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1 Economy and finance

Indicators from various areas, such as national accounts, government finance, exchange rates and interest rates, consumer prices, and the balance of payments support analysis of the economic situation used in the design, implementation and monitoring of European Union (EU) policies.

The EU is active in a wide range of policy areas, but economic policies have traditionally played a dominant role. 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 customs union over 50 years ago, European economic policies progressively extended their scope to a multitude of domains.

Since 1993, the European single market has enhanced the possibilities for people, goods, services and money to move around the EU as freely as within a single country. The start of economic and monetary union (EMU) in 1999 has given economic and market integration further stimulus. The euro has become a symbol for Europe, and the number of countries that have adopted the single currency has increased from an original 11 to 16 countries by 2010.

Fostering economic and social progress, with constant improvements in living and working conditions, has also been a key objective of European policies. The strongest global financial and economic crisis since the 1930s reversed much of the economic progress made since the 2000 Lisbon strategy was adopted. In the aftermath of this crisis, in March 2010, the European Commission launched the Europe 2020 strategy for smart, sustainable and inclusive growth. Its declared objective is to overcome the effects of the crisis and prepare the EU's economy for the next decade; the integrated economic and employment guidelines have been revised within the context of this new strategy. Among the ten guidelines one aims to address macro-economic imbalances, and the other

aims to reduce imbalances in the euro area. A third guideline concerns the specific issue of ensuring the quality and the sustainability of public finances (see Subchapter 1.2 on government finance statistics).

Following actions to stabilise the financial system and the economy, the recent crisis has also prompted substantial reforms of EU macro-economic, budgetary and structural surveillance. A key new element is the introduction of a European semester starting in January 2011. It will cover fiscal discipline, macro-economic stability and policies to foster growth, aligning processes under the stability and growth pact and the Europe 2020 strategy, while retaining their legal specificities. European economic statistics will play an important role in this process.

1.1 National accounts – GDP

National accounts are the source for a multitude of well-known economic indicators which are presented in this subchapter. 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 comparison of living standards, or to monitor the process of convergence across the European Union (EU).

Moreover, the development 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. Economic developments in production, income generation and (re)distribution, consumption and investment may be better understood when analysed by institutional sector. In particular, sector accounts provide several key indicators for households and non-financial corporations, like the household saving rate and business profit share.

Main statistical findings

Developments in GDP

As a result of the global financial and economic crisis, the EU-27's GDP fell from EUR 12 495 000 million in 2008 to EUR 11 791 000 million in 2009. The euro area accounted for 76.0 % of this total, while the sum of the five largest EU economies (Germany, France, the United Kingdom, Italy and Spain) was 71.6 %. However, cross-country comparisons should be made with caution as notably exchange rate fluctuations may signifi-

cantly influence the development of nominal GDP figures. To evaluate standards of living, it is therefore more appropriate to use GDP per capita in purchasing power standards (PPS), in other words adjusted for the size of an economy in terms of population and also for differences in price levels across countries. The average GDP per capita within the EU-27 in 2009 was PPS 23 600. The relative position of individual countries can be expressed through a comparison with this average (see Table 1.1), with the EU-27 value set to equal 100. The highest value among EU Member States was recorded for Luxembourg, where GDP per capita in PPS was more than 2.6 times the EU-27 average in 2009 (which is partly explained by the importance of cross-border workers from Belgium, France and Germany). On the other hand, GDP per capita was less than half the EU-27 average in Romania, Bulgaria (both 2008) and Latvia.

Although PPS figures should, in principle, be used for cross-country comparisons in a single year rather than over time, comparing 1999 to 2009 figures suggests that some convergence in living standards took place between the EU Member States over the past ten years, even though notably the Baltic countries suffered a significant set back in relation to the financial and economic crisis. While all Member States that joined the EU in 2004 or 2007 remained below the EU-27 average in 2009, as did Portugal and Greece, all except Malta moved closer to the EU-27 average over the last ten years. Whereas Luxembourg, Spain and Ireland moved further ahead of the EU-27 average over the ten years to 2009, and Portugal further behind, the other EU-15 Member States moved closer to the EU-27 average.

The pattern of real growth in GDP has varied significantly across the EU: the average annual growth rates of the EU-27 and the euro area between 2000 and 2009 were 1.5 % and 1.4 % respectively. The three Baltic countries averaged 4.8 % real growth per annum despite double-digit decreases in 2009. Bulgaria and Slovakia (4.7 %) and Romania (4.6 %) also recorded annual average growth around three times the EU-27 average. With the exceptions of Hungary and Malta, the economies of all other Member States that joined the EU in 2004 or 2007 grew by an average between 3 % and 4 % per annum during the period 2000 to 2009, as did Ireland, Greece and Luxembourg. The lowest rates of change within the EU during this period were recorded in Italy, Germany, Portugal and Denmark, all averaging growth of less than 1 % per annum (see Table 1.2).

Following a general upturn of the business cycle between 2003 and 2007, the impact of the financial and economic crisis resulted in a severe slowdown and recession in most countries. In 2008 real GDP growth in the EU-27 and the euro area slowed to 0.5 % and in 2009 the rate of change turned negative as GDP contracted by 4.2 % in the EU-27 and by 4.1 % in the euro area. Seven of the EU Member States recorded a negative rate of change for GDP in 2008 and by 2009 there was a contraction in all of the Member Stares except Poland. The decline in real GDP in 2009 was particularly strong in Latvia (-18.0 %), Lithuania (-14.7 %) and Estonia (-13.9 %).

Main GDP aggregates

Looking at GDP from the output side, the analysis reveals some shifts in the economic structure of the EU-27 economy over the last ten years. The comparison of 1999 and 2009 figures shows that the proportion of gross value added accounted for by agriculture and industry was falling, as was the proportion from trade, transport and communication services. In contrast, the proportion of GDP from construction, business activities and financial services as well as other services rose. This structural change is, at least in part, a result of phenomena such as technological change, developments in relative prices, and globalisation, often resulting in manufacturing activities being moved to lower labour-cost regions, both within and outside the EU. However, the decline of industry's share of gross value added within the EU-27 from 20.1 % in 2008 to 17.9 % in 2009 mainly reflected the impact of the financial and economic crisis.

Among the six activities presented in Table 1.3 the three largest were all service activities and together contributed close to three quarters (74.1 %) of the EU-27's total gross value added in 2009. Business activities and financial services accounted for 29.2 % of the EU-27's gross value added, followed by other services (largely made-up of public administrations, education and health services, as well as other community, social and personal service activities (24.0 %)) and trade, transport and communication services (20.9 %). The smallest contributions came from agriculture, hunting, forestry and fishing (1.7 %) and construction (6.3 %). The relative importance of services was particularly high in Luxembourg, France, Cyprus, Greece, Malta, the United Kingdom, Belgium, Denmark and Latvia, as services accounted for more than three quarters of total value added in each of these countries.

An analysis of labour productivity per person employed over the same ten-year period shows increases for all activities. The highest growth rate of productivity was registered in construction (40 %) and the lowest for agriculture, hunting, forestry and fishing (16 %). To eliminate the effects of inflation, labour productivity per person can also be calculated using constant price output figures. Labour productivity in those Member States that joined the EU in 2004 or 2007 converged towards the EU-27 average. Notably, labour productivity per person employed in Romania increased from 23 % to 47 % of the EU-27 average between 1999 and 2009; Estonia, Slovakia, Lithuania, Bulgaria and Latvia also recorded substantial progress towards the EU-27 average.

Turning to an analysis of the development of GDP components from the expenditure side it can be noted that final consumption expenditure across the EU-27 rose by 19.2 % in volume (constant price) terms between 1999 and 2009. This was slightly higher than the growth in GDP during the same period (16.3 %), while overall growth in gross capital formation was just 3.0 % due to a sharp fall in 2009.

In current prices, consumption expenditure by households and non-profit institutions serving households dropped 4.2 % compared with 2008, and represented 57.9 % of the EU-27's GDP in 2009. General government expenditure in the EU-27 rose between 2008 and 2009 by 1.6 % to account for a 22.2 % share of total

GDP in 2009, while gross fixed capital formation dropped by 14.5 % to record an 18.9 % share of GDP. The external balance of goods and services represented 1.0 % of the EU-27's GDP in 2009.

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. The vast majority of investment was made by the private sector: in 2009 private investment accounted for 18.4 % of the EU-27's GDP, whereas the equivalent figure for public sector investment was 2.9 %. Public investment exceeded 5 % of GDP in 2009 in the Czech Republic, Romania and Poland, while private investment rose to over 20 % of GDP in Slovakia, Cyprus (2008 data), Romania and Austria.

Gross fixed capital formation (total investment) in 2009 as a share of GDP was 19.1 % in the EU-27 and 19.6 % in the euro area. In 2009 it was highest in Romania, Bulgaria, Spain, Slovenia and Slovakia where it was around one quarter of GDP, while it was lowest in the United Kingdom, Malta and Ireland where it was around 15 % of GDP.

An analysis of GDP within the EU-27 from the income side shows that the distribution between the production factors of income resulting from the production process was dominated by the compensation of employees, which was 49.9 % of GDP in 2009, an increased share compared with 2008. The share of gross operating surplus and mixed income fell in 2009 to 38.7 % of GDP while the share of taxes on production and imports less subsidies decreased to 11.4 %.

Household consumption

The consumption expenditure of households accounted for at least half of GDP in the majority of Member States in 2009; this share was highest in Cyprus (77.4 %, 2008) and also exceeded 75 % in Greece (76.8 %) as well as the former Yugoslav Republic of Macedonia (81.2 %) and Turkey (75.1 %). In contrast, it was below 40 % in Luxembourg (36.9 %, 2008); nevertheless, average household consumption expenditure per capita was, by far, highest in Luxembourg (PPS 25 600, 2008).

A little over one fifth (22.2 %) of total household consumption expenditure in the EU-27 in 2008 was devoted to housing, water, electricity, gas and other housing fuels. Transport expenditure (13.4 %) and expenditure on food and non-alcoholic beverages (12.9 %) together accounted for a little more than a quarter of the total – see Figure 1.12.

National savings

Gross national saving as a proportion of national disposable income averaged 18.5 % in the euro area (of 13 countries) in 2009, and among the EU Member States reached its highest in Latvia (26.3 %) and lowest in Greece (2.6 %). Compared with 1999, there was a decline for the euro area and most of its members. The most substantial decreases (in percentage point terms) were in Ireland, Portugal, Greece, Finland and Cyprus where savings as a proportion of disposable income fell by 7 percentage points or more, while the largest increases were recorded in Latvia and Romania where

the proportion increased by 12 points and 9 points respectively.

Sector accounts

Table 1.7 shows the household saving rate in 2009 was almost 2 percentage points higher in the euro area (15.3 %) than in the EU-27 (13.4 %). This gap is mainly explained by the relatively low saving rates of Poland (3.7 %) and the United Kingdom (6.3 %). Among the Member States within the euro area household saving rates were within a relatively narrow range and were generally high, with only Slovakia, Cyprus, Portugal and Finland reporting rates below the EU-27 average. Nevertheless, the EU-27 household saving rate increased in 2009 by 2.3 percentage points, which was more twice the increase recorded within the euro area (1.1 points); the largest increases in savings were observed in Estonia (9.9 points) and Lithuania (8.8 points).

In 2009, the household investment rate was 8.3 % in the EU-27. This rate ranged from 7.1 % in Portugal to just over 10 % in Belgium and Finland, with the Netherlands (12.2 %) and Cyprus (12.3 %) above this range, and Latvia (5.8 %), the United Kingdom, Lithuania and Sweden (all 5.0 %) below this range. The household investment rate fell by 1.3 points in the EU-27 in 2009, compared with the year before; it dropped in each of the Member States (for which data are available) except for the Czech Republic (+0.5 percentage points). Ireland experienced by far the largest fall, down 8.8 points, followed by Spain (-3.6 points).

In 2009, the household debt-to-income ratio varied considerably between Member States. While it was close to or below 50 % in Slovenia, Lithuania, Poland, the Czech Republic and Slovakia, it almost reached 200 % in Ireland and was even higher in the Netherlands and Denmark (rates of 200 % suggest that it would take two years of disposable income for households to repay their debt). A comparatively high debt-to-income ratio was recorded in several north western European Member States. In contrast, in central and eastern Europe, the debt-to-income ratio was comparatively low with household debt never greater than annual disposable income (Estonia had the highest ratio with 97.2 %). It should be borne in mind that high household debt may to some extent mirror high levels of financial assets, as shown in the analysis of the household net financial wealth-to-income ratio. It may also mirror the ownership of non-financial assets such as dwellings or be impacted by national provisions that foster borrowing (for example, the deduction of interest from taxes). Overall, the household debt-to-income ratio increased in 2009 in most EU Member States, the exceptions being the United Kingdom, Spain and Lithuania. Denmark, which already had the largest debt-to-income ratio in 2008, experienced the highest annual increase in 2009, as the ratio increased by 12.4 percentage points.

Like the debt-to-income ratio, the household net financial wealth-to-income ratio differed considerably between Member States. Belgium recorded a ratio of 328.0 %, the highest among the Member States in 2009, and high values were also observed in the Netherlands and Italy, as well as in Switzerland. Latvia and Slovakia had remarkably low net financial assets-to-income ratios, as did Norway.

Figure 1.17 shows that in 2009, the business investment rate was at 20.5 % in the EU-27. The three highest rates among the Member States were recorded in Slovakia, Austria and Slovenia, while the lowest rate was in Ireland (12.3 %). The business investment rates of the five largest EU-27 economies diverged quite significantly: in Spain and Italy the rates were clearly above the EU-27 average, while in the United Kingdom and Germany they were clearly below the average; only the French rate was close to the overall average for the EU-27. The business investment rate fell in all EU Member States in 2009 compared with 2008; however it increased by 1.4 percentage points in Norway. Overall the rate fell by 2.5 percentage points in the EU-27, with particularly large reductions in the Baltic Member States (7 points or more) – see Table 1.8.

The profit share of non-financial corporations was 36.5 % in the EU-27 in 2009. The lowest shares were recorded in Sweden, France, Denmark and Slovenia, while the highest shares were posted in Malta and Ireland, as well as in Norway. Profit shares fell in the EU-27 by 1.6 percentage points between 2008 and 2009. Slovakia and Finland experienced the largest reductions in their profit shares, along with Norway. Latvia recorded the highest percentage point increase between 2008 and 2009, up by 5.4 points, while Spain was the only one of the five largest EU economies to record an increase (up 1.2 points).

Data sources and availability

The European system of national and regional accounts (ESA) provides the methodology for national accounts in the EU. The current version, ESA95, was fully consistent with worldwide guidelines for national accounts, the 1993 SNA. Following international agreement on an updated version of the SNA in 2008, a respective update of the ESA is, at the time of writing, close to finalisation.

GDP and main components

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 components, employment, final consumption aggregates and savings. Many of these variables are calculated on an annual and on a quarterly basis.

GDP is the central measure of national accounts, which summarises the economic position of a country (or region). It can be calculated using different approaches: the output approach; the expenditure approach; and the income approach.

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 (PPPs) 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-27 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.

Complementary data

Economic output can also 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.

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 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.

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. 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.

Household saving is the main domestic source of funds to finance capital investment. The system of accounts 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.

Sector accounts

Sector accounts group together economic subjects with similar behaviour into institutional sectors, such as: households, non-financial corporations, financial corporations and government. Group-

ing economic subjects in this way greatly helps to understand the functioning of the economy. The behaviour of households and non-financial corporations is particularly relevant in this respect.

The households sector covers individuals or groups of individuals acting as consumers and entrepreneurs provided, in the latter case, that their activities as market producers are not carried out by separate entities. For the purpose of the analysis within this subchapter, this sector has been merged with the relatively small sector of non-profit institutions serving households (for example, associations and charities).

Non-financial corporations cover enterprises whose principal activity is the production of goods and non-financial services to be sold on the market. It includes incorporated enterprises, but also unincorporated enterprises as long as they keep a complete set of accounts and have an economic and financial behaviour which is similar to that of corporations. Small businesses (such as sole traders and entrepreneurs operating on their own) are recorded under the households sector.

Sector accounts record, in principle, every transaction between economic subjects during a certain period and can also be used to show the opening and closing stocks of financial assets and liabilities in financial balance sheets. These transactions are grouped into various categories that have a distinct economic meaning, such as the compensation of employees (comprising wages and salaries, before taxes and social contributions are deducted, and social contributions paid by employers).

In turn, these categories of transactions are shown in a sequence of accounts, each of which covers a specific economic process. This ranges from production, income generation and income (re)distribution, through the use of income, for consumption and saving, and investment, as shown in the capital account, to financial transactions such as borrowing and lending. Each non-financial transaction is recorded as an increase in the resources of a certain sector and an increase in the uses of another sector. For instance, the resources side of the interest transaction category records the amounts of interest receivable by different sectors of the economy, whereas the uses side shows interest payable. For each type of transaction, total resources of all sectors and the rest of the world equal total uses. Each account leads to a meaningful balancing item, the value of which equals total resources minus total uses. Typically, such balancing items, such as GDP or net saving, are important economic indicators; they are carried over to the next account.

The analysis in this subchapter focuses on a selection of indicators from the wealth of sector accounts data. Households' behaviour is described through indicators covering saving and investment rate, as well as debt-to-income and net financial wealth-to-income ratios. The analysis on non-financial corporations is based on the business investment rate and business profit share.

Context

European institutions, governments, central banks as well as other economic and social bodies in the public and private sectors need a set of comparable and reliable statistics on which to base their decisions.

National accounts can be used for various types of analysis and evaluation. The use of internationally accepted concepts and definitions permits an analysis of different economies, such as the interdependencies between the economies of the EU Member States, or a comparison between the EU and non-member countries.

Business cycle and macro-economic policy analysis

One of the main uses of national accounts data relates to the need to support European economic policy decisions and the achievement of economic and monetary union (EMU) objectives with high-quality short-term statistics that allow the monitoring of macro-economic developments and the derivation of macro-economic policy advice. For instance, one of the most basic and long-standing uses of national accounts is to quantify the rate of growth of an economy, in simple terms the growth of GDP. Core national accounts figures are notably used to develop and monitor macro-economic policies, while detailed national accounts data can also be used to develop sectoral or industrial policies, particularly through an analysis of input-output tables.

Since the beginning of the EMU in 1999, the European Central Bank (ECB) has been one of the main users of national accounts. The ECB's strategy for assessing the risks to price stability is based on two analytical perspectives, referred to as the 'two pillars': economic analysis and monetary analysis. A large number of monetary and financial indicators are thus evaluated in relation to other relevant data that allow the combination of monetary, financial and economic analysis, for example, key national accounts aggregates and sector accounts. In this way monetary and financial indicators can be analysed within the context of the rest of the economy.

The Directorate-General for Economic and Financial Affairs produces the European Commission's macro-economic forecasts twice a year, in the spring and autumn. These forecasts cover all EU Member States in order to derive forecasts for the euro area and the EU-27, but they also include outlooks for candidate countries, as well as some non-member countries.

The analysis of public finances through national accounts is another well established use of these statistics. Within the EU a specific application was developed in relation to the convergence criteria for EMU, two of which refer directly to public finances. These criteria have been defined in terms of national accounts figures, namely, government deficit and government debt relative to GDP. See Subchapter 1.2 on government finance statistics for more information.

Regional, structural and sectoral policies

As well as business cycle and macro-economic policy analysis, there are other policy-related uses of European national and regional accounts data, notably concerning regional, structural and sectoral issues.

The allocation of expenditure for the structural funds is partly based on regional accounts. Furthermore, regional statistics are used for ex-post assessment of the results of regional and cohesion policy.

Encouraging more growth and more jobs is a strategic priority for both the EU and the Member States, and is part of the Europe 2020 strategy. In support of these strategic priorities, common policies are implemented across all sectors of the EU economy while the Member States implement their own national structural reforms. To ensure that this is as beneficial as possible, and to prepare for the challenges that lie ahead, the European Commission analyses these policies.

The European Commission conducts economic analysis contributing to the development of the common agricultural policy (CAP) by analysing the efficiency of its various support mechanisms and developing a long-term perspective. This includes research, analysis and impact assessments on topics related to agriculture and the rural economy in the EU and non-member countries, in part using the economic accounts for agriculture.

Target setting, benchmarking and contributions

Policies within the EU are increasingly setting medium or long-term targets, whether binding or not. For some of these, the level of GDP is used as a benchmark denominator, for example, setting a target for expenditure on research and development at a level of 3 % of GDP.

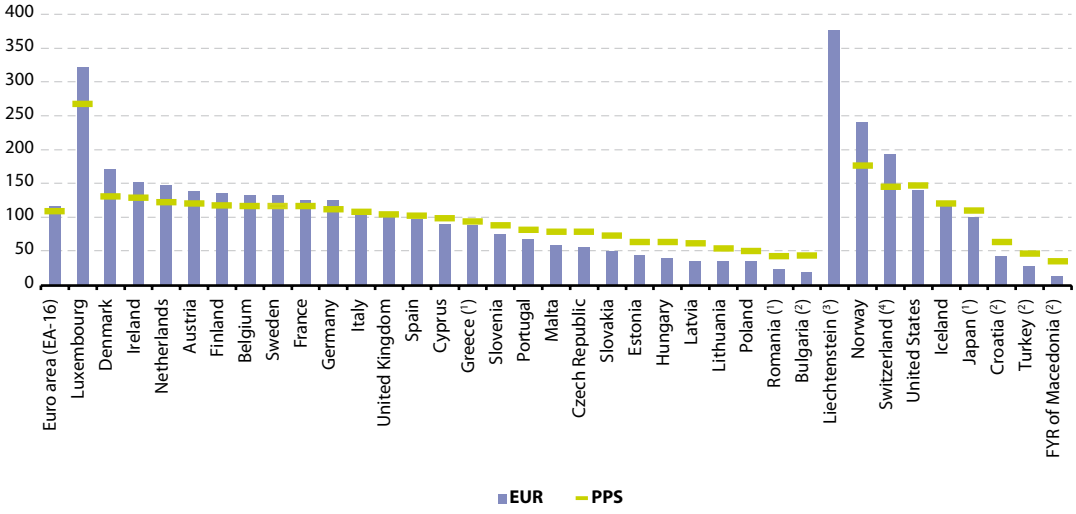
National accounts are also used to determine EU resources, with the basic rules laid down in a Council Decision. The overall amount of own resources needed to finance the EU budget is determined by total expenditure less other revenue, and the maximum size of the own resources are linked to the gross national income of the EU.

As well as being used to determine budgetary contributions within the EU, national accounts data are also used to determine contributions to other international organisations, such as the United Nations (UN). Contributions to the UN budget are based on gross national income along with a variety of adjustments and limits.

Analysts and forecasters

National accounts are also widely used by analysts and researchers to examine the economic situation and developments. Financial institutions' interest in national accounts may range from a broad analysis of the economy to specific information concerning savings, investment or debt among households, non-financial corporations or other institutional sectors. Social partners, such as representatives of businesses (for example, trade associations) or representatives of workers (for example, trade unions), also have an interest in national accounts for the purpose of analysing developments that affect industrial relations. Among other uses, researchers and analysts use national accounts for business cycle analysis and analysing long-term economic cycles and relating these to economic, political or technological developments.

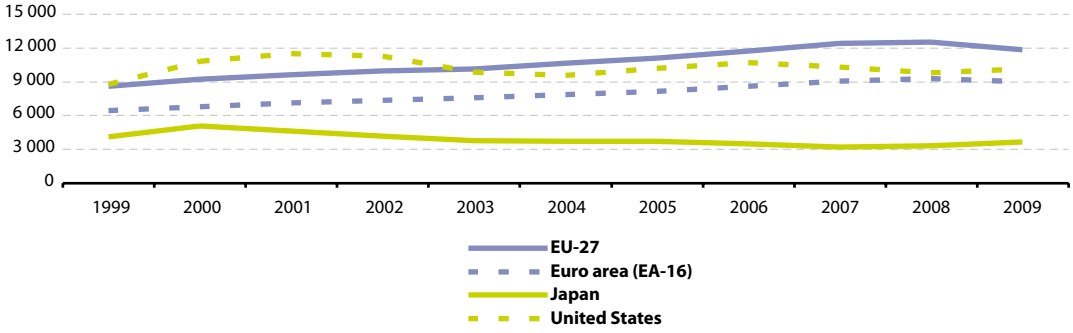
Figure 1.1: GDP per capita at current market prices, 2009
(EU-27=100)



(1) 2007.
(2) 2008.
(3) 2008. PPS, not available.
(4) Provisional.

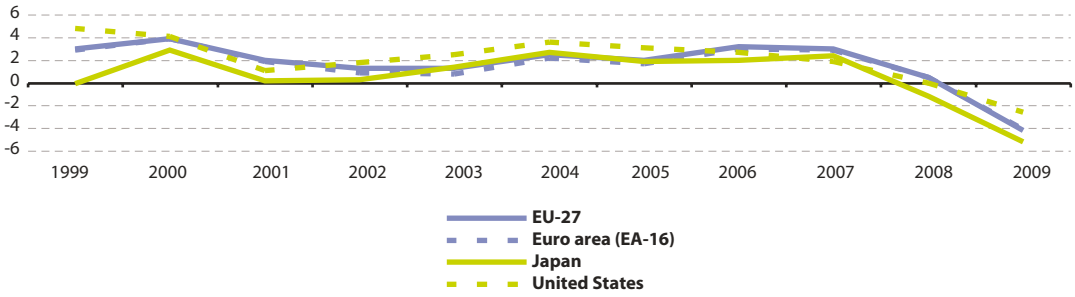
Source: Eurostat (nama_gdp_c and tec00001)

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 at current market prices

	GDP						GDP per capita			
	(EUR 1 000 million)			(PPS 1 000 million)			(PPS, EU-27=100)			(EUR)
	1999	2008	2009	1999	2008	2009	1999	2008	2009	2009 (1)
EU-27	8 589	12 495	11 791	8 589	12 495	11 791	100	100	100	23 600
Euro area (EA-16)	6 445	9 252	8 963	6 283	8 906	8 396	113	108	108	27 200
Belgium	239	345	339	224	309	294	123	115	116	31 400
Bulgaria	12	35	35	*40*	82	76	*27*	43	:	4 700
Czech Republic	56	148	137	*127*	210	199	*69*	80	81	13 100
Denmark	163	233	223	124	165	153	131	120	118	40 400
Germany	2 012	2 481	2 397	1 786	2 366	2 233	122	115	116	29 300
Estonia	5	16	14	*10*	23	20	*42*	68	63	10 300
Ireland	90	180	160	84	149	135	126	134	128	35 700
Greece	132	*236*	*233*	160	*262*	*247*	83	*93*	*93*	*20 700*
Spain	580	1 088	1 054	685	1 173	1 127	96	103	104	22 900
France	1 368	1 949	1 907	1 233	1 734	1 633	115	108	107	29 600
Italy	1 127	1 568	1 521	1 192	1 527	1 445	117	102	102	25 200
Cyprus	9	17	17	*11*	19	18	*87*	96	98	21 200
Latvia	7	23	19	*15*	32	26	*36*	57	49	8 200
Lithuania	10	32	27	*24*	52	42	*39*	62	53	8 000
Luxembourg	20	39	38	18	34	31	237	277	267	75 700
Hungary	46	106	93	100	162	149	55	64	63	9 300
Malta	4	6	6	6	8	8	81	77	78	13 900
Netherlands	386	596	572	368	552	508	131	134	130	34 600
Austria	198	283	*274*	187	259	241	131	124	*122*	*32 800*
Poland	157	362	310	*331*	539	547	*49*	56	61	8 100
Portugal	118	172	168	147	209	196	81	79	78	15 800
Romania	34	140	116	105	259	229	26	42	:	*5 800*
Slovenia	21	37	35	*28*	46	42	*81*	91	87	17 300
Slovakia	19	65	63	49	98	91	50	72	72	*11 700*
Finland	122	185	171	105	156	139	115	117	111	32 100
Sweden	243	334	293	199	284	265	126	122	120	31 300
United Kingdom	1 410	1 815	1 563	1 231	1 785	1 693	118	116	116	25 300
Iceland	8	10	9	7	10	9	139	121	120	27 200
Liechtenstein	2	3	3	:	:	:	:	:	:	:
Norway	149	306	273	115	226	200	145	189	176	56 500
Switzerland	252	343	354	186	271	262	*146*	*141*	*144*	*45 800*
Croatia	22	47	45	*39*	69	66	49	63	:	10 800
FYR of Macedonia	3	7	:	10	17	:	27	34	:	*3 300*
Turkey	234	499	440	*448*	811	781	*40*	*46*	:	7 000
Japan	4 102	3 313	3 639	2 657	3 369	3 112	118	109	:	*25 000*
United States	8 776	9 770	10 123	8 093	11 216	10 614	163	147	146	32 900

(1) Bulgaria, Croatia, the former Yugoslav Republic of Macedonia and Turkey, 2008; Romania and Japan, 2007.

Source: Eurostat (tec00001 and nama_gdp_c), Switzerland: Secrétariat d'Etat à l'économie, Japan: Economic and Social Research Institute, United States: Bureau of Economic Analysis

Table 1.2: Real GDP growth
(% change compared with the previous year; average 2000-2009)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-09
EU-27	3.9	2.0	1.2	1.3	2.5	2.0	3.2	3.0	0.5	-4.2	1.5
Euro area (EA-16)	3.9	1.9	0.9	0.8	2.2	1.7	3.0	2.8	0.5	-4.1	1.4
Belgium	3.7	0.8	1.4	0.8	3.2	1.7	2.7	2.9	1.0	-2.8	1.5
Bulgaria	5.7	4.2	4.7	5.5	6.7	6.4	6.5	6.4	6.2	-4.9	4.7
Czech Republic	3.6	2.5	1.9	3.6	4.5	6.3	6.8	6.1	2.5	-4.1	3.4
Denmark	3.5	0.7	0.5	0.4	2.3	2.4	3.4	1.7	-0.9	-4.7	0.9
Germany	3.2	1.2	0.0	-0.2	1.2	0.8	3.4	2.7	1.0	-4.7	0.9
Estonia	10.0	7.5	7.9	7.6	7.2	9.4	10.6	6.9	-5.1	-13.9	4.8
Ireland	9.7	5.7	6.5	4.4	4.6	6.0	5.3	5.6	-3.5	-7.6	3.7
Greece	4.5	4.2	3.4	5.9	4.4	2.3	4.5	4.3	1.3	-2.3	3.3
Spain	5.0	3.6	2.7	3.1	3.3	3.6	4.0	3.6	0.9	-3.7	2.6
France	3.9	1.9	1.0	1.1	2.5	1.9	2.2	2.4	0.2	-2.6	1.5
Italy	3.7	1.8	0.5	0.0	1.5	0.7	2.0	1.5	-1.3	-5.0	0.5
Cyprus	5.0	4.0	2.1	1.9	4.2	3.9	4.1	5.1	3.6	-1.7	3.2
Latvia	6.9	8.0	6.5	7.2	8.7	10.6	12.2	10.0	-4.2	-18.0	4.8
Lithuania	3.3	6.7	6.9	10.2	7.4	7.8	7.8	9.8	2.9	-14.7	4.8
Luxembourg	8.4	2.5	4.1	1.5	4.4	5.4	5.0	6.6	1.4	-3.7	3.6
Hungary	4.9	3.8	4.1	4.0	4.5	3.2	3.6	0.8	0.8	-6.7	2.3
Malta (1)	:	-1.6	2.6	-0.3	0.9	4.0	3.6	3.7	2.6	-2.1	1.5
Netherlands	3.9	1.9	0.1	0.3	2.2	2.0	3.4	3.9	1.9	-3.9	1.6
Austria	3.7	0.5	1.6	0.8	2.5	2.5	3.6	3.7	2.2	-3.9	1.7
Poland	4.3	1.2	1.4	3.9	5.3	3.6	6.2	6.8	5.1	1.7	4.0
Portugal	3.9	2.0	0.7	-0.9	1.6	0.8	1.4	2.4	0.0	-2.6	0.9
Romania	2.4	5.7	5.1	5.2	8.5	4.2	7.9	6.3	7.3	-7.1	4.6
Slovenia	4.4	2.8	4.0	2.8	4.3	4.5	5.9	6.9	3.7	-8.1	3.1
Slovakia	1.4	3.5	4.6	4.8	5.0	6.7	8.5	10.6	6.2	-4.7	4.7
Finland	5.3	2.3	1.8	2.0	4.1	2.9	4.4	5.3	0.9	-8.0	2.1
Sweden	4.5	1.3	2.5	2.3	4.2	3.2	4.3	3.3	-0.4	-5.1	2.0
United Kingdom	3.9	2.5	2.1	2.8	3.0	2.2	2.8	2.7	-0.1	-5.0	1.7
Iceland	4.3	3.9	0.1	2.4	7.7	7.5	4.6	6.0	1.0	-6.8	3.1
Norway	3.3	2.0	1.5	1.0	3.9	2.7	2.3	2.7	0.8	-1.4	1.9
Switzerland	3.6	1.2	0.4	-0.2	2.5	2.6	3.6	3.6	1.9	-1.9	1.7
Croatia	3.0	3.8	5.4	5.0	4.2	4.2	4.7	5.5	2.4	-5.8	3.2
FYR of Macedonia	4.5	-4.5	0.9	2.8	4.1	4.1	4.0	5.9	4.9	-0.7	2.6
Turkey	6.8	-5.7	6.6	4.9	9.4	8.4	6.9	4.7	0.4	-4.5	3.8
Japan	2.9	0.2	0.3	1.4	2.7	1.9	2.0	2.4	-1.2	-5.2	0.7
United States	4.1	1.1	1.8	2.5	3.6	3.1	2.7	1.9	0.0	-2.6	1.8

(1) Average growth 2001-2009.

Source: Eurostat (nama_gdp_k), Switzerland: Secrétariat d'Etat à l'économie,
Japan: Economic and Social Research Institute, United States: Bureau of Economic Analysis

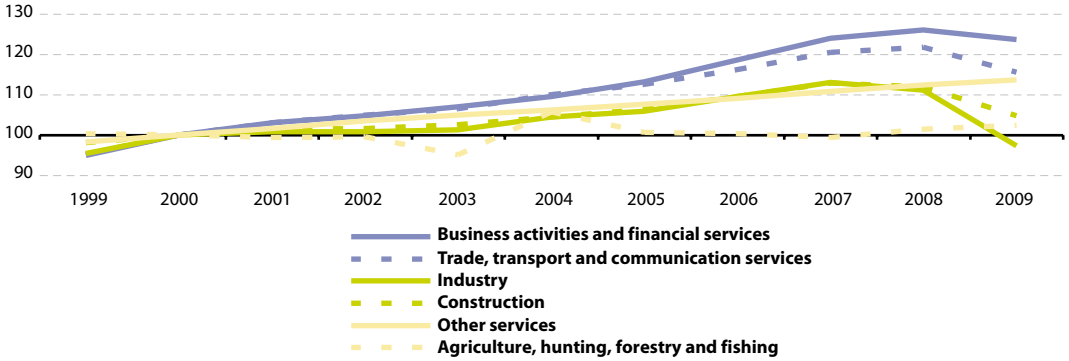
Table 1.3: Gross value added at basic prices
(% share of total gross value added)

	Agriculture, hunting, forestry & fishing		Industry		Construction		Trade, transport & communi-cation services		Business activities & financial services		Other services	
	1999	2009	1999	2009	1999	2009	1999	2009	1999	2009	1999	2009
EU-27	2.5	1.7	22.5	17.9	5.6	6.3	21.6	20.9	25.7	29.2	22.3	24.0
Euro area (EA-16)	2.6	1.6	22.3	17.8	5.7	6.3	21.1	20.7	25.9	29.3	22.4	24.2
Belgium	1.3	0.7	22.1	16.3	5.0	5.4	21.7	21.7	27.1	30.5	22.8	25.4
Bulgaria	15.9	5.6	20.1	21.4	5.0	8.9	22.2	25.4	19.8	23.0	17.0	15.7
Czech Republic	3.9	2.2	31.8	30.3	7.0	7.4	24.6	24.2	16.4	18.3	16.4	17.5
Denmark	2.4	1.1	20.4	17.4	5.6	4.9	22.3	19.5	21.8	27.4	27.5	29.8
Germany	1.2	0.8	24.8	22.2	5.5	4.3	17.8	17.5	28.0	31.1	22.7	24.1
Estonia	4.4	2.6	21.3	19.5	5.6	7.0	28.1	25.4	22.5	24.8	18.0	20.8
Ireland	3.6	1.4	35.8	23.9	6.6	8.5	17.8	17.5	20.0	28.7	16.2	20.0
Greece (1)	6.6	*3.2*	13.9	*13.3*	7.0	*4.6*	30.1	*33.1*	20.6	*20.1*	21.7	*25.7*
Spain	4.5	2.6	21.3	15.3	7.9	10.8	26.6	24.6	18.8	23.6	21.0	23.0
France	3.0	1.7	18.0	12.4	5.1	6.4	19.2	19.0	29.5	33.7	25.2	26.7
Italy	3.0	1.8	23.8	18.8	4.9	6.3	23.9	22.2	24.1	28.8	20.3	22.1
Cyprus	4.0	2.1	12.4	9.6	7.2	9.0	30.5	25.9	23.8	28.1	22.1	25.3
Latvia	3.9	3.1	18.3	14.0	6.4	6.6	31.4	28.0	17.9	26.1	22.0	22.2
Lithuania	7.3	4.2	22.5	20.4	7.6	6.3	27.6	32.0	12.1	16.3	23.0	20.8
Luxembourg	0.8	0.3	12.9	8.2	6.1	5.8	22.0	19.9	41.6	49.0	16.6	16.9
Hungary	5.8	3.0	26.7	24.9	4.6	4.8	21.3	21.2	19.5	23.6	22.2	22.5
Malta	2.7	1.8	22.4	16.0	3.8	3.4	32.9	23.3	16.9	24.3	21.3	31.2
Netherlands	2.7	1.7	19.0	17.9	5.5	6.0	23.2	20.3	27.4	28.2	22.3	25.9
Austria	2.1	1.5	23.0	21.8	7.8	7.3	24.4	23.5	21.1	23.7	21.5	22.1
Poland	5.2	3.6	24.6	23.0	8.2	7.5	27.0	27.1	16.9	20.2	18.1	18.6
Portugal	3.9	2.3	21.4	16.8	7.4	6.1	25.2	25.7	20.5	23.6	21.7	25.5
Romania	14.4	7.0	27.9	26.4	5.4	10.9	24.6	23.6	15.4	16.8	12.3	15.4
Slovenia	3.4	2.4	29.0	23.2	7.2	7.9	20.6	22.0	20.0	23.3	19.8	21.2
Slovakia	4.8	2.6	29.7	25.5	5.6	8.8	27.1	24.3	16.4	21.9	16.4	16.9
Finland	3.5	2.7	28.0	21.2	6.1	7.0	20.9	19.5	20.1	25.0	21.5	24.7
Sweden	2.3	1.7	24.5	19.7	4.3	5.4	19.1	20.0	24.6	25.0	25.2	28.2
United Kingdom	1.1	0.8	22.3	14.9	5.1	5.9	22.9	20.4	27.0	34.1	21.5	23.9
Iceland (2)	9.7	6.3	17.9	17.7	8.0	9.3	22.1	18.4	18.5	25.5	23.8	22.8
Norway	2.4	1.2	30.0	35.2	4.7	5.3	21.3	16.3	18.4	19.5	23.2	22.5
Switzerland	1.6	1.2	22.5	21.2	5.4	5.6	21.8	22.0	23.0	23.5	25.7	26.5
Croatia (2)	9.1	6.4	23.1	20.2	5.3	8.3	22.9	25.2	18.2	22.9	21.4	16.9
FYR of Macedonia (2)	12.9	11.6	26.5	24.1	6.1	5.7	24.3	25.0	9.7	16.0	20.5	17.7
Turkey	10.7	9.1	25.4	20.9	5.6	4.2	26.8	29.4	20.6	23.9	10.9	12.4
Japan	1.4	:	24.5	:	7.2	:	:	:	18.4	:	28.5	:
United States	1.2	:	19.6	:	4.7	:	20.0	:	31.2	:	23.2	:

(1) 2000 instead of 1999.
(2) 2008 instead of 2009.

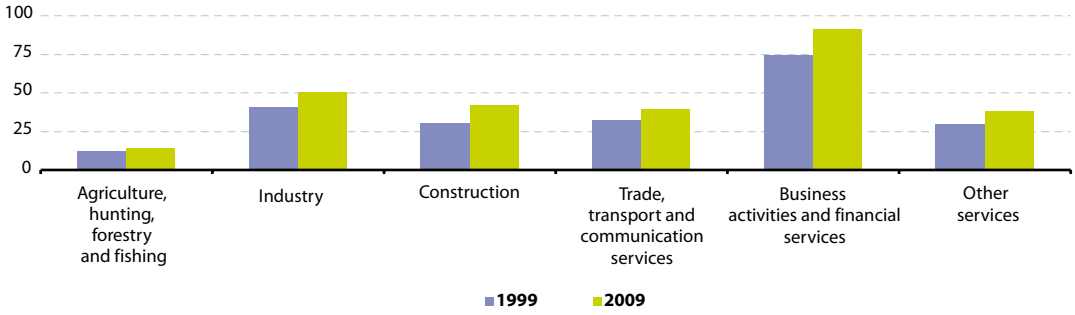
Source: Eurostat (tec00003, tec00004, tec00005, tec00006, tec00007 and tec00008)

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)

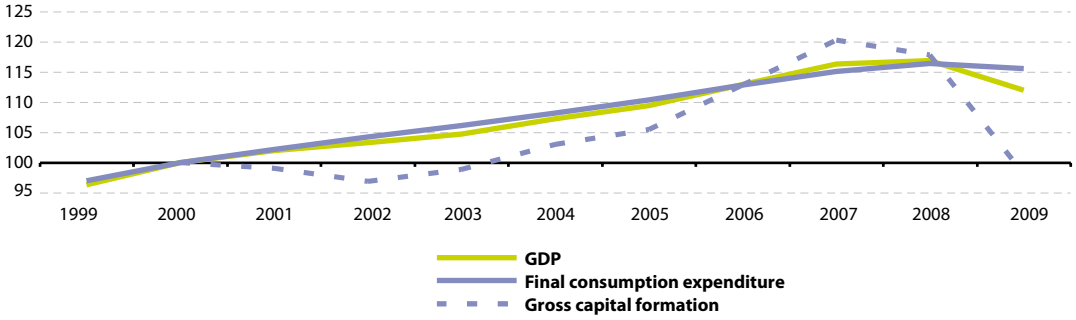
Table 1.4: Labour productivity (based on PPS)

	Per person employed (EU-27=100)						Per hour worked (EU-15=100)					
	1999	2001	2003	2005	2007	2009	1999	2001	2003	2005	2007	2009
EU-27	100	100	100	100	100	100	:	86	87	87	87	88
Euro area (EA-16)	114	112	111	110	110	109	:	100	99	99	100	100
Belgium	134	134	135	130	127	125	*124*	*124*	*125*	*121*	*119*	*117*
Bulgaria	29	32	35	36	37	39	26	28	31	32	33	34
Czech Republic	62	63	67	69	71	72	44	47	50	51	54	55
Denmark	109	108	106	107	103	101	104	101	100	100	97	96
Germany	112	107	109	109	108	105	110	107	110	112	111	109
Estonia	43	48	55	61	66	65	:	36	40	44	48	51
Ireland	125	128	136	134	137	132	94	97	105	104	108	106
Greece	*91*	*97*	101	98	*98*	*98*	:	67	70	*69*	*68*	*74*
Spain	106	103	104	101	103	111	89	87	89	89	93	98
France	125	125	122	122	121	121	113	116	116	115	114	:
Italy	128	125	115	111	110	110	100	100	92	89	89	90
Cyprus	83	87	82	83	86	89	64	65	63	66	68	70
Latvia	38	42	44	48	51	50	:	28	30	33	36	37
Lithuania	40	47	52	54	59	56	34	38	42	43	46	44
Luxembourg	176	162	167	169	179	168	:	:	154	159	168	:
Hungary	57	62	66	68	68	70	41	45	49	50	50	52
Malta	:	90	90	91	89	88	*70*	*80*	*72*	*70*	*69*	*70*
Netherlands	112	113	111	114	114	111	114	116	115	120	121	117
Austria	120	115	118	115	114	112	103	98	100	99	100	99
Poland (1)	54	56	60	61	62	65	:	39	42	43	44	:
Portugal	72	70	71	72	73	74	:	53	53	55	55	56
Romania	23	26	31	36	43	47	19	20	25	28	34	37
Slovenia	77	76	79	84	84	82	:	:	:	72	74	:
Slovakia	57	61	63	69	76	79	46	49	55	57	63	68
Finland	113	112	109	111	113	107	94	95	93	94	97	93
Sweden	114	109	111	111	114	112	101	98	103	102	104	101
United Kingdom	109	112	113	112	110	110	*93*	*95*	*98*	*98*	*97*	*97*
Iceland	108	104	101	105	*97*	*101*	:	:	:	:	:	:
Norway	120	137	135	153	150	145	120	140	141	157	155	150
Switzerland	111	107	105	104	*109*	*109*	96	95	94	91	97	:
Croatia	63	67	69	70	*74*	*78*	:	:	:	:	:	:
FYR of Macedonia	47	46	48	54	58	*58*	:	:	:	:	:	:
Turkey	49	*49*	*50*	*58*	*62*	*63*	:	:	:	:	:	:
Japan	97	98	99	99	98	*93*	:	:	:	:	:	:
United States	143	140	142	144	139	*141*	*113*	*113*	*116*	*119*	*116*	*118*

(1) 2005, break in series.

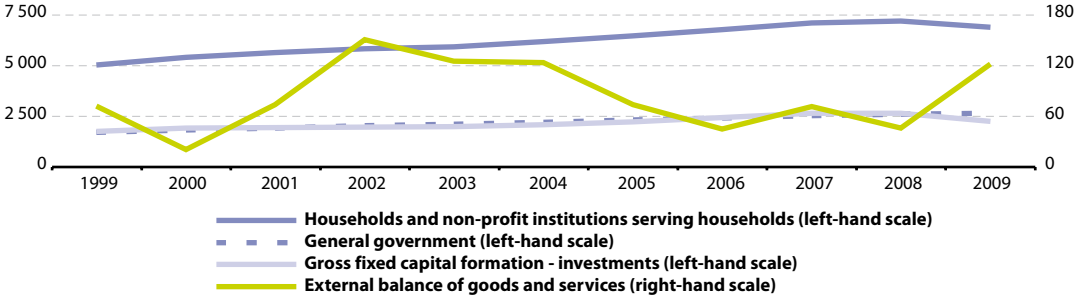
Source: Eurostat (tsieb030 and tsieb040), OECD

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



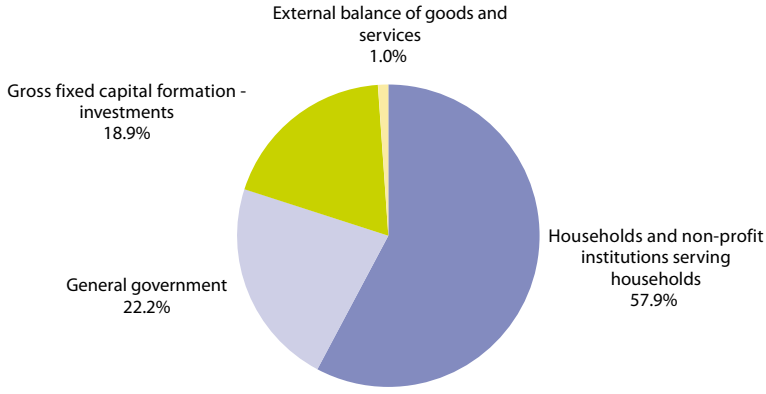
Source: Eurostat (nama_gdp_k)

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, 2009
(% share of GDP)



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

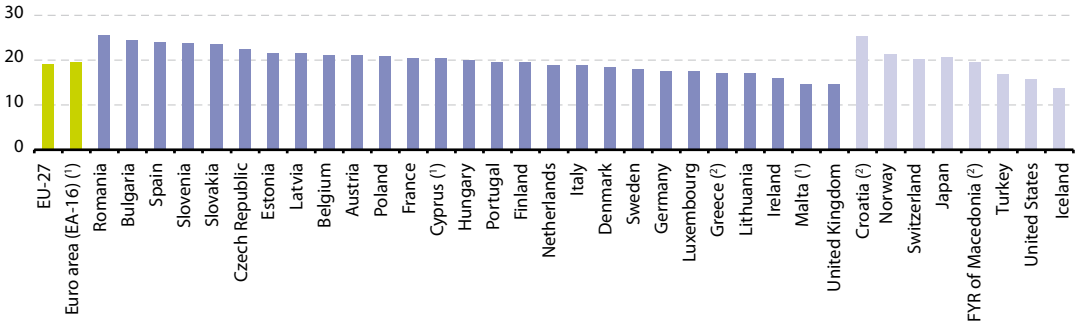
Table 1.5: Investment
(% share of GDP)

	Total investment			Public investment			Business investment		
	1999	2004	2009	1999	2004	2009	1999	2004	2009
EU-27 (1)	20.4	19.6	19.1	2.3	2.4	2.9	18.1	17.2	18.4
Euro area (EA-16) (1)	21.0	20.3	19.6	2.5	2.5	2.8	18.5	17.8	19.1
Belgium	20.7	19.8	21.3	2.0	1.6	1.8	18.8	18.2	19.5
Bulgaria	15.0	20.4	24.4	3.9	2.9	4.8	11.2	17.5	19.7
Czech Republic	27.0	25.8	22.4	3.3	4.8	5.4	23.8	21.0	17.1
Denmark	19.8	19.3	18.4	1.7	1.9	2.0	18.1	17.4	16.4
Germany	21.3	17.5	17.6	1.9	1.4	1.7	19.4	16.1	16.0
Estonia	24.6	30.9	21.6	4.2	3.8	4.9	20.4	27.1	16.8
Ireland	23.1	24.4	16.0	3.1	3.5	4.5	20.0	20.9	11.3
Greece (2)	21.6	*22.0*	*17.2*	3.1	3.5	2.9	17.9	*18.5*	*14.3*
Spain	24.6	28.0	24.0	3.3	3.4	4.4	21.2	24.7	19.6
France	18.8	19.3	20.6	2.9	3.1	3.3	15.8	16.2	17.2
Italy	19.6	20.5	18.9	2.4	2.4	2.4	17.3	18.1	16.5
Cyprus (1)	17.6	19.0	20.4	2.5	4.0	4.1	13.4	12.1	20.4
Latvia	23.0	27.5	21.5	1.5	3.1	3.9	21.5	24.4	17.5
Lithuania	21.9	22.3	17.0	2.6	3.4	3.9	19.3	18.8	13.1
Luxembourg	23.5	21.5	17.5	4.3	4.3	3.6	19.2	17.3	13.9
Hungary	23.0	22.5	20.0	2.9	3.5	2.7	20.2	19.0	17.3
Malta (1)	22.2	19.2	14.8	4.5	3.9	2.2	11.8	10.2	11.3
Netherlands	22.9	18.8	19.0	3.0	3.2	4.0	19.9	15.6	15.1
Austria	23.5	22.0	21.1	1.7	1.1	1.1	21.7	20.8	20.0
Poland	24.4	18.1	21.0	3.5	3.4	5.3	20.9	14.7	15.7
Portugal	27.3	23.3	19.5	4.1	3.1	2.4	23.4	20.3	17.1
Romania	17.6	21.8	25.6	1.6	3.0	5.4	16.0	18.7	20.2
Slovenia	26.6	24.9	23.9	3.4	3.5	4.9	22.4	21.5	19.1
Slovakia	29.5	24.0	23.6	2.9	2.4	2.3	27.5	22.2	21.3
Finland	19.6	19.3	19.5	2.7	2.8	2.8	16.9	16.5	16.7
Sweden	17.5	17.0	17.9	3.1	2.9	3.6	14.4	14.1	14.3
United Kingdom	17.4	16.7	14.7	1.3	1.8	2.7	16.1	14.9	12.1
Iceland	21.8	23.5	13.9	4.7	3.9	3.9	17.1	19.7	10.0
Norway	21.9	18.0	21.4	3.4	2.9	3.6	18.5	15.1	17.8
Switzerland (3)	22.2	20.8	20.2	2.6	2.4	1.9	19.6	18.4	19.3
Croatia	20.1	25.5	*25.5*	:	:	:	:	:	:
FYR of Macedonia	16.6	17.8	*19.5*	:	:	:	:	:	:
Turkey	18.9	20.3	16.9	:	:	:	:	:	:

(1) 2008 instead of 2009 for business investment.
(2) 2000 instead of 1999 for total and business investment.
(3) 2008 instead of 2009 for public and business investment.

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

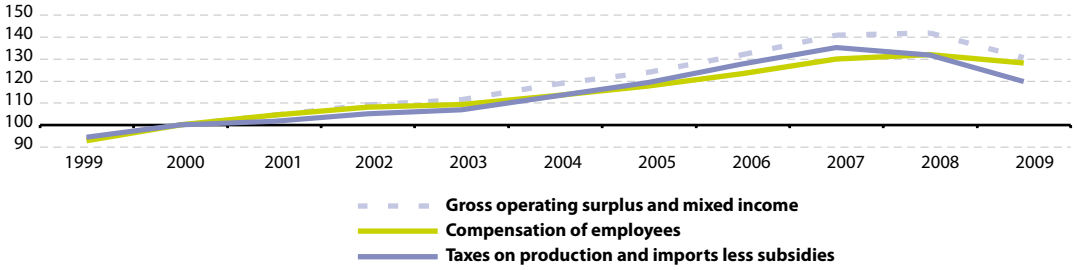
Figure 1.9: Gross fixed capital formation, 2009
(% share of GDP)



(1) Provisional.
(2) Forecast.

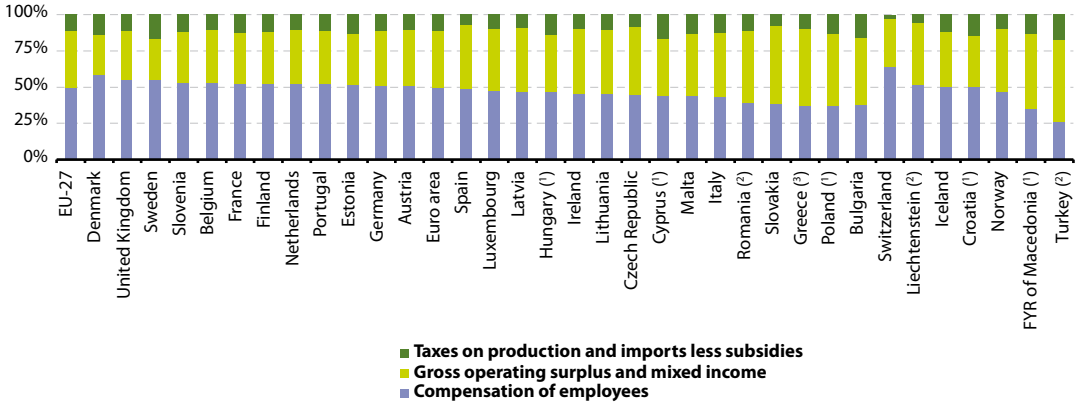
Source: Eurostat (tec00011)

Figure 1.10: Distribution of income, EU-27
(2000=100)



Source: Eurostat (tec00016, tec00015 and tec00013)

Figure 1.11: Distribution of income, 2009
(% share of GDP)



(1) 2008.
(2) 2007.
(3) Provisional.

Source: Eurostat (tec00016, tec00015 and tec00013)

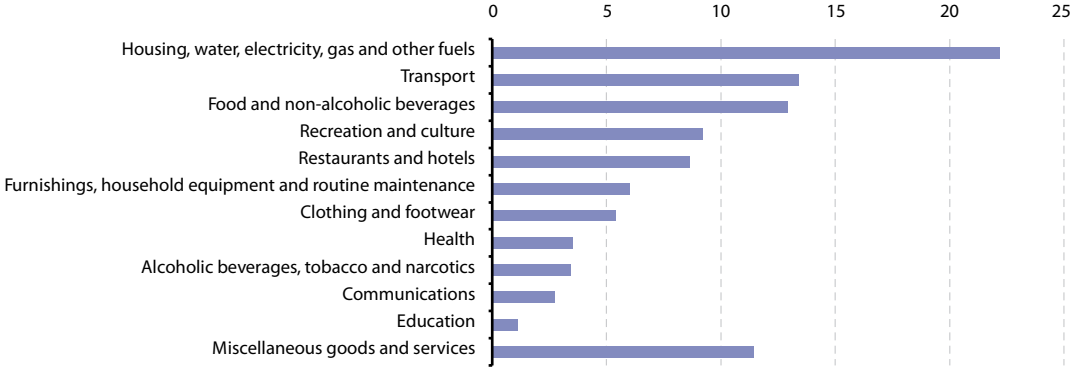
Table 1.6: Consumption expenditure of households
(domestic concept)

	As a proportion of GDP (%)			Per capita (PPS)		
	1999	2004	2009	1999	2004	2009
Belgium (1)	51.5	50.0	50.3	11 300	13 100	14 500
Bulgaria (2)	72.5	70.5	70.1	3 600	5 300	6 300
Czech Republic (1)	54.7	51.5	51.0	6 800	8 400	10 300
Denmark	48.6	47.5	48.4	11 300	12 900	13 400
Germany	55.4	55.8	55.8	12 000	14 100	15 200
Estonia	62.0	59.3	52.9	4 700	7 400	7 800
Ireland (1)	47.1	43.7	47.0	10 600	13 400	15 800
Greece (3)	75.7	*73.6*	*76.8*	12 100	*14 900*	*16 800*
Spain (1)	63.0	60.4	59.2	10 800	13 200	15 200
France	55.0	55.9	57.3	11 200	13 300	14 500
Italy	60.8	59.4	60.4	12 700	13 700	14 500
Cyprus (1)	81.1	75.6	77.4	12 600	14 800	18 600
Latvia (1)	61.0	61.2	61.1	3 900	6 100	8 700
Lithuania (4)	66.6	65.8	63.7	4 600	7 200	9 400
Luxembourg (1)	46.9	44.3	36.9	19 800	24 300	25 600
Hungary (1)	56.4	54.3	53.8	5 500	7 500	8 700
Malta	80.7	76.7	69.7	11 600	12 800	12 800
Netherlands	49.7	48.3	44.9	11 600	13 500	13 800
Austria (4)	55.5	55.9	53.9	13 000	15 300	16 600
Poland (1)	63.1	64.0	61.2	5 500	7 000	8 700
Portugal (2)	62.2	62.8	63.9	9 000	10 500	11 900
Romania	71.0	68.1	61.2	3 300	5 000	6 800
Slovenia (5)	59.3	56.8	58.0	8 500	10 600	12 000
Slovakia (1)	56.1	56.5	55.9	5 000	7 000	10 100
Finland	48.3	49.2	52.2	9 900	12 400	13 600
Sweden (1)	47.4	46.4	47.8	10 700	12 700	13 600
United Kingdom	62.1	61.3	62.0	13 000	16 400	17 000
Iceland	55.3	52.6	48.7	13 700	14 900	13 800
Norway	45.5	42.1	39.4	11 700	15 000	16 400
Switzerland (1)	59.5	58.7	55.6	*15 500*	*17 200*	*19 700*
FYR of Macedonia (1)	72.1	80.0	81.2	3 400	4 600	6 800
Turkey (6)	71.7	75.8	75.1	5 100	6 500	8 400

(1) 2008 instead of 2009.
(2) 2006 instead of 2009.
(3) 2000 instead of 1999.
(4) 2007 instead of 2009.
(5) Per capita, 2007 instead of 2009.
(6) Per capita, 2008 instead of 2009.

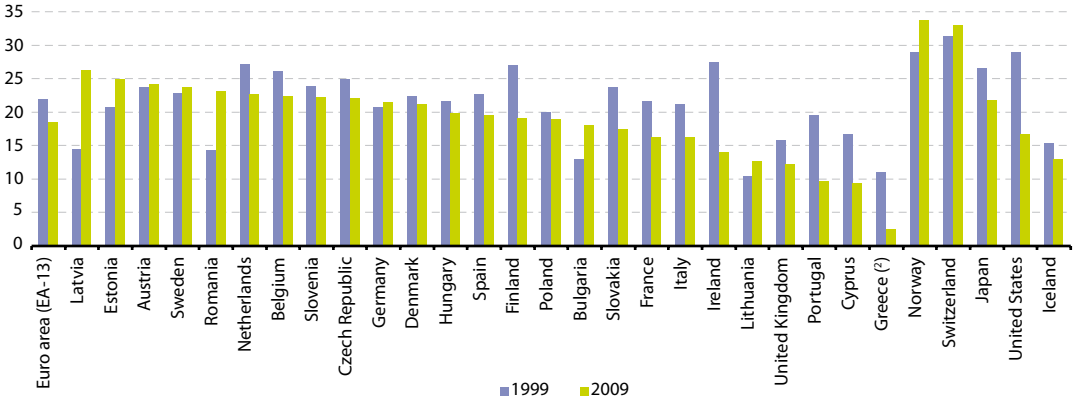
Source: Eurostat (nama_fcs_c)

Figure 1.12: Consumption expenditure of households, EU-27, 2008
(% of total household consumption expenditure)



Source: Eurostat (nama_co2_c)

Figure 1.13: Gross national savings (1)
(% of gross national disposable income)



(1) EU-27, Luxembourg and Malta, not available.
(2) 2000 instead of 1999.

Source: Eurostat (nama_inc_c)

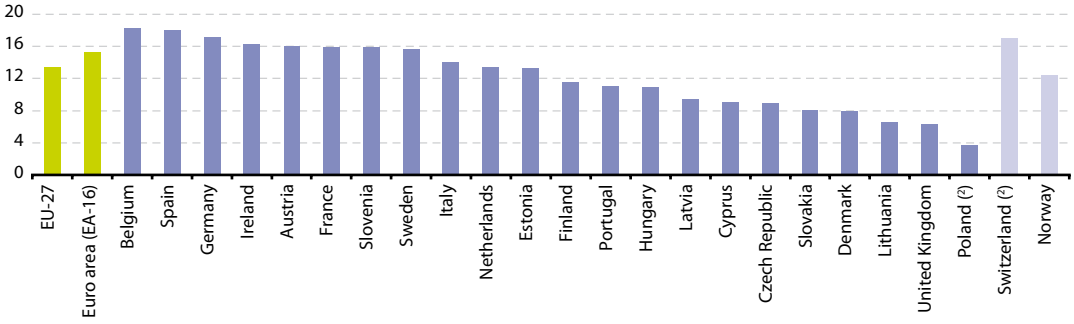
Table 1.7: Key ratios of sector accounts, households, 2009 (1)

	Saving rate (2)	Investment rate (2)	Debt-to-income ratio (3)	Net financial wealth-to-income ratio (4)	Saving rate	Investment rate	Debt-to-income ratio	Net financial wealth-to-income ratio
	(%)				Change from 2008 (percentage points)			
EU-27	13.4	8.3	:	:	2.3	-1.3	:	:
Euro area (EA-16)	15.3	9.1	96.3	:	1.1	-1.3	1.8	:
Belgium	18.3	10.1	83.6	328.0	1.3	-0.8	4.6	39.9
Bulgaria	:	:	:	:	:	:	:	:
Czech Republic	8.9	9.6	50.0	81.6	-1.1	0.5	:	:
Denmark	7.9	9.7	272.7	147.5	2.7	-1.4	12.4	25.4
Germany	17.2	8.8	89.2	184.2	-0.4	-0.3	0.6	15.0
Estonia	13.3	7.7	97.2	112.2	9.9	-3.1	6.2	12.5
Ireland	16.3	7.7	199.3	109.3	6.9	-8.8	2.0	28.9
Greece	:	:	:	:	:	:	:	:
Spain	18.1	9.2	124.6	110.5	4.7	-3.6	-2.6	8.6
France	16.0	9.3	77.2	189.3	0.9	-1.0	1.6	14.8
Italy	14.0	8.6	56.8	237.5	-0.7	-0.9	:	:
Cyprus	9.1	12.3	:	:	2.6	-2.9	:	:
Latvia	9.4	5.8	69.8	1.4	4.4	-1.9	:	:
Lithuania	6.6	5.0	45.4	53.3	8.8	-1.2	-0.1	-0.1
Luxembourg	:	:	:	:	:	:	:	:
Hungary	10.9	8.3	62.7	110.7	2.5	-0.5	1.2	21.9
Malta	:	:	:	:	:	:	:	:
Netherlands	13.4	12.2	241.3	289.2	1.3	-2.0	11.2	49.1
Austria	16.0	7.7	87.3	179.4	-0.5	-0.1	0.4	14.6
Poland	3.7	8.4	49.3	51.3	:	:	:	:
Portugal	11.0	7.1	129.3	169.3	3.2	-0.8	2.5	6.7
Romania	:	:	:	:	:	:	:	:
Slovenia	15.9	7.9	44.2	109.6	0.4	-2.5	2.7	:
Slovakia	8.1	8.0	50.9	18.1	1.6	-0.5	4.7	-0.7
Finland	11.5	10.3	100.3	94.4	3.6	-2.1	2.4	11.2
Sweden	15.6	5.0	140.8	177.0	1.6	-1.1	7.1	49.1
United Kingdom	6.3	5.0	149.0	188.5	4.2	-2.1	-4.2	:
Norway	12.4	8.3	:	20.1	3.3	-2.3	:	:
Switzerland	17.0	6.7	168.4	312.9	:	:	:	:

(1) Including non-profit institutions serving households.
(2) Poland and Switzerland, 2008.
(3) Czech Republic, Italy, Latvia, Poland and Switzerland, 2008.
(4) Czech Republic, Italy, Latvia, Poland, Slovenia, United Kingdom, Norway and Switzerland, 2008.

Source: Eurostat (nasa_ki and nasa_f_bs)

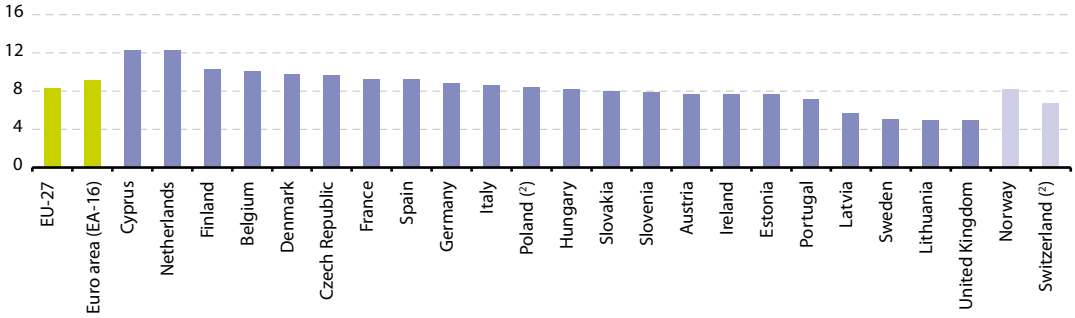
Figure 1.14: Household saving rate (gross), 2009 (1)
(%)



(1) Bulgaria, Greece, Luxembourg, Malta and Romania, not available.
(2) 2008.

Source: Eurostat (nasa_ki)

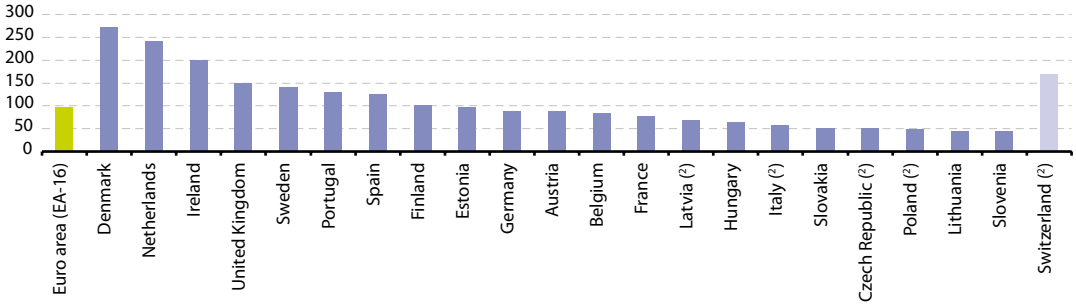
Figure 1.15: Household investment rate (gross), 2009 (1)
(%)



(1) Bulgaria, Greece, Luxembourg, Malta and Romania, not available.
(2) 2008.

Source: Eurostat (nasa_ki)

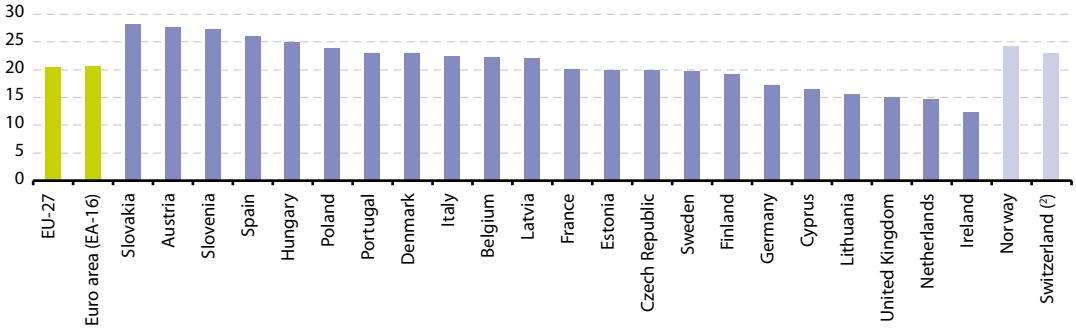
Figure 1.16: Household debt-to-income ratio (gross), 2009 (1)
(%)



(1) EU-27, Bulgaria, Greece, Cyprus, Luxembourg, Malta and Romania, not available.
(2) 2008.

Source: Eurostat (nasa_ki)

Figure 1.17: Investment rate (gross) of non-financial corporations, 2009 (1)
(%)



(1) Bulgaria, Greece, Luxembourg, Malta and Romania, not available.
(2) 2008.

Source: Eurostat (nasa_ki)

Table 1.8: Key ratios of sector accounts, non-financial corporations, 2009

	Investment rate	Profit share	Investment rate	Profit share
	(%)		Change from 2008 (percentage points)	
EU-27	20.5	36.5	-2.5	-1.6
Euro area (EA-16)	20.6	37.0	-2.4	-1.8
Belgium	22.4	35.6	-1.0	-2.5
Bulgaria	:	:	:	:
Czech Republic	19.9	46.4	-3.3	1.4
Denmark	22.9	30.5	-2.9	-3.2
Germany	17.1	38.4	-2.1	-2.7
Estonia	19.9	38.3	-7.2	-1.8
Ireland	12.3	51.5	-3.3	1.1
Greece	:	:	:	:
Spain	26.0	36.6	-6.5	1.2
France	20.1	29.8	-1.0	-1.8
Italy	22.4	40.3	-2.4	-1.8
Cyprus	16.6	42.8	-3.3	-0.2
Latvia	22.1	47.5	-10.1	5.4
Lithuania	15.6	49.5	-10.9	-0.9
Luxembourg	:	42.0	:	-4.8
Hungary	25.0	42.4	-0.5	0.9
Malta	:	53.1	:	-2.4
Netherlands	14.6	37.7	-1.4	-3.3
Austria	27.7	39.8	-1.5	-2.8
Poland	23.8	49.5	-4.2	4.6
Portugal	23.0	33.2	-5.0	-2.1
Romania	:	:	:	:
Slovenia	27.3	31.0	-5.8	-3.1
Slovakia	28.2	48.9	-7.6	-6.0
Finland	19.2	37.3	-1.9	-5.5
Sweden	19.7	29.5	-3.1	-3.6
United Kingdom	15.0	32.8	-2.0	-2.3
Norway	24.4	52.1	1.4	-5.6
Switzerland (1)	23.0	35.6	:	:

(1) 2008.

Source: Eurostat (nasa_ki)

1.2 Government finances

This subchapter examines how key government finance indicators have evolved in the European Union (EU) and the euro area. Specifically, it considers public (general government) deficits, general government gross debt, total revenue and expenditure of general government, as well as total taxes and social contributions, which are the main sources of government revenue.

These statistics are crucial indicators for determining the health of a Member State's economy and under the terms of the EU's stability and growth pact, Member States have pledged to keep deficit and debt below certain limits: a Member State's government deficit may not exceed 3 % of its gross domestic product (GDP), while its debt may not exceed 60 % of GDP. If a Member State does not respect these limits, the so-called excessive deficit procedure is triggered. This entails several steps – including the possibility of sanctions – to encourage the Member State concerned to take measures to rectify the situation. The same deficit and debt limits are also criteria for economic and monetary union (EMU) and hence for joining the euro. Furthermore, the latest revision of the integrated economic and employment guidelines (revised as part of the Europe 2020 strategy for smart, sustainable and inclusive growth) includes a guideline to ensure the quality and the sustainability of public finances.

Main statistical findings

In 2009, the government deficit and government debt of both the EU-27 and the euro area (EA-16) increased considerably – reflecting the effects of the financial and economic crisis.

Government deficit

In the EU-27 the government deficit to GDP ratio increased from 2.3 % in 2008 to 6.8 % in 2009, and in the euro area it increased from 2.0 % to 6.3 %. Deficit ratios were greater than the target reference value of -3 % of GDP in 21 of the Member States in 2009, up from 11 Member States in 2008, while Hungary and Greece had a government deficit exceeding the -3 % threshold for the whole of the reporting period 2006 to 2009. The largest government deficits (as a percentage of GDP) in 2009 were recorded by Greece (-15.4 %), Ireland (-14.4 %), the United Kingdom (-11.4 %), Spain (-11.1 %), Latvia (-10.2 %), Portugal (-9.3 %), Lithuania (-9.2 %) and Romania (-8.6 %).

Two Member States, namely Estonia and Malta, recorded lower government deficit to GDP ratios in 2009 than they had in 2008. There were eight Member States that registered a government surplus in 2008; among these, Sweden, Luxembourg, Finland and Denmark each recorded deficits in 2009 that were smaller than -3 %, Germany recorded a deficit of -3.0 %, while Bulgaria, the Netherlands and Cyprus each recorded deficits that were larger than

the -3 % threshold (see Figure 1.18). The remaining 17 Member States all recorded larger deficits in 2009 than in 2008, and some of these deficits increased considerably – for example, between 2008 and 2009 the deficit ratios of Ireland, Spain, Portugal, the United Kingdom and Latvia all increased by 6 percentage points or more.

Government debt

In the EU-27 the government debt-to-GDP ratio increased from 61.8 % at the end of 2008 to 74.0 % at the end of 2009, and in the euro area from 69.8 % to 79.2 %. At the end of 2009, the lowest ratios of government debt to GDP were recorded in Estonia (7.2 %), Luxembourg (14.5 %), Bulgaria (14.7 %), Romania (23.9 %), and Lithuania (29.5 %) – see Figure 1.19.

In 2009, government debt-to-GDP ratios increased for all 27 EU Member States when compared with 2008. The highest increases of debt ratios from 2008 to 2009 were observed in Ireland (up 21.2 percentage points), Latvia (17.0 points), the United Kingdom (16.1 points), Greece (16.5 points), Lithuania (13.9 points), Spain (13.4 points) and Slovenia (12.9 points). A total of 18 Member States reported a debt ratio below 60 % of GDP in 2008, a number which fell to 15 Member States in 2009 as the United Kingdom, Ireland and the Netherlands saw their debt ratio pass the 60 % threshold.

Government revenue and expenditure

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 2009 amounted to 44.0 % of GDP (down from 44.6 % of GDP in 2008), and expenditure to 50.8 % of GDP (up from 46.9 % of GDP in 2008) – see Figure 1.20. The level of general government expenditure and revenue varies considerably between the Member States (see Figure 1.21). In 2009, the countries with the highest levels of combined government expenditure and revenue as a proportion of GDP, of more than 100 %, were Denmark, Finland, Sweden, France, Belgium and Austria. Five Member States reported relatively low combined ratios of under 80 %: Romania, Slovakia, Bulgaria, Latvia and Lithuania. For 2009, the effects of the financial and economic crisis are reflected clearly in the numbers presented above. They show a reduction in nominal GDP experienced in many Member States, a sharp fall in government revenues in absolute terms (from 2008 to 2009 total general government revenue fell by nearly 7 % in absolute terms), as well as some counter-cyclical policies (in absolute terms government spending increased by around 2 % in the EU-27 from 2008 to 2009).

Across the EU, the main components of total general government revenue are taxes and social contributions (see Figure 1.22). In 2009, taxes made up 50.2 % of total revenue in the EU-27 (55.2 % in the euro area), while social contributions amounted to 28.7 % of total revenue (35.5 % in the euro area). Looking at each Member State (see Figure 1.23), the relative importance of the categories in which EU governments collect revenue varies widely between countries. For example, taxes made up less than 40 % of government revenue in Greece and Slovakia in 2009, but more than 80 % of government revenue in Denmark.

Turning to total general government expenditure, the largest proportion of EU-27 expenditure in 2009 concerned the redistribution of income in the form of social transfers in cash or in kind (see Figure 1.24). Social transfers made up 42.9 % of total expenditure in the EU-27 (46.2 % in the euro area). Compensation of employees accounted for 22.1 % of government expenditure (21.3 % in the euro area). Property income paid – of which by far the largest part is made up of interest payments – accounted for 5.2 % of government expenditure in the EU-27 (5.6 % in the euro area), a share which rose to over 8 % in Greece, Hungary and Italy (see Figure 1.25).

General government expenditure can be analysed in more detail using the classification of the functions of government (COFOG). Social protection measures accounted for the highest proportion of government expenditure in 2008 in all of the Member States. Their share ranged from slightly more than 20 % of GDP in Denmark, France, Sweden, Greece and Finland to just under 10 % in Latvia, Slovakia and Cyprus, while the EU-27 average was 18.2 % of GDP. As total government expenditure made up 46.9 % of GDP in 2008 in the EU-27, social protection measures accounted for nearly 40 % of total expenditure. The next COFOG functions, in order of their relative importance, for the EU-27 as a whole were health (6.9 % of GDP), general public services (6.3 %) and education (5.2 %). Spending on economic affairs in the EU-27 was close to 4 % of GDP, while less than 2 % of GDP was devoted to defence, public order and safety, environmental protection, housing and community affairs, recreation, and religion and culture (see Figure 1.26).

The main types of government revenue are taxes on income and wealth, taxes on production and imports, and social contributions. In 2009 total receipts from these taxes and social contributions in the EU-27 amounted to 39.3 % of GDP (down from 39.8 % in 2008). Looking more closely at the structure of revenues within the EU-27 it is possible to observe a relative increase in receipts from social contributions in 2009, while the two other main headings, taxes on income and wealth and taxes on production, decreased (see Figure 1.27).

While the ratio of taxes on income and wealth to GDP decreased in the EU-27 during the period up to 2003, the situation was reversed between 2004 and 2007, as taxes on income and wealth relative to GDP increased from 12.4 % to 13.4 %, before dropping back to 13.1 % in 2008 and to 12.3 % in 2009. Taxes on production and imports relative to GDP grew steadily from 13.1 % in 2001 to 13.5 % in 2007 (with a stable period between 2006 and 2007), before also dropping back to just above and below 13 % in 2008 and 2009, respectively. In contrast, social contributions had fallen from 13.9 % of GDP in 2003 to 13.4 % in 2007, before picking up to 13.6 % in 2008 and 14.1 % in 2009.

However, there was considerable variation in the structure of tax revenue across the Member States (see Figure 1.28). 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 48.6 % of GDP recorded in Denmark, with Sweden recording the next highest share (46.7 %), while the proportion of GDP accounted for by such revenue was below 30 % in six of the Member States: Latvia, Romania, Bulgaria, Slovakia, Ireland and Lithuania.

In 2009 the value of public procurement which is openly advertised reached 12.2 % of GDP in Bulgaria, more than three times as high as the 3.6 % average for the EU-27 (see Figure 1.29). None of the Member States that joined the EU in 2004 or 2007 recorded ratios below the EU-27 average in 2009. Among the EU-15 Member States, the United Kingdom and Finland recorded the highest ratio of openly advertised public procurement to GDP, while Germany and Luxembourg reported the lowest.

In response to the recent financial and economic crisis, total state aid in the EU-27 rose from 0.5 % of GDP in 2007 to 2.2 % in 2008, although this average masks significant disparities between Member States (see Figure 1.30).

Data sources and availability

Member States are required to provide the European Commission with their government deficit and debt statistics before 1 April and 1 October of each year under the terms of the excessive deficit procedure. In addition, Eurostat collects more detailed data on government finances in the framework of the ESA transmission programme the programme under which Member States submit national accounts data. The main aggregates of general government are provided by the Member States to Eurostat twice a year, whereas statistics on the functions of government (COFOG) are transmitted within one year after the end of the reference period.

The data presented in this subchapter correspond to the main revenue and expenditure items of the general government sector, which are compiled on a national accounts (ESA95) 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.

Delineation of general government

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, state government, local government, and social security funds.

Definition of main indicators

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. According to the protocol on the excessive deficit procedure, government debt is the gross debt outstanding at the end of the year of the general government

sector measured at nominal (face) value and consolidated.

The main revenue of general government consists of taxes, social contributions, sales and property income. It is defined in ESA95 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 ESA95 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, some adjustments, capital transfers, and transactions on non-produced assets.

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 taxes) 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, such as agriculture, fisheries, manufacturing, mining, services), ad-hoc state aid (given to individual enterprises, for example, for rescue or restructuring), and state aid for cross-cutting (horizontal) objectives, such as research and development, safeguarding the environment, support to small and medium-sized enterprises, employment creation 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.

Context

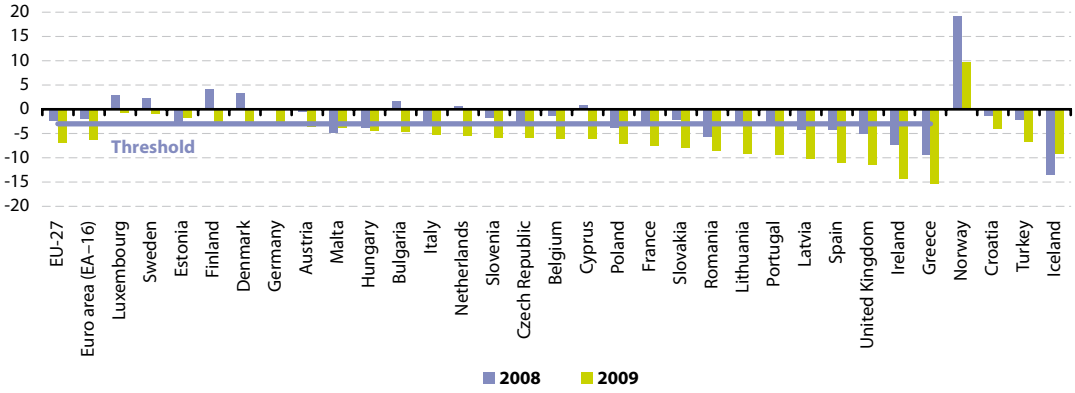
The disciplines of the stability and growth pact (SGP) are intended keep economic developments in the EU, and the euro area countries in particular, broadly synchronised and prevent Member States from taking policy measures which would unduly benefit their own economies at the expense of others. There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

Under the rules on budgetary discipline within the pact, the only exceptions foreseen are for cases where the excess over the reference value is only exceptional or temporary, or where the ratios have declined substantially and continuously.

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, may still 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 the stability programmes, while other Member States do so in the form of convergence programmes. The European Commission assesses whether the policies are in line with agreed economic, social and environmental objectives and may choose to issue a warning if it believes a deficit is becoming abnormally high.

Figure 1.18: Public balance (1)
(net borrowing or lending of consolidated general government sector, % of GDP)



(1) Data extracted on 29.11.2010.

Source: Eurostat (tsieb080)

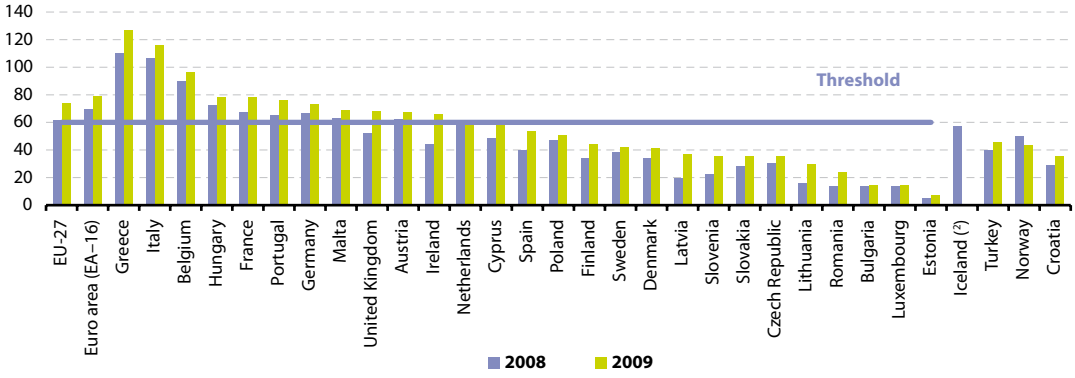
Table 1.9: Public balance and general government debt ([1])

	Public balance (net borrowing/lending of consolidated general government sector, % of GDP)				General government debt (general government consolidated gross debt, % of GDP)			
	2006	2007	2008	2009	2006	2007	2008	2009
EU-27	-1.5	-0.9	-2.3	-6.8	61.5	58.8	61.8	74.0
Euro area (EA-16)	-1.4	-0.6	-2.0	-6.3	68.5	66.2	69.8	79.2
Belgium	0.2	-0.3	-1.3	-6.0	88.1	84.2	89.6	96.2
Bulgaria	1.9	1.1	1.7	-4.7	21.6	17.2	13.7	14.7
Czech Republic	-2.6	-0.7	-2.7	-5.8	29.4	29.0	30.0	35.3
Denmark	5.2	4.8	3.4	-2.7	32.1	27.4	34.2	41.4
Germany	-1.6	0.3	0.1	-3.0	67.6	64.9	66.3	73.4
Estonia	2.4	2.5	-2.8	-1.7	4.4	3.7	4.6	7.2
Ireland	2.9	0.0	-7.3	-14.4	24.8	25.0	44.3	65.5
Greece	-5.7	-6.4	-9.4	-15.4	106.1	105.0	110.3	126.8
Spain	2.0	1.9	-4.2	-11.1	39.6	36.1	39.8	53.2
France	-2.3	-2.7	-3.3	-7.5	63.7	63.8	67.5	78.1
Italy	-3.4	-1.5	-2.7	-5.3	106.6	103.6	106.3	116.0
Cyprus	-1.2	3.4	0.9	-6.0	64.6	58.3	48.3	58.0
Latvia	-0.5	-0.3	-4.2	-10.2	10.7	9.0	19.7	36.7
Lithuania	-0.4	-1.0	-3.3	-9.2	18.0	16.9	15.6	29.5
Luxembourg	1.4	3.7	3.0	-0.7	6.7	6.7	13.6	14.5
Hungary	-9.3	-5.0	-3.7	-4.4	65.7	66.1	72.3	78.4
Malta	-2.7	-2.3	-4.8	-3.8	63.4	61.7	63.1	68.6
Netherlands	0.5	0.2	0.6	-5.4	47.4	45.3	58.2	60.8
Austria	-1.5	-0.4	-0.5	-3.5	62.1	59.3	62.5	67.5
Poland	-3.6	-1.9	-3.7	-7.2	47.7	45.0	47.1	50.9
Portugal	-4.1	-2.8	-2.9	-9.3	63.9	62.7	65.3	76.1
Romania	-2.2	-2.6	-5.7	-8.6	12.4	12.6	13.4	23.9
Slovenia	-1.3	0.0	-1.8	-5.8	26.7	23.4	22.5	35.4
Slovakia	-3.2	-1.8	-2.1	-7.9	30.5	29.6	27.8	35.4
Finland	4.0	5.2	4.2	-2.5	39.7	35.2	34.1	43.8
Sweden	2.3	3.6	2.2	-0.9	45.0	40.0	38.2	41.9
United Kingdom	-2.7	-2.7	-5.0	-11.4	43.4	44.5	52.1	68.2
Iceland	6.3	5.4	-13.5	-9.1	27.9	29.1	57.4	:
Norway	18.5	17.7	19.1	9.7	55.3	52.4	49.9	43.7
Croatia	-3.0	-2.5	-1.4	-4.1	35.5	32.9	28.9	35.3
Turkey	0.8	-1.0	-2.2	-6.7	46.1	39.4	39.5	45.4

([1]) Data extracted on 29.11.2010.

Source: Eurostat (tsieb080 and tsieb090)

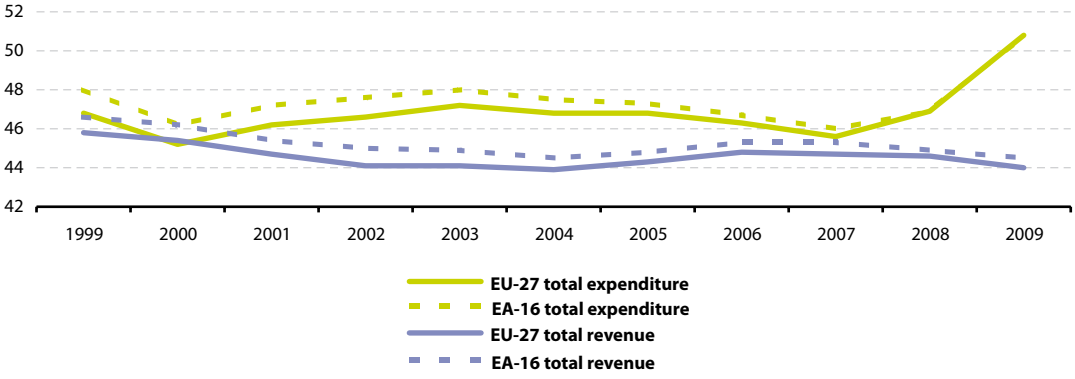
Figure 1.19: General government debt (1)
(general government consolidated gross debt, % of GDP)



(1) Data extracted on 29.11.2010.
(2) 2009, not available.

Source: Eurostat (tsieb090)

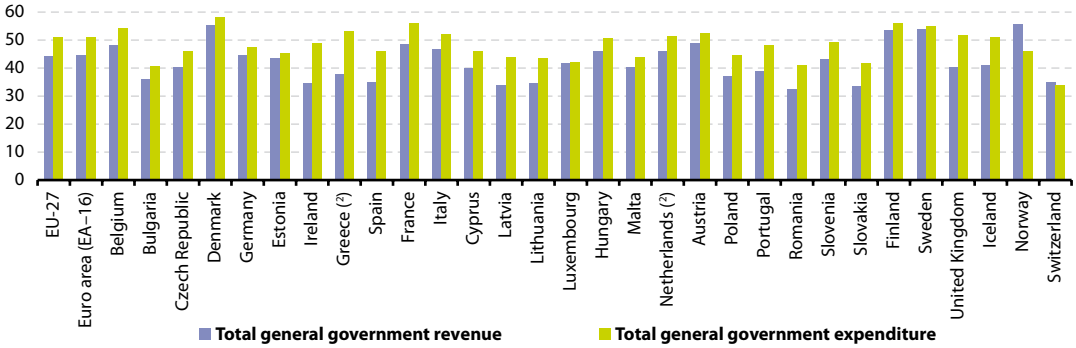
Figure 1.20: Development of total expenditure and total revenue (1)
(% of GDP)



(1) Data extracted on 09.02.2011.

Source: Eurostat (gov_a_main)

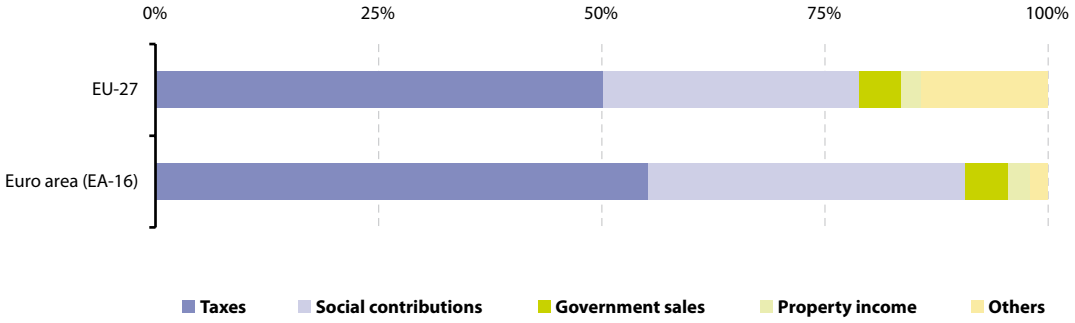
Figure 1.21: Government revenue and expenditure, 2009 (1)
(% of GDP)



(1) Countries ranked on the average of revenue and expenditure; data extracted on 18.01.2011.
(2) Provisional.

Source: Eurostat (tec00021 and tec00023)

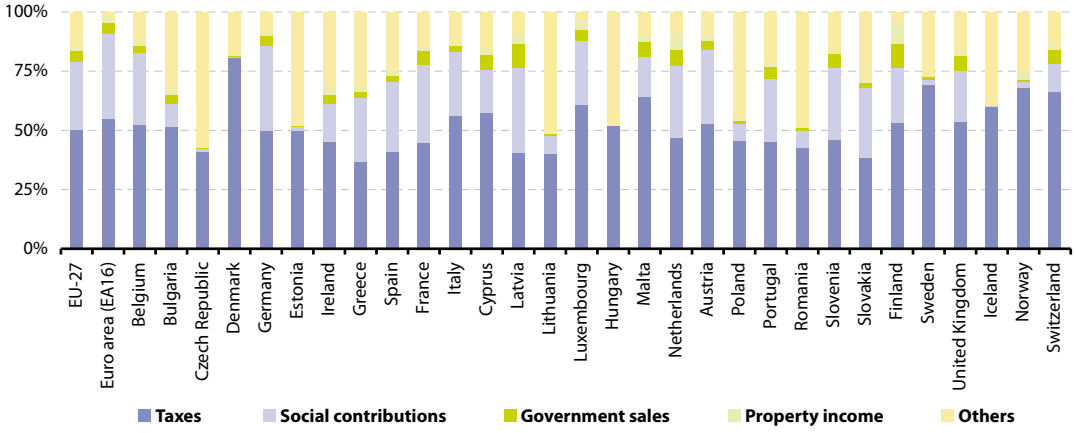
Figure 1.22: Composition of total revenue, 2009 (1)
(%)



(1) Data extracted on 09.02.2011.

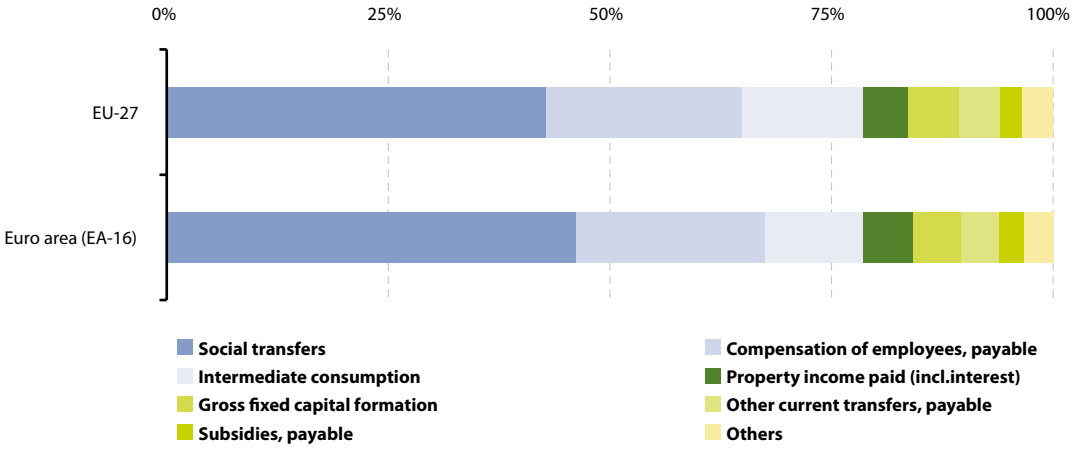
Source: Eurostat (gov_a_main)

Figure 1.23: Main components of government revenue, 2009
(%)



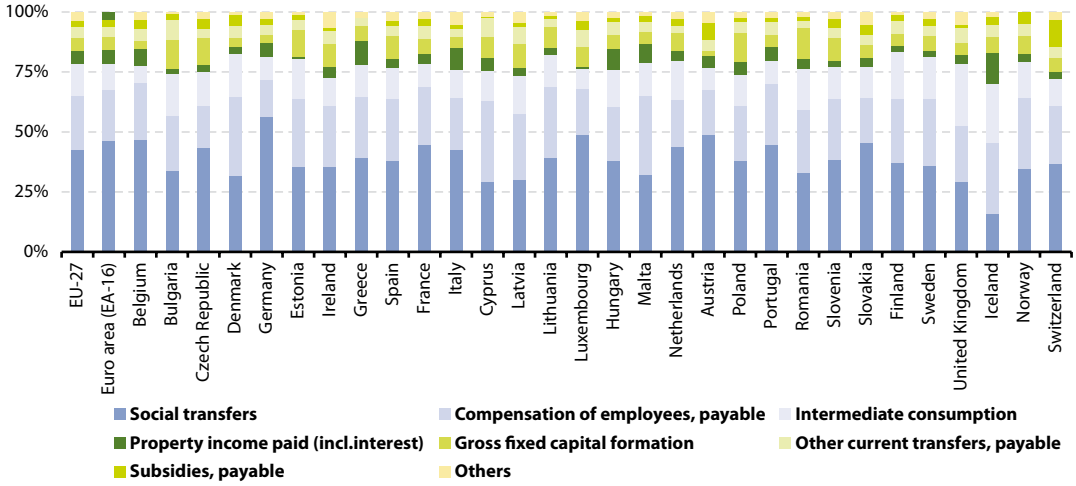
Source: Eurostat (gov_a_main)

Figure 1.24: Composition of total expenditure, 2009
(%)



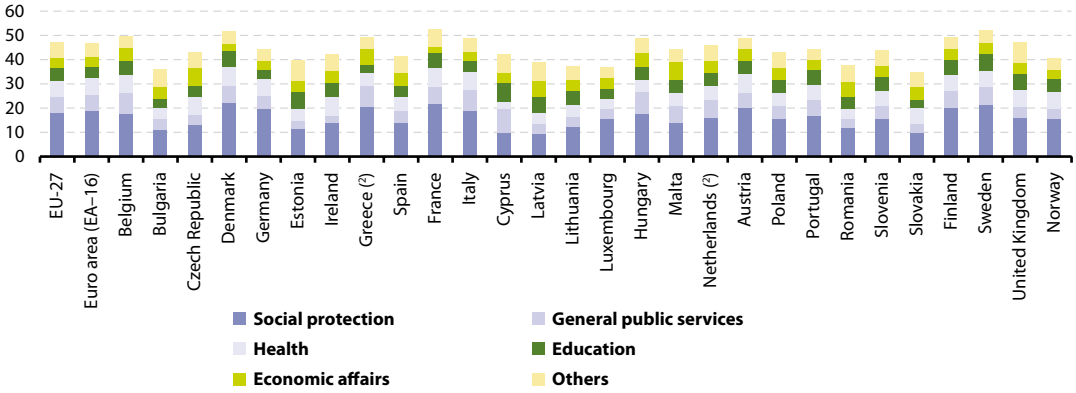
Source: Eurostat (gov_a_main)

Figure 1.25: Main components of government expenditure, 2009
(%)



Source: Eurostat (gov_a_main)

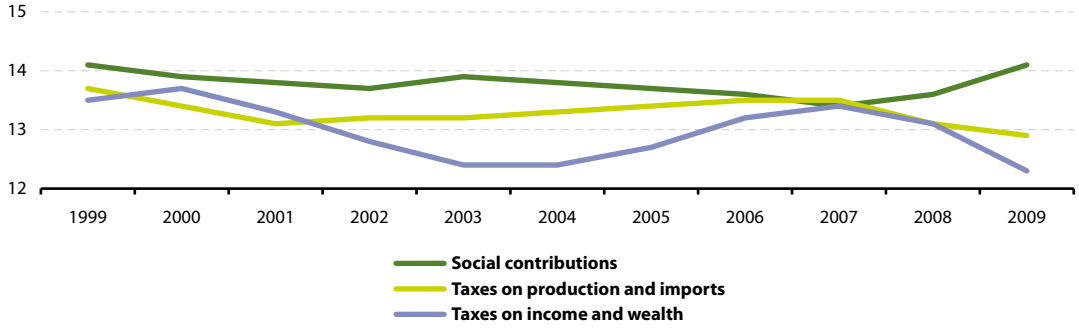
Figure 1.26: General government expenditure by COFOG function, 2008 (1)
(% of GDP)



(1) COFOG: classification of the functions of government; data extracted on 29.11.2010.
(2) Provisional.

Source: Eurostat (gov_a_exp)

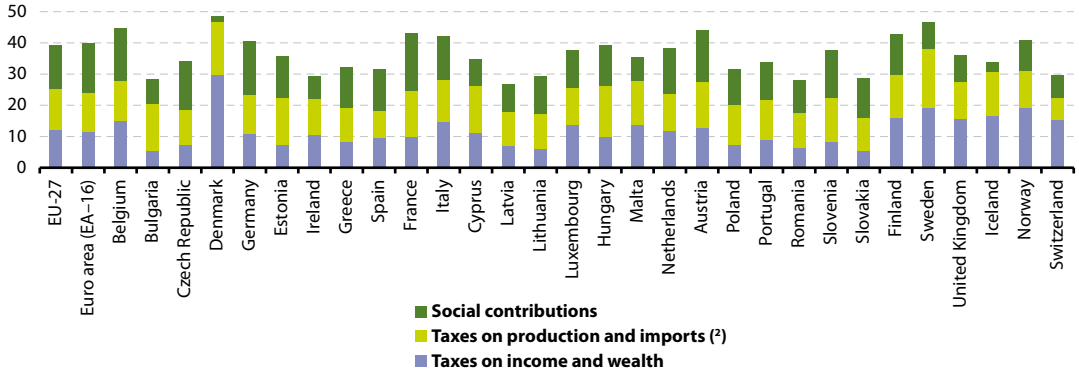
Figure 1.27: Taxes and social contributions, EU-27 (1)
(% of GDP)



(1) Data extracted on 29.11.2010.

Source: Eurostat (tec00019, tec00020 and tec00018)

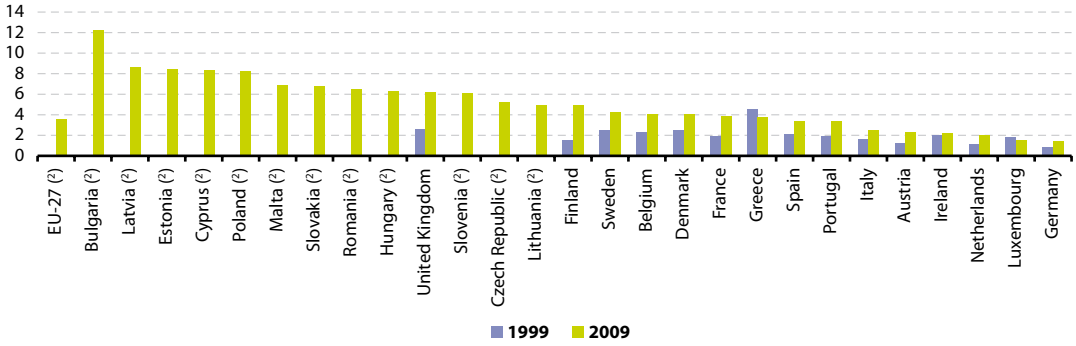
Figure 1.28: Taxes and social contributions, 2009 (1)
(% of GDP)



(1) Data extracted on 29.11.2010.
(2) Denmark, includes taxes on production and imports paid to the institutions of the European Union.

Source: Eurostat (tec00019, tec00020 and tec00018)

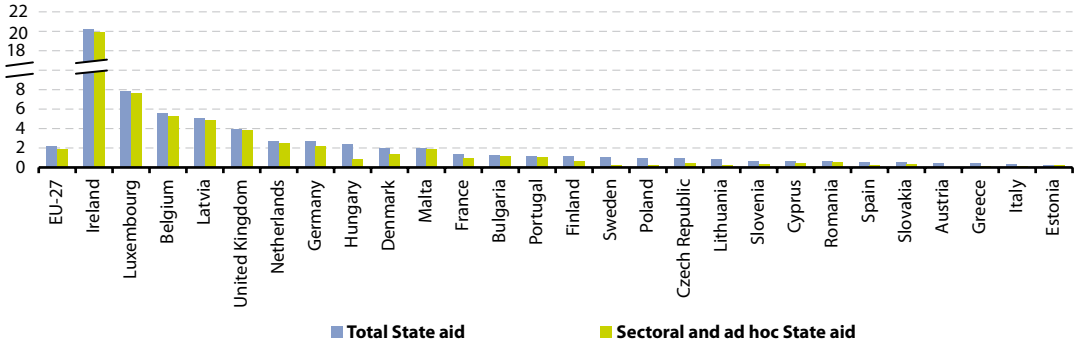
Figure 1.29: Public procurement (1)
(value of public procurement which is openly advertised, as % of GDP)



(1) Data extracted on 09.02.2011.
(2) 1999, not available.

Source: Eurostat (tsier090), Commission services

Figure 1.30: State aid, 2008
(% of GDP)



Source: Eurostat (tsier100), Commission services

1.3 Exchange rates and interest rates

This subchapter presents an analysis of exchange rates and interest rates based on data from September 2010; as these indicators change quite frequently, the latest data can be consulted in the Eurostat main tables (exchange rates and interest rates) and data base (exchange rates and interest rates). The analysis considers the evolution of exchange rates across the European Union (EU), as well as exchange rate fluctuations between the euro, the Japanese yen, the Swiss franc and the United States dollar (all of which are important reserve currencies).

The second half of the subchapter examines interest rates – in other words, the cost of borrowing and/or lending money. At the macro-economic level, key interest rates are generally set by central banks, as a primary tool for monetary policy with the goal of maintaining price stability and controlling inflation.

Main statistical findings

It is important to note that practically all of Eurostat's data presented in monetary terms (including statistics for those Member States that are not part of the euro area and data for non-member countries) have been converted from national currencies to euro (EUR – see currency codes). When making comparisons across different countries for indicators denominated in euro terms, it is necessary to bear in mind the possible effect of currency fluctuations, in particular when analysing time series.

The index of annual average exchange rates presented in Figure 1.31 starts in 2000, during the second half of which the euro was at historically low levels against many currencies. There was a marked appreciation in the value of the euro compared with the Japanese yen during the period from 2000 to 2007, while a similar pattern was observed against the United States dollar from 2001 to 2008. In contrast, there was considerably less variation in exchange rates between the euro and the Swiss franc; no more than +/-6 % between 2000 and 2009.

A more detailed analysis – using average daily exchange rates – shows that the euro reached a relative high against the Swiss franc on 12 October 2007 (EUR 1=CHF 1.6803). In the summer of 2008 the euro rose to its most recent relative highs against the currencies of the United States and Japan, peaking against the dollar on 15 July 2008 (EUR 1=USD 1.599) and against the yen only eight days later (EUR 1=JPY 169.75).

Since these relative peaks, the value of the euro has generally depreciated. On 1 October 2010 (as this subchapter was in the process of being drafted), the latest exchange rates available showed that one euro was worth CHF 1.3423, or JPY 114.26, or USD 1.3726. A comparison between the relative highs of 2007/2008 and the latest euro exchange rates shows that the value of the euro depreciated against the yen by almost one third (32.7 %), while the value of

the euro against the Swiss franc fell by 20.1 %, and the corresponding reduction against the United States dollar was 14.2 %.

Table 1.10 shows the evolution of exchange rates between the euro and a broader range of currencies. Between 2000 and 2010, the euro appreciated strongly against the Turkish lira, and also against the Icelandic krona (particularly from 2008 onwards following the collapse of several Icelandic banks). The euro also appreciated against the currencies of Latvia, Romania, Sweden and the United Kingdom. In contrast, the national currencies of the Czech Republic (among the Member States), and Switzerland and Croatia (among non-member countries) appreciated against the euro during the period 2000 to 2010. Note that some non-euro area members have fixed their exchange rates against the euro, as part of the exchange rate mechanism (ERM II) in preparation for joining the euro area.

Table 1.11 shows interest rates and yields. Note that between the three reference periods shown in the table it is possible that there was a considerable fluctuation in interest rates. Despite this, the overall pattern was that of declining interest rates over the last decade, such that interest rates often stood at historically low levels by 2009. Interest rates fell at a rapid rate during the second half of 2008 and into 2009, as the effects of the financial and economic crisis were felt. Nevertheless, interest rates in Bulgaria, Latvia, Lithuania, Hungary and Romania remained relatively high.

Data sources and availability

Exchange rates

Eurostat publishes a number of different data sets concerning exchange rates. Three main databases can be distinguished, with statistics on:

- bilateral exchange rates between currencies, including some special conversion factors for 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 European currency unit (ECU). 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 published.

Interest rates

Interest rates provide information on the cost or price of borrowing, or the gain from lending; traditionally, interest rates are expressed in annual percentage terms, although the period for lending/borrowing can be anything from overnight to

a period of many years. Different types of interest rates are distinguished either by the period of lending/borrowing involved, or by the parties involved in the transaction (business, consumers, governments or interbank operations).

Long-term interest rates are one of the convergence criteria for European economic and monetary union (EMU). In order to comply, Member States need to demonstrate 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. Long-term 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 ten years.

Eurostat also publishes a number of short-term interest rates, with different maturities (overnight, 1 to 12 months). Other interest rates that are 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.

A yield curve, also known as term structure of interest rates, represents the relationship between market remuneration (interest) rates and the remaining time to maturity of debt securities.

Context

Interest rates, inflation rates and exchange rates are highly linked: the interaction between these economic phenomena is often complicated by a range of additional factors such as levels of government debt, the sentiment of financial markets, terms of trade, political stability, and overall economic performance. Central banks seek to exert influence over both inflation and exchange rates, through controlling monetary policy – their main tool for this purpose is the setting of key interest rates.

An exchange rate is the price or value of one currency in relation to another. Those countries with relatively stable and low inflation rates tend to display an appreciation in their currencies, as their purchasing power increases relative to other currencies, whereas higher inflation typically leads to a depreciation of the local currency. When the value of one currency appreciates against another, then that country's exports become more expensive and its imports become cheaper.

The exchange rate mechanism (ERM II) was set up on 1 January 1999, with the goal of ensuring that exchange rate fluctuations between the euro and other EU currencies did not disrupt economic stability within the single market, and to help non-euro area countries prepare themselves for participation in the euro area. The convergence criteria (Maastricht criteria) on exchange rate stability requires participation in ERM II, with exchange rates of non-euro area Member States fixed against the euro such that these may only fluctuate by 15 % above or below an agreed central rate. If necessary, the currencies are supported by intervention (buying or selling) to keep the exchange rate against the euro within the agreed fluctuation band; such intervention is coordinated by the European Central Bank (ECB) and the central bank

of the non-euro area Member State. The general council of the ECB monitors the operation of ERM II and ensures coordination of monetary and exchange rate policies, as well as administering the intervention mechanisms with the central banks of the Member States.

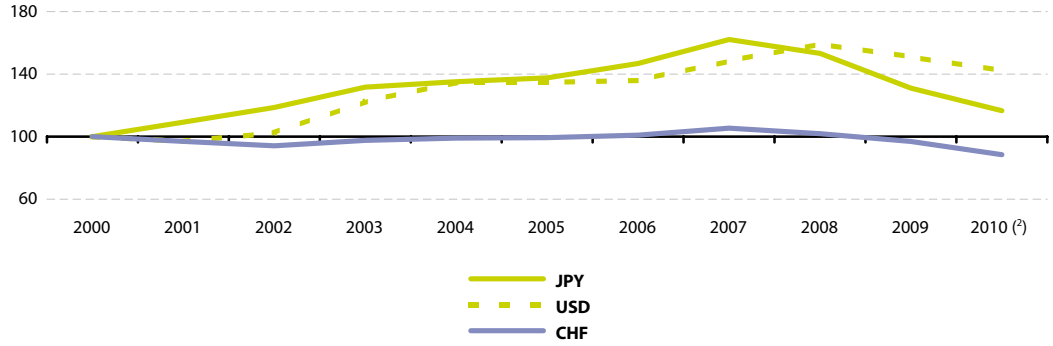
All economic and monetary union participants are eligible to adopt the euro. Aside from demonstrating two years of exchange rate stability (via membership of ERM II), those Member States wishing to join the euro area also need to adhere to a number of additional criteria relating to interest rates, budget 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, hope to benefit from the elimination of currency exchange costs, lower transaction costs and the promotion of trade and investment resulting from the scale of the euro area market. Furthermore, the use of a single currency increases price transparency for consumers across the euro area.

From 1 January 2002, around 7 800 million notes and 40 400 million coins entered circulation across the euro area, as 12 Member States – Belgium, Germany, Ireland, Greece, Spain, France, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland – adopted the euro as their common currency. Slovenia subsequently joined the euro area at the start of 2007, and was followed by Cyprus and Malta on 1 January 2008, Slovakia on 1 January 2009 and Estonia on 1 January 2011, bringing the total number of countries using the euro as their common currency to 17.

In joining the euro each Member States has agreed to allow the ECB to act as an independent authority responsible for maintaining price stability through the implementation of monetary policy. As of 1999, the ECB started to set benchmark interest rates and manage the euro area's foreign exchange reserves. The ECB has defined price stability as a year-on-year increase in the harmonized index of consumer prices (HICP) for the euro area below, but close to, 2 % over the medium term (see Subchapter 1.4 on consumer prices – inflation and comparative price levels). Monetary policy decisions are taken by the ECB's governing council which meets every month to analyse and assess economic and monetary developments and the risks to price stability and thereafter to decide upon the appropriate level of key interest rates.

Figure 1.31: Exchange rates against the euro ([1])
(2000=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.
([2]) Forecasts.

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	2009	2010 ([2])
Bulgaria	1.9522	1.9482	1.9492	1.9490	1.9533	1.9558	1.9558	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	26.435	25.262
Denmark	7.4538	7.4521	7.4305	7.4307	7.4399	7.4518	7.4591	7.4506	7.4560	7.4462	7.4454
Estonia	15.647	15.647	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	0.7057	0.7086
Lithuania	3.6952	3.5823	3.4594	3.4527	3.4529	3.4528	3.4528	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	280.33	276.95
Poland	4.0082	3.6721	3.8574	4.3996	4.5268	4.0230	3.8959	3.7837	3.5121	4.3276	3.9922
Romania	1.9922	2.6004	3.1270	3.7551	4.0510	3.6209	3.5258	3.3353	3.6826	4.2399	4.2048
Sweden	8.4452	9.2551	9.1611	9.1242	9.1243	9.2822	9.2544	9.2501	9.6152	10.6191	9.5486
United Kingdom	0.60948	0.62187	0.62883	0.69199	0.67866	0.68380	0.68173	0.68434	0.79628	0.89094	0.85324
Iceland	72.58	87.42	86.18	86.65	87.14	78.23	87.76	87.63	143.83	172.67	161.82
Norway	8.1129	8.0484	7.5086	8.0033	8.3697	8.0092	8.0472	8.0165	8.2237	8.7278	7.9717
Switzerland	1.5579	1.5105	1.4670	1.5212	1.5438	1.5483	1.5729	1.6427	1.5874	1.5100	1.3786
Croatia	7.6432	7.4820	7.4130	7.5688	7.4967	7.4008	7.3247	7.3376	7.2239	7.3400	7.2688
Turkey	0.5748	1.1024	1.4397	1.6949	1.7771	1.6771	1.8090	1.7865	1.9064	2.1631	1.9882
Japan	99.47	108.68	118.06	130.97	134.44	136.85	146.02	161.25	152.45	130.34	115.98
United States	0.9236	0.8956	0.9456	1.1312	1.2439	1.2441	1.2556	1.3705	1.4708	1.3948	1.3137

([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 with the introduction of the euro to the euro area (EA-12) members; 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.
([2]) Forecasts.

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	2009	1999	2004	2009
EU-27	:	4.38	4.13	:	2.86	1.56
Euro area (2)	4.66	4.12	3.82	2.96	2.11	1.22
Belgium	4.75	4.15	3.90	-	-	-
Bulgaria	:	5.36	7.22	5.88	3.74	5.72
Czech Republic	:	4.82	4.84	6.85	2.36	2.19
Denmark	4.91	4.30	3.59	3.44	2.20	2.49
Germany	4.49	4.04	3.22	-	-	-
Estonia	:	:	:	7.81	2.50	5.92
Ireland	4.71	4.08	5.23	-	-	-
Greece	6.30	4.26	5.17	10.09	-	-
Spain	4.73	4.10	3.98	-	-	-
France	4.61	4.10	3.65	-	-	-
Italy	4.73	4.26	4.31	-	-	-
Cyprus	:	5.80	4.60	6.25	4.74	-
Latvia	:	4.86	12.36	8.44	4.23	13.09
Lithuania	:	4.50	14.00	13.89	2.68	7.07
Luxembourg	4.66	2.84	4.23	-	:	:
Hungary	:	8.19	9.12	15.07	11.53	9.14
Malta	:	4.69	4.54	5.15	2.94	-
Netherlands	4.63	4.10	3.69	-	-	-
Austria	4.68	4.13	3.94	-	-	-
Poland	:	6.90	6.12	14.73	6.20	4.42
Portugal	4.78	4.14	4.21	-	-	-
Romania	:	:	9.69	79.63	19.14	11.34
Slovenia	:	4.68	4.38	8.64	4.66	-
Slovakia	:	5.03	4.71	15.67	4.68	-
Finland	4.72	4.11	3.74	-	-	-
Sweden	4.98	4.42	3.25	3.33	2.31	0.92
United Kingdom	5.01	4.93	3.36	5.55	4.64	1.21
Turkey	-	-	-	96.99	23.84	:
Japan	-	-	-	0.22	0.05	0.47
United States	-	-	-	5.41	1.62	0.69

(1) 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) EA-11, 1999; EA-12, 2004; EA-16, 2009.

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

Table 1.12: Euro yield curve ([1])
(%)

	2005	2006	2007	2008	2009
1 year until maturity	2.21	3.22	3.99	3.61	0.91
2 years until maturity	2.37	3.37	4.04	3.59	1.51
3 years until maturity	2.53	3.43	4.05	3.65	2.00
4 years until maturity	2.69	3.48	4.06	3.74	2.41
5 years until maturity	2.84	3.53	4.08	3.83	2.75
6 years until maturity	2.98	3.58	4.11	3.93	3.03
7 years until maturity	3.11	3.63	4.14	4.02	3.28
8 years until maturity	3.22	3.68	4.17	4.10	3.49
9 years until maturity	3.32	3.72	4.20	4.18	3.67
10 years until maturity	3.40	3.76	4.23	4.25	3.82
11 years until maturity	3.48	3.79	4.26	4.31	3.95
12 years until maturity	3.54	3.82	4.28	4.36	4.06
13 years until maturity	3.60	3.85	4.30	4.41	4.15
14 years until maturity	3.65	3.88	4.32	4.45	4.22
15 years until maturity	3.69	3.90	4.34	4.48	4.28
16 years until maturity	3.73	3.92	4.36	4.52	4.33
17 years until maturity	3.77	3.93	4.37	4.54	4.37
18 years until maturity	3.80	3.95	4.39	4.57	4.40
19 years until maturity	3.82	3.96	4.40	4.59	4.42
20 years until maturity	3.85	3.98	4.41	4.61	4.43
21 years until maturity	3.87	3.99	4.42	4.63	4.43
22 years until maturity	3.89	4.00	4.43	4.64	4.43
23 years until maturity	3.91	4.01	4.44	4.66	4.43
24 years until maturity	3.93	4.02	4.45	4.67	4.42
25 years until maturity	3.94	4.03	4.46	4.68	4.40
26 years until maturity	3.96	4.03	4.46	4.69	4.39
27 years until maturity	3.97	4.04	4.47	4.70	4.37
28 years until maturity	3.98	4.05	4.47	4.70	4.35
29 years until maturity	3.99	4.05	4.48	4.71	4.32
30 years until maturity	4.01	4.06	4.49	4.72	4.30

([1]) Zero-coupon yield curve spot rate for AAA rated euro area central government bonds; EA-12, 2005 and 2006; EA-13, 2007; EA-15, 2008; EA-16, 2009.

Source: Eurostat (irt_euryld_a)

1.4 Consumer prices - inflation and comparative price levels

An increase in the level of prices of goods and services in an economy is called inflation; this indicator is usually measured through consumer price indices (CPIs) or retail price indices (RPIs). Within the European Union (EU) a specific consumer price index for the purpose of tracing price developments has been developed and is called the harmonised index of consumer prices (HICP).

If there is inflation within an economy, then the purchasing power of money falls as consumers are no longer able to purchase the same amount of goods and services (for the same amount of money). In contrast, if prices fall, then they should be able to purchase more goods and services; this is often referred to as deflation. No change in prices (or relatively low rates of inflation) are often referred to as a period of price stability.

A comparison of prices between countries depends not only on movements in price levels, but also on changes in exchange rates – together, these two forces impact on the price and cost competitiveness of individual Member States.

Main statistical findings

Compared with historical trends, consumer price indices rose only at a moderate pace during the last two decades. The EU (moving aggregate based upon EU membership) 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. This sharp rise in price inflation can be largely explained by rapid 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 on average by 6.4 % in the EU; the increase may be particularly associated with steep price rises for dairy products, oils and fats.

In 2009, annual inflation for the EU was 1.0 % – on the back of decreasing food prices between the summers of 2008 and 2009. Energy prices fell from December 2008 until November 2009, with their biggest reduction in July 2009 (-10.4 %, on the basis of a comparison with July 2008).

In August 2010, the latest information available at the time of writing, there was some evidence of a modest expansion in the pace at which prices were rising. The overall EU inflation rate was nevertheless relatively stable, rising from 1.5 % in February 2010 (compared with the same month of the previous year) to 2.0 % by August 2010.

Comparative price levels of private household consumption vary considerably across the EU Member States. In 2009, they ranged from 53 in Bulgaria to 145 in Denmark (EU-27=100). Over the

ten years from 1999 to 2009, several of the Member States that joined the EU in 2004 or 2007 recorded substantial changes in their comparative price levels (Bulgaria, the Czech Republic, Estonia, Latvia, Lithuania, Hungary, Romania and Slovakia). During this ten-year period, there was a convergence of price levels within the EU-27 as a whole; the coefficient of variation of comparative price levels declined from 35.6 % in 1999 to 24.3 % by 2008 (rising slightly in 2009 to 25.1 %). Although price levels were more homogeneous across the euro area than the EU-27 (with a coefficient of variation of 14.8 % in 2009), the pace at which prices were converging was less pronounced in the euro area when analysing the development of the coefficient of variation of price level indices (PLIs) from 1999 to 2009.

Data sources and availability

Inflation

The harmonised index of consumer prices (HICP) is constructed to measure, over time, the change in prices of consumer goods and services that are acquired by households. These indices 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 included. Goods and services are classified according to the international classification of individual consumption by purpose, adapted to the compilation of the harmonised indices of consumer prices (COICOP/HICP). At its most disaggregated level, Eurostat publishes around 100 sub-indices, which can be aggregated to broad categories of goods and services. The inflation rate is one such example – it equates to the all-items harmonised index of consumer prices.

The indices are calculated according to a common approach with a single set of definitions, providing comparable measures of consumer price inflation across countries, as well as for different country groupings such as the EU, the euro area, or the European Economic Area (EEA). There are three key HICP aggregate indices: the Monetary Union Index of Consumer Prices (MUICP) covering the euro area countries, the European index of consumer prices (EICP) covering all EU Member States, and the European Economic Area index of consumer prices, which includes the EU Member States as well as 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.

Harmonised indices of consumer prices are presented with a common reference year (currently 2005=100). Normally the indices are used to calculate percentage changes that show price increases/decreases. Although the rates of change shown in the tables and figures for this subchapter are annual averages, the basic indices are compiled on a monthly basis and are published at this frequency by Eurostat. Harmonised indices of consumer prices are published some 14 to 16 days after the end of the reporting month. The majority of the data is available with series starting in the mid-1990s.

Comparative price levels

Comparative price levels across EU Member States are price level indices (PLIs) expressed as relative to the average price level of the EU-27. If the price level index of a given Member State is above 100, then prices in that country are, on average, higher than the EU average. On the other hand, a price level index below 100 shows that prices are, on average lower than the EU-27 average.

Purchasing power parities (PPPs) estimate price level differences across countries; they are aggregated price ratios calculated from price comparisons of a large number of goods and services. Purchasing power parities are used to calculate price level indices, the latter are calculated as the ratio of purchasing power parities to exchange rates.

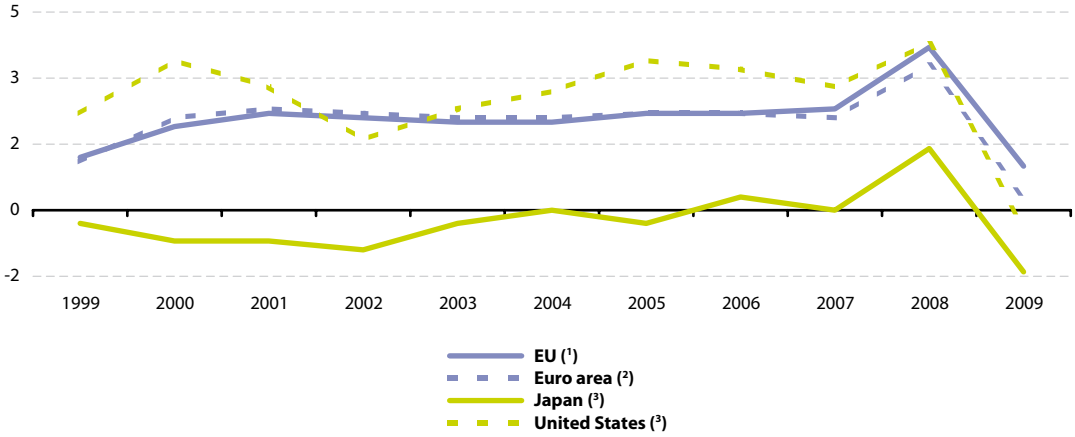
Price level indices may be constructed for a number of expenditure aggregates based on the expenditure classification of national accounts. The differences in price levels of consumer goods and services should be analysed on the basis of household final consumption expenditure (HFCE); Eurostat publishes detailed information on price level indices for more than 30 different groups of goods and services.

Price level indices may also be used as a starting point for analysing price convergence. For this purpose, the coefficient of variation of price level indices across any number of countries (for example, the EU Member States) is calculated. A decreasing coefficient over time indicates that price levels are converging. Eurostat publishes an annual estimate of price convergence based on the temporal development of the coefficient of variation.

Context

Harmonised indices of consumer prices are, among other things, used for the purposes of monetary policy and assessing inflation convergence as required in the Treaty on the functioning of the European Union. In particular, they are used for measuring inflation in the euro area; the primary objective of the European Central Bank's (ECB) monetary policy is to maintain price stability. The ECB has defined price stability as a year-on-year increase in the harmonised index of consumer prices for the euro area of below, but close to 2 % over the medium-term.

Figure 1.32: HICP all-items, development of the 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 (prc_hicp_aind)

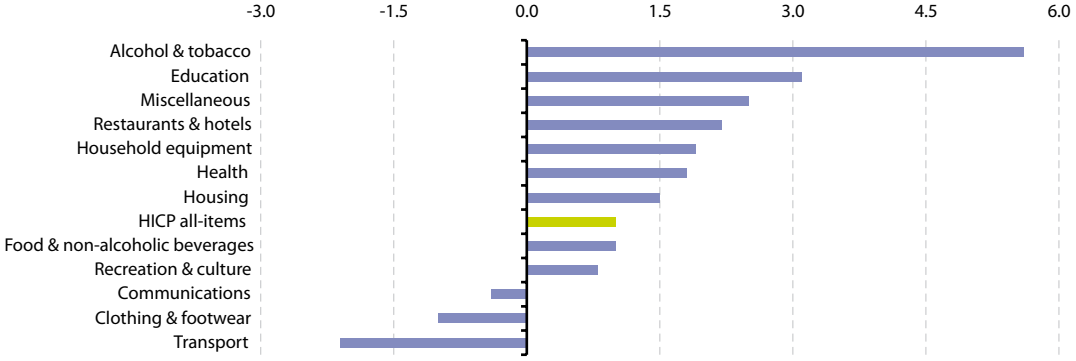
Table 1.13: HICP all-items, annual average inflation rates
(%)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
EU (1)	1.2	1.9	2.2	2.1	2.0	2.0	2.2	2.2	2.3	3.7	1.0
Euro area (2)	1.1	2.1	2.3	2.2	2.1	2.1	2.2	2.2	2.1	3.3	0.3
Belgium	1.1	2.7	2.4	1.6	1.5	1.9	2.5	2.3	1.8	4.5	0.0
Bulgaria	2.6	10.3	7.4	5.8	2.3	6.1	6.0	7.4	7.6	12.0	2.5
Czech Republic	1.8	3.9	4.5	1.4	-0.1	2.6	1.6	2.1	3.0	6.3	0.6
Denmark	2.1	2.7	2.3	2.4	2.0	0.9	1.7	1.9	1.7	3.6	1.1
Germany	0.6	1.4	1.9	1.4	1.0	1.8	1.9	1.8	2.3	2.8	0.2
Estonia	3.1	3.9	5.6	3.6	1.4	3.0	4.1	4.4	6.7	10.6	0.2
Ireland	2.5	5.3	4.0	4.7	4.0	2.3	2.2	2.7	2.9	3.1	-1.7
Greece	2.1	2.9	3.7	3.9	3.4	3.0	3.5	3.3	3.0	4.2	1.3
Spain	2.2	3.5	2.8	3.6	3.1	3.1	3.4	3.6	2.8	4.1	-0.2
France	0.6	1.8	1.8	1.9	2.2	2.3	1.9	1.9	1.6	3.2	0.1
Italy	1.7	2.6	2.3	2.6	2.8	2.3	2.2	2.2	2.0	3.5	0.8
Cyprus	1.1	4.9	2.0	2.8	4.0	1.9	2.0	2.2	2.2	4.4	0.2
Latvia	2.1	2.6	2.5	2.0	2.9	6.2	6.9	6.6	10.1	15.3	3.3
Lithuania	1.5	1.1	1.6	0.3	-1.1	1.2	2.7	3.8	5.8	11.1	4.2
Luxembourg	1.0	3.8	2.4	2.1	2.5	3.2	3.8	3.0	2.7	4.1	0.0
Hungary	10.0	10.0	9.1	5.2	4.7	6.8	3.5	4.0	7.9	6.0	4.0
Malta	2.3	3.0	2.5	2.6	1.9	2.7	2.5	2.6	0.7	4.7	1.8
Netherlands	2.0	2.3	5.1	3.9	2.2	1.4	1.5	1.7	1.6	2.2	1.0
Austria	0.5	2.0	2.3	1.7	1.3	2.0	2.1	1.7	2.2	3.2	0.4
Poland	7.2	10.1	5.3	1.9	0.7	3.6	2.2	1.3	2.6	4.2	4.0
Portugal	2.2	2.8	4.4	3.7	3.3	2.5	2.1	3.0	2.4	2.7	-0.9
Romania	45.8	45.7	34.5	22.5	15.3	11.9	9.1	6.6	4.9	7.9	5.6
Slovenia	6.1	8.9	8.6	7.5	5.7	3.7	2.5	2.5	3.8	5.5	0.9
Slovakia	10.4	12.2	7.2	3.5	8.4	7.5	2.8	4.3	1.9	3.9	0.9
Finland	1.3	2.9	2.7	2.0	1.3	0.1	0.8	1.3	1.6	3.9	1.6
Sweden	0.5	1.3	2.7	1.9	2.3	1.0	0.8	1.5	1.7	3.3	1.9
United Kingdom	1.3	0.8	1.2	1.3	1.4	1.3	2.1	2.3	2.3	3.6	2.2
Iceland	2.1	4.4	6.6	5.3	1.4	2.3	1.4	4.6	3.6	12.8	16.3
Norway	2.1	3.0	2.7	0.8	2.0	0.6	1.5	2.5	0.7	3.4	2.3
Switzerland	:	:	:	:	:	:	:	1.0	0.8	2.3	-0.7
Croatia	3.7	4.5	4.3	2.5	2.4	2.1	3.0	3.3	2.7	5.8	2.2
Turkey	61.4	53.2	56.8	47.0	25.3	10.1	8.1	9.3	8.8	10.4	6.3
Japan (3)	-0.3	-0.7	-0.7	-0.9	-0.3	0.0	-0.3	0.3	0.0	1.4	-1.4
United States (3)	2.2	3.4	2.8	1.6	2.3	2.7	3.4	3.2	2.8	3.8	-0.4

(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.

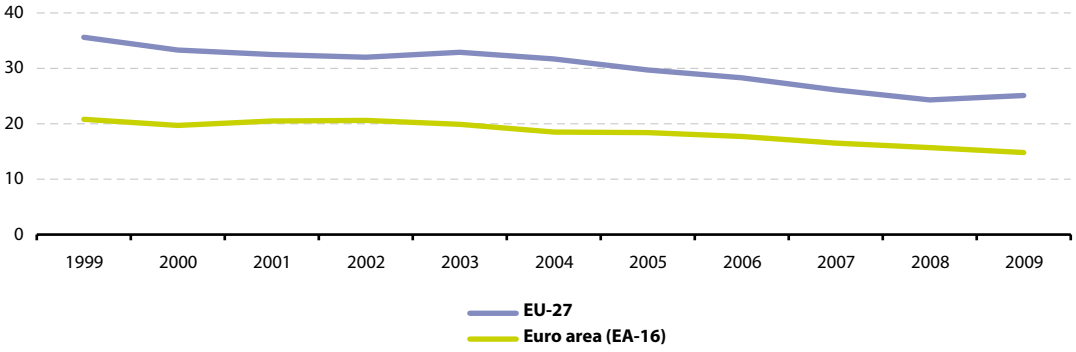
Source: Eurostat (prc_hicp_aind)

Figure 1.33: HICP main headings, annual average inflation rates, EU-27, 2009
(%)



Source: Eurostat (prc_hicp_aind)

Figure 1.34: 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 1.14: Comparative price levels ([1])
(final consumption by private households including indirect taxes, EU-27=100)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
EU-27	100	100	100	100	100	100	100	100	100	100	100
Euro area (EA-16)	102	100	101	101	103	103	102	102	102	104	107
Belgium	107	102	103	102	107	107	106	108	108	111	114
Bulgaria	38	39	41	41	41	42	43	45	46	50	53
Czech Republic	46	48	50	57	55	55	58	61	62	73	71
Denmark	131	130	135	134	141	140	140	138	137	141	145
Germany	107	107	107	107	106	105	103	103	102	104	106
Estonia	57	57	61	61	62	63	65	69	73	78	75
Ireland	112	115	119	125	126	126	123	125	125	128	125
Greece	88	85	82	80	86	88	88	89	91	94	97
Spain	86	85	85	85	88	91	91	92	93	95	97
France	109	106	104	104	110	110	108	109	108	111	114
Italy	98	98	100	103	104	105	105	104	103	106	107
Cyprus	87	88	89	89	91	91	90	90	88	91	91
Latvia	52	59	59	57	54	56	57	61	67	73	75
Lithuania	47	53	54	54	52	54	55	57	60	65	68
Luxembourg	103	101	104	102	103	103	112	111	115	119	121
Hungary	47	49	53	57	58	62	63	61	67	68	66
Malta	71	73	75	75	72	73	73	75	76	79	81
Netherlands	103	100	103	103	108	106	105	104	102	104	109
Austria	105	102	105	103	103	103	103	102	102	105	108
Poland	52	58	65	61	54	53	61	62	62	69	59
Portugal	83	83	84	86	86	87	85	85	86	87	89
Romania	38	43	42	43	43	43	54	58	64	61	58
Slovenia	74	73	74	74	76	76	76	77	79	82	86
Slovakia	41	44	43	45	51	55	55	58	63	70	74
Finland	122	121	125	124	127	124	124	123	120	124	126
Sweden	126	128	120	122	124	121	119	119	116	115	107
United Kingdom	116	120	117	117	108	109	110	111	113	100	93
Iceland	127	144	128	135	139	138	153	145	149	117	102
Norway	134	138	142	151	142	135	141	140	138	139	137
Switzerland	140	143	146	147	144	141	138	135	125	131	138
Croatia	:	:	:	:	65	67	69	73	72	76	76
FYR of Macedonia	:	:	:	:	44	44	43	45	44	47	46
Turkey	56	63	48	52	57	59	67	66	72	71	67
Japan	173	198	178	156	137	130	120	110	97	103	120
United States	106	121	126	120	101	93	93	93	85	82	89

([1]) Break in series in 2005 for all countries except for Japan and the United States.

Source: Eurostat (tsier010)

1.5 Balance of payments - current account

The balance of payments records all economic transactions between resident and non-resident entities during a given period. This subchapter presents data on the current and financial accounts of the balance of payments for the European Union (EU) and its Member States. The analysis is based on data from September 2010, but the latest data can be consulted in the Eurostat main tables and data base.

The current account balance determines the exposure of an economy to the rest of the world, whereas the capital and financial account explains how it is financed. A separate Subchapter (1.6) on foreign direct investment provides more information on one component of the financial account and Subchapter 9.2 on international trade in services provides more information on one component of the current account.

Main statistical findings

The current account deficit of the EU-27 was EUR 131 800 million in 2009 (see Figure 1.35), corresponding to 1.1 % of gross domestic product (GDP), close to half the level of the deficit in 2008 when it had equalled about 2.0 %. The overall deficit for 2009 comprised deficits in the current account for goods (-0.7 % of GDP), for current transfers (-0.5 %), and for the income account (-0.4 %), alongside a positive balance for services (0.5 %).

There were a total of 15 Member States that reported current account deficits in 2009 (see Table 1.15): the largest of these (relative to GDP) were in Greece (-11.4 %) and Portugal (-10.3 %); Latvia (9.5 %) and Sweden (7.4 %) reported the largest current account surpluses. Ireland, Slovakia Germany, Italy and Romania were the only Member States to report a deficit for services in 2009, while Luxembourg (47.8 % of GDP), Cyprus (24.4 %) and Malta (15.6 %) reported relatively large surpluses. A total of 15 Member States reported a deficit for goods – most notably Cyprus (-25.0 % of GDP), while Ireland reported the largest surplus (20.3 % of GDP).

The EU-27's current account deficit with China was EUR 113 900 million in 2009, three and a half times as large as the next largest deficits, which were with Russia and Japan. A current account surplus was recorded with Switzerland (EUR 34 800 million), about one fifth larger than that with the United States (see Figure 1.36).

Three types of investment (foreign direct investment (FDI), portfolio and other) make-up the financial account, along with financial derivatives and official reserve assets. A positive value for the financial account indicates that inward investment flows (inward FDI and investment liabilities) exceed outward investment flows (outward FDI and investment assets). This was the case for the euro area in 2009, where the financial account was equivalent to 0.5 % of GDP.

The EU-27 was a net direct investor vis-à-vis the rest of the world in 2009. Inward flows of FDI represented 1.8 % of GDP,

while outward flows of FDI represented 2.4 % of GDP, making it the main form of outward investment from the EU-27 in 2009. Luxembourg recorded the highest levels of both inward and outward FDI (in relation to GDP) with the rest of the world. Slovenia recorded the only notable disinvestment in inward FDI, while several countries recorded a disinvestment for outward FDI, notably Hungary and Belgium (see Table 1.17).

The EU-27 recorded investment in portfolio investment assets (outward investment) equivalent to 1.5 % of GDP in 2009. EU-27 portfolio investment liabilities (inward investment) were valued at 5.3 % of GDP, close to three times the level of inward FDI. Six of the Member States recorded disinvestment for portfolio assets, with the United Kingdom recording relatively large flows (6.1 % of GDP). The largest investments in portfolio assets were recorded in Luxembourg (home to a large fund management activity), Cyprus and Malta. Disinvestment in portfolio liabilities was also relatively uncommon, and only Estonia and Hungary reported negative flows in excess of 1 % of GDP. Again Luxembourg reported the largest positive flows relative to GDP, followed by Portugal and France.

For other assets and liabilities (such as currency and deposits) the EU-27 recorded a net disinvestment in 2009 both in assets and liabilities, in other words a reduction in outward loans and also a repatriation of inward deposits. Disinvestment in other assets was equivalent to 3.0 % of the EU-27's GDP in 2009, with the largest disinvestments in assets (in relative terms) recorded in Luxembourg and Malta. Inward disinvestment of liabilities was equivalent to 5.3 % of GDP in the EU-27. Again the largest disinvestments in relative terms were recorded in Luxembourg, followed at some distance by Ireland, Belgium and Malta. In contrast to the overall EU situation of net disinvestments, a small number of Member States recorded net investment flows in other assets and liabilities, most notably Cyprus which recorded the largest (relative to GDP) outward investment in other assets and by far the largest inward investments in liabilities.

Data sources and availability

The main methodological references used for the production of balance of payment statistics is the fifth balance of payments manual (BPM5) of the International Monetary Fund (IMF). The sixth edition of this manual (BPM6) was finalised in December 2008 with implementation planned in 2014. The transmission of balance of payments data to Eurostat is covered by Regulation 184/2005 on Community statistics concerning balance of payments, international trade in services and foreign direct investment (consolidated version 09.05.2006).

Current account

The current account of the balance of payments 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 balance of payments registers the value of credits (exports) and debits (imports). A negative balance – a current account deficit –

shows that a country is spending abroad more 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. 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 so-called 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 communication 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, and other current transfers, such as workers' remittances, insurance premiums (less service charges), and claims on non-life insurance companies.

Under the balance of payment 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 balance of payments 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 the Subchapter (1.6) on foreign direct investment.

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.

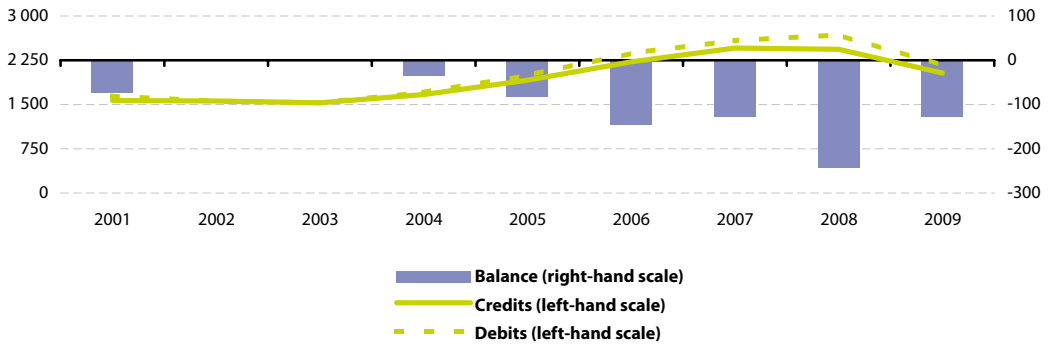
Reserve assets are foreign financial assets available to, and controlled by, monetary authorities; they are used for financing and regulating payments imbalances or for other purposes.

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.

Context

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 complete picture 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 Subchapters 1.6 and 9.2 on foreign direct investment and international trade in services.

Figure 1.35: Current account transactions, EU-27 (1)
(EUR 1 000 million)



(1) EU-25, 2001-2003.

Source: Eurostat (tec00038)

Table 1.15: Current account balance for EU Member States with the rest of the world
(EUR 1 000 million)

	2004	2005	2006	2007	2008	2009
EU-27 (1)	-36.0	-82.9	-146.2	-127.2	-243.3	-131.8
Euro area (EA-16) (2)	61.7	11.7	-10.2	13.5	-153.8	-55.9
Belgium	19.1	7.9	6.3	7.3	-10.1	1.0
Bulgaria	-1.3	-2.7	-4.6	-7.8	-8.2	-3.2
Czech Republic	-4.7	-1.3	-2.7	-4.1	-1.0	-1.5
Denmark	5.9	9.0	6.5	3.4	5.1	9.0
Germany	102.8	114.6	150.1	185.1	167.0	119.1
Estonia	-1.1	-1.1	-2.2	-2.8	-1.5	0.6
Ireland	-0.9	-5.7	-6.3	-10.1	-10.2	-4.9
Greece	-10.7	-14.7	-23.7	-32.6	-34.8	-26.6
Spain	-44.2	-66.9	-88.3	-105.3	-106.0	-58.3
France	10.0	-10.9	-9.2	-18.9	-37.1	-36.8
Italy	-13.0	-23.6	-38.3	-37.7	-53.6	-48.2
Cyprus	-0.6	-0.8	-1.0	-1.9	-3.0	-1.4
Latvia	-1.4	-1.6	-3.6	-4.7	-3.0	1.8
Lithuania	-1.4	-1.5	-2.6	-4.1	-3.8	1.0
Luxembourg	3.3	3.3	3.5	3.6	2.1	2.1
Hungary	-6.8	-6.4	-6.5	-6.6	-7.4	0.2
Malta	-0.3	-0.4	-0.5	-0.3	-0.3	-0.2
Netherlands	36.9	37.3	50.4	49.3	28.5	28.9
Austria	4.8	4.9	7.1	9.6	:	:
Poland	-8.2	-3.0	-7.4	-14.7	-18.3	-5.0
Portugal	-12.4	-15.9	-17.2	-17.1	-21.7	-17.3
Romania	-5.1	-6.9	-10.2	-16.8	-16.2	-5.2
Slovenia	-0.7	-0.5	-0.8	-1.6	-2.5	-0.5
Slovakia	-1.2	-3.2	-3.6	-2.9	-4.3	-2.0
Finland	10.0	5.7	7.6	7.6	5.8	2.3
Sweden	21.1	20.4	26.5	27.8	31.3	21.6
United Kingdom	-36.9	-48.0	-64.4	-55.3	-27.2	-17.6
Iceland	-1.1	-2.2	-3.3	-2.4	-2.3	-0.3
Norway	28.3	39.7	46.2	40.1	57.3	38.2
Croatia	-1.5	-2.0	-2.7	-3.2	-4.4	-2.5
Turkey	-11.5	-17.8	-25.6	-27.9	-28.1	-9.9
Japan	138.5	133.3	136.0	154.0	105.1	:
United States	-507.5	-604.6	-639.5	-531.5	-479.6	:

(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)

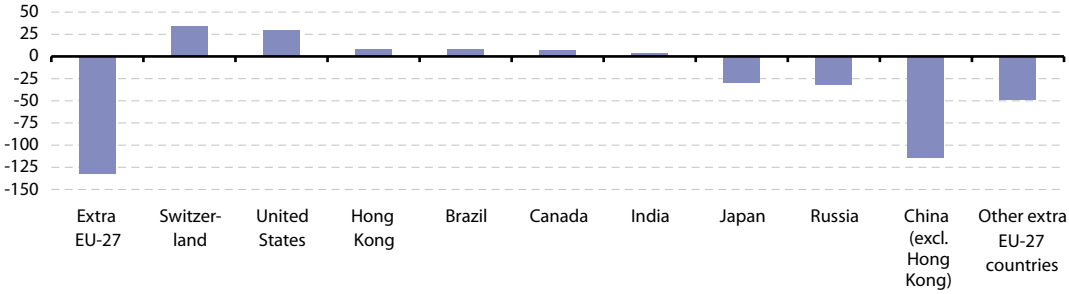
Table 1.16: Current account, balance by components, 2009 (1)
(% of GDP)

	Current account	Goods	Services	Income	Current transfers
EU-27	-1.1	-0.7	0.5	-0.4	-0.5
Euro area (EA-16)	-0.6	0.5	0.3	-0.4	-1.0
Belgium	0.3	0.8	0.1	1.3	-2.0
Bulgaria	-9.1	-11.7	4.4	-4.5	2.7
Czech Republic	-1.1	5.0	0.7	-6.4	-0.4
Denmark	4.0	2.2	1.3	2.5	-1.9
Germany	5.0	5.6	-0.7	1.4	-1.3
Estonia	4.6	-3.8	9.5	-2.9	1.7
Ireland	-3.0	20.3	-5.3	-17.5	-0.6
Greece	-11.4	-13.2	5.4	-4.2	0.6
Spain	-5.5	-4.3	2.4	-2.9	-0.8
France	-1.9	-2.3	0.6	1.2	-1.4
Italy	-3.2	0.1	-0.7	-1.8	-0.8
Cyprus	-8.3	-25.0	24.4	-6.5	-1.2
Latvia	9.5	-6.6	6.3	6.5	3.4
Lithuania	3.8	-2.9	2.2	0.4	4.1
Luxembourg	5.7	-8.0	47.8	-31.4	-2.7
Hungary	0.3	4.3	1.6	-6.0	0.3
Malta	-4.1	-13.6	15.6	-6.1	-0.1
Netherlands	5.1	6.1	1.0	-1.0	-1.0
Austria (2)	3.5	0.5	4.1	-0.6	-0.5
Poland	-1.6	-1.0	1.1	-3.3	1.5
Portugal	-10.3	-10.4	3.6	-4.7	1.3
Romania	-4.5	-5.9	-0.3	-1.8	3.5
Slovenia	-1.5	-2.0	3.2	-2.2	-0.4
Slovakia	-3.2	1.9	-2.0	-2.0	-1.1
Finland	1.3	2.1	0.9	-0.7	-1.0
Sweden	7.4	3.3	3.6	1.8	-1.2
United Kingdom	-1.1	-5.9	3.2	2.6	-1.1
Iceland	-3.5	5.9	2.5	-11.3	-0.6
Norway	14.0	14.6	0.1	0.6	-1.2
Croatia	-5.4	-16.3	12.5	-3.9	2.3
Turkey	-2.3	-4.0	2.6	-1.3	0.4
Japan (3)	3.2	0.8	-0.4	3.1	-0.3
United States (3)	-4.9	-5.8	1.0	0.8	-0.9

(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.
(2) 2007.
(3) 2008.

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

Figure 1.36: Current account balance with selected partners, EU-27, 2009
(EUR 1 000 million)



Source: Eurostat (bop_q_eu)

Table 1.17: Selected items of the financial account balance, 2009 ([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	:	-2.4	1.8	-1.5	5.3	3.0	-5.3
Euro area (EA-16)	0.5	-3.2	2.4	-0.8	4.2	5.5	-8.1
Belgium	-1.4	4.0	7.0	1.8	4.1	24.6	-43.1
Bulgaria	8.1	0.3	9.2	-1.7	0.0	-1.3	-0.2
Czech Republic	1.0	-0.7	1.4	0.5	2.6	0.6	-1.6
Denmark	-1.8	-5.1	2.6	-6.1	12.6	11.3	-7.7
Germany	-5.7	-1.9	1.1	-3.0	-0.8	4.1	-6.3
Estonia	-6.6	-8.0	8.8	-3.5	-6.9	6.9	-4.1
Ireland	-2.1	-10.8	11.1	6.1	5.7	33.4	-45.7
Greece	10.6	-0.6	1.0	-1.4	13.6	-10.2	8.7
Spain	5.5	-0.6	0.5	0.1	4.7	-0.1	1.5
France	3.1	-5.6	2.3	-3.2	17.3	3.4	-11.2
Italy	1.0	-2.1	1.4	-2.4	4.0	-0.3	-0.4
Cyprus	8.0	-21.7	24.6	-67.2	0.3	-18.4	89.8
Latvia	-12.7	0.1	0.3	1.5	0.0	-5.5	-5.8
Lithuania	-7.2	-0.6	0.9	-3.1	5.7	-1.5	-9.0
Luxembourg	-4.9	-360.7	319.3	-300.7	306.1	142.0	-83.1
Hungary	-0.6	5.6	-4.4	-0.8	-2.9	-0.8	8.1
Malta	2.7	-1.4	10.6	-32.7	-0.5	64.3	-36.4
Netherlands	-1.8	-3.1	4.0	-10.6	9.2	17.4	-20.8
Austria	-4.2	-18.8	16.8	-4.9	13.3	-14.0	4.4
Poland	4.9	-0.7	2.7	-0.1	3.7	1.3	1.7
Portugal	9.2	-0.6	1.2	-9.8	17.7	0.1	0.4
Romania	5.2	-0.1	3.9	-0.2	0.6	-2.3	4.3
Slovenia	0.6	-0.3	-1.2	0.2	12.9	-0.8	-10.6
Slovakia	5.6	-0.5	-0.1	-3.0	1.6	-4.8	11.1
Finland	8.0	-1.1	1.1	-12.3	12.0	-2.7	9.7
Sweden	-9.2	-7.5	2.7	-4.6	14.4	3.6	-13.5
United Kingdom	0.4	-2.1	1.1	-11.1	13.5	23.6	-26.2
Iceland	-10.1	-7.7	-1.4	3.3	-89.3	1.7	89.9
Norway	-16.4	-9.1	1.8	-1.8	1.4	9.4	-23.4
Croatia	6.9	-2.0	4.6	-1.7	2.1	1.5	4.4
Turkey	1.4	-0.3	1.3	-0.4	0.5	1.2	-0.9
Japan	-4.2	-2.8	0.5	-4.0	-2.5	3.3	1.3
United States	3.5	-2.3	2.2	0.9	3.6	1.5	-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

Foreign direct investment (FDI) is the category of international investment made by an entity resident in one economy (direct investor) to acquire a lasting interest in an enterprise operating in another economy (direct investment enterprise). The lasting interest is deemed to exist if the direct investor acquires at least 10 % of the voting power of the direct investment enterprise. FDI is a component of the balance of payments showing all financial transactions between one country or area – such as the European Union (EU) – and all other countries. This subchapter discusses the developments for FDI in the EU, examining inward and outward flows, the origin and destination of these flows, important investment activities, as well as stocks of FDI at the end of the year.

Main statistical findings

Effects of the financial and economic crisis

Flows of FDI (new investments made during the reference period) fluctuate considerably from one year to the next, partly as a function of economic fortunes. FDI flows generally increase during times of rapid economic growth, while disinvestment is more likely during periods of recession as businesses focus on core activities in their domestic market.

FDI flows from the EU-27 to countries outside of the EU (extra-EU) reached a record level in 2007 (EUR 530 738 million), mainly as a result of major cross-border mergers and acquisitions and reinvestment of earnings. However, the EU-27's FDI flows were severely affected by the global financial and economic crisis. In 2008, reinvested earnings paid to extra-EU investors dropped by 50 % and these continued to decline in 2009. Equity capital, mainly mergers and acquisitions activity, showed a similar trend dropping by one third in 2008 and continuing to fall in 2009. As a result, total EU-27 outward FDI flows fell 34 % in 2008 and by a further 24 % in 2009, down to EUR 263 335 million (see Table 1.37).

Inward flows of FDI to the EU-27 (from other non-member countries) also peaked in 2007 and fell even more sharply than outward flows in 2008, down 52 %. However, inward flows returned to an upward path in 2009, increasing by 12 % to reach EUR 221 734 million.

Being influenced by particularly large mergers and acquisitions, FDI flows can fluctuate considerably from one year to another – although the main players among EU Member States generally remain the same from one year to the next. The latest data for 2009 is presented in Tables 1 and 2).

Foreign direct investment by partner

FDI flows between developed economies were the first to be affected by the financial and economic crisis. The United States was the leading investment partner for the EU-27 in 2007 (EUR 183 547 million), and the drop in incoming FDI flows was significant in 2008, as FDI inward flows from the United States to the EU-27 fell to EUR 50 458 million. However, preliminary data for 2009 shows that

there was at least a partial recovery 2009 as flows of FDI from the United States to the EU-27 almost doubled with respect to 2008 to reach EUR 96 847 million. EU-27 outward investment flows to the United States saw a more moderate rate of decline in 2008 (from EUR 168 891 million to EUR 121 442 million), and this pattern continued in 2009, as outflows to the United States were valued at EUR 68 991 million.

EU-27 investments in many emerging economies continued to surge in 2008. The steady growth in EU-27 investment flows to Russia peaked in 2008 (EUR 25 561 million), although there was a sharp downturn in 2009 as a result of disinvestment. EU-27 investments to Africa also recorded growth in 2008, mainly due to a significant amount of FDI outflows to Egypt (EUR 9 808 million), which largely originated from French businesses. Total investment in Asia also continued to grow in 2008. However, EU-27 outflows to Japan fell by 43 % in 2008, and this pattern continued in 2009, such that EU-27 investments to Japan were worth EUR 126 million. There was a relatively minor degree of fluctuation in FDI outflows to China and India. Preliminary figures for 2009 show a slight increase in outflows to China (from EUR 4 734 million to EUR 5 290 million).

In 2008, inflows of FDI from outside the EU-27 were worth less than half of what they had been a year before. The drop would have been even more significant without a major inflow from Arabian Gulf countries to Luxembourg.

Average outward flows of FDI during the period 2006 to 2008 show that the United Kingdom was the main investor in countries outside the EU, followed by Luxembourg (see Figure 1.38). The main investment partners of the United Kingdom were the United States and Canada, followed by Australia and Switzerland. After peaking in 2007, the United Kingdom recorded a drastic drop in outflows of FDI to all of these partner countries, except Australia. Luxembourg's high share may be explained by the activities of special purpose entities (SPEs). In some other EU-27 Member States, especially the Netherlands and Hungary, SPEs likewise play an important role. However, the national data for these countries presented in this subchapter exclude SPEs. The fact that Luxembourg's main partners are the United States, Switzerland and offshore financial centres shows how important the financial sector is in Luxembourg.

Change in foreign direct investment positions (stocks)

The annual growth rate of both EU-27 outward and inward positions (stocks) slowed down in 2008 compared with the previous three years. In 2007, annual growth in outward stocks was 13.2 % and in inward positions 16.0 %, whereas in 2008 FDI outward and inward stocks increased only by 4.7 % and 3.2 % respectively (see Table 1.21).

One third (EUR 1 058 052 million) of total EU outward positions of FDI were held in the United States at the end of 2008. EU-27 stocks of FDI held in the United States were mainly concentrated in the service sector (69.0 % at the end of 2007), in particular in financial intermediation and business activities. In the

manufacturing sector, the main stock of EU-27 FDI was concentrated within the manufacture of chemicals and chemical products in the United States. At the end of 2008, the United Kingdom was the main holder of FDI stocks in the United States, with 23.8 % of the EU-27 total (EUR 251 624 million).

Switzerland was the second most important destination of EU stocks (13.9 % of extra-EU stocks at the end of 2008), financial intermediation being the main activity sector. EU-27 stocks held in Russia have been growing significantly in recent years, up to EUR 91 955 million at the end of 2008. The service sector accounted for 55.3 % of all EU-27 stocks held in Russia (at the end of 2007), but there was major investment in the extraction of petroleum and gas. Among the Asian countries, the main EU-27 positions were in Singapore, Hong Kong and Japan. The fastest growth in the region was recorded for China and India, but these countries did not feature in the top ten main investment destinations, with stocks of EUR 47 285 million and EUR 19 362 million respectively in 2008.

The United States had the major share of the EU-27 inward positions (43 % and EUR 1 046 157 million at the end of 2008). The service sector was the major investment activity for the United States in the EU, covering almost 80 % of total inward investments from the United States at the end of 2007. The stock held in the EU-27 by Switzerland at the end of 2008 was EUR 306 199 million, which was slightly less than at the end of 2007. Japan's stocks of FDI invested in the EU-27 declined to EUR 116 927 million at the end of 2008, and the stock held by Canada remained stable at EUR 105 054 million. Finally, Brazil almost tripled its stocks in the EU-27 during the period 2006 to 2008.

Foreign direct investment by activity

The structure of EU-27 FDI stocks by activity is shown in Table 1.22. Services represented the biggest share (70 %) of the EU-27's total positions abroad in 2007. More than half of the stocks in services were concentrated within financial intermediation, which registered an annual increase of 18.6 % between the end of 2006 and the end of 2007.

For inward positions, services accounted for the highest share of stocks held in the EU-27 at the end of 2007 (80.4 % of the total), with financial intermediation again contributing the largest share. Among the sectors presented in Table 1.22, the EU-27's stocks of FDI vis-à-vis the rest of the world in 2007 only reported a deficit for textile and wood manufacturing, trade and repairs, and real estate and business services.

Income and rates of return

The financial and economic crisis also reduced income from investments abroad. EU-27 investment income dropped sharply in 2008 to EUR 195 915 million from a record high of EUR 261 390 million in 2007 (see Figure 1.39). In particular, income received from EU-27 investments in the United States declined from EUR 70 465 million in 2007 to EUR 36 743 million in 2008. EU-27 income paid to extra-EU investors recorded a modest decline of 7.5 % in 2008, to EUR 126 274 million.

Data sources and methodology

FDI statistics in the EU are collected according to Regulation (EC) No 184/2005 of the European Parliament and of the Council on Community statistics concerning balance of payments, international trade in services and foreign direct investment.

The methodological framework used is that of the OECD's benchmark definition of foreign direct investment third edition, a detailed operational definition fully consistent with the IMF balance of payments manual, fifth edition.

Annual EU foreign direct investment statistics give a detailed presentation of FDI flows and stocks, showing which Member States invest in which partner countries and in which 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.

Through outward FDI flows, an investor country builds up FDI assets abroad (outward FDI stocks). Correspondingly, inward FDI flows cumulate into liabilities towards foreign investors (inward FDI stocks). However, changes in FDI stocks differ from FDI flows because of the impact of revaluation (changes in prices and, for outward stocks, exchange rates) and other adjustments such as catastrophic losses, cancellation of loans, reclassification of existing assets or liabilities.

FDI flows are components of the financial account of the balance of payments, while FDI assets and liabilities are components of the international investment position. FDI income consists of the income accruing to the direct investor from its affiliates abroad. Income earned from outward FDI is recorded among credits in the current account of the balance of payments, while income paid to foreign owners of inward FDI stocks is recorded among debits.

FDI flows and positions are recorded according to the immediate host/investing country criterion. The economic activity for both flows abroad and flows in the reporting economy are classified according to the economic activity of the resident enterprise; the same applies to FDI positions.

FDI flows are new investments 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. 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 subchapter, for both flows and stocks, is that investment is always recorded with a positive sign, and a disinvestment with a negative sign.

European aggregates (such as EU-27) include special purpose entities (SPEs), which are a particular class of enterprises (often empty shells or holding companies) not included in all countries' national statistics. Therefore, these aggregates are not simply the addition of national figures.

Context

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 foreign exchange of goods and services, as witnessed by the increasing reliance of enterprises on mergers, partnerships, joint ventures, licensing agreements, and other forms of business co-operation.

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 management 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.

Conventional trade is less important for services than for goods. 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, increasing 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 services within the EU-27 becoming increasingly international.

Table 1.18: FDI outward flows by main partner, 2009 (1)
(EUR 1 000 million)

	Extra EU-27	United States	Canada	Switz-erland	Russia	Japan	China	Hong Kong	India	Brazil	Offshore financial centres
EU-27 (2)	263.3	69	2.8	44.8	-1.0	0.1	5.3	3.4	3.2	6.9	60.3
Belgium	13	4.5	4.2	-0.5	2.0	1.1	0.3	0.4	0.1	0.6	-0.3
Bulgaria	0.1	-	-	-	-	-	-	-	-	-	-
Czech Republic	0.5	-	-	-	-	-	-	-	-	-	-
Denmark	4.4	1.8	0.1	0.2	-0.3		0.1	0.1	0.1	0.1	1.4
Germany	8.3	2.7	-0.1	1.1	0.1	-0.3	2.5	0.5	0.6	0.4	-2.5
Estonia	-0.1	-	-	-	-	-	-	-	-	-	-
Ireland	4.5	1.1	-	-0.2	-	-0.1	-	-	-	-	3.2
Greece	0.2	-	-	-	-	-	-	0.1	-	-	0.1
Spain	7.6	1.2	-	1.1	-	-	0.2	0.1	0.1	1.2	0.6
France	26.4	3.3	0.3	7.2	0.8	0.4	1.3	1.1	0.4	3.8	0.6
Italy	1.5	1.1	-	0.2	0.1	-	0.1	-	0.1	-0.9	-
Cyprus	2.2	0.1	-	0.1	0.4	-	-	-	0.1	-	1.2
Latvia	-0.1	-	-	-0.1	-	-	-	-	-	-	-
Lithuania	-	-	-	-	-	-	-	-	-	-	-
Luxembourg	111.8	26.1	-0.3	42.7	-	-	0.1	0.2	-	1.5	39.9
Hungary (3)	0.9	-	-	0.6	-0.1	-	-	-	-	-	0.2
Malta	-	-	-	-	-	-	-	-	-	-	-
Netherlands (3)	20.3	-4.2	0.6	12.7	0.5	-1.7	-0.2	-0.2	-	-0.2	8.9
Austria	2.7	0.3	-0.5	-0.3	-	-	0.2	-	0.1	-	1
Poland	1	-	-	-	0.4	-	-	-	0.1	-	0.1
Portugal	-0.7	0.1	-	-	-	-	-	-	-	0.4	-0.5
Romania	-	-	-	-	-	-	-	-	-	-	-
Slovenia	0.5	-	-	-	-	-	-	-	-	-	-
Slovakia	0.1	-	-	-	-	-	-	-	-	-	-
Finland	0.2	-1.3	-0.1	1.8	-0.4	-	0.5	-	0.2	-	-0.2
Sweden	5.3	0.6	0.2	1.3	1.3	-0.1	0.3	-0.1	0.1	0.4	-
United Kingdom	30.6	-0.4	-2.1	:	:	0.6	0.1	1.6	1	1.1	-8.3

(1) Minus sign stands for disinvestment; "-" indicates less than EUR 50 million.
(2) Takes into account confidential data, estimates for Member States missing data and data for special purpose entities (SPEs) that in some cases are additionally collected by Eurostat and the ECB from Member States not including SPEs foreign direct investment in national data (see footnote 3).
(3) Excluding SPEs.

Source: Eurostat (bop_q_eu and bop_q_c)

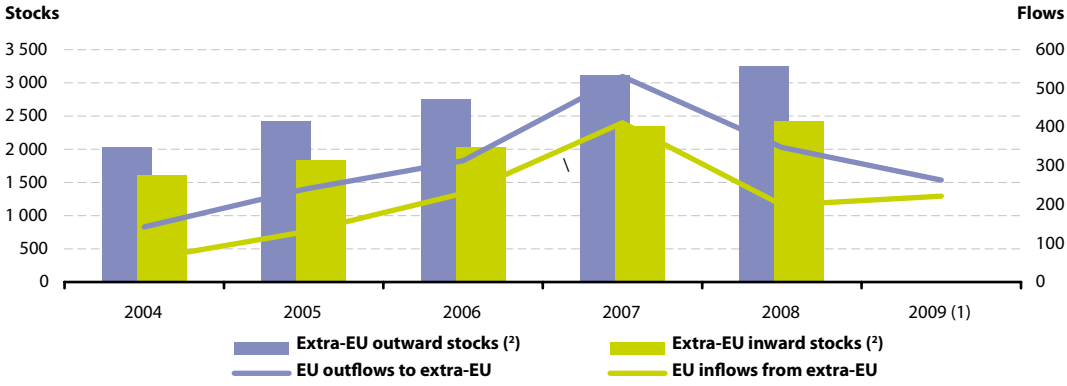
Table 1.19: FDI inward flows by main partner, 2009 (1)
(EUR 1 000 million)

	Extra EU-27	United States	Canada	Switz-erland	Russia	Japan	China	Hong Kong	India	Brazil	Offshore financial centres
EU-27 (2)	221.7	96.8	11.4	31.7	3.1	-2.3	0.3	-0.2	0.4	2.8	39.8
Belgium	2.3	-1.7	-0.5	3.7	0.1	-4.1	0.1	0.3	-0.2	-0.2	-0.2
Bulgaria	0.5	-	-	0.1	0.1	-	-	-	-	-	0.1
Czech Republic	0.8	0.5	-	-	-	-	-	-	-	-	0.1
Denmark	1.4	1.4	-	0.2	0.1	-	-	-	-	-0.1	-0.1
Germany	7.1	2.3	-0.1	2.4	-1.6	-0.1	0.1	-	-	-0.1	-0.5
Estonia	-	-	-	-	-	-	-	-	-	-	-
Ireland	0.9	-11.8	0.7	1.9	-	1.4	-0.3	0.2	-	-	7.6
Greece	0.3	0.1	-	0.1	-	-	-	-	-	-	-
Spain	5.3	-1.7	-0.2	1.7	0.4	-	-	-	-	-	0.2
France	10.4	-1.4	0.9	2.9	0.2	0.8	0.2	0.2	-	-0.1	1.7
Italy	3.0	0.7	-	1.0	0.9	0.1	-	-	-	-	0.2
Cyprus	2.3	0.1	-	-	1.6	-	-	-	-	-	0.5
Latvia	0.5	-	-	-	-	-	-	-	-	-	0.1
Lithuania	0.2	0.1	-	-	-	-	-	-	-	-	-
Luxembourg	87.7	70.0	8.5	0.7	-0.4	0.2	-	0.5	-	0.2	5.8
Hungary (3)	4.9	0.6	0.1	0.7	0.8	-	-	-	-	0.1	2.8
Malta	0.4	-	-	-	-	-	-	-	-	-	-
Netherlands (3)	2.7	-7.8	2.2	4.9	0.0	0.5	-0.1	-0.1	-	-0.1	0.6
Austria	3.2	1.7	-	0.2	0.4	-	0.1	-	-	-	0.7
Poland	1.4	0.9	-	0.1	-	0.2	-0.2	0.1	-	-0.1	0.3
Portugal	0.7	0.1	-0.2	0.1	-	-	-	-	-	0.2	0.2
Romania	0.6	-	0.1	0.2	-	-	-	-	-	-	0.2
Slovenia	-	-	-	-0.1	0.1	-	-	-	-	-	-
Slovakia	0.6	-	-	-	-	-	-	-	-	0.1	-
Finland	-0.4	-0.7	-	-	0.1	-	-	-	-	-	-0.1
Sweden	-2.0	-3.0	-0.2	-0.3	:	-0.2	:	:	-	:	-0.7
United Kingdom	34.0	27.3	-0.2	1.3	:	-4.1	:	:	:	-	7.7

(1) Minus sign stands for disinvestment; "-" indicates less than EUR 50 million.
(2) Takes into account confidential data, estimates for Member States missing data and data for special purpose entities (SPEs) that in some cases are additionally collected by Eurostat and the ECB from Member States not including SPEs foreign direct investment in national data (see footnote 3).
(3) Excluding SPEs.

Source: Eurostat (bop_q_eu and bop_q_c)

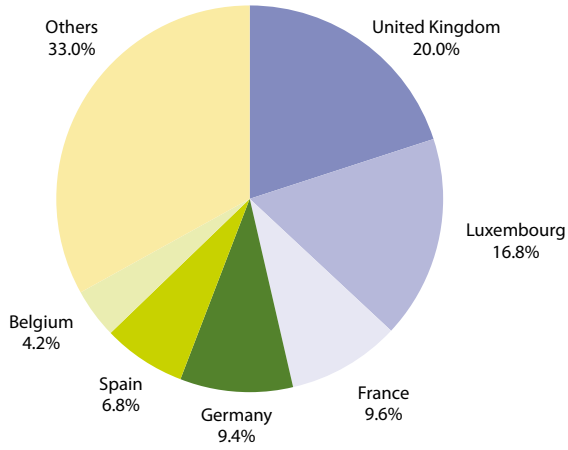
Figure 1.37: FDI flows and stocks, EU-27
(EUR 1 000 million)



(¹) Provisional.
(²) 2009, not available.

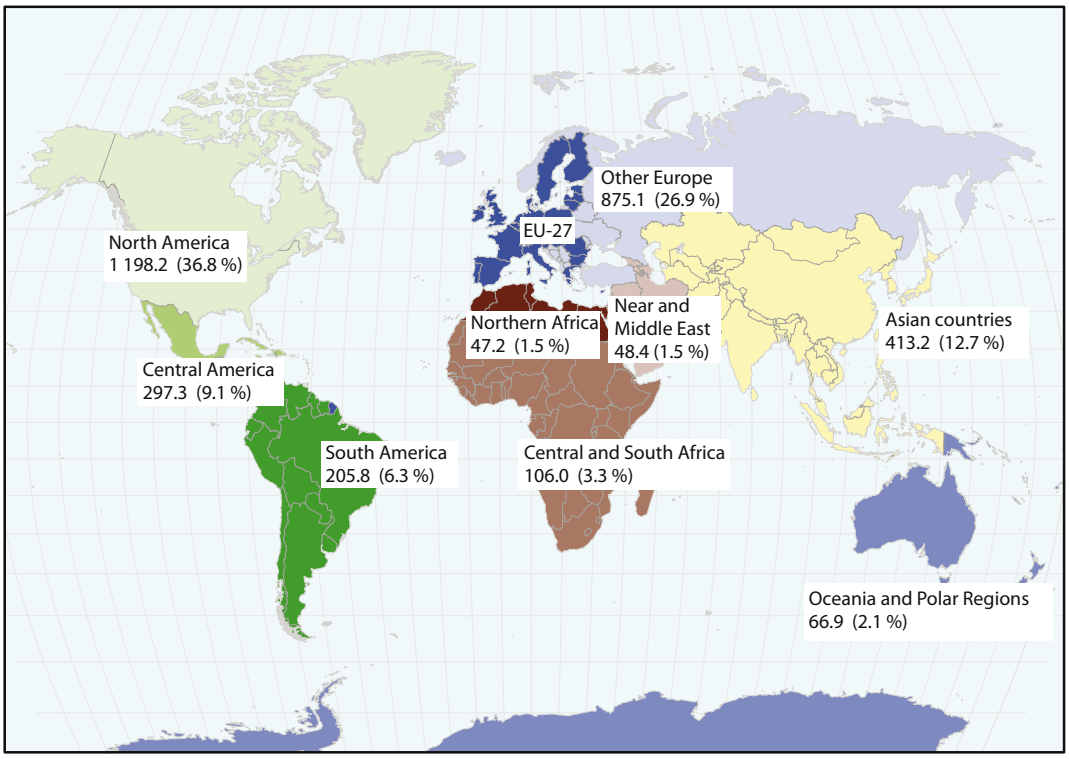
Source: Eurostat (bop_fdi_main)

Figure 1.38: FDI outward flows, 2006 to 2008 average
(% of total EU-27 outward flows)



Source: Eurostat (bop_fdi_main)

Map 1.1: Outward stocks of FDI, EU-27, 2008
(EUR 1 000 million (share in extra-EU-27))



Source: Eurostat (bop_fdi_pos)

Table 1.20: Foreign direct investment, EU-27 (1)
(EUR 1 000 million)

	Outward FDI flows					Inward FDI flows				
	2006	2007	2008	2009	Share in 2008 (%)	2006	2007	2008	2009	Share in 2008 (%)
Extra EU-27	313.0	530.7	347.7	*263.3*	100.0	229.0	411.4	198.7	*221.7*	100.0
Europe (non-EU), *of which*	74.1	130.6	103.7	:	29.8	66.4	64.0	45.8	:	23.0
Switzerland	21.9	39.9	34.0	*44.8*	9.8	24.8	29.5	10.6	*31.7*	5.4
Russia	11.3	17.2	25.6	*-1.0*	7.4	1.5	9.9	2.3	*3.1*	1.2
Croatia	4.5	2.7	2.0	:	0.6	-0.0	0.1	-0.2	:	-0.1
Turkey	12.3	15.4	6.3	:	1.8	-0.3	0.6	-0.2	:	-0.1
Ukraine	2.1	3.0	4.8	:	1.4	-0.1	0.4	0.5	:	0.2
Africa, *of which*	11.7	17.9	18.5	:	5.3	1.8	4.8	6.0	:	3.0
Egypt	2.8	2.0	9.8	:	2.8	0.1	-0.1	3.4	:	1.7
South Africa	5.1	5.1	2.7	:	0.8	0.9	1.8	0.5	:	0.2
North America, *of which*	135.8	198.7	129.3	:	37.2	85.4	190.5	65.8	:	33.1
Canada	31.0	29.8	7.8	*2.8*	2.3	11.3	6.9	15.3	*11.4*	7.7
United States	104.7	168.9	121.4	*69.0*	34.9	74.1	183.5	50.5	*96.8*	25.4
Central America, *of which*	38.5	101.5	2.1	:	0.6	33.0	75.6	-13.6	:	-
Mexico	1.7	6.5	5.7	:	1.6	0.3	0.4	0.9	:	0.5
South America, *of which*	13.0	17.6	9.6	:	2.7	2.3	27.0	13.4	:	6.7
Argentina	3.4	2.4	4.4	:	1.3	0.0	0.1	-0.3	:	-0.1
Brazil	5.4	14.3	-1.1	*6.9*	-0.3	1.5	24.7	10.7	*2.8*	5.4
Asia, *of which*	28.5	53.9	70.1	:	20.2	34.5	39.0	83.5	:	42.0
Arabian Gulf countries	2.3	4.6	18.9	:	5.4	10.1	2.3	63.2	:	31.8
China (excl. Hong Kong)	6.7	6.6	4.7	*5.3*	1.4	2.2	0.8	-0.1	*0.3*	-0.0
Hong Kong	3.5	7.3	6.2	*3.4*	1.8	-0.2	6.7	2.0	*-0.2*	1.0
Japan	-1.6	10.3	5.9	*0.1*	1.7	16.0	17.8	7.2	*-2.3*	3.6
India	2.4	4.0	3.3	*3.2*	0.9	0.5	1.0	3.7	*0.4*	1.9
Singapore	9.5	8.5	15.2	:	4.4	6.0	10.4	2.6	:	1.3
Oceania, *of which*	7.2	9.1	14.2	:	4.1	7.0	6.7	-1.3	:	-
Australia	6.7	8.6	12.8	:	3.7	6.2	6.7	-0.9	:	-0.5
Offshore financial centres	58.9	150.8	39.4	*60.3*	11.3	74.2	106.5	19.6	*39.8*	9.9

(1) 2006-2008 annual FDI data; preliminary figures for 2009 are based on annualised quarterly data; the sum of continents does not always equal the extra-EU total because of flows that are not allocated flows.

Source: Eurostat (bop_fdi_main)

Table 1.21: Top 10 countries as extra EU-27 partners for FDI positions
(EUR 1 000 million)

	Outward				Inward			
	2006	2007	2008	Growth rate 2006-2008 (%)	2006	2007	2008	Growth rate 2006-2008 (%)
Extra EU-27	*2 746.0*	*3 108.2*	*3 252.9*	*18.5*	*2 022.7*	*2 346.1*	*2 421.4*	*19.7*
United States	949.3	992.4	1 058.1	11.5	926.1	1 041.5	1 046.2	13.0
Switzerland	364.6	404.6	453.7	24.4	282.5	312.1	306.2	8.4
Canada	114.1	141.3	139.9	22.6	105.2	105.9	105.1	-0.2
Brazil	92.4	114.4	112.5	21.8	14.6	36.2	42.1	188.3
Russia	50.5	70.4	92.0	81.9	14.6	23.6	28.4	95.0
Hong Kong	86.1	88.8	88.9	3.2	17.4	16.2	19.1	9.6
Singapore	52.5	64.2	80.9	54.0	26.8	41.1	41.1	53.2
Japan	75.7	72.2	76.1	0.5	97.9	120.8	116.9	19.4
Norway	50.2	53.2	67.1	33.8	55.6	77.9	89.0	60.2
Australia	53.6	68.2	58.7	9.5	18.8	25.2	20.7	10.0

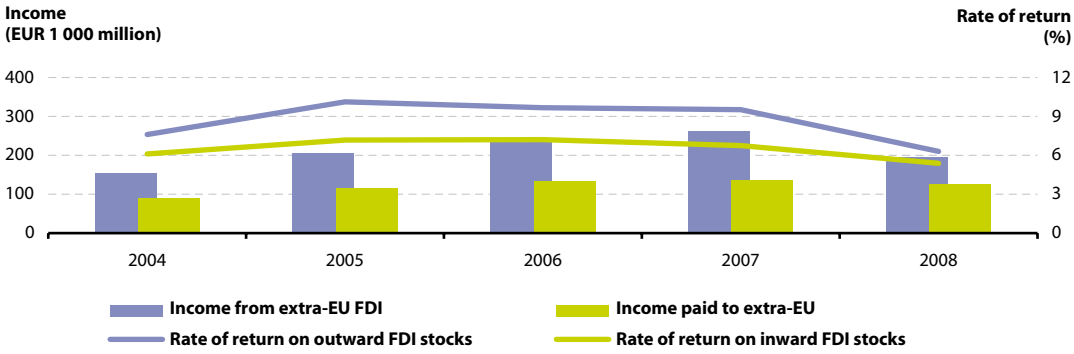
Source: Eurostat (bop_fdi_pos)

Table 1.22: Extra EU-27 FDI stocks by economic activity, end 2007
(EUR 1 000 million)

	Outward	Inward
Total	3 108.2	2 346.1
Agriculture, hunting and fishing	1.2	1.1
Mining and quarrying	162.9	48.9
Manufacturing	642.8	336.1
Food products	72.0	51.2
Textiles and wood activities	34.1	42.0
Petroleum, chemical, rubber, plastic products	260.3	133.4
Metal and mechanical products	107.8	40.5
Machinery, computers, RTV, communication	21.1	14.1
Vehicles and other transport equipment	71.9	23.1
Electricity, gas and water	53.6	16.2
Construction	14.4	9.2
Services	2 176.8	1 885.8
Trade and repairs	124.3	143.2
Hotels and restaurants	11.5	8.9
Transport and communications	141.5	45.3
Financial Intermediation	1 387.8	1 162.1
Real estate and business services	481.5	503.6
Other services	30.1	22.7
Other sectors	56.6	48.8

Source: Eurostat (bop_fdi_pos)

Figure 1.39: FDI income and rates of return, EU-27



Source: Eurostat (bop_fdi_inc)