

Harmonized System Code Updates: Statistics Canada's Experience

Chris Maloney

International Accounts and Trade Division



Delivering insight through data for a better Canada



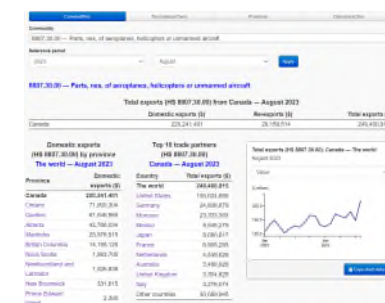
Statistics
Canada

Statistique
Canada

Canada

Statistics Canada's CIMT program

- The Canadian International Merchandise Trade (CIMT) program is a monthly statistical program with “mission critical” status
- CIMT serves a number of different types of users
 - Timely macroeconomic indicator
 - Input to Canadian Macroeconomic Accounts
 - Economic forecasting
 - Source of multidimensional customs basis statistics
 - Detailed product categories by value and quantity by country, province, mode of transport, etc.
 - Interest from specific companies and industry associations, other government departments, academics, the media and the general public
- Data products
 - Analytical texts
 - Data tables
 - Data visualizations
 - Custom data extractions
- The Harmonized System (HS) is the foundation for all product-based statistics published



Structure of Canadian HS Codes

Imports

1234.56.78.90

HS6: WCO

Tariff code: Finance Canada

Statistical Suffix: Statistics Canada

- Customs Tariff published by the Canada Border Services Agency
- Updates are possible any month, largely due to tariff code changes

Exports

1234.56.78

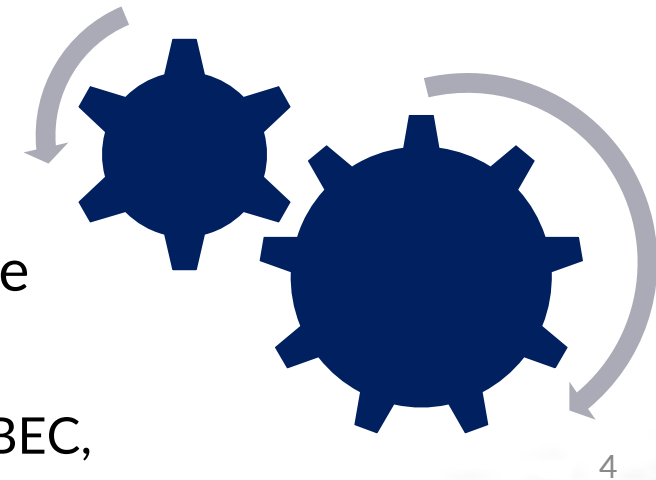
HS6: WCO

Statistical Suffix: Statistics Canada

- Canadian Export Classification published by Statistics Canada
- Updates are generally introduced each January, if applicable

HS Update Process

- The HS is treated as a “living” classification by Statistics Canada
 - Continuous evolution as opposed to complete classification version changes
 - Use of start/end dates and parent/child relationships to manage HS changes
- Coordination between federal departments to implement changes
 - Canada Border Services Agency
 - Finance Canada
 - Statistics Canada
 - Global Affairs Canada
- Statistics Canada efforts led by International Accounts and Trade Division Metadata team
 - Use of Aria for metadata management
 - Concordances with other classifications maintained (NAPCS, NAICS, BEC, US HTS)



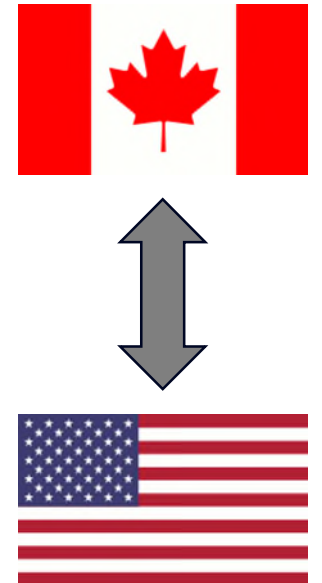
HS Update Challenges – WCO Updates

- Regular WCO amendments require significant effort to implement
 - Relatively short timeframe to complete all required work
 - Collaboration on multiple fronts
- Periodic recommendations to National Statistical Offices between major updates
 - Little time for Statistics Canada to react to proposed changes
 - Breaks in series in relatively quick succession create data challenges



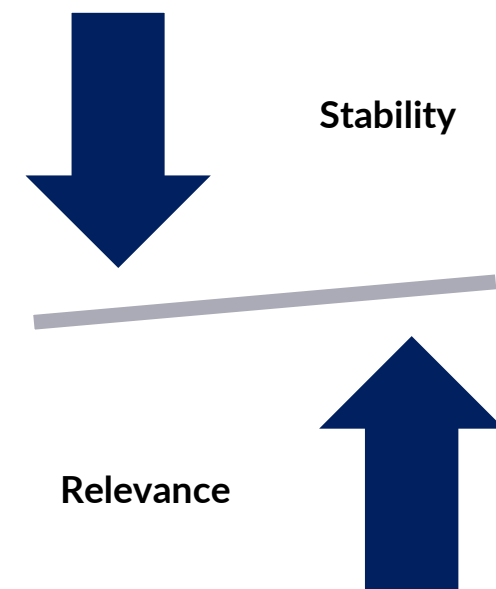
HS Update Challenges – Data Exchange

- Canada and the US rely on an exchange of import data to compile their export statistics
 - Accuracy and coherence of statistics
 - Reducing administrative burden for traders
- Coordination with the United States Census Bureau on statistical breaks
 - Aligning export statistical breaks with the import breaks featured in the other country's classification
 - Concordances maintained
 - Particularly important for Canada's export classification
 - 75% of Canada's exports are destined to the United States
 - US HTS can be updated in January and July of each year



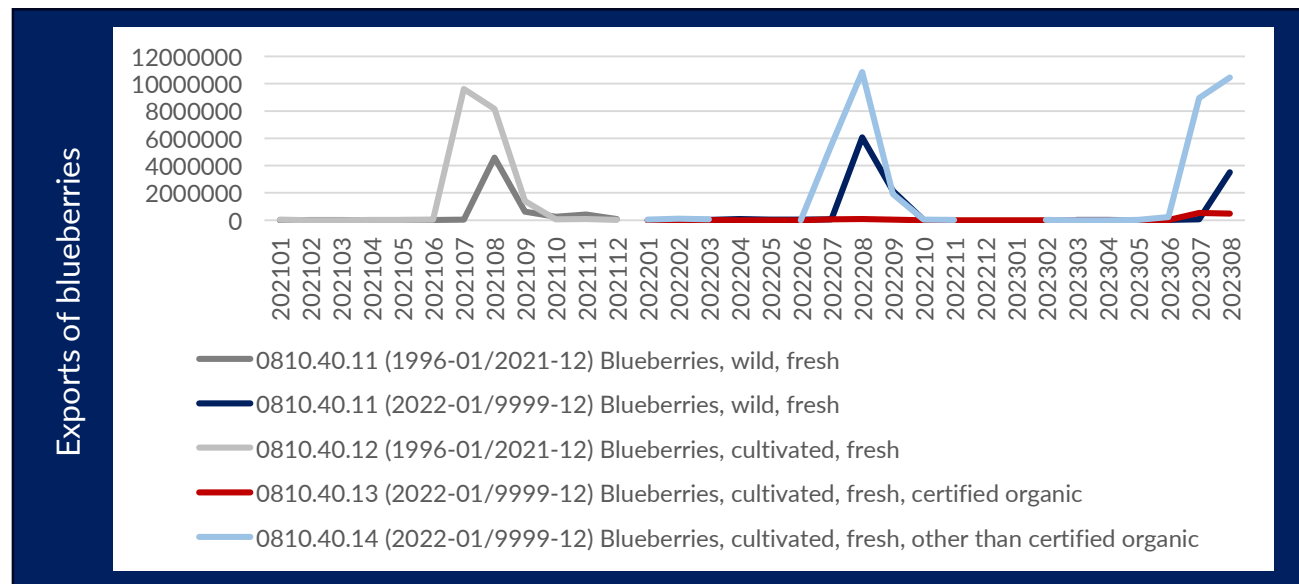
HS Update Challenges – Stewardship

- Stewardship of the statistical suffix is granted to Statistics Canada by law
 - “The Chief Statistician shall establish a coding system for goods imported into and exported from Canada to enable the Chief Statistician to collect, compile, analyse, abstract and publish statistics in relation to those goods.”
 - Statistics Act, 1985
- Specific data users seeking added HS granularity can submit requests for new statistical breaks
- Burden of weighing the needs of different data user groups that can sometimes be in conflict
 - Time series stability vs. maximizing relevance



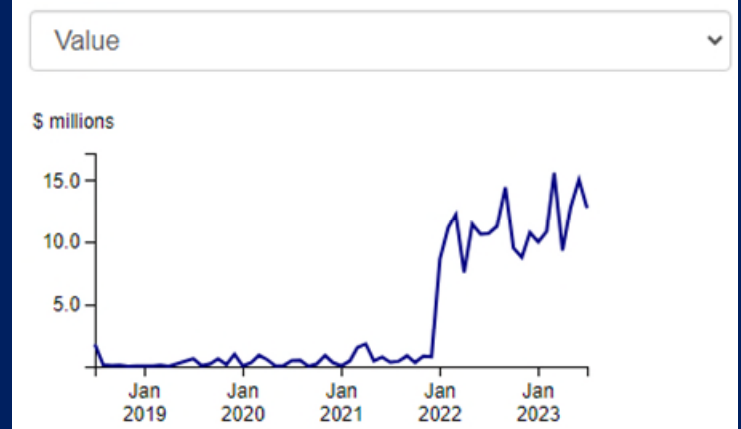
Importance of time series in statistics

- Time series analysis is challenging when breaks in series exist in a classification
 - The same product is not measured consistently through time
 - Analysis of historical trends becomes limited
 - The existence of a category does not guarantee its correct usage



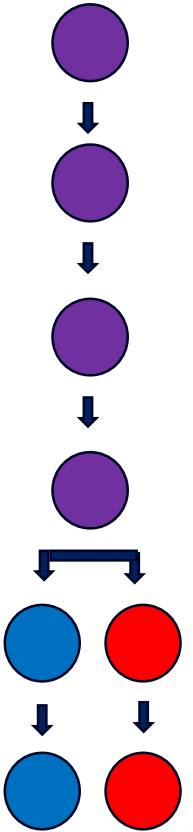
Imports of steel tubing used in drilling for oil and gas (diameter > 177.8 mm but <= 298.5 mm)

Imports (HS 7306.29.00.19), Canada — The world
July 2023



Importance of time series in statistics

- Breaks in series also affect the compilation of trade statistics
 - Tools and processes for outlier detection often depend on historical results
- Particular impact on deflation of merchandise trade
 - Real imports and exports (trade values after removal of price effects) are important components of GDP
 - Compilation depends on tracking prices for a fixed basket of goods over time
 - Methods to compensate for HS changes exist but have limitations
 - Quality of results and ability to analyze movements deteriorate over time as HS changes are applied



Achieving the right balance

- HS must change to reflect evolving products and tariff treatments
 - WCO and Tariff code changes are always applied as scheduled
- Statcan approach to managing requests for statistical breaks
 - Internal Statcan assessment of request
 - Materiality of proposed categories
 - Risks related to confidentiality of importers/exporters
 - Impact on price/volume compilation
 - Coherence with US breakouts
 - HS update committee
 - Annual meetings with other federal departments holding a key stake in HS updates
 - Reviewing the merits of the request against the risks and seeking a consensus
 - Wherever possible, deferring these changes to WCO update years



Thank you

Chris Maloney

chris.maloney@statcan.gc.ca

