CO-ORDINATION OF ONGOING STATISTICAL PROGRAMMES

Harmonization of Economic Classifications

Progress report on the revision of ISIC and the development of CPC

Report prepared by
the United Nations Statistical Office

1. The present programme on harmonization of economic classifications was initiated by the Statistical Commission at its nineteenth session (New Delhi, November 1976) and re-endorsed at subsequent sessions. Currently, the programme is concentrated on completing the third revision of the International Standard Industrial Classification of All Economic Activities (ISIC), an activity classification, and the developing of the Central Product Classification (CPC), a directly related product classification. The Statistical Commission at its twenty-fourth session in 1987 reaffirmed its wishes to receive final drafts of both classifications at its twenty-fifth session in 1989. Since the twenty-first session of the Sub-committee, considerable progress has been achieved and it appears likely that the Commission's target will be met. During the past year three important meetings were held on this subject.

2. A follow up meeting of volunteering countries (Voorburg Group) was held in November 1987 in Stockholm in order to review the drafts of proposals prepared by co-operating countries for dealing with selected services areas in ISIC and CPC. As a result of these efforts considerable progress has been made in elaborating the treatment of services in these two classifications.

3. The sixth session of the UNSO/SOEC Joint Working Group on World Level Classifications was held in Luxembourg in December 1987. A number of important outstanding issues were resolved at this meeting. Discussions also covered the services parts of drafts ISIC and CPC. Guidance on how to further develop the classifications, especially for business activities and services, was provided.
4. Finally, a United Nations Expert Group meeting was convened from 25 to 29 April 1988 at the United Nations Headquarters to consider the drafts of ISIC and CPC before they are submitted to the Statistical Commission. As suggested by the Statistical Commission, efforts were made to ensure that the membership was similar to that of the Joint UNSO/SOEC meetings. Experts from the following countries attended: Brazil, Canada, Czechoslovakia, France, Hungary, India, Japan, Kenya, Malaysia, the Netherlands, Sweden, United Kingdom and U.S.A. Representatives of the CCC, EC, ILO, IMF, OECD, UNCTAD and UNESCO also participated. This meeting had before it the latest drafts of ISIC and CPC which reflected the comments and recommendations of the previous meetings as well as comments received from a number of countries, agencies and individual experts.

5. During the discussion of issues related to the choice of the most appropriate statistical unit for data collection it appeared that the Expert Group was entirely in agreement with the proposal made in the course of the revision of SNA that any discrepancies between the definitions of statistical units by ISIC and by SNA should be avoided. Some problems may arise in this connection owing to the differences in timing (the draft ISIC, Rev.3 has to be completed sooner before the first draft of the revised SNA becomes available); any substantial differences that may be caused by this fact should be brought to the attention of the Statistical Commission.

6. The Expert Group agreed that the unit to be applied in practice, in general, should be that which may be considered as optimal in the conflict between the homogeneity requirement and data reporting capacity. It was recognized that the best unit is not necessarily the smallest unit for which the requested data are available. In some statistics, where the behavior of the entities is studied, it is the decision making unit which is to be observed. It was agreed that ISIC should define its units both on a theoretical basis (i.e. in ideal circumstances) and also taking into account the practical limitation. This type of definition was also proposed by the SNA Expert Group on Production Accounts and Input-Output Tables in Vienna, March 1988. The Expert Group agreed that the content of the definition of the enterprises, kind-of-activity units, location units and establishments should remain essentially the same as in ISIC, Rev.2.

7. A number of detailed changes and corrections in the draft of ISIC, Rev.3 were recommended. However, the Expert Group meeting did not agree to support broader proposals that appeared to upset the basic compromises that are now embodied in the draft. With regard to the Annexes to ISIC, the Expert Group basically supported the annex on energy related activities, but did not agree to the annex on information related activities and considered that further consultation between the WTO, UNSO and OECD was needed on the annex on tourism related activities.

8. The Expert Group approved the over-all structure and coding system for ISIC. It was agreed that alpha symbols would be used as tabulation categories which indicate broad economic activities (agriculture; mining and quarrying; manufacturing; electricity, gas and water supply; construction,
wholesale and retail trade, etc.). Numerical codes would be used at the division, group and class levels. The Expert Group recommended that the final draft of ISIC should be presented to the twenty-fifth session of the Statistical Commission for its approval.

9. The Expert Group recommended that the draft CPC should be submitted to the Statistical Commission for its approval and publication as a provisional document. In this way the classification could be used around the world in order to gain experience and receive wider comments. As far as the goods part of CPC is concerned it was agreed that the UNSO should not write separate explanatory notes. The Office would fully rely on the explanatory notes provided by the CCC for the Harmonized Commodity Description and Coding System (HS). For the services part, the Expert Group noted that the Secretariat is not in a position to write the explanatory notes in the time available. Accordingly the meeting recommended that the Secretariat request countries which have already contributed to the services part of CPC to write explanatory notes, and that those may be made available, at least informally, at the time of the twenty-fifth session of the Statistical Commission.

10. The deadline for the submission of the final drafts of ISIC and CPC for the consideration by the Statistical Commission at its twenty-fifth session in February 1989 will be the end of June 1988.

11. With regard to future work the Conference of European Statisticians is intended to convene a meeting on classifications of economic activities and goods and services in November 1988, to consider the revised drafts of ISIC, Rev.3 and CPC before their submission to the Statistical Commission. A meeting of volunteering countries (Voorburg Group) will be held in Wiesbaden in October 1988 which among other issues will comment on the latest drafts of ISIC and CPC. The UN Statistical Office in co-operation with other agencies and offices is endeavouring to secure fundings to enable experts from some developing countries to participate in this meeting.