



**Economic and Social  
Council**

Distr.  
GENERAL

CES/2004/27  
8 April 2004

Original: ENGLISH

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**STATISTICAL COMMISSION and ECONOMIC COMMISSION FOR EUROPE**

**CONFERENCE OF EUROPEAN STATISTICIANS**

Fifty-second plenary session  
(Paris, 8-10 June 2004)

**PROGRESS IN DEVELOPMENT OF PRODUCER PRICE INDICES FOR THE  
SERVICE INDUSTRIES IN EUROPE**

Invited paper submitted by Statistics Sweden<sup>1</sup>

**ABSTRACT**

This paper presents an inventory study of progress made in developing producer price indices for services in Europe. The report makes a brief historical look at the situation from 1999 and the impact of the requirements of the systems of national accounts is discussed. The report will also describe both the guiding/determining instruments (such as existing manuals, handbooks, international regulations in the field, country-specific development reports) and the official and unofficial institutions that promote and make possible cooperation and information exchange. There are several reasons why some European countries have more developed PPI for services than others. The country-by-country inventory of the present situation in Europe summarises the results of the questionnaire sent to 23 European countries in February/March this year. It is presented in the Annex to this paper.

The findings clearly demonstrate that different countries in Europe are at different stages in the development of PPI for services. The current development process can be shortened and made more effective with the help of international exchange of information and international cooperation within both the official institutions for cooperation and the unofficial networks. The development process in countries with relatively little experience must, however, be allowed to develop at their own pace because the conditions may vary.

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<sup>1</sup> Paper prepared by Vera Norrman.

In conclusion, this report outlines some general wishes, general recommendations and conclusions:

- the increase of national financial resources in the field;
- a higher status for PPI for services in the price index family;
- the increase in cooperation between experts in the field of price statistics and those in the field of national accounts.

Efforts to increase awareness of the value of PPI for services as deflators for production values in the SNA (System for National Accounts) are necessary so that their value is recognised among the government financial officers.

Developments in Sweden, which can be of interest for other countries, are presented in the concluding section of this report<sup>2</sup>.

## **HISTORICAL BACKGROUND**

1. It is essential to begin any discussion of the current status of PPI for services in Europe by giving a brief historical perspective. Five years ago, in 1999, the UN Statistical Commission asked the Voorburg Group to focus on the measurement of the prices of services provided to enterprises. The OECD prepared an update of its inquiry on practices in the member countries in the field of data collection of the prices of services to enterprises, as a contribution to the work of the Voorburg Group Meeting in Christchurch, October 1999 focusing for the first time also on producer prices for services. (The contribution was based on an earlier study on prices of services to enterprises carried out by the National Accounts Division of the Statistics Directorate of the OECD.)

2. In 1999, the terminology was not completely defined and there was a common understanding that the CPI could be used as a good "proxy". Both the frequency of pricing and the type of price collected varied. At that time, there were only five European countries (France, Germany, Portugal, Sweden and the United Kingdom) that collected prices of services to enterprises by service product. A further number of European countries collected data for service price indices, namely the Czech Republic, Finland, the Netherlands, Norway and Poland.

## **THE IMPACT OF THE NATIONAL ACCOUNTS**

3. It is clear that the development of service price indices/producer price indices in the 1990s was driven by requirements of the respective country's System of National Accounts, which greatly needed to deflate the growing service sector.

4. Contact with the national accounts and the system of priorities in the national accounts is worthwhile, even today, because national accounts divisions stand out as the most obvious user of the index. The differences between national accounts in different countries should be pointed out when identifying the number of deflators at product group level that are necessary within Europe. A defined minimum requirement from Eurostat is that there should be a total of 60

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<sup>2</sup> This part is written by Petra Jansson and Maria Martinsson, statisticians, Service Price Index, Price Statistics unit, Statistics Sweden.

product groups (60x60 input-output tables) in the national accounts in each country. For example, the United Kingdom has around 130 product groups in total, Finland has 1000, Denmark has 2500 and Sweden has 400, of which roughly 130 are for services.

5. It is easy to forget today that, before 1999, there were no international guidelines on service price indices, no international conferences for information exchange on the subject and no international legislation to regulate and harmonise the collection of prices of services to enterprises<sup>3</sup>.

## **OUTLINE OF PPI FOR SERVICES IN EUROPE 2004**

### Introduction

6. The summary below is based on the OECD-Eurostat 2003 Inquiry on National Collection of Service Producer Prices, published on the OECD website and updated in February 2004, and on questions sent to 23 European national contacts for PPI for services. The OECD presents updated compilations at the annual Voorburg Group Meetings, in the session dedicated to PPI for services. The summary can primarily help countries, which are beginning with PPI for services, to acquaint themselves with who is doing what in the field. The aim of setting specific questions was to put together the most accurate picture possible of the plans and ambitions in each country to complement the OECD's annual inventory. Questions were sent to the following countries: Austria, Belgium, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Latvia, Lithuania, the Netherlands, Norway, Poland, Portugal, Serbia and Montenegro, the Slovak Republic, Spain, Sweden, Switzerland and the United Kingdom.

7. The questions focused on when PPI for services began to be developed in the country, the number of indices that are delivered to the national accounts, collection methods, any websites with index information, the work with quality adjustments and any plans for PPI on the export/import of services. A question on resources (i.e. budget) and the number of persons working with PPI for services gives an idea of the actual realisation potential of the different plans and identify needs in relation to ambitions/goals. Since few countries have answered the question of budget, this will not be taken into account in this paper.

8. The answers are presented in the Annex country by country, as the aim is not to duplicate the OECD's table summary but to complement it. The account is based on the answers from 20 European countries.

### Summary of the results

9. In total, 23 European countries produce or develop PPI for services or have plans for developing them. According to the OECD-Eurostat 2003 Inquiry on National Collection of Services Producer Prices, 11 European countries (Finland, France, Germany, Italy, the

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<sup>3</sup> Certain services are regarded as economic activities in NACE Rev.1, belonging to group 50 and upwards.

Netherlands, Norway, Poland, Portugal, Spain, Sweden and the United Kingdom) collect prices of business services by identified service product.

10. In addition to this, Austria, the Czech Republic, Denmark and Switzerland collect producer prices for services. Belgium collects data for some services as input data to calculate the CCM index (Construction Cost Material). Ireland, Luxembourg and the Slovak Republic have recently started to develop PPI for services. Estonia, Latvia and Lithuania plan to introduce PPI for services but these countries have minimal resources for price statistics in general and the horizon of planning varies country to country. This is also the case for Serbia and Montenegro, which does not believe it will start to develop producer prices for services before 2006.

11. European countries without specific plans regarding PPI for services are Bulgaria, Cyprus, Greece, Hungary, Iceland, Malta, Slovenia and The former Yugoslav Republic of Macedonia. It was not possible to obtain any information regarding neither countries above nor the Russia Federation and Turkey.

#### Who is leading the development?

12. One country in Europe is at the forefront of the development of service price indices, namely the United Kingdom. Development began during the 1980s and has been carried out continuously since then. The UK's Corporate Service Price Index (CSPI) today consists of 32 service industry series and is one of two PPI for services in Europe that presents an aggregate (the other is the Price Index of Market Business Services of the Czech Republic). CSPI is used as a deflator for the quarterly Gross Domestic Product (GDP) and the Index of Services. CSPI is also used by the Treasury and the Bank of England to help monitor inflation in the economy, which makes CSPI's position very unique among service price indices in Europe.

13. In addition, four countries in Europe have a comprehensive strategy regarding their own PPI for services, namely the Czech Republic, France, the Netherlands and Sweden. Because the organisation of responsibility for statistics is different in these countries, there are also differences in concepts, some of which can be seen as deliberate. The production of the PPI for services has been carried out over a longer period in these countries and the index is more or less established among many other statistical products.

14. A few other countries also have specific older price indices for services, which have begun to be developed more widely during recent years. These are Finland, Germany, Norway and Portugal. These older indices can be cost-based indices, CPI-based or also separate producer price indices.

15. Countries such as Poland and Serbia and Montenegro have a few older service price indices; there is a desire to develop PPI for services but still a lack of resources. Latvia has no plans for development of PPI for services in the short term. Estonia has plans for development but no resources to carry out these plans. Lithuania has already started benchmarking and study visits.

16. Belgium can be seen as a special case because, in 2000, the country started to collect data for those sectors that deliver input to the construction sector, in connection with the development of a construction material cost index.
17. Countries that began development of PPI for services without any major historical background include Austria, Denmark, Ireland, Italy, Luxembourg, the Slovak Republic, Spain and Switzerland. Some of these countries have produced PPI for services within certain specific fields and they have benefited from the uniform terminology that has been developed more and more over recent years.
18. Certain special cases should be mentioned: Switzerland has PPI for services within a few specific areas and participates in the OECD-Eurostat Task Force. However, the country's position outside of the EU means that they are not bound by the harmonisation aspirations within the framework of NA and STS regulations (Lisbon 2001). To a certain extent, this also applies to Norway.

#### Factors contributing to growing development of PPI for services

19. Today, support is available in the new PPI manual (2003), in the Handbook on Price and Volume Measures in National Accounts (2001), in existing (field of national accounts: Annex A to Council Regulation 2223/96, Commission Decision of 17 December 2002) and future (field of short-term statistics: Amendment to STS Council Regulation 1165/98) applicable regulations within the EU. Development reports are available on the websites of the Voorburg Group and certain countries. The OECD's website contributes among other things with links to contacts in different countries. The Voorburg Group Meetings have taken place annually and, since 1999, they discuss methodology of PPI for services within certain chosen service industries, producing a summary document or "principal paper" per industry. Several European countries began an informal cooperation in 2001 (the Czech Republic, Finland, France, Germany, the Netherlands, Norway, Sweden and the United Kingdom) and the contacts in this group are still worthwhile and ongoing today.
20. Within the framework of the OECD-Eurostat Task Force on service prices in short-term statistics, which began in 2002, experiences can be shared between different countries and the methodologies used in each country can be reviewed and discussed.
21. It is planned that the expanded STS manual will contain a section on "Best practices" within PPI for services. Many countries, which are participating in the OECD-Eurostat Task Force on service prices in short-term statistics, are currently involved in preparing this section.
22. As statistics on services are a priority area, Eurostat offered the possibility of applying for grants for the development of service price indices, both within STS (short-term statistics) and NA. The financing of pilot studies is also helping countries to begin work (Portugal is planning to carry out pilot studies within 23 ISIC Rev 3 groups/classes during 2004).

### Presentation of country answers

23. The country answers are summarised and presented in the Annex in alphabetic order.

### **DEVELOPMENT WITHIN PPI FOR SERVICES IN SWEDEN**

24. This section discusses the focus on PPS sampling and work on some indices for exports of services.

#### Sampling

25. The target population when carrying out price measurements for services are all enterprises that have provided actual services during a certain period of time for another enterprise situated in the same country. Since such information is not available, a frame is developed on the basis of the industry in which the enterprise is classified. In many cases, these frames are quite large and therefore, for reasons of cost and practicality, a sample must be used.

26. The sample is constructed using a variety of different methods. Firstly, the sampling methods are split into two categories: non-probability sampling and probability sampling. With non-probability sampling, a subjective assessment is made of which enterprises should be included in the survey. There are many disadvantages with this procedure, for example that different assessments give different samples and that it is not possible to measure the quality of a sample. There are a number of different methods for probability sampling, all of which select a sample randomly and objectively. It is also possible to get a measurement of the sample's quality.

27. In Sweden, sampling frames are constructed so that the smallest enterprises in the industry are spared, as enterprises with low turnover or few employees are not included. The size limit is chosen subjectively, depending on what is appropriate for the specific industry. Thereafter, a probability sampling method called probability proportional to size (PPS) is used for all surveys with many enterprises within an industry. The probability that an enterprise may be selected in the sample is proportional to its size. For example, the measurement of size can be the number of employees or the turnover. An advantage with using this method is that the sample is "self-weighted", which means that it is not necessary to construct weights from ambiguous sources, as is often the case. Furthermore, there is a higher possibility that the larger enterprises, which can be seen as guiding the setting of prices within the industry, will be included in the sample. To ensure that the burden of respondents is not too large and that changes in the industry are not missed, new samples are drawn every year when 20 percent of enterprises also rotate out of the sample.

#### Export and import

28. According to regulation 2223/96, indices for export and import of services shall be calculated. This has been evaluated in Sweden. A service is defined as an exported service when the enterprise paying for the service has a foreign address, regardless of where the service is carried out, and as an imported service when the enterprise paying for the service has a Swedish address. This could result in a Swedish subsidiary or a Swedish affiliate in a foreign country, with a foreign address, exporting services from Sweden and vice versa.

29. As a frame for export, the business database was considered appropriate. It is assumed that the same enterprises that sell a service in the domestic market, also sell the service on foreign markets. Collection of prices for export has been done for three lines of businesses; division 61 and classes 60.24 and 63.40 in NACE Rev 1.1 that have been developed during 2003. Import services have been postponed at this stage, since currently there is no appropriate frame for enterprises working with imports of services. It is possible that this will be available soon, and further development will take place then.

## CONCLUSIONS

30. This report shows successful efforts and work achieved as well as plans and ambitions regarding the development of PPI for services in Europe.

31. The international statistics institutions' interest and support have so far been productive in the areas of information exchange, the spreading and harmonisation of methodology, economic assistance to develop PPI for services in new areas and the production of legislation within Europe in the subject. There is no doubt that efforts need to continue, with particular focus on both the new European Union member states and those countries that have only recently begun development.

32. The international efforts with the more complicated aspects of PPI for services, such as quality adjustments within the consulting industry and the development of the concept supporting PPI for export and import of services, should initially be dealt with in a somewhat smaller group of countries with a greater experience in PPI for services. It is important that the work is harmonised from the beginning.

33. Country-specific efforts for the development of PPI for services are characteristic. Several countries have published or plan to publish their indices on the websites of the NSIs. In the future, the varying size of each country and the differences in industry structures will continue to limit the possibilities for harmonisation and uniformity. This is the same as for the country-specific needs of PPI for services within the System of National Accounts. It is therefore wise to concentrate internationally on the creation of certain minimum requirements in the area (PPI for services) that all European countries should fulfil.

34. When the development work has begun in most countries with international support, the next step would be to secure the future of production resources for the area within each country, in competition with other existing and established statistical fields and also other price indices.

35. This important and decisive step on the road to permanent production of PPI for services has encountered several setbacks in certain countries, so the difficulties should not be underestimated. One model example is in the United Kingdom, where focused work has been carried out to attract other institutional interest for the CSPI across the country.

36. Much is left to do for the PPI for services in Europe but the area has - over just a few years - become widely accepted and is definitely here to stay.

## ANNEX

### **Austria**

Austria started the development efforts with air transport of passengers, postal and courier services during 2003. The price collection for advertising and air transport for 2003 and 2004 just started. Concerning legal services, there have been some problems due to a difficult situation with lawyers, who refuse to cooperate.

Resources: Austria has just 1 full-time A-grade employee for 1 year, plus project manager (maximum 5 percent).

The work is done as a Eurostat pilot project, which has been calculated on the basis of the grant. There is no other budget available for the moment subject to the EU STS Amendment Regulation to hopefully be released this year. If this happens, the plan is to extend capacity substantially (up to 4 A-grades in a first step).

The plan is to establish the first time series for advertising, air transport, courier services and legal services this year. PPI for services will be published at: [www.statistik.at](http://www.statistik.at).

Depending on available resources there are plans to extend the PPI for services into the sector of business services (accounting, tax consulting and book-keeping) and other parts of air transport as well as telecom and postal services.

### **Belgium**

The number of indices on service prices is very limited at the moment in Belgium.

The collection of data started in 2000 for service industries delivering input to the construction sector in connection with the development of a construction material cost index. Those are: wholesale construction machinery, freight transport by road, renting of construction and civil engineering machinery and equipment and sewage and refuse disposal, sanitation and similar activities. 130 enterprises are surveyed by phone, for each of them at least one product is selected. For freight transport by road, products are defined by starting place and destination.

The NACE codes handled by now are quite easy to survey. A few years ago Belgium tried to develop an index for NACE 74.70 (industrial cleaning) but cancelled this operation: it was too hard to define a product for every cleaning job since jobs are different and prices are fixed ad hoc. The result of this experience is that for that sector it is probably more convenient to use input prices (costs of enterprises, not prices asked to clients), satisfying as proxy because the profit margin is very small (and probably not varying considerably over time).

There are less than 1/3 of full-time statistician, three employees do the phone survey on a half-time basis and two other handle, part-time, the first contacts with firms. Since the survey is running on a voluntary base it is not easy to persuade firms to collaborate and select the appropriate products. The website of the producer price indices is [http://statbel.fgov.be/indicators/opi\\_en.asp](http://statbel.fgov.be/indicators/opi_en.asp).

### **Czech Republic**

The Price Index of Market Business Services has been calculated since December 1993 and the survey was begun in 1990 (some selected services). About 30 price indices are submitted every 3 months to the Czech national accounts including: price indices of national freight transport, postal and telecommunication services, financial intermediation except insurance and pension funding (shortly banking), insurance, real estate, renting and business services and sewage collection.



All price indices are calculated as sample indices – i.e., their calculation is based on prices of selected representatives obtained in a sample of reporting units. The individual price indices of the representatives are grouped to make up aggregate indices for groups and an aggregate index of the whole set of the representatives. This is done by means of a weighted arithmetic mean of individual indices. The value weight attached to each individual representative or group of representatives was based on structural indicators of values (receipts and revenues for services) related to the base years (1993, 1999). The business service indices, as well as the Laspeyres index on which they are based, had a fixed weighting structure, which is assumed to be representative of the base period.

Price indices (monthly) are calculated from prices (mostly contract prices and actual transactions, otherwise model prices or fee-based prices) measured in a limited time interval (middle of the month). Annual indices are calculated as an arithmetic mean (weighted average for agricultural producer prices) of the indices from individual months of the year. Indices for export and import of services would be surveyed in the department of external trade, where a new team is being formed. Concerning to quality changes and their adjustment, the overlapping method is mostly used. Changes are done once every fifth year. It can also be done in every year. The rent of cars are good examples. There are 6 employees working full-time within the price index of market business services. The website in English language is: <http://www.czso.cz/eng/redakce.nsf/i/home>

### **Denmark**

The collection of service prices has started for a limited number of respondents from the following industries: software, accounting services, business/management consulting, engineering consultancy and cleaning. There are in total about 300 prices. The first contact with the industry organisation for advertising has been made and the plan is to start with the collection of service prices for advertising this year. The plan is to gradually increase the sample of enterprises and service products and to obtain some practical experience of the various methods for pricing (contract pricing, model pricing and representative pricing). The prices are collected by questionnaires sent by mail to the respondents. There are no plans for publishing any results in the near future, but concentrating the efforts on improving the methodology and the sample of enterprises and products. In full-time persons there is around one employee devoted to the work on PPI for services, with some hope for future expansion.

### **Estonia**

The plan for developing the PPI for services became real since the final input-output tables for 2000 were made available in January 2004. The analyses of those data will help to define the service sector activities to start with and the possibilities to calculate price indices. The survey data within the framework of annual Structural Business Statistics is expected at the beginning of 2005. The sample survey project (for some service sector activities) will be carried out for the reference year 2003. The first analyses (based on above-mentioned data) will be done with existing staff and after that the development project can be planned for the future. At present, there are 4 employees working at producer price statistics section.

## **Finland**

Finland had postponed the publication of PPI for services for quite a while. It will be done when the work with a new computer system for the PPI for services is finalised. In autumn the first set of PPI for six service industries will be published: hotel services, rents of business premises, legal services, accounting services, technical testing and dry cleaning.

Finland is currently collecting or starting to collect data on few additional industries: cleaning service, telecom services, architect services, guard and security services, cargo handling, consulting services, advertising, market research, postal and courier services, air travel, freight transport, temp staff services, car and plant hire. The plan is to start again with computer services.

For most of the industries there is a tailored enterprise specific price collection. Chaining of the individual service price relatives does the aggregation. Most collection is done by e-mails with Excel forms. A web-based collection will be implemented in 2004 for both the industry and service PPIs.

There are approx. 2,5 employees devoted to the service PPIs. The NA will likely get at least the first six indices this summer, but their plans of implementing them are unknown at present time. Information concerning PPI in Finnish language is at: <http://www.stat.fi>.

## **France**

PPI for security activities dates back in 1992. The first efforts on the development of PPI for services date in 1995 when the unit of PPI for business services was created and located in Nantes. Since then, France has started the development of a broad range of business services, found its own system and strategy and today is one of the most experienced countries in Europe.

PPI for business services for the following industries are delivered to the French national accounts: car renting, renting of construction and civil engineering machinery and equipment, hardware and software consultancy, data processing (without facilities management), data base activities, accounting services, engineering activities, advertising, security activities and industrial cleaning.

Data collection: the first time, each company is visited by a field officer. Field officers collect prices for the reference period and choose the methodology. Afterwards, prices are collected by mail and by Internet. The data collection by Internet began in January 2004 and the rate of response for the time being is about 20 percent.

Quality adjustment: quality adjustment main issue is when the collection of prices is done with the help of hourly rates method (price per day and per qualification). There seems to exist no practical solution at present.

There no plans for the PPI for export of services or PPI for import of services.

Plans for 2004: completing the development of PPI for business services within business and management consultancy, the information in this area has been collected since the second quarter 2003. The development of temporary work began in January 2004. Four field officers started to work on this industry sector in March this year. Telecommunications, courier services and architect services (the development of this industry will be completed before July 2004) will follow.

PPI for business services are published in French language on the website:

[http://indicespro.insee.fr/pvis\\_script/script/script\\_page\\_rechguid.asp?chapitre=12](http://indicespro.insee.fr/pvis_script/script/script_page_rechguid.asp?chapitre=12)

Some methodological papers are also available. The main plan in 2004 is to disseminate the indices for computer services in agreement with the industry organisation.

There are 9 employees working full-time within the unit of PPI for business services; four data

analysts, four field officers and one statistician.

Some price indices for the transport industry are developed directly by the Ministry of Transport for deflation purposes.

### **Germany**

The developing of PPI for services in Germany is slowly advancing. At present, a survey on a voluntary basis is carried out comprising 400 book accountants, 1000 tax accountants, 1000 lawyers and 400 notaries. The objective is to establish the basket for the envisaged PPI for services and expected response rate is about 20 percent. Later on the current price collection surveys will mainly be based on hourly prices per qualification. It is expected that the work will be much easier when the draft amendment of STS Council Regulation is adopted.

There are some methodological problems concerning PPI for telecommunication. Large companies do not provide structural data on mobile telephone and Internet. The plan is to have the price model based on tariffs, like within CPI. For fixed line telephony outside the tariff sector the situation is more complicated and at the time being no technical standard solutions can be defined for pricing which means only slow progress in that field.

PPI for sea freight exists since 1978, revised in 1999. PPI for air transport and railways transport are intended to be developed together with the rebasing of CPI. In future the priorities are to establish PPI for freight transport by road, management consultancy and other groups/classes of division 74 NACE Rev. 1.

The staff in the unit for producing specific CPIs and for developing PPI for services consist of 3 full-time employees A-grade (academic degree), 2,5 employees advanced B-grade, 2 employees B-grade and 4 employees C-grade. In the next months there will be 2 more employees B-grade.

General information concerning PPI in German language is posted at:

[www.destatis.de/themen/d/thm\\_preise.htm](http://www.destatis.de/themen/d/thm_preise.htm)

### **Ireland**

Researching of PPI for services started in May/June 2003 and Ireland is currently concentrating on developing output service prices - both for domestic market and export and developing a pilot study in accounting services in the areas of accounting, bookkeeping, auditing activities and tax consultancy. Quality adjustment is not used at the moment.

Retrieving meaningful data from some companies could be a problem. Experience shows that tax consultancy is difficult to separate; model pricing can prove difficult. Hourly rates may be the easiest measure of price change for the service. Services may be more repetitive in small firms. Sometimes with a contract, charge rates may be adjusted based on market conditions and negotiations especially for larger firms. It is important to cover both small and large accountancy firms. Ideally it is hoped to collect data on relatively stable contracts as well as hourly data.

Nobody is working full-time on the service prices. However, the staff from the PPI section work part time on development of service prices indices: 1/3 statistician, 2/3 higher executive officer, 1/3 staff officer and 3 x 1/3 clerical officer. A senior statistician also attends meetings with companies and industry bodies.

The information will be collected by post and by email. A form for online data is currently being prepared.

Ireland currently does not publish any service price indices.

### **Italy**

Two surveys have been started: one for telecommunications (fixed and mobile) and postal and couriers services. The data are collected directly by the reporting units and the questionnaire has been designed jointly with them. The development work started in September 2002 and the price collections in April 2003. Quality adjustments as well as weights for export and import of services are planned too. All indices will be delivered to the national accounts.

At present, the staff is composed by a researcher at full time and the project manager; no more than 10 per cent of full-time.

At the beginning of 2004, two new surveys were launched for road freight and air transport (one researcher for each one working part-time; no budget requested at the moment). The work concerning these two new surveys consists in the beginning of a feasibility study. Collection of data is planned before the end of 2004.

Lack of financial and human resources is a problem. The production of a complete set of indices is not planned yet.

### **Latvia**

PPI for services in Latvia at present are not calculated. The Producer Price Indices section calculates producer price index in industry, construction cost index and foreign trade unit value indices.

The staff consists of 9 employees. All mentioned indices could be found on the website at: <http://www.csb.lv>.

### **Lithuania**

Statistics Lithuania does not produce PPI for services. The study visit of two specialists from Price Statistics Division was organised to the UK ONS, and an expert from the UK ONS visited Statistics Lithuania in 2003. It was decided to start with the implementation of Transport, Storage and Communication Services Price Indices. The preparatory work is planned to start in the second quarter of 2004 if additional resources are available. The transmission of the PPI for services to Eurostat is planned from 2008.

There are 19 employees working in the Price Statistics Division. There is an Industrial Production, Export and Import Price Statistics Section that produces and releases PPI, Export/Import Unit Value Indices. The section has five employees. The production of PPI for services possibly will be delegated to this section.

At present data concerning PPI for services are not collected. There are no plans concerning the development of indices for export and import of services, the issue of quality adjustment is also not discussed.

### **Netherlands**

The first efforts of developing PPI for services were made in 1985. The index for long-term car leasing dates from 1992. After this index practically stopped, present efforts started in 2000. PPI for services for the following industries are delivered to the Dutch national accounts: Engineering, car leasing, freight transport by road (including courier services) and telecommunication. Some preliminary results have been sent to NA for legal services, accounting services, redesigned courier services (separate from road freight). The thorough and long (approximately two years) development process anticipates publishing of a regular experimental index. Results from this process have been sent to and discussed with the Dutch national accounts. (See special paper for the CES, "The Dutch strategy for realizing PPI's and volume measures for the service sector".)

The development process is ongoing for IT-services, post services, advertising (both placement and creative work), economic advisory services and market research, cleaning and security services.

Mail, fax and some websites are used for the price data collection. The Netherlands currently does not publish any PPI for services on the website of CBS. There are only publications in Dutch.

### **Norway**

The first quarterly price collection of PPI for services started in 1998 in the field of architectural and engineering activities. Hourly charged out rates are collected. The annually ferry rates for sea and coastal water freight services are collected and used as deflator and within the ocean freight services are freight rates by size and type of vessel collected quarterly and the index is used for the same purpose. The monthly price index for hotels and similar establishments, price per room (since 1992), is constructed as CPI. This index is published and also used as a deflator within the Norwegian national accounts.

The price collection for car rental started in 2003 and PPI is under construction. The development of PPI for services in a large scale started in 2004. Feasibility studies are ongoing for sea and coastal water transport and scheduled for air transport; the final reports are expected in December 2004. The plan is to develop PPI for services for legal activities, industrial cleaning, road freight and telecommunications within a couple of years.

Since January 2004 there are 8 employees working part-time with PPI for services in Norway. It is about 4 full-time employees, which means a high increase of the concentration on PPI for services compared with the situation until December 2003.

The dissemination through websites: [http://www.ssb.no/arkpi\\_en](http://www.ssb.no/arkpi_en) for PPI for architectural services, [http://www.ssb.no/byggpi\\_en](http://www.ssb.no/byggpi_en) for PPI for civil engineering activities and [http://www.ssb.no/hotell\\_en](http://www.ssb.no/hotell_en) for Hotels and similar establishments, prices per room.

### **Serbia and Montenegro**

Price Department of RSO consists of 12 full time working employees, almost all with university degree, in the office in Belgrade. Besides them there are 25 part time working employees collecting data for CPI in towns in Serbia. The Price Department of RSO is responsible for CPI, PPI for agricultural products, PPI for manufactured goods and a few single service price indices.

There is a plan to start with changing of the methodology for PPI of manufactured goods for the

domestic market. The efforts will continue with the development of import and export price indices, and with PPI for services. Having in mind number of staff, and jobs to be done, it seems not realistic to start with PPI for services before 2006.

Price indices are available on the RSO's website, but at this moment only for the last month (Monthly report for most important Price indices). Since January 2004 there is a new pdf version of price reports in English on the website.

### **Slovak Republic**

The Slovak Republic has only started compiling the PPI for services. In April 2003 a pilot project funded by Eurostat started and was focused on PPI for four CPA categories (70, 71, 72 and 74). The deadline for this project is April 2004. The project has been carried out in cooperation with Infostat, a research institute in Bratislava. If the results are successful, the intention is to include these price surveys into the Programme of regular statistical surveys. Some negotiations on the possible funding from Eurostat have already started and a budget has been prepared and submitted to Eurostat for adoption.

However, the work done is only in the framework of specific projects, and thus not officially implemented into the NA system.

### **Spain**

Since 2000, the PPI for hotels is calculated for three different surveys started in 2004. PPI for services are not available yet.

The future plans have been designed to fulfil the European regulation, by increasing the number of activities surveyed each year.

There are two employees working on PPI for services and two more revising the development of the project.

Since Spain is just at the beginning of the collection data phase, the quality adjustments are not a problem yet. Methodological information and figures about the PPI for hotels are available (in English) on the website:

<http://www.ine.es/inebase/cgi/um?M=%2Ft11%2Fe162iph&O=inebase&N=&L=1>

### **Sweden**

The Price Statistics unit of Statistics Sweden compiles several price indices for services.

There are price indices for following industries since the mid-1990s: Hotels, Scheduled air transport services and Real estate activities on a fee or contract basis. The review has been ongoing since 2000.

From 2000 to 2003, 18 new PPI for services have been developed and their production is ongoing. Four more have passed the completion stage of development and the price collection has recently started.

PPI for services in Sweden covers service industries as follow: hotels, freight transport by road, sea freight, air transport of passengers and freight, activities of other transport agencies, post and courier services, telecommunications, other monetary intermediation, car rental, computer services, legal services, accounting, book-keeping and auditing services, architectural and engineering services and advertising. PPI for services has about 2 500 companies as respondents. Together they are providing more than 30 000 price quotes.

The first results of price indices for the export of services are under analysis. The possibilities for enlargement of export indices to other service industries are very interesting and are being



discussed when planning future work.

The work with quality adjustment (using other methods than the overlapping method) of service price indices for some service industries has just started.

The main purpose of developing a service price index is to create a PPI for services designed for use within the Swedish system of national accounts for calculating the production value of services at fixed prices. The National Accounts unit of Statistics Sweden has commissioned the development of new service price indices. This work has been carried out in project form at a departmental level from January 2000 to December 2003. The project has successfully completed this task. PPI for services (both existing and under development) including already approved deflators cover currently about 75 percent of all product groups covering services within the Swedish System of National Accounts.

The quarterly results, a publishing plan, development reports, important links and up-to-date information concerning the development programme is available on Statistics Sweden's website <http://www.scb.se/statistik/pr0801-en>.

The staff consists of 5 statisticians (calculated as 3 annually full-time employees) and a product manager. In 2004 special IT-development resources have been allocated to assist in the design of a new production system, which will include web based price collection.

### **Switzerland**

The development of PPI for services started in Switzerland around 1997. At present time the PPI for services are calculated for the following industries: freight transport by rail and by road (total and 22 sub indices) and architectural and engineering activities (total and 4 sub indices). PPI for telecommunication are under development.

Questionnaires for data collection (forms) are sent by post or by mail to the enterprises.

There are no plans for the development of indices for export and import of services. The priority is the development of price indices for services for the home market.

There is no specialized staff for PPI for services. The work in the field of services is integrated in the general PPI-team including 6 full-time working employees plus an external expert, part-time working with this issue.

### **United Kingdom**

PPI for services is called Corporate Service Price Index (CSPI).

The February 2004 CSPI release contained 32 service-industry series (newest one is banking (loans and interest-bearing deposits)).

The number of CSPIs delivered to UK National Accounts has been increased to 19, including: maintenance and repair of motor vehicles, hotels, canteens and catering, bus and coach hire, freight transport by road, freight forwarding, courier services, business telecommunications, construction plant hire, technical testing, market research, employment agencies, security services, industrial cleaning, commercial film processing, contract packing, direct marketing and secretarial services, translation and interpretation services and waste disposal.

The rebased CSPI dataset (released on 20 February 2004) incorporated a quality review of all compiled CSPIs. The number of survey respondents has been increased to 1500 companies providing 5000 quotes. This compares with the PPI for manufacturing, which has 3000 respondents and 9000 quotes. A minimum quality response rate of 82 percent to each CSPI is applied (weighted by turnover).

There are 14 employees in the CSPI branch (4 in index development, 4 in operations and 5 in quality assurance, CSPI manager and 1 in index development). The primary ambitions for the near future are:

- develop the service price indices identified as priorities by UK national accounts, the Bank of England, HM Treasury and Eurostat STS;
- increase further the present coverage of corporate service activities (estimated to be 55 percent);
- maintain the timeliness and quality of the existing CSPIs through introducing an improved quality assurance process (providing more management information on the survey response);
- exploit the ongoing modernisation of ONS systems to improve the reliability and flexibility (hybrid pricing methods) of compiling the ONS CSPI;
- agree the process and criteria by which CSPI may be promoted to become a non-experimental statistic;
- align in practice with the other ONS price statistics in reporting format, resourcing and status.

The data/indices are collected through three channels: a postal survey response form, a telephone data-entry system and through collecting proxy data or indices from external sources.

There is a strong interest, but no resource allocation, to consider the quality adjustment of service products. ONS has considered and proposed a method for adjusting business rail fares. However, the appropriate approach to be taken for other services, such as computer services, is still being debated.

The UK Allsopp report is currently considering how the UK ONS should respond to the changing economic activity (services being more dominant than manufacturing) and CSPI (and the Index of Services) have received some comments in Chapter 9. The report is available on [http://www.hm-treasury.gov.uk/consultations\\_and\\_legislation/allsopp\\_review/consult\\_allsopp\\_index.cfm](http://www.hm-treasury.gov.uk/consultations_and_legislation/allsopp_review/consult_allsopp_index.cfm)

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