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Dear Ms Rantala,

I am writing to you on behalf of BUSINESSEUROPE and our member federations to express our concerns regarding the reduction of the PRODCOM list from 8-digit to 6-digit-level.

I understand that during the "Eurostat meeting with the European Business Associations on the development of business statistics" which took place in Brussels in September 2015, a clear majority of the participating business associations spoke out against the reduction of the list and advised to keep the existing 8-digit-level. We have now been informed about the decision of Eurostat to reduce the PRODCOM list to 6-digits and about plans to establish selected 8-digit codes by a working group PRODCOM.

We are surprised about this outcome, in particular given the strong concerns voiced by the European business associations. We would like to enquire whether our information about this decision is indeed correct and, if so, how this decision is motivated. In particular, how were the concerns of all business federations taken into account?

Business associations represent enterprises in their function as reporter as well as user of statistical data. Easing the burden of reporting is important for enterprises, but it should not be an end in itself. Accurate and high quality information provides more than ever an important competitive advantage for enterprises and is vital for business success.

- Official statistics in great detail are extremely important for business. Reducing the PRODCOM aggregates to 6-digit-level would make it for example extremely difficult, if not impossible, to do market research or calculate domestic consumption. Furthermore, detailed production data will become increasingly important to come up with other indicators such as energy statistics, emission trading, and trade intensity.
- The granularity of micro-data at the 8-digits level is fundamental to measure how diversification can affect growth perspectives. Disaggregated micro-data are also necessary to study the dynamics of diversification in its different forms as a strategy to grow or hedge against fluctuations of demand.



- While the 8-digit-level is required to represent individual technologies on the goods level, the 6 digit-level, by contrast, suffers from an aggregation-induced loss of information which cannot be recuperated as compared to the 8-digit-level. Even worse, such a degradation of data usability would be exacerbated since it would be impossible to establish classification-related correspondence across data sets (e.g. to use the PRODCOM data set in conjunction with the EPA patents database). Reducing PRODCOM to the 6-digit-level would entail the collapse of the triadic symmetry of analytical options, consisting of production data, trade data, and innovation data.
- Taking into account that innovation is the single most important driver of productivity growth and, thus, of prosperity, it is crucial to maintain the 8-digit-level of PRODCOM. It is difficult enough to carry out robust analyses on innovation-related, highly policy-relevant research topics due to data privacy and the protection thereof. With an eye to evidence-based policy formulation, the breakdown of the triadic symmetry would hence be disastrous.

We are therefore convinced that a reduced PRODCOM list unnecessarily complicates and hampers the work of enterprises with statistical data and has a negative impact on the reputation of official statistics. We firmly believe that from a policy perspective any intervention addressing broad categories of businesses might be ineffective if not even counterproductive. Any policy should be targeting well defined and precise groups of businesses and should be substantiated by solid evidence based on robust research findings, which in turn can be achieved only using highly disaggregated micro-data.

I would like to highlight that business associations, representing both the providers and the users of statistics, have unique knowledge about the importance of the individual products and should therefore be involved in any process of modification to the list of products; a process that should take into due consideration the national specific characteristics of the European economies.

I would welcome further information regarding how the future process will be structured and whether a participation of the business associations is intended and guaranteed?

Yours sincerely,

James Watson