



# *Implementation of NACE Rev 2 in May 2010*

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## *Overview – policy issues*

- Background of process
- Reasoning behind sectoral survey breakdowns
- Conclusions



# Introduction

- Important challenge: Smooth running of the BCS programme
- Time series continuity and comparability
- Interest of all partners
- Minimise potential risks of disruptions



- 2007: Task Force studied 3 main issues
- Nov 2007: presentation in BCS workshop
- Dec 2007: DG ECFIN's requirements
- 2008: response from institutes - big majority agreed with content



In 2009: rigorous internal analysis of

1. Institutes' concerns
2. Discussion with Eurostat experts
3. Eurostat changeover to NACE 2 wrt short-term statistics – monitoring of publication and classification of reference series

April – EC letter soliciting institutes' feedback on modified breakdown

- Encouraging feedback with minor disagreements

September – EC letter with final breakdown in annex



## INDUSTRY

- Broadly unchanged and conforms closely with classification given in NACE 2 regulation (comparable to short-term statistics as reference series)
- code 19 no longer as separate ENERgy MIG (but code still has to be covered). Therefore, ENER MIG dropped.
- MIGs unchanged (still CONS = CDUR + CNDU, FOBE subset of CNDU)
- $TOTA = CONS + INTM + INVE + 19$
- Back-casted MIG aggregates should show very similar results
- Likewise for INVESTMENT survey



## CONSTRUCTION

- Simplified to 41, 42, and 43 as foreseen in regulation
- No longer division between residential and non-residential
  - in line with change of business registers with NACE 2
  - interest in this division is more from the demand side rather than the supply side
  - Construction companies likely to work on both residential and non-residential projects



## SERVICES

- Unchanged, same as classification given in NACE 2 (comparable to short-term statistics as reference series)
- Coverage increased, need to broaden scope of survey
- Movements of codes between industry and services should not have big impact on TOTS for back-casting purposes
- EC understands difficulty to cover certain codes, but this depends on the country's market structure, thus cannot eliminate coverage of codes





## RETAIL

- Not theme-based classification, only codes 45 (MV) and 47
- Facilitates collection, back-casting and comparison with short-term statistics

### 45 – MVS + MVRM

- MVS – separate code for the sale of motor vehicles (45.1) – widely watched indicator
- MVRM – captures the rest

### 47 – FBT + FUEL + OTHERS

- FBT – retail sale of Food, Beverages, Tobacco (necessity goods – relatively income inelastic)  
– decided to put 47.1 (supermarkets) under this heading
- FUEL – difficult to categorise, at the same time has appeal as an economic indicator
- OTHERS – considered as normal goods (likely to fluctuate with the business cycle)



## WHOLESALE – code 46

- encouraging approval of its coverage
- pending budgetary support
- Code 46 suggested to be separate if eventually covered
- But grouped in Section G with retail as in NACE regulation
- Then,  $TOTG = TOTR + 46$



# Conclusion 1. A common changeover date - MAY 2010

- MAY 2010 – changeover date
- Date coincides with start of 3<sup>rd</sup> annual agreement under the 2008-2011 framework



## Conclusion 2. Length and level of back-casting

DG ECFIN

**Back to January 1985** (depends on starting date of surveys):

- Totals + MIGs for Industry
- Specific difficulties on the starting date will be dealt with bilaterally

**Back to January 2000** (depends on starting date of surveys):

- Lower breakdowns of all surveys
- Jan 2000 is in line with ESTAT provisions concerning the initial back-casting of STS data



# Considerations to ensure smooth transition

Risk factors upon changeover date:

- potential breaks, technical failures
  - insufficient continuous time series to allow proper economic analysis
  - dubious back-casting (Totals and MIGs transition should be smooth)
  - interruption of seasonal adjustment - non-conformity of back-casted data
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- The Commission would like the *institutes to start sending in both NACE Rev.1.1 and NACE Rev.2 figures before May 2010 for testing purposes*
  - EC will send template for transmission of data soon
  - Will include normal sheets and a new metadata section will be added (population and sample size, response rate)
  - Invite opinion of how to present old NACE 1 and NACE 2 databases