

Classifications *Newsletter*

United Nations Statistics Division (UNSD)

Number 14
June 2004

A rite of spring - Statistical Commission meets and discusses international economic and social classifications among other topics

The United Nations Statistical Commission (the Commission) had its annual meeting 2 – 5 March 2004. Held in early March each year, this meeting has come to be a signal that spring time in New York is not far away. The Commission, which was established by the Economic and Social Council of the United Nations, discusses matters of international interest in the areas of: statistical development, methodological issues, coordination and integration of international statistical programmes, support of technical cooperation activities in statistics and organizational matters. As is usual for this meeting, discussion was wide-ranging and representative in nature, involving delegates from more than seventy countries, and twenty-four international/specialized agencies along with representation from United Nations regional commissions and other United Nations entities.

In the area of classifications, the Statistical Commission had under its consideration, the report of the Secretary General on International Economic and Social Classifications. A key element of this report was the proposal being put forward as the basis for revision for the high-level structure of the International Standard Industrial Classification of All Economic Activities (ISIC). The Statistical Commission accepted this structure, in general terms, as the foundation for elaboration of the detail to be included in the 2007 revision of ISIC.

Also on the subject of the high-level structure of ISIC, the Statistical Commission expressed appreciation of plans to continue work on harmonization with other existing activity classifications, such as the Statistical Classification of Economic Activities in the European Community (NACE), citing that increasing economic globalisation places requirements for greater comparability and coordination in the area of classifications. The Statistical Commission also agreed with the proposed work plan for the ISIC and CPC

revision, including plans to consult with national, international and regional agencies in proceeding with the revision.

Also on the subject of consultation, in responding to the report, delegates welcomed the proposed collaboration with the International Secretariat Working Group on National Accounts (ISWGNA), in development of a top level structure for ISIC that could facilitate macro-economic analysis.

Delegates also suggested that a companion guide would prove useful in accompanying the publication of the revised ISIC, as this could facilitate national implementation of the classification.

Continuing on the topic of international classifications, the Commission agreed that a fourth revision of the Standard International Trade Classification (SITC) would be prepared for 2007. The last revision of SITC was published in 1987. The Commission also approved of plans to develop classifications of agricultural activities and products. The Food and Agriculture Organization (FAO) disclosed its plans to convene an expert group on classifications later this year, to evaluate agricultural development needs in this area. This initiative would also provide inputs to enhance the relevance of portions of the ISIC and CPC revisions.

The plans of the International Labour Organization (ILO) for revision of the International Standard Classification of Occupations (ISCO) were also presented to the Commission. These plans include the formation of a Technical Expert Group which would liaise with the Expert Group on Classifications in elaborating the revision of ISCO that is currently underway. It was reported that national experts on occupational classifications would also be integrally involved in the process. It was further revealed that the structure and principles of ISCO 88 would be generally maintained and that like the other classifications involved in the current round of revisions, the new version is expected to be ready in 2007. It was also mentioned that the ILO planned to keep the Statistical Commission informed of their progress as the revision unfolds.

June 2004

Finally, the Statistical Commission registered appreciation for the consultative nature of the work done in the revision process of ISIC and CPC to date, acknowledging the work of the Expert Group, its Technical Subgroup and that of the United Nations Statistics Division (UNSD). UNSD forms part of the Department of Economic and Social Affairs of the United Nations Secretariat.

Technical Subgroup presses ahead with revisions of ISIC and CPC

On 22-26 March 2004, the Technical Subgroup (TSG) to the Expert Group on International Economic and Social Classifications held its third meeting in five months, reflecting the intensity and volume of activity required to keep the revision process for the ISIC and CPC on schedule for planned publication in 2007.

The goal of this most recent meeting was to have a critical look at the initial review draft of the ISIC structure and detailed explanatory notes which had been prepared by UNSD. In conducting this scrutiny, the objective was also to be aware of those developments of the March Statistical Commission meeting that were relevant to the development of the classification and also to take account of other international, regional and national developments of importance to the process. There was much discussion regarding the detail presented in the draft, with some areas attracting more attention than others. In particular, detail in the areas of ISIC dealing with Agriculture, Forestry and Fishing; Manufacturing; Trade and the treatment of Repair and Maintenance; Accommodation and Food Service; Information and Communication; Financial and Insurance Activities; Real Estate, Rental and Leasing; Professional, Scientific and Technical Activities; Administrative and Support Services; Human Health and Social Work, and Public Administration were given extensive consideration and specific recommendations were made for their treatment in this revision. An indication of the types of changes that have been recommended and which are being put forward in the consultation draft is presented below:

- reorganization of the structure under Agriculture, Forestry and Fishing, with more detail introduced in the area of crop and livestock production and separate classes created in the Support Services to Agriculture for Post-harvest Crop Activities and Seed Processing;
- establishment of a division for Mining Support Service Activities under Mining and Quarrying.

Additionally, the extraction and agglomeration of peat has been uncoupled from mining of coal and lignite and placed with the residual group, Mining and quarrying not elsewhere classified (n.e.c);

- under the Manufacture of food products, classes have been introduced for the Manufacture of perishable food preparations and Manufacture of prepared meals and dishes;

- also in the Manufacturing Section, the manufacture of weapons and ammunition has been moved from Manufacture of machinery and equipment n.e.c. to Manufacture of fabricated metal products, except machinery and equipment;

- in the Section on Health and Social Work, veterinary activities have been moved out and placed in the Section for Professional, Scientific and Technical Activities; in addition, the Section on Human Health and Social Work now has three Divisions in place of one. These are: Human Health activities, Residential Care Services and Social Work activities without Accommodation, this latter category being elevated from class level to division level. The new Division for Residential Care Services includes separate classes for Nursing care facilities and Community care facilities for the elderly, among others.

Additionally, conceptual material for inclusion in the introduction was also considered, particularly regarding the application of value added. As part of that discussion, the general treatment of value added as well as specific methodological guidance in its use, was addressed. A tentative topmost structure for ISIC was also agreed. This structure remains the subject of future discussion with the ISWGNA (see article on Statistical Commission on pg 1).

In addition to its deliberations on the ISIC draft, the TSG was provided with a summary of issues relating to the ongoing revision of the System of National Accounts (SNA). A reporting on discussions of the Advisory Expert Group (AEG) on National Accounts was given, with a list of priority items that could be pertinent to the ISIC and CPC revisions being elaborated.

The TSG was also apprised of developments in the revision process for the Balance of Payments Manual. Major elements of the revision schedule for the BOP included the round of consultation that was scheduled to begin in April 2004, with feedback expected by 15 July 2004 and discussion on the revision process by the Task Force on International Trade in Services also scheduled in April 2004. The TSG was also informed that the Financial Assets Classification would be

reviewed as part of the BOP revision. In emphasizing the collaborative nature of the BOP revision process, it was made clear that this process would welcome feedback from the TSG on the consultation documents being circulated and it was promised that the TSG would be kept abreast of developments in the BOP revision process.

In focusing on the CPC, the TSG addressed the process and timing of the revision activities planned for the next year. It was agreed that a TSG meeting dealing expressly with CPC issues will take place in October 2004. Close cooperation will be maintained with the AEG and ISWGNA in order to filter important decisions into the review process. Among the elements that will be the focus of attention in the review will be:

- (a) the concordance between CPC and the Extended Balance of Payments Services classification (EBOPS);
- (b) changes in the CPC resulting from changes adopted in ISIC, and the nature of the relationship between the CPC and ISIC; and
- (c) the impact of the most recent changes in the Harmonized Commodity Description and Coding System (HS).

The schedule for revision of the CPC will entail preparation of a first review draft by October 2004, discussion of that draft by the TSG, then dissemination of a consultation draft in November 2004, with feedback to be received by May 2004 and preparation of a final draft by October 2005.

Detailed draft for ISIC Rev.4 released

As new economic developments occur and needs in economic analysis change, underlying tools, such as economic classifications, have to reflect these new conditions. The revision of the International Standard Industrial Classification of All Economic Activities (ISIC) is being conducted in this context.

The revision of ISIC also aims to reflect the needs of countries in different phases of economic development, improve the relationship of ISIC to other important activity classifications in use around the world and to provide improved guidance to users of the classification through detailed explanatory notes.

One mechanism for ensuring broad representation has been to engage as many countries as possible in the development of the new classification, taking into consideration the different needs of statistics producers and users around the world. This has been reflected in the circulation of two previous questionnaires in 2001

and 2003, seeking input on conceptual and high-level structure issues. Based on the replies to these questionnaires, a high-level structure for the revised ISIC was developed and presented to the United Nations Statistical Commission in March 2004. The Commission approved this draft as the basis for future detailed work on the classification (see page 1).

The current consultation document provides, for the first time, a complete draft of the proposed ISIC structure with a complete set of explanatory notes. Also included in the document is a discussion related to the use of value added for mixed activities. In previous discussions, the majority of countries have favoured the use of value added as the universal criterion for determining the primary activity of a unit, even in the case of vertical integration. This document discusses options of how to make this universal rule operational.

Comments are being sought on all parts of this document, including a) the detailed aggregation structure as such, b) the definition of individual categories and c) the discussion on the use of value added. Comments on the structure can range from requests for additional detail, over requests for collapsing certain categories in this structure, to suggestions for completely different concepts of definition and aggregation. The document also includes a number of comments on individual categories, to which additional reactions are being sought.

The ISIC Rev. 4 draft document is available for download on the UNSD website at (<http://unstats.un.org/unsd/cr/isic-4.asp>). Additional proposals and discussions will be made public on this website also.

Comments on this draft are expected by 15 November 2004. These responses will then be reviewed by the Technical Subgroup of the Expert Group on International Economic and Social Classifications at its meeting in the Spring of 2005.

Consultation on CPC will follow

Work on the revision of the Central Product Classification (CPC) will continue parallel to the work on ISIC. The recommendation of the Expert Group, presented to the Statistical Commission in March 2004, is to leave the main structure of the CPC unchanged and focus on improvement of the detail of the CPC. This will include a review of changes made to the Harmonized Commodity Description and Coding System (HS), a review of the link to the Extended Balance of Payments Services Classification (EBOPS),

as well as a review of individual sections of CPC that will be affected by proposed changes in ISIC. Countries and interested organizations are invited to bring forward any additional proposals they may have for improving the classification. A questionnaire seeking additional input to this effect, is under preparation and is scheduled to be disseminated within the next month.

Update on revision activities for the UN List of Industrial Products

Work on the UN List of Industrial Products is continuing. This list is designed to facilitate data collection on major industrial products for all countries and areas of the world (see Issue #12 of the *Classifications Newsletter* of October 2003 that gives background information on the development and purpose of the list).

Since that reporting, the work on the revision of the list has progressed well and is now in its final stages.

As was disclosed in the *Classifications Newsletter* Issue #12, the methodology of the new list, that is, the definition and coding of the products will be based on CPC.

The ultimate goal of the revision work is to have the new list reflect a balanced product structure that is representative of current economic realities.

For this, the products that will be in the new draft list have been selected in such a way that a good coverage of CPC and a balanced distribution of the products of the new list throughout CPC (along its four levels) is ensured.

This exercise required a lot of detailed work and an effort was made to ensure continuity of the present production data as much as possible. Some old products were deleted and the respective series discontinued, while new products were introduced and links with CPC, HS and PRODCOM established for all products that will be in the new list.

In order not to exclude any important new products because of lack of production data, the latest trade data were used as an estimate of size.

The products that will finally be in the new draft list will be defined in terms of CPC and HS. Titles and explanatory notes will be based on CPC and HS and the

products will have a CPC based code for easy identification.

The work is now at the stage of giving the new draft list its final shape. Once this is done, it will be distributed to the international organizations involved in production statistics as well as national statistical offices, for consultation and feedback.

During the consultation process, it is envisaged that an Expert Group on the revision of the UN List of Industrial Products will be convened and following on the consultation process, revisions and amendments will be made to the draft list.

It is planned that in the near future, the Energy and Industry Statistics Section of UNSD will adopt the new list in its annual Commodity Production statistics data collection exercise.

FAO and UNSD cooperating in classifications

The Classifications Section of the United Nations Statistics Division and the Statistics Division of the Food and Agriculture Organization (FAO) have started a collaborative activity to update the definition and classification of agricultural commodities. This is being carried out as part of the FAOSTAT2 project of the FAO.

The objective of this exercise is:

- (a) to harmonize the FAOSTAT commodities list with existing international classifications, in particular CPC Ver.1.1 and HS2002; and as a result of that
- (b) to provide a correspondence to CPC; and
- (c) to provide input in the area of agricultural products for the CPC revision process.

In a first round of analysis, existing differences in the definitions used and development of correspondences to the HS and CPC were identified as being of prime importance. These are now the subject of further discussions. The project is going to be continued as is the CPC revision process.

Calendar of events

Classifications workshops in Beirut and Geneva

Preparations are in progress for two workshops on classifications. These will be held in cooperation with

the Economic Commission for Europe (ECE) and the Economic and Social Commission for Western Asia (ESCWA). The former will take place in Geneva, Switzerland on 29 September - 1 October 2004 and the latter will take place in Beirut, Lebanon, on 19 - 23 July 2004.

These workshops will focus on economic and social classifications and their uses in statistics:

- current implementation and use of national activity and product classifications and their relationship to the International Standard Industrial Classification of All Economic Activities (ISIC) and the Central Product Classification (CPC);
- revision plans and proposals, including discussion of the questionnaire materials for the 2007 ISIC and CPC revision; and
- measures to facilitate cooperation in the field of classifications, including at regional and sub-regional levels.

Next Technical Subgroup Meeting

The next Meeting of the Technical Subgroup of the Expert Group on International Economic and Social Classifications is scheduled for October 2004. The main focus of this meeting will be to review proposals and necessary changes and amendments to the CPC with a view to developing a first draft for the 2007 revision of CPC.

New publication

The International Standard Industrial Classifications of All Economic Activities (ISIC) Rev. 3.1 is now available in English, (Sales No. E.03.XVII.4). Translation into other official United Nations languages is in progress. This print publication may be ordered through the United Nations Sales Section, by e-mail: publications@un.org, by facsimile: 1 212 963 3489.

Editorial note

The Classifications Newsletter summarizes recent developments in the field of international classifications, announces upcoming events and draws attention to the availability of relevant classifications material in print and on the Internet. This Newsletter is published as an Annex to the United Nations Statistics Newsletter and is currently disseminated by the United Nations Statistics Division. The Classifications Newsletter is at the United Nations Classifications

Website <http://unstats.un.org/unsd/class> under "International cooperation in classifications", "Classifications Newsletter".

For further information please contact the Classifications Hotline:

United Nations Statistics Division
 Attn: Statistical Classifications Section
 United Nations
 New York, NY 10017, USA
 E-mail address: chl@un.org
 Fax: 1 212 963 4116 or 1 212 963 1374

Classifications Website:

<http://unstats.un.org/unsd/class>