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

COMMISSION REGULATION (EC) No 1503/2006

of 28 September 2006

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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.

Changes to legislation: *There are outstanding changes not yet made to Commission Regulation (EC) No 1503/2006. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

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 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.

***Changes to legislation:** There are outstanding changes not yet made to Commission Regulation (EC) No 1503/2006. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

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[(3)].

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

Value added at basic prices[(4)] 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.

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

with q — output quantity, p — output price, α — 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.

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,

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— 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[(5)] 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,
— invoiced charges for packaging and transport,
— invoiced hours worked to third parties for labour-only subcontracting,

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— 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[6].

Subject to the treatment of income classified as 'other operating income, financial income and extraordinary income' in company accounts[7], 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.

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