

## Contents

Foreword

European economy at a glance

### 1- Short-term indicators

Inflation rate

Unemployment

External trade

Money and finance

### 2- Dossier of the month

Economic and Monetary Union

Employment in high technology

EU government and private investment

## Foreword

The annual *inflation rate* for the Member States participating in Stage III of Economic and Monetary Union (EMU) remained at 1.2% in March 1998.

For the same period, EU-15 seasonally-adjusted unemployment was 10.3%.

In 1997, the EU's *external trade* balance improved by ECU 6.7 billion to a surplus of ECU 50.3 billion. Extra-EU flows were dynamic with growth rates over 1996 of 14.9% for both exports and imports. In 1997 intra-EU trade had a total value for dispatches of ECU 1153.4 billion, an increase of 8.1% over 1996.

After having appreciated in March, the dollar peaked in early April against the exchange rate Mechanism of the European Monetary System (ERM) *currencies* and the Japanese yen, but then weakened. It fell from a peak against the Deutschmark of DEM 1.854 to end the month at DEM 1.796. The pound sterling, Swiss franc, and Polish zloty also fell from recent high levels against ERM currencies.

EU *government bond yields*, apart from that of Greece, fell to new record low levels in March. Most yields are now close to 5%. The Greek yield nevertheless fell steeply to 9.27% following the drachma's devaluation and entry into the ERM.

For both narrow and broad *money supply* measures, the overall pattern shows a deceleration in growth since the middle of 1997. In the year to January 1998, Spain's ALP (broad measure) grew by 3.5%, Denmark's M2 by 3.3%, Germany's M3 by 3.8%, and Italy's M2 by 8.8%.

*Foreign official reserves* of most EU countries increased in ECU terms in December 1997. Those of Spain reached a record ECU 61.9 billion. The strengthening dollar contributed to the increase in the ECU value of EU-15 reserves during 1997.

The "Dossier of the month" of this edition is devoted to *the Economic and Monetary Union*, the *Employment in high technology* and *EU government and private investment*.

## European economy at a glance



	Dates	B	DK	D	EL	E	F	IRL	I	L	NL	A	P	FIN	S	UK	EUR-11	EU-15
GDP, seasonally adjusted vo.l. trends, T/T-1 %	IV/97	:	1.13	0.46	:	0.91	0.75	:	0.18	:	0.90	:	:	1.12	2.23	0.32	0.55	0.59
GFCF, seasonally adjusted vol. trends, T/T-1 %	IV/97	:	-1.87	0.30	:	1.44	0.01	:	-0.13	:	1.18	:	:	1.30	1.85	1.04	0.29	0.45
Private final national consumption vol. trends, T/T-1 %	IV/97	:	1.59	1.04	:	0.47	0.97	:	0.01	:	1.10	:	:	1.08	0.30	1.43	0.72	0.86
Production index 1990=100 total, seasonally adjusted (%)	02/98	109. 1	:	108. 1	:	112. 8	107. 7	:	100. 8	110. 1	104. 9	:	:	118. 2	:	:	107.4	:
Consumer price index T/T-12 %	03/98	1.0	1.6	0.6	4.1	1.7	0.8	1.5	2.1	1.3	2.2p	1.0p	1.5	1.6	1.7	1.6	1.2p	1.3p
Conversion rate 1 ECU=... monthly average	04/98	40.8	7.55	1.98	345. 0	168. 1	6.64	0.79	1955	40.8	2.23	13.9 3	202. 8	6.01	8.53	0.65	:	:
Exchange rate 1 USD=... monthly average	04/98	37.4	6.92	1.81	316. 3	154. 1	6.08	0.72	1792	37.4	2.04	12.7 7	185. 9	5.51	7.82	0.60	:	:
Money supply, M1 T/T-12 %	01/98	7.6	:	4.6	7.4	5.1	7.9	28.0	7.9	:	7.9	4.7	14.6	4.1	:	7.2(*)	4.7	:
Yield on public sector long-term bonds %	03/98	5.0	5.2	4.9	9.3	11.7	5.0	5.1	5.2	5.0	4.9	5.0	5.3	5.0	5.4	6.1	5.0	:
Unemployment rate seasonally adjusted %	3/98	9.0	4.8	10.0	:	5.1	12.0	9.4	:	2.2	4.6	4.5	6.5	:	8.3	6.5	11.4	10.3
Extra-EU trade balance Bn ECU	01- 12/97	-	2.8	40.7	-2.8	19.5	15.3	3.3	23.1	1.9(*)	-31	4.4	-3.3	7.2	13.8	-15.4	51.7	43.2
Intra-EU trade balance Bn ECU	01- 12/97	1.1	25.9			-6	-0.1	10.7	3.4	12.6	44.9		1.7	1.4	-8.9			

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

(\*) : Excluding construction; (°) : BLEU; (°) : For the UK, MO is a narrow measure; p = provisional data.



## EMU annual inflation remained at 1.2% in March 1998

The annual inflation rate<sup>1</sup> for the Member States<sup>2</sup> participating in Stage III of Economic and Monetary Union (EMU) remained at 1.2% in March 1998, the same rate as in February. A year earlier the rate was 1.5%.

The EU annual inflation rate<sup>1</sup> was down to 1.3% in March, after 1.4% in February. A year earlier the rate was 1.7%. Highest rates were reported for Greece (4.3%) and the Netherlands (2.2%). The lowest rates

were in Germany (0.6%) and in France (0.8%).

Compared with a month earlier, inflation increased in eight Member States and decreased in four. Compared with a year earlier, the largest relative increases in the rates were in Finland (0.7% to 1.6%) and the Netherlands (1.2% to 2.2%), while the largest relative decreases were in Germany (1.3% to 0.6%) and Portugal (2.3% to 1.5%).

### Annual % inflation for EU Member States - in ascending order-

March 1998/March 1997		March 1998/March 1997	
EUR-11 <sup>1</sup>	1.2p	Portugal	1.5
EU-15 <sup>3</sup>	1.3p	Denmark <sup>1</sup>	1.6
Germany	0.6	Finland	1.6
France	0.8	United Kingdom <sup>1</sup>	1.6
Belgium	1.0	Spain	1.7
Austria	1.0p	Sweden <sup>1</sup>	1.7
Luxembourg	1.3	Italy	2.1
Ireland	1.5	The Netherlands	2.2p
		Greece <sup>1</sup>	4.3

p= provisional.

1 Member States not participating in Stage III of Economic and Monetary Union are not covered by the MUICP. As measured by the Monetary Union Index of Consumer prices (MUICP), calculated as a weighted average of the Harmonized Indices of Consumer Prices (HICPs) for participants in Stage III of EMU. The annual rate of inflation in March 1998 is defined as the percentage change resulting from the index number for March 1998 divided by the index number for March 1997.

2 Member States participating at the Economic and Monetary Union (EMU) : Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, The Netherlands, Austria, Portugal and Finland.

3 As measured by the European Index of Consumer Prices (EICP), calculated as a weighted average of HICPs for EU Member States.

## Unemployment

### EU-15 unemployment rate was 10.3%

EU-15 seasonally-adjusted unemployment was 10.3% in March. Following revisions, this indicates no change for two months - and compares with 10.7% in March 1997 and 10.9% in March 1996. The EUR-11 rate stood at 11.4%.

Ten Member States are under the EU-15 average. Lowest rate in this latest month was Luxembourg's 2.2%; next lowest - Austria with 4.5%. Spain's 19.5% (February) was still by far the EU's highest rate.

17.4 million men and women were unemployed in EU-15 in March. This

seasonally-adjusted figure in line with ILO criteria is 710 000 less than March 1997. US unemployment was 4.7%; the Japanese rate 3.8%.

The 1997 Community Labour Force results for Germany, Denmark and Luxembourg have led to marked revisions to earlier figures - upward for Germany and downward for the other two. Figures for Sweden have also been revised. Data for Finland are not included due to revisions and a break in the series of data; revised data will be published next month.

## In 1997, the EU was the world's leading exporter Surplus of ECU 50 billion

In 1997, the EU's<sup>1</sup> external trade balance improved by ECU 6.7 billion to a surplus of ECU 50.3 billion; in 1996 the surplus was only ECU 43.6 billion. Extra-EU flows were dynamic with growth rates over 1996 of 14.9% for both exports and imports. The EU remained the world's leading exporter, and was the second largest importer behind the USA.

EU trade with its Central and Eastern European (CEEC) partners had the largest surplus in 1997 at ECU 26.8 billion, up by ECU 6.1 billion over 1996. In contrast, trade with Japan registered the highest deficit (ECU 23.3 billion).

In 1997, the EU's trade in machinery and transport equipment had the greatest surplus (ECU 102.8 billion), and fuel products the largest deficit (ECU 68.1 billion). The total surplus for manufactured goods was ECU 153.5 billion.

Germany had the largest extra-EU surplus (ECU 40.7 billion) followed by Italy (ECU 23.1 billion) and France (ECU 15.3 billion), while the Netherlands and the United Kingdom had the highest external deficits (ECU 31.0 and 15.4 billion respectively). The Netherlands' deficit has to be interpreted in conjunction with its intra-EU surplus and the country's transit role in EU trade.

### Moderate growth in intra-EU trade in comparison with extra-EU trade

In 1997 intra-EU trade had a total value for dispatches (i.e. exports, which are the more reliable measure of intra-EU trade) of ECU 1153.4 billion, an increase of 8.1% over 1996.

The Netherlands had the largest intra-EU surplus. In 1997, it grew to ECU 44.9 billion, up by ECU 7.6 billion on 1996. However, this surplus has to be interpreted in conjunction with the extra-EU deficit and the country's transit role in EU trade.

As for extra-EU trade, Germany was the most important player in intra-EU trade with the second largest intra-EU trade surplus (ECU 25.9 billion) - an increase of ECU 6.9 billion compared with 1996.

In 1997, France's intra-EU trade was virtually in balance, an improvement of ECU 6.9 billion in comparison with the deficit registered in 1996. In contrast the

United Kingdom's intra-EU deficit worsened to ECU 8.9 billion.

Italy's intra-EU surplus, at only ECU 3.4 billion, fell by ECU 6.6 billion in comparison with 1996, while Ireland's surplus grew to ECU 10.7 billion.

In 1997, Belgium/Luxembourg had an intra-EU surplus of ECU 12.6 billion, an improvement of ECU 1.4 billion compared with 1996.

Of the three new Member States, Sweden and Finland confirmed their small surpluses in trade with their EU partners whereas Austria had a deficit of ECU 9.4 billion.

Of the remaining four Member States, only Denmark had a small intra-EU surplus in 1997 (ECU 1.1 billion), while Spain, Portugal and Greece had respectively deficits of ECU 6.6, 5.9 and 9.9 billion.

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

# Dollar trend turns downwards in April

## Sterling and Swiss franc also lower against ERM currencies

After having appreciated in March, the US dollar peaked on 3 April against exchange rate mechanism of the European Monetary System (ERM) currencies and the Japanese yen, before weakening. The peak of 1.854 against the Deutschemark was the highest rate since August 1997, while on the same day the dollar reached 134.9 against the yen, a level not seen since 1991. At the end of April, however, the dollar was down to DEM 1.796, and JPY 132.13.

In the ERM in April, most bilateral rates remained close to their respective central rates in the system. The Greek drachma, which had entered the ERM in March, remained the strongest currency measured in terms of bilateral fluctuations. At the end of April, the width of the band within which ERM currencies fluctuated was 2.7%, compared with 4.1% a month earlier. Excluding the drachma, the width of the band was 1.5% at the end of April, compared with 1.3% at end March and 2.8% at end February (before revaluation of the Irish pound's central rate in March). Official interest rates of

ERM participants converged further in April, as Italy's central bank cut its discount rate by 50 basis points, to 5.0%.

The pound sterling, which had reached DEM 3.108 on the last day of March (its highest level since 1989), depreciated during April, to end the month at just under DEM 3.0. The Swedish krona was almost unchanged against the DEM in April, ending the month at SEK 4.314, having appreciated during March from SEK 4.422 to SEK 4.318.

Outside the EU, the Swiss franc weakened markedly in April for the second month running, falling to CHF 0.835 to the DEM at the end of the month. It had risen to CHF 0.802 in February, its highest point since September 1995. The Polish zloty, which was worth DEM 1.963 at the end of 1997, reached a peak of DEM 1.865 (a rise of 5.3%) on 1 April, before weakening to DEM 1.893 at the end of month. During the month the Polish authorities lowered the money market intervention rate by 100 basis points to 23%, while the discount and lombard rates were left unchanged.

Note: Exchange rates are as supplied to the European Commission by central banks on a daily basis. Basis point = 1/100th of a percentage point in interest rates.

# EU bond yields fall further in March

## Greek yield declines sharply after ERM entry

The downward trend in EU long-term interest rates continued in March. On the basis of data from 1980 onwards, government bond yields of all EU Member States, apart from Greece, reached new record low levels. The Greek yield nevertheless fell steeply to a monthly average of 9.27% from 11.04% in February, following the Greek drachma devaluation and entry into the EMS exchange rate mechanism. The yield differential between the EUR-11 countries (who will form the monetary union in January 1999)

was 35 basis points in March, ranging from 4.90% in Germany to 5.25% in Portugal. The bonds of Denmark, Sweden, and the UK yielded respectively 5.17%, 5.35% and 6.05%.

Following the downturn in the US government bond market in February, the US yield was relatively stable during March, ending the month at 5.76%. Meanwhile, the Japanese yield fell to another record low, reaching 1.64% at the end of the March, compared with 1.72% a month earlier.

Note: The above-mentioned yields relate to government bonds of around ten years to maturity. Data are monthly average apart from the USA and Japan (end month). Basis point = 1/100th of a percentage point in interest rates.

## Generally weaker trend in EU monetary growth

### Similar development for M1

For several EU countries, there was evidence of slower growth in broad money supply from the middle of 1997 to January 1998. For example, comparing annual percentage growth rates (seasonally adjusted) in January 1998 with June 1997, Spain's ALP measure fell from 6.4% to 3.5%, Danish M2 from 5.2% to 3.3%, German M3 from 6.4% to 3.8%, and Italian M2 from 10.8% to 8.8%. Data available for December 1997 for Greece, Portugal, the UK, and Sweden show a similar trend. Greek M3 rose 9.5% in the year to December compared with 16% in June, while growth in Portugal's L-measure decelerated from 8.0% to 6.0%, M4 in the UK from 11.6% to

5.6%, and Swedish M3 from 5.4% to 1.1%. By contrast, M3 has been accelerating in France in terms of annual percentage growth, but this nevertheless stood at a relatively low level in January (3.3%).

Looking at the narrow monetary measure M1, the overall pattern is broadly similar to that of the broad aggregates. Comparing the middle of 1997 with data for January 1998, M1 grew more slowly in annual percentage terms in Belgium, Germany, Greece, Spain, Italy, Austria, and Finland. On the basis of December 1997 data, there was also a slowdown in M1 growth in the Netherlands and Portugal.

Note: 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 the UK, M0 is a narrow measure and M4 a broad measure.  
For Spain, ALP is a broad measure, as is L- for Portugal.

# EU-15 reserves climb further in December 1997

## Spain's reserves reach a record level

As in November, reserves of most EU countries increased in ECU terms in December 1997. Data available suggest that the previous record for total EU-15 reserves of ECU 365.3 billion (July 1997) was likely to have been exceeded. Spain's reserves reached a new record of ECU 61.9 billion, an increase of 34% since the end of 1996. Bigger annual percentage rises were however recorded by Denmark (up 53.4% to ECU 17.3 billion), Finland (up 38% to ECU 7.6 billion), and Italy (up 37.7% to ECU 50.5 billion). The highest level of reserves throughout 1997 was held by Germany (ECU 70.3 billion in

December, a rise of 5.8% on the year). Against the general upward trend in reserves in 1997 was Greece (down 18.3% to ECU 11.4 billion) and Ireland (down 9.8% to ECU 5.9 billion).

The stronger US dollar contributed to the increase in value of reserves in ECU terms during 1997. The dollar appreciated from ECU 0.7981 at the beginning of the year to ECU 0.9056 at the end, a rise of 13.5%. Valuation effects were also a factor behind Japan's reserves (the world's largest) reaching 198.9 billion in ECU terms at the end of 1997, 15% higher than a year earlier.

Note: The definition of foreign official reserves used here excludes gold.  
December 1997 data were not available for the UK, Austria, and Sweden.

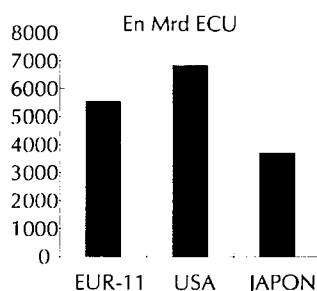
# Dossier of the month

## Economic and Monetary Union A powerful economic entity

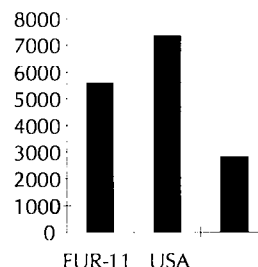
**The Economic and Monetary Union (EMU) will be made up of 11 Member States of the European Union. It will represent a powerful economic entity at world level, particularly in relation to the United States and Japan**

With ECU 5 546.4 billion in 1997, its gross domestic product lies between those of the United States and Japan, and two-thirds of it is generated by the services sector. It grew by 2.5 % in 1997.

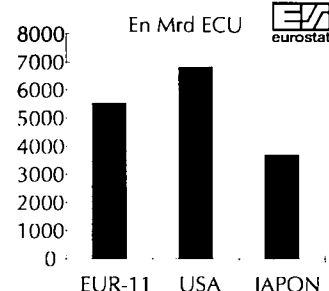
GDP in ECU billion



GDP in billion PPS



GDP in PPS per capita



Gross domestic product - 1997

	EUR-11	USA	JAPAN
ECU billion	5546	6848	3712
Billion PPS	5596	7382	2835
PPS per capita	19182	27561	22371

Share of GDP per sector in 1996

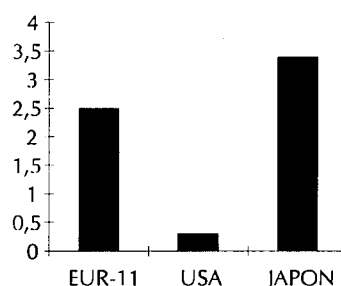
	EUR-11	USA	JAPAN
Agriculture, forestry, fish farming	1.8	1.7	1.9
Industry, including energy and construction	30.2	25.7	36.5
Services (market and non-market)	67.9	72.6	61.7

<sup>1</sup> Countries participating in EMU (EUR-11): Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland.

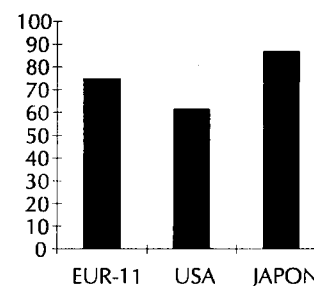
**Government deficit and debt in EUR-11 have been steadily decreasing over the past few years and are between those of the United States and Japan**

At the end of 1997, the EUR-11 deficit was lower than that of Japan but considerably higher than the American deficit. Expressed in % of GDP, the EUR-11 debt is between those of the USA and Japan.

Government deficit as % of GDP - 1997



Government debt as % of GDP - 1997



Government deficit - 1997

	EUR-11	USA	JAPAN
% of GDP <sup>1</sup>	2.5	0.3	3.4
ECU per capita	486	78	1004

Government debt - 1997

	EUR-11	USA	JAPAN
% of GDP	74.7	61.5	86.7
ECU per capita	14279	16894	21411

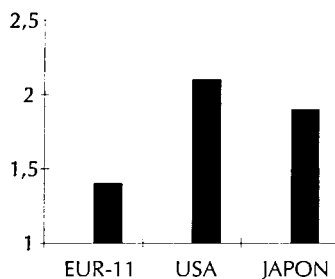
<sup>1</sup> GDP figures for 1997, except Japan (= average of the first three quarters of 1997). For the countries of EUR-11, GDP is the sum of the GDP of the 11 countries.

**The monetary union consumer price index is the new instrument for measuring inflation in EUR-11.**

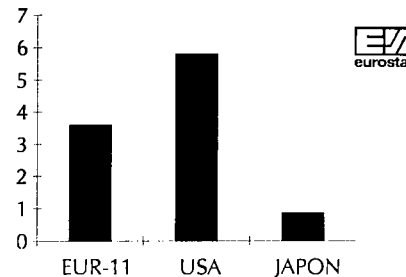
**The EUR-11 inflation rate is lower than those of the USA and Japan**

Short-term interest rates in EUR-11 have converged towards historically low levels, ranging from 3.60% for the lowest to 6.08% for the highest. The highest rates are in the United States, the contrast being most marked in relation to Japan.

Consumer price index



Short-term interest rates, %



Consumer price index

	EUR-11	USA	JAPAN
<b>Index</b>	MUCPI	CPI	CPI
<b>Annual average rate of change - Feb. 1998</b>	1.4%	2.1%	1.9%

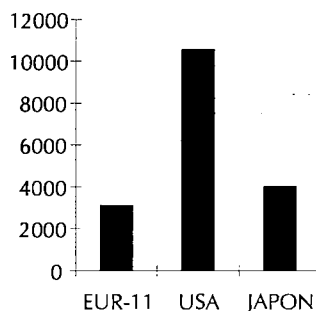
Short-term interest rates (%)

	EUR-11	USA	JAPAN
<b>Dec. 1997</b>	3.6	5.8	0.89

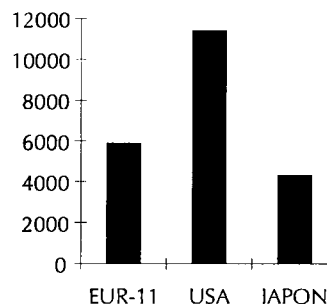
**The data for market capitalisation are approximate, since double counting cannot be completely excluded**

The EUR-11 stock market will be large but not as large as those of the United States and Japan. With regard to the outstanding amount of public and private debt securities, the EUR-11 market is much larger than the Japanese market but considerably smaller than the American market.

Market capitalisation, ECU billion (Feb. 98)



Outstanding amount of private and public debt securities by country of residence, ECU billion



Market capitalisation, ECU billion (Feb. 98)

EUR-11	USA	JAPAN
3109.6	10578.1	4020

Outstanding amount of private and public debt securities by country of residence, ECU billion

EUR-11	USA	JAPAN
5896.4	11403.7	4333.7

Source: Eurostat Statistics in focus : Regions n°1/98.



## Six out of ten high-tech regions in Germany

### Germany also leads when it comes to super high-tech

The top 10 high-tech EU regions are identified in a report<sup>1</sup> from Eurostat. It lists those regions with the highest employment in high technology sectors as a percentage of total employment.

The report looks at high technology from a manufacturing point of view. The data spotlight some regions more technologically important than other

indicators might suggest.

The top 10 include six German regions, two Italian and one each in France and the UK. Baden-Württemberg (D) leads with 17.3% employment in this field, followed by Bayern (D) and Nord Ovest (I) with 12.4% and 12.1% respectively (See Table 1).

### And super high-tech...

The report also lists the top 10 super-tech regions...

High-technology sectors are those with high R&D intensity defined as the ratio of R&D spending to GDP. Within these, computers and office machinery, electronics and communications equipment, and pharmaceuticals are further categorised as higher- (or super-) tech.

In this group Germany still dominates, although the position shifts with Rheinland-Pfalz (4.8% employment) and Hessen (4.6%) moving to the top two. But Vlaams Gewest (B) and the Netherlands' Zuid enter the top ten as third and fourth with 4.1% and 3.9% respectively. But in terms of sheer numbers, as opposed to percentage employment, where it lies in joint ninth place, Nordrhein-Westfalen leads with 212 000.

Ireland (measured as the whole country) enters the list as joint ninth with 36 000 employed in higher technology – 2.9% of total employment (See Table 2).

Eurostat says just outside the top ten are some city regions such as Berlin, Paris and Madrid and some regions renowned as high-tech centres, such as Scotland's Silicon Glen.

It adds that the difference of employment in high and in higher technology is mainly due to car manufacturing. This goes some way to explaining the different positions in the two lists of regions such as Baden-Württemberg. Overall, Eurostat observes, today's data spotlight the West Midlands (UK), Eastern France, much of Germany, parts of Northern Italy and Flanders as more technologically important than other indicators might suggest.

<sup>1</sup> Eurostat Statistics in focus, Research and development no 1/98, Human resources in high technology.

**Table 1 : Top ten high-tech regions, 1995**

	People employed in high technology	Those in high-tech as % of total employment
Baden-Württemberg (D)	820 000	17.3
Bayern (D)	713 000	12.4
Nord Ovest (I)	282 000	12.1
Rheinland-Pfalz (D)	203 000	12.0
Hessen (D)	313 000	11.8
Lombardia (I)	395 000	10.8
Est (F)	207 000	10.7
Niedersachsen (D)	338 000	10.3
West Midlands (UK)	232 000	9.9
Nordrhein-Westfalen (D)	693 000	9.5

**Table 2 : Top ten higher-tech regions, 1995**

	People employed in higher technology	Those in higher-tech as % of total employment
Rheinland-Pfalz (D)	81 000	4,8
Hessen (D)	122 000	4,6
Vlaams Gewest (B)	96 000	4,1
Zuid (NL)	58 000	3,9
Lombardia (I)	137 000	3,8
Hamburg (D)	27 000	3,4
Baden-Württemberg (D)	162 000	3,4
Sachsen-Anhalt (D)	39 000	3,3
Nordrhein-Westfalen (D)	212 000	2,9
Ireland <sup>2</sup>	36 000	2,9

<sup>2</sup> Ireland - the whole country.

Source: Eurostat Memo 5/98.

# The gross fixed capital formation down to 18.4% of GDP

## New record in low

EU government and private investment – or gross fixed capital formation (GFCF)<sup>1</sup> – reached a new low of 18.4% of GDP in 1996.

"In 1996 the share ... decreased due to lower private GFCF, while the downward trend of general government investment continued. This development is strongly influenced by large Member States, whereas the trend in most of the smaller ones is in the opposite direction."

Highest shares were in Portugal (24.2%), Austria (23.4%) and Germany (20.6%). Lowest were in Sweden (14.8%), UK (15.1%), Finland (16.1%) and Denmark (16.8%).

EU-wide, the 1995 figure was 18.8% with 22.0% in 1980. Lowest in the 1980s was 19.2% in 1985 and 1986.

From 1985 to 1996 large falls were recorded in Italy (from 20.7% to 17.0%) and Finland (24.0% to 16.1%).

General government GFCF, EU-wide, was 2.4% of GDP in 1996, again a new low. In 1980 it was 3.2%.

Private GFCF was 16.0% of GDP. In 1980 it was 18.9%; it was down to 15.9% in 1994. This covers all GFCF by sectors classified outside general government, e.g. including government-owned enterprises like railway companies.

## Higher share in seven Member States

Seven of the 13 Member States with available data recorded a higher share of GFCF in GDP in 1996 compared with 1995. The biggest rises were in Ireland (from 15.9% to 17.2%) and Denmark (16.0% to 16.8%).

Germany's share fell from 21.5% to 20.6%, France's from 18.0% to 17.5%, Spain's from 20.5% to 20.1% and Italy's from 17.3% to 17.0%.

General government GFCF in 1996 compared with the year before rose in Denmark (from 2.1% to 2.2% of GDP) and Portugal (3.7% to 4.1%, the EU's highest). In most others it fell or stayed the same.

Between 1985 and 1996 there were

significant falls in Belgium (from 2.2% to 1.2%, the EU's lowest), Italy (3.7% to 2.2%) and Finland (3.5% to 2.6%). In 1996 the UK (1.4%) and Belgium were the only Member States under 2%.

Of 10 Member States for which mid-eighties data are available, only Portugal saw a rise in public GFCF between 1985 and 1996 – from 2.7% to 4.1%.

In some larger EU countries the private GFCF share fell between 1995 and 1996: in Germany from 19.1% to 18.4%, in France from 14.9% to 14.4% and in Italy 15.1% to 14.8%.

These more than offset rises elsewhere.

<sup>1</sup> According to the European System of Integrated Economic Accounts (ESA 79), GFCF is the value of durable goods acquired by resident producer units for use for more than a year in their process of production, including the value of any services embodied in fixed capital goods. Buildings, vehicles, machinery and other equipment are included.

Source: Eurostat News releases No 35/98.

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