GLOSSARY

Capital expenditures: As reported in the Economic Censuses, reflects permanent additions and major alterations, as well as replacements and additions to capacity, for which depreciation, depletion, or Office of Minerals Exploration accounts are ordinarily maintained. Reported capital expenditures include work done on contract, as well as by the mine forces. Totals for expenditures include the costs of assets leased from other concerns through capital leases. Excluded are expenditures for land and cost of maintenance and repairs charged as current operating expenses. Also excluded are capital expenditures for mineral land and rights which are shown as a separate item.

Capacity utilization: Indicates the extent to which plant capacity is being used and shows potential excess or insufficient capacity. This profile reports capacity utilization as published by the U.S. Bureau of Census in the Survey of Plant Capacity published in the Current Industrial Reports. The utilization rate is equal to an output index divided by a capacity index. Output is measured by seasonally adjusted indexes of industrial production, and is based on actual output in 1992. The capacity indexes attempt to capture the concept of sustainable practical capacity, which is defined as the greatest level of output that a plant can maintain within the framework of a realistic work schedule, taking account of normal downtime, and assuming sufficient availability of inputs to operate the machinery and equipment in place.

Concentration ratio: The combined percentage of total industry output accounted for by the largest producers in the industry. For example, the four-firm concentration ratio (CR4) refers to the market share of the four largest firms. The higher the concentration ratio, the more concentrated the industry. A market is generally considered highly concentrated if the CR4 is greater than 50 percent.

Coverage ratio: The ratio of primary products shipped by the establishments classified in the industry to the total shipments of such products that are shipped by all manufacturing establishments, wherever classified. An industry with a high coverage ratio accounts for most of the value of shipments of its primary products, whereas an industry with a low coverage ratio produces a smaller portion of the total value of shipments of its primary products produced by all sources.

Employment: Total number of full-time equivalent employees, including production workers and non-production workers.

Export dependence: The share of shipments by domestic producers that is exported; calculated by dividing the value of exports by the value of domestic shipments.

Herfindahl-Hirschman index (HHI): An alternative measure of concentration. Equal to the sum of the squares of the market shares for the largest 50 firms in the industry. The higher the index, the more concentrated the industry. The Department of Justice uses the HHI for antitrust enforcement purposes. The benchmark used by DOJ is 1,000, where any industry with an HHI less than 1,000 is considered to be unconcentrated. The advantage of the HHI over the concentration ratio is that the former gives information about the dispersion of market share among all the firms in the industry, not just the largest firms (Arnold, 1989).

Import penetration: The share of all consumption in the U.S. that is provided by imports; calculated by dividing imports by reported or apparent domestic consumption (the latter calculated as domestic value of shipments minus exports plus imports).

Labor productivity: Amount of output produced per unit of labor input on average. Calculated in this profile as real value added divided by production hours. This measure indicates how an industry uses labor as an input in the production process. Changes over time in labor productivity may reflect changes in the relative use of labor versus other inputs to produce output, due to technological changes or cost-cutting efforts. Changing patterns of labor utilization relative to output are particularly important in understanding how regulatory requirements may translate into job losses, both in aggregate and at the community level.

Nominal values: Dollar values expressed in current dollars.

Operating margin: Measure of the relationship between input costs and the value of production, as an indicator of financial performance and condition. Everything else being equal, industries and firms with lower operating margins will generally have less flexibility to absorb the costs associated with a regulation than those with higher operating margins.

Operating margins were calculated in this profile by subtracting the cost of materials and total payroll from the value of shipments. Operating margin is only an approximate measure of profitability, since it does not consider capital costs and other costs. It is used to examine trends in revenues compared with production costs within an industry; it should not be used for cross-industry comparisons of financial performance.

Primary product shipments: An establishment is classified in a particular industry (4-digit SIC codes) if its shipments of the primary products of that industry exceed in value its shipments of the products of any other single industry. An establishment's primary product shipments are those products considered primary to its industry.

Producer production indexes (PPI): A family of indexes that measures the average change over time in selling prices received by domestic producers of goods and services (Bureau of Labor Statistics, PPI Overview). Used in this profile to convert nominal values into real 1997 dollar values.

Real values: Nominal values normalized using a price index to express values in a single year's dollars. Removes the effects of price inflation when evaluating trends in dollar measures.

Secondary product shipments: An establishment's products that are considered secondary to the industry in which the establishment is classified and primary to other industries. For example, a petroleum refinery classified in SIC code 2911 would produce petroleum products as primary products, but might produce organic chemicals as secondary products.

Specialization ratio: The ratio of primary product shipments to total product shipments (primary and secondary, excluding miscellaneous receipts) for the establishments classified in a particular industry (4-digit SIC code). An industry with a specialization ratio of 100 percent would, by definition, produce only its primary products. In contrast, a low specialization ratio indicates that much of an industry's output consists of secondary products.

Value added: A measure of manufacturing activity, derived by subtracting the cost of purchased inputs (materials, supplies, containers, fuel, purchased electricity, contract work, and contract labor) from the value of shipments (products manufactured plus receipts for services rendered), and adjusted by the addition of value added by merchandising operations (i.e., the difference between the sales value and the cost of merchandise sold without further manufacture, processing, or assembly) plus the net change in finished goods and work-in-process between the beginning-and end-of-year inventories. Value added avoids the duplication in value of shipments as a measure of economic activity that results from the use of products of some establishments as materials by others. Value added is considered to be the best value measure available for comparing the relative economic importance of manufacturing among industries and geographic areas.

Value of shipments: Net selling values of all products shipped as well as miscellaneous receipts. Includes all items made by or for an establishments from materials owned by it, whether sold, transferred to other plants of the same company, or shipped on consignment. Value of shipments is a measure of the dollar value of production, and is often used as a proxy for revenues. This profile uses value of shipments to indicate the size of a market and how the size differs from year to year, and to calculate operating margins.