

## **ANNEX 1**

### **DEFINITION OF THE ECONOMIC VARIABLES**

**Code:** 10

**Name:** Turnover (sum of 10a)

### **Definition**

*Turnover comprises the totals invoiced by the enterprise (or by the local unit) during the reference period, and this corresponds to market sales of goods or services supplied to customers. Turnover includes all duties and taxes on the goods or services invoiced by the unit (or the local unit) with the exception of the VAT invoiced by the unit vis-à-vis its customer. It 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, but not cash discounts.*

*Turnover does not include sales of fixed assets. Operating subsidies received from general government or the EEC are also excluded. [adapted from the Industry Manual, VI,18c].*

### **Comments**

Credit sales are recorded at the time of delivery.

Turnover as actually recorded in the enterprise is taken into account. In trade activities (e.g. travel agents), the enterprise may act as an intermediary, turnover then being made up of "commission"; or as an "invoicing-trader", the turnover being made up of the purchase, i.e. the sum effectively paid by the customer. (It is not a question of the "net value", which can only be calculated at the level of Code 72, "value of production").

Turnover includes the sale of goods and services relating to the principal activity of the enterprise (or the local unit) but also includes those coming under secondary activities.

As far as the financial sectors are concerned the definitions of turnover are clarified in the chapters devoted to those activities.

Turnover excludes VAT collected by the seller on behalf of the government: indirect tax is levied on the price of the products sold, according to percentages determined by the type of product.

Turnover is an essential piece of accounting data. Even if it cannot always be used to compare one activity or one enterprise with another, it is the only parameter that makes it possible to measure exports or provide a breakdown by product or customer sector.

**Code:** 10a

**Name:** Turnover by product (part of 10)

### **Definition**

*Turnover of the production unit is broken down according to the various products invoiced on the basis of a product classification.*

### **Comments**

Turnover of the production unit is broken down by product by reference to a classification system based on the CPA.

When investigating the units, the survey classification system must be able to distinguish between various products as well as the method of accounting in order to distinguish between invoicing of the genuine provision of services (commissions received by intermediaries) and invoicing coming under sale-resale of goods or services (activity of invoicing trader).

If the value added per activity is unknown, the breakdown of turnover by product may enable the main activity of the units to be established. The product-by-product statistics (achieved through a sector-to-product transition) forms the basis of many analyses (market share, exports, etc.) and supplements, in particular, the sector-by-sector analysis.

For the financial sectors, the concept of turnover is defined in the chapters dealing with these activities.

**Code:** 10b

**Name:** Intra-/extra-EC exports (part of 10)

**Definition:**

*Exports include exports of goods and services by services enterprises.*

*Exports of goods include all goods, whether sold or given away, which permanently leave the economic territory of a country for some destination in the rest of the world. [source : ESA, 356]*

*Exports of services include all services (transport, insurance, others) provided by resident units situated on the economic territory to non-resident units situated outside the economic territory [adapted from ESA, 365]*

**Comments**

This concerns only exports by service units (exports of goods or of services) rather than total exports of service products, since these may be exported by units which do not belong to the services sector.

As an initial approximation, the total exports of the production unit may be recorded without distinction between products; this variable is therefore relevant only to activities where most products exported may be assumed to have been generated by the unit's principal activity. What is more, it is relevant only to units where the goods or services are invoiced to a non-resident located outside the economic territory (which is not the case for restaurants, cafés, etc.).

A distinction must be made between extra-Community exports and intra-Community exports.

If information about the units' exports can be obtained, an initial approach to market share will be more fruitful.

**Code:** 11

**Name:** Change in stocks of products held by producers (part of 71)

### **Definition**

*"Change in value of the stocks of finished products or work in progress, which have been produced by the unit and which have not yet been sold; these products include finished products made by other units using raw materials belong to the unit, even if the products in question are still in possession of the other unit; but do not include goods held by the unit, which have been produced with raw materials belonging to other units.*

*Stocks of finished products are valued at production cost excluding VAT. Provisions for depreciation are not taken into account." [adapted from the Industry Manual, VI, 19]*

### **Comments**

Change in stocks related to production (positive or negative) can be very large, if the production cycle is longer than one year (technical design, etc.). However, in a good number of activities they are negligible or non-existent (e.g. temporary work, etc.).

As the focus here is on producers of services, these stocks concern services work in progress; however in exceptional circumstances these stocks can concern goods if manufacturing is a secondary activity.

**Code:** 12

**Name:** Capitalized production

**Definition**

*Capitalized production includes "the value of capital goods manufactured or built by the enterprise itself, with its own labour force and for its own use, and major repairs carried out by the enterprise itself" [Industry Manual, VII,a]*

**Comments**

Capitalized production is unsold production entered in the fixed assets account; it is valued at production cost.

Capitalized production can include both tangible capital goods (e.g. railway line in the case of railway enterprises) and intangible investments (e.g. a computer software or, in the case of a film production enterprise, a film); the former are included in Code 30, "Tangible investments by type".

It enables "production" as defined in the national accounts to be established. However, capitalized production is important only in the public sector (film production, railways, etc.).

**Code:** 12a (part of 12)

**Name:** Capitalized production of tangible capital goods

**Definition**

*Capitalized production of tangible capital goods includes "the value of tangible capital goods manufactured or built by the enterprise itself with its own labour force and for its own use, and major repairs carried out by the enterprise itself" [adapted from Industry Manual, VII,a]*

**Comment**

Capitalized production of tangible capital goods is part of tangible investments (Code 30); capitalized production of intangible investments, which come under code 12, may be obtained by taking the balance of codes 12 and 12a.

**Code:** 13

**Name:** Operating subsidies

**Definition**

*"This term covers subsidies linked to current production and paid on a current basis by national authorities or the institutions of the European Communities to enterprises, the purpose of which is to ensure adequate remuneration for the factors of production. This heading also covers export subsidies as well as interest rebates. The heading excludes tax exemptions and subsidies in the form of one-off non-repayable grants (e.g. investment grants, etc.)" [adapted from Industry Manual, VI,30]*

**Comments**

This amount enables the transition to be made from gross value added at market prices to gross value added at factor cost and finally to gross operating surplus.



**Code:** 20

**Name:** Purchases of goods and services

**Definition**

*"Purchases of goods and services by the production units represent the value of all the goods (other than capital goods) and services, including those relating to the supply of factors of production (renting, leasing, temporary staff, etc.) purchased during the reference period intended either to be resold without further processing or processed and incorporated into products for sale, or for the current operation of the enterprise. Purchases which are not consumed in the reference period are stocked." [adapted from the ESA, 320]*

**Comments:**

Purchases of goods and services are recorded at purchase price excluding deductible VAT: i.e. the amount of VAT paid by a production unit in purchasing goods and services that is effectively reimbursed to the unit when the amount of VAT invoiced to clients is transferred to taxes.

Purchases of goods and services are broken down as follows:

- Purchases of goods and services for resale, and subcontracting to third parties (Code 20a)
- Other purchases of raw materials and supplies, and services; these services include those relating to the supply of factors of production, such as renting property or equipment, leasing, temporary work, and, in general, all outside services purchased for own use (security staff, cleaning, etc.).

Determining the amount of goods and services makes it possible to calculate value added.

**Code:** 20a

**Name:** Purchases of goods and services for resale, and subcontracting to third parties  
(part of 20)

**Definition**

*Purchases for resale and subcontracting to third parties on behalf of customers and charged on to them.*

**Comments**

Purchases for resale are purchases of goods for resale without further processing by traders. It also includes purchases of services by "invoicing" service companies, i.e. those whose turnover is composed not only of the agency fees charged on a service transaction (as in the case of estate agents) but also the actual amount involved in the service transaction, e.g. transport purchases by travel agents.

Subcontracting to third parties comprises work contracted out to other organizations and charged on to the customer of the production unit. For example, it could be work passed on to colleagues in the professions.

By determining purchases for resale and subcontracting to third parties, it is possible to establish the value of production. This is a more useful variable than turnover for making significant comparisons between sectors and between production units, and corresponds to the concept of "production" used in the ESA input-output table.

**Code:** 21a

**Name:** Change in stocks of goods purchased for resale, and subcontracting to third parties

**Definition**

*Change in stocks at purchase prices recorded exclusive of VAT, of purchases for resale and subcontracting to third parties purchased by the unit.*

*[adapted from the Industry Manual, 20]*

**Comments**

This positive or negative change in stocks enables the value of production to be calculated.

Products purchased for resale and stocked by services enterprises can involve goods (industrial equipment in the case "turnkey" engineering contracts, or buildings in the case of property development, etc.) as well as services (advertising space, transport, accommodation, etc.).

**Code:** 21b

**Name:** Change in stocks of materials and supplies

**Definition**

*Change in stocks, at purchase prices recorded exclusive of VAT, of materials and supplies.*

*[adapted from the Industry Manual, 20]*

**Comments**

These positive or negative changes in stocks enable value added to be calculated.

Products stocked for incorporation into the production process may involve either goods or services. Stocks are recorded at purchase prices if they are purchased from another unit, otherwise at production cost.

**Code:** 22

**Name:** Labour costs

**Definition**

*"All contractual payments, bonuses and benefits in kind dispensed by the enquiry unit during the reference year to all its regular and temporary employees in remuneration for work done by them, including remuneration of home workers counted on the pay-roll; it also includes the employer's compulsory and voluntary social contributions." [Industry Manual, VI, 8]*

**Comments**

Labour costs include:

- gross wages and salaries (Code 22a) ;
- employers' social contributions (Code 22b).

Labour costs do not include reimbursement of travel expenses.

Labour costs represent for the production unit the cost of paid work during the reference period.

**Code:** 22a

**Name:** Gross wages and salaries (part of 22)

**Definition**

*"Gross wages and salaries include all money payments and payments in kind - before deduction of direct taxes and the employees' social security and pension fund contributions - dispensed by the unit to all persons counted on the pay-roll, including homeworkers, by way of remuneration for work done by them."*

*[adapted from the Industry Manual, VI, 9]*

**Comments**

Gross wages and salaries include: all gratuities, bonuses, "thirteenth 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.

The following should also be included: wages and salaries which the employer continues to pay in the event of illness, accident or maternity.

The following should be excluded: employers' contributions to social security and pension funds, statutory family allowances, retirement pensions and taxes paid on wages and salaries by the employer.

The total for gross wages and salaries provides a basis for calculating average wages and salaries per capita or per hour worked.

**Code:** 22b (part of 22)

**Name:** Employers' social contributions

**Definition**

*"Employers' payments to social insurance funds, including statutory, collectively agreed or contractual contributions to insurance schemes covering the risks of illness, maternity, invalidity, unemployment, accidents at work and occupational illness, to old age and survivors' pension schemes and to family allowance schemes.*

*Social benefits provided directly, i.e. not under a contributory scheme, and on a voluntary basis to employees, former employees and their dependants are included in social contributions.*

*Payments by employers as a contribution to employees' life assurance policies are also included in the amount to be reported under this item." (Industry Manual, VI, 11)*

**Comments**

As indicated in the definition, this item includes the employer's "compulsory and voluntary" social contributions. Though certain social benefits are voluntary, they still constitute a cost for the employer.

**Code** : 22c (part of 22)

**Name** : Voluntary social security contributions and other labour costs (part of 22)

**Definition**

*"The value of social welfare benefits provided directly - i.e. other than from contributory schemes - by enterprises to their employees or former employees or their dependents, such as, for example, grants to employees in the event of an accident or family bereavement, etc."*  
[adapted from Industry Manual, VI,12]

**Comments**

This variable is, like compulsory social security contributions, part of the cost of the factor "labour" during the reference period.

This variable excludes employer's compulsory social security contributions, which include employer's payments to social security schemes covering statutory, collectively agreed or contractual contributions or insurance schemes covering the risks of illness, maternity, invalidity, unemployment, accidents at work and occupational illness, to old age and survivors' pension schemes and to family allowance schemes and employers' contributions to employees' life insurance policies.

This variable also excludes current expenses for employees' travel between home and work, expenses for sports and recreation facilities and those for vocational training (with the exception of remuneration of apprentices, which is included in gross salaries and wages).



**Code:** 23

**Name:** Duties and taxes (other than VAT) linked to production

**Definition**

The duties and taxes linked to production other than VAT are:

- "- *consumption, excise and luxury taxes on goods sold or services rendered and invoiced by the reporting unit to its clients ;*
- *all other indirect taxes linked to production and paid (or payable) by the reporting unit, such as: road tax on motor vehicles and similar taxes on other means of transport considered as fixed capital goods, stamp duties and registration fees, land and property taxes, except where these taxes merely constitute an administrative device for assessing and collecting general income tax, taxes on total wages and salaries paid, licence fees, taxes on insurance, official fees and charges, i.e. duties payable for specific public services, such as testing weights and measures, providing extracts from criminal records, etc.*

*Taxes on profits are, however, excluded".*

*[adapted from Industry Manual, VI,29]*

**Comment**

Duties and taxes linked to production are required for drawing up a simplified generation of income account.

It should be noted that some of these duties and taxes constitute fixed costs, e.g. taxes on land and buildings or those directly linked to production capacities, while others constitute variable costs directly linked to volumes of production during the financial year.

**Code:** 30

**Name:** Tangible investments by type

### **Definition**

*Tangible investments are taken to include expenditure on all new or used capital goods bought from other enterprises or produced for own use (see Code 15a 'Capitalized production of tangible capital goods'), having a useful life of more than one year and intended for the use of the enterprise.*

*Only tangible assets and property are considered (furniture, machinery and capital goods, transport equipment, construction of buildings, purchase of land and buildings, etc.).*

*It excludes investment in intangible assets (transactions aimed at acquiring rights to an intangible asset) and purchases of shares and other securities.*

*This heading also includes extensions, conversions, improvements and repairs which extend the normal useful life or increase the efficiency of existing fixed capital assets. Current expenditure on repairs and maintenance, however, is not included.*

*Goods acquired are valued at purchase price if they are acquired from another unit, and at production cost if they are produced for own use, including installation and transport costs and any taxes and duties, but not including deductible VAT and financing costs.*

*For the purpose of estimating the cost of fixed capital produced for own use and of major repairs carried out, the expenditure is shown for the reference year, including expenditure for the construction of premises and for buildings under construction. This expenditure includes the cost of labour and raw materials and, if possible, the proportion of overheads relating to such works.*

*Purchases of fixed capital assets may be broken down under the following headings:*

- *Land*
- *Existing buildings*
- *The construction or conversion of buildings and other real estate. This heading covers expenditure relating to the reference year on the construction or conversion of buildings, as well as all maintenance costs for buildings and other real property which the enterprise owns or rents, excluding current maintenance costs.*
- *Transport equipment for use off the premises (vehicle pool): this heading includes all vehicles and boats used off the premises, i.e. motor cars, commercial vehicles and lorries as well as special vehicles of all types, boats, railway wagons, etc.*

- *Plant and equipment: this heading covers machinery (office machines, etc.), special vehicles used on the premises, other machinery and equipment.» [adapted from Distributive Trades Manual, p. 105, 106]*

### Comments

The investment made represents the efforts made directly by the production unit in the course of the financial year to improve its production capacity. This improvement can be measured by acquisitions, minus the effective value of disposals (code 31).

But the increase in production capacity can also indirect by means of "leasing", which is not included in this variable (see Code 95).

**Code:** 31

**Name:** Disposals of fixed assets

**Definition**

*"Sales of fixed assets are valued at the price actually received (excluding VAT) and not at book value. Disposals of assets resulting both from tangible investments and intangible investments are recorded." [adapted from the Distributive trades Manual p. 105, 106]*

**Comment**

The balance of acquisitions and disposals of fixed assets enables the investment of the unit or sectors during the course of the reference year to be measured.

A distinction must be made between disposals of tangible investments (under code 30) and disposals of intangible investments (under code 94).

**Code:** 40

**Name:** Number of persons employed

### **Definition**

*The number of persons employed is defined as the total number of persons who work in the enquiry unit (inclusive of working proprietors, partners working regularly in the enterprise 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 pay-roll, as well as seasonal workers, apprentices and home workers on the pay-roll.*

*It excludes manpower supplied to the unit by other enterprises, persons carrying out repair and maintenance work in the enquiry unit on behalf of other enterprises, as well as those on compulsory military service.» [adapted from Industry Manual, VI, 1]*

### **Comments**

The number of persons employed should be given as an annual average of the data collected, e.g. on a quarterly basis, and also as a snapshot statistic at a given date.

The number of persons employed provides an initial measurement of the factor "labour".

**Code:** 40a

**Name:** Number of wage and salary earners (part of 40)

**Definition**

*Persons who work for an employer (corporate enterprise or sole proprietorship) and who have a contract of employment and receive compensation in the form of wages, salaries, fees, gratuities, piecework pay or remuneration in kind [ ESA, 815]*

**Comments**

Wage and salary earners are workers employed by a production unit who usually have a contract of employment and receive compensation from the production unit in the form of wages, salaries, commissions, gratuities, piecework pay or remuneration in kind. Sometimes, wage and salary earners working for a very short period do not have a contract; nevertheless, they must be included.

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

The number of wage and salary earners includes part-time workers, seasonal workers, homeworkers, persons on strike or on short-term leave, but excludes those persons on long-term leave. This statistics should be given:

- as an annual average of the data collected on a quarterly basis,
- as a snapshot statistic at a given date in order to enable breakdowns (full-time, part-time...) to be made which would not be feasible to collect on a quarterly basis.

Wage and salary earners form the largest share of persons employed. This total is better known than that of "non-salaried persons"; trends in this variable are linked not only to the number of enterprises but also to the level of activity; it is therefore an important economic variable in terms of both total and trend.

**Code:** 40b

**Name:** Number of persons employed on a part-time basis (part of 40)

**Definition**

*Part-time workers are persons whose usual hours of work are less than the normal weekly or monthly working hours of the unit concerned. This definition encompasses all forms of part-time work (half-day work, work for one, two or three days a week, etc.).» [Distributive trades Manual, p. 97]*

**Comments**

Data on part-time work could refer to the situation at a given date, i.e. a snapshot statistic.

It should be noted that whereas the "full-time employee" category is relatively homogeneous, the same cannot be said of the "part-time employee" category since this can cover anything between 20% or even less and 80% or more of the normal working hours of the employing unit.

Part-time employees (duration of work less than the norm) and intermittent employees (who may work full time but for a short period, e.g. temporary workers, film crew etc.) should not be confused.

**Code:** 40c

**Name:** Number of female persons employed (part of 40)

**Definition**

*The number of female employees, paid or unpaid, whatever the number of hours worked.*

**Comment**

Data on female employees work could refer to the situation at a given date, i.e. a snapshot statistic.



**Code:** 41a

**Name:** Number of hours worked by wage and salary earners

**Definition**

*The total number of hours actually worked during the reference period by all the wage and salary earners: normal and overtime hours, short breaks at the workplace, Sunday, holiday and night work, etc. [Industry Manual, VI, 7]*

**Comments**

This heading excludes hours paid but not actually worked such as annual leave, holidays and sick leave.

It also excludes meal breaks and commuting between home and work.

The number of hours worked by wage and salary earners sheds greater light on the factor "labour" and is more relevant for the calculation of some ratios than the number of wage and salary earners. The trend in the number of hours worked per employee is also a useful economic variable.

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 absence (sickness, maternity, etc.) observed.

**Code:** 41b

**Name:** Number of hours worked by non-salaried persons

**Definition**

*"Total number of hours actually worked by non-salaried persons, freelances, employers and unpaid family workers in the reference period, including short breaks taken at the workplace, Sunday, holiday and night work, work carried out for the enterprise from home, etc." (Industry Manual, VI, 7)*

**Comments**

It excludes sick leave.

It also excludes meal breaks and commuting between home and work.

**Code:** 61

**Name:** Number of enterprises

### **Definition**

*"The enterprise is the smallest combination of legal units that is an organizational unit producing goods or services, which benefits from a certain degree of autonomy in decision-making, especially for the allocation of its current resources. An enterprise carries out one or more activities at one or more locations. An enterprise may be a sole legal unit." (Regulation on units, Section III A)*

### **Comments**

For services, there can be no discrimination on the basis of size. The small enterprises, even those without paid employees, must be taken into account.

The enterprises are classified according to their main activity in the NACE/Rev.1 classification system.

Since it has a full accounting system, the enterprise is the unit best able to supply all the necessary data for establishing value added and gross operating surplus.

The number of enterprises in operation is an essential piece of demographic information. It is a snapshot statistic, which could refer to the situation at a given date.

Only units which actually carry out an activity during the reference period should be considered. "Dormant" units or those which have not yet begun their activity are therefore excluded.

**Code:** 62

**Name:** Number of local units

**Definition**

*"The local unit is an enterprise or part thereof (e.g. a workshop, factory, warehouse, office, mine or depot) situated in a geographically identified place. At or from this place economic activity is carried out for which - save for certain exceptions - one or more persons work (even if only part-time) for one and the same enterprise." (Regulation on units, Section III F).*

**Comments**

Local units are classified according to their main activity in the NACE/Rev. 1 classification system. The main activity of a local unit is not always the same as that of the enterprise to which it belongs. A local unit classified under services as a "design office" may be part of an enterprise classified under an industrial activity.

As for the enterprises, all the local units must be taken into account, even if they have no paid employees. This is a snapshot statistic, which could refer to the situation at a given date.

Statistics on employment are generally based on the local unit. The regional study of "proximity services" (services with shop premises which invoice customers directly or even services involving essentially small units like the professions) can be based on the local unit.

**Code:** 63a

**Name:** Breakdown of enterprises (or the local units) according to number of persons employed or number of hours worked

**Definition**

*The following breakdown can be made for the sectors:*

<i>up</i>	<i>to 3</i>	<i>persons employed or up to</i>	<i>5 999 hours worked</i>
<i>4</i>	<i>to 9</i>	<i>" 6 000 to</i>	<i>19 999 "</i>
<i>10</i>	<i>to 19</i>	<i>" 20 000 to</i>	<i>19 999 "</i>
<i>20</i>	<i>to 49</i>	<i>" 40 000 to</i>	<i>99 999 "</i>
<i>50</i>	<i>to 99</i>	<i>" 100 000 to</i>	<i>199 999 "</i>
<i>100</i>	<i>to 249</i>	<i>" 200 000 to</i>	<i>499 999 "</i>
<i>250</i>	<i>to 499</i>	<i>" 500 000 to</i>	<i>999 999 "</i>
<i>500</i>	<i>to 999</i>	<i>" 1 000 000 to</i>	<i>1 999 999 "</i>
<i>1000</i>	<i>to 4999</i>	<i>" 2 000 000 to</i>	<i>9 999 999 "</i>
<i>5000 persons employed or more</i>		<i>10.000.000 or more</i>	<i>"</i>

*For publications, a more aggregated breakdown must be made for the subsectors (NACE 3 and 4 digits).*

<i>up</i>	<i>to 9</i>	<i>persons employed or up to</i>	<i>19 999 hours worked</i>
<i>10</i>	<i>to 19</i>	<i>" 20 000 to</i>	<i>39 999 "</i>
<i>20</i>	<i>to 49</i>	<i>" 40 000 to</i>	<i>99 999 "</i>
<i>50</i>	<i>to 99</i>	<i>" 100 000 to</i>	<i>199 999 "</i>
<i>100</i>	<i>to 249</i>	<i>" 200 000 to</i>	<i>499 999 "</i>
<i>250</i>	<i>to 499</i>	<i>" 500 000 to</i>	<i>999 999 "</i>
<i>500</i>	<i>persons employed or more</i>	<i>1 000 000 or more</i>	<i>"</i>

*[ adapted from the Industry manual, V,4]*

## Comments

The breakdown of enterprises according to the number of persons employed enables concentration to be assessed.

If the number of persons employed is missing, a breakdown according to the number of wage and salary earners could be made.

For some sectors in which local units are very important (retail trade, HORECA, etc.) this variable may also be collected for local units.

If the number of persons working on a (very) part-time basis is important, a breakdown of the units by number of persons employed at a given date can be misleading. A way out of this difficulty is to break down the units according to the number of hours worked (as described in Code 41). This variant of Code 63a can also be used for activities of a seasonal nature.

**Code:** 63b

**Name:** Breakdown of enterprises (or local units) according to value added or turnover class  
**Definition**

*For the sectors the following breakdown can be used for gross value added at market prices:*

<i>Up to</i>		<i>60 000</i>	<i>Ecus</i>
<i>60 000</i>	<i>up to</i>	<i>200 000</i>	<i>Ecus</i>
<i>200 000</i>	<i>up to</i>	<i>500 000</i>	<i>Ecus</i>
<i>500 000</i>	<i>up to</i>	<i>2 000 000</i>	<i>Ecus</i>
<i>2 000 000</i>	<i>up to</i>	<i>5 000 000</i>	<i>Ecus</i>
<i>5 000 000</i>	<i>up to</i>	<i>10 000 000</i>	<i>Ecus</i>
<i>10 000 000</i>	<i>up to</i>	<i>20 000 000</i>	<i>Ecus</i>
<i>20 000 000</i>	<i>up to</i>	<i>100 000 000</i>	<i>Ecus</i>
<i>100 000 000 Ecus or more</i>			

*A more aggregated breakdown must be used for the subsectors, e.g.:*

<i>Up to</i>		<i>200 000</i>	<i>Ecus</i>
<i>200 000</i>	<i>up to</i>	<i>500 000</i>	<i>Ecus</i>
<i>500 000</i>	<i>up to</i>	<i>2 000 000</i>	<i>Ecus</i>
<i>2 000 000</i>	<i>up to</i>	<i>5 000 000</i>	<i>Ecus</i>
<i>5 000 000</i>	<i>up to</i>	<i>10 000 000</i>	<i>Ecus</i>
<i>10 000 000 Ecus or more.</i>			

*[ adaptation of code 63a]*

*Figures must be doubled for a breakdown by turnover.*

## Comments

Value added or turnover must be measured in Ecus.

For some sectors in which local units are very important (retail trade, HORECA, etc.) this variable, by turnover class, may also be collected for local units.

The breakdown of enterprises by value added or turnover class enables concentration to be assessed.

The choice of breakdown by value added or turnover will depend on the sector.

In sectors with a homogeneous turnover (e.g. retail trade) a breakdown by turnover will be chosen; where this is not the case (e.g. ICOBS) the breakdown by value added will be chosen (a breakdown by value of production would also be relevant but it seems futile to increase the number of classification criteria).

For the financial sectors, the concept of turnover is defined in the chapters dealing with these activities.



**Code:** 71

**Name:** Change in stocks

**Definition**

*"Change in stocks (positive or negative) is the difference between the value of stocks at the end and at the beginning of the financial year.*

*Among stocks (and the change in stocks), the following breakdown can be made:*

- *stocks of products held by producers (Code 11),*
- *stocks of goods purchased for resale and subcontracting to third parties (Code 21a),*
- *stocks of other purchases of raw materials and subcontracting to third parties.*

*Stocks are recorded exclusive of VAT."*

*[adapted from the Industry Manual, VI, 19, 20, 21]*

**Comment**

Data on stocks completes the annual flows (turnover, purchases of goods and services) required to calculate the value of production, value added, and gross operating surplus. Stocks are recorded at purchase price if they are purchased from another unit, otherwise at production cost.

This code is obtained by totalling codes 11 and 71a (or  $21a + 21b$ ).

**Code:** 71a

**Name:** Change in user stocks

**Definition**

*"Change in user stocks (positive or negative) is the difference between the value of stocks at the end and at the beginning of the financial year.*

*Among user stocks (and the change in user stocks), the following breakdown can be made:*

- *stocks of goods purchased for resale and subcontracting to third parties (Code 21a),*
- *stocks of other purchases of raw materials, supplies and services (Code 21b).*

*Stocks are recorded exclusive of VAT."*

*[adapted from the Industry Manual, VI, 19, 20, 21]*

**Comment**

Data on stocks add to the annual flows (turnover, purchases of goods and services) required to calculate value added and gross operating surplus. Stocks are recorded at purchase price if they are purchased from another unit, otherwise at production cost.

This code is obtained by totalling codes 21a and 21b.

**Code : 72**

**Name** : Value of production

**Definition**

*The value of production measures the amount actually produced by the enterprise; it is defined as follows :*

*turnover (Code 10)*

*change (+ or -) in stocks of products held by producers (Code 11)*

*change (- or +) in stocks of goods purchased for resale and subcontracting to third parties (Code 21a)*

*- purchases for resale of goods and services, and subcontracting to third parties (Code 20a)*

*+ capitalized production (Code 12)*

*= Value of production (Code 72)*

*[adapted from the Industry Manual, VII,a]*

*In other words, it is the sum of value added and "intermediate consumption" as defined by the "input-output table".*

**Comments**

The turnover of the production units is an essential piece of data for production statistics; in particular, it permits breakdowns by products sold. But turnover is not always very significant in comparisons between units or between activity sectors.

In the national accounts, the idea of production is used in the "input-output table". Production is calculated from turnover and a "sales-production" transition. In the enterprise statistics where "gross" data is collected it is not possible to determine "production" in the national accounts sense. So if "intermediate consumption" has a precise meaning for national accounts, it does not for enterprises.

Therefore, an intermediate value between turnover and value added has to be established in order to make significant comparisons between the units of production and the activity sectors, irrespective of the type of activity involved (distributive or other), the method of invoicing or the method of accounting. The value of production per person employed is more comparable than turnover by person employed.

In order to establish the value of production, it is necessary to eliminate in each case "purchases for resale" specific to each activity, and subcontracting to third parties; in this way the idea of value of production, which includes the actual provision of services, the profit margin and the production of goods in the classical sense of the term, is obtained. The value of production cannot be aggregated since it includes intermediate consumption (unlike value added), but it enables significant comparisons to be made between each activity and each enterprise. From this stage onwards standard techniques can be used to determine value added, gross operating surplus, etc.

It is a question of recreating the traditional model which holds that industry processes, the distributive trades buy for resale and services provide only services. Extending the model to all principal or secondary activities, however, provides an accurate representation of reality in the service enterprises.

**Code:** 73

**Name:** Gross value added at market prices

**Definition**

*Gross value added at market prices :*

$$\begin{aligned} & \text{Turnover (Code 10)} \\ + & \text{change in stocks ( Code 71)} \\ - & \text{purchases of goods and services (Code 20)} \\ + & \text{capitalized production (Code 12)} \\ = & \text{gross value added at market prices (Code 73)} \end{aligned}$$

*The value added is said to be "gross" because it includes depreciation costs.*

*[adapted from ESA, p. 200]*

**Comments**

Gross value added at market prices measures the contribution of the production unit to gross domestic product. It is the balance of turnover and changes in stocks on the one hand, and purchases of goods (other than fixed capital assets) and services on the other and finally capitalized production. It should be noted that changes in stocks may be positive or negative.

Besides the gross value added at market prices, it is also possible to calculate the "gross value added at factor cost" which includes operating subsidies and excludes duties and taxes other than VAT:

Gross value added at factor cost:

$$\begin{aligned} & \text{Gross value added at market prices (Code 20)} \\ - & \text{Duties and taxes linked to production other than VAT (Code 28)} \\ + & \text{Gross operating subsidies (Code 29)} \\ = & \text{Gross value added at factor cost} \end{aligned}$$

Special adaptations are planned for the financial sectors.

**Code** : 74

**Name** : Gross value added at factor cost

**Definition**

*Gross value added at factor cost is :*

*Gross value added at market prices (Code 73)*

- *Duties and taxes linked to production other than VAT (Code 23)*

+ *Operating subsidies (Code 13)*

= *Gross value added at factor cost*

*(Adapted from ESA, p. 188)*

**Comment**

Gross value added at factor cost is a stage in the calculation of gross operating surplus. It is called a "gross" surplus because it includes depreciation costs (provisions for depreciation).

Gross operating surplus measures the operating result (loss or surplus) during the reference period.

*Gross operating surplus is measured by:*

*Gross value added at factor cost (see comments Code 74)*

- *Labour costs (Code 22)*

= *Gross operating surplus*

*[source : based on ESA, p.188]*

**Code:** 91

**Name:** Variables concerning the characteristics and demography of enterprises (or local units)

**Definition**

*Factors explaining the characteristics and demography of the enterprises.*

**Comments**

The demography of the enterprises can be measured by looking at the change in the number of units by activity (Code 61). This gives the net balance of start-ups and closures but does not give the factors which explain the often rapidly changing demography of service units.

Other variables must therefore be collected:

- a Number of business start-ups with a distinction between genuine start-ups and non-genuine ones (resumption of existing enterprises)
- b Number of business closures with a distinction between genuine closures (cessations) and non-genuine ones (suspension then resumption)
- c Date of the business start-up
- d Legal status of the enterprise (legal category): sole proprietorship, partnership (specific, limited liability, etc.), company constituted under civil law, company with share capital, association, etc.
- e Number of local units belonging to the enterprise
- f Mono-regionality variables: an enterprise is considered to be mono-regional if at least 80% of its employees are in a single region
- g Main region of operation, calculated via the employees of the local units
- h Attachment of the enterprise to a group

These variables are listed for information only. Even if a register exists, it is extremely difficult to trace the demography of units. More methodological progress is needed in this field.

For some sectors in which local units are very important (retail trade, HORECA, etc.) these variables may also be collected for local units.

**Code:** 92

**Name:** Variables relating to market share and internationalization

**Definition:**

*Share of production carried out by units under the majority control of residents as a proportion of the total domestic production of products.*

**Comments**

A market-share analysis by product is carried out by comparing the different components making up the apparent consumption of the product (turnover, exports, imports). It is a subject calling on a number of variables rather than a code.

For services, an analysis of internationalization cannot be restricted to exports and imports alone. The setting-up of subsidiaries abroad also needs to be examined both from a stocks point of view (setting up abroad) and from a flow point of view (annual investments made abroad). Likewise, the number of enterprises from the rest of the world setting up in the Community also needs to be established. Finally, revenue flows (inputs and outputs) resulting from the setting up of subsidiaries or worksites in the rest of the world need to be established.

These variables should make it possible to measure the level of internationalization by sector. They cannot be defined more precisely at present. More methodological progress is needed in this field. The relevant variables will be adapted to the various sectors.



**Code:** 93

**Name:** Prices of products sold

**Definition**

*Producer prices of the categories of products sold by the units.*

**Comments**

When a product is essentially for household consumption (hairstressing, film projections), the retail price is adequate. When this is not the case, a producer price monitoring system similar to the one used for industrial products is required. But the implementation of such a monitoring system is probably even more difficult here than in the case of industrial products. Some methodological progress and trials will be made in the next few years.

Price indices make it possible adjust for inflation in order to obtain volume series.

**Code:** 94

**Name:** Intangible investments

**Definition**

*"Intangible investments are investments which are neither tangible nor financial; they relate to formation expenses and acquisitions of patents, trademarks, designs, copyright, concession rights affecting the soil and sub-soil, etc." [adapted from the ESA, 3103]. It also includes "nonmaterial" investments.*

**Comments**

It appears too early to reach a precise definition of the exact content of "nonmaterial" investments. It seems to be agreed that such investments include at least geological and mining research, computer software and literary and artistic creation.

It should moreover be noted that there is some ambiguity in the terms: what are termed "nonmaterial investments" are not necessarily included in investments or fixed assets. This is the case, for example, of expenses for computer software, which, from the accounting point of view, are for the time being classified as expenses under Code 20 (Purchases of goods and services).

**Code:** 95

**Name:** Leasing used by the units

**Definition**

*Leasing of property and tangible or intangible (software etc.) capital goods to a customer by a service enterprise for a pre-arranged period with an option for the customer to purchase at the residual value at the end of the contract.*

- *rent paid to leasing enterprises (part of Code 20)*
- *capital goods received during the year as a result of leasing transactions.*

**Comments**

The recourse of an enterprise to a leasing transaction results in an effective increase in its production capacities.

Financial leasing, i.e. leasing by units from the NACE/Rev. 1 §6521, as well as operational leasing are included in this item.

The two variables selected for units having recourse to leasing are:

- total rents paid to leasing enterprises in respect of leasing transactions carried out during the year or in previous years, and not yet expired
- the value of the equipment actually received during the year as a result of leasing transactions; as for tangible investments (Codes 30 and 94), goods and services financed by leasing should be broken down into:
  - . land
  - . existing buildings
  - . the construction or conversion of buildings and other real estate
  - . transport equipment
  - . plant and machinery
  - . intangibles.

**Code:** 96

**Name:** Variables relating to personnel qualification levels

**Definition**

*Wage and salary earners are broken down into executives and managers, on the one hand, and employees and service personnel on the other; for non-wage and salary earners, a distinction is made between company heads (self-employed persons, employers) and family workers.*

**Comments**

Wage and salary earners' qualifications are quite varied and specific according to the different sectors and subsectors involved (banks, HORECA/TA, distributive trades, etc.); breakdowns therefore have to be adapted to each sector but should, whatever the level of detail used, be based on the following two headings:

- executives and managers
- employees and service personnel, apprentices

For non-wage and salary earners, the single breakdown seems appropriate:

- company heads (employers and the self-employed) who are treated as coming under the executive and manager category
- family workers who are treated as coming under the employee or service personnel category.

The distinction between executives and managers on the one hand and employees and service personnel on the other is a determining factor for wages and salaries and level of value added per capita.

**Code:** 97

**Name:** Accounting ratios

**Definition**

*Ratios calculated using statistical elements or calculated aggregates providing indicators of the productivity, profitability, etc. of the various sectors.*

**Comments**

There are a number of ratios that can be used to evaluate a sector. Given here are those measuring productivity, compensation of employees and the distribution of value added:

- Per capita productivity: "Gross value added at market prices/number of persons employed" (Code 73/Code 40)
- Hourly productivity: "Gross value added at market prices/Number of hours worked"(Code 73/Codes 41a + 41b)
- Per capita remuneration: "Gross wages and salaries/Number of hours worked by wage and salary earners" (Code 22a/Code 41a)
- Share of labour costs in value added: "Labour costs/Gross value added at market prices" (Code22/Code 73)
- Gross margin: "Gross operating surplus/Gross value added at market prices" (GOS, see Code 74/Code 73).

Specific ratios may be calculated for various sectors, e.g. stock rotation rate or distributors' margins for the distributive trades.