Classification of Individual Consumption According to Purpose COICOP

Classification objectives

COICOP is an integral part of the SNA 1993, besides it also impacts three statistical areas: household statistics surveys, consumer price indices and the International Comparison Program (ICP). For all these purposes the COICOP nomenclature has to be broken down into further subcategories within its main groups. In order to maintain the comparability and interpretability between different countries and statistics the COICOP structure has to be maintained. It must be recognized that COICOP follows the concepts and definitions of SNA 1993 and this parity does not necessarily has to be achieved in the case of other applications. For example, in household surveys it is not compulsory to gather information regarding insurance service charges as required by COICOP. At consumer price indices some countries may include interest on housing loans, which is not included in COICOP.

The goals defined in the COICOP classification system are based on the grouping of consumption expenditures developed by national statistical offices for their own analytical purposes. Although COICOP is not strictly linked to any particular consumer behaviour model, when designing it the aspect of reflecting differences in income elasticity prevailed . For example, low-income households spend relatively high proportions of their budget on food, clothing and housing while higher income households spend more on transport, education, health, and recreation.

COICOP subclasses have been tagged into "services" (S), "non-durable consumer goods" (ND), "semi-durables" (SD) and "durables" (D). This additional classification makes the analysis of other phenomena possible, too. For example, sometimes it is useful to estimate the stock of "capital goods" owned by households; COICOP classes identified as "durables" are the base for such estimates.

Individual consumption

It is the task of COICOP to assess individual consumption in three economic sectors: households, among non-profit institutions serving households and the general government sector. Distinct consumption of persons or households is considered individual consumption.

-   All household expenses are considered individual consumption; the main COICOP groups ranging from 01 to 12 define these expenditure targets.
-   Consumption expenditures of non-profit institutions serving households have to be considered as individual consumption of households according to conventions. These expense targets are enlisted at COICOP group 13.
-   A small part of the general government consumption expenditures are considered as individual. Those targeting community services, defence, public administration, policing, economic management, environmental protection, housing and community infrastructure are rather community not so much individual consumption related expenses. These expenses belong to the "community related consumption expenses" category, as such are not part of the COICOP classification system. Main COICOP group 14 defines the individual consumption related

expenses of the general government sector and groups these by function, as: health care, education, social care, recreation and culture[1].

SNA 1993 defines both the non-profit institutions' and the national budget's individual consumption related expenses as "social allowances in kind" and adds these to households' consumption expenses. The denomination of the aggregate thus created is: "the actual final consumption of households" (or "actual individual consumption"). When compiling household-, non-profit institutions serving households and general government expenses, COICOP identifies the expenditures belonging to this aggregate, and at the same time classifies them according to the purpose of the expense.

COICOP has three parts basically:

- Main groups from 01 to 12: individual consumption expenditures of households
- Main group 13: individual consumption expenditures of non-profit institutions serving households
- Main group 14: individual consumption expenditures of the general government sector

Breakdown by purpose within main groups 13 and 14 correspond to the goals set by the classifications of the non-profit institutions serving households and that of the general government sector, COPNI and COFOG. As consumption expenditures of non-profit institutions serving households and those of the general government sector are classified according to COPNI and COFOG, individual consumption expenditures within these two classification systems may be directly transferred into main groups 13 and 14 of COICOP.

Statistical notifications based on COICOP

COICOP has a vertical structure, showing at first household expenses, then expenses of non-profit institutions serving households, finally general government expenditures. This sequence makes data compilation more convenient. We are able to perform a better dissemination work if data is organised according to the matrix shown in below table 2.1. The last column displays data relating to the actual individual consumption by purpose, columns 2-4 show the contribution of the three economic sectors (households, non-profit institutions serving households and the general government sector) to this aggregate.

Classification units

In case of household consumption expenses classification units correspond to the expense categories for purchasing products and services. Base data usually come from the following sources: household statistics surveys, retail trade sale statistics as well as commodity flow estimates, which quantify the distribution of products and services based on current intermediate and final consumption. It is important to note that classification units refer to expenses related to products and services, these are not reflecting expenses according to purpose. In case of main COICOP groups 1 to 12 data from base statistics are

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[1] Paragraph 9.87 of SNA defines individual expenses related to housing services, household waste collection and transport. A large part of housing servicesand transport belongs to social services. Household waste collection is entirely social service.

categorised according to purpose: different products and services are grouped by the special purposes these are serving. Such purposes are, e.g. body nutrition, weather protection of the body, prevention and healing diseases, acquiring knowledge, travel from one place to another, etc.

The classification units of main groups 13 and 14 are presented in the descriptions of COPNI and COFOG.

Suggested matrix format for COICOP classification data publication

Purpose	COICOP: households	COICOP: non-profit institutions serving households	COICOP: general government	Actual individual consumption
Food and non-alcoholic beverages	01			01
Alcoholic beverages, tobacco products and drugs	02			02 03
Apparel and footwear	03			
Housing services, water, electricity, gas and other fuel	04	13.1	14.1	04+13.1+14.1
Furnishing, household equipment, dwelling maintenance	05			05
Healthcare	06	13.2	14.2	06+13.2+14.2
Travel and transport	07			07
Communication	08			08
Recreation and culture	09	13.3	14.3	09+13.3+14.3
Education	10	13.4	14.4	10+13.4+14.4
Hospitality and accommodation services	11			11
Social care	12.4	13.5	14.5	12.4+13.5+14.5
Other products and services	12 (kivéve 12.4)			12 (kivéve 12.4)
Other services		13.6		13.6
Total				

Multipurpose products and services

The majority of products and services are serving one purpose, however there are some multipurpose ones, too. For example fuel for engines, to be used both for driving motor vehicles serving transportation or those for recreational or sport purposes. Similarly, autosleds and bicycles could also be transportation or recreational vehicles.

As a general rule in the case of multipurpose products and services, that these have to be enlisted into the most characteristic, dominant category from utilisation point of view. Considering this, fuel used for running motors has to be included to Travel and transport. If the dominant use is different by countries for a certain item, it must be included into the dominant category for those countries, where its utilisation is outstandingly important. Following this principle both autosleds and bicycles must be classified into the Travel and transport main group, considering that in the regions where the majority of these items are

sold, North America and the Nordic countries being the defining region for autosleds and Africa, South East Asia, China as well as the lowlands of North Europe for bicycles, these are used as means of transport.

Further examples for multipurpose items: food not consumed at home are included into the Hospitality and accommodation services main group and not at the Food and non-alcoholic beverages one; trailers (mobile homes) is enlisted at the Recreation and culture and not at Travel and transport; basketball- and other sport shoes, both used as everyday wear and recreational purpose are included into the Apparel and footwear main group and not the Recreation and culture one.

We encourage the statisticians of different countries to re-classify multipurpose items in case one kind of use of these is more relevant in their own country. These re-classifications, however, must be accompanied by footnotes.

Mixed purpose products and services

Simple expenditures include sometimes a list of products and services which fulfil two or more purposes. For example an all-inclusive, organised tourist trip incorporates transportation, accommodation, hospitality fees, similarly educational services may include health care, transportation, accommodation, meals, repository, etc. related expenses.

Expenses paying for two or more purposes must be handled on a case by case basis, the applied solution has to consider the principle of classifying the expense breakdown as accurately as possible, taking into account, however, the actual availability of data. It follows that all-inclusive organised trips related expenses must be enlisted at the All-inclusive trips group without further expense breakdown – transportation, accommodation, hospitality – according to purpose. Contrary, educational services related expenses must be divided – as precisely as possible – between Education, Health care, Travel and transport, Hospitality and accommodation services, Recreation and culture main groups.

Two further examples for mixed purpose consumer sub-group: amounts paid for hospital treatments include prices of treatments by doctors, accommodation and hospitality; expenses paid for travel services incorporate in some instances meals and accommodation related fees. The solution in both cases: expenses should not be broken down by purpose. In the first case these must be classified into the Hospital services group, in the second one into a category within the Travel and transport main group.

Product types

Most classification sub-groups include both products and services. The product representing classification subclasses are tagged as non-durable consumer goods (ND), semi-durables (SD) and durables (D). The homogenised subgroup for services has been marked with S. The difference between the semi-durable and durable goods is based on the fact that the given product may be used once or multiple times or continuously for a longer period than a year.[2] Furthermore durable goods, like passenger cars, refrigerators, washing machines or TV sets have a relatively high price. Semi-durables differ in their

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[2] Based on paragraph 9.38 of SNA 1993

shorter – although still longer than one year - working life than durables, and their value is also significantly lower.[3]

There are certain classification subgroups including both products and services. The reason behind it is the fact that from practical points of view it would be difficult their separation by goods and services only. Usually these subgroups are also marked with S, as the service component is usually the dominant one. Similarly there are subgroups including non-durable consumer goods, semi-durables and durables. Marking for these subgroups depends on the character of the dominant products (ND, SD, D).

Connections with the Central Product Classification System

The Central Product Classification System (CPC)[4] is closely related to the COICOP 01 – 12 main groups, considering that the basic components of the goods related expenses are integral parts of the present classification system. The table presenting the connections between CPC and the COICOP 01 – 12 main groups will be published separately.

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[3] Based on paragraph 6.93 of SNA 1968

[4] Version 1.0 of Central Product Classification(CPC); UN, New York, 1998