to review associated data collection activities, by international organisations, for analytical purposes to better reflect the economic importance of services. If more work is to be done, then what work should be undertaken and who should do it?
 - Whether current co-ordination mechanisms could be made more efficient. What mechanisms could be put in place to ensure that the large number of expert groups looking at different aspects of service statistics work in a coordinated way to avoid duplication of effort and to ensure more coverage of issues? Should there also be greater membership of expert groups (from countries) outside Europe and North America? How can their agreed conceptual or methodological outputs be best communicated to all the countries that need them (e.g. via an international agency creating a web page with links to current work)?

¹ E/CN.3/2003/12

- Given the importance attached to extending the range of service statistics by national governments, especially measurement of trade in services and services output, how might the provision of practical measurement guidance to developing countries be coordinated?

Conclusions of and Actions taken by the UN Statistical Commission 2003 with regard to the Services Programme

6. The Commission in its report:

- welcomed the comprehensive report on service statistics activities prepared by the Australian Bureau of Statistics;
- noted the wide variety of activities related to services statistics carried out by a large number of city and expert groups and voiced general support for these activities;
- emphasized that the participation of developing countries in these expert groups needs to be facilitated;
- noted the strong need for a project management approach and coordination of work in services statistics and suggested that the OECD take the lead in this regard;
- agreed that this coordination function should not be carried out by existing city groups, whose work should remain focused on methodological issues;
- noted that such a coordination function would include a continuous overview of activities carried out, ensuring and facilitating communication between the different groups involved, and identifying overlaps, links and gaps in the work on data-collection and methodological issues, as well as setting priorities for work on services statistics;
- encouraged the provision of a single annual report on the work undertaken by the various expert and city groups on services statistics and requested that this report be submitted to the Commission;
- suggested that the future work on implementation of the Manual on Statistics of International Trade in Services² should focus on improving the quality of data, rather than introducing more detailed statistics.

What then could be OECD's coordination rôle?

7. The challenge set by the UN is an ambitious one. In order to make it feasible, the scope of the coordination exercise needs to be well-defined and focused. OECD is well placed to play some sort of coordination role in this field, as it has a variety of very active expert groups tackling many of the key issues in services statistics and participates in other relevant groups. OECD has a demonstrated capacity to tackle cross-cutting issues effectively in a horizontal manner. The closeness of policy work to statistics in OECD continually informs decisions on statistical priorities and more recently, with the creation of the High Level Group on Statistics, direct input of heads of statistics offices can assist the development of a strategic view. On the other hand, while OECD works with many developing countries it does not represent them and may need assistance from others in finding necessary contacts. Also the OECD staff resources that can be devoted to this exercise are very limited.

² Statistical papers, No.86 (United Nations publication, Sales No. E.02.XVII.11).

8. The coordination process must be administratively light, practical and relevant to all the participant organisations, groups and individuals. It should include the creation of a central information point for services statistics. While OECD may seek to coordinate, it cannot attempt to manage the work of expert groups or other international organisations. Progress can be made only on the basis of consensus and goodwill.
9. Key international and OECD groups working on services statistics are set out in the box below. This list is far from being exhaustive, especially beyond the OECD. Are there other important groups that should be included? The question arises as to how wide one should cast the net on such groups. What is the scope of services statistics in this context? While services is a cross-cutting theme, particular problems relate to the definition of services activities and products, the definition and measurement of services output in both current and constant prices, international trade, employment, and the measurement of new dynamic or problematic service activities and products. All these areas are provisionally taken to be in scope; as is data collection and dissemination.

OECD's rôle proposals:

10. A simple light and feasible approach to coordination could be achieved, if we could identify issues and 'contact persons', who would normally but not exclusively be from OECD, and for each 'contact person' to:
 - a. undertake to provide a brief report of progress/issues/new outputs annually for UNSC and Voorburg Group, as well as coordinate, where possible, with other non-OECD expert groups working in similar areas;
 - b. maintain (where appropriate) a webpage with outputs and information about the work and outputs of the expert groups/URL links to any other groups working in a similar area
 - c. contribute to ideas and proposals on services statistics strategy.
11. OECD Statistics Directorate would integrate news of developments from these groups reports into one summary report annually for UNSC and Voorburg Group. An important task in 2004 would be development of a strategy discussion paper for the UNSC. OECD would create and maintain a central web-page on services statistics with issues/news/documents and links. The precise scope of the coordination work and form of reports would need to be further discussed. This would be done in consultation with the OECD contacts, UNSD, the Voorburg Group, the OECD High Level Group on Statistics and other participating international organisations.

International and OECD groups working in services statistics (1)

A) International working groups

- **Voorburg Group on Services Statistics**: main umbrella group for services methodological development (Chair Magali Demotes-Mainard, INSEE France);
- UN Expert Group on Social and Economic Classifications: Technical Sub-group (Chair of TSG Paul Johanis, Statistics Canada);
- **UN Interagency Task Force on Statistics of International Trade in Services** (Chair Bill Cave, OECD);

B) Relevant OECD expert groups include (with contact name):

- **OECD-Eurostat TF on Service Producer Price Indices** (Seppo Varjonen);
- **Short-term Indicators for Services Task Force** (Eun-Pyo Hong);
- **OECD-Eurostat Expert Group on Trade-in-services Statistics** and the International Trade Statistics Group (Andreas Lindner/Bill Cave);
- Working Party on Indicators of the Information Society (Andrew Wyckoff/Sheridan Roberts);
- National Accounts Expert Group (François Lequiller);
- **National Accounts TF on Financial Services** (Paul Schreyer);
- **National Accounts TF on Non-Life Insurance** (François Lequiller);
- Statistical Working Party of the Tourism Committee (Alain Dupeyras);
- OECD network of experts on National Health Accounts, in charge of implementation of the OECD manual “A System of Health Accounts” (Manfred Huber);
- Statistical Working Party of the Committee on Industry and Business Environment, SWIC (Dirk Pilat);
- Globalisation Experts of the SWIC (Thomas Hatzichronoglou);
- National Experts on Science and Technology Indicators, NESTI (Dominique Guellec).

C) Other international groups whose work is in part very relevant to services statistics

- Roundtable on Business Survey Frames;
- UNECE/OECD/Eurostat Steering Group on Business Registers;
- Eurostat Steering Group on Structural Business Statistics;
- Ottawa Group on Prices;
- Technical Expert Groups on PPI and CPI;
- Delhi Group on Informal Economy; IMF Balance of Payments Statistics Committee;
- Canberra II Group on the Measurement of Non-financial Assets;
- International Conference of Labour Statisticians.

(1) Those focusing exclusively on services are shown in **bold-face** type)

Principal services measurement issues

12. Significant progress has been made over the past twenty years in the measurement of services. Important examples include the development of the Central Product Classification (CPC), SNA 93, the third revision of International Standard Industry Classification, the 5th Balance of Payments Manual of the IMF, Eurostat's Handbook on Prices and Volume Measures, and The Manual on Statistics of International Trade in Services. These have set out basic concepts, definitions, frameworks and international standards for describing services and compiling statistics. There is widespread agreement in many areas about how services activity should in theory be measured but practice is much more complex, varied and often inadequate.
13. Apart from the development of a strategy for international work on services, there appears to be a broad consensus on certain basic measurement questions relating to services that need to be answered by economic statisticians.
14. These include the very fundamental problems such as:
 - What is the real output of services?
 - How to measure international trade in services?
 - Problems related to surveying service activities.

The first question is the basic question that was put to the Voorburg Group in the 1980s. This can be broken down into a number of component problems including: how to classify service products and activities; what is the size and structure of the services sector, how to measure current price services output and inputs; how to deflate the output etc.). Other specific problems could include: developing country issues; employment issues; sectoral issues including tourism, health services, and the public sector; policy relevant issues; analysis of relationships between services and the rest of the economy; and special issues such as how to assess the quality and quality change of services.

Table 1 - Summary of services measurement issues

Main Issue	Description	Sub-issue
1	Service statistics strategy	
2	Classifications	Classifications of Activities/Products
3	Measurement of real output of services	What is the size and structure of the services sector?
		Definitions of services output
		Measuring current price output and inputs i) turnover/value added by activity ii) turnover by product iii) purchases iv) labour v) capital
		Measuring services prices (deflation of services output)
		Estimating services export and import prices
		Short-term Service Output Indicators
		Estimation of real services output in national accounts

4	Measuring international trade in services	Balance of payments trade in services
		Foreign affiliates trade in services
		Mode 4 trade in services
		Trade indicators
5	Surveying service activities	Business registers
		Statistical units
		Business statistics
6	Other policy relevant issues	ICT and Information Society Statistics
		R&D Statistics
		Innovation statistics
		Science and technology indicators
7	Specific sectoral issues	e.g. Tourism/Financial/Insurance/Business Services/Health/Education/Public sector
8	Specific Developing Country issues	Disseminating methodological work
		Technical assistance – expert networks
		Informal economy
		Non-observed economy
9	Special measurement and analytical issues	Assessing quality and quality change of services
		Voluntary unpaid services
		Non-profit institutions
		Analysing the relationship between services and the rest of the economy

In concrete terms, the idea is to develop a matrix of issues/groups/coordinators and relevant information. A draft proposal would be the following:

Table 2 Draft matrix of groups, issues and contacts

Main Issue	Sub-issue	Comment /URL	Data Collection	Groups	Proposed Contact Persons
1 Service statistics strategy				OECD/HLG Voorburg Group	Enrico Giovannini/ Bill Cave OECD Magali Demotes-Mainard INSEE
2 Classification s	Classifications of Activities/Products			UN/TSG Voorburg Group	Ralf Becker UNSD Paul Johannis Statistics Canada
3 Measurement of real output of services	What is the size and structure of the services sector?		OECD, Eurostat		Andreas Lindner OECD Paul Feuvrier, Inger Öhman Eurostat
	Measuring current price output and inputs i) turnover/value added by activity ii) turnover by product iii) purchases iv) labour v) capital		i),iii),iv)v) UN, OECD, Eurostat		
	Measuring services prices (deflation of services output)	Services PPIs		Voorburg Group; OECD-Eurostat Services PPI Group	Irwin Gerduk BLS Seppo Varjonen OECD
		PPI Manual CPI Manual		IWGPS ILO; IMF TEG PPI; ILO TEG CPI; Ottawa Group	
	Prices of exports and imports of services			IMF TEG PPI	Kim Zieschang IMF
	Short-term Service Output Indicators		OECD in part	OECD/STISTF	Eun-Pyo Hong OECD

	Estimation of real services output in national accounts		UN, OECD, Eurostat	OECD/National Accounts Experts; TF on Financial Services; TF on Non-Life Insurance Services; ISWGNA	François Lequiller OECD Ivo Havinga UNSD
4	Measuring international trade in services	Balance of payments trade in services	IMF OECD Eurostat	OECD-Eurostat Expert Group on trade-in-services statistics; UN Interagency TFSITS	Bill Cave OECD
	Foreign affiliates trade in services	Part of indicators of economic globalisation	OECD Eurostat	OECD Globalisation experts	Thomas Hatzichronoglou OECD
	Mode 4 trade in services			UN TSG on Mode 4	Ivo Havinga UNSD
	Trade indicators			OECD ITS Group	Andreas Lindner OECD
5	Surveying service activities	Business registers	http://forum.europa.eu.int/irc/dsis/businessurvey/info/data/links.htm	Round Table on Business Survey Frames UNECE/OECD/Eurostat Steering Group on Business Registers	Andreas Lindner, Denis Ward OECD Arto Luhtio Eurostat
	Statistical units			Eurostat TF on Statistical Units	Hans-Eduard Hauser Eurostat
	Business statistics*	Analytical issues related to services	OECD Eurostat	Eurostat Steering Group on Structural Business Statistics; OECD SWIC	Dirk Pilat, Andreas Lindner OECD
6	Other policy	ICT and Information	OECD, Eurostat	OECD WPIIS Voorburg	Sheridan Roberts OECD Lea Parjo Statistics Finland

relevant issues	Society Statistics			group	
	R&D Statistics	Frascati Manual	OECD, Eurostat	OECD NESTI	Dominique Guellec OECD
	Innovation statistics	Oslo Manual	OECD, Eurostat	OECD NESTI	ditto
	Science and technology indicators		OECD	OECD NESTI	ditto
7 Specific sectoral issues	Tourism/Financial/ Insurance/Health/Public sector etc		Various	Various	
8 Specific developing country issues	Technical assistance and access to information				Paul Schreyer OECD
	Informal Economy			Delhi Group	?
	Non-observed economy				
9 Special measurement issues	Assessing quality and quality change of services			Voorburg Group Services PPIs in part	?
	Voluntary unpaid services				?
	Non-profit institutions				?
	Relationship between services and rest of economy			OECD SWIC	Dirk Pilat OECD

N.B. Bold indicates groups principally focused on services. The outputs, existing and planned, of groups should be elaborated.

Developing a strategy for services statistics:

15. In addition to reviewing current data availability and development work, any attempt to take a strategic view on services statistics requires some assessment of data users and their analytical needs. Users may include central banks, national accountants, trade analysts/negotiators, ministries of finance and industry, economic forecasters, business, and academia. It would take into account user needs with sectoral interests such as health, education, tourism, financial services, audiovisual services etc., but only insofar as there is a need to make comparisons across sectors.

Timetable

- A consultation paper on services coordination and strategy development proposals was prepared in August 2003 and has been presented to the Voorburg Group, OECD Statistical Working Party of the Committee on Industry and Business Environment (SWIC), and the Interagency Trade in Services Task Force meetings in October and November 2003. This will be sent to heads of statistics in the main international organisations including the UN regional organisations, asking for their comments and availability to cooperate in this coordinating effort.
- A matrix of services themes, expert groups, contacts, strategic issues, data collection and other useful summary information has been initiated in table 2 of this document – and will be further developed - ongoing.
- OECD plans to set up web pages by the end of 2003 devoted to international work on services statistics with statistics, information and links to pages of relevant international groups. When this is done UNSD will be invited to consider establishing some links on its website.
- OECD plans to work closely with UNSD, the Voorburg Group and the Interagency Task Force Statistics of International Trade in Services. OECD would like to establish an email group of key services statistics contacts in the other international organisations and groups regarding this project - ongoing.
- Proposals paper on services coordination and strategy by December 2003 for presentation to UNSC and HLG in March 2004.
- By March 2004:
 - i) seek to identify any other important areas of services work currently with limited or no OECD participation;
 - ii) consider issues concerning services related data collection both current and planned;
- In Spring 2004 OECD will prepare a services strategy consultation document to be presented to a representative range of relevant expert meetings.
- OECD will present to the UNSC in 2005 a paper setting out international service statistics activities, a summary of progress. It will identify important gaps or duplication of effort, and any proposals for a strategy on future work and its organisation.

Progress of Principal Services Statistics Groups

16. In 2003 activity has intensified on the coordinated revision and updating of the fundamental frameworks that underpin production of useful and comparable statistics on services. These include the System of National Accounts planned to be updated in 2008, The Balance of Payments Manual (2008), International Standard Industry Classification of All Economic Activities (ISIC) (2007) and The Central Product Classification (2007).
17. Progress reports of the Voorburg Group on Services Statistics (E/CN.3/2004/11) and of the Interagency Task Force on Statistics of International Trade in Services (room document) are separately placed before the Commission.
18. Upcoming services statistics events planned in 2004 include:
 - i) The UNECE Conference of European Statisticians plans a one-day seminar on price and volume measurement in the services sector as part of their meeting in June 2004.
 - ii) The OECD SWIC, 15-17 November 2004 plans to hold a one or two-day workshop, which will focus on services sector statistics and empirical analysis of services sector performance. This workshop is being planned in coordination with the European Commission.

Comments or questions can be sent to std.servstat@oecd.org