

CPC Ver.2 General issues

United Nations Statistics Division

CPC Ver.2

- Process
- Scope
- Main structure
- Link to HS
- Link to ISIC

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CPC Ver.2 – process

- Followed closely the ISIC revision process
- First two rounds of questionnaires were integrated with ISIC questionnaire
 - Questions on scope
 - Main structure
 - Areas to be reviewed
- Third questionnaire was sent 6 months after ISIC questionnaire
 - Structure proposal

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CPC Ver.2 - scope

- CPC has three functions:
 - Serve as a “central” classification of products
 - Requires links to other product classifications, such as HS, SITC, BOP, EBOPS
 - Provide classification of all outputs of economic activities (production), as defined in the SNA
 - Provide definitions of services (reference classification)

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CPC Ver.2 - scope

- What are the implications?
- Boundary questions for:
 - Waste products
(included, even non-produced, irrespective of value)
 - Assets
(produced assets included as products)
- To what degree do other classifications influence detail and structure?

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CPC Ver.2 - scope

- CPC covers “products”, i.e. the output of economic activities
- SNA refers to products as “goods and services”
 - Equivalent to the scope of previous versions of the CPC
- Problem: there are outputs of economic activities, i.e. “products”, that do not fit the definition of goods or services

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Goods:

Goods are **physical objects** for which a demand exists, over which ownership rights can be established and whose ownership can be transferred from one institutional unit to another by engaging in transactions on markets. They are in demand because they may be used to satisfy the needs or wants of households or the community or used to produce other goods or services. The production and exchange of goods are quite separate activities. Some goods may never be exchanged while others may be bought and sold numerous times. The separation of the production of a good from its subsequent sale or resale is an economically significant characteristic of a good that is not shared by a service.

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Services:

Services are not separate entities over which ownership rights can be established. They cannot be traded separately from their production. Services are heterogeneous outputs produced to order and typically consist of changes in the conditions of the consuming units realized by the activities of producers at the demand of the consumers. By the time their production is completed they must have been provided to the consumers.

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Problem:

“intellectual property products”

- outputs of a creative process carried out on own account
- They are not services
- They are not physical objects
- But: they are products
 - (“intangible goods” – although this concept doesn’t exist)
- Example: R&D originals

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Intellectual property products

- Questions:
- 1. Include this type of products in the CPC?
 - Yes
- 2. Where to place them?
 - ???

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CPC Ver.2 – structure

- Statement:
 - “The CPC does not distinguish between goods and services.”
- However:
 - There is a general separation between (transportable) goods in sections 0-4 and services in sections 5-9
 - Few exceptions exist

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CPC – structure

- Sections 0-4: transportable goods (with HS link)
- Sections 5-9: services
 - (plus constructions)
- Where to place the “intangible goods”?
 - Compromise: group with services that correspond to activities that create them

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CPC Ver.2 - structure

- Options for overall structure of the CPC:
 - Group products based on industry of origin
 - e.g. ISIC based
 - Group products based on demand
 - e.g. COICOP based
 - Group products by their characteristics
 - used currently in CPC
- What options are feasible?
- What are the advantages and disadvantages?

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CPC – industry based structure

- Advantage:
 - Easy link between activity and product data
- Disadvantage:
 - Link is not always one-to-one and forcing this relationship may result in loss of data
 - Multiple industry links for primary products
 - Problem with secondary products

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CPC – demand based structure

- Does not exist yet
- Could be modeled on a classification like COICOP
 - But: COICOP scope is narrower
- Lack of experience with such a structure makes it not suitable for an international standard right now

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CPC – current structure

- Groups products according to their characteristics (“intrinsic nature”)
- Groupings often follow industries, but this is not a requirement
- Product groups often consider analytical use
 - Example: Transport services

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CPC – current structure

- Example: Transport services
- In ISIC:
 - breakdown by mode of transport, then by passenger vs. freight
- In CPC:
 - breakdown by passenger vs. freight, then by mode of transport

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CPC – ISIC link

- Products with multiple industry links
 - Examples:
 - Mushrooms (output of growing or gathering)
 - Oysters (output of aquaculture or fishing)
 - Glycerol (output of different chemical processes)
 - Electrical capacitors (electric vs. electronic)
 - Sale of advertising space in print media (different media)
 - Internet access services (different providers)

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CPC – ISIC link

- Reasons for multiple links:
 - Insufficient product detail
 - (could be fixed)
 - One product (with unique characteristics) can be produced by different industries
 - Subdividing these would create “artificial products”; goods not compatible with HS
- Forcing a single link may result in loss of data
 - Depends on application of this link for data collection and display

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CPC – ISIC link

- Total number of CPC products with multiple links:
 - 87 (out of 2642)
- For most products, a regrouping by industry is possible
- Other problem:
 - Secondary products !!!

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CPC – HS link

- CPC provides basic definitions (building blocks) for services
- For goods, the HS provides these building blocks, i.e. each CPC goods subclass is the sum of HS subheadings
- Problem: HS is tailored for international trade and does not reflect all locally produced products in a suitable fashion

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CPC – HS link

- Examples:
 - 1. Sugar cane – grouped with **Locust beans; fruit stones and kernels and other vegetable products (including unroasted chicory roots of the variety *Cichorium intybus sativum*) of a kind used primarily for human consumption, not elsewhere specified or included.**

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CPC – HS link

- Examples:
 - 2. Software – included in **Discs, tapes, solid-state non-volatile storage devices, "smart cards" and other media for the recording of sound or of other phenomena, whether or not recorded, including matrices and masters for the production of discs, but excluding products of Chapter 37.**

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CPC – HS link

- Examples:
 - 3. HS often groups raw and processed agricultural products (which are outputs of different industries)
 - 4. HS agricultural products often do not distinguish source by animals (e.g. cow milk, vs. goat milk etc.)
- Unlike for services, HS adds a constraint to possible CPC detail

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CPC – HS link

- CPC provides detail beyond HS in a few selected areas
 - Total: 263 products (of 2642)
 - Out of which 194 for agriculture/food products
 - (Proposals for next HS revision are being prepared)
 - Other main areas:
 - Books
 - Petroleum oils
 - Software
 - Toys
 - Computer equipment

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CPC – HS link (and more)

- In general, CPC has changed with the underlying HS categories
- For services, CPC provides the detail and other classifications, like EBOPS, use these building blocks

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