

**COMMISSION REGULATION (EC) No 588/2001**  
**of 26 March 2001**  
**implementing Council Regulation (EC) No 1165/98 concerning short-term statistics as regards the**  
**definition of variables**

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 <sup>(1)</sup>, and in particular Article 3 and Article 17(c) thereof,

Whereas:

- (1) Regulation (EC) No 1165/98 established a common framework for the production of short-term Community statistics on the business cycle.
- (2) In accordance with Article 17(c) of Regulation (EC) No 1165/98, implementing measures are necessary concerning the definition of variables to be provided.
- (3) The measures provided for in this Regulation are in accordance with the opinion delivered by the Statistical Programme Committee, established by Council Decision 89/382/EEC, Euratom <sup>(2)</sup>,

HAS ADOPTED THIS REGULATION:

*Article 1*

**Definition of the variables**

Regulation (EC) No 1165/98 specifies in Annex A(c)(1), Annex B(c)(1), Annex C(c)(1) and Annex D(c)(1) the variables to be covered by short-term statistics. The definitions of the variables, as well as the objectives, characteristics and calculation of the relevant indices, are set forth in the Annex.

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

Done at Brussels, 26 March 2001.

*Article 2*

**Implementation of the definitions**

Member States shall apply the definitions set forth in the Annex for the collection of statistical data covered by Regulation (EC) 1165/98 not later than one year after the present Regulation enters into force.

Member States shall comply with the definition of statistical data covered by Regulation (EC) 1165/98 to definitions set forth in the Annex not later than in the next revision of the base year foreseen in Article 11 of Regulation (EC) 1165/98.

Member States shall, in the implementation of the definitions set forth in the Annex, take the necessary measures to assure that existing statistical data covered by Regulation (EC) 1165/98 will be revised by recalculation or estimation to satisfy these definitions.

Results for a variable which differ by no more than 0,2 % from the results of a variable which conforms with the definitions of the variable laid down in the Annex shall be deemed conforming.

*Article 3*

**Information on conformance to the definitions**

Each Member State shall transmit to the Commission, at its request, any relevant information on the conformance of statistical data within that Member State to the definitions set forth in the Annex.

*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 Communities*.

*For the Commission*

Pedro SOLBES MIRA

*Member of the Commission*

<sup>(1)</sup> OJ L 162, 5.6.1998, p. 1.

<sup>(2)</sup> OJ L 181, 28.6.1989, p. 47.

## ANNEX

## 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. It provides a measure of the volume trend in value added at factor cost over a given reference period <sup>(1)</sup>.

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

Value added at factor cost <sup>(2)</sup> 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 other taxes on products which are linked to turnover but not deductible, minus the duties and taxes linked to production.

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

Subsidies on products and on production are included in value added at factor cost, whereas all taxes on products and on production are excluded.

Value-added at factor cost 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 linked to 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 on 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 taxes and duties linked to production. These are compulsory, unrequited payments, in cash or in kind which are levied by general government, or by the institutions of the European Union, in respect of the production and importation of goods and services, the employment of labour, the ownership or use of land, buildings or other assets used in production irrespective of the quantity or the value of goods and services produced or sold.

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

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

with

- q = output quantity
- p = output price
- α = input material prices
- δ = input material quantities
- i = one of N commodities
- j = one of M input materials
- 0 = base period
- t = current period

<sup>(1)</sup> The common understanding of the term 'production index' as an 'evolution of value added' contradicts the definition of 'production' in the framework of national accounts or structural business statistics, but nonetheless is the correct term traditionally used in this area of business statistics. The term 'value added index' is never used in practice. As the index follows the evolution 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.

<sup>(2)</sup> National accounts have introduced the concept of 'value added at basic prices'. In comparison to value added at factor costs, it includes taxes linked to production, but operating subsidies on production are excluded. The alignment with the national accounts may introduce some advantages, so Member States may use the concept of value added at basic prices as a proxy for value added at factor costs.

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 work 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 evolution 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 evolution of the market for goods and services.

Turnover<sup>(1)</sup> 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 includes all duties and taxes on the goods or services invoiced by the unit with the exception of the VAT invoiced by the unit vis-a-vis its customer and other similar deductible taxes directly linked to turnover.

Turnover also includes all other charges (transport, packaging, etc.) passed on to the customer, even if these charges are listed separately in the invoice.

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. Subsidies received from public authorities or the institutions of the European Union are also excluded.

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,
- invoiced charges for packaging and transport,

<sup>(1)</sup> The expressions 'turnover', 'sales', 'deliveries' and 'shipments' are often used as synonyms in the context of short-term statistics.

- 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.

Subject to the treatment of income classified as other operating income, financial income and extraordinary income in company accounts<sup>(1)</sup>, the items generally excluded are:

- 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,
- subsidies,
- 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.

**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.

**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,
- 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,
- subsidies received from public authorities or the institutions of the European Union.

<sup>(1)</sup> National accounting rules should be used as guiding principles of what to include and to exclude.

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

New orders include all duties and taxes on the goods or services that will be invoiced by the unit with the exception of the VAT and other similar deductible taxes directly linked to turnover.

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.

**Variable 135: New orders for building construction**

**Variable 136: New orders received for civil engineering**

The objectives and characteristics of indices for variable 130 (new orders received) also apply to the indices for the variables on new orders received for building construction and civil engineering.

The division of new orders received between building construction and civil engineering is based on the classification of types of construction (CC). These indices aim to show the future production possibilities for each of the two main sections in construction namely buildings and civil engineering works. These indices are calculated by assigning basic information on orders to products in the CC and then aggregating the product indices in accordance with the CC to the section level.

**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 refer 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:
  - homeworkers,
  - 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 <sup>(1)</sup>.

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,
- homeworkers if there is an explicit agreement that the homeworker 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, persons on strike or on short-term leave, but excludes persons on long-term leave.

The number of employees does not include voluntary workers.

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 by employees represents the aggregate number of hours actually worked for the output of the observation unit during the reference period.

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 theoretical number of working hours and the average rate of absences (sickness, maternity, etc.).

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

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 <sup>(1)</sup>,
  - 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 homeworkers), 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.

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.,
  - redundancy payments actually paid to laid-off employees,
  - 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.

<sup>(1)</sup> Unpaid overtime work is difficult to obtain in various Member States but is, nevertheless, included as a matter of principle.

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,
- stock options <sup>(1)</sup>.

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 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 ex-factory <sup>(2)</sup> price that includes all duties and taxes on the goods on services invoiced by the unit but excludes VAT invoiced by the unit vis-a-vis its customer and similar deductible taxes directly linked to turnover,
- if transport costs are included, this should be part of the product specification,
- in order to show the true evolution 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 collected price information refers preferably to a particular day in the middle of the reference period. If no price information is available for the day in question, the price may represent an average over the whole period.

Output price indices for construction can be used as an approximation for the construction cost variables. They measure the evolution of residential buildings 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.

<sup>(1)</sup> 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.

<sup>(2)</sup> Or equivalent for activities outside of manufacturing.

**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.

**Variable 313: Unit value index**

The unit value index may be used as an approximation for non-domestic output prices.

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 foreign 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 320: Construction costs**

It is the objective of the construction cost index to show the evolution 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:

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

with	$I$	= Construction index
	$M_i$	= Material costs index
	$L_i$	= Labor 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 dwellings 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 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 <sup>(1)</sup> 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 Annex B(c)(1) to Regulation (EC) No 1165/98.

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.

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 evolution of price movements, it should be an actual transaction price, and not a list price.

The collected price information refers preferably to a specific date during the month.

<sup>(1)</sup> 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.

**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 airspace, 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 2.05-2.06.

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.

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