Glossary of Voorburg Group Terminology for Mini-Presentations, Sector Papers, and Revisited Sector Papers

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This glossary draws from existing sources including Voorburg Group Papers, the United Nations, OECD, Eurostat, and various country documentation. The compilers attempted to provide proper attribution for each definition. The compilers do not claim any of the definitions as original work.

Accuracy

The level of accuracy of the indicator itself should be acceptable. Accuracy can be assessed in terms of the degree to which the data correctly estimate or describe the quantities or characteristics they are designed to measure. Accuracy refers to the closeness between an estimated result and the (unknown) true value. It is preferable to calculate sampling errors but if this is not possible a more subjective assessment might be that the variability of the series of observations should not be considered to be so great as to obscure the path or rate of change of the indicator series.
Compilation manual for an index of Services Production, OECD, 2007, page 29

Activity

The processes carried out by units that use inputs of labor, capital, goods and services to produce outputs of goods and services.
(Final Chapter 5, 2008 System of National Accounts, paragraph 5.5.
http://unstats.un.org/unsd/sna1993/projectmanagement/drafts/chapter5dv4.pdf)

Ad valorem price

In Voorburg Producer Price Index discussions, an ad valorem price results from a pricing method that estimates a price by multiplying a percentage and the value of the good that the service and the percentage fee are tied to. The preferred terminology for the Voorburg Group is percentage fees.
(Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, page 5)

Alternate common usage - a price not including insurance, freight, or associated transportation costs, the value that an ad valorem tax or duty is applied to when imposing such fees. Ad valorem – according to value – a percentage fee applied based on value rather than quantity or number. Value added taxes are ad valorem taxes.

Amount

A measure of quantity that can be described in terms of units, values, or other variables in Voorburg Group papers.

Ancillary

A supporting activity undertaken within an enterprise in order to create the conditions within which the principal or secondary activities can be carried out. Ancillary activities are not intended for use outside the enterprise, typically produce outputs that are commonly found as inputs into almost any kind of productive activity, generally produce services as output, and the value is likely to be small compared to the principal or secondary activities of an enterprise.
See also captive unit.
Final Chapter 5, 2008 System of National Accounts, paragraph 5.11,
http://unstats.un.org/unsd/sna1993/projectmanagement/drafts/chapter5dv4.pdf

Auxiliary

"Auxiliaries are establishments primarily engaged in performing management or support services for other establishments of the same enterprise. An enterprise consists of all establishments having more than 50 percent common direct or indirect ownership. Auxiliary establishments are distinguished from operating establishments that primarily produce goods and from those that primarily provide services for personal or household use or for other enterprises. Some examples of activities commonly performed by auxiliaries are management and other general administrative functions, such as accounting, data processing, and legal services; research, development, and testing; and warehousing." *(http://www.census.gov/epcd/www/naimemo3.htm)*

Average hourly invoiced rate

A pricing method based on the amount charged to buyers for a service for a standard unit (hour) of work by an employee of the producer. Average hourly invoiced rate is the average charged across multiple invoices and thus is not a unit value measure. The preferred terminology in Voorburg Group papers is, "pricing based on working time".
(Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, page 4)

Basic price

The basic price is the amount receivable by the producer from the purchaser for a unit of a good or service produced as output minus any tax payable, and plus any subsidy receivable, on that unit as a consequence of its production or sale; it excludes any transport charges invoiced separately by the producer.
Paragraphs 6.205. 15.28. [3.82.] (*1993 System of National Accounts)*

Bill(ing) method

The term refers to a type of component pricing where the price is developed by adding all of the components together on a "bill" resulting in an aggregate price. Prices from the bill(ing) method are fully based on real transaction prices that have been combined to form a price. The preferred terminology in Voorburg Group papers is "Component Pricing".

(Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, page 4)

Billable hours (billable working hours)

The number of hours used to produce a good or service billed to the client. Revenue for the service divided by billable hours results in a unit value (also known as realized hourly rates and fee income per grade of worker). Billable hours are used in pricing methods based on working time.
(Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, page 4)

Billed method

Refers to a pricing method where the model transaction is defined by an actual recent transaction that will be estimated in the future. The preferred terminology in Voorburg Group papers is, "model pricing".
(Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, pages 4-5)

Billing rate

Refers to a rate or a price taken from a bill and therefore is a real transaction price.
(Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, page 8)

Book price

The price of a product as quoted in the producer's price list, catalogue, Internet site, etc. The gross price exclusive of all discounts, surcharges, rebates and the like that apply to an actual transaction. It is also known as "list price".
(PPI Manual – Glossary of Terms, Draft, Producer Price Index Technical Expert Group, November 2002 http://www.imf.org/external/np/sta/tegppi/gloss.pdf

Broker

Brokers and agents are individuals or firms that arrange, execute, or otherwise facilitate client transactions in financial assets.
Context: Included are brokers and agents handling the purchase and sale of securities or other financial contracts for clients, and financial advisory services that provide specialized services to brokers and their customers.
Because many brokerage firms also trade in financial securities or financial derivatives on the firm's own account, it can be difficult to distinguish brokers and agents from underwriters and dealers classified as financial intermediaries.
By convention, this grouping should include only brokers and agents that clearly specialize in brokerage and related activities rather than the intermediation activities that are generally accomplished by underwriters and dealers classified as insurance corporations.
Source Publication: Monetary and Financial Statistics Manual, IMF, Washington, 2000, para. 101.

Bundle (bundling of services)

Bundling is also referred to as package tie-in and tends to occur when one product is sold in proportion to another as a requirement for the sale.

Context: It is related to the concept of tied selling. For example, a computer manufacturer may require customers to purchase along with the computer all or a specified amount of ancillary products such as floppy disks and printing paper. Alternatively, the sale may be made as a complete package such as an automobile equipped with all options including automatic transmission, cassette-radio and air conditioning.

Bundling of products may be a source of economies or efficiencies for the manufacturer, part of which may be reflected in a lower composite price for the buyer than if all the different products were supplied or bought separately. However, bundling may also make it difficult for firms to enter different product segments of the market.

The competition implications of bundling, including that of tied selling generally, are complex and need to be evaluated on a case by case basis adopting a rule of reason approach. *(Glossary of Industrial Organisation Economics and Competition Law, compiled by R. S. Khemani and D. M. Shapiro, commissioned by the Directorate for Financial, Fiscal and Enterprise Affairs, OECD, 1993* *http://www.oecd.org/dataoecd/8/61/2376087.pdf)*

Captive (unit)

In the context of global sourcing, a captive unit is a wholly owned unit that is providing goods or services to other units in an enterprise. When prices are available from a captive unit, they are commonly transfer prices based on cost plus markup. Captive units are defined in terms of legal organization rather than activity. Captive units are often created in other countries as an alternative to outsourcing activities to unaffiliated providers.
See also ancillary unit.
(http://www.kpmgtaxwatch.com/pub/intl/TransferPricingGuide_2006_(8thEdition).pdf)

CDF

See content development framework.

Charge-out rate

The price charged per unit in pricing based on working time methods. Normally this is an hourly rate charged to a client for services. Charge-out rates include overheads and profits in addition to the basic labor costs. (23rd meeting clarification)
(Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, pages 5-6)

Clearance price

A reduced price applied to a product in order to clear inventory.

Context: When pricing goods, a closeout or clearance price is applied to clear inventory when new models are due to arrive. In apparel sales, it is common to lower prices for out of season garments or end of season sales. If a substitute item is place into a price index as a link to show no change, the price decline is shown as a permanent decline. Linking around a closeout price can bring the index back to the proper level. Closeout or clearance prices should not be the basis for new index calculation. *(based on the proceedings of the 2008 Voorburg Group Meeting)*

Class

Refer to the four-digit level of detail in the International Standard Industrial Classification of All Economic Activities (ISIC) of the United Nations. See industry.

Class of customer

Refer to the practice of segmenting customers into groups. Class of customer schemes use household and business distinctions, segmentation by institutional sector, or other distinctions that are relevant for analysis.

Classification

A classification is a set of discrete, exhaustive and mutually exclusive observations that can be assigned to one or more variables to be measured in the collation and/or presentation of data. The terms “classification” and “nomenclature” are often used interchangeably, despite the definition of a “nomenclature” being narrower than that of a “classification”.

Context: The structure of classification can be either hierarchical or flat. Hierarchical classifications range from the broadest level (e.g. division) to the detailed level (e.g. class). Flat classifications (e.g. sex classification) are not hierarchical.

The characteristics of a good classification are as follows:

- the categories are exhaustive and mutually exclusive (i.e. each member of a population can only be allocated to one category without duplication or omission);

- the classification is comparable to other related (national or international) standard classifications;

- the categories are stable, i.e. they are not changed too frequently, or without proper review, justification and documentation;

- the categories are well described with a title in a standard format and backed up by explanatory notes, coding indexes, coders and correspondence tables to related classifications (including earlier versions of the same classification);

- the categories are well balanced within the limits set by the principles for the classification (i.e. not too many or too few categories). This is usually established by applying significance criteria (e.g. size limits on variables such as employment, turnover, etc.);

- the categories reflect realities of the field (e.g. the society or economy) to which they relate (e.g. in an industry classification, the categories should reflect the total picture of industrial activities of the country); and

- the classification is backed up by the availability of instructions, manuals, coding indexes, handbooks and training.

("United Nations Glossary of Classification Terms" prepared by the Expert Group on International Economic and Social Classifications; unpublished on paper. Hyperlink: http://www.un.org/Depts/unsd/class/glossary_short.htm)

Company
An entity, such as a sole proprietorship, partnership, or corporation set up to undertake a business activity. Companies can have single or multiple locations.

Competitive contract pricing
A model pricing method where an actual transaction or a fictitious service is repriced with an estimate developed as if a new competitive contract were being sought.

Component pricing
A pricing method that divides a service into a number of key output components of which one or more are then priced separately.
(Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, page 4)

Consistency
The same indicator should be used throughout the entire time series. If there are definitional changes, adjustments should be applied to ensure consistency and to enable comparison over time and between countries, etc.
Compilation manual for an index of Services Production, OECD, 2007, page 30

Content development framework (CDF)
The production process used by the Voorburg Group when developing sector papers that present methodological guidelines for developing constant dollar outputs of service industries.
Voorburg Group Content Development Framework for Service Sector Statistics, The 21st meeting of the Voorburg Group on Services Statistics 2006, page 2.

CDF - from the VG website
The purpose of the CDF is to provide a structured approach to developing mini-presentations and sector papers covering different service industries and for organizing the format and conduct of the Voorburg Group meetings.

The CDF essentially calls for industry specific papers to be prepared by participating countries according to a predefined template, including specific methodological guidelines, and requires that the papers cover pre-established topics related to the Group’s three main domains of interest (turnover, prices and classification), as well as the national accounting perspective.

This approach ensures that the content of the papers are more comparable and standardized, thus facilitating the exchange of knowledge and expertise as well as discussion of issues. The papers are presented, critiqued and discussed in **mini-presentations** during the Group's meeting (and available on the Group's website).

This substantive content material as well as the output from the discussions, in turn serve as key inputs to produce, discuss and adopt **sector papers** (presented in the following year) that present a set of key methodological guidelines for the development and production of Service industry statistics. As concrete deliverables from the Voorburg Group meetings, these sector papers are intended to become reference material for statisticians that oversee the development and compilation of Service Sector statistics in the various countries and international organizations.

Contract pricing

A pricing method that uses real transaction prices when the same provider for the same client repeats the services across survey periods. Prices of contracts are agreed for more than one period when the contract is signed or renewed.
Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, page 4

Coverage

An indicator that estimates short-term change in value-added should cover, in some representative fashion, the full range of businesses or other types of organisations or activity that are included within the industry or sector category in question. A proxy or indicator should ideally relate exactly to the relevant part of the ISIC. Nevertheless, at times indicators can be used where this match is not exact; for instance if an indicator is only available which covers more than the industry in question, the indicator might still be used, as a necessary compromise.
Compilation manual for an index of Services Production, OECD, 2007, page 29.

CPA (Statistical Classification of Products by Activity within the European Economic Community)

CPA is a product classification whose elements are related to activities as defined by NACE including all goods and services.
CPA 1996, Statistical Classification of Products by Activity in the European Economic Community, © European Communities, 1998, page 1.5

CPC (Central Product Classification)

The CPC constitutes a complete product classification covering goods and services. It is intended to serve as an international standard for assembling and tabulating all kinds of data requiring product detail, including industrial production, national accounts, service

industries, domestic and foreign commodity trade, international trade in services, balance of payments, consumption, and price statistics.
Central Product Classification (CPC) Version 1.1, Series M, No. 77, Ver.1.1, © United Nations, 2004, page iii

CPI (Consumer Price Index)
Consumer Price Indices (CPIs) measure the average changes in the prices of consumer goods and services purchased by households. In most instances, CPIs are compiled in accordance with international statistical guidelines and recommendations.
(http://stats.oecd.org/mei/default.asp?lang=e&subject=8)

Data type in the survey

A description of the raw data surveyed by a statistician from a respondent
Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, page 7

Deflation

The division of the value of some aggregate by a price index - described as a "deflator" - in order to revalue its quantities at the prices of the price reference period or to revalue the aggregate at the general price level of the price reference period.
PPI Manual – Glossary of Terms, Draft, Producer Price Index Technical Expert Group, November 2002. http://www.imf.org/external/np/sta/tegppi/gloss.pdf

Demand-based data

Data grouped using criteria based on who is using goods or services, how goods or services are used to satisfy a need, or how goods and services are used in relationship to each other.

Derived price

A price that is not observed but rather calculated based on other variables. When developing margin price indexes for wholesale trade services and retail trade services, the margin price is derived from variables such as cost of goods sold and gross sales. *(based on the proceedings of the 2008 Voorburg Group Meeting)*

Detailed status report

Annual reports prepared by the Voorburg Group participants. The report lists the availability, detail, and relationship between price and output data for the industries that are the subject of each annual meeting of the Voorburg Group.

Direct use of prices for repeated services

A straightforward pricing method which surveys a real transaction price of a service or package of services that occur every pricing period.
Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, page 4

Double deflation

Double deflation is a method whereby gross value added is measured at constant prices by subtracting intermediate consumption at constant prices from output at constant prices; this method is feasible only for constant price estimates which are additive, such as those calculated using a Laspeyres' formula (either fixed-base or for estimates expressed in the previous year's prices).
Source Publication: SNA 16.5.
Cross References: Single indicator method of deflation

Elementary aggregate

This is the lowest level of aggregation for which value data are available and used in the calculation of the producer price index (PPI). Elementary aggregates consist of relatively homogeneous sets of goods or services. Their values are used as weights when averaging the elementary price indices associated with them to obtain indices for higher-level aggregates. They may also serve as strata from which the products selected for pricing are sampled.
PPI Manual – Glossary of Terms, Draft, Producer Price Index Technical Expert Group, November 2002. http://www.imf.org/external/np/sta/tegppi/gloss.pdf

Enterprise

An institutional unit in its capacity as a producer of goods and services; an enterprise may be a corporation, a quasi-corporation, a non-profit institution, or an unincorporated enterprise.
1993 System of National Accounts, Paragraphs 5.17. [5.1.],
http://unstats.un.org/unsd/sna1993/glossary.asp?letter=E

Enterprise group

An enterprise group is an economic entity formed by two or more enterprises, in which the group head has either alone or together with other enterprises belonging to the same group the right of control in one or several other enterprises (subsidiary companies). Individual enterprises operating in Finland whose group head is located abroad are also treated as enterprise groups.

Thus, all main enterprise groups producing group financial accounts and having a group structure are included in enterprise groups. Sub-groups are not recorded separately in statistics but are included in main groups.

Cf. Enterprise group.

The definition of an enterprise group is based on an EU regulation concerning statistical units (EEC 1993/696).

(http://www.stat.fi/meta/kas/yritysryhma_en.html)

Establishment
An establishment is an enterprise or part of an enterprise that is situated in a single location and in which only a single (non-ancillary) productive activity is carried out or in which the principal productive activity accounts for most of the value added.
1993 System of National Accounts, Paragraphs 5.21. 6.80., http://unstats.un.org/unsd/sna1993/glossary.asp?letter=E

Estimated net transaction price – in model pricing, the current period estimate of the model transaction or fictitious service being used as a standardized product.
Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, page 4

Estimated new transaction price
See estimated net transaction price.

Estimated output price approach
Pricing based on working time with input prices (usually hourly wages) as the data type in the survey.
Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, page 8

Expenses
Expenditures on the goods and services needed to produce a new output. Expenses exclude expenditures on capitalized goods and services.

Expert estimate
Refers to a data type in a survey where a price is based on the potentially subjective judgment of an expert in the responding company who fills out the survey.
Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, page 7

Exports
Exports of goods and services – merchandise trade comprise goods leaving the statistical territory of a country. In the general trade system, the definition of the statistical territory of a country coincides with its economic territory.

In the special trade system, the definition of the statistical territory comprises only a

particular part of the economic territory, mainly that part which coincides with the free circulation area for goods. The free circulation area is a part of the economic territory of a country within which goods may be disposed of without Customs restrictions.
(International Merchandise Trade Statistics – Concepts and Definitions, United Nations, 1998, Series F, No. 52, Rev. 2, para. 111- 130)

Fee income
The revenue received by a provider who charges fees for services.

Fee income per grade of worker
Fee income separated into categories based on the grade of worker, for example, one fee for a lawyer per hour of work and a different fee for a paralegal per hour of work. Fee income per grade of worker is an input to pricing based on working time.

Fictitious service
A service that is devised for a price survey only and used in model pricing
Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, page 7

Final consumption
Final consumption consists of goods and services used up by individual households or the community to satisfy their individual or collective needs or wants.
(1993 System of National Accounts, Paragraphs 1.49., http://unstats.un.org/unsd/sna1993/glossary.asp?letter=F)

Firm
See company.

GDP (Gross Domestic Product)
Gross domestic product is an aggregate measure of production equal to the sum of the gross values added of all resident institutional units engaged in production (plus any taxes, and minus any subsidies, on products not included in the value of their outputs). The sum of the final uses of goods and services (all uses except intermediate consumption) measured in purchasers' prices, less the value of imports of goods and services, or the sum of primary incomes distributed by resident producer units
(1993 System of National Accounts, paragraphs 1.128 and 2.173-2.174, http://unstats.un.org/unsd/sna1993/toctop.asp)

GDP(P)
Measurement of Gross Domestic Product using a production approach. GDP(P) is calculated as follows:

Gross output at basic prices
(-) intermediate inputs at purchasers' prices
(=)gross value added at basic prices
(+) taxes on subsidies
(-) subsidies on products
(=) Gross Domestic Product (P)

(National accounts general methodology - addressing cross-cutting issues arising when measuring the constant price output of Service Industries
Paper prepared for the 23rd Voorburg Group, Agusaclientes, Mexico 22-26 September 200, Matt Berger, Office for National Statistics, United Kingdom
***http://www.inegi.gob.mx/voorburg/*)**

GDP by industry (Gross Domestic Product by industry)

It refers to a set of accounts that present the contribution of each private industry and government to the Nation's gross domestic product (GDP). An industry's contribution is measured by its value added, which is equal to its gross output minus its intermediate purchases from domestic industries or from foreign sources. The GDP-by-industry accounts are consistent with the annual input-output (I-O) accounts.
http://www.bea.gov/glossary/glossary.cfm?letter=G

General contractor

A general contractor is a group or individual that contracts with another organization or individual (the owner) for the construction or renovation of a building, road or other structure. A general contractor is defined as such if it is the signatory as the builder of the prime construction contract for the project.

A general contractor is responsible for the means and methods to be used in the construction execution of the project in accordance with the contract documents.

Said contract documents usually include the contract agreement including budget, the general and special conditions and the plans and specification of the project that are prepared by a design professional. A general contractor usually is responsible for the supplying of all material, labor, equipment, (engineering vehicles and tools) and services necessary for the construction of the project.

To do this it is common for the general contractor to subcontract part of the work to other persons and companies that specialize in these types of work. These are called subcontractors.

See also subcontractor.

Wikipedia-accessed 5/20/2008 http://en.wikipedia.org/wiki/General_contractor

Globalization

The term globalization is generally used to describe an increasing internationalisation of

markets for goods and services, the means of production, financial systems, competition, corporations, technology and industries. Amongst other things this gives rise to increased mobility of capital, faster propagation of technological innovations and an increasing interdependency and uniformity of national markets
Manual on Statistics of International Trade in Services, Eurostat, IMF, OECD, UN, UNCTAD, WTO, 2002 – Annex II, Glossary,
http://www1.oecd.org/std/TIS_Dec2000_Meeting/DOCS/SERV2000_2e.pdf

Hourly charge-out rate

The term refers to the price of one hour of work by an employee of the producer that contributes to the production or provision of a service.
Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, page 7

Hourly fees

The standard ways to pay for basic legal services include hourly fees (the most common arrangement), flat or project fees, retainers, contingency fees, percentage fees, and a combination of two or more of those methods. Hourly rates are adjusted almost yearly and take into consideration the market development and cost of living.

Hybrid method (combining sample and administrative records data**) –** A survey method that uses sample survey data for large cases but administrative records data for small cases.
(based on the proceedings of the 2008 Voorburg Group Meeting)

ICT

The ICT (Information and communication technology) sector encompasses industries that produce goods and services for the information society (ICT industry, ICT wholesale and retail trade, ICT consultancy services, and telecommunication).

The ICT sector including the content sector industries constitutes the information sector. The content sector encompasses industries that produce content such as text, sound and images for the information society (publishers, information service providers, radio and television, film and video).

Information and communication technology (ICT) plays a central part in the development of the economy. The term information society or information economy is used in this context reflecting how ICT has contributed to great changes in society. Although this development does not represent a new era, ICT affects the content and form of goods and services at an increasingly higher pace. In addition, ICT affects the organisation of business and industry as well as communication and social contact between people. ICT has a social, political and cultural effect on our everyday lives.

http://stats.oecd.org/glossary/detail.asp?ID=6274

Imports

A good or service sold to resident from a foreign resident. Imports of goods and services consist of transactions in goods and services (purchases, barter, or receipts of gifts or grants) from non-residents to residents.
System of National Accounts (SNA, 1993, OECD, para. 14.88, A quick reference to terms page 20.

Income

See revenue.

Industry

An industry consists of a group of establishments engaged on the same, or similar, kinds of production activity; the classification of productive activities used in the SNA is ISIC (Rev.3).
System of National Accounts (SNA 1993) para. 5.5 and 5.40.OECD A quick reference to SNA terms page 21.

An industry comprises a group of establishments that produce similar products or provide similar services. For example, all establishments that manufacture automobiles are in the same industry. A given industry, or even a particular establishment in that industry, might have employees in dozens of occupations.
BLS glossary for price statistics

Industry classification

An industry classification is a framework for the collection and dissemination of statistics on productive activities (e.g., ISIC, NACE) or producing establishments (e.g. NAICS).

Information economy

See ICT.

Input component pricing

Refer to a pricing method. The method is based on the assumption that a selection of input prices can be acceptable estimates of output prices. Although this amount to a pricing method that on it sown, it is not a desirable method and is therefore not listed with the main terms. An example is the use of truck write-off, drivers wage and fuel costs to estimate an output price for road haulage. Note that input prices can be used in a number of better pricing methods.
Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, page 7

Input data
A data type in the survey which corresponds to the prices of all (or a number of) input components needed to make a set amount of output. The profit margin is always to be included as an important input component. Input data can be taken from company records based on real transactions or be estimated by an expert.

This practice is best known from the pricing method pricing based on working time which multiplies an hourly wage with a coefficient to include overhead costs and mark-up to arrive at an hourly charge-out rate. The other pricing method using this data type in the survey is model pricing.

Strictly speaking, the input prices can be taken from a list or be estimated by an expert or calculated as an average from real transactions, but an input price is set apart as it is not an output price, unlike every standard data type in the survey.
Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, page 7

Institutional unit
An institutional unit is an economic entity that is capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities. Enterprises are institutional units. Other kinds of units include households and governments.
Methodological Guide for Developing Producer Price Indices for Services, OECD and Eurostat, 2005 edition, Glossary, pages 144-150.

Intermediate consumption
Intermediate consumption consists of the value of the goods and services consumed as inputs by a process of production, excluding fixed assets whose consumption is recorded as consumption of fixed capital; the goods or services may be either transformed or used up by the production process.
System of National Accounts (SNA 1993), para. 6.147. OECD A quick reference to SNA terms page 22.

Internationalization
See globalization

ISIC
International Standard Industrial Classification of All Economic Activities

Kind-of-activity unit

A kind-of-activity unit is an enterprise, or a part of an enterprise, which engages in only one kind of (non-ancillary) productive activity or in which the principal productive activity accounts for most of the value added.

The kind-of-activity unit (KAU) groups all the parts of an enterprise contributing to the performance of an activity at class level (four digits) of NACE Rev. 1 and corresponds to one or more operational sub- divisions of the enterprise. The enterprise's information system must be capable of indicating or calculating for each KAU at least the value of production, intermediate consumption, manpower costs, the operating surplus and employment and gross fixed capital formation.

KAUs falling within a particular heading in the statistical classification of economic activities in the European Community (NACE REV 1) can produce products outside the homogeneous group, on account of secondary activities connected with them which cannot be separately identified from available accounting documents. The enterprise and the KAU are identical when it proves impossible for an enterprise to indicate or calculate information on all of the variables listed in this recital for one or more operational subdivisions.

Methodological Guide for Developing Producer Price Indices for Services, OECD and Eurostat, 2005 edition, Glossary, pages 144-150.

Labor charge-out rates

The term is the same as the hourly charge-out rate.
Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, page 9.

List price

List price refers to a data type in a price survey. The price of a product is quoted from the producer’s price lists, catalogue, Internet site etc.
Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, page 7.

Local Kind of Activity Unit (LKAU)

An enterprise consists of one or more local kind of activity units. The local KAUs (establishments) are production units, contributing to the performance of a certain production activity. The activity of production means here a process in which various production factors (inputs like raw materials, assets and labour) interact in producing goods and services. All local KAUs (establishments) that perform same or similar activities constitute an industry. See also establishment.

http://stats.oecd.org/glossary/detail.asp?ID=1552

Loss leader

Loss-leader selling is a marketing practice of selling a product or service at a loss in order to attract customers to buy other products at regular prices. Although this practice is illegal in

some jurisdictions, in others it is viewed benevolently as a promotional device that has the pro-competitive effect of increasing total sales.
Source publication: Glossary of Industrial Organisation Economics and Competition Law, compiled by R. S. Khemani and D. M. Shapiro, commissioned by the Directorate for Financial, Fiscal and Enterprise Affairs, OECD, 1993.

Lump sum

Payments made to employees in lieu of a general wage rate increase. The payment may be a fixed amount as set forth in a labor agreement or an amount determined by a formula – for example, 2.5 percent of an employee's earnings during the prior year. Lump-sum payments are not incorporated into an employee's base pay rate or salary, but are considered as non-production bonuses in the employment cost.
Bureau of Labor Statistics: Glossary for price statistic.

Lump sum is also used as a term for a total price (quote) which is derived from substantial calculations based on (typically many) components, as opposed to separate pricing (quoting) of the components, e.g. the price of a large engineering project.
Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, page 7

Margin (trade)

A trade margin is the difference between the actual or imputed price realised on a good purchased for resale (either wholesale or retail) and the price that would have to be paid by the distributor to replace the good at the time it is sold or otherwise disposed of.
Methodological Guide for Developing Producer Price Indices for Services, OECD and Eurostat, 2005 edition, Glossary, pages 144-150.

Margin (transport)

A transport margin consists of those transport charges paid separately by the purchaser in taking delivery of the goods at the required time and place.
Methodological Guide for Developing Producer Price Indices for Services, OECD and Eurostat, 2005 edition, Glossary, pages 144-150.

Market price

Market prices for transactions are the amounts of money willing buyers pay to acquire something from willing sellers.
Methodological Guide for Developing Producer Price Indices for Services, OECD and Eurostat, 2005 edition, Glossary, pages 144-150.

Mark-up (markup)

The mark-up is an amount added to the cost price to determine the selling price.
Methodological Guide for Developing Producer Price Indices for Services, OECD and Eurostat, 2005 edition, Glossary, pages 144-150.

Mini-presentation (output)

The mini-presentation (output) is part of the Voorburg Group Content Development Framework (CDF). The mini-presentation covers a given industry or parts of an industry. The presentation is given by invited participants and serves as the basis for discussion of the issues involved. In turn the substantive content materials as well as the output from the discussions lead to a sector paper (in the following year) for the industry covered.
See Content Development Framework and Sector paper.
Excerpts from the Voorburg Group web-site

Mini-presentation (prices)

The mini-presentation (prices) is part of the Voorburg Group Content Development Framework (CDF). The mini-presentation covers a given industry or parts of an industry. The presentation is given by invited participants and serves as the basis for discussion of the issues involved. In turn the substantive content materials as well as the output from the discussions lead to a sector paper (in the following year) for the industry covered.
See Content Development Framework and Sector paper.
Excerpts from the Voorburg Group web-site

Model contract pricing

This term is defined as model pricing. It is recommended that the term model pricing is used in VG-documents.
Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, page 9.

Model pricing

The term refers to estimation of price for a standardised product ("model") which is not transacted in the survey period.
Methodological Guide for Developing Producer Price Indices for Services, OECD and Eurostat, 2005 edition, Glossary, pages 144-150.

Model service

See Model transaction.

Model survey
A model survey is a recommended method or example of how to perform a survey to obtain data about a particular aspect of the economy or other variable. The two major components of a model survey are model questionnaires and recommended methodologies to perform the survey. See for example, the OECD Model Survey of ICT Use by Businesses (http://www.oecd.org/dataoecd/49/43/35930653.pdf)

Model transaction
Model transaction refers to a standardized service which is frozen to allow for meaningful price comparisons over time.
Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, page 7

NACE – Nomenclature générale des activités économicques dans les Communautés européennes or the General Industrial Classification of Economic Activities within the European Communities
(NACE Rev. 1.1, Statistical Classification of economic activities in the European Community, © ECSC-EC-EAEC, Brussels . Luxembourg, 1996, page 12)

NAICS
North American Industry Classification System

NAPCS
North American Product Classification System

National accounts
The *System of National Accounts* (*SNA*) consists of a coherent, consistent and integrated set of macroeconomic accounts, balance sheets and tables based on a set of internationally agreed concepts, definitions, classifications and accounting rules.

National accounts refer to a system for estimating annual figures based on international standards for producing such accounts. SNA 1993, the present and latest version of this standard, is prepared under the joint responsibility of United Nations, OECD, IMF, World Bank and EU/Eurostat. ESA 1995 (European System of National and Regional Accounts) is the international standard that relates to the preparation of national accounts in EU/EEA countries, in effect from 1999.

The national accounts show growth and development in an economy, measured by Gross Domestic Product (GDP) and other key economic indicators. The national accounts also include indicators for various sectors of the economy including industries, households, external trade and the labor market. The accounts are based on data from a wide variety of statistics. Economic policy formation is highly dependent on national accounts data.

In a number of countries quarterly national accounts are produces based on the same system. Latest final annual national accounts provide the basis for these calculations in terms of level. In addition, a number of short-term statistics are being utilized. Quarterly national accounts include estimates in both current and constant prices. Seasonally adjusted estimates are also calculated for some of the aggregates in the quarterly national accounts.

The institutional sector accounts record economic transactions of the institutional sectors in national accounts. The economic transactions consist of production, income generation (including property income), redistribution of income, and the use of income for consumption and saving, and capital transfers and net lending.

In some countries the balance of payments is an integrated part of the national account system. The balance of payments is a statistical statement that systematically summarizes, for a specific time period, the economic transactions of a country with the rest of the world. The compilation of balance of payments is made in accordance with the recommendations by the IMF (Balance of Payments Manual, fifth edition, 1993), and these are harmonized with SNA 1993. The balance of payments consists of three main parts: current account, capital account and financial account.

Multiple references - System of National Accounts (SNA 1993), OECD Glossary of Terms, Eurostat Publications, etc.

Negative price

This is a term that fails to give the reader an intuitive or immediate understanding. Likely this could be approached in several ways. One approach that can shed some light on this term emerges when approaching this from a market failure perspective.

The paragraphs below are taken from the OECD Glossary on Statistical and Economic terms (which build on another third source):

Market failure is a general term describing situations in which market outcomes are not Pareto efficient. Market failures provide a rationale for government intervention.

Context: There are a number of sources of market failure. For the purposes of competition policy, the most relevant of these is the existence of market power, or the absence of perfect competition. However, there are other types of market failure which may justify regulation or public ownership. When individuals or firms impose costs or benefits on others for which the market assigns no price, then an externality exists. Negative externalities arise when an individual or firm does not bear the costs of the harm it imposes (pollution, for example). Positive externalities arise when an individual or firm provides benefits for which it is not compensated.

Finally, there are cases in which goods or services are not supplied by markets (or are supplied in insufficient quantities). This may arise because of the nature of the product, such as goods which have zero or low marginal costs and which it is difficult to exclude people from using (called public goods; for example, a lighthouse or national defence). It may also

arise because of the nature of some markets, where risk is present (called incomplete markets; for example, certain types of medical insurance).
Source Publication: Glossary of Industrial Organisation Economics and Competition Law, compiled by R. S. Khemani and D. M. Shapiro, commissioned by the Directorate for Financial, Fiscal and Enterprise Affairs, OECD, 1993.

New item bias

(based on text commenting on this in the OECD/Eurostat SPPI manual)
One of several terms (including out-of-sample bias) referring to sources of bias that might occur in statistics based on a basket of representative contracts for which a system / routines for item substitution is required. In this context *new item bias* refers to a situation where the basket of representative items has been based on old contracts for too long. The term *changing contract bias* is used in this context referring to a situation where any substitution of contracts included in the index is treated by an easy link to show-no-price change substitution.

The advice of the SPPI manual to avoid such types of bias is to keep in close contact with respondents about how prices change for the client, even if another producer had the contract before (new contract entering the index) or another producer wins the contract (contract disappearing from the index).
Source: The OECD/Eurostat SPPI Manual

Nomenclature

In a general sense nomenclature refers to a system of names used in an art or science. The nomenclature also provides the rules or procedures used in assigning names to the kinds and groups listed in a classification.

In a statistical context an example could be the Harmonized Commodity Description and Coding System (HS) of the Customs Cooperation Council (CCC) which is used worldwide as a reference for classifications of external trade statistics and for customs tariffs. It has the legal status of an international convention and has been in effect since 1.1.1988.

Based on several sources

Non-resident / related to resident producer (foreign affiliate)

Foreign affiliate trade in services (FATS) statistics measure the commercial presence abroad of service suppliers through affiliates in foreign markets, and are therefore closely related to statistics on foreign direct investment. Data on the activities of majority-owned foreign affiliates in the compiling economy are usually referred to as inward FATS, and those relating to majority-owned foreign affiliates of the compiling economy that are established abroad are referred to as outward FATS.

Manual on Statistics of International Trade in Services (ST/EAS/STAT/SER.M/86) paragraph 2.66, page 18-19.

Non-sampling error

An error in sample estimates which cannot be attributed to sampling fluctuations.

Context: Non-sampling errors may arise from many different sources such as defects in the frame, faulty demarcation of sample units, defects in the selection of sample units, mistakes in the collection of data due to personal variations or misunderstanding or bias or negligence or dishonesty on the part of the investigator or of the interviewer, mistakes at the stage of the processing of the data, etc

Source Publication: The International Statistical Institute, "The Oxford Dictionary of Statistical Terms", edited by Yadolah Dodge, Oxford University Press, 2003.
Cross References: Sampling error

NSO

National Statistical Office

Obligation of means

A contract type that includes within its terms an obligation of personnel, hours, or other inputs for a specified period of time. Only the means are contracted, not the results.

Obligation of results

A contract type that includes within its terms an obligation to attain a certain result. The means can be varied by the provider in order to attain the contracted result.

Offered price

The term offered price has the same meaning as tendered price.
Offered price is not recommended used in VG papers.
Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, page 5

Offshoring

Offshoring describes the relocation of business processes from one country to another. This includes any business process such as production, manufacturing, or services. Offshoring is defined as the movement of a business process done at a company in one country to the same or another company in another, different country. Almost always work is moved due to a lower cost of operations in the new location.

The economic logic is to reduce costs. If some people can use some of their skills more cheaply than others, those people have the comparative advantage. The idea is that countries should freely trade the items that cost the least for them to produce.

See also outsourcing which is often contrasted to offshoring.

Wikipedia- accessed 5/20/2008 http://en.wikipedia.org/wiki/Offshoring

Order price

The appropriate price for the PPI should be the price at the time there is a change in ownership from the producer to the buyer. The price at the time of shipment or provision of the service is, operationally, the closest one could come to this.

Order prices are quoted at the time the customer places the order and while often the same as the shipment price, they may be different. This is especially true if a price escalator is used to adjust for cost increases over the life of the long-term contract. A price that serves as a proxy for the transaction price when the good is shipped, such as a model price, should be treated as a shipment price.

Eurostat/OECD SPPI Guide, Thesaurus of Producer Price Indices for Services (SPPI's) – Voorburg Group 2007

Out of sample bias

(see new item bias)

Output

Output consists of those goods or services that are produced within an establishment that become available for use outside that establishment, plus any goods and services produced for own final use.
System of National Accounts (SNA 1993) para. 6.38. OECD A quick reference to SNA terms page 33.

Outsourcing

Outsourcing involves the transfer of the management and/or day-to-day execution of an entire business function to an external service provider. The client organization and the supplier enter into a contractual agreement that defines the transferred services. Under the agreement the supplier acquires the means of production in the form of a transfer of people, assets and other resources from the client. The client agrees to procure the services from the supplier for the term of the contract. Business segments typically outsourced include information technology, human resources, facilities and real estate management, and accounting. Many companies also outsource customer support and call center functions like telemarketing, customer services, market research, manufacturing and engineering.

See also offshoring which is often contrasted to outsourcing.

Wikipedia-accessed 5/19/2008 http://en.wikipedia.org/wiki/Outsourcing

PCE (Personal Consumption Expenditures)

The goods and services purchased by persons.

(http://www.bea.gov/glossary/glossary.cfm?letter=P)

Percentage fees

The term refers to a pricing method that estimates a price by multiplying a percentage and the value of the good that the service and percentage fee are tied to. This is only possible if the pricing mechanism uses these figures. For example, prices for services of real estate agencies use prices of real estate and commission rates. Other examples include placing advertisements, architecture and rental. If percentages or values are estimated by the respondent, then this is still the percentage fee pricing method. In the percentage fee method, the price change is split in to parts, change of the percentage fee and change of the product price.

Note that in cases where the price development is measured by comparing directly fees tied to the same product (in trading the difference between selling and acquisition price) in consecutive periods, are categorized as direct use of prices of repeated services.

Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, page 5

Percentage fees and related values

A data type in the survey only used in the pricing method percentage fees. Strictly speaking, the percentage can be taken from a list or be estimated by an expert or calculated as an average from real transactions, but a percentage is set apart as it is not a price, unlike every other data type in the survey. The 'related value' (see percentage fees) is an unusual data type as well and refers to an underlying good or other product to which the service relates.
Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, page 6

Period prices

Period prices prevail for a given period e.g. month, quarter.

Periodicity/Frequency

To reflect monthly (or quarterly) GVA, an indicator should ideally consist of independent monthly (or quarterly) observations. A quarterly indicator interpolated to provide monthly data is less suitable but may be acceptable if the series is not volatile or indeed if the intention is to produce a quarterly ISP.
Compilation manual for an index of Services Production, OECD, 2007, page 29

Point-in-time-prices

Point-in-time prices prevail on a particular day of the month.
Methodological Guide for Developing Producer Price Indices for Services, OECD and Eurostat, 2005 edition, Glossary, pages 144-150.

PPI (Producer Price Index)

A category of indexes that measure the average change over time in selling prices received by domestic producers of goods and services. PPIs measure price change from the perspective of the seller. This contrasts with other measures that measure price change from the purchaser's perspective, such as the Consumer Price Index (CPI). Sellers' and purchasers' prices may differ due to government subsidies, sales and excise taxes, and distribution costs.

Bureau of Labor Statistics: Glossary for price statistic.

Price determination method

This is a term covering the charging arrangements put in place by economic operators. Price determination method is not a recommended term. See instead pricing mechanism

Price fixing method

This is a term covering the charging arrangements put in place by economic operators. Price fixing method is not a recommended term. See instead pricing mechanism

Price relative

A price relative refers to a service product surveyed within the enterprise for which a micro index has been estimated. The micro index is made up of one of several price quotations for similar services.

Methodological Guide for Developing Producer Price Indices for Services, OECD and Eurostat, 2005 edition, Glossary, pages 144-150.

Price setting

This is a term covering the charging arrangements put in place by economic operators. Price setting is not a recommended term. See instead pricing mechanism

Pricing based on working time

See realized hourly rates

Pricing mechanism

Corresponds to charging arrangements put in place by economic operators.
Methodological Guide for Developing Producer Price Indices for Services, OECD and Eurostat, 2005 edition, Glossary, pages 144-150.

Pricing method

Pricing method refers to the use of a specific type of information on prices to represent the evolution of price in price index compilation. It is a procedure put in place by statisticians to make price data eligible to be entered in an index. The pricing method is largely determined by the characteristics of the data.
Methodological Guide for Developing Producer Price Indices for Services, OECD and Eurostat, 2005 edition, Glossary, pages 144-150.

Principal activity

The principal activity of a producer unit is the activity whose value added exceeds that of any other activity carried out within the same unit. The principal activity is identified by a top down method as the activity which contributes most to the total value added of the entity under consideration.

The producer unit may be an enterprise or an establishment as defined below.

The classification of the principal activity is determined by reference to ISIC or NACE, first at the highest level of classification and then at more detailed levels.

The output of the principal activity must consist of goods or services that are capable of being delivered to other units even though they may be used for own consumption or own capital formation.
System of National Accounts (SNA1993) para. 5.8. OECD, A quick reference to SNA terms page 41.
Methodological Guide for Developing Producer Price Indices for Services, OECD and Eurostat, 2005 edition, Glossary, pages 144-150.

Primary product

The term primary product refers to the group of products or product whose value added exceed that of any other activity carried out within a unit.

Products

Products, also called “goods and services”, are the result of production; they are exchanged and used for various purposes: as inputs in the production of other goods and services, as final consumption or for investment.
Methodological Guide for Developing Producer Price Indices for Services, OECD and Eurostat, 2005 edition, Glossary, pages 144-150.

Product SPPIs

An SPPI is compiled for product groups based on prices of outputs in all economy independently whether services are produced as principal or secondary production. The SPPI is typically published by industry classification.
Methodological Guide for Developing Producer Price Indices for Services, OECD and Eurostat, 2005 edition, Glossary, pages 144-150.

Product classification

See CPA, CPC and NAPCS

Quality adjustment

The process - or the result of the process – of estimating what the market price of a replacement product would be if it had the characteristics of the product it replaces and with whose price its price is to be compared. The adjustment is made so that the price comparison between the two products reflects "pure" price change only.
Methodological Guide for Developing Producer Price Indices for Services, OECD and Eurostat, 2005 edition, Glossary, pages 144-150.

Rate method

The term refers to a variant of a pricing method. Rate is used for telephony SPPI's. A rate is the price of a unit of which typically large numbers are bought, e.g. a price per minute calling minute. The term rate method should be discouraged and component pricing preferred.

Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, page 9

Real GDP (Real Gross Domestic Product)

This is a national accounting term referring to the value of GDP measured in fixed prices. See also GDP. For more about measuring a value in fixed prices – see Deflation.

Real GDP by industry (Real Gross Domestic Product by Industry)

The term refers to the value of GDP by industry measured in fixed prices. Industry refers to a given level of breakdown according to the industrial classification – ISIC / NACE. For more about GDP – see GDP. For more about measuring a value in fixed prices – see Deflation and real GDP.

Real transaction prices

The term refers to a data type based on actually paid prices of individual transactions that are repeated in each survey period. For SPPI's the term is the same as direct use of prices of repeated services.

Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, page 5

Realized hourly rate (realized rate)

The term refers to a pricing method which surveys the money amount charged to a buyer of a service, for a standard amount (e.g. one hour) of work by an employee of the producer, contributing to the production (provision) of that service. This term should be discouraged. The preferred term should be pricing based on working time.

Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, page 5

Receipts

Receipts, sales and turnover are used interchangeably in services statistics.

Relevancy

As the purpose is to measure short-term change in services GVA (gross value added), an indicator should be designed to do that; rather than, for instance, being designed to measure the level of the indicator at a point in time. That is, the indicator should measure changes in output (or GVA) rather than some other variable or concept. It is impracticable to collect timely monthly data for intermediate consumption, so generally it will be necessary to assume that the GVA to output ratio is constant in the short-term. Series can be benchmarked to quarterly or annual GVA data to reduce the possibility of long-term bias.
Compilation manual for an index of Services Production, OECD, 2007, page 30

Representative item

A representative item is a product/service selected for pricing within an elementary aggregate because of the products significance in terms of turnover.
Methodological Guide for Developing Producer Price Indices for Services, OECD and Eurostat, 2005 edition, Glossary, pages 144-150.

Resident producer

Institutional units or individuals are *resident* in a country when they have a centre of economic interest (production activity) in the economic territory of that country. Individuals and institutional units changing countries are normally only considered resident in the new country after one year, although the one year guideline may be interpreted flexibly.
Methodological Guide for Developing Producer Price Indices for Services, OECD and Eurostat, 2005 edition, Glossary, pages 144-150.

Revenue
The value of output sold. The value of invoiced sales of goods or services supplied to third parties during the reference period. The term is often used interchangeably with “sales” and “turnover”.
Methodological Guide for Developing Producer Price Indices for Services, OECD and Eurostat, 2005 edition, Glossary, pages 144-150.

Revenue and amount sold
See also amount and revenue.

Revisited sector paper (RSP)
This term refers to the Voorburg Group production process in which the sector paper for a given industry is an output. The preparation of RSP entails building upon previously issued mini-presentations on prices (presented prior to 2006) for an industry / industry group by adding turnover / output details. RSPs should be prepared for Accounting, Real Estate, Advertising, and Engineering. The Revisited Sector Papers follow the revised guidelines for the format and content of Sector Papers.
Excerpts from the Voorburg Group web-site

Sales
The term sales and turnover are used interchangeable in service statistics.
Compilation manual for an index of Services Production, OECD, 2007, page 25.

Sample unit
A statistical survey to be based on sampling will start out defining: The sample or sampling unit, the population to be covered and to design a sampling plan. The sample unit is the one being legally responsible for answering questionnaires from the NSO. The sampling unit is normally the enterprise or an establishment being part of an enterprise.

Sampling error
That part of the difference between a population value and an estimate thereof, derived from a random sample, which is due to the fact that only a sample of values is observed; as distinct from errors due to imperfect selection, bias in response or estimation, errors of observation and recording, etc.
The totality of sampling errors in all possible samples of the same size generates the sampling distribution of the statistic which is being used to estimate the parent value.

Context: Sampling errors arise from the fact that not all units of the targeted population are enumerated, but only a sample of them. Therefore, the information collected on the units in the sample may not perfectly reflect the information which could have been collected on the whole population. The difference is the sampling error (Eurostat, Quality Glossary).

Source Publication: The International Statistical Institute, "The Oxford Dictionary of Statistical Terms", edited by Yadolah Dodge, Oxford University Press, 2003.
Cross References: Non-sampling error

SBS and STS – noting the differences in definition of turnover

SBS – Structural Business Statistics - The SBS acronym refers to the Structural Business Survey system established for countries having adopted the Eurostat principles and definitions.

These statistics are annual statistics and provide level information.

STS- Short-Term Statistics refers to the European Short-Term Statistics system defined in the Eurostat council regulation (EC) no. 1165/1998 including later attachments or amendments.

STS results are index numbers and indicate trend rather than level information.

(Additional help needed from EU member – my understanding is that the SBS is more refined in the definition of turnover with specified adjustments for VAT, rebates, returns, etc. that are not necessarily identified or separated out from the administrative data often used for STS. Is this correct?)

Seasonally adjusted

Seasonal adjustment removes the effects of events that follow a more or less regular pattern each year. These adjustments make it easier to observe the cyclical and other non-seasonal movements in a data series.
Bureau of Labor Statistics: Glossary for price statistic.

Secondary activity

A secondary activity is an activity carried out within a single producer unit in addition to the principal activity and whose output, like that of the principal activity, must be suitable for delivery outside the producer unit. The value added of the secondary activity must be less of than that of the principal activity, by definition of the latter. The output of the secondary activity is a secondary product. Most producer units produce at least some secondary products.
System of National Accounts (SNA1993) para. 5.8. OECD, A quick reference to SNA terms page 41.

Secondary product

The output of the secondary activity is a secondary product. Most producer units produce at least some secondary products. See also secondary activity.

System of National Accounts (SNA1993) para 5.8; OECD A quick reference to SNA terms page 41.

Sector paper

The sector paper is a part of the Voorburg Group Content Development Framework (CDF). The process leading up to a sector paper for a given industry is sequential starting in year 1 with mini-presentations (on prices, output and classification) from invited participants. The substantive content materials as well as the output from the discussions, in turn serve as key inputs to produce, discuss and adopt **sector papers** (presented in year 2). The sector paper presents a set of key methodological guidelines for the development and production of the service industry covered. As concrete deliverables from the Voorburg Group meetings, these papers are intended to become reference material for statisticians that oversee the development and compilation of Service Sector statistics in the various countries and international organizations.
See Content Development Framework and Mini-presentations.
Excerpts from the Voorburg Group web-site

Services

In the 1993 SNA, *Services* are defined as outputs produced to order and which cannot be traded separately from their production; ownership rights cannot be established over services and by the time their production is completed they must have been provided to the consumers; however, as an exception to this rule there is a group of industries, generally classified as service industries, some of whose outputs have characteristics of goods, i.e., those concerned with the provision, storage, communication and dissemination of information, advice and entertainment in the broadest sense of those terms; the products of these industries, where ownership rights can be established, may be classified either as goods or services, depending on the medium by which these outputs are supplied. In practice, service industries (or activities) are taken to be those in sections G to Q, inclusive, of ISIC, Rev 3.

In BPM5, the concept of services is, in principle, essentially that of the 1993 SNA but for practical measurement reasons international trade in services includes some trade in goods between residents and non-residents, such as those bought by travellers and similarly goods purchased by embassies. On the other hand, payments for international trade in goods may under certain circumstances indistinguishably include service charges, such as insurance, maintenance contracts, transport charges, royalty payments, packaging and software.
Manual on Statistic of International Trade in Services, United Nations, 2002, page 183

Service Sector

Services are not separate entities over which ownership rights can be established. They cannot be traded separately from their production. Services are heterogeneous outputs produced to order and typically consist of changes in the conditions of the consuming units realized by the activities of producers at the demand of the consumers. By the time their

production is completed they must have been provided to the consumers (…). The service sector covers both market and non-market services.
European Commission et al 1993, paras. 6.8-6.9.

While services can be defined as above, activities included in the services sector vary with the classification used. NACE and ISIC present the 1993 SNA definition for services as follows

NACE Rev. 1: The terms services industry(ies), services sector(s) or simply service(s) are generally used to refer to economic activities covered by Sections G to K and M to O of NACE Rev. 1 and the units that carry out those activities.

ISIC Rev. 3: In terms of International Standard Industrial Classification (ISIC) Rev. 3 services are defined loosely in terms of the following Sections:
• Wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods (G);
• Hotels and restaurants (H);
• Transport, storage and communications (I);
• Financial intermediation (J);
• Real estate, renting and business activities (K);
• Public administration and defense, compulsory social security (L);
• Education (M);
• Health and social work (N);
• Other community, social and personal activities (O);
• Private households with employed persons (P).
Compilation manual for an index of Services Production, OECD, 2007, page xx

Shipment price (preliminary)
This term refers to one of several possible points in time for observing the price. The appropriate price for the PPI should be the price at the time there is a change in ownership from the producer to the buyer. The price at the time of shipment or provision of the service is, operationally, the closest one could come to this.

Order prices are quoted at the time the customer places the order and while often the same as the shipment price, they may be different. This is especially true if a price escalator is used to adjust for cost increases over the life of the long-term contract. A price that serves as a proxy for the transaction price when the good is shipped, such as a model price, should be treated as a shipment price.

Shipments (preliminary)
The term shipment refers in this context to the act of making a product available to the buyer. For PPI purposes the appropriate price should be observed at the time there is a change in ownership from the producer to the buyer. The price at the time of shipment or provision of the service is, operationally, the closest one could come to this.

Single indicator method of deflation

A single indicator method of deflation is a means of estimating the volume movements of value added directly using only one time series as an indicator (e.g. deflated output or deflated value added) instead of double deflation.
Source Publication: SNA 16.68.
Cross References: Double deflation

SNA – System of National Accounts - The System of National Accounts (SNA) consists of a coherent, consistent and integrated set of macroeconomic accounts, balance sheets and tables based on a set of internationally agreed concepts, definitions, classifications and accounting rules. *(http://unstats.un.org/unsd/sna1993/glossary.asp)*

Specification pricing

A term that should be avoided. It is used in different and irreconcilable ways. The work ‘specification’ reflects that in a PPI, sampled products have to be specified and quality held constant.
Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, page 9

Spot (market) price

Spot price is a generic term referring to any short-term sales agreement as opposed to prices in a long-term contract. It generally refers to a single provision of an un-customized service, reflecting current (efficient) market conditions.

Methodological Guide for Developing Producer Price Indices for Services, OECD and Eurostat, 2005 edition

SPPI (Service Producer Price Index)
A category of indexes that measure the average change over time in selling prices received by domestic producers of goods. SPPIs measure price change from the perspective of the seller. This contrasts with other measures that measure price change from the purchaser's perspective, such as the Consumer Price Index (CPI). Sellers' and purchasers' prices may differ due to government subsidies, sales and excise taxes, and distribution costs.

Standard hourly rate

See Pricing based on working time

Subcontractor

Subcontractor is an individual or in many cases an enterprise that signs a contract to perform part or all of the obligations of another's contract.

A subcontractor is hired by a general contractor (or prime contractor) to perform a specific task as part of the overall project. Whilst the most common concept of a subcontractor is in building works and civil engineering, the range of opportunities for subcontractor is much wider and it is possible that the greatest number now operate in the information technology and information sectors of business.

The incentive to hire subcontractors is either to reduce costs or to mitigate project risks. In this way the general contractor receives the same or better service than the general contractor could have provided by itself, at lower overall risk. Many subcontractors do work for the same companies rather than different ones. This allows subcontractors to further specialize their skills. See general contractor.

Wikipedia- accessed 5/19/2008 http://en.wikipedia.org/wiki/Subcontract

Survey unit

The survey(ed) unit is the part of an enterprise or establishment being responsible for answering questionnaires from a NSO. The survey unit might differ within a statistical survey.

Tariff price

Money to be paid by a customer for regulatory tariffs, additional to the service price that a producer charges. Tariff prices are ‘outside’ the pricing mechanism that arrives at a market place.
Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, page 8

Tender(ed) price

A price that is offered and which may differ from the transaction price finally arrived at. A list price and model pricing may involve tendered prices.
Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, page 8

Timeliness

As the purpose is to estimate short-term change in gross value added (GVA) of the services sector, a short-term proxy or indicator is required to be made available quickly - delivering early estimates, say, within a month or two from the end of the period to which they relate. Punctuality is closely related to timeliness. Data sources should be made available in accordance with any agreed delivery dates.
Compilation manual for an index of Services Production, OECD, 2007, page 29.

Time based methods

The term refers to a model price solution that is based on price per hour (or day). Two main categories: 1. Methods that measure directly prices of working time spent in the provision of services; 2. Methods that do not measure directly prices of working time but use time-based measures as a part of estimation and, thus, the resulting price is predominantly time-based.
Methodological Guide for Developing Producer Price Indices for Services", OECD-Eurostat, 2.9.2

Methods based on working time do not measure the price received for delivery of service but instead attempt to measure the prices of time spent in service provision.

Trading day effects

(The 1. paragraph is an attempt to summarize while the context paragraph is an excerpt from the first of the reference documents)

This term is from time to time found in articles disseminating recent results from short term statistics like monthly Retail trade sales, monthly manufacturing production etc. The term is also used on an integrated part of the standard seasonal adjustment tools (e.g. X12ARIMA) – the part where time series containing trading day variations are handled in pre-adjustment operations. The purpose of such pre-adjustments is to remove trading day effects enabling the user to perform comparisons of the adjusted monthly series. The trading day effect adjustments in retail trade provide an answer to the question: How did sales for March actually change (or perform) when adjusted for the variations in the number of trading days?

Context: Working day or trading day adjustments refer to the removal of the non-seasonal effect related to the number and the composition of working or trading days in a given month / quarter for flow series. Each month and quarter embody a varying number of Mondays, Tuesdays ... and Sundays and, consequently the business activity can vary accordingly. The working day effect catches the difference between the "working-days" (i.e. Monday, Tuesdays... and Friday) and the weekend days (Saturday and Sunday) according to the idea that these two groups of days have different effects. The trading day effect catches the difference between the days of the week. In practice, trading day adjustment and working day adjustment are often used as synonyms. For more context information on the technical aspects – see:
Eurostat (2004). Recommendations for Working-Day Adjustment in STS, Document Number: STS WP Dec 12-04.
Cleveland, W. S., Devlin, S. J. (1982), Calendar effects in monthly time series: Modelling and adjustment, Journal of the American Statistical Association, 379, 77, 520-528.

Transaction

A transaction is an economic flow that is an interaction between institutional units by mutual agreement or an action within an institutional unit that it is analytically useful to treat like a transaction, often because the unit is operating in two different capacities.

Methodological Guide for Developing Producer Price Indices for Services, OECD and Eurostat, 2005 edition, Glossary, pages 144-150.

Transaction pricing

The term refers to an ideal pricing method using actually paid prices of individual transactions that are repeated in each survey period. For SPPI's the term is the same as direct use of prices of repeated services.
Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, page 8

Transfer price

A price adopted for bookkeeping purposes used to value transactions between affiliated enterprises integrated under the same management at artificially high or low levels in order to effect an unspecified income payment or capital transfer between those enterprises.

In the case of trade between a unit and another unit abroad of the same enterprise group, the invoiced price may well be a transfer or disposal price whose evolution may not always reflect the price changes for a client not within the same enterprise group.
Methodological Guide for Developing Producer Price Indices for Services, OECD and Eurostat, 2005 edition, Glossary, pages 144-150.

Turnover

Turnover, income, sales and revenue are often used interchangeably.
Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, page 8

Unique service

The term refers to a type of service such that any two actually provided services of the type differ too much to allow for meaningful comparison of their prices for acquiring a price relative.
Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, page 7

Unit price

The price of the product is expressed per some quantity unit of that product.
Methodological Guide for Developing Producer Price Indices for Services, OECD and Eurostat, 2005 edition, Glossary, pages 144-150.

Unit value price

The price is calculated by dividing revenues from sales of services by quantity of delivered services.

Methodological Guide for Developing Producer Price Indices for Services, OECD and Eurostat, 2005 edition, Glossary, pages 144-150.

Unit value method

A pricing method based on unit value prices.
Methodological Guide for Developing Producer Price Indices for Services, OECD and Eurostat, 2005 edition, Glossary, pages 144-150.

Unit values – see Unit value method

(Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, page 6)

User cost prices

The term refers to prices calculated as foregone interest (compared to a standard interest rate), charged for FISIM of loans and savings in banking SPPI's.
Thesaurus of Producer Price Indices for Services, Voorburg Group, 2007, page 8

Value added

Gross value added is the value of output less the value of intermediate consumption; it is a measure of the contribution to GDP made by an individual producer, industry or sector; gross value added is the source from which the primary incomes of the SNA are generated and is therefore carried forward into the primary distribution of income account.

Net value added is the value of output less the values of both intermediate consumption and consumption of fixed capital.

Value added at factor cost 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.

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 the EU Member States may use the concept of value added at basic prices as a proxy for value added at factor costs.
Methodological Guide for Developing Producer Price Indices for Services, OECD and Eurostat, 2005 edition, Glossary, pages 144-150.

Voorburg web site – http://www4.statcan.ca/english/voorburg/
The web site contains papers and procedures of past Voorburg Group meetings. This is the permanent web site hosted by Statistics Canada. Each annual meeting has a separate web site maintained by the host country.

ADDITIONS

New Terms to be added to the Glossary

Based on the proceedings of the 23rd Meeting of the Voorburg Group, the following terms were suggested for additional to the glossary:

Enterprise group

An enterprise group is an economic entity formed by two or more enterprises, in which the group head has either alone or together with other enterprises belonging to the same group the right of control in one or several other enterprises (subsidiary companies). Individual enterprises operating in Finland whose group head is located abroad are also treated as enterprise groups.

Thus, all main enterprise groups producing group financial accounts and having a group structure are included in enterprise groups. Sub-groups are not recorded separately in statistics but are included in main groups.

Cf. Enterprise group.

The definition of an enterprise group is based on an EU regulation concerning statistical units (EEC 1993/696).

(http://www.stat.fi/meta/kas/yritysryhma_en.html)

Out of sample bias
(see new item bias)

New item bias
(based on text commenting on this in the OECD/Eurostat SPPI manual)
One of several terms (including out-of-sample bias) referring to sources of bias that might occur in statistics based on a basket of representative contracts for which a system / routines for item substitution is required. In this context *new item bias* refers to a situation where the basket of representative items has been based on old contracts for too long. The term *changing contract bias* is used in this context referring to a situation where any substitution of contracts included in the index is treated by an easy link to show-no-price change substitution.

The advice of the SPPI manual to avoid such types of bias is to keep in close contact with respondents about how prices change for the client, even if another producer had the contract before (new contract entering the index) or another producer wins the contract (contract disappearing from the index).
Source: The OECD/Eurostat SPPI Manual

Sampling error
That part of the difference between a population value and an estimate thereof, derived from a random sample, which is due to the fact that only a sample of values is observed; as distinct from errors due to imperfect selection, bias in response or estimation, errors of observation and recording, etc.
The totality of sampling errors in all possible samples of the same size generates the sampling distribution of the statistic which is being used to estimate the parent value.

Context: Sampling errors arise from the fact that not all units of the targeted population are enumerated, but only a sample of them. Therefore, the information collected on the units in the sample may not perfectly reflect the information which could have been collected on the whole population. The difference is the sampling error (Eurostat, Quality Glossary).
Source Publication: The International Statistical Institute, "The Oxford Dictionary of Statistical Terms", edited by Yadolah Dodge, Oxford University Press, 2003.
Cross References: Non-sampling error

Non sampling error
An error in sample estimates which cannot be attributed to sampling fluctuations.

Context: Non-sampling errors may arise from many different sources such as defects in the frame, faulty demarcation of sample units, defects in the selection of sample units, mistakes in the collection of data due to personal variations or misunderstanding or bias or negligence or dishonesty on the part of the investigator or of the interviewer, mistakes at the stage of the processing of the data, etc
Source Publication: The International Statistical Institute, "The Oxford Dictionary of Statistical Terms", edited by Yadolah Dodge, Oxford University Press, 2003.
Cross References: Sampling error

SBS and STS – noting the differences in definition of turnover (maybe note problems with benchmarking)
SBS – Structural Business Statistics - The SBS acronym refers to the Structural Business Survey system established for countries having adopted the Eurostat principles and definitions.

These statistics are annual statistics and provide level information.

STS- Short-Term Statistics refers to the European Short-Term Statistics system defined in the Eurostat council regulation (EC) no. 1165/1998 including later attachments or amendments.

STS results are index numbers and indicate trend rather than level information.

(Additional help needed from EU member – my understanding is that the SBS is more refined in the definition of turnover with specified adjustments for VAT, rebates, returns, etc. that are not necessarily identified or separated out from the administrative data often used for STS. Is this correct?)

Clearance price
A reduced price applied to a product in order to clear inventory.

Context: When pricing goods, a closeout or clearance price is applied to clear inventory when new models are due to arrive. In apparel sales, it is common to lower prices for out of season garments or end of season sales. If a substitute item is place into a price index as a link to show no change, the price decline is shown as a permanent decline. Linking around a closeout price can bring the index back to the proper level. Closeout or clearance prices should not be the basis for new index calculation. (based on the proceedings of the 2008 Voorburg Group Meeting)

Trading day effects
(The 1. paragraph is my attempt to summarize while the context paragraph is an excerpt from the first of the reference documents)
This term is from time to time found in articles disseminating recent results from short term statistics like monthly Retail trade sales, monthly manufacturing production etc. The term is also used on an integrated part of the standard seasonal adjustment tools (e.g. X12ARIMA) – the part where time series containing trading day variations are handled in pre-adjustment operations. The purpose of such pre-adjustments is to remove trading day effects enabling the user to perform comparisons of the adjusted monthly series. The trading day effect adjustments in retail trade provide an answer to the question: How did sales for March actually change (or perform) when adjusted for the variations in the number of trading days?
Context: Working day or trading day adjustments refer to the removal of the non-seasonal effect related to the number and the composition of working or trading days in a given month / quarter for flow series. Each month and quarter embody a varying number of Mondays, Tuesdays ... and Sundays and, consequently the business activity can vary accordingly. The working day effect catches the difference between the “working-days” (i.e. Monday, Tuesdays... and Friday) and the weekend days (Saturday and Sunday) according to the idea that these two groups of days have different effects. The trading day effect catches the difference between the days of the week. In practice, trading day adjustment and working day adjustment are often used as synonyms. For more context information on the technical aspects – see:
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Cleveland, W. S., Devlin, S. J. (1982), Calendar effects in monthly time series: Modelling and adjustment, Journal of the American Statistical Association, 379, 77, 520-528.

Derived price
A price that is not observed but rather calculated based on other variables. When developing margin price indexes for wholesale trade services and retail trade services, the margin price is derived from variables such as cost of goods sold and gross sales. (based on the proceedings of the 2008 Voorburg Group Meeting)

Broker
Brokers and agents are individuals or firms that arrange, execute, or otherwise facilitate client transactions in financial assets.
Context: Included are brokers and agents handling the purchase and sale of securities or other financial contracts for clients, and financial advisory services that provide specialized services to brokers and their customers.
Because many brokerage firms also trade in financial securities or financial derivatives on the firm's own account, it can be difficult to distinguish brokers and agents from underwriters and dealers classified as financial intermediaries.
By convention, this grouping should include only brokers and agents that clearly specialize in brokerage and related activities rather than the intermediation activities that are generally accomplished by underwriters and dealers classified as insurance corporations.
Source Publication: Monetary and Financial Statistics Manual, IMF, Washington, 2000, para. 101.

Hybrid method (combining sample and administrative records data) – A survey method that uses sample survey data for large cases but administrative records data for small cases. (based on the proceedings of the 2008 Voorburg Group Meeting)

Loss leader
Loss-leader selling is a marketing practice of selling a product or service at a loss in order to attract customers to buy other products at regular prices. Although this practice is illegal in some jurisdictions, in others it is viewed benevolently as a promotional device that has the pro-competitive effect of increasing total sales.
Source publication: Glossary of Industrial Organisation Economics and Competition Law, compiled by R. S. Khemani and D. M. Shapiro, commissioned by the Directorate for Financial, Fiscal and Enterprise Affairs, OECD, 1993.

Negative price
This is a term that fails to give the reader an intuitive or immediate understanding. Likely this could be approached in several ways. One approach that can shed some light on this term emerges when approaching this from a market failure perspective.

The paragraphs below are taken from the OECD Glossary on Statistical and Economic terms (which build on another third source):

Market failure is a general term describing situations in which market outcomes are not Pareto efficient. Market failures provide a rationale for government intervention.

Context: There are a number of sources of market failure. For the purposes of competition policy, the most relevant of these is the existence of market power, or the absence of perfect competition. However, there are other types of market failure which may justify regulation or public ownership. When individuals or firms impose costs or benefits on others for which the market assigns no price, then an externality exists. Negative externalities arise when an individual or firm does not bear the costs of the harm it imposes (pollution, for example). Positive externalities arise when an individual or firm provides benefits for which it is not compensated.

Finally, there are cases in which goods or services are not supplied by markets (or are supplied in insufficient quantities). This may arise because of the nature of the product, such as goods which have zero or low marginal costs and which it is difficult to exclude people from using (called public goods; for example, a lighthouse or national defence). It may also arise because of the nature of some markets, where risk is present (called incomplete markets; for example, certain types of medical insurance).
Source Publication: Glossary of Industrial Organisation Economics and Competition Law, compiled by R. S. Khemani and D. M. Shapiro, commissioned by the Directorate for Financial, Fiscal and Enterprise Affairs, OECD, 1993.

GDP(P) – measurement of Gross Domestic Product using a production approach. GDP(P) is calculated as follows:

Gross output at basic prices
(-) intermediate inputs at purchasers' prices
(=)gross value added at basic prices
(+) taxes on subsidies
(-) subsidies on products
(=) Gross Domestic Product (P)

(National accounts general methodology - addressing cross-cutting issues arising when
measuring the constant price output of Service Industries
Paper prepared for the 23rd Voorburg Group, Agusaclientes, Mexico 22-26 September 200, Matt Berger, Office for National Statistics, United Kingdom
http://www.inegi.gob.mx/voorburg/)

Double deflation
Double deflation is a method whereby gross value added is measured at constant prices by subtracting intermediate consumption at constant prices from output at constant prices; this method is feasible only for constant price estimates which are additive, such as those calculated using a Laspeyres' formula (either fixed-base or for estimates expressed in the previous year's prices).
Source Publication: SNA 16.5.
Cross References: Single indicator method of deflation

Single indicator method of deflation
A single indicator method of deflation is a means of estimating the volume movements of value added directly using only one time series as an indicator (e.g. deflated output or deflated value added) instead of double deflation.
Source Publication: SNA 16.68.
Cross References: Double deflation