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Bulletin of economic trends in Europe and summaries 05/96

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Foreword

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European Union of Fifteen seasonally-adjusted unemployment rose to 11% in February 1996.

The trade balance of European Union with the ACP countries showed a slight deficit of -1.4 bio ecu during the first semester of 1995.

There was little movement during March 1996 in the major currencies traded on the foreign exchange markets.

Following the downturn in government bond markets in February, their performance in March was more mixed.

In most European Union member states, growth in broad money supply is still low, but the trend has recently been rising in some countries.

Reserves rise in 1995 in Denmark, Germany, Ireland, Austria, and the BLEU.

In the "Dossier of the month" of this edition the first part is devoted to *Telecommunication services in the European Union*, the second part to *Capital formation per occupied person*, and the third part to *Tourism in the European Union*.

European economy at a glance



	Dates	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 %	III/95	:	0,46	0,06	:	0,53	0,17	:	1,95	:	0,27	-0,03	:	0,22	0,59	0,40	0,53
GFCF, seasonally adjusted volume trends, T/T-1 %	III/95	:	1,87	-1,06	:	1,72	0,99	:	0,99	:	-2,64	-4,92	:	1,97	4,06	-1,11	-0,13
Private final national consumption volume trends, T/T-1 %	III/95	:	0,63	-0,51	:	0,22	-0,11	:	0,58	:	0,39	0,10	:	0,08	0,32	0,61	0,09
Production index 1990=100 total, seasonally adjusted (1)	12/95	:	115,5	96,8	97,9	102,1	102,1	169,4	113,0	100,4	109,5	112,6	99,2	116,8	116,0	106,2	104,7
Consumer price index T/T-12 %	02/96	1,7	2,0	1,3	8,2	3,7	2,1	2,1	5,1p	1,0	1,2	1,8p	2,4	1,1	1,3	3,1	2,7p
Conversion rate 1 ECU=... monthly average	03/96	38,9	7,31	1,89	309,5	159,4	6,48	0,81	2003	38,9	2,12	13,32	196,0	5,90	8,63	0,84	
Exchange rate 1 USD=... monthly average	03/96	30,4	5,71	1,48	241,5	124,4	5,06	0,64	1563	30,4	1,65	10,39	152,9	4,60	6,74	0,65	:
Money supply, M1 T/T-12 %	12/95	2,6	:	6,8	12,4	3,2	5,6	13,8	1,6	:	13,6	9,1	9,1	13,9	:	:	:
Yield on public sector long-term bonds %	02/96	6,6	7,4	6,2	:	9,7	6,6	7,5	10,5	5,4	6,2	6,4	9,5	7,7	8,8	7,9	:
Unemployment rate seasonally adjusted %	02/96	10,0	6,2	9,0	:	22,6	11,6	14,6	12,4	3,0	7,2	:	7,7	16,3	9,7	8,6	11,0
Extra-EU Trade balance BN ECU	II/95	-0,2*	0,8	6,9	-0,9	-1,3	4,2	0,2	3,2	-0,2*	-5,4	0,9	-0,8	1,5	2,2	-5,4	5,8

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

* BLEU

(1) Excluding construction



Inflation rate

European Union of Fifteen annual inflation down to 2.7% in February 1996

European Union of Fifteen annual inflation fell to 2.7% in February from 2.8% in January. A year before it was 3.1%. This is the lowest rate since January 1987. The rate has fallen steadily for more than five years from a peak of 6.4% in October 1990.

In February inflation was below the European Union average in ten Member States (the Austrian figure was not available but 1.9% in January). Lowest rate remained Finland's 0.5%; highest Greece's 8.5%.

February rates in Member States, in ascending order of inflation, with corresponding figures for a year earlier:

	<u>Feb. 1996</u>	<u>Feb. 1995</u>		<u>Feb. 1996</u>	<u>Feb. 1995</u>
	<u>Feb. 1995</u>	<u>Feb. 1994</u>		<u>Feb. 1995</u>	<u>Feb. 1994</u>
Finland	0.5 %	1.8 %	France	2.0 %	1.7 %
Luxembourg	1.0 %	2.2 %	Ireland	2.4 %*	2.3 %*
Germany	1.6 %	2.0 %	Portugal	2.5 %	4.5 %
Sweden	1.7 %	2.9 %	United Kingdom	2.7 %	3.4 %
Netherlands	1.8 %	2.4 %	Spain	3.7 %	4.8 %
Denmark	1.8 %	2.3 %	Italy	4.9 %p	4.3 %
Austria	:	2.4 %	Greece	8.5 %	10.4 %
Belgium	1.9 %	1.8 %	EUR 15	2.7 %p	3.1 %

: data not available

* the index for Ireland is quarterly

p = provisional

Unemployment

Jobless rate rises: European Union of Fifteen unemployment 11% in February 1996

European Union of Fifteen seasonally-adjusted unemployment rose to 11% in February 1996. In January and December it stood at 10.9%.

In February last year the rate was 10.8%. The increase over the six months to February was due to rising male unemployment, mostly in Germany. At the end of the year the total German rate was 8.6%; by February it had risen to 9%. But female unemployment was virtually unchanged at 9.9%. Over the same period unemployment rose from 7.4% to 7.7% in Portugal but here more significantly

for women.

The Finnish rate was down from 16.9% to 16.3% over the same three months. In other Member States it remained almost unchanged.

Luxembourg continues with EU's lowest rate, 3%. Highest is Spain's 22.6%.

In comparison with the EU, the US rate is running at 5.7% with 3.5% in Japan (both January).

Around 18.3 million people were unemployed in the European Union of Fifteen in February. This is a seasonally-adjusted figure in line with ILO criteria.

Slight deficit of the trade balance of European Union with the ACP countries during the first semester of 1995

External trade

The trade balance of European Union with the ACP countries showed a slight deficit of -1.4 bio ecu during the first semester of 1995. The corresponding period in 1994 showed a deficit of -2.1 bio ecu. This decrease of the European Union trade deficit with the ACP results from an increase of European Union exports (17.3%) bigger than European Union imports (5.6%) European Union imports from the ACP countries increased 5.6% in the first half of 1995 compared to the previous year. This was above the growth rate of the extra-EU imports (-0.8%) as a whole. During this same period, European Union imports from other developing countries registered a growth of 3.6%. European Union imports from the ACP amounted to 9.7 bio ecu, around 3.6% of total extra-EU imports.

The value of European Union exports to the ACP countries went up by 17.3% from the first semester of 1994 to same period of 1995, reaching 8.2 bio ecus. In comparison, the growth rate of the total extra-EU exports was only of 1.2%. The share of the ACP in the total extra-EU exports went up from 2.6% to 3.1%. Meanwhile, the share of the other developing countries in the total extra-EU exports was of 29.8%, reaching almost 80 bio ecu.

The European Union's most important trading partner, among the ACP countries, was West Africa in the first half of 1995. European Union

imports to this region were the highest with 4.1 bio ecu, which represented 43% of the total trade with the ACP countries, while exports amounted 3.7 bio ecu which amounted 46%. East and North Africa accounted for 10% of the total European Union imports and 14% of European Union exports to the region. The Eastern and Northern African countries together with the Southern African countries absorbed almost one third of European Union sales to all the ACP countries (2.5 billion ecu), around 30% of the total of European Union exports. By individual countries, Nigeria was the most important ACP supplier. It amounted to 1.4 bio ecu which represented 14% of the total of European Union imports from ACP countries. The Ivory Coast ranked as the second most important seller with 1.1 bio ecu, with a share of 11% in the total EU-imports from all ACP countries. Cameroon and Mauritius followed with around 0.5 bio ecu each. European Union exports to the ACP were mainly purchased by Nigeria (0.9 bio ecu), the Ivory Coast (0.6 bio ecu) and Liberia (0.5 bio ecu). The most important outlet in the Eastern and Northern African region was Kenya with 0.4 bio ecu ; while in the Southern Africa region, the main buyers of European Union products were Mauritius (0.4 bio ecu) and Angola (0.3 bio ecu).

Money and Finance

Exchange rates and interest rates

Exchanges quiet during March 1996

There was little movement during March in the major currencies traded on the foreign exchange markets. The US dollar edged higher against both the German mark and Japanese yen, ending March at DM 1.476 and ¥ 106.8 respectively, at London's market close. This still represents a significant advance for the dollar since the end of 1995 when it stood at DM 1.431 and ¥ 103.2.

Official short-term interest rates saw no change in the USA, Japan and Germany during March. In other countries, however, the trend continued downwards. In France, the money market auction rate and repo rate were both cut by 0.1 percentage points, to 3.8% and 5.5% respectively. The Bank of Spain cut its 10-day repo rate by 0.5 percentage points, to 8.25%. The Bank of England signalled a cut in UK base rates of a further 0.25 percentage points, to 6%, the third cut of such magnitude in three months. In a series of moves, Sweden's repo rate fell from 8.05% at the start of the month, to 7.4% by the end. There were also cuts in Danish and (outside the EU) Norwegian interest rates.

These interest rate moves had little impact on exchange rates. There was very little movement in March among EU currencies, particularly within the EMS exchange rate mech-

anism. The French franc was slightly firmer at the end of the month, at FF 3.41 against the DM, compared with 3.43 at end February, and the Spanish peseta was almost unchanged against the DM at PTA 84.1. Outside the ERM, the pound sterling ended the month slightly higher at DM 2.25.

The Italian lira was steady during March, staying close to LIT 1060 against the DM, therefore consolidating the advance made during the past year or so. Comparing end March 1996 with a year earlier, the lira appreciated by around 17%.

The Swedish krona has also been on an upward trend, which continued in March. Over the year to end March 1996, the krona rose by almost 18% against the DM, to SKR 4.52. During the same period the Greek drachma was remarkably stable against the DM, at around DRA 163, following a long period of depreciation.

Meanwhile the Finnish mark, having strengthened between March and November 1995, subsequently saw a reversal in trend, the FMK / DM rate falling to 3.14 at end March 1996, very close to the level of a year earlier.

'Repo' rate: generally speaking, the rate at which banks obtain liquidity from the central bank, by selling securities, with an agreement to repurchase at a later given date.

Varied market performance in March 1996

Government bond yields

Following the downturn in government bond markets in February, their performance in March was more mixed. Bond (and equity) prices fell sharply following the release of strong US employment data, but the effect was generally short-lived. Stronger money supply growth data in several countries also adversely affected some markets.

Comparing end March with end February, for 10-year government bonds, US yields rose from 5.9% to 6.4%, UK yields from 7.8% to

8.2%, and German yields from 6.3% to 6.4%, while Irish and Dutch bond yields also increased. Other markets performed well, however, during March, especially the higher-yielding government bonds of Sweden (with yields down 0.4 percentage points to 8.6%), and Spain (down 0.2 percentage points to 9.7%). Austrian, Belgian, Danish, and French 10-year government bond yields also edged lower. Italian yields was almost unchanged at 10.6%, as were those on Japanese bonds at around 3.1%.

Contrasting trends in broad money stock

Money supply

In most European Union member states, growth in broad money supply is still low, but the trend has recently been rising in some countries. In Belgium, the Netherlands, Germany, and Denmark, the annual rate of broad monetary growth was negative throughout much of 1995, but turned positive towards the end of the year. In the year to December 1995, growth in Belgian M3 was 8.2%, while M2 in the Netherlands expanded by 4.8%, M3 in Germany by 3.7%, and the broad money measure in Denmark by 4.1%.

Meanwhile, relatively high rates of broad money supply growth were recorded in Spain, Greece, and the UK, ranging from 9 to 11% in the year to December, and especially in Ireland, where M3 growth reached 14.1%. The Portuguese broad money measure (L-) grew by 8.2% during the year, but the trend was distinctly downwards.

By contrast, the M3 money stock was almost unchanged in Finland during

1995 (up 0.4% in the year to December), and rose by only 1.3% in the year to October in Sweden. Growth was also low in Italy, with M2 2.6% higher in the year to December. The annual rate of growth in M3 in France was stable throughout much of 1995, ending the year at 4.1%, close to the official medium-term objective of 5%. M3 growth in Austria was also steady for much of 1995, and was running at an annual rate of 5.6% in November.

Generally, M1 = notes and coin in circulation + bank sight deposits

M2 = M1 + savings deposits + other short term claims on banks

M3 = M2 + certain placements in a less liquid or longer term form

For Portugal, L- is a broad liquidity measure (= M2 + Treasury bills + 'CLIP' investments sold without recourse to the non-financial resident sector).

For Spain, ALP = liquid assets held by the public (= M3 + Treasury bills held by the public + certain other short-term liabilities and credit institutions' liabilities).

For the UK, M4 is a broader measure than M3, including all sterling deposits held with UK banks and building societies by the public.

Reserves rise in 1995 in Denmark, Germany, Ireland, Austria, and the BLEU

Foreign official reserves

Looking at the change in European Union member states' foreign official reserves (excluding gold) between end-1995* and end-1994, Austria saw the biggest rise (of ECU 2.6 bn), followed by Germany (ECU 1.8 bn). In percentage terms, however, Ireland saw the biggest rise (of around 30% to ECU 6.5 bn), followed by Austria (+19%), Denmark (+14%), and the Belgium-Luxembourg Economic Union (+9%). In absolute terms, Germany's reserves totalled ECU 64.7 bn, followed by Italy (whose level of reserves was almost unchanged in 1995) with ECU 26.6 bn, overtaking Spain

(whose reserves fell by 22% in 1995) with ECU 26.4 bn. There were also declines in the level of reserves in the Netherlands (down almost 9% to ECU 25.7 bn) and Finland (down 12% to ECU 7.6 bn).

These changes were however dwarfed by the increase in Japan's reserves in 1995 of more than 36% in ECU terms, to a new world record in December of ECU 139.4 bn, beating its own previous records set during the year.

* data not yet available for Greece, France, Portugal, Sweden, and the UK.

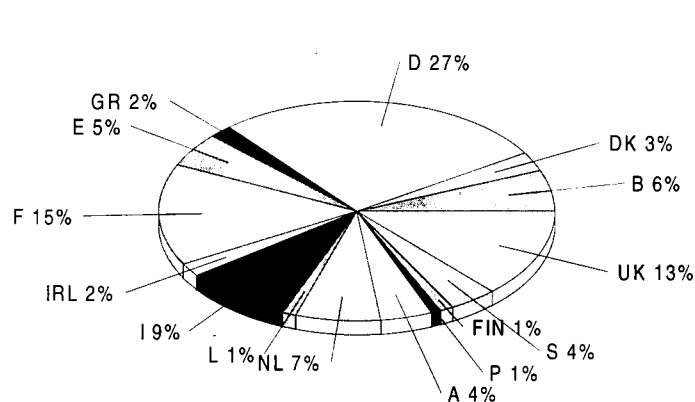
Dossier of the month

Telecommunication services in the European Union

Each country's share of outgoing telephone calls in EUR 15 in 1993

Greece, Spain, Ireland, Luxembourg and Portugal together accounted for 11.4% of outgoing international telephone calls in the European Union of Fifteen in 1993.

These five countries have been granted an exemption enabling them to postpone the deadline for the liberalization of telecommunication infrastructures (normally 1998) to January 2000 for Luxembourg and January 2003 for the other four.



EUROSTAT

Outgoing telephone calls per 100 inhabitants (in minutes)

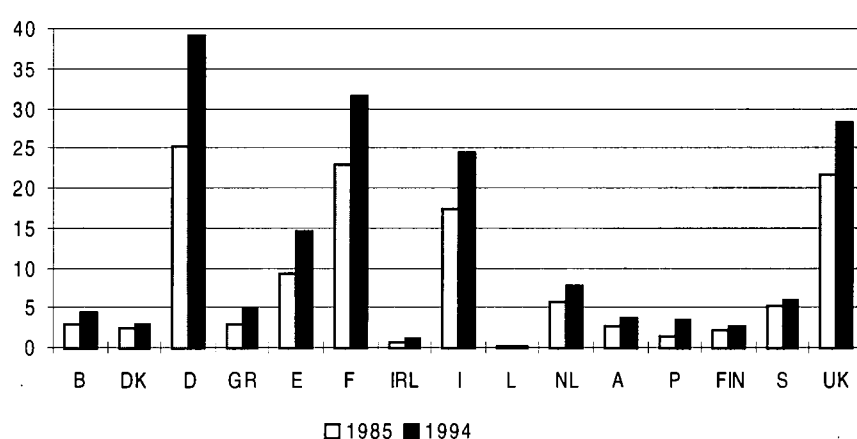
EUROSTAT

	EUR 15	B	DK	D	GR	E	F	IRL	I	L	NL	A	P	FIN	S	UK
1985	2 078	4 218	4 244	3 007	1 451	565	1 874	791	973	22 022	3 701	4 055	545	2 181	4 109	2 202
1993	4 751	9 728	8 664	5 780	3 248	2 169	4 478	10 784	2 839	49 004	8 108	9 639	2 362	4 708	7 881	3 977

The number of main telephone lines increased in all the Member States of the European Union of Fifteen between 1985 and 1994.

The greatest increase was in Portugal: + 69.9% between 1985 and 1990 and + 44.8% between 1990 and 1994. The countries with the highest rates of increase were those with the least dense telephone networks, and vice versa.

Number of main telephone lines (in millions)



EUROSTAT

Number of main telephone lines (increase in %)

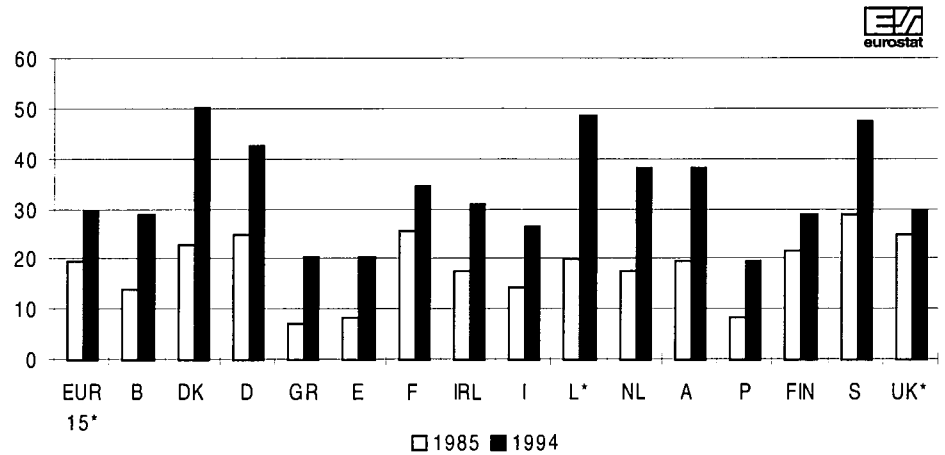
EUROSTAT

	EUR 15	B	DK	D	GR	E	F	IRL	I	L	NL	A	P	FIN	S	UK
1985-90	22.3	27.8	14.5	18.1	26.7	34.9	21.9	39.8	28.5	19.2	19.2	18.1	69.9	21.9	11.6	17.3
1990-94	16.4	15.7	7.3	30.8	26.0	16.5	12.5	26.1	9.8	20.8	12.8	14.2	44.8	4.1	2.0	11.8

The revenue from telecommunication services increased between 1985 and 1994

The increases were most striking in Spain and Luxembourg between 1985 and 1990 and in Greece between 1990 and 1994. The highest revenues per 100 inhabitants in 1994 were ECU 50 536 in Denmark and ECU 47 372 in Sweden. The 1993 figure for Luxembourg was ECU 48 710.

Revenue from telecommunication services per 100 inhabitants



* 1990-93

Revenue from telecommunication services (increase/decrease in %)

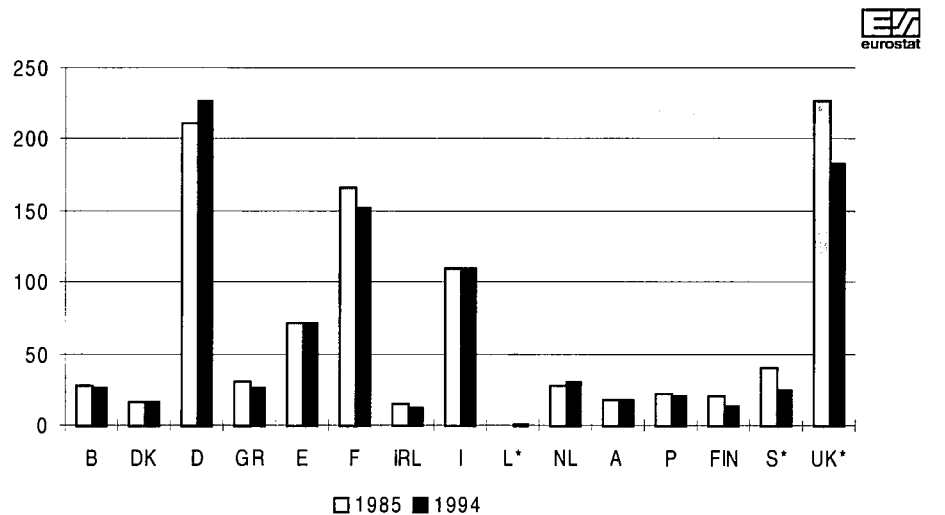
	EUR 15	B	DK	D	GR	E	F	IRL	I	L	NL	A	P	FIN	S	UK
1985-90	37.7	51.5	50.2	30.7	42.2	92.5	13.7	7.4	68.0	111.0	61.4	49.4	45.8	62.4	61.2	3.3
1990-94	18.3*	39.3	48.2	75.1	110.2	27.2	23.0	2.9	8.5	23.8*	43.7	38.4	55.5	-16.2	5.4	-1.5*

* 1990-93

The number of telecommunication service employees mostly decreased between 1985 and 1994

In 1993 nearly a million people were employed in telecommunication services throughout the European Union. In 1994 the number of employees per 1 000 main telephone lines ranged from 4 to 10 in most Member States of the European Union of Fifteen.

Total number of telecommunication service employees (in thousands)



* 1993

Number of telecommunication service employees per 1 000 telephone lines

	EUR 15	B	DK	D	GR	E	F	IRL	I	L	NL	A	P	FIN	S	UK
1985	8	9	7	8	10	8	7	23	6	4	5	7	17	10	8	10
1994	6*	6	5	6	5	5	5	10	4	4*	4	5	6	5	4*	7*

* 1993

Capital formation per occupied person in the European Union, 1994

Evolution of capital formation per occupied person

In 1994 the situation reversed as only three Member States recorded a downturn in capital formation per occupied person. The strongest growth took place in Austria (8 points), Germany and the United Kingdom (5 points each). With shallow up- and downward moves of around one point in

Belgium, Greece, France, Finland and Sweden, one third of the Member States experienced comparatively small changes. In Luxemburg the capital formation per occupied person in 1994 dropped 12.5 points, after the strong increase between 1992 and 1993.

In 1990, capital formation per occupied person in the European Union reached its highest value

Comparing the expansion status in 1994 with respect to 1990, the year in which capital formation per occupied person in the Union reached its highest value, Portugal (+ 15.1 points), Austria (+ 13.8 points) and Germany (+ 2.5 points), are the three Member States with higher 1994 levels. In the United Kingdom and the Netherlands (- 1.1 and - 2.0 points respectively) they were close to the 1990 figures.

In Belgium, France, Ireland and Luxemburg, the GFCF volume per occupied person was between seven and ten points lower in 1994. A set back of ten to 12 points is evident for Denmark, Spain and Italy, while it is 17.6 points lower for Greece. A drop of nearly 31 points from the 1990 GFCF volume per occupied person characterised 1994 for Sweden, and in Finland the decline was even more accentuated (-48 points).

Growth differentials in volume for total GFCF and per occupied person among the Member States

In eleven of the 15 Member States, the GFCF volume index exceeds the capital formation per occupied person. However, in four Member States the excess was not higher than around two

points. Out of the four Member States with a negative difference, only in two cases is the total volume index significantly smaller than the capital formation index per occupied person.

GFCF volume between 1980 and 1994 grew much faster than for GFCF per occupied person

The strongest expansion differentials are recorded for Luxemburg and Germany, where GFCF volume between 1980 and 1994 grew much faster than for GFCF per occupied person (around 37 and 34 points respectively), thus indicating a strong accumulated employment expansion. However, for Germany the reunification effect plays a significant role as described earlier, so that comparison with differentials of other Member States has to be seen against this specific background.

A positive growth differential of around five points and more may be observed for Greece, Spain, the

Netherlands and Austria. Besides Sweden, where the GFCF volume index in 1994 stood 5.4 points lower than GFCF-index per occupied person and the investment volume was lower than 1980, Finland also exhibits the same arrangement. Indeed Finland shows the strongest GFCF volume contraction in 1994 with respect to 1980 (a loss in volume of around one quarter), and the largest negative volume differential of GFCF in total and per occupied person (- 13 points) is experienced, still indicating the strongest drop in employment among the Member States.

Capital formation per occupied person in PPS

Taking the 1994 capital formation per occupied person in the Union (7843 ECU or PPS) as a benchmark, six countries display an above average value, whether measured in ECU or PPS. When measured in PPS, Spain and Italy are close to the Union average. Eight Member States are held within a +/- 20 % band around this average. Luxemburg and Austria are above 10000 PPS, and for Greece, Portugal, Sweden and the United Kingdom values of 5000 - 6000 PPS are obtained.

The relative differences of GFCF per

occupied person in ECU and PPS are held within a 42 percent range, with the highest positive deviation in Germany (+ 18.5 %) and the strongest negative in Portugal, where the value in ECU is 23 % lower than in PPS. With Austria (+ 8.2 %), Sweden (+ 6.7 %), France (+ 2.4 %), Belgium (- 6.2 %) and the United Kingdom (-9.1 %) there are five Member States for which the relative deviation between capital formation per occupied person in ECU and PPS is lower than ten percent.

Tourism in the European Union, 1994-1995

Tourism in the European Union represents 40.6% of the world's tourism market in terms of arrivals and 40.7% in terms of receipts till 1995.

According to WTO estimates Tourism in the European Union represents 40.6% of the world's tourism market in terms of arrivals and 40.7% in terms of receipts till 1995. Many of the countries of the European Union rank high in the world's top destinations. In 1995 France remains top tourist destination in the world in terms of international arrivals and second in terms of tourism receipts, followed by Spain. Italy and the United Kingdom rank respectively fourth and sixth in terms of international arrivals. Of the top seven tourism world earners after the United States, France, Italy, the United Kingdom, Austria and Germany maintain their leading position in terms of revenue, representing a third of total world tourism receipts.

The tourism foreign trade balance for the sum of the European Union countries still enjoys a surplus, although it has become smaller over the years, as European Union citizens travelling to non-EU countries have been growing, increasing their spending. European Union tourism

receipts increased by 10% from 1992 to 1994 and expenditures rose by 8%. A third of the European Union's exports in services is related to tourism services.

Total nights in tourist accommodation rose steadily over the first three years of the nineties. Total nights fell slightly in 1993 (-1%), but considerably picked up again in 1994 (+5%) to attain new heights. Most of the growth is attributable to European Union residents, with nine out of ten European Union residents still preferring to travel in their own country of residence or other countries of the European Union. Provisional figures for 1995 indicate total nights spent in registered tourist accommodation remaining near to the 1994 results. Private and non registered tourist accommodation take up an important share of nights spent by tourists in the European Union. Same-day trips and short holiday trips mainly in the same country or in neighbouring countries are becoming increasingly important market segments of tourism in the European Union.

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