

Background information

GEOGRAPHICAL COVERAGE

This publication covers the European Union, including the 27 Member States (EU-27): Belgium (BE), Bulgaria (BG), the Czech Republic (CZ), Denmark (DK), Germany (DE), Estonia (EE), Ireland (IE), Greece (EL), Spain (ES), France (FR), Italy (IT), Cyprus (CY), Latvia (LV), Lithuania (LT), Luxembourg (LU), Hungary (HU), Malta (MT), the Netherlands (NL), Austria (AT), Poland (PL), Portugal (PT), Romania (RO), Slovenia (SI), Slovakia (SK), Finland (FI), Sweden (SE) and the United Kingdom (UK). Where data availability permits, information is also included in the statistical annexes at the end of each sectoral chapter for Norway.

The order of the EU Member States used in this publication follows their order of protocol; in other words, the alphabetical order of the countries' names in their respective languages; in some graphs the data has been ranked according to the values of a particular indicator.

EU-27 totals cover the EU composed of 27 Member States since 1 January 2007, while EU-25 totals cover the EU composed of 25 Member States as between 1 May 2004 and the end of 2006. Wherever possible, EU-27 totals have been included and the vast majority of series have been back-calculated so that no break in series occurs. As such, unless otherwise stated, all EU-27 data refer to a sum or an average for all 27 Member States for all reference periods, as if all 27 countries had been members of the EU-27 in earlier periods. This is particularly important for external trade data where information on trade by partner has been adapted in order to treat the EU-27 as a single trading block for all reference periods.

All data for Germany is provided on the basis of re-unified Germany unless otherwise stated.

EXCHANGE RATES

All data are reported in ECU/EUR terms, with national currencies converted using average exchange rates prevailing for the year in question. As of 1 January 1999, 11 of the Member States entered into an economic and monetary union (EMU). These countries formed what has become known as the euro area. Technically data available prior to that date should continue to be denominated in ECU terms, while data available afterwards should be denominated in euro. However, as the conversion rate was ECU 1 = EUR 1, for practical purposes the terms may be used interchangeably and this publication denotes all such monetary series in euro. On 1 January 2001, Greece became a member of the euro area. On 1 January 2006, Slovenia also became a member of the euro area.

While the conversion to a common currency of data originally expressed in national currencies facilitates comparison, large fluctuations in currency markets are partially responsible for movements identified when looking at the evolution of a series in euro terms (especially at the level of an individual country). For the exchange rates used, please refer to Table 1.

NON-AVAILABILITY

The colon (:) is used in tables to represent data that is not available, either because it is not available in the source used or because it is confidential. In figures (graphs), missing information is footnoted as being not available.

The dash (-) is used to represent information that is non-applicable (for example, exchange rates against the euro for those countries that changed their currency denomination to the euro).

In the event that data for a particular reference year is not available, attempts have been made to fill the missing values by making recourse to the previous reference period – for example, for structural business statistics reference period 2003 has been used in the event that no data are available for 2004.

Table 1
Average exchange rates against the euro (1 EUR = ... national currency) (1)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Belgian Franc (BEF)	39.2986	40.5332	40.6207	40.3399	40.3399	40.3399	-	-	-	-	-
New Bulgarian Lev (BGN)	0.22255	1.89099	1.96913	1.95580	1.95220	1.94820	1.94920	1.94900	1.95330	1.95580	1.95580
Czech Koruna (CZK)	34.4572	35.9304	36.0487	36.8840	35.5990	34.0680	30.8040	31.8460	31.8910	29.7820	28.3420
Danish Krone (DKK)	7.35934	7.48361	7.49930	7.43550	7.45380	7.45210	7.43050	7.43070	7.43990	7.45180	7.45910
German Mark (DEM)	1.90954	1.96438	1.96913	1.95583	1.95583	1.95583	-	-	-	-	-
Estonian Kroon (EEK)	15.2730	15.7130	15.7481	15.6466	15.6466	15.6466	15.6466	15.6466	15.6466	15.6466	15.6466
Irish Pound (IEP)	0.793448	0.747516	0.786245	0.787564	0.787564	0.787564	-	-	-	-	-
Greek Drachma (GRD)	305.546	309.355	330.731	325.763	336.630	340.750	-	-	-	-	-
Spanish Peseta (ESP)	160.748	165.887	167.184	166.386	166.386	166.386	-	-	-	-	-
French Franc (FRF)	6.49300	6.61260	6.60141	6.55957	6.55957	6.55957	-	-	-	-	-
Italian Lira (ITL)	1 958.96	1 929.30	1 943.64	1 936.27	1 936.27	1 936.27	-	-	-	-	-
Cypriot Pound (CYP)	0.591904	0.582433	0.579340	0.578840	0.573920	0.575890	0.575300	0.584090	0.581850	0.576830	0.575780
Latvian Lats (LVL)	0.699605	0.659401	0.660240	0.625600	0.559200	0.560100	0.581000	0.640700	0.665200	0.696200	0.696200
Lithuanian Litas (LTL)	5.07899	4.53615	4.48437	4.26410	3.69520	3.58230	3.45940	3.45270	3.45290	3.45280	3.45280
Luxembourg Franc (LUF)	39.2986	40.5332	40.6207	40.3399	40.3399	40.3399	-	-	-	-	-
Hungarian Forint (HUF)	193.758	211.654	240.573	252.770	260.040	256.590	242.960	253.620	251.660	248.050	264.260
Maltese Lira (MTL)	0.457684	0.437495	0.434983	0.425800	0.404100	0.403000	0.408900	0.426100	0.428000	0.429900	0.429300
Dutch Guilder (NLG)	2.13973	2.21081	2.21966	2.20371	2.20371	2.20371	-	-	-	-	-
Austrian Schilling (ATS)	13.4345	13.8240	13.8545	13.7603	13.7603	13.7603	-	-	-	-	-
New Polish Zloty (PLN)	3.42232	3.71545	3.91647	4.22740	4.00820	3.67210	3.85740	4.39960	4.52680	4.02300	3.89590
Portuguese Escudo (PTE)	195.761	198.589	201.695	200.482	200.482	200.482	-	-	-	-	-
New Romanian Leu (RON)	0.39222	0.81085	0.99849	1.63450	1.99220	2.60040	3.12700	3.75510	4.05100	3.62090	3.52580
Slovenian Tolar (SIT)	171.778	180.986	185.948	194.473	206.613	217.980	225.977	233.849	239.087	239.568	-
Slovak Koruna (SKK)	38.9229	38.1129	39.5407	44.1230	42.6020	43.3000	42.6940	41.4890	40.0220	38.5990	37.2340
Finnish Markka (FIM)	5.82817	5.88064	5.98251	5.94573	5.94573	5.94573	-	-	-	-	-
Swedish Krona (SEK)	8.51472	8.65117	8.91593	8.80750	8.44520	9.25510	9.16110	9.12420	9.12430	9.28220	9.25440
Pound Sterling (GBP)	0.813798	0.692304	0.676434	0.658740	0.609480	0.621870	0.628830	0.691990	0.678660	0.683800	0.681730
Croatian Kuna (HRK)	:	:	:	7.58046	7.64316	7.48200	7.41300	7.56880	7.49670	7.40080	7.32470
FYR of Macedonia Denar (MKD)	51.8900	61.2000	60.4800	60.6200	60.7900	60.9600	61.0700	61.2900	61.3100	61.1702	61.1900
New Turkish Lira (TRY)	0.13504	0.22663	0.36575	0.54464	0.62427	1.26950	1.73800	1.77164	1.83620	1.59240	1.86400
Icelandic Krona (ISK)	84.6558	80.4391	79.6976	77.1800	72.5800	87.4200	86.1800	86.6500	87.1400	78.2300	87.7600
Norwegian Krone (NOK)	8.19659	8.01861	8.46587	8.31040	8.11290	8.04840	7.50860	8.00330	8.36970	8.00920	8.04720
Swiss Franc (CHF)	1.56790	1.64400	1.62203	1.60030	1.55790	1.51050	1.46700	1.52120	1.54380	1.54830	1.57290
Japanese Yen (JPY)	138.084	137.076	146.415	121.320	99.470	108.680	118.060	130.970	134.440	136.850	146.020
United States Dollar (USD)	1.26975	1.13404	1.12109	1.06580	0.92360	0.89560	0.94560	1.13120	1.24390	1.24410	1.25560

(1) MKD and TRY: year-end and not annual average.
Source: Eurostat (Economy and finance)

NOTES ON DATA SOURCES

Two types of data sources can be distinguished: those originating from official sources (collected normally by the national statistical institutes in each Member State) and those provided by professional trade associations (representative organisations of various activities) and other non-official bodies. Tables and figures presenting data from non-official sources are easily recognised as they appear in a shaded box. The European business publication has benefited from the co-operation of a wide variety of professional trade association bodies representing industrial and service activities within the EU. However, it should be noted that non-official data may be based on different standards to those used in the European Statistical System, notably in that

they may not follow the NACE classification, use standard statistical units, cover the same geographical area, cover the activities of other enterprises in an activity that are not members of the organisation (for example, small and medium-sized enterprises may be under-represented). As a result of these differences, users are recommended not to combine directly data from official and non-official sources.

The main official data sources used in this edition of the publication are structural business statistics, short-term statistics and PRODCOM, as well as the labour force survey and external trade statistics. In addition to these sources which are used for many chapters, use has also been made of specialist sources for particular areas, notably transport, energy,

research and development, environment, tourism and information society statistics, as well as national accounts.

Classifications

The statistical information contained within European business is structured according to the NACE Rev. 1.1 classification of economic activities. During the 1990s a thorough revision of international statistical classifications took place, with the result that new classifications were developed as an integrated system of statistical classifications, whereby (a) various product classifications were harmonised and (b) the central product classifications were related to the classifications of economic activities by the economic origin criterion.

To view the complete listing for NACE, access: http://ec.europa.eu/eurostat/ramon/nomenclatures/index.cfm?TargetUrl=ACT_OTH_DFLT_LAYOUT&StrNom=NACE_1_1&StrLanguageCode=EN.

The maps included in this edition of European business are based on regional structural business statistics. They show in each region of the EU and Norway the concentration of employment within a particular activity. Regions are classified according to the NUTS (Nomenclature of Territorial Units for Statistics). NUTS has been used since 1988 in Community legislation, although it was not until 2003 that a Regulation of the European Parliament and of the Council on the NUTS was adopted. From 1 May 2004, the regions of those Member States that joined the EU in 2004 were also added to the NUTS and the legislation was modified in October 2005. To view the complete listing for NUTS, access:

http://ec.europa.eu/eurostat/ramon/nuts/splash_regions.html.

While the majority of the data in European business are based on the NACE classification, there are a number of exceptions. External trade data are based on the statistical classification of products by activity in the European Economic Community (CPA). The version of this classification used in this publication dates from 2002. To view the complete listing of CPA, access:

http://ec.europa.eu/eurostat/ramon/nomenclatures/index.cfm?TargetUrl=ACT_OTH_DFLT_LAYOUT&StrNom=CPA&StrLanguageCode=EN.

The data on industrial products is classified according to the PRODCOM list, which is revised on an annual basis. To view the complete listing for PRODCOM 2006, access:

http://ec.europa.eu/eurostat/ramon/nomenclatures/index.cfm?TargetUrl=ACT_OTH_DFLT_LAYOUT&StrNom=PRD_2006&StrLanguageCode=EN.

Short-term business statistics for construction are often classified according to the classification of types of construction (CC). To view the complete listing, access:

http://ec.europa.eu/eurostat/ramon/nomenclatures/index.cfm?TargetUrl=ACT_OTH_DFLT_LAYOUT&StrNom=CC_1998&StrLanguageCode=EN.

Structural business statistics (SBS)

The majority of the analysis contained within European business is derived from structural business statistics (SBS). These data have been collected within the legal framework provided by Council Regulation No 58/97 of 20 December 1996 concerning structural business statistics (hereafter referred to as the SBS Regulation). This instrument aims to provide a common framework for the collection, transmission and evaluation of structural business statistics and should result in the national statistical authorities transmitting to Eurostat data which is comparable between the Member States on the structure, activity, competitiveness and performance of businesses. The SBS Regulation lays down the necessary norms, standards and definitions without detailing the actual collection methods to be used. As such the national statistical authority in each Member State may conduct the data collection exercise in the manner most appropriate to its own situation. SBS data are therefore mainly compiled through statistical surveys and the use of administrative sources. The national statistical authorities may use one or several sources according to the strategy they have adopted, taking into account the costs, the quality and the response burden on enterprises.

The SBS Regulation has been modified three times, twice by other Council regulations (one of which with the European Parliament) and once by a Commission regulation.

1. Council Regulation (EC, Euratom) No 410/98 of 16 February 1998 amending regulation (EC, Euratom) No 58/97 concerning structural business statistics;
2. Regulation (EC) No 2056/2002 of the European Parliament and of the Council of 5 November 2002 amending Council Regulation (EC, Euratom) No 58/97 concerning structural business statistics;
3. Commission Regulation (EC) No 1614/2002 of 6 September 2002 adjusting Council Regulation (EC, Euratom) No 58/97 to economic and technical developments and amending Commission Regulations (EC) No 2700/98, (EC) No 2701/98 and (EC) No 2702/98.

The SBS Regulation can be broken down into its core part and seven annexes. The first annex concerns structural statistics in all business sectors. The remaining annexes are sectoral, covering industry, distributive trades, construction, insurance, credit institutions and pension funds.

At the time of writing a European Commission proposal ⁽¹⁾ for a recast of the SBS Regulation is under discussion in the European Parliament and the Council.

⁽¹⁾ COM(2006) 66 final, of 20.02.2006.

Table 2
Deviations from standard SBS survey characteristics - all enterprises

Country	Industry (NACE Sections C - E)	Construction (NACE Section F)	Distributive trades (NACE Section G)	Services (NACE Sections H - K)
Bulgaria	From 2002: reporting units that outsource production on a fee or contract basis are treated as production units and classified on the basis of their turnover			
Spain	Activity in Division 41 is difficult to separate from that in Division 90	No major deviations	No major deviations	No major deviations
Ireland	Enterprises with 3 persons employed or more	Enterprises with 20 persons employed or more	No major deviations	
Cyprus	Class 14.11 includes Class 14.12; Class 14.22 includes Group 14.3; Class 15.13 includes Group 15.2; Class 15.71 includes Class 15.72; Class 15.91 includes Classes 15.93 and 15.96; Class 17.21 includes Class 17.54 and Group 17.6; Class 17.71 includes Class 17.72; Group 19.1 includes Group 19.2; Class 20.51 includes Class 20.52; Class 22.22 includes Classes 22.11 and 22.15; Class 24.11 includes Class 24.13 and Group 24.2; Class 24.41 includes 24.42; Class 24.62 includes Class 24.66; Class 26.11 includes Classes 26.13 and 26.15; Class 27.22 includes Classes 27.42 and 27.44; Class 28.21 includes Group 28.3; Class 28.61 includes Class 28.62; Class 28.74 includes Class 28.75; Class 29.53 includes Class 29.54; Group 31.4 includes Class 31.62; Group 32.2 includes Group 32.3; Group 33.1 includes Groups 33.2 and 33.3; Class 36.21 includes Class 36.22; Group 36.3 includes Group 36.5 and Class 36.61; Class 55.21 includes Class 55.22			
Latvia	It is recommended not to use 4-digit data as a random sampling scheme is used with stratification at the 3-digit level			
Netherlands	Number of enterprises: data for this variable are rounded to multiples of 5; a 0 therefore means 2 or less enterprises 2003: statistics for Section K do not include wages and salaries for Class 74.15			
Poland	No correction for non-response for enterprises with more than 10 persons employed			
Romania	Group 13.2 (and therefore Division 13 and Subsection CB) includes Division 12			
Slovenia	Data for tangible investment cover only enterprises with 20 persons employed or more			

Source: Eurostat (SBS)

Table 3
Deviations from standard SBS survey characteristics - size class breakdowns

Country	Industry (NACE Sections C - E)	Construction (NACE Section F)	Distributive trades (NACE Section G)	Services (NACE Sections H - K)
Bulgaria	From 2002: reporting units that outsource production on a fee or contract basis are treated as production units and classified on the basis of their turnover			
Ireland	Enterprises with 3 persons employed or more	Enterprises with 20 persons employed or more	No major deviations	
Cyprus	Size class thresholds are calculated as full-time equivalents; data for size class 500-999 includes data for size class 1 000+; data for size class 100-249 includes data for size class 250-499			
Netherlands	Number of enterprises: data for this variable are rounded to multiples of 5; a 0 therefore means 2 or less enterprises			
	Size classes are derived from business register; ratio between the number of persons employed and the number of enterprises may not fit with the corresponding employment size class			
	2003: statistics for Section K do not include wages and salaries for Class 74.15			
Poland	No correction for non-response for enterprises with more than 10 persons employed			
Romania	Group 13.2 (and therefore Division 13 and Subsection CB) includes Division 12			
Slovenia	Data for tangible investment cover only enterprises with 20 persons employed or more			

Source: Eurostat (SBS)

There are three main SBS data sets that have been used in this publication. The first is a set of annual enterprise statistics which covers enterprises of all sizes; these data were generally used for reference year 2004. Not all Member States transmitted data relating to this population, with some providing data for units with employment above a certain size threshold. Table 2 presents the main deviations from the standard population as laid down in the SBS Regulation (all enterprises, regardless of their size).

The second collection of SBS data covers information broken down by employment size class. Again, not all Member States transmitted data to Eurostat that fully conforms to the statistical units or population requested. In particular, some Member States provided data for units with different employment thresholds. Table 3 summarises the main deviations from the standard statistical units and coverage for enterprise data by size class.

The third collection of SBS data relates to regional information; this information was used to construct the maps that appear in the overview of each chapter.

Statistical unit

The type of statistical unit is generally the enterprise. An enterprise carries out one or more activities at one or more locations. Enterprises are classified by NACE according to their main (or principal) activity. The enterprise should not be confused with the local unit, which is an enterprise or part thereof situated in one geographically identified place. Note that the main exception to the use of the enterprise as the type of statistical unit is with respect to the information published in the maps derived from SBS regional data, which are generally based on local units.

Main definitions

Standard definitions of variables within structural business statistics are laid down in Commission Regulation (EC) No 2700/98 of 17 December 1998 concerning the definitions of characteristics for structural business statistics. As such, the data presented are largely comparable across activities and countries. There are nevertheless some known divergences from these standard definitions; Table 4 presents the main discrepancies. The following standard definitions are taken from Commission Regulation (EC) No 2700/98.

Turnover: comprises the totals invoiced by the observation unit during the reference period, and this corresponds to market sales of goods or services supplied to third parties. Turnover includes all duties and taxes on the goods or services invoiced by the unit with the exception of the VAT invoiced by the unit vis-à-vis its customer and other similar deductible taxes directly linked to turnover. It also includes all other charges (transport, packaging, etc.) passed on to the customer, even if these charges are listed separately in the invoice. Reductions in prices, rebates and discounts as well as the value of returned packing must be deducted. Income classified as other operating income, financial income and extraordinary income in company accounts is excluded from turnover. Operating subsidies received from public authorities or the institutions of the European Union are also excluded.

Production value: measures the amount actually produced by the unit, based on sales, including changes in stocks and the resale of goods and services. The production value is defined as turnover, plus or minus the changes in stocks of finished products, work in progress and goods and services purchased for resale, minus the purchases of goods and services for

Table 4
Deviations from standard SBS variable definitions

Country	Year	Variable	Discrepancy
Czech Republic	All years	Personnel costs	Data are inconsistent with its components (wages and salaries, and social security contributions)
France	From 2004	Payments for agency workers	Definition has been revised, data are expected to be higher
Ireland	All years	Apparent labour productivity, wage adjusted labour productivity, gross operating surplus, gross operating rate, value added	For Groups 22.3, 24.1 and 24.4, and Division 30 - high values may reflect foreign ownership of enterprises, outsourcing of activities, and accounting practices of multinational enterprises
Hungary	All years	Employment variables (persons employed and employees)	Data are derived from annual labour survey; at detailed level they may not be comparable with other SBS data
Netherlands	All years	Number of employees	This is determined by the number of jobs provided; corrections for the number of secondary jobs and the number of unpaid persons employed (working proprietors, unpaid family members) may result in a number of employees actually exceeding the number of persons employed
Poland	All years	Number of persons employed	The number of persons employed is not calculated as an annual average but as the number of persons employed on the last day of the reference year; this may yield results that are incoherent with the number of employees
Slovenia	All years	Tangible investment	In extractive activities (Divisions 11 and 13) excludes expenditure for rehabilitation of abandoned mining and quarrying sites

Source: Eurostat (SBS)

resale, plus capitalised production, plus other operating income (excluding subsidies). Income and expenditure classified as financial or extraordinary in company accounts is excluded from production value. Included in purchases of goods and services for resale are the purchases of services purchased in order to be rendered to third parties in the same condition.

Value added at factor cost: can be calculated from 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. Alternatively it can be calculated from gross operating surplus by adding personnel costs. Income and expenditure classified as financial or extraordinary in company accounts is excluded from value added. Value added at factor costs is calculated gross, as value adjustments (such as depreciation) are not subtracted.

Gross operating surplus: is the surplus generated by operating activities after the labour factor input has been recompensed. It can be calculated from value added at factor cost less personnel costs. It is the balance available to the unit which allows it to recompense the providers of own funds and debt, to pay taxes and eventually to finance all or a part of its investment. Income and expenditure classified as financial or extraordinary in company accounts is excluded from the gross operating surplus.

Personnel costs: are defined as the total remuneration, in cash or in kind, payable by an employer to an employee (regular and temporary employees as well as home-workers) in return for work done by the latter during the reference period. All remuneration paid during the reference period is included, regardless of whether it is paid on the basis of working time, output or piecework, and whether it is paid regularly or not. Included are all gratuities, workplace and performance bonuses, ex gratia payments, 13th month pay (and similar fixed bonuses), payments made to employees in consideration of dismissal, lodging, transport, cost of living and family allowances, commissions, attendance fees, overtime, night work, etc., as well as taxes, social security contributions and other amounts owed by the employees and retained at source by the employers. Also included are the social security costs for the employer. These include employer's social security contributions to schemes for retirement pensions, sickness, maternity, disability, unemployment, occupational accidents and diseases, family

allowances as well as other schemes. These costs are included regardless of whether they are statutory, collectively agreed, contractual or voluntary in nature. Payments for agency workers are not included in personnel costs.

Purchases of goods and services: include the value of all goods and services purchased during the reference period for resale or consumption in the production process, excluding capital goods the consumption of which is registered as consumption of fixed capital. The goods and services concerned may be either resold with or without further transformation, completely used up in the production process or, finally, be stocked. Included in these purchases are the materials that enter directly into the goods produced (raw materials, intermediary products, components), plus non-capitalised small tools and equipment. Also included is the value of ancillary materials (lubricants, water, packaging, maintenance and repair materials, office materials) as well as energy products. Included in this variable are the purchases of materials made for the production of capital goods by the unit. Services paid for during the reference period are also included regardless of whether they are industrial or non-industrial. In this figure are payments for all work carried out by third parties on behalf of the unit including current repairs and maintenance, installation work and technical studies. Amounts paid for the installation of capital goods and the value of capitalised goods are excluded. Also included are payments made for non-industrial services such as legal and accountancy fees, patents and licence fees (where they are not capitalised), insurance premiums, costs of meetings of shareholders and governing bodies, contributions to business and professional associations, postal, telephone, electronic communication, telegraph and fax charges, transport services for goods and personnel, advertising costs, commissions (where they are not included in wages and salaries), rents, bank charges (excluding interest payments) and all other business services provided by third parties. Included are services which are transformed and capitalised by the unit as capitalised production. Expenditure classified as financial expenditure or extraordinary expenditure in company accounts is excluded from total purchases of goods and services. Purchases of goods and services are valued at the purchase price excluding deductible VAT and other deductible taxes linked directly to turnover. All other taxes and duties on the products are therefore not deducted from the valuation of the purchases of goods and services.

Gross investment in tangible goods: includes all new and existing tangible capital goods, whether bought from third parties or produced for own use (in other words capitalised production of tangible capital goods), having a useful life of more than one year including non-produced tangible goods such as land. The threshold for the useful life of a good that can be capitalised may be increased according to company accounting practices where these practices require a greater expected useful life than the one year threshold indicated above. All investments are valued prior to (in other words gross of) value adjustments, and before the deduction of income from disposals. Purchased goods are valued at purchase price, in other words transport and installation charges, fees, taxes and other costs of ownership transfer are included. Own produced tangible goods are valued at production cost. Goods acquired through restructuring (such as mergers, take-overs, break-ups, split-off) are excluded. Purchases of small tools which are not capitalised are included under current expenditure. Also included are all additions, alterations, improvements and renovations which prolong the service life or increase the productive capacity of capital goods. Current maintenance costs are excluded as is the value and current expenditure on capital goods used under rental and lease contracts. Investment in intangible and financial assets is excluded. Concerning the recording of investments where the invoicing, delivery, payment and first use of the good may take place in different reference periods, the following method is proposed as an objective:

1. investments are recorded when the ownership is transferred to the unit that intends to use them;
2. capitalised production is recorded when produced;
3. concerning the recording of investments made in identifiable stages, each part-investment should be recorded in the reference period in which they are made.

In practice this may not be possible and company accounting conventions may mean that the following approximations to this method need to be used:

1. investments are recorded in the reference period in which they are delivered;
2. investments are recorded in the reference period in which they enter into the production process;
3. investments are recorded in the reference period in which they are invoiced;
4. investments are recorded in the reference period in which they are paid for.

Number of persons employed: is defined as the total number of persons who work in the observation unit (inclusive of working proprietors, partners working regularly in the unit and unpaid family workers), as well as persons who work outside the unit who belong to it and are paid by it (for example, sales representatives, delivery personnel, repair and maintenance teams). It includes persons absent for a short period (for example, sick leave, paid leave or special leave), and also those on strike, but not those absent for an indefinite period. It also includes part-time workers who are regarded as such under the laws of the country concerned and who are on the payroll, as well as seasonal workers, apprentices and home workers on the payroll. The number of persons employed excludes manpower supplied to the unit by other enterprises, persons carrying out repair and maintenance work in the unit on behalf of other enterprises, as well as those on compulsory military service. Unpaid family workers refer to persons who live with the proprietor of the unit and work regularly for the unit, but do not have a contract of service and do not receive a fixed sum for the work they perform. This is limited to those persons who are not included on the payroll of another unit as their principal occupation.

Number of employees: is defined as those persons who work for an employer and who have a contract of employment and receive compensation in the form of wages, salaries, fees, gratuities, piecework pay or remuneration in kind. The relationship of employer to employee exists when there is an agreement, which may be formal or informal, between an enterprise and a person, normally entered into voluntarily by both parties, whereby the person works for the enterprise in return for remuneration in cash or in kind. A worker is considered to be a wage or salary earner of a particular unit if he or she receives a wage or salary from the unit regardless of where the work is done (in or outside the production unit). A worker from a temporary employment agency is considered to be an employee of the temporary employment agency and not of the unit (customer) in which they work. In particular the following are considered as employees: paid working proprietors; students who have a formal commitment whereby they contribute to the unit's process of production in return for remuneration and/or education services; employees engaged under a contract specifically designed to encourage the recruitment of unemployed persons; home workers if there is an explicit agreement that the home worker is remunerated on the basis of the work done and they are included on the payroll. The number of employees includes part-time workers, seasonal workers, persons on strike or on short-term leave, but excludes

those persons on long-term leave. The number of employees does not include voluntary workers. The number of employees is calculated in the same manner as the number of persons employed, namely as the number of jobs and is measured as an annual average.

Apparent labour productivity: is defined as value added divided by the number of persons employed; the result is usually expressed in terms of EUR thousand per person employed.

Average personnel costs: are defined as personnel costs divided by the number of employees; the result is usually expressed in terms of EUR thousand per employee.

Total expenditure: is defined as the sum of gross operating expenditure (purchases of goods and services and personnel costs) and gross investment in tangible goods.

Gross operating rate: is defined as gross operating surplus divided by turnover; the result is expressed as a percentage.

Investment in tangible goods as a share of total investment expenditure: is defined as gross tangible investment divided by total expenditure; the result is expressed as a percentage.

Investment per person employed: is defined as gross investment in tangible goods divided by the number of persons employed; the result is expressed in EUR thousand per person employed.

Personnel costs as a share of total expenditure: is defined as purchases of goods and services divided by total expenditure; the result is expressed as a percentage.

Purchases of goods and services as a share of total investment expenditure: is defined as purchases of goods and services divided by total expenditure; the result is expressed as a percentage.

Wage adjusted labour productivity ratio: is defined as the ratio of value added divided by personnel costs (the latter having been divided by the share of employees in the number of persons employed); the result is expressed as a percentage. The ratio can also be calculated by dividing apparent labour productivity by average personnel costs and expressing the result as a percentage.

EU estimates

EU-27 aggregates including estimates for missing country data

EU-27 aggregates include estimates for missing Member States where necessary; the individual country estimates are not themselves published.

Rounded EU-27 aggregates

EU-27 aggregates are sometimes missing in the SBS databases for annual enterprise statistics and for enterprise statistics broken down by size class due to confidentiality. With the aim of providing a more complete set of data, an exercise was conducted in the spring of 2007 to create a set of harmonised EU-27 estimates for reference year 2004 for both of these data sets. Because the share of the confidential cells is often very low, proxies for the missing EU-27 aggregates were calculated by summing up the non-confidential information and then rounding the results (note that no attempt was made to estimate the confidential values). Rounding creates intervals, within which the 'true' value lies. In the case where very little information is missing, simple rounding would be sufficient. However, if more information is missing due to confidentiality, more 'noise' has to be created to avoid the disclosure of the confidential values, and subsequently greater intervals are needed to ensure that the result is a valid proxy for the missing EU-27 aggregate, although with reduced precision. A rounding of all figures was made to three, two and one significant figures to allow for differences in precision of the proxy EU-27 figure (sum of non-confidential data compared with the EU-27 figure). These calculations were made for a selection of variables and derived ratios for the annual enterprise series and for a selection of variables for the data broken down by size class, with the rounding applied after the calculation of the share of each size class in the total in order to increase precision. This method was carried out down to the most detailed activity level, as well as for special sectoral aggregates created specifically for use in this publication.

Within European business, these rounded EU-27 estimates based on non-confidential data are identified in the tables or graphs by the following footnote 'rounded estimates based on non-confidential data'. Note that the inclusion of rounded EU-27 estimates means that there may be discrepancies between values published at different levels of the NACE hierarchy, as well as between derived indicators and basic variables. Contrary to the previous edition of the publication, the commentary, tables and graphs in this edition of the publication are based on rounded estimates without any adjustment being made for

discrepancies. Hence, it is possible that the share of several NACE groups within a NACE division do not sum exactly to 100 %, or that, in extreme cases, values for a derived indicator for a set of NACE groups are all lower (or all higher) than the value reported for the NACE division to which they belong. Note that a combination of available rounded and non-rounded estimates (for example to fill gaps in data availability) could generate estimates which are not a good proxy of the true value.

EU averages

In the absence of sufficient information to compile or estimate EU-27 aggregates, averages or sums have been calculated on the basis of information available for an incomplete set of the Member States. In those cases where neither an EU-27 total nor a rounded EU-27 aggregate are available, a partial EU total, or a ratio derived from a partial EU total has been created. In the event that this method has been used then a footnote has been systematically added to both the commentary and the tables and graphs to show the coverage of the partial total/average that has been used.

Regions of the EU

For regional business statistics there are also difficulties related to a large number of confidential cells. A somewhat different approach was adopted in order to construct the maps that are presented in the overview of each sectoral chapter. For each region and activity, the share of non-financial business economy employment was ranked, for both confidential and non-confidential values. These values were then assigned to an interval which was used for the construction of the maps; the size of the interval being considered large enough to protect the confidential nature of some values. Four intervals were used for each map, with the lowest and highest intervals being based on approximately 30 of the 260 regions for which data are available at the NUTS 2 level and the remaining two intermediate categories based on roughly 100 regions each. This approach has both the advantage of highlighting the most interesting results at the top and the bottom of the rankings and at the same time maximising the protection of confidential cells. Nevertheless, there were a small number of cases where the interval could not be disclosed.

SHORT-TERM BUSINESS STATISTICS

Tracking the business cycle is indispensable for many economic actors. Short-term business statistics provide politicians, government agencies, the financial community, business managers, consumers and trade unionists with information that is crucial when making decisions on whether activities and output prices grow, stagnate or decline. The legal basis of the European system of quantitative short-term business statistics is Council Regulation (EC) No 1165/98, which was adopted on 19 May 1998, and amended by Regulation (EC) No 1158/2005 of the European Parliament and of the Council of 6 July 2005.

Several variables from the short-term business statistics database are presented in this publication. To measure output the following indices are used: the industrial production index, the index of production for construction, the volume of sales for retail trade, the services' turnover index; these indices are often available at a fine level of detail, often for NACE groups or even classes. An employment index is also available for most activities within industry, construction and services, generally at the NACE division level.

Eurostat estimate EU-27 aggregates for short-term statistics once country indices covering more than 60 % of the EU-27 weights are available. Eurostat have also back-calculated the EU-27 indices so they are available for lengthy time-series; data in this edition of European business are generally presented from 1996 to 2006 (subject to availability). As this publication is based on annual statistics the presentation of short-term statistics is largely based on either working-day adjusted or gross indices. Users who wish to exploit monthly or quarterly data may be interested to know that seasonally adjusted and trend-cycle presentations are also available in Eurostat's database.

Main definitions

The following standard definitions are taken from Commission Regulation (EC) No 1503/2006 of 28 September 2006 implementing and amending Council Regulation (EC) No 1165/98 concerning short-term statistics as regards definitions of variables, list of variables and frequency of data compilation.

Index of production for industrial activities: is defined to show the evolution of value added at factor cost, at constant prices. Value added at factor cost can be calculated from turnover (excluding VAT), 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 and taxes linked to production. This index of production should take account of: variations in type and quality of the commodities and of the input materials; changes in stocks of finished goods and work in progress; changes in technical input-output relations (processing techniques); and services such as the assembling of production units, mounting, installations, repairs, planning, engineering, creation of software.

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

Volume of sales index for retail trade: represents the value of turnover in constant prices and as such is a volume index. It is generally calculated as turnover at current prices, deflated by the deflator of sales.

Turnover index for services: the objective of this index is to show the evolution of the market for goods and services. Turnover comprises the totals invoiced by the observation unit during the reference period. This corresponds to market sales of goods or services supplied to third parties. Turnover also includes all other charges (transport, packaging, etc.) passed on to the customer, even if these charges are listed separately in the invoice. Turnover excludes VAT and other similar deductible taxes directly linked to turnover as well as all duties and taxes on the goods or services invoiced by the unit.

Domestic output price index: measures the average price development of all goods and related services resulting from that activity and sold on the domestic market. All price-determining characteristics of the products should be taken into account when compiling these indices, including the quantity of units sold, transport provided, rebates, service conditions, guarantee conditions and destination. The specification must be such that in subsequent reference periods, the observation unit is able to identify the product and to provide the appropriate price per unit. The appropriate price is the basic price that

excludes VAT and similar deductible taxes directly linked to turnover as well as all duties and taxes on the goods and services invoiced by the unit, whereas subsidies on products received by the producer, if there are any, should be added.

Construction costs index: an output price index for construction can be used as an approximation for the construction cost variable. These indices measure only the developments for residential buildings, thus excluding residences for communities, non-residential buildings. Land prices and architects' and other fees should also be excluded. The indices reflect the prices paid by the client to the construction enterprise. They therefore do not only reflect the variations in the cost factors of construction, but also the changes in productivity and profit margins.

Index of employment: is based on the total number of persons working in an observation unit (inclusive of working proprietors, partners working regularly in the unit and unpaid family workers), which also includes persons who work outside the unit who belong to it and are paid by it (for example, sales representatives, delivery personnel, repair and maintenance teams). It includes persons absent for a short period (for example, sick leave, paid leave or special leave), and also those on strike, but not those absent for an indefinite period. It also includes part-time workers who are regarded as such under the laws of the country concerned and who are on the payroll, as well as seasonal workers, apprentices and home workers on the payroll. The number of persons employed excludes manpower supplied to the unit by other enterprises, persons carrying out repair and maintenance work in the unit on behalf of other enterprises, as well as those on compulsory military service.

PRODCOM

The data on industrial products from PRODCOM (PROducts of the European COMmunity) are provided for EU-27 totals. The legal basis of the PRODCOM data is Council Regulation (EEC) No 3924/91 on the establishment of a Community survey of industrial production (the PRODCOM regulation). This regulation requires that production be reported to Eurostat according to the product headings of the PRODCOM list. Each PRODCOM code is identified by an eight-digit code. The first six digits are the CPA code (classification of products by activity). The last two digits provide a further breakdown of the products. Normally each PRODCOM heading also corresponds to one or more Combined Nomenclature (CN) headings, thus enabling the external trade corresponding to one PRODCOM heading to be calculated.

The production concept used is production sold during the survey period, although total production is also required for some headings (total production includes production that is retained by the enterprise for further processing, as well as production that is sold). PRODCOM statistics aim to cover enterprises classified to NACE Sections C, D and E which manufacture products contained in the PRODCOM list. Among the rules on representativeness, the regulation stipulates that the reported production should account for all enterprises employing at least 20 persons. In addition, at least 90 % of production in each (four-digit) NACE class must be recorded.

For this edition of European business the PRODCOM data are given in both value and volume terms; note that volume measures can vary between products depending upon the characteristics of the product in question (for example the volume unit can be a weight, surface area, cubic measure of volume, etc.). The data presented in statistical tables results from a selection process based on available EU-27 totals. For each CPA group all of the available EU-27 totals were extracted from the PRODCOM database and these products were then ranked according to their value of production sold, with the ten most important products being maintained. Note that any ancillary categories (others, not elsewhere specified, etc.) were not included in this ranking procedure. Once the rankings had been made (based on non-confidential, publicly-available information), the tables were cross-checked by Eurostat staff. In cases where a confidential EU-27 total should have been included, tables were adjusted to include additional rows with the PRODCOM description and PRODCOM code – although the confidential values are not published.

EXTERNAL TRADE

EU-27 external trade statistics are available in the Comext database, and can be compiled according to various classifications. For the purpose of this publication the classification of products by activity (CPA) has been used; the 2002 version of this classification is currently in use.

The focus of the external trade data presented in European business is for reference year 2006. No estimates are made for external trade statistics, although it is possible that subsequent revisions may occur. The data are processed by summing together the detailed combined nomenclature (CN) product statistics (using a conversion table from CN to CPA - note that this table can change between reference years).

The data for the EU-27 are reported in terms of trade flows with the rest of the world, in other words EU-27 trade with non-member countries (extra-EU trade). However, for the individual Member States total trade flows are used, in other words, intra- and extra-EU trade combined. All trade figures are given in current price euro terms.

Main definitions

Cover ratio: is defined as the ratio of exports/imports; this indicator is expressed as a percentage.

Trade balance: is defined as the value of exports – the value of imports.

LABOUR FORCE SURVEY

The legal basis for the collection of data is Council Regulation (EC) No 577/98 of 9 March 1998 on the organisation of a sample survey in the Community, which was subsequently amended by Regulation (EC) No 1991/2002 of the European Parliament and of the Council of 8 October 2002. This amending regulation introduced a deadline for the period of transition given to the Member States to introduce a continuous quarterly labour force survey.

The main statistical objective of the Labour Force Survey is to divide the population of working age (generally 15 years and above) into three mutually exclusive and exhaustive groups: persons in employment, unemployed persons, and inactive persons, and to provide descriptive and explanatory data on each of these categories. Respondents are assigned to one of these groups on the basis of the most objective information possible, obtained through a survey questionnaire, which relates principally to their actual activity within the reference period. It is important to note that the information is not collected from enterprises (as with most of the business statistics presented in this publication), but instead through a survey addressed to households.

The national statistical institutes are responsible for selecting the sample, preparing the questionnaires, conducting the interviews and forwarding the results to Eurostat in accordance with a common coding scheme. Eurostat devises the programme for analysing the results and is responsible for processing and disseminating the information. The results are subject to the usual types of errors associated with sampling techniques. Eurostat implements basic guidelines intended to avoid the publication of figures which are statistically unreliable (see Table 5); and figures below these thresholds are not published. A second threshold is applied to data that may only be published with a warning concerning its reliability; for the purpose of this edition of European business these data have also been omitted from the publication.

Table 5
Reliability limits for publishing Labour Force Survey (LFS) data, 2006 (number of observations)

	A	B
EU	20 000	:
Belgium	2 500	4 500
Bulgaria	5 600	12 700
Czech Republic	750	4 500
Denmark	3 500	7 000
Germany	20 000	:
Estonia	6 800	15 200
Ireland	2 500	4 500
Greece	2 500	4 500
Spain	2 500	5 000
France	7 000	21 000
Italy	3 500	7 500
Cyprus	500	1 500
Latvia	4 500	7 500
Lithuania	7 400	29 300
Luxembourg	500	1 500
Hungary	2 600	4 800
Malta	1 500	3 000
Netherlands	4 500	10 000
Austria	4 000	8 000
Poland	5 000	20 000
Portugal	7 500	:
Romania	6 500	11 500
Slovenia	1 000	10 500
Slovakia	2 500	4 500
Finland	2 000	4 000
Sweden	3 000	5 000
United Kingdom	10 000	:

A: threshold for publishing data.

B: threshold for reliable data.

Source: Eurostat (LFS)

Note that the LFS data used in this publication refers to information from the spring reference period, in other words, the second quarter, and not to annual averages based on four quarterly observations. There are a few exceptions that should be noted: all data from 2003 onwards for Luxembourg are based on annual averages. Up to and including 2004, the data for France and Austria refer to the first and not the second quarter of the reference year. The data for France for the second quarter of 2006 are provisional.

For more information, the methodological basis and the contents of this survey are described at the following address:

http://forum.europa.eu.int/irc/dsis/employment/info/data/eu_lfs/index.htm.

Main definitions

Employed persons: are persons aged 15 years and over (16 and over in Spain and the United Kingdom; 15 to 74 years old in Denmark, Estonia, Hungary, Latvia, Finland and Sweden) who during the reference week performed work, even for just one hour a week, for pay, profit or family gain or were not at work but had a job or business from which they were temporarily absent because of, for example, illness, holidays, industrial dispute and education and training.

Gender breakdown: information shown on those in employment is broken down according to the proportion of the workforce that is male or female.

Full-time/part-time: this variable refers to the main job. The distinction between full-time and part-time work is based on a spontaneous response by the respondent (except in the Netherlands, Iceland and Norway where part-time work is determined to be the case if the usual hours are fewer than 35 hours and full-time if the usual hours are 35 hours or more, and in Sweden where this criterion is applied to the self-employed). It is impossible to establish a more precise distinction between full-time and part-time employment, since working hours differ from one Member State to the next and from one activity to the next.

Age: the age of the respondent is calculated from the year of birth. For persons born in the same year, those whose birthdays fall between 1 January and the end of the reference week are, for the purposes of survey results analysis, regarded as being one year older than those whose birthdays fall after the end of the reference week. The presentation of data is made according to a breakdown of the proportion of those in employment according to three age groups, defined as follows: those aged less than 30 years; those aged 30 to 49 years old; and those aged 50 or more.

ABBREVIATIONS**COUNTRIES**

EU-27	European Union of 27 Member States
EU-25	European Union of 25 Member States
EU-15	European Union of 15 Member States
BE	Belgium
BG	Bulgaria
CZ	the Czech Republic
DK	Denmark
DE	Germany
EE	Estonia
IE	Ireland
EL	Greece
ES	Spain
FR	France
IT	Italy
CY	Cyprus
LV	Latvia
LT	Lithuania
LU	Luxembourg
HU	Hungary
MT	Malta
NL	the Netherlands
AT	Austria
PL	Poland
PT	Portugal
RO	Romania
SI	Slovenia
SK	Slovakia
FI	Finland
SE	Sweden
UK	the United Kingdom
HR	Croatia
MK	the former Yugoslav Republic of Macedonia
TR	Turkey
IS	Iceland
NO	Norway
CH	Switzerland
JP	Japan
US	United States (of America)

INTERNATIONAL ORGANISATIONS AND TRADE ASSOCIATIONS

ACEA	Association of European Automobile Manufacturers
AEA	Association of European Airlines
APME	Association of Plastics Manufacturers
CCBE	Council of bars and law societies of Europe
CEFIC	European Chemical Industry Council
CIAA	Confederation of food and drink industries
ECMT	European conference of ministers of transport
EFAMA	European fund and asset management association
ERA	European Regions Airline Associations
EU	European Union
FESE	Federation of European Securities Exchanges
FIEC	European Construction Industry Federation
IISI	International Iron and Steel Institute
ISL	Institute of shipping economics and logistics
IUPT	International union of public transport
NAFTA	North American Free Trade Agreement
UIC	International union of railways
UPU	Universal Post Union
VDA	German motor vehicle manufacturers association
WTO	World Tourism Organization

WEIGHTS AND MEASURES

DWT	Dead weight tonnes
EUR	euro
kg	Kilogramme
km	Kilometre
toe	Tonnes of oil equivalent
TWh	Terawatt-hours
%	Percentage

OTHER ABBREVIATIONS

ASEAN	Association of south-east Asian nations
ATM	Automatic teller machine
CAP	Common Agricultural Policy
CD	Compact disc
CO ₂	Carbon dioxide
CPA	Classification of products by activity
DECT	Digital Enhanced Cordless Telecommunication
DVD	Digital video disc / Digital versatile disc
EDI	Electronic data interchange
FOB	Free on board
FSAP	Financial Services Action Plan
GDP	Gross domestic product
GSM	Global system for mobile communication
HORECA	Hotels, restaurants and cafés
HRST	Human resources in science and technology
ICT	Information and communication technologies
IT	Information technology
LCD	Liquid crystal display
LFS	Labour Force Survey
LPG	Liquefied petroleum gas
NACE	Statistical classification of economic activities in the European Community
n.e.c.	Not elsewhere classified
PC	Personal computer
PWS	Public water supply
REACH	Registration, Evaluation and Authorisation of Chemicals
R&D	Research and development
RON	Research octane number
SARS	Severe acute respiratory syndrome
SBS	Structural business statistics
SME	Small and medium-sized enterprise (employing from 1 to 249 persons)
STS	Short-term business statistics
UCITS	Undertakings for collective investment in transferable securities
USP	Universal service provider
VAT	Value added tax

