

Box 7

REVISED ACTIVITY CLASSIFICATION (NACE) IN NATIONAL ACCOUNTS

When the main national accounts aggregates were released for the third quarter of 2011, the updated classification of economic activities NACE¹ Rev. 2 replaced NACE Rev. 1.1. The “NACE” classification, which is fully consistent with the International Standard Industrial Classification of all Economic Activities (ISIC), provides the mandatory statistical framework for a wide range of European statistics, including short-term statistics, labour market statistics and national accounts. The current publication is the culmination of a three-year process, whereby the changeover to the new classification² was implemented for the statistics underlying the national accounts. From now on only data in the revised aggregation for national accounts³ will be used in the Monthly Bulletin.⁴ This box explains the changeover and the revision.

Implications of NACE Rev. 2

The revision has mainly affected the breakdown of value added, employment and compensation of employees. The tables in the “Euro area statistics” section of the Monthly Bulletin now report ten aggregates of economic activity, compared with six previously, according to the so-called “A10 industry breakdown”,⁵ giving a more refined breakdown of activities, particularly in the case of services (see Table A). This is one of the major benefits of the new classification, allowing a more

- 1 NACE stands for “Nomenclature statistique des activités économiques dans la Communauté Européenne” and defines the statistical classification of economic activities in the European Community. For more information on NACE Rev. 2 and the links to other classifications, please refer to “NACE Rev. 2: Statistical classification of economic activities in the European Community”, available on the Eurostat website (<http://epp.eurostat.ec.europa.eu>).
- 2 Comprehensive information on the introduction of NACE Rev. 2 in short-term business statistics can be found in Box 4 of the April 2009 issue of the Monthly Bulletin.
- 3 National accountants agreed on specific NACE Rev. 2 breakdowns for their use. These are specified in Commission Regulation (EU) No 715/2010 of 10 August 2010 amending ESA 95, which introduces NACE Rev. 2.
- 4 See revised Tables 5.2.2, 5.3.1 and 5.1.4 in the “Euro area statistics” section of this issue of the Monthly Bulletin.
- 5 See the tables mentioned in footnote 4. A detailed description of the breakdown can be found in the annex to Commission Regulation (EU) No 715/2010.

Table A Broad correspondence between the sections in NACE Rev. 1.1 and NACE Rev. 2

NACE Rev. 1.1			NACE Rev. 2		
Section	Activities	% of total in 2010	Section	Activities	% of total in 2010
1 A, B	Agriculture, hunting, forestry and fishing activities	1.7	1 A	Agriculture, forestry and fishing	1.7
2 C, D, E	Mining, manufacturing and energy	18.6	2 B, C, D, E	Manufacturing, energy and utilities	18.9
3 F	Construction	5.9	3 F	Construction	6.2
4 G, H, I	Trade, repairs, hotels and restaurants, transport and communication	20.6	4 G, H, I	Trade, transport, accommodation and food services	19.0
5 J, K	Financial, real estate, renting and business activities	29.3	5 J	Information and communication	4.4
6 L, M, N, O, P	Public administration, education, health and other services	24.1	6 K	Finance and insurance	5.3
			7 L	Real estate	11.2
			8 M, N	Professional, business and support services	10.1
			9 O, P, Q	Public administration, education, health and social work	19.6
			10 R, S, T, U	Arts, entertainment and other services	3.7

Sources: Eurostat and ECB calculations.

Note: The titles of the activities referred to in the table may differ from the official titles. Shares refer to value added.

detailed analysis of those industries. New individual breakdowns are available for “Information and communication”, “Finance and insurance activities” and “Real estate activities”, as well as “Professional, scientific and technical activities; administrative and support service activities”.

Implementation of NACE Rev. 2

Eurostat published the euro area main national accounts aggregates, which had been revised in accordance with the NACE Rev. 2 classification, on 6 December 2011 and added more details on 11 January 2012 in its third release of euro area and EU data for the third quarter of 2011. Several countries provided timely data in accordance with the new classification in September 2011, as envisaged by the Regulation. However, others did not, meaning that the European aggregates data were incomplete. The release of the data was therefore postponed. While most euro area countries have now provided the majority of the main aggregates by industry, improvements are still needed with regard to the availability of the compensation of employees breakdown and the more detailed national annual data by industry. The fact that a number of countries have already provided revised long time series from the 1990s or 1980s in NACE Rev. 2, even though only data as of the first quarter of 2000 were legally⁶ required by September 2011, is to be welcomed. The changeover to the new activity classification is scheduled to be fully complete in September 2012, when additional data covering periods before 2000 will be made available for all countries, allowing long euro area time series to be compiled.

The impact of the changeover

In some countries, the changeover was also used as an opportunity to incorporate improved compilation methods and data sources. In Table B, different revision measures are given for

⁶ See reference in footnote 3.

Table B Revisions in quarterly main aggregates after the introduction of NACE Rev. 2

(percentage points)

Indicator	Average revision	Range of revision	Absolute average revision	Memo item: Absolute average of annual change in %
GDP, chain-linked volume	0.02	-0.1 to 0.1	0.04	0.86
Gross value added, chain-linked volume	0.02	-0.2 to 0.1	0.05	0.84
<i>of which:</i>				
industry including construction	0.05	-0.6 to 0.7	0.27	1.86
all services	-0.03	-0.3 to 0.3	0.14	0.53
Total employment	-0.01	-0.1 to 0.1	0.04	0.34
<i>of which:</i>				
industry including construction	-0.02	-0.3 to 0.2	0.10	0.68
all services	-0.04	-0.1 to 0.1	0.05	0.26
Total hours worked	-0.08	-0.4 to 0.2	0.17	0.70
<i>of which:</i>				
industry including construction	-0.12	-0.7 to 0.6	0.27	1.35
all services	-0.09	-0.5 to 0.3	0.19	0.51
Compensation of employees	-0.04	-0.2 to 0.1	0.05	0.56
<i>of which:</i>				
industry including construction	0.10	-0.2 to 0.7	0.16	1.20
all services	-0.08	-0.2 to 0.1	0.09	0.52

Sources: Eurostat and ECB calculations.

Note: Revision in annual changes of seasonally and working day-adjusted data from Q1 2006 up to Q2 2011.

the main economic indicators for the period from the first quarter of 2006 onwards. While the average revision in the annual changes is, as expected, very small for the economy as a whole, the changeover – which has involved improved and additional information being made available – has led to slightly higher revisions for industry and services, especially in terms of total hours worked and compensation of employees. The employment data were virtually unaffected by the changeover. These results are confirmed by the absolute average revision and the variation in the range of revisions.

Overall, the main statistical improvements brought about by the changeover are a result of additional information being available on the services industries. The application of the changeover to the output, income and employment measures of GDP also restores consistency with the short-term indicators for which NACE Rev. 2 was implemented in 2009. The development of the time series at higher levels of aggregation is only slightly affected by the changeover. However, further revisions in the coming months cannot be ruled out, in particular for the compensation of employees data, which still need to include further national releases in the new classification.