

# Economy and finance

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## Introduction

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. These indicators are also used in the design, implementation and monitoring of the [European Union's \(EU's\)](#) 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 gave 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 increased from an original 11 to 17 countries by 2011.

Fostering economic and social progress has been a key objective of European policies. In March 2010, the [European Commission](#) launched the Europe

2020 strategy for smart, sustainable and inclusive growth to follow up the 2000 [Lisbon strategy](#). Its declared objective is to overcome the effects of the 2008 financial and economic crisis and prepare the EU's economy for the next decade; integrated economic and employment guidelines have been revised within the context of this new strategy.

Following actions to stabilise the financial system and the economy, the recent crisis also prompted a reinforced economic agenda with closer EU surveillance, as well as agreement over a range of policy priorities and a set of targets as part of the Europe 2020 strategy. Tighter EU surveillance of economic and fiscal policies has been introduced as part of the [stability and growth pact](#), while new tools to tackle macro-economic imbalances and a new working method – the European semester – have also been introduced in order to promote discussions concerning economic and budgetary priorities at the same time every year.

In October 2011, the [Council](#) adopted an EU economic governance package of six new legislative acts that comes into force by the end of 2011. This puts much more emphasis on debt reduction, sets minimum requirements for national budgetary frameworks and installs a new procedure to prevent and correct macro-economic imbalances including a scoreboard of economic and financial indicators that the European Commission will monitor.

### 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

In 2010, the EU-27's GDP recovered partly from the effects of the 2008 global financial and economic crisis. It increased to EUR 12 268 000 million in 2010 from EUR 11 770 000 million in 2009 (see Figure 1.1.1 and Table 1.1.1). This was however still below the pre-crisis level of EUR 12 479 000 million in 2008 and even below the level of 12 390 000 million reached in 2007. The euro area accounted for 74.9% of this total in 2010, while the sum of the five largest EU economies (Germany, France, the United Kingdom, Italy and Spain) was 71.2%. However, cross-country comparisons should be made with caution as notably exchange rate fluctuations may significantly influence the development of nominal GDP figures for Member States which have not adopted the euro.

To evaluate standards of living, it is 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 2010 was PPS 24 500, which was higher than in 2009 (PPS 23 500) but lower than in 2008 and 2007 (both PPS 25 000). The relative position of individual countries can be expressed through a comparison with this average, with the EU-27 value set to equal 100. The highest relative value among EU Member States was recorded for Luxembourg, where GDP per capita in PPS was more than 2.8 times the EU-27 average in 2010 (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 and Bulgaria.

Although PPS figures should, in principle, be used for cross-country comparisons in a single year rather than over time, the development of these figures over the past decade suggests that some convergence in living standards took place as Member

States that joined the EU in 2004 or 2007 moved closer to the EU average despite some setback in relation to the 2008 financial and economic crisis. Whereas Luxembourg moved further ahead of the EU-27 average, Spain and Ireland moved back towards the EU-27 average after 2007; comparing the situation in 2010 with that in 2000 several other EU-15 Member States, notably Italy, Belgium, Denmark and France, as well as Austria, the United Kingdom, Sweden and Ireland, moved closer to the EU-27 average (see Figure 1.1.2). From a position below the EU-27 average in 2000, Slovakia, Estonia, Lithuania and Romania made the greatest moves towards the EU-27 average by 2010.

Economic growth within the EU suffered from the 2008 global financial and economic crisis. A severe recession in most countries in 2009 was followed by a partial recovery in 2010. Real GDP increased by 1.8% in the EU-27 and in the euro area in 2010 after a contraction of 4.3% and 4.2% respectively in 2009. In Japan and the United States, the respective figures were growth of 4.0% and 3.0% in 2010 following –contractions of 6.3% and 3.5% in 2009 (see Figure 1.1.3 and Table 1.1.2).

Among EU Member States, real GDP growth varied significantly. Nevertheless, after a contraction in all EU Member States except Poland in 2009, economic growth resumed in 22 of the EU Member States in 2010. The highest growth rates in 2010 were recorded in Sweden (5.7%), Slovakia (4.0%) and Poland (3.8%). The economies of Spain (–0.1%), Latvia (–0.3%), Ireland (–0.4%) and Romania (–1.3%) continued to contract – but Greece was the only Member State where the recession deepened as Greek GDP contracted by 2.0% in 2009 and 4.5% in 2010.

The global recession has also significantly lowered Member State's growth performance over the past decade. The average annual growth rates of the EU-27 and the euro area between 2001 and 2010 were 1.3% and 1.1% respectively. The highest growth by this measure was recorded for Slovakia (4.9%), followed by Lithuania (4.6%) and Romania (4.2%). The other Baltic Member States as well as Bulgaria and Poland also had average growth rates close to 4%. In contrast, average growth was lowest



for Italy (0.3%), Portugal and Denmark (both 0.7%), Germany (0.9%) and France (1.1%).

### 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 (see Table 1.1.3). The comparison of 2000 and 2010 figures shows that the proportion of **gross value added** accounted for by agriculture (hunting, forestry and fishing) and industry fell, as did 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, outsourcing, and globalisation, often resulting in manufacturing activities being moved to lower labour-cost regions, both within and outside the EU. However, the impact of the financial and economic crisis on industry, construction, and trade, transport and communication services was clearly reflected in the sharp decline in of their gross value added in 2009 (see Figure 1.1.4); in fact, gross value added for construction fell in 2008, 2009 and 2010, while for industry it fell in 2008 and 2009.

Among the six activities presented in Table 1.1.3, by 2010 the three largest were all service activities and together contributed close to three quarters (73.6%) of the EU-27's total gross value added in 2010. Business activities and financial services accounted for 29.0% 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 (23.8%) and trade, transport and communication services (20.8%). The smallest contributions came from agriculture, hunting, forestry and fishing (1.7%) and construction (6.0%). The relative importance of services was particularly high in Luxembourg, Cyprus, France (2009 data), Greece, Malta, the United Kingdom, Belgium and Denmark, as services accounted for more than three quarters of total value added in each of these Member States.

An analysis of labour productivity per person employed over the same ten-year period (2000 to 2010) shows increases for all activities, ranging from about 20% in trade, transport and communication services as well as business activities and financial services, to 33% in construction (see Figure 1.1.5). To eliminate the effects of **inflation**, **labour productivity** per person can also be calculated using constant price output figures. More detailed data on the development of productivity measured either per person employed or per hour worked show that labour productivity in those Member States that joined the EU in 2004 or 2007 converged towards the EU-27 average during the last decade (see Table 1.1.4). Notably, labour productivity per person employed in Romania increased from 24% to 48% of the EU-27 average between 2000 and 2010; Estonia, Lithuania, Slovakia, Latvia and Bulgaria also recorded substantial movements towards the EU-27 average. On the other hand, Italy, recorded a substantial decline in its labour productivity per person in relation to the EU-27 average, as did Belgium and Austria to a lesser extent.

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 16% in volume (constant price) terms between 2000 and 2010 (see Figure 1.1.6) while final consumption expenditure of general government rose by 21%. The growth in GDP during the same period was lower (14%) as overall growth in **gross capital formation** was just 2.0% due in large part to a sharp fall in 2009.

In current prices, consumption expenditure by households and **non-profit institutions serving households** recovered from its fall in 2009 and contributed 58.5% of the EU-27's GDP in 2010. **General government expenditure** in the EU-27 continued to expand and accounted for a 22.2% share of total GDP in 2010. By 2010 **gross fixed capital formation**, had not recovered from its sharp fall in 2009 and remained only slightly above its 2005 level: it accounted for an 18.5% share of GDP in 2010. The external balance of goods and services represented 0.8% of the EU-27's GDP in 2010 (see Figures 1.1.7 and 1.1.8).



Among Member States there was a wide variation in the overall investment intensity (public and private combined) and this may, in part, reflect the different stages of economic development as well as growth dynamics over recent years (see Table 1.1.5 and Figure 1.1.9). In 2010 gross fixed capital formation (total investment) as a share of GDP was 18.5% in the EU-27 and 19.1% in the euro area. It was highest in Bulgaria (23.5%), Romania (22.7%) and Spain (22.5%) and lowest in Ireland (11.5%), the United Kingdom and Greece (both 14.7%). The vast majority of investment was made by the private sector: in 2010 private investment accounted for 15.9% of the EU-27's GDP, whereas the equivalent figure for public sector investment was 2.7%, so that total investment reached 18.5% of the EU-27's GDP. With 5.6% and 5.5%, public investment was highest in Poland and Romania, while private investment was highest in Austria (19.6%).

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 49.4% of GDP in 2010. The share of **gross operating surplus** and mixed income was 38.8% of GDP while the share of taxes on production and imports less subsidies was 11.8% (see Figure 1.1.10). The development of the respective aggregates over the past years shows a partial recovery in 2010 from the effects of the global financial and economic crisis (see Figure 1.1.11).

### Household consumption

The **consumption expenditure of households** accounted for at least half of GDP in the majority of Member States in 2010. This share was highest in Greece (75.4%), Cyprus (74.6%) (both 2009 data), and Malta (69.5%). In contrast, it was lowest in Luxembourg (37.2%, 2009 data) which had, nevertheless, by far the highest average household consumption expenditure per capita (PPS 23 800, 2009 data) (see Table 1.1.6).

More detailed data on the structure of total household consumption expenditure in the EU-27 in 2009 show that nearly a quarter (22.9%) was

devoted to housing, water, electricity, gas and other fuels (see Figure 1.1.12). Transport expenditure (13.2%) and expenditure on food and non-alcoholic beverages (13.1%) were the next important expenditure categories. All other consumption expenditure together accounted for about half of the total.

### National savings

Gross national saving as a proportion of national disposable income averaged 19.6% in the euro area (of 13 countries) in 2010 and among the EU Member States reached its highest in Austria (25.0%) and Romania (24.9%) and lowest in Greece (4.0%). Compared with 2000, there was a relative decline in gross national savings for the euro area and most of its members, the exceptions being Germany, Estonia and Austria where savings increased. The most substantial decreases (in percentage point terms) were in Ireland, Portugal, Finland and Greece where savings as a proportion of disposable income fell by 7 percentage points or more, while the largest increases were recorded in Bulgaria and Romania where the proportion increased by 11 points and 9 points respectively.

### Sector accounts

Table 1.1.7 shows that the **household saving rate** in 2010 was 1.4 percentage points higher in the euro area (13.7%) than in the EU-27 (12.3%). This gap is mainly explained by the relatively low saving rate of the United Kingdom (6.0%, 2009 data) and the high rates in Spain (18.1%, 2009 data) and Germany (17.1%). Among the Member States within the euro area, eight (including two with data from 2009) had household saving rates above the EU-27 average and seven below, with two (Greece and Malta) not available (see Figure 1.1.14). The highest household savings rate among the EU Member States not in the euro area was recorded in Sweden (13.4%).

The EU-27 household saving rate decreased in 2010 by 1.4 percentage points, which was fractionally less than the decrease recorded within the euro area (-1.5 points). The largest increase in savings between 2009 and 2010 was observed in Slovakia (3.5 points), while the largest decrease was in Latvia



(−6.1 points); changes in the other Member States ranged from a decrease of 2.3 points to an increase of 0.8 points.

In 2010, the **household investment rate** was 8.1% in the EU-27. This rate ranged from 5.0% in the United Kingdom to 10% or more in Belgium, the Czech Republic, the Netherlands and Finland, with Latvia (3.8%) and Lithuania (3.2%) below this range (see Figure 1.1.15). The household investment rate was relatively unchanged in the EU-27 and the euro area in 2010, when compared with the year before: it fell by 1 percentage point or more in six Member States (for which data are available), most notably in Ireland where the reduction was 2.9 percentage points. The household investment rate increased by 1 percentage point or more in Finland and the Czech Republic between 2009 and 2010.

In 2010, the **household debt-to-income ratio** varied considerably between Member States. While it was close to or below 50% in Lithuania, Slovenia, Poland and the Czech Republic (2008 data), it exceeded 200% in Ireland, the Netherlands and Denmark (2009 data): a rate of 200% indicates 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. 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).

In 2010, the household debt-to-income ratio increased (compared with 2009) most notably in the Netherlands (7.3 points), Sweden (6.7 points) and Hungary (5.4 points), while it fell most in Ireland (−3.8 points).

Like the debt-to-income ratio, the household net financial wealth-to-income ratio differed considerably between Member States. The Netherlands and

Belgium recorded ratios around 325%, the highest among the EU Member States in 2010, and high values were also observed in the United Kingdom (2009 data) and Italy, as well as in Switzerland. Latvia and Slovakia (2008 data) had remarkably low net financial assets-to-income ratios, as did Norway (see Figure 1.1.16).

Figure 1.1.17 shows that in 2010, the **business investment rate** was 20.0% in the EU-27. The highest rates among the Member States were recorded in Slovakia, Austria, Spain (2009 data) and Slovenia, all above 25%; the lowest rate, by far, was recorded in Ireland (8.6%). 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 France, Germany and the United Kingdom they were clearly below the average. The business investment rate fell in nearly all EU Member States (with 2009 and 2010 data available); however, it increased by 3.1 percentage points in Slovakia, by 1.5 points in Italy and by smaller amounts in France and Germany. Overall, the rate fell by 0.3 percentage points in the EU-27 between 2009 and 2010, with particularly large reductions in Ireland and Hungary (4 points or more) – see Table 1.1.8.

The **profit share of non-financial corporations** was 37.4% in the EU-27 in 2010. The lowest shares were recorded in France and Slovenia, around 30%, while profit shares above 50% were posted in Malta, Ireland, Slovakia, Latvia and Lithuania, as well as in Norway. Profit shares rose in the EU-27 by 1.2 percentage points between 2009 and 2010. Estonia recorded the highest percentage point increase between 2009 and 2010, up by 7.0 points, while Lithuania, Hungary and Sweden all recorded increases of more than 4 points. Slovenia and the Czech Republic were the only Member States (with 2009 and 2010 data available) to experience reductions in their profit shares.

## 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. Grouping 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 of 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 the subchapter 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.

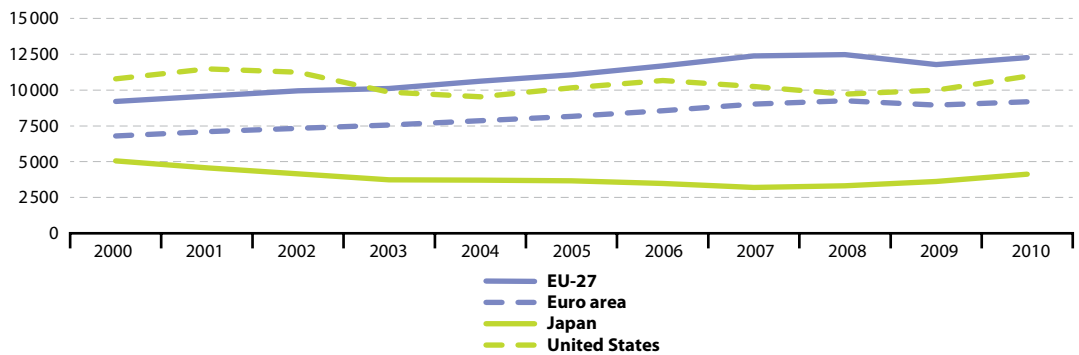
As well as being used to determine budgetary contributions within the EU, national accounts data are also used to determine contributions to other international organisations, such as the **United Nations (UN)**. Contributions to the UN budget are based on gross national income along with a variety of 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 1.1.1:** GDP at current market prices, 2000-2010  
(EUR 1 000 million)



Source: Eurostat (online data codes: [nama\\_gdp\\_c](#) or [tec00001](#))



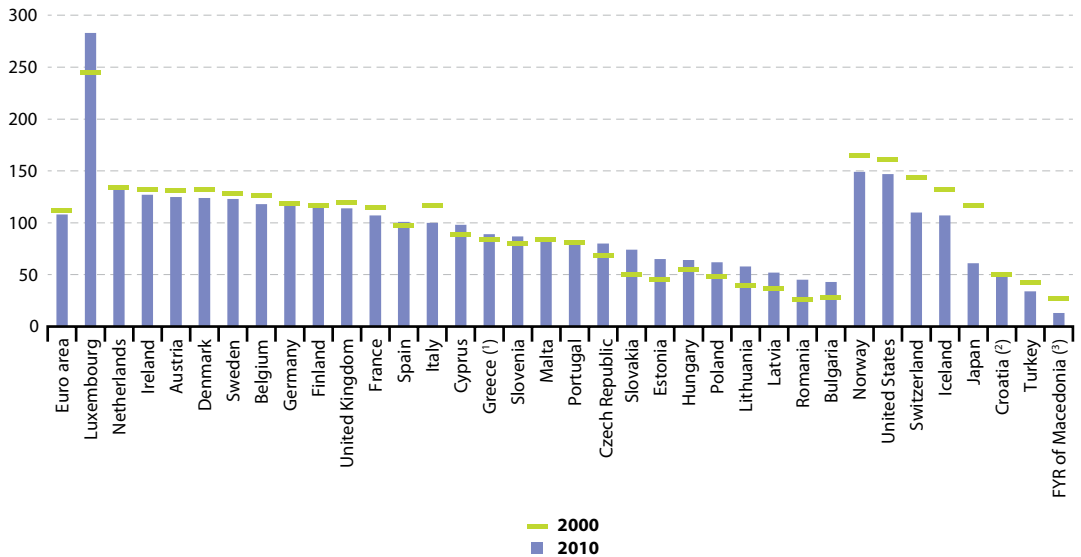
Table 1.1.1: GDP at current market prices, 2000, 2009 and 2010

	GDP						GDP per capita			
	(EUR 1 000 million)			(PPS 1 000 million)			(PPS, EU-27 = 100)			(PPS)
	2000	2009	2010	2000	2009	2010	2000	2009	2010	2010
<b>EU-27</b>	9 208	11 770	12 268	9 208	11 770	12 268	100	100	100	24 500
<b>Euro area</b>	6 789	8 953	9 191	6 715	8 435	8 760	112	109	108	26 400
Belgium	252	339	353	246	295	314	126	116	118	28 900
Bulgaria	14	35	36	44	79	80	28	44	43	10 600
Czech Republic	61	137	145	134	202	205	68	82	80	19 500
Denmark	174	222	234	134	157	169	132	121	124	30 400
Germany	2 063	2 397	2 499	1 855	2 241	2 369	118	116	118	29 000
Estonia	6	14	15	12	20	21	45	64	65	15 900
Ireland	106	161	156	96	134	139	132	127	127	31 100
Greece	138	235	230	175	249	246	84	94	89	21 700
Spain	630	1 054	1 063	747	1 116	1 140	97	103	101	24 700
France	1 440	1 889	1 933	1 333	1 622	1 692	115	107	107	26 100
Italy	1 191	1 520	1 549	1 268	1 470	1 472	117	104	100	24 300
Cyprus	10	17	17	12	19	19	89	98	98	24 000
Latvia	8	19	18	17	27	28	37	52	52	12 600
Lithuania	12	27	27	26	43	47	39	55	58	14 200
Luxembourg	22	38	42	20	32	35	245	272	283	69 100
Hungary	51	93	98	108	153	157	55	65	64	15 700
Malta	4	6	6	6	8	8	84	81	83	20 400
Netherlands	418	572	591	407	508	544	134	131	134	32 800
Austria	208	274	284	200	245	257	131	124	125	30 700
Poland	186	310	354	352	544	583	48	61	62	15 300
Portugal	127	169	173	158	201	210	81	80	81	19 800
Romania	41	117	122	111	233	236	26	46	45	11 000
Slovenia	22	35	36	30	42	44	80	88	87	21 200
Slovakia	22	63	66	52	93	98	50	73	74	18 100
Finland	132	173	180	116	143	152	117	114	116	28 300
Sweden	268	291	347	216	260	282	128	119	123	30 100
United Kingdom	1 602	1 566	1 697	1 335	1 636	1 723	119	113	114	27 800
Iceland	9	9	10	7	9	9	132	117	110	26 800
Liechtenstein	3	3	:	:	:	:	:	:	:	:
Norway	183	267	312	141	198	214	165	175	179	43 700
Switzerland	271	355	396	198	264	279	144	144	147	35 800
Croatia	23	46	46	42	67	67	50	64	61	15 000
FYR of Macedonia	4	7	7	10	17	18	27	36	35	8 600
Turkey	290	440	554	512	770	861	42	45	48	11 800
Japan	5 057	3 613	4 122	2 827	3 094	3 318	117	103	107	26 000
United States	10 775	9 994	10 958	8 655	10 502	11 204	161	145	149	36 500

Source: Eurostat (online data codes: [nama\\_gdp\\_c](#) and [tec00001](#))



**Figure 1.1.2: GDP per capita at current market prices, 2000 and 2010**  
(EU-27 = 100; based on PPS per inhabitant)



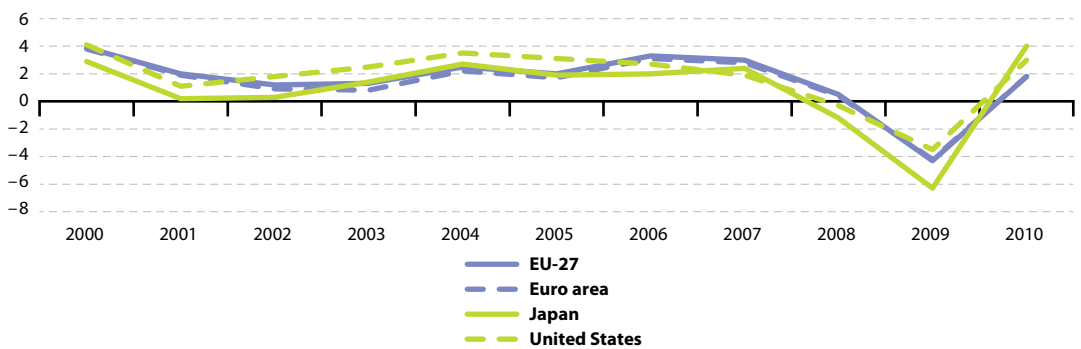
(¹) Provisional.

(²) 2010, provisional.

(³) Forecast.

Source: Eurostat (online data codes: [nama\\_gdp\\_c](#) and [tec00001](#))

**Figure 1.1.3: Real GDP growth, 2000-2010**  
(% change compared with the previous year)



Source: Eurostat (online data codes: [nama\\_gdp\\_c](#) or [tsieb020](#))



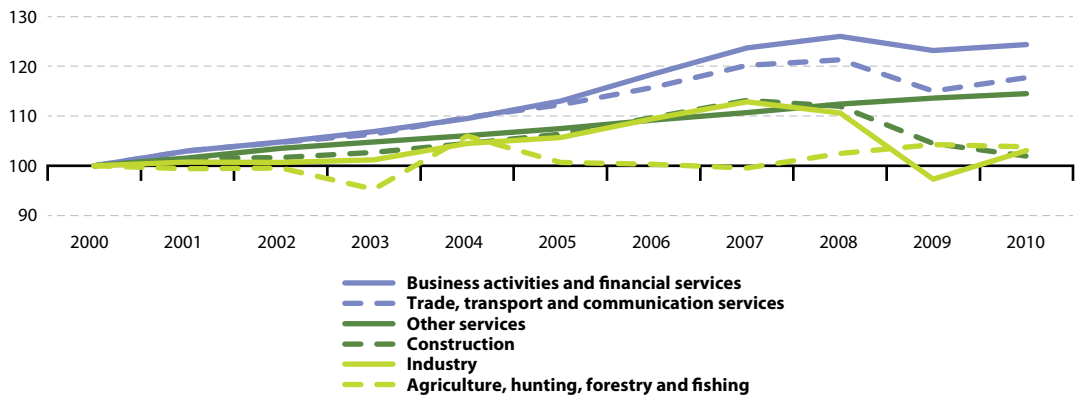
**Table 1.1.2: Real GDP growth, 2001-2010**  
(% change compared with the previous year; average 2001-2010)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Average 2001-10
<b>EU-27</b>	2.0	1.2	1.3	2.5	2.0	3.3	3.0	0.5	-4.3	1.8	1.3
<b>Euro area</b>	1.9	0.9	0.8	2.2	1.7	3.1	2.8	0.4	-4.2	1.8	1.1
Belgium	0.8	1.4	0.8	3.2	1.7	2.7	2.9	1.0	-2.8	2.2	1.4
Bulgaria	4.2	4.7	5.5	6.7	6.4	6.5	6.4	6.2	-5.5	0.2	4.1
Czech Republic	2.5	1.9	3.6	4.5	6.3	6.8	6.1	2.5	-4.1	2.3	3.2
Denmark	0.7	0.5	0.4	2.3	2.4	3.4	1.6	-1.1	-5.2	1.7	0.7
Germany	1.2	0.0	-0.2	1.2	0.8	3.4	2.7	1.0	-4.7	3.6	0.9
Estonia	7.5	7.9	7.6	7.2	9.4	10.6	6.9	-5.1	-13.9	3.1	4.1
Ireland	4.8	5.9	4.2	4.5	5.3	5.3	5.2	-3.0	-7.0	-0.4	2.5
Greece	4.2	3.4	5.9	4.4	2.3	5.2	4.3	1.0	-2.0	-4.5	2.4
Spain	3.6	2.7	3.1	3.3	3.6	4.0	3.6	0.9	-3.7	-0.1	2.1
France	1.8	0.9	0.9	2.5	1.8	2.5	2.3	-0.1	-2.7	1.5	1.1
Italy	1.8	0.5	0.0	1.5	0.7	2.0	1.5	-1.3	-5.2	1.3	0.3
Cyprus	4.0	2.1	1.9	4.2	3.9	4.1	5.1	3.6	-1.7	1.0	2.8
Latvia	8.0	6.5	7.2	8.7	10.6	12.2	10.0	-4.2	-18.0	-0.3	4.1
Lithuania	6.7	6.9	10.2	7.4	7.8	7.8	9.8	2.9	-14.7	1.3	4.6
Luxembourg	2.5	4.1	1.5	4.4	5.4	5.0	6.6	1.4	-3.6	3.5	3.1
Hungary	3.8	4.1	4.0	4.5	3.2	3.6	0.8	0.8	-6.7	1.2	1.9
Malta	-1.6	2.6	-0.3	1.8	4.2	1.9	4.6	5.4	-3.3	3.2	1.9
Netherlands	1.9	0.1	0.3	2.2	2.0	3.4	3.9	1.9	-3.9	1.8	1.4
Austria	0.5	1.6	0.8	2.5	2.5	3.6	3.7	2.2	-3.9	2.1	1.6
Poland	1.2	1.4	3.9	5.3	3.6	6.2	6.8	5.1	1.6	3.8	3.9
Portugal	2.0	0.7	-0.9	1.6	0.8	1.4	2.4	0.0	-2.5	1.3	0.7
Romania	5.7	5.1	5.2	8.5	4.2	7.9	6.3	7.3	-7.1	-1.3	4.2
Slovenia	2.9	3.8	2.9	4.4	4.0	5.8	6.8	3.7	-8.1	1.2	2.7
Slovakia	3.5	4.6	4.8	5.1	6.7	8.5	10.5	5.8	-4.8	4.0	4.9
Finland	2.3	1.8	2.0	4.1	2.9	4.4	5.3	1.0	-8.2	3.6	1.9
Sweden	1.3	2.5	2.3	4.2	3.2	4.3	3.3	-0.6	-5.3	5.7	2.1
United Kingdom	2.5	2.1	2.8	3.0	2.2	2.8	2.7	-0.1	-4.9	1.4	1.5
Iceland	3.9	0.1	2.4	7.7	7.5	4.6	6.0	1.4	-6.9	-3.5	2.3
Norway	2.0	1.5	1.0	3.9	2.7	2.3	2.7	0.7	-1.7	0.3	1.5
Switzerland	1.2	0.4	-0.2	2.5	2.6	3.6	3.6	2.1	-1.9	2.6	1.7
Montenegro	1.1	1.9	2.4	4.4	14.7	8.6	10.6	6.9	-5.7	2.5	4.7
Croatia	3.7	4.9	5.4	4.1	4.3	4.9	5.1	2.2	-6.0	-1.2	2.7
FYR of Macedonia	-4.5	0.9	2.8	4.6	4.4	5.0	6.1	5.0	-0.9	0.7	2.4
Turkey	-5.7	6.6	4.9	9.4	8.4	6.9	4.7	0.4	-4.5	8.9	4.0
Japan	0.2	0.3	1.4	2.7	1.9	2.0	2.4	-1.2	-6.3	4.0	0.7
United States	1.1	1.8	2.5	3.5	3.1	2.7	1.9	-0.3	-3.5	3.0	1.6

Source: Eurostat (online data codes: [nama\\_gdp\\_k](#) or [tsieb020](#))



**Figure 1.1.4:** Gross value added, EU-27, 2000-2010  
(2000 = 100)



Source: Eurostat (online data code: [nama\\_nace06\\_k](#))



**Table 1.1.3:** Gross value added at basic prices, 2000 and 2010  
(% share of total gross value added)

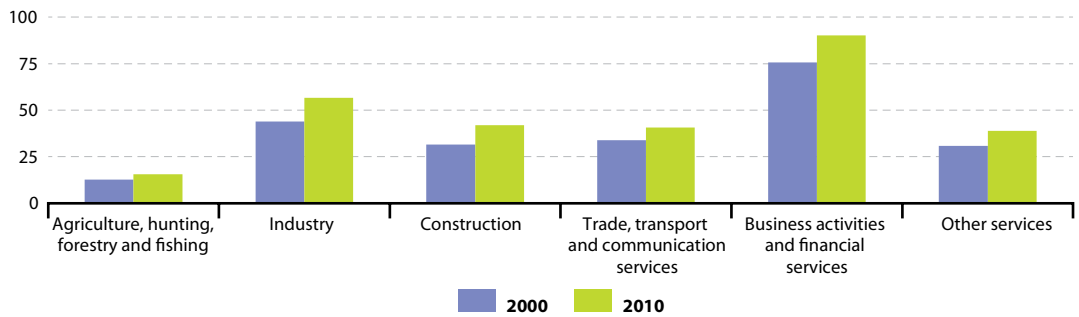
	Agriculture, hunting, forestry & fishing		Industry		Construction		Trade, transport & communication services		Business activities & financial services		Other services	
	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010
<b>EU-27</b>	2.3	1.7	22.4	18.8	5.6	6.0	21.5	20.8	26.2	29.0	22.0	23.8
<b>Euro area</b>	2.4	1.7	22.2	18.6	5.6	5.9	21.0	20.5	26.6	29.3	22.1	24.0
Belgium	1.4	0.7	22.1	16.6	5.0	5.3	21.2	21.8	27.8	30.3	22.5	25.3
Bulgaria	13.6	5.3	21.3	23.2	4.6	8.1	23.5	23.6	19.3	23.6	17.7	16.3
Czech Republic	3.9	2.4	31.6	30.5	6.5	7.2	25.8	24.0	16.2	18.4	16.0	17.5
Denmark	2.6	1.2	21.3	17.8	5.5	4.3	21.8	20.7	22.3	26.8	26.4	29.3
Germany	1.3	0.9	25.1	23.7	5.2	4.1	18.2	17.2	27.5	30.5	22.8	23.6
Estonia	4.8	3.5	22.0	22.7	5.6	5.7	28.3	25.2	22.4	23.8	17.0	19.1
Ireland	3.2	1.0	34.3	26.3	7.5	5.6	17.9	17.2	21.3	27.2	15.8	22.8
Greece	6.6	3.3	13.9	13.8	7.0	4.1	30.1	33.3	20.6	20.5	21.7	25.1
Spain	4.4	2.7	20.9	15.6	8.3	10.1	26.1	25.3	19.5	22.8	20.8	23.5
France (1)	2.8	1.8	17.8	12.5	5.2	6.5	18.9	19.2	30.7	34.1	24.8	27.0
Italy	2.8	1.9	23.4	19.4	5.0	6.0	23.9	22.2	24.7	28.4	20.1	22.2
Cyprus	3.6	2.3	12.2	9.2	6.8	7.2	31.2	25.5	23.8	29.9	22.3	25.9
Latvia	4.6	4.1	17.4	16.8	6.2	5.0	32.0	30.2	18.9	23.6	20.9	20.2
Lithuania	6.3	3.4	23.8	22.3	6.0	5.7	30.2	33.5	12.5	16.1	21.2	19.1
Luxembourg	0.7	0.3	12.6	8.1	5.7	4.9	21.8	22.1	43.8	48.4	15.4	16.2
Hungary	5.4	3.5	26.6	26.8	5.0	4.0	20.1	20.4	20.9	23.3	22.0	22.1
Malta	2.3	1.9	24.4	15.8	4.1	3.5	30.2	23.6	18.5	24.9	20.4	30.3
Netherlands	2.6	1.9	19.3	18.4	5.6	5.3	23.1	20.5	27.3	27.7	22.1	26.1
Austria	2.0	1.5	23.3	22.3	7.5	6.9	24.6	23.3	21.5	24.1	21.1	21.9
Poland	5.0	3.5	24.0	24.6	7.7	7.1	27.3	27.5	18.1	18.2	18.0	19.2
Portugal	3.7	2.4	20.4	17.0	7.6	6.0	25.3	25.5	20.3	23.1	22.7	26.0
Romania	12.1	6.7	29.0	29.7	5.4	10.0	23.8	23.8	16.4	15.7	13.4	14.1
Slovenia	3.3	2.4	29.0	24.3	6.7	6.7	20.4	22.2	20.2	23.4	20.0	21.3
Slovakia	4.5	3.8	29.1	25.8	7.0	9.0	25.2	24.2	17.1	19.1	17.0	18.0
Finland	3.5	2.9	28.4	22.3	6.2	6.6	20.2	19.8	20.9	24.1	20.7	24.2
Sweden	2.1	1.9	24.5	21.1	4.3	5.5	18.9	19.6	24.9	24.6	25.3	27.4
United Kingdom	1.0	0.7	22.0	15.7	5.3	6.1	22.9	20.6	27.0	33.7	21.8	23.2
Iceland (1)	9.0	7.1	17.3	20.3	8.6	5.0	21.8	18.4	19.7	25.7	23.6	23.7
Norway	2.1	1.6	37.8	35.7	4.1	4.9	18.8	15.3	16.9	19.7	20.3	22.8
Switzerland	1.6	1.1	21.8	21.0	5.5	5.7	21.4	22.0	24.0	23.6	25.7	26.5
Croatia	6.5	5.5	23.4	19.0	5.1	6.7	23.7	22.8	19.4	27.3	21.9	18.7
FYR of Macedonia (1)	12.0	11.2	26.9	21.5	6.8	5.9	25.4	25.3	10.2	15.7	18.6	20.4
Turkey	10.8	9.4	24.6	21.5	5.4	4.6	29.1	30.1	19.5	22.2	10.6	12.3

(1) 2009 instead of 2010.

Source: Eurostat (online data codes: [nama\\_nace06\\_c](#) or [tec00003](#), [tec00004](#), [tec00005](#), [tec00006](#), [tec00007](#) and [tec00008](#))



**Figure 1.1.5:** Labour productivity, EU-27, 2000 and 2010  
(EUR 1 000 per person employed)



Source: Eurostat (online data codes: [nama\\_nace06\\_c](#) and [nama\\_nace06\\_e](#))





Table 1.1.4: Labour productivity (based on PPS), 2000-2010 (1)

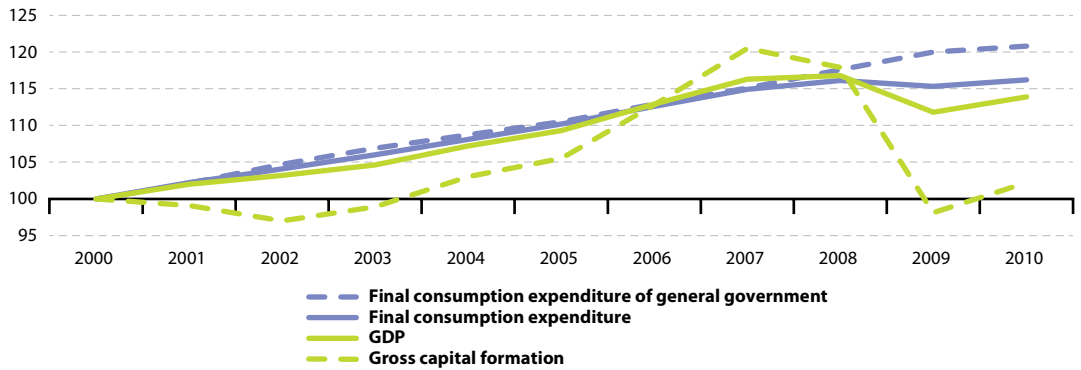
	Per person employed (EU-27 = 100)						Per hour worked (EU-27 = 100)					
	2000	2002	2004	2006	2008	2010	2000	2002	2004	2006	2008	2010
<b>EU-27</b>	100	100	100	100	100	100	100	100	100	100	100	100
<b>Euro area</b>	112	111	109	109	109	109	117	115	113	114	114	114
Belgium	138	137	133	129	126	128	152	146	144	138	134	:
Bulgaria	31	34	35	37	40	42	33	35	35	37	40	42
Czech Republic	62	63	68	70	73	72	52	55	59	59	62	62
Denmark	111	109	109	107	104	109	122	118	118	115	113	118
Germany	107	106	108	109	107	105	124	124	126	128	126	124
Estonia	47	51	58	63	65	70	41	44	49	52	55	62
Ireland	130	135	137	137	129	137	113	119	122	121	117	125
Greece	94	100	101	99	100	96	76	80	82	77	79	75
Spain	104	105	103	103	105	110	103	103	102	104	106	:
France	126	126	121	121	120	120	135	138	130	132	128	:
Italy	127	118	113	111	112	108	116	109	104	102	104	101
Cyprus	86	85	83	84	89	89	76	74	74	76	80	81
Latvia	40	43	46	49	52	55	31	34	37	39	43	47
Lithuania	43	48	54	57	62	63	40	45	50	51	54	55
Luxembourg	177	164	171	180	179	178	:	172	181	193	191	:
Hungary	58	65	68	68	72	71	49	55	57	57	60	60
Malta	97	93	91	90	91	93	85	82	80	81	81	:
Netherlands	115	114	113	115	115	115	137	136	135	137	139	138
Austria	121	118	118	117	115	113	120	115	116	115	115	115
Poland	56	59	62	61	62	67	46	48	50	49	50	54
Portugal	72	71	70	73	73	77	62	61	60	63	64	65
Romania	24	30	35	40	49	48	22	27	32	36	44	42
Slovenia	76	78	82	84	84	81	76	76	79	84	84	80
Slovakia	58	63	66	72	80	83	55	61	64	69	75	78
Finland	116	112	114	111	113	114	113	109	111	108	111	111
Sweden	115	109	116	113	114	113	120	115	121	118	117	116
United Kingdom	111	113	114	113	109	108	111	112	115	113	110	:
Iceland	104	105	108	99	100	93	:	:	:	:	:	:
Norway	140	132	143	158	157	149	164	157	170	186	184	175
Switzerland	111	107	105	105	110	111	113	111	106	107	113	:
Croatia	62	67	71	74	79	79	:	:	:	:	:	:
FYR of Macedonia	49	47	53	57	59	58	:	:	:	:	:	:
Turkey	54	49	54	62	65	62	:	:	:	:	:	:
Japan	99	99	100	98	96	96	:	:	:	:	:	:
United States	143	141	144	141	138	144	132	131	135	133	131	:

(1) 2005, break in series.

Source: Eurostat (online data codes: tsieb030 and tsieb040), OECD

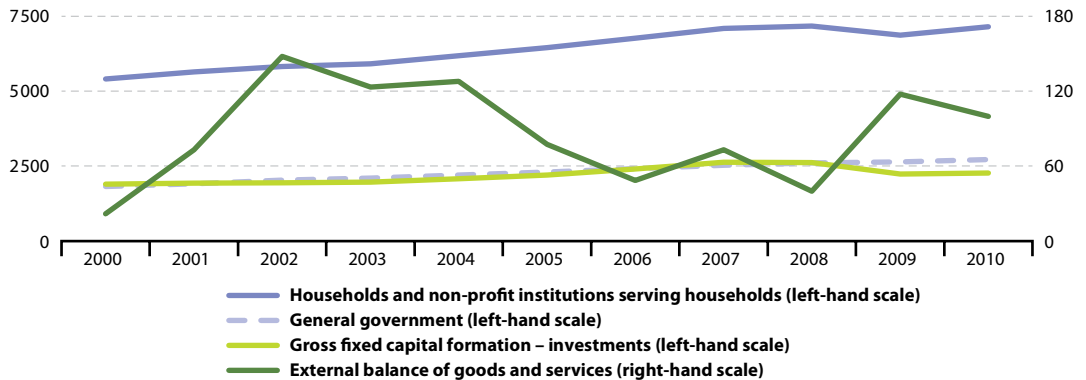


**Figure 1.1.6:** Consumption expenditure and gross capital formation at constant prices, EU-27, 2000-2010 (2000 = 100)



Source: Eurostat (online data code: [nama\\_gdp\\_k](#))

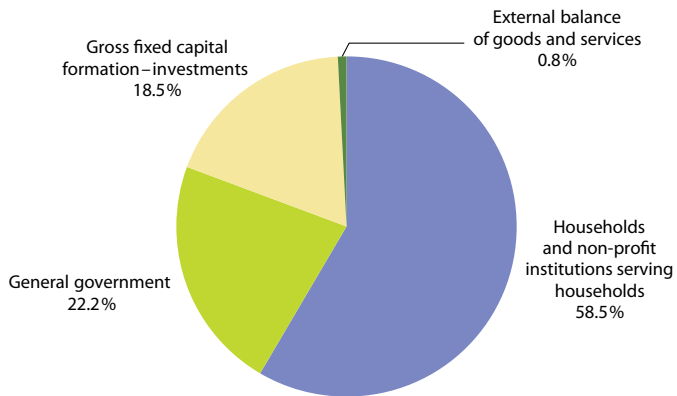
**Figure 1.1.7:** Expenditure components of GDP, EU-27, 2000-2010 (EUR 1 000 million)



Source: Eurostat (online data codes: [nama\\_gdp\\_c](#) or [tec00009](#), [tec00010](#), [tec00011](#) and [tec00110](#))



**Figure 1.1.8:** Expenditure components of GDP, EU-27, 2010  
(% share of GDP)



Source: Eurostat (online data codes: [nama\\_gdp\\_c](#) or [tec00009](#), [tec00010](#), [tec00011](#) and [tec00110](#))



**Table 1.1.5:** Investment, 2000, 2005 and 2010  
(% share of GDP)

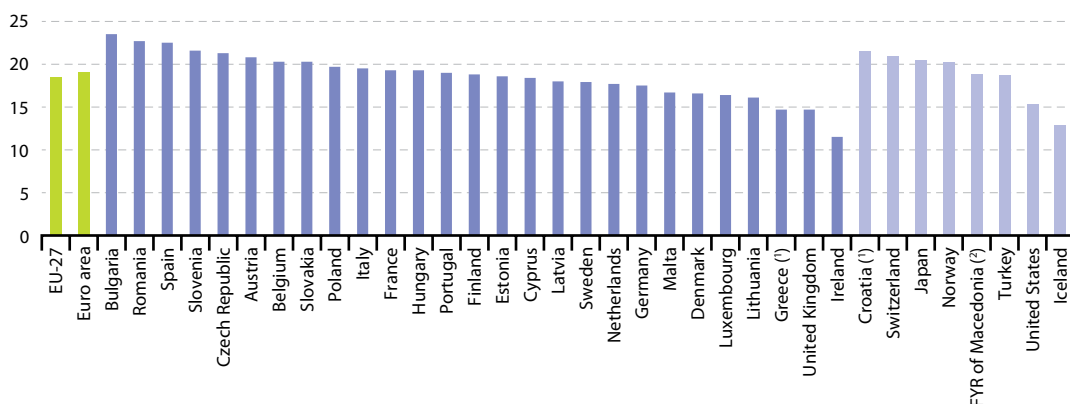
	Total investment			Public investment			Business investment		
	2000	2005	2010	2000	2005	2010	2000	2005	2010
<b>EU-27</b>	20.6	19.9	18.5	2.3	2.2	2.7	18.4	17.8	15.9
<b>Euro area</b>	21.4	20.6	19.1	2.5	2.5	2.5	19.0	18.3	16.7
Belgium	21.1	20.6	20.3	2.0	1.7	1.7	19.1	19.0	18.6
Bulgaria	15.8	25.7	23.5	3.6	3.4	4.6	12.2	22.3	18.9
Czech Republic	28.0	24.9	21.3	3.6	4.9	4.6	24.4	20.0	16.4
Denmark	20.2	19.5	16.6	1.7	1.8	2.2	18.5	17.7	14.1
Germany	21.5	17.3	17.5	1.8	1.3	1.6	19.8	16.2	16.5
Estonia	25.7	32.1	18.6	3.7	4.0	3.6	22.0	28.1	15.0
Ireland	23.1	26.6	11.5	3.4	3.5	3.9	19.6	23.0	7.4
Greece	21.6	20.0	14.7	3.6	2.8	2.8	17.9	17.1	11.9
Spain	25.8	29.4	22.5	3.2	3.6	3.7	22.7	25.8	18.8
France	18.9	19.3	19.3	3.1	3.3	3.0	16.4	16.8	17.2
Italy	20.3	20.7	19.5	2.3	2.4	2.1	18.0	18.4	17.4
Cyprus	17.0	19.3	18.4	2.9	3.1	3.6	14.0	16.1	14.8
Latvia	24.2	30.6	18.0	1.3	3.1	3.6	22.9	27.5	14.4
Lithuania	18.8	22.8	16.1	2.4	3.4	4.6	16.4	19.3	11.5
Luxembourg	20.8	20.5	16.4	3.8	4.5	4.1	17.0	16.0	12.4
Hungary	23.4	23.1	19.3	3.2	4.0	3.2	20.2	19.1	16.1
Malta	22.9	21.7	16.7	3.9	4.7	2.1	18.8	17.0	14.2
Netherlands	21.9	18.9	17.7	3.1	3.3	3.7	18.8	15.6	14.0
Austria	24.0	21.7	20.8	1.6	1.2	1.2	22.4	20.5	19.6
Poland	23.7	18.2	19.7	2.4	3.4	5.6	21.4	14.8	13.9
Portugal	27.7	23.0	19.0	3.7	3.0	3.3	24.1	20.0	15.7
Romania	18.8	23.7	22.7	3.4	3.9	5.5	15.4	19.9	17.2
Slovenia	26.2	25.4	21.6	3.2	3.2	4.3	22.3	22.3	18.3
Slovakia	25.8	26.5	20.3	2.8	2.1	2.6	23.8	24.9	17.7
Finland	20.0	20.1	18.8	2.4	2.5	2.7	17.6	17.5	15.8
Sweden	18.0	17.9	17.9	2.8	3.0	3.5	15.2	14.9	14.3
United Kingdom	17.1	16.7	14.7	1.2	0.7	2.5	15.9	16.0	12.1
Iceland	22.9	28.4	12.9	4.1	3.1	2.6	18.8	25.3	10.3
Norway	18.4	18.8	20.3	2.6	2.7	3.2	15.8	16.1	16.6
Switzerland (!)	22.7	21.2	20.9	2.7	2.2	2.0	19.9	19.0	18.2
Croatia	19.0	24.7	21.6	:	:	:	:	:	:
FYR of Macedonia	16.2	16.6	18.8	:	:	:	:	:	:
Turkey	20.4	21.0	18.7	:	:	:	:	:	:
Japan	25.2	23.3	20.5	:	:	:	:	:	:
United States	20.3	19.9	15.4	:	:	:	:	:	:

(!) 2009 instead of 2010.

Source: Eurostat (online data codes: [nama\\_gdp\\_c](#), [tsdec210](#), [tec00022](#) and [tsier140](#))



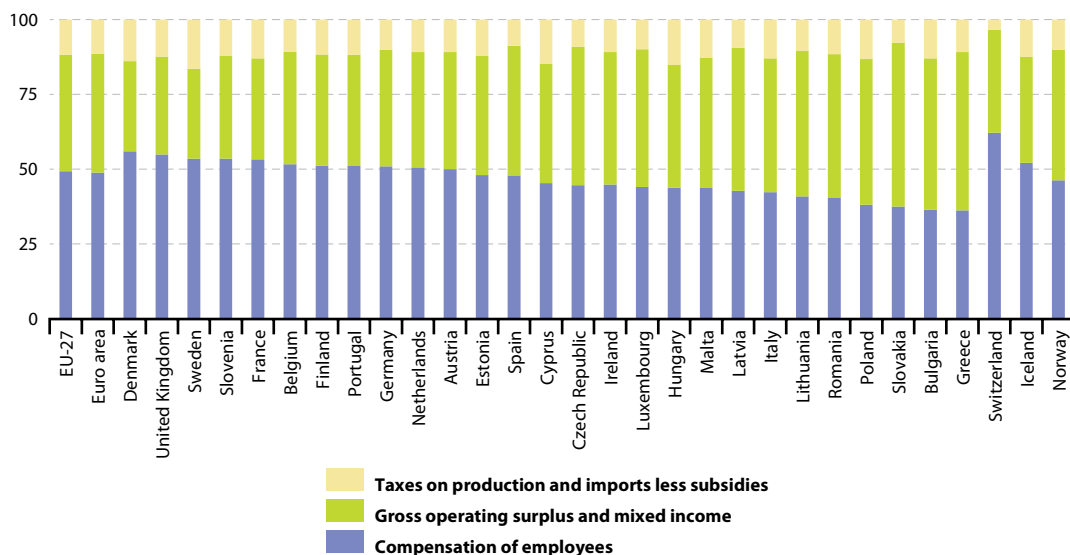
**Figure 1.1.9:** Gross fixed capital formation, 2010  
(% share of GDP)



(1) Provisional.  
(2) Forecast.

Source: Eurostat (online data code: [nama\\_gdp\\_c](#))

**Figure 1.1.10:** Distribution of income, 2010  
(% share of GDP)



Source: Eurostat (online data codes: [nama\\_gdp\\_c](#) or [tec00016](#), [tec00015](#) and [tec00013](#))



**Figure 1.1.11:** Distribution of income, EU-27, 2000-2010  
(2000 = 100)



Source: Eurostat (online data codes: [nama\\_gdp\\_c](#) or [tec00016](#), [tec00015](#) and [tec00013](#))

**Table 1.1.6:** Consumption expenditure of households (domestic concept), 2000, 2005 and 2010

	As a proportion of GDP (%)			Per capita (PPS)		
	2000	2005	2010	2000	2005 <sup>(1)</sup>	2010 <sup>(2)</sup>
Belgium <sup>(3)</sup>	51.8	49.7	50.7	12 400	13 400	13 900
Bulgaria	71.3	69.5	:	3 900	5 700	:
Czech Republic <sup>(3)</sup>	54.5	50.8	51.9	7 100	8 700	10 000
Denmark	47.0	47.6	48.1	11 800	13 200	13 700
Germany <sup>(3)</sup>	56.2	56.5	56.4	12 600	14 700	15 300
Estonia <sup>(3)</sup>	60.0	58.4	52.9	5 100	8 100	7 900
Ireland	47.1	43.7	46.5	11 900	14 200	13 900
Greece <sup>(3)</sup>	75.7	75.5	75.4	12 100	15 500	16 600
Spain <sup>(3)</sup>	63.1	60.1	58.3	11 700	13 800	14 200
France	55.1	55.6	56.4	12 100	13 800	14 200
Italy <sup>(3)</sup>	61.1	59.7	60.4	13 600	14 100	14 800
Cyprus <sup>(3)</sup>	83.4	75.8	74.6	14 100	15 500	17 300
Latvia <sup>(3)</sup>	60.7	60.3	60.3	4 200	6 600	7 300
Lithuania <sup>(3)</sup>	65.6	65.3	67.9	4 900	7 800	8 700
Luxembourg <sup>(3)</sup>	46.6	41.6	37.2	21 700	23 800	23 800
Hungary <sup>(3)</sup>	56.4	55.3	53.4	5 900	7 800	8 200
Malta	76.5	75.1	69.5	12 200	13 300	13 200
Netherlands	49.2	47.7	44.8	12 600	14 000	13 800
Austria <sup>(3)</sup>	55.8	56.0	55.4	14 000	15 600	16 200
Poland <sup>(3)</sup>	63.8	62.7	60.6	5 900	7 200	8 600
Portugal	64.6	65.5	:	10 000	11 700	:
Romania <sup>(3)</sup>	67.5	68.5	61.1	3 300	5 400	6 600
Slovenia	59.2	57.1	58.5	9 000	11 200	12 100
Slovakia <sup>(3)</sup>	56.1	56.4	59.6	5 400	7 600	10 300
Finland	47.7	49.4	51.6	10 600	12 700	13 900
Sweden	47.0	46.5	48.3	11 400	12 700	13 500
United Kingdom	62.4	61.6	62.0	14 200	16 900	16 400
Iceland	55.6	53.9	48.8	13 900	15 800	13 500
Norway	40.9	39.5	40.3	12 800	15 600	16 600
Switzerland <sup>(3)</sup>	58.8	58.3	56.8	16 200	17 300	19 200
FYR of Macedonia <sup>(3)</sup>	76.9	78.7	78.5	3 900	5 200	6 600
Turkey	74.9	75.6	75.0	6 000	7 200	8 000

<sup>(1)</sup> 2005, break in series.

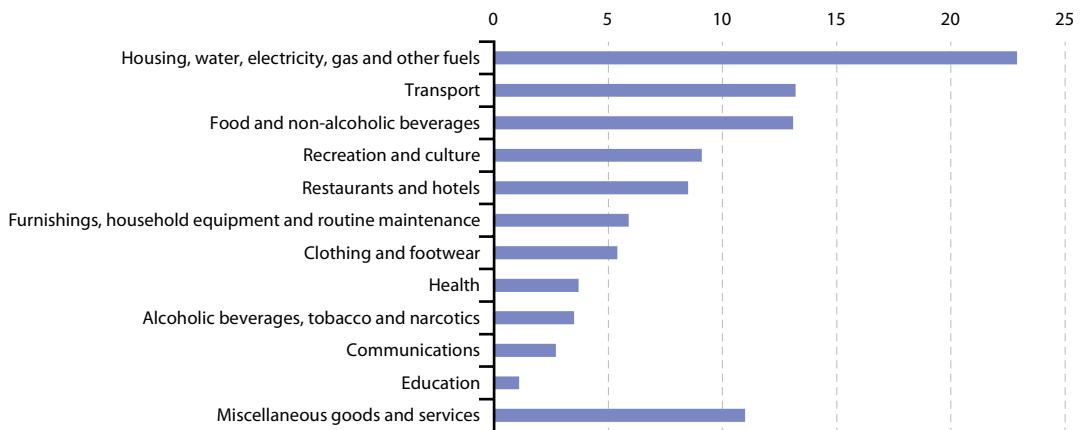
<sup>(2)</sup> Slovenia, break in series.

<sup>(3)</sup> 2009 instead of 2010 data.

Source: Eurostat (online data code: [nama\\_fcs\\_c](#))

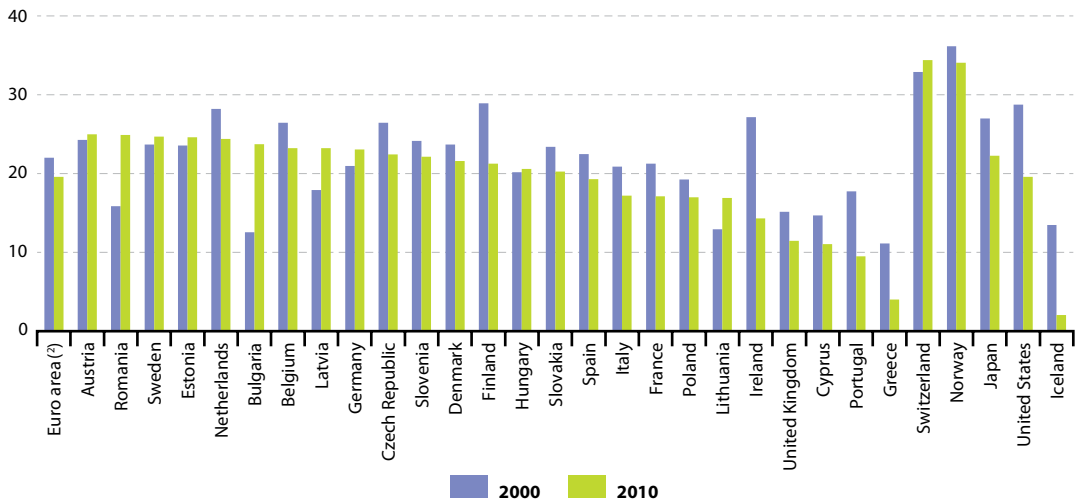


**Figure 1.1.12:** Consumption expenditure of households, EU-27, 2009  
(% of total household consumption expenditure)



Source: Eurostat (online data code: [nama\\_co3\\_c](#))

**Figure 1.1.13:** Gross national savings, 2000 and 2010 <sup>(1)</sup>  
(% of gross national disposable income)



<sup>(1)</sup> EU-27, Luxembourg and Malta, not available.

<sup>(2)</sup> EA-13 instead of EA-17.

Source: Eurostat (online data code: [nama\\_inc\\_c](#))



Table 1.1.7: Key ratios of sector accounts, households, 2010 <sup>(1)</sup>

	Saving rate <sup>(2)</sup>	Investment rate <sup>(2)</sup>	Debt-to-income ratio <sup>(2)</sup>	Net financial wealth-to-income ratio <sup>(4)</sup>	Saving rate	Investment rate	Debt-to-income ratio	Net financial wealth-to-income ratio
	(%)				Change from 2009 (percentage points)			
<b>EU-27</b>	12.3	8.1	:	:	-1.4	-0.1	:	:
<b>Euro area</b>	13.7	8.8	99.3	197.5	-1.5	0.0	1.8	5.2
Belgium	16.2	10.0	84.2	324.4	-2.3	0.0	4.0	14.9
Bulgaria	:	:	:	:	:	:	:	:
Czech Republic	10.3	10.2	49.1	86.3	-0.4	1.4	:	:
Denmark	7.7	9.7	275.1	151.7	:	:	:	:
Germany	17.1	8.5	88.9	180.7	0.0	0.2	-2.0	7.8
Estonia	9.6	7.6	:	:	-2.0	0.2	:	:
Ireland	13.4	5.7	202.6	128.0	-1.4	-2.9	-3.8	25.6
Greece	:	:	:	:	:	:	:	:
Spain	18.1	9.2	124.6	113.1	:	:	:	:
France	15.6	9.0	78.3	191.8	-0.5	-0.1	:	:
Italy	12.1	8.9	65.9	256.1	-1.4	0.3	2.5	-8.6
Cyprus	11.6	9.6	:	176.6	0.2	-1.9	:	-14.8
Latvia	4.2	3.8	74.3	16.7	-6.1	-1.4	-0.8	2.0
Lithuania	7.9	3.2	43.6	56.9	0.8	-1.7	-1.2	4.0
Luxembourg	13.6	9.8	131.0	202.3	:	:	:	:
Hungary	8.2	6.9	68.4	115.4	-1.8	-1.6	5.4	5.8
Malta	:	:	:	:	:	:	:	:
Netherlands	10.9	10.8	249.5	325.4	-2.0	-0.7	7.3	32.9
Austria	13.5	7.4	90.1	190.9	-2.2	-0.2	2.6	3.9
Poland	9.9	7.5	47.6	63.3	:	:	:	:
Portugal	9.8	6.5	128.6	165.9	-1.0	-0.2	-1.2	-2.3
Romania	:	:	:	:	:	:	:	:
Slovenia	15.7	6.6	46.7	124.3	0.7	-1.3	2.3	3.4
Slovakia	11.3	7.3	51.2	18.9	3.5	-0.8	:	:
Finland	11.3	11.4	102.1	106.0	-0.6	1.1	2.3	6.5
Sweden	13.4	5.1	146.5	203.5	-2.2	0.4	6.7	18.7
United Kingdom	6.0	5.0	149.0	265.7	:	:	:	:
Norway	12.4	8.2	178.1	26.3	0.0	-0.3	1.1	1.4
Switzerland	17.1	6.7	168.5	293.0	:	:	:	:

(1) Including non-profit institutions serving households.

(2) Denmark, Spain, Luxembourg, Poland, the United Kingdom and Switzerland, 2009.

(3) Denmark, Spain, France, Luxembourg, Poland, Slovakia and the United Kingdom, 2009; Czech Republic and Switzerland, 2008.

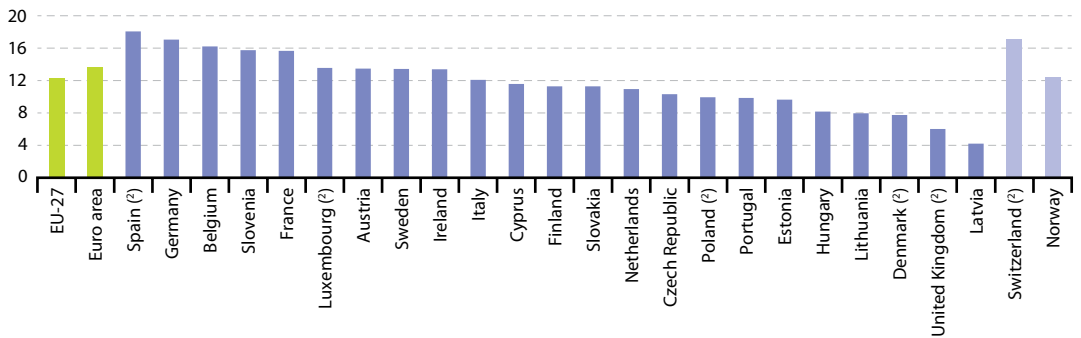
(4) Denmark, Spain, France, Luxembourg, Poland and the United Kingdom, 2009; Czech Republic, Slovakia and Switzerland, 2008.

Source: Eurostat (online data code: [nasa\\_ki](#))



**Figure 1.1.14: Household saving rate (gross), 2010<sup>(1)</sup>**

(%)



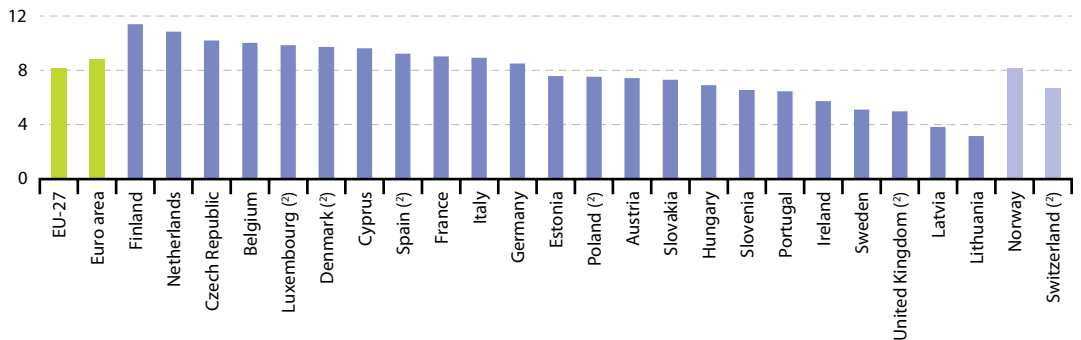
<sup>(1)</sup> Bulgaria, Greece, Malta and Romania, not available.

<sup>(2)</sup> 2009.

Source: Eurostat (online data code: [nasa\\_ki](#))

**Figure 1.1.15: Household investment rate (gross), 2010<sup>(1)</sup>**

(%)



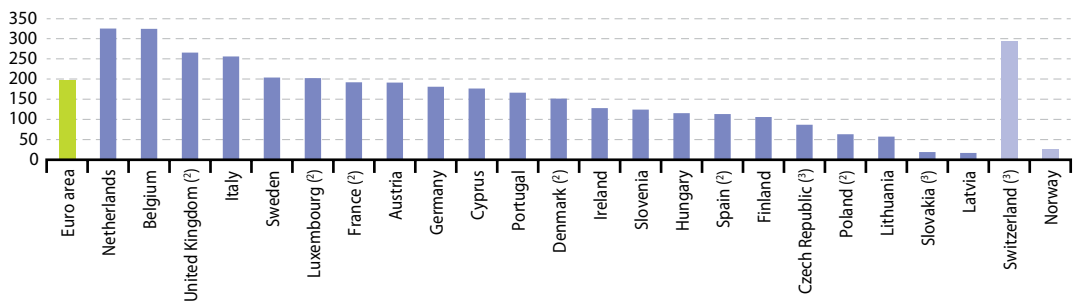
<sup>(1)</sup> Bulgaria, Greece, Malta and Romania, not available.

<sup>(2)</sup> 2009.

Source: Eurostat (online data code: [nasa\\_ki](#))

**Figure 1.1.16: Household net financial wealth-to-income ratio, 2010<sup>(1)</sup>**

(%)



<sup>(1)</sup> EU-27, Bulgaria, Estonia, Greece, Malta and Romania, not available.

<sup>(2)</sup> 2009.

<sup>(3)</sup> 2008.

Source: Eurostat (online data code: [nasa\\_ki](#))

**Table 1.1.8:** Key ratios of sector accounts, non-financial corporations, 2010

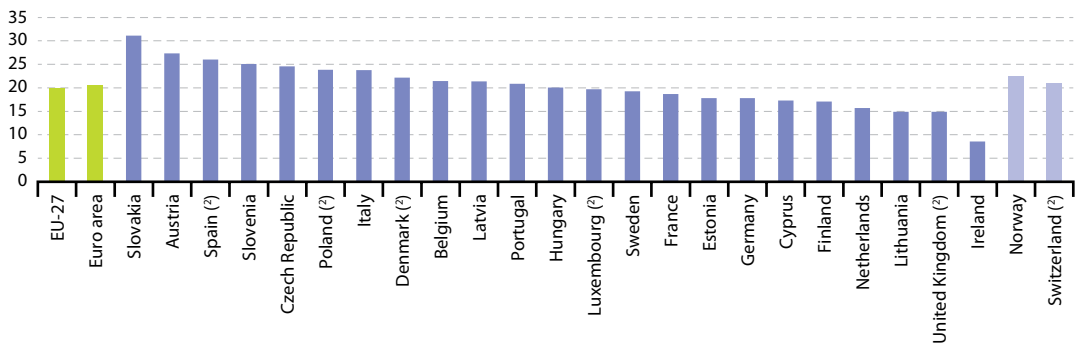
	Investment rate	Profit share	Investment rate	Profit share
	(%)		Change from 2009 (percentage points)	
<b>EU-27</b>	20.0	37.4	-0.3	1.2
<b>Euro area</b>	20.6	38.6	0.1	1.3
Belgium	21.4	37.7	-0.7	1.5
Bulgaria	:	:	:	:
Czech Republic	24.6	47.1	-0.8	-0.6
Denmark (¹)	22.2	31.2	:	:
Germany	17.8	41.3	0.4	1.6
Estonia	17.8	45.2	-1.7	7.0
Ireland	8.6	51.2	-4.7	3.3
Greece	:	:	:	:
Spain (¹)	26.0	36.6	:	:
France	18.7	30.2	0.2	0.9
Italy	23.8	41.5	1.5	0.5
Cyprus	17.3	43.8	-0.6	0.8
Latvia	21.3	52.3	-1.3	3.6
Lithuania	14.9	56.1	-0.8	4.7
Luxembourg (¹)	19.7	42.5	:	:
Hungary	20.0	45.1	-4.0	4.7
Malta	:	51.1	:	1.4
Netherlands	15.7	38.6	-0.1	0.9
Austria	27.3	41.0	-0.1	1.5
Poland (¹)	23.8	49.5	:	:
Portugal	20.9	34.2	-3.3	0.7
Romania	:	:	:	:
Slovenia	25.1	30.4	-1.1	-1.1
Slovakia	31.1	51.6	3.1	2.1
Finland	17.1	39.7	-2.3	1.8
Sweden	19.2	33.1	-0.8	4.5
United Kingdom (¹)	14.9	32.4	:	:
Norway	22.5	52.6	-1.9	2.2
Switzerland (¹)	21.0	33.6	:	:

(¹) 2009.

Source: Eurostat (online data code: [nasa\\_ki](#))



**Figure 1.1.17:** Investment rate (gross) of non-financial corporations, 2010 <sup>(1)</sup>  
(%)



<sup>(1)</sup> Bulgaria, Greece, Malta and Romania, not available.

<sup>(?)</sup> 2009.

Source: Eurostat (online data code: [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** (EA-17). Specifically, it considers public (general government) deficits, general government gross debt, revenue and expenditure of general government, as well as 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 (SGP)**, Member States pledged to keep their deficits 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 appropriate 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. The financial and economic crisis has resulted in serious challenges being posed to many European governments. The main concerns are linked to the ability of national administrations to be able to service their debt repayments, take the necessary action to ensure that their public spending is brought under control, while at the same time trying to promote economic growth.

### Main statistical findings

In 2011, the government deficit (net borrowing or lending of the consolidated general government sector, as a share of GDP) of both the **EU-27** and the euro area (EA-17) decreased compared with 2010, while general government debt increased.

#### Government deficit

In the EU-27 the government deficit-to-GDP ratio decreased from –6.5% in 2010 to –4.5% in 2011, and in the euro area it decreased from –6.2% to –4.1%. Deficit ratios were greater than the reference threshold of –3% of GDP in 17 of the Member States in 2011. Ten Member States had a



government deficit exceeding the  $-3\%$  threshold for the whole of the reporting period 2008 to 2011. The largest government deficits (as a percentage of GDP) in 2011 were recorded by Ireland ( $-13.1\%$ ), Greece ( $-9.1\%$ ), Spain ( $-8.5\%$ ) and the United Kingdom ( $-8.3\%$ ). Twenty-five Member States saw their government deficit (in relation to GDP) reduced, or saw their government surplus expand in 2011 compared to 2010. Hungary, Estonia and Sweden registered a government surplus in 2011. There were seven Member States, namely Bulgaria, Denmark, Germany, Luxembourg, Malta, Austria and Finland which recorded deficits in 2011 that were lower than the  $-3\%$  threshold (see Figure 1.2.1). Two Member States – Cyprus and Slovenia – recorded larger deficits in 2011 than in 2010.

### Government debt

In the EU-27 the government debt-to-GDP ratio increased from  $80.0\%$  at the end of 2010 to  $82.5\%$  at the end of 2011, and in the euro area from  $85.3\%$  to  $87.2\%$ . A total of 14 Member States reported a debt ratio above  $60\%$  of GDP in 2011. At the end of 2011, the lowest ratios of government debt-to-GDP were recorded in Estonia ( $6.0\%$ ), Bulgaria ( $16.3\%$ ) and Luxembourg ( $18.2\%$ ) – see Figure 1.2.2. In 2011, government debt-to-GDP ratios increased for 21 EU Member States when compared with 2010, while government debt ratios decreased for six Member States: Germany, Estonia, Latvia, Luxembourg, Hungary and Sweden. The highest increases of debt ratios from 2010 to 2011 were observed in Greece (20.4 percentage points), Ireland (15.7 points), Portugal (14.4 points) and Cyprus (10.2 points).

### 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 2011 amounted to  $44.6\%$  of GDP (up from  $44.1\%$  of GDP in 2010), and expenditure to  $49.1\%$  of GDP (down from  $50.6\%$  in 2010). In the euro area total general government expenditure amounted to  $49.4\%$  of GDP in 2011 and total revenue to  $45.3\%$  of GDP – see Figure 1.2.3.

In absolute terms, total general government expenditure grew steadily over the period from 2001 to 2010 – both in the EU-27 and in the euro area (see Figure 1.2.4). From 2010 to 2011 total general government expenditure decreased slightly in absolute terms both in the EU-27 and in the euro area. Revenues also grew steadily through to 2007 in the EU-27 and the euro area, remained relatively unchanged in 2008, decreased in 2009 and then increased again in 2010 and 2011.

The level of general government expenditure and revenue varies considerably between the EU Member States (see Figure 1.2.5). In 2011, the countries with the highest levels of combined government expenditure and revenue as a proportion of GDP (in excess of  $100\%$ ), were Denmark, Finland, France, Belgium, Sweden and Hungary, as well as Norway among the EFTA countries. Seven Member States reported relatively low combined ratios (less than  $80\%$  of GDP); they were Bulgaria, Lithuania, Slovakia, Romania, Latvia, Estonia and Spain, while Switzerland reported the lowest ratio ( $68.9\%$  in 2010, latest year available) among the EFTA members.

Across the EU-27, the main components of total general government revenue are taxes and social contributions (see Figure 1.2.6). In 2011, taxes made up  $58.2\%$  of total revenue in the EU-27 ( $55.1\%$  in the euro area), while social contributions amounted to  $31.2\%$  of total revenue ( $34.6\%$  in the euro area). Looking at each Member State, the relative importance of the different revenue categories varies widely. For example, taxes made up less than  $50\%$  of government revenue in Hungary, the Czech Republic and Slovakia in 2011, but almost  $85\%$  of government revenue in Denmark (see Figure 1.2.7).

The largest proportion of EU-27 government expenditure in 2011 concerned the redistribution of income in the form of social transfers in cash or in kind (see Figures 1.2.8 and 1.2.9). Social transfers made up  $43.4\%$  of total expenditure in the EU-27 ( $46.8\%$  in the euro area). Compensation of employees accounted for  $22.0\%$  of government expenditure ( $21.5\%$  in the euro area). Property income paid – of which by far the largest part is made up of interest payments – accounted for  $6.0\%$  of government



expenditure in the EU-27 (6.2% in the euro area), a share which rose to 13.9% of total expenditure in Greece and 10.1% in Iceland.

General government expenditure can be analysed in more detail using the [classification of the functions of government \(COFOG\)](#). In 2010 social protection measures accounted for the highest proportion of government expenditure in all EU Member States, with an EU-27 average of 19.9% of GDP. This pattern held across all Member States except Ireland, where capital transfers to sustain the Irish banking sector influenced the high share of the 'economic affairs' function. The share of the 'social protection' function ranged from 25.4% of GDP in Denmark, 24.2% in France and 23.9% in Finland to 11.7% in Cyprus and 11.2% in Iceland. The next COFOG functions, in order of their relative importance within the EU-27, were health (7.5% of GDP), general public services (6.5%) and education (5.5%). Spending on economic affairs in the EU-27 stood at 4.7% of GDP in 2010, while less than 2% of GDP was devoted to defence, public order and safety, environmental protection, housing and community affairs, recreation, or religion and culture (all of these functions are grouped together under the heading of 'others' in Figure 1.2.10).

The main types of government revenue are current taxes on income and wealth, etc., [taxes on production and imports](#), and [social contributions](#), with capital taxes making up just 0.6% of total revenue in the EU-27 in 2011. There was an increase in the relative importance of receipts from social contributions in the EU-27 during the period from 2007 to 2009, however, this pattern was reversed in 2010, with social contributions then remaining almost stable from 2010 to 2011 (at 13.9% of GDP in 2010 and 2011). The relative importance of current taxes on income and wealth, etc. decreased from 2007 to 2009, then remained stable from 2009 to 2010, before increasing to 12.6% of GDP in 2011. Taxes on production and imports increased by 0.4 percentage points of GDP from a low point in 2009 to stand at 13.1% of GDP in 2011 (see Figure 1.2.11).

There was considerable variation in the structure of tax revenues across the EU Member States in 2011 (see Figure 1.2.12). 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, in 2011 the highest return from the main categories of taxes and social contributions was 48.8% of GDP recorded in Denmark, with France and Belgium recording the next highest shares (45.3% and 45.2% respectively), while the proportion of GDP accounted for by such revenue was below 30% in six of the Member States: Ireland, Slovakia, Latvia, Romania, Bulgaria and Lithuania (where the lowest share was recorded at 26.2% of GDP). Switzerland also recorded a share below 30%.

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 1.2.13). 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 (6.2%) and Finland (4.9%) recorded the highest ratios of openly advertised public procurement to GDP, while Germany (1.4%) and Luxembourg (1.5%) reported the lowest.

Total state aid in the EU-27 stood at 3.5% in 2009; a relatively high level reflecting responses to the financial and economic crisis – by means of comparison the same ratio had remained relatively stable during the run-up to the crisis, at around 0.4 to 0.5% of GDP. The EU-27 average masks significant disparities among Member States (see Figure 1.2.14).

## Data sources and availability

Under the terms of the excessive deficit procedure, EU 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. In addition, [Eurostat](#) collects more detailed data on government finances within the framework of the ESA transmission programme which results in the submission of [national accounts](#) data. The main aggregates collected for general government are provided to Eurostat twice a year, whereas statistics on the functions of government (COFOG) and detailed tax and social contribution receipts should be transmitted within one year after the end of the



reference period and within nine months after the end of the reference period, respectively.

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 (ESA 95)** basis. The difference between total revenue and total expenditure – including capital expenditure (in particular, gross fixed capital formation) – equals net lending/net borrowing of general government, which is also the balancing item of the government non-financial accounts.

### 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** – where applicable, **local government**, and **social security funds** – where applicable.

### 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.

General government data reported for main aggregates of general government and for expenditure of general government by function in the ESA95 framework must be consolidated, meaning that specific transactions between institutional units within the general government sector – ‘property income’, ‘other current transfers’ and ‘capital transfers’ – are eliminated or cancelled out. Sub-sector data should be consolidated within each sub-sector but not between sub-sectors. Thus data at sector level should equal the sum of sub-sector data, except for items ‘property income’, ‘other current transfers’ and ‘capital transfers’, which are consolidated. For these latter items and consequently total revenue and total expenditure, the sum of the sub-sectors should exceed the value of the sector.

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, etc. 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.

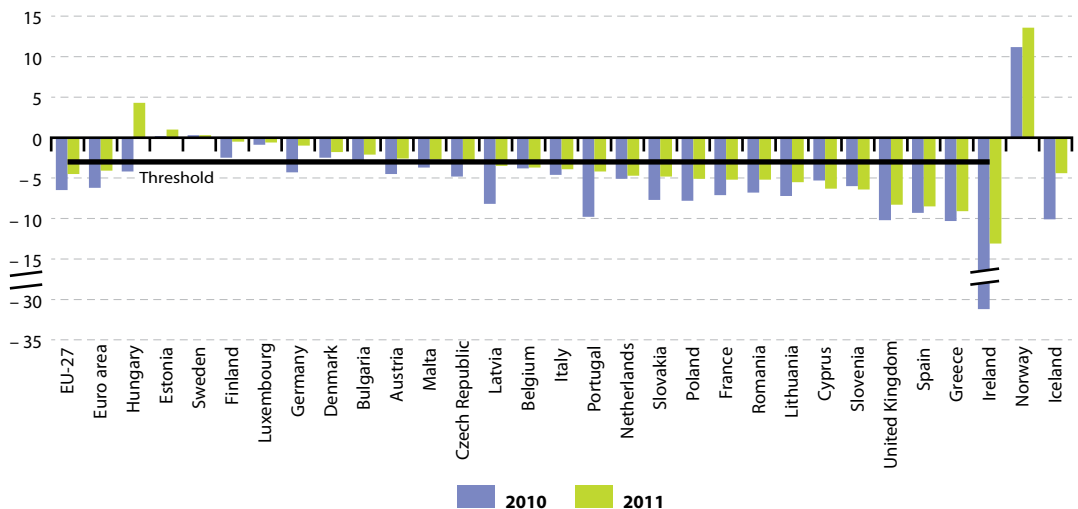
## Context

The disciplines of the stability and growth pact (SGP) are intended to keep economic developments in

the EU, and the euro area countries in particular, broadly synchronised. Furthermore, the SGP is intended to 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 (or should be falling towards) 60 %. The SGP was substantially reinforced in 2011, as was EU economic governance in general.

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. This action can lead to the Council finding the existence of an excessive deficit, which requires a deadline to be set for its correction.

**Figure 1.2.1: Public balance, 2010 and 2011<sup>(1)</sup>**  
(net borrowing or lending of consolidated general government sector, % of GDP)



<sup>(1)</sup> Data extracted on 23.04.2012.

Source: Eurostat (online data code: [tsieb080](#))





**Table 1.2.1:** Public balance and general government debt, 2008-2011 <sup>(1)</sup>  
(% of GDP)

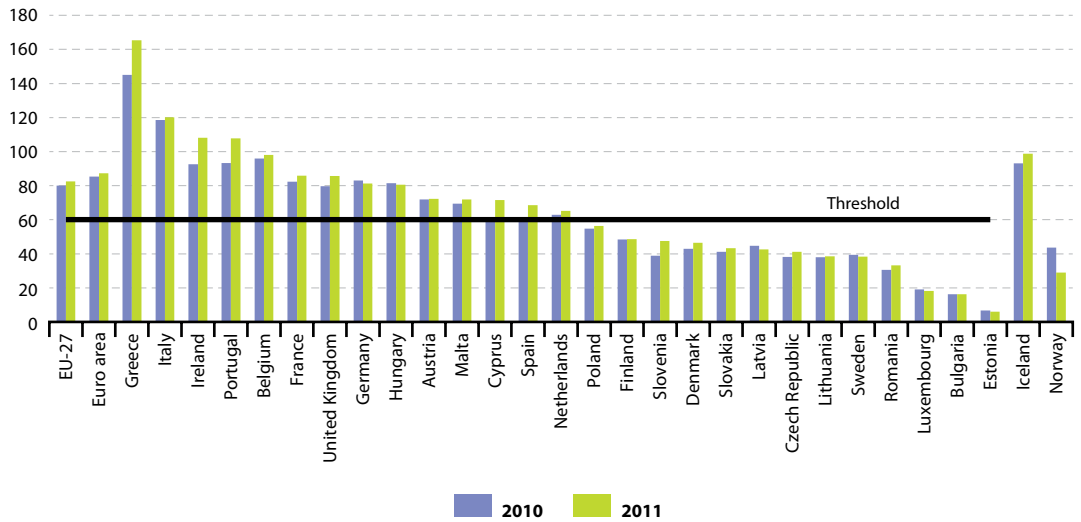
	Public balance (net borrowing/lending of consolidated general government sector)				General government debt (general government consolidated gross debt)			
	2008	2009	2010	2011	2008	2009	2010	2011
<b>EU-27</b>	-2.4	-6.9	-6.5	-4.5	62.5	74.8	80.0	82.5
<b>Euro area</b>	-2.1	-6.4	-6.2	-4.1	70.1	79.9	85.3	87.2
Belgium	-1.0	-5.6	-3.8	-3.7	89.3	95.8	96.0	98.0
Bulgaria	1.7	-4.3	-3.1	-2.1	13.7	14.6	16.3	16.3
Czech Republic	-2.2	-5.8	-4.8	-3.1	28.7	34.4	38.1	41.2
Denmark	3.2	-2.7	-2.5	-1.8	33.4	40.6	42.9	46.5
Germany	-0.1	-3.2	-4.3	-1.0	66.7	74.4	83.0	81.2
Estonia	-2.9	-2.0	0.2	1.0	4.5	7.2	6.7	6.0
Ireland	-7.3	-14.0	-31.2	-13.1	44.2	65.1	92.5	108.2
Greece	-9.8	-15.6	-10.3	-9.1	113.0	129.4	145.0	165.3
Spain	-4.5	-11.2	-9.3	-8.5	40.2	53.9	61.2	68.5
France	-3.3	-7.5	-7.1	-5.2	68.2	79.2	82.3	85.8
Italy	-2.7	-5.4	-4.6	-3.9	105.7	116.0	118.6	120.1
Cyprus	0.9	-6.1	-5.3	-6.3	48.9	58.5	61.5	71.6
Latvia	-4.2	-9.8	-8.2	-3.5	19.8	36.7	44.7	42.6
Lithuania	-3.3	-9.4	-7.2	-5.5	15.5	29.4	38.0	38.5
Luxembourg	3.0	-0.8	-0.9	-0.6	13.7	14.8	19.1	18.2
Hungary	-3.7	-4.6	-4.2	4.3	73.0	79.8	81.4	80.6
Malta	-4.6	-3.8	-3.7	-2.7	62.3	68.1	69.4	72.0
Netherlands	0.5	-5.6	-5.1	-4.7	58.5	60.8	62.9	65.2
Austria	-0.9	-4.1	-4.5	-2.6	63.8	69.5	71.9	72.2
Poland	-3.7	-7.4	-7.8	-5.1	47.1	50.9	54.8	56.3
Portugal	-3.6	-10.2	-9.8	-4.2	71.6	83.1	93.3	107.8
Romania	-5.7	-9.0	-6.8	-5.2	13.4	23.6	30.5	33.3
Slovenia	-1.9	-6.1	-6.0	-6.4	21.9	35.3	38.8	47.6
Slovakia	-2.1	-8.0	-7.7	-4.8	27.9	35.6	41.1	43.3
Finland	4.3	-2.5	-2.5	-0.5	33.9	43.5	48.4	48.6
Sweden	2.2	-0.7	0.3	0.3	38.8	42.6	39.4	38.4
United Kingdom	-5.0	-11.5	-10.2	-8.3	54.8	69.6	79.6	85.7
Iceland	-13.5	-10.0	-10.1	-4.4	70.3	87.9	93.1	98.8
Norway	18.8	10.6	11.2	13.6	48.2	43.5	43.7	29.0
Croatia	-1.4	-4.1	:	:	28.9	35.3	:	:
Turkey	-2.2	-6.7	:	:	39.5	45.4	:	:

<sup>(1)</sup> Data extracted on 23.04.2012.

Source: Eurostat (online data codes: [tsieb080](#) and [tsieb090](#))



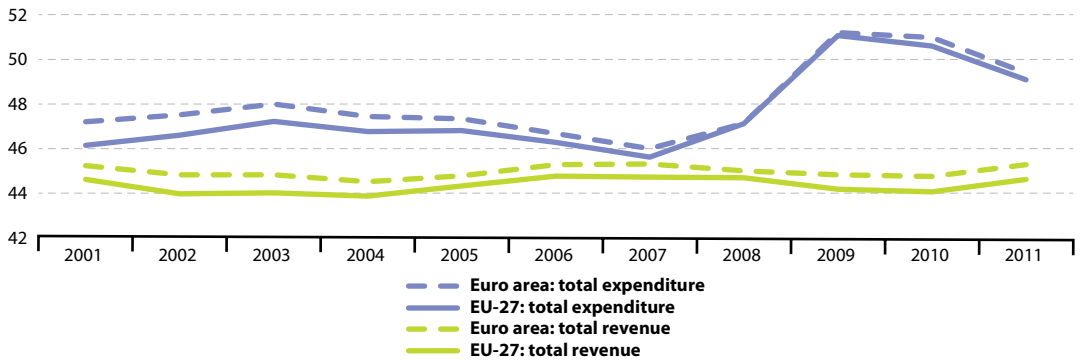
**Figure 1.2.2:** General government debt, 2010 and 2011 <sup>(1)</sup>  
(general government consolidated gross debt, % of GDP)



<sup>(1)</sup> Data extracted on 23.04.2012.

Source: Eurostat (online data code: [tsieb090](#))

**Figure 1.2.3:** Development of total expenditure and total revenue, 2001-2011 <sup>(1)</sup>  
(% of GDP)

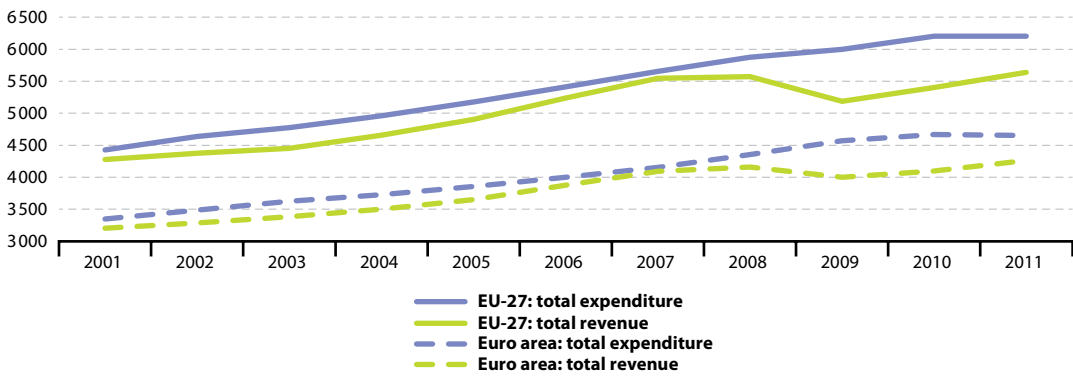


<sup>(1)</sup> Data extracted on 23.04.2012; note that the y-axis is cut.

Source: Eurostat (online data code: [gov\\_a\\_main](#))



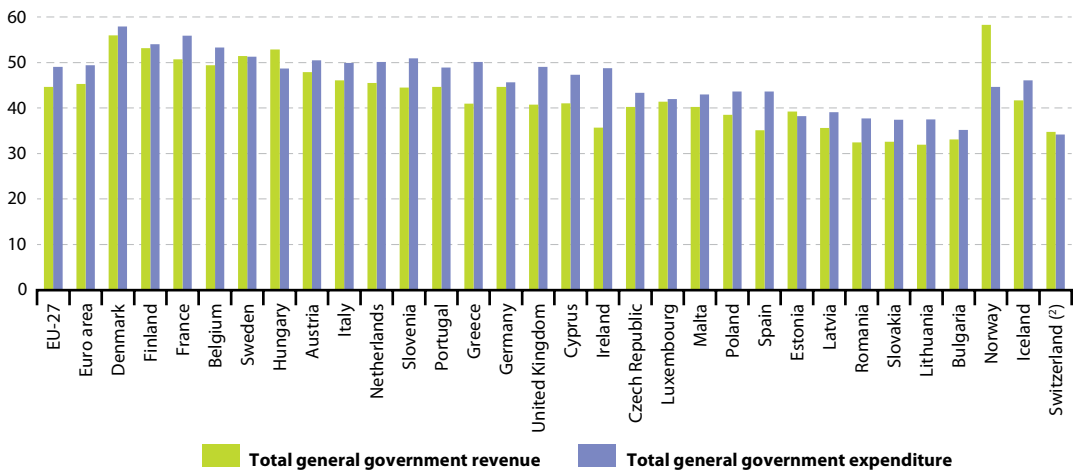
**Figure 1.2.4:** Development of total expenditure and total revenue, 2001-2011 <sup>(1)</sup>  
(EUR 1 000 million)



<sup>(1)</sup> Data extracted on 23.04.2012; note that the y-axis is cut.

Source: Eurostat (online data code: gov\_a\_main)

**Figure 1.2.5:** Government revenue and expenditure, 2011 <sup>(1)</sup>  
(% of GDP)



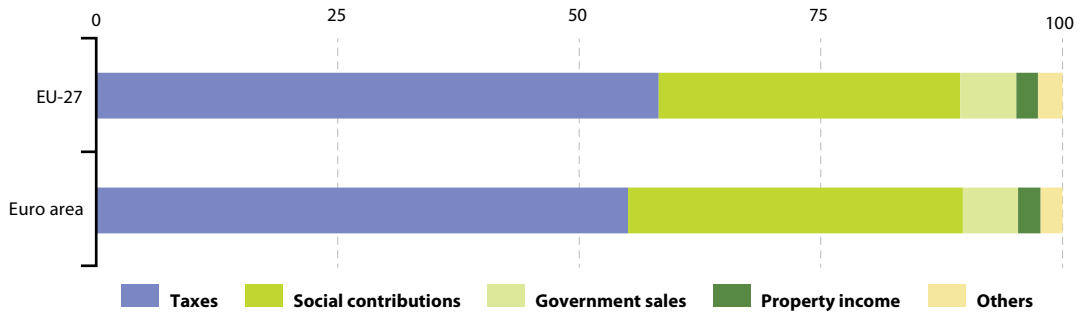
<sup>(1)</sup> Data ranked in descending order according to the average of total revenue and expenditure; data extracted on 23.04.2012.

<sup>(2)</sup> 2010.

Source: Eurostat (online data code: gov\_a\_main)



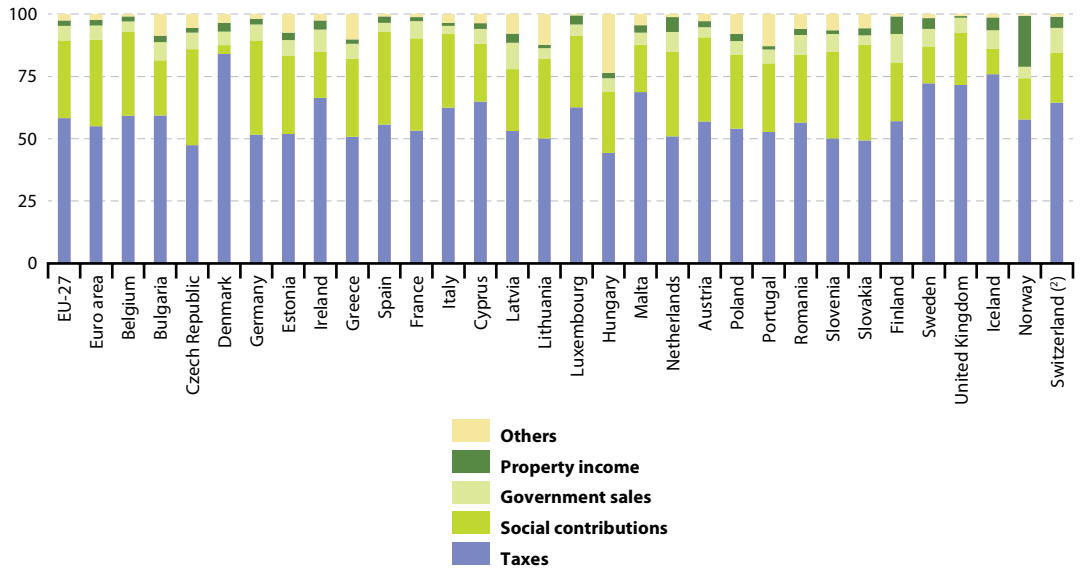
**Figure 1.2.6: Composition of total revenue, 2011**  
(% of total revenue) <sup>(1)</sup>



<sup>(1)</sup> Data extracted on 23.04.2012.

Source: Eurostat ([gov\\_a\\_main](#))

**Figure 1.2.7: Main components of government revenue, 2011 <sup>(1)</sup>**  
(% of total revenue)



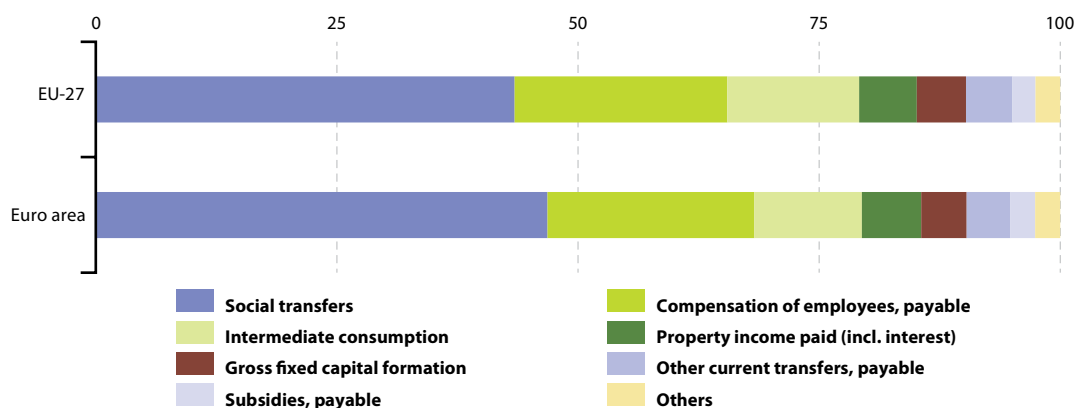
<sup>(1)</sup> Data extracted on 23.04.2012.

<sup>(2)</sup> 2010.

Source: Eurostat (online data code: [gov\\_a\\_main](#))



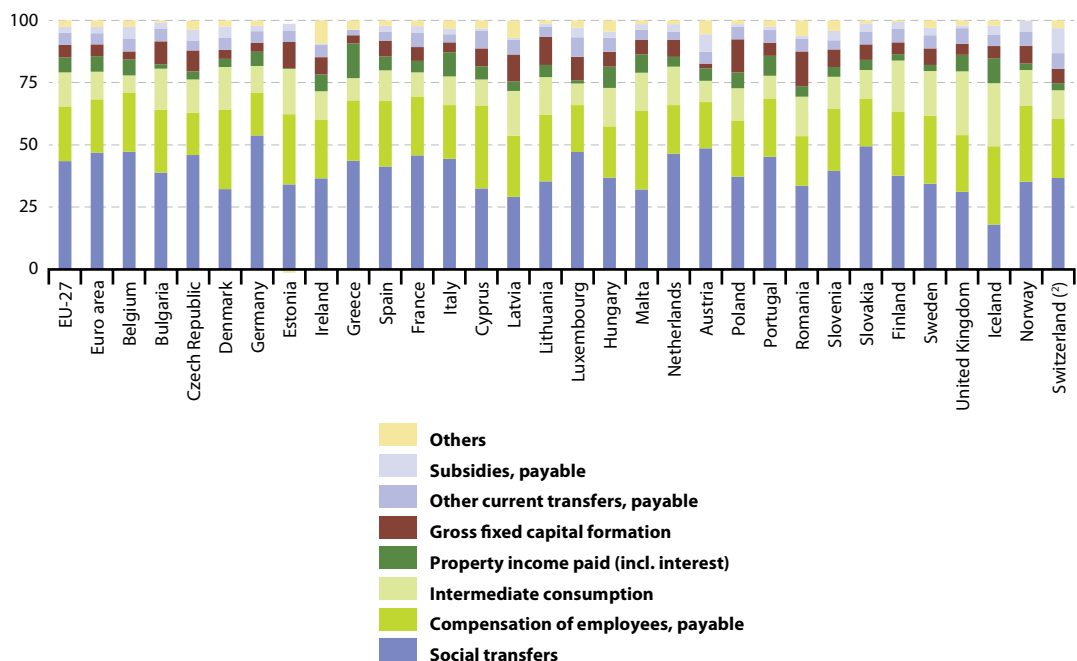
**Figure 1.2.8: Composition of total expenditure, 2011 <sup>(1)</sup>**  
(% of total expenditure)



<sup>(1)</sup> Data extracted on 23.04.2012.

Source: Eurostat ([gov\\_a\\_main](http://gov_a_main))

**Figure 1.2.9: Main components of government expenditure, 2011 <sup>(1)</sup>**  
(% of total expenditure)



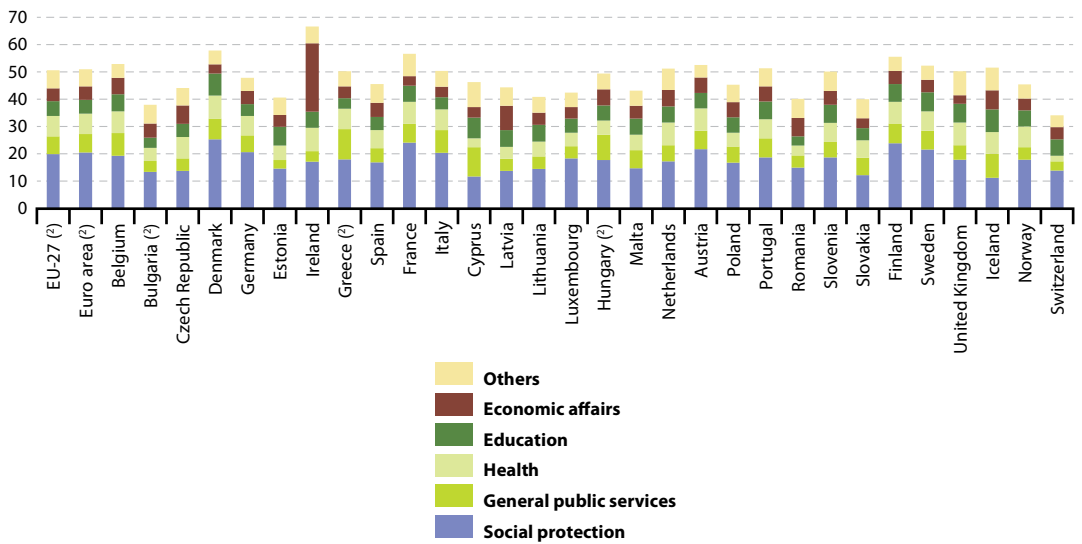
<sup>(1)</sup> Data extracted on 23.04.2012.

<sup>(2)</sup> 2010.

Source: Eurostat (online data code: [gov\\_a\\_main](http://gov_a_main))



**Figure 1.2.10:** General government expenditure by COFOG function, 2010 <sup>(1)</sup>  
(% of GDP)

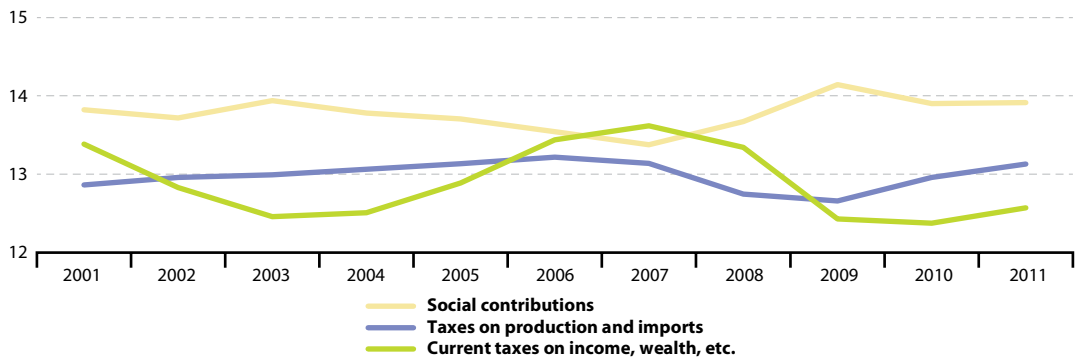


<sup>(1)</sup> COFOG: classification of the functions of government; data extracted on 23.04.2012.

<sup>(2)</sup> Provisional.

Source: Eurostat (online data code: [gov\\_a\\_exp](#))

**Figure 1.2.11:** Main categories of taxes and social contributions, EU-27, 2001-2011 <sup>(1)</sup>  
(% of GDP)

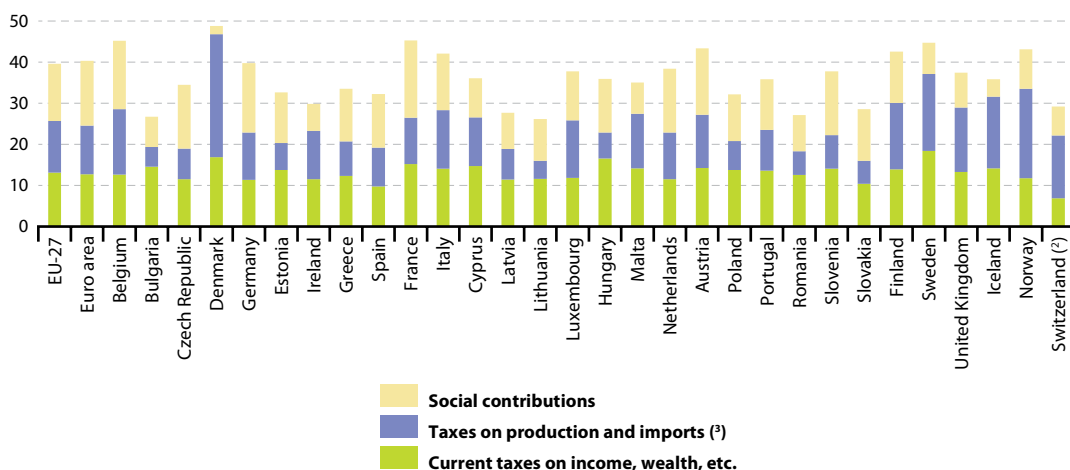


<sup>(1)</sup> Data extracted on 23.04.2012; note that the y-axis is cut.

Source: Eurostat (online data code: [gov\\_a\\_main](#))



**Figure 1.2.12: Main categories of taxes and social contributions, 2011 <sup>(1)</sup>**  
(% of GDP)



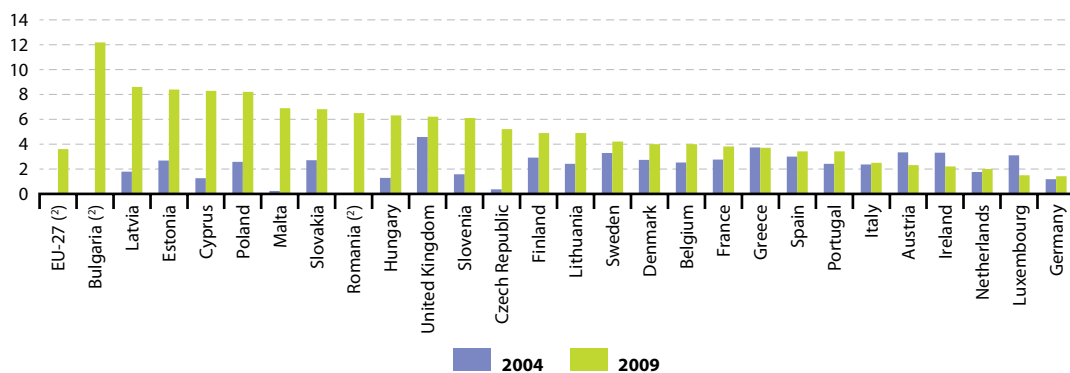
(1) Data extracted on 23.04.2012.

(2) 2010.

(3) Denmark, includes taxes on production and imports paid to the institutions of the European Union.

Source: Eurostat (online data code: [gov\\_a\\_main](#))

**Figure 1.2.13: Public procurement, 2004 and 2009 <sup>(1)</sup>**  
(value of public procurement which is openly advertised, as % of GDP)



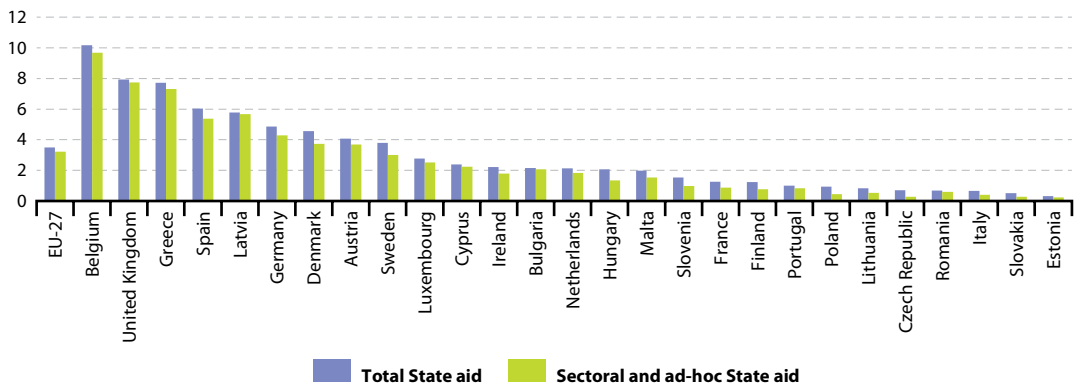
(1) Data extracted on 12.08.2011.

(2) 2004, not available.

Source: Eurostat (online data codes: [gov\\_oth\\_procur](#)), European Commission services



**Figure 1.2.14:** State aid, 2009 <sup>(1)</sup>  
(% of GDP)



<sup>(1)</sup> Data ranked in descending order according to the sum of total State aid and sectoral and ad-hoc State aid; data extracted on 12.08.2011.

Source: Eurostat (online data code: [gov\\_oth\\_staid](#)), European Commission services

## 1.3 Exchange rates and interest rates

This subchapter presents an analysis of [exchange rates](#) and [interest rates](#); these indicators change quite frequently and the latest data can be consulted through Eurostat's website. The analysis starts by considering the development 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 1.3.1 starts in 2001, as the euro was starting to appreciate from 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 +/- 4% overall between 2000 and 2006 after which the euro appreciated more strongly in 2007 (4.4%), before depreciating at an accelerating pace in 2008 (-3.4%), 2009 (-4.9%) and 2010 (-8.6%).

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 against both the Swiss franc and the Japanese yen. On 4 October 2011 (as this subchapter was in the process of being drafted), the latest exchange rates available showed that one euro was worth CHF 1.2169, or JPY 101.08. 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 two fifths (40.5%), while the value of the euro fell against the Swiss franc by 27.6%. In relation to the United States dollar the developments were more complex: from the aforementioned peak of USD 1.599 in July 2008 the value of one euro fell to a low of USD 1.1942 on 8 June 2010; it subsequently rose to USD 1.4882 on 4 May 2011 and stabilised in a range from USD 1.40 to USD 1.46 until the end of August 2011; since 29 August 2011 the euro has generally depreciated against the dollar and its latest rate (at the time of drafting) was USD 1.381, which was 11.4% below its May 2011 peak.

Table 1.3.1 shows the development of exchange rates between the euro and a broader range of currencies. Between 2001 and 2010, the euro appreciated strongly against the Turkish lira, and also against the Icelandic króna (particularly between 2007 and 2009). The euro also appreciated against the currencies of Latvia, Hungary, Poland, Romania, Sweden and the United Kingdom. In contrast, the national currencies of the Czech Republic and to a lesser extent Lithuania appreciated against the euro during the period 2001 to 2010, as did those of Switzerland and Norway (among non-member countries). 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.

The overall pattern in bond yields (see Table 1.3.2) for the EU-27 (weighted) average was that yields were highest at the beginning of the decade (2000),

lowest in the middle of the decade (2005), increased in 2006 and 2007 before declining through to the end of the decade (2010) without quite returning to their lowest levels recorded in 2005; this pattern of high yields at the beginning of the decade, low yields in the middle of the decade (2005 or 2006) and yields at the end of the decade somewhat above the mid-decade lows was broadly repeated in ten of the Member States. The largest group of exceptions, containing several of the larger Member States, saw yields at the end of the decade fall below their mid-decade lows. This group included a mixture of euro area and non-euro area members, namely: Denmark, Germany, France, Malta, the Netherlands, Austria, Finland, Sweden and the United Kingdom. Another group saw their yields climb towards the end of the decade and reach their highest levels for the decade in either 2009 or 2010 – this group was composed of Bulgaria, Ireland, Greece, Latvia, Lithuania, Hungary and Romania.

Money market rates, also known as inter-bank rates, are interest rates used by banks for operations among themselves. In the money market, banks are able to trade their surpluses and deficits. Table 1.3.3 shows three-month interbank rates for the euro area and for EU Member States that are not in the euro area, as well as for some non-member countries. As was the case for yields, money market rates tended to fall during the first half of the decade and then rose through to 2008 or 2009 before falling again, with rates in the United Kingdom and the United States peaking one year earlier in 2007.

Tables 1.3.5 and 1.3.6 provide information on interest rates for housing loans for households and overdrafts for non-financial corporations (businesses). In broad terms these followed a similar progression to that observed for bond yields and money market rates, falling in the first half of the decade and then rising for a couple of years before falling again. Among the Member States for which data are available, interest rates on new loans for housing ranged in 2010 from less than 3% in Austria and Spain to nearly 10% in Romania and Hungary. For new bank overdrafts rates ranged from less than 3% in Finland, the Czech Republic and France to 10.5% in Romania.



## Data sources and availability

### Exchange rates

Eurostat publishes a number of different data sets concerning exchange rates. Three main data sets 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 (non-harmonised and historical series), and harmonised monetary financial institutions (MFI) interest rates, such as loans to households or non-financial corporations.

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 government bonds.

### 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.

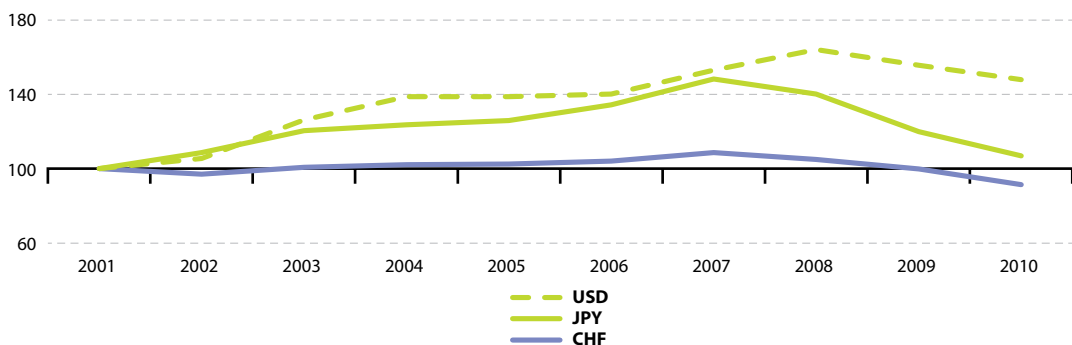
All economic and monetary union participants are eligible to adopt the euro. Aside from demonstrating two years of exchange rate stability (via membership of ERM II), those Member States wishing to join the euro area also need to adhere to a number of additional criteria relating to interest rates, [budget 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, notes and 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 State 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 [harmonised index of consumer prices \(HICP\)](#) for the euro area below, but close to, 2% over the medium term (see the subchapter 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 1.3.1:** Exchange rates against the euro, 2001-2010 <sup>(1)</sup>  
(2001 = 100)



<sup>(1)</sup> CHF, Swiss franc; JPY, Japanese yen; USD, United States dollar; a reduction in the value of the index shows an appreciation in the value of the foreign currency and a depreciation in the value of the euro.

Source: Eurostat (online data code: [tec00033](#)), ECB



**Table 1.3.1:** Exchange rates against the euro, 2001-2010 <sup>(1)</sup>  
(1 EUR = ... national currency)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Bulgaria	1.9482	1.9492	1.9490	1.9533	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558
Czech Republic	34.068	30.804	31.846	31.891	29.782	28.342	27.766	24.946	26.435	25.284
Denmark	7.4521	7.4305	7.4307	7.4399	7.4518	7.4591	7.4506	7.4560	7.4462	7.4473
Latvia	0.5601	0.5810	0.6407	0.6652	0.6962	0.6962	0.7001	0.7027	0.7057	0.7087
Lithuania	3.5823	3.4594	3.4527	3.4529	3.4528	3.4528	3.4528	3.4528	3.4528	3.4528
Hungary	256.59	242.96	253.62	251.66	248.05	264.26	251.35	251.51	280.33	275.48
Poland	3.6721	3.8574	4.3996	4.5268	4.0230	3.8959	3.7837	3.5121	4.3276	3.9947
Romania	2.6004	3.1270	3.7551	4.0510	3.6209	3.5258	3.3353	3.6826	4.2399	4.2122
Sweden	9.2551	9.1611	9.1242	9.1243	9.2822	9.2544	9.2501	9.6152	10.6191	9.5373
United Kingdom	0.62187	0.62883	0.69199	0.67866	0.68380	0.68173	0.68434	0.79628	0.89094	0.85784
Iceland	87.42	86.18	86.65	87.14	78.23	87.76	87.63	143.83	172.67	161.89
Norway	8.0484	7.5086	8.0033	8.3697	8.0092	8.0472	8.0165	8.2237	8.7278	8.0043
Switzerland	1.5105	1.4670	1.5212	1.5438	1.5483	1.5729	1.6427	1.5874	1.5100	1.3803
Croatia	7.4820	7.4130	7.5688	7.4967	7.4008	7.3247	7.3376	7.2239	7.3400	7.2891
FYR of Macedonia	60.9131	60.9786	61.2631	61.3372	61.2970	61.1896	61.1730	61.5201	61.2815	61.4800
Turkey	1.1024	1.4397	1.6949	1.7771	1.6771	1.8090	1.7865	1.9064	2.1631	1.9965
Japan	108.68	118.06	130.97	134.44	136.85	146.02	161.25	152.45	130.34	116.24
United States	0.8956	0.9456	1.1312	1.2439	1.2441	1.2556	1.3705	1.4708	1.3948	1.3257

<sup>(1)</sup> 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; on 1 January 2011, the euro came into circulation in Estonia; as of 1 January 2009 the official rate for the Icelandic króna is shown for indicative purposes.

Source: Eurostat (online data codes: [tec00033](#) and [ert\\_bil\\_eur\\_a](#)), ECB



**Table 1.3.2:** EMU convergence criterion bond yields (Maastricht criterion), 2000-2010 <sup>(1)</sup>  
(%)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>EU-27</b>	:	5.00	4.92	4.23	4.38	3.70	4.03	4.56	4.54	4.13	3.82
<b>Euro area <sup>(2)</sup></b>	5.44	5.00	4.91	4.14	4.12	3.42	3.84	4.32	4.31	3.82	3.62
Belgium	5.59	5.13	4.99	4.18	4.15	3.43	3.81	4.33	4.42	3.90	3.46
Bulgaria	:	:	:	6.45	5.36	3.87	4.18	4.54	5.38	7.22	6.01
Czech Republic	:	6.31	4.88	4.12	4.82	3.54	3.80	4.30	4.63	4.84	3.88
Denmark	5.64	5.08	5.06	4.31	4.30	3.40	3.81	4.29	4.28	3.59	2.93
Germany	5.26	4.80	4.78	4.07	4.04	3.35	3.76	4.22	3.98	3.22	2.74
Estonia	:	:	:	:	:	:	:	:	:	:	:
Ireland	5.51	5.01	5.01	4.13	4.08	3.33	3.76	4.31	4.53	5.23	5.74
Greece	6.10	5.30	5.12	4.27	4.26	3.59	4.07	4.50	4.80	5.17	9.09
Spain	5.53	5.12	4.96	4.12	4.10	3.39	3.78	4.31	4.37	3.98	4.25
France	5.39	4.94	4.86	4.13	4.10	3.41	3.80	4.30	4.23	3.65	3.12
Italy	5.58	5.19	5.03	4.25	4.26	3.56	4.05	4.49	4.68	4.31	4.04
Cyprus	:	7.62	5.70	4.74	5.80	5.16	4.13	4.48	4.60	4.60	4.60
Latvia	:	7.57	5.41	4.90	4.86	3.88	4.13	5.28	6.43	12.36	10.34
Lithuania	:	8.15	6.06	5.32	4.50	3.70	4.08	4.55	5.61	14.00	5.57
Luxembourg	5.52	4.86	4.70	3.32	2.84	2.41	3.30	4.46	4.61	4.23	3.17
Hungary	:	7.95	7.09	6.82	8.19	6.60	7.12	6.74	8.24	9.12	7.28
Malta	:	6.19	5.82	5.04	4.69	4.56	4.32	4.72	4.81	4.54	4.19
Netherlands	5.40	4.96	4.89	4.12	4.10	3.37	3.78	4.29	4.23	3.69	2.99
Austria	5.56	5.08	4.96	4.14	4.13	3.39	3.80	4.30	4.36	3.94	3.23
Poland	:	10.68	7.36	5.78	6.90	5.22	5.23	5.48	6.07	6.12	5.78
Portugal	5.59	5.16	5.01	4.18	4.14	3.44	3.91	4.42	4.52	4.21	5.40
Romania	:	:	:	:	:	:	7.23	7.13	7.70	9.69	7.34
Slovenia	:	:	8.72	6.40	4.68	3.81	3.85	4.53	4.61	4.38	3.83
Slovakia	:	8.04	6.94	4.99	5.03	3.52	4.41	4.49	4.72	4.71	3.87
Finland	5.48	5.04	4.98	4.13	4.11	3.35	3.78	4.29	4.29	3.74	3.01
Sweden	5.37	5.11	5.30	4.64	4.42	3.38	3.70	4.17	3.89	3.25	2.89
United Kingdom	5.33	5.01	4.91	4.58	4.93	4.46	4.37	5.06	4.50	3.36	3.36

<sup>(1)</sup> 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.

<sup>(2)</sup> EA-11, 2000; EA-12, 2001-2006; EA-13, 2007; EA-15, 2008; EA-16, 2009-2010.

Source: Eurostat (online data code: [tec00097](#)), ECB



**Table 1.3.3:** Short-term interest rates – three-month interbank rates (annual average), 2000-2010 (%)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Euro area<sup>(1)</sup></b>	4.4	4.3	3.3	2.3	2.1	2.2	3.1	4.3	4.6	1.2	0.8
Bulgaria	4.6	5.1	4.9	3.7	3.7	3.6	3.7	4.9	7.1	5.7	4.1
Czech Republic	5.4	5.2	3.5	2.3	2.4	2.0	2.3	3.1	4.0	2.2	1.3
Denmark	5.0	4.7	3.5	2.4	2.2	2.2	3.2	4.4	5.3	2.5	1.3
Latvia	5.4	6.9	4.4	3.8	4.2	3.1	4.4	8.7	8.0	13.1	2.0
Lithuania	8.6	5.9	3.7	2.8	2.7	2.4	3.1	5.1	6.0	7.1	1.8
Hungary	11.4	10.9	9.2	8.5	11.4	7.2	7.0	7.9	8.7	9.3	6.2
Poland	18.8	16.1	9.0	5.7	6.2	5.3	4.2	4.7	6.4	4.4	3.9
Romania	50.7	41.3	27.3	17.7	19.1	8.4	8.1	7.2	12.3	11.3	6.5
Sweden	4.1	4.1	4.3	3.2	2.3	1.9	2.6	3.9	4.7	0.9	0.9
United Kingdom	6.2	5.0	4.1	3.7	4.6	4.8	4.9	6.0	5.5	1.2	0.7
Japan	0.3	0.2	0.1	0.1	0.1	0.1	0.3	0.8	0.9	0.5	0.2
United States	6.5	3.8	1.8	1.2	1.6	3.6	5.2	5.3	2.9	0.7	0.3

(<sup>1</sup>) EA-11, 2000; EA-12, 2001-2006; EA-13, 2007; EA-15, 2008; EA-16, 2009-2010; Euribor.

Source: Eurostat (online data code: [tec00035](#)), ECB



**Table 1.3.4:** Euro yield curve, 2006-2010 <sup>(1)</sup>  
(%)

	2006	2007	2008	2009	2010
1 year until maturity	3.22	3.99	3.61	0.91	0.59
2 years until maturity	3.37	4.04	3.59	1.51	0.94
3 years until maturity	3.43	4.05	3.65	2.00	1.31
4 years until maturity	3.48	4.06	3.74	2.41	1.68
5 years until maturity	3.53	4.08	3.83	2.75	2.01
6 years until maturity	3.58	4.11	3.93	3.03	2.31
7 years until maturity	3.63	4.14	4.02	3.28	2.58
8 years until maturity	3.68	4.17	4.10	3.49	2.80
9 years until maturity	3.72	4.20	4.18	3.67	2.99
10 years until maturity	3.76	4.23	4.25	3.82	3.15
11 years until maturity	3.79	4.26	4.31	3.95	3.28
12 years until maturity	3.82	4.28	4.36	4.06	3.39
13 years until maturity	3.85	4.30	4.41	4.15	3.47
14 years until maturity	3.88	4.32	4.45	4.22	3.54
15 years until maturity	3.90	4.34	4.48	4.28	3.60
16 years until maturity	3.92	4.36	4.52	4.33	3.64
17 years until maturity	3.93	4.37	4.54	4.37	3.67
18 years until maturity	3.95	4.39	4.57	4.40	3.69
19 years until maturity	3.96	4.40	4.59	4.42	3.70
20 years until maturity	3.98	4.41	4.61	4.43	3.71
21 years until maturity	3.99	4.42	4.63	4.43	3.72
22 years until maturity	4.00	4.43	4.64	4.43	3.72
23 years until maturity	4.01	4.44	4.66	4.43	3.71
24 years until maturity	4.02	4.45	4.67	4.42	3.71
25 years until maturity	4.03	4.46	4.68	4.40	3.70
26 years until maturity	4.03	4.46	4.69	4.39	3.69
27 years until maturity	4.04	4.47	4.70	4.37	3.68
28 years until maturity	4.05	4.47	4.70	4.35	3.66
29 years until maturity	4.05	4.48	4.71	4.32	3.65
30 years until maturity	4.06	4.49	4.72	4.30	3.64

<sup>(1)</sup> Zero-coupon yield curve spot rate for AAA rated euro area central government bonds; EA-12, 2006; EA-13, 2007; EA-15, 2008; EA-16, 2009-2010.

Source: Eurostat (online data code: [irt\\_euryld\\_a](#)), ECB



**Table 1.3.5:** MFI interest rates on new loans to households for housing, maturity of 1 to 5 years, 2003-2010  
(%, annualised agreed percentage rate)

	2003	2004	2005	2006	2007	2008	2009	2010
<b>Euro area (*)</b>	4.18	3.95	3.85	4.56	5.03	5.06	3.96	3.52
Belgium	4.37	4.12	3.80	4.44	5.18	4.99	3.98	3.55
Bulgaria	:	:	:	:	6.12	9.84	8.30	5.53
Czech Republic	:	5.13	4.34	4.66	5.34	5.67	5.68	4.51
Denmark	:	:	:	:	:	:	:	:
Germany	4.75	4.29	4.25	4.86	5.33	4.84	3.76	3.31
Estonia	:	:	5.72	6.70	12.08	17.01	16.00	7.00
Ireland	:	:	:	:	:	:	:	:
Greece	5.83	5.19	4.92	4.37	4.21	5.53	4.60	3.95
Spain	3.27	3.47	3.59	4.78	5.65	5.71	3.06	2.94
France	4.01	3.85	3.46	4.04	4.77	5.21	3.80	3.15
Italy	3.73	3.80	3.28	4.09	4.99	4.98	3.35	3.48
Cyprus	:	:	:	:	:	:	:	4.08
Latvia	:	7.70	7.16	7.59	12.63	7.01	7.18	6.39
Lithuania	:	:	:	:	:	:	:	:
Luxembourg	:	:	:	:	:	:	:	:
Hungary	12.81	11.40	8.93	10.14	9.69	11.11	10.99	9.86
Malta	:	:	:	:	:	:	:	:
Netherlands	4.38	3.87	3.85	4.65	5.18	5.32	4.87	4.19
Austria	4.05	3.15	2.98	3.47	4.26	4.82	2.94	2.38
Poland	:	:	9.21	6.95	8.04	8.68	7.43	7.76
Portugal	:	:	:	:	:	:	:	:
Romania	:	:	:	:	9.25	8.99	11.60	9.99
Slovenia	5.10	:	:	5.13	6.30	7.30	5.17	5.46
Slovakia	:	:	:	:	:	6.36	5.57	4.68
Finland	4.18	3.66	3.76	4.53	5.03	3.96	3.47	3.27
Sweden	:	:	:	:	:	:	:	:
United Kingdom	:	:	:	:	:	:	:	:

(\*) EA-12, 2003-2006; EA-13, 2007; EA-15, 2008-2009; EA-16, 2010.

Source: Eurostat (online data code: [irt\\_rtl\\_lhh](#)), ECB





**Table 1.3.6:** MFI interest rates to non-financial corporations for (new) bank overdrafts, 2003-2010  
(%, annualised agreed percentage rate)

	2003	2004	2005	2006	2007	2008	2009	2010
<b>Euro area <sup>(1)</sup></b>	5.49	5.23	5.12	5.80	6.61	6.24	4.06	3.86
Belgium	8.09	8.17	6.46	7.34	7.31	8.20	6.95	6.69
Bulgaria	:	:	:	:	9.24	10.36	9.31	8.79
Czech Republic	:	4.15	5.34	4.82	5.31	5.37	2.52	2.39
Denmark	:	:	:	:	:	:	:	:
Germany	6.44	6.01	5.79	6.54	7.15	6.35	4.84	4.86
Estonia	:	:	4.93	5.26	6.44	8.03	6.17	9.55
Ireland	6.58	5.69	6.37	7.78	8.81	7.66	5.75	5.33
Greece	6.78	6.97	7.00	7.35	7.56	7.13	5.81	6.78
Spain	13.63	19.51	16.29	12.69	18.26	20.66	19.99	3.41
France	4.21	3.81	3.97	4.74	5.74	5.15	2.57	2.49
Italy	5.62	5.49	5.35	5.95	6.83	6.64	4.28	4.08
Cyprus	:	:	:	:	:	7.19	6.69	6.68
Latvia	:	6.90	5.57	6.02	9.97	11.39	12.53	4.13
Lithuania	:	4.20	4.11	5.29	7.22	6.87	5.73	4.28
Luxembourg	:	:	:	:	:	:	:	:
Hungary	13.78	11.93	8.06	10.01	9.86	12.85	10.02	8.88
Malta	:	:	:	:	5.27	5.14	5.08	5.04
Netherlands	4.98	4.63	4.68	5.17	5.93	5.08	3.31	3.15
Austria	4.85	4.30	4.17	5.09	5.97	6.00	3.07	3.13
Poland	:	:	6.11	5.62	6.36	7.53	5.94	5.92
Portugal	4.29	4.26	4.28	5.55	6.57	6.33	4.06	4.70
Romania	:	:	:	:	11.97	18.33	15.18	10.50
Slovenia	:	:	3.31	4.78	6.29	6.88	5.96	5.54
Slovakia	:	:	:	:	:	4.36	3.31	3.56
Finland	4.34	4.21	4.33	5.40	5.71	4.37	2.55	2.37
Sweden	:	:	:	:	:	:	:	:
United Kingdom	:	:	:	:	:	:	:	:

(<sup>1</sup>) EA-12, 2003-2006; EA-13, 2007; EA-15, 2008-2009; EA-16, 2010.

Source: Eurostat (online data code: [irt\\_rtl\\_infrc](#)), ECB



## 1.4 Consumer prices – inflation and comparative price levels

An increase in the general level of prices of goods and services in an economy is called **inflation** that is usually measured by **consumer price indices** or retail price indices. Within the **European Union (EU)** a specific consumer price index for the purpose of tracing price developments has been developed — it 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 consumers should be able to purchase more goods and services; this is often referred to as deflation. When there is no change in prices (or relatively low rates of inflation) this is 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.

**Purchasing power parities** estimate price level differences between countries and these can be used to calculate **price level indices**. Price level indices may also be used as a starting point for analysing price convergence.

### Main statistical findings

Compared with historical trends, consumer price indices rose only at a moderate pace during the last two decades. The EU's (evolving 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 attributed to 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 6.7% in the EU; the increase was 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 2010 there was some evidence of a modest expansion in the pace at which prices were rising in the EU as annual inflation was 2.1%, in other words around the same level experienced in the years leading up to the financial and economic crisis. In April 2011 the inflation rate (compared to 12 months earlier) reached 3.3% and the latest information available at the time of writing shows a rate of 2.9% in August 2011. In 2010 annual inflation for two main headings was over 5%, namely transport, and alcohol and tobacco – see Figure 1.4.2 – while almost no change was recorded for communications (–0.1%).

Ireland (–1.6%) and Latvia (–1.2%) recorded a fall in prices in 2010, while the fastest price increase among the Member States was recorded in Romania (6.1%); higher price rises were recorded in Turkey and Iceland – see Table 1.4.1.

**Comparative price levels** of **private household** consumption vary considerably across the EU Member States. In 2010, they ranged from 51 in Bulgaria to 143 in Denmark (EU-27=100). Over the ten years from 2000 to 2010, several of the Member States that joined the EU in 2004 or 2007 recorded substantial increases in their comparative price levels, notably Slovakia, the Czech Republic, Estonia, Hungary and Romania, as did Luxembourg. In contrast, only a few Member States recorded a fall in their comparative price levels, notably the United Kingdom which moved from 20% above the EU-27 average in 2000 to parity in 2010. There was a convergence of price levels within the EU-27 as a whole during these



years; the coefficient of variation of comparative price levels declined from 33.3% in 2000 to 23.9% by 2008, before rising in 2009 to 25.7% and then declining again slightly in 2010 to 25.1%. Price levels were more homogeneous across the [euro area](#) than the EU-27 throughout the period from 2000 to 2010.

## 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 monetary transactions; 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 for consumer prices, which can be aggregated to broad categories of goods and services. The inflation rate is one such example – it is calculated as the rate of change of 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 aggregates: 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 \(EEAICP\)](#), 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, Slovakia only

from 2009 onwards and Estonia only from 2011 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

Within the framework of the Eurostat-OECD purchasing power parities (PPP) programme, surveys on prices of household goods and services are carried out cyclically in the EU Member States, EFTA countries, candidate countries (Montenegro, Croatia, the former Yugoslav Republic of Macedonia and Turkey) and three western Balkan countries (Albania, Bosnia and Herzegovina, and Serbia). Each survey cycle comprises six surveys that are related to a particular group of household consumption products; with two surveys per year the whole cycle takes three years to conclude. The latest surveys were carried out in 2008, 2009 and 2010, and the prices collected in 2008 and 2009 were updated to 2010 using detailed consumer price indices.

PPPs estimate price level differences across countries; they are aggregated price ratios calculated from price comparisons of a large number of goods and services. They may be 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. Comparative price level indices for the EU Member States are expressed relative to the average price level for the EU-27. If the price level index of a given Member State is above 100, then prices in that Member State are, on average, higher than in the EU as a whole. On the other hand, a price level index below 100 shows that prices are, on average, lower than the EU-27 as a whole.

## 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.

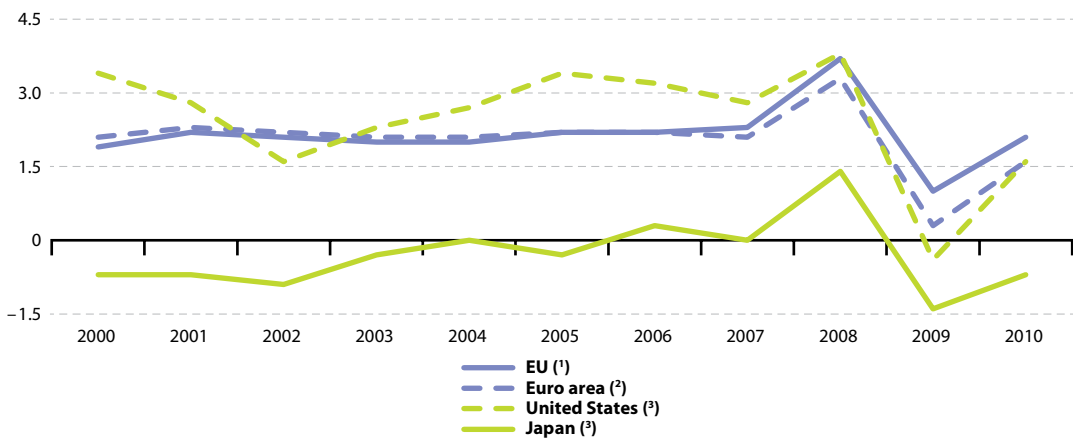
Purchasing power parities (PPPs) are indicators of price level differences across countries. They indicate how many currency units a particular quantity of goods and services costs in different countries. PPPs can be used as currency conversion rates to convert expenditures expressed in national currencies into an artificial common

currency (the purchasing power standard or PPS), thus eliminating the effect of price level differences across countries. In this way PPPs can be used to convert national accounts aggregates into comparable volume aggregates – for example, to compare the gross domestic product (GDP) of different countries without the figures being distorted by differing price levels in those countries. One particularly important use of PPPs is for the European Commission to establish both the list of regions that could benefit from EU [structural funds](#), as well as the amount of funds to be allocated to each region. One criterion for allocating these funds is based on GDP converted by PPPs and then expressed in PPS per capita.

PPPs can also be used to analyse relative price levels across countries. For this purpose, PPPs are divided by the current nominal exchange rate to obtain a price level index (PLI) which expresses the price level of a given country relative to others: comparative price levels across EU Member States are shown as price level indices expressed relative to the average price level of the EU-27. 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](#).



**Figure 1.4.1:** HICP all-items, development of the annual average inflation rates, 2000-2010 (%)



(<sup>1</sup>) 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-linked index formula.  
 (<sup>2</sup>) 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-linked index formula.  
 (<sup>3</sup>) National CPI: not strictly comparable with the HICP.

Source: Eurostat (online data codes: [prc\\_hicp\\_aind](#) and [prc\\_ipc\\_a](#))



**Table 1.4.1:** HICP all-items, annual average inflation rates, 2000-2010 (%)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>EU <sup>(1)</sup></b>	1.9	2.2	2.1	2.0	2.0	2.2	2.2	2.3	3.7	1.0	2.1
<b>Euro area <sup>(2)</sup></b>	2.1	2.3	2.2	2.1	2.1	2.2	2.2	2.1	3.3	0.3	1.6
Belgium	2.7	2.4	1.6	1.5	1.9	2.5	2.3	1.8	4.5	0.0	2.3
Bulgaria	10.3	7.4	5.8	2.3	6.1	6.0	7.4	7.6	12.0	2.5	3.0
Czech Republic	3.9	4.5	1.4	-0.1	2.6	1.6	2.1	3.0	6.3	0.6	1.2
Denmark	2.7	2.3	2.4	2.0	0.9	1.7	1.9	1.7	3.6	1.1	2.2
Germany	1.4	1.9	1.4	1.0	1.8	1.9	1.8	2.3	2.8	0.2	1.2
Estonia	3.9	5.6	3.6	1.4	3.0	4.1	4.4	6.7	10.6	0.2	2.7
Ireland	5.3	4.0	4.7	4.0	2.3	2.2	2.7	2.9	3.1	-1.7	-1.6
Greece	2.9	3.7	3.9	3.4	3.0	3.5	3.3	3.0	4.2	1.3	4.7
Spain	3.5	2.8	3.6	3.1	3.1	3.4	3.6	2.8	4.1	-0.2	2.0
France	1.8	1.8	1.9	2.2	2.3	1.9	1.9	1.6	3.2	0.1	1.7
Italy	2.6	2.3	2.6	2.8	2.3	2.2	2.2	2.0	3.5	0.8	1.6
Cyprus	4.9	2.0	2.8	4.0	1.9	2.0	2.2	2.2	4.4	0.2	2.6
Latvia	2.6	2.5	2.0	2.9	6.2	6.9	6.6	10.1	15.3	3.3	-1.2
Lithuania	1.1	1.6	0.3	-1.1	1.2	2.7	3.8	5.8	11.1	4.2	1.2
Luxembourg	3.8	2.4	2.1	2.5	3.2	3.8	3.0	2.7	4.1	0.0	2.8
Hungary	10.0	9.1	5.2	4.7	6.8	3.5	4.0	7.9	6.0	4.0	4.7
Malta	3.0	2.5	2.6	1.9	2.7	2.5	2.6	0.7	4.7	1.8	2.0
Netherlands	2.3	5.1	3.9	2.2	1.4	1.5	1.7	1.6	2.2	1.0	0.9
Austria	2.0	2.3	1.7	1.3	2.0	2.1	1.7	2.2	3.2	0.4	1.7
Poland	10.1	5.3	1.9	0.7	3.6	2.2	1.3	2.6	4.2	4.0	2.7
Portugal	2.8	4.4	3.7	3.3	2.5	2.1	3.0	2.4	2.7	-0.9	1.4
Romania	45.7	34.5	22.5	15.3	11.9	9.1	6.6	4.9	7.9	5.6	6.1
Slovenia	8.9	8.6	7.5	5.7	3.7	2.5	2.5	3.8	5.5	0.9	2.1
Slovakia	12.2	7.2	3.5	8.4	7.5	2.8	4.3	1.9	3.9	0.9	0.7
Finland	2.9	2.7	2.0	1.3	0.1	0.8	1.3	1.6	3.9	1.6	1.7
Sweden	1.3	2.7	1.9	2.3	1.0	0.8	1.5	1.7	3.3	1.9	1.9
United Kingdom	0.8	1.2	1.3	1.4	1.3	2.1	2.3	2.3	3.6	2.2	3.3
Iceland	4.4	6.6	5.3	1.4	2.3	1.4	4.6	3.6	12.8	16.3	7.5
Norway	3.0	2.7	0.8	2.0	0.6	1.5	2.5	0.7	3.4	2.3	2.3
Switzerland	:	:	:	:	:	:	1.0	0.8	2.3	-0.7	0.6
Croatia	4.5	4.3	2.5	2.4	2.1	3.0	3.3	2.7	5.8	2.2	1.1
Turkey	53.2	56.8	47.0	25.3	10.1	8.1	9.3	8.8	10.4	6.3	8.6
Japan <sup>(3)</sup>	-0.7	-0.7	-0.9	-0.3	0.0	-0.3	0.3	0.0	1.4	-1.4	-0.7
United States <sup>(3)</sup>	3.4	2.8	1.6	2.3	2.7	3.4	3.2	2.8	3.8	-0.4	1.6

(<sup>1</sup>) 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-linked index formula.

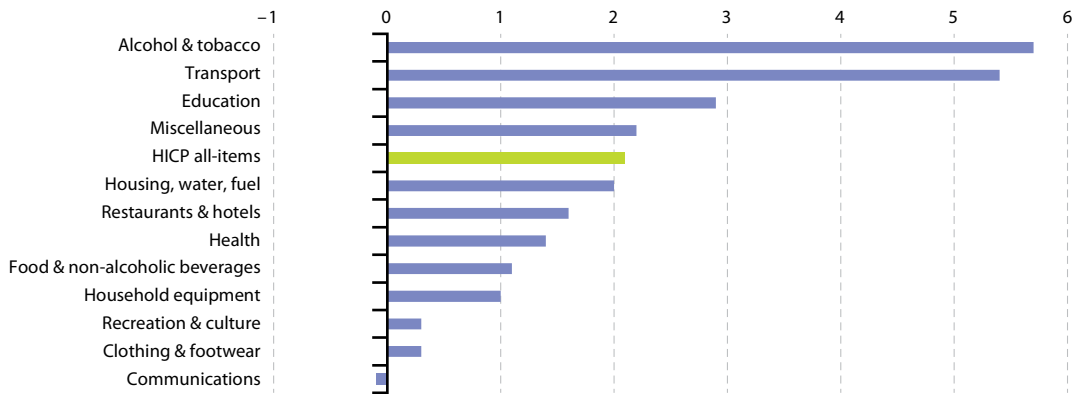
(<sup>2</sup>) The data refer to the official euro area aggregate, its country coverage changes in line with the addition of new EA Member States and integrates them using a chain-linked index formula.

(<sup>3</sup>) National CPI: not strictly comparable with the HICP.

Source: Eurostat (online data codes: [prc\\_hicp\\_aind](#) and [prc\\_ipc\\_a](#))



**Figure 1.4.2:** HICP main headings, annual average inflation rates, EU-27, 2010 (%)



Source: Eurostat (online data code: [prc\\_hicp\\_aind](#))



**Table 1.4.2:** Comparative price levels, 2000-2010 <sup>(1)</sup>  
(final consumption by private households including indirect taxes, EU-27 = 100)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>EU-27</b>	100	100	100	100	100	100	100	100	100	100	100
<b>Euro area</b>	100	100	100	103	103	102	102	101	104	106	104
Belgium	102	103	102	107	107	106	108	107	110	113	112
Bulgaria	39	41	41	41	42	43	45	46	49	50	51
Czech Republic	48	50	57	55	55	58	61	62	72	70	72
Denmark	130	135	134	141	140	140	138	137	140	145	143
Germany	107	107	107	106	105	103	103	102	104	106	104
Estonia	57	61	61	62	63	65	69	73	78	77	75
Ireland	115	119	125	126	126	124	125	124	129	126	118
Greece	85	82	80	86	88	88	89	90	91	97	96
Spain	85	85	85	88	91	91	92	93	95	98	97
France	106	104	104	110	110	108	109	108	112	114	112
Italy	98	100	103	104	105	105	104	103	103	106	104
Cyprus	88	89	89	91	91	90	90	88	89	90	89
Latvia	59	59	57	54	56	57	61	67	75	74	69
Lithuania	53	54	54	52	54	55	57	60	66	66	64
Luxembourg	102	104	102	103	103	112	111	115	118	121	120
Hungary	49	53	57	58	62	63	61	67	69	64	66
Malta	73	75	75	72	73	73	75	76	77	80	79
Netherlands	100	103	103	108	106	105	104	102	105	109	106
Austria	102	105	103	103	103	103	102	103	105	108	107
Poland	58	65	61	54	53	61	63	62	69	58	63
Portugal	83	84	86	86	87	85	85	86	88	89	88
Romania	43	42	43	43	43	55	58	64	63	58	59
Slovenia	73	74	74	76	76	76	77	79	82	84	84
Slovakia	44	43	45	51	55	55	58	63	70	72	71
Finland	121	125	124	127	124	124	123	120	121	125	123
Sweden	128	120	122	124	121	119	119	116	113	108	120
United Kingdom	120	117	117	108	109	110	111	114	102	95	100
Iceland	144	128	135	139	138	153	145	149	117	99	111
Norway	138	142	151	142	135	141	140	138	140	136	147
Switzerland	143	146	147	144	141	138	135	125	129	139	148
Montenegro	:	:	:	:	:	56	56	56	60	60	59
Croatia	:	:	:	65	67	69	73	72	75	74	74
FYR of Macedonia	:	:	:	44	44	43	45	45	46	45	44
Turkey	63	48	52	57	59	67	67	70	69	64	73
Japan	198	178	156	137	130	120	110	96	102	120	129
United States	121	126	120	101	93	93	93	85	82	89	92

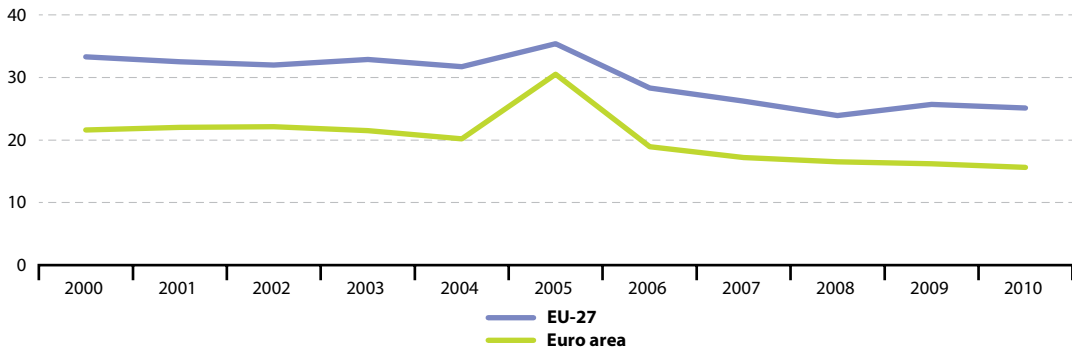
<sup>(1)</sup> Break in series in 2005 for all countries except for Japan and the United States.

Source: Eurostat (online data code: [tsier010](#))





**Figure 1.4.3:** Price convergence between Member States, 2000-2010  
(%, coefficient of variation of comparative price levels of final consumption by private households including indirect taxes)



Source: Eurostat (online data code: [tsier020](#))

## 1.5 Balance of payments

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 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 subchapter on **foreign direct investment** provides more information on one component of the financial account and **another on international trade in services** focuses on one component of the current account.

### Main statistical findings

The current account **deficit** of the **EU-27** was EUR 95 700 million in 2010 (see Figure 1.5.1), corresponding to 0.8% of **gross domestic product (GDP)**; the current account deficit in 2009 (EUR 99 500 million) was at a similar level to that recorded in 2010, while both of these deficits were about 60% lower than in 2008, when the deficit corresponded to about 2.0% of GDP. The current account deficit for 2010 comprised deficits in the

current account for goods (–1.0% of GDP) and current transfers (–0.5%), alongside a positive balance for services (0.6%) and for the income account (0.2%) (see Table 1.5.2).

There were a total of 14 Member States that reported current account deficits in 2010 (see Table 1.5.1): the largest of these (relative to GDP) were in Greece and Portugal (both –10.0%); Luxembourg (7.4%), Sweden (6.6%) and the Netherlands (6.5%) reported the largest current account **surpluses**. Ireland, Slovakia, Germany, Italy and Romania were the only EU Member States to report a current account deficit for services in 2010, while Luxembourg (54.5% of GDP), Cyprus 20.5%) and Malta (19.2%) reported relatively large surpluses. A total of 18 Member States reported a deficit for goods – most notably Cyprus (–26.7% of GDP), while Ireland reported the largest surplus relative to GDP (23.4%).

Among those countries shown in Figure 1.5.2, the EU-27's current account deficit with China was EUR 144 550 million in 2010, more than three times as large as the deficit with Russia and five and half times the deficit with Japan (these two countries accounted for the second and third largest EU-27 current account deficits). The highest current



account surplus was recorded with the United States (EUR 51 850 million), followed by Switzerland; with surpluses also registered with Brazil, Hong Kong, Canada and India.

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, portfolio and other investment **liabilities**) exceed outward investment flows (outward FDI, portfolio and other investment **assets**). This was the case for the **euro area** in 2010, where the financial account was equivalent to 0.5 % of GDP, mainly due to high value of portfolio investment liabilities.

As can be seen in Table 1.5.3, the EU-27 continued to be a net direct investor vis-à-vis the rest of the world in 2010. Inward flows of FDI represented 0.8 % of GDP, while outward flows of FDI represented 1.4 % of GDP, making FDI the main form of outward investment from the EU-27 in 2010. Luxembourg recorded by far the highest levels of both inward and outward FDI (in relation to GDP) with the rest of the world, followed by Belgium and Ireland. Luxembourg also recorded the highest level of FDI transactions in absolute terms, followed by Germany and France in relation to outward flows of FDI, and Belgium and United Kingdom in relation to inward flows of FDI.

While the value of FDI flows continued to fall for the third consecutive year in 2010 having peaked in 2007, flows in portfolio and other investment exceeded amounts of FDI transactions. The EU-27 recorded investment in portfolio investment assets (outward investment) equivalent to 2.5 % of GDP in 2010. EU-27 portfolio investment liabilities (inward investment) were valued at 4.7 % of GDP, almost six times as high as the level of inward FDI. Seven of the Member States recorded disinvestment for portfolio assets, with Ireland recording relatively large flows (12.0 % of GDP). The largest investments in portfolio assets (in relative terms) were recorded in Luxembourg (home to a large fund management activity), Malta and Cyprus. Disinvestment in portfolio liabilities was also relatively common, with Greece, Portugal, Spain and Belgium reporting

negative flows in excess of 2 % of GDP. Luxembourg again reported the largest positive flows (relative to GDP), followed by Ireland and Finland.

For other assets and liabilities (such as currency and deposits, loans and trade credit) the EU-27 recorded in 2010 net capital outflows equivalent to 0.9 % of GDP. Investment in other assets was equal to 3.0 % of the EU-27's GDP in 2010, with the largest investments (in relative terms) recorded in Luxembourg and the United Kingdom. Inward investment in other liabilities was equivalent to 2.1 % of GDP in the EU-27. Again the largest investments in relative terms were recorded in Luxembourg, followed at some distance by Malta, Greece, the United Kingdom, Portugal and Finland, with substantial disinvestment recorded in Cyprus and Ireland. In contrast to the overall EU-27 situation of net outflows of other investments, a small number of Member States recorded net investment inflows for other investment assets and liabilities, most notably Greece and Portugal.

## 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. This new set of international standards has been developed, partly in response to important economic developments, including an increased role for globalisation, rising innovation and complexity in financial markets, and an greater emphasis on using the balance sheet as a tool for understanding economic activity.

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 (of which there is a consolidated version, dating from 9 May 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 more detail in a subchapter 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.

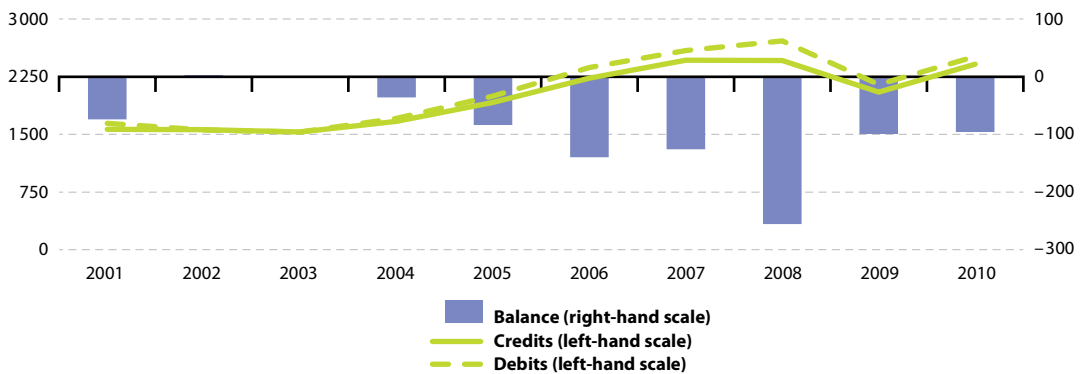
## Context

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 for the EU and its individual Member States.

These statistics 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. The financial and economic crisis underlined the importance of such economic statistics insofar as improvements in the availability of data on the real and financial economies of the world may have helped as the crisis unfolded, if internationally comparable information about financial asset and liability flows and their impact on production, employment, and income had been available.

**Figure 1.5.1:** Current account transactions, EU-27, 2001-2010 <sup>(1)</sup>

(EUR 1 000 million)



<sup>(1)</sup> EU-25, 2001-2003.

Source: Eurostat (online data code: [bop\\_q\\_eu](#))



**Table 1.5.1:** Current account balance with the rest of the world, 2004-2010 <sup>(1)</sup>  
(EUR 1 000 million)

	2004	2005	2006	2007	2008	2009	2010
<b>EU-27</b>	-35.7	-83.5	-139.6	-125.9	-255.4	-99.5	-95.7
<b>Euro area</b>	60.8	10.8	-12.6	7.4	-143.5	-25.9	-42.2
Belgium	9.3	6.0	5.9	5.4	-5.7	-5.7	5.2
Bulgaria	-1.3	-2.7	-4.6	-7.8	-8.2	-3.1	-0.5
Czech Republic	-4.7	-1.0	-2.4	-5.7	-3.3	-3.4	-4.7
Denmark	5.9	9.0	6.5	3.1	6.8	7.3	13.0
Germany	102.8	112.9	145.0	181.2	154.8	133.7	141.5
Estonia	-1.1	-1.1	-2.1	-2.6	-1.6	0.5	0.5
Ireland	-0.9	-5.7	-6.3	-10.1	-10.2	-4.7	0.8
Greece	-10.7	-14.7	-23.8	-32.6	-34.8	-25.8	-23.0
Spain	-44.2	-66.9	-88.3	-105.3	-104.7	-54.5	-48.4
France	9.0	-8.3	-10.3	-18.9	-33.7	-28.4	-33.7
Italy	-4.6	-12.6	-22.3	-19.9	-45.2	-30.1	-54.1
Cyprus	-0.6	-0.8	-1.0	-1.9	-2.7	-1.8	-1.7
Latvia	-1.4	-1.6	-3.6	-4.7	-3.0	1.6	0.5
Lithuania	-1.4	-1.5	-2.6	-4.1	-4.2	1.2	0.4
Luxembourg	3.3	3.5	3.5	3.8	2.0	2.4	3.1
Hungary	-6.8	-6.4	-6.6	-7.2	-7.7	-0.2	1.1
Malta	-0.3	-0.4	-0.5	-0.3	-0.3	-0.4	-0.2
Netherlands	37.5	38.0	50.4	38.4	25.5	24.3	38.6
Austria	5.2	5.3	7.3	9.6	13.8	7.5	8.5
Poland	-10.8	-5.9	-10.4	-19.3	-23.8	-12.1	-16.5
Portugal	-12.4	-15.9	-17.2	-17.1	-21.7	-18.4	-17.2
Romania	-5.1	-6.9	-10.2	-16.8	-16.2	-4.9	-4.9
Slovenia	-0.7	-0.5	-0.8	-1.6	-2.6	-0.5	-0.3
Slovakia	-2.7	-3.3	-3.5	-2.9	-4.0	-1.6	-2.3
Finland	9.4	5.3	7.0	7.7	4.7	3.4	3.3
Sweden	19.1	20.2	26.6	31.2	29.4	20.5	23.0
United Kingdom	-36.9	-47.8	-63.3	-51.3	-24.6	-23.0	-42.9
Iceland	-1.1	-2.2	-3.2	-2.3	-2.8	-1.1	-1.1
Norway	26.5	39.7	46.2	40.1	54.5	35.8	38.7
Croatia	-1.5	-2.0	-2.7	-3.2	-4.4	-2.4	-0.6
Turkey	-11.5	-17.8	-25.6	-27.9	-28.1	-10.0	-35.9
Japan	138.5	133.3	136.0	154.0	105.1	101.6	147.6
United States	-505.4	-602.2	-637.1	-519.7	-460.5	-269.2	-357.0

<sup>(1)</sup> EU-27, extra EU-27 flows; euro area, extra EA-17 flows; Member States and other countries, flows with the rest of the world.

Source: Eurostat (online data codes: [bop\\_q\\_eu](#), [bop\\_q\\_euro](#) and [bop\\_q\\_c](#)), ECB



**Table 1.5.2:** Main components of the current account balance, 2010 <sup>(1)</sup>  
(% of GDP)

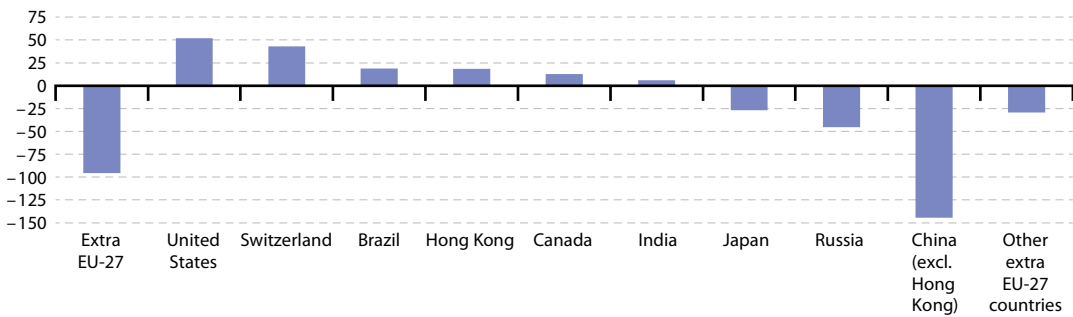
	Current account	Goods	Services	Income	Current transfers
<b>EU-27</b>	-0.8	-1.0	0.6	0.2	-0.5
<b>Euro area</b>	-0.5	0.1	0.5	0.0	-1.1
Belgium	1.5	-1.0	1.8	2.4	-1.8
Bulgaria	-1.3	-7.7	5.6	-3.5	4.3
Czech Republic	-3.2	1.4	2.0	-7.0	0.2
Denmark	5.6	2.8	2.8	1.9	-1.9
Germany	5.7	6.4	-0.9	1.8	-1.5
Estonia	3.5	-1.7	9.1	-5.6	1.8
Ireland	0.5	23.4	-4.5	-17.6	-0.8
Greece	-10.0	-12.3	5.8	-3.5	0.1
Spain	-4.6	-4.4	2.6	-2.1	-0.7
France	-1.7	-2.8	0.5	1.9	-1.4
Italy	-3.5	-1.3	-0.6	-0.6	-1.0
Cyprus	-9.8	-26.7	20.5	-2.2	-0.7
Latvia	3.0	-7.1	6.1	0.3	3.6
Lithuania	1.5	-4.6	3.6	-2.3	4.9
Luxembourg	7.4	-9.9	54.5	-35.6	-1.6
Hungary	1.1	3.3	3.0	-5.6	0.4
Malta	-3.9	-15.4	19.2	-8.1	0.5
Netherlands	6.5	6.6	1.3	0.4	-1.8
Austria	3.0	-1.1	4.6	0.2	-0.7
Poland	-4.7	-2.5	0.7	-3.6	0.8
Portugal	-10.0	-10.5	3.9	-4.6	1.3
Romania	-4.0	-4.8	-0.5	-1.6	2.8
Slovenia	-0.8	-3.4	3.7	-1.4	0.3
Slovakia	-3.5	0.2	-1.1	-1.9	-0.6
Finland	1.8	1.7	0.1	1.0	-0.9
Sweden	6.6	2.4	3.9	1.7	-1.4
United Kingdom	-2.5	-6.7	4.0	1.6	-1.4
Iceland	-11.3	7.8	2.3	-20.8	-0.5
Norway	12.4	14.1	-0.8	0.3	-1.1
Croatia	-1.2	-13.0	12.8	-3.3	2.2
Turkey	-6.5	-7.7	2.0	-1.0	0.2
Japan	3.6	1.7	-0.3	2.4	-0.2
United States	-3.3	-4.4	1.0	1.1	-0.9

(<sup>1</sup>) EU-27, extra EU-27 flows; euro area, extra EA-17 flows; Member States and other countries, flows with the rest of the world.

Source: Eurostat (online data codes: [bop\\_q\\_eu](#), [bop\\_q\\_euro](#), [bop\\_q\\_c](#) and [nama\\_gdp\\_c](#)), ECB



**Figure 1.5.2:** Current account balance with selected partners, EU-27, 2010  
(EUR 1 000 million)



Source: Eurostat (online data code: [bop\\_q\\_eu](#))



**Table 1.5.3:** Main components of the financial account balance, 2010 <sup>(1)</sup>  
(% of GDP)

	Financial account	Outward foreign direct investment	Inward foreign direct investment	Portfolio investment, assets	Portfolio investment, liabilities	Other investment, assets	Other investment, liabilities
<b>EU-27</b>	:	-1.4	0.8	-2.5	4.7	-3.0	2.1
<b>Euro area</b>	0.5	-1.9	1.4	-1.6	3.2	-1.9	1.3
Belgium	-1.5	-10.4	15.4	1.9	-2.0	1.8	-8.3
Bulgaria	0.6	-0.5	4.9	-1.6	-0.2	-0.1	-2.9
Czech Republic	3.9	-0.9	3.5	0.4	3.9	-2.4	0.6
Denmark	-1.1	-1.1	-2.4	-4.9	3.4	-2.6	6.7
Germany	-5.7	-3.3	1.4	-6.9	1.9	-5.2	7.2
Estonia	-5.6	-0.7	8.0	-2.0	-1.0	-8.9	-6.9
Ireland	7.9	-8.6	12.7	12.0	48.3	-10.2	-38.7
Greece	9.3	-0.3	0.1	5.6	-14.8	3.3	15.2
Spain	4.2	-1.5	1.7	6.6	-3.2	-1.5	1.4
France	0.9	-3.3	1.3	1.2	5.0	-6.1	1.4
Italy	5.6	-1.6	0.4	-2.0	4.5	3.2	1.4
Cyprus	9.4	-2.9	3.3	-14.7	3.6	77.3	-58.0
Latvia	-5.5	-0.1	1.6	-0.8	-0.1	-3.6	2.5
Lithuania	-4.2	-0.2	2.1	-1.5	6.6	-1.1	-7.9
Luxembourg	-6.4	-334.5	373.6	-238.2	353.1	-305.0	101.8
Hungary	-1.7	-1.0	1.4	-0.4	0.2	-0.1	0.5
Malta	-2.2	-1.1	12.7	-51.8	0.0	8.4	29.6
Netherlands	-3.1	-6.4	-1.7	1.6	6.1	-5.4	4.8
Austria	-0.9	-2.2	1.0	-2.3	-0.2	5.2	-2.0
Poland	4.8	-1.2	1.9	-0.2	5.7	-0.8	2.8
Portugal	9.1	3.7	0.6	-1.4	-4.2	-3.9	14.7
Romania	4.7	0.0	1.8	-0.3	1.0	0.1	4.8
Slovenia	0.9	0.2	0.8	-1.1	6.6	1.9	-7.2
Slovakia	-0.8	-0.4	0.5	-3.9	2.1	-0.6	1.6
Finland	-0.8	-4.4	2.9	-12.1	8.6	-10.8	14.2
Sweden	-9.2	-7.0	1.3	-4.0	8.3	-6.5	-2.3
United Kingdom	2.9	-0.5	2.0	-5.8	6.5	-16.0	15.0
Iceland	26.2	20.8	3.8	-0.4	-83.5	18.5	82.6
Norway	-11.3	-3.0	2.9	-12.7	7.9	-6.8	1.4
Croatia	2.6	0.2	0.5	-0.8	1.7	1.4	0.3
Turkey	5.9	-0.2	1.3	-0.5	2.7	1.0	3.4
Japan	-3.2	-1.0	0.0	-4.9	2.1	-2.5	3.7
United States	1.8	-2.4	1.6	-1.1	4.9	-3.4	2.1

<sup>(1)</sup> EU-27, extra EU-27 flows; euro area, extra EA-17 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 (online data codes: [bop\\_q\\_eu](#), [bop\\_q\\_euro](#), [bop\\_q\\_c](#) and [nama\\_gdp\\_c](#)), ECB





## 1.6 Foreign direct investment

This subchapter examines the developments of **foreign direct investment (FDI)** in the **European Union (EU)**, through an analysis of inward and outward flows, information on the origin and destination of these flows, important investment activities, as well as stocks of FDI at the end of the year.

FDI is the category of international investment made by an entity resident in one economy (the direct investor) to acquire a lasting interest in an enterprise operating in another economy (the 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 areas – such as the EU-27 – and all other countries.

### 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 are more likely to focus on core activities in their domestic market.

In 2008, total EU-27 FDI outflows dropped by 30 %, mainly due to a sharp decline in equity capital and reinvested earnings. A similar trend was observed in 2009, as all types of FDI flows contributed to a negative development, with outflows falling by a further 28 %.

Following a sharp decrease of 60 % in 2008, EU-27 FDI inflows recovered in 2009 (up 26 %) largely as a result of growth in equity capital and reinvested earnings.

Provisional figures for 2010 show a sharp drop in EU-27 FDI, for both outward and inward flows of investment, thereby confirming the continued impact of the global financial and economic crisis.

EU-27 outward flows of FDI decreased for the third consecutive year, falling by 62 % in 2010 when compared with the year before. At the same time, EU-27 inward flows of FDI decreased by 75 %. FDI flows channelled through **special-purpose entities (SPEs)** played a significant role in the results for 2010.

#### EU-27 FDI flows by partner country

EU-27 FDI flows with a range of economic partners have been considerably affected by the global financial and economic crisis. The decline in EU-27 outflows in 2009 could be largely attributed to a fall in investment to the United States — from EUR 148 200 million in 2008 to EUR 79 200 million in 2009. During the same period, investment from the United States in the EU-27 recovered, rising to EUR 97 300 million, which was more than twice the figure recorded in 2008 (EUR 44 400 million). Provisional figures for 2010 show a considerable decrease in both flows with respect to the United States.

EU-27 outward FDI to Canada fell to such a degree that there was disinvestment in both 2009 and 2010. Incoming FDI from Canada, after decreasing by 14 % in 2009, seems to have recovered in 2010, rising to EUR 27 700 million.

EU-27 investment flows to emerging economies, such as China, were generally less affected than flows to other economic partners. Having fallen to EUR 5 200 million in 2008, EU-27 outward FDI flows to China rose by 11 % in 2009. Preliminary results for 2010 suggest that FDI flows from the EU-27 to China fell by 16 %. Outward flows of FDI from the EU-27 to Brazil decreased for three successive years after peaking in 2007; however, the pace of decline was less marked than the average reduction in outflows for all EU-27 partners.

There was some evidence of an increase in inward investment into the EU-27 from Asia in 2010, as inward FDI flows from China (EUR 900 million) and Hong Kong (EUR 11 300 million) rose in relation to 2009. In a similar manner, there was a



considerable increase in the level of inward flows from Brazil in 2010.

EU-27 outward investment in Russia dropped considerably in 2009 and then fell again in 2010, such that there was slight disinvestment in 2010. There was a similar pattern as regards Russian investment in the EU-27: having peaked in 2007 (EUR 10 500 million) much lower levels were recorded during the period 2008 to 2010, with a modest degree of disinvestment in 2010 (EUR 400 million).

EU-27 FDI outflows to Africa remained relatively unchanged during the period from 2007 to 2009, averaging EUR 20 707 million; this pattern was in stark contrast to that recorded for the other continents, where EU-27 outflows of FDI were considerably reduced.

There was a wide variation from one year to the next as regards the development of FDI for offshore financial centres. These played a considerable role in FDI flows in 2007 both with respect to outward and inward flows – accounting for around one quarter of the total flows to and from extra-EU partners. The financial and economic crisis saw the role played by offshore financial centres being reduced considerably, such that in 2008 they accounted for around one tenth of EU-27 inward and outward FDI flows. Although there was an increase in FDI flows to offshore financial centres in 2009, this was immediately reversed in 2010.

### Principal EU Member States for outward flows of FDI

FDI flows can oscillate considerably from one year to the next, influenced mainly by large mergers and acquisitions. Luxembourg's share (24%) of EU-27 outward flows of FDI during the period 2007 to 2009 may be explained by the activities of special-purpose entities (SPEs) that represented about 85% of total direct investments. SPEs also played an important role in a number of other EU Member States; this was especially the case in the Netherlands and Hungary. There was a 42% increase in outward flows of FDI from Luxembourg between 2008 and 2009. As a result, Luxembourg became the principal EU-27 investor in non-member countries. The four main partner destinations of FDI

from Luxembourg included Switzerland, the United States, Bermuda and the Bahamas, thereby revealing the importance of the financial sector.

Although the United Kingdom accounted for the second highest share of outward FDI among the EU Member States between 2007 and 2009, outward investment to non-member countries from the United Kingdom was almost cut in half in 2009. The reduction in investment flows was particularly marked for traditional partners such as the United States, Canada or Australia, while higher levels of investment were destined for the United Arab Emirates, New Zealand, Japan and India.

### Changes in FDI positions (stocks)

EU-27 outward and inward stocks (or positions) grew in 2009: outward stocks rose by 10% and inward stocks by 7%. In 2008, both inward and outward stocks had increased at a slower pace, rising by 3% (see Table 1.6.4).

At the end of 2009, the biggest share (30.9%) of EU-27 outward stocks of FDI was recorded for the United States, valued at some EUR 1 134 000 million. The services sector represented 70% of EU-27 stocks held in the United States, and most of these were from financial intermediation (39%), real estate and other business activities or **manufacturing** (both 22%); for the latter, the main area of investment activity was the manufacturing of chemicals and chemical products. At the end of 2009, the main holder of EU-27 FDI stocks in the United States continued to be the United Kingdom, accounting around one quarter of the total. Switzerland was the second most important outward partner as regards EU-27 FDI positions in 2009, accounting for 14% of total stocks; financial intermediation was the main activity for EU-27 investment in Switzerland. EU-27 stocks of FDI in Russia grew by 24% between 2007 and 2009. Financial intermediation and manufacturing were the main areas of EU-27 investment in Russia, and FDI stocks in these two sectors were maintained during the period under consideration.

In Asia, the main positions for EU-27 stocks of FDI were found in Singapore, Hong Kong and Japan, while EU-27 stocks of FDI in China continued



to grow in 2009 (up 11 % on the 2008 figure); the fastest expansions in EU-27 outward stocks of FDI across Asia were recorded in Malaysia, India and Indonesia (up by 82 %, 56 % and 22 % respectively between the end of 2008 and the end of 2009).

In Africa, the main positions for EU-27 stocks of FDI were found in South Africa (EUR 77 000 million), Nigeria (EUR 30 300 million) and Egypt (EUR 26 400 million). EU-27 outward positions in South Africa grew by 40 % between the end of 2008 and the end of 2009, such that South Africa became one of the EU-27's top ten FDI partners.

In 2009, the United States held 39 % of inward stocks of FDI in the EU-27; this share was valued at EUR 1 044 100 million at the end of 2009. The United States therefore consolidated its position as the main investor in the EU-27, with the main area of investment being the services sector, which accounted for 79 % of investment positions held by the United States in the EU-27 at the end of 2008. Switzerland was the second biggest holder of EU-27 FDI stocks, with EUR 347 900 million at the end of 2009, which was 10 % higher than a year before. Other countries with significant shares of EU-27 inward stocks included Japan, Canada, Brazil and Singapore. The relative importance of EU-27 FDI inward stocks was 10 % higher for Japan and 11 % higher for Canada at the end of 2009 (compared with a year before). The position of Brazilian investment in the EU-27 also rose, climbing 7 % between the end of 2008 and the end of 2009 – although this was a relatively modest increase when compared with far higher growth rates recorded during the period from the end of 2006 to the end of 2008.

### Analysis of FDI by economic activity

The structure of the EU-27's FDI stocks according to economic activity is shown in Table 1.6.5. Services provided by far the largest contribution both to outward (72 %) and to inward (83 %) stocks of FDI at the end of 2008; almost two thirds of the stock of EU-27 FDI in services was held in the financial intermediation sector (for both inward and outward FDI).

### Income and rates of return

The financial and economic crisis had a persistent impact on the EU-27's income from FDI, with the income from inward and outward FDI stocks falling in 2008 and 2009. The EU-27's investment income from stocks of FDI in non-member countries fell by 13 % between the end of 2008 and the end of 2009 to stand at EUR 169 000 million, while the income paid to non-member countries remained relatively unchanged, falling just 2 %, to EUR 104 000 million. The resulting net income from the rest of the world amounted to EUR 65 300 million, which was 27 % lower than at the end of 2008. As such, the EU-27's net income from FDI was valued at 0.55 % of GDP in 2009, compared with 0.72 % in 2008.

The rate of return from stocks of EU-27 outward investment declined for the third consecutive year to the end of 2009, reaching 5.1 %; the return from inward investments remained relatively stable at 4.1 %. As a result, the latest rates of return on outward and inward FDI stocks fell to their lowest level in recent years (see Figure 1.6.3).

### Data sources and methodology

FDI statistics in the EU are collected according to Regulation 0184/2005 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), which provides a detailed operational definition that is fully consistent with the IMF's balance of payments manual (fifth edition).

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



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 the 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, European aggregates (for the EU or euro area) are not simply equal to the sum of the requisite 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, as the service sector within the EU-27 has become increasingly international.



**Table 1.6.1:** FDI outward flows by main partner, 2010 <sup>(1)</sup>  
(EUR 1 000 million)

	Extra EU-27	of which:									Offshore financial centres
		United States	Canada	Switzerland	Russia	Japan	China	Hong Kong	India	Brazil	
<b>EU-27 <sup>(2)</sup></b>	106.7	11.9	-4.1	-7.4	-0.4	-4.1	4.9	3.0	3.0	6.2	21.1
Belgium	35.9	24.0	0.6	-	1.3	-0.1	-	0.5	-	1.0	1.5
Bulgaria	0.1	-	-	-	-	-	-	-	-	-	0.1
Czech Republic	0.1	-	-	-	0.1	-	-	-	0.1	-	-
Denmark	-0.3	0.9	-	-4.3	0.1	0.1	0.4	0.5	0.2	0.3	1.2
Germany	28.7	10.7	0.4	2.6	0.3	1.8	1.6	0.9	0.7	0.9	2.2
Estonia	-	-	:	:	-	:	:	:	:	:	-
Ireland	7.4	1.6	:	-0.7	:	:	-	0.1	-0.1	-	10.2
Greece	0.3	-	-	-	-	-	-	0.1	-	-	0.1
Spain	7.9	2.4	0.7	0.4	0.1	:	1.4	0.4	0.1	-0.8	0.5
France	22.7	1.2	-1.6	7.8	1.7	-0.4	1.3	0.9	0.2	2.1	3.0
Italy	6.0	0.8	0.1	-3.0	0.8	-0.2	0.5	0.1	0.4	-0.2	0.1
Cyprus	2.3	-	-	0.1	1.1	-	-	-	-	-	0.5
Latvia	-	-	-	-	-	-	-	-	-	-	-
Lithuania	-	-	-	-	-	-	-	-	-	-	-
Luxembourg	38.3	5.7	3.9	0.4	0.7	0.2	-3.2	0.4	-	6.6	24.3
Hungary <sup>(3)</sup>	0.5	0.2	-0.1	0.3	-	-	-	-	-	-	1.0
Malta	-	-	:	:	:	-	:	-	:	-	-
Netherlands <sup>(3)</sup>	13.5	-9.5	0.5	6.7	-0.5	0.8	-	-0.1	0.1	0.6	11.0
Austria <sup>(3)</sup>	5.3	0.2	-	:	0.7	-	-0.2	-	0.1	0.1	0.5
Poland	0.6	0.2	-	0.9	-0.2	-	-	-0.2	-	-0.1	-0.5
Portugal	-0.7	0.2	-	-	-	-	-	:	-	-0.6	0.2
Romania	-	-	-	-	-	-	-	-	-	-	-
Slovenia	0.2	-	-	-	0.1	-	-	-	-	-	-
Slovakia	0.1	-	-	-	-	-	-	-	-	-	-
Finland	1.2	-0.8	-	-1.2	0.4	-	1.4	-	0.3	-	0.6
Sweden	16.2	7.4	-	0.5	1.8	-0.2	0.4	-0.2	0.1	0.2	0.1
United Kingdom	12.5	-20.9	-9.2	9.4	:	0.4	:	-0.4	0.2	:	17.6

<sup>(1)</sup> Minus sign stands for disinvestment; "-" indicates less than EUR 50 million.

<sup>(2)</sup> 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).

<sup>(3)</sup> Excluding SPEs.

Source: Eurostat (online data code: [bop\\_fdi\\_main](#))



**Table 1.6.2:** FDI inward flows by main partner, 2010 <sup>(1)</sup>  
(EUR 1 000 million)

	Extra EU-27	of which:									
		United States	Canada	Switzerland	Russia	Japan	China	Hong Kong	India	Brazil	Offshore financial centres
<b>EU-27 <sup>(2)</sup></b>	54.2	28.5	27.7	6.2	-0.4	1.5	0.9	11.3	0.6	3.8	-3.9
Belgium	-2.4	-1.6	-	2.4	-	-0.2	-	0.9	-	-	-0.1
Bulgaria	0.2	0.1	-	-	0.1	-	-	-	-	-	-0.1
Czech Republic	0.2	-	-	0.3	0.1	-	-	-	-	-	-
Denmark	1.9	0.9	-	0.3	-	-	-	0.2	-	-0.1	0.4
Germany	14.5	5.3	-0.7	1.4	0.3	0.2	0.3	0.3	0.1	0.1	6.0
Estonia	-	-	:	:	-	:	:	:	:	:	-
Ireland	21.5	8.3	:	-0.3	0.1	:	:	0.5	-0.1	0.1	13.5
Greece	0.1	-	-	-	-	-	-	-	-	-	-
Spain	5.6	1.4	-0.2	1.7	0.5	:	:	:	:	0.7	-0.1
France	8.0	0.2	1.0	1.2	0.3	-0.3	0.1	0.3	-	-	2.9
Italy	2.5	0.5	-	0.8	0.1	0.2	0.1	-	-	0.1	-
Cyprus	2.4	0.1	-	-	0.6	-	-	-	-	-	1.6
Latvia	0.1	-	-	0.1	-	-	-	-	-	-	-
Lithuania	0.1	-0.1	-	-	0.2	-	-	-	-	-	-
Luxembourg	47.6	23.2	21.8	3.8	-1.7	-0.2	-	5.7	-	1.3	-3.8
Hungary <sup>(3)</sup>	0.4	0.2	0.1	0.3	0.2	-	0.1	-0.1	-	-	0.1
Malta	0.5	-	-	:	:	-	-	-	-	:	-
Netherlands <sup>(3)</sup>	-5.3	-3.0	0.4	-1.5	-	0.1	0.2	-0.5	0.1	-	-2.1
Austria <sup>(3)</sup>	-0.7	-0.6	-	-0.1	-	-	-	-	-	0.1	-1.1
Poland	1.3	-	-	0.5	-	-0.2	-	-	-	-0.1	0.3
Portugal	1.1	-0.2	0.2	-	-	-	-	:	-	0.8	0.1
Romania	-0.3	-	-	-0.3	0.1	-	-	-	-	-	-
Slovenia	0.2	-	-	-0.1	-	-	-	-	-	-	-
Slovakia	-0.2	-0.1	-	-	-0.1	0.1	-	-	-	-0.2	-
Finland	-0.1	-0.1	-	-	-	0.1	-	-	-	-	-0.2
Sweden	-5.5	-3.3	-0.5	0.3	-0.3	-0.2	0.8	-	-	-	-2.6
United Kingdom	28.5	20.6	14.2	2.4	:	3.2	:	3.8	0.2	:	13.5

<sup>(1)</sup> Minus sign stands for disinvestment; "-" indicates less than EUR 50 million.

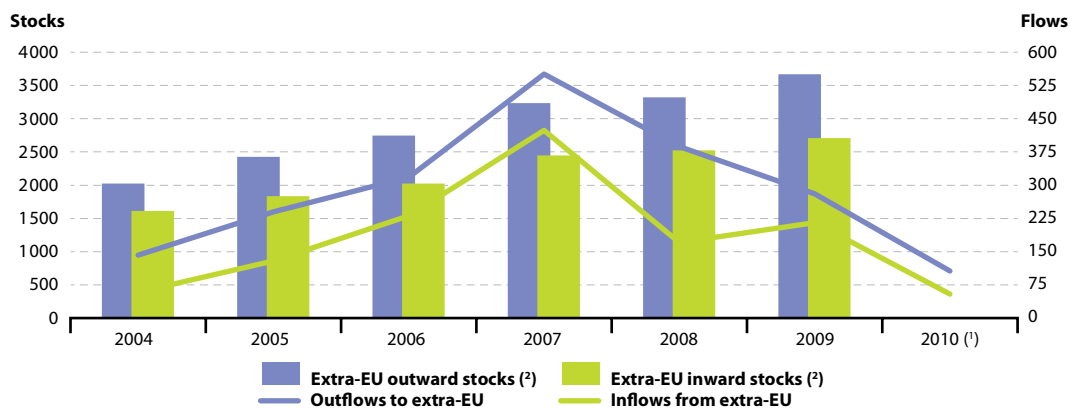
<sup>(2)</sup> Takes into account confidential data, estimates for Member States missing data and data for special purpose entities (SPEs) that in some cases are additionally collected by Eurostat and the ECB from Member States not including SPEs foreign direct investment in national data (see footnote 3).

<sup>(3)</sup> Excluding SPEs.

Source: Eurostat (online data code: [bop\\_fdi\\_main](#))



**Figure 1.6.1: FDI flows and stocks, EU-27, 2004-2010**  
(EUR 1 000 million)



(¹) Provisional.

(²) 2010, not available.

Source: Eurostat (online data code: [bop\\_fdi\\_main](#))



**Table 1.6.3:** Foreign direct investment, EU-27, 2007-2010 <sup>(1)</sup>  
(EUR 1 000 million)

	Outward FDI flows					Inward FDI flows				
	2007	2008	2009	2010	Share in 2009 (%)	2007	2008	2009	2010	Share in 2009 (%)
<b>Extra EU-27</b>	550.7	387.3	280.6	106.7	100.0	423.8	170.7	215.7	54.2	100.0
<b>Europe (non-EU), of which</b>	85.2	65.3	38.8	:	13.8	20.7	29.0	16.8	:	7.8
Switzerland	39.6	25.2	43.9	-7.4	15.6	29.6	8.4	24.7	6.2	11.5
Russia	18.2	27.3	0.7	-0.4	0.2	10.5	0.5	2.7	-0.4	1.3
Croatia	2.5	2.2	2.5	:	0.9	0.0	-0.1	-0.1	:	0.0
Turkey	15.7	6.5	4.2	:	1.5	0.6	-0.3	1.2	:	0.5
Ukraine	5.3	7.3	3.0	:	1.1	0.4	0.5	0.0	:	0.0
<b>Africa, of which</b>	17.0	24.1	21.0	:	7.5	3.9	7.2	0.9	:	0.4
Egypt	1.5	10.6	2.1	:	0.8	-0.5	0.8	0.1	:	0.1
South Africa	5.1	3.0	5.9	:	2.1	1.9	2.5	1.0	:	0.5
<b>North America, of which</b>	204.4	154.9	78.3	:	27.9	201.3	57.7	108.8	:	50.4
Canada	30.6	6.7	-0.9	-4.1	-0.3	6.3	13.3	11.5	27.7	5.3
United States	173.8	148.2	79.2	11.9	28.2	195.0	44.4	97.3	28.5	45.1
<b>Central America, of which</b>	108.5	0.0	61.0	:	21.7	78.2	-15.3	30.7	:	14.2
Mexico	5.8	5.6	4.0	:	1.4	0.4	0.7	2.7	:	1.2
<b>South America, of which</b>	19.2	19.1	9.4	:	3.3	27.9	12.0	0.8	:	0.3
Argentina	2.4	4.1	0.8	:	0.3	-0.2	-0.3	0.4	:	0.2
Brazil	14.9	9.1	8.8	6.2	3.1	24.7	10.0	0.4	3.8	0.2
<b>Asia, of which</b>	55.0	72.9	28.1	:	10.0	39.9	72.5	18.2	:	8.4
Arabian Gulf countries	4.7	19.5	3.9	:	1.4	2.7	51.2	10.6	:	4.9
China (excl. Hong Kong)	7.2	5.2	5.8	4.9	2.1	0.8	-0.2	0.3	0.9	0.1
Hong Kong	7.2	5.6	2.0	3.0	0.7	5.9	2.7	1.3	11.3	0.6
Japan	10.2	2.5	-0.2	-4.1	-0.1	18.6	2.8	-0.8	1.5	-0.4
India	4.6	3.7	3.4	3.0	1.2	1.2	3.6	0.9	0.6	0.4
Singapore	8.7	21.7	1.7	:	0.6	10.6	2.2	2.8	:	1.3
<b>Oceania, of which</b>	10.2	18.5	-1.6	:	-0.6	7.1	-0.4	5.8	:	2.7
Australia	9.6	17.3	-2.7	:	-1.0	7.1	-0.3	5.8	:	2.7
<b>Offshore financial centres</b>	158.4	39.4	89.5	21.1	31.9	105.8	16.8	46.1	-3.9	21.4

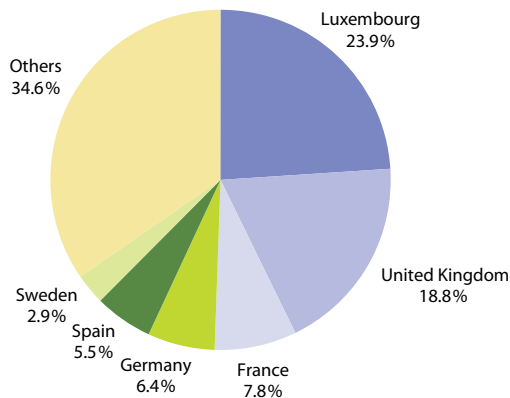
<sup>(1)</sup> 2007-2009 annual FDI data; preliminary figures for 2010 are based on annualised quarterly data; the sum of continents does not always equal the extra-EU total because of non-allocated flows.

Source: Eurostat (online data code: [bop\\_fdi\\_main](#))





**Figure 1.6.2:** FDI outward flows, 2007 to 2009 average  
(% of total EU-27 outward flows)



Source: Eurostat (online data code: [bop\\_fdi\\_main](#))

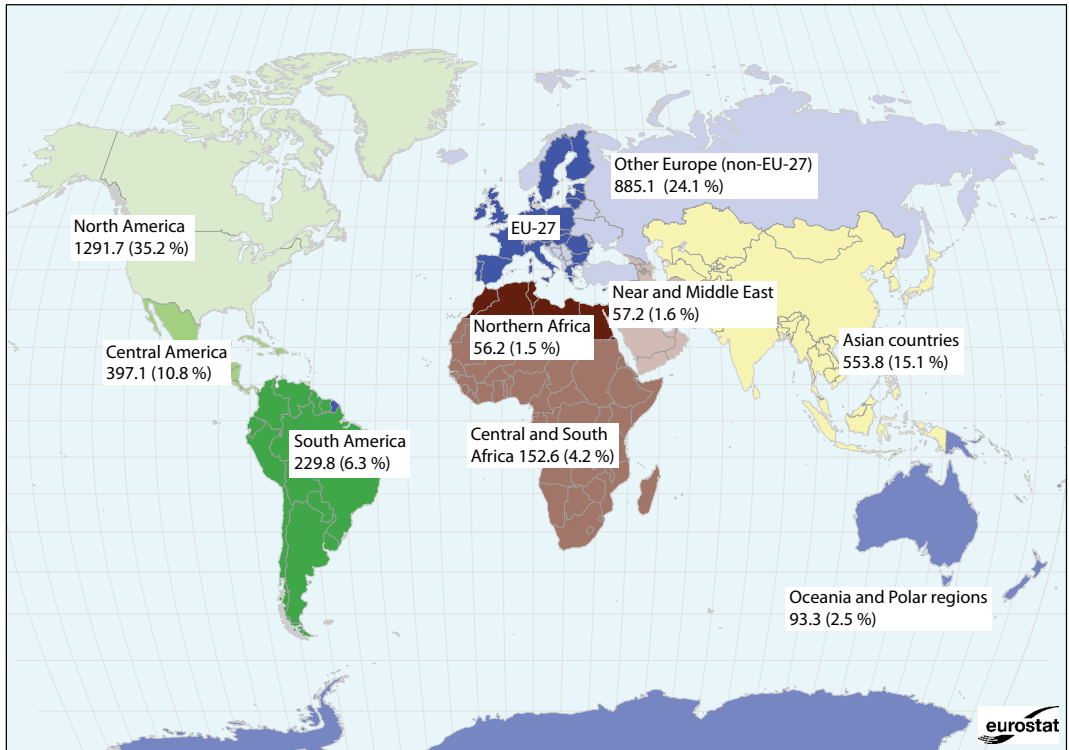
**Table 1.6.4:** Top 10 countries as extra EU-27 partners for FDI positions, EU-27, 2007-2009  
(EUR 1 000 million)

	Outward				Inward			
	2007	2008	2009	Growth rate 2007-2009 (%)	2007	2008	2009	Growth rate 2007-2009 (%)
<b>Extra EU-27</b>	3 231.6	3 319.8	3 665.6	13.4	2 447.9	2 522.3	2 707.2	10.6
United States	1 027.1	1 089.5	1 134.0	10.4	1 027.2	1 014.6	1 044.1	1.6
Switzerland	458.0	462.9	503.3	9.9	323.6	315.7	347.9	7.5
Canada	142.6	142.7	157.5	10.4	103.0	108.1	119.5	16.1
Brazil	107.7	108.5	132.2	22.7	41.2	52.5	56.3	36.7
Singapore	66.7	89.2	95.8	43.7	45.0	39.3	50.2	11.4
Hong Kong	89.3	89.3	92.9	4.0	17.2	25.5	26.8	55.9
Russia	71.5	83.2	88.8	24.2	24.7	26.4	27.5	11.4
Japan	74.8	78.4	84.0	12.3	122.3	122.6	135.3	10.6
Australia	69.9	70.3	82.8	18.5	25.7	21.2	30.2	17.3
South Africa	55.1	55.1	77.0	39.7	6.0	6.8	6.2	4.1

Source: Eurostat (online data code: [bop\\_fdi\\_pos](#))



**Map 1.6.1:** Outward stocks of FDI, EU-27, end 2009  
(EUR 1 000 million (share in extra-EU-27))



Source: Eurostat (online data code: [bop\\_fdi\\_pos](#))

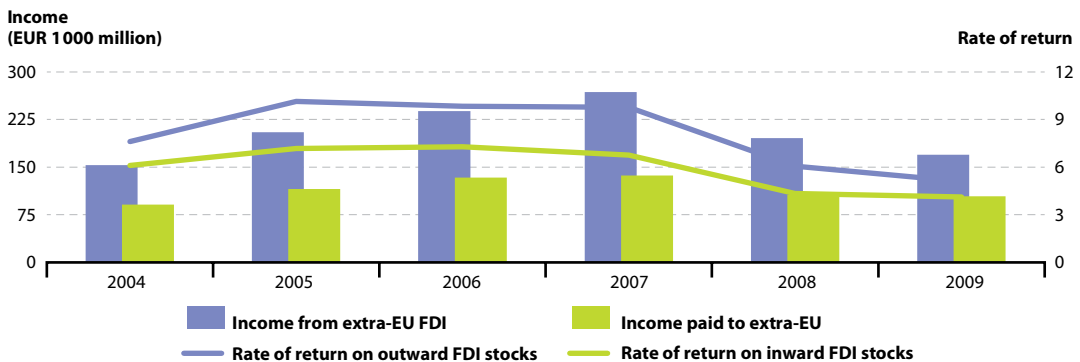


**Table 1.6.5:** Extra EU-27 FDI stocks by economic activity, EU-27, end 2008  
(EUR 1 000 million)

	Outward	Inward
<b>Total</b>	3 319.8	2 522.3
<b>Agriculture, hunting and fishing</b>	1.0	1.4
<b>Mining and quarrying</b>	187.1	40.0
<b>Manufacturing</b>	645.0	330.3
Food products	70.6	53.3
Textiles and wood activities	29.3	33.2
Petroleum, chemical, rubber, plastic products	262.9	124.5
Metal and mechanical products	125.7	46.1
Machinery, computers, RTV, communication	20.4	14.1
Vehicles and other transport equipment	60.4	22.9
<b>Electricity, gas and water</b>	57.2	18.2
<b>Construction</b>	16.0	13.4
<b>Services</b>	2 374.7	2 088.4
Trade and repairs	126.9	139.0
Hotels and restaurants	11.6	13.4
Transport and communications	122.0	41.8
Financial Intermediation	1 550.9	1 356.9
Real estate and business services	535.9	514.3
Other services	27.4	23.0
<b>Other sectors</b>	38.6	30.7

Source: Eurostat (online data code: [bop\\_fdi\\_pos](#))

**Figure 1.6.3:** FDI income and rates of return, EU-27, 2004-2009 <sup>(1)</sup>



<sup>(1)</sup> Rate of return: income in year t/stocks at the end of year t-1.

Source: Eurostat (online data code: [bop\\_fdi\\_inc](#))