

Box 3

New base year for euro area short-term indicators

Eurostat recently released short-term indicators for the euro area using 2000 as the base year. The previous base year was 1995. This box explains these changes and reviews the effects for three major euro area indicators (industrial production, producer prices and retail trade turnover) that are regularly reported in the “Economic and monetary developments in the euro area” section and in Tables 4.2 and 5.2 of the “Euro area statistics” section of the Monthly Bulletin. Overall, the changes have not led to major revisions in the development of the euro area indices.

The EU Council Regulation concerning short-term statistics covers monthly and quarterly indicators in industry, construction and market services. Most of these are compiled as weighted averages of data for branches or products, using weights of a certain base year, and are presented as indices. According to the Regulation, all national weighting systems have to be updated, at minimum, at five-year intervals. Several, but not all, national indices have already been rebased to the year 2000, and the remaining national indices will be rebased in the near future. In addition, Eurostat establishes, at the same periodicity, a set of new country weights for each variable that are used for compiling euro area aggregates from national results. The regular updating of the weights is necessary to obtain an accurate reflection of the structure of the economy in aggregate index results for each country and the euro area.

The new country weights referring to the year 2000 are shown in Table A. According to these, the four largest countries accounted for about 80% of the aggregate euro area indices in 2000. Compared with the previous base year 1995, the most notable changes in weights are observed in the construction industry. These mainly reflect the divergent development of construction activity in the euro area. As an example, the strong decrease in the country weight for Germany (28.2% in 2000 compared with 38.2% in 1995) reflects the decrease in the German construction production index by 15% over the five years, while the increase in the weight for Spain (15.0% compared with 11.3%) mirrors the increase in its index by 28% over the same period. Most other weight revisions are, however, much less significant.

Table A: Country composition of euro area indicators

(percentage of euro area aggregate in base year 2000)

	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI
Industrial production												
Industry, excl. construction	4.0	34.1	1.0	8.9	18.3	2.7	18.0	0.2	5.4	3.2	1.7	2.6
Construction	3.6	28.2	1.7	15.0	18.5	1.5	15.0	0.4	8.2	4.0	2.1	1.9
Producer prices												
Industry, excl. construction	3.1	31.3	0.9	9.9	20.9	1.1	21.1	0.1	6.0	1.9	1.8	1.9
Retail trade turnover	4.0	27.8	1.0	11.6	24.5	1.4	16.6	0.2	5.6	3.0	2.3	1.9

Source: Eurostat.

As regards the composition of euro area indices by main euro area-wide industrial groupings (see Table B), there are differences between the weights used for production and producer price indices mainly due to the different definitions used. While for industrial production, data on value added at factor costs are used, the weights for producer prices, as well as for retail trade turnover, refer to domestic turnover (including duties and specific taxes on products). This explains, for example, why the weight for energy products in the producer price index is higher than that in the production index.

Table B: Branch composition of euro area indicators

(percentage of industry excluding construction in base year 2000)

	Producer price index	Production index
Intermediate goods	31.6	36.2
Capital goods	21.2	26.9
Durable consumer goods	4.0	4.3
Non-durable consumer goods	25.6	21.7
Energy	17.6	10.9
Memo item: manufacturing	89.5	90.3

Source: Eurostat.

As the most important reason for the changes in the weights is the divergent growth of national indices over the five-year interval, the revision of the weights has not led to major changes in the development of the euro area indices. The revisions of the annual growth rates are generally below 0.5 percentage point for production and retail turnover aggregates, and below 0.1 percentage point for producer prices. Other changes and improvements introduced in parallel, for example the harmonisation of statistical definitions used across countries, have not led to significant revisions at the euro area level. However, some national weighting systems have not yet been updated to the new base year by the national statistical institutes, and further revisions to the euro area results may occur when these revisions are implemented. In the case of industrial production, national indices with the base year 2000 have been published by five euro area countries (BE, ES, IT, PT and FI), while all other national indices are due to be rebased in the near future. For producer prices, the new base year has already been implemented by eight countries (BE, ES, FR, IE, IT, AT, PT and FI).