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Central Bureau of Statistics
دائرة الإحصاء المركزية

Setting Priorities and Defining Criteria for Developing New SPPIs in Israel

Zoya Nissanov

The Israeli economy

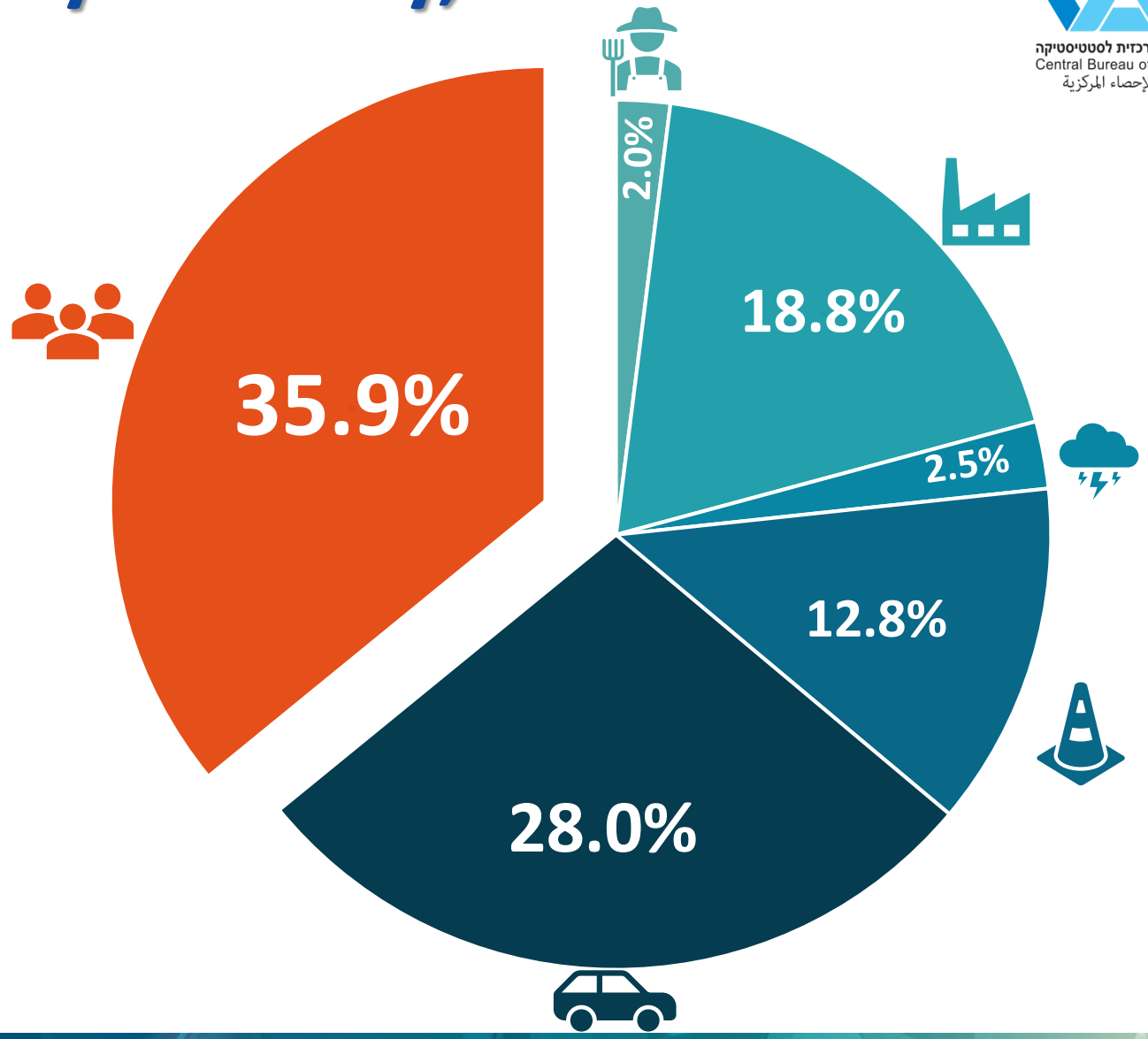
Economy with a production bias

Economy based on the service industries

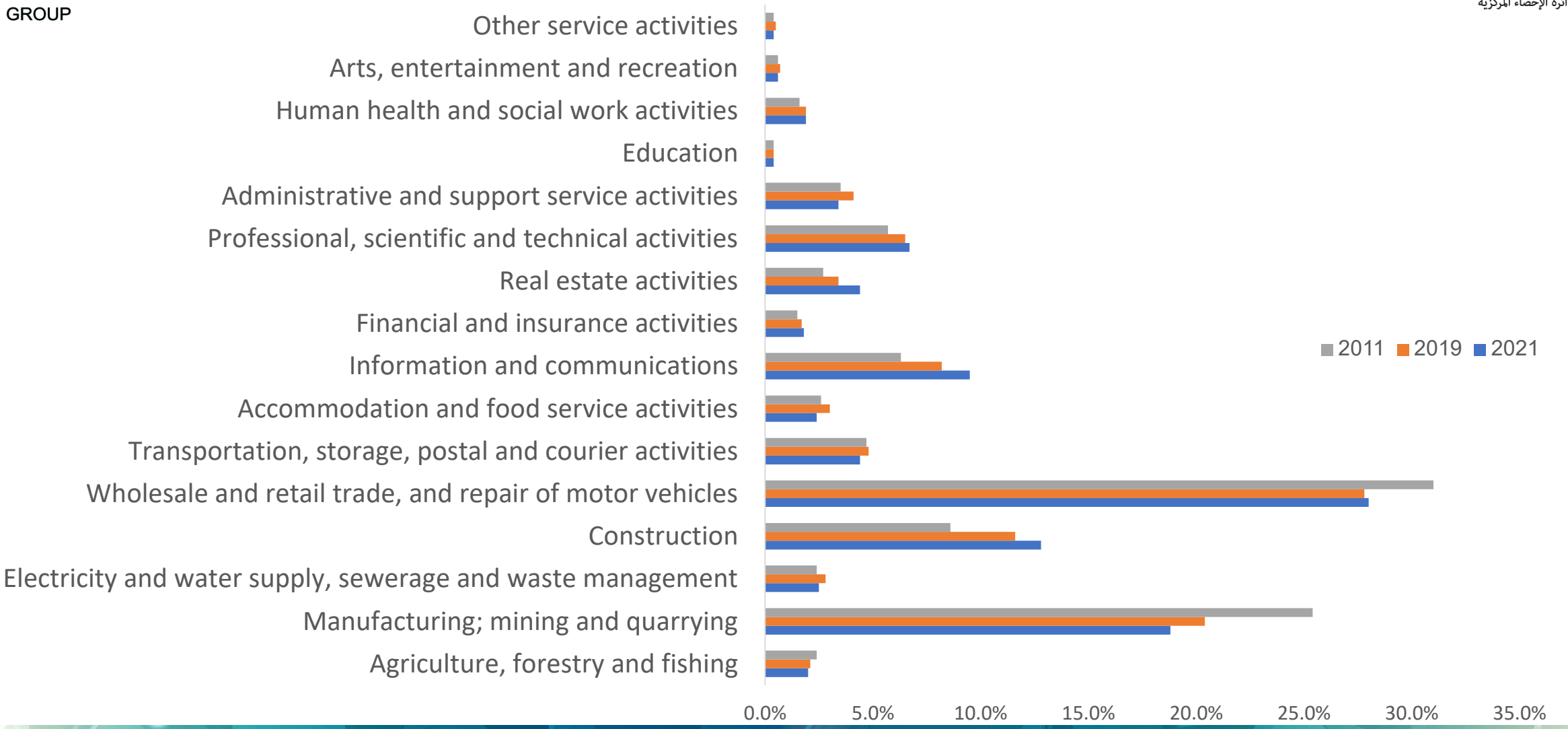
Shrinking of the industrial, agricultural, and commercial sectors

Revenue by industry, 2021

- Services
- Wholesale and retail trade, and repair of motor vehicles
- Construction
- Electricity and water supply, sewerage and waste management
- Manufacturing; mining and quarrying
- Agriculture, forestry and fishing



Revenue by industry, 2011-2021



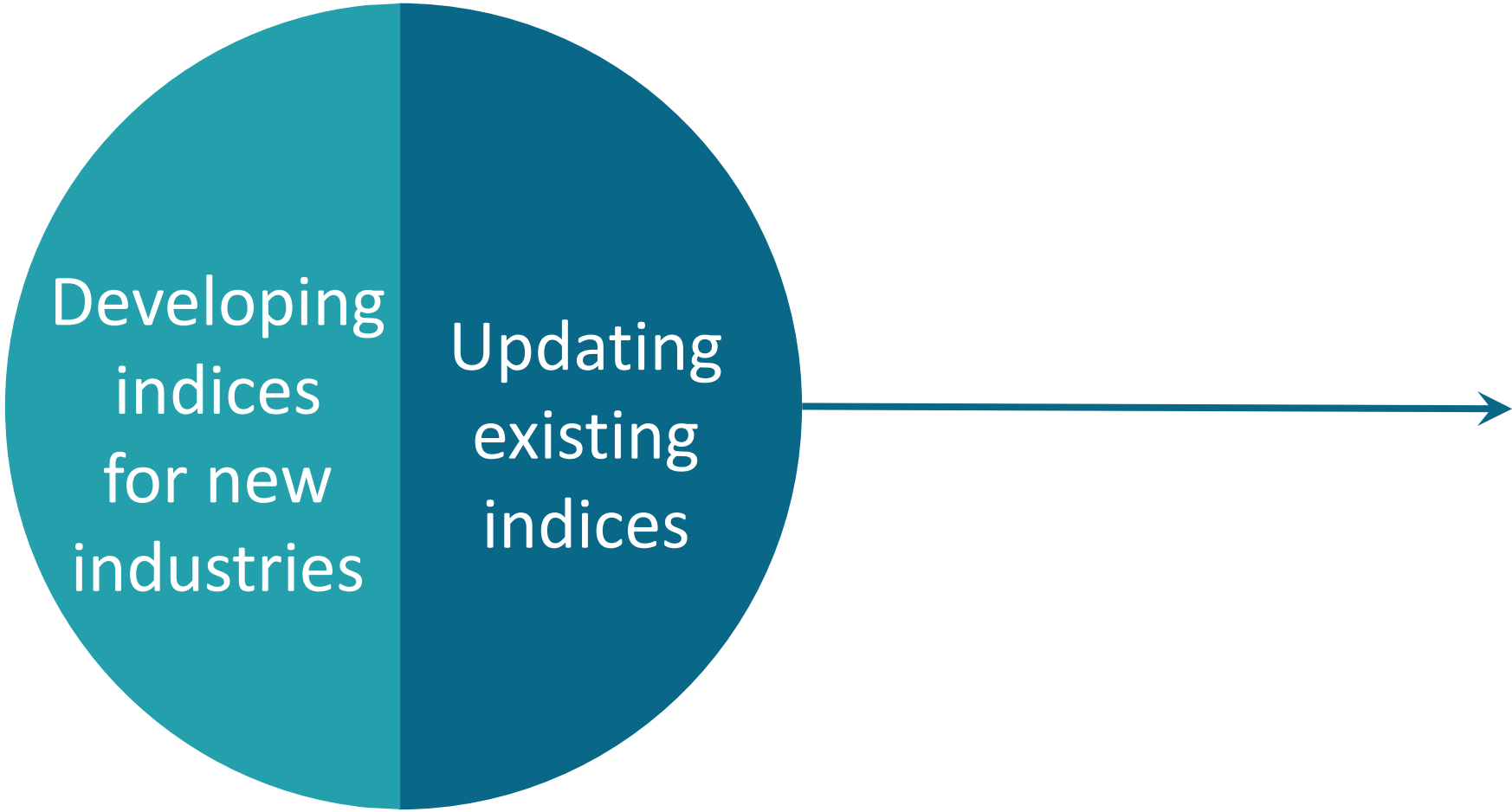
Motivation to define criteria for setting priorities:

More than 40 service industries

To improve the statistical series in the fields of National Accounts

Resource constraints

The work plan



Updating existing indices

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Publishing activities
(58)

Legal and accounting activities
(69)

Activities of head offices; management consultancy activities
(70)

Advertising and market research
(73)

Employment activities
(78)

Security and investigation activities
(80)

Services to buildings and landscape activities
(81)

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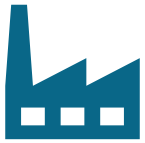
Contribution to GDP

Criteria for developing SPPIs

Necessity to have accurate deflators for National Accounts

The industry's level of complexity in terms of the difficulty in developing price indices

Criteria for developing SPPIs:
1. Contribution to GDP



The **greater**
the **relative weight**
of the industry

The **higher**
the **priority**

Criteria for developing SPPIs:
2. The level of complexity of the industry according to the difficulty in developing price indices

The **greater** the **experience** in developing the price index and the **richer** the professional **literature** on the subject

The **less complex the development** of the index will be

Criteria for developing SPPIs:
2. The level of complexity of the industry according to the difficulty in developing price indices

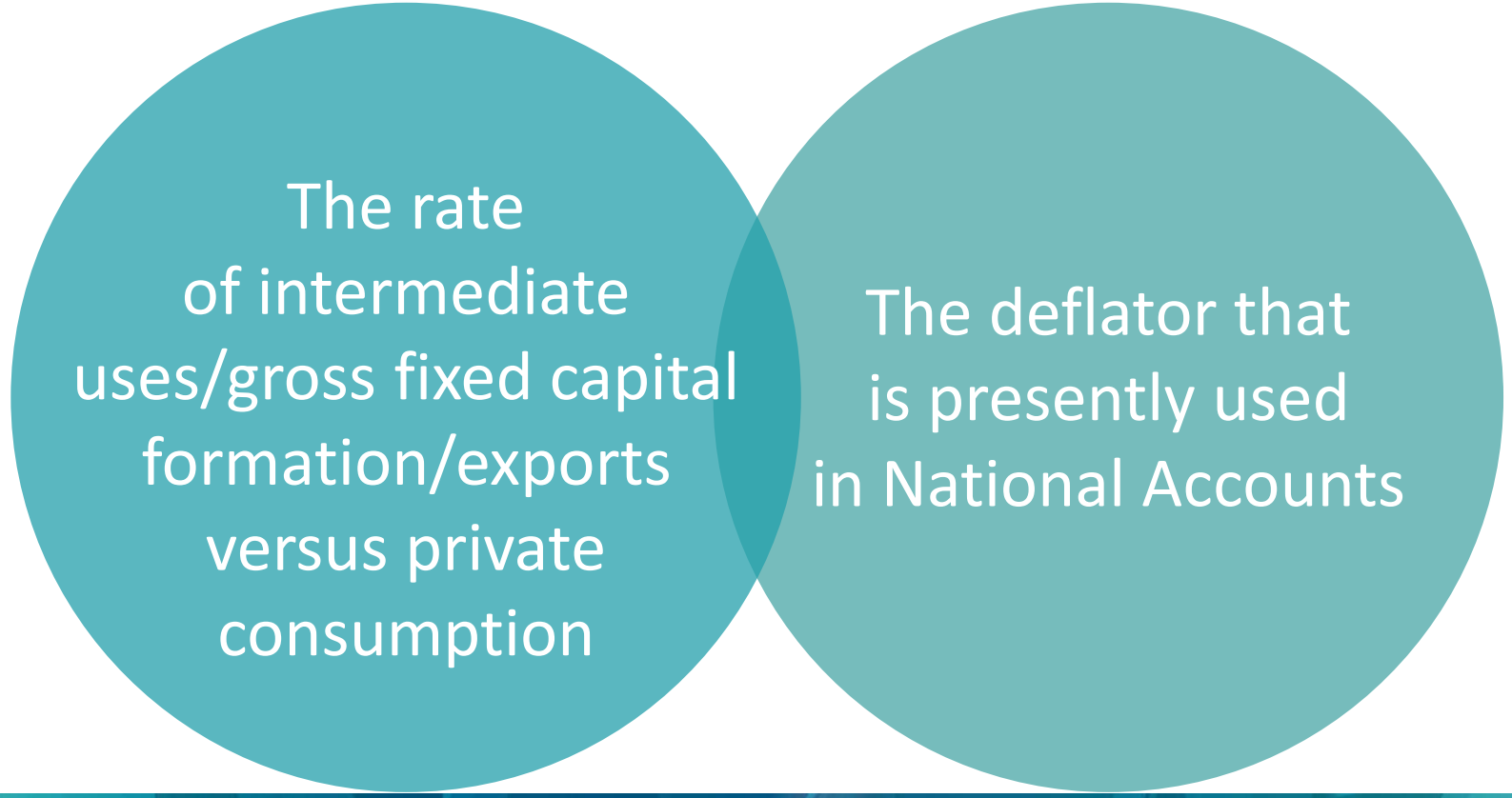
The **greater** the **experience in developing the price index** and the **richer** the professional **literature** on the subject

The **less complex** the developing of the index will be

There are industries that are complicated to measure despite the existing methodology (wholesale trade, computer programming and R&D)

Criteria for developing SPPIs:
3. Necessity to have accurate deflators for NA

The level of necessity for National Accounts is determined by two factors:



Necessity to have accurate deflators for NA

Factor 1: The deflator that is presently used in NA

A high level of necessity is given to industries that use a general consumer price index since no suitable index has been found for that industry.

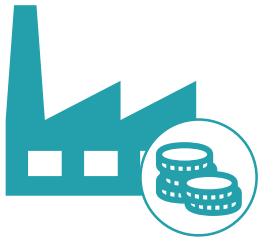
The rate of private consumption within the industry is **not high**

→

The consumer price index **does not** reflect the change

Necessity to have accurate deflators for NA

Factor 2: The rate of intermediate uses/gross fixed capital formation/exports versus private consumption



The rate of private consumption within the industry is **high**

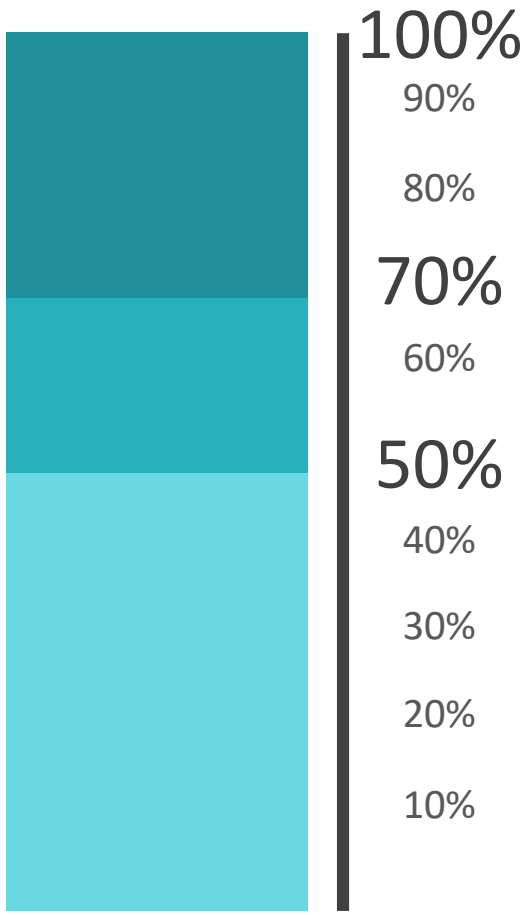
The consumer price index **can be used** as a deflator index

The rate of intermediate uses/gross fixed capital formation/exports versus private consumption

high level
(intermediate uses/export of goods of **over 70%**)

medium level
(intermediate uses/export of goods of **50-69%**)

low level
(intermediate uses/export of goods **less** than **50%**)



The order of priorities

Data

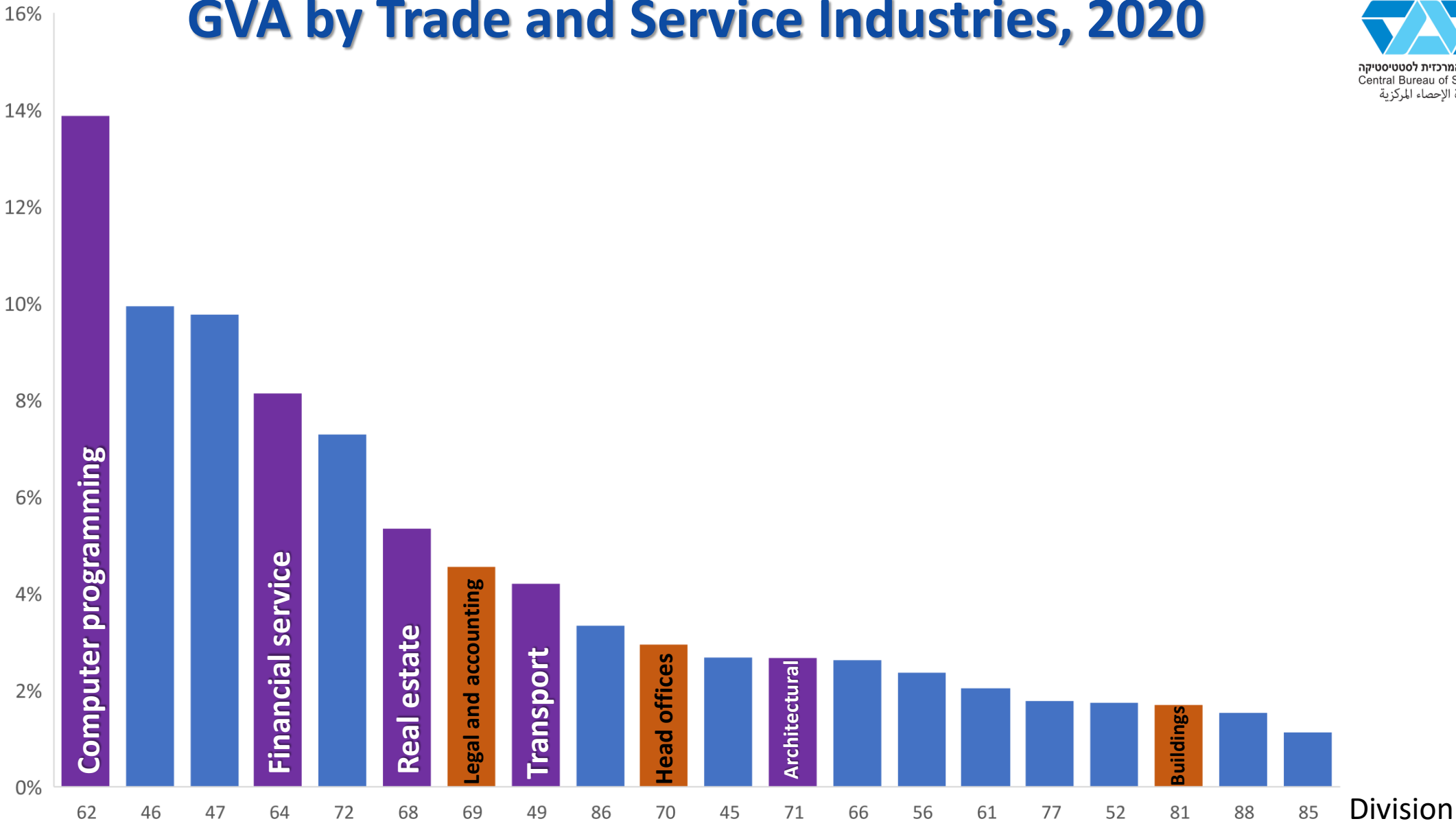
The weight of the industry in the total trade and services sector

The level of necessity, according to the rates of use

The index that is presently used in National Accounts as a deflator

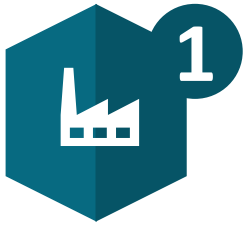
The list of countries that have already developed an index for the industry

GVA by Trade and Service Industries, 2020



(62) Computer programming, consultancy and related activities

Reasons for selection



The largest industry in trade and services

High level of necessity due to the high rates of export, investment, and intermediate uses

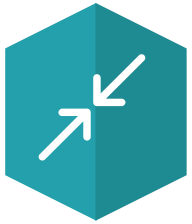
Attempts to develop an index in the past

Developed and measured by many countries

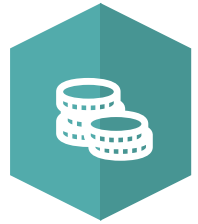
(68) Real estate activities

Reasons for selection

The sixth industry
in trade and services
(the fifth in 2018)



High level of necessity
due to the high rate
of intermediate uses



A need raised by
the Bank of Israel

(71) Architectural and engineering activities; technical testing and analysis

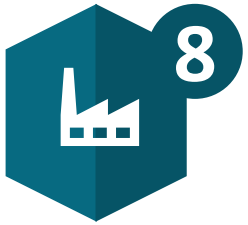
Reasons for selection

Attempts to develop
an index in the past

High level of necessity
due to the high rates of export,
investment, and intermediate uses

(49) Land transport and transport via pipelines

Reasons for selection



The eighth industry in trade and services (the seventh in 2018)

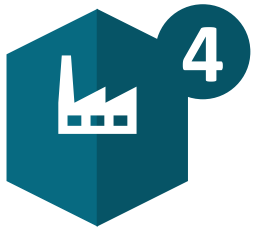
High level of necessity

A need raised by National Accounts

Developed and measured in many countries

(64) Financial service activities, except insurance and pension funding

Reasons for selection

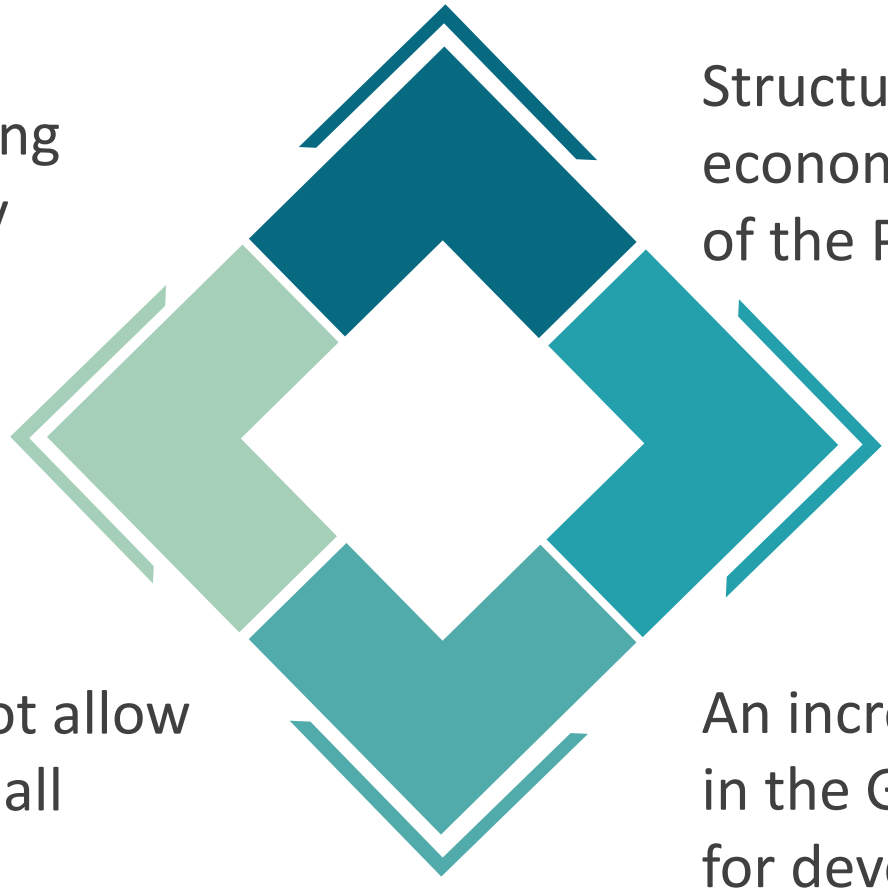


The fourth industry
in trade and services

A need raised by
National Accounts

Conclusion

The main criterion for setting priorities was the necessity for National Accounts.



Structural changes in the Israeli economy require adaptation of the PPIs.

Resource constraints do not allow concurrent developing for all relevant industries.

An increase in the share of services in the GDP raises the need for developing new SPPIs.

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Thank you!