



# KEY FIGURES

Bulletin of economic trends in Europe and summaries 10/97

## Foreword

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EU annual inflation rose again slightly to 1.7% in July from 1.6% in June 1997. In July last year it stood at 2.4%.

EU seasonally-adjusted unemployment fell to 10.7% in June and again to 10.6% in July after remaining at 10.8% for the first five months of the year.

In the first month of 1997, the EU's external trade balance showed a deficit of ECU 2.2 billion, whereas in January 1996 it had been ECU 3.9 billion. The growth rates of extra-EU exports and imports were 13.3% and 8.7% respectively. In January 1997 intra-EU trade showed a total value for dispatches of around ECU 89.2 billion, representing an increase of 3.1% compared with the same month of a year earlier.

The upward trend in the US dollar against European currencies continued in July and August. The Deutschmark / dollar rate, moved up from 1.792 in July to 1.841 in August.

Global bond markets rallied strongly in July, with yields on several government bonds reaching record low levels. The US Treasury yield fell to 6.1% at the end of July from 6.4% in June, its lowest point to date in 1997.

With certain exceptions, annual rates of money supply growth have not varied greatly this year among EU Member States. Monetary measures have continued to expand most quickly in Ireland and Greece.

The foreign official reserves of the EU 15 fell slightly in March, from February's record level of ECU 346.2 billion.

The EU industrial production trend rose by 1.1% in March to May compared with the previous three months. This confirms the upswing seen in the previous few months.

The "Dossier of the month" of this edition is devoted to *GDP in the candidate countries, taxes and social contributions and employees aged 30 and over in training.*

## European economy at a glance



|   | Dates | B                   | DK    | D     | EL          | E            | F            | IRL  | I            | L                   | NL           | A     | P     | FIN   | S            | UK    | EUR 15        |
|---|-------|---------------------|-------|-------|-------------|--------------|--------------|------|--------------|---------------------|--------------|-------|-------|-------|--------------|-------|---------------|
| GDP, seasonally adjusted volume trends, T/T-1 %           | 1/97  | :                   | -0.12 | -0.20 | :           | 0.94         | 0.25         | :    | -0.18        | :                   | -0.46        | :     | :     | -0.46 | 1.12         | 0.95  | 0.29          |
| GFCF, seasonally adjusted volume trends, T/T-1 %          | 1/97  | :                   | -2.98 | -1.09 | :           | 1.36         | -1.15        | :    | 0.19         | :                   | -0.24        | :     | :     | -3.57 | -1.51        | 0.90  | 0.16          |
| Private final national consumption volume trends, T/T-1 % | 1/97  | :                   | 0.72  | -0.66 | :           | 0.96         | 0.32         | :    | 0.32         | :                   | 0.69         | :     | :     | 0.35  | -0.02        | 0.88  | 0.34          |
| Production index 1990=100 total, seasonally adjusted (1)  | 06/97 | <i>103.9</i>        | 119.9 | 100.2 | <i>98.8</i> | <i>106.4</i> | <i>101.8</i> | :    | <i>107.2</i> | :                   | <i>111.9</i> | :     | :     | 126.7 | <i>122.8</i> | 109.5 | <i>105.38</i> |
| Consumer price index T/T-12 %                             | 07/97 | 1.9                 | 2.1   | 1.8   | 5.2         | 1.5          | 1.1          | :    | 1.7          | 1.3                 | 2.1          | 0.9p  | 1.4   | 1.1   | 1.8          | 2.0   | 1.7p          |
| Conversion rate 1 ECU=... monthly average                 | 08/97 | 40.8                | 7.52  | 1.97  | 309.5       | 166.8        | 6.65         | 0.74 | 1929         | 40.8                | 2.22         | 13.89 | 200.1 | 5.90  | 8.57         | 0.67  | :             |
| Exchange rate 1 USD=... monthly average                   | 08/97 | 38.0                | 7.01  | 1.84  | 288.5       | 155.5        | 6.20         | 0.69 | 1798         | 38.0                | 2.07         | 12.95 | 186.6 | 5.50  | 7.99         | 0.62  | :             |
| Money supply, M1 T/T-12 %                                 | 05/97 | 8.0                 | :     | 9.5   | 20.9        | 11.7         | 3.2          | 20.7 | 8.1          | :                   | 9.6          | 4.4   | 13.3  | 12.0  | :            | 6.2   | :             |
| Yield on public sector long-term bonds %                  | 07/97 | 5.6                 | 6.1   | 5.6   | 9.2         | 6.2          | 5.5          | 6.3  | 6.5          | 5.6                 | 5.5          | 5.6   | 6.3   | 5.9   | 6.4          | 7.1   | :             |
| Unemployment rate seasonally adjusted %                   | 07/97 | 9.6                 | 6.1   | 9.7   | :           | 19.9         | 12.6         | 10.8 | :            | 3.8                 | 5.7          | 4.5   | 6.3   | 12.5  | 10.5         | 6.9   | 10.6          |
| Extra-EU trade balance BN ECU                             | 01/97 | -0.3 <sup>(*)</sup> | -0.1  | 0.8   | -0.2        | -0.6         | 0.1          | 0.2  | 0.2          | -0.3 <sup>(*)</sup> | -2.3         | 0.0   | -0.3  | 0.4   | 0.8          | -0.9  | -2.2          |
| Intra-EU trade balance BN ECU                             | 01/97 | 1.1 <sup>(*)</sup>  | 0.1   | 1.9   | -0.6        | 0.1          | 0.2          | 0.7  | 0.6          | 1.1 <sup>(*)</sup>  | 4.1          | -0.7  | -0.3  | 0.3   | 0.3          | -0.2  | :             |

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

(\*) : Excluding construction.

(<sup>o</sup>) : BLEU.



## Inflation rate

# EU annual inflation rose to 1.7% in July

EU annual inflation rose again slightly to 1.7% in July from 1.6% in June. It is now back to its March level. In May and April it was 1.5%. In July last year it stood at 2.4%.

The lowest rates were in Austria (0.9%), France and Finland (both 1.1%). The highest remained Greece's 5.2% with Denmark and the Netherlands next at 2.1%.

### Annual % inflation measured by HICPs - in ascending order

| July 97 /July 96 |      | July 97 /July 96 |     |
|------------------|------|------------------|-----|
| EUR 15           | 1.7p | Germany          | 1.8 |
| Austria          | 0.9p | Sweden           | 1.8 |
| France           | 1.1  | Belgium          | 1.9 |
| Finland          | 1.1  | United Kingdom   | 2.0 |
| Luxembourg       | 1.3  | Denmark          | 2.1 |
| Portugal         | 1.4  | The Netherlands  | 2.1 |
| Spain            | 1.5  | Greece           | 5.2 |
| Italy            | 1.7  | Ireland          | :   |

p = provisional; : = not available.

## Unemployment

# EU unemployment fell to 10.6% in July

EU seasonally-adjusted unemployment fell to 10.7% in June and again to 10.6% in July after remaining at 10.8% for the first five months of the year.

In July last year it was 10.9%, and in July 1995 10.7%.

The drop may be explained by falling rates in the UK, the Scandinavian countries, Portugal and Spain. In July in Spain it fell in to below 20% for the first time since October 1992 - to 19.9%. In Finland it was down to 12.5% in July from 14.3% in June and 16.4% in May.

EU-wide, between May and July it fell from 9.5% to 9.3% for men and from

12.6% to 12.5% for women. The under-25s' rate (20.6% in July) has been falling since March last year and now seems to be doing so more rapidly.

The encouraging overall trend does not extend to Germany, where unemployment continues to rise (to 9.7%), particularly for young people (10.4%). Spain's 19.9% is still by far the EU's highest rate; Luxembourg's 3.8% and Austria's 4.5% the lowest.

An estimated 18.0 million people were unemployed in the EU in July. This is a seasonally-adjusted figure in line with ILO criteria.

## Deficit of ECU 2.2 billion in extra-EU trade in January 1997

### Trade with China recorded the highest deficit

In the first month of 1997, the EU's<sup>1</sup> external trade balance showed a deficit of ECU 2.2 billion, whereas in January 1996 it had been ECU 3.9 billion. The growth rates of extra-EU exports and imports were 13.3% and 8.7% respectively.

The EU balance with its Central and Eastern European (CEEC) partners showed the largest surplus in January 1997 (ECU 1.6 billion). In contrast, trade with China registered the highest deficit (ECU 2.1 billion).

In January 1997, the EU's trade balance in machinery and transport

equipment recorded the greatest surplus (ECU 6 billion), while fuel products showed the largest deficit (ECU 6.2 billion).

For the same period, Germany and Sweden achieved the two largest extra-EU surpluses among the EU countries (ECU 0.8 billion for each), while the Netherlands and the United Kingdom registered the highest external deficits (ECU 2.3 billion and ECU 0.9 billion respectively). Nevertheless, the Netherlands' deficit has to be interpreted in conjunction with the intra-EU Dutch surplus and the country's transit role in EU trade.

### Total value for dispatches in intra-EU trade went up by 3.1%

In January 1997 intra-EU trade showed a total value for dispatches (i.e. exports, which are the more reliable measure of intra-EU trade) of around ECU 89.2 billion, representing an increase of 3.1% compared with the same month of a year earlier.

The Netherlands was the Member State with the largest intra-EU surplus. In January 1997 it grew to ECU 4.1 billion, up by 1.2 billion on the same period of 1996.

Germany registered the second-largest intra-EU trade surplus (ECU 1.9 billion) an increase of ECU 0.8 billion compared with January of the previous year.

In January 1997, France's intra-EU trade improved and showed a surplus of ECU 0.2 billion in comparison with the deficit registered in January 1996.

The United Kingdom's intra-EU deficit reduced by ECU 0.1 billion compared with the previous year, reaching ECU 0.2 billion.

The intra-EU surplus increased by ECU 0.4 billion for Italy and decreased by ECU 0.1 billion for Ireland compared with January 1996.

In January 1997, Belgium/Luxembourg recorded an intra-EU surplus of ECU 1.1 billion. This represented a slight improvement (ECU 0.1 billion) compared with a year earlier.

As far as the three new Member States are concerned, Sweden and Finland confirmed their small surpluses in trade with their EU partners whereas Austria showed a deficit of ECU 0.7 billion.

Of the remaining four Member States, only Denmark and Spain displayed a small intra-EU surplus in January 1997 (ECU 0.1 billion for each), while Portugal and Greece registered internal deficits of ECU 0.3 and ECU 0.6 billion respectively.

<sup>1</sup> The European Union's figures have been sent to Eurostat by the Member States and are subject to frequent revisions.

## US dollar continued its upward trend in July/August

### ERM currencies steady, while Asian currencies came under pressure

The upward trend in the US dollar against European currencies continued in July and August. The Deutschmark/dollar rate, which it is worth recalling averaged 1.504 in 1996, moved up from 1.727 in June (monthly average) to 1.792 in July, and 1.841 in August. Since the end of 1996 the dollar's appreciation against the DEM therefore amounted to almost 18.5%. The daily rate reached a peak on 6 August, of 1.887, the highest rate since 1989.

Speculation over interest rate movements has been one particularly important factor influencing the foreign exchange market. German official interest rates have been unchanged since the Bundesbank last lowered the 'repo' rate in August 1996 to 3%. The US Federal Reserve last signalled a change in the federal funds rate in March, when it was raised to 5.5%. However, the Bank of England continued its tightening of monetary policy through July and August, by announcing two quarter-point increases in the banks' base rate, raising it to 7%, the highest level since January 1993. The Pound sterling, meanwhile, continued its upward trend in July, averaging just under DEM 3.0 during the month before easing to 2.95 in August.

The Irish pound also continued to appreciate in July, averaging DEM 2.68, before weakening a little in August. There was no evidence of tensions in the ERM, as the other member

currencies remained within a very narrow fluctuation band. Official interest rates were lowered in Portugal in July and August, but this had no significant impact on the currency.

Outside the EU, the Norwegian krone appeared to react positively to an increase in official interest rates in July, the currency moving from a June average of 4.179 against the DEM, to 4.142 in August. The Icelandic krona, which has shown little movement against ERM currencies this year, strengthened to 39.44 (monthly average) against the DEM in August, its highest level since 1993.

The Polish authorities raised interest rates on 1 August, the discount rate moving from 22% to 24.5% and the Lombard rate from 25% to 27%. In July, the Polish zloty had weakened against the currency basket to which it is pegged.

The currencies of many so-called 'emerging' market economies came under pressure in July and August, particularly in Asia. Several currencies devalued sharply, including those of Thailand, Malaysia, Indonesia, and the Philippines.

After having appreciated against the US dollar in May and June, the Japanese yen showed renewed weakness in July and August, falling from 114.3 (monthly average) in June, to 115.1 in July and 117.9 in August.

Note: Exchange rates are as supplied to the European Commission by central banks on a daily basis.

# Global bond markets rally in July

## EU yields fell for the third month running

Global bond markets rallied strongly in July, with yields on several government bonds reaching record low levels. The US Treasury yield fell to 6.1% at the end of July from 6.4% a month earlier, its lowest point to date in 1997, while the Japanese yield fell to a record low of 2.1% at end July. Meanwhile, monthly average yields continued falling throughout the EU in July, as bond prices rose for the third month running. Record low yields were reached in Belgium (5.6%), Spain (6.2%), Ireland (6.3%), Italy (6.5%), Portugal (6.3%), Finland (5.9%), and Sweden (6.4%). Other EU government bond yields moved close to record lev-

els, apart from that on the UK 'gilt', which nevertheless eased in July to 7.1%, the lowest point for more than three years.

The degree of convergence among EU yields (excluding Greece) was almost unchanged in July. The gap between the highest yield (the UK with 7.1%), and the lowest (the Netherlands and France with 5.5%) was only slightly wider than the record level of convergence in June of 1.6 percentage points. It is worth noting that the differential between the highest and lowest EU yields in 1996 averaged 3.3%, compared with an average of 1.9% in the first seven months of 1997.

Note: The above-mentioned yields relate to government bonds of around 10 years to maturity. No data are available for Greece, as there are no comparable bonds. Data are monthly average except for the USA and Japan which are end month.

## Monetary growth continued at a fast pace in Ireland and Greece

### The trend has slowed considerably in Denmark and Sweden

With certain exceptions, annual rates of money supply growth have not varied greatly this year among EU Member States. Monetary measures have continued to expand most quickly in Ireland and Greece: in May, the narrow M1 measure grew by 20.7% and 20.9% respectively, while the broader M3 rose by 26.5% and 15.8% respectively. By contrast, French M1 grew 3.2% in May, while M3 fell 1.5%, though the latter figure has been distorted by the movement of funds into financial instruments not included in the M3 measure.

Compared with 1996 December, there has been a notable slowdown in the annual growth of M2 in Denmark

(from 7.3% to 2.9% in April) and of M3 in Sweden (from 11.7% to 4.3% in April). Meanwhile, Italian M2 accelerated from 3.1% to 9.4% in May, and Finnish M3 growth turned positive (from -1.3% in December to 7.4% in May). For a majority of Member States, however, the trend in the annual rate of broad money supply growth this year has been fairly steady.

There has also been little change in the trend in narrow monetary growth this year for most countries. However, between 1996 December and May, the annual rate of Belgian M1 growth quickened from 3.8% to 8%, while M1 growth in Finland slowed from 16.4% to 12%.

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.

# Reserves fell in most EU countries in March following February's record aggregate level

On the basis of data available for all EU countries apart from Portugal, foreign official reserves of the EU 15 fell slightly in March, from February's record level of ECU 346.2 billion. The biggest fall both in percentage and absolute terms was in Italy, where reserves fell 5.2% or 2.1 billion in ECU terms, to ECU 37.5 billion. Italy's reserves were nevertheless 36.4% higher than in March 1996.

The Netherlands saw the largest increase both in percentage and absolute terms in March, of 5.2% or 1.2 billion in ECU terms, to ECU 24.4 billion. The level of reserves was however almost unchanged compared with a year earlier. The reserves of France

recorded a rise of 2.4% in March, or ECU 0.6 billion, to ECU 24.7 billion, representing a 17.7% increase over the year.

In the year to March, the general trend in EU 15 reserves has been upwards, with the main exception of Sweden. Spain saw the biggest increase, of more than 60% to ECU 54.5 billion, the second highest level in the EU after Germany. Sweden's reserves, meanwhile, fell 22.2% to ECU 13.4 billion. The general rise in reserves is partly attributable to the strengthening US dollar over the period, which has increased the value of Member States' dollar reserves when translated into the ECU.

Note: The definition of foreign official reserves used here excludes gold. March data were not yet available for Portugal.

## Industrial production

# EU industrial production was up 1.1%

The EU industrial production trend\* rose by 1.1% in March to May compared with the previous three months. This confirms the upswing seen in the previous few months.

Among industrial activities, production

rose most in motor vehicle manufacturing (3.0%).

All ten Member States with available data recorded a rise except the UK (-0.2%). The largest rises were Spain's 2.0% and Italy's 1.6%.

| Production trend index*                       |            |                 |      |
|---|------------|-----------------|------|
| Changes (%) Dec. '96-Feb. '97 to Mar.-May '97 |            |                 |      |
| Member States with available data             |            |                 |      |
| Spain   | 2.0        | Denmark         | 0.8  |
| Italy   | 1.6        | The Netherlands | 0.8  |
| Finland                                       | 1.2        | Germany         | 0.7  |
| Belgium                                       | 1.2        | Greece          | 0.2  |
| France  | 1.2        | United Kingdom  | -0.2 |
| EU  | <b>1.1</b> |                 |      |

\* Production volume of total industry (excluding construction) adjusted for seasonal and one-off fluctuations.

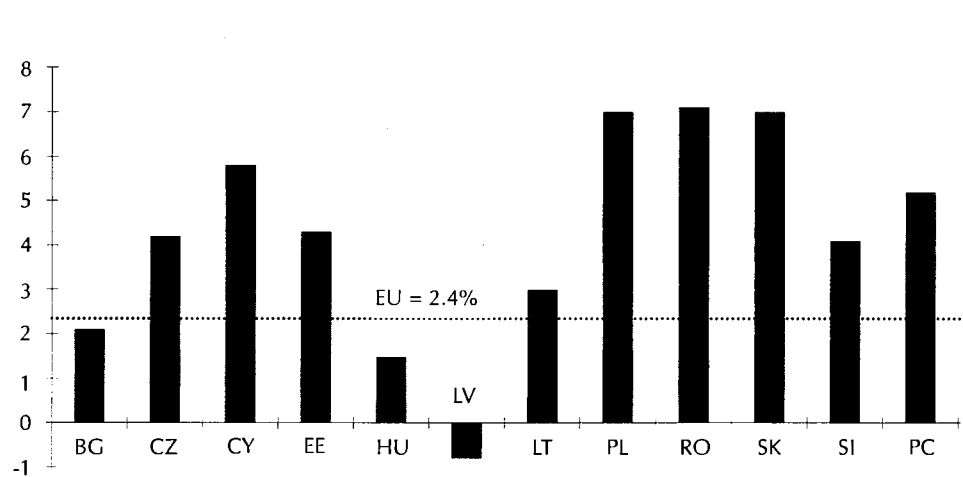
# Dossier of the month

## Enlargement of the Union Considerable growth in the candidate countries

**The average annual GDP growth rate of the candidate countries<sup>(1)</sup>, having reached 5.2% in 1995, reflected fairly considerable economic growth outstripping that of the European Union (+2.4%)**

Only three countries - Bulgaria, Hungary and Latvia - were below the Union average. Latvia, which had returned to positive growth in 1994, again showed a negative growth rate. In contrast, four countries - Romania, Slovakia, Poland and Cyprus - had higher growth rates in 1995 than the average for the candidate countries.

Annual growth rates of GDP (%), 1995



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Annual growth rates of GDP (%)

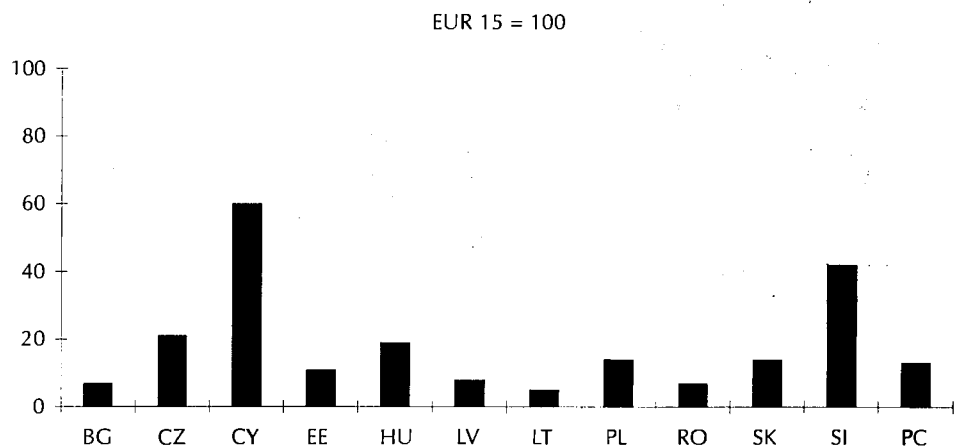
|      | BG  | CZ  | CY  | EE   | HU  | LV   | LT  | PL  | RO  | SK  | SI  | PC  | UE  |
|------|-----|-----|-----|------|-----|------|-----|-----|-----|-----|-----|-----|-----|
| 1994 | 1.8 | 2.7 | 6.3 | -1.8 | 2.9 | 0.6  | 1.0 | 5.2 | 3.9 | 5.0 | 5.3 | 4.0 | 2.9 |
| 1995 | 2.1 | 4.2 | 5.8 | 4.3  | 1.5 | -0.8 | 3.0 | 7.0 | 7.1 | 7.0 | 4.1 | 5.2 | 2.4 |

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**In 1995, the GDP of all the candidate countries at current prices and exchange rates was ECU 243.7 billion, compared with 6 441 billion for the Union, i.e. 3.8% of the GDP of the Union**

Poland accounted for almost 37% of the GDP of the candidate countries. The GDP of the three Baltic countries, Cyprus and Bulgaria was less than ECU 10 billion. Together, they accounted for less than 11% of the total for the candidate countries.

GDP per capita in ECU, 1995



EU  
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GDP of the candidate countries at current prices and exchange rates, 1995

|                         | BG    | CZ    | CY     | EE    | HU    | LV    | LT  | PL    | RO    | SK    | SI    | PC    | UE      |
|-------------------------|-------|-------|--------|-------|-------|-------|-----|-------|-------|-------|-------|-------|---------|
| Billion ECU             | 9.9   | 37.8  | 6.7    | 2.8   | 33.8  | 3.4   | 3.5 | 91    | 27.3  | 13.3  | 14.3  | 243.7 | 6 441;5 |
| Per capita in ECU       | 1 175 | 3 658 | 10 416 | 1 855 | 3 308 | 1 360 | 933 | 2 359 | 1 203 | 2 469 | 7 210 | 2 301 | 18 07   |
| Per capita EUR 15 = 100 | 7     | 21    | 60     | 11    | 19    | 8     | 5   | 14    | 7     | 14    | 42    | 13    |         |

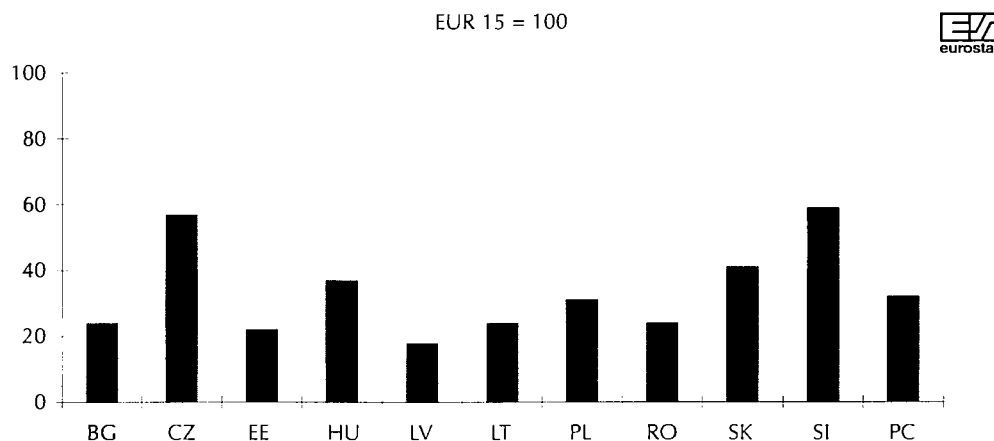
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<sup>(1)</sup>Bulgaria (BG), Czech Republic (CZ), Cyprus (CY), Estonia (EE), Hungary (HU), Latvia (LV), Lithuania (LT), Poland (PL), Romania (RO), Slovak Republic (SK), Republic of Slovenia (SI), total of applicant countries (PC).

**The GDP of the candidate countries in real terms expressed in PPS was 589.1 billion PPS in 1995, or about 9.1% of the total GDP of the Union. GDP per capita in real terms was 5 561 PPS compared with 17 264 PPS for the Union, i.e. 32% of the Community average**

Slovenia had the highest GDP per capita (10 199 PPS), reaching almost 90% of Greece's GDP, which is the lowest in the Union. Latvia, with a GDP of 3 144 PPS per capita, recorded the lowest figure among the candidate countries.

## GDP per capita in PPS, 1995



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## GDP of the candidate countries at current prices and PPS, 1995

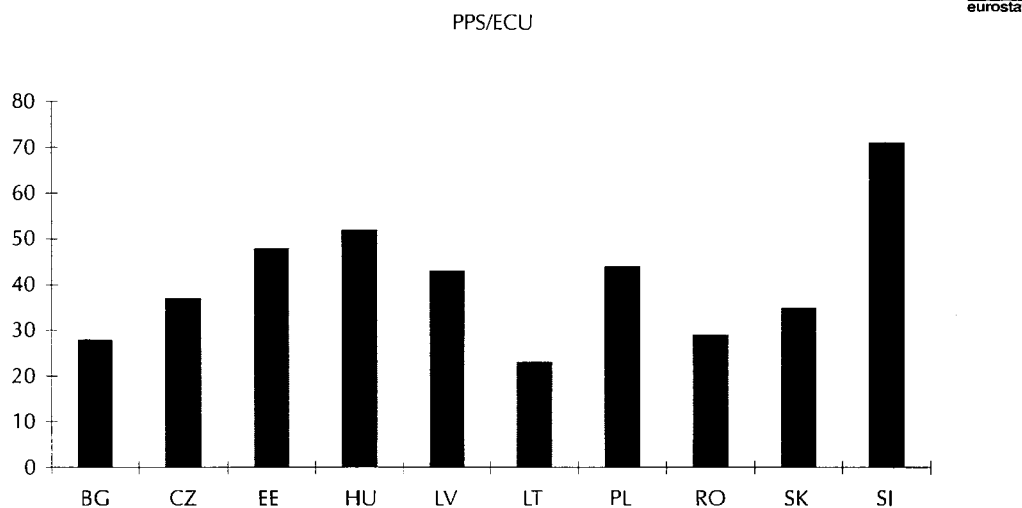
|                                | BG    | CZ    | CY | EE    | HU    | LV    | LT    | PL    | RO    | SK    | SI     | PC    | UE       |
|--------------------------------|-------|-------|----|-------|-------|-------|-------|-------|-------|-------|--------|-------|----------|
| <b>Billion PPS</b>             | 35.4  | 101.8 | :  | 5.8   | 65.4  | 7.9   | 15.3  | 205.2 | 94.3  | 37.8  | 20.3   | 589.1 | 17 264.0 |
| <b>Per capita in PPS</b>       | 4 210 | 9 857 | :  | 3 876 | 6 390 | 3 144 | 4 129 | 5 318 | 4 159 | 7 036 | 10 199 | 5 561 | 18 074   |
| <b>Per capita EUR 15 = 100</b> | 24    | 57    | :  | 22    | 37    | 18    | 24    | 31    | 24    | 41    | 59     | 32    | 100      |

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**For international comparisons, the GDP of a country expressed in a common currency does not always give a good indication of the actual volume of goods and services. To offset this problem, GDP is expressed in purchasing power standards, PPS, eliminating the effects of different price levels between countries.**

A comparison of ECU exchange rates with PPS rates shows that purchasing power in real terms is, for all the countries, much higher than the exchange rates would suggest.

## Price indices, 1995



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## Exchange rates and purchasing power standards, 1995

|   | BG    | CZ    | CY   | EE    | HU     | LV   | LT   | PL    | RO      | SK    | SI     |
|---|-------|-------|------|-------|--------|------|------|-------|---------|-------|--------|
| <b>1 ECU = ... units of national currency</b> | 87.85 | 34.71 | 0.59 | 14.99 | 164.39 | 0.69 | 6.87 | 3.17  | 2659.55 | 38.86 | 155.02 |
| <b>1 PPS = ... units of national currency</b> | 24.51 | 12.88 | :    | 7.17  | 85.08  | 0.29 | 1.55 | 1.406 | 769.25  | 13.63 | 109.59 |
| <b>Price index (PPS/ECU)</b>                  | 28    | 37    | :    | 48    | 52     | 43   | 23   | 44    | 29      | 35    | 71     |

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Source: Eurostat Statistics in focus : Economy and Finance N° 29/97.



## New high for EU taxes and social contributions

42.4% of EU GDP in 1996

Sweden is on top of EU Member States, with 55.2% of GDP taken last year by taxes and social contributions (TSC). Denmark is next with 52.0%.

Ireland is lowest with 34.5% and Spain next (35.2%). The EU average is 42.4%.

| Taxes and social contributions in 1996, in % of GDP |       |                    |       |
|---|-------|--------------------|-------|
| 1. Sweden   | 55.2% | 8. Luxembourg      | 43.0% |
| 2. Denmark  | 52.0% | 9. Italy           | 42.9% |
| 3. Finland  | 48.8% | <i>EU average</i>  | 42.4% |
| 4. Belgium  | 47.0% | 10. Germany        | 42.0% |
| 5. Austria  | 45.7% | 11. United Kingdom | 35.9% |
| 6. France   | 45.5% | 12. Spain          | 35.2% |
| 7. The Netherlands                                  | 45.2% | 13. Ireland        | 34.5% |

Data for Greece and Portugal are not available.

In 1996 the EU average TSC ratio passed its previous peak of 42.0% in 1995.

The TSC level in 1980 was 38.7%. The comparison over the last 16 years indicates rather similar changes in growth of GDP and the changes of the TSC ratio.

The tax ratio in 1996 was 27.2% of GDP, up slightly on 27.0% in 1995. This is just below the 1989 peak of 27.3%, but the highest since then. In

the '90s it has fluctuated around a margin of 0.5 percentage points.

The ratio of social contributions last year was a new high of 15.3% of GDP after last year's previous record 15.0%. The 1980 figure was 13.2%. The report says there has been almost continuous growth since 1989. It adds that one finds primarily growing tax ratios between 1980 and 1989 and an increase in social contributions in the first half of the 1990s.

## Four countries accounted for three quarters of all EU taxes

Germany, France, the United Kingdom and Italy accounted for almost three-quarters of EU tax revenue as well as of EU GDP.

Seven of the 13 Member States with available data registered a TSC rise between 1995 and 1996. Highest was Sweden's 4.3 percentage points. Spain had a below-average rise of 0.2 points. Belgium and Ireland remained the same.

Germany and Luxembourg saw the largest falls: 0.6 and 0.8 points respectively. The Netherlands and UK were down by around 0.1 points.

On tax alone, there were slight falls in the ratio to GDP in the UK (to 29.6%), Luxembourg (31.7%) and Germany (23.3%). The steepest rises were in Finland (by 2.5 points to 34.6%) and Sweden (3.1 points to 39.9%).

A fall in social contributions' share was recorded in Belgium, Ireland, Luxembourg, the Netherlands, Finland and the UK. In the other seven it was up: Italy (by 1.7 points to 14.8%) and Sweden (1.2 to 15.3%) had the highest increases.

## Denmark had highest tax ratio

Denmark had the highest tax and lowest social contributions' ratio with 50.4% and 1.7% respectively.

However, almost all of its social welfare is funded through taxes. It also had by far the highest ratio of taxes on income and wealth (31.6% of GDP) and of VAT (9.7%).

Spain had the lowest total tax ratio, 22.4% of GDP.

France had the highest social contributions' ratio, 19.5%. But it recorded the lowest ratio of taxes on income and wealth at 10.0%.

The report states that the rise in the EU TSC ratio was fairly equally divided

between taxes and social contributions. The latter rose to 15.3%, the former to 27.2%, giving 42.4% overall.

Since 1985 the share of social contributions of employees has risen more than that of employers. In 1985, EU-wide, employers contributed 8.0% of GDP; in 1996, 8.3%. Over the same period employees' share went from 4.3% to 5.1%.

EU-wide, around half of all tax revenue comes from taxes on income and wealth. A little less than a quarter each is collected through VAT and other taxes linked to production and imports.

## Significance of the data

The ratio of taxes and social contributions to GDP is often seen as an indicator of government activity. This is only true to a limited extent as other key economic variables, such as gov-

ernment spending financed through rises in public debt instead of levying taxes, potentially postpones effects on the TSC ratio until the debt is paid back, but does not affect the TSC ratio.

Source: Eurostat News release No60/97.

## 6.3 million employees aged 30 and over receive training

### Scandinavia, The Netherlands and UK lead

The Scandinavian Member States, the Netherlands and the United Kingdom lead in the education and training of people aged 30 and over.

In the European Labour Force Survey in spring last year nearly 8.1 million people aged 30 and over (3.6%) said they received education or training in the four weeks preceding the interview. Of these, 6.3 million were employed, 0.5 million unemployed and 1.3 million 'inactive' : retired people, students, housewives, etc. Current statistical sources do not allow all

training measures aimed at the unemployed to be identified. So the study focuses on those in employment.

Percentages of employees in training were notably higher in Sweden (17.6%), Finland (16.7%), Denmark (16.2%) the United Kingdom (11.8%) and the Netherlands (11.6%). The EU average was 5.6%.

Figures were under 3% in Belgium, Luxembourg, Spain and Greece. They were also low in Portugal and France, but had different reference periods (see table).

| Training of employed persons aged 30 and over in %<br>(four weeks preceding the survey) |      |                       |     |
|---|------|-----------------------|-----|
| Sweden  | 17.6 | Germany <sup>a</sup>  | 3.6 |
| Finland   | 16.7 | Italy                 | 3.1 |
| Denmark   | 16.2 | Belgium               | 2.7 |
| United Kingdom  | 11.8 | Luxembourg            | 2.6 |
| Netherlands <sup>b</sup>  | 11.6 | Spain                 | 2.1 |
| Austria   | 7.5  | Portugal <sup>b</sup> | 2.1 |
| EU  | 5.6  | France <sup>b,c</sup> | 1.6 |
| Ireland   | 5.2  | Greece                | 0.4 |

<sup>a</sup> 1995

<sup>b</sup> Information collected if on date of survey

<sup>c</sup> Exclusively in-house training not covered

Source: EU Labour Force Survey, spring 1996

### Other points

Younger workers receive more training than older ones. This reflects the priority given to training new recruits. A notable exception is Sweden where those 40 to 49 have the highest participation rates in training programmes. In the EU 6.5% of working women and 5.0% of men receive training. Only in Austria are there more men

than women in training programmes (8% and 6% respectively).

Higher qualifications means greater training opportunities. Nearly 11% of those with a higher degree are given training compared with 5.5% with secondary level education and 2.6% with, at best, lower secondary level education.

Source: Eurostat News release No63/97.

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