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Economy

The EU is active in a wide range of policy areas, but economic policies have traditionally played a dominant role (1). Starting from a rather narrow focus on introducing common policies for coal and steel, atomic energy and agriculture as well as the creation of a custom union over 50 years ago, European economic policies progressively extended their scope to a multitude of domains.

Since 1993 the European Single Market has strongly enhanced the possibilities for people, goods, services and money to move around the EU as freely as within a single country. These freedoms, foreseen from the outset of the EC in the Treaty establishing the European Economic Community of 1957 have been designed: to allow individuals the right to live, work, study or retire in another Member State; to increase competition leading to lower prices, provide a wider choice of products to buy, while ensuring higher levels of protection for consumers; and to make it easier and cheaper for businesses to interact across borders.

The start of economic and monetary union (EMU) in 1999 has given economic and market integration further stimulus. The elimination of exchange risk for a large number of cross-border transactions and the associated increase in price transparency resulted not only in a substantial increase of intra-area trade flows but also intra-area foreign direct investment (2). The euro has also become a symbol for Europe, and the number of countries that adopted it increased from the original 11 to 16 countries at the beginning of 2010.

Fostering economic and social progress, with constant improvements in living and working conditions has been a key objective of

(1) For more information: http://ec.europa.eu/policies/index_en.htm.

(2) For more information: http://ec.europa.eu/economy_finance/emu10/emu10report_en.pdf.

European policies. While the stated goal of the Lisbon Strategy in 2000 was to make the EU the 'most competitive (…) economy in the world', its re-launch after a 2005 mid-term review focused more specifically on growth and employment. Reforms agreed in the context of Lisbon delivered tangible benefits, including increased employment, a more dynamic business environment, and more choice for consumers ([3]). However, the global financial and economic crisis that hit the EU in 2008, caused a severe economic downturn and job losses in most EU Member States.

In response to the crisis, EU Member States agreed on a joint recovery plan to boost demand and restore confidence ([4]). Its measures specifically aim to keep people in work and support public investment in areas such as infrastructure, innovation, new skills for the workforce, energy efficiency and clean technologies. The new EU 2020 Strategy will not only be designed to support a full recovery from the crisis but also to address Europe's structural challenges – globalisation, climate change and an ageing population – by helping it move towards a greener, more sustainable, and more innovative economy.

As the design, implementation and monitoring of EU policies require indicators to analyse the current economic situation, this chapter comments upon key indicators from various areas, such as national accounts, government finance, exchange rates and interest rates, consumer prices, the balance of payments with respect to the current account and foreign direct investment, as well development aid.

1.1 National accounts

Introduction

National accounts are the source for a multitude of well-known economic indicators which are presented in this section after a brief description of methodological concepts (for more details on different types of national accounts, their uses and further improvements see the Spotlight chapter).

Gross domestic product (GDP) is the most frequently used measure for the overall size of an economy, while derived indicators such as GDP per capita – for example, in euro or adjusted for differences in price levels – are widely used for a rough comparison of living standards, or to monitor the process of convergence across the EU.

Moreover, the evolution of specific GDP components and related indicators, such as those for economic output, imports and exports, domestic (private and public) consumption or investments, as well as data on the distribution of income and savings, can give valuable insights into the driving forces in an economy and thus be the basis for the design, monitoring and evaluation of specific EU policies.

Definitions and data availability

The European system of national and regional accounts provides the methodology for national accounts in the EU. The current version, **ESA 95**, is fully consistent with worldwide guidelines for national accounts, the 1993 SNA. At the time

([3]) For more information: http://ec.europa.eu/growthandjobs/pdf/lisbon_strategy_evaluation_en.pdf.

([4]) For more information: http://ec.europa.eu/financial-crisis/index_en.htm.

of writing, the ESA is under revision to bring it into line with the updated 2008 SNA – see the Spotlight chapter at the start of this publication for more information. The main aggregates of national accounts are compiled from institutional units, namely non-financial or financial corporations, general government, households, and non-profit institutions serving households (NPISH).

Data within the national accounts domain encompasses information on GDP and its components, employment, final consumption aggregates, income, and savings. Many of these variables are calculated on an annual and on a quarterly basis. Breakdowns exist for certain variables by economic activity (industries, as defined by NACE), investment products, final consumption purpose (as defined by COICOP) and institutional sectors.

GDP is a central measure of national accounts, which summarises the economic position of a country (or region). GDP can be calculated using different approaches:

- **the output approach**, which sums the gross value added of various sectors, plus taxes and less subsidies on products;
- **the expenditure approach**, which sums the final use of goods and services (final consumption and gross capital formation), plus exports and minus imports of goods and services, and;
- **the income approach**, which sums the compensation of employees, net taxes on production and imports, gross operating surplus and mixed income.

An analysis of **GDP per capita** removes the influence of the absolute size of the population, making comparisons between different countries easier. GDP per capita is a broad economic indicator of living standards. GDP data in national currencies can be converted into purchasing power standards (PPS) using purchasing power parities that reflect the purchasing power of each currency, rather than using market exchange rates. In this way differences in price levels between countries are eliminated. The **volume index of GDP per capita in PPS** is expressed in relation to the EU average (set to equal 100). If the index of a country is higher/lower than 100, this country's level of GDP per head is above/below the EU-27 average; this index is intended for cross-country comparisons rather than temporal comparisons.

The calculation of the annual **growth rate of GDP at constant prices**, in other words the change of GDP in volume terms, is intended to allow comparisons of the dynamics of economic development both over time and between economies of different sizes, irrespective of price levels.

A further set of national accounts data is used within the context of competitiveness analyses, namely indicators relating to the productivity of the workforce, such as labour productivity measures. Productivity measures expressed in PPS, which eliminates differences in price levels between countries, are particularly useful for cross-country comparisons. **GDP in PPS per person employed** is intended to give an overall impression of the productivity of national economies. It should be kept in mind, though, that this measure depends on the structure of total employment and may, for instance, be lowered by a shift from full-time to part-time work. **GDP in PPS per hour worked** gives a clearer picture of productivity as the incidence of part-time employment varies greatly between countries and activities. The data are presented in the form of an index in relation to the EU average: if the index rises above 100, then labour productivity is above the EU average.

The output approach

The output of the economy is measured using gross value added. **Gross value added** is defined as the value of all newly generated goods and services less the value of all goods and services consumed in their creation; the depreciation of fixed assets is not included. When calculating value added, output is valued at basic prices and intermediate consumption at purchasers' prices. Taxes less subsidies on products have to be added to value added to obtain GDP at market prices.

Economic output can be analysed by activity: at the most aggregated level of analysis six NACE Rev. 1.1 headings are identified: agriculture, hunting and fishing; industry; construction; trade, transport and communication services; business activities and financial services; and other services.

An analysis of output over time can be facilitated by using a volume measure of output – in other words, by deflating the value of output to remove the impact of price changes; each activity is deflated individually to reflect the changes in the prices of its associated products.

Various measures of **labour productivity** are available, for example, based on value added or GDP relative to the number of persons employed or to the number of hours worked. Productivity indicators provide confirmation of the most labour-intensive areas of the EU economy, as well as an insight into the apparent productivity growth of particular economic activities.

The expenditure approach

National accounts aggregates from the expenditure approach are used by the European Central Bank (ECB) and European Commission services as important tools for economic analysis and policy decisions. The quarterly series are central to business-cycle analysis and subsequent policy decisions. These series are also widely employed for supporting business decisions in the private sector, in particular within financial markets.

The expenditure approach of GDP is defined as private final consumption expenditure + government final consumption expenditure + gross capital formation + exports - imports.

In the system of national accounts, only households, NPISH and government have final consumption, whereas corporations have intermediate consumption. **Private final consumption expenditure**, or that performed by households and NPISH, is defined as expenditure on goods and services for the direct satisfaction of individual needs, whereas **government consumption expenditure** includes goods and services produced by government, as well as purchases of goods and services by government that are supplied to households as social transfers in kind. **NPISHs** are private, non-market producers which are separate legal entities.

Their principal resources, apart from those derived from occasional sales, are derived from voluntary contributions in cash or in kind from households in their capacity as consumers, from payments made by general governments, and from property income. Examples of NPISHs include churches, trade unions or political parties.

Statistics on the final consumption expenditure of households cover expenditure incurred on goods or services used for the satisfaction of individual needs, either through purchase, the consumption of own production (such as garden produce), or the imputed rent of owner-occupied dwellings. Data on consumption expenditure may be broken down according to the classification of individual consumption according to purpose (COICOP), which identifies 12 different headings at its most aggregated level. Housing, energy costs, transport, and food and non-alcoholic beverages account for a high proportion of the total expenditure made by most European households.

Annual information on household expenditure is available from national accounts compiled through a macro-economic approach. An alternative source for analysing household expenditure is the household budget survey (HBS): this information is obtained by asking households to keep a diary of their purchases and is much more detailed in its coverage of goods and services as well as the types of socio-economic breakdown that are made available. HBS is only carried out and published every five years – the latest reference year currently available is 2005.

Gross capital formation is the sum of gross fixed capital formation and the change in inventories (stocks). **Gross fixed capital formation** consists of resident producers' acquisitions, less disposals, of fixed tangible and intangible assets; certain additions to the value of non-produced assets realised by productive activity are also included. **Fixed assets** are produced as outputs from processes of production that are themselves used repeatedly, or continuously, in processes of production for more than one year; such assets may be outputs from production processes or imports. Investment may be made by public or private institutions. **Changes in inventories** are measured by the value of the entries into inventories less the value of withdrawals and the value of any recurrent losses of goods held in inventories.

The external balance is the difference between exports and imports of goods and services. Depending on the size of exports and imports, it can be positive (a surplus) or negative (a deficit).

The income approach

Eurostat data on income from input factors are crucial to economic analysis in a number of contexts inside and outside the European Commission. Typical examples are studies of competitiveness, of income distribution inequalities, or of long-term economic developments.

Production requires 'input factors' such as the work of employees and capital; these input factors have to be paid for.

The income-side approach shows how GDP is distributed among different participants in the production process, as the sum of:

- **compensation of employees**: the total remuneration, in cash or in kind, payable by an employer to an employee in return for work done by the latter during the accounting period; the compensation of employees is broken down into: wages and salaries (in cash and in kind); employers' social contributions (employers' actual social contributions and employers' imputed social contributions);
- **gross operating surplus**: this is the surplus (or deficit) on production activities before account has been taken of the interest, rents or charges paid or received for the use of assets;
- **mixed income**: this is the remuneration for the work carried out by the owner (or by members of his/her family) of an unincorporated enterprise; this is referred to as 'mixed income' since it cannot be distinguished from the entrepreneurial profit of the owner;
- **taxes on production and imports less subsidies**: these consist of compulsory (in the case of taxes) unrequited payments to or from general government or institutions of the EU, in respect of the production or import of goods and services, the employment of labour, and the ownership or use of land, buildings or other assets used in production.

Household saving is the main domestic source of funds to finance capital investment; savings rates can be measured on either a gross or net basis. **Net saving rates** are measured after deducting consumption of fixed capital (depreciation). The system of accounts also provides for both disposable income and saving to be shown on a gross basis, in other words, with both aggregates including the consumption of fixed capital. In this respect, household savings may be estimated by subtracting consumption expenditure and the adjustment for the change in net equity of households in pension funds reserves from disposable income. The latter consists essentially of income from employment and from the operation of unincorporated enterprises, plus receipts of interest, dividends and social benefits minus payments of income taxes, interest and social security contributions.

Main findings

The GDP of the EU-27 was broadly EUR 12 500 000 million in 2008, with the countries of the euro area accounting for a little under three quarters (74.1 %) of this total. The sum of the four largest EU economies (Germany, the United Kingdom, France and Italy) accounted for more than three fifths (62.6 %) of the EU-27's GDP in 2008. Cross-country comparisons should be made with caution and it is necessary to consider the effect of exchange rate fluctuations when analysing data. For example, the apparent fluctuation of GDP in the United States is, to a large degree, a reflection of the dollar strengthening against the euro up to 2001, since when it has weakened, rather than any change in the level of GDP in dollar terms (which rose steadily during this period).

In order to look at standards of living, one of the most frequently cited statistics is that of GDP per capita accounting for differences in price levels (by converting from EUR to PPS). Across the EU-27, GDP per capita averaged EUR 25 100 in 2008. The highest value among EU Member States was recorded for Luxembourg, where GDP per capita in PPS was 2.5 times the EU-27 average in 2008; these high values are partly explained by the importance of cross-border workers from Belgium, France and Germany. At the other end of the range, GDP per capita in PPS terms was less than half the EU-27 average in Bulgaria and Romania.

Even if PPS figures should, in principle, be used for cross-country comparisons in a single year rather than for temporal comparisons, they also illustrate an overall convergence process in EU living standards over the past decade, with gains and losses in the position of Member States relative to the EU-27 average. For instance, Italy recorded the same average GDP per capita in PPS terms as the EU-27 average in 2008, having been 20 % above the EU-27 average ten years earlier. Over the same period of time, Spain moved from 5 % below the EU-27 average to 4 % above it. All of the Member States that joined the EU since 2004 remained below the EU-27 average in 2008, but (with the exception of Malta) moved much closer to the EU average during the last ten years: the Baltic Member States, Slovakia and Romania (1999 to 2008) all moved 20 percentage points or more closer to the EU-27 average.

Having grown at an average rate of around 3 % per annum during the late 1990s, real GDP growth slowed considerably after the turn of the millennium, to just above 1 % per annum in both 2002 and 2003, before rebounding and reaching about 3 % per annum again in 2006 and 2007. In 2008 the rate of increase again slowed to just less than 1 %; for more details concerning the evolution since the onset of the financial crisis/recession please refer to the Spotlight chapter at the start of this publication.

There has been a considerable shift in the economic structure of the EU economy in the last few decades, with the proportion of gross value added accounted for by agriculture and industry falling, while that for most services rose. This change is, at least in part, a result of phenomena such as technological change, the evolution of relative prices, and globalisation, often resulting in manufacturing bases being moved to lower labour-cost regions, both within and outside the EU. More than one quarter (28.1 %) of the EU-27's gross value added was accounted for by business activities and financial services in 2008. There were three other branches that also contributed significant shares of just over one fifth of total value added, namely other services (largely made-up of public administrations, education and health systems, as well as other community, social and personal service activities (22.5 %)); trade, transport and communication services (21.0 %); and industry (20.1 %); the remainder of the economy was divided between construction (6.5 %) and agriculture, hunting, forestry and fishing (1.8 %). As such, the three groups of services identified above accounted for 71.6 % of total gross value added in the EU-27 in 2008. The relative importance of services was particularly high in Luxembourg, Cyprus, France, Greece, Malta, Belgium and the United Kingdom, as services accounted for more than three quarters of total value added in each of these countries.

In real terms these six broad activities all recorded growth in the 10 years from 1998 to 2008, although the growth for agriculture, hunting, forestry and fishing was much lower than that for the other activities. Trade, transport and communication services, as well as business activities and financial services recorded the strongest growth in the EU-27 over the period considered.

An analysis of the change in labour productivity per person employed over the same ten-year period shows that all sectors recorded growth. Labour productivity increased most (in percentage terms) in construction, increasing by over 50 % in current prices between 1998 and 2008. Labour productivity in industry recorded the second highest growth, while, in relative terms, the lowest labour productivity growth in current prices over this period was for business activities and financial services. To eliminate inflation effects, labour productivity per person can also be derived using constant price output figures.

Over the past decade labour productivity among most of the Member States that joined the EU since 2004 has converged towards the EU-27 average. In PPS terms, labour productivity per person employed in Romania moved from 24 % of the EU-27 average in 2000 to 48 % of the EU-27 average by 2008; Estonia, Slovakia and Lithuania also recorded substantial progress towards the EU-27 average.

Final consumption expenditure across the EU-27 rose by 23.9 % in volume (constant price) terms between 1998 and 2008. This was slightly lower than the growth in GDP during the same period (25.4 %). Growth in gross capital formation outstripped both, increasing by 31.0 %.

Consumption by households and non-profit institutions serving households rose by just over 50 % in current prices between 1998 and 2008, and represented 57.6 % of the EU-27's GDP in 2008. The share of total GDP resulting from general government expenditure was 21.2 % in the EU-27 in 2008, while gross fixed capital formation represented 20.9 %; the external balance of goods and services was just 0.3 % of EU-27's GDP in 2008.

The vast majority of investment was made by the private sector: in 2008 private investment accounted for 18.4 % of the EU-27's GDP, whereas the equivalent figure for public sector investment was 2.7 %. Public investment exceeded 5 % of GDP in Bulgaria, Estonia, Ireland and Romania in 2008, while private investment exceeded 25 % of GDP in Romania, Bulgaria, Spain and Latvia. There was a wide variation in the overall investment intensity (public and private combined) that may, in part, reflect the different stages of economic development as well as growth dynamics among Member States over recent years. Gross fixed capital formation as a share of GDP ranged from more than 30 % in Bulgaria, Romania and Latvia (with Spain just below this level), to 19 % of GDP or less in Germany, the United Kingdom and Malta.

Within the EU-27, the distribution between the production factors of income resulting from the production process was dominated by the compensation of employees, which was 48.4 % of GDP in 2008, while gross operating surplus and mixed income accounted for 39.7 % of GDP and taxes on production and imports less subsidies the remaining 11.8 %.

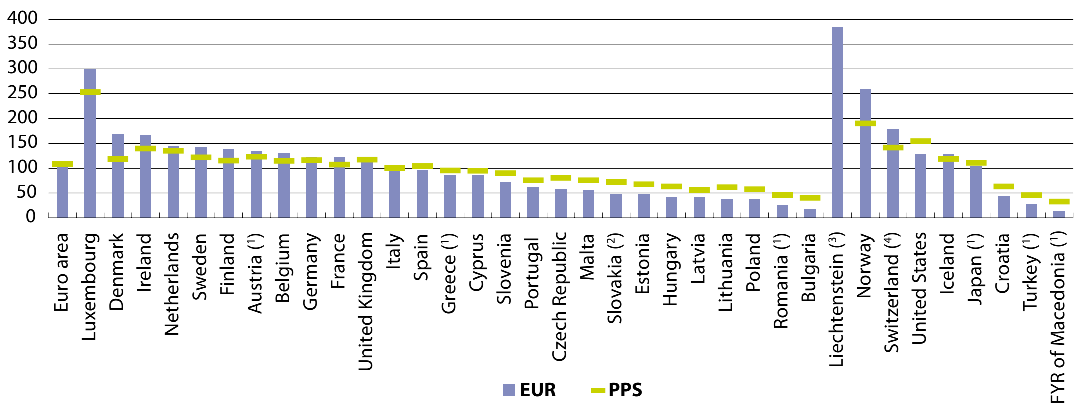
In some countries, gross national saving as a proportion of national disposable income fell considerably between 1998 and 2008. This was particularly the case in Portugal (down 9.4 percentage points) and Ireland (down 7.2 percentage points), while Romania recorded an increase of 12.5 percentage points. The highest national savings rates in 2008 were in Sweden, Austria, Slovenia, Germany and the Netherlands, all over 25 %.

Gross household savings represented 11.3 % of gross household disposable income in 2008 in the EU-27. In 2007, Germany, Slovenia and Austria reported savings rates of more than 16 % of their gross household disposable income. In contrast, Latvia reported a negative rate (-4.3 %) indicating that households were spending more money than they earned (and therefore were borrowers rather than savers), while Estonia and Lithuania reported rates under 1 %.

The consumption expenditure of households was at least half of GDP in the majority of Member States in 2008; this share was highest in Cyprus (76.6 %, 2007) and also exceeded 70 % in Greece (2007), Bulgaria (2006) and Malta, while it was below 40 % in Luxembourg (37.4 %, 2007); nevertheless, average household consumption expenditure per capita was, by far, highest in Luxembourg (PPS 24 900, 2007).

A little over one fifth (21.9 %) of total household consumption expenditure in the EU-27 in 2006 was devoted to housing, water, electricity, gas and other housing fuels. Transport expenditure (13.6 %) and expenditure on food and non-alcoholic beverages (12.7 %), together accounted for a little more than a quarter of the total.

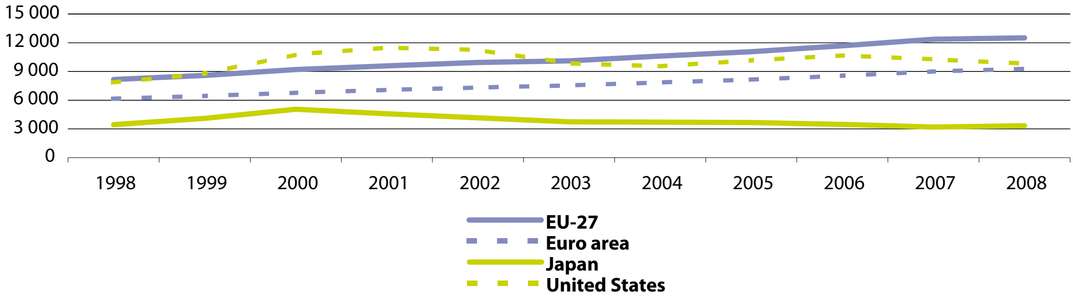
Figure 1.1: GDP per capita at current market prices, 2008
(EU-27=100)



(1) Forecast.
(2) Estimate.
(3) 2006. PPS, not available.
(4) Provisional.

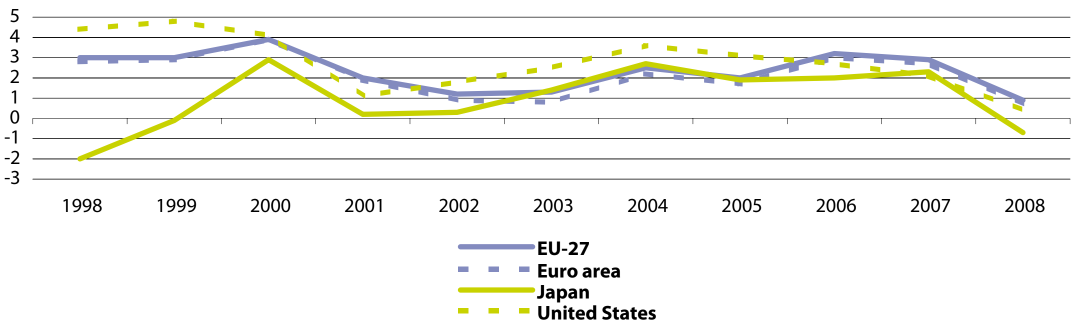
Source: Eurostat (nama_gdp_c and tec00001)

Figure 1.2: GDP at current market prices
(EUR 1 000 million)



Source: Eurostat (tec00001)

Figure 1.3: Real GDP growth
(% change compared with the previous year)



Source: Eurostat (tsieb020)

Table 1.1: GDP per capita at current market prices

	(PPS, EU-27=100)											(EUR)
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2008 (1)
EU-27	100	100	100	100	100	100	100	100	100	100	100	25 100
Euro area	113	113	113	112	111	111	109	110	109	109	108	28 300
Belgium	123	123	126	124	125	123	121	119	118	118	115	32 200
Bulgaria	*27*	27	28	29	31	33	34	35	37	37	40	4 500
Czech Republic	*71*	70	69	70	70	73	75	76	78	80	80	14 200
Denmark	132	131	132	128	128	124	126	124	123	120	118	42 400
Germany	122	122	119	117	115	117	116	117	116	115	116	30 400
Estonia	*42*	42	45	46	50	54	57	61	65	68	67	12 000
Ireland	121	126	131	133	138	141	142	144	147	150	139	40 900
Greece	83	83	84	87	90	92	94	93	94	95	*95*	*21 300*
Spain	95	96	97	98	101	101	101	102	104	105	104	23 900
France	115	115	115	116	116	112	110	111	109	109	107	30 400
Italy	120	118	117	118	112	111	107	105	104	102	100	26 300
Cyprus	*87*	87	89	91	89	89	90	91	90	91	95	21 700
Latvia	*36*	36	37	39	41	43	46	49	53	58	56	10 200
Lithuania	*40*	39	39	42	44	49	51	53	56	60	61	9 600
Luxembourg	217	237	244	234	240	248	253	254	267	267	253	80 500
Hungary	53	54	56	59	61	63	63	63	64	63	63	10 500
Malta	81	81	84	78	80	78	77	78	77	78	76	13 800
Netherlands	129	131	134	134	133	129	129	131	131	131	135	36 200
Austria	132	131	131	125	126	127	127	124	124	124	*123*	*33 800*
Poland	48	49	48	48	48	49	51	51	52	54	58	9 500
Portugal	77	78	78	77	77	77	75	77	76	76	75	15 700
Romania	:	26	26	28	29	31	34	35	38	42	*46*	*6 500*
Slovenia	*79*	81	80	80	82	83	86	87	88	89	90	18 400
Slovakia	52	51	50	52	54	56	57	60	64	67	*72*	*12 000*
Finland	114	115	117	116	115	113	116	114	115	116	115	34 800
Sweden	123	125	127	121	121	123	125	120	121	122	121	35 400
United Kingdom	118	118	119	120	121	122	124	122	121	118	117	29 600
Croatia	*52*	50	49	50	52	54	56	57	58	61	63	10 800
FYR of Macedonia	27	27	27	25	25	26	27	29	29	31	*33*	*3 200*
Turkey	*43*	39	40	36	34	34	37	40	43	45	*46*	7 000
Iceland	140	139	132	132	130	126	131	130	124	121	119	32 100
Norway	138	145	165	161	155	156	164	176	184	178	190	64 900
Switzerland	149	146	145	141	141	137	136	133	136	139	*141*	*44 600*
Japan	121	118	117	114	112	112	113	113	113	112	*111*	*25 900*
United States	161	163	161	157	154	156	157	159	158	156	154	32 200

(1) Data extracted on 14 January 2010.

Source: Eurostat (tsieb010, tec00001 and nama_gdp_c)

Table 1.2: GDP at current market prices
(EUR 1 000 million)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
EU-27	8 162	8 584	9 202	9 580	9 942	10 108	10 606	11 063	11 684	12 360	12 512
Euro area	6 160	6 441	6 779	7 075	7 324	7 544	7 854	8 148	8 556	9 001	9 276
Belgium	228	238	252	259	268	275	290	302	318	335	344
Bulgaria	11	12	14	15	17	18	20	22	25	29	34
Czech Republic	55	56	61	69	80	81	88	100	114	127	149
Denmark	155	163	174	179	185	189	197	207	218	227	232
Germany	1 952	2 012	2 063	2 113	2 143	2 164	2 211	2 242	2 325	2 428	2 496
Estonia	5	5	6	7	8	9	10	11	13	15	16
Ireland	79	91	105	117	130	139	149	162	177	191	186
Greece	122	132	138	146	157	171	186	198	213	228	243
Spain	537	580	630	681	729	783	841	909	982	1 051	1 095
France	1 315	1 368	1 441	1 497	1 549	1 595	1 660	1 726	1 806	1 895	1 950
Italy	1 087	1 127	1 191	1 249	1 295	1 335	1 392	1 429	1 485	1 545	1 572
Cyprus	9	9	10	11	11	12	13	14	15	16	17
Latvia	6	7	8	9	10	10	11	13	16	21	23
Lithuania	10	10	12	14	15	16	18	21	24	28	32
Luxembourg	17	20	22	23	24	26	28	30	34	36	37
Hungary	42	45	52	59	71	75	82	89	90	101	106
Malta	3	4	4	4	4	4	5	5	5	5	6
Netherlands	360	386	418	448	465	477	491	513	540	569	596
Austria	190	198	208	212	219	223	233	244	256	271	282
Poland	153	157	186	212	210	192	204	244	272	311	362
Portugal	106	114	122	129	135	139	144	149	155	163	166
Romania	37	34	41	45	49	53	61	80	98	124	137
Slovenia	19	21	21	23	25	26	27	29	31	34	37
Slovakia	20	19	22	24	26	29	34	38	45	55	65
Finland	116	123	132	140	144	146	152	157	167	180	185
Sweden	226	241	266	251	264	276	288	295	313	331	328
United Kingdom	1 300	1 410	1 602	1 643	1 710	1 647	1 773	1 834	1 945	2 044	1 816
Croatia	23	22	23	26	28	30	33	36	39	43	47
FYR of Macedonia	3	3	4	4	4	4	4	5	5	6	7
Turkey	239	234	290	218	243	268	315	387	419	472	498
Iceland	7	8	9	9	9	10	11	13	13	15	10
Liechtenstein	:	3	3	3	3	3	3	3	3	:	:
Norway	135	149	183	191	204	199	208	243	268	284	310
Switzerland	244	252	271	285	296	288	292	300	312	317	341
Japan	3 448	4 102	5 057	4 580	4 162	3 744	3 707	3 666	3 475	3 199	3 329
United States	7 844	8 776	10 775	11 485	11 255	9 850	9 541	10 159	10 671	10 272	9 819

Source: Eurostat (tec00001), CH: Secrétariat de l'Etat à l'Economie, JP: Bureau of Economic Analysis, US: Economic and Social Research Institute

Table 1.3: GDP at current market prices
(PPS 1 000 million)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
EU-27	8 162	8 584	9 202	9 580	9 942	10 108	10 606	11 063	11 684	12 360	12 512
Euro area	5 976	6 280	6 716	6 983	7 216	7 299	7 597	7 945	8 370	8 848	8 918
Belgium	213	224	246	251	264	264	272	281	295	312	306
Bulgaria	38	39	43	46	50	53	57	60	66	71	77
Czech Republic	*123*	127	134	142	147	155	166	175	188	206	210
Denmark	119	124	134	135	141	139	147	151	158	163	163
Germany	1 704	1 786	1 855	1 900	1 945	1 994	2 078	2 166	2 257	2 356	2 391
Estonia	10	10	12	12	14	15	17	19	21	23	23
Ireland	76	84	95	101	111	116	125	134	148	163	155
Greece	153	160	175	187	203	210	225	232	248	264	269
Spain	643	685	747	790	850	879	934	995	1 084	1 178	1 189
France	1 173	1 233	1 335	1 400	1 463	1 437	1 488	1 566	1 634	1 729	1 728
Italy	1 157	1 192	1 268	1 328	1 310	1 322	1 344	1 382	1 447	1 507	1 510
Cyprus	*10*	11	12	13	13	13	14	15	16	18	19
Latvia	*15*	15	17	18	20	21	23	25	28	33	32
Lithuania	*24*	24	26	29	31	35	38	41	45	50	52
Luxembourg	16	18	20	20	22	23	25	27	30	32	31
Hungary	92	98	109	118	128	133	138	143	151	157	158
Malta	5	6	6	6	6	6	7	7	7	8	8
Netherlands	343	369	407	424	441	435	455	480	506	535	557
Austria	178	187	201	199	209	213	224	230	242	256	258
Poland	*311*	331	352	360	378	387	419	441	471	510	550
Portugal	132	142	152	157	163	166	170	183	191	201	201
Romania	103	105	111	123	131	141	160	170	196	226	247
Slovenia	*26*	28	30	31	34	35	37	39	42	45	46
Slovakia	48	49	52	56	60	62	67	73	81	90	*98*
Finland	100	106	116	119	123	122	131	135	143	153	153
Sweden	184	198	214	214	221	228	243	244	261	278	281
United Kingdom	1 167	1 232	1 335	1 400	1 465	1 503	1 603	1 651	1 728	1 799	1 801
Croatia	*39*	39	42	44	48	50	54	57	61	67	69
FYR of Macedonia	9	10	10	10	10	11	12	13	14	16	*17*
Turkey	*459*	448	513	482	489	497	580	654	734	786	815
Iceland	7	7	7	7	8	8	8	9	9	9	10
Norway	104	115	141	144	144	148	163	183	202	209	227
Switzerland	180	186	198	201	210	208	217	223	241	261	272
Japan	2 597	2 658	2 827	2 860	2 921	2 967	3 124	3 244	3 400	3 568	3 558
United States	7 531	8 095	8 667	8 834	9 097	9 418	9 994	10 586	11 162	11 698	11 796

Source: Eurostat (tec00001), CH: Secrétariat de l'Etat à l'Economie, JP: Bureau of Economic Analysis, US: Economic and Social Research Institute

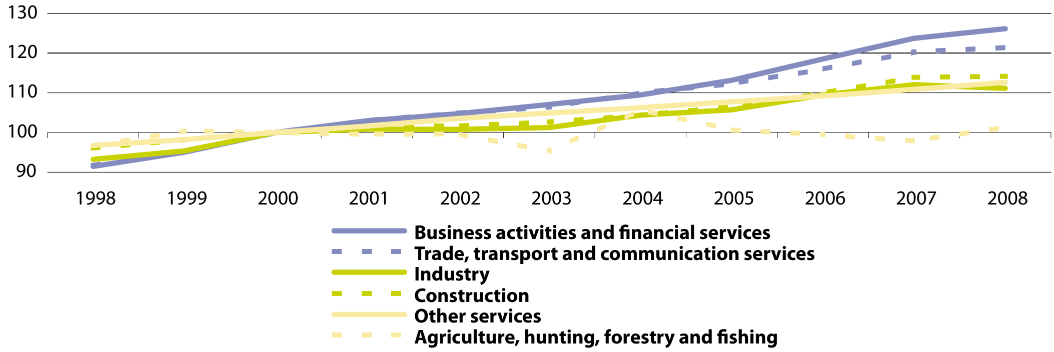
Table 1.4: Gross value added at basic prices
(% share of total gross value added)

	Agriculture, hunting, forestry & fishing		Industry		Construction		Trade, transport & communication services		Business activities & financial services		Other services	
	1998	2008	1998	2008	1998	2008	1998	2008	1998	2008	1998	2008
EU-27	2.6	1.8	23.1	20.1	5.5	6.5	21.3	21.0	25.0	28.1	22.2	22.5
Euro area	2.7	1.8	22.8	20.0	5.6	6.5	21.0	20.8	25.3	28.4	22.4	22.6
Belgium	1.5	0.8	22.9	17.9	4.8	5.3	21.3	23.0	26.8	29.4	22.4	23.6
Bulgaria	18.8	7.3	26.7	21.9	4.8	8.6	17.5	23.5	19.4	23.5	13.2	15.1
Czech Republic	4.2	2.3	31.2	31.3	8.1	6.3	24.7	25.4	16.3	17.8	15.4	16.9
Denmark	2.7	1.1	20.4	20.5	5.3	5.8	22.5	21.4	22.0	24.4	27.5	26.8
Germany	1.2	0.9	25.3	25.6	5.6	4.2	17.8	17.7	27.1	29.4	22.6	22.1
Estonia	6.1	2.6	22.2	20.6	7.0	8.4	26.6	25.6	20.8	24.2	16.7	18.6
Ireland	4.4	2.0	34.8	25.3	6.0	8.5	18.6	17.5	19.4	27.1	17.2	19.5
Greece	:	3.3	:	13.6	:	6.1	:	33.2	:	19.9	:	23.9
Spain	4.9	2.8	21.8	17.3	7.3	11.6	26.4	24.5	18.6	22.6	21.0	21.3
France	3.2	2.0	18.4	13.8	5.0	6.7	19.1	18.7	29.5	33.6	24.7	25.3
Italy	3.1	2.0	24.5	20.8	4.9	6.2	23.9	22.1	23.0	27.9	20.3	21.0
Cyprus	4.2	2.1	13.0	10.2	7.6	9.4	29.9	26.7	22.8	27.5	22.1	24.1
Latvia	4.0	3.1	21.5	13.8	6.1	8.9	31.5	29.8	15.1	23.9	21.4	20.5
Lithuania	9.8	4.5	23.0	22.2	8.4	10.0	27.7	30.8	11.6	15.6	19.7	17.0
Luxembourg	0.9	0.4	14.6	9.7	6.3	6.2	23.1	21.4	38.2	45.5	16.9	16.7
Hungary	5.5	4.3	28.2	24.9	4.6	4.6	23.2	22.2	19.2	21.9	19.3	22.2
Malta	2.9	2.3	23.1	17.7	4.0	3.6	31.6	26.4	17.4	21.6	21.3	28.6
Netherlands	3.0	1.8	19.9	19.7	5.3	5.8	22.3	21.0	26.6	28.3	22.3	23.5
Austria	2.2	1.7	22.9	23.2	8.0	7.5	24.7	23.3	20.7	23.8	21.6	20.5
Poland	6.0	4.5	24.9	23.1	7.9	8.0	26.4	27.3	16.4	19.4	18.1	17.8
Portugal	4.3	2.4	21.5	17.6	7.3	6.4	24.2	24.3	20.0	22.7	22.7	26.6
Romania	16.0	7.2	29.1	25.6	5.6	11.8	:	26.1	12.4	14.2	11.3	15.2
Slovenia	4.0	2.3	29.8	25.1	6.6	8.9	21.7	22.6	19.0	22.4	19.4	18.9
Slovakia	5.4	3.4	27.4	28.1	7.2	8.7	26.3	26.2	16.4	17.7	16.4	15.9
Finland	3.5	3.0	28.4	24.9	5.3	6.7	21.8	21.6	19.4	21.6	21.7	22.2
Sweden	2.4	1.6	25.1	22.8	4.1	5.1	19.0	19.4	24.0	24.3	25.1	26.8
United Kingdom	1.2	0.8	23.4	17.6	5.1	6.1	21.9	20.4	26.3	32.2	21.3	22.8
Croatia	8.9	6.4	23.0	20.2	6.6	8.3	25.6	25.2	17.3	22.9	19.4	16.9
FYR of Macedonia (1)	13.2	11.0	27.1	25.7	6.7	7.0	22.2	27.4	9.8	11.3	19.8	17.8
Turkey	12.9	8.6	27.7	21.7	6.0	5.2	34.2	31.9	15.6	21.1	9.4	11.4
Iceland (1)	10.2	5.6	19.6	14.3	8.4	12.2	22.0	19.4	16.6	27.2	23.1	20.9
Norway	2.7	1.2	27.5	41.3	5.1	4.8	21.4	15.7	18.2	17.3	23.7	19.6
Switzerland	1.7	1.2	22.5	22.6	5.4	5.3	22.0	22.2	22.7	23.3	25.5	25.1
Japan	1.5	:	24.8	:	7.4	:	17.6	:	17.4	:	28.1	:
United States	1.3	:	20.0	:	4.6	:	:	:	30.7	:	23.5	:

(1) 2007 instead of 2008.

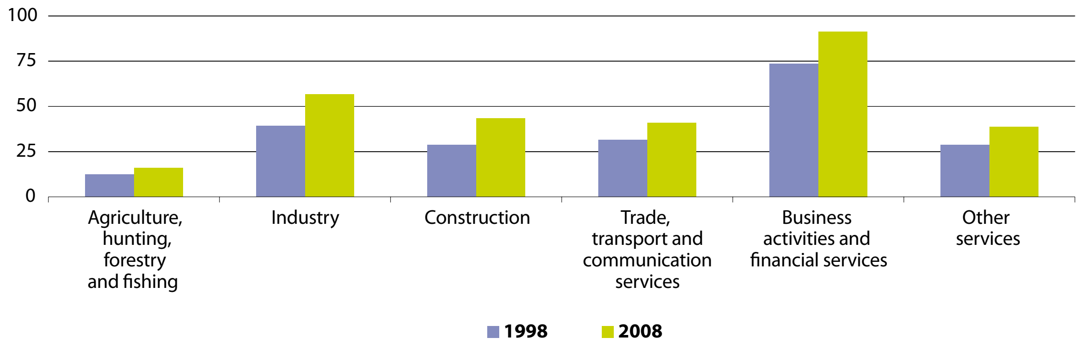
Source: Eurostat (tec00003, tec00004, tec00005, tec00006, tec00007 and tec00008)

Figure 1.4: Gross value added, EU-27
(2000=100)



Source: Eurostat (nama_nace06_k)

Figure 1.5: Labour productivity, EU-27
(EUR 1 000 per person employed)



Source: Eurostat (nama_nace06_c and nama_nace06_e)

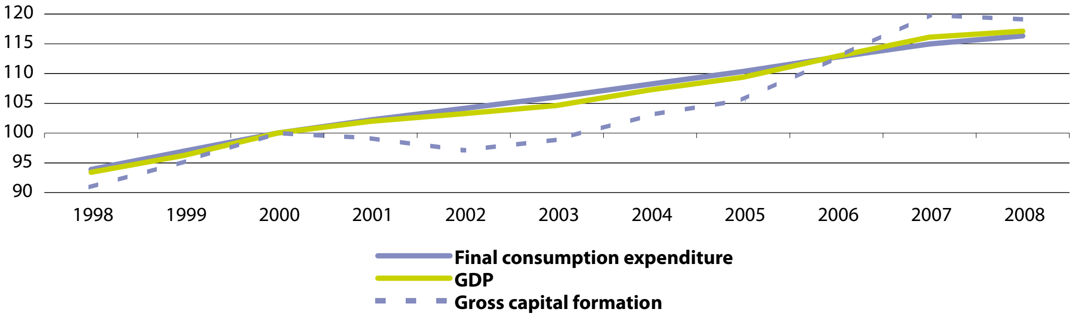
Table 1.5: Labour productivity (based on PPS)

	Per person employed (EU-27=100)						Per hour worked (EU-15=100)					
	1998	2000	2002	2004	2006	2008	1998	2000	2002	2004	2006	2007
EU-27	100	100	100	100	100	100	:	:	87	88	89	89
Euro area	115	113	111	109	109	109	:	101	101	100	101	101
Belgium	134	137	136	132	130	125	:	:	:	:	:	:
Bulgaria	27	30	33	34	35	36	25	28	30	30	31	31
Czech Republic	60	62	63	68	70	72	44	45	48	52	53	55
Denmark	109	110	108	109	105	101	106	105	103	104	100	96
Germany	112	108	106	108	109	107	111	109	109	112	113	112
Estonia	41	46	51	57	61	64	:	35	38	43	46	48
Ireland	125	127	133	135	137	134	95	98	104	107	108	111
Greece	91	94	99	101	101	102	:	:	:	:	:	:
Spain	108	104	105	102	102	105	92	89	90	90	92	94
France	126	125	125	121	121	121	115	117	121	115	117	117
Italy	130	126	118	112	110	108	103	100	95	91	90	89
Cyprus	82	85	84	83	83	86	64	65	65	66	66	67
Latvia	37	40	43	46	50	51	:	:	:	:	:	:
Lithuania	41	43	48	53	56	61	34	34	39	44	45	47
Luxembourg	165	176	163	170	176	161	:	:	150	160	168	166
Hungary	63	65	71	72	73	74	45	46	52	54	55	55
Malta	:	97	92	90	90	88	:	:	:	:	:	:
Netherlands	111	114	113	112	114	115	114	118	119	119	121	121
Austria	121	121	117	118	115	113	104	104	101	102	101	102
Poland (1)	51	55	59	62	61	63	:	41	43	51	53	44
Portugal	68	69	68	67	70	71	:	53	52	52	55	:
Romania	:	24	29	34	40	48	:	19	23	28	31	:
Slovenia	75	76	78	82	84	84	:	:	:	:	:	:
Slovakia	56	58	63	66	72	79	46	47	53	56	60	63
Finland	114	115	111	112	110	110	96	97	95	97	96	97
Sweden	112	113	108	113	111	112	100	103	100	105	103	103
United Kingdom	109	111	112	114	112	111	:	:	:	:	:	:
Croatia	64	61	67	70	74	77	:	:	:	:	:	:
FYR of Macedonia	46	48	46	51	55	58	:	:	:	:	:	:
Turkey	53	53	49	54	62	64	:	:	:	:	:	:
Iceland	110	103	104	108	99	99	:	:	:	:	:	:
Norway	114	139	131	142	156	157	115	141	138	149	164	157
Switzerland	112	110	107	105	106	112	100	97	98	94	95	97
Japan	98	99	98	99	100	100	:	:	:	:	:	:
United States	141	142	140	143	143	145	112	114	114	119	:	:

(1) 2005, break in series for per person employed; 2007, break in series for per hour worked.

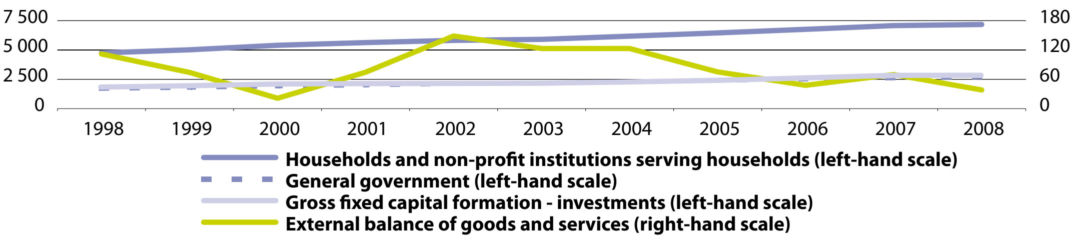
Source: Eurostat (tsieb030 and tsieb040), OECD

Figure 1.6: Consumption expenditure and gross capital formation at constant prices, EU-27 (2000=100)



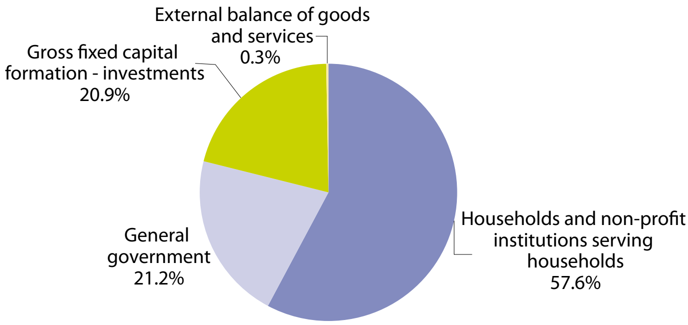
Source: Eurostat (nama_gdp_k)

Figure 1.7: Expenditure components of GDP, EU-27 (EUR 1 000 million)



Source: Eurostat (tec00009, tec00010, tec00011 and tec00110)

Figure 1.8: Expenditure components of GDP, EU-27, 2008 (% share of GDP)



Source: Eurostat (tec00009, tec00011, tec00010 and tec00110)

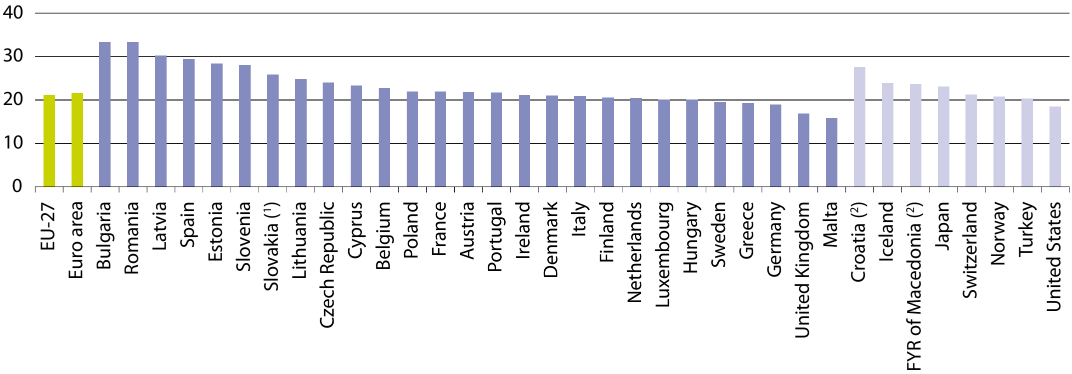
Table 1.6: Investment
(% share of GDP)

	Total investment			Public investment			Business investment		
	1998	2003	2008	1998	2003	2008	1998	2003	2008
EU-27	20.0	19.4	21.1	2.3	2.4	2.7	17.8	17.0	18.4
Euro area	20.4	20.1	21.6	2.4	2.5	2.5	18.0	17.6	19.1
Belgium	20.2	18.8	22.7	1.7	1.7	1.6	18.5	17.1	21.1
Bulgaria	13.0	19.3	33.4	3.2	2.7	5.6	9.8	16.6	27.8
Czech Republic	28.2	26.7	24.0	4.2	4.5	4.8	24.0	22.1	19.1
Denmark	20.4	19.3	21.0	1.7	1.6	1.8	18.8	17.7	19.2
Germany	21.1	17.9	19.0	1.8	1.6	1.5	19.3	16.3	17.5
Estonia	30.4	31.6	29.3	4.9	4.4	5.6	25.5	27.2	23.8
Ireland	21.4	22.3	21.1	2.7	3.7	5.4	18.8	18.7	15.7
Greece	:	23.7	19.3	3.2	3.6	2.9	:	20.1	16.4
Spain	23.0	27.2	29.4	3.3	3.6	3.8	19.8	23.6	25.6
France	17.9	18.8	21.9	2.8	3.1	3.2	15.1	15.8	18.7
Italy	19.3	20.4	20.9	2.3	2.5	2.2	17.0	17.9	18.7
Cyprus	18.7	17.6	23.3	2.9	3.4	3.0	15.8	14.2	20.3
Latvia	24.7	24.4	30.2	1.4	2.4	4.9	23.3	22.0	25.3
Lithuania	24.0	21.1	24.8	2.5	3.0	4.9	21.4	18.1	19.9
Luxembourg	21.8	22.2	20.1	4.5	4.6	3.9	17.3	17.6	16.2
Hungary	23.6	22.0	20.1	3.4	3.5	2.8	20.2	18.5	17.3
Malta	22.9	19.6	15.8	4.6	4.7	2.7	18.4	14.9	13.2
Netherlands	22.2	19.5	20.4	3.0	3.6	3.3	19.3	15.9	17.2
Austria	24.0	22.4	21.8	1.8	1.2	1.0	22.2	21.3	20.8
Poland	24.1	18.2	22.0	3.9	3.3	4.6	20.2	14.9	17.3
Portugal	26.5	22.9	21.7	4.0	3.1	2.1	22.5	19.8	19.6
Romania	18.2	21.5	33.3	1.8	3.5	5.4	16.4	18.0	27.9
Slovenia	24.9	24.0	28.9	2.9	3.2	4.2	21.2	20.6	24.8
Slovakia	35.7	24.8	25.9	4.0	2.6	1.8	32.7	22.9	24.2
Finland	19.0	18.1	20.6	2.9	2.9	2.5	16.2	15.2	18.1
Sweden	16.3	16.3	19.5	3.1	2.9	3.3	13.2	13.3	16.2
United Kingdom	17.7	16.4	16.9	1.3	1.5	2.3	16.5	14.9	14.6
Croatia	20.0	25.0	27.6	:	:	:	:	:	:
FYR of Macedonia	17.4	16.7	23.7	:	:	:	:	:	:
Turkey	22.9	17.0	20.3	:	:	:	:	:	:
Iceland	24.0	20.0	24.4	4.4	3.6	4.5	19.6	16.3	19.9
Norway	25.0	17.3	20.8	3.6	3.0	3.1	21.3	14.3	17.7
Switzerland (1)	22.2	20.5	21.3	2.7	2.5	1.9	19.4	18.1	19.6

(1) 2007 instead of 2008 for public and business investment.

Source: Eurostat (nama_gdp_c, tsdec210, tec00022 and tsier140)

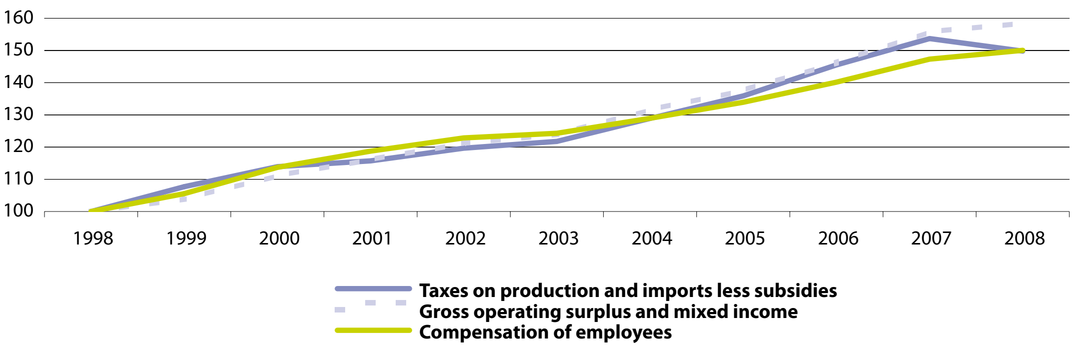
Figure 1.9: Gross fixed capital formation, 2007
(% share of GDP)



(1) Estimate.
(2) Forecast.

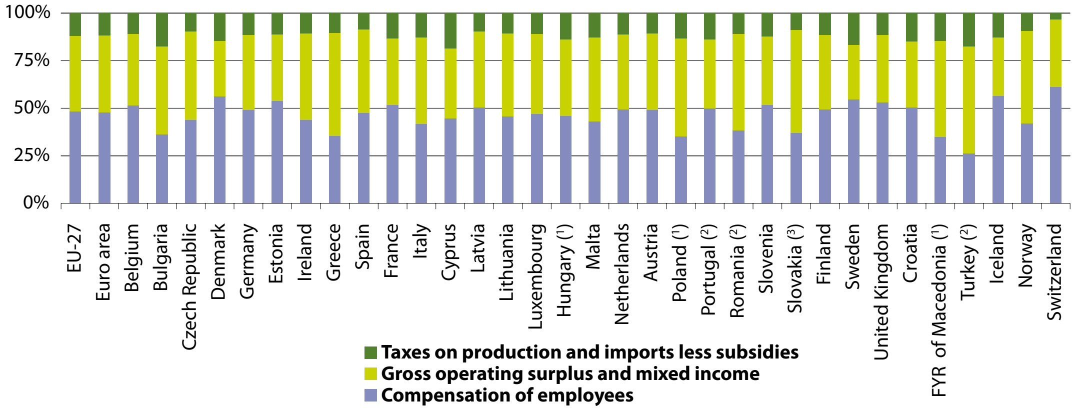
Source: Eurostat (tec00011)

Figure 1.10: Distribution of income, EU-27
(1998=100)



Source: Eurostat (tec00016, tec00015 and tec00013)

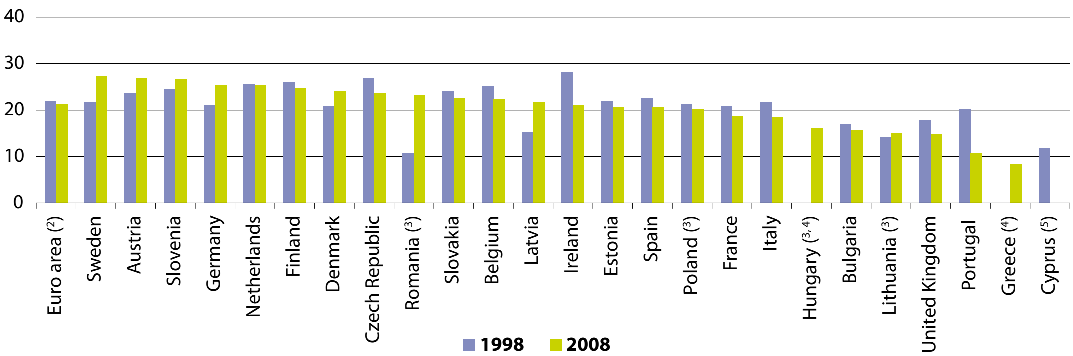
Figure 1.11: Distribution of income, 2008
(% share of GDP)



(1) 2007.
(2) 2006.
(3) Estimates.

Source: Eurostat (tec00016, tec00015 and tec00013)

Figure 1.12: Gross national savings (1)
(% of gross national disposable income)



(1) EU-27, Luxembourg and Malta, not available.
(2) EA-13 instead of EA-16.
(3) Forecast.
(4) 1998, not available.
(5) 2008, not available.

Source: Eurostat (nama_inc_c)

Table 1.7: Gross household savings ([1])
(% of gross household disposable income)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
EU-27	:	12.1	11.5	12.3	12.3	12.2	11.7	11.5	10.9	10.8	11.3
Belgium	17.0	17.2	15.4	16.4	15.8	14.7	13.3	12.6	12.9	13.7	:
Bulgaria	:	:	:	:	:	:	:	-22.7	-29.2	:	:
Czech Republic	9.2	8.6	8.5	7.4	8.1	7.4	5.7	8.1	9.1	8.8	:
Denmark	6.3	3.8	4.9	8.8	8.8	9.4	6.3	4.5	6.4	5.1	:
Germany	15.9	15.3	15.1	15.2	15.7	16.0	16.1	16.3	16.2	16.7	:
Estonia	4.5	2.6	4.1	3.1	0.5	-1.6	-4.8	-3.8	-3.0	0.8	:
Ireland	:	:	:	:	10.3	10.6	13.7	11.6	10.3	9.2	:
Greece	:	:	2.5	1.7	1.1	1.6	1.5	0.7	1.2	:	:
Spain	:	:	11.1	11.1	11.4	12.0	11.3	11.3	11.2	10.2	:
France	15.4	15.1	14.9	15.6	16.7	15.6	15.6	14.7	14.8	15.3	15.1
Italy	16.8	15.8	14.2	16.0	16.8	16.0	16.0	15.8	15.2	14.5	15.1
Cyprus	:	:	:	:	:	:	:	:	:	:	:
Latvia	0.7	-0.7	2.9	-0.4	1.5	3.0	4.7	1.2	-3.7	-4.3	:
Lithuania	7.2	7.8	6.5	4.9	4.7	3.0	1.3	1.3	1.2	0.1	:
Luxembourg	:	:	14.1	13.5	11.4	9.3	11.8	11.0	12.4	9.9	:
Hungary	:	:	:	:	:	:	:	:	:	:	:
Malta	:	:	:	:	:	:	:	:	:	:	:
Netherlands	16.6	13.8	12.0	14.5	13.7	13.0	13.0	12.2	11.5	13.4	:
Austria	13.3	14.5	13.9	13.0	12.9	14.0	14.1	14.5	15.4	16.3	:
Poland	14.4	13.3	12.4	14.2	10.4	10.0	10.1	9.8	8.6	8.8	:
Portugal	10.5	9.8	10.2	10.9	10.6	10.6	9.7	9.2	8.1	6.7	:
Romania	:	:	1.2	1.6	-1.4	-9.6	-6.6	-12.1	-14.0	:	:
Slovenia	:	:	14.0	15.5	16.1	13.9	15.4	17.0	17.1	16.4	:
Slovakia	12.4	11.2	11.1	9.1	8.9	7.1	6.3	6.9	6.1	7.7	:
Finland	7.9	9.3	7.5	7.7	7.8	8.3	9.2	7.8	6.1	6.4	6.8
Sweden	6.4	6.0	7.4	11.8	11.6	11.4	10.3	9.5	10.5	11.7	14.7
United Kingdom	7.4	5.2	4.7	6.0	4.8	5.1	4.0	5.1	4.2	2.5	:
Norway	10.5	9.5	9.2	8.2	12.8	13.3	11.8	14.5	5.6	4.6	:
Switzerland	15.8	16.0	16.9	17.1	16.1	14.8	14.4	15.4	16.6	17.8	:

([1]) Including net adjustment for the change in net equity of households in pension funds reserves.

Source: Eurostat (tsdec240)

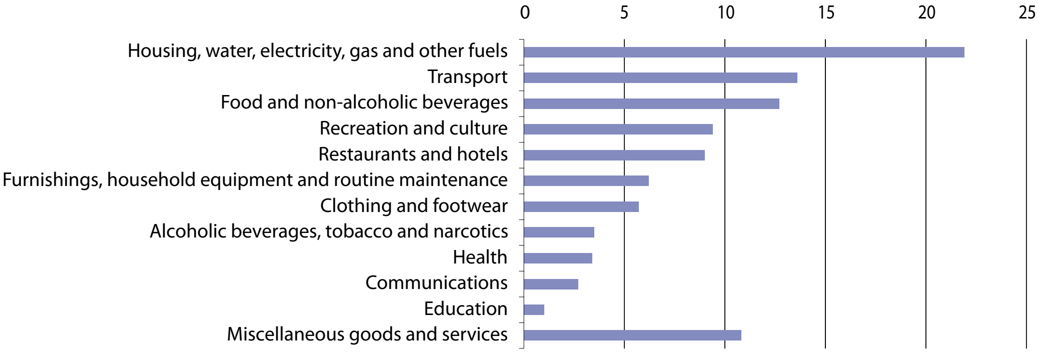
Table 1.8: Consumption expenditure of households (domestic concept)

	As a proportion of GDP (%)			Per capita (PPS)		
	1998	2003	2008	1998	2003	2008
Belgium (1)	51.9	51.5	50.2	10 800	13 100	14 700
Bulgaria (2)	70.8	73.2	73.5	3 200	4 900	6 300
Czech Republic (1)	54.7	53.0	49.5	6 500	8 100	9 900
Denmark	49.9	46.9	48.2	11 200	12 100	14 300
Germany (1)	55.0	56.1	53.7	11 400	13 600	15 400
Estonia (1)	63.7	58.1	54.6	4 600	6 600	9 400
Ireland (1)	48.4	43.9	43.6	10 000	12 800	16 300
Greece (1)	:	74.3	74.1	:	14 200	17 500
Spain (1)	62.8	60.4	59.4	10 200	12 600	15 600
France	55.1	55.8	56.1	10 800	12 900	15 100
Italy (1)	60.2	59.8	59.3	12 200	13 700	15 000
Cyprus (1)	81.0	77.6	76.6	11 900	14 300	17 300
Latvia (1)	62.1	61.1	60.6	3 800	5 500	8 700
Lithuania (1)	63.0	65.3	64.0	4 300	6 600	9 500
Luxembourg (1)	49.3	44.3	37.4	18 200	22 800	24 900
Hungary	54.7	56.0	53.5	4 900	7 300	8 500
Malta	79.4	74.9	70.6	10 900	12 200	13 400
Netherlands	49.3	48.7	44.8	10 800	13 000	15 200
Austria (1)	56.2	55.9	54.1	12 500	14 700	16 700
Poland (1)	62.5	65.1	60.4	5 100	6 600	8 100
Portugal (2)	64.3	64.1	65.9	8 400	10 200	11 900
Romania (2)	74.8	65.4	67.7	:	4 200	6 100
Slovenia	59.2	57.4	55.8	7 900	9 900	12 700
Slovakia (1)	54.3	56.0	55.0	4 800	6 400	9 200
Finland	48.2	49.6	49.6	9 400	11 600	14 300
Sweden (1)	47.8	47.4	45.5	9 900	12 000	13 900
United Kingdom	61.9	61.6	60.6	12 400	15 600	17 800
FYR of Macedonia (1)	72.9	77.4	78.7	3 300	4 100	6 100
Turkey	70.8	76.0	73.0	5 100	5 300	8 300
Iceland	53.7	53.1	49.2	12 800	13 800	14 700
Norway	47.5	44.5	37.3	11 100	14 400	17 800
Switzerland (1)	59.0	59.2	55.7	15 000	16 800	19 200

(1) 2007 instead of 2008.
(2) 2006 instead of 2008.

Source: Eurostat (nama_fcs_c)

Figure 1.13: Consumption expenditure of households, EU-27, 2006
(% of total household consumption expenditure)



Source: Eurostat (nama_co2_c)

1.2 Government finances

Introduction

The disciplines of the stability and growth pact (SGP) keep economic developments in the EU and in the euro area countries (in particular), broadly synchronised (5). They prevent Member States from taking policy measures which would unduly benefit their own economies at the expense of others. There are two key principles to the pact: the deficit (planned or actual) must not exceed 3 % of GDP and that the debt-to-GDP ratio should not be more than 60 %.

A revision in March 2005 based on the first five years of experience left these principles unchanged, but introduced greater flexibility in exceeding the deficit threshold in hard economic times or to finance investment in structural improvements. It also gave Member States a longer period to reverse their excessive deficits – although, if they do not bring their economies back into line, corrective measures, or even fines, can be imposed.

Each year, Member States provide the European Commission with detailed information on their economic policies and the state of their public finances. Euro area countries provide this information in the context of 'stability programmes', while other Member States do so in the form of 'convergence programmes'. If a Member State exceeds the deficit ceiling, an excessive deficit procedure (EDP) is triggered; this entails several steps to encourage the Member State concerned to take measures to rectify the situation. The Spotlight chapter at the start of this publication provides more information on the implementation of the EDP during the financial and economic crisis.

(5) For more information: http://ec.europa.eu/economy_finance/sg_pact_fiscal_policy/fiscal_policy528_en.htm.

Definitions and data availability

Under the rules on budgetary discipline within the EU's stability and growth pact (Amsterdam, 1997), Member States are to avoid situations of 'excessive government deficits'. The Member States should notify their **government deficit and debt statistics** to the European Commission before 1 April and 1 October of each year under the 'excessive deficit procedure'. In addition, Eurostat collects the data and ensures that Member States comply with the relevant Regulations. The main aggregates of general government are provided by the Member States to Eurostat twice a year, according to the ESA 95 transmission programme.

The data presented in this section correspond to the main revenue and expenditure items of the general government sector, which are compiled on a national accounts (ESA 95) basis. The difference between total revenue and total expenditure – including capital expenditure (in particular, gross fixed capital formation) – equals net lending/net borrowing of general government, which is also the balancing item of the government non-financial accounts.

The **general government sector** includes all institutional units whose output is intended for individual and collective consumption, and mainly financed by compulsory payments made by units belonging to other sectors, and/or all institutional units principally engaged in the redistribution of national income and wealth. The general government sector is subdivided into four subsectors:

- **Central government** covers all administrative departments of the state and other central agencies whose responsibilities extend over the whole economic territory, except for the administration of the social security funds.
- **State government** covers separate institutional units exercising some of the functions of government at a level below that of central government and above that of the governmental institutional units existing at local level, except for the administration of social security funds.
- **Local government** concerns all types of public administration whose competence extends to only a local part of the economic territory apart from local agencies of social security funds.
- **Social security funds** comprise all central, state and local institutional units whose principal activity is to provide social benefits, and which fulfil each of the two following criteria: (i) by law or regulation (except regulations concerning government employees), certain groups of the population are obliged to participate in the scheme or to pay contributions, and (ii) general government is responsible for the management of the institution in respect of settlement or approval of the contributions and benefits independently of its role as a supervisory body or employer.

The main **revenue of general government** consists of taxes, social contributions, sales and property income. It is defined in ESA 95 by reference to a list of categories: market output, output for own final use, payments for the other non-market output, taxes on production and imports, other subsidies on production, receivable property income, current taxes on income, wealth, etc., social contributions, other current transfers and capital transfers.

The main expenditure items consist of the compensation of civil servants, social benefits, interest on the public debt, subsidies, and gross fixed capital formation. Total **general government expenditure** is defined in ESA 95 by reference to a list of categories: intermediate consumption, gross capital formation, compensation of employees, other taxes on production, subsidies, payable property income, current taxes on income, wealth, social benefits, some social transfers, other current transfers, capital transfers and transactions on non-produced assets.

The **public balance** is defined as general government net borrowing/net lending reported for the excessive deficit procedure and is expressed in relation to GDP. Under the convergence criteria, the ratio of planned or actual government deficit (net borrowing) to GDP should be no more than 3 %.

General government consolidated gross debt is also expressed as a percentage of GDP. It refers to the consolidated stock of gross debt at nominal value at the end of the year. Under the convergence criteria, the ratio of general government consolidated gross debt to GDP should generally be no more than 60 % (unless the ratio is sufficiently diminishing and approaching the reference value at a satisfactory pace).

Taxes and social contributions correspond to revenues which are levied (in cash or in kind) by central, state and local governments, and social security funds. These levies (generally referred to as tax revenue) are organised into three main areas, covered by the following headings:

- **taxes on income and wealth**, including all compulsory payments levied periodically by general government on the income and wealth of enterprises and households;
- **taxes on production and imports**, including all compulsory payments levied by general government with respect to the production and importation of goods and services, the employment of labour, the ownership or use of land, buildings or other assets used in production;
- **social contributions**, including all employers' and employees' social contributions, as well as imputed social contributions that represent the counterpart to social benefits paid directly by employers.

Data on public procurement are based on information contained in the calls for competition and contract award notices submitted for publication in the Official Journal of the European Communities (the S series). The numerator is the value of public procurement, which is openly advertised. For each of the sectors – works, supplies and services – the number of calls for competition published is multiplied by an average based, in general, on all the prices provided in the contract award notices published in the Official Journal during the relevant year. The value of public procurement is then expressed relative to GDP.

State aid is made up of sectoral State aid (given to specific activities of the economy such as agriculture, fisheries, manufacturing, mining, transport, services), ad-hoc State aid (given to individual undertakings), and State aid for cross-cutting or horizontal objectives (of common interest) such as research and development, safeguarding the environment, support to small and medium-sized enterprises, employment or training, including aid for regional development. The first two of these (sectoral and ad-hoc State aid) are considered potentially more distortive to competition.

Main findings

The government deficit to GDP ratio for the EU-27 fell from 3.1 % in 2003 to 0.8 % in 2007, but in 2008 the trend was reversed as it grew rapidly to 2.3 %. Four Member States recorded a reduced deficit or increased surplus relative to GDP in 2008 compared with 2007, namely Bulgaria, Hungary, the Netherlands and Austria. However, three Member States recorded large swings from surplus to deficit, namely a fall of 7.5 percentage points in Ireland, 6.0 percentage points in Spain, and 5.3 percentage points in Estonia. In 2008 the deficit ratios exceeded the target reference value of the stability and growth pact in 11 Member States, which could be compared with the situation in 2007 when only two Member States exceeded the limit of 3 % of GDP. In 2008, the largest government deficits as a percentage of GDP were recorded by Greece (-7.7 %) and Ireland (-7.2 %), while eight Member States registered a surplus in 2008, the largest being in Finland (4.5 %).

The government debt to GDP ratio in the EU-27 fell from 66.5 % at the end of 1998 to 58.7 % at the end of 2007, however, it increased to 61.5 % at the end of 2008. The lowest ratios of government debt to GDP at the end of 2008 were recorded in Estonia (4.6 %), Luxembourg (13.5 %), Romania (13.6 %) and Bulgaria (14.1 %). A total of 18 Member States had government debt ratios under 60 % of GDP in 2008, one less than in 2007 as Austria moved back above this target. The highest government debt ratios were recorded in Italy (105.8 %), Greece (99.2 %) and Belgium (89.8 %). In 2008, the government debt ratio decreased for seven Member States, most notably Cyprus – where it fell by 9.9 percentage points. The highest increases of the debt ratio from 2007 to 2008 were observed in Ireland (up 19.0 percentage points of GDP), the Netherlands (12.7 points) and Latvia (10.5 points).

General government expenditure may be analysed by using the classification of the functions of government (COFOG). Social protection measures accounted for the highest proportion of government expenditure in 2007 in all of the Member States (except for Cyprus). Their share ranged from close to or more than 22 % of GDP in France, Denmark and Sweden to less than 10 % in Latvia, Estonia, Romania and Cyprus. Government expenditure devoted to social protection amounted to 18 % of GDP in the EU-27. The next COFOG functions in order of their relative importance across the whole of the EU were health (6.6 % of GDP), general public services (6.1 %) and education (5.1 %), while spending on economic affairs in the EU-27 was close to 4 % of GDP, and less than 2 % was of GDP was devoted to each of the following COFOG functions: defence, public order and safety, environmental protection, housing and community affairs, recreation, religion and culture.

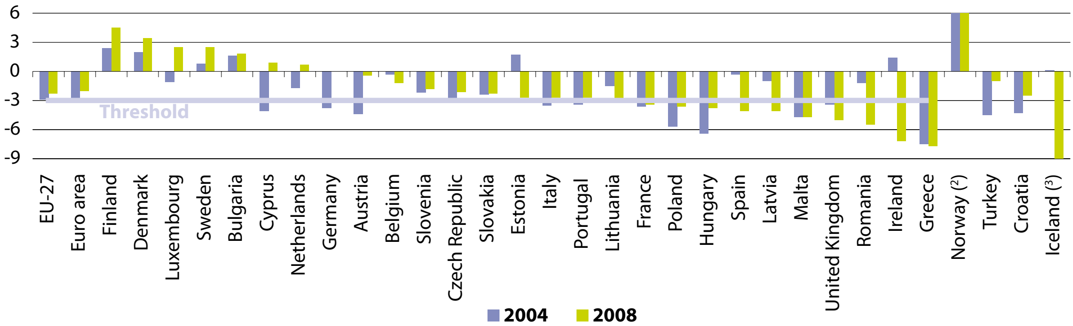
The importance of the general government sector in the economy may be measured in terms of total general government revenue and expenditure as a percentage of GDP. In the EU-27, total government revenue in 2008 amounted to 44.6 % of GDP, and expenditure to 46.8 % of GDP. The level of general government expenditure and revenue varies considerably between the Member States. Those with the highest levels of combined government expenditure and revenue as a proportion of GDP in 2008 were Sweden, Denmark, Finland and France, for which this combined ratio was more than 100 %. Nine Member States reported relatively low combined ratios of below 80 %: out of these, the government sector was smallest in Slovakia, Romania and Lithuania (under 72 %).

The main types of government revenue are taxes on income and wealth, taxes on production and imports, and social contributions. The structure of tax revenue within the EU-27 shows that receipts from these three main headings were roughly equal in 2008, with receipts from social contributions slightly higher than the receipts from the other two categories. 2008 marked a change in the development of the revenue from these three categories of taxes. Between 2004 and 2007 the ratio of taxes on income and wealth to GDP increased in the EU-27 from 12.3 % to 13.4 %, before dropping back to 13.1 % in 2008. Taxes on production and imports relative to GDP grew steadily and smoothly from 13.1 % in 2001 to 13.5 % in 2007 (with a stable period between 2006 and 2007), before also dropping back to 13.0 % in 2008. In contrast, social contributions had fallen from 14.0 % of GDP in 2003 to 13.5 % in 2007, before picking up to 13.7 % in 2008. However, there was considerable variation in the structure of tax revenue across the Member States. As may be expected, those countries that reported relatively high levels of expenditure tended to be those that also raised more taxes (as a proportion of GDP). For example, the highest return from these taxes and social contributions was 48.8 % of GDP recorded in Denmark, with Sweden recording the next highest share (47.5 %), while the proportion of GDP accounted for by tax revenue was below 30 % in Slovakia, Romania and Latvia.

The value of public procurement which is openly advertised reached 12.3 % of GDP in Latvia, four times as high as the 3.1 % average for the EU-27. Malta was the only Member States that joined the EU since 2004 where this indicator was below the EU-27 average in 2007. Among the EU-15 Member States, Spain and the United Kingdom recorded the highest ratio of openly advertised public procurement to GDP, while Germany and Luxembourg reported the lowest.

In total, state aid in the EU-27 amounted to 0.5 % of GDP in 2006. This average masks significant disparities between Member States: the ratio of total state aid to GDP ranged from less than 0.4 % in Luxembourg, Estonia, the United Kingdom, Spain, Italy and Belgium to 1.3 % or more in Portugal, Bulgaria and Hungary. The relatively high importance of state aid in some of the Member States that joined the EU since 2004 may be largely attributed to pre-accession measures that are either being phased-out under transitional arrangements or are limited in time.

Figure 1.14: Public balance ([1])
(net borrowing/lending of consolidated general government sector, % of GDP)



([1]) Data extracted on 22 October 2009.
([2]) Broken y-axis; value for 2004 is 11.1 %; value for 2008 is 18.8 %.
([3]) Broken y-axis; value for 2008 is -14.3 %.

Source: Eurostat (tsieb080)

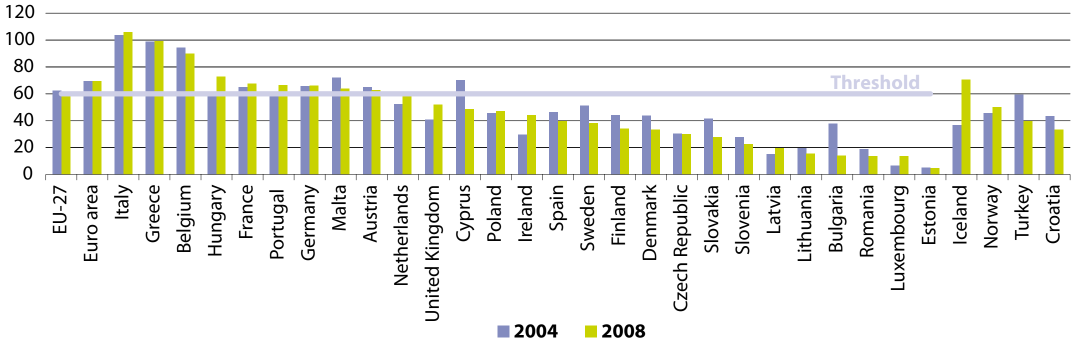
Table 1.9: Public balance and general government debt ([1])

	Public balance (net borrowing/lending of consolidated general government sector, % of GDP)					General government debt (general government consolidated gross debt, % of GDP)				
	1998	2003	2006	2007	2008	1998	2003	2006	2007	2008
EU-27	-1.9	-3.1	-1.4	-0.8	-2.3	66.5	61.8	61.3	58.7	61.5
Euro area	-2.3	-3.1	-1.3	-0.6	-2.0	73.1	69.1	68.3	66.0	69.3
Belgium	-0.9	-0.1	0.3	-0.2	-1.2	117.1	98.7	88.1	84.2	89.8
Bulgaria	:	-0.3	3.0	0.1	1.8	79.6	45.9	22.7	18.2	14.1
Czech Republic	-5.0	-6.6	-2.6	-0.7	-2.1	15.0	30.1	29.4	29.0	30.0
Denmark	0.1	0.1	5.2	4.5	3.4	60.8	45.8	31.3	26.8	33.5
Germany	-2.2	-4.0	-1.6	0.2	0.0	60.3	63.8	67.6	65.0	65.9
Estonia	-0.7	1.7	2.3	2.6	-2.7	5.5	5.6	4.5	3.8	4.6
Ireland	2.4	0.4	3.0	0.3	-7.2	53.6	31.1	25.0	25.1	44.1
Greece	:	-5.7	-2.9	-3.7	-7.7	105.8	98.0	97.1	95.6	99.2
Spain	-3.2	-0.2	2.0	1.9	-4.1	64.1	48.7	39.6	36.1	39.7
France	-2.6	-4.1	-2.3	-2.7	-3.4	59.4	62.9	63.7	63.8	67.4
Italy	-2.8	-3.5	-3.3	-1.5	-2.7	114.9	104.4	106.5	103.5	105.8
Cyprus	-4.1	-6.5	-1.2	3.4	0.9	58.6	68.9	64.6	58.3	48.4
Latvia	0.0	-1.6	-0.5	-0.3	-4.1	9.6	14.6	10.7	9.0	19.5
Lithuania	-3.1	-1.3	-0.4	-1.0	-3.2	16.6	21.1	18.0	16.9	15.6
Luxembourg	3.4	0.5	1.3	3.7	2.5	7.1	6.1	6.6	6.6	13.5
Hungary	-8.2	-7.2	-9.3	-5.0	-3.8	62.0	58.1	65.6	65.9	72.9
Malta	-9.9	-9.9	-2.6	-2.2	-4.7	53.4	69.3	63.6	62.0	63.8
Netherlands	-0.9	-3.1	0.5	0.2	0.7	65.7	52.0	47.4	45.5	58.2
Austria	-2.4	-1.4	-1.6	-0.6	-0.4	64.8	65.5	62.2	59.5	62.6
Poland	-4.3	-6.3	-3.6	-1.9	-3.6	38.9	47.1	47.7	45.0	47.2
Portugal	-3.4	-2.9	-3.9	-2.6	-2.7	52.1	56.9	64.7	63.6	66.3
Romania	-3.2	-1.5	-2.2	-2.5	-5.5	16.6	21.5	12.4	12.6	13.6
Slovenia	-2.4	-2.7	-1.3	0.0	-1.8	:	27.5	26.7	23.3	22.5
Slovakia	-5.3	-2.8	-3.5	-1.9	-2.3	34.5	42.4	30.5	29.3	27.7
Finland	1.6	2.6	4.0	5.2	4.5	48.2	44.4	39.3	35.2	34.1
Sweden	1.1	-0.9	2.5	3.8	2.5	69.1	52.3	45.9	40.5	38.0
United Kingdom	-0.1	-3.3	-2.7	-2.7	-5.0	46.7	38.7	43.2	44.2	52.0
Croatia	:	-4.5	-3.0	-2.5	-1.4	:	40.9	35.7	33.1	33.5
Turkey	:	-11.3	0.8	-1.0	-2.2	:	85.1	46.1	39.4	39.5
Iceland	0.5	-1.6	6.3	5.4	-14.3	49.3	41.4	30.1	28.7	70.6
Norway	:	7.3	18.5	17.7	18.8	:	44.3	55.3	52.3	50.0

([1]) Data extracted on 22 October 2009.

Source: Eurostat (tsieb080 and tsieb090)

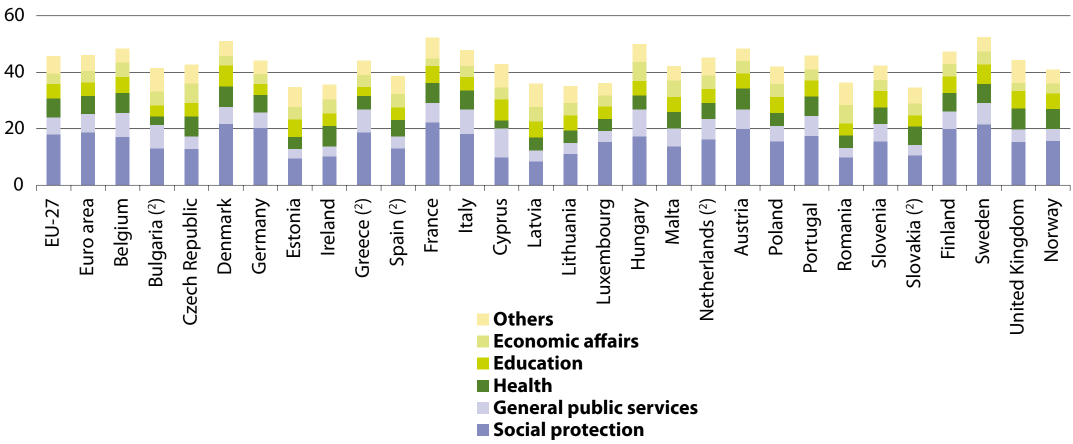
Figure 1.15: General government debt (¹)
(general government consolidated gross debt, % of GDP)



(¹) Data extracted on 22 October 2009.

Source: Eurostat (tsieb090)

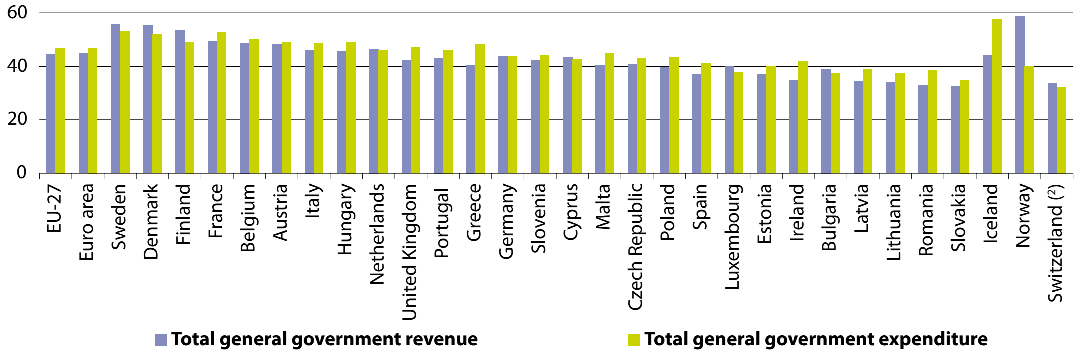
Figure 1.16: General government expenditure by COFOG function, 2007 (¹)
(% of GDP)



(¹) COFOG: classification of the functions of government.
(²) Forecast.

Source: Eurostat (gov_a_exp)

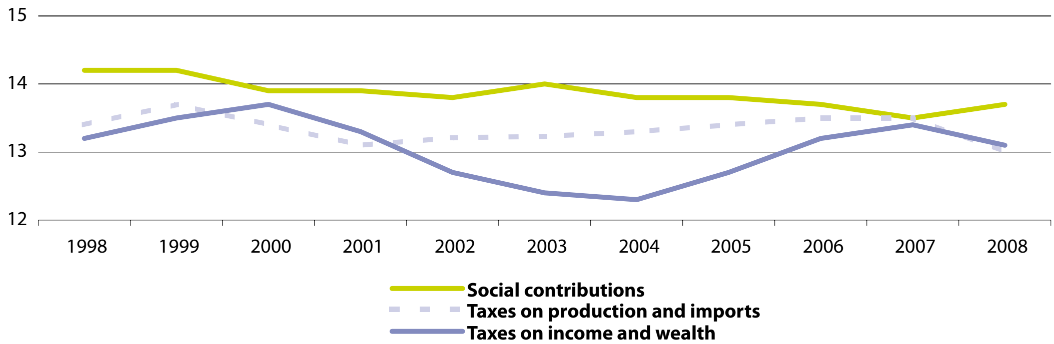
Figure 1.17: Government revenue and expenditure, 2008 (1)
(% of GDP)



(1) The figure is ranked on the average of revenue and expenditure.
(2) 2007.

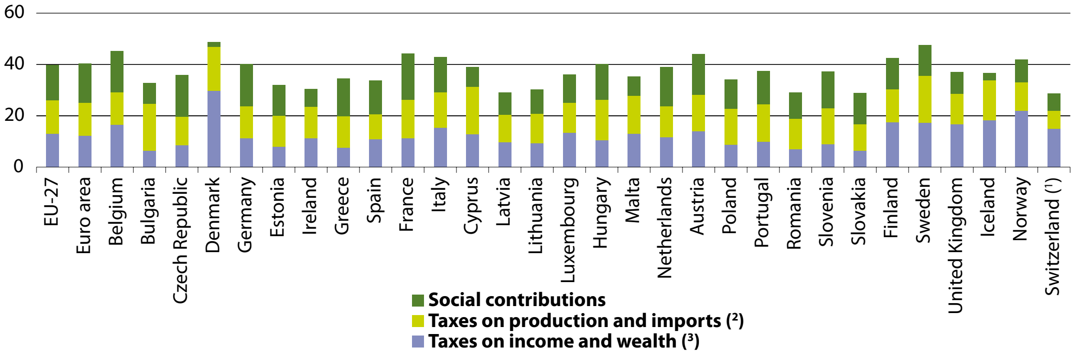
Source: Eurostat (tec00021 and tec00023)

Figure 1.18: Taxes and social contributions, EU-27
(% of GDP)



Source: Eurostat (tec00019, tec00020 and tec00018)

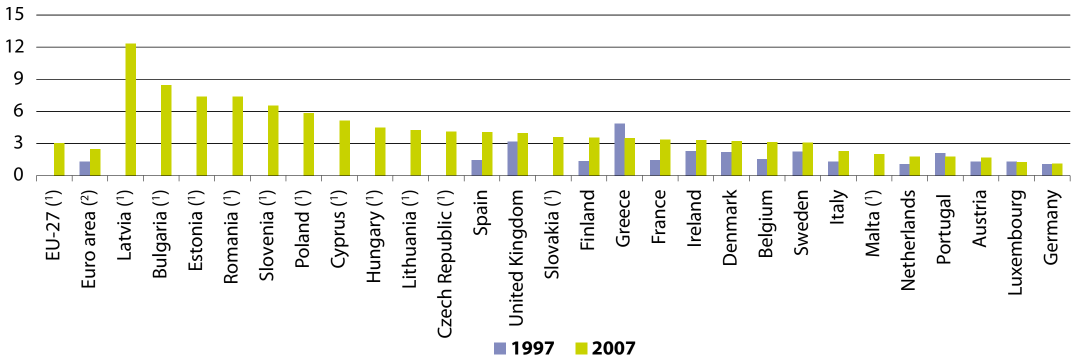
Figure 1.19: Taxes and social contributions, 2008
(% of GDP)



(1) 2007.
(2) Denmark, includes taxes on production and imports paid to the Institutions of the European Union.
(3) Sweden, provisional.

Source: Eurostat (tec00019, tec00020 and tec00018)

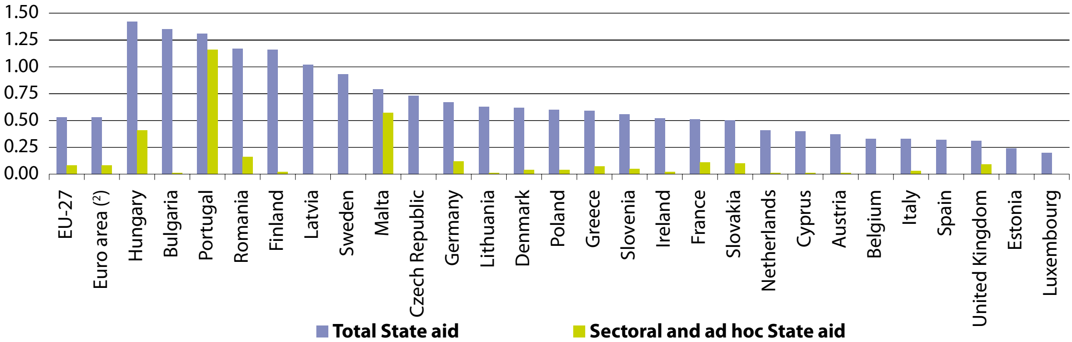
Figure 1.20: Public procurement
(value of public procurement which is openly advertised, as % of GDP)



(1) 1997, not available.
(2) EA-12 in 1997; EA-15 in 2007.

Source: Eurostat (tsier090), Commission services

Figure 1.21: State aid, 2007 (1)
(% of GDP)



(1) The figure is ranked on total State aid.
(2) EA-15 instead of EA-16.

Source: Eurostat (tsier100), Commission services

1.3 Exchange and interest rates

Introduction

From 1 January 2002, around 7 800 million notes and 40 400 million coins entered circulation, as 12 Member States – Belgium, Germany, Ireland, Greece, Spain, France, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland – introduced euro banknotes and coins, Slovenia subsequently joined the euro area at the start of 2007, as did Cyprus and Malta on 1 January 2008 and Slovakia on 1 January 2009, bringing the total number of Member States using the euro to 16 in total.

All economic and monetary union participants are eligible to adopt the euro. The entry criteria for the euro include two years of prior exchange rate stability via membership of the exchange rate mechanism (ERM), as well as criteria relating to interest rates, budget deficits, inflation rates, and debt-to-GDP ratios.

Through using a common currency the countries of the euro area have removed exchange rates and therefore benefit from lower transaction costs. The size of the euro area market is also likely to promote investment and trade. Those countries joining the euro area have agreed to allow the European Central Bank (ECB) to be responsible for maintaining price stability, through the definition and implementation of monetary policy. When the euro was launched in 1999, the ECB took over full responsibility for monetary policy throughout the euro area, including setting benchmark interest rates and managing the euro area's foreign exchange reserves. The ECB has defined price stability as a year-on-year increase in the harmonised index of consumer prices (HICP) for the euro area below, but close to, 2 % over the medium-term (see Subchapter 1.4 for more details in relation to consumer prices). Monetary policy decisions are taken by the ECB's governing council which meets every month to analyse and assess economic developments and the risks to price stability and to decide on the appropriate level of interest rates.

Definitions and data availability

Exchange rates are the price or value of one country's currency in relation to another. Eurostat disseminates a number of different data sets concerning exchange rates. Three main ones can be distinguished, containing data on:

- bilateral exchange rates between currencies, including some special conversion factors for the countries that have adopted the euro;
- fluctuations in the exchange rate mechanism (ERM and ERM II) of the EU;
- effective exchange rate indices.

Bilateral exchange rates are available with reference to the euro, although before 1999 they were given in relation to the ecu (European currency unit). The ecu ceased to exist on 1 January 1999, when it was replaced by the euro at an exchange rate of 1:1. From that date, the currencies of the euro area became subdivisions of the euro at irrevocably fixed rates of conversion. **Daily exchange rates** are available from 1974 onwards against a large number of currencies. These daily values are used to construct monthly and annual averages, which are based on business day rates. Alternatively, month-end and year-end rates are also provided for the daily rate of the last business day of the month/year.

An **interest rate** is defined as the cost or price of borrowing, or the gain from lending; interest rates are traditionally expressed in annual percentage terms. Interest rates are distinguished either by the period of lending/borrowing, or by the parties involved in the transaction (businesses, consumers, governments or interbank operations).

Long-term interest rates are one of the convergence criteria (or Maastricht criteria) for European economic and monetary union. Compliance with this criterion means that a Member State should have an average nominal long-term interest rate that does not exceed by more than 2 percentage points that of, at most, the three best performing Member States. Interest rates are based upon central government bond yields (or comparable securities), taking into account differences in national definitions, on the secondary market, gross of tax, with a residual maturity of around 10 years.

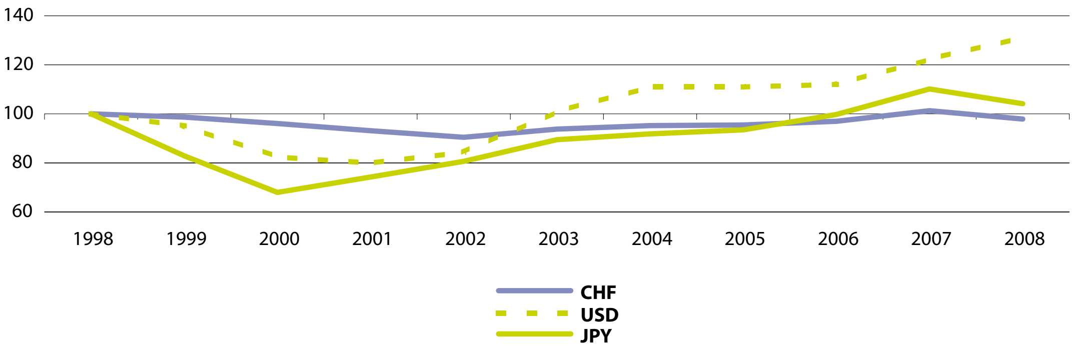
Eurostat publishes a number of **short-term interest rates**, with different maturities (overnight, 1 to 12 months): three-month interbank rates are shown in this publication. Other rates published include **retail bank interest rates** which are lending and deposit rates for commercial banks (non-harmonised and historical series), and harmonised monetary financial institutions (MFI) interest rates.

Main findings

It is important to note that nearly all of the information presented in this publication has been converted into euro (EUR). As such, when making comparisons between countries it is necessary to bear in mind the possible effect of currency fluctuations on the evolution of particular series. The value of the euro against the yen depreciated considerably in 1999 and 2000 and against the dollar also in 2001. However, the following years saw a marked appreciation in the value of the euro, causing it to reach a high against the yen of JPY 169.75 in July 2008 before falling back to JPY 113.65 in January 2009 and then appreciating again. Against the dollar a high was also reached in July 2008 (EUR 1=USD 1.59), dropping back to USD 1.246 in October 2008 and then appreciating again.

Interest rates set by the central banks of the major world currencies were relatively stable from 2001 to the middle of the decade: in Japan, official lending rates were close to zero. In more recent years, interest rates rose, for example, euro area interest rates rose from 2.0 % at the beginning of December 2005 to 4.0 % in June 2007 and then 4.25 % in July 2008. Rate cuts between October 2008 and May 2009 brought euro area interest rates down to 1.0 %, in response to the financial and economic crisis.

Figure 1.22: Exchange rates against the euro [1]
(1998=100)



[1] CHF, Swiss franc; JPY, Japanese Yen; USD, United States Dollar; a reduction in the value of the index shows an appreciation in the value of the foreign currency and a depreciation in the value of the euro.

Source: Eurostat (tec00033), ECB

Table 1.10: Exchange rates against the euro ([1])
(1 EUR=… national currency)

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Bulgaria	1.9522	1.9482	1.9492	1.9490	1.9533	1.9558	1.9558	1.9558	1.9558
Czech Republic	35 599	34 068	30 804	31 846	31 891	29 782	28 342	27 766	24 946
Denmark	7.4538	7.4521	7.4305	7.4307	7.4399	7.4518	7.4591	7.4506	7.4560
Estonia	15 647	15 647	15 647	15 647	15 647	15 647	15 647	15 647	15 647
Latvia	0.5592	0.5601	0.5810	0.6407	0.6652	0.6962	0.6962	0.7001	0.7027
Lithuania	3.6952	3.5823	3.4594	3.4527	3.4529	3.4528	3.4528	3.4528	3.4528
Hungary	260.04	256.59	242.96	253.62	251.66	248.05	264.26	251.35	251.51
Poland	4.0082	3.6721	3.8574	4.3996	4.5268	4.0230	3.8959	3.7837	3.5121
Romania	1.9922	2.6004	3.1270	3.7551	4.0510	3.6209	3.5258	3.3328	3.6776
Sweden	8.4452	9.2551	9.1611	9.1242	9.1243	9.2822	9.2544	9.2501	9.6152
United Kingdom	0.65874	0.60948	0.62187	0.62883	0.69199	0.67866	0.68380	0.68173	0.68434
Croatia	7.6432	7.4820	7.4130	7.5688	7.4967	7.4008	7.3247	7.3376	7.2239
Turkey	0.5748	1.1024	1.4397	1.6949	1.7771	1.6771	1.8090	1.7865	1.9064
Iceland	72 580	87 420	86 180	86 650	87 140	78 230	87 760	87 630	143 830
Norway	8.1129	8.0484	7.5086	8.0033	8.3697	8.0092	8.0472	8.0165	8.2237
Switzerland	1.5579	1.5105	1.4670	1.5212	1.5438	1.5483	1.5729	1.6427	1.5874
Japan	99 470	108 680	118 060	130 970	134 440	136 850	146 020	161 250	152 450
United States	0.9236	0.8956	0.9456	1.1312	1.2439	1.2441	1.2556	1.3705	1.4708

([1]) The euro replaced the ecu on 1 January 1999; on 1 January 2002, it also replaced the notes and coins of 12 Community currencies; on 1 January 2007, the euro came into circulation in Slovenia; on 1 January 2008, the euro came into circulation in Cyprus and Malta ; on 1 January 2009, the euro came into circulation in Slovakia.

Source: Eurostat (tec00033 and ert_bil_eur_a), ECB

Table 1.11: Interest rates
(%)

	EMU convergence criterion bond yields (Maastricht criterion) ([1])			Short-term interest rates: three-month interbank rates (annual average)		
	1999	2004	2008	1999	2004	2008
EU-27	:	:	4.55	:	2.86	4.96
Euro area	4.66	4.12	4.30	2.96	2.11	4.63
Belgium	4.76	4.15	4.42	-	-	-
Bulgaria	:	5.36	5.38	5.88	3.74	7.14
Czech Republic	:	4.82	4.63	6.85	2.36	4.04
Denmark	4.93	4.30	4.30	3.44	2.20	5.26
Germany	4.51	4.04	4.00	-	-	-
Estonia ([2])	11.39	4.39	8.16	7.81	2.50	6.67
Ireland	4.72	4.08	4.53	-	-	-
Greece	6.31	4.25	4.81	10.09	-	-
Spain	4.74	4.10	4.37	-	-	-
France	4.62	4.10	4.24	-	-	-
Italy	4.74	4.26	4.69	-	-	-
Cyprus	:	5.80	4.60	6.25	4.74	-
Latvia	:	4.86	6.43	8.44	4.23	8.00
Lithuania	:	4.50	5.61	13.89	2.68	6.04
Luxembourg	4.68	4.18	4.61	-	-	-
Hungary	:	8.19	8.24	15.07	11.53	8.79
Malta	:	4.69	4.81	5.15	2.94	-
Netherlands	4.65	4.09	4.23	-	-	-
Austria	4.69	4.15	4.27	-	-	-
Poland	:	6.90	6.07	14.73	6.20	6.36
Portugal	4.79	4.14	4.53	-	-	-
Romania	:	:	7.70	79.63	19.14	12.26
Slovenia	:	4.68	4.61	8.64	4.66	-
Slovakia	:	5.03	4.72	15.67	4.68	4.15
Finland	4.74	4.11	4.30	-	-	-
Sweden	5.00	4.42	3.90	3.33	2.31	4.74
United Kingdom	5.02	4.93	4.51	5.55	4.64	5.51
Japan	-	-	-	0.22	0.05	0.92
United States	-	-	-	5.41	1.62	2.91

([1]) The indicator for Estonia represents interest rates on new EEK-denominated loans to non-financial corporations and households with maturity over 5 years; however, a large part of the underlying claims are linked to variable interest rates. The indicator for Luxembourg is based on a basket of long-term bonds, which have an average residual maturity close to ten years; the bonds are issued by a private credit institution.
([2]) Break in series for EMU convergence, 2005.

Source: Eurostat (tec00097 and tec00035), ECB, national central banks

1.4 Consumer prices: inflation and comparative price levels

Introduction

Changes in the price of consumer goods and services are usually referred to as the inflation rate. Such changes measure the loss of living standards due to price inflation and are some of the most well-known economic statistics.

Price stability is the main objective of the European Central Bank (ECB), with the inflation rate used as the prime indicator for monetary policy management in the euro area. The ECB has defined price stability as a year-on-year increase in the harmonised index of consumer prices (HICP) for the euro area of below, but close to, 2 % over the medium-term. HICPs are economic indicators constructed to measure, over time, the change in prices of consumer goods and services that are acquired by households. HICPs give comparable measures of inflation in the euro area, the EU, the European Economic Area (EEA), as well as for individual countries. They are calculated according to a harmonised approach and a single set of definitions, providing an official measure of consumer price inflation for the purposes of monetary policy and assessing inflation convergence as required under the Maastricht criteria.

A comparison of price changes between countries depends not only on movements in price levels, but also exchange rates – together, these two forces impact upon the price and cost competitiveness of individual Member States. With the introduction of the euro, prices within those Member States that share a common currency are said to be more transparent, as it is relatively simple for consumers to compare the price of items across borders. Such comparisons that provide an economic case for purchasing a good or service from another country have led to an increase in cross-border trade. From an economic point of view, the price of a given good within the Single Market should not differ significantly depending on geographic location, beyond differences that may be explained by transport costs or tax differences. However, not all goods and services converge at the same pace. For example, price convergence in housing does not necessarily follow the same pace as for tradable, consumer goods. Indeed, even within individual countries there are differences in prices between regions.

Definitions and data availability

Inflation

Harmonised indices of consumer prices (HICPs) are presented with a common reference year (currently 2005=100). Normally the indices are used to create percentage changes that show price increases/decreases for the period in question. Although the rates of change shown in this publication are annual averages, the basic indices are compiled on a monthly basis and are published at this frequency by Eurostat. Eurostat publishes HICPs some 14 to 16 days after the end of the reporting month, with these series starting in the mid-1990s. The **inflation rate** is calculated from HICPs – it equates to the all-items HICP.

HICPs cover practically every good and service that may be purchased by households in the form of final monetary consumption expenditure; owner occupied housing is, however, not yet reflected in HICPs. Goods and services are classified according to an international classification of individual consumption by purpose known as COICOP/HICP. At its most disaggregated level, Eurostat publishes around 100 sub-indices, which can be aggregated to broad categories of goods and services. In order to improve the comparability and reliability of HICPs, sampling, replacement and quality adjustment procedures are periodically reviewed, the latest changes being set out in Commission Regulation (EC) No 1334/2007 of 14 November 2007. Furthermore, minimum standards for the treatment of seasonal products (which are problematic as comparable prices of such products can not easily be observed on a monthly basis) have recently been established through Commission Regulation (EC) No 330/2009 of 22 April 2009. Detailed information on the legal requirements concerning HICPs can be found on Eurostat's website ([6]).

There are three key HICP aggregate indices: the monetary union index of consumer prices (MUICP) covers the euro area countries and Eurostat also publishes the European index of consumer prices (EICP) covering all Member States; and the European Economic Area index of consumer prices (EEAICP), which additionally covers Iceland and Norway. Note that these aggregates reflect changes over time in their country composition through the use of a chain index formula – for example, the MUICP includes Slovenia only from 2007 onwards, Cyprus and Malta only from 2008 onwards and Slovakia only from 2009 onwards, while the EICP index only includes Bulgaria and Romania from 2007 onwards.

Comparative price levels

Purchasing power parities (PPPs) estimate price-level differences between countries. They make it possible to produce meaningful volume and price level indicators required for cross-country comparisons. PPPs are aggregated price ratios calculated from price comparisons of a large number of goods and services. PPPs are employed either:

- as **currency converters** to generate volume measures with which to compare levels of economic performance;
- or as **price level indicators** which can be used to compare relative price levels across countries, and to monitor price convergence.

Eurostat produces three sets of data using PPPs:

- levels and indices of real final expenditure are measures of volume; they indicate the relative magnitude of the aggregates being compared; at the level of GDP, they are used to compare the relative size of economies;
- levels and indices of real final expenditure per inhabitant are standardised measures of volume; they indicate the relative levels of the aggregates being compared after adjusting for differences in the size of populations between countries; at the level of GDP, they are often used as an indicator

([6]) For more information: http://epp.eurostat.ec.europa.eu/portal/page/portal/hicp/legislation.

of the standard of living in different countries;

- **comparative price levels** are the ratios of PPPs to exchange rates; these indices provide a comparison of each country's price level relative to the EU average – if the price level index is higher than 100, the country concerned is relatively expensive compared with the EU average and vice versa; at the level of GDP, they provide a measure of the differences in the overall price levels of countries.

The **coefficient of variation of comparative price levels** is applied as an indicator of price convergence among Member States – if the coefficient of variation for comparative price levels for the EU decreases/increases over time, the national price levels in the Member States are converging/diverging.

Real effective exchange rate

The **real effective exchange rate** is deflated by nominal unit labour costs. This relative price and cost indicator aims to assess a country's competitiveness relative to its principal competitors in international markets, with changes in cost and price competitiveness depending not only on exchange rate movements but also on price trends. Double export weights are used to calculate the index, reflecting not only competition in the home markets of the various competitors, but also competition in export markets elsewhere. A rise in the index means a loss of competitiveness.

Main findings

Inflation

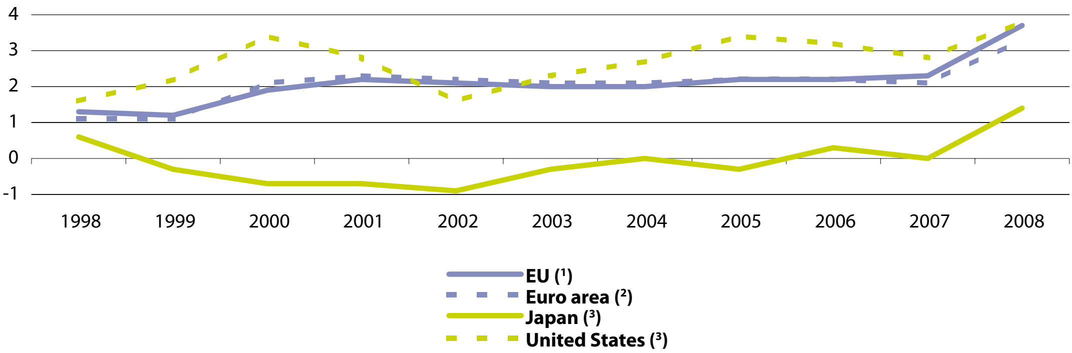
Compared with historical trends, consumer price indices rose only at a moderate pace during the last two decades. The EU inflation rate decreased during the 1990s, reaching 1.2 % by 1999, after which the pace of price increases settled at around 2 % per annum during the period 2000 to 2007. In 2008, an annual average inflation rate of 3.7 % was recorded for the EU. The highest annual average inflation rates among the Member States were recorded for Latvia, Bulgaria, Lithuania and Estonia, all above 10 % in 2008; the lowest rates were recorded for the Netherlands, Portugal and Germany, all below 3 %.

The sharp rise of price inflation in 2008 within the EU can be largely explained by steep increases in energy and food prices between the autumn of 2007 and the autumn of 2008: indeed, consumer prices for food recorded historically high inflation rates in 2008 with prices rising by an average of 6.4 % per annum in the EU; this increase may be particularly associated with steep price rises for dairy products, oils and fats. In the second half of 2008 a substantial decline of these rates was recorded which continued in 2009; the annual inflation rates even turned negative in June 2009.

Comparative price levels

The relative price levels of private household consumption vary significantly across the Member States. In 2008, with the average for the EU-27 being defined as 100, comparative price levels within the Member States ranged from 51 in Bulgaria to 141 in Denmark. Over the ten years from 1998 to 2008, several countries recorded substantial changes in their comparative price levels, notably Bulgaria, the Czech Republic, Estonia, Ireland, Latvia, Lithuania, Hungary, Romania, Slovakia and Sweden. Over the same ten-year period (1998 to 2008) there was a convergence of price levels within the EU-27 as a whole: the coefficient of variation of comparative price levels declined from 35 % in 1998 to 24 % by 2008. The pace at which price levels converged within the euro area was slower, but there was already a higher degree of convergence (lower coefficient of variation).

Figure 1.23: HICP all-items, annual average inflation rates
(%)



(1) The data refer to the official EU aggregate, its country coverage changes in line with the addition of new EU Member States and integrates them using a chain index formula.
(2) The data refer to the official euro area aggregate, its country coverage changes in line with the addition of new EA Member States and integrates them using a chain index formula.
(3) National CPI: not strictly comparable with the HICP.

Source: Eurostat (tsieb060)

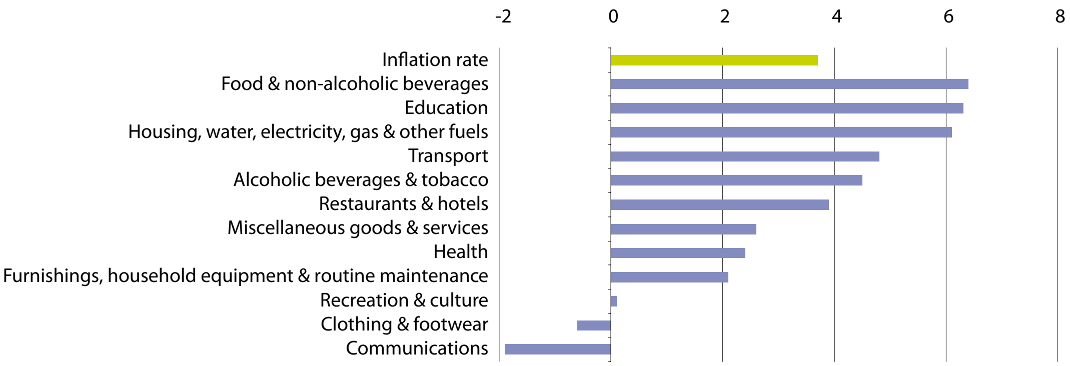
Table 1.12: HICP all-items, annual average inflation rates
(%)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
EU (1)	1.3	1.2	1.9	2.2	2.1	2.0	2.0	2.2	2.2	2.3	3.7
Euro area (2)	1.1	1.1	2.1	2.3	2.2	2.1	2.1	2.2	2.2	2.1	3.3
Belgium	0.9	1.1	2.7	2.4	1.6	1.5	1.9	2.5	2.3	1.8	4.5
Bulgaria	18.7	2.6	10.3	7.4	5.8	2.3	6.1	6.0	7.4	7.6	12.0
Czech Republic	9.7	1.8	3.9	4.5	1.4	-0.1	2.6	1.6	2.1	3.0	6.3
Denmark	1.3	2.1	2.7	2.3	2.4	2.0	0.9	1.7	1.9	1.7	3.6
Germany	0.6	0.6	1.4	1.9	1.4	1.0	1.8	1.9	1.8	2.3	2.8
Estonia	8.8	3.1	3.9	5.6	3.6	1.4	3.0	4.1	4.4	6.7	10.6
Ireland	2.1	2.5	5.3	4.0	4.7	4.0	2.3	2.2	2.7	2.9	3.1
Greece	4.5	2.1	2.9	3.7	3.9	3.4	3.0	3.5	3.3	3.0	4.2
Spain	1.8	2.2	3.5	2.8	3.6	3.1	3.1	3.4	3.6	2.8	4.1
France	0.7	0.6	1.8	1.8	1.9	2.2	2.3	1.9	1.9	1.6	3.2
Italy	2.0	1.7	2.6	2.3	2.6	2.8	2.3	2.2	2.2	2.0	3.5
Cyprus	2.3	1.1	4.9	2.0	2.8	4.0	1.9	2.0	2.2	2.2	4.4
Latvia	4.3	2.1	2.6	2.5	2.0	2.9	6.2	6.9	6.6	10.1	15.3
Lithuania	5.4	1.5	1.1	1.6	0.3	-1.1	1.2	2.7	3.8	5.8	11.1
Luxembourg	1.0	1.0	3.8	2.4	2.1	2.5	3.2	3.8	3.0	2.7	4.1
Hungary	14.2	10.0	10.0	9.1	5.2	4.7	6.8	3.5	4.0	7.9	6.0
Malta	3.7	2.3	3.0	2.5	2.6	1.9	2.7	2.5	2.6	0.7	4.7
Netherlands	1.8	2.0	2.3	5.1	3.9	2.2	1.4	1.5	1.7	1.6	2.2
Austria	0.8	0.5	2.0	2.3	1.7	1.3	2.0	2.1	1.7	2.2	3.2
Poland	11.8	7.2	10.1	5.3	1.9	0.7	3.6	2.2	1.3	2.6	4.2
Portugal	2.2	2.2	2.8	4.4	3.7	3.3	2.5	2.1	3.0	2.4	2.7
Romania	59.1	45.8	45.7	34.5	22.5	15.3	11.9	9.1	6.6	4.9	7.9
Slovenia	7.9	6.1	8.9	8.6	7.5	5.7	3.7	2.5	2.5	3.8	5.5
Slovakia	6.7	10.4	12.2	7.2	3.5	8.4	7.5	2.8	4.3	1.9	3.9
Finland	1.3	1.3	2.9	2.7	2.0	1.3	0.1	0.8	1.3	1.6	3.9
Sweden	1.0	0.5	1.3	2.7	1.9	2.3	1.0	0.8	1.5	1.7	3.3
United Kingdom	1.6	1.3	0.8	1.2	1.3	1.4	1.3	2.1	2.3	2.3	3.6
Turkey	82.1	61.4	53.2	56.8	47.0	25.3	10.1	8.1	9.3	8.8	10.4
Iceland	1.3	2.1	4.4	6.6	5.3	1.4	2.3	1.4	4.6	3.6	12.8
Norway	2.0	2.1	3.0	2.7	0.8	2.0	0.6	1.5	2.5	0.7	3.4
Switzerland	:	:	:	:	:	:	:	:	1.0	0.8	2.3
Japan (3)	0.6	-0.3	-0.7	-0.7	-0.9	-0.3	0.0	-0.3	0.3	0.0	1.4
United States (3)	1.6	2.2	3.4	2.8	1.6	2.3	2.7	3.4	3.2	2.8	3.8

(1) The data refer to the official EU aggregate, its country coverage changes in line with the addition of new EU Member States and integrates them using a chain index formula.
(2) The data refer to the official euro area aggregate, its country coverage changes in line with the addition of new EA Member States and integrates them using a chain index formula.
(3) National CPI: not strictly comparable with the HICP.

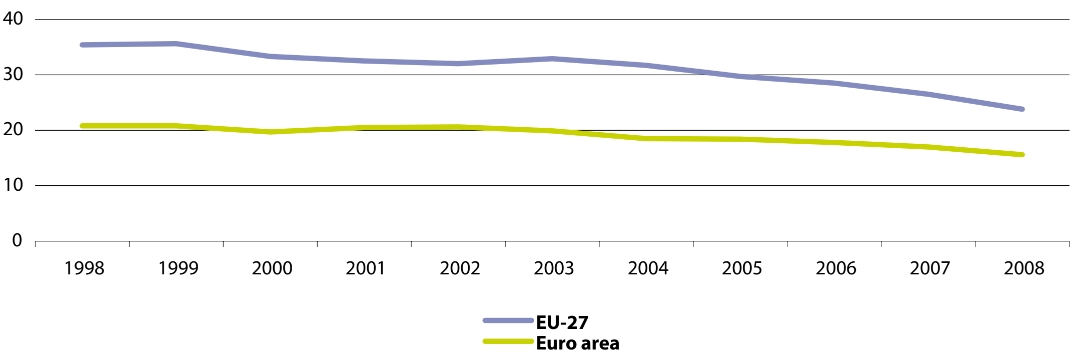
Source: Eurostat (tsieb060)

Figure 1.24: HICP main headings, annual average inflation rates, EU, 2008
(%)



Source: Eurostat (prc_hicp_aind)

Figure 1.25: Price convergence between EU Member States
(%, coefficient of variation of comparative price levels of final consumption by private households including indirect taxes)



Source: Eurostat (tsier020)

Table 1.13: Comparative price levels
(final consumption by private households including indirect taxes, EU-27=100)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
EU-27	100	100	100	100	100	100	100	100	100	100	100
Euro area	102	102	100	101	101	103	103	102	102	102	104
Belgium	108	107	102	103	102	107	107	106	107	106	111
Bulgaria	38	38	39	41	41	41	42	43	45	47	51
Czech Republic	47	46	48	50	57	55	55	58	61	62	72
Denmark	129	131	130	135	134	141	140	140	138	138	141
Germany	109	107	107	107	107	106	105	103	103	103	104
Estonia	54	57	57	61	61	62	63	65	67	72	77
Ireland	108	112	115	119	125	126	126	123	124	125	127
Greece	86	88	85	82	80	86	88	88	89	89	94
Spain	86	86	85	85	85	88	91	91	92	92	96
France	111	109	106	104	104	110	110	108	109	108	111
Italy	98	98	98	100	103	104	105	105	104	104	105
Cyprus	87	87	88	89	89	91	91	90	91	89	90
Latvia	49	52	59	59	57	54	56	57	61	66	75
Lithuania	46	47	53	54	54	52	54	55	57	60	67
Luxembourg	104	103	101	104	102	103	103	112	112	112	116
Hungary	46	47	49	53	57	58	62	63	60	66	70
Malta	69	71	73	75	75	72	73	73	75	73	78
Netherlands	102	103	100	103	103	108	106	105	104	103	103
Austria	105	105	102	105	103	103	103	103	102	101	105
Poland	54	52	58	65	61	54	53	61	62	64	69
Portugal	84	83	83	84	86	86	87	85	85	85	87
Romania	43	38	43	42	43	43	43	54	57	62	62
Slovenia	74	74	73	74	74	76	76	76	77	78	83
Slovakia	42	41	44	43	45	51	55	55	57	64	70
Finland	123	122	121	125	124	127	124	124	123	123	125
Sweden	127	126	128	120	122	124	121	119	119	117	114
United Kingdom	112	116	120	117	117	108	109	110	110	110	99
Croatia	:	:	:	:	:	65	67	69	70	70	75
FYR of Macedonia	:	:	:	:	:	44	44	43	43	43	47
Turkey	55	56	63	48	52	57	59	67	66	72	73
Iceland	125	127	144	128	135	139	138	153	144	148	117
Norway	131	134	138	142	151	142	135	141	140	139	139
Switzerland	136	140	143	146	147	144	141	138	134	126	130
Japan	147	173	198	178	156	137	130	120	110	97	101
United States	101	106	121	126	120	101	93	93	92	85	80

Source: Eurostat (tsier010)

1.5 Current and financial account

Introduction

The EU is a major player in the global economy for international trade in goods and services, as well as foreign investment. Balance of payments statistics give a full overview of all external transactions of the EU and its individual Member States. They may be used as a tool to study the international exposure of different parts of the EU's economy, indicating its comparative advantages and disadvantages with the rest of the world. Note that additional information from the balance of payments is provided in the following subchapter that covers direct investment and in Subchapter 9.2 which covers trade in services.

Definitions and data availability

The balance of payments (BoP) is a statistical statement that summarises the transactions of an economy with the rest of the world. Transactions are organised in two different accounts, the current account (goods, services, income, current transfers), the capital account and the financial account, whose sum, in principle, should be zero, as for each credit transaction there is a corresponding one on the debit side. Thus, the current account balance determines the exposure of an economy vis-à-vis the rest of the world, whereas the capital and financial account explain how it is financed.

Current account

The current account of the BoP provides information not only on international trade in goods (generally the largest category), but also on international transactions in services, income and current transfers. For all these transactions, the BoP registers the value of credits (exports) and debits (imports). A negative balance – a current account deficit – shows that a country is spending more abroad than it is earning from transactions with other economies, and is therefore a net debtor towards the rest of the world.

The **current account** gauges a country's economic position in the world, covering all transactions that occur between resident and non-resident entities and refers to trade in goods and services, income and current transfers. More specifically, the four main components of the current account are defined as follows:

- **Trade in goods** covers general merchandise, goods for processing, repairs on goods, goods procured in ports by carriers, and non-monetary gold. Exports and imports of goods are recorded on a fob/fob basis – in other words, at market value at the customs frontiers of exporting economies, including charges for insurance and transport services up to the frontier of the exporting country.

- **Trade in services** consists of the following items: transport services performed by EU residents for non-EU residents, or vice versa, involving the carriage of passengers, the movement of goods, rentals of carriers with crew and related supporting and auxiliary services; travel, which includes primarily the goods and services EU travellers acquire from non-EU residents, or vice versa; and other services, which include communications services, construction services, insurance services, financial services, computer and information services, royalties and licence fees, other business services (which comprise merchanting and other trade-related services, operational leasing services and miscellaneous business, professional and technical services), personal, cultural and recreational services, and government services not included elsewhere.
- **Income** covers two types of transactions: compensation of employees paid to non-resident workers or received from non-resident employers, and investment income accrued on external financial assets and liabilities.
- **Current transfers** include general government current transfers, for example transfers related to international cooperation between governments, payments of current taxes on income and wealth, etc., and other current transfers, for example workers' remittances, insurance premiums (less service charges), and claims on non-life insurance companies.

Under the BoP conventions, transactions which represent an inflow of real resources, an increase in assets, or a decrease in liabilities (such as, exports of goods) are recorded as credits, and transactions representing an outflow of real resources, a decrease in assets or an increase in liabilities (such as, imports of goods) are recorded as debits. Net is the balance (credits minus debits) of all transactions with each partner.

Financial account

The financial account of the BoP covers all transactions associated with changes of ownership in the foreign financial assets and liabilities of an economy. The financial account is broken down into five basic components: direct investment, portfolio investment, financial derivatives, other investment, and official reserve assets.

Direct investment implies that a resident investor in one economy has a lasting interest in, and a degree of influence over the management of, a business enterprise resident in another economy. Direct investment is classified primarily on a directional basis: resident direct investment abroad and non-resident direct investment in the reporting economy. Within this classification three main components are distinguished: equity capital, reinvested earnings, and other capital; these are discussed in detail in Subchapter 1.6.

Portfolio investment records the transactions in negotiable securities with the exception of the transactions which fall within the definition of direct investment or reserve assets. Several components are identified: equity securities, bonds and notes, money market instruments.

Financial derivatives are financial instruments that are linked to, and whose value is contingent to, a specific financial instrument, indicator or commodity, and through which specific financial risks can be traded in financial markets in their own right. Transactions in financial derivatives are treated as separate transactions, rather than integral parts of the value of underlying transactions to which they may be linked.

Reserve assets are foreign financial assets available to, and controlled by, monetary authorities; they are used for financing and regulating payments imbalances or for other purposes.

Other investment is a residual category, which is not recorded under the other headings of the financial account (direct investment, portfolio investment, financial derivatives or reserve assets). It also encompasses the offsetting entries for accrued income on instruments classified under other investment. Four types of instruments are identified: currency and deposits (in general, the most significant item), trade credits, loans, other assets and liabilities.

Main findings

The current account deficit of the EU-27 was EUR 255 000 million in 2008 (corresponding to 2.0 % of GDP), while the deficit in 2007 equalled about 1.1 %. The 2008 deficit confirmed the move away from relatively small surpluses recorded for the period between 2002 and 2004. The overall deficit for 2008 comprised deficits in the current account for goods (-1.6 % of GDP), for current transfers (-0.5 %), and for the income account (-0.5 %), alongside a positive balance for services (0.6 %).

There were a total of 20 Member States that reported current account deficits in 2008: the largest of these (relative to GDP) was in Bulgaria (-25.3 %); Sweden (7.9 %) and the Netherlands (7.3 %) reported the largest current account surpluses. Ireland, Germany, Slovakia and Italy were the only Member States to report a deficit for services in 2008, whereas 19 Member States reported a deficit for goods, and 20 Members States a deficit for income.

A positive value for the financial account indicates that inward investment flows (inward foreign direct investment (FDI) and investment liabilities) exceeds outward investment flows (outward FDI and investment assets). This was the case for the euro area in 2008, where the financial account was equivalent to 3.3 % of GDP. Three types of investment (FDI, portfolio and other) make-up the financial account, along with financial derivatives and official reserve assets.

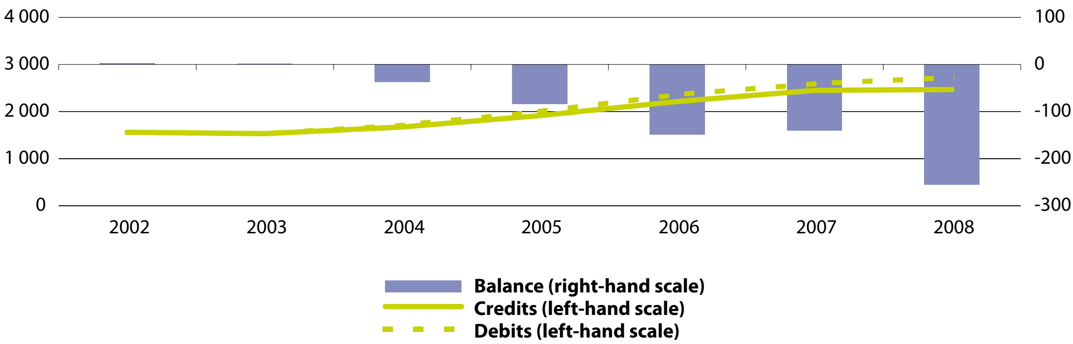
The EU-27 was a net direct investor vis-à-vis the rest of the world in 2008. Inward flows of FDI represented 1.4 % of GDP, while outward flows of FDI represented 2.8 % of GDP, making it the main form of outward investment from the EU-27 in 2008. Luxembourg and Hungary recorded the highest levels of both inward and outward FDI (in relation to GDP) with the rest of the world, while Ireland recorded the largest disinvestment in inward FDI.

The EU-27 recorded disinvestment for portfolio investment assets equivalent to 1.8 % of GDP in 2008. EU-27 portfolio investment liabilities were valued at 5.5 % of GDP, four times the level of inward FDI, and approximately eight times the level of other investment liabilities.

More than half of the Member States recorded disinvestment for portfolio assets, with the United Kingdom recording relatively large flows (8.6 % of GDP), second only to the particular case of Luxembourg (home to a large fund management activity). Disinvestment in portfolio liabilities was also relatively common, as negative flows were reported for 11 of the Member States in 2008, with Ireland recording the biggest of these (relative to GDP) – apart from the special case of Luxembourg.

Investment in other assets (such as currency and deposits) was equivalent to 1.9 % of the EU-27's GDP in 2008, with the most important shares recorded in Ireland, Cyprus, Luxembourg and Malta. Seven of the Member States recorded an outward disinvestment for other assets, most notably the United Kingdom and Belgium. Inward investment of other liabilities was substantial in Cyprus, Luxembourg and Ireland, being negative (disinvestment) in several Member States, notably the United Kingdom and Belgium.

Figure 1.26: Current account transactions, EU-27 (1)
(EUR 1 000 million)



(1) EU-25: for 2002-2003.

Source: Eurostat (bop_q_eu)

Table 1.14: Current account balance for EU Member States with the rest of the world
(EUR 1 000 million)

	2004	2005	2006	2007	2008
EU-27 (1)	-37.2	-83.8	-148.5	-140.4	-255.0
Euro area (2)	60.6	9.2	-10.5	11.1	-101.0
Belgium	19.1	7.9	6.3	5.7	-8.1
Bulgaria	-1.3	-2.7	-4.7	-7.3	-8.6
Czech Republic	-4.7	-1.3	-2.9	-4.0	-4.6
Denmark	5.9	9.0	6.3	1.6	4.6
Germany	102.9	114.7	150.9	191.3	164.9
Estonia	-1.1	-1.1	-2.2	-2.8	-1.4
Ireland	-0.9	-5.7	-6.3	-10.1	-9.4
Greece	-10.7	-14.7	-23.7	-32.4	-35.0
Spain	-44.2	-66.9	-88.3	-105.4	-104.4
France	10.0	-10.9	-10.2	-19.6	-38.7
Italy	-13.0	-23.6	-38.5	-37.4	-53.6
Cyprus	-0.6	-0.8	-1.0	-1.8	-3.1
Latvia	-1.4	-1.6	-3.6	-4.8	-2.9
Lithuania	-1.4	-1.5	-2.6	-4.1	-3.7
Luxembourg	3.3	3.3	3.5	3.6	2.0
Hungary	-7.1	-6.7	-6.9	-6.5	-9.2
Malta	-0.3	-0.4	-0.5	-0.3	-0.4
Netherlands	36.9	37.3	50.4	43.5	43.3
Austria	4.8	4.9	7.1	8.4	9.8
Poland	-8.2	-3.0	-7.4	-14.6	-19.7
Portugal	-10.9	-14.1	-15.6	-15.4	-20.2
Romania	-5.1	-6.9	-10.2	-16.7	-16.7
Slovenia	-0.7	-0.5	-0.8	-1.5	-2.1
Slovakia	-1.2	-3.2	-3.6	-3.1	-4.3
Finland	10.0	5.7	7.6	7.5	4.4
Sweden	21.1	20.4	26.4	28.6	25.8
United Kingdom	-36.9	-48.0	-64.4	-55.3	-31.2
Croatia	-1.5	-2.0	-2.7	-3.2	-4.4
Turkey	-11.5	-17.8	-25.6	-27.8	-27.8
Iceland	-1.1	-2.1	-3.4	-2.3	:
Norway	28.3	39.7	46.2	45.3	60.2
Japan	138.5	133.3	136.0	154.0	105.1
United States	-502.6	-588.5	-627.3	-534.7	-456.1

(1) EU vis-à-vis extra-EU.
(2) Euro area vis-à-vis extra euro area.

Source: Eurostat (bop_q_eu, bop_q_euro and bop_q_c)

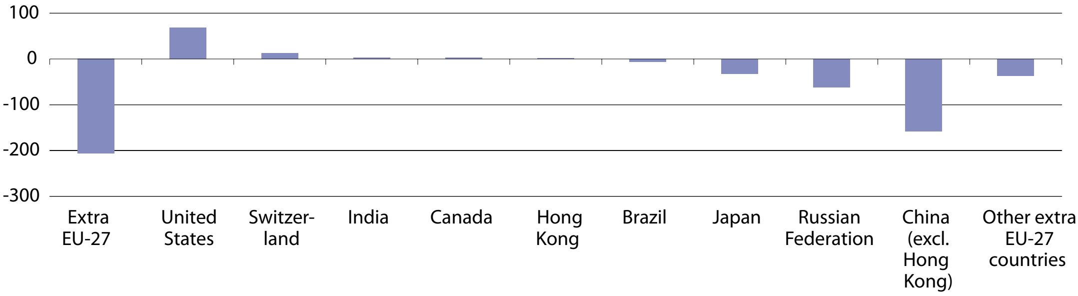
Table 1.15: Current account, balance by components, 2008 ([1])
(% of GDP)

	Current account	Goods	Services	Income	Current transfers
EU-27	-2.0	-1.6	0.6	-0.5	-0.5
Euro area	-1.1	-0.1	0.5	-0.4	-1.0
Belgium	-2.3	-3.2	1.2	1.1	-1.6
Bulgaria	-25.3	-25.7	2.4	-3.5	1.5
Czech Republic	-3.1	2.8	2.2	-7.8	-0.3
Denmark	2.0	-0.5	2.9	1.4	-1.8
Germany	6.6	7.2	-1.0	1.8	-1.3
Estonia	-9.1	-11.9	7.6	-6.6	1.8
Ireland	-5.1	12.8	-2.9	-14.4	-0.6
Greece	-14.4	-18.1	7.1	-4.5	1.1
Spain	-9.5	-8.0	2.4	-3.1	-0.8
France	-2.0	-3.1	0.7	1.6	-1.2
Italy	-3.4	0.0	-0.5	-1.9	-1.0
Cyprus	-18.3	-34.7	23.3	-6.5	-0.4
Latvia	-12.7	-17.0	4.0	-1.9	2.2
Lithuania	-11.6	-11.6	1.1	-3.3	2.3
Luxembourg	5.5	-11.7	52.8	-30.1	-5.5
Hungary	-8.7	0.1	0.9	-8.4	-1.2
Malta	-6.2	-20.9	17.2	-3.0	0.6
Netherlands	7.3	6.4	1.5	0.8	-1.5
Austria	3.5	-0.1	4.8	-0.8	-0.4
Poland	-5.4	-4.6	1.0	-3.3	1.5
Portugal	-12.1	-12.9	3.9	-4.7	1.5
Romania	-12.2	-13.4	0.6	-3.8	4.4
Slovenia	-5.5	-7.1	4.8	-2.8	-0.5
Slovakia	-6.6	-1.1	-0.7	-3.4	-1.3
Finland	2.4	3.2	0.9	-0.9	-0.8
Sweden	7.9	3.8	3.7	1.7	-1.3
United Kingdom	-1.7	-6.4	3.1	2.5	-1.0
Croatia	-9.4	-22.9	14.7	-3.3	2.2
Turkey	-5.6	-7.2	2.4	-1.1	0.3
Norway	19.4	19.2	0.2	0.8	-0.8
Japan	-13.7	-16.7	2.8	2.6	-2.5
United States	1.1	0.3	-0.1	1.1	-0.1

([1]) EU-27, extra EU-27 flows; euro area, extra EA-16 flows; Member States and other countries, flows with the rest of the world.

Source: Eurostat (bop_q_eu, bop_q_euro, bop_q_c and tec00001)

Figure 1.27: Current account balance with selected partners, EU-27, 2007
(EUR 1 000 million)



Source: Eurostat (bop_q_eu)

Table 1.16: Selected items of the financial account balance, 2008 (1)
(% of GDP)

	Financial account	Outward foreign direct investment	Inward foreign direct investment	Portfolio investment, assets	Portfolio investment, liabilities	Other investment, assets	Other investment, liabilities
EU-27	:	-2.8	1.4	1.8	5.5	-1.9	0.7
Euro area	3.3	-3.8	1.1	0.2	4.5	-0.1	1.8
Belgium	3.1	-14.7	12.5	0.4	9.4	20.3	-25.6
Bulgaria	30.7	-1.4	18.1	-0.5	-0.9	0.8	16.7
Czech Republic	3.0	-0.9	5.0	-0.1	-0.1	-2.3	2.9
Denmark	-2.2	-8.0	3.2	-2.3	4.5	-5.9	7.9
Germany	-8.1	-4.3	0.7	1.1	0.6	-5.4	0.2
Estonia	8.3	-4.4	8.8	4.0	-1.4	-2.3	6.4
Ireland	8.6	-5.0	-7.4	-16.1	-5.1	-36.3	81.1
Greece	12.4	-0.7	1.4	0.3	6.7	-11.5	16.4
Spain	8.7	-5.0	4.4	2.0	-1.7	-1.3	11.2
France	:	-7.6	4.0	-3.2	8.9	2.6	0.4
Italy	3.2	-2.0	0.6	5.1	2.8	-1.7	-1.8
Cyprus	18.1	-5.9	8.7	-70.8	-4.2	-59.6	149.5
Latvia	13.1	-0.6	4.0	0.4	0.3	-1.4	8.8
Lithuania	10.3	-0.7	3.8	0.0	-0.2	-1.9	6.9
Luxembourg	-5.1	-193.9	150.0	328.7	-280.8	-76.3	108.3
Hungary	9.5	-28.4	31.1	-2.4	0.1	-1.6	18.0
Malta	5.3	-3.3	10.9	3.5	3.0	-76.5	71.8
Netherlands	-2.5	-5.6	-1.2	0.1	12.7	5.8	-12.7
Austria	-4.2	-7.0	3.4	3.4	5.8	-13.5	3.8
Poland	8.4	-0.7	3.1	0.4	-1.0	1.2	4.7
Portugal	10.9	-0.9	1.5	:	15.8	7.1	-5.2
Romania	12.9	0.1	6.3	-0.4	-0.3	-0.8	8.0
Slovenia	6.2	-2.6	3.3	-0.1	1.7	-2.1	5.9
Slovakia	7.9	-0.3	3.7	0.7	1.8	-0.8	2.8
Finland	3.7	-0.6	-1.6	0.6	1.7	-3.3	6.3
Sweden	2.3	-7.8	9.2	-5.2	-2.4	-0.4	8.4
United Kingdom	1.2	-5.1	3.7	8.6	16.7	37.4	-61.3
Croatia	12.6	-0.3	7.0	-0.6	-0.7	-3.4	9.8
Turkey	4.7	-0.3	2.5	-0.2	-0.6	-1.0	4.1
Norway	-21.5	-6.1	-0.2	-29.3	4.4	8.0	3.1
Japan	-4.2	-2.8	0.5	-4.0	-2.5	3.3	1.3
United States	3.7	-2.2	2.3	1.2	4.0	0.7	-2.2

(1) EU-27, extra EU-27 flows; euro area, extra EA-16 flows; Member States and other countries, flows with the rest of the world. Note that, according to the balance of payments sign convention, increases in assets and decreases in liabilities are shown with a negative sign, whereas decreases in assets and increases in liabilities are shown as positive.

Source: Eurostat (bop_q_eu, bop_q_euro, bop_q_c and tec00001)

1.6 Foreign direct investment

Introduction

In a world of increasing globalisation, where political, economic and technological barriers are rapidly disappearing, the ability of a country to participate in global activity is an important indicator of its performance and competitiveness. In order to remain competitive, modern day business relationships extend well beyond the traditional exchange of goods and services, as witnessed by the increasing reliance of firms on mergers, partnerships, joint ventures, licensing agreements, and other forms of business cooperation.

FDI may be seen as an alternative economic strategy, adopted by those enterprises that invest to establish a new plant/office, or alternatively, purchase existing assets of a foreign enterprise. These enterprises seek to complement or substitute external trade, by producing (and often selling) goods and services in countries other than where the enterprise was first established.

There are two kinds of FDI, namely the creation of productive assets by foreigners or the purchase of existing assets by foreigners (acquisitions, mergers, takeovers, etc.). FDI differs from portfolio investments because it is made with the purpose of having control or an effective voice in mangement and a lasting interest in the enterprise. Direct investment not only includes the initial acquisition of equity capital, but also subsequent capital transactions between the foreign investor and domestic and affiliated enterprises. FDI is a type of international investment where an entity that is resident in one economy (the direct investor) acquires a lasting interest (at least 10 % of the voting power) in an enterprise operating in another economy. The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise, and a significant degree of influence by the investor on the management of the enterprise.

Conventional trade is less important for services than for goods and while trade in services has been growing, the share of services in total intra-EU trade has changed little during the last decade. However, FDI is expanding more rapidly for services than for goods, as FDI in services has increased at a more rapid pace than conventional trade in services. As a result, the share of services in total FDI flows and positions has increased substantially, with European services becoming increasingly international.

Definitions and data availability

FDI statistics for the EU give a detailed presentation of FDI flows and stocks, showing which Member States invest in which countries and sectors. Eurostat collects FDI statistics for quarterly and annual flows, as well as for stocks at the end of the year. FDI stocks (assets and liabilities) are part of the international investment position of an economy at the end of the year.

A **direct investment enterprise** is an unincorporated or incorporated enterprise in which a direct investor owns 10 % or more of the ordinary shares or voting power (for an incorporated enterprise) or the equivalent (for an unincorporated enterprise).

FDI flows are new investment made during the reference period, whereas FDI stocks provide information on the position, in terms of value, of all previous investments at the end of the reference period.

Outward flows and stocks of FDI (FDI abroad) report investment by entities resident in the reporting economy in an affiliated enterprise abroad. **Inward flows and stocks** report investment by foreigners in enterprises resident in the reporting economy.

The **intensity of FDI** can be measured by averaging the value of inward and outward flows during a particular reference period and expressing this in relation to GDP.

The sign convention adopted for the data shown in this section, for both flows and stocks, is that investment is always recorded with a positive sign, and a disinvestment with a negative sign.

Main findings

Flows of FDI fluctuate considerably from one year to the next – partly as a function of economic developments, with FDI flows generally increasing during times of rapid growth, while disinvestment is more likely during periods of recession, as businesses focus on core activities in their domestic market. Inflows of FDI from non-member countries into the EU-27 were valued at EUR 198 701 million in 2008, while outflows from the EU-27 to non-member countries were valued at EUR 347 667 million. EU investments abroad were higher than inward FDI to the EU, and as such, the EU was a net investor abroad with net outflows of EUR 148 966 million. Large net outward investments were recorded for Germany, France and the United Kingdom.

Inward flows of FDI were equivalent of 1.6 % of the EU-27's GDP and outward flows of FDI were equivalent to 2.8 %, combining to give an FDI intensity of 2.2 % – this latter ratio indicates the relative importance of both inward and outward FDI flows during the course of a single year in relation to the size of the national economy. Luxembourg recorded the highest rate of FDI intensity among the individual Member States (234.0 % of GDP), but this should be interpreted with caution as the relatively high importance of FDI in Luxembourg results mainly from the role of Luxembourg-based holding companies.

FDI stocks show the value of all previous investments at the end of the reference period. At the end of 2007, the EU-27 held net outward stocks of FDI that were valued at EUR 3 151 000 million; inward FDI stocks for foreign investors in the EU-27 were valued at EUR 2 352 000 million. As such, outward stocks of FDI accounted for 25.5 % of EU-27 GDP at the end of 2007, while inward FDI stocks were valued at 19.0 %. A more detailed analysis by partner reveals that stocks of EU-27 FDI abroad were largely concentrated in North America (37.2 % of the extra EU-27 total at the end of 2007). Asia remained the second biggest partner for outward stocks of FDI, accounting for 13.2 % of the EU-27 total with non-member countries. North America was an even more important partner in terms of inward stocks, accounting for 48.8 % of the EU-27's FDI coming from non-member countries. Central America was the second most important investor in the EU-27 at the end of 2007 (with a 14.2 % share of the EU-27's inward stocks of FDI).

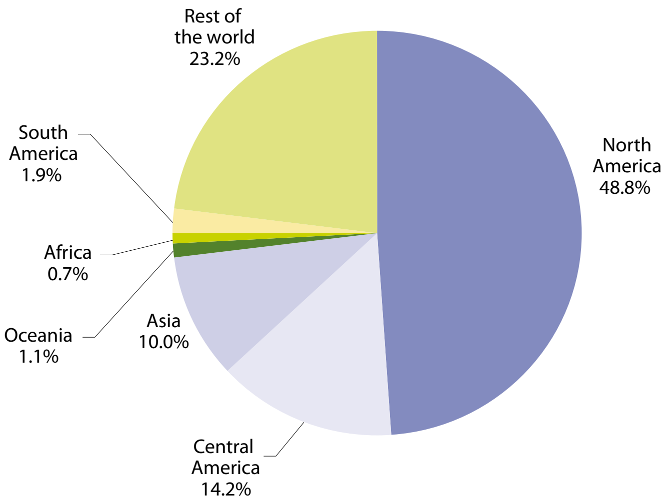
Table 1.17: Foreign direct investment, 2008 (1)

	FDI flows (EUR million)			FDI flows (% of GDP)			FDI intensity: average value of inward and outward FDI flows (% of GDP)
	Inward	Outward	Net outflows	Inward	Outward	Net outflows	
EU-27	198 701	347 667	148 966	1.6	2.8	1.2	2.2
Belgium	70 231	82 383	12 152	20.4	23.9	3.5	22.1
Bulgaria	6 549	485	-6 064	19.2	1.4	-17.8	10.3
Czech Republic	7 328	1 297	-6 031	5.0	0.9	-4.1	2.9
Denmark	1 858	9 485	7 627	0.8	4.1	3.3	2.4
Germany	14 526	106 813	92 287	0.6	4.3	3.7	2.4
Estonia	1 317	722	-595	8.2	4.5	-3.7	6.3
Ireland	-13 674	9 217	22 891	-7.5	5.1	12.6	-1.2
Greece	3 070	1 646	-1 424	1.3	0.7	-0.6	1.0
Spain	47 749	54 662	6 913	4.4	5.0	0.6	4.7
France	66 341	136 775	70 434	3.4	7.0	3.6	5.2
Italy	11 626	29 928	18 302	0.7	1.9	1.2	1.3
Cyprus	2 741	2 657	-84	15.9	15.4	-0.5	15.6
Latvia	862	167	-695	3.7	0.7	-3.0	2.2
Lithuania	1 245	229	-1 016	3.9	0.7	-3.2	2.3
Luxembourg	81 332	102 774	21 442	206.7	261.2	54.5	234.0
Hungary (2)	3 149	536	-2 613	3.0	0.5	-2.5	1.7
Malta	600	189	-411	10.6	3.3	-7.3	6.9
Netherlands (2)	-5 203	13 696	18 899	-0.9	2.3	3.2	0.7
Austria (2)	9 478	20 018	10 540	3.4	7.1	3.7	5.2
Poland	9 952	1 971	-7 981	2.7	0.5	-2.2	1.6
Portugal	2 411	1 437	-974	1.4	0.9	-0.5	1.2
Romania	9 509	189	-9 320	6.9	0.1	-6.8	3.5
Slovenia	1 313	932	-381	3.5	2.5	-1.0	3.0
Slovakia	2 331	176	-2 155	3.6	0.3	-3.3	1.9
Finland	-4 895	2 284	7 179	-2.6	1.2	3.8	-0.7
Sweden	28 132	19 008	-9 124	8.6	5.8	-2.8	7.2
United Kingdom	62 498	107 703	45 205	3.4	5.9	2.5	4.7
Croatia (3)	3 626	181	-3 445	8.5	0.4	-8.1	4.4
Turkey (3)	16 268	1 537	-14 731	3.4	0.3	-3.1	1.9
Norway (3)	3 578	9 162	5 584	1.3	3.2	1.9	2.2
Switzerland (3)	35 985	36 289	304	11.3	11.4	0.1	11.4
Japan (3)	16 466	53 710	37 244	0.5	1.7	1.2	1.1
United States (4)	139 689	172 518	32 829	1.3	1.6	0.3	1.5

(1) EU-27, FDI with extra-EU-27 partners; all other countries, FDI with the rest of the world; including special purpose entities; data extracted on 8 January 2010.
(2) Excluding special purpose entities.
(3) 2007.
(4) 2006.

Source: Eurostat (tec00049, tec00053, tec00046 and tsier130), Bank of Japan, Bureau of Economic Analysis

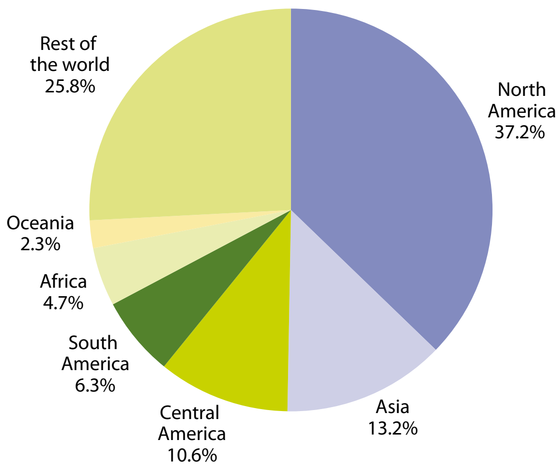
Figure 1.28: Foreign direct investment inward stocks by main extra-EU investor, EU-27, end-2007 (1)
(% of extra EU-27 FDI stocks)



(1) Figures do not sum to 100 % due to rounding; data extracted on 8 January 2010.

Source: Eurostat (bop_fdi_pos)

Figure 1.29: Foreign direct investment outward stocks in main extra-EU partners, EU-27, end-2007 (1)
(% of extra EU-27 FDI stocks)



(1) Figures do not sum to 100 % due to rounding; data extracted on 8 January 2010.

Source: Eurostat (bop_fdi_pos)

Table 1.18: Foreign direct investment stocks for selected partner countries, end-2007 ([1])
(EUR 1 000 million)

	Outward				Inward				Net assets abroad			
	Total	EU-27	JP	US	Total	EU-27	JP	US	Total	EU-27	JP	US
EU-27	3 151	-	74	1 006	2 352	-	120	1 042	799	-	-46	-37
Belgium	:	:	:	:	:	:	:	:	:	:	:	:
Bulgaria	1	0	0	0	27	23	0	1	-26	-23	0	-1
Czech Republic	6	5	0	0	76	67	1	3	-71	-62	-1	-3
Denmark	123	70	1	12	110	75	0	9	13	-5	0	3
Germany	823	529	6	142	634	464	12	72	189	65	-6	70
Estonia	4	4	0	0	11	10	0	0	-7	-7	0	0
Ireland	102	68	:	15	138	90	1	20	-36	-22	:	-5
Greece	23	14	0	1	35	29	0	3	-12	-15	0	-2
Spain	399	233	0	27	399	320	2	46	-1	-87	-2	-19
France	957	634	22	143	682	514	8	74	276	120	14	69
Italy	353	277	1	20	248	195	3	21	105	83	-2	0
Cyprus	6	4	0	0	12	7	0	0	-6	-3	0	0
Latvia	1	0	0	0	8	6	0	0	-7	-5	0	0
Lithuania	1	1	0	0	10	8	0	0	-9	-7	0	0
Luxembourg ([2])	51	37	0	3	55	46	0	6	-4	-9	0	-3
Hungary ([2])	12	7	0	0	68	46	1	3	-56	-38	-1	-3
Malta	1	0	0	0	6	3	0	0	-5	-3	0	0
Netherlands ([2])	604	:	3	57	495	:	8	90	110	:	-5	-33
Austria ([2])	101	65	0	3	110	72	2	13	-9	-7	-2	-10
Poland	14	9	0	0	121	102	1	8	-106	-94	-1	-8
Portugal	46	30	0	1	78	60	0	1	-32	-31	0	0
Romania	1	0	0	0	43	37	0	1	-42	-36	0	-1
Slovenia	5	1	0	0	10	8	0	0	-5	-7	0	0
Slovakia	1	1	0	0	29	26	0	1	-28	-25	0	-1
Finland	80	64	0	4	62	56	0	1	18	7	0	2
Sweden	223	144	1	34	199	138	2	26	25	6	-1	9
United Kingdom	1 249	562	1	276	846	421	35	228	403	140	-34	48
Croatia	2	1	:	0	30	29	0	0	-28	-28	:	0
Turkey	8	5	0	0	107	76	1	8	-98	-71	-1	-8
Iceland	:	:	0	2	:	:	:	1	:	:	:	2
Norway ([3])	93	51	0	10	71	49	0	13	22	2	0	-4
Switzerland	447	176	8	69	230	164	1	42	218	12	8	27
Japan	375	100	-	119	92	38	-	31	283	62	-	89
United States ([3])	1 810	:	70	-	1 358	:	160	-	452	:	-91	-

([1]) EU-27, FDI stocks in extra EU-27 partners; all other countries, FDI stocks in the rest of the world; data extracted on 8 January 2010.
([2]) Excluding special purpose entities.
([3]) 2006.

Source: Eurostat (tec00052 and tec00051)

1.7 Development aid

Introduction

More than half the money spent throughout the world on helping developing countries comes from the EU and its Member States. The aims of this development aid were laid out in a December 2005 document agreed by the European Parliament, Council and European Commission titled 'European consensus on development' (7), which seeks, in particular, to reduce poverty, to develop democratic values, and to support national strategies and procedures. The ultimate objective of the EU is to enable disadvantaged people to take control of their own development, through attacking the main sources of their vulnerability, such as access to food, clean water, education, health, employment, land and social services.

The EU's development strategy focuses on financial and technical assistance to improve basic, physical and social infrastructures and the productive potential of poor nations, including their administrative and institutional capacities. This support has the potential to help countries benefit from international trade opportunities and secure more inward investment to broaden their economic bases.

The EU's activities also extend to external trade policy, which is used to drive development through the opening-up of markets. Since the 1970s, the EU has reduced or removed tariffs and eliminated quotas on imports from developing countries, a policy that was further extended in 2001 to a generalised system of preferences (GSP). This trade scheme, renewed in 2008, covers preferential access to imports into the EU market from 176 developing countries, a special incentive arrangement for sustainable development and good governance (GSP+) and the complete removal of tariffs on all imports (everything but arms – EBA) from the 49 least-developed countries (LDCs) (8).

The EU promotes self-help and poverty eradication through policies that focus on consolidating the democratic process, expanding social programmes, strengthening institutional frameworks, and reinforcing the respect for human rights, including equality between men and women. Indeed, all trade or cooperation agreements with developing countries include a human rights clause as a matter of routine, and failure to comply gives rise to automatic penalties, frozen or cancelled aid.

Aside from long-term, strategic, development aid, the EU also plays an important role in rapidly alleviating human suffering – as a result of natural disaster or military conflict. The EU's relief activities are global and are handled by ECHO, its humanitarian aid office. The initial annual budget of this office in 2008 was about EUR 750 million, reinforced on several occasions in order to respond to new crises and natural disasters, such that EUR 937 million was ultimately channelled to over 60 countries, and brought relief to around 143 million people, with close to three fifths of the assistance allocated to African, Caribbean and Pacific (ACP) states; most of this aid is in the form of non-repayable grants.

During the first half of 2008, the price of food and raw materials shot up,

(7) For more information: http://ec.europa.eu/development/policies/consensus_en.cfm.

(8) For more information: http://ec.europa.eu/trade/wider-agenda/development.

plunging 75 million more people into the vicious cycle of food insecurity and the EU almost doubled its emergency food aid budget. There was also an increase in the number of natural disasters in 2008, and they were more intense than in the past. European humanitarian aid helped people from Asia to Central America and Africa to deal with the devastating consequences of cyclones, floods and droughts. Civilians also continued to pay a heavy price in crises brought about solely by the actions of human beings.

Definitions and data availability

Official development assistance (ODA) consists of grants or loans that are undertaken by the official sector with the promotion of economic development and welfare in the recipient countries as the main objective. The net disbursements for ODA to development assistance committee (DAC) countries are expressed as a percentage of gross national income (GNI) at market prices.

In addition to ODA, **total financing** for development refers to net disbursements, other official flows, and private flows. **Other official flows** are transactions which do not meet the conditions for eligibility as ODA (or official aid), either because they are not primarily aimed at development, or because they have a grant element of less than 25 %.

Private flows include private export credits, direct investment and financing to multilateral institutions. Foreign direct investment includes significant investment by foreign businesses of production facilities or ownership stakes taken in the national businesses.

Commitments include both bilateral commitments and commitments to regional banks. Bilateral commitments are recorded as the full amount of the expected transfer, irrespective of the time required for the completion of disbursements. **Disbursements** are the release of funds to, or the purchase of goods or services for a recipient. Disbursements record the actual international transfer of financial resources, or of goods or services valued at the cost of the donor.

DAC countries refer to 'developing countries and territories' on Part I of the OECD DAC list of aid recipients for which there is a long-standing United Nations target of aid reaching 0.7 % of donors' gross national product.

Main findings

The EU-15 Member States paid almost EUR 45 000 million in official development assistance to DAC countries in 2007, considerably less than the further EUR 128 000 million coming in the form of private flows which increased greatly in the four most recent years.

There is a long-standing United Nations target of reaching a level of aid equivalent to 0.7 % of donors' GNI. While EU Member States, like other industrialised countries, have accepted this 0.7 % target for spending, only Sweden, Luxembourg, Denmark and the Netherlands reached or exceeded this goal in 2008. EU ministers agreed in May 2005 to set a collective target of 0.56 % of GNI by 2010, on the way to achieving the UN target of 0.7 % by 2015. The earlier commitment to reach an EU average of 0.39 % by 2006 was met, and by 2008 the EU-27 average was 0.40 %.

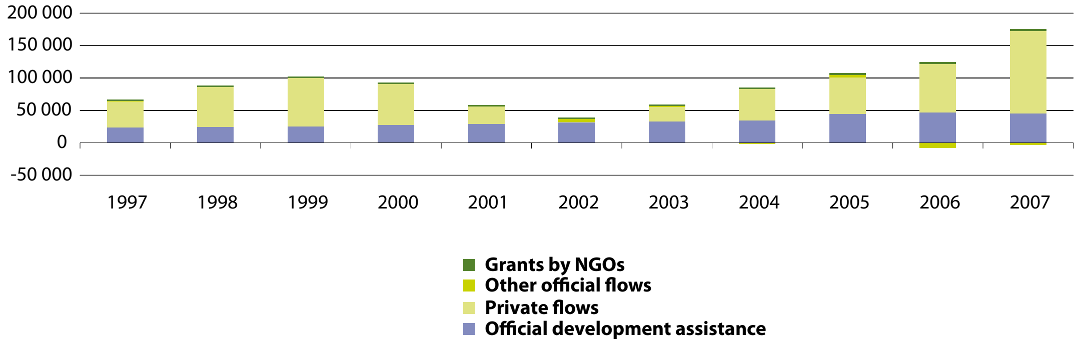
Table 1.19: Official development assistance

	Official development assistance (% of GNI)					Official development assistance per capita (EUR)				
	1998	2005	2006	2007	2008	1998	2004	2005	2006	2007
EU-27 (¹)	:	0.41	0.41	0.37	0.40	63.00	89.00	115.30	120.30	114.30
Belgium	0.35	0.52	0.49	0.43	0.47	66.10	112.90	150.60	149.30	134.10
Bulgaria	:	0.01	0.00	0.06	0.04	:	:	0.30	0.10	2.10
Czech Republic	0.03	0.11	0.12	0.11	0.11	:	8.50	10.60	12.50	12.60
Denmark	0.99	0.81	0.80	0.81	0.82	273.10	303.00	312.80	327.50	342.30
Germany	0.26	0.36	0.35	0.37	0.38	63.00	73.40	98.30	100.90	109.00
Estonia	:	0.07	0.09	0.12	0.09	:	3.00	5.90	8.90	11.90
Ireland	0.30	0.42	0.53	0.55	0.58	44.90	120.00	138.90	191.00	199.70
Greece	0.15	0.16	0.16	0.16	0.20	14.10	23.30	27.80	30.30	32.60
Spain	0.24	0.27	0.31	0.37	0.43	27.50	45.90	55.90	68.80	83.60
France	0.38	0.47	0.46	0.38	0.39	92.90	109.10	128.30	133.60	113.40
Italy	0.20	0.29	0.20	0.19	0.20	19.60	34.00	69.80	49.20	48.80
Cyprus	:	0.09	0.15	0.12	0.17	:	5.40	15.80	27.20	23.00
Latvia	:	0.07	0.06	0.06	0.06	:	3.00	3.50	4.40	5.30
Lithuania	:	0.06	0.08	0.11	0.13	:	2.30	3.50	5.30	8.90
Luxembourg	0.65	0.82	0.90	0.91	0.92	198.70	413.40	443.00	489.90	570.90
Hungary	:	0.10	0.14	0.08	0.07	:	5.60	8.00	11.80	7.50
Malta	:	0.18	0.15	0.15	0.11	:	19.90	19.80	17.20	19.60
Netherlands	0.80	0.80	0.78	0.81	0.80	166.50	207.60	251.90	265.60	277.20
Austria	0.22	0.52	0.47	0.50	0.42	54.80	66.70	153.50	144.10	158.70
Poland	0.01	0.07	0.09	0.10	0.08	:	2.50	4.30	6.20	6.90
Portugal	0.24	0.21	0.21	0.22	0.27	21.90	78.90	28.70	29.80	32.40
Romania	:	:	0.00	0.07	0.07	:	:	:	0.10	3.70
Slovenia	:	0.10	0.11	0.11	0.14	:	12.50	14.50	17.40	18.80
Slovakia	:	0.12	0.10	0.09	0.10	:	4.20	8.40	8.10	9.10
Finland	0.31	0.46	0.39	0.39	0.43	65.00	104.50	138.20	126.20	135.40
Sweden	0.72	0.92	0.99	0.93	0.98	172.50	243.30	299.20	346.90	346.10
United Kingdom	0.27	0.47	0.51	0.35	0.43	51.90	106.10	143.70	163.70	117.80
Turkey	0.03	0.17	0.18	0.09	:	1.10	3.80	6.70	8.00	6.30
Iceland	:	0.18	0.27	0.27	:	25.40	58.50	73.80	108.80	113.40
Norway	0.89	0.94	0.89	0.95	0.88	261.50	384.90	484.40	504.80	577.60
Switzerland	0.32	0.44	0.39	0.37	0.41	113.30	168.10	191.50	175.20	162.80

(¹) EU-15 for ODA per capita.

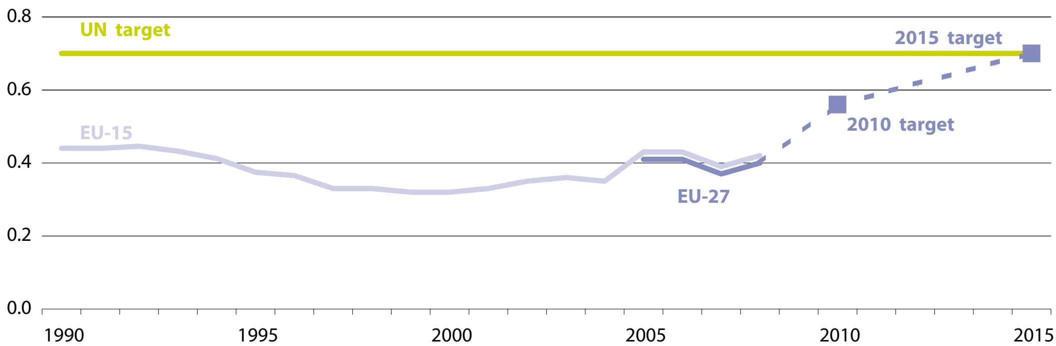
Source: Eurostat (tsdgp100 and tsdgp520), OECD (DAC database)

Figure 1.30: Total financing for developing countries, EU-15
(EUR million)



Source: Eurostat (tsdgp310), OECD (DAC database)

Figure 1.31: Official development assistance, EU
(% share of GNI)



Source: Eurostat (tsdgp100), OECD (DAC database)