



KEY FIGURES

Bulletin of economic trends in Europe 1-2/96

Content

1- Indicators

Inflation rate
Unemployment
External trade
Money and Finance
Industrial production

2- Data of the month

Weekly working times
Social protection in the
European Union

3- Quarterly Data

Balance of payments:
Fourth quarter 1994

Foreword

European Union of Fifteen annual inflation remained at 3% in November 1995.

European Union of Fifteen seasonally-adjusted unemployment stood at 10.6% in November 1995.

In 1994, the European Union's of Twelve trade balance went down to a deficit of ECU 1 billion compared to 1993 when the imports and the exports flows were almost in equilibrium (only a small ECU 0.1 billion deficit).

The foreign exchange markets were remarkably steady during the first three weeks of December 1995.

The bond market rally evident throughout most of 1995 continued into December, causing further falls in government bond yields.

Money supply grew faster in the United Kingdom, Greece, France.

In the first ten months of 1995 it appears that there were few significant changes in the level of foreign official reserves, excluding gold, in European Union member states.

The European Union of Fifteen industrial production trend rose by 0.3% in third quarter compared to second quarter of this year.

The first part of this month's "Data of the month" section is devoted to *Weekly working times*, and the second part to *Social protection in the European Union*.

This month's "Quarterly Data" section is devoted to *Balance of payments: Fourth quarter 1994*.

European economy at a glance



| | Period | B | DK | D | GR | E | F | IRL | I | L | NL | A | P | FIN | S | UK | EUR 15 |
|---------------------------------------------------------------------|--------|------------|-------|------------|-------------|-------|-------|-------|-------|------------|------------|-------|--------------|-------------|-------|-------|--------------------|
| GDP, seasonally adjusted volume trends, T/T-1 % | 11/95 | : | -0.5 | 0.2 | : | 0.7 | 0.4 | : | -0.4 | : | 0.1 | 0.5 | : | 0.6 | 1.2 | 0.6 | 0.3 |
| GFCF, seasonally adjusted volume trends, T/T-1 % | 11/95 | : | -0.2 | -0.21 | : | 2.49 | -0.92 | : | 2.44 | : | 3.43 | 2.21 | <i>14.49</i> | -3.16 | 0.43 | 1.53 | 0.73 |
| Production index 1990=100 total, seasonally adjusted ⁽¹⁾ | 9/95 | : | 116.6 | 94.7 | 95.2 | 104.0 | 103.2 | 165.5 | 108.7 | : | 105.1 | 111.5 | <i>102.1</i> | 115.8 | 114.7 | 106.1 | 103.0 |
| Consumer price index T/T-12 % | 11/95 | 1.5 | 1.9 | 1.5 | 8.2 | 4.4 | 1.9 | 2.4 | 5.8p | 1.3 | 1.6 | 1.9 | 3.9 | 0.3 | 2.7 | 3.1 | 3.0p |
| Conversion rate 1 ECU=... monthly average | 12/95 | 38.6 | 7.28 | 1.88 | 310.5 | 159.9 | 6.48 | 0.82 | 2080 | 38.6 | 2.10 | 13.23 | 197.1 | 5.65 | 8.65 | 0.85 | : |
| Exchange rate 1 USD=... monthly average | 12/95 | 29.6 | 5.58 | 1.44 | 238.1 | 122.6 | 4.97 | 0.63 | 1594 | 29.6 | 1.61 | 10.14 | 151.1 | 4.33 | 6.63 | 0.65 | : |
| Money supply, M1 T/T-12 % | 9/95 | <i>4.6</i> | : | <i>3.2</i> | 8.4 | 3.8 | 3.1 | 15.6 | 0.3 | : | 6.5 | 8.6 | 14.6 | 6.9 | : | : | : |
| Yield on public sector long-term bonds % | 11/95 | 7.1 | 7.4 | 6.3 | <i>15.8</i> | 10.5 | 7.0 | 7.4 | 11.7 | <i>5.9</i> | 6.4 | 5.9 | <i>11.2</i> | 7.5 | 9.0 | 7.8 | : |
| Unemployment rate seasonally adjusted % | 11/95 | 10.3 | 6.2 | 8.5 | : | 22.4 | 11.4 | 14.5 | 11.6 | 4.0 | <i>6.6</i> | : | 7.2 | <i>16.8</i> | 9.4 | 8.1 | 10.6 |
| Extra-EU Trade balance BN ECU | 12/94 | -0.1* | 0.3 | 2.4 | -0.1 | -0.4 | 2.0 | 0.1 | 1.8 | -0.1* | -1.5 | : | -0.2 | : | : | -1.6 | 2.7 ⁽¹⁾ |

Data in italics are not necessarily for the indicated period but are the latest available (usually the previous month or quarter)

* BLEU

⁽¹⁾ EUR 12

⁽²⁾ Excluding construction



**European Union of Fifteen
annual inflation remained
at 3% in November 1995**

Inflation rate

European Union of Fifteen annual inflation remained at 3% in November 1995, same as in October.

A year before it was 2.9%. Between November '94 and November '95 annual inflation showed near-stability between 3 and 3.2%.

In November inflation was below the European Union of Fifteen average in

10 Member States. Lowest rate remained Finland's 0.3%; highest still Greece's 8.2%, although that was down from 10.6% a year earlier.

November rates in Member States, in ascending order of inflation, with corresponding figures for a year earlier, are as follows:

| | <u>Nov 95</u> <u>Nov 94</u> | <u>Nov 94</u> <u>Nov 93</u> | | <u>Nov 95</u> <u>Nov 94</u> | <u>Nov 94</u> <u>Nov 93</u> |
|--------------------|--------------------------------|--------------------------------|-----------------------|--------------------------------|--------------------------------|
| Finland | 0.3% | 1.6% | Ireland | 2.4% | 2.4% |
| Luxembourg | 1.3% | 2.0% | Sweden | 2.7% | 2.4% |
| Belgium | 1.5% | 2.0% | United Kingdom | 3.1% | 2.6% |
| Netherlands | 1.6% | 2.5% | Portugal | 3.9% | 4.0% |
| Germany * | 1.7% | 2.5% | Spain | 4.4% | 4.3% |
| Austria | 1.9% | 2.8% | Italy | 5.8% p | 3.9% |
| Denmark | 1.9% | 2.1% | Greece | 8.2% | 10.6% |
| France | 1.9% | 1.6% | | | |
| EUR 15 | 3.0% p | 2.9% | | | |

* This rate relates to the unified Germany (including the new "Länder")
p Provisional

**European Union of Fifteen
unemployment: 10.6% in
November 1995**

Unemployment

European Union of Fifteen seasonally-adjusted unemployment stood at 10.6% in November 1995.

This is the same as in October.

In November 1994 it stood at 11%.

Unemployment fell slowly but consistently from a peak of 11.3% in June '94, where it had remained since the beginning of that year, to its present level in July '95.

In the five months to November it remained at 10.6%, except for September when it was 10.5%. For this period the male rate remained at 9.3%, the female rate at 12.4% (except

September - 12.3%) and that for the under-25s around 20%.

The stability of recent EU-wide figures masks rising unemployment in Germany in all groups, in France for young people, and overall in Sweden; and consistently falling unemployment in Spain, the UK and Denmark.

Luxembourg continues to enjoy the European Union of Fifteen's lowest rate (4%).

Around 17.5 million people were unemployed in the European Union of Fifteen in November 1995. This is a seasonally-adjusted figure in line with ILO criteria.

The European Union of Twelve's imports increased by slightly more than exports during 1994 (+0.2 percentage points)

External trade

In 1994, the European Union's of Twelve* trade balance went down to a deficit of ECU 1 billion compared to 1993 when the imports and the exports flows were almost in equilibrium (only a small ECU 0.1 billion deficit).

This performance is the result of a clear upturn in extra-EU imports (10.8% growth rate against the stagnation registered in 1993), together with the one percentage point reduction in the exports annual growth rate (10.6% compared to 11.7% in 1993).

In 1994, Germany registered both the largest extra-EU surplus among the EU member states (ECU 25.6 billion) and the most important improvement compared to the previous year (ECU 5.6 billion).

The Italian trade balance improved its surplus by ECU 1.7 billion, reaching ECU 12.7 billion, from ECU 11 billion recorded in 1993.

The Dutch extra-EU deficit recorded the most important deterioration between 1993 and 1994 (ECU 9.9 billion) and became the largest among the EU countries (ECU 22 billion).

In 1994, the United Kingdom was the EU country that experienced the sec-

ond largest trade deficit, totalling ECU 20.5 billion.

France's extra-EU trade surplus improved by ECU 1.4 billion in 1994 compared to a year earlier (from ECU 9.4 billion to ECU 10.8 billion).

The BLEU and Greece improved their external trade accounts: the Greek trade deficit went down to ECU 2.8 billion from the ECU 4.3 billion registered in 1993, and the BLEU's trade balance reduced its deficit by ECU 1.7 billion.

The external trade surpluses of Denmark and Ireland reduced slightly compared to 1993: to ECU 2.5 billion and ECU 0.8 billion respectively in 1994.

The external positions of Spain and Portugal were almost stable between 1993 and 1994: their extra-EU deficits registered in 1994 ECU 4.3 billion and ECU 2.7 billion respectively.

* Due to frequent revisions of the monthly figures sent by the member states, the data shown is not necessarily identical to that presented in the previous publications.

Money and Finance

Exchange rates

The foreign exchange markets were remarkably steady during the first three weeks of December 1995. The most heavily traded currencies (US dollar, Japanese yen, Deutschemark) saw very little movement against each other, the dollar staying at around DM 1.44 and ¥ 102. This was despite interest rate cuts in both the US and Germany. The US federal funds rate was cut by 0.25 percentage points to 5.5%, and the Bundesbank lowered its discount rate by 0.5 percentage points to 3%. In a coordinated move in mid-December, official interest rates were cut throughout the ERM. Apart from Germany, rates were cut by 0.5 percentage points in the Netherlands, Belgium, Denmark, Ireland, Austria, and Portugal, while smaller cuts were made in France and Spain. Outside the ERM, there was a cut in UK base rates (reversing the upward trend in rates since September 1994), while rates in Greece and Finland were also lowered. Switzerland, although not an

EU member, also participated in the coordinated move, reducing its discount rate to 1.5%.

Exchange rates were little affected by these interest rate movements. The EMS exchange rate mechanism (ERM) was very stable, with currencies generally moving in a narrow range. There was limited market reaction to the series of strikes in France, the French franc not moving far from its November average value against the DM of FF 3.45. Among the non-ERM currencies, the Italian lira and pound sterling were both steady against the DM at around 1110 and 2.22, respectively, but the Swedish krona and Finnish markka weakened slightly. For the krona this was a small reversal in value to 4.62 against the DM (at the London close on 21 December), having reached a high for the year of SKR 4.53 at the beginning of the month. The Finnish markka, which had also appreciated for most of 1995, edged lower to FMK 3.03 on 21 December.

**Rally continues into
December 1995**

Government bond yields

The bond market rally evident throughout most of 1995 continued into December, causing further falls in government bond yields. The yield on 10-year German government bonds fell over 0.2 percentage points in the month to 21 December, to 6.1%. Most other European Union government bonds saw larger declines in yields, thus narrowing the differential with Germany. The biggest falls were Portugal (down a full percentage point) and Spain (down 0.8 percentage points) in the month to 21 December.

US Treasury and Canadian government bond yields also continued to fall in December, while Japanese yields remained close to record low levels. Therefore, the general trend in government bond yields was more or less downward throughout 1995 in all major markets, in contrast to the upward trend seen throughout 1994. This reflects above all the downward revisions made during 1995 to forecasts of economic growth and inflation. Nevertheless, for most countries, yields are not as low now as they were in late 1993.

**Faster growth in the United
Kingdom, Greece, France**

Money supply

Broad money supply (M4) growth in the United Kingdom moved above its 3-9% monitoring range in the year to November 1995, increasing by 9.3%, compared with 4.5% in December 1994. M3 growth in Greece rose to 10.3% in October, against 8.3% at the end of 1994, and an official target range of 7-9%. French M3 growth has also been growing at a faster rate, from 1.4% in December to 5.1% in August, but this is close to the medium-term objective of 5%. There has been a notable decline, however, in broad money growth in two European Union countries, Portugal and Austria. In Portugal, annual growth in the aggregate "L-" fell to 8.6% in September, having exceeded 10% for most of the year. Austrian M3 growth was 3.4% in August,

down from 5.3% at the end of 1994. The trend in broad money supply growth in Spain and Ireland has remained persistently high in recent months. Annual M3 growth in Ireland was 12.6% in October, and ALP growth in Spain was 9.9% in September. In the other European Union member states, however, the trend remains very subdued, or even negative. M2 growth in Italy was 1.7% in the year to October, well below the 5% target for 1995. Annualised M3 growth in Germany has also been falling short of its target range of 4-6%, one reason according to the Bundesbank for December's discount rate cut. The Bundesbank has announced a slightly higher target range for M3 in 1996 of 4-7%.

**Little change in level of
European Union reserves**

Foreign official reserves

In the first ten months of 1995 it appears that there were few significant changes in the level of foreign official reserves, excluding gold, in European Union member states (data are not yet available for all countries). Spain suffered a sharp fall in reserves from ECU 33.8 bn at the end of 1994 to ECU 24.9 bn in June, but then recovered slightly to ECU 25.8 bn in October. Meanwhile there were significant increases in the reserves of Ireland, rising 1.4 bn to ECU 6.4 bn, and of

Austria, up 2 bn to ECU 15.7 bn, between the end of 1994 and October 1995.

Japan's reserves reached a new world record in September 1995, reaching 137.1 bn when measured in ECU terms, compared with 102.3 bn at the end of 1994. One reason for the big increase has been foreign exchange market intervention by the central bank to limit the yen's appreciation. US reserves increased to ECU 58.8 bn in August 1995 from 51.4 bn in December 1994

**European Union of Fifteen
industrial production
up 0.3% in third quarter '95**

Industrial production

The European Union of Fifteen industrial production trend* rose by 0.3% in third quarter compared to second quarter of this year.

The September value was 103.4 (1990 = 100) against 102.4 last January.

Figures (in %) for Member States, where available, are (E = estimate):

* "Trend" means adjusted for both seasonal and irregular fluctuations.

July/September '95 compared to April/June '95

| | | | |
|-----------------|------|-----------------------|------|
| Ireland | 4.9E | Spain | 0.8E |
| Sweden | 2.8 | Netherlands | 0.6 |
| Finland | 1.4 | France | 0.3 |
| Austria | 1.1 | Denmark | 0.2 |
| Italy | 1.1 | Germany | -0.2 |
| Portugal | 1.1E | United Kingdom | -0.2 |
| Greece | 1.0E | | |

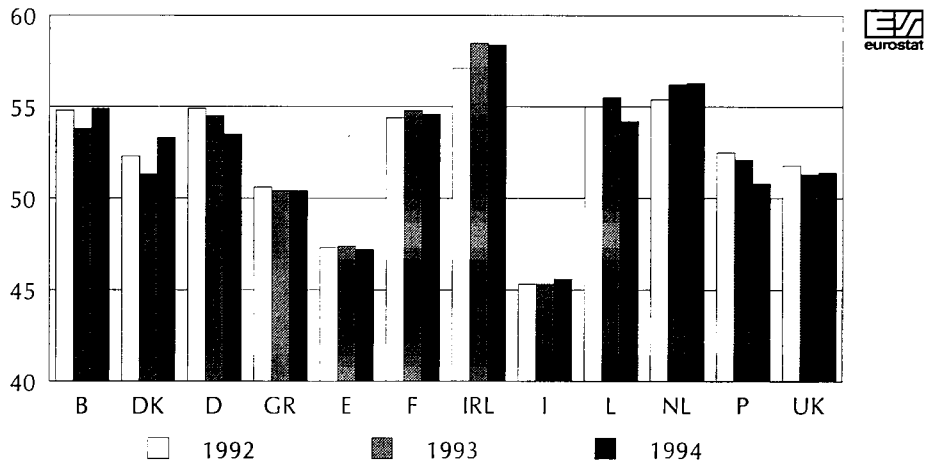
Data of the month

Weekly working times

The self-employed and employers in the twelve-member European Union usually work over 50 hours a week.

In Spain and Italy, employers and the self-employed only work an average of about 47 and 45 hours respectively. In this category of non-employees, the longest working hours are in Ireland, where the 60-hour barrier is often breached.

Hours usually worked weekly by employers and the self-employed (full-time)



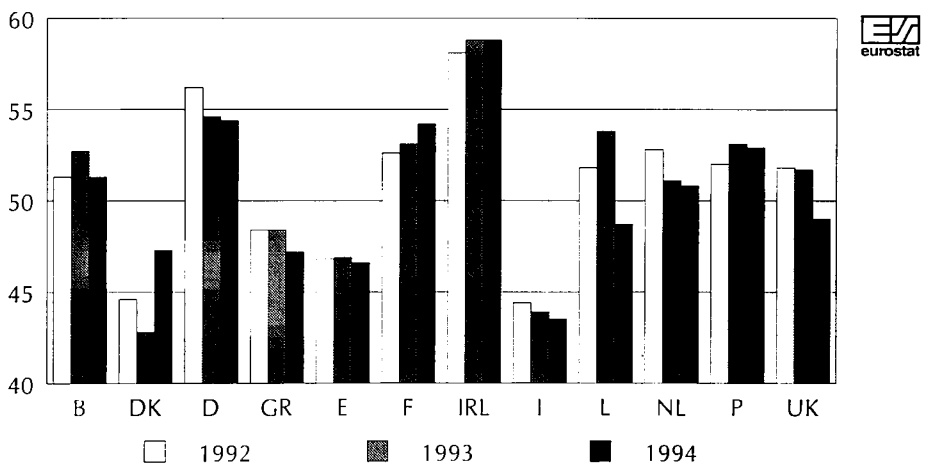
Hours usually worked weekly by employers and the self-employed (full-time)

| | B | DK | D | GR | E | F | IRL | I | L | NL | P | UK |
|------|------|------|------|------|------|------|------|------|------|------|------|------|
| 1992 | 54.8 | 52.3 | 54.9 | 50.6 | 47.3 | 54.4 | 57.1 | 45.3 | 55.0 | 55.4 | 52.5 | 51.8 |
| 1993 | 53.8 | 51.3 | 54.5 | 50.4 | 47.4 | 54.8 | 58.5 | 45.3 | 55.5 | 56.2 | 52.1 | 51.3 |
| 1994 | 54.9 | 53.3 | 53.5 | 50.4 | 47.2 | 54.6 | 58.4 | 45.6 | 54.2 | 56.3 | 50.8 | 51.4 |

Family workers also usually work over 50 hours a week.

Only Denmark and Italy have figures approaching 40 hours. Since 1983, there has been a fairly general downward trend. However, non-employees working full time as family workers continue to work longer hours than employees.

Hours usually worked weekly by family workers (full-time)



Hours usually worked weekly by family workers (full-time)

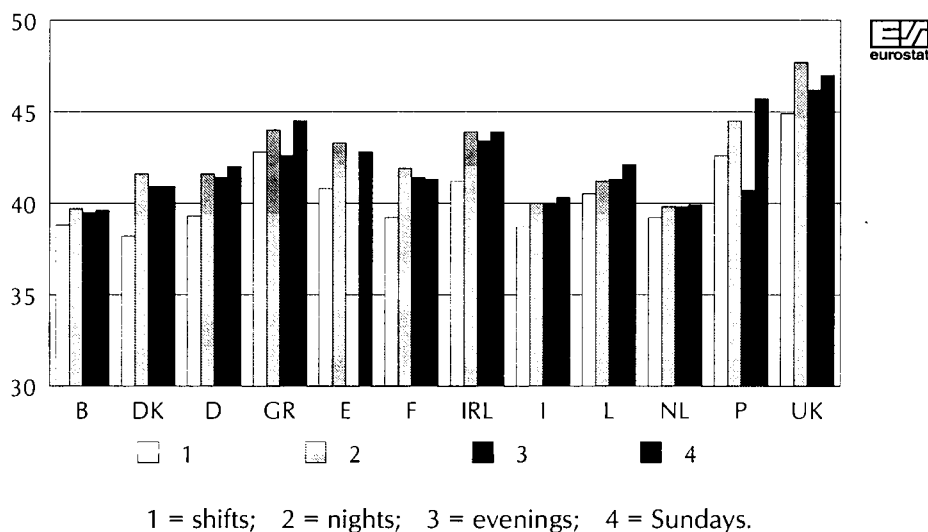
| | B | DK | D | GR | E | F | IRL | I | L | NL | P | UK |
|------|------|------|------|------|------|------|------|------|-------|------|------|------|
| 1992 | 51.3 | 44.6 | 56.2 | 48.4 | 46.8 | 52.6 | 58.1 | 44.4 | 51.8* | 52.8 | 52.0 | 51.8 |
| 1993 | 52.7 | 42.8 | 54.6 | 48.4 | 46.9 | 53.1 | 58.8 | 43.9 | 3.8 | 51.1 | 53.1 | 51.7 |
| 1994 | 51.3 | 47.3 | 54.4 | 47.2 | 46.6 | 54.2 | 58.8 | 43.5 | 4.7* | 50.8 | 52.9 | 49.0 |

* rough estimates

The hours usually worked by employees in certain atypical or flexible forms of work (evening, night and Sunday work) are significantly higher than the working hours of employees as a whole (by 1.5 to 3.5 hours on average).

By contrast, in shift work (round-the-clock rotation), flexibility does not mean longer working hours.

Hours usually worked weekly by employees working shifts, nights, evenings and Sundays in 1994



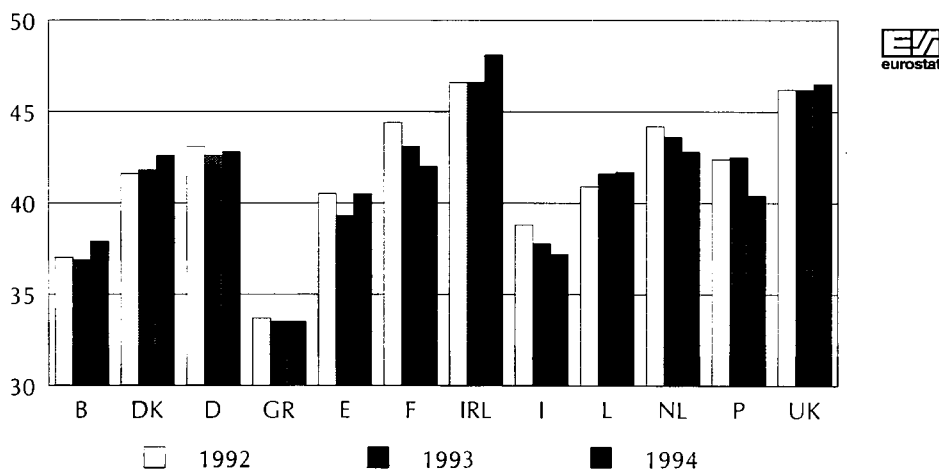
Hours usually worked weekly by all full-time employees

| | B | DK | D | GR | E | F | IRL | I | L | NL | P | UK |
|------|------|------|------|------|------|------|------|------|------|------|------|------|
| 1992 | 38.2 | 38.8 | 39.7 | 40.6 | 40.6 | 39.7 | 40.4 | 38.5 | 39.7 | 39.4 | 41.3 | 43.4 |
| 1993 | 38.0 | 38.8 | 39.5 | 40.5 | 40.6 | 39.8 | 40.1 | 38.5 | 39.8 | 39.4 | 41.2 | 43.4 |
| 1994 | 38.2 | 39.1 | 39.7 | 40.5 | 40.5 | 39.9 | 40.0 | 38.5 | 39.8 | 39.5 | 41.2 | 43.7 |

There is great diversity in the hours usually worked by employees working from home.

Some figures are close to those of non-employees (agriculture); others are closer to the usual hours worked by employees; though there is a wide range in each sub-group. This diversity is largely due to the varying extent to which this form of work has taken root in the different countries and sectors.

Hours usually worked weekly by employees working from home



Hours usually worked weekly by employees working from home

| | B | DK | D | GR | E | F | IRL | I | L | NL | P | UK |
|------|------|------|------|------|------|------|------|------|------|------|------|------|
| 1992 | 37.0 | 41.6 | 43.1 | 33.7 | 40.5 | 44.4 | 46.6 | 38.8 | 40.9 | 44.2 | 42.4 | 46.2 |
| 1993 | 36.9 | 41.8 | 42.6 | 33.5 | 39.3 | 43.1 | 46.6 | 37.8 | 41.6 | 43.6 | 42.5 | 46.2 |
| 1994 | 37.9 | 42.6 | 42.8 | 33.5 | 40.5 | 42.0 | 48.1 | 37.2 | 41.7 | 42.8 | 40.4 | 46.5 |

Social protection in the European Union

Social benefit expenditure

In the European Union of Twelve, in 1993, 27.5% of GDP is spent on social benefits

Unemployment benefits were the fastest growing category between 1989 and 1993

Expressed as a percentage of Gross Domestic Product, social benefits in the European Union (excluding the new German Länder) increased by 3.4 percentage points between 1980 and 1993, from 23.2 to 26.6%. This rise was the result of a fluctuating development within the observed period. A substantial increase was recorded between 1980 and 1983, followed by a slow decrease until 1989. In 1989 the

ratio began to grow again, with ever increasing speed, to reach 26.6% in 1993. With the new German Länder included, the figure for 1993 is 27.5%. Per head and in constant prices, benefits in the European Union increased by 44.6% between 1980 and 1993. In 1993, 4299 ECU per person were spent on social benefits. Again, the figure is larger (4375 ECU) if the new German Länder are included.

Although unemployment benefits represented only 6.6% of total benefit expenditure in 1989, their growth accounted for about a quarter of the increase recorded in total social protection benefits as a percentage of GDP. In 1993, unemployment and promotion

of employment benefits took a higher share of social protection benefits than in any year since 1986: 8.4%. In Spain, Denmark and in the new German Länder this share was much higher (21.1, 18.9 and 17.3% respectively). (See table 1)

Table 1

Structure of social benefit expenditure by function (%), 1993

| | Old age Survivors | Maternity Family | Unemployment Promotion of employment | Sickness | Invalidity Occupational accidents | Housing Miscellaneous |
|----------|-------------------|------------------|--------------------------------------|----------|-----------------------------------|-----------------------|
| EUR 12* | 44.7 | 7.6 | 8.4 | 24.4 | 11.0 | 3.8 |
| EUR 12** | 44.3 | 7.7 | 8.9 | 24.3 | 10.9 | 3.7 |
| B | 45.3 | 7.9 | 11.6 | 22.9 | 10.9 | 1.4 |
| DK | 34.0 | 11.8 | 18.9 | 18.8 | 9.3 | 7.2 |
| D* | 41.1 | 7.7 | 7.6 | 27.9 | 12.2 | 3.4 |
| D** | 40.8 | 8.0 | 9.4 | 26.8 | 11.7 | 3.3 |
| GR | 66.2 | 1.1 | 3.4 | 14.8 | 9.8 | 4.7 |
| E | 40.4 | 1.8 | 21.1 | 25.2 | 9.9 | 1.5 |
| F | 43.6 | 9.5 | 8.3 | 26.4 | 7.6 | 4.6 |
| IRL | 28.1 | 12.7 | 17.1 | 29.7 | 7.4 | 5.1 |
| I | 62.8 | 3.8 | 2.2 | 22.2 | 9.0 | 0.0 |
| L | 46.8 | 12.6 | 1.0 | 24.8 | 14.5 | 0.3 |
| NL | 37.1 | 5.4 | 9.2 | 22.2 | 22.4 | 3.8 |
| P | 40.6 | 5.4 | 6.5 | 30.7 | 13.8 | 2.9 |
| UK | 41.3 | 11.4 | 7.3 | 19.2 | 12.1 | 8.6 |

* Excluding the new German Länder

** Including the new German Länder

Old age and survivors benefits saw their share in total benefits decrease

In the EU, old age and survivors benefits still take the largest share of benefit expenditure, even if their relative weight decreased from 45.7% in 1989 to 44.7% in 1993. Only in Italy,

Belgium and the Netherlands did the relative importance of the old age and survivors functions increase further. In Italy, in 1993, they represented 62.8% of total benefits. (See table 1)

In most Member States, social protection is mainly financed by employers' and employees' contributions

Government contributions are taking a larger share in social protection receipts

The comparison of total receipts and expenditure reveals surpluses on the current account of most Member States

Social protection receipts

The share of social contributions paid in respect of employees, either directly by themselves or by their employers, amounted to 58.1% at the Union level

When comparing the financing of social protection in 1989 and 1993, a clear shift is noted towards increased government contributions (from 27.7 to 29.6% at the Union level). The only exceptions are

in 1993. On top of the list came Greece and France (74.5 and 72.2% respectively), while Denmark was lagging far behind (11.9%). (See table 2)

Belgium and Greece. In accordance, the shares of social contributions paid in respect of employees decreased (from 60.5 to 58.1% on the Union level) except for Belgium. (See table 2)

Table 2

Receipts of social protection by type (%), 1993

| | Government contributions | Contributions in respect of employees | Self-employed contributions | Other persons contributions | Other income |
|----------|--------------------------|---------------------------------------|-----------------------------|-----------------------------|--------------|
| EUR 12* | 29.6 | 58.1 | 2.9 | 3.0 | 6.2 |
| EUR 12** | 29.9 | 57.9 | 2.8 | 3.5 | 5.9 |
| B | 21.0 | 66.3 | 1.6 | 1.0 | 10.1 |
| DK | 81.2 | 11.9 | 0.0 | 0.0 | 6.9 |
| D* | 26.1 | 61.9 | 1.1 | 7.4 | 3.5 |
| D** | 27.4 | 60.4 | 1.0 | 7.9 | 3.3 |
| GR | 17.6 | 74.5 | 0.0 | 0.0 | 7.9 |
| E | 28.9 | 60.4 | 4.4 | 4.2 | 2.2 |
| F | 19.6 | 72.2 | 4.9 | 0.8 | 2.5 |
| IRL | 60.7 | 37.1 | 1.3 | 0.0 | 0.9 |
| I | 30.1 | 59.4 | 6.8 | 0.0 | 3.7 |
| L | 41.0 | 50.7 | 2.7 | 0.5 | 7.2 |
| NL | 21.9 | 52.9 | 1.6 | 7.9 | 15.8 |
| P | 37.2 | 52.4 | 1.5 | 0.1 | 8.8 |
| UK | 43.9 | 40.6 | 0.7 | 0.4 | 14.4 |

*Excluding the new German Länder

**Including the new German Länder

Note: Employee contributions for DK and GR include contributions by self-employed and "other" persons

Comparison of total receipts and expenditure

For 1993, large surpluses on the current account were recorded in the Netherlands (13.6%), the United Kingdom (10.0%), the old Länder of Germany (10.0%), Luxembourg (8.9%) and Denmark (8.6%). In Portugal and

France, on the other hand, deficits resulted (-6.9 and -3.2%), implying that in these countries existing reserves were run down or that current expenditure was financed through raising loans.

Quarterly Data

Balance of payments: Fourth quarter 1994

Current account

Surplus of the current account balance of the European union of Twelve of ECU 5.3 billions for the fourth quarter of 1994

In the fourth quarter of 1994, the current account surplus of the European Union of Twelve shrank by ECU 7.5 bn, compared with the same quarter of 1993, to reach ECU 5.3 bn. This drop was mainly due to a worsening deficit on official unrequited transfers, which deteriorated by ECU 3.7 bn to reach ECU 12.7 bn. The total services and

merchandise surpluses followed the same trend, falling by ECU 2.7 bn (mainly due to a fall in 'other services') and ECU 1.5 bn respectively. These deteriorations were slightly offset by an improvement in the investment income deficit which decreased by ECU 1.2 to reach ECU 5.0 bn in the fourth quarter of 1994.

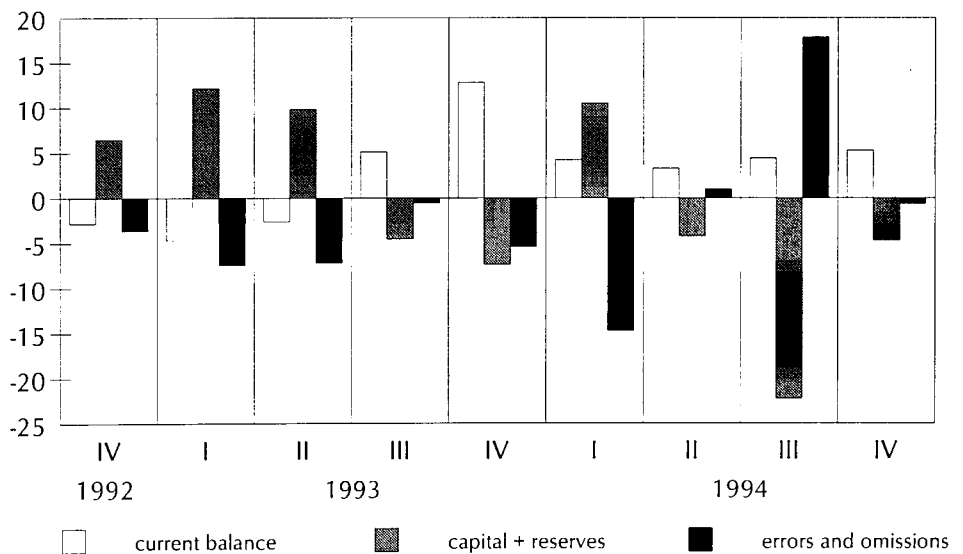
Improvement of the balance on visible trade in Germany, Greece, France, Ireland and the United Kingdom in the fourth quarter of 1994 compared with the corresponding period in 1993

Strong growth was achieved by Germany, where the surplus on visible trade increased by ECU 1.7 bn. In spite of this increase, Germany's current account deficit increased by ECU 1.3 bn between the two periods, to reach ECU 4.8 bn in the fourth quarter of 1994. On the other hand, the United Kingdom considerably reduced its current

account deficit, moving to a current account surplus (an improvement of ECU 2.6 bn).

During this period the French current account balance experienced a huge drop, moving from a surplus of ECU 3.2 bn in the fourth quarter of 1993 to a deficit of ECU 0.7 bn in the fourth quarter of 1994.

Figure 1
Current balance, capital and reserves, errors and omissions (in billion ECU)



In the fourth quarter of 1994 France, Spain, Portugal and Greece experienced net capital inflows

Capital account

The net capital inflows of France, Spain, Portugal and Greece, in the fourth quarter of 1994, reached ECU 7.1 bn, ECU 1.5 bn, ECU 0.6 bn and ECU 2.5 bn respectively. In the case of France and Portugal, the net inflows were mainly due to high net inflows of other short-term capital. These were offset by outflows for portfolio investment. On the other hand, the capital inflows in Spain were mainly due to high capital

inflows for portfolio investment, which were offset by outflows of other short-term capital.

The remaining members of the European Union of Twelve showed net capital outflows, which in the case of Germany and Italy, were mainly attributable to outflows in other short-term capital, while BLEU, Denmark and the Netherlands showed important outflows for portfolio investment.

Errors and omissions

The fairly high figures for errors and omissions for certain countries such as Germany (ECU 7.3 bn), France (ECU 5.4 bn), Denmark (ECU 1.4 bn), Ireland (ECU 0.8 bn), Italy (ECU 2.2 bn)

and the United Kingdom (ECU 1.2 bn), should be noted and the balance of payments results treated with circumspection.

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