

# Statistics in focus

INDUSTRY, TRADE AND SERVICES

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## Short term statistics

### Differences between domestic, euro area and non euro area markets

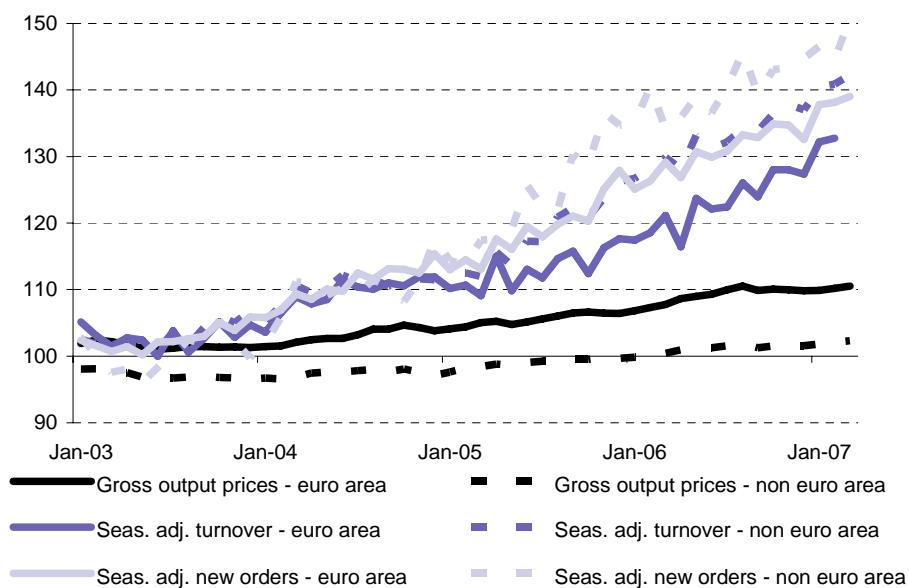
This publication analyses the development of three economic indicators for domestic, euro area and non euro area markets. Turnover and new orders show similar patterns, with the fastest increases for the non euro area market and the slowest ones for the domestic market. Output prices grew faster for domestic market, slower for non euro area market.

Most countries have historically collected short-term indicators for domestic markets, particularly for output (producer) price statistics; however, there was a much less consistent approach to the collection of information concerning non-domestic markets.

Regulation (EC) no. 1158/2005 of the European Parliament and of the Council amending Council Regulation (EC) no 1165/98 concerning short-term statistics (STS-R) has resulted in new requirements for the delivery of short-term statistics (STS) by euro area Member States. The amendment means that euro area Member States are now obliged to make a distinction by splitting information on non-domestic industrial turnover, new orders and output prices into that related to euro area and non euro area markets<sup>1</sup>.

These breakdowns are important for setting monetary policy: for example, inflation differentials may exist between different geographical zones because of differences in consumption patterns, the openness and structure of international trade, exchange rates or wages.

Figure 1: Non-domestic indices, EA13 (2000=100) (1)



(1) Activity coverage: mining and quarrying, and manufacturing (NACE Sections C and D) for output prices and turnover; manufacturing industries working on orders for new orders (see methodological notes on page 7 for details of activities covered by this aggregate).

Source: Eurostat (STS)

<sup>1</sup> For the purpose of this publication the reporting entity of the thirteen euro area Member States is referred to as EA13, while the terms euro area and non euro area are employed to distinguish the different markets for the breakdown of non-domestic turnover, new orders and output prices. Note that for comparison, several tables and figures also contain information on domestic turnover, new orders or output price indices (in other words, indicators for the national territory).

## Turnover

In order to give an indication of the importance of these various markets, the table below shows the breakdown of turnover between domestic and non-domestic markets. As can be seen, almost two thirds of the EA13's turnover that was generated in mining, quarrying and manufacturing (as defined by NACE Sections C and D) was derived from domestic sales within the country of origin. The split of non-domestic turnover between sales dispatched to other euro area countries (17.2 %) and those dispatched to non euro area countries (18.0 %) was quite similar.

The different characteristics of products play an important role in determining the proportion of sales that are destined for non-domestic markets. Heavy, bulky, perishable, and low unit cost items are less likely to be sold abroad, due to the nature of these products and the relatively high cost of transportation. If sales are made to non-domestic markets then these may well be neighbouring countries (perhaps explaining why the euro area market accounts for a higher proportion of non-domestic sales for activities such as the mining of metal ores, the manufacture of food, beverages and tobacco, pulp and paper, basic metals or recycling).

However, there are also activities where the majority of EA13 sales are made to non-domestic markets. At the NACE division level these include the manufacture of office machinery and computers (where almost 60 % of turnover was generated from sales to non-domestic markets), other transport equipment (where more than one third of all EA13 sales were made to non euro area markets) and the manufacture of motor vehicles. These activities which have a relatively high proportion of sales generated from non-domestic markets are often characterised as producing products that have a high degree of added value, a high unit price, or they are activities in which only a few countries are specialised.

Figure 2 shows that the development of EA13 industrial turnover during the past four years generally followed an upward trend, with an acceleration in sales since the start of 2005. This increase in sales has been particularly prevalent for turnover derived from products dispatched to non-domestic markets, in particular for goods dispatched to non euro area markets.

**Breakdown of turnover by market, EA13 (% of total turnover)**

NACE	Label	Non-domestic	Non-domestic	Domestic
		turnover dispatched to non euro area	turnover dispatched to euro area	
	Industry (excluding construction and energy)	18.0	17.2	64.8
10	Mining of coal and lignite, extraction of peat	1.0	2.9	96.2
11	Extraction of crude petroleum and natural gas	1.8	24.5	73.7
12	Mining of uranium and thorium ores	4.5	0.4	95.1
13	Mining of metal ores	12.2	23.5	64.4
14	Other mining and quarrying	5.4	6.3	88.3
15	Manufacture of food products and beverages	7.9	9.7	82.4
16	Manufacture of tobacco products	2.9	9.0	88.1
17	Manufacture of textiles	17.9	19.4	62.7
18	Manufacture of wearing apparel, dressing and dyeing of fur	13.9	14.7	71.4
19	Tanning and dressing of leather, manufacture of luggage, handbags, saddlery	28.9	19.9	51.2
20	Manufacture of wood and of products of wood and cork, except furniture	9.7	11.9	78.4
21	Manufacture of pulp, paper and paper products	16.5	21.7	61.9
22	Publishing, printing and reproduction of recorded media	6.8	6.2	86.9
23	Manufacture of coke, refined petroleum products, nuclear fuel	7.5	7.4	85.2
24	Manufacture of chemicals and chemical products	22.9	21.1	56.0
25	Manufacture of rubber and plastic products	14.9	20.1	65.0
26	Manufacture of other non-metallic mineral products	10.4	10.4	79.2
27	Manufacture of basic metals	16.5	25.5	58.0
28	Manufacture of fabricated metal products	10.1	12.0	77.9
29	Manufacture of machinery and equipment	27.7	18.8	53.5
30	Manufacture of office machinery and computers	35.3	24.4	40.3
31	Manufacture of electrical machinery and apparatus n.e.c.	20.2	16.9	62.8
32	Manufacture of radio, television and communication equipment and apparatus	32.4	22.3	45.3
33	Manufacture of medical, precision and optical instruments, watches and clocks	30.6	16.9	52.6
34	Manufacture of motor vehicles, trailers and semi-trailers	25.7	29.0	45.4
35	Manufacture of other transport equipment	36.8	20.1	43.1
36	Manufacture of furniture, manufacturing n.e.c.	16.3	12.3	71.3
37	Recycling	5.2	16.8	78.0

Source: Eurostat (STS)

Table 1 shows average month-on-month changes for the EA13 aggregate broken down by activity at the NACE division level from 2000 up until February 2007. Note that all of the turnover data relates to current price values and as such the statistics presented include price changes; they do not represent changes in volume.

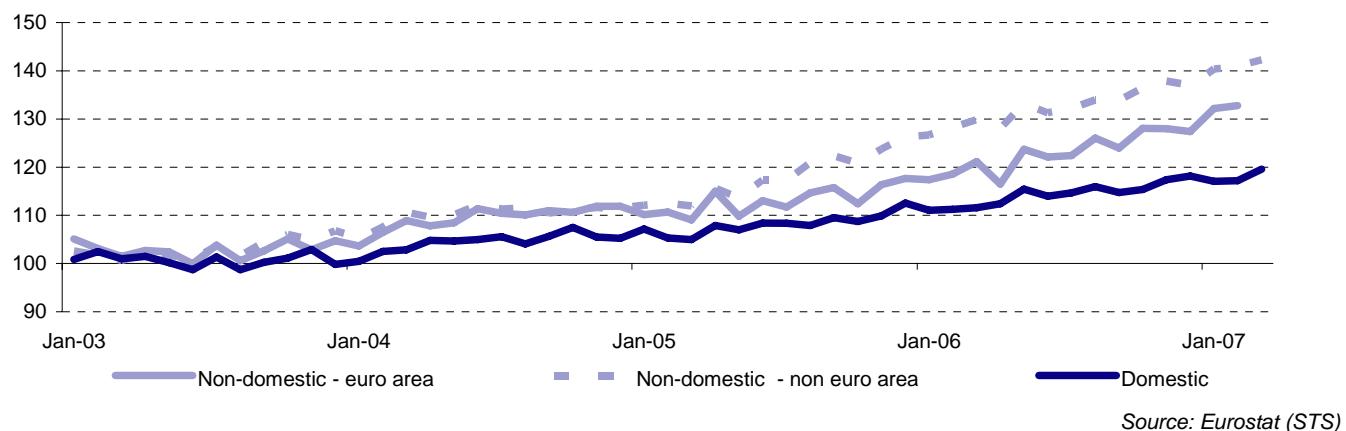
It is apparent from the results shown that the non euro area market often reported the highest growth in sales during the period considered when comparing the development of turnover between the three markets for which information is available. Industrial turnover

derived from non euro area markets rose, on average, by 0.5 % each month, while there was 0.4 % growth for euro area markets, and an average increase of 0.2 % in sales of products within the domestic market.

Among the NACE divisions, the manufacture of other non-metallic mineral products was the only activity where EA13 sales to domestic markets rose at the fastest pace.

The manufacture of radio, television and communication equipment and apparatus recorded the largest reduction in turnover across all three markets.

**Figure 2: Turnover indices, industry (excluding construction and energy), seasonally adjusted data, EA13 (2000=100)**



**Table 1: Average month-on-month changes, turnover indices, seasonally adjusted data, EA13, 2000 to Feb-2007 (%)**

Industry (excluding construction and energy)	Non-domestic		Domestic
	Euro area	Non euro area	
Intermediate goods	0.4	0.5	0.2
Capital goods	0.4	0.5	0.3
Consumer durables	0.4	0.6	0.2
Consumer non-durables	0.0	0.0	0.0
Manufacture of food products and beverages	0.4	0.3	0.2
Manufacture of textiles	0.5	0.4	0.2
Manufacture of wearing apparel, dressing and dyeing of fur	-0.1	0.0	-0.3
Tanning and dressing of leather, manufacture of luggage, handbags, saddlery	0.0	0.1	0.0
Manufacture of wood and of products of wood and cork, except furniture	0.0	-0.2	-0.1
Manufacture of pulp, paper and paper products	0.5	0.5	0.3
Manufacture of chemicals and chemical products	0.2	0.2	0.1
Manufacture of other non-metallic mineral products	0.4	0.4	0.3
Manufacture of basic metals	0.3	0.2	0.3
Manufacture of fabricated metal products	0.8	0.9	0.6
Manufacture of machinery and equipment	0.6	0.7	0.3
Manufacture of electrical machinery and apparatus n.e.c.	0.5	0.7	0.2
Manufacture of radio, television and communication equipment and apparatus	0.4	0.6	0.2
Manufacture of medical, precision and optical instruments, watches and clocks	-0.4	-0.3	-0.3
Manufacture of motor vehicles, trailers and semi-trailers	0.6	0.6	0.3
Manufacture of other transport equipment	0.3	0.6	0.2
Manufacture of furniture, manufacturing n.e.c.	0.6	0.9	0.0
	0.3	-0.1	0.0

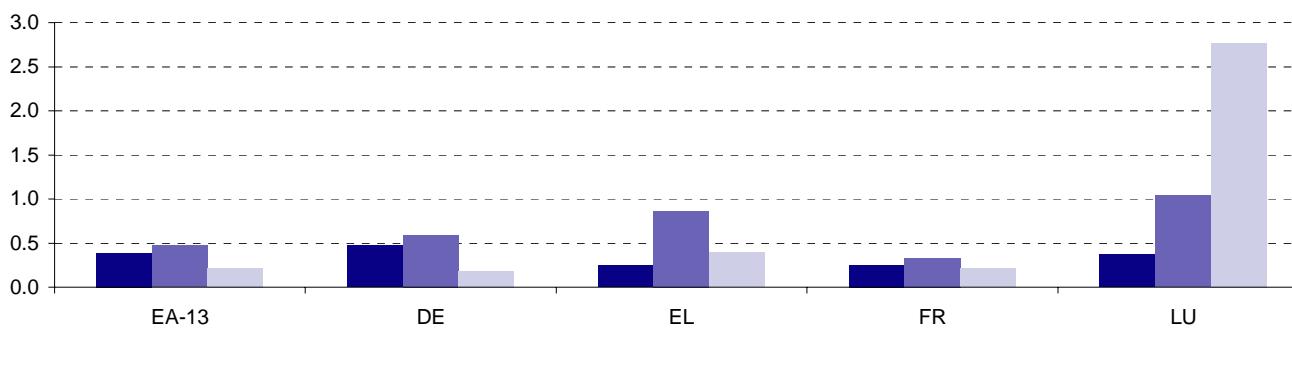
Note: the highest growth rate for each activity is shaded darkest; the second highest in a lighter shade; the lowest is not shaded.

Source: Eurostat (STS)

The pattern of higher sales growth for non euro area markets (than for domestic markets) was reproduced in three of the four Member States for which data are available for the three different markets (statistics are confidential for some Member States).

Luxembourg was the only Member State where the non euro area market did not record the highest sales growth, as sales to the domestic market grew at a more rapid pace. In Greece the lowest change was for turnover from products dispatched to the euro area. Note that while Germany, France and Luxembourg share a number of common borders with other euro area countries, Greece has none.

**Figure 3: Average month-on-month changes, turnover indices, industry (excluding construction and energy), seasonally adjusted data, 2000 to Feb-2007 (%)**



Source: Eurostat (STS)

### New orders

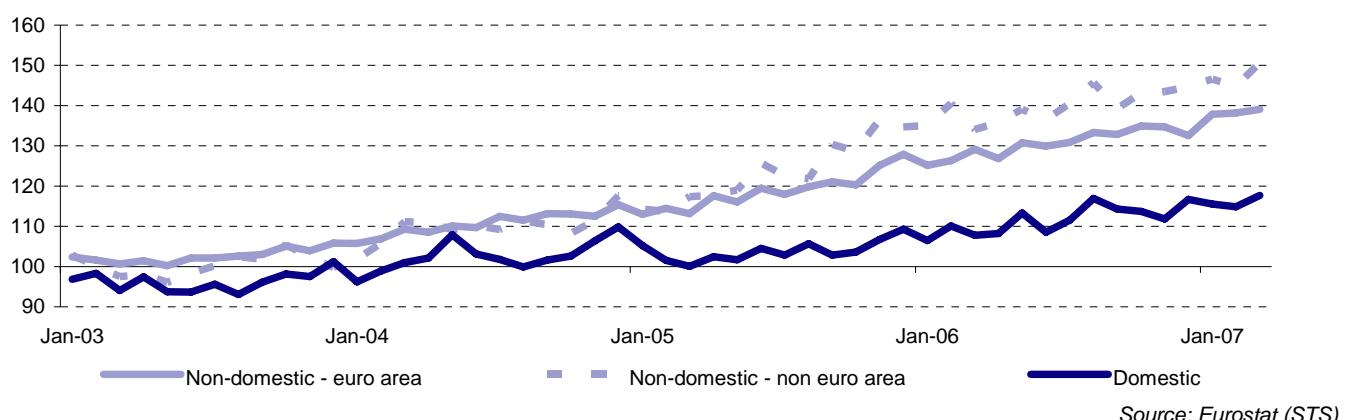
The development for turnover indices broken down by market was often reproduced for indices of new orders. Figure 4 shows that the most rapid expansion in EA13 new orders among those manufacturing industries that work on orders was recorded for the non euro area market, while the slowest expansion in new orders over the period from 2003 to 2007 was registered for new orders received from within the domestic market. The growth rates for NACE divisions (as shown in Table 2) show that the domestic market usually reported the lowest rates of change (and never the highest).

The activities where new orders generally rose at the most rapid pace tended to be those associated with machinery and equipment, technologically advanced

products (except the manufacture of radio, television and communication equipment and apparatus) and transport equipment. Indeed, there were average gains of at least 1.2 % each month in the level of EA13 new orders received from non domestic markets between the start of 2000 and March 2007 for the manufacturing of transport equipment.

The pattern among the few Member States for which data are available for all three markets was similar to that recorded for turnover, as non euro area figures tended to post the highest growth, while orders from the domestic market posted the lowest. Luxembourg was the only country to diverge from this pattern.

**Figure 4: New orders indices, manufacturing industries working on orders, seasonally adjusted data, EA13 (2000=100)**



Source: Eurostat (STS)

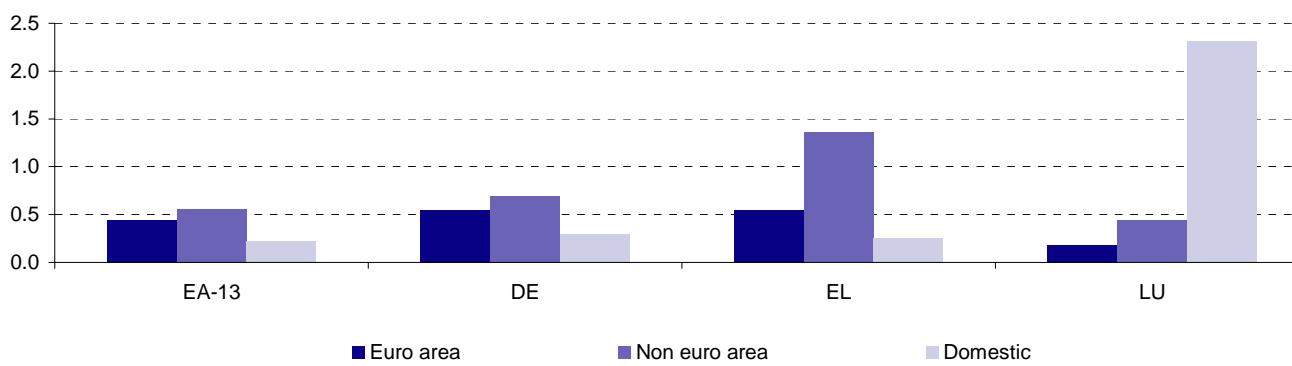
**Table 2: Average month-on-month changes, new orders indices, seasonally adjusted data, EA13, 2000 to Mar-2007 (%)**

	Non-domestic		Domestic
	Euro area	Non euro area	
Manufacturing industries working on orders	0.4	0.6	0.2
Manufacture of textiles	0.0	0.0	-0.3
Manufacture of wearing apparel, dressing and dyeing of fur	0.2	0.5	0.1
Tanning and dressing of leather, manufacture of luggage, handbags, saddlery	0.2	-0.2	0.0
Manufacture of chemicals and chemical products	0.5	0.5	0.4
Manufacture of basic metals	0.9	0.8	0.6
Manufacture of fabricated metal products	0.6	0.7	0.3
Manufacture of machinery and equipment	0.7	0.7	0.2
Manufacture of office machinery and computers	-0.1	0.3	-0.6
Manufacture of electrical machinery and apparatus n.e.c.	0.4	0.7	0.4
Manufacture of radio, television and communication equipment and apparatus	-0.3	-0.6	-0.4
Manufacture of medical, precision and optical instruments, watches and clocks	0.4	0.7	0.3
Manufacture of motor vehicles, trailers and semi-trailers	0.5	0.6	0.2
Manufacture of other transport equipment	1.3	1.2	-0.1
Manufacture of furniture, manufacturing n.e.c.	0.3	0.0	0.1

Note: the highest growth rate for each activity is shaded darkest; the second highest in a lighter shade; the lowest is not shaded.

Source: Eurostat (STS)

**Figure 5: Average month-on-month changes, new orders indices, manufacturing industries working on orders, seasonally adjusted data, 2000 to Mar-2007 (%)**



Source: Eurostat (STS)

## Output prices

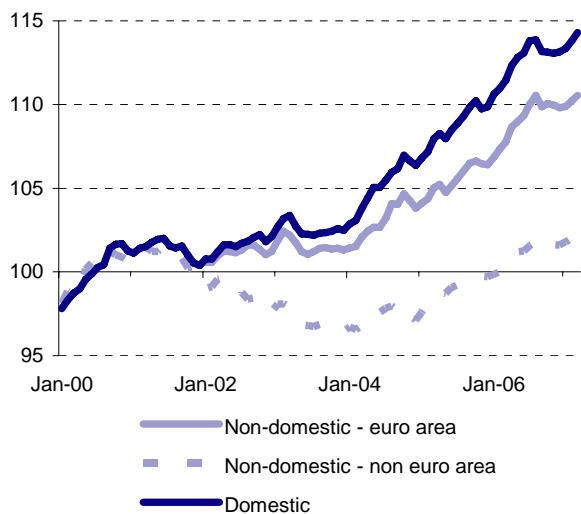
The development of EA13 output prices followed a different pattern to that observed for turnover and new orders. The level of output prices remained almost unchanged during the period 2000 to 2002, after which output prices for the non euro area fell for two years, were relatively stable in 2005, and then started to rise. In contrast, output prices for the euro area and output prices for the domestic market tended to increase from 2002, with prices rising at a somewhat faster rhythm for the domestic market.

As output price inflation tended to be highest for the domestic market, it is likely that the difference in changes between domestic and non-domestic markets was even higher in volume terms (see Figure 7) than indicated by the results presented in the first two sections of this publication for turnover and new orders.

The average month-on-month price increase for domestic output prices in the industrial economy (excluding construction and energy) was 0.18 % for the EA13 between 2000 and March 2007, compared with an average monthly change of 0.14 % for the euro area market and almost no change (0.03 %) for the non euro area. This pattern was repeated for most of the activities covered in Table 3.

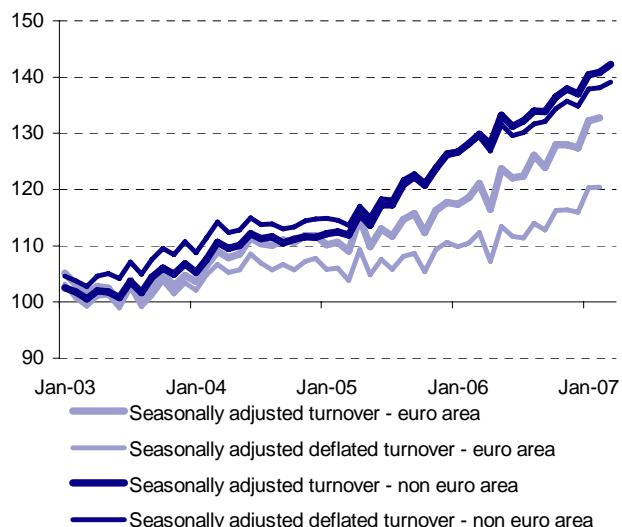
Data are available for four of the Member States in terms of presenting a full set of information for the three different markets covered by industrial output prices. These statistics show that in Germany, the Netherlands and Austria output prices for the non euro area market tended to rise at the slowest pace, while those for the domestic market were rising fastest. This pattern was not reproduced in Greece, where the slowest price increases were recorded for the euro area market.

**Figure 6: Output price indices, industry (excluding construction and energy), gross data, EA13 (2000=100)**



Source: Eurostat (STS)

**Figure 7: Non-domestic turnover and deflated turnover indices, industry (excluding construction and energy), EA13 (2000=100)**



Source: Eurostat (STS)

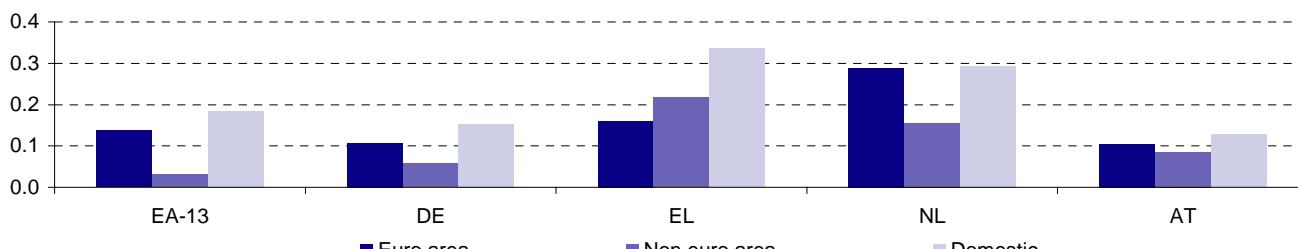
**Table 3: Average month-on-month changes, output price indices, gross data, EA13, 2000 to Mar-2007 (%)**

	Non-domestic		Domestic
	Euro area	Non euro area	
Industry (excluding construction and energy)	0.14	0.03	0.18
Intermediate goods	0.20	0.08	0.22
Capital goods	0.01	-0.02	0.10
Consumer durables	0.06	0.06	0.12
Consumer non-durables	0.09	0.05	0.14
Manufacture of food products and beverages	0.11	0.06	0.15
Manufacture of tobacco products	0.16	0.19	0.63
Manufacture of textiles	0.05	0.06	0.04
Manufacture of wearing apparel, dressing and dyeing of fur	0.15	0.13	0.09
Tanning and dressing of leather, manufacture of luggage, handbags, saddlery	0.23	0.14	0.14
Manufacture of chemicals and chemical products	0.16	0.02	0.19
Manufacture of rubber and plastic products	0.10	0.04	0.12
Manufacture of other non-metallic mineral products	0.14	0.04	0.19
Manufacture of basic metals	0.55	0.47	0.55
Manufacture of fabricated metal products	0.17	0.09	0.22
Manufacture of machinery and equipment	0.13	0.06	0.14
Manufacture of electrical machinery and apparatus n.e.c.	0.11	0.07	0.14
Manufacture of radio, television and communication equipment and apparatus	-0.23	-0.37	-0.31
Manufacture of medical, precision and optical instruments, watches and clocks	0.09	-0.09	0.06
Manufacture of motor vehicles, trailers and semi-trailers	0.06	0.05	0.11
Manufacture of other transport equipment	0.05	0.08	0.12
Manufacture of furniture, manufacturing n.e.c.	0.13	0.15	0.17

Note: the highest growth rate for each activity is shaded darkest; the second highest in a lighter shade; the lowest is not shaded.

Source: Eurostat (STS)

**Figure 8: Average month-on-month changes, output price indices, industry (excluding construction and energy), gross data, 2000 to Mar-2007 (%)**



Source: Eurostat (STS)

## ➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

### LEGAL BASIS

The legal basis for the STS indices is Council Regulation No 1165/98 of 19 May 1998<sup>2</sup> concerning short-term statistics (STS-R) and Regulation (EC) No 1158/2005 of the European Parliament and of the Council of 6 July 2005<sup>3</sup> amending Council Regulation (EC) No 1165/98.

### GEOGRAPHICAL COVERAGE

The reporting entity of the euro area (EA13) is an aggregate that is consistently composed of the 13 countries that currently participate in the euro area (Belgium, Germany, Ireland, Greece, Spain, France, Italy, Luxembourg, the Netherlands, Austria, Portugal, Slovenia and Finland).

This publication also presents a limited set of data for a few of the euro area countries – when data are confidential or not available these have been removed from figures and tables. Note however that confidential data are used in the calculation of the EA13 aggregates.

### INFORMATION BROKEN DOWN BY MARKET

The indices of domestic and non-domestic STS (collected for turnover, new orders and output prices) require separate indices to be compiled according to the destination of the product or the origin of the order, determined by the residency of the third party that has purchased or ordered the product. The domestic market is defined as third parties resident in the same national territory as the observation unit. Euro area countries are required to provide the non-domestic indices sub-divided between euro area and non euro area markets.

### SEASONAL ADJUSTMENT

Seasonal adjustment is a statistical technique to remove the effects of seasonal influences within a series. Seasonal effects usually reflect the influence of the seasons or social conventions. Eurostat calculates the adjustment only if nationally adjusted data are not available. All turnover and new orders data are shown using seasonally adjusted values.

### DEFINITION OF INDICATORS<sup>4</sup>

#### Growth rates

The average month-on-month growth rates are geometric averages, calculated on the basis of a comparison between the latest reference month for which data are available (Feb-2007 or Mar-2007) and the base year value of 100 in 2000.

#### Turnover

It is the objective of the turnover index to show the development of the market for goods and services. Turnover, or sales, comprises the totals invoiced by the observation unit during the reference period, and this corresponds to market sales of goods or services supplied to third parties. Turnover also includes all other charges (transport, packaging, etc.) passed on to the customer, even if these charges are listed separately in the invoice. Turnover excludes VAT and other similar deductible taxes directly linked to turnover as well as all duties and taxes on the goods or services invoiced by the unit. Reductions in prices, rebates and discounts as well as the value of returned packing must be deducted. Price reductions, rebates and bonuses conceded later to clients, for example at the end of the year, are not taken into account.

#### Output prices

<sup>2</sup> Official Journal No L 162, of 5 June 1998.

<sup>3</sup> Official Journal No L 191, of 22 July 2005.

<sup>4</sup> Official Journal No L 281, of 12 October 2006.

The output (or producer) price index for an economic activity measures the average price development of all goods and related services resulting from an activity. It is essential that all price-determining characteristics are taken into account, including quantity of units sold, transport provided, rebates, service conditions, guarantee conditions and destination. 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. The specification must be such that in subsequent reference periods, the observation unit is able uniquely to identify the product and to provide the appropriate price per unit. The appropriate price measure is the transaction price reflecting the revenue received by the producer for products actually sold to customers. The producer price index should take into account quality changes in products or services.

#### New orders

The objective of the industrial new orders index is to assess the future development of demand for goods and services as an indication of future production. An order is defined as the value of the contract linking a producer and a third party in respect of the provision by producer goods and services. The order is accepted if, in the producer's judgement, there is sufficient evidence for a valid agreement. New orders refer to goods and services that are provided by the observation unit, including those originating from sub-contractors.

The following items should be deducted from the value of orders: (1) VAT and other similar deductible taxes directly linked to turnover; (2) reductions in prices, rebates and discounts when they are given at the moment of order as well as the value of packing that is expected to be returned after the delivery; (3) subsidies received from public authorities or the institutions of the European Union.

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

The aggregate composed of the NACE divisions below is referred to as '**manufacturing industries working on orders**':

Textiles (Division 17);  
Wearing apparel (Division 18);  
Pulp, paper and paperboard (Division 21);  
Chemicals and chemical products (Division 24);  
Basic metals (Division 27);  
Fabricated metal products (Division 28);  
Machinery and equipment (Division 29);  
Office machinery and computers (Division 30);  
Electrical machinery and apparatus (Division 31);  
Radio, television and communication equipment and apparatus (Division 32);  
Medical and precision instruments (Division 33);  
Motor vehicles (Division 34);  
Other transport equipment (Division 35).

#### FURTHER INFORMATION

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## **Further information:**

Data: [EUROSTAT Website/Home page/Industry trade and services/Data](#)

### Industry, trade and services - horizontal view

-  Short-term Business Statistics - Monthly and Quarterly (Industry, Construction, Retail Trade and Other Services)
  -  Industry (NACE Rev.1 C-F)
  -  Construction (NACE Rev.1 F) - Building and civil engineering
  -  Trade and other services (NACE Rev.1 G-K)

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