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Background document
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Terms of Reference for the Technical Subgroup (TSG-COICOP)

Prepared by the Expert Group of International Statistical Classifications

Background

The COICOP (Classification of Individual Consumption by Purpose) is a reference classification published by the United Nations Statistics Division and the latest revision of this classification was released in 1999.

The proposal to revise the COICOP classification was officially raised at the **UN Expert Group on International Statistical Classifications (EG) meeting in 2011**, although issues related to the application of this classification had been often raised before within the EG, as well as during classifications workshops and meetings conducted by various agencies.

As the System of National Accounts (SNA), had just been revised at that time, and COICOP being part of it, at the 2011 EG meeting experts recommended to avoid revisions that may conflict with the SNA implementation, while they also acknowledged the need for clarification and improvement of this classification. COICOP being one of the four interrelated “purpose classifications” used in the SNA, the possible implications of a COICOP revision on these classifications were also noted.

It was therefore decided that, before launching any formal revision, a global consultation should be conducted first, in order to assess the need and scope for such a revision. A Technical Subgroup (TSG-COICOP) was formed to look at the issues raised in the global consultation and to evaluate whether a revision was needed. The TSG consisted of EG members and invited experts (New Zealand, Switzerland, Austria, Philippines, UNECE, UNSD, FAO, ILO and Eurostat) and was chaired by Eurostat.

Experts from UNECE, Eurostat and Statistics Austria within the TSG supported UNSD in preparing the survey and in analysing the results. The survey was carried out between October and December 2012;

Sixty-eight countries and four international organisations participated in the survey, providing 72 responses. Results showed that countries were generally in favour of an update or revision of COICOP, to ensure that it provides an adequate tool for the recording of households’ consumption expenditures. In particular, it was felt that a revision was needed to reflect the significant changes in goods and services in some areas: indeed new products had emerged in some areas of household consumption (mainly in Divisions 08 and 09) while some products disappeared from the market. In general, there was a call for more detailed guidelines to ensure a proper and correct recording.

Preliminary results were presented and discussed during the EG meeting in 2013. The TSG-COICOP subsequently identified three main groups of issues:

- Group 1. Issues which would imply a change in the COICOP structure/level of detail or change in titles;

- Group 2. Issues which could be solved by case laws, although a change in structure could be a better solution;
- Group 3. Issues which could be solved by case laws (a class is clarified or expanded with products not elsewhere mentioned yet).

The TSG then started working on the preparation of clarifications for 16 issues from Group 2 and 17 from Group 3. For each case a COICOP class was proposed, the rationale for the decision was explained and possible improvements in the case of a revision were proposed.

The TSG-COICOP presented its final report at the **EG meeting in 2015** (see Annex 1) where it was decided to proceed with a revision of COICOP.

The report included:

- A distribution of issues raised by the National Statistical Offices in their answers to the questionnaire organized by the present list of COICOP Divisions.
- A list of case laws above mentioned and a recommendation of their full implementation from now.
- A recommendation to launch a full revision of the COICOP classification as there are enough and sufficiently important requests for change.

Concerning the other purpose classifications in the SNA, it was decided that the COICOP should be revised first and that an impact assessment on COFOG, COPNI and COPP should be conducted afterwards.

A first draft of the revised COICOP is planned to be presented at the **EG meeting in 2017**, along with visibility to the appropriate meeting of the UN Statistical Commission.

Proposed Membership of the TSG-COICOP

It was decided that the EG would inform the Inter Secretariat Working Group on National Accounts (IWGSNA) that a revision was required and would initiate a formal revision process. With this in mind it was agreed to continue with the current composition of the TSG-COICOP. Canada and IMF also volunteered to participate and ISWGNA will be involved as well as the Inter-Secretariat Working Group on Price Statistics (IWGPS).

The composition of the TSG is: Australia, Austria, Canada, Eurostat, FAO, ILO, IMF, ISWGNA, IWGPS, New Zealand, Philippines, Switzerland, UNECE and UNSD.

Eurostat will chair this TSG.

Scope of Work

The COICOP Technical Subgroup should carry out the following tasks:

1. Evaluate the proposals for change in terms of feasibility and relevance. Propose concrete changes in the present structure, ensuring a better alignment of COICOP with CPC.
2. Elaborate a first draft of the revised classification including a possible 5th digit.
3. Conduct a worldwide consultation on the draft to get feedback on the different proposals of change.
4. Amend the proposal with the feedback received and develop the final document.
5. Elaborate explanatory notes.
6. Analyse impact of changes proposed in other related classifications of expenditure according to purpose in SNA (COFOG, COPNI, COPP).
7. Preparation of a correspondence table between new COICOP and CPC
8. Report to the Expert Group on International Statistical Classifications.

The main uses of COICOP are in the production of household budget surveys, consumer price indices, purchasing power parities and the national accounts. The update should take the widespread use of COICOP into account and facilitate data sharing and data integration in order to streamline the statistical production process and ensuring coherent statistical outcome across domains. Possible differences in the recording according to the various uses of COICOP should be explained.

Subject area experts should be consulted when reviewing the classification. Members of the TSG should consult with subject area experts of their organisations when relevant.

Timeline

Tasks should be completed by the following deadlines:

1. Task 1: Mid May 2016
2. Task 2: End of July 2016
3. Task 3: End of November 2016
4. Task 4: End of March 2017
5. Task 5: End of 2017
6. Task 6: February 2018
7. Task 7: April 2018
8. Task 8: May 2017 and May 2018

Organization of work

The Technical Subgroup will mostly communicate via e-mail but phone or video conferences for the main milestones can be envisaged.

A physical meeting is planned to finalize the draft structure of the classification before the worldwide consultation.

Note: This draft mandate will be submitted to the 2016 session of the United Nations Statistical Commission for approval.

Annex 1: Report from the Technical Subgroup on COICOP



UNITED NATIONS
DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS
STATISTICS DIVISION

**Meeting of the Expert Group on
International Statistical Classifications
New York, 19-22 May 2015**

Review of the COICOP classification
Report from the Technical Subgroup COICOP

Draft 15.04.15

UNITED NATIONS
DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS
STATISTICS DIVISION

1. Background

The current version of the Classification of Individual Consumption According to Purpose (COICOP) was developed in the second half of the 1990s and since then the consumer markets have considerably changed. Some classes have become inadequate or the boundaries between classes less clear.

Whether there might be a need for a revision or an update of COICOP was discussed at the meeting of the UN Expert Group on International Statistical Classifications in 2011. Since at that time the System of National Accounts (SNA) had been recently updated, the revision of COICOP could delay the implementation of the new SNA. Furthermore, COICOP is also applied outside of national accounts in data bases that might have a different revision cycle. Most of these other applications (consumer price indices, household budget surveys) are important inputs for national accounts and using different versions of COICOP might hamper the use of these data for national accounts purposes. The Expert Group on therefore acknowledged the need for clarification of a certain number of issues in relation to COICOP, but did not agree on an immediate need for a revision at this point as it could be in conflict with the implementation of the new SNA version.

On this background, UNSD decided to run a global survey to ascertain the need and scope for a possible revision of COICOP. A small task force was established to prepare the survey and analyse the results, consisting of UNSD, UNECE, Eurostat and Statistics Austria. The global survey was carried out between October and December 2012. The task force submitted its report on the results of the survey to the meeting of the Expert Group on International Statistical Classifications in New York, 13-15 May 2013.

(Doc. ESA/STAT/AC.267/31:

<http://unstats.un.org/UNSD/class/intercop/expertgroup/2013/AC267-31.PDF>)

The Expert Group (EG) in May 2013 agreed to form a Technical Subgroup (TSG) to analyse the outcome of the 2012 survey, consider case laws issues, consider possible impacts on other classifications of expenditures according to purpose, and report its conclusions to the Expert Group. The TSG initially consisted of EG members (New Zealand, Switzerland, Austria, Philippines, UNECE, UNSD, FAO, ILO and Eurostat), but at a later point was able to bring in price statistics experts and national accounts.

This document is the final report from the Technical Subgroup based on the mandate given by the Expert group. The following experts participated in its drafting: Ralf Becker, Carsten Boldsen, Severa de Costo, Angelina Dunga, Ana Franco, Andrew Hancock, David Hunter, Claude Macchi, Norbert Rainer, Valentina Ramaschiello, Selvi Sekhar, Herman Smith, Valentina Stoevska and Graeme Thompson.

2. Mandate of the technical sub group and modus operandi

2.1 Mandate of the technical sub group

The Terms of reference of the TSG were initially defined as follows:

1- Analyse the results of the survey “Questionnaire on issues for a potential revision of the Classification of Individual Consumption According to Purpose (COICOP)” identifying areas of concern.

2- Identify issues for which “case laws” could solve the problem. Propose “rulings” for these issues.

3- Analyse the extent of the remaining issues which could not be solved by case laws and, if they are significant, make concrete proposals of change in the present version of the classification. In case of revision a new structure and explanatory notes should be elaborated.

4- Analyse impact of changes proposed in other related classifications of expenditure according to purpose:

- Classification of the Functions of Government (COFOG)
- Classification of the Purposes of Non-Profit Institutions Serving Households (COPNI)
- Classification of the Outlays of Producers According to Purpose (COPP).

5 – Report to the UN Expert Group on classifications of main conclusions.

2.2 Modus operandi

The Technical Sub Group worked exclusively exchanging their opinions by electronic means either using e-mail or using the discussion forum setup by UNSD for this purpose.

Based on the survey “Questionnaire on issues for a potential revision of the Classification of Individual Consumption According to Purpose (COICOP)” the general view among countries is that there is a need to review and revise COICOP to ensure that it provides an adequate tool for the recording of households’ consumption expenditures and the other uses of COICOP. In particular, it is felt that an update is needed to reflect the drastic changes in goods and services in some areas, mainly in Divisions 08 and 09 where a range of new products have emerged and are growing in importance. At the same time, new products have also emerged in other areas of household consumption, old products have disappeared from the market and consumption patterns have changed, which also necessitate an update. The current level of detail is for most of the countries adequate. However, the introduction of a fifth digit level would be supported by a majority of countries. A great majority of countries is in favour of keeping the distinction between non-durable, semi-durable and durable goods as well as a systematic distinction

between goods and services. In general, more guidelines are called for to ensure proper and correct recording.

After analysing the results of the survey “Questionnaire on issues for a potential revision of the Classification of Individual Consumption According to Purpose (COICOP)” the TSG agreed in subdividing the issues mentioned in the answers to the survey into:

- 1. Issues which would imply a change in the COICOP structure/level of detail or change in titles,
- 2. Issues which could be solved by case laws although a change in structure could be a better solution and
- 3. Issues which could be solved by case laws (a class is clarified or expanded with products not elsewhere mentioned yet)

Each of the issues raised were grouped according to this division, as listed in Annex 1.

For the issues classified under 2 and 3 the TSG provided advice on where to classify them according to the present version of COICOP. Suggested case-laws for each issue can be found in Annex 2. This list includes the rationale for the decision and also what possible improvements could be foreseen in the case of a revision.

3. Final conclusions and next steps

The TSG has the opinion that there are enough grounds to start a full revision of the COICOP classification.

The TSG is also recommending that some clarifications and case-laws could be established to make the present classification more usable and data more harmonized: However, the number of issues listed in Annex 1/ 1 and its importance makes clear that also a revision process should be started.

The scope of this revision would need to touch the lower levels of the classification (classes) but also restructuring of the upper levels could be necessary mainly in Divisions 08 and 09 as the boundaries between Communication and Recreation and Culture become more and more blurred. The introduction of a 5th digit and a better consistency between COICOP and other related classifications like CPC was also seen as useful by several countries.

Depending on the scope of the revision it may be necessary to revise COFOG, COPNI and COPP classifications to keep the consistency between them. The impact on these 3 classifications is difficult to evaluate before concrete proposals of change in COICOP are elaborated.

The TSG recommends launching a revision procedure of the COICOP classification. The questionnaire sent in 2012 on a potential revision of COICOP is certainly a good basis for starting a review but a more targeted consultation could be necessary during the revision process. Meantime the case-laws proposed should be implemented to achieve a better harmonization. The revision process should be should be coordinated with major users of the classification, such as National Accounts, Price statistics etc.

The Expert Group is invited to express their opinion on:

- the case laws proposed
- the launch of a revision process of the COICOP classification,
- the timing of the process (in particular the expected completion date)
- how to organize the revision process (set up a technical subgroup, need for a world-wide consultation, etc.)
- how to organize the transition period as the revision might take some years (case laws/update of explanatory notes)
- how to deal with possible consequences to the other purpose classification

Annex 1: List of proposals of change in COICOP raised in the answers to the “Questionnaire on issues for a potential revision of the Classification of Individual Consumption According to Purpose (COICOP)”

1. Issues which would imply a change in the COICOP structure/level of detail or change in titles:

1.1. Proposed changes for Division 01:

- Separate poultry from meat;
- Split bread, meat, fruits and vegetables according to the step of transformation (fresh/frozen and otherwise prepared and preserved);
- Separate processed and unprocessed food;
- Separate "healthy" products such as soya, tofu, etc., diet products;
- Move Crisps from 1.1.7 to 1.1.9;
- Separate Milk, cheese and eggs – it can be at the 5th digit level;
- Have a separated class for potatoes (and perhaps also other big consumption food products like rice) – it can be at the 5th digit level;
- Have a separated class for other products, e.g. rice, maize, wheat, barley; – it can be at the 5th digit level;
- Create a separate class for Ready-made meals – it can be at the 5th digit level
- Food products have been specified repeatedly:
 - 0119 food products;
 - 11910 other food products.

It would be better to give other name to differentiate between the two items;

1.2. Proposed changes for Division 03:

- Split according to end use (men/women/infants);
- Separate haberdashery from other clothing,
- Suppress 03.1.1

1.3. Proposed changes for Division 04:

- Provide more details for fuels;
- Rename Gas to Natural Gas, Exclude butane and propane from this class, and combine with class liquid fuels;
- Expand 04.4.2 Refuse collection or part of Division 12 to include recycling and other environmental fees;
- Facilitate inclusion of owner- occupied housing by other methods than rental equivalent;
- Split 04.3.2 according to main types of services;
- Combine COICOP classes 04.4.4 (other services related to the dwelling n.e.c.) and 05.6.2 (domestic services and household services) into one class, "other services related to the dwelling and property";
- Split 04.3.1, 04.5.2, 04.5.4 according to materials;
- Remove the term "effective" qualifying rental service in the categories: 04.1, 04.1.1 and 04.1.2. Not needed to distinguish the "imputed rent";
- Move "Fitted carpets and resilient floors" from 05.1.2 to 04.3.1.

1.4. Proposed changes for Division 05:

- Provide more details for kitchenware (including disposables);
- Split according to the end use (washing/cooking/cooling) in 05.3.1, glassware and tableware in 05.4.0, cleaning and maintenance products in 05.6.1; separate household items from furniture;
- Combine COICOP classes 04.4.4 (other services related to the dwelling n.e.c.) and 05.6.2 (domestic services and household services) into one class, "other services related to the dwelling and property";
- Suppress 05.1.2;
- Divide 05.4, 05.5 and 05.6 according to materials
- Fitted carpets and resilient floors should be moved from 05.1.2 to 04.3.1.

1.5. Proposed changes for Divisions 06:

- Divide into two groups private and government;

- Introduce more detail on the content of 06.1.1, 06.1.2 and 06.1.3;
- Introduce more detail on Corrective eye-glasses in 06.1.3, general/specialist practice in 06.2.1, medical analysis/ambulance services/others in 06.2.3– it can be at the 5th digit level – Introduce more details for pharmaceuticals and hospital services.

1.6. Proposed changes for Divisions 07:

- Cars should be detailed by type and by new or used;
- Divide 07.2.2 according to the kind of fuel;
- Split 07.3.3 in domestic and international flights;
- Move Recreational vehicles (09.2.1 Major durables for outdoor recreation) to Division 07 Transport.
- Move Maintenance and repair of other major durables for recreation and culture (09.2.3) to Division 07 Transport.

1.7. Proposed changes for Divisions 08 and 09:

- Introduce more details for internet access and internet search services, telephone, postal and other communications services, telephone equipment, and subscription to online content providers;
- Replace 08 with ICT, and move 09.1.1-09.1.5 to Division 08;
- Introduce new class for "pure Internet access" and telecommunications services-TV-Internet access bundled;
- Split according to the following criteria:
 - sound/image or reception/recording and reproduction in 09.1.1,
 - personal computers in 09.1.3,
 - games/toys in 09.3.1,
 - garden products/plants and flowers in 09.3.3,
 - participation in sport/recreation in 09.4.1,
 - cinemas, theatres, concerts/TV and radio broadcasting in 09.4.2;
- Separate wireless communication and other social networking facility/services;
- Split on fixed telephone equipment and services and mobile telephone ones;
- Propose the following 3 digit categories:
 - Postal services,

- Telephone equipment (including cell phones),
- Computer equipment (including laptops, desktop, tablets),
- Communication services (calls, Internet, text messages etc.),
- Software and apps,
- Audio visual content downloads (including music, movies, reading material, video on demand, etc.) and
- other recreation and culture groups as presently structured;
- Merge Postal services and telefax with printers and scanners.
- Merge Division 08 and Group 09.1 Audio-visual, photographic and information processing equipment into a new division, which may or may not include 09.1.2
- Some of the classes in 9.2 – 9.5 could be merged;
- 09.1 and 09.3 are too detailed resulting in thin series;
- Suppress 08.2 (fax machines);
- 08.3 "Telephone and telefax services" could include Internet services
- Move Video games and consoles currently classified as Games, toys and hobbies to audio visual equipment.
- Merge COICOP 08 (ev. excl. 08.1) with the television and radio license fees, subscriptions from 09.4.2 (Cultural services).
- Move Recreational vehicles (09.2.1 Major durables for outdoor recreation) to Division 07 Transport.

1.8. Proposed changes for the Divisions 10:

- Merge 10.1, 10.2, 10.5;
- Merge 10.3 and 10.4;
- Revise the Division 10 to reflect ISCED 2008;
- Move Newspapers, Books, Stationery & other articles related to education to division 10.

1.9. Proposed changes for the Divisions 11 and 12:

- Introduce more details for takeaway food;
- Identify separately:

- food and alcoholic beverage services from 11.1.1;
- hotels/holiday and short stay accommodation/camping sites/boarding schools in 11.2.0,
- hairdressing for men/hairdressing for women/personal grooming treatments in 12.1.1,
- articles for personal hygiene in 12.1.3, travel goods in 12.3.2,
- retirement homes for elderly persons/residences for disabled persons in 12.4.0,
- administrative fees and legal services/funeral services in 12.7.0;
- Split social services between child care, elder care and other social services;
- Create a new Division for insurance and financial services – i.e. merge 12.5 and 12.6 into a new Division;
- Create two separate Divisions for 12.1-12.3 and for 12.4-12.6;
- Split 12 into two new Divisions on Insurance and Financial services and Miscellaneous;
- Create separate Division for Group 12.1 personal care;
- Create separate division for social protection 12.4
- Suppress 12.1.2, 12.5.5;
- Move Prostitution from 12.2 to 12.7.0 Other services;
- Replace the title of Division 11: Restaurants and hotels by Catering and Accommodation
- Move childcare centres from 12.4 'Social Protection' to Division 10 'Education'
- Move feeding bottles from 05.4 Glassware, tableware and household utensils to 12.3.2 as the rest of the articles for babies

1.10 More general proposals:

- Introduction of a 5th digit.
- Group together all maintenance and repair instead of by product repaired.
- Create classes for
 - Used goods (for clothing, recycled building materials, etc.)
 - Leased or lend goods (textiles, games, videos)
 - Licenses (apps, downloads)
 - Snacks (chips, nachos)
 - Homeopathic medicines

- Vegetarian food based on wheat or soya
 - Decorative materials for gardens
 - Household expenditures on income taxes
 - Religious expenses
 - Membership fees for retail/wholesale stores
 - GPS-products (navigators etc.)
 - Downloaded or internet provided services
 - Apps
 - Electricity for electric cars
 - Hydrogen (as fuel for cars)
 - E-book readers
 - Private lessons (tutoring) and mental health.
- Reduce the many to many links between COICOP and CPC.
 - Systematically separate goods and services.
 - Systematically make an explicit distinction between non-durable, semi-durable and durable goods.
 - Create a new category for multifunctional equipment (or even several such categories).
 - Introduce (additional) distinctions in COICOP to explicitly facilitate the separation of products that (potentially) fall within the scope of green consumption.
 - Some classifications like the ISIC provide for alternative aggregations in reporting of SNA industries and the information economy. For example, economic activities generated by the production of ICT goods and services are grouped together under ICT manufacturing industries, ICT trade industries and ICT services industries. Alternative aggregation could be used for COICOP for reporting certain categories (e.g. Apps or OOA) in an internationally comparable way.

2. Issues which could be solved by case laws although a change in structure could be a better solution

2.1 Where to classify:

- Used goods (for clothing, recycled building materials, etc.)
- Leased or lend goods (textiles, games, videos)

- Licenses (apps, downloads)
- Snacks (chips, nachos)
- Some ready-made meals (such as sandwich sold in supermarket, prepared meals for micro-wave)
- Homeopathic medicines
- Vegetarian food based on wheat or soya
- Decorative materials for gardens
- Household expenditures on income taxes
- Religious expenses
- Membership fees for retail/wholesale stores
- GPS-products (navigators etc.)
- Downloaded or internet provided services
- Apps
- Electricity for electric cars
- Hydrogen (as fuel for cars)
- e-book readers
- private lessons (tutoring) and mental health.

2.2 Provide guidelines:

- For the classification of Multifunctional products and bundled products.

2.3 Provide well-defined criteria for ready-made meals classification.

3. Issues which could be solved by case laws (a class is clarified or expanded with products not elsewhere mentioned yet):

3.1 Add inclusions/exclusions

- Include tolls facilities and parking meters in 07.2.4;
- Include taxis in 07.3.2;
- Any undefined "others" in the classification should be explicitly defined and guidelines be provided

3.2 Provide guidance on where to classify:

- Volunteer work (division 13 ?) (is this under the scope of COICOP?)

- Smartphones and tablets
- Video on demand
- Downloads of music, films or electronic books
- e-subscription of online newspapers and magazines
- Tomatoes (fruit or vegetable)
- Art and music schools, spa and sanatorium services
- Delivery charges for food services, such "charges" are not part of the food product but an added service
- Beauty treatments carried out in hospitals or clinics by doctors (Botox, plastic surgery, etc.)
- Homes with both medical and nursing care services
- Flour based products (farinaceous) - dumplings, pancakes prepared with meat, fish, vegetables, cheese
- Payment for heating up water, if the block of flats has its own heating system (04.4.1 or 04.4.5), i.e. cold water is supplied (04.4.1) to a block of flats, where is it warmed up for purpose of having hot tap water (where to classify it?) and separately for heating (04.4.5?). Usually flats' owners (and tenants) must pay separately for this service
- Structured courses which are related to school curriculum and conducted by certified and licensed instructors. Should they be classified under Division 10 'Education' or Division 9 'Recreation and Culture'? Such courses usually offer structured programmes for e.g. music and art (subjects offered at GCE 'O' and 'A' levels), music (Suzuki music programme, graded exams like ABRSM), ballet (graded exams like RAD), sports (e.g. swimming graded tests like National Survival Swimming Award, taekwondo (graded belt tests))
- Holidays in a hotel should be treated as accommodation services?

3.3 Provide rules on:

- inclusion of additional costs related to the purchase of a product (e.g. delivery costs of goods and services, bought on the internet, should always be included in the product).

3.4 Provide methodological support on:

- Guidelines for the distinction between goods and services (this is not a trivial question because in many services there are some goods included and vice-versa):
 - Funeral services and coffin

- Cars with warranty service;
- Medication included in outpatient services;
- Dental services and dentures;
- Food consumed outside home;
- Repair often includes material as well as labour;
- It is hard to separate e.g. nail paint vs labour of the manicure;
- Bundles of services and goods;
- Cultural products like downloads of music and books, could be viewed as a service, but serve the same purpose as goods.