UN Committee of Experts on International Statistical Classifications
25-28 October 2022 Meeting - New York, NY

Background Document to Session 4

Status of the revision of Central Product Classification (CPC)

Introduction

1.   This note presents an update on the revision process for the revision of the Central Product Classification (CPC) Ver.2.1 and the future activities of the Task team on CPC (TT-CPC). Questions for the UNCEISC are elaborated in the last section of this note.

2.   Following the recommendations of the UNCEISC in its report to the UNSC[1], the United Nations Statistical Commission (UNSC) at its 52nd session in March 2021 mandated the revision of CPC and endorsed the proposed terms of reference for the establishment of a Task Team dedicated to the revision of CPC (TT-CPC). The task team comprises experts on statistical classifications and subject matter experts on, inter alia, national accounts, environmental accounts and trade statistics, to ensure that the classification supports the international statistical standards. The annex to this note contains the Terms of reference of the TT-CPC and the list of issues for the revision of CPC.

Status of the revision process

3.   Since its first meeting in August 2021, the TT-CPC held several virtual meetings to identify and resolve issues for the revision of CPC. A list of issues was identified by the TT-CPC through a global consultation which took place December 2021-March 2022. Below is an update on the status of the revision process. The issues were categorized in three groups: (1) those that have been discussed and resolved; (2) those where the discussion as started but is still ongoing; and (3) those that need to be discussed.

4.   The issues below were discussed at length within the TT-CPC, and a consensus has emerged on the changes to CPC:

- Research and Development
- Education services
- Cultural products
- Fertilizers and Pesticides
- Food products
- Forestry products
- Accommodation services
- Alignment with HS 2022
- Alignment with BEC, SITC, EBOPS

Although minor issues may need to be resolved for some of the issues above, these topics are fairly advanced and could be considered as completed.

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[1] The Expert Group on International Statistical Classification changed its name to United Nations Committee of Experts on International Statistical Classification in 2021 The report is available at:
https://unstats.un.org/UNSDWebsite/statcom/session_52/documents/2021-15-Classifications-E.pdf

5.   The discussion has started in the TT-CPC for the following issues:

- Financial and related services products
- Environmental goods and services and links Classification of Environmental Functions
- Waste
- Identification of existing issues from selected satellite accounts
- Impact of digitalization on CPC (e.g., digital intermediary platforms)
- Review underlying principles, application, and use of CPC

6.   The discussion still needs to take place on the following issues:

- Fisheries
- Review alignment with Standard International Energy Classification (SIEC)
- Review of definition of goods, services and other products
- Impact of the revised ISIC on CPC

7.   In its discussions to date, the TT-CPC frequently confronted the challenge of incorporating aggregations from other international and regional standards with specific applications [2], while maintaining CPC's relevance as a *central* product classification with broad global acceptance and applicability. An additional constraint to adding detail in CPC is its coding system which has only ten sections (0-9) at the highest level of the classification and five-digit codes at the sub-class (i.e., lowest) level. In general, there is the recognition that "while the CPC provides a standard way of grouping products, there is sometimes a need to provide data on other sets of products that may cross the boundaries of existing high-or medium-level CPC categories, but have become of interest to statisticians, economists and policy makers. An example is the interest in products of the information economy, which includes products from a wide range of CPC sections and divisions. In addition to the need for different aggregations of CPC subclasses, specialized data collections often require greater detail than what can be supported in a general-purpose international classification. In these cases, additional categories should be devised in a way that is consistent with the existing CPC categories. An example is the CPC expansion for agricultural statistics, developed by the Food and Agriculture Organization of the United Nations (FAO)." (para 17 CPC Ver.2.1).

8.   CPC uses an aggregation structure and a level of detail that has been the result of consultations over many years (even before the creation of the Provisional Central Product Classification). However, there are many applications of the CPC (or a general product classification for that matter) and the single structure built into the published version of the CPC may not be the most suitable for all applications. To satisfy different user needs, rearranging the CPC structure to form alternative structures is a possibility. Such alternative structures can take different forms. They can (a) be rearrangements of the complete CPC into a new structure that still preserve the original detailed categories as building blocks; (b) group and rearrange a subset of CPC categories to reflect a specific concept with limited scope within the CPC; or (c) expand certain areas of interest beyond the detail provided in the published classification. (paras 92-93 CPC Ver.2.1)

9.   Rearranging the classification into a classification of products by economic activity would be an example of the first type. Examples of rearranging a subset of CPC categories to reflect a specific concept with limited scope within the CPC were provided in the CPC Ver.2.1 for products of the Information Economy. Finally, examples of expansions to reflect further detail were provided in CPC Ver. 2.1 for agricultural statistics.

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[2] For example: SNA, SEEA, European Waste Classification, ISCED, Frascati Manual, etc.

10.   For the issues that have been already resolved (see para 4 above) the TT-CPC proposes to extend the level of detail though additional CPC expansions for agri-food products, forestry products, fertilizers and pesticides. A similar approach is being considered for fisheries products. As the discussion continues on the outstanding issues, the TT-CPC will assess whether to propose additional alternative aggregations in the revised CPC.

Proposed next steps for the finalization of the revised CPC structure

11.   At its most recent meeting, the TT-CPC took stock of the work done so far and the progress in addressing the issues for the revision of CPC. Based on a number of considerations, the TT-CPC proposes that the finalization of the revised CPC—originally planned to be completed for submission to the UNSC at its 54th session in 2023—be moved to the following year. This will allow for a full consideration of the outstanding issues; a better reflection of the impact of the revised ISIC on the classification of products; and improved coordination with the revision process of SIEC which has just started.

12.   Therefore, the TT-CPC proposes the following timeline for the finalization of the revised CPC:

- Finalize the revised structure of CPC by September 2023

- Global consultation September- October 2023

- Endorsement by the UNCEISC in October 2023

- Submission for endorsement by the UNSC at its 55th session, March 2024

13.   As part of the finalization of the revised CPC, the TT-CPC will discuss and put forward for the next meeting of the UNCEISC a proposal for the implementation plan of the revised CPC and the research agenda for future CPC revisions.

Questions for the Committee

14. The UN Committee of Experts on International Statistical Classifications is invited to:

1. Express its views on the progress of work of the TT-CPC and approve the proposed timeline for the finalization of the revised CPC

Annex1: Terms of reference of the TT-CPC

<div align="center">updated on 8 September 2021</div>

Background

1.	At the 2017 meeting of the UN Expert Group on International Statistical Classifications[3] discussion took place on whether there were sufficient issues to warrant a revision of the Central Product Classification (CPC). The Expert Group noted that whilst there had been minimal issues presented to the Classifications Hotline, or through the Discussion Forum, potential changes in the International Standard Industrial Classification (ISIC) may impact on CPC definitions. An assessment, at that time, was not undertaken as in-depth discussion of ISIC changes and the approved guidance on intermediaries was needed. It was also noted that these items may not constitute sufficient need for a CPC change, particularly with pending HS 2022 and SIEC revisions that may provide substantive input for a review/change of the goods part of the CPC. Therefore, the Expert Group decided to wait until this information was available before recommending that a review occur.

2.	Consequently, the Expert Group in November 2020 considered a report from the Technical Sub-Group (TSG-ISIC) which outlined the investigation and analysis of issues raised in relation to the suitability of the current International Standard Industrial Classification (ISIC) Rev.4. Many of the issues raised and assessed in that process identified the need to also consider a revision of the Central Product Classification (CPC).

3.	In accordance with the decision of the UN Statistical Commission at its 52nd Session to initiate the revision of the Central Product Classification (CPC), a Task Team on CPC (TT-CPC) is formed to conduct the revision of CPC. This note presents the draft terms of reference of the TT-CPC of the Committee of Experts on International Statistical Classifications (UNCEISC). The TT-CPC therefore reports to the United Nations Committee of Experts on International Statistical Classifications (UNCEISC).

Scope of Work

4.	The TT-CPC is mandated to identify and review the current issues with the Central Products Classification, Ver. 2.1. (CPC Ver. 2.1) address and resolve the issues with a view to prepare a revised version of the classification. In particular, the TT-CPC will carry out the following tasks:

(a)	Assess the proposed solutions to issues raised as presented in the TSG-ISIC report[4] to the Expert Group for relevance and impact on CPC and identify any further issues for resolution.
(b)	Work with UNSD to enable global consultation with countries and relevant international and regional organizations on those issues to take place.
(c)	Assess changes to the Harmonised System 2022 for impact on CPC.
(d)	Analyse the result of the consultation and develop a draft structure for CPC V3.0 including definitional text and guidance notes.

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[3] The Expert Group on International Statistical Classification changed its name to United Nations Committee of Experts on International Statistical Classification in 2021
[4] *We will include the reference to the document later*

(e) Circulate the proposed draft structure and content of a revised CPC to relevant group of experts (such as the ISWGNA, BOPCOM, UNCEBTS, UNCEEA) to ensure the integration with the revision process of relevant statistical standards.

(f) Submit the draft revised structure of CPC to the UNCEISC for review.

(g) Revise the draft CPC based on UNCEISC feedback.

(h) Circulate revised draft CPC for a final global consultation and finalization.

(i) Develop correspondences to CPC Ver.2, HS2022, ISIC and BEC.

(j) Finalise the revised CPC and present with a report to the UNCEISC for endorsement.

Composition of the TT-CPC

5.   The composition of the TT-CPC will comprise not only members of the UNCEISC but also members from other relevant task teams of the UNCEISC, committees of experts, and relevant international organisations as appropriate to ensure complementarity between programs and to advance an integrated statistics approach in the broader area of economic statistics.

6.   Expressions of interest from UNCEISC members for active participation in the TT-CPC will be sought.

7.   The TT-CPC currently consist of the following members:

- Mr. Vincent Russo, Chair of the TT-CPC (US Bureau of Labor Statistics)
- Mr. Grant Arnold (ABS)
- Mr. Franklin Assoumou Ndong (Statistics Canada)
- Mr. Anthony Kofi Krakah (Ghana Statistical Service)
- Mr. Indradeep Roy Chowdhury (India)
- Ms. Wan Siti Zaleha Wan Zakaria (Malaysia)
- Ms Noor Amalina Ismail (Malaysia)
- Mr. Sjoerd Schenau (Statistics Netherlands)
- Mr. Andrew Hancock (Statistics New Zealand)
- Mr. David Beckett (UK-ONS)
- Ms. Ana Franco (Eurostat)
- Mr. Claude Macchi (Eurostat)
- Mr. Thomas Alexander (IMF)
- Ms. Carola Fabi (FAO)
- Mr. Jorrit Zwijnenburg (OECD)
- Mr. John Mitchell (OECD)
- Mr. Ivo Havinga (UNSD)
- Ms. Ilaria di Matteo, Mr. Zhiyuan Qian, Ms. Nancy Snyder, Ms. Maki Arakaki (UNSD)
- Mr. Markie Muryawan (UNSD)
- Mr. Herman Smith (UNSD)
- Ms. Alessandra Alfieri, Mr. Julian Chow, Ms. Jessica Ying Chan (UNSD)

8.   UNSD serves as the Secretariat of the TT-CPC.

Organisation of work

9.	The TT-CPC will communicate through email, wiki and virtual meetings. A physical meeting is not proposed at this time, but, depending on circumstance, this may be reconsidered at a later stage.

Timeline

- Mar 2021 – UNSC mandates the revision of CPC
- Sept-Dec 2021 – conduct a global consultation to collect issues with the classification and review results of that consultation
- Jan- Dec 2022 – Develop a complete draft structure of the revised CPC and conduct a global consultation on the revised CPC
- Mar 2023 – adoption of the revised CPC by the UNSC.

Annex 2: list of issues for the revision of CPC

The list of issues that have been identified for the revision of CPC include the following:

1. Review the definition of goods, services and products
    A review will take place of what is a good, service and product for the purposes of CPC and their boundaries; Coverage of data/information that can be traded as product; Is there a need to clarify "other products" defined in CPC Ver. 2.1? Consideration of the distinction between "goods" and "services" for international trade statistics

2. Review underlying principles, application, and use of CPC
    Review of the classification criteria combining essential characteristics of the product with those based on source of input, end-use, functional use of products, mode of service delivery, etc. General treatment of digitalization: in CPC (e.g. distinguish traditional intermediation services from digital intermediation)

3. Review of the impact of changes in ISIC on CPC
    A detail review of the changes introduced in the revised ISIC has to be carried out in order to assess whether changes in the structure of ISIC has to be reflected in CPC and how. For example, categories based on the mode of service delivery, should it become a classification criterion. Separate digital from physical content on products like books, videos etc. Blogs, vlogs, social networks, social media services and provision; Electric-powered motor vehicles, hybrid motor vehicles, motor vehicles using biodiesel, related equipment and services, e.g. charging stations; Review treatment of intermediation service in CPC

4. Alignment with other classification BEC, SITC, and the classification of business functions

5. Alignment with HS 2017 and HS 2022

6. Review and update CPC Division 81 in light of new development in R&D statistics (e.g. Frascati Manual)
    Review and align CPC Division 81 –"Research and development services" with the 2016 Frascati Manual Fields of Science Classification with regards to consistent terminology and categories between the two classifications and to ensure that research services

7. Review and update CPC Section 9 – "Community, social and personal services" in light of current ISCED
    In particular review Division 92 - "Education services" to align with the structure and definitional content of ISCED 11

8. Better reflection of energy products and alignment with SIEC
    Greater alignment of the CPC with the SIEC would facilitate the use of comparable data across sectors and policies and improve the compilation of physical and monetary SEEA energy accounts, as physical energy accounts use the SIEC classification and monetary accounts use the CPC classification. For this issue, it was proposed to focus on: 1) consideration of single division for energy products; 2) improving disaggregation of energy products which aligns with a more detailed SIEC; and 3) introducing new products, with a focus on renewable energy products.

9. Review links of CPC and the Classification of Environmental Activities
   The Classification of Environmental Activities (CEA) is a functional classification used for classifying activities, products, expenditure and other transactions aimed at safeguarding the natural environment against pollution or other degradation and at preserving and enhancing the stock of natural resources. Both CEA and CPC are central for the work on environmental-economic accounts even if essentially serve different purposes. CEA provides a set of definitions and helps to identify environmental economic activities as well as provides a structure for presentation of the data to users. CPC classify products based on the physical properties and the intrinsic nature of the products as well as on the principle of industrial origin. This review may lead to the creation of new classes, the update of the explanatory notes and the review of the classification criteria.

10. Review treatment of waste in CPC
    There is an increasing demand for data on waste to monitor global and national policy including the Sustainable Development Goals and Circular Economy initiative. Currently various existing policy and statistical framework, such as the Central Product Classification v2.1, Harmonized System 2017, System of National Accounts 2008, SEEA Central Framework 2012, Waste Framework Directive (WFD), European Waste Classification for Statistics (EWC-Stat), etc., has attempted to define and classifying or providing a reference list on waste. However, each of the above frameworks has a different scope, coverage, definitions and terminology used to describe waste. The revision of CPC provides an opportunity to review treatment of waste in CPC.

11. Additional issues from the review of existing satellite accounts
    A review will be done to assess possible issues with CPC Ver. 2.1 in relation to the compilation of some satellite accounts which rely on CPC. Included in this review is the Distributional national accounts, Unpaid household activities, Health accounts, Tourism satellite accounts and Infrastructure

12. Review agricultural, forestry, and fishery products
    A detail review of Section 0 and 2 of CPC to update labels and definitions, and categories in light of the relevant detailed classifications of FAO.

13. Food / food products
    The revision of food services and products will improve the alignment with the international classification on individual consumption according to purposes (last revision: COICOP 2018): further breakdown to be discussed to include new 5-digits codes and additional expansions. For example, the classification of Mobile food services (food trucks, etc.), Food delivery services, Non-alcoholic wine and beer, Products such as meat and dairy substitutes (e.g. soya burgers, "meatless meat" (plant-based meat), milk from non-animal origin, etc.) and "meal kits", and Ready-To-Eat meals. Further discussion needed to improve alignment to the COICOP2018.

14. Pesticides and fertilizers products
    Detailed review of the relevant categories in PC to better reflect the Rotterdam convention and relevant FAO classifications. This mainly affect CPC Sections 3.

15. Construction / accommodation
    New forms of accommodation services have emerged that combine elements of camp sites with amenities typically included in accommodation services provided by hotels like housekeeping and meal service. Sometimes referred to as "glamping" (glamorous camping), these accommodation

services are provided in rustic structures like tree houses, yurts, cabins, or tents, that are usually associated with camp sites. Group 631 *Accommodation services for visitors* includes classes for *Room or unit accommodation services for visitors* (6311) and *Camp site services* (6312). Guidance is needed on the appropriate class and subclass for accommodation services that resemble both camp site services and room or unit accommodation services for visitors.

16. Products related to digitalization
Review CPC to address the classification of services related to new technologies, such as cloud computing, Artificial intelligences, and digital intermediation services

17. Address environmental products and services
There is an increasing demand for data on environmental goods and services. Following the definition provided within the SEEA CF environmental products can be defined as 'all products that are produced, designed and manufactured for purposes of environmental protection and resource management'. Production and use of these products becomes more and more important and also all kind of new environmental products and services emerge on the market. These product categories thus should be adequately addressed in the CPC classification.

18. Address the classification of new financial products (reference to fintech, crypto assets, etc.)
In recent years, the use of digital technologies has transformed the global economy to the extent that the statistics produced to aid in measuring and understanding economic performance need to be adapted and updated to reflect the rapid rate of change. The use of financial technology (Fintech) to innovate in the financial sector is particularly prevalent, making it an area of priority in understanding such changes and how they impact on the statistical guidance. Examples of Fintech include peer-to-peer lending, payments innovations, crowdfunding, and the use of automated decision-making through machine learning. A review of CPC is needed to clarify the classification of these products.

19. Products related to the circular economy
The circular economy is a new paradigm with a strong driving force in the global policy agenda. The circular economy is a complex, cross-cutting topic aiming to maintain the value of products, materials and resources for as long as possible by returning them into the product cycle at the end of their use, while minimising the generation of waste. This approach reduces the pressures on the environment and takes up global challenges like climate change, biodiversity loss, waste, and pollution. Thus, synergies and overlaps with those topics exist. The circular economy is defined in opposition to the traditional linear economy. In Europe the circular economy is the second strongest topic in the environment agenda only behind climate change.

20. Review coverage for cultural products
Review the coverage of cultural products in CPC and provide guidance for their treatment without necessarily introducing new classes into CPC

21. Address the classification of 'new' products
especially due to new technologies and digitalization a number of new products have emerged in the last decade and an assessment will be made on how to reflect these products in CPC through either the creation of new categories or an update of the explanatory notes.

22. Address clarifications in CPC Ver. 2.1

23. Identify categories that are now obsolete/redundant and can be removed;

24. Modernize terminology to account for changes in technology and language use.