D. International Standard Industrial Classification of All Economic Activities (ISIC)

27.19. *Purposes of ISIC*. Unlike HS, SITC, BEC and CPC, which are product classifications, ISIC is the international reference classification of productive activities. Its main purpose is to provide a set of activity categories that can be utilized for the collection and reporting of statistics according to such activities.

27.20. *Uses of ISIC*. Since the adoption of the original version of ISIC in 1948,[11] ISIC has provided guidance to countries in developing national activity classifications and has become an important tool for comparing statistical data on economic activities at the international level. Wide use has been made of ISIC, both nationally and internationally, in classifying data according to kind of economic activity in the fields of economic and social statistics, including, inter alia, statistics on national accounts, demography of enterprises and employment.

27.21. *Revision of ISIC*. The original ISIC was revised four times. The third[12] and fourth revisions of ISIC put increased emphasis on harmonization with other activity classifications and product classifications, adding considerable complexity and constraints that had not applied in earlier revisions of ISIC. As ISIC occupies a central position in the international comparison and analysis of a wide range of statistics, a great deal of attention was devoted to ensuring that ISIC would be compatible with the economic structure, the statistical practice and the needs of the different countries (or areas) of the world.

27.22. *Use of ISIC in economic statistics*. This classification is applied to classify statistical units, such as establishments or enterprises, according to the principle economic activity in which they engage. At each level of ISIC, each statistical unit is assigned to one and only one ISIC code. The set of statistical units that are classified into the same ISIC category is then often referred to as an industry, such as the "furniture industry", which would refer to all units classified in ISIC division 31 (Manufacture of furniture) and the "construction industry", which would refer to all units classified in ISIC section F (Construction). This standardized categorization makes ISIC an important tool for socioeconomic statistics which need to be arranged in accordance with the productive system of the economy.

27.23. The principal activity of an economic entity is the activity that contributes most to the value added of the entity, as determined by the so-called top-down method. According to the top-down method, it is not necessary that the principal activity account for 50 per cent or more of the total value added of an entity or even that its generated value added exceed that of all other activities carried out by the unit, although in practice it will do so in the majority of cases[13].

27.24. Wide use has been made of ISIC both nationally and internationally in classifying data according to kind of economic activity. An increasing number of countries have adapted their national activity classifications to the ISIC structure or can provide their data according to ISIC.

27.25. *The fourth revision of ISIC.* The Statistical Commission, at its thirty-seventh session, in March 2006, adopted the structure of the current fourth revision of ISIC and recommended that it be recognized as the international standard for economic activity.[14] It contains 21 sections, 88 divisions, 238 groups and 419 classes. The ISIC sections are listed below:

1. Agriculture, forestry and fishing
2. Mining and quarrying
3. Manufacturing
4. Electricity, gas, steam and air conditioning supply
5. Water supply; sewerage, waste management and remediation activities
6. Construction
7. Wholesale and retail trade; repair of motor vehicles and motorcycles
8. Transportation and storage
9. Accommodation and food service activities
10. Information and communication
11. Financial and insurance activities
12. Real estate activities
13. Professional, scientific and technical activities
14. Administrative and support service activities
15. Public administration and defence; compulsory social security
16. Education
17. Human health and social work activities
18. Arts, entertainment and recreation
19. Other service activities
20. Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use
21. Activities of extraterritorial organizations and bodies

27.26. It should be noted that ISIC, Rev.4, is the outcome of a review process that spanned several years and involved contributions from many classifications experts and users around the world. This process resulted in an ISIC structure that is more detailed than that of the previous version, in response to the need to identify many new industries separately. This is especially applicable in the case of services. Comparability has also been enhanced with a number of other regional activity classifications, making this version of ISIC a much-improved tool for international data comparison. A number of alternate aggregations have been included in ISIC, Rev.4. They provide analytical tools for use in areas that, for conceptual reasons, do not lend themselves to aggregation within the existing ISIC structure.

27.27. *Uses of ISIC in trade statistics*. Since ISIC has been used for the collection and presentation of statistics in many areas, there has been a strong need for correspondence tables between ISIC and other classifications. When drafting ISIC, Rev.4, and simultaneously CPC, Ver.2, a strong link was established between the two classifications. By rearranging the CPC categories according to their industrial origin and using the link between CPC, SITC and HS, a detailed correspondence table between the HS, SITC, CPC and ISIC was established.[5] Countries may find this correspondence useful when rearranging the trade data compiled in terms of HS by activity categories.

27.28.   The results of the United Nations survey of country practices show that a significant proportion of countries publish trade data in terms of ISIC (15 per cent of developed countries and 24 per cent of developing countries). Usually, such data are obtained by the expression of HS data in terms of ISIC using a conversion table. While such a practice may yield an acceptable approximation of commodity exports generated by different economic activities (industries), the assignment of commodity imports to specific economic activities (industries) is in general more difficult. In general, the results of allocation of trade flows that were originally compiled by the HS classification to ISIC categories of economic activity using conversion tables may be misleading, as there is no one-to-one correspondence between products and activities. In this context, IMTS 2010 (para 3.29) gives preference to the approach in which countries obtain the additional information needed to identify the main economic activity of traders—for instance, by linking customs records with information in the business registers (see chap. XI)—and perform the appropriate aggregations on the original data at the microlevel. For details on the use of ISIC in trade data collection through enterprise surveys, see chapter IV.

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[11] *Statistical Papers*, No. 4, Lake Success, New York, 31 October 1949.

[12] *Inaternational Standard Industrial Classification of All Economic Activities*, Statistical Papers, Series M, No.4, Rev.3 (United Nations Publication, Sales No. E.90.XVII.1).

[13] The top-down method follows a hierarchical principle: the classification of a unit at the lowest level of the classification must be consistent with the classification of the unit at the higher levels. To satisfy this condition the process starts with the identification of the relevant category at the highest level and progresses down through the levels of the classification. For details, see *International Standard Industrial Classification of All Economic Activities (ISIC), Rev. 4,* Statistical Papers, Series M, No. 4, Rev. 4 (United Nations publication, Sales No. E.08.XVII.25).

[14] See Official Records of the Economic and Social Council, 2006, Supplement No.4 (E/2006/24), chap. I, sect. C; decision 37/105, para. (a).

[15] These and other correspondence tables are available in electronic format only and can be accessed at the United Nations Statistics Division website (at http://unstats.un.org/unsd/class).