



UNITED NATIONS
DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS
STATISTICS DIVISION

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

Revision of the Classification by Broad Economic Categories (BEC)

Note by UNSD



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Introduction

1. At its biennial meeting in May 2011 in New York, the Expert Group on International Statistical Classifications agreed to establish a technical subgroup (TSG) for the revision of the Classification of Broad Economic Categories (BEC). The terms of reference of the technical subgroup on the revision of BEC stipulated that the group should improve the BEC on 4 points namely:
 - (i) Re-defining BEC structure to better reflect current economic reality,
 - (ii) Extending its scope, including services as well as goods, while giving extra attention to the definition of intermediate goods,
 - (iii) Improving explanatory materials to help both compilers and users of data disseminated according to BEC, and
 - (iv) Providing updated correspondence tables to link BEC with other statistical classifications.
2. The TSG was requested to submit the revised BEC for approval and endorsement to the 45th session of the Statistical Commission in 2014. As further explained below, the revised BEC was not submitted to the Commission in 2014, but is now intended for submission in 2016.
3. A progress report of the TSG was submitted to the Expert Group at its meeting in May 2013.

Progress made in 2013 and 2014

4. Whereas a first full draft of the manual of the BEC, fifth revision, was completed by June 2013, several iterations were necessary to arrive at a draft manual which was

ready for global consultation. This revision process of the draft manual moved the preparation of the questionnaire of the global consultation into 2014.

5. The global consultation was finally conducted from July to September 2014, and a report of this global consultation has now been submitted to the EG as a background document. The timing of the global consultation did not allow enough time to finalize the BEC manual in 2014. Instead, the TSG will finalize the manual in 2015 for submission at the 47th session in 2016.

Results of the global consultation

6. 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.
7. The following points need further attention:
 - a. 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 from the existing trade statistics.
 - b. The BEC classification is compiled based on data, which is collected in HS codes (for goods) and CPC or EBOPS codes (for services).
 - c. 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.
 - d. The second level is the goods versus services level. Goods and services have (mostly) quite distinct product categories.
 - e. 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. 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.

- f. 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.
- g. 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 meaningful, than describing the economy in terms of the variations in end-use by the different economic sectors.
- h. Countries also 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.
- i. The countries agree that not all possible combinations of the 6 dimensions make sense, 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.

- j. Regarding the need for additional information to determine the end-use 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.

Completion of the manual

8. The next step will be that the TSG takes the lessons learned from the global consultation and further improves the BEC manual. In parallel, work is progressing on the correlation table of HS and the new BEC.
9. The final draft BEC manual will then be submitted to EG by September and the EG can thereafter submit it to the 47th session of the Commission in 2016.

Point for discussion

- **Do the experts have comments on the outcome of the global consultation and the work that still needs to be done?**
- **Do the experts agree with the proposed steps for completion and submission of the final draft of the BEC manual?**