

Box 3

Business survey data for activity in the euro area services sectors

Short-term statistics on activity in the services sectors are scarce. Some provisions for services statistics exist in various EC regulations for different statistical domains (e.g. national accounts, short-term business statistics, labour markets), but the availability of data for the euro area is very limited as yet, owing to the long implementation times and derogations granted in the regulations. Improvements are expected for the year 2003, when the results on selected services branches from the Short-Term Statistics Regulation (turnover and employment for the different market activities) become available. Moreover, the further development of a broader statistical basis for services activities is one of the priorities which was set by the Economic and Financial Committee (EFC) for EMU statistics, endorsed by the ECOFIN Council in November 2001.¹

For the euro area as a whole, the available quantitative information consists mainly of quarterly data on real gross value added and employment in services, as reported in Tables 5.1 and 5.4 of the "Euro area statistics" section of the ECB's Monthly Bulletin. Starting in this current issue of the Monthly Bulletin, the section will also report qualitative monthly survey data for the services sectors from the European Commission's Business and Consumer Surveys in Table 5.3. This box introduces the main characteristics of these data and discusses their usefulness for the analysis of current economic developments.

Survey data for the euro area services sectors are available from two sources

The results from the EC services survey are published by the European Commission (DG ECFIN) on a monthly and seasonally adjusted basis, shortly after the end of the reference month, together with the other survey results from the "Joint Harmonised EU Programme of Business and Consumer Surveys". This makes the services survey data a very timely indicator of activity in these sectors. At this juncture, the survey covers only selected market-related services activities, such as machinery and equipment rental, computer and IT-related activities, research and development and other business activities (e.g. consultancy, architectural activities), as well as some community services. It is planned that the scope of the survey will be extended to cover transportation, financial intermediation and activities relating to the hotel and restaurant sector.

The EC services survey consists of five questions, enquiring about i) the assessment of the business climate, ii) the evolution of demand in recent months, iii) the evolution of demand expected in the months ahead, iv) the evolution of employment in recent months, and v) the evolution of employment expected in the months ahead. The composite services confidence indicator is the average of the percentage balances taken from the first three questions. Results for the euro area date from April 1995.

In addition to the EC services survey, there are also survey data available from the Eurozone Services Purchasing Managers' Index published by Reuters/NTC. The PMI survey covers a significant share of euro area countries and refers to all private sector services activities. The euro area series are available from July 1998. By contrast with the EC services survey, the results of the PMI services survey do not include a composite indicator compiled on the basis of the responses to the individual questions of the survey (as is the case, for instance, of the PMI manufacturing survey).

Services survey indicators are closely aligned with output growth in services

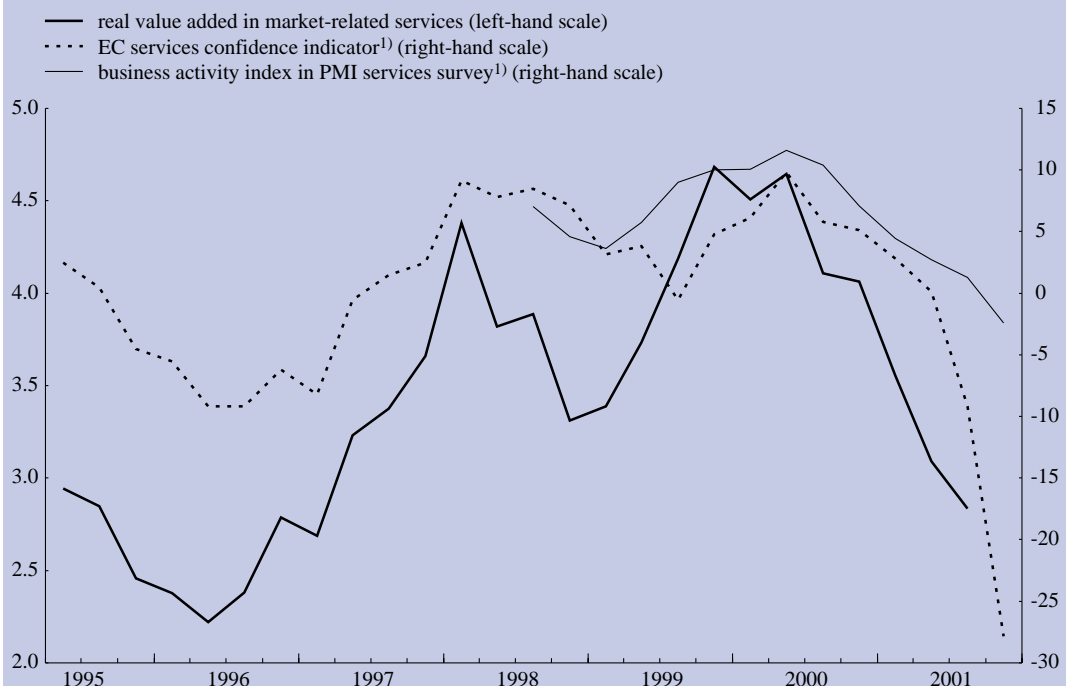
In order to assess the information content of the services surveys for actual activity, the data can be compared with those from national accounts on the real gross value added in market-related services, i.e. total services excluding public administration, health and education. Overall, there is a discernible, simultaneous movement

¹ *Information requirements in EMU, Fourth progress report on the implementation of the Monetary Committee's report, Economic and Financial Committee, 26 October 2001.*

of both the EC services confidence indicator and the business activity index in the PMI services survey with the year-on-year growth rate in output of market services (see the chart below). However, the strength of the simultaneous movement between the services confidence indicators and output growth in market-related services varies over sub-periods. In the sub-period from mid-1998 to date, for instance, the correlation is rather low in the case of the EC services survey, reflecting divergent developments in mid-1999. One possible reason for such divergences might be the broader coverage of services activities in value added results.

Output growth and survey data in the euro area services sectors

(annual percentage changes, percentage balances and index points)



Sources: Eurostat, European Commission Business and Consumer Surveys, Reuters and ECB calculations.

Note: All data are seasonally adjusted.

1) Quarterly averages. EC services confidence indicator is mean adjusted over the period from April 1995. Activity index in the PMI services survey is deviation from the value of 50; positive deviations indicate an expansion of economic activity.

Over the relatively short period for which services survey data are available, their correlation with year-on-year output growth in market-related services is somewhat lower than that between the corresponding manufacturing survey data and year-on-year output growth in industry excluding construction. Overall, while services survey data contain useful information with regard to activity in the market-related services sectors, in particular with regard to the general scarcity of data relating to these sectors, some caution is required in view of the short period for which the services survey data are available. A firm assessment of the indicator properties of services survey data would ideally be based on a longer period.