NACE rev.2 changeover: follow-up

Angela D'Elia

Directorate General for Economic and Financial Affairs

European Commission

JOINT EC-OECD WORKSHOP ON RECENT DEVELOPMENTS IN BUSINESS AND CONSUMER SURVEYS

Brussels, 17 November 2011

Outline

- ✓ **Background**

- ✓ **The changeover step by step**

- ✓ **State of play**
  - ▪ **availability of NACE Rev.2 series**
  - ▪ **BCS users' needs**

- ✓ **The way ahead**
  - ▪ **open issues**

Background:
Commission's ongoing efforts to modernise production of EU statistics

- EC Regulation 1893/2006 establishes NACE Rev.2 as the new basis for classifying economic activities

- Jan 2009: short-term and structural business statistics; *Autumn 2011: national accounts* (Eurostat)

- May 2010: Business survey data (ECFIN)

  BCS partner institutes report business survey data according to the NACE2 classification

- 2010: BCS partner institutes were asked to provide DG ECFIN with back-cast series

  (back to 2000 for detailed 2-digit codes, and back to 1985 for aggregates and MIGs)

The changeover step by step

- Most of the back-cast series were received by the end of 2010.
- Validation process with a twofold objective:

      i) to check the back-cast series,

      ii) to make available series that are

      continuous and as long as possible.

- February 2011: validated NACE2 series at aggregate level
- June 2011: validated NACE2 series at MIGs level

The changeover step by step

- Aggregate level: a model-based methodology + statistical tests of structural break
  - ✓ Reasonably robust for not very volatile series.
  - ✓ Not suitable for MIG series (risks of detecting spurious breaks).

- MIGs level: correlation-based + retropolation of m-o-m changes

- In both cases, the adopted approach allows to have NACE2 series as long as the original NACE1.1 series, even when the available back-cast series is shorter, which is often the case.

State of play: availability of series for download

✓ **DG ECFIN's "validated" database**

 Long historical NACE2 business survey series
   - at the aggregate level (i.e. "total sector")
   - at Main Industrial Grouping (MIG) level

✓ **Separate database**

 Subsector series (2 digit-level): back-cast series sent by partner institutes, seasonally adj. by DG ECFIN

✓ **Archive database**

 - Back-cast series, as originally provided by partner institutes (non seasonally adjusted)
 - NACE1.1 business survey series (up to 04/2010)

State of play: what is missing & users' needs

EU and EA series at subsector level

To produce EU and EA aggregates ECFIN needs NACE2 weights (from National Accounts - Eurostat)

• NACE2 weights for EU and EA coverage expected to be available in January 2012

• Full back-cast data not before September 2012

State of play: what is missing & users' needs

➢ EA subsector series are needed by the ECB

➢ EU and EA series are demanded also by private sector companies and banks

➢ EC's internal use

→ need to find a solution quickly

The way ahead

There is no best solution/option

As from January 2012: *fixed weight strategy*

apply the last available weights (from NACE2 national accounts) to past observations

➢ EU and EA subsector series available as from beginning 2012

January 2013: *review the approach*

take stock of the availability of back-cast weights (from NACE2 national accounts) and consider the possibility of changing weights, if necessary

➢ EU and EA subsector series possibly revised

Happy to hear your views on that

& thanks for your attention