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## Towards a comprehensive monthly volume indicator for trade and services in Europe

Topic 3 – More rapid statistics and indicators on new phenomena

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### Introduction

Over the past decades service activities have become increasingly important for European Union economies. Between 2000 and 2014, gross value added generated by the EU28 in trade and non-financial business services increased by 28 %. In the other service industries (financial, public), gross value added increased by 18 %. In the 'traditional' areas (agriculture, industry) growth was only 6 % [Eurostat, 2015].

In order to remain relevant in the light of recent and on-going structural changes in European economies, the European short-term business statistics (STS) need an adequate coverage of trade and services. At the moment STS provide only one volume indicator for trade and services, i.e. a monthly indicator of deflated retail trade turnover. For wholesale trade and the trade and repair of motor vehicles as well as for other services only quarterly indicators of non-deflated turnover and quarterly labour input indicators are available.

Moreover, producer price indices are available for only half the market service industries. There is also a distinct gap in the range of STS services indicators since there is no comprehensive monthly volume indicator for trade and services (Index of Services Production – ISP) which is comparable to the existing volume indicators for industry and construction. This abstract summarises the on-going work towards the production of a monthly service volume indicator.

### Methods / Problem statement

The EU Framework Regulation Integrating Business Statistics (FRIBS) which is currently under preparation and is planned to enter into force in 2018 foresees the necessary improvements of STS in the area of business services. In particular the changes will be:

- Introduction of a monthly ISP for NACE Rev. 2 H to N (with the exception of K, M701, M72 and M75).
- Change of the reference period for the service turnover indicator from quarterly to monthly and broadening the scope of the indicator to match the scope of the ISP.
- Introduction of a comprehensive monthly trade volume indicator for NACE Rev. 2 section G.
- Enlarging the scope of Service Producer Price Indices (SPPIs) to match the scope of the ISP (note however, that these new SPPIs may be approximated by other indicators).

The extended and improved indicators for turnover and SPPIs will serve as STS indicators in their own right but they will also be important input data for the production of the new ISP. A large part of the input data needed for the production of ISP at NACE Rev 2 division level is already mandatory under the STS Regulation [EC, 1998]. For some industries both turnover indicators and matching deflators should be available at NACE division level. For some other industries the turnover data and potential deflators are currently partly matching. Moreover, several National Statistical Institutes (NSIs) collect service data beyond the scope of the current European STS requirements.

## Results / Proposed solution

To prepare the production of a monthly service volume indicator, Eurostat in collaboration with the NSIs launched several initiatives: - In three grant schemes between 2013 and 2015 Eurostat promoted the preparation of the ISP by providing financial assistance for the methodological work on new SPPIs which can serve as deflators for the production of an ISP.

Moreover, the work on smart collection and estimation methods for a monthly service turnover indicator and for the preparation of wholesale price deflators was supported.

- Eurostat and a number of NSIs collaborated in a Task Force to work out a common methodology for the production of an ISP [Eurostat, 2016].

- Eurostat, the OECD and its Member States worked together to prepare an updated and more comprehensive guide for the development of SPPIs [OECD/Eurostat, 2014].

Eurostat has now started to compile experimental monthly service turnover indicators. The results so far show that the current coverage in terms of at least 50% of the total turnover in the base year is sufficient for producing the EU aggregates for many services. To compile a monthly ISP for a specific service industry the monthly services turnover needs to be deflated by appropriate monthly SPPIs which to a large extent need to be derived from the already existing quarterly SPPI's. Different temporal disaggregation methods exist but in practice most methods give very similar results (the cubic spline method is in generally a good choice).

## Conclusions

Eurostat is currently monitoring the quality of first ISP EU aggregates in terms of their relevance for measuring the business cycle in the services economy. If the quality is considered good enough, the results will be released as experimental ISP and will be successively built up in terms of country coverage and NACE breakdown.

In order to build up such comprehensive monthly volume indicators for trade and services, Eurostat supports the establishment of the national production systems and the regular data exchange of new indices of services production at NACE Rev. 2 division level (and to the extent possible at the section level) before the data become a legal requirement under FRIBS. This will successively improve the availability, timeliness and quality of aggregated EU service volume indicators.