

Revision of the International Standard Industrial Classification of All Economic Activities (ISIC) Rev. 4

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Presentation Outline

Revision process

Status of the Revision Process

- Major changes introduced in the revised ISIC
- Revised structure of ISIC

Next Steps

Questions for the Committee



Revision process

- In 2018 the **TSG-ISIC was mandated** by the Expert group on International Statistical Classifications to review issues on ISIC and assess whether they could be addressed within the current structure of ISIC
- 18-20 June 2019 a **meeting of the TSG-ISIC** took place in NY to discuss the issues
- September to October 2019 – **Global consultation** with countries and international and regional organizations to collect feedback on the identified issues and collect additional issues
- 18, 23 Sept, 2 Oct 2020 – a **virtual meeting of the TSG-ISIC** to review the outcome of the global consultation. The TSG-ISIC recommended a revision of ISIC to the Expert group



Revision process



- March 2021, UNSC mandate the revision for ISIC (and CPC)
- During 2021, the TT-ISIC addressed the issues for the revision of ISIC and prepared the revised structure of ISIC up to the 3-digit level
- During 2021, the TT-ISIC also made efforts to collect additional issues from relevant groups of experts:
 - the AEG on National Accounts ISWGPS
 - the UNCEEA, the UNCEBTS BOPCOM
 - the IWG on Environment Statistics InterEnerStat
 - the EG on Time Use the Voorburg Group on Service Statistics



Revision process

- A **global consultation** took place from Jan-Feb 2022
- March 2022, the **UNSC endorsed the revised structure** (up to the 3-digit level)
- During 2022 the TT-ISIC worked on the finalization of the class structure for submission to the UNSC 2023





Revision process

Work of the TT-ISIC in 2022

- TT-ISIC held several virtual meetings to discuss the class structure of ISIC in light of the comments from the global consultation and additional requests
- Several focus meetings were organized to advance the discussion on specific ISIC Sections, in particular, Sections G, J, K, L and issues related to environmental activities
- The discussion took place mainly on the wiki
- Coordination with the NACE revision throughout the process



Summary of the main changes in the revised ISIC structure - Section G

Distinction between in-store and non-store retail trade is eliminated in Division 47

- It is increasingly difficult to differentiate between distribution/sale channels based on the primary sales methods. Retaining the "mode of sale" as a classification criterion would add complexity to determine predominant activity and identifying products sold
- The share of online and in-store sales of retailers (and the types of products sold via the various channels) can vary over time, affecting the stability of the classification
- Industries classified by their predominant product sold will result in more accurate measurement of product data and increased consistency between activity and product classifications.



Summary of the main changes in the revised ISIC structure - Section G

Consistency of ISIC Rev. 4 Division 45 - “Wholesale and retail trade and repair of motor vehicles and motorcycles” in the ISIC structure

These activities are treated now consistently in ISIC, namely

- Wholesale of motor vehicles and motorcycles in Division 46 “Wholesale trade”
- Retail trade of motor vehicles and motorcycles in Division 47 “Retail trade”
- Repair of motor vehicles and motorcycles are in Division 95 “Repair and maintenance of...”



Summary of the main changes in the revised ISIC structure - Section J

ISIC Rev. 4 Section J - “Information and communication”

Split into two new sections:

- ISIC Rev. 5 Section J - “Publishing, broadcasting, and content production and distribution activities”
- ISIC Rev. 5 Section K – “Telecommunications, computer programming, consultancy, computing infrastructure, and other information service activities

Aim to:

- better reflect the rapid development of content distribution activities using a mixture of media and platforms and activities such as social media, search engines, cloud technology and cybersecurity activities, etc.



Summary of the main changes in the revised ISIC structure - Sections Q and R

ISIC Rev. 5 Section Q - “Education”

The structure has been revised to reflect more closely ISCED 11

ISIC Rev. 4 Section R – “Arts, entertainment and recreation”

Additional details have been added to reflect cultural activities as well as conservation, restoration and other support activities for cultural heritage



Summary of the main changes in the revised ISIC structure - Sections L

ISIC Rev. 5 Section L - “Financial and insurance activities”

Additional classes were included in Division 64 “Financial service activities, except insurance and pension funding” to:

- Provide more granularly
- Improve the link with the SNA institutional sector classification



Summary of the main changes in the revised ISIC structure - Sections L

Classification of Fintechs

- The TT-ISIC discussed extensively the classification of activities that use digital technologies to provide, improve or increase access to financial services (often referred as “Fintechs”)
- The TT-ISIC prepared a categorization of these activities to make an assessment if new categories needed to be created in ISIC
- In general, no separate categories were created for Fintech as these activities are covered within the existing structure of ISIC. since in majority of the cases these are not actually new activities, just being provided via a new modality
- However, a clear distinction is made in ISIC between those activities that provide technological services (in Division 63), versus those that provide financial services (in Divisions 65 or 66)

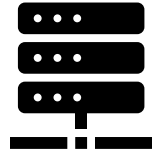


Summary of the main changes in the revised ISIC structure

Intermediation service activities

“Non-financial intermediation service activities are activities that facilitate transactions between buyers and sellers for the ordering and/or delivering of goods and services for a fee or commission, without supplying and taking ownership of the goods and services that are intermediated. These activities can be carried out on digital platforms or through non-digital channels. The fee or commission can be received directly from either the buyers or sellers, or revenues for intermediation activities can include other sources of income, such as third-party revenues from advertising.”

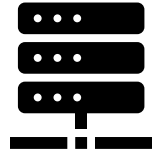
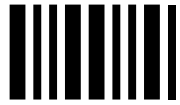
- No distinction is made in ISIC between digital versus non-digital intermediaries
- They are classified in the Division where the intermediated goods and services are produced



Summary of the main changes in the revised ISIC structure

Intermediation service activities introduced in ISIC Rev. 5:

- 434 Intermediation service activities for specialized construction services
- 523 Intermediation services activities for transportation
- 479 Intermediation service activities for retail trade
- 533 Intermediation services activities for postal and courier activities
- 553 Intermediation service activities for accommodation
- 564 Intermediation service activities for food and beverage service activities
- 612 Telecommunication reselling activities and intermediation service activities for telecommunication
- 6821 Intermediation service activities for real estate
- 775 Intermediation services activities for rental and leasing of tangible goods and non-financial intangible assets
- 824 Intermediation services activities for business support service activities (except financial intermediation), n.e.c.
- 8561 Intermediation services activities for courses and tutors
- 8691 Intermediation services activities for medical, dental, and other health services
- 8791 Intermediation services activities for residential care activities
- 954 Intermediation services activities for repair and maintenance of computers, personal and household goods, and motor vehicles and motorcycles
- 964 Intermediation services activities for other personal services



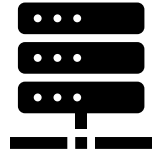
Summary of the main changes in the revised ISIC structure - FGPs

Criteria for the identification of Factoryless Goods Producers (FGPs) extended to include

- ownership of intellectual property products (IPP)
- some aspects of the control of the transformation process, including quality control and oversight of the production process

The TT-ISIC agreed to classify FGPs in Section C, in the same class where they would be classified if they carried out the manufacturing process themselves.

The TT-ISIC encourages the identification of FGPs in the SBR so that this issue can be reconsidered in the next revision of ISIC.



Summary of the main changes in the revised ISIC structure

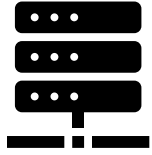
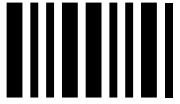
Environmental activities

The TT-ISIC discussed a number of proposals to reflect environmental activities.

Some classes have been introduced:

- 2611 Manufacture of solar cells, solar panels and photovoltaic inverters
- 3511 Electric power generation activities from non-renewable sources
- 3512 Electric power generation activities from renewable sources
- 8413 Regulation of the activities of providing environmental services

The explanatory notes will be adjusted to explicitly include environmental activities in relevant categories



Summary of the main changes in the revised ISIC structure

Cross-sectional issues

The TT-ISIC also discussed several additional issues covering the classification of activities related to 3D printing (such as modelling software development, manufacturing of 3D-printers), additive manufacturing, robotics, artificial intelligence, and activities related to drones (such as manufacturing of drones).

In general, it was agreed that no structural changes in ISIC is required but guidance on the classification of these activities may be provided in the explanatory notes



Status of the revision process

- Consensus seems to emerge on the class structure of ISIC Rev. 5 for almost all Sections taking into accounts comments from the global consultation and requests for clarification
 - New classes are being proposed
 - Some are being merged
- The discussion is still being finalized in the TT-ISIC for
 - Section D Electricity, gas, steam and air conditioning supply
 - Section E Water supply; sewerage, waste management and remediation activities
 - Section L (division 65 and 66): Financial and insurance activities



Status of the revision process

Examples of new classes since the global consultation:

1076 Processing of coffee and tea

1104 Manufacture of malt

2611 Manufacture of solar cells, solar panels and photovoltaic inverters

3101 Manufacture of wooden furniture

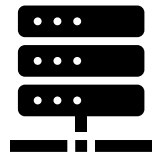
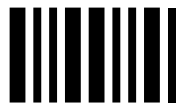
6431 Activities of money market funds

6432 Activities of non-money market investments funds

6494 International trade (Export and import) financing activities

6495 Factoring activities

6493 Securitisation activities



Next steps for the finalization of the revised ISIC

Timeline

- End of October 2022 – provisional endorsement of UNCEISC
- Mid-November 2022 – signoff of the ISIC structure by TT-ISIC
- Mid-November- December 2022 – Global Consultation on the structure of ISIC Rev. 5
- January 2022 – submission to the UNSC through the approval of the UNCEISC
- End of 2022: complete the explanatory notes of ISIC sections C, D, E, G, H, J, K, L, N, O, Q, R and S
- April 2023: complete the explanatory notes of ISIC sections A, B, F, I, P, M, T, U and V and complete the introduction part of the ISIC publication

Correspondence with ISIC Rev. 4 are being developed at the same time as the structure is being developed (GISIM approach to classification)



Questions for the Committee

The United Nations Committee of Experts on International Statistical Classifications is invited to:

- **Express its views on the process and planned activities** for the finalization of ISIC
- **Provide a provisional endorsement of the process for the finalization of ISIC and submission** of the draft structure of the revised ISIC to the UNSC