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SHORT-TERM BUSINESS STATISTICS
Luxembourg, 26th October 2005

Progress report on the change to the NACE Rev. 2

1. Introduction

The objective of this document is to provide an overview of the activities carried out in implementation of the NACE Rev. 2 with regard to the

- drafting of the “Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing the revised statistical classification of economic activities and amending Council Regulation (EEC) No 3037/90 and other related Regulations (NACE Rev. 2 Regulation)
- and particular implementation of the NACE Rev. 2.

The STS Working Group on 26 October 2005 is invited to take note of these developments and the relevant background documents are available at the STS CIRCA site.

<http://forum.europa.eu.int/Public/irc/dsis/Home/main>

The revision of ISIC and NACE is reaching the final phase. The aim of the revision is to take into account the changes in the economic structure and to ensure the international comparability. After intensive discussions, starting in 2002, involving the NSI, delegates of the NACE/CPA Working Groups, all Directorate General of the European Commission and relevant associations it was possible to determine the final draft NACE Rev. 2 that needs to be consistent with ISIC Rev. 4.

The finalised structure of ISIC Rev. 4 approved by the expert group of the UN has been provided to Eurostat beginning July 2005. Formal approval should take place at the UN Statistical Commission in March 2006.

Eurostat's classification section provided the final draft structure of NACE Rev. 2 in August 2005. The draft structure of NACE Rev. 2 was already approved by the NACE/CPA Working Group in September 2005.

The draft explanatory notes for all NACE Rev. 2 categories and correspondence tables from NACE Rev. 1.1 to NACE Rev. 2, as well as those from NACE Rev. 2 to NACE

Rev. 1.1, are also available and will be finalised by the end of 2005, after further checks by the Task Force “Drafting of NACE/CPA” on 22-25 November 2005, composed by national experts.

The finalisation of the NACE Rev. 2 structure was the first step in the process of the drafting of NACE Rev. 2 Regulation.

The draft NACE Rev. 2 Regulation has been finalised and sent for inter-service consultation to the European Commission services on 17 August 2005. It includes the structure of NACE Rev. 2, provisions for the implementation of NACE Rev. 2 and amendments to ten Regulations of the European Parliament and the Council mentioning NACE Rev. 1 or NACE Rev. 1.1 which need to be adapted to NACE Rev. 2. Amendments may be related to coverage, level of detail and other aspects of the statistical production process. The deadline for replies was 8 September 2005.

Concerning the Commission’s services consultation, the legal service proposed a number of changes to the legal text in respect of presentation of the content.

The new draft of the NACE Rev. 2 Regulation taking into account the outcome of the inter-service consultation and the comments from the NACE Implementation Task Force is to be finalized end of September 2005.

It is expected that SPC will approve the draft NACE Rev. 2 Regulation in November 2005.

The official Commission’s proposal of NACE Rev. 2 Regulation will then be provided to the European Council and Parliament end of year 2005.

Eurostat hopes to have adopted the Council and European Parliament Regulation by the end of 2006.

CPA 2008

The revision of CPA is following approximately half a year after NACE. It depends first of all on the revision of the international version CPC, which has received less priority than the revision of ISIC so far.

Draft timetable:

- The Task Force on the drafting of the revised NACE and CPA will analyse the first draft CPA at its meeting in November 2005.
- Eurostat will launch a wide consultation on the first draft of CPA 2008 beginning of December 2005, with deadline for comments February 2006
- Development work will take place during February and March 2006
- Adoption of ISIC Rev. 4 and CPC 2007 in March 2006, at the meeting of the UN Statistical Commission
- Approval of the CPA Council Regulation at the NACE/CPA Working Group meeting in April 2006

2. Short-term statistics

Eurostat's STS Unit after June Working Group launched a written consultation on the open issues concerning the level of detail of the STS variables to be provided according to NACE Rev. 2. On the basis of this comments the Annex IX to the draft NACE Rev. 2 Regulation amending the "unofficial consolidated version of STS Regulation" was done and sent to Eurostat's classifications section on 12 August 2005. During the inter-service consultation of the Commission no specific comments were raised on Annex IX.

3. Co-ordination by Eurostat

Eurostat set up two Task forces dealing with the Operation 2007 – "NACE/CPA drafting TF" and "Implementation of NACE/CPA".

Implementation Task Force composed of relevant Eurostat staff, experts from member States and representatives of the European Central Bank met in February, April, July and September 2005. It is expected that the Task Force members set up general principles and recommendations concerning the Business Registers, conducting the surveys and the ways of back-data compilation.

3.1 Implementation plan for NACE Rev. 2

A preliminary implementation plan for NACE Rev.2 has been created during the April 2005 Implementation TF meeting on the basis of the "Questionnaire on implementation issues related to the revised NACE/CPA from February 2005" sent to NSIs.

The implementation plan was a point for information of the SPC in May 2005 which approved the co-ordinated approach between countries and statistical domains. All relevant issues will be discussed further during the SPC on 30 November 2005.

Draft implementation plan for NACE Rev. 2	
1 st January 2008	Statistical units in Business Registers classified according to NACE Rev. 2
2008	First reference year for all community statistics in accordance to NACE Rev. 2, with the exclusion of STS, LCI and National Accounts
2009	STS and LCI indices produced according to NACE Rev. 2, together with back-cast series
October 2009	Preliminary SBS data referring to 2008 sent to Eurostat according to both <ul style="list-style-type: none">• NACE Rev. 2• NACE Rev. 1.1
June 2010	Definitive SBS data referring to 2008 sent to Eurostat according to both <ul style="list-style-type: none">• NACE Rev. 2• NACE Rev. 1.1

The implementation plan for National Accounts has been discussed at the National accounts Working Group in June 2005, the Directors of National Accounts and the CMFB. On the basis of the present information the possible implementation date of NACE Rev. 2 in National Accounts is either September 2011 or September 2012. The SPC to be held in November 2005 should decide the date for NACE Rev. 2 implementation in National Accounts.

To sum up, it is crucial for the whole NACE Rev. 2 Implementation to start the discussion on practical issues not only at the Eurostat's level, but to start the discussion as soon as possible within National Statistical Institutes involving all relevant statistical domains as they are linked together (SBS, STS, LCI, NA ...). A co-ordinated approach among countries and within the countries is the necessary starting point.

Concerning the dissemination of the STS data in NACE Rev. 2 since January or 1st Quarter 2009 at the national level, Eurostat would favour that all the Member States would disseminate the STS data at the same time also in NACE Rev. 2.

3.2 Elaboration of guidelines and tools

Eurostat's role is to ensure the smooth transition to NACE Rev. 2 in co-operation with countries and has to provide best practices and guidelines.

During the Task force on the implementation of the revised NACE and CPA on 4-6 April 2005 there were set up two working teams dealing with specific issues:

- Business registers (S. Vale, T. Bonné, H. Van Hooff, N. Rainer, A. Isabel Sanchez-Luengo, J. Manuel Reyes and Michel Euriat). T. Bonné and H. Van Hooff will coordinate the team and submit a starting contribution: one of the subjects will be the use of transition codes moving from NACE Rev. 1.1 to new NACE Rev. 2.
- Back casting (J. Weisbrod, M. Williams and Emmanuel Raulin; Eurostat unit D3 - STS section will participate too.). The team will start collecting documents on the topic.

The Task Force identified four central topics, calling for the elaboration of guidelines and tools:

1. A co-ordination and communication plan for the NSIs, with possible appendix on the development of national versions of classifications.
 - co-ordinated by H. van Hooff
 - email: HHFF@CBS.nl
 - *to be finalized in October 2005.*
2. Implementation of NACE Rev. 2 in Business Registers.
 - co-ordinated by John Perry and the ONS
 - email: John.Perry@ons.gsi.gov.uk
 - *to be finalised by March 2006.*

3. Common guidelines for sampling designs and weights estimations.
 - co-ordinated by M. Williams
 - email: Mark.Williams@ons.gsi.gov.uk
 - *to be finalised by September 2006.*
4. Guidelines on back casting and impact assessment.
 - co-ordinated by E. Raulin
 - email: emmanuel.raulin@insee.fr
 - *to be finalised by September 2006.*

United Kingdom, as a member of the Implementation Task Force, is currently drafting a Document on sampling and estimation in the move to the NACE Rev. 2. They expressed the wish to involve other Member States in the work on providing best practises on sampling designs and weights estimation methods.

The participants of the STS Working Group will obtain all Methodological guidelines or documents related to the Implementation of NACE Rev. 2 that will be available. Currently the provisional documents prepared by TF members that are listed in the table at the end of this document are available at our STS - CIRCA web-site.

Member States are asked to comment on the draft papers and are encouraged to discuss these issues and give the feedback to the authors directly or via STS Unit D3 until end of December 2005.

All the relevant documents concerning NACE Rev. 2 (the structure, the explanatory notes and the correspondence with NACE Rev. 1) can be found in the following web-site:

<http://forum.europa.eu.int/irc/dsis/nacecpacon/info/data/en/index.htm>

All the relevant documents available at the STS CIRCA web-site:

Document number	Title
Doc 01-05	Draft Agenda
Doc 02-05	Progress report of the change to the NACE Rev. 2
Doc 03-05	Base year and weighting system
Doc 04-05	United Kingdom: Sampling and estimation in the context of implementing NACE Rev. 2
Doc 05-05	ECB Proposal for Euro-area back-data
Doc 06-05	Back-casting and back-cast data availability
Doc 07-05	Summary of the questionnaire on back-casting
Doc 08-05	Draft NACE Rev. 2 Regulation
Doc 09-05	Implementation Guide (for NACE Rev. 2)
Doc 10-05	Implementation Guide for Business Register
Doc 11-05	Route Book
Doc 12-05	Emmanuel Raulin: The role of structural business surveys within the classification changes (back-casting annual statistics series)
Doc 13-05	Minutes of the Task Force on the implementation of the revised NACE and CPA (4-6 July 2005 – Luxembourg)