

Introduction

1. *Background.* Distributive trade statistics (DTS) is a subject area of economic statistics concerned with provision of data about economic units whose main activity is wholesaling and retailing (i.e. sale without transformation) of any types of goods together with performing services incidental to sales such as repair, installation and delivery. The growing interest in DTS is due to a steady increase of contribution of distributive trade to the total economy in terms of value added and employment in most countries. Increasingly, the distributive trade provides a link between producers and buyers of goods who are not only residents of a given economy, but also producers and buyers operating on the global markets as exporters and importers. In this context, availability of high quality distributive trade statistics becomes a precondition for an in-depth analysis of globalization. While in developed countries distributive trade is well organized and can, normally, be captured by standard statistical means, in developing countries a lot of distributive trade is still carried out in the informal sector of economy which complicates statistical observation.

2. The need of a better cross country comparability of data on distributive trade was recognized by the United Nations Statistical Commission in the early 1950s and after preparatory work was completed, the initial set of international recommendations on distributive trade statistics was adopted by the Commission at its ninth session held in 1956. It was based on the report of the Expert Group on Distribution Statistics (E/CN.3/L36), the country comments on this report and the report of the second session of the Working Group on Distribution Statistics of the Conference for European Statisticians. Subsequently, these recommendations were revised and the *International Recommendations on Statistics of Distributive Trades and Services* (ST/ESA/STAT/Ser.M/57) were adopted in 1974 at the eighteenth session of the Commission. In 1977, at the request of the Commission, UNSD published a manual entitled *Organization and Conduct of Distributive-Trade Surveys* (ST/ESA/STAT/SER.F/19). Since 1974 the Commission has not had distributive trade statistics as a separate item on its agenda. However, issues relevant to wholesale and retail trade were considered in the context of the Commission's work, primarily, on service statistics and economic classifications. The present *International Recommendations for Distributive Trade Statistics* (IRDTs) continues the series of international statistical standards that have been issued by UNSD for providing guidance to countries in the collection and compilation of distributive trade data.

3. *Purpose of the IRTDS.* The main purpose of the document is to provide recommendation on the concepts, definitions, classifications, data sources, data compilation methods, approaches to data quality assessment, metadata and dissemination policies applicable in distributive trade statistics. Also, the recommendations cover some specific topics that have been identified as requiring additional guidance such as the treatment of informal sector units, compilation of indices of distributive trade, seasonal adjustment etc. IRDTs are consistent with other fields of economic statistics such as industrial statistics, construction statistics and other related domains of structural and

short-term statistics, index numbers compilations, performance indicators, and last but not least they are harmonized with the *System of National Accounts, 2008* (2008 SNA).

4. IRDTS is to ensure production of distributive trade statistics which are policy relevant, meet the demands of user community, timely, reliable, and internationally comparable. It is applicable for all countries irrespective of the level of development of their statistical systems. However, it should be stressed that the recommendations are not intended to be prescriptive and should be implemented by national statistical offices in a way appropriate to their own circumstances, including identified user needs, resources, priorities and respondent burden.

5. IRDTS deals with compilation of both structural and short terms statistics. Structural statistics pertinent to distributive trade are production-related statistics that are collected and compiled to establish the structure, activity, competitiveness and performance of trade enterprises at national, regional and international level. These statistics generally provide information referring to a whole reference year. They show changes from one year to the next, and can be used to judge the accuracy of infra-annual data, which is often produced from smaller sample sizes. Finally they can provide a benchmark population figure for analyzing infrequent, irregular or one-time trade surveys. By contrast, the short-term distributive trade statistics are infra-annual production-related statistics that are collected to monitor economic activity with respect to the short-term movements in the production and value added of trade units, employment in trade sector, etc. They are often used to produce monthly or quarterly indicators, and often take the form of indices.

6. *Need for the current revision of the recommendations.* The international recommendations for distributive trade statistics were not reviewed as a whole since 1974 and had to be revised in order to:

(a) Take into account and provide recommendations on statistical treatment of the new economic developments in distributive trade sector such as integration of distribution chains, growing importance of groups of enterprises, success of such modes of association as franchising, growing role of shopping centres, expansion of electronic commerce, globalization and the persistent importance of the informal sector in less developed countries;

(b) Ensure implementation of integrated approach to compilation of basic economic statistics for various types of economic activities, in particular to achieve harmonization with the recommendations on industrial statistics. It is recognized that distinct advantages would be attained in practice by the standardization of concepts and definitions, methods and procedures utilized for the common features in economic surveys. This includes harmonization of the recommendations on distributive trade statistics with the other recently updated international statistical standards such as the *International Recommendations for Industrial Statistics (IRIS)* being updated in parallel with IRDTS and the *System of National Accounts, 2008 (2008 SNA)*, *ISIC, Rev.4*, and *CPC, Ver.2*;

(c) Ensure consistency with concepts, definitions and terminology used in statistical publications and regulations of other international organizations such as Eurostat regarding the development of statistical business register and implementation of regulations on short-term and structural business statistics; OECD in respect of measurement of non-observed economy, compilation of index of service production and data and metadata reporting and presentation; and the ILO with regard to the international classification of status in employment, statistics of employment in the informal sector, and working time measurement.

(d) Provide guidance on the variables for compilation, data sources and data compilation methods and bring into the light new practices in data collection and data compilation resulting in improved quality and coverage of statistical information on distributive trade;

(e) Ensure uniformity in international reporting in order to create a worldwide database on distributive trade and provide an easy access to information on structure and dynamics of global markets as well as performance of distributive sector in different countries;

(f) Take account of the continued emergence of the remainder of the services sector in most economies around the globe and the increased volume and complexity of the interrelationships between distributive trade and other service activities both within and between enterprises.

7. *Common integrated framework for compilation of basic economic statistics.* The present international recommendations on distributive trade statistics should be seen as a component of the common integrated framework for compilation of basic economic statistics, being developed by UNSD. The framework is to cover a wide range of topics including statistical units, classifications and definitions of data items with economy-wide coverage of activities which will allow for a consistent compilation of harmonized statistics with reliability, flexibility and the level of details required to meet the needs of governments, business community, regional, international agencies and provide a solid foundation for the compilation of national accounts. It is intended to facilitate the examination of both industry and service activities in the business fields and to enable relevant comparisons to be made between various activities, regardless of their diversity, and between countries, irrespective of differences in customs and legislation.

8. *Summary of changes in the recommendations.* In brief, differences between the present recommendations and 1974 recommendations can be described as follows:

(a) *Scope.* The scope of present recommendations is limited to all statistical units primarily engaged in wholesale and retail trade activities and classified into section G of ISIC, Rev.4. The previous recommendations had a much broader scope as in addition to trade activities they also covered hotel and restaurants and some selected services such as real estate, advertising, radio and television broadcasting. Units primarily

engaged in repair of personal and household goods are also excluded. According to the ISIC, Rev.4 they are classified now in Division 95 of Section S - Other service activities.

(b) *Data items.* Both list of data items and their definitions are reviewed and updated. In particular the revenue and expenditure items are presented in more details, e-commerce sales are separately identified, and value of turnover is presented by product groups. Lists of data items and their coding in IRDTS and IRIS are fully harmonized;

(c) *Performance indicators.* The present recommendations cover not only compilation of the basic data items but identify also a list of indicators useful for assessment of performance of distributive trade sector. Such indicators were not part of the previous version of the recommendations;

(d) *Data sources and data compilation methods.* The description of data sources and data compilation methods is significantly expanded, e.g., by inclusion of discussion on business register, administrative sources of data and on an integrated approach to data collection;

(e) *Short term distributive trade statistics.* A new chapter on this subject is added covering, *inter alia* indices of distributive trade, seasonal adjustments and benchmarking;

(f) *Data quality and metadata.* Issues of data quality and metadata were not part of the previous recommendations. The present recommendations contain guidance on data quality dimensions, quality indicators, compilation and dissemination of metadata;

(g) *Data dissemination.* Recommendations on data dissemination are updated and harmonised with similar recommendations applicable in other areas of economic statistics;

(h) *Harmonization of IRDTS with the 2008 SNA.* Changes relevant to distributive trade statistics include:

- *Valuation of trade output.* Basic prices are recommended for valuation of trade margin and trade output (see para. 4.123 and para. 4.127). This valuation principle is not only implemented by the 1993 SNA, Rev.1, but also practiced in business accounting based on which data are extracted for responding to statistical surveys;
- *Ancillary units.* When separate accounts on production cost of an ancillary unit are available, or it is in a geographically different location from the establishments it serves, this ancillary unit is to be recognized as a separate establishment (see para. 2.27) in order to facilitate the compilation of a regional value added for distributive trade activities;

- *Research and development.* Research and development expenditures of trade units, if any, are to be capitalized. Since much research and development is carried on own account a number of data items, including a separate assets category, are introduced to allow its valuation at cost;
- *Large databases.* Similar to research and development, the large databases created by trade units either on own account or those for sale are to be capitalized;
- *Employee stock options.* Additional instruments for compensation of employees in terms of employee stock options are introduced (see para. 4.48). This permits further harmonization not only with the 1993 SNA, but also with international business accounting standards;
- *Terminology and classification of non-financial assets* used in the IRDTS and the 2008 SNA is identical.

9. IRDTS is prepared in the context of *Fundamental Principles of Official Statistics* which call for official statistics that meet the test of practical utility, that are accessible for all and compiled in a cost effective way, i.e. sources and methods for data collection are appropriately chosen to ensure timeliness and other aspects of quality and to minimize the reporting burden for data providers¹. *Principles Governing International Statistical Activities* calling for high quality international statistics and coordination of international statistical programmes in order to strengthen the quality, coherence and governance of international statistics and to avoid duplication of work² were used as additional guidance.

10. Where appropriate, IRTDS incorporates the previous work and various methodological manuals of Statistical Office of the European Communities (Eurostat), International Labour Organization (ILO), International Monetary Fund (IMF) and Organization for Economic Co-operation and Development (OECD) as well as a number of UNSD international statistical standards in the preparation of the present recommendations. In addition, examples of recommended practice were also widely used. Sources quoted extensively are presented in the list of references (see page [...]). Detailed source information and references have been provided throughout the recommendations to enable the user to obtain further information and background information.

11. The IRDTS is designed to provide the comprehensive methodological framework of the distributive trade statistics as well as policy guidance on a number of practical issues. More detailed advice to data compilers, including description of good practices, will be developed in near future and published in *Distributive Trade Statistics: Compilers*

¹ See *Fundamental Principles of Official Statistics* (<http://unstats.un.org/unsd/methods/statorg/FP-English.htm>)

² See more about *Principles Governing International Statistical Activities* on http://unstats.un.org/unsd/methods/statorg/Principles_stat_activities/principles_stat_activities.htm

Manual and Indices of Distributive Trade: A Handbook of Good Practices and other technical reports.

12. *Users and uses of distributive trade statistics.* The main users and their uses of distributive trade statistics are briefly described below:

(a) *Compilers of national accounts* make extensive use of distributive trade statistics including for (i) measuring the trade output and valued added generated by this sector of the economy; (ii) compilation of supply and use tables and input-output tables using data on trade margins by commodity and by industry, combining and reconciling distributive trade statistics with data from household expenditure surveys and production statistics; (iii) estimation of households final consumption expenditures on the basis of retail trade sales by commodity groups; (iv) compilation of quarterly national accounts using short-term indicators of distributive trade for estimation or forecasting of both quarterly output and value added of distributive trade and quarterly final consumption expenditure of households; (v) compilation of monthly or quarterly index of services production.

(b) *Policy makers* use distributive trade statistics, including indices of wholesale and retail trade, for assessing short and long-term movements not only in distributive trade sector but in a country's economy as a whole and for rationalization of their economic policies, including monetary policy. Such detailed data are vital not only in the context of the total economy, but for the sub-national (regional/provincial) analysis and for international policy formulation.

(c) *Business community* is progressively more active user of the detailed distributive trade statistics. The industry analysts find such data indispensable for assessment and forecasting of the dynamics of the wholesale and retail markets as well as for evaluation of performance and competitiveness of various sub-sectors of distributive trade both nationally and internationally. Statistics of distributive trade over a period of time detailed by kind of activity and by various groups of products is used for identification of areas of expanding or contracting demands and for monitoring the broad patterns of changing consumer tastes.

(d) *Researchers* find distributive trade statistics useful for economic analysis and studies. This includes monitoring of economic trends and developing forecasts for distributive trade sector; conducting market research for the sales of particular group of products, studying methods of sales and distribution etc.

(e) *General public* benefit from the availability of timely distributive trade statistics to evaluate conditions of the economy, employment and income perspectives in order to make more informed decisions.

13. *Organisation of IRDTS.* The present international recommendations cover all aspects of distributive trade statistics and consist of the following nine chapters and three annexes:

- Chapter I provides the description of the distributive trade activities in terms of International Standard Industrial Classification of All Economic Activities (ISIC) Rev.4 and other classifications, discusses boundary issues and defines scope of distributive trade statistics;
- Chapter II describes the statistical and reporting units that are useful for collection of distributive trade statistics and economic analysis of the economy;
- Chapter III explains the main characteristics of statistical units required for their unique identification and classification;
- Chapter IV presents the definitions of data items for use in distributive trade statistics with reference to the data items to be collected and statistics to be published;
- Chapter V describes a set of main indicators useful for evaluating the performance of the distributive trade sector;
- Chapter VI discusses the main data sources and methods used for compilation of distributive trade statistics;
- Chapter VII provides recommendations on short term distributive trade statistics including indices of distributive trade, seasonal adjustments and benchmarking;
- Chapter VIII discusses data quality and metadata relating to distributive trade statistics;
- Chapter IX provides guidance and recommendations on the dissemination of distributive trade statistics and presents selected data items identified for international reporting with annual and infra-annual periodicity.
- Annex I presents the list of data items for use in distributive trade statistics;
- Annex II provides the list of activities excluded from the scope of the relevant distributive trade divisions and classes; and
- Annex III provides an example of the identification of the principle activity of a reporting unit using the top-down method within wholesale and retail trade.