

## NATIONAL CLASSIFICATION OF ECONOMIC ACTIVITIES (CNAE)

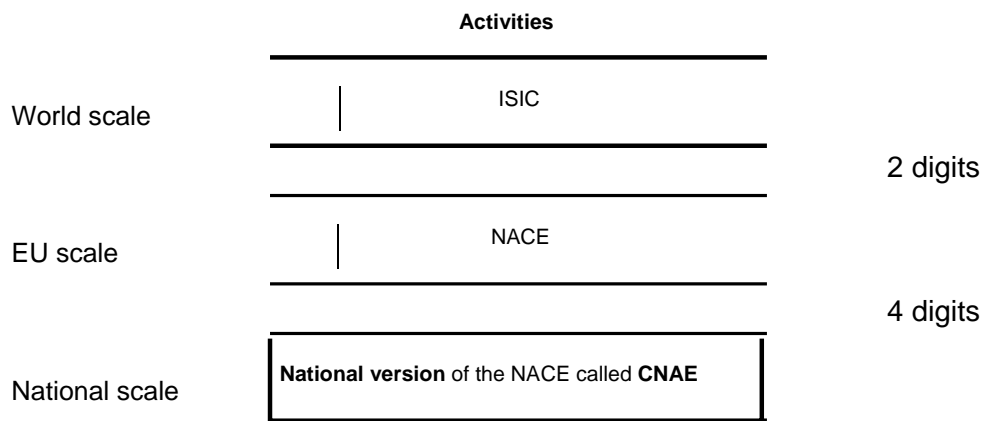
### NACE European Classification of Economic Activities

NACE are the initials<sup>1</sup> used to designate the consecutive versions of the statistical nomenclature relating to economic activities developed by the European Union since 1970. The NACE classifies «statistical units» related to economic activity (companies, establishments, etc.) providing the base on which to develop a wide range of statistics (products, consumption, capital formation and financial transactions) on the aforementioned units.

### Integration of the nomenclatures on a world scale

In the last decade of the 20th century, an in depth revision of international statistical nomenclatures took place and the result was an integrated classification system of economic activities and products.

This has resulted in a system where the different nomenclatures have been harmonised and related on a world, European Union and national scale. The following chart shows the integration of economic activity classifications.



### Why are revisions carried out?

Economic structures change, particularly because of the increased use of new technologies that generate new activities and products and which exceed previous activities and products in importance. Thus, these changes represent a constant challenge when completing statistical nomenclatures. The interval between revisions should not be long, as the nomenclature's adaptation decreases with time. Neither should the interval be too short, as this negatively affects the comparability of data over time (all revisions of nomenclature cause breaks in time series, particularly if there are structural changes).

Demand for a new classification comes from the United States, Canada and Mexico, who, having to develop a new common classification, consider that the current ISIC-Rev 3 is obsolete and also has other conception problems.

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<sup>1</sup>NACE stands for «statistical Nomenclature of economic Activities in the European Community».

When these countries sign the Free Trade Agreement, a common economic area is created and they need to have statistical information that is perfectly comparable for analysis on competitiveness, productivity, foreign trade, employment, market penetration, etc between the aforementioned states.

One essential condition for complying with these objectives was that the three countries had perfectly comparable classifications of activities that were interpreted in a common way. This forced the development of a new classification of economic activities (NAICS), which are common to all three states. The situation was similar to that in the EU with the free circulation of goods and persons.

The appearance of NAICS means that there is no international harmonisation and considering that the international economy is globalised, it means that effort is required from all countries in the world to create a new classification. For this reason, the United Nations mandate is essentially aimed at looking for an agreement and harmonisation between all classifications.

### **International forums for the revision of classifications**

There is a group of experts in economic and social classifications made up of representatives from EUROSTAT, OECD, ILO, United States, Canada, etc and coordinated by the United Nations' Statistical Division, which is in charge of managing classifications on a world level. The mandate from the United Nations' Statistics Commission puts this group in charge of coordinating the revision work to be carried out on the classifications of activities and products and invites other countries from other world economies (Japan, Argentina, Brazil, Paraguay and Uruguay and China) to take part in this debate forum and to discuss what is happening.

There is a permanent work group in EUROSTAT working on the revision and interpretation of classifications in the European community, which is where the revision of European classifications of activities and products will take place.

### **Creation of a work group for the revision of economic classifications on a national level**

The INE coordinates a work group focused on revising the classifications of activities and products, represented by all the Ministries, Banco de España and the Autonomous Communities. These bodies work voluntarily in this work group and it is a forum for receiving and analysing proposals for the development of the national version of the classification (CNAE).

### **The NACE regulation; Legal obligation**

The Member States and the Commission decided that the NACE rev. 1 should be introduced in a uniform and simultaneous way in all Member States. The European parliament therefore approved a regulation on 9th October 1990. The regulation was published in the European Communities' Official Bulletin L 293 on 24.10.1990 as Regulation (EEC) no. 3037/90. The EEA agreement<sup>2</sup> also includes a reference to the NACE rev. 1, which the EFTA countries should likewise adopt.

It was forecast that at the end of 2006, the regulation relating to the NACE Rev. 2 would be approved, which would include the amendments of another 10 regulations from the European Council and

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<sup>2</sup> European Economic Area: Cooperation agreement between the European Union, Iceland, Liechtenstein and Norway.

Parliament relating to community statistics, such as short-term and structural statistics or the Labour Cost Index.

### **CNAE Royal Decree**

The NACE regulation allows Member States to develop community economic statistics with the NACE or failing that, with a national version. In Spain, the NACE version is the CNAE and it will be approved by Royal Decree shortly after the NACE is approved.

Madrid, 6th March 2006