

Use of Economic Classifications at Appropriate Detail Level

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Why Economic Classifications - ISIC and CPC?

Use of ISIC and CPC in economic statistics

- helps in analysis of economic processes and their outcomes for policy making
- helps in organising collection and compilation of production-related data from various sources – often overlapping or incomplete
- being hierarchically arranged, helps both producers and user in making appropriate choice of level of aggregation.

How do they help?

- One of the main objectives of collecting economic statistics is compilation of SUT
- The SNA SUT framework is based on CPC and ISIC.
- SUT – Two closely linked (commodity X industry) tables providing value of different products (CPC) produced by and consumed in different industries (ISIC).

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How do they help (Contd.)

- Use of SUT framework helps the compilers in removing discrepancies between data sets.
- Compilation of SUT is recommended as an essential part of integrated economic accounts compilation
- The symmetric I-O table – essential for planning and policy making – is derived from .

SUT – how detailed?



- From theoretical considerations, SUT ought to be compiled at a very detailed level so as to provide I-O coefficients at refined industry classification.
- But, most often data deficiencies do not permit very detailed classification.

Current Status of Data Availability



- Member countries are rarely able to collect (using surveys and other sources) detailed data on products produced or consumed by the establishments.
- Mostly similar products are roughly classified in same category or product detail is not at all collected.
- Product data, if available, are classified according to establishments' main activity.

Appropriate use of ISIC



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Question: Which level of ISIC should be used for SUT compilation?

- Should they be used at 2-digit or 3-digit or 4-digit level?

OR combinations of different levels?

- An example from a recent publication: The 'Use' table consists of 11 'nil' and 3 less than .05% (of the total of all industries) industry-level totals, out of 55 industry groups.

Regrouping of ISIC



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- some considerations (1)

- It is important to consider data reliability while compiling the data available from different sources.
- The ISIC is a classification with a logical framework from the perspective of international use.
- All 2-digit (or 3-digit or 4-digit) level activities, therefore, are not expected to have the same degree of relevance in a country.
- Thus, use of combination of different levels for compilation of economic statistics is desirable.

Regrouping of ISIC



- some considerations (2)

- The reliability of production-related data of industries should be considered while regrouping the ISIC into combination of different levels.
- Data for most of the industries are from sample surveys, and for a few complete enumeration.
- In principle, regrouping should be such that the sampling error of production-related parameters for the redefined groups are within acceptable limits and similar or related activity categories are merged.

Regrouping of ISIC



- a considerations (3)

The criteria for merging related 4-digit level ISIC codes could be:

- For the redefined groups, relative standard error (RSE) is within acceptable limit (say 5%)
- Share of the redefined groups in GDP > 1% (say)
- If required, more than one 2-digit levels may be merged entirely
- Redefined groups do not cut across 2-digit levels of ISIC, except when they are merged entirely
- If available, use RSEs of three consecutive surveys for this purpose.



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Thank you