



KEY FIGURES

Bulletin of economic trends in Europe and summaries 3/99



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Foreword

Euro-zone annual inflation fell to 0,8% between November and December 1998. The EU-15 rate remained at 1,0% for the same period.

Euro-zone seasonally-adjusted unemployment stayed at 10,8% in December 1998. For the same month, the EU-15 rate was 9,8%, also unchanged from the previous month.

In January-October 1998, the EU's external trade balance worsened by euro 22,6 billion. Extra-EU flows grew steadily with growth rates over the same period of 1997 of 3% for exports and 7% for imports. The EU remained the world's leading exporter, and was the second largest importer behind the USA.

The euro made its first appearance on the foreign exchange markets in January. It was fairly stable against other major currencies, although weakening at the end of the month against the US dollar to USD 1.1384.

Growth in broad (M3) money supply of the EUR-11 slowed a little in December, to an annual rate of 4,5%. The narrow (M1) measure, however, accelerated to 9,2%. For the EU-15, M1 growth was an estimated 8,8%, and M3 3,7%.

Foreign official reserves of the EU-15 fell to an estimated euro 349 billion in October, while those of the EUR-11 were also lower, at around euro 280 billion.

For the first time, the EUR-11 government bond yield fell below 4% in December. The EU-15 yield also moved to a record low, of 4,08%.

Euro-zone industrial production trend rose by 0,3% last September to November compared to the previous three months. EU-15 was up by 0,4%.

The "Dossier of the month" of this edition is devoted to *Enterprises in the European Union*, to the *GDP by regions of the EU* and the *Foreign direct investment in the EU*.

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 volume trends, T/T-1 %	III/98	0,3	1,7	1,2	:	0,9	0,5	:	0,5	:	0,4	0,0	1,0	1,5	0,2	0,4	0,7(3)	0,7(3)
GFCF, seasonally adjusted volume trends, T/T-1 %	III/98	3,1	3,5	2,0	:	2,1	0,8	:	1,1	:	1,8	1,0	-1,3	5,6	1,3	1,1	1,6(3)	1,5(3)
Private final national consumption volume trends, T/T-1 %	III/98	-0,7	0,0	1,4	:	0,7	0,8	:	0,6	:	1,3	0,7	1,5	2,0	0,9	0,3	0,9(3)	0,7(3)
Production index 1995=100 total, seasonally adjusted (1)	11/98	110,8	109,6	110,2	113,6	113,7	110,4	153,5	101,8	114,9	108,4	:	109,0	123,2	118,9	102,3	109,4	108,9
Consumer price index T/T-12 %	12/98	0,7	1,1*	0,4	3,7*	1,4	0,3	2,2	1,7	0,4	1,5p	0,5p	2,8	0,8	0,0*	1,5*	0,8p	1,0p
Yield on public sector long-term bonds %	12/98	4,1	4,3	3,9	7,2	4,1	3,9	4,0	4,0	4,1	4,0	4,1	4,1	4,1	4,2	4,3	4,0	4,1
Unemployment rate seasonally adjusted %	12/98	8,4	4,6	9,5	:	18,2	11,7	7,3	:	2,0	3,6	4,4	4,4	10,9	7,4	:	10,8	9,8
Extra-EU trade balance EUR Billion	01-10/98	3,8(2)	1,4	31,5	3,2	6,1	6,5	2,7	16,7	3,8(2)	28,0	2,8	3,2	6,1	10,7	26,3	71,1(4)	16,1
Intra-EU trade balance EUR Billion	01-10/98	15,6(2)	0,1	26,6	8,0	7,9	4,7	14,1	3,8	15,6(2)	38,7	8,4	5,6	2,3	2,0	8,2	:	:

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

(1) = Excluding construction; (2) = BLEU; (3) = Estimation;
(4) = the EUR-11 figure represent the total of the Extra-UE balance;
p = provisional data; : = data not available;

* = Member States not participating in Stage III of Economic and Monetary Union are not covered by the MUICP.

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**BANQUE
DE LUXEMBOURG**

Euro-zone annual inflation down to 0,8% in December 1998

Euro-zone annual inflation¹ fell to 0,8% between November and December 1998. A year earlier the rate was 1,5%. EU-15 annual inflation² remained at 1,0% between November and December. In December 1997 it was 1,6%. EEA annual inflation³ remained at 1,0%.

Highest annual rates were in Greece (3,7%), Portugal (2,8%) and Ireland (2,2%). Lowest rises were in France (0,3%), Germany and Luxembourg (both 0,4%). The Swedish rate was 0,0%

Compared with November, annual inflation fell in five Member States, rose in four and was unchanged in six.

Compared to a year earlier, the biggest relative rises were in Ireland (1,0% to 2,2%) and Portugal (2,1% to 2,8%); biggest relative falls were in Sweden (2,7% to 0,0%) and Finland (1,6% to 0,8%).

Lowest 12-month averages⁴ up to December were in Germany and France (both 0,7%), and Austria (0,8%). Highest were in Greece (4,5%), Portugal (2,2%) and Ireland (2,1%).

Annual inflation⁵ rose to 1,6% in the USA. It fell to -0,2% in Switzerland. (No data available yet for Japan.) But these indices are not strictly comparable with EU harmonized indices.

1 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 is defined as the percentage change resulting from the index number for a particular month divided by the index number for the same month the previous year.

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

3 As measured by the European Economic Area Index of Consumer Prices (EEAICP), calculated as a weighted average of HICPs for Member States plus Norway and Iceland.

4 Arithmetic average of indices for a 12-month period relative to the arithmetic average for the preceding 12 months. Measure used to determine price stability, see Convergence report 1998 by the Commission to the Council, prepared in accordance with Article 109(j) of the Treaty.

5 As measured by national CPIs.

Euro-zone unemployment stays at 10,8% in December 1998

Euro-zone¹ seasonally-adjusted unemployment stayed at 10,8% in December 1998. This compares to 11,5% in December last year.

The EU-15 rate was 9,8% in December 1998, also unchanged from previous month. In December a year ago it was 10,4%.

Lowest rates were in Luxembourg (2,0%), and the Netherlands (3,6% November), followed by Austria, Portugal (both 4,4%) and Denmark (4,6%).

Spain's (18,2%) was still by far the EU's highest rate. However, big falls over the year were registered in Spain (from

20,1% to 18,2%) as well as in Portugal (from 6,1% to 4,4%).

EU unemployment of under-25s ranged from around 5,1% in Luxembourg to 34,0% in Spain. EU-15-wide it was 19,3% and 21,1% in the euro-zone. For the same period, a year earlier it was 20,5% and 22,5% respectively.

US unemployment was 4,4%, the Japanese rate 4,3% (September).

Eurostat estimates 13,8 million men and women were unemployed in the euro-zone and 16,5 million in EU-15 in December 1998. These are seasonally-adjusted figures in line with ILO criteria.

1. Euro-zone: the 11 Member States participating in Economic and Monetary Union (EMU) - Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland.
2. Unemployed people according to the International Labour Organisation (ILO) criteria are those aged 15 and over who:
 - are without work,
 - are available to start work within the next two weeks,
 - and have actively sought employment at some time during the previous four weeks.
3. The monthly unemployment rate and numbers of unemployed are estimates based on the results from the Community Labour Force Survey (LFS). These results are interpolated/extrapolated to monthly data using national survey data and national monthly series on registered unemployment. Estimated rates might differ from national unemployment rates due to differences in methods and definitions of unemployment.

External trade

In January-October 1998, the EU was the world's leading exporter

A surplus of Euro 16,1billion

In January-October 1998, the EU's¹ external trade balance worsened by euro 22,6 billion to a surplus of euro 16,1 billion; in the same period of 1997 there was a surplus of euro 38,7 billion. Extra-EU flows grew steadily with growth rates over the same period of 1997 of 3% for exports and 7% for imports. The EU remained the world's leading exporter, and was the second largest importer behind the USA.

The external trade balance of the EUR-11 fell very slightly to a surplus of euro 71,1 billion, compared with euro

71,7 billion in 1997. Growth rates were 5% for exports and 6% for imports over the same period of 1997.

Germany had the largest extra-EU surplus (euro 31,5 billion) followed by Italy (euro 16,7 billion) and France (euro 14,7 billion), while the Netherlands and the United Kingdom had the highest external deficits (euro 28,0 and 26,3 billion respectively). The Netherlands' deficit has to be interpreted in conjunction with its intra-EU surplus and its transit role in EU trade.

Stronger growth in intra-EU trade

In January-October 1998 intra-EU trade had a total value for dispatches (i.e. exports, which are the more reliable measure of intra-EU trade) of euro 1032,3 billion, an increase of 7% over the same period of 1997. This means that, after several years of weaker growth, intra-EU trade is now growing more strongly than extra-EU trade.

Intra-EUR-11 dispatches grew by 8% over the same period of 1997 to reach euro 671,7 billion.

The Netherlands had the largest intra-EU surplus, at euro 38,7 billion.

However this surplus has to be interpreted in conjunction with the extra-EU deficit and its transit role in EU trade.

Germany had the second largest intra-EU trade surplus (euro 26,6 billion), with Belgium/Luxembourg (euro 15,6 billion) and Ireland (euro 14,1 billion) also reporting significant surpluses.

The largest deficits were recorded by Austria (euro 8,4 billion), the United Kingdom (euro 8,2 billion), Greece (euro 8,0 billion), and Spain (euro 7,9 billion).

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

Euro introduced on the foreign exchange markets

The euro stabilized against other major currencies

The euro's introduction on the world's foreign exchange markets on 4 January did not result in large movements against the other major trading currencies, namely the US dollar and Japanese yen. Based on the ECU's closing value on 31 December (the ECU being replaced by the euro at a rate of 1:1), the euro's opening value was USD 1,16675 and JPY 132,8. The USD / EUR (euro) exchange rate moved within a range of 1,15-1,18 until the very end of the month, when the EUR fell to a low of USD 1,1384. Meanwhile the JPY / EUR rate kept within a range of 126-134, ending the month at JPY 132,1.

The ERM2 began life along with the euro, at the beginning of January. In the ERM2 the Danish krone is linked to the euro in a fluctuation band of + / - 2,25%. Throughout the month, the DKK was very slightly stronger (that is, lower) than its central rate of DKK 7,46038 per euro, finishing the month at 7,4359, a divergence of 0,33%. The other currency in ERM2, the Greek drachma, has a + / - 15% fluctuation band. It tended to strengthen in January, reaching at the end of the month GRD 320,98 to the euro, 9,1% below its central rate of 353,109

The remaining EU currencies, the pound sterling and Swedish krona, also appreciated against the euro. This was particularly evident in the case of the SEK, rising from 9,488 on 31 December to 8,88 at the end of January, while the GBP ended the month at 0,691 to the euro, having started at 0,70546. The Swiss franc kept within a narrow range against the euro in January, but the Norwegian krone strengthened; their respective rates at end month were 1,6123 and 8,5785 per euro.

Concerning official interest rate movements in January, the European Central Bank's main refinancing rate was kept at 3,0% throughout the month. The ECB's marginal lending rate and deposit rate, which provide a corridor for movements in the overnight money market rate, were respectively 4,5% and 2% at the end of January. Denmark's repo rate was cut by 20 basis points to 3,75%, while the Greek lombard rate was reduced to 13,5%, down 2 percentage points. Other rate cuts in January took place in the UK, the official repo rate falling 25 basis points to 6,0%, and in Norway, the overnight lending rate being reduced by 50 basis points to 9,5%.

Note: Exchange rates are as supplied to Eurostat by the European Central Bank on a daily basis.

ERM 2 = exchange rate mechanism which came into being at the start of monetary union, linking the Danish krone and Greek drachma to the euro.

Basis point = 1/100th of a percentage point in interest rates.

Euro area = EUR-11 countries = Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal, and Finland.

	Dates	DK	EL	S	UK	EUR-11	EU-15
Exchange rate 1 EUR =...							
Monthly average	Jan. 99	7,45	328,8	9,45	0,70	1,00	:
Exchange rate 1 USD =...							
Monthly average	Jan. 99	6,41	278,7	278,7	0,61	0,86	:
Central bank interest rate							
end month % (1)	Jan. 99	3,00	3,75	13,50	3,40	6,00	:
Money supply M1,							
T / T- 12 % (2)	Dec. 98	:	16,2	:	5,8	9,2	8,8(4)
Money supply M3, **							
T / T- 12 % (3)	Dec. 98	13,5	-1,0	2,9	8,2	4,5	3,7(4)

Data in italics are for the latest available month.

1) EUR-11: marginal lending rate; UK, DK, S: repo rate; EL: lombard rate.

2) UK measure is M0.

3) UK measure is M4 and Denmark, M2.

4) EU-15 is estimated.

Broad monetary growth slows

The pace of M1 and M2 growth quickens

Figures from the European Central Bank for the euro area (EUR-11) show that the M3 (broad) money supply grew by 4,5% in the year to December, slower than in November (4,7%). The slowdown mainly reflected a contraction in the volume of marketable instruments included in the measure. On a 3MMA basis centred on November, the growth rate was unchanged at 4,7%, very close to the reference value set by the ECB of 4,5% (also on a 3MMA basis). By contrast, M1 growth for the EUR-11 accelerated from 8,7% in November to 9,2% in December, with overnight deposits

(the main component of M1) expanding by 11,1% from 10,8% a month earlier. M2 also grew more quickly in December, from 5% in November to 5,5%.

The trends in money supply for the EU-15 area are similar to those of the euro area. M3 growth is estimated to have fallen from 4,3% in November to 3,7% at the end of the year. M1 and M2 both grew more quickly in the year to December: by 8,8% and 4,8% respectively, compared with 8,4% and 4,4% in November.

Note: Of the three definitions (M1, M2, M3), M1 is the narrowest and most liquid measure, and M3 the broadest and least liquid. EUR-11 consolidated series are compiled by the European Central Bank. EU-15 series are Eurostat estimates calculated by adding the EUR-11 to the money supply of the four non-euro countries, to the extent that the data are available. 3MMA = three-month moving average.

EU reserves continue to fall in October

weaker dollar reduces the value in euro terms

The value of EU-15's foreign official reserves fell to an estimated euro 349 billion in October, from 352,6 billion in September, while those of the EUR-11 were an estimated euro 280 billion, down from 283,2 billion. In the year to October, EU-15 reserves fell by around 2,1%, and those of EUR-11 by 2,3%. However, the downward trend has occurred only since March, when reserves were at a record level of euro 375,0 billion (EU-15) and 301,4 billion (EUR-11). Between March and October the end-month value of the US dollar depreciated by over 9% against the euro, causing the value of EU reserves held in dol-

lars to decline in euro terms. In the year to October, the largest percentage increase in reserves was recorded by Greece, up 55% to euro 14,8 billion. By contrast, Italy's declined by 31%, to euro 32,8 billion. Germany's reserves, the largest in the EU, grew by less than 1% over the year, to euro 68,3 billion. Japan's reserves remained the largest in the world in October, although falling below euro 180 billion for the first time in almost two years. US reserves increased in October, to 57,6 billion in euro terms, up 15,4% over the year.

Note: The definition of foreign official reserves used here excludes gold.

EUR-11 bond yield falls below 4% in December

Downward trend in yields continues

For the first time, the composite government bond yield of the EUR-11 countries fell below 4% in December, moving from 4,24% in November to 3,95%. The EU-15 composite yield also fell to a record low in December, down to 4,08% from 4,42% in November. The downward trend in EU yields has now continued for four years, since the end of 1994: at that time the composite yields of both EUR-11 and EU-15 were above 9%. In December, the yield for all EU countries reached a new record low level (on the basis of data available from 1980). The German yield remained the lowest (3,86%), and that

of Greece the highest (7,17%). The difference between the highest and lowest yields in the EUR-11 narrowed to 26 basis points, from 31 basis points in November; it is worth noting that a year previously the difference in EUR-11 yields was 185 basis points.

The US government bond yield moved 20 basis points lower in December to 4,69%, but was still above the record low set in October of 4,58%. Meanwhile, the Japanese yield rose for the second month running, to 1,39%, compared with the record low of 0,82% in October.

Note: The above-mentioned yields relate to government bonds of around 10 years to maturity. Data are monthly average.

EUR-11 and EU-15 aggregates are calculated on the basis of GDP weights.

Basis point = 1/100th of a percentage point in interest rates.

Industrial production

Euro-zone industrial production up by 0,3% in September-November 1998

Euro-zone industrial production trend¹ rose by 0,3% last September to November compared to the previous three months. EU-15 was up by 0,4%. This compares to a revised 0,5% for the euro-zone and 0,4% for EU-15 in the three months up to end-October. In the months leading up to these latest figures industrial production growth was declining steadily.

However, in this latest period, strong growth was recorded in Ireland (5,0%), Luxembourg (1,7%), Finland and Greece (both 1,3%) showed also significant rises. Denmark and UK saw slight-

ly falls (-0,4% each).

The US business cycle was reflecting that of the EU, with the significant growth of earlier months falling steadily. Japan continued to indicate a notable fall in industrial production.

In both euro-zone and EU-15, growth was strongest in durable consumer goods industries (up 1,2% and 1,5% respectively), followed by capital goods (0,8% and 0,6%). Production stagnated in intermediate goods (up 0,4% and 0,1% respectively) and non-durable consumer goods (0,2% and 0,0%).

Production trend ¹			
% changes June-August to September-November 1998			
<i>Euro-zone</i>	0,3	<i>Sweden</i>	0,7
<i>EU-15</i>	0,4	<i>Spain</i>	0,6
<i>Ireland²</i>	5,0	<i>Italy</i>	0,5
<i>Luxembourg²</i>	1,7	<i>Belgium</i>	0,3
<i>Finland</i>	1,3	<i>Portugal²</i>	0,2
<i>Greece</i>	1,3	<i>Denmark</i>	-0,4
<i>France</i>	0,9	<i>UK</i>	-0,4
<i>Germany</i>	0,7	<i>USA</i>	0,3
<i>The Netherlands</i>	0,7	<i>Japan</i>	-0,6

¹ Production volume of total industry, excluding construction, adjusted for seasonal and one-off fluctuations.

² Eurostat estimates.

Dossier of the month

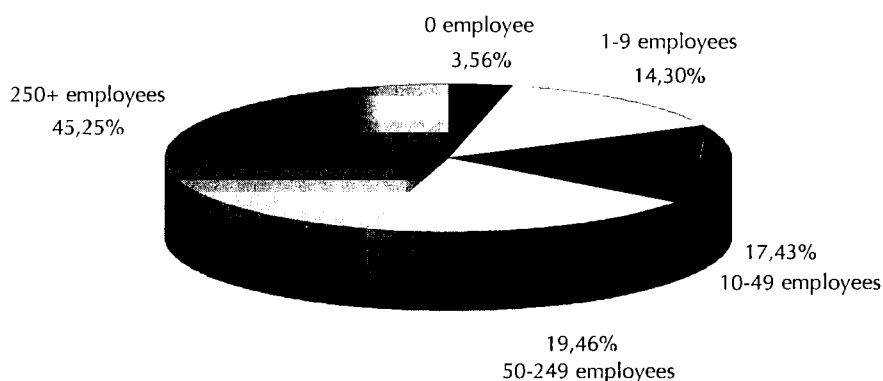
Enterprises in the European Union SMEs employ two thirds of jobs of the total employment

About 18 million European enterprises in the non-agricultural market sectors are SMEs, employing fewer than 250 employees

They therefore play a decisive role in the EU. Jobs are divided almost equally between very small units with fewer than 10 employees, including those with no employees, small and medium-sized enterprises with up to 249 employees and large enterprises with 250 employees and over.

However, 45% of total turnover is accounted for by the 36 000 large enterprises.

Turnover of enterprises by employment size class in the European Union, 1995



EU
eurostat

Enterprises in the European Union in 1995 - Distribution by employment size class

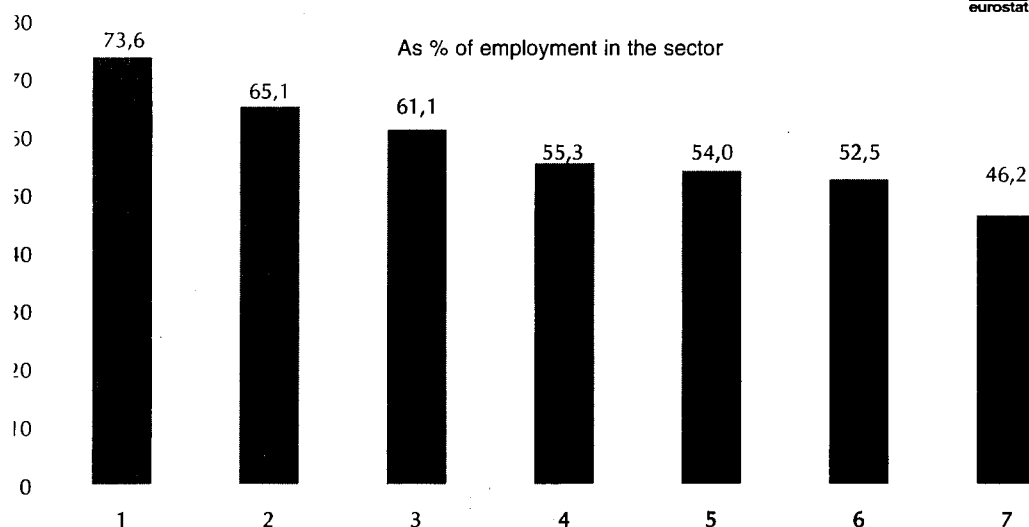
Number of employees	0	1 to 9	10 to 49	50 to 249	250+
As % of number of enterprises	51,64	41,26	6,01	0,90	0,20
As % of total employment	9,75	23,08	18,95	13,89	34,33
As % of turnover	3,56	14,30	17,43	19,46	45,25

EU
eurostat

Over 90% of European enterprises have fewer than 10 employees

They still employ at least 20% of the labour force. The figure is lowest in Germany, Ireland, Luxembourg and Austria. The percentage of jobs in very small enterprises is well above the average in the southern European countries and Belgium. The self-employed people carry out craft activities or represent small family businesses, while enterprises with 1 to 9 employees operate mainly in service sectors.

Economic sectors dominated by very small enterprises (0-9 employees) - EU-15 - 1994



EU
eurostat

1: Other service activities; 2: Activities auxiliary to financial intermediation; 3: Real estate activities; 4: Hotels and restaurants; 5: Retail trade and repair of domestic articles; 6: Sale, maintenance and repair of motor vehicles; 7: Construction

Share of total employment accounted for by very small enterprises - 1995

	EL	I	E	B	P	EU-15	F	DK	UK	S	NL	FIN	A	D	L	IRL
1995	56,6	47,8	47,5	45,8	38,4	32,8	32,4	29,0	28,9	26,7	26,0	24,6	24,0	23,5	22,9	22,7

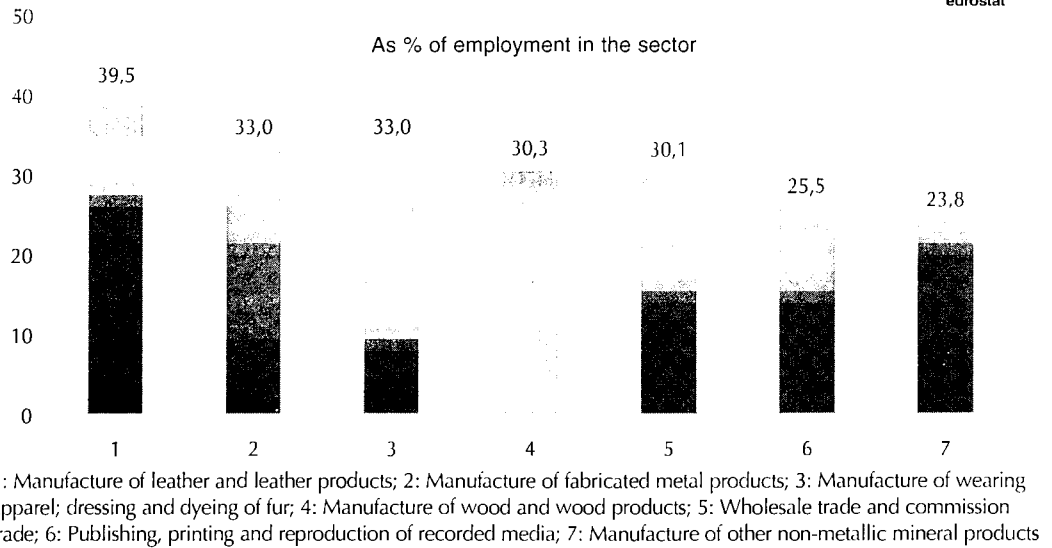
EL, I, A, NL: 1994

EU
eurostat

Small enterprises (from 10 to 49 employees) account for between 15 et 25% of the employment

These businesses particularly dominate certain sectors of industry such as metal processing, the production of non-metallic products, wood-working and the clothing and leather industries. This size of enterprise is also very well represented in services such as the wholesale trade, in which one out of three employed persons work.

Economic sectors dominated by small enterprises (10-49 employees) - EU-15 - 1994



Share of total employment accounted for by small enterprises (10 to 49 employees) - 1995

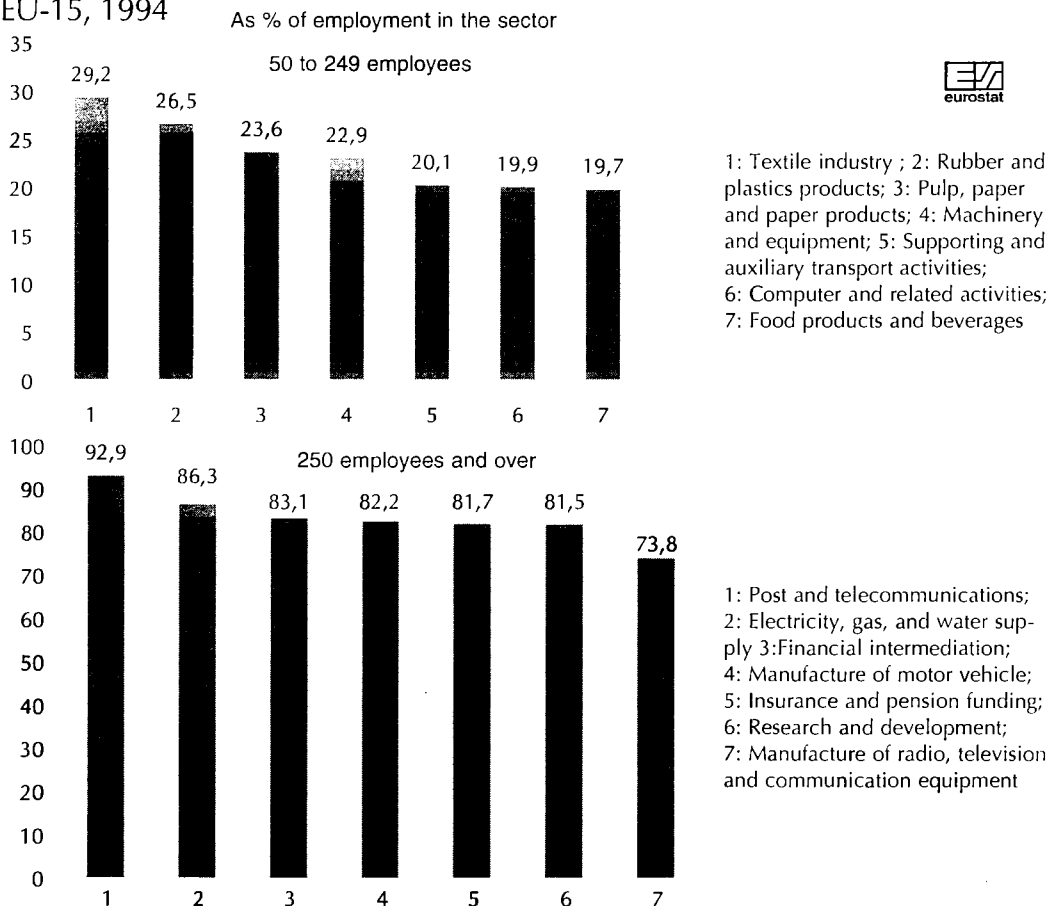


	L	IRL	P	DK	I	D	A	E	EU-15	F	S	EL	NL	FIN	B	UK
1995	24,6	22,9	22,8	22,6	21,4	20,3	19,2	19,0	18,9	18,7	18,2	17,2	17,0	16,4	15,4	15,3

Medium-sized and large enterprises represent between 26 and 60% of total employment

Most medium-sized enterprises are involved with manufacturing -particularly the textile, rubber and paper industries while large enterprises dominate the capital-intensive sectors. In the post and telecommunications, enterprises of 250 and over represent more than 90% of jobs in the sector.

Economic sectors dominated by medium-sized and large enterprises - EU-15, 1994



Share of total employment accounted for by medium-sized and large enterprises, 1995



	B	DK	D	EL	E	F	IRL	I	L	NL	A	P	FIN	S	UK	EU-15
1	11,4	17,9	13,9	12,7	12,9	14,9	21,4	10,7	24,1	17,7	21,3	18,4	16,4	16,1	12,6	13,9
2	27,4	30,5	42,3	13,5	20,6	34,1	33,0	20,1	28,4	39,4	35,5	20,5	42,6	39,0	43,1	34,3

1: enterprises with 50 to 249 employees

2: enterprises with 250 employees and over

Source: Statistics in Focus: Energy and Industry.

EU regions with highest and lowest GDP per person

50 regions below 75% of EU-15 average

EU regions with highest and lowest GDP per person are highlighted in a report¹ from Eurostat, Inner London now has a commanding lead, followed by Hamburg.

The most recent data (the average for 1994-96) show that the EU's 208 'NUTS 2'² regions³ range from Ipeiros, Greece, at 43% of the EU-15 average, to Inner London, at 222% of the average. Inner London is now well ahead due to changes in the classification of regions in some countries; previously it entered the list some way down as Greater London. Nearest rival is Hamburg (194%), which previously was number one.

The report indicates 50 regions³ below 75% of the EU-15 average.

Ten regions weigh in with GDP per person close to or above 1½ times the EU-15 average. Apart from Inner London, the only ones NOT in

Germany are Brussels (No 4 at 172% the EU-15 average), Luxembourg (No 5, 170%), Vienna (No 6, 165%) and Ile de France (No 7, 163%).

The comparisons are in PPS (Purchasing Power Standards). PPS is an artificial currency that reflects real purchasing power in each country. GDP per person is not the same as disposable income. So these figures do not necessarily mean people in one region are more prosperous than in another.

Commuters can boost the GDP of the region where they travel to work and thus reduce it where they live, and the presence of a capital city has a powerful effect. These are significant factors in the list of the top 10 regions. And a high proportion of non-working people can lead to lower regional GDP per person.

The euro-zone average for 1994-96 is 1% above the EU-15 figure.

GDP per head in PPS 1994-96 average

Regions close to or above 1½ EU average (EU = 100)			
1. Inner London	222	6. Vienna	165
2. Hamburg	194	7. Ile de France	163
3. Darmstadt	173	8. Oberbayern	158
4. Brussels	172	9. Bremen	152
5. Luxembourg*	170	10. Hessen	149

* Luxembourg as a country is not subdivided into regions.

Big gaps between and within countries

Ipeiros is well below the figure for any other region. Second-lowest are the Portuguese Açores and Greece's Voreio Aigaio (both 50% of the EU-15 average) and Madeira, Portugal (54%).

The 50 below 75% of average include all 13 Greek regions and six of Portugal's seven. The others are mainly in the new Bundesländer of Germany (nine), Spain (10) and Italy (six, all in the south). There is one in Austria, one in Finland and four in the UK. Over 20% of the EU's population live in these regions.

In nine of the 12 Member States that have NUTS 2² regions the highest average regional GDP per person in this period was about double the lowest. Examples include Belgium (Brussels 172%, Hainault 81%), Spain (Madrid 100%, Extremadura 55%), Italy

(Lombardy 132%, Calabria 59%) and Austria (Vienna 165%, Burgenland 71%).

There were much more pronounced differences in Germany and the UK. In the latter, there were regions with a third of Inner London's 222%. There was even greater disparity (4:1) between Hamburg and some of former GDR regions of Germany. However, when Inner London is discounted the highest UK figure is the 127% of North-Eastern Scotland, whereas Germany has four regions in addition to Hamburg with very high figures.

Sweden shows a much more balanced picture with no huge difference between the lowest, Östra Mellansverige (91%) and Stockholm (122%).

1 Eurostat Statistics in focus, General statistics, No 1/99, Per capita GDP below 75% of the EU average in 50 of the 208 regions of Europe.

2 Regional breakdown, corresponding for example to Regierungsbezirke in Germany or Regioni in Italy.

3 Excluding the French overseas departments

Source: Eurostat News Release No 11/99.

FDI assets earn the single market a return rate of 8,2%

EU received euro 12,4 billion net foreign direct invest income in 1996

In 1996 the EU received net foreign direct investment (FDI) income worth euro 12,4 billion from non-EU countries.

This figure resulted from euro 44,4 billion of income receipts on FDI assets offset by income payments of euro 32,1 billion to non-EU countries on FDI liabilities, shows a

report¹.

Net income flows were positive with most FDI partners and regions. The USA and Switzerland were marked exceptions with EU FDI income payments exceeding receipts by roughly a third in both cases.

Asia the biggest source of net EU FDI earnings

EU investors saw over euro 7,6 billion or 62% of net FDI receipts coming from Asia. This was the largest share, up a fifth over 1995. Japan was an exception to the trend with EU net FDI earnings falling by 25% compared to 1995.

Hong Kong ranked as the top contributor to net EU FDI receipts, and not only in Asia. EU investors received 21% (euro 2,6 billion) of total net earnings from there. Australia and Singapore each returned a net 1.8 billion and Brazil 1,3 billion.

Within non-EU Europe, net earnings from Norway doubled in 1996 to reach over euro 0,8 billion. Net receipts from Hungary rose tenfold between 1995 and 1996 to exceed 0,5 billion, and those from the Czech Republic also saw rapid growth to top 0,25 billion.

And the report says that every seventh euro of net EU FDI earnings in 1996 came from African countries, with South Africa (0,75 billion) the key player.

Half of EU FDI income receipts stem from America

Over half (24,4 billion) of the EU's receipts of FDI income stemmed from relations with America² (North, South & Central). The USA accounted for the lion's share at 17,6 billion. With an 11% rise over 1995, FDI income of

non-EU direct investors in the single market grew three percentage points slower than the EU's FDI earnings abroad. America's share of EU FDI income payments rose to almost 80% of the total.

Best returns in Asia

In 1996 the EU recorded a rate of return of 8,2% on its total of euro 543 billion of direct investment assets held abroad. In contrast, direct investors from abroad received gross income worth 7,6% of EU FDI liabilities (422 billion).

Worldwide, rates of return on EU FDI assets were highest in Asia at 13,5%. On the other

hand, assets in America and Switzerland yielded below-average rates of around 7%.

Least profitable were EU assets in the group of newly industrialized countries of the second wave (NICs2) in Latin America³ (5,8%) and in central and eastern Europe (4,8%). But the latter nearly doubled between 1995 and 1996.

1 Eurostat Statistics in focus, Economy and finance, No 37/98, European Union foreign direct investment income.

2 North, South and Central America.

3 NICs2 Latin America = Argentina, Brazil, Chile and Mexico

Source: Eurostat News release No 7/99.

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