UNITED NATIONS
DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS
STATISTICS DIVISION

Meeting of the Expert Group on
International Statistical Classifications
New York, 19-22 May 2015

Results of the Global consultation on the draft manual of the
5th Revision of the BEC

Note by UNSD

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United Nations Expert Group on International Classifications
Technical Sub-Group on Classification by Broad Economic Categories (BEC)

Global consultation on the draft manual of the 5th Revision of the BEC

July – September 2014

Results of the BEC Consultation, July – September 2014

This report starts with an overview of the results of the global consultation on the 5th revision of the manual on the Classification by Broad Economic Categories (BEC). It will show in order a summary of the results, the full list of questions and the full list of responding countries. Thereafter, the details of the results by question are shown.

Summary of the results

The survey was conducted between July and September 2014. In total, 198 national statistical offices were contacted. A questionnaire was made available online and was sent as attachment to the message as well. 49 completed questionnaires were received.

Overall, countries supported the draft manual for the 5th revision of the Classification by Broad Economic Categories (BEC). However, from the comments which were received, it could also be concluded that some basic characteristics of the BEC classification are not well understood. This implies that the introduction to the BEC needs to be elaborated and clarified.

Specifically, the following points need to be further clarified:

1. The BEC classification is an analytical classification mostly for use by researchers, economists and other users groups. Nevertheless, it is the task of the statistical office to compile the BEC data.

2. The BEC classification has traditionally been used in relation to international trade statistics, and is treated in the manual in relation to international trade statistics.

3. The BEC classification is compiled based on data, which is collected in HS codes (for goods) and CPC or EBOPS codes (for services).

4. The 5th revision of BEC has six dimensions, of which the top level consists of the broad economic categories defined in terms of HS and CPC codes. The specific selection of HS and CPC codes is not dependent on any other classification.

5. The second level is the goods versus services level. Goods and services have (mostly) quite distinct product categories.

6.   The third level is the end-use level, which is determined by how industries or the domestic market actually use a product. In many cases it is fairly clear if a good is mainly used for gross fixed capital formation, or for intermediate consumption, or for final consumption, but in some cases it is not so clear. Are mobile phones much more used for private purposes or for business? What percentage of cars is used for business? What percentage of car parts ends up in retail? This end-use is an empirical question, and it will differ from country to country. Many HS and CPC product codes we can allocate with a certain level of confidence to one the three categories of end-use. However, for some product codes this is difficult and in those cases it will be up to the statistical office to make the call if it is statistically reasonable to allocate this product to a specific end-use category or split the value of the end-use category over 2 or all 3 end-use categories. If the latter is the case, the statistical office would need to find additional information to determine the proportions at which to split the import value of the dual-use good between the end-use categories.

7.   For the remaining 3 dimensions (primary versus processed goods, generic versus specific intermediate goods, and durable versus non-durable goods) specific HS or CPC codes can again be reasonably well allocated to the BEC categories.

8.   It should be better explained that the defining characteristic of the BEC is the end-use dimension, but that the end-use dimension derives its meaning from the additional breakdowns in economic sector, goods versus services, etc. In other words, describing the economy in overall terms of end-use is far less meaning full, than describing the economy in terms of the variations in end-use by the different economic sectors.

Besides strengthening the explanation of these points in the introduction, the countries pointed out the following issues:

- Consistency in presentation. The draft manual had some inconsistency in the presentation of the top-level economic categories. This needs to be addressed.
- The exact definition of the top-level economic categories in terms of HS and CPC should be presented, probably as an annex.
- It should be clearly understood that the end-use dimension is fully independent from the broad economic categories in the revised BEC.
- It is preferable not to have an "Other" category, but allocate all HS and CPC codes to the 7 economic categories.
- It should be explained how services data could be allocated to the economic categories, if services are collected with EBOPS and not with CPC classes.
- The countries are not fully happy with the eclectic approach of choosing the top-level economic categories. How could this be improved?

- What is the additional value of BEC over a breakdown of HS codes by ISIC classes and end-use (as input to the SUT)?
- Should the end-use category 'gross fixed capital formation' actually be 'gross capital formation', and therefore not only cover fixed assets?
- The 4th and 5th dimensions should be properly defined.

The countries agree that <u>not all possible combinations of the 6 dimensions make sense</u>, and that therefore it is not necessary to present a fully populated matrix. The countries support that the BEC would be applied to both imports and exports, and that some explanation on the use for exports would be welcome.

Regarding the need for additional information to <u>determine the end-use</u> of some economically important categories, the countries strongly recommended using existing sources of information (from tax authorities, household surveys and national accounts) in order to avoid conducting additional surveys to determine end-use. On this last point, it seems appropriate to join forces with the national accountants and apply the methods used for coefficients in the Supply-Use table to the allocation of end-use of the imports of certain economically relevant HS categories.

It was generally believed that it would not be useful to add a chapter on the relation of BEC to non-standard classifications. That would not be appropriate for this manual.

Finally, the overall view on the 5th revision of the BEC was that it was an improvement over the 4th revision, especially with the full separation of the economic categories from the end-use dimension, but that more work on clarification needs to be done.

Questions

A. Do you agree with the composition of the economic categories?

B. Do you agree with the proposed 6 dimensions?

C. The proposed BEC will not have provisions for all combinations of the six dimensions. Please indicate for the combinations bellows if you believe that the 5th revision of the BEC should make provision for it, and please provide an example.
   i. Primary versus processed services?
   ii. Non-durable services versus durable services?
   iii. Primary goods as gross fixed capital formation?
   iv. Processed non-durable goods as gross fixed capital formation?
   v. Primary generic goods versus primary customized goods?

D. Should the manual of the BEC state that this classification is for use with imports of goods and services only?

E. Do we need a separate chapter on the distinction between the use of BEC for imports and for exports?

F. Does your office (or a related office in your country) conduct a survey on the end-use of certain economically products?

G. In the absence of a survey or for less relevant 'dual-use' goods or services, the manual proposes to use a 50/50 split as a proxy. Do you agree with this proposed practice?

H. It was proposed to devote a separate chapter to work out the relation BEC to nonstandard classifications, such as the Rauch classification or, for instance, the classification on technology intensity of products. In such chapter, one could work out alternative groupings and cross-sectional presentations of BEC in terms of Rauch or the technology categories. Do you believe such additional chapter would be useful?

I. Other comments?

List of responding national institutes

Albania (NSO)	Latvia (NSO)
Angola (NSO)	Lithuania (NSO)
Armenia (NSO)	Malawi (NSO)
Australia (NSO)	Mauritius (NSO)
Azerbaijan (NSO)	Mexico (NSO)
Bolivia (NSO and Central Bank)	Mongolia (NSO)
Botswana (NSO)	Netherlands (NSO)
Brazil (NSO)	New Zealand (NSO)
Bulgaria (NSO)	Palestine (NSO)
Canada (NSO)	Panama (NSO)
Cape Verde (NSO)	Peru (NSO)
Costa Rica (NSO)	Philippine (NSO)
Croatia (NSO)	Poland (NSO)
Denmark (NSO)	Portugal (NSO)
Egypt (NSO)	Qatar (NSO)
Estonia (NSO)	Republic of Belarus (NSO)
France (NSO)	Romania (NSO)
Georgia (NSO)	Serbia (NSO)
Hungary (NSO)	Singapore (NSO)
Iraq (NSO)	Slovenia (NSO)
Israel (NSO)	Somalia (NSO)
Italy (NSO)	South Sudan (NSO)
Japan (Ministry)	Sweden (NSO)
Kuwait (NSO)	Uruguay (NSO)

Question 1: Do you agree with the composition of these classes?

| Section 1:	Food and beverages, tobacco, agriculture, forestry and fishing, and related goods and services
Section 2:	Energy and mining, fuels, gas, basic metals, chemicals, plastics and related goods and services
Section 3:	Construction and housing, furnishings, household equipment and related goods and services
Section 4:	Textile and footwear, apparel, fashion, jewelry, bags and related goods and services
Section 5:	Transport and travel, packing, accommodation, and related goods and services
Section 6:	Information and communication technology, business and production services, including professional, scientific and technical activities, broadcasting, newspapers, books, paper, advertising, and related goods and services
Section 7:	Health and education, personal care, sports, entertainment, and related goods and services
Section 8:	Other goods and services consisting of unclassified, unknown, unregistered and confidential trade

Result of question 1:

No
28.89% (13)

Yes
71.11% (32)
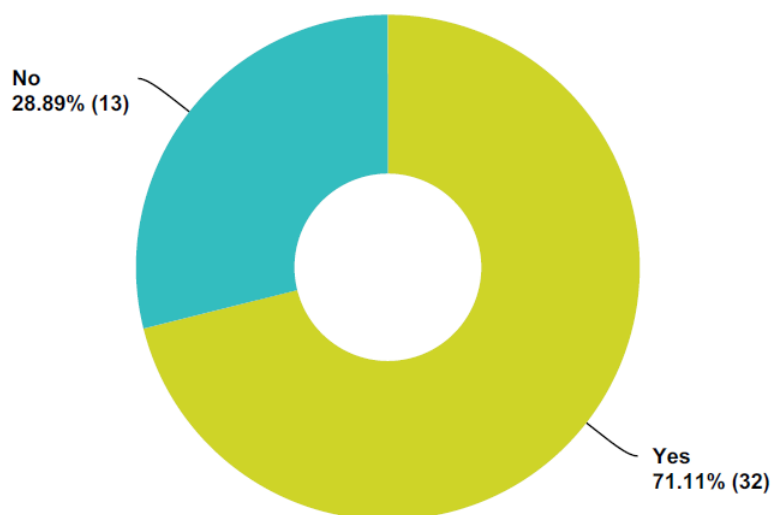
i. The majority of responses (71%) agree with the composition of the proposed BEC classes. Some of notable comments as follow:
   a. The need to further provide more detailed explanation for all items that are under the sections. And the lack of precision on the compositions of the suggested broad economic categories
   b. The discrepancies between the text in the draft manual and questionnaires on the composition (e.g., section 4 and 5 in the questionnaire table are reversed from those detailed in the draft manual)
   c. The suggestion to separate goods and services in the higher level of hierarchy
   d. Disagreement to the inclusion of services due to difficulty of assigning single EBOPS codes to different BEC categories
   e. General remark that the proposed categories are very broad, and trying to cover too many classifications

Question 2: Do you agree with the proposed 6 dimensions?

Top Level	Dimension of Broad Economic Classes
Second Level	Product dimension (goods and services)
Third Level	The SNA end-use dimension
Fourth Level	The processing dimension
Fifth Level	The customization dimension
Sixth Level	The durability dimension

Result of question 2:

No
22.73% (10)

Yes
77.27% (34)
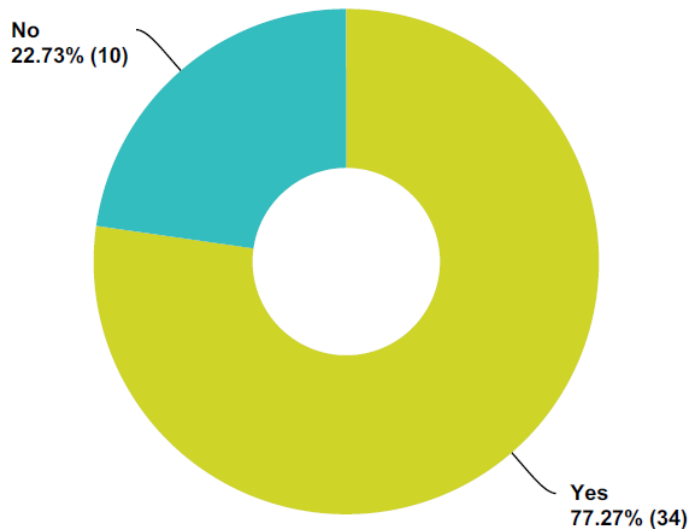
ii. Forty four respondents (77%) agree with the proposed 6 dimensions. Some of notable comments as follow:

a. Compiling the products and services by processing, customization and durability would pose implementation challenges for NSO (consuming time and human resources)

b. The objective and purpose of the break down are understandable and having end-use categories enables better comparison with other classifications such as SNA and BOP

c. The other proposed dimensions (besides SNA end-use dimension) would not assist much in the construction of Supply and Use Table (SUT) as it only requires end-use categories adopted by SNA

d. The need to have more detailed definitions, such as is primary goods generally "raw materials"?

e. Appreciation to include goods and services; however the integration challenges as several services are classified by the transactor rather than the nature of the product/production (e.g., food and beverages being recorded as "transport and travel" due to its provision through mode 2)

f. The concern of trying to establish traditional hierarchical classification while presenting it with the matrix would be more reflective

Question 3: Specific combinations of the 6 dimensions: Do you want to include this combination in the BEC?
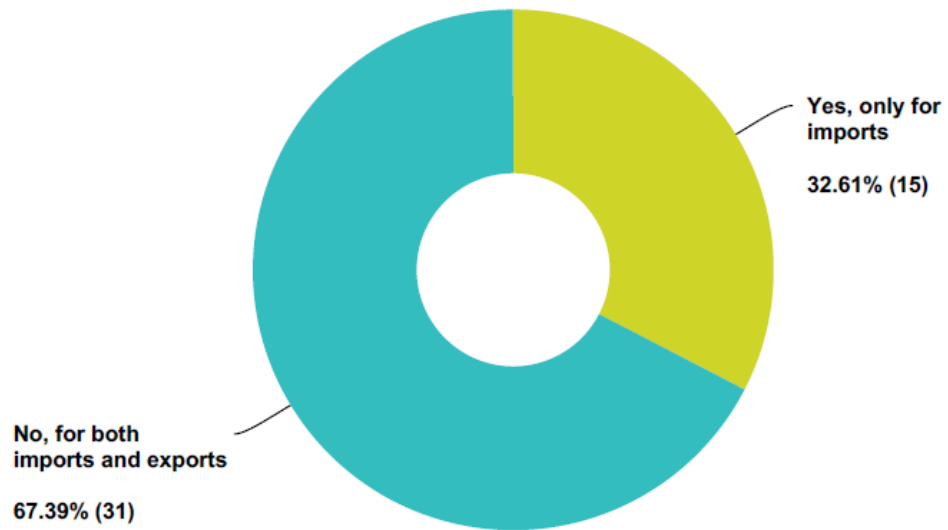
Result of question 3:

Combination	Yes (%)	No (%)
Primary services versus processed services	20.0	80.0
Non-durable services versus durable services	13.3	86.7
Primary goods as gross fixed capital formation	17.8	82.2
Processed non-durable goods as gross fixed capital formation	15.6	84.4
Primary generic goods versus primary customized goods	22.2	77.8

iii. The overwhelming majority (80% or more) stated that not all combinations of dimensions do make practical sense and useful. Some of notable comments as follow:
   a. Some combinations are useful for the detailed analysis in SUT and IOT or in-depth economic analysis
   b. The need for more detailed definition and clarification, such as what are goods/services that are durable and non-durable
   c. Some combinations do not exist by definition (such as processed non-durable goods as gross fixed capital formation)

Question 4: Should the manual of the BEC state that this classification is for use with imports of goods and services only?

Result of question 4:

Yes, only for imports

32.61% (15)

No, for both imports and exports

67.39% (31)

Question 5: do we need a separate chapter on the distinction between the use of BEC for imports and for exports?

Result of question 5:

No
45.16% (14)

Yes
54.84% (17)

iv. Thirty one respondents (67.4%) preferred that the BEC manual covers both exports and imports of goods and services. And within this group, seventeen respondents (54.8%) stated the need of having separate chapter on the distinction between the use of BEC for imports and exports. Some of notable comments as follow:

a. Having exports and imports would give more scope and usage to BEC (such as the use of BEC for trade advocacy [i.e. for the primary vs. processed or durable vs. non-durable dimensions])

b. It would be useful to have some discussion/exploration/guidance around the distinction that may exist between the two

Question 6: Does your office (or a related office in your country) conduct a survey on the end- use of certain economically products?

Result of question 6:
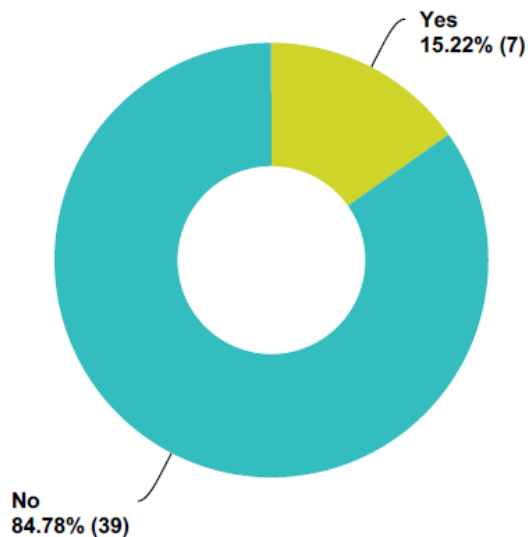
v.   The majority of respondents (84.8%) does not conduct a survey on the end-use of certain economically products. Some of notable comments as follow:
  a. Instead of survey, it is assessed indirectly in the compilation of SNA using method of Supply-Use Table
  b. Limited through household survey (e.g., specific questions for motor cars, mobile phones and computers) to obtain values of final consumption. The residuals between net imports and final consumption are gross fixed capital formation
  c. Through other data sources, for instance: tax authorities (e.g., to find out the split of capital and consumption goods)
  d. Some information is collected through business surveys targeting capital expenditure for selected industries. Noting that outputs are industry, not product based.

Question 7: In the absence of a survey or for less relevant 'dual-use' goods or services, the manual proposes to use a 50/50 split as a proxy. Do you agree with this proposed practice?

Result of question 7:
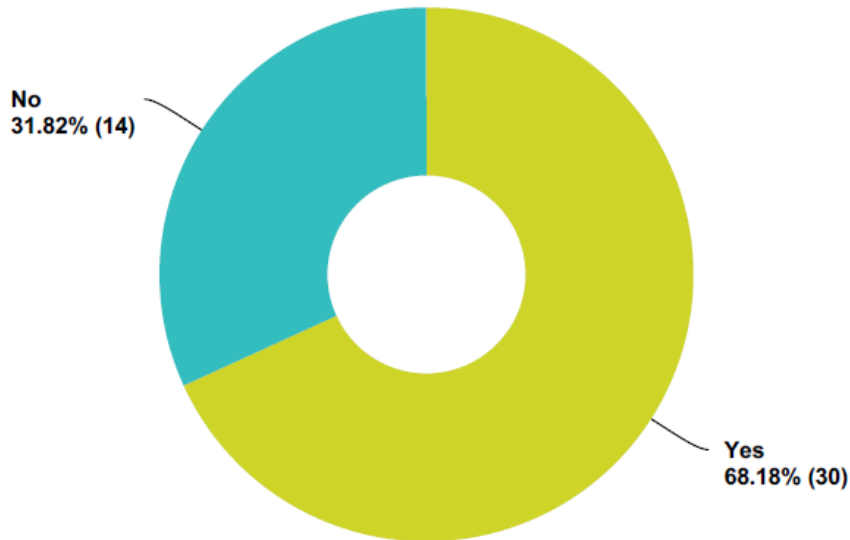
vi. There are 30 responses (68.2%) that agree to use a 50/50 split as a proxy in case of 'dual-use' in the absence of a survey or for less relevant goods or services. Some of notable comments as follow:

    a. This treatment may be appropriate for certain products where there is limited or no additional information that may provide for a more informed split.

    b. The 50/50 rule would be "the ultimate resort" after exploring the use of administrative data or other data sources to estimate the distributions of dual-use goods or services

    c. If some additional information may be available, this should be used to provide a more accurate split, or upon which assumptions may be based (i.e. wholly classified to one or the other).

    d. The /50 split seems a bit arbitrary and on what basis was it decided this would be a proxy.

Question 8: Do you believe such additional chapter (relation of BEC to non-standard classifications [i.e., Rauch classification or classification on technology intensity of products]) would be useful??

Result of question 8:
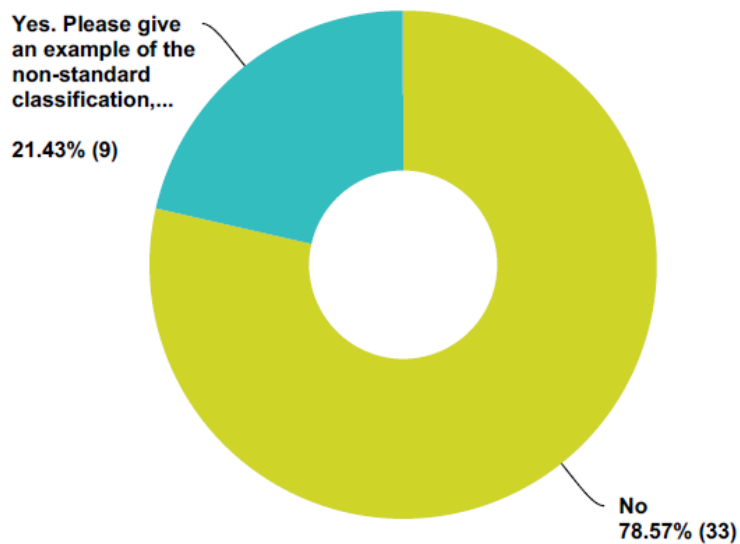
vii.   Majority of respondents (75.6%) disagree to develop chapter describing relationship between BEC and non-standard classifications such as Rauch classification. Some of notable comments as follow:
   a.   It is not appropriate to discuss relationships of an international standard to non-standard classifications.
   b.   It would help as to what the term 'non-standard' refers to as the accepted terms are reference, derived or related when discussing international statistical classifications.