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COMMISSION REGULATION (EC) No 1503/2006

of 28 September 2006

implementing and amending Council Regulation (EC) No 1165/98 concerning short-term statistics as regards definitions of variables, list of variables and frequency of data compilation

(OJ L 281, 12.10.2006, p. 15)

Amended by:

		Official Journal		
		No	page	date
► <u>M1</u>	Commission Regulation (EC) No 1178/2008 of 28 November 2008	L 319	16	29.11.2008



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THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 1165/98 of 19 May 1998 concerning short term statistics ⁽¹⁾, and in particular Article 17(b) to (d) thereof,

Whereas:

- (1) Regulation (EC) No 1165/98 established a common framework for the production of short-term Community statistics on the business cycle and laid down the required variables.
- (2) Regulation (EC) No 1158/2005 introduced new variables and imposed new obligations on Member States concerning data collection.
- (3) As a consequence, implementing measures, as well as amendments to Regulation (EC) No 1165/98, are necessary with regard to definitions of variables, the list of variables and the frequency of data compilation.
- (4) Commission Regulation (EC) No 588/2001 of 26 March 2001 implementing Council Regulation (EC) No 1165/98 concerning short-term statistics as regards the definitions of variables ⁽²⁾ should be therefore replaced by this Regulation.
- (5) The measures provided for in this Regulation are in accordance with the opinion of the Statistical Programme Committee,

HAS ADOPTED THIS REGULATION:

Article 1

Definitions of variables

1. The definitions of the variables laid down in Annexes A to D to Regulation (EC) No 1165/98, as well as their objectives, characteristics and ways of calculation of the relevant indices, are described in Annex I to this Regulation.
2. Member States shall start to apply these definitions for the collection of statistical data not later than one year from the date of entry into force of this Regulation.
3. Full compliance with these definitions should be achieved not later than at the next revision of the base year as provided in Article 11 of Regulation (EC) No 1165/98.
4. Member States shall ensure that existing statistical data covered by Regulation (EC) 1165/98 will be revised by recalculation or estimation to satisfy these definitions.
5. Each Member State shall transmit to the Commission, at its request, any relevant information on the conformance of statistical data to the definitions set forth in Annex I to this Regulation. Results for a variable differing by not more than 0,2 % from the results of a

⁽¹⁾ OJ L 162, 5.6.1998, p. 1. Regulation as last amended by Regulation (EC) No 1158/2005 of the European Parliament and of the Council (OJ L 191, 22.7.2005, p. 1).

⁽²⁾ OJ L 86, 27.3.2001, p. 18.

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variable which conforms with the definitions of the variable laid down in Annex I shall be deemed conforming.

*Article 2***Amendments to Regulation (EC) No 1165/98**

Annex B to Regulation (EC) No 1165/98 is amended as shown in Annex II to this Regulation.

*Article 3***Repeal**

Regulation (EC) No 588/2001 is repealed.

References to the repealed Regulation shall be construed as references to this Regulation.

*Article 4***Entry into force**

This Regulation shall enter into force on the 20th day following its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.



ANNEX I

DEFINITION OF OBJECTIVES AND CHARACTERISTICS OF VARIABLES

Variable: 110 Production

It is the objective of the production index to measure changes in the volume of output at close and regular intervals, normally monthly. It provides a measure of the volume trend in value added over a given reference period ⁽¹⁾.

The production index is a theoretical measure that must be approximated by practical measures.

Value added at basic prices ⁽²⁾ can be calculated from turnover (excluding VAT and other similar deductible taxes directly linked to turnover), plus capitalised production, plus other operating income plus or minus the changes in stocks, minus the purchases of goods and services, minus taxes on products which are linked to turnover but not deductible plus any subsidies on products received.

Income and expenditure classified as financial or extraordinary in company accounts is excluded from value added.

Hence, subsidies on products are included in value added at basic prices, whereas all taxes on products are excluded.

Value-added is calculated 'gross' as value adjustments (such as depreciation) are not subtracted.

Note: indirect taxes can be separated into three groups.

- (i) The first comprises VAT and other deductible taxes directly linked to turnover (which are excluded from turnover). These taxes are collected in stages by the enterprise and fully borne by the final purchaser.
- (ii) The second group concerns all other taxes and duties on products which are either (1) linked to turnover and not deductible or (2) taxes on products not linked to turnover. Included here are taxes and duties on imports and taxes that become payable as a result of the production, export, sale, transfer, leasing or delivery of goods and services or as a result of their use for own consumption or own capital formation.
- (iii) The third group concerns other taxes on production, which comprise all taxes that enterprises incur as a result of engaging in production, independently of the quantity or value of the goods and services produced or sold. They may be payable on the employment of labour, the ownership or use of land, buildings or other assets used in production.

The theoretical formula for an index of production (Q) is a Laspeyres-type volume index, i.e.

$$Q_t^L = \frac{\sum_{i=1}^N p_{i,0} \times q_{i,t} - \sum_{j=1}^{M(t)} a_{j,0} \times \delta_{j,t}}{\sum_{i=1}^N p_{i,0} \times q_{i,0} - \sum_{j=1}^{M(0)} a_{j,0} \times \delta_{j,0}}$$

with q — output quantity, p — output price, a — input material prices and δ — input material quantities, i — one of N commodities, j — one of M input materials, 0 — base period, t — current period.

⁽¹⁾ The common understanding of the term 'production index' as an index of 'development of value added' contradicts the definition of 'production' in the framework of national accounts or structural business statistics, but nonetheless is the term traditionally used in this area of business statistics. The term 'value added index' is never used in practice. As the index follows the development of production at constant prices, sometimes the term 'production volume index' is used. The term production index is always used in this text as a quantity index, in other words at constant prices.

⁽²⁾ Output and hence value added at basic prices is the valuation adopted in ESA95. The basic price excludes all taxes on products, but does not attempt to exclude other taxes on production as in the former concept of value added at factor cost. If value added at basic prices is not available, for instance from the Structural Business Statistics, gross value added at factor cost may be used as a proxy.

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The data necessary for the compilation of such an index are, however, not available on a monthly basis. In practice, suitable proxy values for the continuation of the indices are:

- continuation with gross production values (deflated),
- continuation with volumes,
- continuation with turnover (deflated),
- continuation with labour input,
- continuation with raw material input,
- continuation with energy input.

Dependent on the approximation method used, the index of production should take account of:

- variations in type and quality of the commodities and of the input materials,
- changes in stocks of finished goods and work in progress on goods and services,
- changes in technical input-output relations (processing techniques),
- services related to the achievement of value added, such as the assembling of production units, mounting, installations, repairs, planning, engineering, creation of software.

Variable: 115 Production of building construction**Variable: 116 Production of civil engineering**

The objectives and characteristics of indices for variable 110 (production) also apply to the indices for the variables on building construction and civil engineering.

The division of production between building construction and civil engineering is based on the classification of types of construction (CC). These indices aim to show the development of value added for each of the two main sections in construction, namely buildings and civil engineering works. These indices are calculated by assigning the basic information (deflated output, hours worked, authorisations/permits) to products in the CC and then aggregating the product indices in accordance with the CC to the section level.

Variable: 120 Turnover

It is the objective of the turnover index to show the development of the market for goods and services.

Turnover⁽¹⁾ comprises the totals invoiced by the observation unit during the reference period, and this corresponds to market sales of goods or services supplied to third parties. Turnover also includes all other charges (transport, packaging, etc.) passed on to the customer, even if these charges are listed separately in the invoice.

Turnover excludes VAT and other similar deductible taxes directly linked to turnover as well as all duties and taxes on the goods or services invoiced by the unit.

Reduction in prices, rebates and discounts as well as the value of returned packing must be deducted. Price reductions, rebates and bonuses conceded later to clients, for example at the end of the year, are not taken into account.

Income classified as other operating income, financial income and extraordinary income in company accounts is excluded from turnover. According to this definition, the items generally included are:

- sales of manufactured products,
- sales of products manufactured by subcontractors,
- sales of goods purchased for resale in the same condition as received,
- invoiced services provided,
- sales of by-products,

⁽¹⁾ The expressions 'turnover' and 'sales' are often used as synonyms in the context of short-term statistics.

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- invoiced charges for packaging and transport,
- invoiced hours worked to third parties for labour-only subcontracting,
- invoiced mounting, installations and repairs,
- invoiced instalments (stage payments),
- invoiced development of software and software licences,
- sales of supplied electric power, gas, heat, steam and water,
- sales of waste and scrap materials,
- subsidies on products ⁽¹⁾.

Subject to the treatment of income classified as ‘other operating income, financial income and extraordinary income’ in company accounts ⁽²⁾, the items generally excluded are:

- VAT and other similar deductible taxes directly linked to turnover all duties and taxes on the goods or services invoiced by the unit
- commissions,
- leases and rentals,
- leases for own production units and machines if used by third parties,
- leases of company-owned dwellings,
- receipts for licence-fees,
- receipts from staff facilities (for example from a factory canteen),
- the supply of products and services within the observation unit,
- sales of own land and fixed assets,
- sales or leases of own properties,
- sales of shares,
- interest receipts and dividends,
- other extraordinary income.

The above items may be included if they generate turnover in the principle field of operation of the observation unit.

Variable: 121 Domestic turnover**Variable: 122 Non-domestic turnover**

The objectives and characteristics of indices for variable 120 (turnover) also apply to the indices for the distinction between domestic and non-domestic turnover.

The indices of domestic and non-domestic turnover require turnover to be split according to the first destination of the product based on the change of ownership (whether or not there are also corresponding physical movements of goods across frontiers). The destination is determined by the residency of the third party that purchased the goods and services. The domestic market is defined as third parties resident in the same national territory as the observation unit. Non-domestic turnover is further sub-divided into turnover despatched to euro-zone countries (122z) and all other non-domestic turnover (122x).

Variable: 123 Volume of sales

The volume of sales represents the value of turnover in constant prices and as such is a quantity index. It can be calculated as turnover at current prices, deflated by the deflator of sales, or as a quantity index derived directly from the quantity of goods sold.

The information on the volume of sales (variable 123) can be used instead of the deflator of sales (variable 330) in Annex C: Retail trade and repair of Regulation (EC) No 1165/98.

⁽¹⁾ If subsidies on products are hard to measure they can be omitted for the purposes of calculating indices over time.

⁽²⁾ National accounting rules should be used as guiding principles of what to include and to exclude.

▼B**Variable: 130 New orders received**

It is the objective of the new orders received index to show the development of demand for products and services as an indication of future production. It is also suitable to indicate whether the demand originates from the domestic or non-domestic market.

An order is defined as the value of the contract linking a producer and a third party in respect of the provision by the producer of goods and services. The order is accepted if, in the producer's judgement, there is sufficient evidence for a valid agreement.

New orders refer to goods and services to be provided by the observation unit, including those originating from sub-contractors.

The following items should be deducted from the value of orders:

- VAT and other similar deductible taxes directly linked to turnover,
- all duties and taxes on the goods or services that will be invoiced by the unit,
- reduction in prices, rebates and discounts when they are given at the moment of order as well as the value of packing that is expected to be returned after the delivery.

Orders of previous periods that have been cancelled during the reference period are not to be deducted from the new orders received nor is the index for previous periods revised due to cancellations.

The value of new orders also includes all other charges (transport, packaging, etc.) passed on to the customer, even if these charges will be listed separately in the invoice.

Variable: 131 Domestic new orders**Variable: 132 Non-domestic new orders**

The objectives and characteristics of indices for variable 130 (new orders received) also apply to the indices for the distinction between domestic and non-domestic new orders.

The indices of domestic and non-domestic new orders received require the new orders received to be split according to the origin of the order based on the change of ownership. The origin is determined by the residency of the third party that has made the order. The domestic market is defined as third parties resident in the same economic territory (see definition of economic territory at the end of this annex) as the observation unit. Non-domestic new orders are further subdivided into orders received from euro-zone countries (132z) and all other non-domestic new orders (132x).

Variable: 210 Number of persons employed

It is the objective of the index of number of persons employed to show the development of employment in industry, construction and services.

The number of persons employed is defined as the total number of persons who work in the observation unit (inclusive of working proprietors, partners working regularly in the unit and unpaid family workers), as well as persons who work outside the unit who belong to it and are paid by it (e.g. sales representatives, delivery personnel, repair and maintenance teams). It includes persons absent for a short period (e.g. sick leave, paid leave or special leave), and also those on strike, but not those absent for an indefinite period. It also includes part-time workers who are regarded as such under the laws of the country concerned and who are on the payroll, as well as seasonal workers, apprentices and home workers on the payroll.

The number of persons employed excludes manpower supplied to the unit by other enterprises, persons carrying out repair and maintenance work in the observation unit on behalf of other enterprises, as well as those on compulsory military service.

Unpaid family workers refers to persons who live with the proprietor of the unit and work regularly for the unit, but do not have a contract of service and do not receive a fixed sum for the work they perform. This is limited to those persons who are not included on the payroll of another unit as their principal occupation.

According to this definition, the groups included are:

- all paid employees, including the following categories as long as they are included on the payroll:

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- home workers,
- apprentices/trainees,
- paid working proprietors and paid family workers,
- persons on temporary leave (maternity, sickness leave, strike, lock-out, etc.) for a definite period,
- part time workers,
- temporary workers,
- seasonal workers,
- unpaid persons employed:
 - unpaid working proprietors (owners),
 - unpaid family workers ⁽¹⁾.

The groups excluded are:

- agency workers (except for the activity in which such employment agencies are classified),
- persons on indefinite leave (e.g. long term sickness, military service or social service),
- persons carrying out repair or maintenance work on behalf of other observation units and other staff borrowed from other observation units,
- family workers included on the payroll of another unit as their principal occupation.

The number of persons employed should be determined as a representative figure for the reference period.

Variable: 211 Number of employees

The number of employees is used as a temporary approximation of the number of persons employed.

The number of employees is defined as those persons who work for an employer and who have a contract of employment and receive compensation in the form of wages, salaries, fees, gratuities, piecework pay or remuneration in kind.

The relationship of employer to employee exists when there is an agreement, which may be formal or informal, between an enterprise and a person, normally entered into voluntarily by both parties, whereby the person works for the enterprise in return for remuneration in cash or in kind.

A worker is considered to be a wage or salary earner of a particular unit if he or she receives a wage or salary from the unit regardless of where the work is done (in or outside the production unit). A worker from a temporary employment agency is considered to be an employee of the temporary employment agency and not of the unit (customer) in which they work.

According to this definition, the groups included are:

- paid working proprietors,
- students who have a formal commitment whereby they contribute to the unit's process of production in return for remuneration and/or education services,
- employees engaged under a contract specifically designed to encourage the recruitment of unemployed persons,
- home workers if there is an explicit agreement that the home worker is remunerated on the basis of the work done and they are included on the payroll.

The number of employees includes part-time workers, seasonal workers, and persons on strike or on short-term leave, but excludes persons on long-term leave.

The number of employees does not include voluntary workers.

⁽¹⁾ The unpaid family workers have been added as a matter of principle although accurate figures may be difficult to obtain.

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The number of employees should be determined as a representative figure for the reference period.

Variable: 220 Hours worked

It is the objective of the hours worked index to show the development in the volume of work done.

The total number of hours worked represents the aggregate number of hours actually worked for the output of the observation unit during the reference period ⁽¹⁾.

This variable excludes hours paid but not actually worked such as for annual leave, holidays and sickness leave. It also excludes meal breaks and commuting between home and work.

Included are hours actually worked during normal working hours; hours worked in addition to those; time which is spent at the place of work on tasks such as preparing the site and time corresponding to short periods of rest at the work place.

If the exact number of hours actually worked is not known, it may be estimated on the basis of the normal number of working hours and the average rate of absences (sickness, maternity, etc.).

According to this definition, the items included are:

- the total amount of all hours actually worked:
 - during regular working hours,
 - overtime, whether paid or unpaid ⁽²⁾,
 - during nights, Sundays or public holidays,
- the time spent on tasks such as work preparation, preparing, maintaining and cleaning tools and machines and writing up work cards and reports,
- time spent at the place of work during which no work is done owing to, for example, machine stoppages, accidents or occasional lack of work but for which payment is made in accordance with the employment contract,
- short rest periods at the place of work, including tea and coffee breaks.

The items excluded are:

- hours paid but not worked due to leave, sickness, accidents, strikes, lock outs, slack time, etc.,
- time spent for meal breaks,
- commuting between home and work.

Variable: 230 Wages and salaries

It is the objective of the wages and salaries index to approximate the development of the wage and salaries bill.

Wages and salaries are defined as the total remuneration, in cash or in kind, payable to all persons counted on the payroll (including home workers), in return for work done during the accounting period, regardless of whether it is paid on the basis of working time, output or piecework and whether it is paid regularly.

Wages and salaries include the values of any social contributions, income taxes, etc. payable by the employee even if they are actually withheld by the employer and paid directly to social insurance schemes, tax authorities, etc. on behalf of the employee. Wages and salaries do not include social contributions payable by the employer.

Wages and salaries include: all gratuities, bonuses, ex gratia payments, 13th month payments, severance payments, lodging, transport, cost-of-living, and family allowances, tips, commission, attendance fees, etc. received by employees, as well as taxes, social security contributions and other amounts payable by employees and withheld at source by the employer.

Payments for agency workers are not included in wages and salaries.

⁽¹⁾ Total hours worked may be approximated by hours worked by employees, at least in industry.

⁽²⁾ Data on unpaid overtime work is difficult to obtain in various Member States but is, nevertheless, included as a matter of principle.

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According to this definition, the items included are:

- all basic wages and salaries payable at regular intervals,
- enhanced rates of pay for overtime, nightshift, weekend work, etc.,
- any allowances, gratuities or bonuses paid by the employer, such as:
 - cost of living, housing, local or expatriation allowances,
 - food allowances,
 - allowances for travelling to and from work,
 - holiday bonuses, 13th month pay,
 - allowances actually paid for annual holidays not taken,
 - output, production or productivity bonuses,
 - extra allowances for extreme working conditions like dust, dirt, temperature, smoke, danger, etc.,
 - exceptional payments to employees who leave the enterprise, if those payments are not linked to a collective agreement,
 - allowances for improvement proposals and patent fees paid to the person employed,
 - directors' and employees' fees,
 - family allowances paid by the employer under a collective agreement,
- commissions,
- value of bonus shares distributed free to the employees,
- payments made by employers to employees under saving schemes or other schemes,
- taxes, contributions and other sums payable by employees and deducted by employers,
- any payment in kind.

The items excluded are:

- statutory social contributions payable by the employer,
- collectively agreed, contractual and voluntary social contributions payable by the employer,
- imputed social contributions (social benefits paid directly by the employer),
- allowances paid to employees for the purchase of tools, equipment and special clothing needed for their work or that part of their wages and salaries which under their contracts of employment are required to devote such purchases,
- taxes paid by the employer on the total wages and salaries paid,
- reimbursement of employees for travelling, removal, separation, hotel and entertaining expenses, telephone fees etc. incurred in the course of their duties,
- expenditure for vocational training (training costs), excluding apprentices wages and salaries,
- wages and salaries which the employer continues to pay in the event of illness, occupational accident, maternity leave or short-time working,
- other labour cost expenditure payable by the employer:
 - recruitment costs,
 - social expenditure such as the reimbursement of current expenditure on the transport of employees to and from work, whether this is carried out by the enterprises' own means of transport or by third parties on behalf of the enterprise, payments to trade union funds,

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— stock options ⁽¹⁾.

For the evaluation of payments in kind the following rule applies: payments in kind produced by the employer should be valued at producer prices; payments in kind bought by the employer should be valued at market prices.

Variable: 310 Output prices

It is the objective of the output price index to measure the monthly development of transaction prices of economic activities.

The domestic output price index for an economic activity measures the average price development of all goods and related services resulting from that activity and sold on the domestic market. The non-domestic price index shows the average price development (converted to local currency) of all goods and related services resulting from that activity and sold outside of the domestic market. When combined, these two indices show the average price development of all goods and related services resulting from an activity.

It is essential that all price-determining characteristics of the products are taken into account, including quantity of units sold, transport provided, rebates, service conditions, guarantee conditions and destination. The specification must be such that in subsequent reference periods, the observation unit is able uniquely to identify the product and to provide the appropriate price per unit.

The following rules apply for the definition of prices:

- The appropriate price is the basic price that excludes VAT and similar deductible taxes directly linked to turnover as well as all duties and taxes on the goods and services invoiced by the unit, whereas subsidies on products received by the producer, if there are any, should be added.
- If transport costs are included, this should be part of the product specification,
- In order to show the true development of price movements, it should be an actual transaction price, and not a list price.
- The output price index should take into account quality changes in products.
- The price collected in period *t* should refer to orders booked during period *t* (moment of order), not the moment when the commodities leave the factory gates.
- For output prices of the non-domestic market, the price should be calculated at national frontiers, fob (free on board).

The index should in principle reflect the average price during the reference period. In practice the information actually collected may refer to a particular day in the middle of the reference period that should be determined as a representative figure for the reference period. For products with a significant impact on the national economy that are known to have, at least occasionally, a volatile price development, it is important that the index does indeed reflect average prices.

Construction

Output price indices for construction can be used as an approximation for the construction cost variables. They measure only the development of residential buildings thus excluding residences for communities, non-residential buildings, land prices and architect's and other fees. They reflect the prices paid by the client to the construction company. They therefore do not only reflect the variations in the cost factors of construction, but also the changes in productivity and profit margins. In addition, a temporal difference exists between the output price and the corresponding costs of production.

Services

The same definition applies to output prices for services, with the following exceptions:

- Output prices for services show the price development for services delivered to customers that are enterprises or persons representing enterprises.
- The reference period is quarterly.
- Domestic and non-domestic services are monitored.

⁽¹⁾ Stock options have been excluded mainly for practical reasons linked to the difficulties of a harmonised definition and data collection although it is often considered as a compensation for work linked to the overall performance of the company.

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- The appropriate price measure is the transaction price reflecting the revenue received by the producer for products actually sold to customers. They should take into account any applicable discounts, rebates, surcharges, etc. that may apply to the customers. Because the price reflects revenue received by the producer, taxes on products should be excluded from prices whereas subsidies on products received by the producer, if there are any, should be added.

The price should be recorded at the date of delivery of the service. If the service delivery spans over several time periods, appropriate adjustments have to be made.

Variable: 311 Output prices of the domestic market**Variable: 312 Output prices of the non-domestic market**

The objectives and characteristics of indices for variable 310 (output prices) also apply to the indices for the distinction between domestic and non-domestic output prices.

The indices of domestic and non-domestic prices require separate output price indices to be compiled according to the destination of the product. The destination is determined by the residency of the third party that has ordered or purchased the product. The domestic market is defined as third parties resident in the same national territory as the observation unit. Output prices for the non-domestic market are further sub-divided into output prices for products despatched to euro-zone countries (312z) and all other output prices (312x)

Variable: 313 Unit value index

The unit value index may be used as an approximation for non-domestic output prices and import prices only if there is no significant deterioration in quality compared to specific price information.

For the purpose of this index, unit values are calculated as the value of sales of a product divided by the quantity sold derived from external trade data. This unit value is then treated as the average price of the product and the index calculated in the same way as for the traditional output price indices.

Variable: 340 Import prices

It is the objective of the import price indices to measure the monthly transaction price development of imported goods purchased from non-domestic areas by domestic residents. All the related services are initially excluded from the scope. The price indices should track the price movements of comparable items over time.

It is essential that all price-determining characteristics of the products are taken into account, including quantity of units sold, transport provided, rebates, service conditions, guarantee conditions origin and destination. The specification must be such that in subsequent reference periods, the observation unit is able uniquely to identify the product and to provide the appropriate price per unit.

The non-domestic market is defined as third parties, which are not resident in the same national territory as the observation unit. The domestic market is defined as third parties resident in the same national territory as the observation unit.

The following limitations apply for the scope of prices:

- imports by households, government units and non-profit institutions are excluded,
- the underlying trade regimes and statistical procedure are the special trade system and normal imports as well as imports for inward processing are included. Imports for repair are not covered,

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- the product coverage is limited to the CPA B, C and D products. Related services are excluded.

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The following rules apply for the definition of prices:

- The appropriate price is the cif (cost, insurance, freight) price at the border excluding all duties and taxes on the goods and services to be shouldered by the observation unit.

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- Intra-company transfers should be taken into account as long as these transfers are based on prices, which are market based or market influenced or if market prices are insignificant.
- In order to show the true development of price movements, it should be an actual transaction price, and not a list price, therefore discounts should be deducted from the price.
- In order to show pure price movements the price index compilation should take into account and adjust for quality changes in products.
- Other price-determining characteristics of the products should be treated in a consistent way as well.
- The imports are recorded when the ownership of the goods is transferred (i.e. when the parties record transaction in their books or account).
- The transfer of ownership of boats and aircraft or similar products from a person established in a non-member country to a person established in the Member State in question is counted as an import.

The index should in principle reflect the average price during the reference period. In practice the information actually collected may refer to a particular day in the middle of the reference period that should be determined as a representative figure for the reference period. For products with a significant impact on the national economy that are known to have, at least occasionally, a volatile price development, it is important that the index does indeed reflect average prices.

The indices of the import prices require a separate calculation according to the country of consignment of the product. The country of consignment is determined in a consistent way with customs procedures. Import prices are sub-divided into imports from euro-zone countries (340z) and imports from other countries (340x).

Variable: 320 Construction costs

It is the objective of the construction cost index to show the development of costs incurred by the contractor to carry out the construction process.

The component costs index (material costs and labour costs) shows the price developments of production factors used in the construction industry.

The construction cost index is calculated as:

$$I = \sum_{i=1}^n (w_i^M \times M_i + w_i^L \times L_i + \dots)$$

with I — Construction index, M_i — Material costs index, L_i — Labour costs index, w_i^M — weight for materials, w_i^L — weight for labour costs.

Costs that constitute components of the construction costs are also plant and equipment, transport, energy and other costs. Architect's fees are not part of the construction costs.

Variable: 321 Material costs

The material costs index is generally calculated using material prices. Prices of materials should be based on actual prices rather than list prices. Prices should be based on a sample of products and suppliers. Prices are valued excluding VAT.

Variable: 322 Labour costs

The labour cost index should cover wages and salaries and social security charges for all persons employed. Social security charges include: (i) statutory social contributions payable by the employer, (ii) collectively agreed, contractual and voluntary social contributions payable by the employer, and (iii) imputed social contributions (social benefits paid directly by the employer).

Variable: 411 Building permits: number of dwellings

It is the objective of the number of dwelling building permit index to show the future development of construction activity in terms of unit numbers.

A building permit is an authorisation to start work on a building project. As such, a permit is the final stage of planning and building authorisations from public authorities, prior to the start of work.

An index based on these permits should provide a good indication of the workload for the building industry in the near future, although this may not be

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the case when a large proportion of permits are not used or when there is a long time lag between permits and building starts.

Indices of the number of permits are compiled for one-dwelling residential buildings and residential buildings with two and more dwellings. A dwelling is a room or suite of rooms and its accessories in a permanent building or structurally separated part thereof which by the way it has been built, rebuilt, converted and so on, is intended for private habitation. It should have separate access to a street (direct or via a garden or grounds) or to a common space within the building (staircase, passage, gallery, and so on). Detached rooms for habitation which are clearly to be used as a part of the dwelling should be counted as part of the dwelling. A dwelling may thus be constituted of separate buildings within the same enclosure, provided they are clearly intended for habitation by the same private household.

Variable: 412 Building permits: square metres of useful floor area or alternative size measure

It is the objective of the useful floor area building permit index to show the future development of construction activity in terms of volume.

A building permit is an authorisation to start work on a building project. As such a permit is the final stage of planning and building authorisations from public authorities, prior to the start of work.

An index based on these permits should provide a good indication of the workload for the building industry in the near future, although this may not be the case when a large proportion of permits are not used or when there is a long time lag between permits and building starts.

This index is compiled from the square metre of useful floor area of buildings for which permits have been granted. The useful floor area of a building ⁽¹⁾ is measured within its external walls, excluding:

- construction areas (e.g. areas of demarcation components, supports, columns, pillars, shafts, chimneys),
- functional areas for ancillary use (e.g. areas occupied by heating and air-conditioning installations, or by power generators),
- thoroughfares (e.g. areas of stairwells, lifts, escalators).

The part of the overall useful area of a building used for residential purposes includes the area used for kitchens, living rooms, bedrooms and ancillary rooms, cellars and common rooms used by the owners of the residential units.

Other measures may be used as long as they are unambiguously and consistently used by the Member States as allowed by Regulation (EC) No 1165/98, Annex B, (c1).

Regulation (EC) No 1165/98 refers to the CC classification in requesting data about building permits for different categories of buildings. The category 'other buildings' of Regulation (EC) No 1165/98 includes the following categories in the CC classification:

- hotels and similar buildings,
- wholesale and retail trade buildings,
- traffic and communication buildings,
- industrial buildings and warehouses,
- public entertainment, education, hospital or institutional care buildings,
- other non-residential buildings.

Variable: 330 Deflator of sales

It is the objective of the deflator of sales to adjust turnover for the impact of price changes.

The deflator of sales in retail trade is a deflator not of the service provided but of the goods sold.

⁽¹⁾ The definition of useful floor area is aligned with the Classification of Types of Construction which itself refers to the Statistical Standards and Studies, No 40 United Nations, New York 1987, and Statistical Standards and Studies, No 43 United Nations, New York 1994.

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The prices used to calculate the deflator for an activity are calculated as a weighted average of the relevant goods price indices for that activity. It is essential that all price-determining characteristics of the products are taken into account, including quantity of units sold, transport provided, rebates, guarantee conditions and destination.

The specification must be such that in subsequent reference periods, the observation unit is able uniquely to identify the good and to provide the appropriate price per unit.

In order to show the true development of price movements, it should be an actual transaction price, and not a list price.

The collected price information should in principle reflect the average price during the reference period. In practice the information actually collected may refer to a particular day in the middle of the reference period that should be determined as a representative figure for the reference period.

Definition of economic territory

The economic territory includes the following items:

- the geographic territory administered by a national government within which persons, goods, services and capital move freely,
- any free zones, including bonded warehouses and factories under customs control,
- the national air-space, territorial waters and the continental shelf lying in international waters, over which the country enjoys exclusive rights,
- territorial enclaves, i.e. geographic territories situated in the rest of the world and used, under international treaties or agreements between States, by general government agencies of the country (embassies, consulates, military bases, scientific bases, etc.),
- deposits of oil, natural gas, etc. in international waters outside the continental shelf of the country, worked by units resident in the territory as previously defined.

The economic territory excludes the following items:

- extraterritorial enclaves (i.e. the parts of the country's own geographic territory used by general government agencies of other countries, by the Institutions of the European Union or by international organisations under international treaties or agreements between States).

This definition follows the European System of Accounts (ESA) 1995 paragraphs 2.05 and 2.06.

The difference between domestic and non-domestic markets is to be interpreted for the purpose of short-term statistics according to the territory of the Member States. This definition may be revised in the future in order to take specific account of European and/or monetary integration in line with other relevant Regulations.

*ANNEX II***Amendments to Regulation (EC) No 1165/98**

Annex B to Regulation (EC) No 1165/98 is amended as follows:

List of variables

The text under heading (c) (List of variables) is amended as follows:

1. In paragraph 1 variables 130 New orders received, 135 New orders received for building construction and 136 New orders received for civil engineering are deleted.
2. Paragraphs 2 and 4 are deleted.

Reference period

The second paragraph under heading (e) (Reference period) is replaced by the following:

‘Those Member States whose value added in Section F of NACE in a given base year represents less than 2 % of the European Community total need only supply variables 110, 115 and 116 with a reference period of a quarter.’

Level of detail

The text under heading (f) (Level of detail) is amended as follows:

1. Paragraph 1 is replaced by the following:
‘1. The variables No 110, 210, 220 and 230 are to be transmitted at least at the two-digit level of NACE Rev. 1’.
2. Paragraph 2 is deleted;

Deadlines for data transmission

Under heading (g) (Deadlines for data transmission) in paragraph 1 variables 130, 135 and 136 and their respective deadlines are deleted.