Follow up of the change to NACE rev.2

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Outline

- **Background**
- **State of play**
  - availability of backcast series
  - main findings
  - main problems/challenges
  - BCS users requirements
- **ECFI N’s strategy**
  - steps
  - outcome
  - open issues
- **The way ahead**
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 published according to NACE2 (Eurostat)
- May 2010: Business survey data (ECFIN) - even more comparable to short-term statistics - enhanced early indicators, better economic monitoring
- Sept 2011: national accounts (Eurostat)
Background

- As from May 2010, BCS partner institutes report data according to the NACE2 classification.
- BCS partner institutes have been asked to provide ECFIN with backcast data (back to 2000 for detailed 2-digit codes, and back to 1985 for totals and MIGs).
- ECFIN’s target: availability of a complete NACE2 dataset.
Current situation - as of 8/11/10

20 (out of 32) BCS partner institutes have sent backcast data.

The sector with the higher number of backcast series is Industry.

Only very few backcast series go back to 1985.

Most of the provided backcast series available from 2000 for Industry, and even later for the other sectors.
## Current situation - as of 8/11/10

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Current availability of series for download

- ESI, Confidence Indicators and Questions
  - NACE1.1 until April 2010
  - NACE2 from May 2010 (total sector)
- Subsector data
  - NACE1.1 until April 2010
- Pre-May 2010 NACE2 - estimates by institutes
  (not validated by DG ECFIN, yet; separate link)
- Full series for Financial services and Consumers
Current availability of series for download ... what is missing?

- **ESI, Confidence Indicators and Questions**
  - NACE2 pre-May 2010 (validated by ECFIN)
    - No full set of backcast has been received
    - Often short series
    - Heterogeneous « quality »

- **Subsector data**
  - NACE2 after April 2010
    - At least 3 years of validated backcast series needed for seasonal adjustment
Main findings

Comparison between ESI NACE1 and ESI NACE2backcast

- The changeover had a very minor effect on the size of ESI’s m-o-m changes

- Consistency between signs of ESI’s m-o-m changes is satisfactory, especially over the last two years
Main findings
Comparison between Confidence Indicators NACE1 and NACE2 backcast

- Confidence Indicators for Industry do not undergo any substantial level shift
- Confidence Indicators for Services and Retail trade are affected by a significant level shift
- Consistency between the signs of m-o-m changes in confidence indicators is satisfactory, especially over the last two years
Main issues

- More substantial changes at sub-sector and/or question level than found at the aggregate level
- Often backcast series’ length is short
- Consistency check results deteriorate going further back in the past (discrepancies, errors, different collection frequencies, different reports (+, -, balances))...
- Automatisations constraints (about 800 monthly series, without considering sub-sectors)
Main challenges

- Need to produce EU and EA aggregates
  Not full set of backcast data
- Various and numerous data requests from BCS users and stakeholders – often the main need is to have long series
  Often backcast series’ length is short

ECFIN, ESTAT, ECB
Analysts from private companies, professional associations, services providers, capital markets companies, banking sector
Researchers and Academics
Conference board and other tendency surveys producers
ECFIN’s goal

To make available a NACE2 BCS dataset made of:

- ESI, Confidence Indicators and Questions
  NACE2 pre-May 2010
  - Total and MIGs (sa and nsa), back to 1980 (validated by ECFIN)

- Subsector data
  NACE2 after April 2010 (sa), on the basis of backcast series starting in Jan08, when available
ECFIN’s strategy: the idea behind

Each series consists of three segments:
1. The historical time segment where only the NACE1.1 classification exists
2. The overlapping time segment where NACE1.1 and NACE2 backcast are present
3. The final time segment where only NACE2 is available
ECFIN’s strategy

- Modelling the difference series (NACE2b - NACE1) as an AR process on the overlapping period
- Find a break in the difference series, via the Bai-Perron test
  - A break typically occurs before the changeover date
- Use the break date to split the series in two sub-period (before and after the break)
- After the break: use backcast data sent by BCS partners
- Re-estimate the AR model on the sub-period after the break
- Apply the estimated coefficients to the NACE1 sub-series before the break, converting it in a NACE2 sub-series
- Rebuild NACE2 long series splicing:
  - re-estimated NACE2 series before the break date
  - NACE2 backcast series after the break date until April 2010
  - NACE2 series from May 2010
ECFIN’s strategy: an example
ECFI N’s strategy: outcome
ECFIN’s strategy - open issues

For EU and EA aggregates ECFIN needs:
- backcast series from all the MS

- 8 MS no backcast series at all
- most MS backcast series very short

ECFIN urges the BCS partners to send their backcast data by:

31 January 2011

- Inform DG ECFIN by 30 November 2010
ECFIN’s strategy - open issues

NACE2 subsector data (pre-May 2010)

➢ The procedure to validate and rebuild backcast data requires a « one-to-one » match between the NACE2 backcast series and the NACE1 series, on the overlapping period

➢ At sub-sector level, this is rarely the case

ECFIN will make available backcast subsector data as provided by the BCS partner institutes in a separate dataset
ECFIN’s strategy - open issues

NACE2 subsector data (from May 2010)
To produce EU and EA aggregates ECFIN needs weights (from National Accounts)

- NACE2 weights will be available only in September 2011

No EU and EA subsector data will be available before autumn 2011
The way ahead

Providing backcast data is a big effort for the BCS partner institutes, which ECFIN appreciates a lot.

- Further collaboration is expected in the next months:
  - BCS partners to send backcast data, if not already done, by 31/01/2011
  - BCS partners to check any inconsistency found in the backcast data
  - ECFIN happy to share views and experiences
The way ahead - timetable

DG ECFIN will have a NACE2 BCS dataset (yet with some inevitable loss of information)

Totals pre-May 2010 → end February 2011

MIGs pre-May 2010 → before summer 2011

Subsectors (no EU/EA) → before summer 2011

Subsectors with EU/EA → autumn 2011
Thanks for your attention