

# Classifications *Newsletter*

United Nations Statistics Division (UNSD)

Number 15  
December 2004

## Technical Subgroup takes in-depth look at the CPC

The Technical Subgroup (TSG) to the Expert Group on International Economic and Social Classifications held its customary fourth quarter meeting on 18-21 October 2004. This meeting was a special one, as for the first time a meeting of the TSG was devoted entirely to issues relating to the Central Product Classification (CPC). The main focus of the meeting was the review of responses to the 2004 questionnaire on the revision of the Central Product Classification (CPC). This questionnaire was disseminated in July 2004, with a deadline of 10 October 2004 for response. The TSG considered the summarized responses to the questionnaire from some forty countries, as well as a number of responses and specific proposals that were put forward by regional groups, international agencies and other working groups considering product classifications.

Proposals tabled in the meeting spanned the areas of agricultural, forestry and fishery products, food products, textiles, apparel and leather products, information products, ICT goods and services, health services, legal services, professional services including accounting, architecture, engineering, advertising and R&D services; waste management and tourism-related products; as well as the areas of food service, transportation, wholesale and retail and the treatment of originals and construction services.

A major concern in the services area of the classification was that categories defined in the CPC should be aligned with the business reporting structure peculiar to the products in those categories. For example, surveys of architectural firms have shown that these firms are able to report data on services provided for a particular project, such as a residential building, but are usually not able to split the value of the services among the current CPC categories, which reflect progressive stages in an architectural consulting process, but not the type of project. This is a reflection of the fact that services are typically provided in a bundle, covering all stages from advisory, pre-design, design through management services. The proposal for

the revised CPC will therefore reflect products reflecting architectural services separately for each type of project, but not for individual stages within a project. Additionally, categories for expert witness products are being proposed in a number of groupings, such as in architecture, landscape architecture and engineering. A number of proposals for other professional services have been made in a similar context. These changes are expected to enhance the reporting of services data at the detailed level.

Linkages between the CPC and other classifications have been another major concern discussed at the meeting. The CPC will continue to use the subheadings of the Harmonized Commodity Description and Coding System (HS) as building blocks for the goods part of the classification. Possible exceptions for products that have a significant local production, but are low in international trade are being considered. Proposed changes for the HS in 2007 will affect a number of CPC categories and will be reflected in the upcoming CPC draft structure. The ongoing revision of the Standard International Trade Classification (SITC), which will also be based on the revised HS, will also be considered with the goal of strengthening the link between CPC and SITC.

Another goal of the CPC revision process is a strong link between the services part of the CPC and the Extended Balance of Payments Services Classification (EBOPS). CPC is more detailed than EBOPS, and a link between the group (3-digit) level of the CPC and EBOPS has been identified as a target for the link. There are however a number of conceptual differences between the two classifications which affect a clean link at this (or any other) level. These differences concern (a) the scope of services as defined in the classifications, and (b) the underlying grouping concepts of the classifications. Scope issues include the treatment of repair and the treatment of processing services ("goods for processing"). Neither of these has been considered as services in EBOPS in the past, but each has been treated as such in the CPC. The groupings in EBOPS reflect a mix of product-based and transactor-based concepts, which contradicts the strict product-based concept of the CPC. EBOPS components reflecting a transactor-based concept are, for instance,

December 2004

236 (Travel) and 285 (Services between affiliated enterprises). Both components can include services that are already part of other EBOPS components, but are classified here based on the transactors involved, not on the type of services rendered. This essentially makes a clean link from a CPC category to EBOPS impossible. Proposals by the Balance of Payments Technical Expert Group (BOPTTEG) regarding these and other issues are being considered by the Balance of Payments Committee and may affect the link between the classifications. A number of smaller issues can be dealt with by adjusting individual category definitions in CPC or EBOPS and these items are under consideration. Papers regarding the EBOPS-CPC link, as well as issues under discussion for the Balance of Payments classification can be found on the Classifications website (<http://unstats.un.org/unsd/class>) under "International Cooperation in Classifications", "Technical Subgroup" and on the BOPTTEG website at <http://www.imf.org/external/np/sta/bop/boptteg.htm>.

The TSG will validate the proposals received against available feedback from surveys carried out, before iterated versions of these proposals become part of the revised CPC draft proposal, which will be circulated to countries in early 2005.

---

## **United Nations Classifications Workshop is held in Beirut**

A workshop on International Economic and Social Classifications took place in Beirut, Lebanon, 19-23 July 2004. The workshop was organized jointly by the United Nations Economic and Social Commission for Western Asia (ESCWA) and the United Nations Statistics Division (UNSD) within the framework of the project on Strengthening Statistical Capacity in the ESCWA Region.

The workshop, which was attended by 31 participants from 12 ESCWA countries, included representatives from Central Statistical Offices, Ministries of Industry and other related ministries as well as representatives from UNESCWA, UNSD, ILO and regional organizations working in this field.

The main objective of the workshop was to present to participants the suggested structure for ISIC Rev.4 and clarify its relationship to other important classification systems currently used in the ESCWA region. Other aims of the workshop were:

(a) to gather the proposals and views of ESCWA member countries, both from the country and regional

perspectives, with regard to the revision of the International Standard Industrial Classification of All Economic Activities, (ISIC) Rev.4;

(b) to encourage the application of ISIC in all ESCWA member countries;

(c) to increase harmonization in producing and disseminating updated data on industrial statistics. The workshop also allowed participants from member countries to share their experiences.

Also discussed, were challenges associated with the conversion from ISIC Rev.3 to ISIC Rev.4. ESCWA member countries used the opportunity to present success stories and challenges relating to the implementation of international classifications - ISIC, CPC, and the International Standard Classification of Occupations (ISCO).

UNSD gave detailed presentations on the recently distributed complete draft version of ISIC Rev.4, highlighting areas that will be particularly affected by change or could be of special interest to the region. UNSD also gave presentations on the International Family of Classifications and the role of custodians of classifications in the family.

The ongoing process of revising the UN List of Industrial products, which is used for commodity production statistics at UNSD, was also described. This revised list, which represents a selection of about 600 commodities for worldwide data reporting, will be based on the Central Product Classification.

A paper on updating the International Standard Classification of Occupations (ISCO) was presented by the ILO representative to the meeting. The revision of this classification is also scheduled for completion by 2007. The presentation indicated the areas of ISCO that will be updated, which included the application of skill at national level, the wording of titles in the classification, as well as general occupations. It also made mention of those areas which are not likely to be subject to change. Participants from ESCWA member countries expressed their wishes and communicated their concerns on this matter. Some suggested that the main structure and classification methodology adopted in the current version of ISCO be kept, the rationale behind this request being that users of ISCO are more acquainted with the current version. Furthermore, participants requested that ILO translate more documents and publications into Arabic as Arabic speaking countries represent a significant number of users of these documents.

The Arab Industrial Development and Mining Organization (AIDMO) introduced its Arab Industrial Information Network (ARIFONET). ARIFONET allows users to access, online, industrial statistics about Arab countries. This network aims to promote products produced in the Arab world. Data in ARIFONET is based on the ISIC classification and recently, data reported was converted to reflect ISIC Rev.3. AIDMO encourages the use of international classifications.

In the area of industrial statistics, there is a general concern that data collected on ESCWA member countries is not homogeneous; hence, ESCWA member countries have been encouraged to adopt a unified industrial statistics classification system in order to evaluate economic and social activities in the ESCWA region.

Following are the main recommendations to UNSD:

(a) In an effort to preserve the time series that utilize ISIC and keep the resource burden of conversion to minimum, significant changes to the structure of ISIC Rev. 3 should be avoided. New items should be added without changing the coding system or an alternate structure that allows use of ISIC Rev.3 with conversion to ISIC Rev.4. should be maintained;

(b) It was recognized that problems relating to conversion to ISIC Rev. 4 are greater for decentralized statistical systems than they are for centralized ones;

(c) Technical assistance should be provided to countries still using ISIC Rev. 2 and a correspondence between ISIC Rev. 4 and ISIC Rev. 2 could facilitate the shift to the new version;

(d) Representative(s) from ESCWA member countries should be invited to participate in the meetings of the Expert Group or Technical Subgroup working on the ISIC revision, to provide their regional input on the ISIC revision process.

(e) Relationships between classification systems such as ISIC, the United Nations Framework Classification for Energy Reserves/Resources (UNFC), FAOSTAT, and others, should be improved and clarified;

(f) The guidelines and criteria for structuring ISIC should be more transparent;

(g) Issues of importance to the ESCWA region such as oil, gas, olives, cotton, dates, desalination technologies, water supply and carpets should be well considered in the revision process.

More detail on the deliberations of the meeting can be found in the papers presented to the meeting, which are located on the United Nations Classifications Website at <http://unstats.un.org/unsd/class>, under "International Cooperation in classification", "United Nations Classifications Workshops and Training".

---

## ASEAN countries work on harmonization of classifications

The Second Technical Meeting on the Harmonization of Statistical Classifications for countries of the Association of Southeast Asian Nations (ASEAN) took place on 4-6 October 2004 in Manila, the Philippines. It was hosted by the National Statistical Coordination Board (NSCB) of the Philippines in conjunction with the 9th National Convention on Statistics and the 15th Annual Celebration of the National Statistics Month of the Philippines.

The meeting emphasized the importance of uniform standards and classification systems in official statistics and in promoting harmonization and comparability. Participants highlighted the necessity of having their collective views heard in the formulation of global statistical policies and standards, and the perspective of the ASEAN countries taken into consideration in the formulation of classification systems such as in the forthcoming revision of ISIC in 2007.

The ASEAN Secretariat recalled the harmonization issues identified during the first meeting, issues that concerned the Fifth ASEAN Heads of Statistical Offices Meeting (AHSOM 5), and the possible approach to address harmonization issues. Among the most important issues cited were: (a) Differences in the level of conformity; (b) Differences in the criteria/ways of modification; (c) Differences in treating boundary issues; (d) Problems with correspondence tables; and (e) Differences in principles of classifications.

In the short term, the possible approach to addressing the harmonization problem, highlighted by the ASEAN Secretariat, will be the formulation of an ASEAN Position on ISIC Rev. 4 and CPC. In the intermediate term, regional cooperation may proceed with the formulation of a common structure, a common policy and guidelines for revision.

The United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) presented its paper on "Policy on Revision to Ensure Comparability of Statistics among ASEAN Countries" stressing the importance of countries to at least conform to ISIC at the two-digit level, as suggested in the Draft ISIC Rev. 4. ESCAP further recommended that ASEAN Member Countries agree on the date or period in which to implement ISIC Rev.4 simultaneously in all ASEAN countries, estimate resources necessary to implement

ISIC Rev. 4, and that the ASEAN Secretariat come up with a project to assist Cambodia, Lao PDR, Myanmar and Viet Nam in implementing ISIC Rev. 4. ESCAP also stressed the importance of peer pressure and recommended that countries with decentralized statistical systems use the agreement reached at the ASEAN level to ensure support from other related agencies.

In line with ESCAP recommendations, the meeting agreed that the ASEAN Secretariat put forward these recommendations for AHSOM consideration. The ASEAN Secretariat suggested that the Task Force should develop a realistic work program for 2005-2006 as a basis for the ASEAN Secretariat to follow up the meeting decisions. The main focus will be on compliance with international standards at a common ASEAN level and the establishment of an agreed adoption schedule. Country practices were discussed at the meeting and will form the basis for future work, drawing on experiences not only of the more advanced countries in the region, but also taking into account difficulties that have restricted comparability in the past.

The Task Force consultant presented a Draft Proposed Work Program for Harmonization of ASEAN Standard Industrial Classifications (ISIC Rev.4) and Central Product Classification (CPC). Among the most important objectives of the work programme are the promotion of harmonization and comparability of statistical classifications through the creation of correspondence tables, guidelines on revision criteria/policy and on treatment of boundary issues, and the most suitable scheme of statistical classification and other relevant instruments in support of ASEAN policy making.

The meeting discussed the objectives and time frame, as well as expected output and the role of the ASEAN Member Countries and ASEAN Secretariat. One concern regarding the usefulness of an ASEAN classification for national purposes was raised by the Singapore representative, since such a classification, with an ISIC structure, would be difficult to adopt and may lead to unnecessary categories or classes in some countries where activities under such categories/classes are not important. This already mirrors, at this small regional level, the difficulties faced by international organizations in developing common standards that apply to countries with vastly different economic structures.

First results of the harmonization work, including a detailed assessment of the current situation and needs of

ASEAN member countries, are expected by mid-2005.

---

## Calendar of Meetings

### Technical Subgroup Meeting

The next meeting of the Technical Subgroup of the Expert Group on International Economic and Social Classifications is scheduled for 14-18 February 2005. The main focus of this meeting will be to review responses provided on the ISIC Rev.4 draft and agree the changes and amendments that need to be made to it. The draft of ISIC Rev.4 was circulated to national statistical offices, regional and international agencies and other concerned entities in May 2004, with the objective of soliciting a broad range of inputs into the development of the classification.

### Statistical Commission Meeting

The thirty-sixth session of the United Nations Statistical Commission will take place on 1-4 March 2005 in New York. The Commission will discuss issues of international concern in statistics, including international economic and social classifications. Documents of this meeting can be accessed at <http://unstats.un.org/unsd/statcom/sc2005.htm>.

### Classifications Workshop for ECLAC countries

A Classifications workshop organized by the United Nations Statistics Division (UNSD), the International Labour Organization (ILO) and the Economic Commission for Latin America and the Caribbean (ECLAC) has been tentatively scheduled for 14-18 March 2005 (location to be confirmed). The focus of this workshop will be on the revisions of the International Standard Industrial Classification of All Economic Activities (ISIC) and the International Standard Classification of Occupations (ISCO).

### Expert Group Meeting on International Economic and Social Classifications

The next meeting of the Expert Group on International Economic and Social Classifications has been scheduled for 27 June – 1 July 2005. The Expert Group meets bi-annually to examine the status of work in the area of international economic and social classifications, discuss plans for reviewing and updating classifications and harmonize strategies in classifications development work. This meeting is expected to focus on the revisions that are in progress for ISIC, CPC and ISCO. It will also give consideration to the UN List of Industrial Products, used in the collection and reporting on industrial production worldwide. The Expert Group is expected to approve the draft classifications and make

recommendation for their adoption by the Statistical Commission.

---

## New publication

The Central Product Classification (CPC) Ver. 1.1 is now available as a printed publication in English, (Sales No. E.03.XVII.3). 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](mailto:publications@un.org) or 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. The Classifications Newsletter can be found at the United Nations Classifications Website, <http://unstats.un.org/unsd/class> under “International cooperation in classifications”, “Classifications Newsletter”, or directly at <http://unstats.un.org/unsd/class/intercop/newsletter>.

To receive the Classifications Newsletter by e-mail, you can sign up for our mailing list at <http://unstats.un.org/unsd/cr/registry/regmaillist.asp> or select “Mailing list” from the menu at the classifications website.

For further information please contact the Classifications Hotline:

**United Nations Statistics Division**  
**Attn: Economic Statistics and Classifications Section**  
**United Nations**  
**New York, NY 10017, USA**

**E-mail address: [chl@un.org](mailto:chl@un.org)**  
**Fax: 1 212 963 4116 or 1 212 963 1374**

**Classifications Website:**  
<http://unstats.un.org/unsd/class>