

Services 2002 (February 5, 2002)
Roundtable on Services Statistics

Panelists

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Panelists speaking to over 60 participants recalled notable examples of how business executives and policy-makers have applied government services statistics in the course of setting corporate strategy and economic policy, and highlighted the importance of the service sector trade and industry data published by the Bureau of Economic Analysis (BEA) and the Census Bureau. Participating representatives of government and private sector organizations agreed that there has been a quantum improvement in U.S. government agencies' service sector statistical programs during the past decade. Looking ahead, several data improvement initiatives proposed by the President for FY 2003 promise to make U.S. industry and international services data even more useful, both to business executives and to government policy-makers and trade negotiators. Finally, the discussion that followed the panelists' remarks highlighted the private sector's growing recognition of the importance of services statistics and its support for data improvement initiatives such as those described by the panel.

After introducing the roundtable panelists, the moderator focused on various difficulties arising at the nexus of statistical program issues and trade policy. Among the most problematic of these is the adoption of a distinct nomenclature to describe services transactions in the WTO trade negotiations, in which four potential modes of international supply are identified. The utility of the statistics can also be made more difficult by complexities of presentation, such as trying to identify which services are covered in specific categories. Another difficulty involves using existing services trade categories to address emerging policy-sensitive services such as energy services and e-commerce. Finally, roundtable participants were encouraged to be aware of the substantial difficulties faced by the statistical agencies in their efforts to ensure complete coverage, and to take such issues into consideration when using official services data.

In keeping with the conference's focus on building an effective analytical and policy foundation for the new round of multilateral trade negotiations, the two government panelists' presentations were forward-looking, highlighting program initiatives relevant to the conference agenda. Other themes that emerged during the discussion were the complexity of U.S. service sector data, recognition that not all areas of interest are as detailed as industry specialists might like, and the interplay between data availability and the process of establishing budgetary priorities.

The missions of the Census Bureau and BEA, both agencies of the Commerce Department, are complementary but distinct. In the trade arena, for example, the two agencies are responsible for distinct components of joint trade data programs, with Census primarily responsible for merchandise trade data and BEA primarily responsible for the government's services trade statistics. Although distinct, these two statistical programs are closely related and complementary to one another. The agencies collaborate on and produce the monthly release of goods and services trade data, and the Census Bureau's merchandise trade estimates constitute a critical component of the overall national economic accounts maintained and published by BEA.

The Census Bureau has a number of FY03 initiatives to improve service sector statistics. First, Census is developing a new principal economic indicator of services industries -- with first publication currently scheduled for September 2004 -- which will focus on information, communication, and technology-intensive service industries that are undergoing substantial change. This will be the first new principal economic indicator introduced by Census in over 40 years. Second, Census will begin an incremental implementation of the new North American Product Classification System (NAPCS) in its services annual survey, with some tests implemented during the 2002 Economic Census. Third, Census is developing new source data which BEA and the Federal Reserve need to improve their measures of value-added for services industries, which requires new Census data on industry expenditures for key purchased inputs such as telecommunications services and data processing centers.

In its related e-commerce data programs areas, Census will continue to expand on several recent program initiatives affecting service sector data. Planned improvements include: (a) expanding annual data coverage to the entire wholesale sector, including electronic markets, agents, brokers, and manufacturers' sales offices; (b) developing new data on business expenditures by industry for services related to computer, telecommunications, and high-tech medical equipment and software (essentially a revamping of the annual capital expenditures survey to capture not only capitalized expenditures, now collected annually, but also expensed investment expenditures, now surveyed only every five years); and (c) implementing a first-ever

Census Bureau FY03 Budget Initiatives for Services

The FY03 budget for the Census Bureau includes four funding requests for programs that will significantly improve the coverage and quality of service sector statistics. They include:

- **2002 Economic Census** (\$91.7 million). The Economic Census is the statistical benchmark for measuring the U.S. economy.
- **Service sector measures** (\$5.5 million). The President has requested funds to establish the first quarterly survey on services, which will initially focus on key information, communication, and technology-intensive industries.
- **Improve measurement of e-business** (\$5.2 million). This measure will improve the coverage of important e-business transaction not currently included in annual surveys.
- **Improved timeliness and quality of foreign trade statistics** (\$13 million). Census will move entirely to an electronic filing system for export documentation. The change is expected to yield significant gains in accuracy, and to remedy a potential source undercounting of goods exports. This initiative is also an essential part of the joint Census/BEA initiative to accelerate their monthly goods and services trade release by 20 days.

Census homepage: www.census.gov

supply chain survey, for which the underlying intent is to develop a better understanding of how e-business processes are shifting activities between manufacturers, retailers, wholesalers, and transportation and logistics services providers, and to understand how these changes are affecting various key current Economic Census statistics, e.g., data on inventories.

In these and other program areas, the Census Bureau's data improvement initiatives will have an important impact on the quality and timeliness of the U.S. government's overall services data, including important components of the BEA accounts and the joint Census-BEA trade data estimates. Among the most significant of these improvements, roundtable panelists noted the expansion in services sector price, real output, and productivity measures published by BEA, and a program to accelerate the monthly trade data release schedule (from 50 days after the reference period down to 30 days).

Bureau of Economic Analysis (BEA) FY03 Budget Initiatives

President Bush has requested \$69.8 million for the statistical programs at BEA for FY 2003. These funds will be used to maintain current programs and to enhance the following:

- **Generate more timely economic data** (\$4.8 million). This initiative includes accelerating the release of the monthly trade estimates, gross state product, GDP by industry, input-output tables, and metro area personal income.
- **Upgrade processing systems** (\$3.6 million). Work will be continued to further enhance BEA's website and provide an increasing number of data sets in more downloadable formats. This initiative also supports BEA's continuing overhaul of outdated data processing systems.
- **Meet international obligations** (\$2.3 million). Funding is provided to make BEA estimates consistent with new international classification systems as well as to allow BEA to produce historical data series consistent with these new classification systems.

BEA homepage: www.bea.gov

During the coming year, BEA will publish results from its 2001 benchmark survey for services trade, which will result in more detailed services trade data in areas such as Internet-based transactions. Related BEA initiatives in the area of international trade in services include the introduction of new quarterly surveys for a number of the more volatile components of U.S. services trade, and the continued development of more detailed information on intrafirm trade. (Major achievements in BEA's services trade data program during the late 1980s and 1990s were chronicled in the context of the statistics roundtable of the November 2000 Services Conference; that year's conference proceedings are still available from ITA's Office of Service Industries.)

Last, there was a discussion about the planned improvements to various service sector elements of the 2002 Economic Census. Next to the decennial Census, the quinquennial Economic Census is the U.S. government's most comprehensive statistical program. For the 2002 Economic Census, approximately five million mailings will be sent to businesses in December

2002, collection of returns will be closed out in September 2003, and the first reports will be issued in March 2004. In all, more than 1,600 census reports based on the 2002 Economic Census will be published, with about half of these scheduled for release by the end of 2004.

A number of features of the 2002 Economic Census are especially relevant to the service sector. For the first time, the series of census reports covering services industries will be the first to be

released (in past years, the geographic series were the first to be released). Content will also be significantly expanded in various services areas, including (a) e-commerce, with more detailed industry e-commerce sales and the first-ever regional data on e-commerce sales; (b) data on jobs held by "leased employees" (i.e., out-sourcing staffing to professional employee organizations), which Census now estimates at over 2 million employees; and (c) expanded information on the various supply chain functions provided at different business locations.

In conducting the 2002 Economic Census, the Census Bureau will also implement NAICS 2002, a revision of the current 1997 NAICS. This work involves a number of changes relevant to the service sector, including: (a) implementation of a major split in construction between residential vs. non-residential special trade contractors; (b) collection of separate information on electronic markets and brokers in wholesale trade; (c) separating electronic auctions and electronic shopping from mail order sales under retail trade; and (d) the addition of new information services categories under e-commerce. Provisional definitions for the new NAPCS for services will also be tested.

Finally, given the broad program responsibilities of the two government panelists, and given that the President's 2003 budget had been released the day before this year's conference was held, all three panelists highlighted the important fact that the major data improvement initiatives now underway would not be possible without the resources for such activities provided in the budget. For the service sector, which has yet to achieve a level of general recognition commensurate with its economic significance, the three roundtable panelists were unambiguous and unanimous in highlighting the importance of support from outside the statistical programs -- meaning the support of the corporate sector (as prominently represented by one of the panelists, and by CSI, the conference cosponsor), and of legislators and others active in the policy and budget process. In closing, all agreed on the undeniable importance in that effort of outreach events such as the service sector conference series produced by ITA's Office of Service Industries.