

EU International Trade in Services in 2005

EU external surplus increased to €56.9bn

Statistics in focus

ECONOMY AND FINANCE

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Balance of payments

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The European Union continued to be the biggest global player in international trade in services (ITS). In 2005, the EU-25's international trade in services recorded a surplus of €56.9 billion, compared to 47.6bn in 2004 and 38.5bn in 2003. The USA remained the EU's main trading partner. The development of trade with Japan continued to be rather slow. Of all the EU Member States, the UK was the biggest contributor to extra-EU transactions.

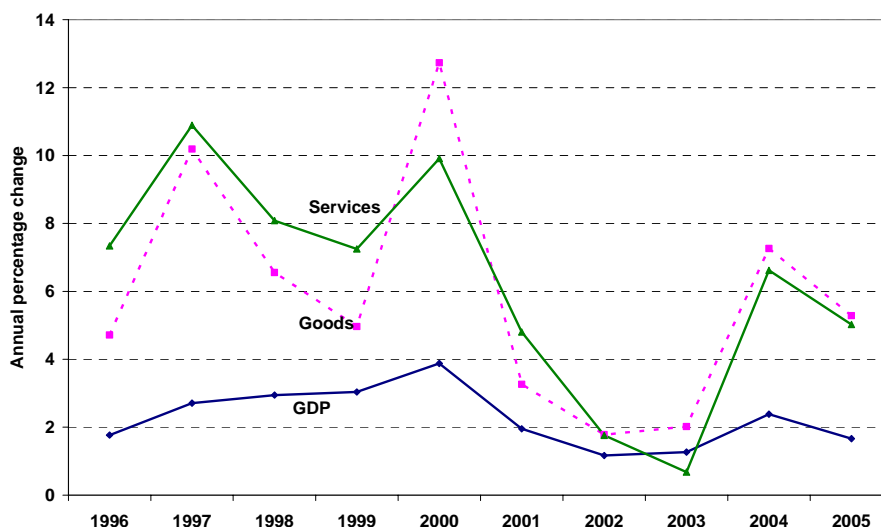
Service trade continued to exceed service output growth

Services are increasingly important in modern economies. In 2005, their shares in EU-25 gross value added and employment were 71.9% and 67.6% respectively (Eurostat database). Recent decades have witnessed a steady rise in their importance in the EU economy.

The strong and growing role of services is not, however, reflected in international trade. On average service sectors exported less than 6% of their output, compared to an export share of close to 40% for manufacturing industry (European Commission, Quarterly Report on the Euro Area, vol. 5, No. 2). Due to their intangible nature, trade in services is inherently subject to more constraints than trade in goods. The service sectors are highly varied in their nature - some sectors being more exposed to international trade than others.

With the increasing tradability of large parts of the service economy, trade in services is now growing at similar rates to trade in goods and consequently at a pace substantially higher than that of GDP. Expansion of service trade continued to exceed service output growth by a sizeable margin.

Chart 1: EU GDP and exports of goods and services, 1996-2005
(At 1995 prices and exchange rates, annual percentage change)



Source: Eurostat

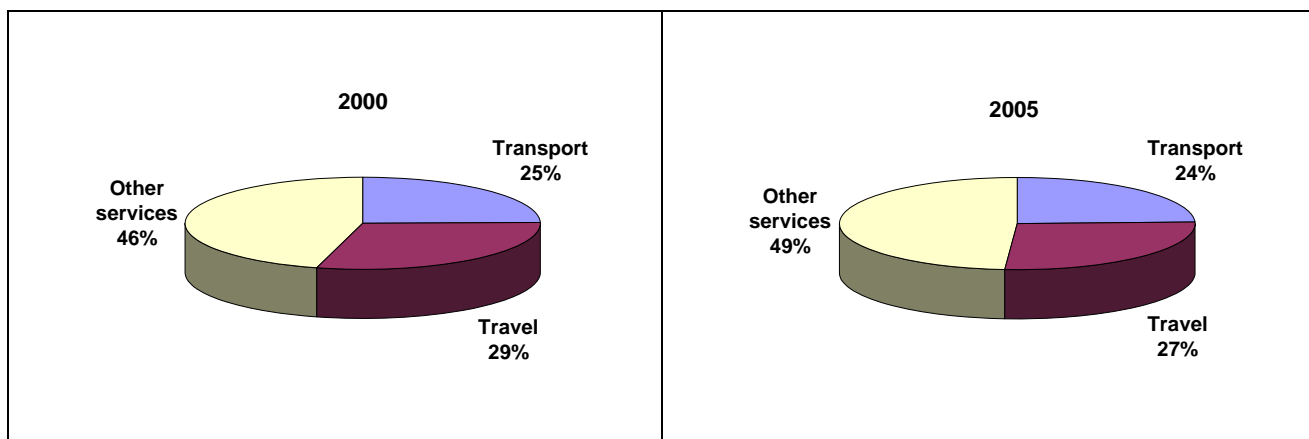
Since the 1990s growth in the export of goods and services has evolved in a broadly similar pattern; both growing by about 6% per year on average and services consequently retaining their roughly 20% share of overall international trade over this period. However, chart 1 shows that for the third year in a row services exports lagged behind merchandise exports.

According to figures published by the International Monetary Fund¹ total world international trade in services (exports + imports) in 2005 amounted to €3977.2 billion (of which intra-EU-25 trade accounted

for €1057.0 billion), a 9.8% increase in value terms compared to 2004.

Looking at the different categories of services for which total world figures are available (transport², travel³ and other services⁴) between 2000 and 2005 the share of travel in total services decreased by 2 percentage points, down to 27% in 2005. The share of other services gained 3 percentage points (up to 49%), while the share of transport decreased from 25% to 24% in 2005 (see chart 2).

Chart 2: Breakdown of total world trade in services, in %



Source: IMF Balance of Payments Statistics, 2006

The EU remained the world's largest trader in services

In 2005, the European Union remained the world's largest exporter and importer of services. The EU-25 accounted for 28.3% of global exports and 24.7% of imports⁵. It was followed by the USA (19.0%) and, at some considerable distance, by Japan (6.7%), China (4.4%) and Canada (3.3%).

The EU-25's share in total world trade in services decreased slightly, from 26.5% in 2004 to 25.9% in 2005. The USA and Japan also saw their shares decrease marginally - down from 19.3% to 19.0% in 2005 in the case of the USA, and from 7.1% to 6.7% for Japan. On the other hand China continued to increase its share - up from 4.1% to 4.4%.

Table 1 summarises international trade in services transactions (exports and imports) for the 15 main

trading economies. In 2005, these 15 economies accounted for more than three-quarters of total world transactions in services. As the EU is treated as a single entity, intra-EU transactions are not included in this analysis.

This group of countries as a whole recorded a surplus of €62.7bn (up from 39.3bn in 2004). However, this total amount masks different patterns in individual countries. The EU-25 recorded a surplus of €56.9bn, compared to €47.6bn in 2004. Other countries persistently running surpluses were the USA, Switzerland, Turkey and Norway. On the other hand Japan recorded the highest deficit (€-19.3bn). Other countries with significant deficits were Russia, South Korea, Canada, China, Thailand and Mexico.

¹ IMF, Balance of Payments Statistics Yearbook, 2006.

² Transportation covers all transportation services that are performed by residents of one economy for those of other and that involve the carriage of passengers, the movement of goods, rentals of carriers with crew, and related supporting and auxiliary services.

³ Travel covers primarily the goods and services acquired from an economy by travellers during visits of less than one year to that economy.

⁴ Other services comprise: communication services, construction services, insurance services, financial services, computer and information services, royalties and license fees, other business services, personal, cultural and recreational services and government services.

⁵ Intra-EU transactions are excluded from this analysis since the EU is treated as a single entity.

Table 1: Trade in services for main trading countries (in million Euro)

	2004			2005			Share of world (%)		Rank	
	Export	Import	Balance	Export	Import	Balance	2004	2005	2004	2005
EU25	372620	325044	47576	406292	349357	56935	26,5	25,9	1	1
United States of America	274083	233361	40722	302860	252853	50006	19,3	19,0	2	2
Japan	78472	108943	-30471	88586	107914	-19328	7,1	6,7	3	3
China	50192	57989	-7797	59805	67354	-7548	4,1	4,4	4	4
Canada	39481	47362	-7881	43121	52211	-9090	3,3	3,3	5	5
Singapore	37606	40201	-2595	41241	43614	-2373	3,0	2,9	6	6
South Korea	33670	40138	-6468	36472	46995	-10523	2,8	2,9	7	7
Switzerland	34637	19617	15021	37864	21090	16774	2,1	2,0	8	8
Russia	16312	27118	-10806	19746	31682	-11936	1,7	1,8	9	9
Australia	21193	21738	-545	22862	23599	-738	1,6	1,6	10	10
Norway	20558	18546	2012	23045	21960	1085	1,5	1,5	11	11
Thailand	15307	18552	-3245	16596	22194	-5598	1,3	1,3	12	12
Malaysia	13480	15337	-1857	15735	17648	-1913	1,1	1,1	13	13
Turkey	18448	8170	10277	20784	9558	11226	1,0	1,0	14	14
Mexico	11293	15901	-4608	12971	17233	-4263	1,0	1,0	15	15

Source: Eurostat; IMF Balance of Payments Statistics, 2006

Surplus in transportation and other services, deficit in travel

In 2005, EU-25 services trade was marked by an increase of 9.0% in exports and 7.5% in imports, compared to 2004. As a result the surplus continued to grow, reaching €56.9bn in 2005. Table 2 shows that this increased surplus was mainly due to a higher surplus in transportation (+18.4bn in 2005 compared to +14.4bn in 2004) and in "other services" (+54.3bn in 2005 compared to +47.8bn in 2004). The deficit registered for travel was slightly higher (-15.5bn compared to -14.4bn).

International receipts from transportation services rose by 11.1% in 2005, again faster than those from travel and other services, which grew in euro terms by 6.3% and 9.5% respectively. The relative strength of transportation services in a year with less dynamic

merchandise trade growth seems to show stronger price increases in the transportation sector.

The surplus registered in other services in 2005 was mainly due to the surpluses recorded in other business services (+30.0bn), financial services (+20.9bn), computer and information services (+8.3bn) and construction services (+4.9bn). The largest deficit was registered in royalties and licence fees (-8.0bn).

In relative terms, financial services, construction services, other business services and royalties and licence fees expanded at double digit rates on the export side. On the import side financial services and government services experienced similar growth rates.

Table 2: EU international trade in services with the rest of the world (in bn Euro)

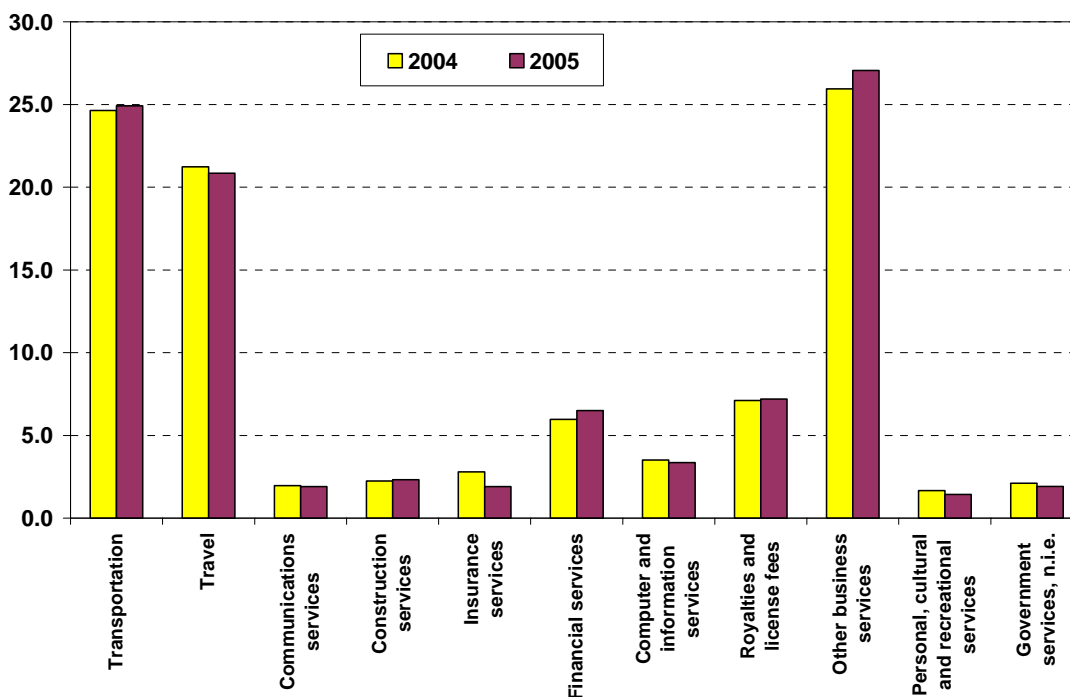
	2003			2004			2005		
	Export	Import	Balance	Export	Import	Balance	Export	Import	Balance
Total Services	343,0	304,5	38,5	372,6	325,0	47,6	406,3	349,4	56,9
Transportation	77,4	70,5	7,0	93,1	78,7	14,4	103,4	84,9	18,4
Travel	63,8	77,3	-13,4	66,8	81,3	-14,4	71,0	86,5	-15,5
Other services	199,2	153,8	45,4	209,8	162,1	47,8	229,7	175,4	54,3
Communications services	5,9	6,7	-0,9	6,5	7,2	-0,7	6,8	7,6	-0,8
Construction services	10,1	5,7	4,4	9,7	6,0	3,7	11,2	6,3	4,9
Insurance services	15,0	6,4	8,6	10,9	8,6	2,3	6,3	8,1	-1,8
Financial services	25,1	10,6	14,5	29,7	11,9	17,8	35,0	14,1	20,9
Computer and information services	16,6	7,5	9,1	16,4	8,1	8,3	16,9	8,5	8,3
Royalties and licence fees	17,4	28,1	-10,7	20,3	29,3	-9,1	23,2	31,2	-8,0
Other business services	95,4	76,6	18,8	101,9	79,1	22,8	117,2	87,2	30,0
Personal, cultural and recreational services	4,5	5,7	-1,3	5,4	6,2	-0,8	4,9	5,9	-1,0
Government services, n.i.e.	9,3	6,4	2,9	9,1	5,6	3,6	8,1	6,4	1,7
Services not allocated	2,5	2,9	-0,4	2,9	3,1	-0,2	2,2	2,6	-0,3

Source: Eurostat

Chart 3 shows that in terms of total transactions (exports + imports) the shares of transportation, financial services and other business services in total

EU international trade in services increased, while items such as travel and insurance services saw their shares fall.

Chart 3: Shares in EU-25 ITS transactions with the rest of the world (in %)



Source: Eurostat

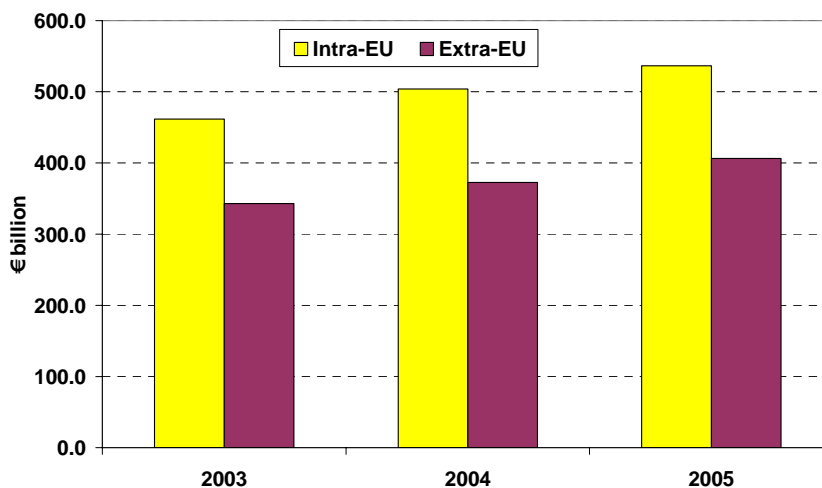
Trade between Member States exceeds Extra-EU trade

Almost 60% of EU trade in services was between EU Member States (Intra-EU transactions). In 2005, intra-EU exports (exports from Member States to Member States) amounted to €536.5bn, an increase of 6.5% in value terms, compared to 2004. The value of total intra-EU imports in 2005 was €520.5bn. Due to asymmetries in bilateral statistics, total intra-EU imports are not equal to total intra-EU exports. For

details see Asymmetries in EU current account data, Eurostat Working Papers and Studies, 2006.

Extra-EU exports (exports from Member States to third countries) increased by 9.0% over the same period, reaching an amount of €406.3bn. Extra-EU imports (imports from third countries to the EU) grew by 7.5% and amounted to €349.4bn.

Chart 4: Intra-EU and Extra-EU exports of services, bn Euro



Source: Eurostat

The EU recorded surpluses with most of its partners

An analysis of the composition and trend of EU transactions with the rest of the world (Extra-EU transactions) shows that the USA continued to be the biggest trading partner for the EU. In 2005, 30.2% of total exports from the EU-25 went to and 33.2% of total imports came from the USA. However, imports from the USA increased at a faster rate than exports, leading to a reduction in the trade surplus from €10.2bn in 2004 to €6.9bn in 2005. Other important trading partners were Switzerland, Japan and Norway. These were also the countries with which the EU has considerable surpluses.

On the other hand, the highest deficits were recorded with Morocco, Thailand, Croatia, Egypt and Turkey, mainly due to deficits recorded for the item travel.

In 2005 EU exports to Russia grew at a faster rate than imports from Russia. As a result, the EU was able to increase its surplus appreciably. The value of exports to and imports from China also increased significantly. In 2005 China accounted for 2.7% of total extra-EU exports (up from 2.4% in 2004) and 2.5% of total extra-EU imports (up from 2.2% in 2004).

Table 3: EU-25 trade with its main partners, total services (in million Euro)

Rank*	Trading partner	2004			2005		
		Export	Import	Balance	Export	Import	Balance
1	Switzerland	45734	34407	11326	49565	36677	12888
2	Japan	18712	10665	8047	19969	11871	8098
3	United States of America	119979	109780	10200	122872	115967	6905
4	Norway	13172	9396	3776	15117	9668	5450
5	Russia	9094	6800	2294	11444	8125	3320
6	Singapore	7483	5047	2435	8264	5521	2743
7	Hong Kong	7209	5259	1950	8181	5645	2537
8	Nigeria	2970	859	2111	3371	964	2408
9	South Korea	5553	3281	2272	5725	3424	2300
10	China	9121	7183	1939	11109	8848	2261
11	Australia	7034	5198	1836	8054	5860	2194
12	Taiwan	3130	2055	1075	3267	1978	1289
13	Canada	8083	7122	961	8474	7642	832
14	South Africa	4311	3966	345	4833	4031	802
15	Mexico	3592	2741	851	3416	2653	763
16	Chile	1278	815	463	1650	957	692
17	Venezuela	937	474	463	1175	588	587
18	Israel	3047	1997	1050	2829	2249	580
19	India	3759	3962	-203	5261	4688	573
20	Brazil	3725	3452	273	4460	3939	522
21	Malaysia	1911	1507	404	1943	1518	425
22	New Zealand	1499	1161	339	1638	1318	319
23	Iceland	536	629	-93	768	628	140
24	Uruguay	252	207	45	318	203	115
25	Indonesia	1073	1051	22	1157	1047	110
26	Philippines	824	731	93	912	857	55
27	Argentina	1210	1201	8	1472	1417	54
28	Romania	2379	2296	84	2871	3058	-187
29	Liechtenstein	399	492	-94	407	611	-204
30	Bulgaria	1089	1661	-571	1144	2044	-900
31	Morocco	1499	2970	-1471	1403	3018	-1614
32	Thailand	1717	3357	-1640	1821	3736	-1915
33	Croatia	1725	3748	-2022	1722	4423	-2701
34	Egypt	1819	4164	-2345	2226	4933	-2708
35	Turkey	3920	9669	-5749	4456	10636	-6180

* ordered according to EU25 net in 2005

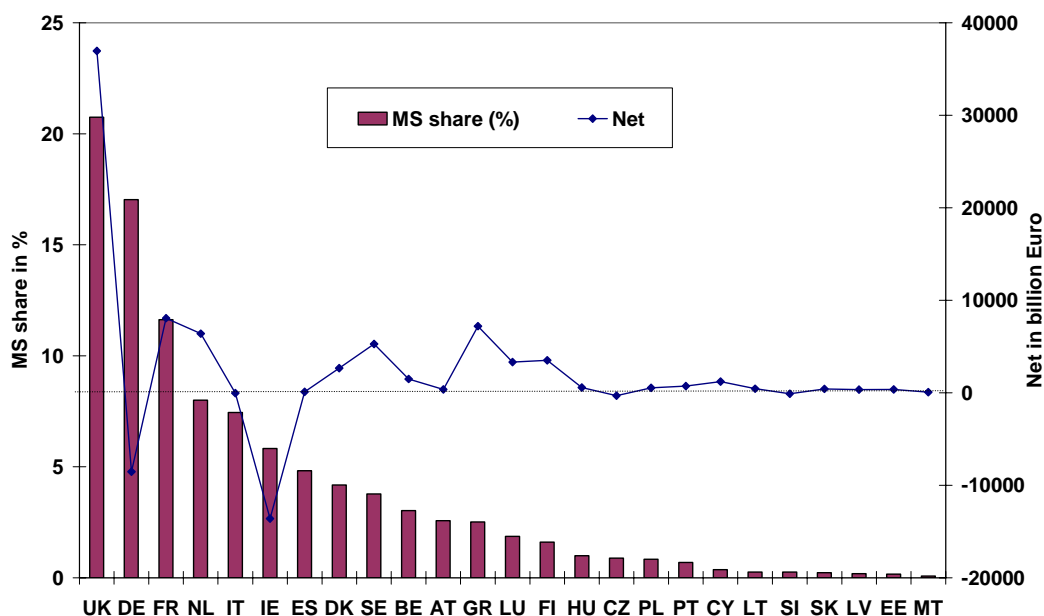
Source: Eurostat

UK continued to be the EU champion in trade in services

Of all the 25 Member States, the United Kingdom was the largest exporter of services in 2005. About a quarter of all EU exports to the rest of the world came from the UK. It was followed by Germany and France. Germany was the biggest importer, accounting for about 20% of total EU-25 imports. It was followed by

the UK and France. The United Kingdom also registered the biggest surplus in 2005 (€ +36.9bn). The highest deficit in 2005 was recorded by Ireland, followed by Germany.

Chart 5: Member States' (MS) share in total extra-EU ITS transactions (in %), net (in bn euro)



Left hand scale for MS share in percentage; Right hand scale for balance in bn euro

Source: Eurostat

EU trade in services with Japan rather slow

While Statistics in Focus 8/2006 gave some information on EU trade with China, this version offers a look into trade with Japan.

Japan is one of the most important trading partners of the European Union, ranking third in both exports and imports, after the USA and Switzerland. Table 3 shows

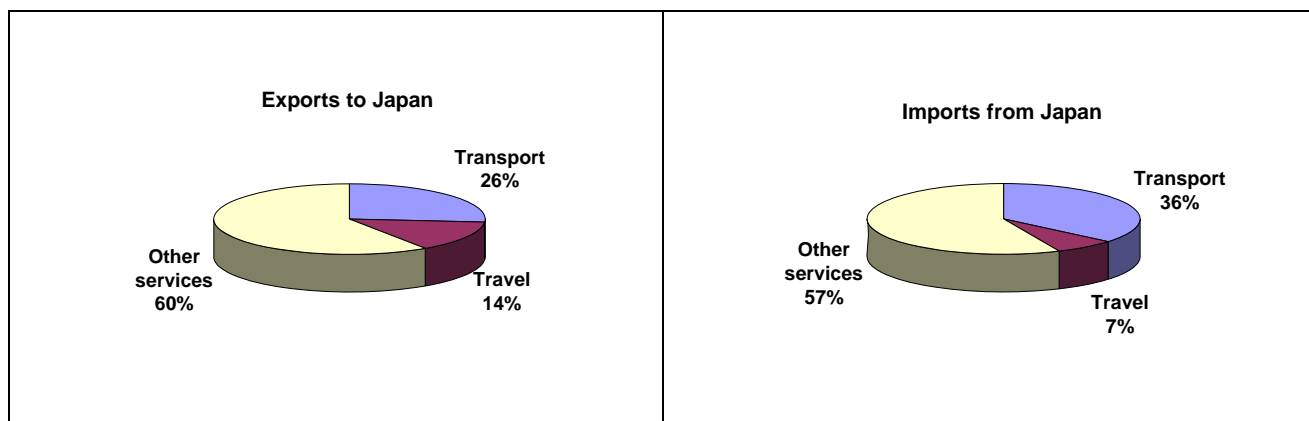
that Japan ranks second in terms of trade balance. Japan accounts for about 5% of total EU exports and 3.3% of total EU imports. In 2005, EU25 exports in services to Japan were worth €20bn, while the imports from Japan amounted to €12bn, resulting in a surplus of €8bn. EU exports to Japan have always exceeded imports, leading to persistent surpluses.

Table 4: EU-25 trade in services with Japan, in million Euro

	2004			2005		
	Export	Import	Balance	Export	Import	Balance
Total Services	18712	10665	8047	19969	11871	8098
Transportation	4974	3805	1169	5262	4154	1108
Travel	2840	706	2134	2807	851	1957
Other services	10828	5733	5096	11843	6516	5326
Communications services	326	81	245	306	86	220
Construction services	94	105	-11	88	82	6
Insurance services	278	129	150	261	137	124
Financial services	2320	1069	1251	3069	1188	1882
Computer and information services	657	245	412	573	203	370
Royalties and license fees	1887	1159	728	2054	1490	563
Other business services	4643	2793	1849	4948	3200	1748
Personal, cultural and recreational services	546	53	492	482	49	432
Government services, n.i.e.	77	98	-21	62	81	-19
Services not allocated	70	421	-351	56	350	-294

Source: Eurostat

Chart 6: Breakdown of EU-25 exports to and imports from Japan, 2005



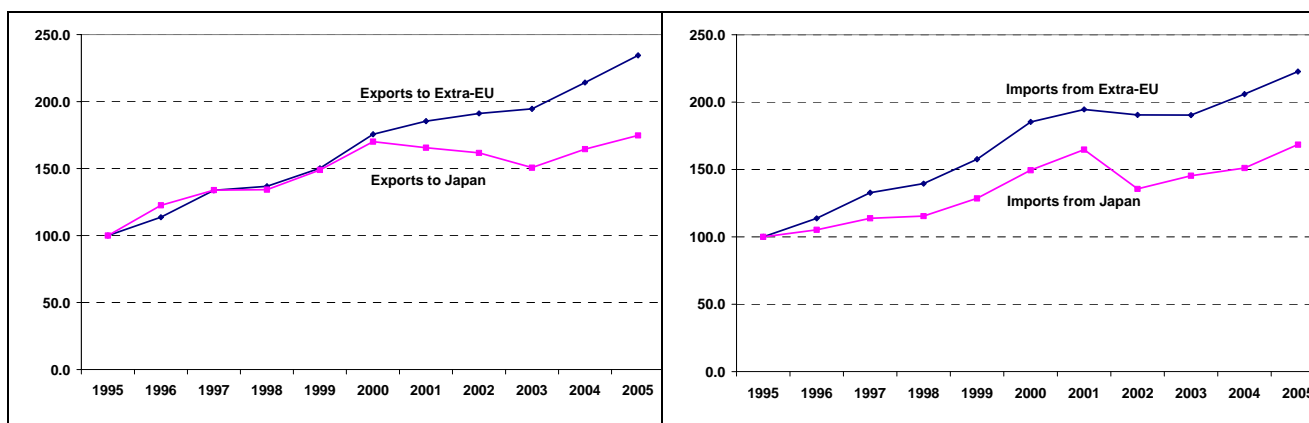
Source: Eurostat

Table 4 shows that in 2005 the EU had surpluses with Japan in all service categories except for a small deficit in government services. The biggest surpluses were recorded in travel (€ +2bn), financial services (+1.9bn) and other business services (+1.7bn).

Chart 6 shows that the composition of EU exports to Japan differs from that of imports from Japan. While

transportation services accounts for 26% of total exports to Japan, their share in total imports is 36%. Travel plays a much bigger role in exports to Japan (14%) than imports from Japan (7%). The shares of other services are almost the same for both exports and imports (60% in exports against 57% in imports).

Chart 7: Evolution of EU-15 exports and imports in services, at current prices (1995=100)



Source: Eurostat

Data on trade between EU15 and Japan (for which a much longer time series is available) show that the development of trade in services with Japan in recent years has been rather very sluggish. Over the period 1995-2005, EU-15 exports and imports of services to the rest of the world more than doubled. During that same period trade in services with Japan increased only 1.7 fold.









The United Kingdom accounted for 29.8% of all EU-25 exports to and 26.2% of EU-25 imports from Japan. It was followed by Germany and France in both exports and imports. More than 55% of total exports and imports to and from Japan involved these three countries.

➤ **Essential information – Methodological notes**

The results presented in this publication are based on balance of payments statistics. The balance of payments records all economic transactions between a country (i.e. its residents) and foreign countries or international organisations (i.e. the non-residents of that country) during a given period. As part of the balance of payments, the current account records real resources and is subdivided into four basic components: goods, services, income and current transfers. The methodological framework used is that of the fifth edition of the International Monetary Fund Balance of Payments Manual (BPM5). The EU balance of payments is compiled by Eurostat in accordance with a methodology agreed with the European Central Bank (ECB).

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