

**Does COICOP need to be revised?**

# 1. Introduction

The European Statistical System uses the COICOP classification, at a detailed level, mainly in 3 statistical domains:

- Price statistics (HICP)
- Household budget Survey (HBS) and
- Purchasing Power Parities (PPP)

The 3 domains used a classification completely consistent with the UN COICOP<sup>1</sup> but more detailed in some areas. Nevertheless, each domain developed its own "variant" of the COICOP. Unfortunately the coherence was not ensured between the 3 "variants" and they were slightly different not only in the coding but also in the content. From the other hand, at national level also more detailed classifications were developed, not always in a consistent way between them. Therefore, there were some discrepancies between the classifications used in HICP, PPP and HBS as well as among those used at national level for prices data collection. This influenced comparability, both across countries and across statistical domains, and restricted the integration of the data.

For this reason, Eurostat started in 2010 a work of harmonisation and revision of the Classification of Individual Consumption by Purpose (COICOP) at 5-digit level which could be used in all domains and preferably also at national level. This classification can be found in RAMON, the public server used by Eurostat to disseminate the statistical metadata:

[http://ec.europa.eu/eurostat/ramon/nomenclatures/index.cfm?TargetUrl=LST\\_NOM\\_DTL&StrNom=COICOP\\_5](http://ec.europa.eu/eurostat/ramon/nomenclatures/index.cfm?TargetUrl=LST_NOM_DTL&StrNom=COICOP_5)

In conducting this task Eurostat have ensured coherence with the UN COICOP (4 digits) for the sake of international comparability.

Nevertheless, the UN classification is now 13 years old, some consumption patterns have in the meantime changed, the IT classes are clearly outdated and some classes have blur boundaries which could be clarified in the framework of a revision/update. During the harmonisation process, several issues in the present COICOP were agreed as problematic and in this document Eurostat presents briefly the areas of the classification which could deserve some reshuffle. The list is of course not exhaustive.

This list was also discussed in a Working Group on Classifications with the participation of all EU Member States.

## 2. Possible areas of future revision of UN COICOP

### 2.1 Food

Several areas of the group Food are problematic:

- Ready-made meals have now an important place in consumption and would deserve a 4 digit class. This would also avoid the problems we currently have when coding a ready-made meal as the classification criterion is according to the main ingredient (such as, mainly a meat, fish, rice or pasta dish). Furthermore, there is a need for clarification which ready-made meals are considered in Food (COICOP 01) and which are in Catering services, for example sandwiches sold in supermarkets; prepared meals, hot or for micro-wave.
- The class 01.1.4 (Milk, cheese and eggs) looks heterogeneous and doesn't seem very logic to mix dairy products with eggs. The proposal would be to have a separate class for eggs.
- The same applies to vegetables and potatoes where potatoes should have a own 4 digit category

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<sup>1</sup> <http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=5>

## **2.2 Bundles**

Bundling is a marketing tactic that involves offering two or more goods or services that serve two or more different purposes as a package deal for a discounted price. The group of products can be only available as a bundle and not sold separately, or the products are sold both as bundles and as individual units.

Bundling of goods and/or services can be found in telecommunications services, software and computer companies, journal publishers, automobiles, vacation packages, and fast food restaurants among others.

In COICOP these package services are required, if feasible in practice, to be separated and classified under their particular COICOP classification, which can mean different COICOP categories. Nevertheless, splitting the price is not, in general, possible unless the package is itemized and can easily be divided into the parts.

One solution could be to identify some specific groups of bundles (the most common) at 4 digit level and provide clear guidance on how to treat such expenditures in the other cases.

## **2.3 Communication equipment and services**

Communication equipment has considerably changed in the last years and the boundary between communication and audio-visual, photographic and information processing equipment is now thinner with many portable phones with photographic and information processing functions.

## **2.4 Audio-visual, photographic and information processing equipment**

Many new products or services (like video on demand) exist now in this area, which do not really fit in any existent class or could be classified into more than one. The group should be revised having in mind that the revision shouldn't be too tied with the technological aspects as they would become very quickly outdated in this area.

## **2.5 Systematic separation between goods and services**

In the harmonisation of the COICOP 5 digits we have tried to systematically separate goods from services but sometimes the 4 digits structure doesn't allow it. The classification should be revised in this sense.

## **2.6 Alignment to ISCED 2011**

The ISCED 2011 was presented and adopted by the UNESCO General Conference in early November 2011. In order to reflect the more detailed structure of ISCED 2011, the structure of COICOP division 10 (Education) needs to be updated to the new ISCED.

## **2.7 Downloads of music, films or electronic books**

These downloads should be mentioned in COICOP. Some issues should be considered:

- Is there a difference between downloading for one or two views (streaming) versus permanent downloads?

- Are these downloads goods or services? (COICOPS 09.1.4, 09.4.2, 09.5.1 ?)

### **2.8 Paid access to news sites, electronic newspapers**

Many newspapers have now sites with paid access to information which should be included in COICOP (09.4.2, 09.5.2)

### **2.9 Spas and beauty shops**

Where is the borderline between COICOP 06.2 or 06.3 (Spas) and 12.1.1 (Beauty shops) and for products like plastic surgery or Botox not for medical purposes?

### **2.10 Applications for smart phones**

Apps are complex products which can be used for many different purposes. COICOP should provide some guidance on how to classify them.

### **2.11 Electricity for electric cars**

Some guidance should be provided on where to include Electricity for electric cars? Is it something like Fuel (07.2.2) or household electricity 04.5.1?

### **2.12 Increase in overall detail and reflecting new concepts**

Following the experience of the revision of ISIC, where the number of classes increased from 292 in ISIC Rev.3.1 to 419 in ISIC Rev.4, there appears to be a perceived need for an increase of overall detail, also at World level. An indication for a need for an increased level of detail is the 302 breakdowns at 5-digit level in Europe, compared to the 117 classes at UN 4-digit level. Since COICOP was developed new concepts in the areas of information, professional services, support services etc. have been introduced in the economy and the classification should reflect them.

### **2.13 Update of explanatory notes**

Explanatory notes should be adapted in general to better reflect changing terminology, since COICOP was developed during the 1990s, in order to better provide guidance on how to classify goods or services.