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Key figures on European business

with a special feature section on SMEs

Data 1995-2005

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INTRODUCTION

Scope and focus of the publication

This publication describes the structure and development of European business and its different activities in a concise and simple manner. It provides a quick overview of the nature and characteristics of European business, but it should also be seen as a showcase for and introduction to the data available in this field. The focus is on structural business statistics: both the more traditional business statistics which are disseminated regularly, and also specific information compiled on a multi-yearly basis and the latest results from development projects on topics of key political interest.

Structure of the publication

The publication is broken down into three main chapters. The first provides an overview of the business economy. The second includes a special analysis of size class data, comparing micro, small, medium and large enterprises. The third chapter, the largest part of the publication, presents more detailed information on the different activities that make-up the business economy, regrouped within subchapters focused on industry, construction and services.

More statistics - on-line and in paper and electronic publications

The publication presents only a small selection of the most important data available. Readers who are interested in knowing more about a certain topic or sector are encouraged to consult the detailed data available in Eurostat's databases. These are available free of charge from Eurostat's web-site (http://epp.eurostat.ec.europa.eu). The detailed Structural business statistics (SBS) data sets are available under theme 'Industry, trade and services' (select 'Data' / 'Industry, trade and services' / 'Horizontal view' / 'Structural Business Statistics').

As well as the on-line data, Eurostat produce a number of other publications on this topic. Other publications which describe the structure and development of European business produced by Eurostat Unit G1 Structural business statistics include:

European business, Facts and Figures:

This is Eurostat's main reference publication on European Business. It gives a comprehensive picture of the structure, development and characteristics of European business and its different activities. It presents the latest available statistics from a wide selection of statistical sources describing for each activity: production and employment; country specialisation and regional distribution; productivity and profitability; the importance of small and medium sized enterprises (SMEs); work-force characteristics; external trade etc.

Statistics in Focus released during the first half of 2006:
Provision and export of computer services in Europe -
Issue number 15/2006

Advertising services and labour recruitment in Europe -
Issue number 13/2006

Sales of motor vehicles in the European Union -
Issue number 11/2006

Manufacture of machinery and equipment in Europe -
Issue number 10/2006

Retail trade in the European Union -
Issue number 8/2006

Manufacture of aerospace equipment in the European Union -
Issue number 7/2006

Publishing and printing activities in the EU -
Issue number 6/2006

PDF versions of these publications are available free of charge on Eurostat's web-site, and paper versions may be purchased through the usual retail outlets for Commission publications (see the inside back cover for more details) or alternatively via Eurostat's web-site http://epp.eurostat.ec.europa.eu.

Dedicated website

Within Eurostat's web-site (http://epp.eurostat.ec.europa.eu) several *Dedicated Sections* are available which provide more information on a certain topic. The European business dedicated section provides access to a selection of publications, data and background information describing European business, compiled by Eurostat's Structural Business Statistics unit. This is located directly under theme *Industry, trade and services* on the Eurostat website and through the following link:
http://epp.eurostat.ec.europa.eu/pls/portal/url/page/PGP_DS_EUROBUS/PGE_DS_EUROBUS_01.

Under this theme there is also a dedicated website focussed on statistics by product (PRODCOM), available also through the following link:
http://epp.eurostat.ec.europa.eu/pls/portal/url/page/PGP_DS_PRODCOM/PGE_DS_PRODCOM.

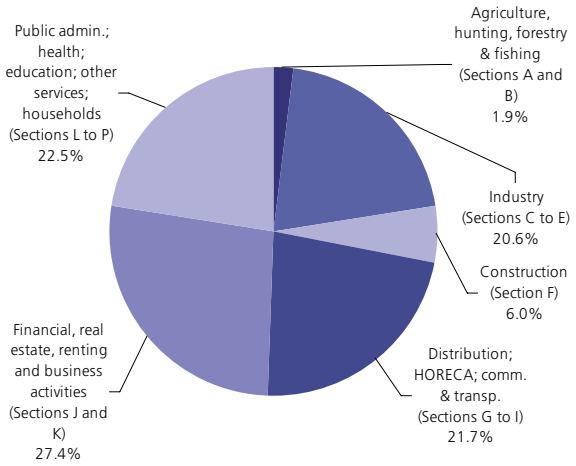
1. OVERVIEW

THE STRUCTURE OF THE ECONOMY

In 2005 the economic activities in the European Union generated a total of EUR 9 653 billion in gross value added. Figure 1.1 shows the contribution of each activity to the total value added of the economy. The business economy, which is the focus of the present publication, contributed three-quarters (75.6%) of this total. The business economy is here defined as the sum of industry (NACE Sections C to E), construction (NACE Section F) and services (NACE Sections G to K). Services is composed of distributive trades, hotels and restaurants, communications and transport (NACE Sections G, H and I), as well as financial services and real estate, renting and business activities (NACE Sections J and K).

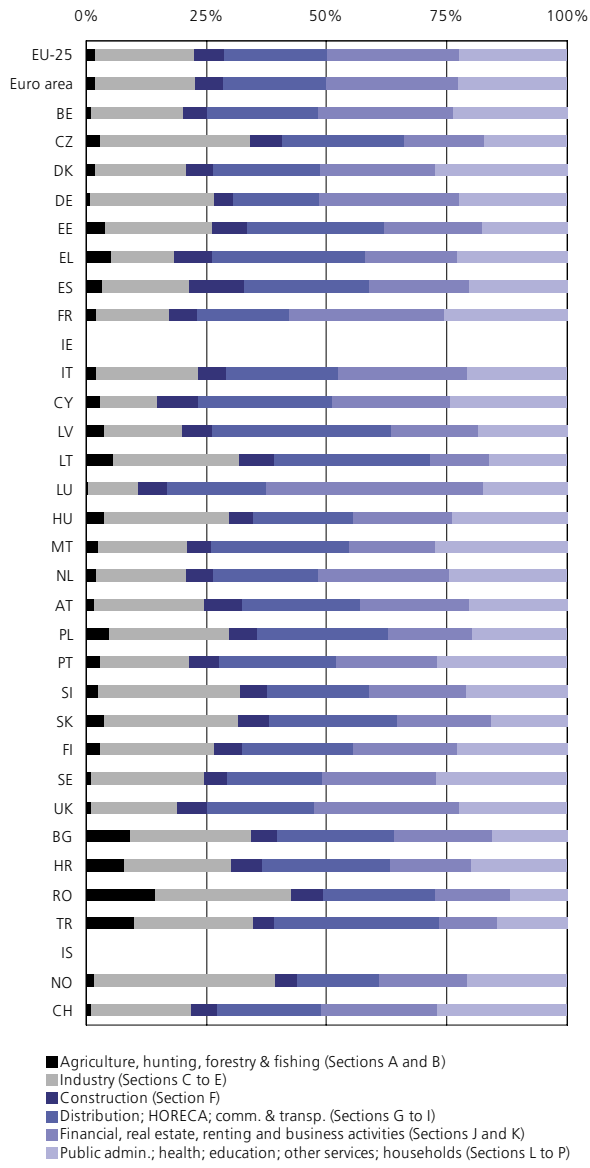
For the EU as a whole the contribution of services was more than double that of industry. As can be seen from Figure 1.2 the structure of the business economy was quite different in a number of Member States: the importance of industry was particularly high in the Czech Republic as well as Slovakia, Lithuania, Germany and Poland; Member States that were more focused on services included Luxembourg, Latvia, Cyprus, the United Kingdom, France and Greece. The importance of construction in the economy was particularly high in Spain and Cyprus, and particularly low in Germany.

Figure 1.1: Breakdown of total value added, EU-25, 2005 (%)



Source: Eurostat (National accounts)

Figure 1.2: Breakdown of total value added, 2005 (%) (1)



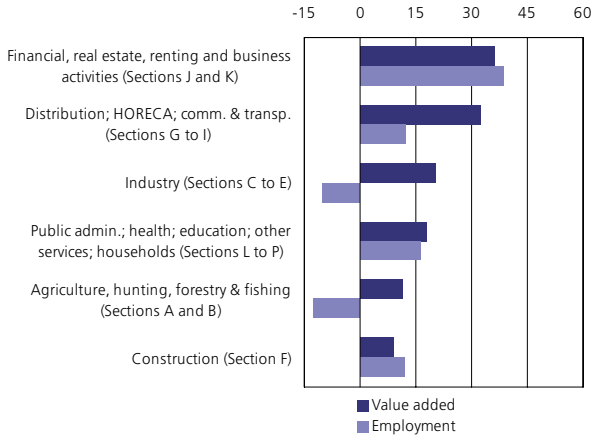
(1) Ireland and Iceland, not available; Hungary, Slovenia, the United Kingdom, Croatia and Romania, 2004.
Source: Eurostat (National accounts)

CHANGE IN THE ECONOMIC STRUCTURE

The structure of the economy evolves over time, as certain activities gain in importance and others decline. Figure 1.3 shows the growth experienced by the different sectors during the 10 year period from 1995 to 2005. As can be seen, in value added terms (constant prices) all of these activities have grown over this period, however growth has been strongest in the two services subsectors, and weakest in construction, as well as agriculture, hunting, forestry and fishing (NACE Sections A and B). In employment terms the situation is quite different, with industry as well as agriculture, hunting, forestry and fishing recording a fall in employment, which, when combined with their value added growth indicates large increases in productivity in these activities. In contrast construction as well as financial services and business activities both recorded greater increases in employment than in value added over this period.

Table 1.1 provides a similar analysis of value added growth rates between 1995 and 2005 for the Member States: they are shown as annual average growth rates rather than the overall growth shown in Figure 1.3. Around one-third of the Member States recorded a fall in constant price value added in agriculture, hunting, forestry and fishing over this period: aside from this the only negative rates of change were recorded in Italy's industrial economy and in construction in the Czech Republic and Germany. Whilst several Member States recorded strong growth in most activities, such as the Baltic Member States, a number recorded strong growth in a few specific activities, indicating a restructuring of the economy. Examples of the latter are the growth in some services activities in the Netherlands, Denmark and Belgium, and in industry in Sweden.

Figure 1.3: Growth of constant price value added and employment, EU-25, 1995-2005 (%)



Source: Eurostat (National accounts)

Table 1.1: Average annual growth rate of constant price value added, 1995-2005 (%)

	Agriculture, hunting, forestry & fishing (Sections A and B)	Industry (Sections C to E)	Construc-tion (Section F)	Distri-bution; HORECA; comm. & transp. (Sections G to I)	Financial, real estate, renting and business activities (Sections J and K)	Public admin.; health; education; other services; households (Sections L to P)
EU-25	1.1	1.9	0.9	2.9	3.1	1.6
Euro area	1.7	1.9	0.6	2.5	2.9	1.5
BE	1.3	1.5	1.7	1.6	3.2	1.4
CZ	4.3	3.9	-4.2	3.4	3.1	0.4
DK	1.3	0.5	2.2	3.6	2.8	1.2
DE	1.9	1.8	-3.4	2.0	2.5	1.1
EE	-0.9	7.4	9.8	7.7	6.2	4.9
EL	-1.2	2.7	4.5	5.3	3.2	3.6
ES	3.2	2.8	5.3	2.7	4.6	3.2
FR (1)	-1.4	2.1	2.0	2.1	2.5	1.0
IE	:	:	:	:	:	:
IT	1.0	-0.2	2.0	1.7	1.9	1.3
CY	0.9	1.7	2.2	3.9	4.9	3.6
LV	2.3	5.7	10.7	9.8	8.1	3.1
LT	1.4	7.2	4.8	6.8	5.8	4.6
LU	-3.8	3.0	3.1	5.5	5.1	3.8
HU	1.9	5.1	6.0	3.8	4.0	2.3
MT	:	:	:	:	:	:
NL	1.0	2.6	1.0	5.3	3.0	1.6
AT	0.6	3.4	1.6	2.3	2.7	0.8
PL	1.6	5.2	1.4	4.7	4.6	2.3
PT	-1.9	2.2	0.4	2.5	3.5	2.1
SI	-0.2	4.5	3.7	3.1	4.5	3.8
SK	4.8	4.6	4.5	3.7	2.3	2.9
FI	1.4	4.1	3.0	4.7	3.4	1.9
SE	-0.1	4.9	1.0	3.4	2.7	1.0
UK (2)	0.8	0.3	2.5	4.2	4.3	2.3
BG	:	:	:	:	:	:
HR (2)	-6.8	2.1	0.9	-1.8	-7.0	-10.3
RO (1)	0.9	4.8	8.5	:	:	:
TR	1.4	4.4	0.6	5.2	1.7	6.5
IS (2)	-0.5	3.4	7.1	6.4	6.4	3.6
NO	0.6	1.5	0.1	4.7	4.2	1.9
CH	-3.5	0.9	-0.4	1.4	2.4	1.4

(1) Average annual growth rate, 1999-2005.
(2) Average annual growth rate, 1995-2004.
Source: Eurostat (National accounts)

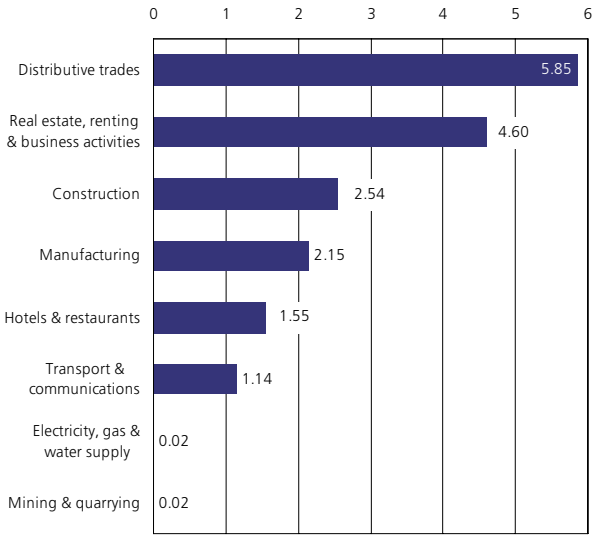
ENTERPRISE DISTRIBUTION ACROSS THE ECONOMY

In 2003 in the EU there were more construction enterprises than there were industrial enterprises, and distributive trades alone had more enterprises than industry and construction together. In total the EU business economy excluding financial services consisted of around 18 million enterprises, of which the overwhelming share (almost 75%) was found within non-financial services - see Figure 1.4.

It should be noted that the average size of enterprises, whether measured in terms of turnover, value added or employment, varies greatly between sectors. The contribution of economic sectors in terms of wealth generation and employment is also very different from their share of the business population.

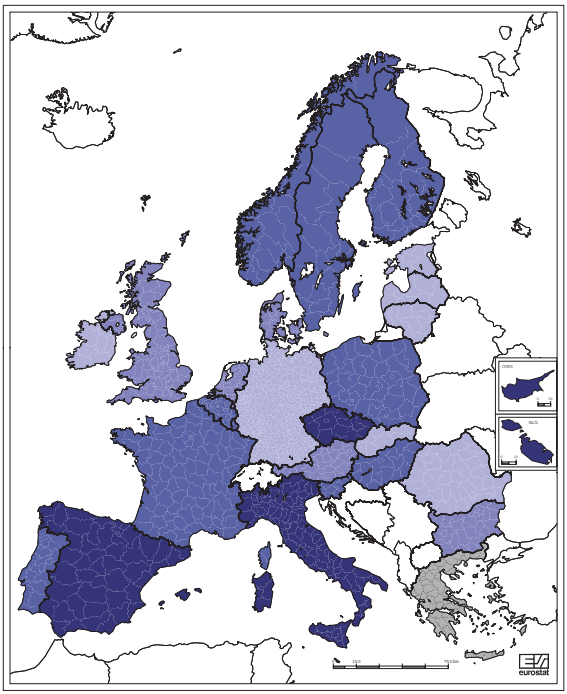
Map 1.1 shows the variation in enterprise density (the number of enterprises per thousand inhabitants) between the countries, with over 80 enterprises per thousand inhabitants in the Czech Republic and Malta and less than 20 in Slovakia, Romania and Lithuania.

Figure 1.4: Number of enterprises, EU-25, 2003 (millions)



Source: Eurostat (SBS)

Map 1.1: Density of enterprises per 1 000 inhabitants, 2003 (1)



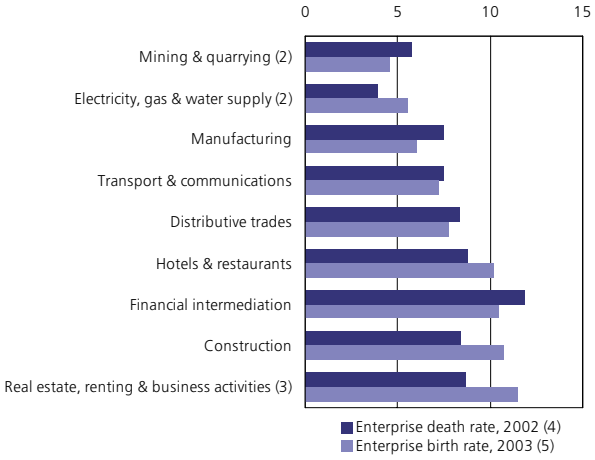
(1) Lithuania and Malta, 2002; Cyprus, excluding Section K; Ireland, Section C (2002), and excluding Section E; Norway, excluding Section E, and enterprises with 250 or more persons employed for Sections F and K; Greece, not available.
Source: Eurostat (SBS, DEMO)

BUSINESS DEMOGRAPHY

Business demography statistics provide information on the births, deaths and survival rates of newly created enterprises. Figure 1.5 shows the average enterprise birth rates in 2003 and the death rates in 2002 among the Member States with data available. Not only did real estate, renting and business activities, as well as construction have the highest enterprise birth rates, but they also recorded the largest difference (in percentage point terms) between enterprise birth and death rates. Hotels and restaurants, and electricity, gas and water supply were the only other sectors where the enterprise birth rate was higher than the enterprise death rate. Manufacturing and financial intermediation recorded enterprise death rates that were around 1.5 percentage points higher than their respective enterprise birth rates. A more detailed analysis of business demography data (Eurostat, Statistics in Focus, Industry, trade and services No. 36/2005) concluded that overall rather low birth rates in industry tend to coincide with a larger average size of the newly born enterprises in comparison with construction and services. This suggests that entry barriers are highest in industry, because incumbents are rather large and initial investment in production factors is high.

In all countries shown in Figure 1.6 the vast majority of enterprise births were in the services sector. Nevertheless large differences can be seen: Luxembourg, Norway, the Netherlands and Spain recorded a very small proportion (less than 6%) of industrial enterprises among all enterprise births in the business economy,

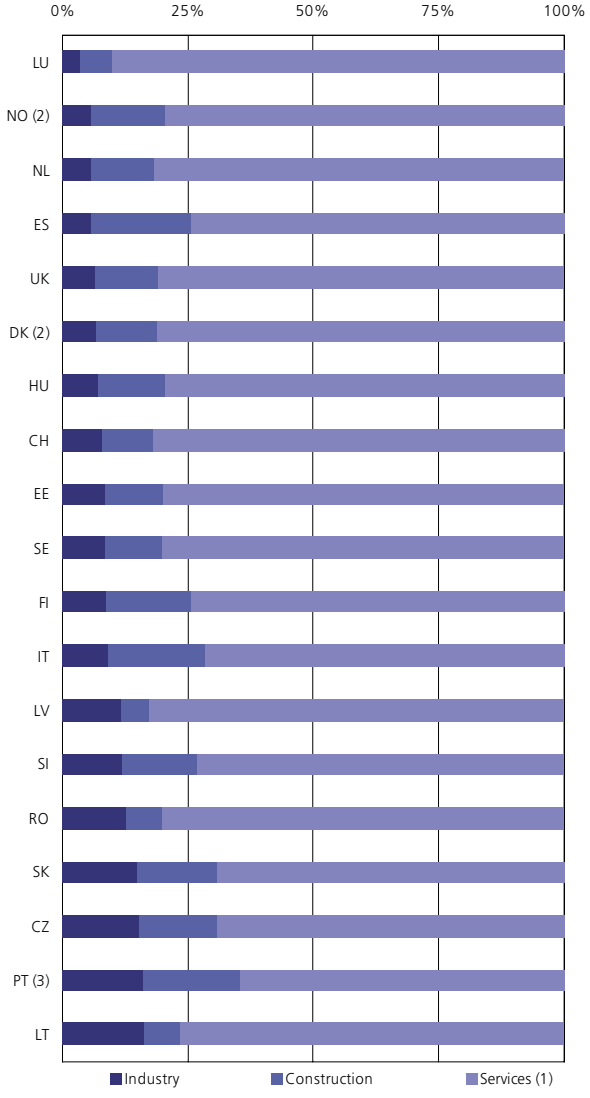
Figure 1.5: Enterprise birth (2003) and death (2002) rates, average of available Member States (%) (1)



(1) EU-25 excluding Belgium, Germany, Greece, France, Ireland, Cyprus, Malta, Austria and Poland. (2) Also excluding the United Kingdom. (3) Also excluding management activities of holding companies. (4) Also excluding Denmark. (5) Denmark, 2001; Portugal, provisional.
Source: Eurostat (SBS)

while the industrial sector contributed 15% or more of all enterprise births in Lithuania, Portugal, the Czech Republic and Slovakia. In the three southern EU-15 Member States for which data are available, namely Spain, Italy and Portugal, the proportion of enterprise births that were in the construction sector was close to 20%, several percentage points higher than the next highest share, in Finland.

Figure 1.6: Breakdown of births of enterprises by economic activity, 2003 (%)



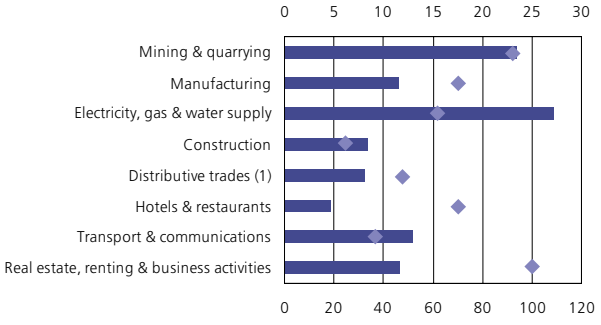
(1) Excluding management activities of holding companies. (2) 2001. (3) Provisional.
Source: Eurostat (SBS)

PRODUCTIVITY AND PROFITABILITY

There are a number of indicators which can be used to study the labour productivity of an activity, relating an output measure to a labour input measure. Figure 1.7 shows the apparent labour productivity which is calculated as value added per person employed. Two of the industrial activities, namely mining and quarrying, and electricity, gas and water supply, recorded the highest apparent labour productivity of the non-financial business economy. In contrast two service activities, distributive trades and hotels and restaurants, recorded the lowest productivity by this measure. It should be noted that this indicator is based on a simple measure of labour input, namely the number of persons employed, recorded as a head count. As such it treats part-time and full-time workers as one person employed: all other things being equal this indicator under-represents the labour productivity in activities with a high share of part-time employment - see analysis on page 36 which shows that the propensity to work full-time in 2005 was lower in services than in industry and construction.

Figure 1.7 also shows one measure of profitability, the gross operating rate. This is calculated as gross operating surplus relative to turnover, where the gross operating surplus is value added minus personnel costs. As such the gross operating surplus is a measure of the operating revenue left to compensate the capital factor input. A comparison across the sectors of the non-financial business economy shows a similar pattern as for apparent labour productivity, with the notable exception of hotels and restaurants where the gross operating rate was higher than in manufacturing or construction. Real estate, renting and business activities also recorded a relatively high gross operating rate. Table 1.2 shows the same two indicators for the Member States, with a division between the three main parts of the non-financial business economy. The apparent labour productivity was highest in industry in all Member States with a full set of data, except for Estonia, Latvia and Malta.

Figure 1.7: Apparent labour productivity and gross operating rate, EU-25, 2003



(1) Gross operating rate, 2002. Source: Eurostat (SBS)

Table 1.2: Productivity and profitability, 2003

	Industry		Construction		Non-financial services	
	Apparent labour product. (EUR thousand per person employed)	Gross operating rate (%)	Apparent labour product. (EUR thousand per person employed)	Gross operating rate (%)	Apparent labour product. (EUR thousand per person employed)	Gross operating rate (%)
EU-25 (1)	49.6	10.3	33.5	11.9	38.2	11.2
BE	77.0	9.8	37.3	9.1	50.0	7.3
CZ	15.1	13.5	9.9	10.1	12.7	10.5
DK	69.4	14.5	44.5	8.7	56.0	10.4
DE	59.3	7.0	34.6	6.8	47.3	6.1
EE	11.1	11.7	9.8	7.1	12.5	8.8
EL	:	:	:	:	:	:
ES	46.7	11.7	30.4	11.3	31.4	11.7
FR	56.0	6.3	37.7	7.1	47.2	6.8
IE	:	:	97.9	21.3	48.3	13.6
IT	45.1	10.3	27.6	15.0	33.9	12.1
CY	29.5	15.5	26.6	16.4	:	:
LV	8.7	17.7	8.4	16.2	9.3	13.2
LT (2)	7.9	11.4	6.4	10.3	7.2	8.7
LU	70.5	6.4	40.1	8.2	57.1	9.9
HU	17.6	11.4	7.8	6.7	11.2	7.5
MT (3)	25.6	14.3	11.4	18.1	25.7	24.6
NL	77.0	10.7	48.6	8.3	45.1	9.5
AT	65.4	12.4	47.0	13.6	45.3	10.2
PL	16.9	18.5	8.4	12.8	9.5	9.5
PT	23.9	11.9	15.6	7.4	21.0	7.3
SI	23.6	11.1	15.5	7.7	21.9	7.7
SK	13.7	11.5	7.7	6.2	11.3	7.8
FI	73.3	13.6	44.8	10.0	50.0	8.9
SE (4)	59.5	9.0	43.3	8.4	49.8	8.2
UK	67.0	15.4	57.5	16.5	43.9	12.6

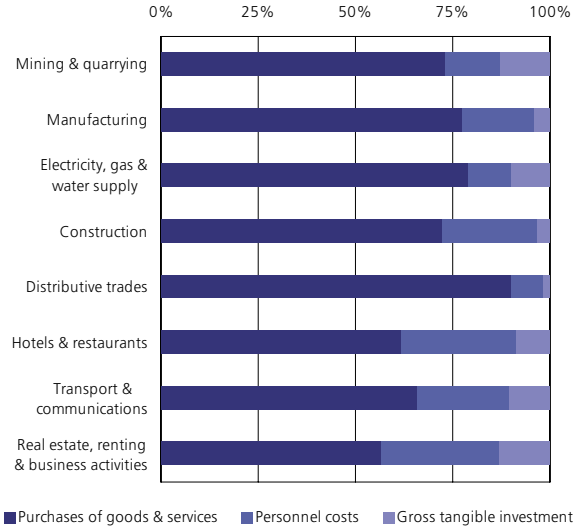
(1) 2002 data for gross operating rate for non-financial services.
(2) 2002 data for non-financial services.
(3) 2002.
(4) 2002 data for industry and construction.
Source: Eurostat (SBS)

COST STRUCTURE

Expenditure by enterprises can be either in the form of investment or operating expenditure. Operating expenditure can be split between personnel costs on one hand and purchases of goods and services on the other hand, the latter including purchases of raw materials, consumables (such as energy), and purchases of services (such as cleaning, accounting, advertising or transport services).

Figure 1.8 shows the cost structure in the sectors of the EU business economy. In all activities investment in tangible goods only accounts for a small share of the total expenditure. In relative terms investment was highest in real estate, renting and business activities, and in mining and quarrying (around 13% of total expenditure in both), followed by transport and communications, and electricity, gas and water supply (around 10%). The share of purchases of goods and services in total operating costs was particularly high in the two activities dominated by trading (buying and reselling), namely distributive trades (close to 90%) and the electricity, gas and water supply sector (around 80%), and the share of personnel costs was high in labour intensive activities such as hotels and restaurants (around 30%). Table 1.3 shows the same three types of expenditure for the Member States, with a breakdown between industry and construction on one hand, and non-financial services on the other.

Figure 1.8: Relative importance of operating expenditure and gross investment in tangible goods, EU averages, 2003 (%) (1)



(1) Based on available 2003 data for the Member States.
Source: Eurostat (SBS)

Table 1.3: Relative importance of operating expenditure and gross investment in tangible goods, 2003 (%)

	Gross investment in tangible goods		Purchases of goods & services		Personnel costs	
	Industry & construc-tion	Non-financial services	Industry & construc-tion	Non-financial services	Industry & construc-tion	Non-financial services
EU average (1)	4.7	5.2	76.0	79.6	19.2	15.2
BE	:	4.1	:	84.1	:	11.8
CZ	6.1	5.0	80.6	85.5	13.3	9.5
DK	6.3	7.6	69.8	76.9	23.9	15.5
DE	3.7	4.4	73.7	78.5	22.6	17.1
EE	8.6	7.0	76.3	84.3	15.1	8.7
EL	:	:	:	:	:	:
ES	4.8	5.8	76.5	80.6	18.8	13.5
FR (2)	3.4	5.6	78.3	77.0	18.3	17.4
IE	:	4.8	:	81.1	:	14.1
IT	5.0	4.9	79.3	83.9	15.6	11.2
CY	7.3	:	65.5	:	27.2	:
LV	11.4	9.0	74.5	82.8	14.1	8.2
LT (3)	8.7	7.0	76.6	84.3	14.7	8.7
LU	3.7	2.6	81.0	82.5	15.2	14.9
HU	6.4	7.0	82.4	84.1	11.1	8.9
MT (4)	5.6	6.7	75.9	80.4	18.5	12.9
NL	3.6	4.1	79.6	80.5	16.8	15.4
AT	5.1	7.8	71.4	76.0	23.5	16.2
PL	6.1	2.6	80.1	91.5	13.8	5.9
PT	6.8	8.1	77.4	80.4	15.8	11.5
SI	7.0	5.0	73.3	82.1	19.6	12.9
SK	6.1	6.5	83.0	84.3	11.0	9.2
FI	4.2	5.6	78.8	79.6	17.0	14.8
SE (2)	5.1	6.5	74.2	75.7	20.7	17.8
UK	5.4	5.1	74.2	77.3	20.4	17.6

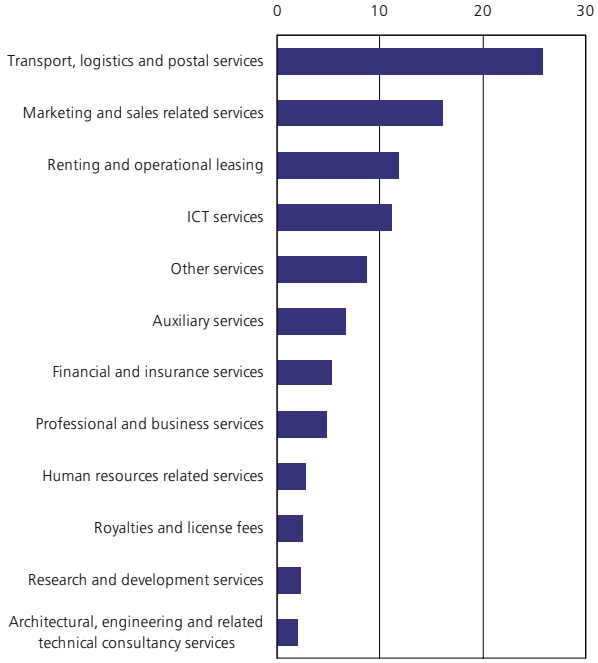
(1) Based on available 2003 data for the Member States.
(2) Industry and construction, 2002.
(3) Non-financial services, 2002.
(4) 2002.
Source: Eurostat (SBS)

DEMAND FOR SERVICES

Since services are an important and growing area of the EU economy, they have in recent years attracted increasing political and economic interest, as a current and future motor for growth. One reason why the services sector has grown in importance is due to the outsourcing phenomenon that has seen the demand for services increase as many enterprises use service providers either for non-core activities (such as transport or marketing services), or for part of the core activities in order to increase flexibility (for example through the use of labour recruitment services). This section presents some results from Eurostat's development project on demand for services. Figure 1.9 shows which types of services are purchased based on a simple average of the results for the seven Member States with data available. As can be seen, transport and related services accounted on average for around one-quarter of the total purchases of services.

Table 1.4 provides the same information for each of the countries, with a breakdown into main economic sectors. The purchase of ICT services was particularly high within the service sector compared to manufacturing or construction, as was expenditure on renting and operational leasing. The purchase of financial and insurance services, and architectural, engineering and related

Figure 1.9: Purchases of services broken down by product, NACE Sections D to O, 2003 (%) (1)



(1) Simple average for Denmark, Germany, Latvia, Lithuania, Poland, Slovenia and Finland. Source: Eurostat (SBS)

technical consultancy services was generally higher in the construction sector than in manufacturing or services. In contrast, expenditure on research and development services was generally higher in manufacturing than in construction or services.

Further information available from Eurostat's development project concern the type of service provider, the location of the service provider and barriers to the demand for service, as well as enterprises' expectations concerning their future demand for services: in each of the Member States for which data were available, the proportion of respondents that envisaged their demand for services would rise outweighed those that thought their level of demand would decrease.

Table 1.4: Purchases of services broken down by product purchased, 2003 (%)

	DK	DE	LV	LT	PL	SI	FI
Manufacturing							
Transport, logistics and postal services	35.3	19.3	39.8	24.1	23.2	23.5	38.7
ICT services	9.9	6.6	7.5	7.3	3.9	4.0	5.4
Marketing and sales related services	18.2	15.0	16.2	18.1	13.9	18.2	6.6
Professional and business services	6.2	4.8	6.5	9.4	4.6	11.2	4.2
Financial and insurance services	3.3	3.9	7.2	7.2	2.1	5.7	3.2
Renting and operational leasing	6.1	12.0	10.0	10.8	5.9	4.8	8.5
Research and development services	6.3	8.8	0.0	0.8	1.0	3.0	2.5
Architectural, engineering and related technical consultancy services	2.2	0.8	2.0	1.2	1.7	1.9	1.2
Auxiliary services	6.4	2.2	8.1	15.5	5.6	14.9	7.9
Royalties and license fees	1.2	9.8	0.0	1.8	3.7	1.4	2.3
Human resources related services	1.7	6.4	1.4	2.9	2.6	8.1	2.8
Other services	3.3	10.4	0.3	0.9	31.8	3.3	16.7
Construction							
Transport, logistics and postal services	12.2	19.1	27.5	17.4	7.7	21.6	7.8
ICT services	6.6	4.2	9.0	25.0	2.8	1.9	18.0
Marketing and sales related services	3.1	2.6	6.5	10.7	1.0	4.9	2.0
Professional and business services	5.1	8.5	3.8	0.8	1.4	13.8	5.9
Financial and insurance services	4.5	8.0	9.1	31.7	0.9	8.6	5.6
Renting and operational leasing	19.5	20.7	26.8	10.2	3.9	6.3	23.6
Research and development services	1.4	0.5	0.0	0.0	0.1	0.7	0.5
Architectural, engineering and related technical consultancy services	30.5	7.5	6.3	2.1	3.3	6.5	2.4
Auxiliary services	3.9	0.1	8.9	0.9	2.2	4.9	2.5
Royalties and license fees	1.3	5.7	0.0	0.0	0.1	0.2	0.1
Human resources related services	3.5	4.8	1.6	1.2	0.8	8.0	9.6
Other services	8.3	18.2	0.4	0.0	75.8	22.6	21.9
Services (G, H, I, K, 90, 92.1, 92.2)							
Transport, logistics and postal services	16.4	31.3	34.0	24.8	22.5	27.1	23.3
ICT services	7.2	10.3	18.7	6.0	13.3	11.1	25.6
Marketing and sales related services	47.8	12.1	11.0	16.6	11.5	17.0	13.2
Professional and business services	2.2	4.3	4.7	5.7	3.4	5.3	1.9
Financial and insurance services	2.3	2.7	4.4	9.4	2.0	5.3	1.4
Renting and operational leasing	13.6	17.1	15.3	23.9	10.2	9.2	10.8
Research and development services	1.3	2.6	0.2	0.1	0.1	0.7	7.9
Architectural, engineering and related technical consultancy services	1.5	1.1	1.5	1.1	1.7	3.8	1.8
Auxiliary services	3.9	2.4	7.2	10.1	5.7	11.3	5.2
Royalties and license fees	1.1	6.9	0.3	0.9	2.4	1.1	5.0
Human resources related services	1.5	2.6	1.1	1.1	2.0	4.6	1.6
Other services	1.2	6.7	1.6	0.3	25.3	3.5	2.3

Source: Eurostat (SBS)

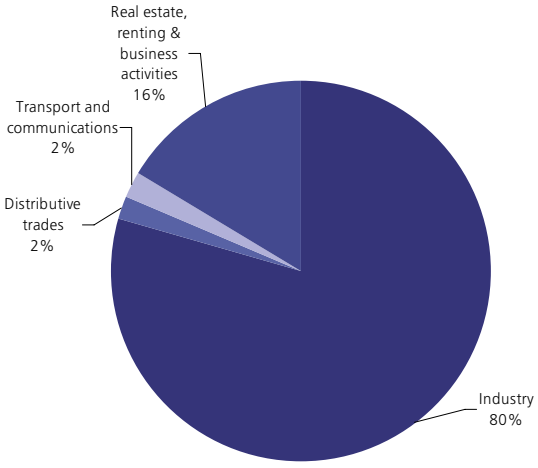
RESEARCH AND DEVELOPMENT

At the Lisbon European Council in spring 2000, the Council set itself the 'strategic goal for the next decade: to become the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion'. One of the specific targets set was to increase R&D expenditure to 3% of GDP; in 2004 R&D expenditure in the EU-25 was 1.9% (provisional) of GDP, ranging from 0.3% in Malta to 3.7% in Sweden - Finland (3.5%) was the only other country to be above the 3% target for the EU as a whole. In comparison, in Japan and the US R&D expenditure was 3.2% and 2.6% (provisional, excluding most or all capital expenditure) of GDP respectively in 2003.

Table 1.5 shows the size of the R&D expenditure in the sectors of the business economy. As can be clearly seen industrial activities accounted for half or more of all R&D expenditure by enterprises in the business economy in the majority of the Member States.

In 2001 the Commission adopted its Science and Society Action Plan to develop stronger and more harmonious relations between science and society. Furthermore the European Commission has adopted a European Charter for Researchers and a Code of Conduct for the Recruitment of Researchers: key elements to support researchers and through this work towards the Lisbon goals. Figure 1.10 shows the distribution of R&D personnel between selected business economy activities for an aggregate of 19 EU Member States. This clearly shows that the vast majority of R&D personnel in the business economy were employed in enterprises in industrial activities.

Figure 1.10: R&D personnel (in full-time equivalents) broken down by economic activity, EU average, 2003 (%) (1)



(1) EU-25 excluding France, Latvia, Malta, Austria, Slovenia and Slovakia; Denmark, industry covers only manufacturing.
Source: Eurostat (Research and Development)

Table 1.5: Business enterprise R&D expenditure (BERD) by economic activity, 2003 (EUR million)

	Industry	Construction	Trade	Communi-cations and transport	Financial interme-diation	Real estate, renting and business activities
EU-25	:	:	:	:	:	:
Euro area	:	:	:	:	:	:
BE	2 866.8	57.2	31.1	135.4	21.2	429.2
CZ	393.7	7.9	17.8	3.8	0.8	176.5
DK (1)	2 043.7	11.0	67.6	284.1	349.5	686.5
DE	34 687.3	30.4	85.0	470.3	99.4	2 577.9
EE (1)	9.5	0.9	0.4	2.1	3.9	4.9
EL	190.1	0.7	2.9	10.6	0.9	78.5
ES	2 445.0	70.0	105.0	176.0	142.0	1 416.0
IE	667.1	0.0	2.0	9.7	0.0	392.6
IT	5 210.0	14.0	212.0	153.0	187.0	1 185.0
CY	3.6	0.1	0.0	0.2	0.2	3.9
LV	3.8	0.1	0.0	:	:	8.9
LT	16.7	:	0.3	0.3	:	5.3
LU	179.2	:	9.7	11.3	46.5	132.7
HU	197.9	0.6	27.2	2.3	0.6	17.3
MT	:	:	:	:	:	:
NL	3 869.0	29.0	212.0	27.0	45.0	550.0
AT	:	:	:	:	:	:
PL	209.1	18.3	0.0	22.9	:	9.2
PT	154.5	3.7	17.6	10.8	41.4	104.1
SI	197.6	0.0	0.5	0.0	0.0	23.4
SK (1)	37.1	:	:	:	0.0	52.8
FI	2 813.7	41.2	61.7	85.2	:	513.8
SE	6 396.5	:	153.0	7.7	82.5	1 195.1
UK	15 404.1	43.6	154.8	967.0	416.3	2 583.2
BG	8.5	0.0	:	:	1.4	3.7
HR (1)	10.2	3.3	:	0.3	96.6	:
RO	84.9	1.5	0.0	0.6	:	12.6
TR	:	:	:	:	:	:
IS	139.1	0.7	:	4.2	1.1	89.7
NO	1 008.7	31.3	54.4	83.1	53.9	687.0
CH	:	:	:	:	:	:

(1) Industry covers only manufacturing.
Source: Eurostat (Research and Development)

FOREIGN CONTROLLED ENTERPRISES (FATS)

Inward Foreign Affiliates Statistics (inward FATS) describe the activity of foreign-controlled enterprises in an economy. These are generally few in number, but due to their large size have a significant economic impact. Table 1.6 demonstrates this clearly, as in all of the countries shown foreign controlled enterprises accounted for less than 5% (normally less than 2%) of the number of enterprises, but often generated around one-fifth or one-quarter of value added and contributed more than 10% of employment. Foreign controlled enterprises' consistently higher share of value added than employment indicates that apparent labour productivity was on average higher than in nationally controlled enterprises. It should be noted that in general large enterprises have a higher apparent labour productivity than smaller enterprises: the higher apparent labour productivity of foreign controlled enterprises may, at least in part, be explained by the large average size of foreign controlled enterprises.

Figure 1.11 ranks countries according to the contribution of foreign controlled enterprises to value added, within the non-financial business economy. Their contribution was over one-quarter of value added in several of the Member States that joined the EU in 2004, as well as Sweden.

Control over an enterprise is here defined as the ability to determine its general corporate policy. Control is, however, often difficult to establish and, in practice, the share of ownership is often used as a

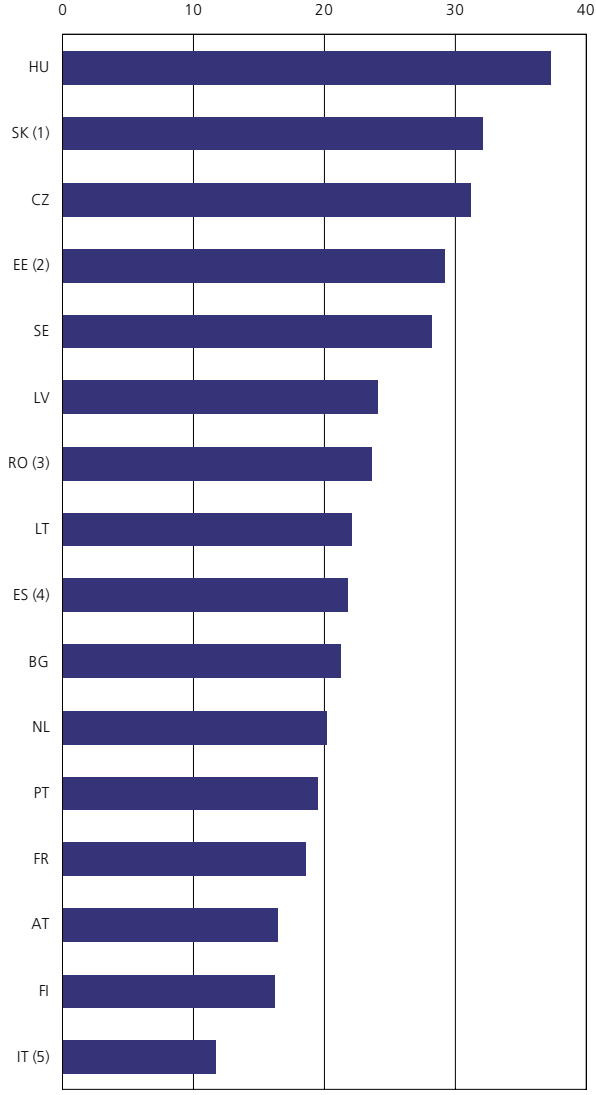
Table 1.6: Share of foreign controlled enterprises in the non-financial business economy, 2003 (%)

	Number of enterprises	Value added	Number of persons employed
CZ	1.4	31.2	18.7
EE (1)	1.8	29.2	19.6
ES (2)	0.2	14.7	9.6
FR (3)	0.9	18.6	14.6
IT (4)	0.3	11.7	7.3
LV	4.3	24.0	12.7
LT	3.1	22.1	10.2
HU (5)	:	37.3	14.5
NL	0.9	20.2	12.2
AT	1.1	16.4	11.8
PT	0.3	19.6	7.9
SK (6)	:	32.1	21.6
FI	1.1	16.3	14.3
SE	1.7	28.2	21.2
BG	2.1	21.3	10.7
RO (7)	:	23.7	13.1

(1) Foreign controlled enterprises with 20 persons employed or more as a share of the total population. (2) Excluding NACE Section F. (3) Number of employees instead of number of persons employed. (4) 2002. (5) Legal units, not enterprises. (6) Foreign controlled enterprises with 20 persons employed or more as a share of the total population; foreign ownership based on first shot concept. (7) Foreign controlled enterprises with 50 persons employed or more as a share of the total population; foreign ownership based on first shot concept. Source: Eurostat (SBS)

proxy. In the case of multiple ownership, the FATS owner is determined according to the majority-ownership rule. FATS are generally compiled based on the ultimate controlling institutional unit (UCI). The UCI is the first institutional unit in an ownership chain which is not majority-owned by another person.

Figure 1.11: Share of value added accounted for by foreign controlled enterprises in the non-financial business economy, 2003 (%)



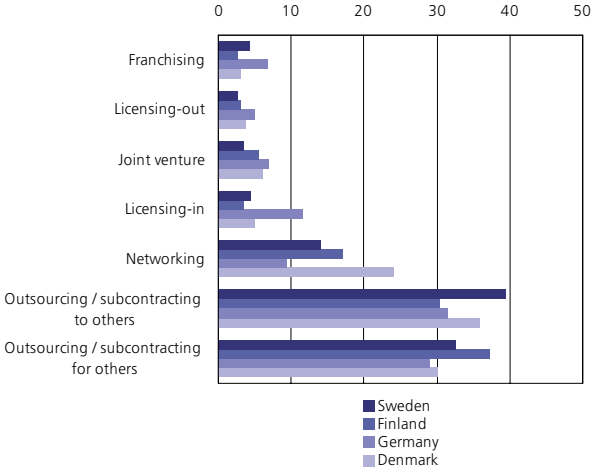
(1) Enterprises with 20 persons employed or more; foreign ownership based on first shot concept. (2) Enterprises with 20 persons employed or more. (3) Enterprises with 50 persons employed or more; foreign ownership based on first shot concept.
(4) 2001. (5) 2002. Source: Eurostat (SBS)

ENTERPRISE RELATIONS

Globalisation forces all types of enterprises to assess their needs to outsource certain capacities and to engage in other types of inter-enterprise relations (IERs). The extent, nature, reasoning for, and the trends of such relationships are, however, vastly unknown. Under leadership of Eurostat, seven Member States engaged into an ad hoc survey of the phenomenon in 2003. The four figures on this double page show some of the results from this work for five of the countries (1). Figure 1.12 gives an overview of the types of IERs that were studied in this survey. Clearly the most common types of relations were outsourcing and subcontracting, whether perceived from the perspective of a client purchasing such services (outsourcing/ subcontracting out) or a supplier of these services (outsourcing/ subcontracting in). Figure 1.13 shows that the proportion of enterprises engaging in IERs tended to increase with size. This characteristic was particularly strong in Denmark, but was apparent in all of the five Member States with data except for Finland. The main motivation for engaging in IERs is presented in Figure 1.14: as can be seen cost reduction and/or economies of scale were the single greatest motivation in all of the Member States shown, followed normally by increased flexibility and the development of new products or processes. Figure 1.15 reverses the focus and looks at barriers that hamper IERs. The results for the four Member States presented were less conclusive, although the need to remain independent always figured among the top three reasons.

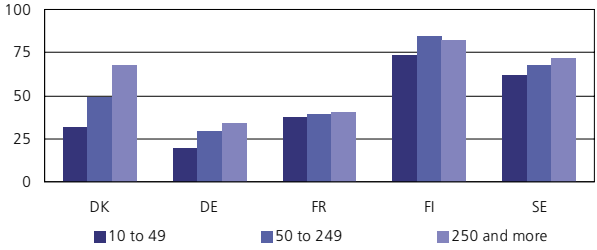
(1) Based on preliminary data, taken in part with friendly permission of the author from: Peter Bøgh Nielsen, Statistics Denmark, at the Expert Meeting 'Towards better Structural Business and SME Statistics' OECD, Statistics Directorate, November 2005.

Figure 1.12: Proportion of enterprises engaging in specified types of inter-enterprise relations in their core activity, 2003 (%)



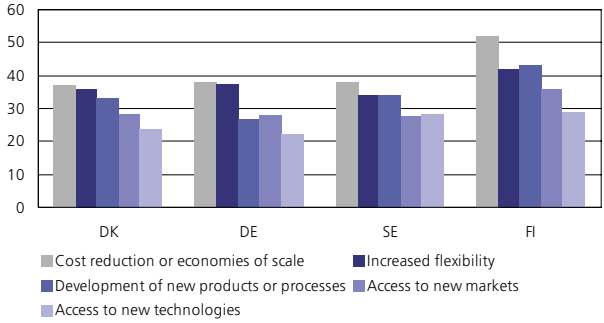
Source: Eurostat (SBS)

Figure 1.13: Proportion of enterprises having inter-enterprise relations in their core activity by employment size class, 2003 (%)



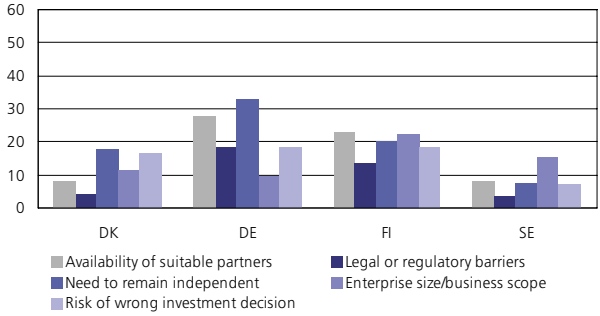
Source: Eurostat (SBS)

Figure 1.14: Proportion of enterprises indicating specified reasons as the main reasons for engaging in inter-enterprise relations in their core activity, 2003 (%) (1)



(1) Enterprises could give several main reasons.
Source: Eurostat (SBS)

Figure 1.15: Proportion of enterprises indicating specified barriers as being important in hampering inter-enterprise relations, 2003 (%)



Source: Eurostat (SBS)

REGIONAL ANALYSIS

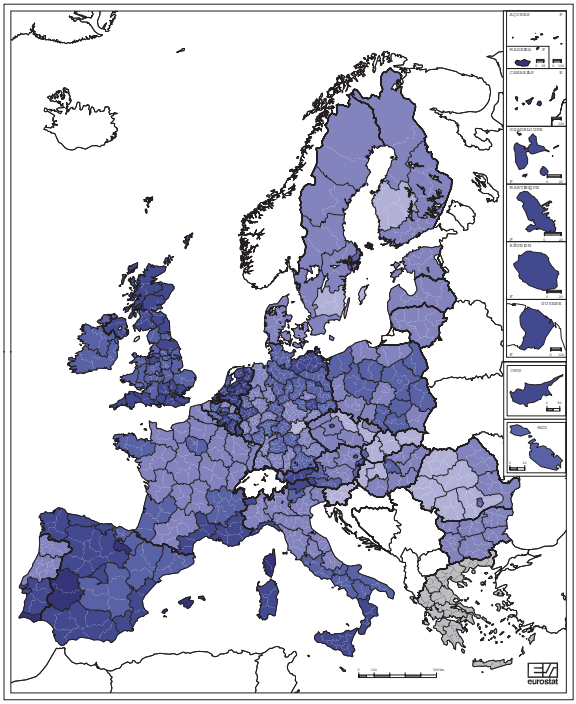
The vast majority of data in this publication focus on the EU as a whole or on individual Member States. The data presented on the next four pages provide an insight into the regional business economy based on regional structural business statistics.

Map 1.2 gives an indication of the degree of specialisation of particular regions, measured as the share of the five largest activities (NACE Divisions) in each region's non-financial business economy workforce. In the vast majority of regions the five largest activities accounted for somewhere between two fifths and two thirds of non-financial business employment. Several of the most specialised regions are islands, for example Åland (Finland), Corse (France), Illes Balears and Canarias (both Spain), and Madeira (Portugal), as well as the two Spanish enclaves of Ceuta and Melilla. Other regions that were particularly specialised were La Rioja and Extremadura (both Spain), Inner London(the United Kingdom), and the Algarve (Portugal). For many of these regions, notably the French, Spanish and Portuguese ones, the main specialisations were in construction and/or hotels and restaurants. For Åland the main specialisation was in water transport services, while for inner London the high degree of specialisation resulted from business services (computer and related activities, and other business activities).

Map 1.3 shows which activity contributed the single largest amount of employment in a region: again the analysis is done based on NACE Divisions. In more than half of the 255 regions with data available retail trade was the largest employer, reflecting the necessity of this proximity service in every region. Other business activities (such as industrial cleaning and labour recruitment) was the second most frequent activity to dominate a region's employment, followed by construction and hotels and restaurants, the latter being the largest activity in several tourist regions across Spain, Italy, Austria and Portugal, as well as in Malta. One of these four activities was the largest activity in employment terms in more than 95% of the regions, and it can be noted that they were all services or construction activities, not industrial. In the remaining eleven regions nearly all recorded a different activity that had the largest employment contribution, several of which were industrial, for example the manufacture of chemicals and chemical products in Rheinhessen-Pfalz, machinery and equipment in Tübingen, and transport equipment in Niederbayern and Braunschweig (all Germany).

Table 1.7 shows the most specialised regions (at the NUTS2 level of detail) in terms of employment within the non-financial business economy for a full range of activities. Note that regions within Bulgaria and Romania have been included.

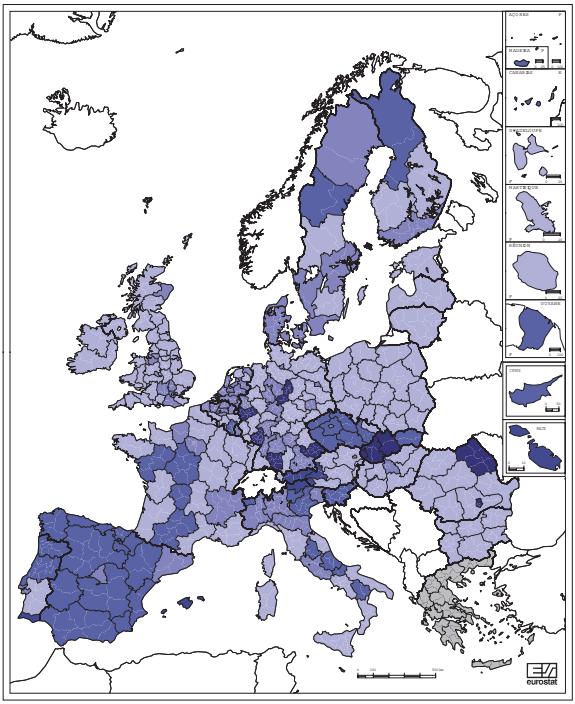
Map 1.2: Business concentration - weight of the five largest NACE Divisions in terms of their employment share of the non-financial business economy, 2003 (%) (1)



38-41%
42-51%
52-58%
59-67%
68%+
Data not available

(1) Belgium, 2001; Germany (NACE Sections G and H), Luxembourg, Malta, Poland, Sweden and the United Kingdom, 2002; partial use of older data also in some regions in other countries; Estonia, Cyprus, Luxembourg, Malta, data based on enterprises instead of local units.
Source: Eurostat (SBS)

Map 1.3: Largest NACE Divisions in terms of employment within the non-financial business economy, 2003 (%) (1)



(1) Belgium, 2001; Germany (NACE Sections G and H), Luxembourg, Malta, Poland, Sweden and the United Kingdom, 2002; partial use of older data also in some regions in other countries; Estonia, Cyprus, Luxembourg, Malta, data based on enterprises instead of local units.
Source: Eurostat (SBS)

Table 1.7: Most specialised regions in different activities, 2003 (% of non-financial business economy employment) (1)

NACE		Most specialised	NUTS	(%)
C	Mining & quarrying	Slaskie	PL22	13.7
D	Manufacturing	Západné Slovensko	SK02	60.1
15	Food products & beverages	Bretagne	FR52	c
16	Tobacco	Trier	DEB2	c
17	Textiles	Prov. West-Vlaanderen	BE25	6.8
18	Clothing	Nord-Est	RO01	12.9
19	Leather	Marche	ITE3	9.2
20	Wood	Itä-Suomi	FI13	6.6
21	Pulp & paper	Mellersta Norrland	SE07	4.9
22	Publishing & printing	Inner London	UKI1	4.7
23	Coke, refined petroleum prod., nucl. fuels	Cumbria	UKD1	c
24	Chemicals	Rheinhessen-Pfalz	DEB3	13.9
25	Rubber & plastics	Auvergne	FR72	9.8
26	Other non-metallic mineral products	Centro	PT16	6.2
27	Basic metals	Východné Slovensko	SK04	c
28	Fabricated metal products	Franche-Comté	FR43	9.3
29	Machinery & equipment	Tübingen	DE14	12.6
30	Office machinery & computers	Közép-Dunántúl	HU21	1.8
31	Electrical machinery & apparatus	Západné Slovensko	SK02	9.4
32	Radio, TV & com. equipment	Pohjois-Suomi	FI1A	6.8
33	Medical, precision & optical equip.	Border, Midlands and Western	IE01	5.2
34	Motor vehicles, trailers & semi-trailers	Braunschweig	DE91	c
35	Other transport equipment	Pomorskie	PL63	6.1
36	Furniture & other manufacturing	Warminsko-Mazurskie	PL62	6.9
37	Recycling	Sud-Est	RO02	0.6
E	Electricity, gas & water supply	Severozapaden	BG01	9.4
F	Construction	Ciudad Autónoma de Melilla	ES64	67.8
G	Distributive trades	Reunion	FR94	35.2
50	Motor trades	Reunion	FR94	7.2
51	Wholesale trade	Flevoland	NL23	14.8
52	Retail trade	Dorset and Somerset	UKK2	22.6
H	Hotels & restaurants	Illes Balears	ES53	24.7
I	Transport & communications	Åland	FI20	48.5
60	L& transport	Bratislavský kraj	SK01	18.5
61	Water transport	Åland	FI20	42.1
62	Air transport	Noord-Holland	NL32	c
63	Supporting transp. activ., travel agencies	Bremen	DE50	10.1
64	Post & telecommunications	Köln	DEA2	28.2
K	Business Services	Inner London	UKI1	46.0
70	Real estate	Latvia	LV00	5.6
71	Renting	Guadeloupe	FR91	2.0
72	Computer services	Stockholm	SE01	8.2
73	Research & development	Berkshire, Bucks & Oxfordshire	UKJ1	2.8
74	Other business activities	Inner London	UKI1	35.2

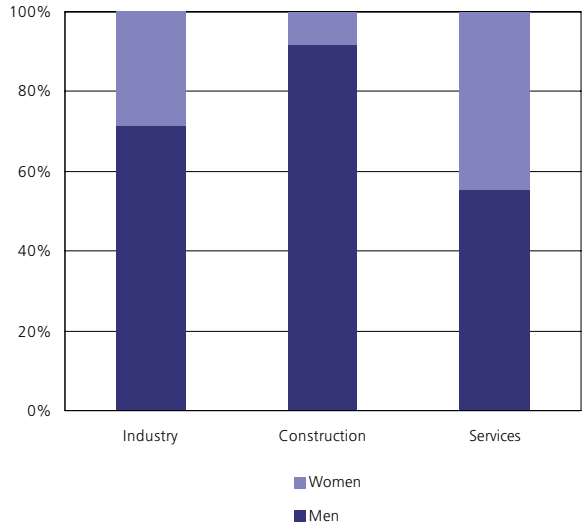
(1) Based on NUTS2; Belgium, 2001; Luxembourg, Malta, Poland, Sweden and the United Kingdom, 2002; partial use of older data also in some regions in other countries; Greece, not available; Estonia, Cyprus, Luxembourg and Malta, data based on enterprises instead of local units; c: confidential. Source: Eurostat (SBS)

WOMEN AND MEN IN EMPLOYMENT

The indicators shown in Figures 1.16 and 1.17 look at the division of persons in employment between men and women. Figure 1.16 shows that the gender distribution was quite different between the three main sectors of the business economy in 2005 in the EU, with the smallest proportion of women in the construction workforce, just 8.2%. The proportion of women in the industrial workforce was around three and a half times as high on average, at 28.7%, varying from just under 10% in mining and quarrying up to nearly 80% in clothing manufacture. The balance between men and women workers was most even in services, where women accounted for 44.6% of the workforce. Again this combined activities dominated by women, such as retail trade (women: 61.2%), and those dominated by men, such as land or water transport (men: 86.1% and 81.4% respectively).

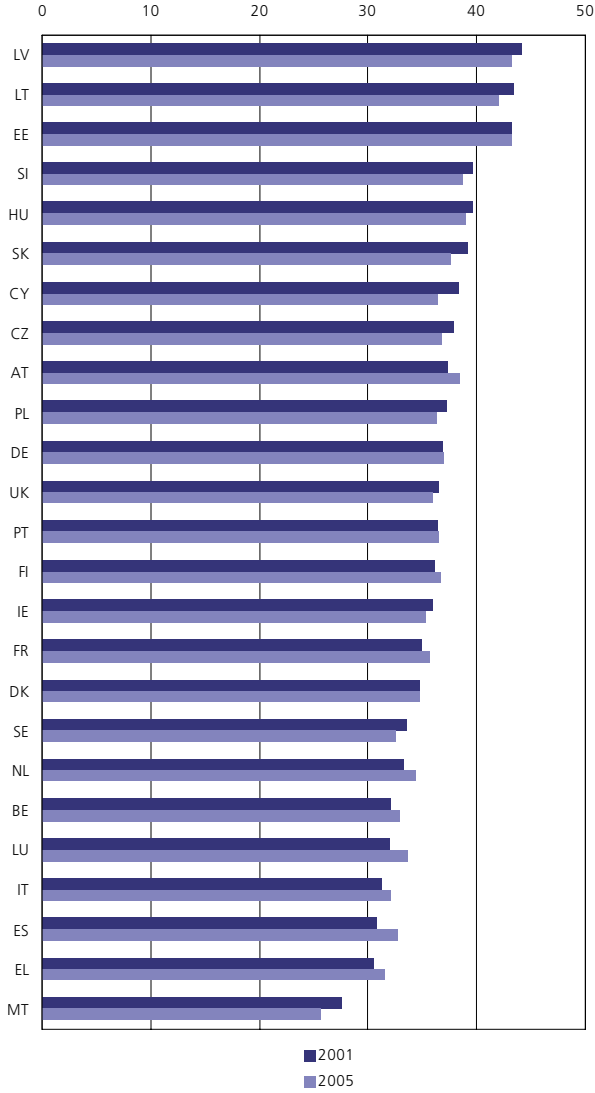
Figure 1.17 shows the gender profile of the business economy (Sections C to K) workforce in the countries, and provides a comparison between the situation in 2001 and 2005. The proportion of women in the workforce declined in around half of the Member States between these years, mainly in the Member States that joined the EU in 2004, but also in Sweden, Ireland and the United Kingdom. Nevertheless the Member States that joined the EU in 2004 generally had the highest proportions of women in the workforce, the notable exception being Malta which had the lowest proportion of any of the EU-25 Member States, just 25.7% in 2005, 1.9 percentage points lower than four years earlier.

Figure 1.16: Proportion of women and men in the labour force, EU-25, 2005 (%)



Source: Eurostat (LFS)

Figure 1.17: Proportion of women employed in the business economy (NACE Sections C to K) (%)



Source: Eurostat (LFS)

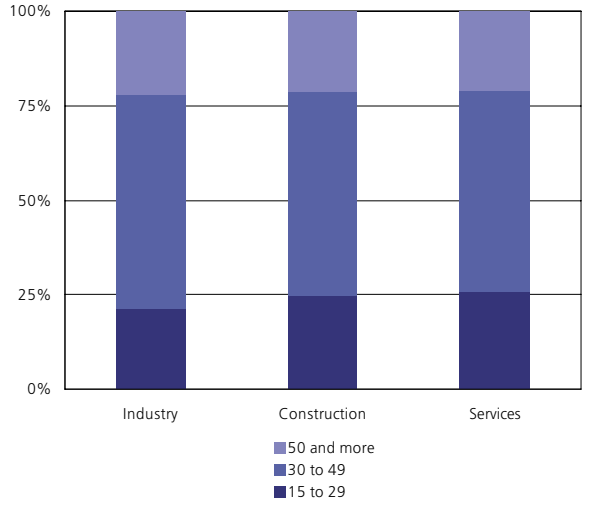
AGE PROFILE OF THE LABOUR FORCE

In 2001 the Stockholm European Council added an additional target for employment rates to those fixed the previous year in Lisbon, namely to achieve a 50% employment rate for older workers (aged 55 to 64) by 2010. By 2005 the rate was 42.5%, an increase of 5.9 percentage points since 2000.

The two figures in this section show the age distribution of the persons in employment. There were only small differences between the main sectors of the business economy in the EU in 2005, with the industrial workforce having a larger proportion of persons aged 50 or over and a smaller proportion aged less than 30 compared to construction or services. The quite similar age profile at this aggregate level hides a great diversity at a more detailed level. For example within services, persons aged less than 30 accounted for just 14.0% of persons in employment in road transport, but 36.2% of employment in hotels and restaurants. Equally persons aged less than 30 accounted for just 11.8% of persons employed in computer and related activities, but 32.3% of employment in real estate activities.

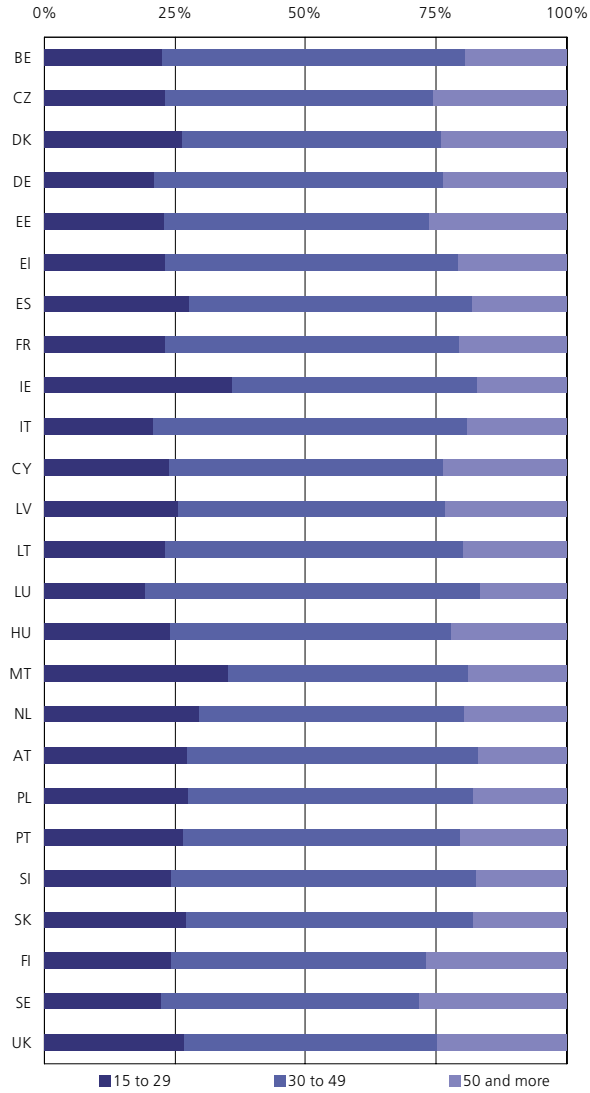
The age profile of the business economy (Sections C to K) workforce as a whole for all countries is shown in Figure 1.19. Ireland and Malta both stand out with more than 35% of their national workforces aged less than 30. Equally the workforce in Sweden has a particularly large proportion of persons aged 50 or more (28%). In nearly half of the Member States persons aged 50 or more accounted for less than 20% of the national workforce, the smallest shares (around 17%) being recorded in Luxembourg, Austria and Ireland.

Figure 1.18: Breakdown of employment by age, EU-25, 2005 (%)



Source: Eurostat (LFS)

Figure 1.19: Breakdown of employment by age in the business economy (NACE Sections C to K), 2005 (%)



Source: Eurostat (LFS)

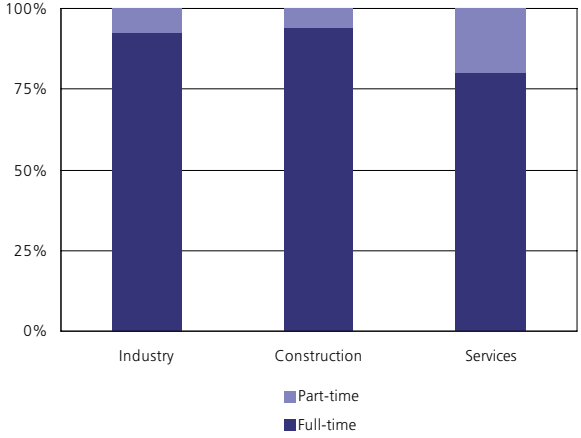
FULL AND PART-TIME EMPLOYMENT

In July 2005 the Council adopted eight new employment guidelines, including Guideline No 21 'Promote flexibility combined with employment security …'.

The propensity to work full-time in 2005 was similar in industry (92.4%) and construction (94.2%), and notably lower in services (79.7%) - see Figure 1.20. The proportion of the workforce that worked full-time in industry was as high as 99.2% in the mining of coal and lignite, and as low as 80.1% in publishing, printing, reproduction of recorded media. Equally in services large differences were observed, with full-time employment of 93.5% in water transport contrasted with 69.8% in retail trade.

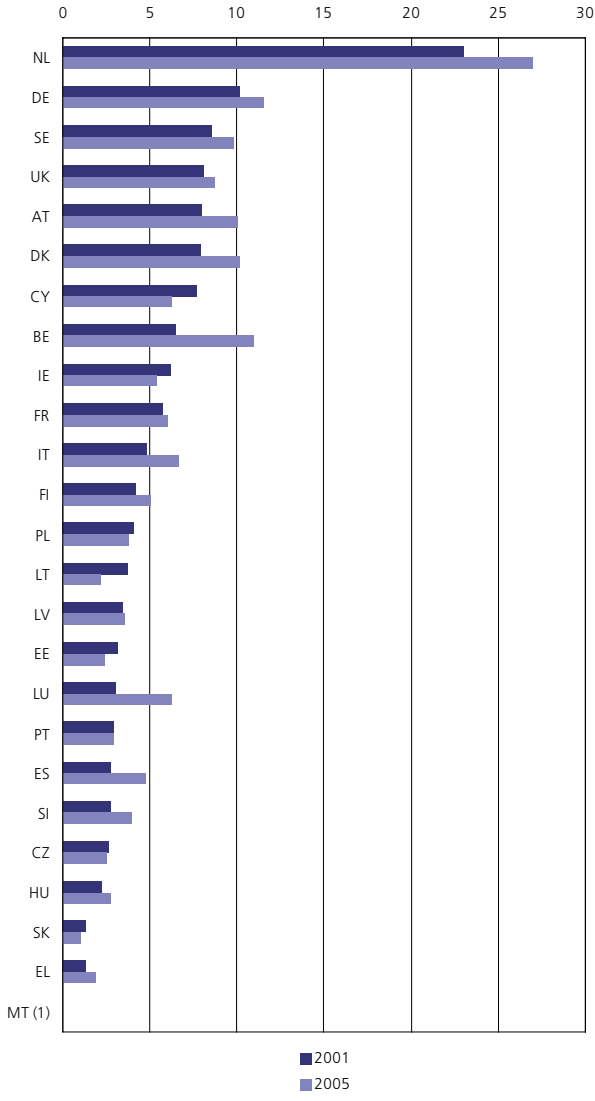
Figure 1.21 shows the propensity for full-time employment in the business economy workforce as a whole, and provides a comparison between 2001 and 2005. With a few exceptions, the EU-15 Member States had a higher propensity for part-time employment in 2001 than the Member States that joined the EU in 2004, and this difference had widened by 2005. In 2005 more than one-quarter (26.9%) of the workforce in the Dutch business economy worked part-time, a proportion that was more than twice as high than in any other Member State. The Member States with the lowest proportion of part-time employment were Greece, Portugal and the Member States that joined the EU in 2004 except for Cyprus. The proportion of the workforce working part-time increased in around two-thirds of the Member States between these years. Of the seven Member States that recorded a fall in this share, six were Member States that joined the EU in 2004 and the seventh was Ireland. The largest increases in percentage point terms were recorded in the Benelux Member States.

Figure 1.20: Breakdown of employment by working hours, EU-25, 2005 (%)



Source: Eurostat (LFS)

Figure 1.21: Proportion of part-time employment in the business economy (NACE Sections C to K) (%)



(1) Not available.
Source: Eurostat (LFS)

2. SPECIAL FEATURE: SMEs

NUMBER OF ENTERPRISES IN THE EU

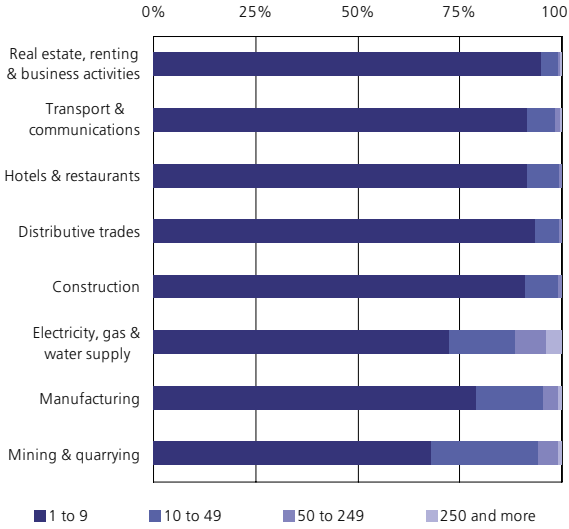
The enterprise size structure of the business economy varies between sectors and countries. Figures 2.1 and 2.2 show the size class structure in the EU in 2003, distinguishing between micro enterprises (with less than 10 persons employed), small enterprises (10 to 49 persons employed), medium-sized enterprises (50 to 249 persons employed) and large enterprises (250 or more persons employed).

As can be seen from Figure 2.1, all of the services sectors (at the NACE Section level) and construction are dominated by micro enterprises, in particular distributive trades, and real estate, renting and business activities. Within most of these services sectors the size structure varies greatly, for example within transport services the air and rail transport sectors are dominated by large enterprises, whereas the road transport sector is dominated by micro enterprises.

The industrial sectors show a very different size structure, in particular electricity, gas and water supply where large enterprises made up nearly 4% of the population, and medium-sized enterprises a further 8%.

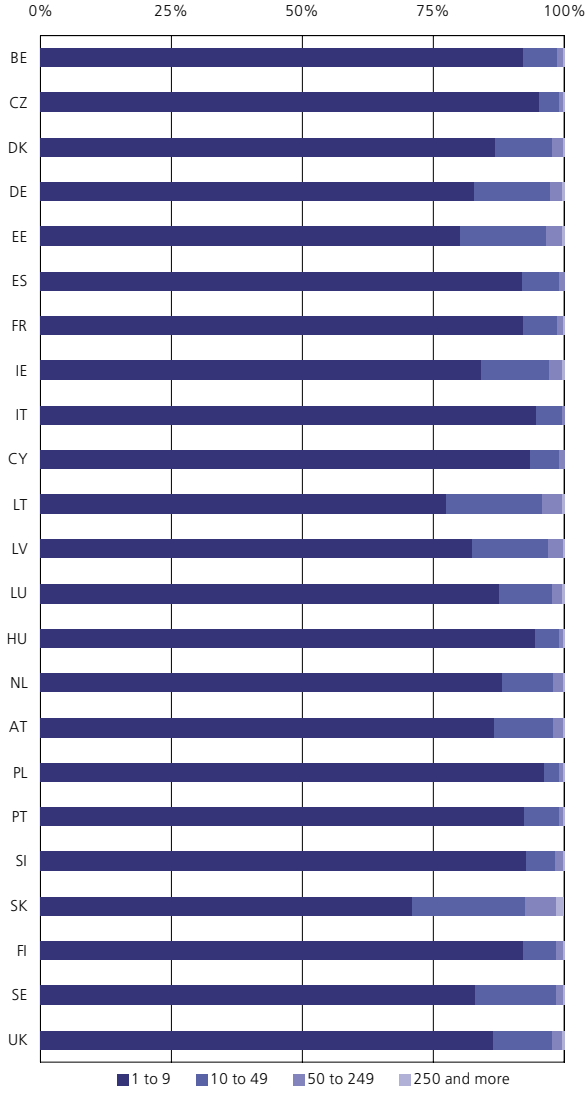
Enterprise structure differs considerably between the Member States. In most of the southern Member States SMEs (enterprises with less than 250 persons employed) dominate the business economy, and the importance of micro enterprises is particularly high. Nevertheless there are clear exceptions to this generalisation, for example Poland recorded the single largest proportion of micro enterprises.

Figure 2.1: Number of enterprises broken down by enterprise size class (in terms of persons employed), EU-25, 2003 (%) (1)



(1) Partly including rounded EU estimates based on non-confidential data.
Source: Eurostat (SBS)

Figure 2.2: Number of enterprises for the non-financial business economy broken down by enterprise size class (in terms of persons employed), 2003 (%) (1)



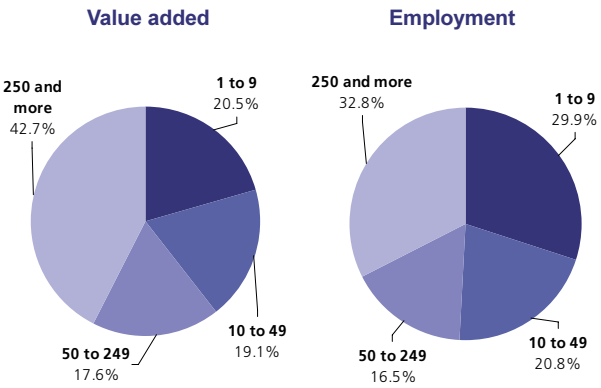
(1) Greece and Malta, not available; Belgium, excluding Section C; Ireland, Sections C, D, G, H, I and K, 2002 data for Section C; Cyprus, Sections D, F, G, H and I; Latvia, 2002 data for Section I; Luxembourg, excluding Section I; Slovakia, 2002 data for Sections H, I and K; Sweden, 2002 data for Sections C, D, E, F and G.
Source: Eurostat (SBS)

VALUE ADDED AND EMPLOYMENT: EU-25

Large enterprises accounted for just over 0.2% of all enterprises in the non-financial business economy, but as can clearly be seen from Figure 2.3 their contribution to value added and employment was a great deal higher, over 30% of employment and more than 40% of value added. In contrast the micro enterprises, which made up more than 90% of the non-financial business population, generated around 20% of value added and provided 30% of employment.

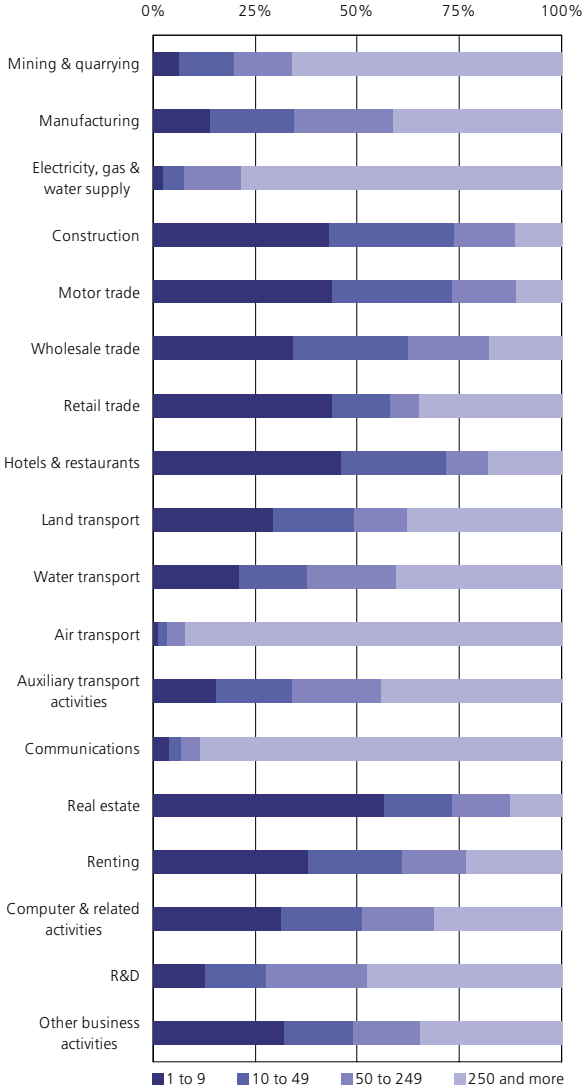
As already noted, the size structure of the business population varies between activities, and this is even more evident in terms of the contribution of each enterprise size class to value added and employment. Figure 2.4 shows the breakdown by enterprise size class of employment for the industrial sectors, and for various services activities (NACE divisions). Clearly employment in the industrial activities is mainly concentrated in large enterprises, although small and medium-sized enterprises also contribute a significant proportion of manufacturing employment. In the services there is a much greater diversity, with motor trade and real estate services having the greatest contribution to employment from SMEs, and air transport and communications the smallest contribution. The size class structure of the construction sector is much closer to that of the majority of the services sectors than the industrial ones, with the vast majority of employment in the construction sector provided by SMEs.

Figure 2.3: Value added and employment for the non-financial business economy broken down by enterprise size class (in terms of persons employed), EU-25, 2003 (%) (1)



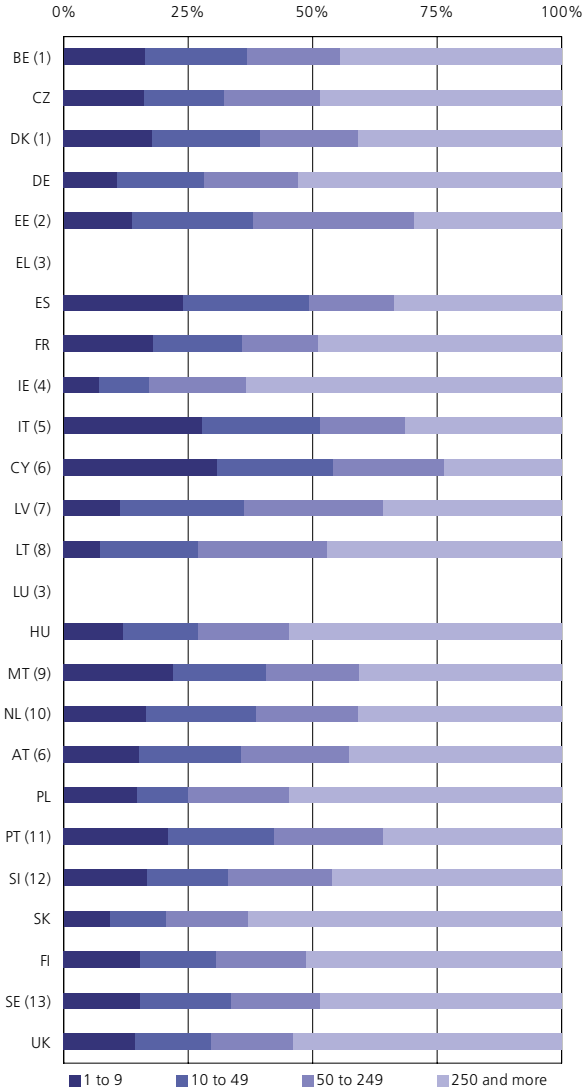
(1) Partly including rounded EU estimates based on non-confidential data.
Source: Eurostat (SBS)

Figure 2.4: Employment broken down by enterprise size class (in terms of persons employed), EU-25, 2003 (%) (1)



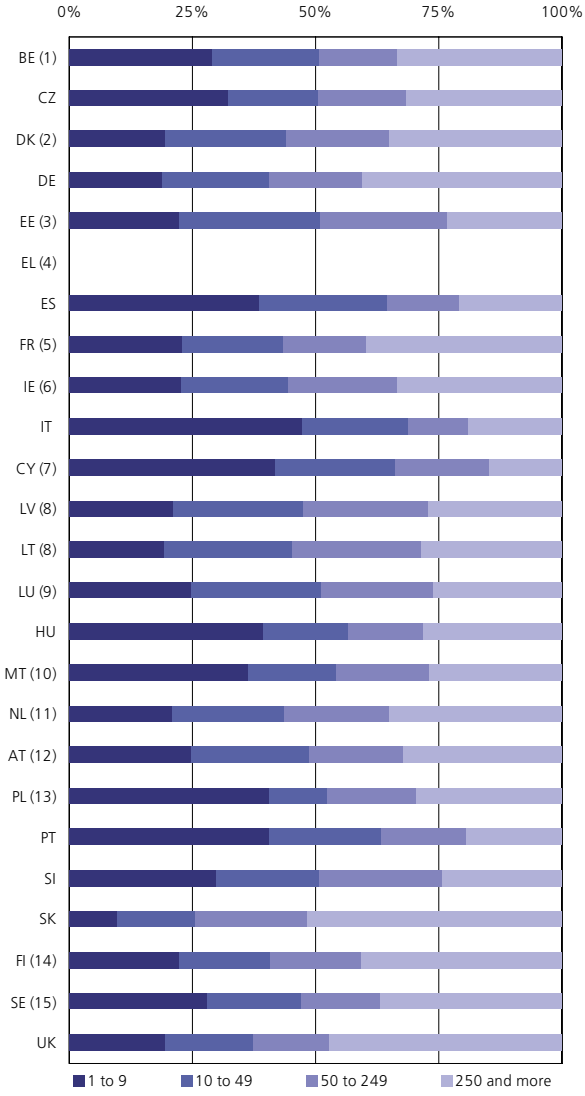
(1) Partly including rounded EU estimates based on non-confidential data.
Source: Eurostat (SBS)

Figure 2.5: Value added for the non-financial business economy broken down by enterprise size class (in terms of persons employed), 2003 (%)



(1) Excluding Section C. (2) Excluding Sections C and H. (3) Not available. (4) Excluding Sections E and F; 2002 data for small and medium-sized enterprises for Section C. (5) 2002 data for medium-sized and large enterprises for Section C. (6) Excluding Sections C and E. (7) Excluding Section H. (8) 2002 data for micro, small and large enterprises for Section I. (9) 2002; excluding Section E. (10) Excluding Section E. (11) 2002 data for medium-sized and large enterprises for Section C. (12) Excluding Section C; 2002 data for medium-sized and large enterprises for Section E. (13) Excluding Section C; 2002 data for Sections D, E, F and G.
Source: Eurostat (SBS)

Figure 2.6: Employment for the non-financial business economy broken down by enterprise size class (in terms of persons employed), 2003 (%)

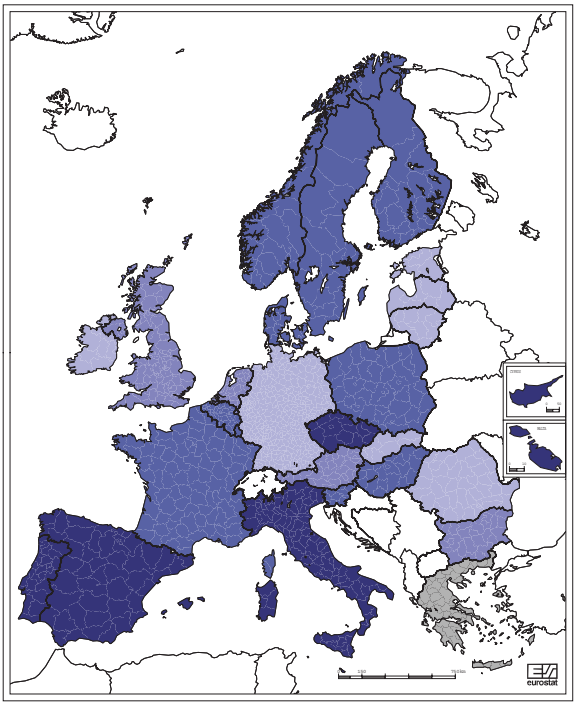


(1) 2002 data; excluding Section C. (2) Excluding Section C. (3) Excluding Sections C and H. (4) Not available. (5) 2002 data for Section G. (6) Excluding Sections E and F. (7) Excluding Sections C, E and K. (8) 2002 data for micro and large enterprises for Section H. (9) 2002 data; excluding Sections C, D, E and I. (10) Excluding Sections E and K. (11) Excluding Section C. (12) Excluding Sections C and E. (13) 2002 data for small and large enterprises for Section C, for micro and small enterprises for Section D. (14) 2002 data for small, medium-sized and large enterprises for Section C. (15) Excluding Section C.
Source: Eurostat (SBS)

DENSITY OF ENTERPRISES

This and the next double page provide four maps, each showing the density of one of the enterprise size classes. The density is calculated relative to the population (number of inhabitants). Note that because of the very different magnitude of the number of enterprises in the

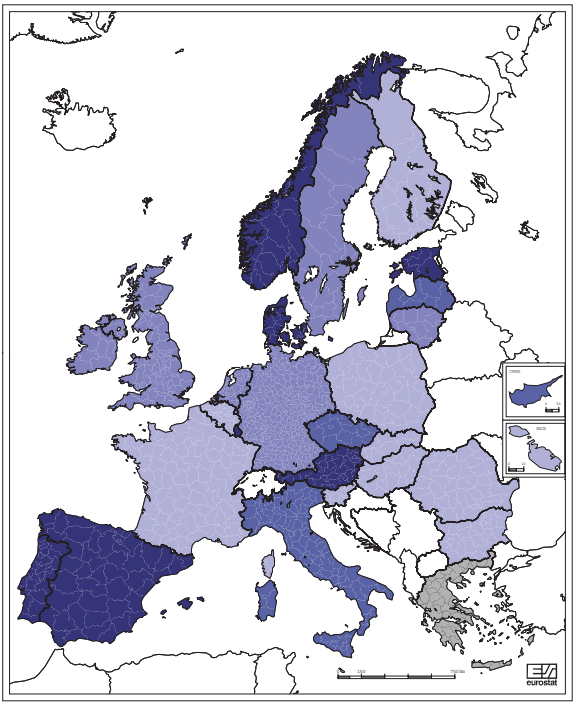
Map 2.1: Density per 1 000 inhabitants of micro enterprises with 1-9 persons employed, 2003 (1)



(1) Belgium: excluding parts of Section C; Estonia: Section H, 2002; Greece: not available; Ireland: excluding Section E and enterprises with less than 20 persons employed for Section F; Cyprus: excluding parts of Sections C and E and all of Section K; Luxembourg: excluding Section I; Malta: excluding Sections parts of Section C, E and K; 2002; Portugal: excluding enterprises with 50 or more persons employed for Section C; Slovakia: Sections H, I and K, 2002; Sweden: Sections C to G, 2002; Norway: excluding Section E, enterprises with 250 or more persons employed for Sections F and K.
Source: Eurostat (SBS)

four enterprise size classes, the two maps on these two pages reflect the density per one thousand inhabitants, while the two maps on the following two pages reflect enterprise density per ten thousand inhabitants and per one hundred thousand inhabitants.

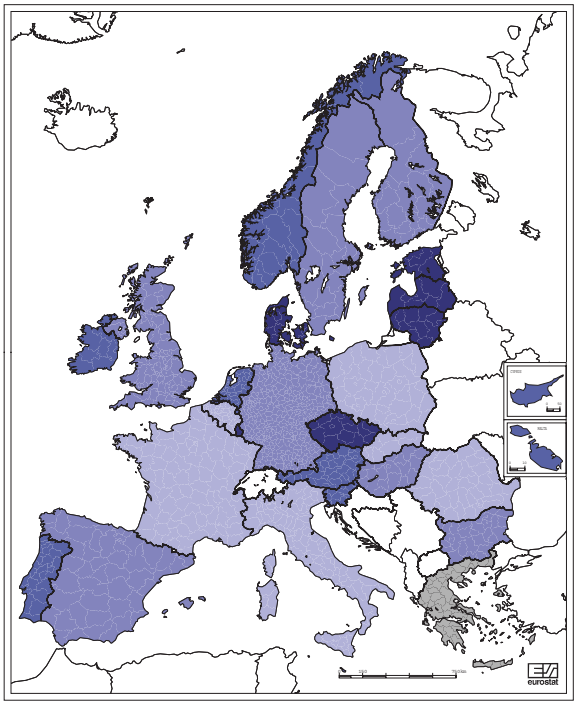
Map 2.2: Density per 1 000 inhabitants of small enterprises with 10-49 persons employed, 2003 (1)



(1) Belgium: excluding parts of Section C; Estonia: Section H, 2002; Greece: not available; Ireland: excluding Section E and enterprises with less than 20 persons employed for Section F; Cyprus: excluding parts of Sections C and E and all of Section K; Luxembourg: excluding Section I; Malta: excluding Sections parts of Section C, E and K; 2002; Portugal: excluding enterprises with 50 or more persons employed for Section C; Slovakia: Sections H, I and K, 2002; Sweden: Sections C to G, 2002; Norway: excluding Section E, enterprises with 250 or more persons employed for Sections F and K.
Source: Eurostat (SBS)

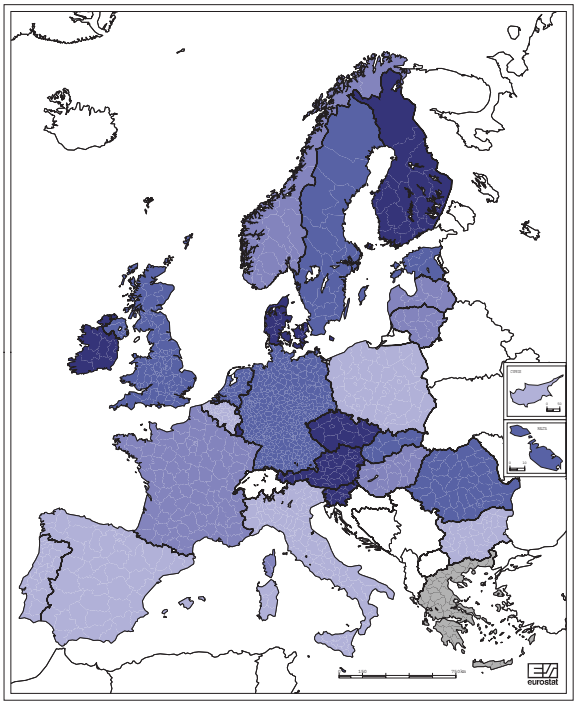
DENSITY OF ENTERPRISES (CONTINUED)

Map 2.3: Density per 10 000 inhabitants of medium-sized enterprises with 50-249 persons employed, 2003 (1)



(1) Belgium: excluding parts of Section C; Estonia: Section H, 2002; Greece: not available; Ireland: excluding Section E and enterprises with less than 20 persons employed for Section F; Cyprus: excluding parts of Sections C and E and all of Section K; Luxembourg: excluding Section I; Malta: excluding Sections parts of Section C, E and K; 2002; Portugal: excluding enterprises with 50 or more persons employed for Section C; Slovakia: Sections H, I and K, 2002; Sweden: Sections C to G, 2002; Norway: excluding Section E, enterprises with 250 or more persons employed for Sections F and K.
Source: Eurostat (SBS)

Map 2.4: Density per 100 000 inhabitants of large enterprises with 250 or more persons employed, 2003 (1)



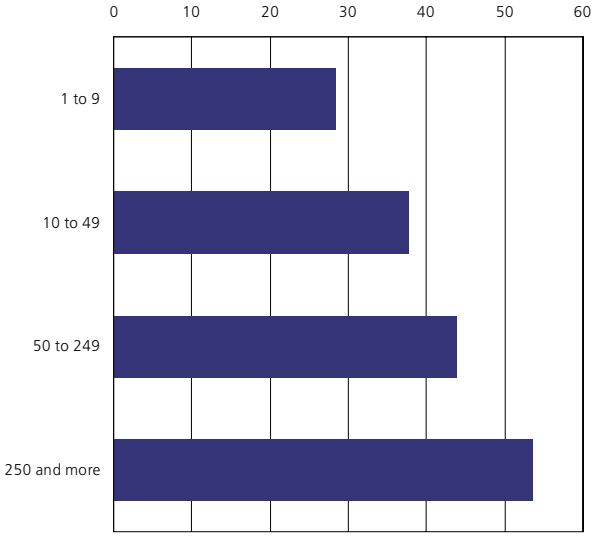
(1) Belgium: excluding parts of Section C; Estonia: Section H, 2002; Greece: not available; Ireland: excluding Section E and enterprises with less than 20 persons employed for Section F; Cyprus: excluding parts of Sections C and E and all of Section K; Luxembourg: excluding Section I; Malta: excluding Sections parts of Section C, E and K; 2002; Portugal: excluding enterprises with 50 or more persons employed for Section C; Slovakia: Sections H, I and K, 2002; Sweden: Sections C to G, 2002; Norway: excluding Section E, enterprises with 250 or more persons employed for Sections F and K.
Source: Eurostat (SBS)

APPARENT LABOUR PRODUCTIVITY: EU-25

Figure 2.3 showed the relative contribution of each of the enterprise size classes to value added and employment in the non-financial economy. The large and medium-sized enterprises contributed relatively more value added than they contributed employment, while the reverse was true for micro and small enterprises. This situation indicates a relatively high apparent labour productivity of medium-sized and large enterprises, and a lower apparent labour productivity of micro and small enterprises: this is confirmed by Figure 2.7. Among large enterprises the average value added per person employed reached EUR 54 thousand in 2003, nearly 90% higher than the average for persons employed in micro enterprises.

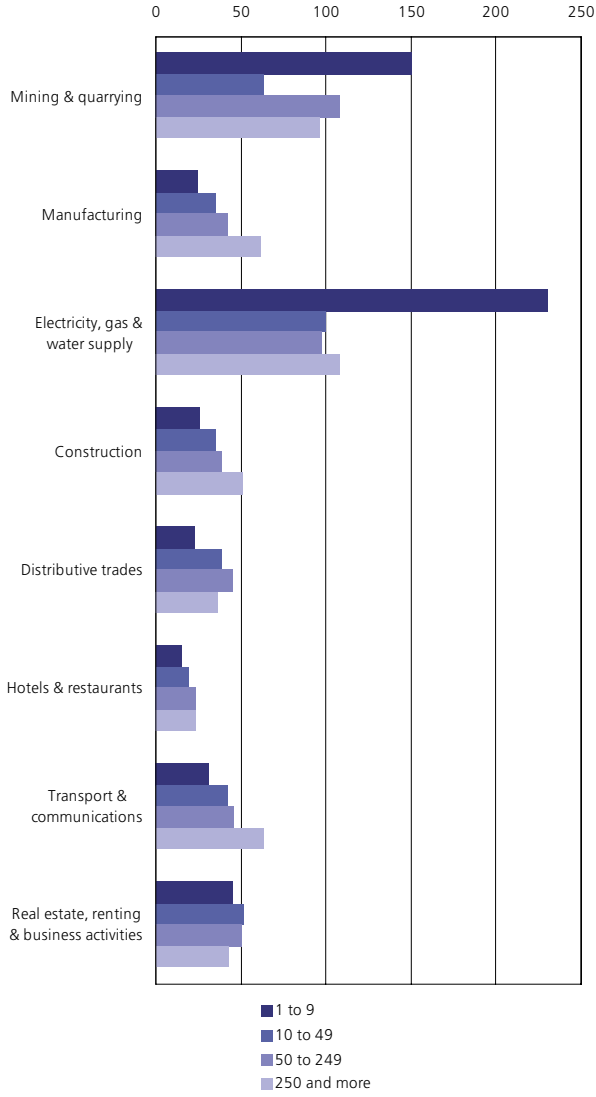
Figure 2.8 shows that this situation of higher apparent labour productivity in larger enterprises is common to most, but not all activities. In distributive trades and in real estate, renting and business activities a higher level of apparent labour productivity is recorded by small and medium-sized enterprises than by large enterprises. In mining and quarrying and in electricity, gas and water supply micro enterprises had by far the highest apparent labour productivity.

Figure 2.7: Apparent labour productivity for the non-financial business economy broken down by enterprise size class (in terms of persons employed), EU-25, 2003 (EUR thousand) (1)



(1) Partly including rounded EU estimates based on non-confidential data.
Source: Eurostat (SBS)

Figure 2.8: Apparent labour productivity broken down by enterprise size class (in terms of persons employed), EU-25, 2003 (EUR thousand) (1)



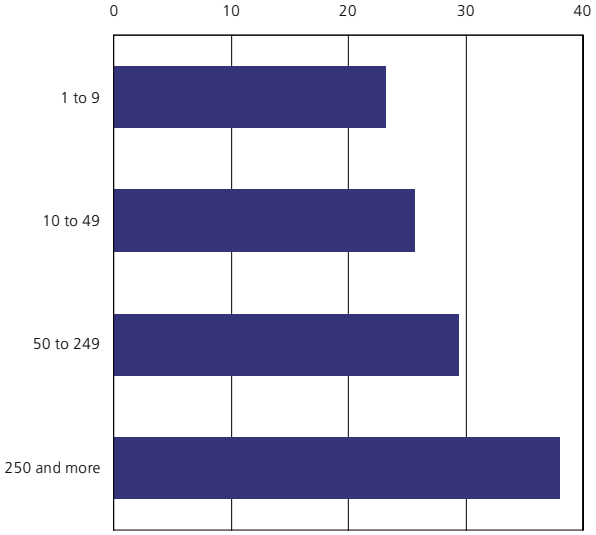
(1) Partly including rounded EU estimates based on non-confidential data.
Source: Eurostat (SBS)

AVERAGE PERSONNEL COSTS: EU-25

Figure 2.7 indicated that in general medium-sized and large enterprises had a higher apparent labour productivity than smaller enterprises in the EU. This is accompanied by higher average personnel costs among larger enterprises as can be seen for industry and construction in Figure 2.9. As such, while persons employed in large enterprises generate more value added on average, employees of larger enterprises cost more. Average personnel costs per employee of large industrial and construction enterprises were around EUR 38 thousand in 2003 (based on the country coverage indicated in Figure 2.9), while for micro enterprises the average was EUR 23 thousand per employee.

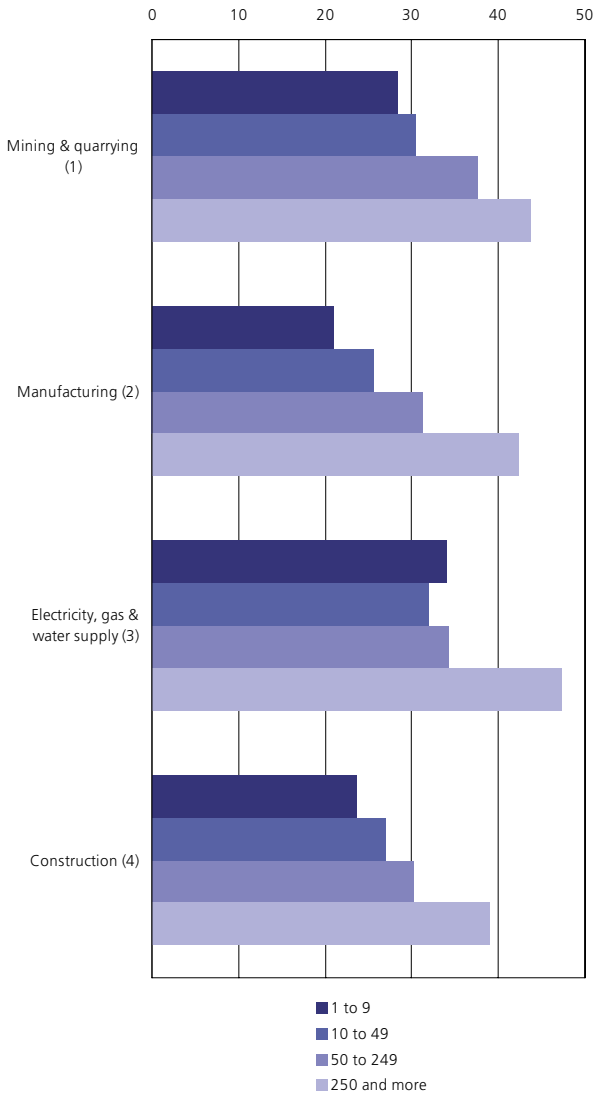
Figure 2.10 shows that this situation of higher average personnel costs in larger enterprises is common to all industrial and construction sectors. However, in electricity, gas and water supply the average personnel costs of micro enterprises was slightly higher than the average for small enterprises, and comparable with that of medium-sized enterprises. In contrast, the biggest differences in average personnel costs according to the enterprise size class were recorded in manufacturing, where the average for large enterprises was approximately twice that of micro enterprises.

Figure 2.9: Average personnel costs for the industrial and construction sectors broken down by enterprise size class (in terms of persons employed), EU average, 2003 (EUR thousand) (1)



(1) Excluding Belgium, Denmark, Estonia, Greece, Ireland, Cyprus, Luxembourg, Malta, the Netherlands, Austria, Poland, Portugal, Slovenia, Finland and Sweden.
Source: Eurostat (SBS)

Figure 2.10: Average personnel costs broken down by enterprise size class (in terms of persons employed), EU average, 2003 (EUR thousand)



(1) Excluding Belgium, Denmark, Estonia, Greece, Ireland, Cyprus, Luxembourg, Malta, the Netherlands, Austria, Poland, Portugal, Slovenia, Finland and Sweden.
(2) Excluding Greece, Luxembourg, Malta, Poland and Sweden.
(3) Excluding Greece, Ireland, Cyprus, Luxembourg, Malta, the Netherlands, Austria, Poland, Slovenia and Sweden.
(4) Excluding Greece, Ireland, Luxembourg, Malta, Poland and Sweden.
Source: Eurostat (SBS)

PRODUCTIVITY AND AVERAGE PERSONNEL COSTS: MEMBER STATES

The two tables on this and the next page show for the Member States the same indicators as shown for the EU over the previous four pages. In all Member States except Denmark and the United

Table 2.1: Apparent labour productivity for the non-financial business economy broken down by enterprise size class (in terms of persons employed), 2003 (EUR thousand)

	1 to 9	10 to 49	50 to 249	250 and more	Total
EU-25 (1)	28.3	37.8	43.9	53.6	40.8
BE (2)	37.3	53.2	67.0	69.2	56.1
CZ	8.4	12.3	14.5	18.7	13.4
DK (2)	60.7	49.7	56.6	58.8	56.5
DE	40.3	42.4	50.4	60.6	50.7
EE (3)	10.0	10.5	13.2	14.1	11.9
EL	:	:	:	:	:
ES	24.0	32.9	40.0	52.3	34.6
FR	41.1	42.9	46.5	57.5	48.8
IE (4)	38.6	40.4	70.2	140.5	78.6
IT	24.9	37.6	48.5	59.3	37.0
CY (5)	20.6	25.2	31.1	40.8	26.9
LV (6)	6.4	8.8	9.5	11.3	9.2
LT (7)	3.9	6.2	7.0	10.1	7.1
LU	:	:	:	:	:
HU	6.3	11.5	14.8	21.7	13.2
MT	:	:	:	:	:
NL (5)	31.9	53.3	56.4	59.1	49.5
AT (5)	38.0	44.8	56.3	58.9	49.7
PL	4.8	11.7	14.3	21.4	12.3
PT (2)	12.0	18.7	26.1	38.2	21.1
SI	15.2	22.9	20.8	26.1	21.9
SK	11.6	10.4	9.8	14.1	12.3
FI	47.0	50.3	59.5	66.2	57.8
SE	:	:	:	:	:
UK	42.1	44.9	55.5	53.3	49.7

(1) Partly including rounded EU estimates based on non-confidential data.
(2) Excluding Section C.
(3) Excluding Sections C and H.
(4) Excluding Sections C, E and F.
(5) Excluding Sections C, E and K.
(6) Excluding Section H.
(7) Excluding Section I.
Source: Eurostat (SBS)

Kingdom the large enterprise size class recorded the highest apparent labour productivity - see Table 2.1.

In a similar vein Table 2.2 shows that in all Member States except Estonia the large enterprise size class had the highest average personnel costs.

Table 2.2: Average personnel costs for the industrial and construction sectors broken down by enterprise size class (in terms of persons employed), 2003 (EUR thousand)

	1 to 9	10 to 49	50 to 249	250 and more	Total
EU average (1)	23.2	25.7	29.4	38.0	35.4
BE (2)	27.0	34.2	42.9	58.5	45.3
CZ	7.6	7.0	7.9	9.4	8.4
DK (2)	36.3	36.5	41.0	43.0	40.1
DE	23.6	30.0	38.4	53.8	42.9
EE (2)	3.9	5.3	7.4	6.9	6.3
EL	:	:	:	:	:
ES	21.9	22.7	27.0	38.4	26.6
FR	31.1	33.1	35.7	47.8	39.3
IE (3)	26.5	29.0	36.4	43.1	37.5
IT	19.9	25.7	34.1	40.4	29.8
CY (4)	18.7	15.1	18.5	22.2	18.2
LV	1.8	2.5	3.7	5.5	3.8
LT	2.1	2.8	4.1	5.7	4.3
LU	:	:	:	:	:
HU	3.9	5.7	8.3	11.1	8.3
MT	:	:	:	:	:
NL (4)	32.7	39.8	42.4	52.1	43.5
AT (4)	26.0	30.8	39.6	48.1	39.1
PL	:	:	:	:	:
PT (2)	9.0	11.3	14.5	21.7	13.5
SI (4)	12.0	13.0	14.4	16.4	14.8
SK	4.5	5.2	5.6	7.0	6.3
FI (2)	32.1	34.3	36.6	43.1	38.7
SE	:	:	:	:	:
UK	25.0	30.4	35.4	42.6	36.2

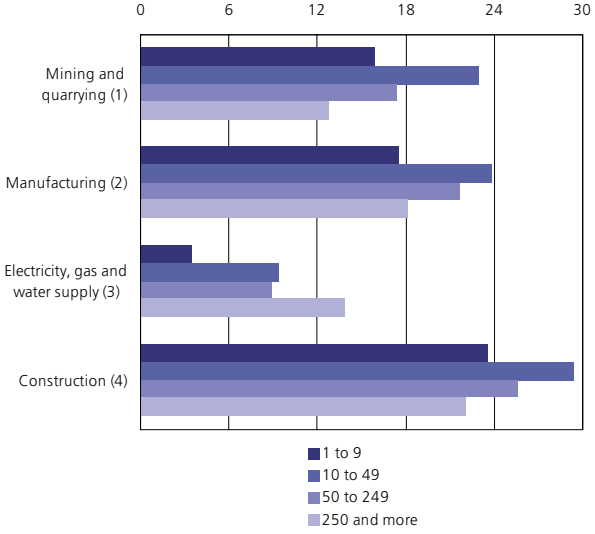
(1) Excluding Belgium, Denmark, Estonia, Greece, Ireland, Cyprus, Luxembourg, Malta, the Netherlands, Austria, Poland, Portugal, Slovenia, Finland and Sweden.
(2) Excluding Section C.
(3) Excluding Sections C, E and F.
(4) Excluding Sections C and E.
Source: Eurostat (SBS)

COST STRUCTURE

Apart from personnel costs, operating costs include the total purchases of goods and services, which consists of raw materials, consumables (such as energy), industrial and non-industrial services. Figure 2.11 shows the share of personnel costs in total operating costs, and in all four of the activities shown micro enterprises recorded a lower share of personnel costs in total operating costs than was recorded for small and medium-sized enterprises. This can in part be explained by the fact that micro enterprises often have a lower share of paid employees, as unpaid working proprietors and family workers can make up a large part of the workforce - personnel costs only relate to paid employees.

Leaving aside the micro enterprises, there appears to be a pattern of lower shares of personnel costs in total operating costs among medium-sized and larger enterprises than among small enterprises. This perhaps reflects a higher use of outsourcing and more capital intensive production among medium-sized and larger enterprises. The electricity, gas and water supply sector was again an exception, in that large enterprises recorded the highest share of personnel costs in total operating costs within this sector, and there was little difference in the shares for small and medium-sized enterprises.

Figure 2.11: Share of personnel costs in total operating costs broken down by enterprise size class (in terms of persons employed), EU average, 2003 (%)



(1) Excluding Belgium, Denmark, Estonia, Ireland, Cyprus, Austria, Portugal, Slovenia and Finland; Italy, medium-sized and large enterprises, 2002.
(2) Excluding Greece, Luxembourg, Malta, Poland, and Sweden.
(3) Excluding Greece, Ireland, Cyprus, Luxembourg, Malta, the Netherlands, Austria, Poland, Slovenia and Sweden.
(4) Excluding Greece, Ireland, Luxembourg, Malta, Poland and Sweden.
Source: Eurostat (SBS)

Table 2.3 provides similar information for the Member States, for an aggregate of industry and construction. The same general pattern can be found, with micro enterprises having a lower share of personnel costs in total operating costs than for small enterprises, combined with a decreasing share for medium-sized and large enterprises. Nevertheless many of the Member States that joined the EU in 2004 recorded a higher share of personnel costs among medium-sized enterprises than among small enterprises, and in several of the EU-15 Member States as well as Cyprus this share was higher for micro enterprises than for small enterprises.

Table 2.3: Share of personnel costs in total operating costs for the industrial and construction sectors broken down by enterprise size class (in terms of persons employed), 2003 (%)

	1 to 9	10 to 49	50 to 249	250 and more	Total
EU average (1)	19.7	25.3	21.9	18.2	20.2
BE (2)	11.6	20.9	17.8	16.3	16.8
CZ	10.8	17.4	17.2	12.8	14.2
DK (2)	21.5	32.2	28.2	23.0	25.6
DE	28.9	33.7	25.5	21.1	23.4
EE (2)	13.2	16.1	16.5	16.5	16.2
EL	:	:	:	:	:
ES	26.5	24.4	20.2	14.2	19.7
FR	16.7	24.8	21.8	17.6	19.2
IE (3)	24.0	22.7	17.0	8.4	11.6
IT (4)	15.4	20.1	17.2	14.1	16.4
CY (5)	34.1	26.3	23.4	39.8	29.9
LV	9.7	12.6	15.2	19.3	15.9
LT	11.8	16.9	20.8	14.1	16.1
LU	:	:	:	:	:
HU	9.6	14.7	16.8	10.4	11.9
MT	:	:	:	:	:
NL (6)	25.1	24.8	20.5	14.2	18.5
AT (5)	30.2	33.1	25.1	23.5	25.8
PL	:	:	:	:	:
PT (2)	15.6	21.8	19.4	13.5	16.9
SI (5)	19.1	21.8	23.7	20.1	21.0
SK	13.1	14.3	14.8	10.6	11.7
FI (2)	25.0	24.1	21.0	14.8	17.8
SE	:	:	:	:	:
UK	20.9	28.1	23.9	19.3	21.5

(1) Excluding Belgium, Denmark, Estonia, Greece, Ireland, Cyprus, Luxembourg, Malta, the Netherlands, Austria, Poland, Portugal, Slovenia, Finland and Sweden.
(2) Excluding Section C.
(3) Excluding Sections C, E and F.
(4) 2002 data for medium-sized and large enterprises for Section C.
(5) Excluding Sections C and E.
(6) Excluding Section E.
Source: Eurostat (SBS)

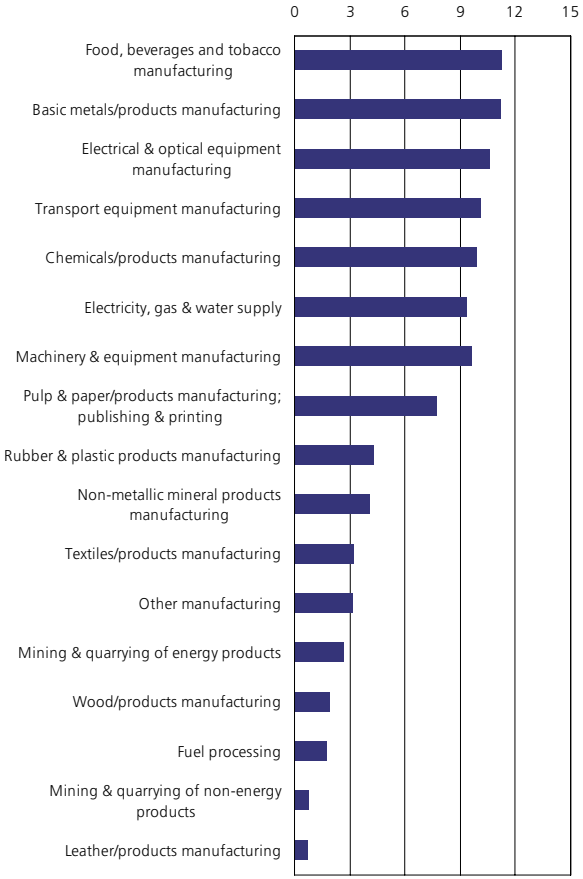
3. INDUSTRY, CONSTRUCTION AND SERVICES

3.1. INDUSTRY

THE LARGEST ACTIVITIES IN VALUE ADDED TERMS

Figure 3.1.1 shows the relative importance of the 17 industrial activities at the NACE subsection level (electricity, gas and water supply, Section E, is considered as a single subsection). The five largest of these generated more than half of the EU's industrial value added in 2003. The single largest industrial subsection in the EU, in value added terms, was food, beverage and tobacco manufacturing. The two smallest industrial activities at this level of analysis were leather and leather products manufacturing, and mining and quarrying of non-energy products.

Figure 3.1.1: Value added within industry, EU-25, 2003 (% share of industrial value added) (1)



(1) Partly including rounded EU estimates based on non-confidential data.
Source: Eurostat (SBS)

Table 3.1.1 shows the three largest industrial subsections in value added terms for each Member State. In 17 of the 24 Member States with data available the food, beverage and tobacco manufacturing sector was among the three largest industrial subsections, and was the largest in eight of these. Basic metals and metal products manufacturing, as well as electricity, gas and water supply also figured frequently in the top three. The largest single industrial subsection in each of the Member States was normally one of these three widespread activities, or chemicals manufacturing or electrical and optical equipment manufacturing. Transport equipment manufacturing, and pulp, paper and paper products, publishing and printing were the largest industrial subsection in value added terms in just one Member State each, namely Germany and Sweden.

Table 3.1.1: Three largest industrial NACE Subsections in terms of value added, 2003

	1st	2nd	3rd
EU-25 (1)	Food, bev. & tobacco	Basic metals	Elec. & optical equip.
BE	Chemicals	Basic metals	Food, bev. & tobacco
CZ	Basic metals	Elec., gas & water	Transport equip.
DK (2)	Food, bev. & tobacco	Mining of energy prod.	Machinery & equip.
DE	Transport equip.	Machinery & equip.	Elec. & optical equip.
EE	Elec., gas & water	Wood	Food, bev. & tobacco
EL	:	:	:
ES	Food, bev. & tobacco	Basic metals	Elec., gas & water
FR	Food, bev. & tobacco	Transport equip.	Elec. & optical equip.
IE (3)	Chemicals	Food, bev. & tobacco	Elec. & optical equip.
IT	Basic metals	Machinery & equip.	Food, bev. & tobacco
CY (2)	Food, bev. & tobacco	Elec., gas & water	Non-metal. min. prod.
LV (2)	Food, bev. & tobacco	Elec., gas & water	Wood
LT	Elec., gas & water	Food, bev. & tobacco	Textiles
LU	Basic metals	Rubber & plastics	Food, bev. & tobacco
HU (4)	Elec. & optical equip.	Food, bev. & tobacco	Elec., gas & water
MT (5)	Elec. & optical equip.	Food, bev. & tobacco	Textiles
NL (6)	Food, bev. & tobacco	Chemicals	Pulp, paper, pub., print.
AT (2)	Basic metals	Elec., gas & water	Machinery & equip.
PL	Food, bev. & tobacco	Elec., gas & water	Fuel processing
PT (6)	Elec., gas & water	Textiles	Food, bev. & tobacco
SI	Basic metals	Chemicals	Elec. & optical equip.
SK (2)	Elec., gas & water	Basic metals	Transport equip.
FI	Elec. & optical equip.	Pulp, paper, pub., print.	Basic metals
SE (5)	Pulp, paper, pub., print.	Basic metals	Machinery & equip.
UK	Food, bev. & tobacco	Pulp, paper, pub., print.	Transport equip.

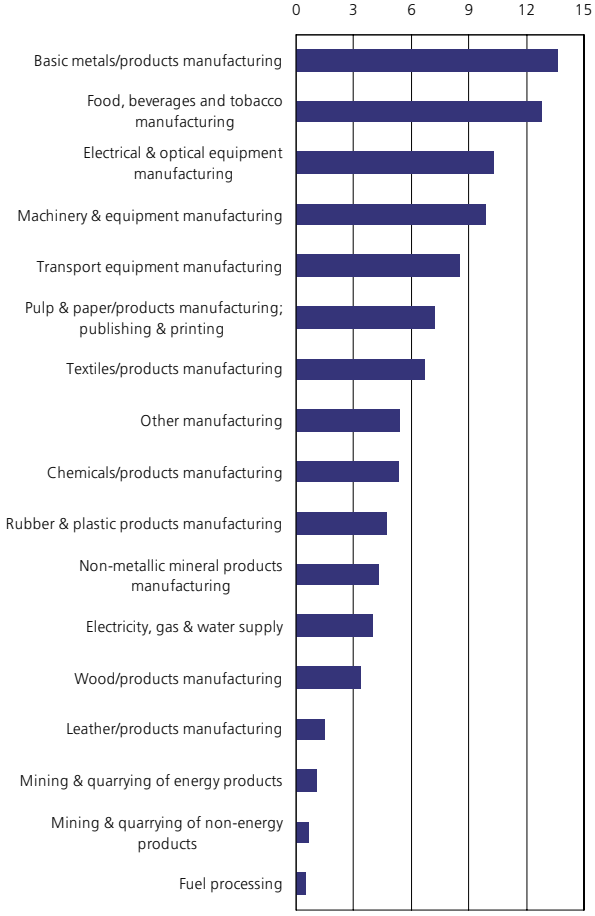
(1) Partly including rounded EU estimates based on non-confidential data.
(2) Subsections DC and DF, not available.
(3) Subsections CA, CB, DF and DN, and Section E, not available.
(4) Subsections DB and DJ, not available.
(5) 2002.
(6) Subsections CA and CB, not available.
Source: Eurostat (SBS)

THE LARGEST ACTIVITIES IN EMPLOYMENT TERMS

Figure 3.1.2 and Table 3.1.2 provide a similar analysis to that on the previous pages, except they are based on employment. The difference between the two types of analyses reflects different levels of apparent labour productivity between the industrial subsections.

The largest share of EU industrial employment in 2003 was in basic metals and metal products manufacturing, higher than in food, beverage and tobacco manufacturing which had the highest share of value added: both of these had higher shares of industrial employment than they did of industrial value added. Among the five largest industrial subsections in terms of employment the

Figure 3.1.2: Employment within industry, EU-25, 2003 (% share of industrial employment) (1)



(1) Partly including rounded EU estimates based on non-confidential data.
Source: Eurostat (SBS)

manufacture of machinery and equipment is the only one that was not in the five largest in terms of value added, having replaced chemicals manufacturing whose employment share was considerably less than its value added share. Other activities whose employment share was much lower than their value added share included those related in some way with energy products: mining and quarrying of energy producing materials; fuel processing; and electricity, gas and water supply. In contrast industrial activities whose employment share was much greater than their value added share included textiles, leather and wood products manufacturing, as well as other manufacturing which includes the manufacture of furniture, jewellery, toys, games and sports goods.

In employment terms, basic metals and metal products manufacturing, as well as food, beverages and tobacco manufacturing dominated the top three industrial subsections across the Member States, one or the other being the largest in 16 of the 24 Member States with data available.

Table 3.1.2: Three largest industrial NACE Subsections in terms of employment, 2003

	1st	2nd	3rd
EU-25 (1)	Basic metals	Food, bev. & tobacco	Elec. & optical equip.
BE	Basic metals	Food, bev. & tobacco	Chemicals
CZ	Basic metals	Elec. & optical equip.	Machinery & equip.
DK (2)	Food, bev. & tobacco	Machinery & equip.	Pulp, paper, pub., print.
DE	Machinery & equip.	Basic metals	Elec. & optical equip.
EE	Textiles	Food, bev. & tobacco	Wood
EL	:	:	:
ES	Basic metals	Food, bev. & tobacco	Transport equip.
FR	Food, bev. & tobacco	Basic metals	Elec. & optical equip.
IE (3)	Elec. & optical equip.	Food, bev. & tobacco	Chemicals
IT	Basic metals	Machinery & equip.	Textiles
CY (2)	Food, bev. & tobacco	Basic metals	Wood
LV	Food, bev. & tobacco	Wood	Textiles
LT	Textiles	Food, bev. & tobacco	Elec., gas & water
LU	Basic metals	Rubber & plastics	Food, bev. & tobacco
HU (4)	Elec. & optical equip.	Food, bev. & tobacco	Machinery & equip.
MT (5)	Elec. & optical equip.	Textiles	Food, bev. & tobacco
NL	Food, bev. & tobacco	Basic metals	Pulp, paper, pub., print.
AT (2)	Basic metals	Machinery & equip.	Food, bev. & tobacco
PL	Food, bev. & tobacco	Basic metals	Textiles
PT (6)	Textiles	Food, bev. & tobacco	Basic metals
SI	Basic metals	Elec. & optical equip.	Textiles
SK (2)	Basic metals	Elec. & optical equip.	Textiles
FI	Pulp, paper, pub., print.	Elec. & optical equip.	Basic metals
SE	Basic metals	Machinery & equip.	Transport equip.
UK	Food, bev. & tobacco	Basic metals	Pulp, paper, pub., print.

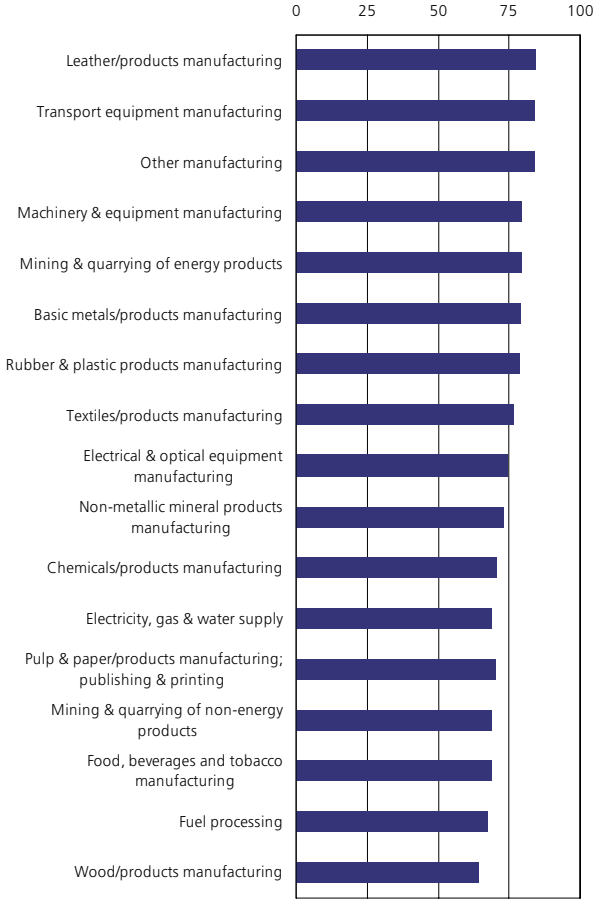
(1) Partly including rounded EU estimates based on non-confidential data.
(2) Subsections DC and DF, not available.
(3) Subsections CA, CB, DF and DN, and Section E, not available.
(4) Subsections DB and DJ, not available.
(5) 2002; Subsections DD and DF, and Section E, not available.
(6) Subsections CA and CB, not available.
Source: Eurostat (SBS)

THE MOST CONCENTRATED/SPECIALISED ACTIVITIES

Figure 3.1.3 and Table 3.1.3 show two different indicators of geographical concentration and specialisation. The first shows the extent to which particular industrial subsections within the EU are dominated by just a few countries. The second shows for each country the industrial subsections in which they are the most specialised relative to the EU as a whole.

The three industrial subsections with the greatest geographical concentration of value added in the EU were quite different, as two of them were relatively small activities, namely leather manufacturing, and furniture and other manufacturing (including jewellery, toys and games, sports goods), and the third was one of

Figure 3.1.3: Cumulative share of the five largest Member States in value added, 2003 (% of EU-25 value added) (1)



(1) Partly including rounded EU estimates based on non-confidential data.
Source: Eurostat (SBS)

the largest activities, the manufacture of transport equipment - see Figure 3.1.3. Wood products manufacturing was the least geographically concentrated industrial subsection by this measure, with the five largest Member States collectively generating less than two-thirds of EU value added.

Table 3.1.3 shows the industrial subsections in which each of the Member States are the most specialised, relative to the EU as a whole, based on the value added share in industry of the different NACE subsections. It should be noted that some subsections are relatively small across the EU as a whole, which means that even in a Member State with a high specialisation relative to the EU-25 average this activity may actually only contribute a small proportion of industrial value added in that Member States.

Table 3.1.3: Three highest value added specialisation ratios (relative to EU-25) within industry for NACE Subsections, 2003

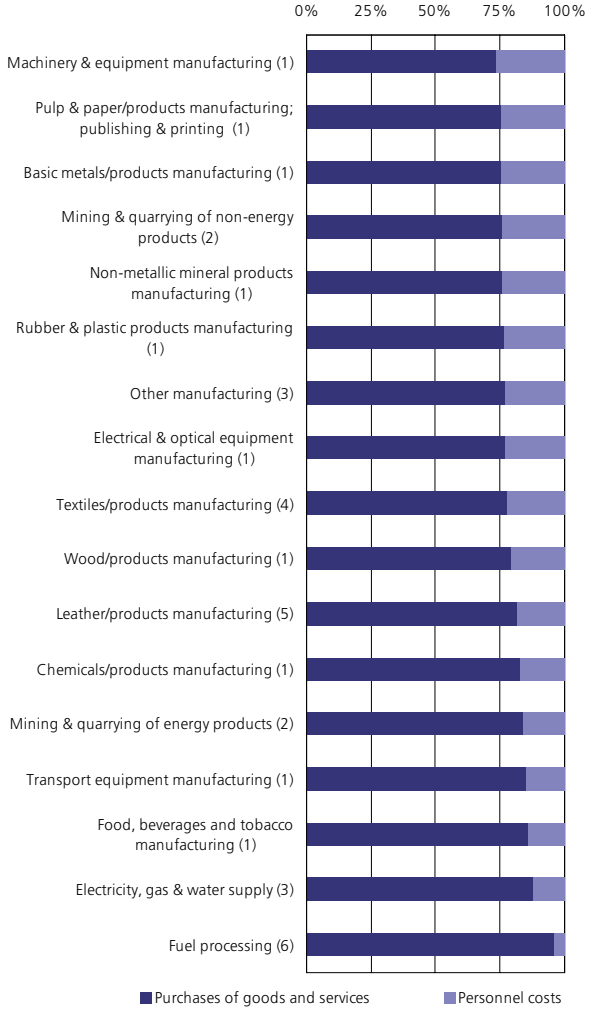
	1st	2nd	3rd
BE	Fuel processing	Chemicals	Textiles
CZ	Non-metal. min. prod.	Wood	Elec., gas & water
DK	Mining of energy prod.	Other manufacturing	Food, bev. & tobacco
DE	Transport equip.	Machinery & equip.	Elec. & optical equip.
EE	Wood	Textiles	Other manufacturing
EL	:	:	:
ES	Non-metal. min. prod.	Fuel processing	Mining non-energy prod.
FR	Transport equipment	Rubber & plastics	Elec., gas & water
IE	:	:	:
IT	Leather	Textiles	Other manufacturing
CY (1)	Mining non-energy prod.	Wood	Non-metal. min. prod.
LV	Wood	Textiles	Elec., gas & water
LT	Fuel processing	Textiles	Wood
LU	Rubber & plastics	Textiles	Basic metals
HU	Fuel processing	Elec. & optical equip.	Elec., gas & water
MT (2)	Textiles	Elec. & optical equip.	Other manufacturing
NL (3)	Food, bev. & tobacco	Pulp, paper, pub., print.	Chemicals
AT (4)	Wood	Non-metal. min. prod.	Mining non-energy prod.
PL	Fuel processing	Mining non-energy prod.	Mining of energy prod.
PT (5)	Leather	Textiles	Wood
SI	Leather	Textiles	Wood
SK	Elec., gas & water	Basic metals	Non-metal. min. prod.
FI	Elec. & optical equip.	Wood	Pulp, paper, pub., print.
SE (6)	Wood	Pulp, paper, pub., print.	Machinery & equip.
UK	Mining of energy prod.	Pulp, paper, pub., print.	Elec., gas & water

(1) NACE Subsections DC and DF, not available. (2) 2002; NACE Subsections CA, CB, DA and DI, not available. (3) NACE Subsections CA and CB, not available. (4) NACE Subsections DC and DF, not available. (5) NACE Subsections CA and CB, not available. (6) NACE Subsections CA, CB, DA and DI, not available.
Source: Eurostat (SBS)

EXPENDITURE AND COST INDICATORS

One of the major elements of expenditure for enterprises is personnel costs - the importance of this in total operating costs is shown in Figure 3.1.4 for each of the industrial subsections. The remaining part of operating costs is the purchase of goods and services which includes expenditure on raw materials, consumables (such as energy), industrial and non-industrial services. The share of personnel costs in total operating costs ranges from 12 % to 27 % depending on the industrial

Figure 3.1.4: Breakdown of total operating costs within industry, EU average, 2003 (%)

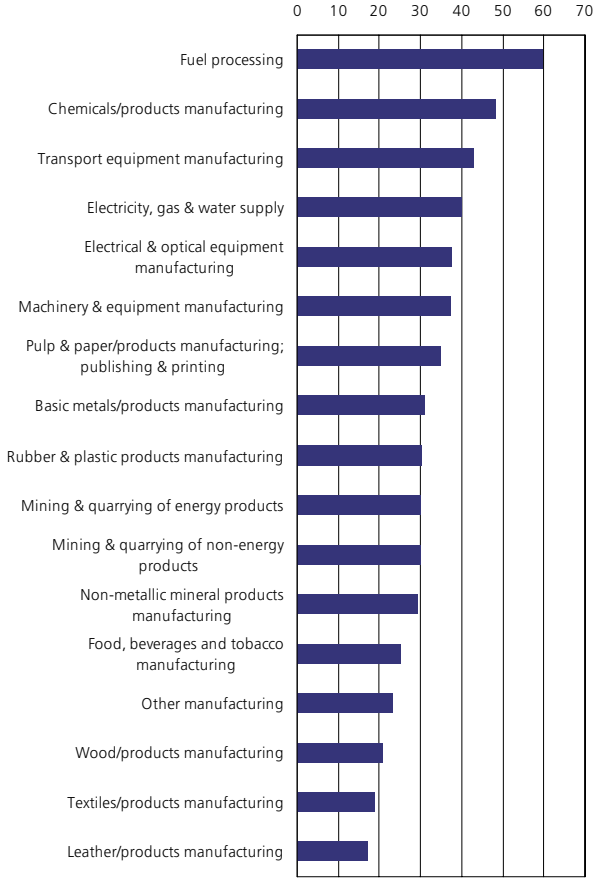


(1) Excluding Greece, Malta and Sweden. (2) Excluding Greece, Ireland, Malta, the Netherlands, Portugal and Sweden. (3) Excluding Greece, Ireland, Malta and Sweden. (4) Excluding Greece, Hungary, Malta and Sweden. (5) Excluding Greece, Cyprus, Latvia, Malta, Austria, Slovakia and Sweden. (6) Excluding Greece, Ireland, Cyprus, Latvia, Malta, Austria, Slovakia and Sweden. Source: Eurostat (SBS)

subsection, with fuel processing well outside of this range at just 4%. As has already been noted in the first chapter, the share of the purchases of goods and services was particularly high in the electricity, gas and water supply sector which involves converting fuel to electricity, and distributing (buying and reselling) energy and water products through networks.

Figure 3.1.5 compares average personnel costs per employee. Note that this calculation is based on a head count of employees, and as such activities with a high proportion of part-time employment will, all other things being equal, have a lower average personnel cost. The two industrial subsections with the lowest average personnel costs in the EU in 2003, textiles and leather manufacturing, both had relatively high levels of part-time employment, but so did pulp and paper manufacturing, publishing & printing, which had relatively high average personnel costs.

Figure 3.1.5: Average personnel costs within industry, EU-25, 2003 (EUR thousand) (1)

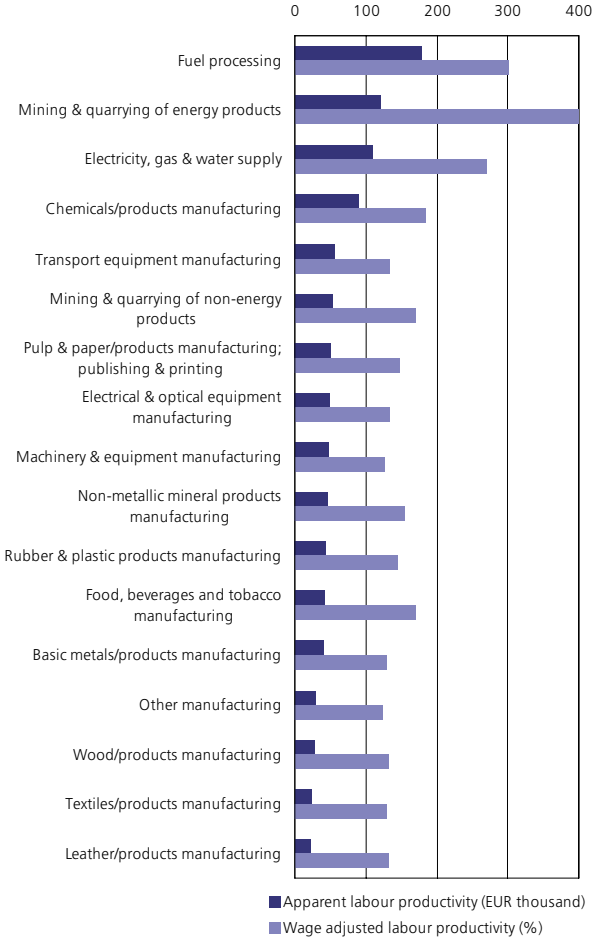


(1) Partly including rounded EU estimates based on non-confidential data.
Source: Eurostat (SBS)

APPARENT LABOUR PRODUCTIVITY

As already noted, the relative importance of the different parts of the EU's industrial sector varies significantly depending whether this is measured in value added or employment terms, and this difference reflects the apparent labour productivity in each activity. Figure 3.1.6 shows that the highest levels of apparent labour productivity among the activities (industrial NACE subsections) were in the activities related to energy products, namely mining and quarrying of energy producing materials, fuel processing, and electricity, gas and water supply. This was followed by chemical manufacturing, where the apparent labour productivity was one and a half times as high as in the next ranked subsection. It should be noted that apparent labour productivity does not take into

Figure 3.1.6: Apparent labour productivity and wage adjusted labour productivity within industry, EU-25, 2003 (1)

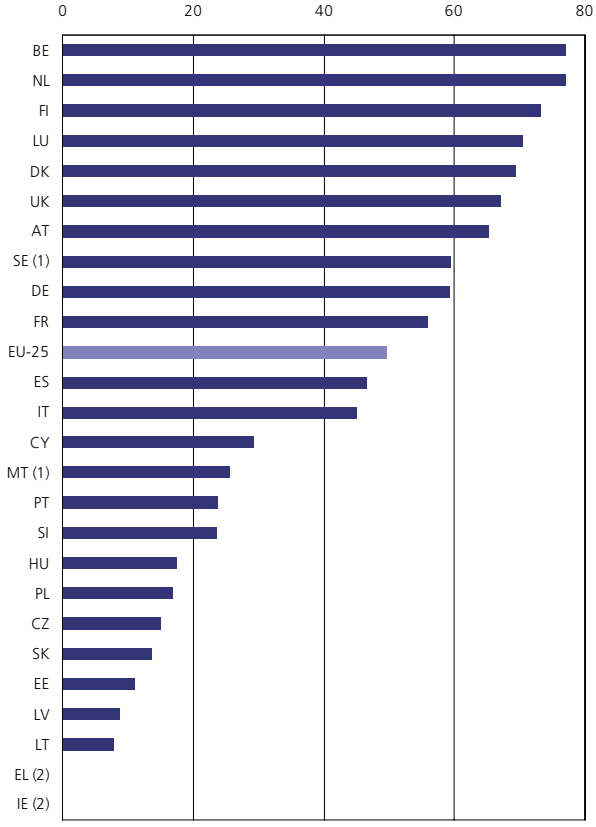


(1) Partly including rounded EU estimates based on non-confidential data.
Source: Eurostat (SBS)

account differences in the degree of part-time employment or the cost of labour. Another possibility is to compare value added with personnel costs rather than with employment such as in the wage adjusted labour productivity which is also shown in Figure 3.1.6. This indicator also adjusts for differences in the share of paid employees among the persons employed. Although the same three subsections as for apparent labour productivity remained the highest in the ranking, the difference between the subsections was smaller for wage adjusted labour productivity.

Figure 3.1.7 compares the apparent labour productivity between Member States for the industrial sector as a whole. As for the comparison by activity there are large differences between countries. There is a fairly clear split between EU-15 Member States and the Member States that joined the EU in 2004. This split also reflects the differences in average personnel costs between Member States, and a comparison of the wage adjusted labour productivity would show a much narrower range of values.

Figure 3.1.7: Apparent labour productivity for industry, 2003 (EUR thousand)

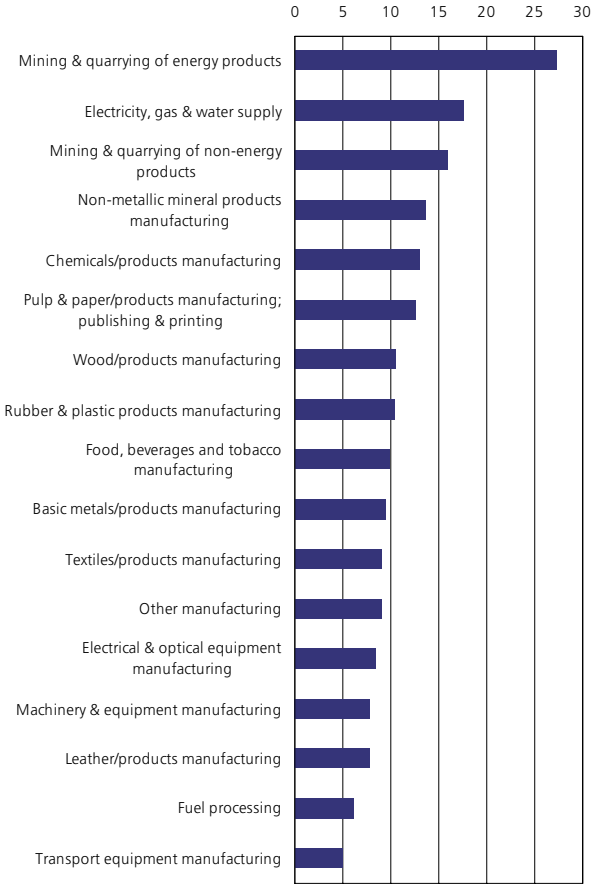


(1) 2002. (2) Not available. Source: Eurostat (SBS)

PROFITABILITY

Figures 3.1.8 and 3.1.9 show one indicator of operating profitability, the gross operating rate, which is the gross operating surplus expressed as a percentage of the turnover generated. The gross operating surplus is value added minus personnel costs, and as such is the surplus generated by operating activities after the labour factor input has been recompensed. Activities or countries with high value added and low personnel costs have a high gross operating surplus, and vice versa. Activities and countries specialised in trading activities that buy and resell with little added value have a relatively high turnover, and this will lead to a lower gross operating rate.

Figure 3.1.8: Gross operating rate within industry, EU-25, 2003 (%) (1)

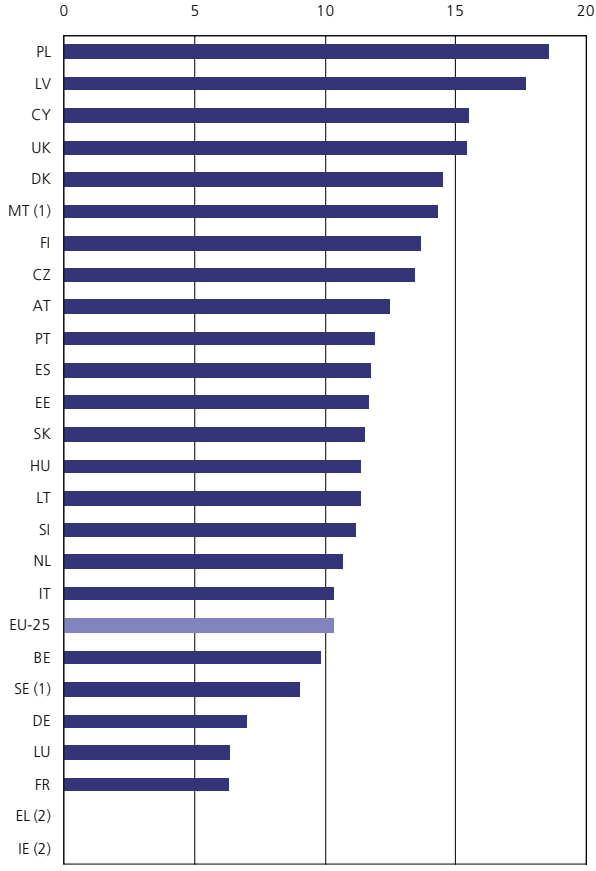


(1) Partly including rounded EU estimates based on non-confidential data.
Source: Eurostat (SBS)

In Figure 3.1.8 mining and quarrying of energy producing materials, and electricity, gas and water supply remain at the top of the ranking, as they were for apparent labour productivity, but fuel processing is much lower in the ranking according to the gross operating rate, higher only than the manufacture of transport equipment.

The gross operating rate provides a comparison between countries that is less influenced by differences in the general level of wages and salaries, and in Figure 3.1.9 the order of the countries is not so clearly split between EU-15 and the newer Member States as in Figure 3.1.7 for example. To some extent the ranking is reversed, in that three of the Member States that joined the EU in 2004 are at the top of the ranking, and seven EU-15 Member States are at the bottom.

Figure 3.1.9: Gross operating rate for industry, 2003 (%)



(1) 2002.
(2) Not available.
Source: Eurostat (SBS)

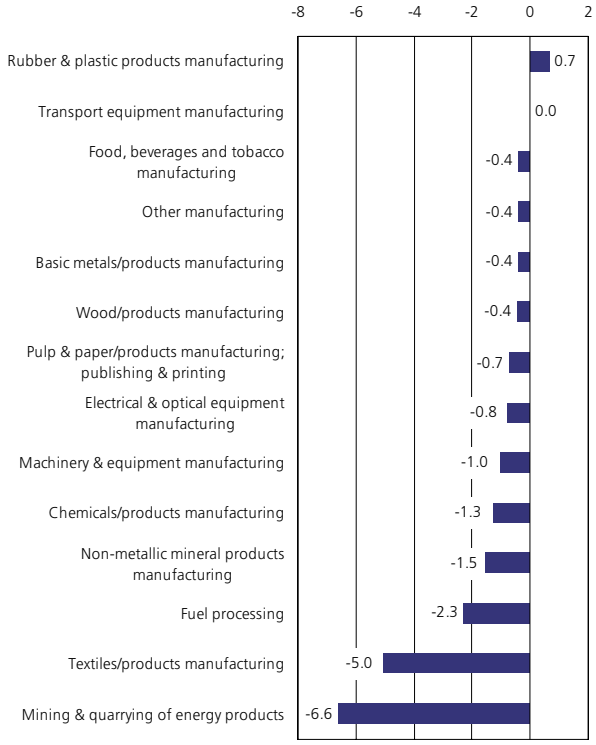
EVOLUTION OF OUTPUT AND EMPLOYMENT: EU-25

Figures 3.1.10 and 3.1.11 show the average annual growth (AAGR) rates of employment and output in different industrial activities over a 10 year period based on the production and employment indices.

The employment index is based on the number of persons employed (inclusive of working proprietors, partners and unpaid family workers). Like production, employment is a cyclical indicator: the hiring of more persons usually occurs when increasing demand is perceived to be both strong and durable. As such, indicators of employment generally lag behind the economic cycle.

The production index is a business cycle indicator that shows the evolution of value added in volume (or constant price) terms, and so reflects the changes in the real level of output.

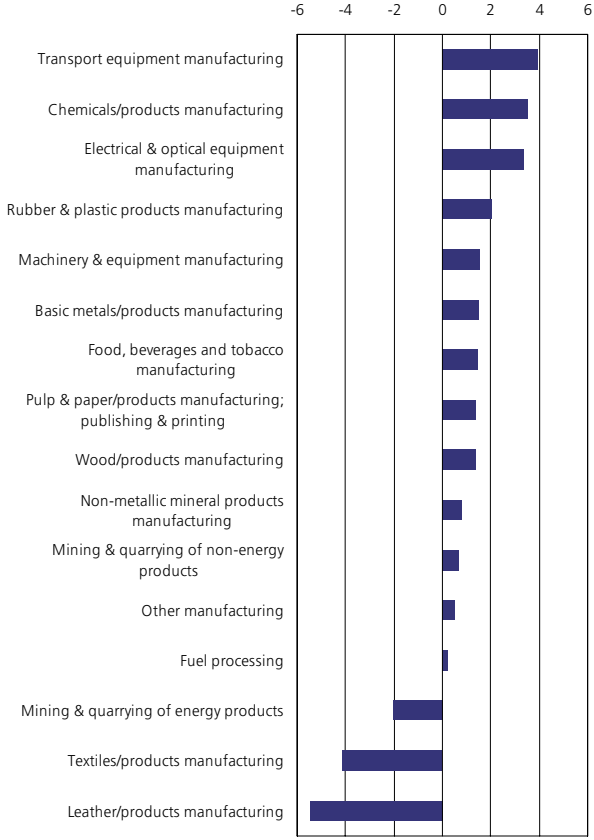
Figure 3.1.10: Average annual growth rate of the index of employment within industry, EU-25, 1995-2005 (% per annum) (1)



(1) Mining & quarrying of non-energy products and leather/products manufacturing, not available.
Source: Eurostat (STS)

As can be seen, in the EU only rubber and plastics manufacturing (Subsection DH) recorded a net increase in employment over this period, while all industrial NACE Subsections recorded real growth in output, except the mining and quarrying of energy producing materials and the manufacture of textiles, textile products, leather and leather products (Subsections CA, DB and DC). Tables 3.1.4 and 3.1.5 show the two fastest and the two slowest growing (contracting) activities in each country based on the AAGRs over the period 2000 to 2005. Note that in Portugal and the United Kingdom, every single industrial subsection recorded a net loss in employment over this period.

Figure 3.1.11: Average annual growth rate of the index of production within industry, EU-25, 1995-2005 (% per annum)



Source: Eurostat (STS)

Table 3.1.4: Two highest and lowest average annual growth rates for the index of production, 2000-2005 (% per annum)

	1st highest	2nd highest	1st lowest	2nd lowest
EU-25	Chemicals	Transport equip.	Leather	Textiles
BE	Non-energy mining	Food, bev. & tob.	Energy mining	Other manuf.
CZ	Elec., opt. equip.	Rubber & plastics	Leather	Textiles
DK (1)	Fuel processing	Elec., opt. equip.	Leather	Textiles
DE	Transport equip.	Elec., opt. equip.	Leather	Textiles
EE (2)	Elec., opt. equip.	Basic metals	Leather	Textiles
EL	Chemicals	Basic metals	Elec., opt. equip.	Leather
ES	Pulp, paper, etc	Fuel processing	Leather	Textiles
FR	Chemicals	Transport equip.	Textiles	Energy mining
IE (3)	Pulp, paper, etc	Chemicals	Leather	Textiles
IT	Energy mining	Fuel processing	Leather	Elec., opt. equip.
CY (4)	Wood	Non-metal. min.	Fuel processing	Leather
LV (5)	Rubber & plastics	Elec., opt. equip.	Leather	Transport equip.
LT (6)	Rubber & plastics	Basic metals	Leather	Energy mining
LU (7)	Pulp, paper, etc	Rubber & plastics	Non-energy mining	Basic metals
HU	Elec. & optical equip.	Mach. & equip.	Non-energy mining	Leather
MT	:	:	:	:
NL (8)	Fuel processing	Chemicals	Leather	Elec., opt. equip.
AT (8)	Transport equipment	Mach. & equip.	Textiles	Leather
PL (8)	Rubber & plastics	Other manuf.	Leather	Fuel processing
PT (9)	Elec. & optical equip.	Rubber & plastics	Leather	Textiles
SI	:	:	:	:
SK	Elec. & optical equip.	Other manuf.	Energy mining	Textiles
FI (10)	Energy mining	Elec., opt. equip.	Textiles	Other manuf.
SE (11)	Chemicals	Transport equip.	Rubber & plastics	Other manuf.
UK	Non-energy mining	Chemicals	Leather	Textiles

(1) NACE Subsections CA and CB, not available. (2) NACE Subsection DF, not available. (3) NACE Subsections CA, CB and DF, not available. (4) NACE Subsection CA, not available. (5) NACE Subsections CA, CB and DF, not available. (6) NACE Subsection DF, not available. (7) NACE Subsections CA, DC, DF, DM and DN, not available. (8) NACE Subsections CA and CB, not available. (9) NACE Subsection CA, not available. (10) NACE Subsection DA, not available. (11) NACE Subsections DB and DC, not available.
Source: Eurostat (STS)

Table 3.1.5: Two highest and lowest average annual growth rates for the index of employment, 2000-2005 (% per annum)

	1st highest	2nd highest	1st lowest	2nd lowest
EU-25	Rubber & plastics	Transport equip.	Textiles	Leather
BE (1)	Fuel processing	Food, bev. & tob.	Leather	Textiles
CZ (2)	Rubber & plastics	Transport equip.	Leather	Textiles
DK (3)	Fuel processing	Chemicals	Leather	Textiles
DE	Transport equip.	Rubber & plastics	Energy mining	Textiles
EE	Non-energy mining	Rubber & plastics	Leather	Energy mining
EL	:	:	:	:
ES	Fuel processing	Mach. & equip.	Energy mining	Leather
FR	Transport equip.	Food, bev. & tob.	Energy mining	Textiles
IE	:	:	:	:
IT	:	:	:	:
CY (4)	Non-metal. min.	Wood	Textiles	Transport equip.
LV	Non-energy mining	Rubber & plastics	Fuel processing	Leather
LT (2)	Other manuf.	Basic metals	Leather	Mach. & equip.
LU (5)	Pulp, paper, etc	Elec., opt. equip.	Non-metal. min.	Basic metals
HU	Transport equip.	Rubber & plastics	Energy mining	Fuel processing
MT (6)	Chemicals	Non-energy mining	Leather	Transport equip.
NL	Fuel processing	Energy mining	Leather	Textiles
AT (3)	Transport equip.	Chemicals	Textiles	Leather
PL (7)	Rubber & plastics	Other manuf.	Leather	Fuel processing
PT (1)	Food, bev. & tob.	Rubber & plastics	Textiles	Leather
SI	Transport equip.	Rubber & plastics	Energy mining	Textiles
SK (2)	Wood	Elec., opt. equip.	Energy mining	Non-energy mining
FI	Non-energy mining	Energy mining	Fuel processing	Textiles
SE	Other manuf.	Fuel processing	Textiles	Leather
UK	Wood	Fuel processing	Leather	Textiles

(1) NACE Subsection CA, not available. (2) NACE Subsection DF, not available. (3) NACE Subsections CA and CB, not available. (4) NACE Subsections CA and DF, not available. (5) NACE Subsections CA, DC, DF, DM and DN, not available. (6) NACE Subsections CA, DD and DF, not available. (7) NACE Subsection CB, not available.
Source: Eurostat (STS)

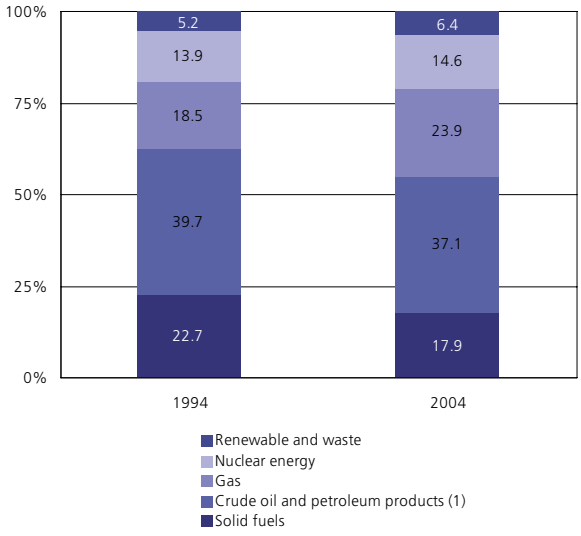
FOCUS ON ENERGY

A competitive, reliable and sustainable energy sector is essential for an economy. In March 2006 the European Commission adopted a Green paper for sustainable, competitive and secure energy, which addressed many of these issues. Among the proposals are to complete the internal energy market for gas and electricity, to ensure support between Member States in case of supply disruptions, to diversify the EU's energy mix in terms of sustainability and efficiency, to address global warming through an energy efficiency Action Plan and a new Road map for renewable energy sources, to develop a strategic energy technology plan, and to develop a common external energy policy with non-Community suppliers.

Figure 3.1.12 shows the overall contribution of various energy sources to gross inland energy consumption in 1994 and 2004. As can be seen, the share of renewable sources and waste rose slightly from 5.2% in 1994 to 6.4% in 2004. During this period gross inland energy consumption increased by an average of 1.2% per year to reach 1.7 billion tonnes of oil equivalent.

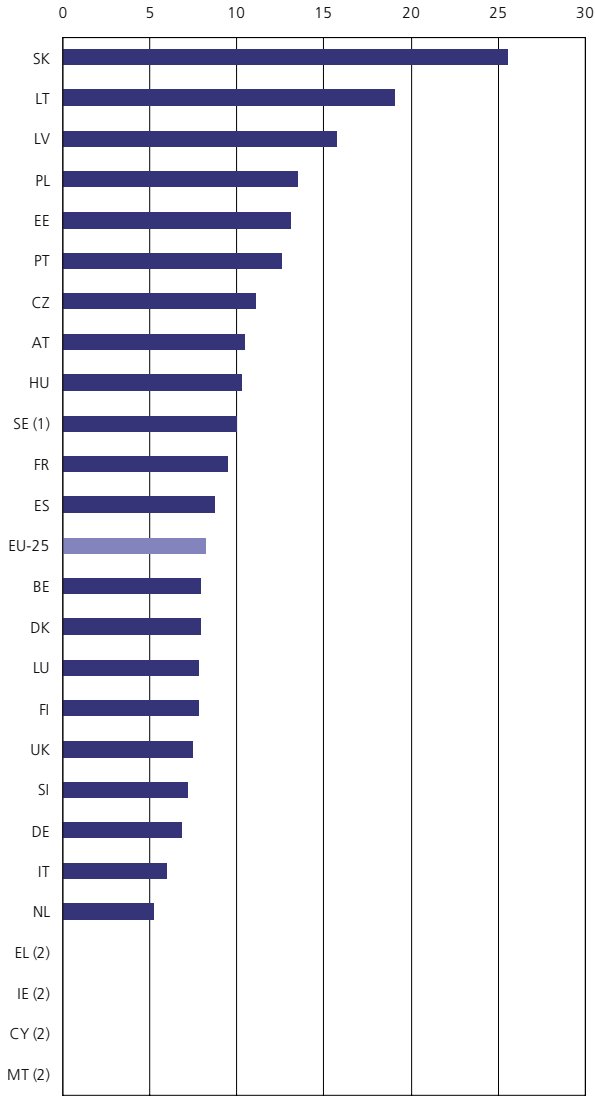
Figure 3.1.13 shows the relative importance of electricity, gas, steam and hot water supply (NACE Division 40) in industrial value added in the Member States. This activity made a particularly large contribution in nearly all of the Member States that joined the EU in 2004, most notably in Slovakia where it contributed in excess of one quarter of industrial value added in 2003, compared with around 8% in the EU-25 as a whole.

Figure 3.1.12: Gross inland consumption by fuel type, EU-25 (% of tonnes of oil equivalent)



(1) Excluding Slovenia.
Source: Eurostat (Energy Statistics - quantities)

Figure 3.1.13: Share of electricity, gas steam and hot water supply (NACE Division 40) in industrial value added, 2003 (%)



(1) 2002.
(2) Not available.
Source: Eurostat (SBS)

STATISTICS BY PRODUCT (PRODCOM)

PRODCOM provides information on European Union production of commodities. Information provided in PRODCOM includes data for the value of EU production that has been sold by their producers in a particular reference year. Commodities are specified in the PRODCOM list, which includes around 4 500 products and which is updated each year. The products are listed according to an eight-digit code, of which the first six are directly aligned with the statistical classification of products by activity in the European Community, the CPA. Table 3.1.7 shows a selection of twenty products with the highest values of production sold in the EU-25 in 2004: note that this 'top 20' excludes a few products: of a generic nature ('other'), sales of services such as repair, maintenance and installation, and one product with confidential values.

PRODCOM data is also available in the form of physical volumes using a volume unit appropriate to the product. Table 3.1.6 illustrates some of the units available.

Although data on European production in itself is useful, PRODCOM data can also be used to provide information on the quantity and value of products available on European and national markets. For this purpose, PRODCOM data is combined with data for imports and exports. Apparent consumption may for example be calculated for each product by adding imports to production and deducting exports. The PRODCOM List is closely aligned with

Table 3.1.6: Production sold in volume terms, EU-25, 2004 (1)

PRODCOM code	Product	Quantity (thousands)	Unit
14211230	Crushed stone of a kind used for concrete aggregates; for roadstone and for other construction use (excluding gravel; pebbles; shingle and flint)	1 015 733 788	kg
26511230	Grey Portland cement (including blended cement)	189 807 453	kg
15931130	Champagne	225 466	litres
24521150	Perfumes	9 397	litres
24111170	Oxygen	27 111 524	m³
24111160	Nitrogen	22 326 439	m³
16001150	Cigarettes containing tobacco or mixtures of tobacco and tobacco substitutes (excluding tobacco duty)	776 168 406	number
22131100	Newspapers; journals and periodicals; appearing less than four times a week (including advertising revenue)	32 781 596	number

(1) Estimates.
Source: Eurostat (PRODCOM)

the Combined Nomenclature, the product classification used for external trade. It should however be noted that different methodologies are used in PRODCOM and external trade statistics.

Table 3.1.7: Top manufacturing products sold in value terms, EU-25, 2004 (EUR billion)

PRODCOM code	Status	Product	Value of production sold
34102230		Motor vehicles with a petrol engine > 1500 cm³ (including motor caravans of a capacity > 3000 cm³) (excluding vehicles for transporting >= 10 persons	123.5
34102330		Motor vehicles with a diesel or semi-diesel engine > 1500 cm³ but <= 2500 cm³ (excluding vehicles for transporting >= 10 persons	87.7
22131100	Estimated	Newspapers; journals and periodicals; appearing less than four times a week published by you; or printed and published by you (including advertising revenue)	34.7
32201170	Estimated	Radio transmission apparatus with reception apparatus	32.4
15701023	Estimated	Preparations for animal feeds (excluding dog or cat food	29.9
15961000		Beer made from malt (excluding non-alcoholic beer	29.1
15811100	Estimated	Fresh bread containing by weight in the dry matter state <= 5% of sugars and <= 5% of fat (excluding with added honey; eggs; cheese or fruit)	21.7
15514050	Estimated	Grated; powdered; blue-veined and other non-processed cheese (excluding fresh cheese; whey cheese and curd)	20.8
26631000		Ready-mixed concrete	19.0
34102310		Motor vehicles with a diesel or semi-diesel engine <= 1500 cm³ (excluding vehicles for transporting >= 10 persons	18.5
21211300		Cartons; boxes and cases of corrugated paper or paperboard	18.0
25249060	Estimated	Plastic parts and accessories for all land vehicles (excluding for locomotives or rolling stock)	17.6
35305090		Parts for all types of aircraft excluding propellers	16.9
15811200		Cake and pastry products; other baker's wares with added sweetening matter	16.5
34104110		Goods vehicles with a diesel or semi-diesel engine	16.2
15131215	Estimated	Sausages not of liver	15.9
16001150		Cigarettes containing tobacco or mixtures of tobacco and tobacco substitutes (excluding tobacco duty)	14.0
15831230		Refined white cane or beet sugar in solid form	13.0
34101200		Vehicle reciprocating piston engines of a cylinder capacity > 1000 cm³	12.3
34101300		Vehicle compression-ignition internal combustion piston engines (diesel or semi-diesel) (excluding for railway or tramway rolling stock)	12.3

Source: Eurostat (PRODCOM)

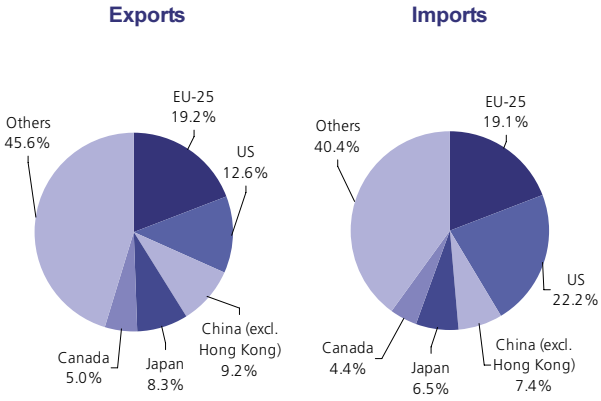
POSITION IN WORLD TRADE

Figure 3.1.14 shows the importance of the EU in world trade: in 2004 it accounted for 19.2% of world exports of commodities (not counting intra-community trade) and 19.1% of imports. This is a larger share of exports than the United States, Japan or Canada. In terms of imports the United States had a larger share than the EU.

In 2005 EU exports were valued at EUR 994.6 billion, and imports at EUR 1078.9 billion: a cover ratio (exports as a percentage of imports) of 92.2%. Table 3.1.8 shows the share of EU exports and imports of each Member State, their share of intra-community trade, as well as their cover ratios for both intra- and extra-EU trade. Denmark, Germany, Ireland and Italy were the only Member States that had a cover ratio above 100% in both intra- and extra-EU trade, indicating a trade surplus in both markets.

Note that for the EU, trade is measured with the rest of the world, in other words the sum of each Member States' extra-EU trade - excluding intra-Community trade. For individual Member States, total trade includes both trade carried out between the Member States, as well as trade carried out with non-Community countries.

Figure 3.1.14: Share of world trade in goods, 2004 (% of total) (1)



(1) Excluding intra-EU trade.
Source: IMF, Eurostat (Comext) for the EU-25

Table 3.1.8: External trade of goods, 2005 (%)

	Intra-EU			Extra-EU		
	Share of EU-25 exports	Share of EU-25 imports	Cover ratio	Share of EU-25 exports	Share of EU-25 imports	Cover ratio
EU-25	~	~	~	100	100	92.2
BE	10.0	9.4	109.7	6.0	6.2	89.2
CZ	2.6	2.5	107.1	0.9	0.9	93.4
DK	2.3	2.2	106.8	1.8	1.5	114.4
DE	22.4	17.9	128.9	26.6	19.3	127.0
EE	0.2	0.3	74.9	0.1	0.2	67.8
EL	0.3	1.2	26.2	0.6	1.7	31.5
ES	5.1	7.1	73.6	3.9	7.1	51.4
FR	11.2	13.6	85.0	12.9	11.7	101.6
IE	2.7	1.7	164.6	3.1	1.6	179.3
IT	8.4	8.6	101.4	11.7	10.4	104.0
CY	0.0	0.2	19.6	0.0	0.1	15.6
LV	0.1	0.3	56.7	0.1	0.1	57.9
LT	0.3	0.4	83.7	0.3	0.4	64.5
LU	0.6	0.6	107.7	0.1	0.4	28.8
HU	1.8	1.7	108.2	1.1	1.4	74.9
MT	0.0	0.1	44.5	0.1	0.1	126.8
NL	10.2	6.1	170.9	6.0	12.3	44.8
AT	3.3	4.1	84.9	2.8	1.9	140.1
PL	2.8	3.0	94.9	1.5	1.8	79.0
PT	1.2	1.8	65.0	0.6	1.0	56.5
SI	0.5	0.6	82.4	0.5	0.3	144.7
SK	1.1	1.1	95.8	0.3	0.5	58.8
FI	1.3	1.6	84.8	2.1	1.3	145.6
SE	2.9	3.1	97.4	4.1	2.3	167.7
UK	8.6	10.8	82.6	12.6	15.6	74.2

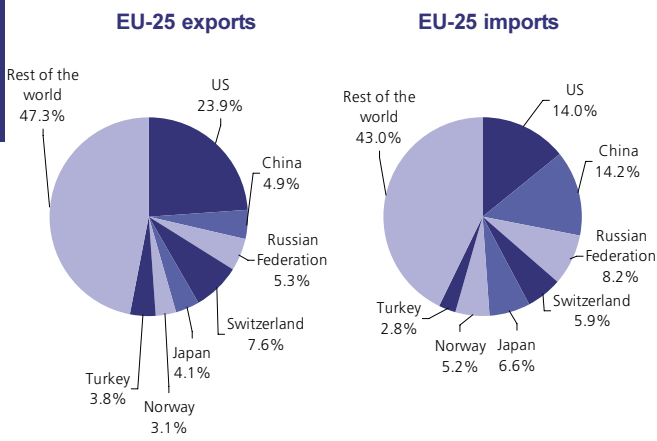
Source: Eurostat (Comext)

MAIN TRADING PARTNERS

Despite a shift in the destination of the EU's exports the US remained the EU's largest single export market in 2005, accounting for just under a quarter (23.9%) of the EU's industrial exports. Switzerland remains the second largest export market, followed by the Russian Federation and China. The origin of EU imports has also shifted, with the marked increase in imports from China the most notable change, reaching a 14.2% share by 2005, slightly above that of the United States (14.0%). The Russian Federation, Switzerland, Japan and Norway all provided 5% or more of EU imports in 2005.

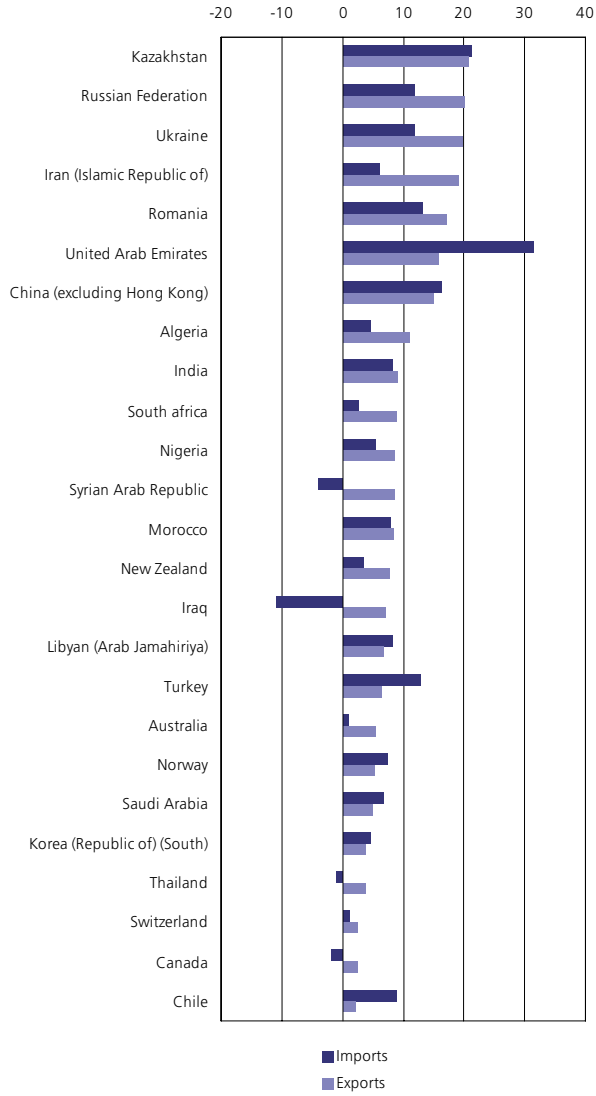
Figure 3.1.16 shows the average annual growth rate between 2000 and 2005 of the value of EU exports and imports with selected partners. Of the large trading partners, in terms of exports and imports, the Russian Federation, China and Turkey all figure near the top of this list. The largest increases in exports have mainly been to countries of the Confederation of Independent States (notably, Kazakhstan, the Russian Federation and Ukraine), to Middle East countries (Iran, Iraq and the UAE), to two of the Candidate countries (Romania and Turkey), and to China. Note that exports to some of the countries shown in Figure 3.1.16 may have been very low in 2000 and may still be quite low in absolute terms despite the high growth rates.

Figure 3.1.15: EU-25 trading partners for goods, 2005 (% of EU-25 total)



Source: Eurostat (Comext)

Figure 3.1.16: Top 25 trade partners, average annual growth of EU-25 exports and imports, 2000-2005 (% per annum, ranking based on export growth)



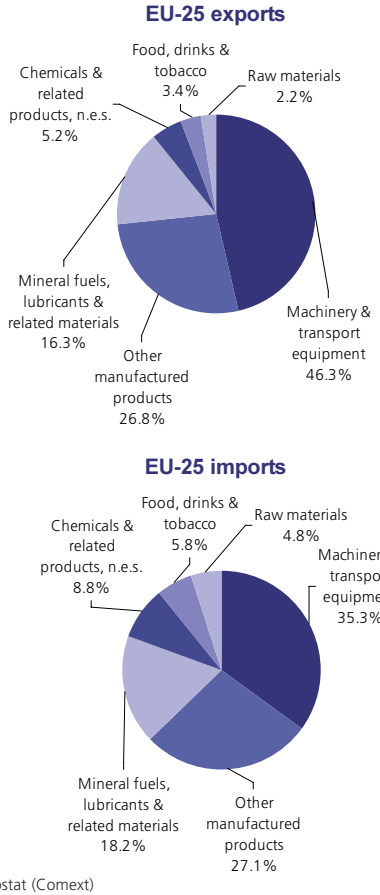
Source: Eurostat (Comext)

MAIN TRADED PRODUCTS

A large share of the EU's industrial exports and imports are made-up of machinery and transport equipment (SITC 7) and other manufactured products (such as textiles and clothing, metals, furniture and instruments) (SITC 6 and 8). These products together accounted for nearly three-quarters (73.0%) of EU exports, and two-thirds (62.4%) of imports in 2004.

Of the six product groups shown in Figure 3.1.17 the EU recorded a trade surplus only in machinery and transport equipment. The largest trade deficit in absolute terms was EUR 38.9 billion recorded for chemicals and related products (SITC 5), while in relative terms, imports of raw materials (SITC 2 and 4) were valued at more than double the level of exports, giving a cover ratio of just 42.4%.

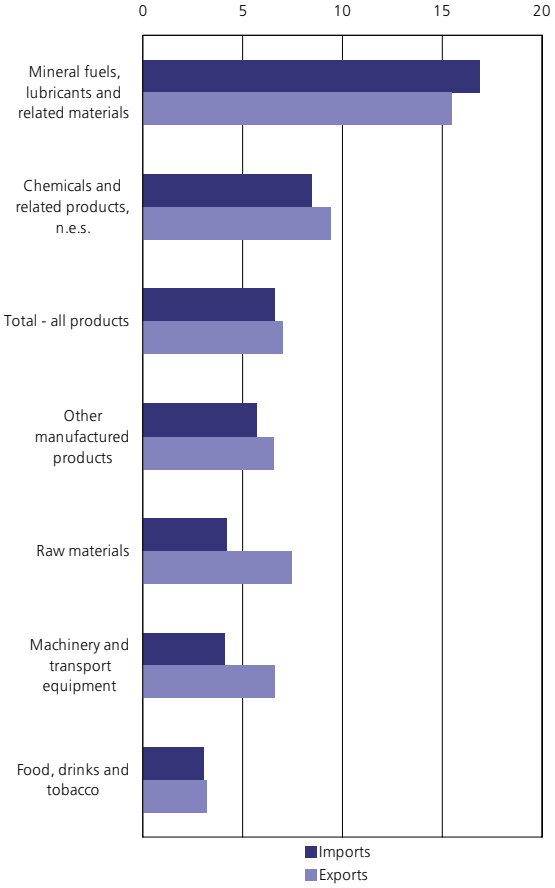
Figure 3.1.17: External trade by product, EU-25, 2004 (% of total, based on value data)



Source: Eurostat (Comext)

Figure 3.1.18 shows how the EU's trade in these products developed between 1999 and 2004, expressed as annual average growth rates: note that these growth rates are in value terms, and as such reflect changes in both volume and price. Mineral fuels, lubricants and related materials (SITC 3) and chemicals and related products recorded the strongest growth, both in terms of exports and imports over this period, while the weakest growth was for food, drinks and tobacco (SITC 0 and 1).

Figure 3.1.18: Average annual growth of imports and exports by product, EU-25, 1999-2004 (% per annum)



Source: Eurostat (Comext)

3.2. CONSTRUCTION

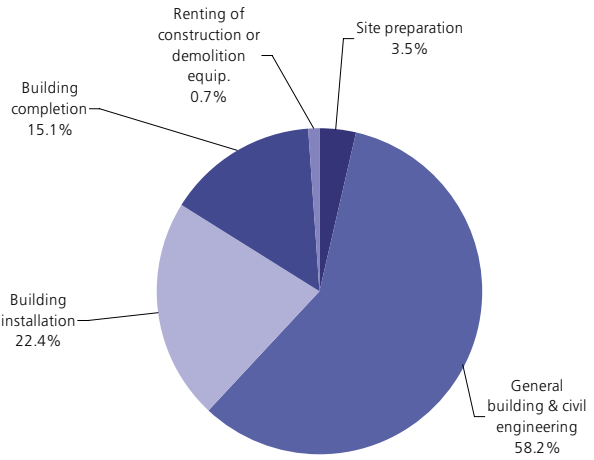
STRUCTURE AND SIZE

The construction sector covers general construction work, completion and installation activities, as well as some smaller related activities. It includes new construction work as well as renovation and repair.

Figure 3.2.1 shows that general building and civil engineering work (such as roads, communications networks and ports) dominates the sector, contributing more than half (58%) of construction (NACE Section F) value added in the EU in 2003. Building installation and completion together contributed a further 37% of value added, while the two remaining parts, site preparation and renting of construction or demolition equipment, were by far the smallest with a combined share of 5%.

Demand for construction activity is linked to a number of factors including interest rates, public support programmes for residential building, the availability of land and ease of gaining building permission, the price and availability of raw materials, and government spending on infrastructure projects in particular for civil engineering. Like many sectors involved in the production of capital goods construction is normally cyclical and therefore the latest data needs to be treated with care, particularly productivity ratios, as differences between activities and between countries may reflect the stage in the cycle as much as real underlying differences.

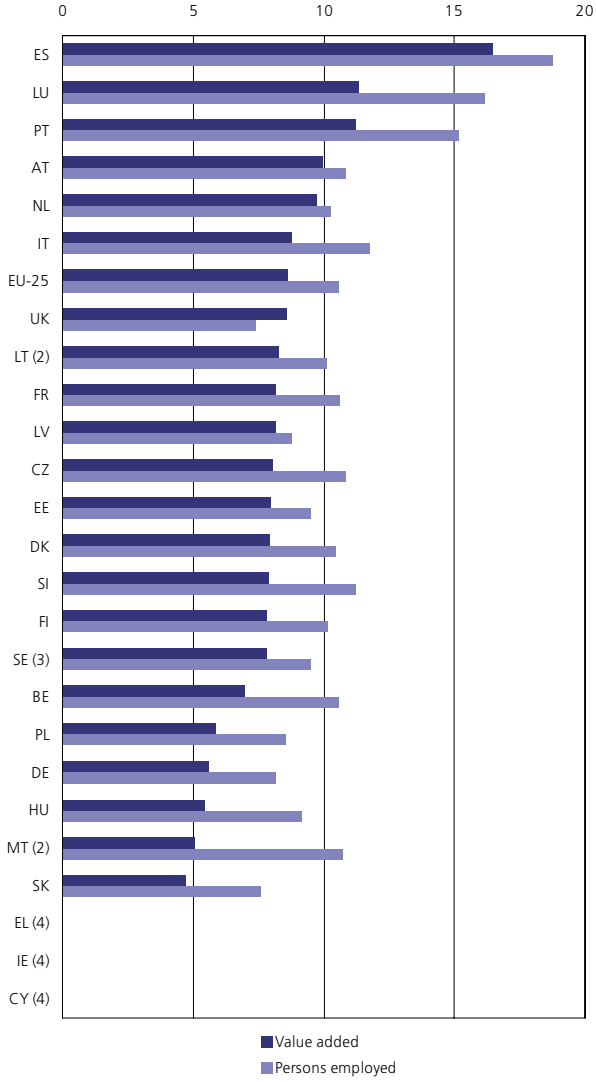
Figure 3.2.1: Value added within construction, EU-25, 2003 (% share of construction value added) (1)



(1) Partly including rounded EU estimates based on non-confidential data.
Source: Eurostat (SBS)

Within the EU as a whole construction contributed 8.6% of value added in the non-financial business economy in 2003, and 10.6% of employment - see Figure 3.2.2. In value added terms the importance of this sector in Spain was far higher than in any other country, and its contribution to the Spanish non-financial business economy value added was nearly twice the EU average.

Figure 3.2.2: Value added and employment for construction, 2003 (% share of non-financial services total) (1)



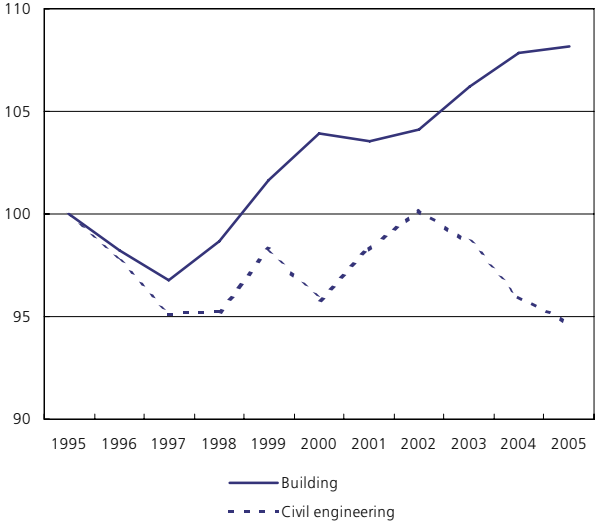
(1) Partly including rounded EU estimates based on non-confidential data.
(2) 2002.
(3) Value added, 2002.
(4) Not available.
Source: Eurostat (SBS)

EVOLUTION OF OUTPUT

As for the industrial production index, the construction production index measures the development of value added in constant prices. Figure 3.2.3 shows the decline in both building and civil engineering activity at the beginning of the second half of the 1990s, and the subsequent increase in building output and more volatile development of civil engineering.

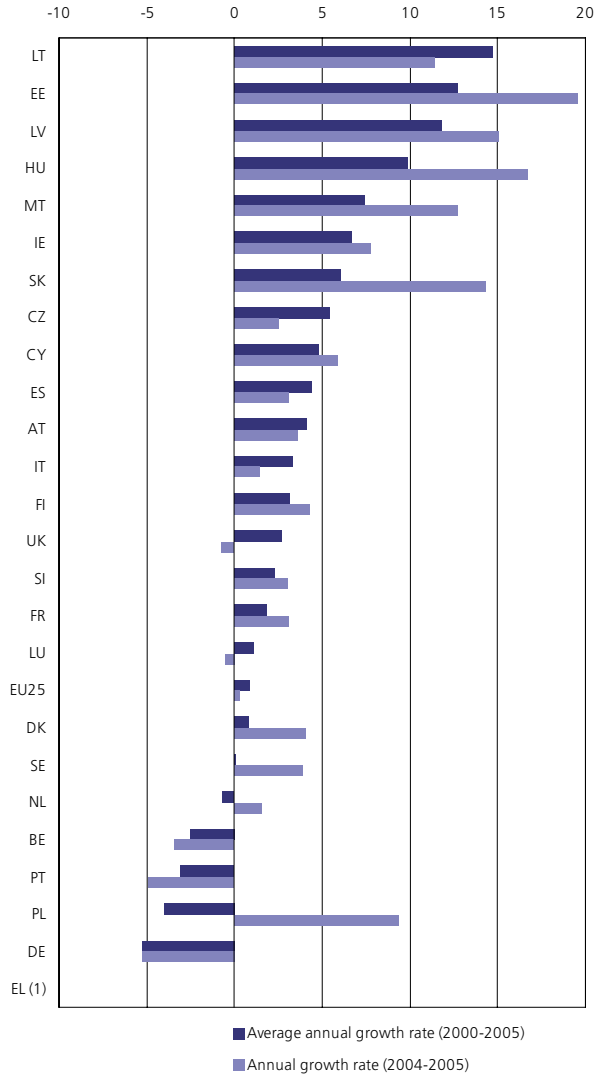
Figure 3.2.4 shows the average annual growth rate between 2000 and 2005 as well as the latest annual growth rate (2005 compared to 2004) for construction as a whole. The vast majority of the Member States that joined the EU in 2004 figure at the top end of this ranking of growth in construction activity over this period, with the three Baltic Member States leading this group: the growth rate in Slovenia was more modest, while Poland was the only one of the newer Member States to record a decline in construction activity over the period observed, although strong growth was recorded in 2005. Of the EU-15 Member States the strongest growth rates were recorded in Ireland, Spain and Austria, while Germany, Portugal Belgium and the Netherlands recorded a contraction in construction output between 2000 and 2005.

Figure 3.2.3: Evolution of production indices within construction, EU-25 (1995=100)



Source: Eurostat (STS)

Figure 3.2.4: Growth rates for the index of production for construction (% per annum)



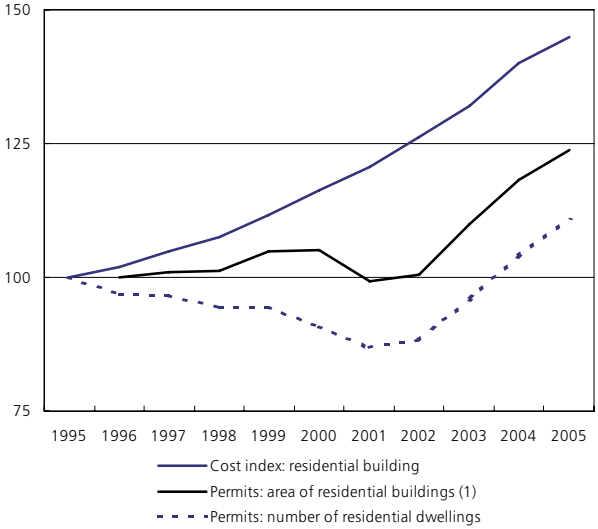
(1) Not available.
Source: Eurostat (STS)

COSTS AND DEMAND

The administrative formalities related to building vary considerably between Member States, but the vast majority have something close to an authorisation to start work on a building project. A building permit is the final stage of planning and building authorisation. It may be the case that some permits are not used or alternatively that there is a time lag between the permit being issued and the start of the project. However, an index based on permits issued gives some indication of the future workload for the building industry. Two indices of permits are compiled for residential buildings: one showing how many dwellings are foreseen in the permits, and the other the useful floor area (in m^2). A dwelling is defined as having a separate access to the street or to a common space within the building, and as such a block of flats has several dwellings.

As can be seen from Figure 3.2.5 the index based on the number of dwellings fell from 1995 through to 2001 since when it recovered rapidly to pass its 1995 level in 2004 and continued strong growth in 2005. The index based on the floor area did not decline through the second half of the 1990s, suggesting an increase in the average size of dwellings for which permits were issued, although the level of this index did fall in 2001 before displaying similar growth to the index based on the number of dwellings.

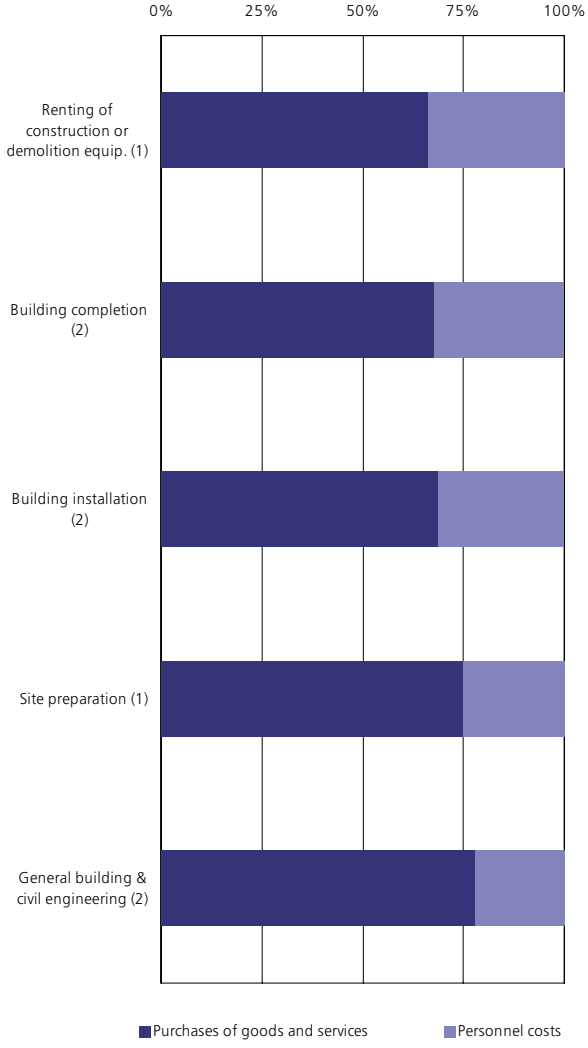
Figure 3.2.5: Evolution of costs and permits for residential buildings, EU-25 (1995=100)



(1) 1996=100.
Source: Eurostat (STS)

Figure 3.2.6 shows the relative importance of personnel costs and purchases of goods and services in the EU construction sector. The share of personnel costs in total operating costs ranged from 22% to 33% depending on the construction activity concerned. The share of purchases of goods and services was highest in the general building and civil engineering activity, reflecting the high expenditure on building materials.

Figure 3.2.6: Breakdown of total operating costs within construction, EU average, 2003 (%)



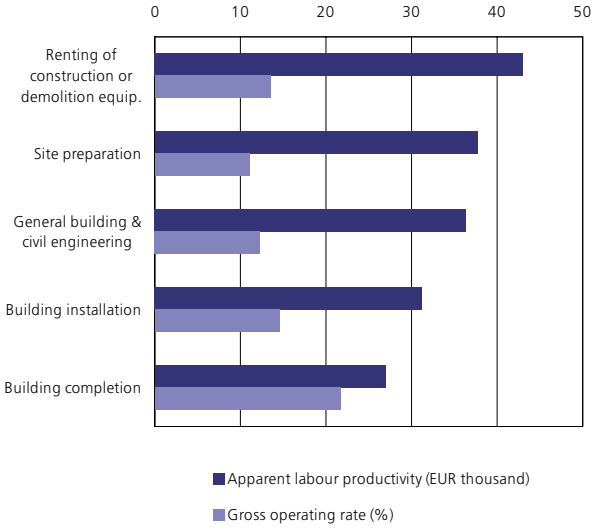
(1) Malta and Sweden, 2002; excluding Greece, Cyprus and the Netherlands.
(2) Malta and Sweden, 2002; excluding Greece.
Source: Eurostat (SBS)

PRODUCTIVITY AND PROFITABILITY

Figure 3.2.7 shows the apparent labour productivity and the gross operating rate in the EU construction sector. The first is calculated as value added per person employed, while the latter is calculated as gross operating surplus relative to turnover, where the gross operating surplus is value added minus personnel costs. The highest apparent labour productivity was recorded for the small activity of renting of construction or demolition equipment, reflecting the different nature of this activity where the main costs are capital costs of equipment.

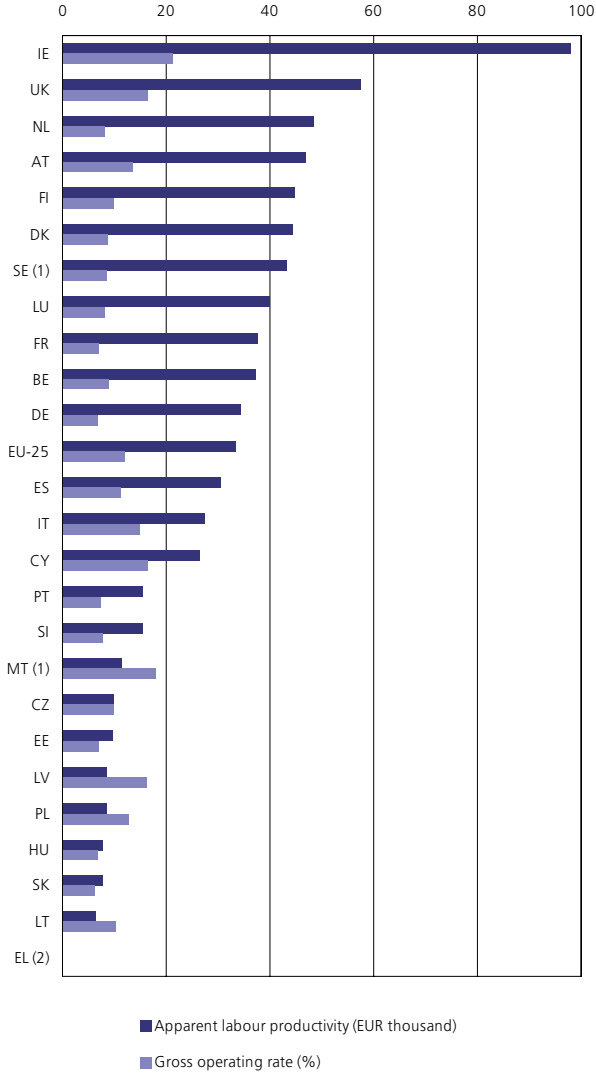
Figure 3.2.8 shows the same two indicators for the Member States. Unsurprisingly this shows higher apparent labour productivity among the EU-15 Member States, and lower values for the Member States that joined the EU in 2004: this is not specific to construction but is true for most activities. It should be noted that this measure of labour productivity is based simply on a head count of persons employed, and does not take into account differences in personnel costs: most of the Member States with lower levels of apparent labour productivity also recorded lower average personnel costs. This is reflected in the gross operating rates, which are much more even across the Member States. After Ireland (which had the highest values for both indicators) the Member States with the next highest gross operating rates in construction were Malta, the United Kingdom, Cyprus and Latvia, while the lowest rates were recorded in Slovakia, Hungary and Germany.

Figure 3.2.7: Apparent labour productivity and gross operating rate within construction, EU-25, 2003 (1)



(1) Partly including rounded EU estimates based on non-confidential data.
Source: Eurostat (SBS)

Figure 3.2.8: Apparent labour productivity and gross operating rate for construction, 2003



(1) 2002.
(2) Not available.
Source: Eurostat (SBS)

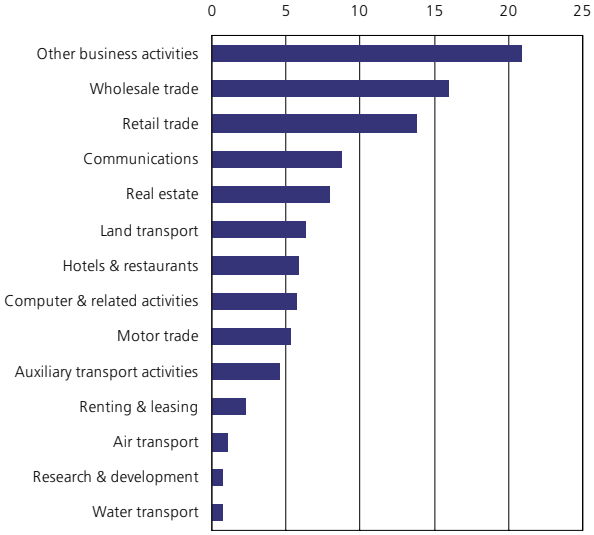
3.3. SERVICES

THE LARGEST ACTIVITIES IN VALUE ADDED TERMS

Figure 3.3.1 shows the relative importance of the 14 non-financial service activities at the NACE division level (financial services, Section J, is treated in a special focus section later in this subchapter). The three largest of these generated more than half of the EU non-financial service sector's value added in 2003: these were other business activities (such as labour recruitment and industrial cleaning), wholesale trade, and retail trade. The two smallest service activities at this level of analysis were research and development services and water transport.

Table 3.3.1 shows the three largest non-financial service divisions in value added terms for each Member State. In 23 of the 24 Member States with data available the wholesale trade sector was among the three largest, and was the largest in fifteen of these. The one Member State where wholesale trade did not figure in the top three was Malta where tourism related service activities occupied the top three places. Retail trade and other business activities also figured frequently in the top three rankings. Cyprus and Malta were the only Member States to record their largest service division in an activity other than wholesale trade or other business activities, and in both of these islands hotels and restaurants generated the largest value added.

Figure 3.3.1: Value added within non-financial services, EU-25, 2003
(% share of non-financial services value added) (1)



(1) Partly including rounded EU estimates based on non-confidential data.
Source: Eurostat (SBS)

Table 3.3.1: Three largest non-financial services NACE Divisions in terms of value added, 2003

	1st	2nd	3rd
EU-25 (1)	Other business act.	Wholesale trade	Retail trade
BE	Wholesale trade	Other business act.	Retail trade
CZ	Wholesale trade	Other business act.	Retail trade
DK	Wholesale trade	Real estate	Other business act.
DE	Other business act.	Wholesale trade	Retail trade
EE	Wholesale trade	Other business act.	Supp. transport act.
EL	:	:	:
ES	Wholesale trade	Other business act.	Wholesale trade
FR	Other business act.	Retail trade	Wholesale trade
IE (2)	Other business act.	Retail trade	Wholesale trade
IT	Other business act.	Wholesale trade	Retail trade
CY (3)	Hotels & restaurants	Retail trade	Wholesale trade
LV	Wholesale trade	Retail trade	Communications
LT (4)	Wholesale trade	Retail trade	Communications
LU (5)	Other business act.	Wholesale trade	Communications
HU	Wholesale trade	Other business act.	Communications
MT (6)	Hotels & restaurants	Supp. transport act.	Air transport
NL	Wholesale trade	Other business act.	Retail trade
AT	Wholesale trade	Other business act.	Retail trade
PL (7)	Wholesale trade	Retail trade	Communications
PT	Wholesale trade	Retail trade	Other business act.
SI	Wholesale trade	Other business act.	Retail trade
SK	Wholesale trade	Communications	Other business act.
FI	Wholesale trade	Other business act.	Retail trade
SE	Other business act.	Wholesale trade	Real estate
UK	Other business act.	Retail trade	Wholesale trade

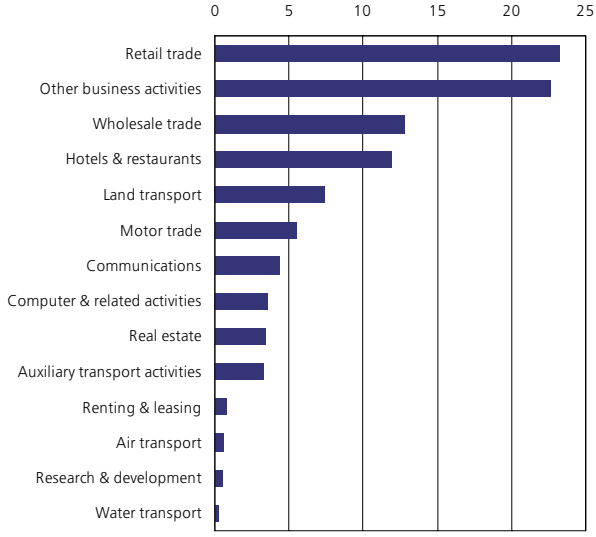
(1) Partly including rounded EU estimates based on non-confidential data.
(2) NACE Divisions 61, 62 and 63, not available.
(3) NACE Divisions 70 and 73, not available.
(4) NACE Division 60, not available.
(5) NACE Divisions 70 and 73, not available.
(6) 2002.
(7) NACE Divisions 61 and 62, not available.
Source: Eurostat (SBS)

THE LARGEST ACTIVITIES IN EMPLOYMENT TERMS

Figure 3.3.2 and Table 3.3.2 provide a similar analysis to that on the previous pages, except here they are based on employment rather than value added. The same three divisions dominated EU non-financial service employment as they did value added, but to an even greater extent; together they were responsible for close to three fifths of all non-financial service employment in 2003. This was in large part due to retail trade, whose share of non-financial service value added was 13.8%, while its share of employment was 23.2%. Hotels and restaurants also recorded a much higher share of employment than of value added. It should be noted that both retail trade and hotels and restaurants employ a large number of part- time workers which in part explains their high employment shares. Many other non-financial service divisions recorded a lower employment share than their value added share, in particular renting and leasing, water transport, real estate services, and communications.

The ranking of the largest sectors in the Member States were similar when based on value added. However, whereas retail trade was never the single largest non-financial service division in a Member State in value added terms, in just over half the Member States it had the largest employment of all non-financial service divisions. In eight of the Member States other business activities had the largest employment, and all of these were EU-15 Member States.

Figure 3.3.2: Employment within non-financial services, EU-25, 2003
(% share of non-financial services employment) (1)



(1) Partly including rounded EU estimates based on non-confidential data.
Source: Eurostat (SBS)

Table 3.3.2: Three largest non-financial services NACE Divisions in terms of employment, 2003

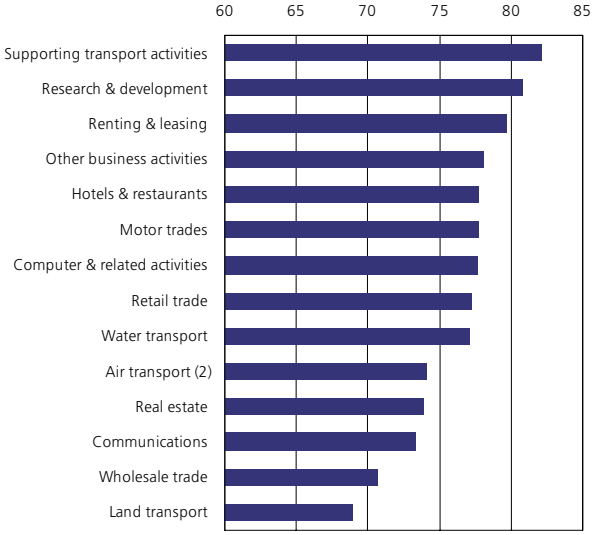
	1st	2nd	3rd
EU-25 (1)	Retail trade	Other business act.	Wholesale trade
BE	Other business act.	Retail trade	Wholesale trade
CZ	Retail trade	Other business act.	Wholesale trade
DK	Other business act.	Retail trade	Wholesale trade
DE	Other business act.	Retail trade	Wholesale trade
EE	Retail trade	Wholesale trade	Other business act.
EL	:	:	:
ES	Other business act.	Retail trade	Hotels & restaurants
FR	Other business act.	Retail trade	Wholesale trade
IE (2)	Retail trade	Hotels & restaurants	Other business act.
IT	Retail trade	Other business act.	Wholesale trade
CY (3)	Hotels & restaurants	Retail trade	Wholesale trade
LV	Retail trade	Wholesale trade	Land transport
LT (4)	Retail trade	Wholesale trade	Motor trades
LU (5)	Other business act.	Retail trade	Hotels & restaurants
HU	Retail trade	Other business act.	Land transport
MT (6)	Hotels & restaurants	Retail trade	Wholesale trade
NL (7)	Other business act.	Retail trade	Wholesale trade
AT	Retail trade	Other business act.	Hotels & restaurants
PL (7)	Retail trade	Wholesale trade	Other business act.
PT	Retail trade	Wholesale trade	Other business act.
SI	Retail trade	Other business act.	Wholesale trade
SK	Wholesale trade	Land transport	Retail trade
FI	Retail trade	Other business act.	Wholesale trade
SE	Other business act.	Retail trade	Wholesale trade
UK	Retail trade	Other business act.	Hotels & restaurants

(1) Partly including rounded EU estimates based on non-confidential data.
(2) NACE Divisions 61, 62 and 63, not available.
(3) NACE Divisions 70 and 73, not available.
(4) NACE Division 60, not available.
(5) NACE Divisions 70 and 73, not available.
(6) 2002.
(7) NACE Divisions 61 and 62, not available.
Source: Eurostat (SBS)

THE MOST CONCENTRATED/SPECIALISED ACTIVITIES

Figure 3.3.3 shows the extent to which particular non-financial service divisions within the EU are dominated by just a few Member States based on an analysis of the share of EU value added accounted for by the five largest Member States in each activity. The three non-financial service divisions with the greatest geographical concentration of value added in the EU were auxiliary transport services, research and development services, and renting, all three relatively small activities. In most non-financial service divisions the United Kingdom, Germany, France, Italy and Spain were the five largest Member States, although in research and development services, renting, water and air transport the Netherlands figured in the top five. Land transport and wholesale trade were the least concentrated in the five largest Member States of the non-financial service divisions.

Figure 3.3.3: Cumulative share of the five largest Member States in value added, 2003 (% of EU-25 value added) (1)



(1) Partly including rounded EU estimates based on non-confidential data.
(2) Ireland and Poland, not available.
Source: Eurostat (SBS)

Table 3.3.3 shows for each Member State in which non-financial service divisions they are the most specialised, relative to the EU as a whole, based on the value added share in the non-financial service sector of the different NACE divisions . Of the 23 Member States with data available, 17 recorded a transport service division as the one in which they were most specialised relative to the EU as a whole, most frequently land or water transport. Note that several Member States have negligible sea transport as they are landlocked, so increasing the chances that other Member States appear specialised in water transport; furthermore some islands, such as Cyprus, rely heavily on sea transport for imports and exports. None of the Member States were most specialised in any of the three largest non-financial service divisions (retail and wholesale trade and other business activities) which in some cases are proximity services that are required in all Member States and can not be easily traded, notably retail trade.

Table 3.3.3: Three highest value added specialisation ratios (relative to EU-25) within non-financial services for NACE Divisions, 2003

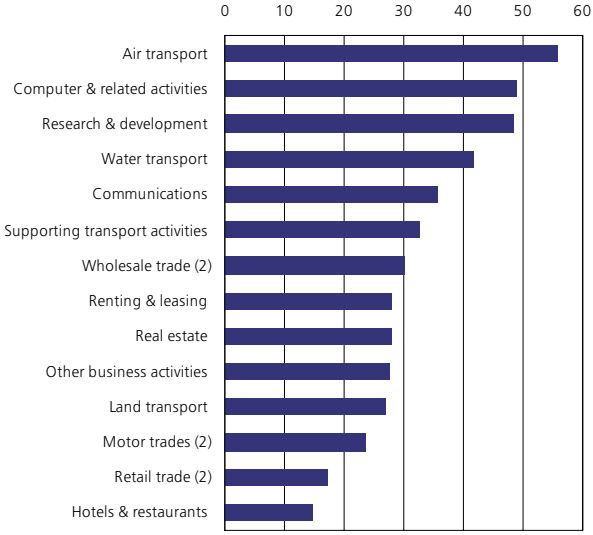
	1st	2nd	3rd
BE	Land transport	Wholesale trade	Renting & leasing
CZ	Land transport	Communications	Wholesale trade
DK	Water transport	Real estate	Air transport
DE	Supp. transport act.	Water transport	Real estate
EE	Supp. transport act.	Water transport	Land transport
EL	:	:	:
ES	Hotels & restaurants	Real estate	Land transport
FR	Renting & leasing	Land transport	Retail trade
IE (1)	Communications	Hotels & restaurants	Computer & rel. act.
IT	Water transport	Hotels & restaurants	Land transport
CY	Water transport	Hotels & restaurants	Air transport
LV	Supp. transport act.	Land transport	Wholesale trade
LT (2)	Water transport	Land transport	Communications
LU (3)	Air transport	Land transport	Communications
HU	Land transport	Communications	Wholesale trade
MT (2)	Air transport	Supp. transport act.	Hotels & restaurants
NL	Water transport	Air transport	Research & dev.
AT	Land transport	Hotels & restaurants	Renting & leasing
PL (4)	Land transport	Communications	Wholesale trade
PT	Air transport	Wholesale trade	Hotels & restaurants
SI	Motor trades	Land transport	Wholesale trade
SK	Communications	Land transport	Wholesale trade
FI	Water transport	Land transport	Air transport
SE	Real estate	Water transport	Computer & rel. act.
UK	Air transport	Computer & rel. act.	Other business act.

(1) NACE Divisions 61, 62 and 63, not available. (2) 2002. (3) NACE Divisions 70 and 73, not available. (4) NACE Divisions 61 and 62, not available.
Source: Eurostat (SBS)

Average personnel costs vary greatly between service activities, and this is very clear from Figure 3.3.4. Two activities with very high part-time employment appear at the bottom of the ranking, namely hotels and restaurants and retail trade, and this high part-time employment explains in part the low average personnel costs which are calculated on a per head basis. Within distributive trades the highest average personnel costs were within wholesale trade, while among the transport services land transport had clearly the lowest average personnel costs.

Total operating costs consists of personnel costs and purchases of goods and services, the latter including expenditure on raw materials, goods and services purchased for resale, consumables (such as energy), and services. The relative importance of personnel costs compared to purchases is shown in Figure 3.3.5 for each of the non-financial service divisions. The share of personnel costs in total operating costs ranged from 7% to 42% depending on the non-financial service division. All three of the distributive trades divisions recorded relatively low share of personnel costs, reflecting the importance of purchases of goods for resale in all of these activities. In contrast, research and development services, computer and related activities, and other business activities all recorded high shares for personnel costs, all

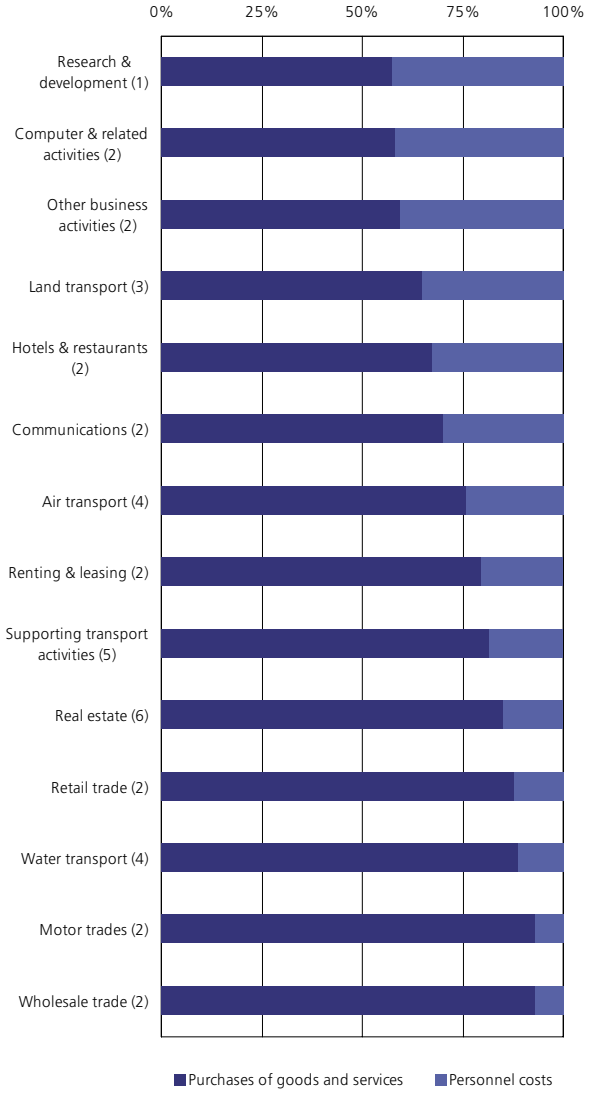
Figure 3.3.4: Average personnel costs within non-financial services, EU-25, 2003 (EUR thousand) (1)



(1) Partly including rounded EU estimates based on non-confidential data.
(2) 2002.
Source: Eurostat (SBS)

in excess of 40%. The share of personnel costs in total operating costs was quite varied between the transport services, with the highest share recorded for land transport despite this having the lowest average personnel costs.

Figure 3.3.5: Breakdown of total operating costs within non-financial services, EU average, 2003 (%)

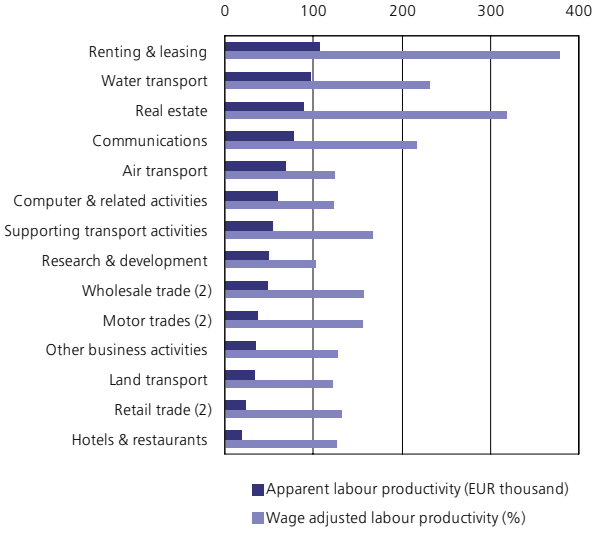


(1) Luxembourg and Malta, 2002; excluding Greece.
(2) Malta, 2002; excluding Greece.
(3) Lithuania and Malta, 2002; excluding Greece.
(4) Malta, 2002; excluding Greece, Ireland and Poland.
(5) Malta, 2002; excluding Greece and Ireland.
(6) Luxembourg and Malta, 2002; excluding Greece and Cyprus.
Source: Eurostat (SBS)

APPARENT LABOUR PRODUCTIVITY

Figure 3.3.6 shows that the highest apparent labour productivity (calculated as value added per person employed) among the non-financial services divisions was recorded for renting, an activity where capital expenditure is normally high and labour plays a relatively small role. As for the average personnel costs per employee, apparent labour productivity was lowest in the activities of hotels and restaurants, and retail trade. Again this is affected by the use of a head count for employment. The wage adjusted labour productivity index is also shown in Figure 3.3.6 and this compensates for this issue by measuring labour input not in terms of the number of persons employed but by personnel costs. As with the equivalent analysis for the industrial sector, the same three divisions were the highest in the ranking according to both of these productivity measures. Equally the difference between the divisions was smaller for wage adjusted labour productivity than for apparent labour productivity, as was the case in industry. The lowest wage adjusted labour productivity was recorded in research and development services, which had one of the highest average personnel costs. Relatively low levels of wage adjusted labour productivity were also recorded for land and air transport, and computer and related activities.

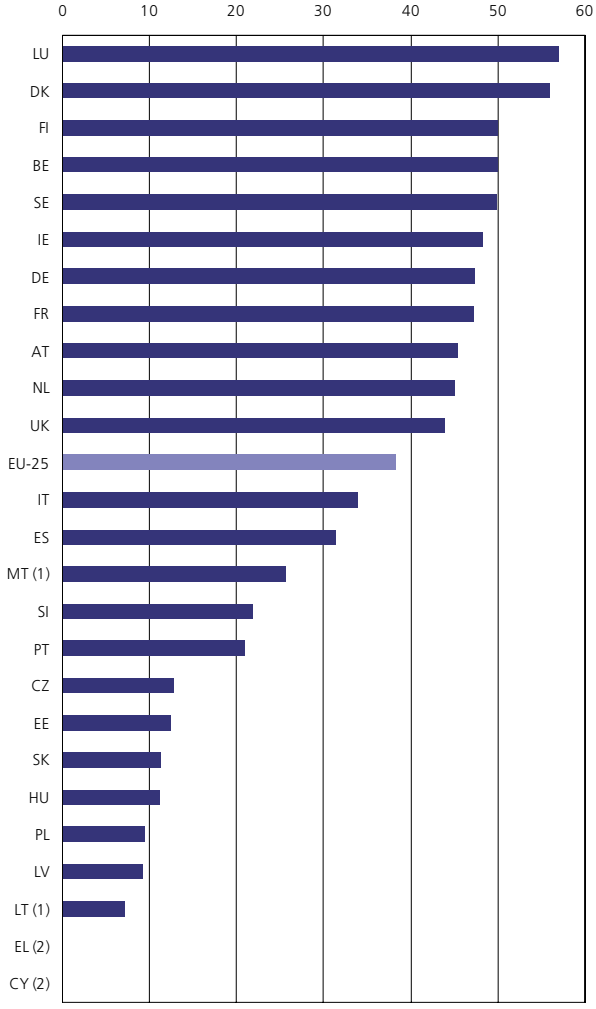
Figure 3.3.6: Apparent labour productivity and wage adjusted labour productivity within non-financial services, EU-25, 2003 (1)



(1) Partly including rounded EU estimates based on non-confidential data.
(2) Wage adjusted labour productivity, 2002.
Source: Eurostat (SBS)

Figure 3.3.7 compares the apparent labour productivity between Member States for the non-financial service sector as a whole. As for the equivalent analysis in industry, there is a split between EU-15 Member States whose apparent labour productivity was generally above EUR 30 thousand per person (except for Portugal) and the Member States that joined the EU in 2004 below this level. Again, this reflects to some extent the differences in average personnel costs between Member States.

Figure 3.3.7: Apparent labour productivity for non-financial services, 2003 (EUR thousand)

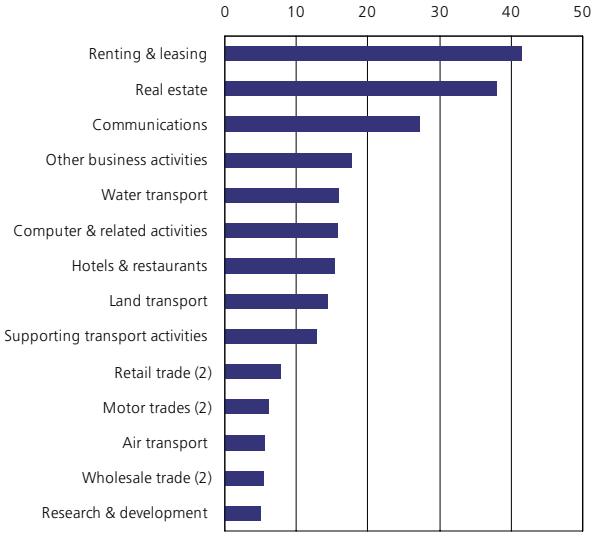


(1) 2002.
(2) Not available.
Source: Eurostat (SBS)

PROFITABILITY

A comparison of the gross operating rate between activities and between Member States is done in Figures 3.3.8 and 3.3.9. This indicator of profitability relates the gross operating surplus to turnover, where the gross operating surplus is value added minus personnel costs. Activities and countries specialised in trading activities that buy and resell with little added value have a relatively high turnover, and this will lead to a lower gross operating rate - this can clearly be seen from the position of all three types of distributive trades towards the bottom of the ranking for the EU in 2003 in Figure 3.3.8. Equally, activities with high personnel costs relative to value added are more likely to have a low gross operating surplus, and this can be seen for air transport and research and development services which both recorded high average personnel costs and both figure near the bottom of this ranking of the gross operating rate. Renting, real estate, and communications recorded the highest gross operating rates, reflecting their quite high apparent labour productivity, and generally moderate average personnel costs.

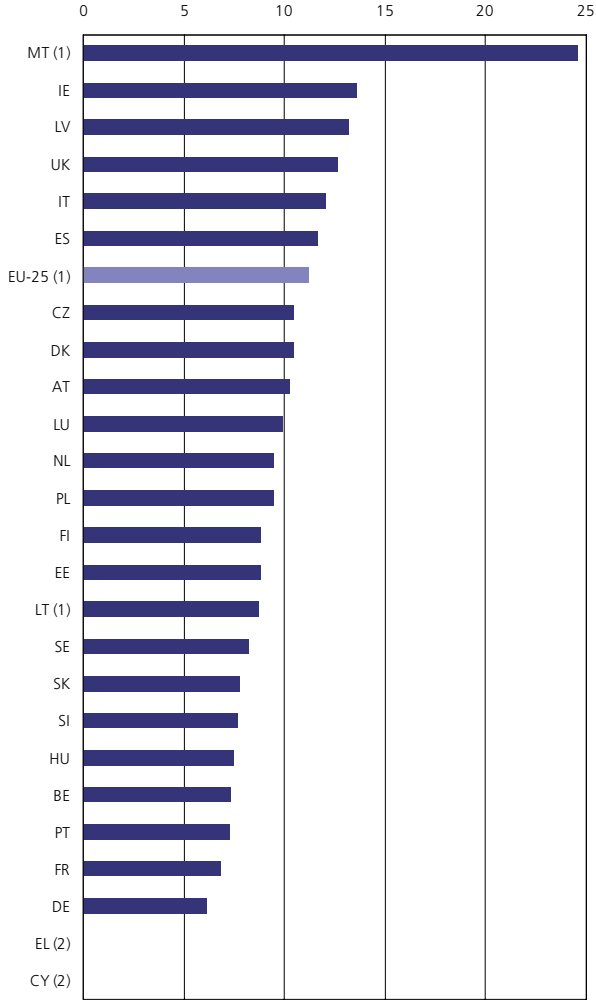
Figure 3.3.8: Gross operating rate within non-financial services, EU-25, 2003 (%) (1)



(1) Partly including rounded EU estimates based on non-confidential data.
(2) 2002.
Source: Eurostat (SBS)

The analysis in Figure 3.3.9 indicates a relatively small variation in the level of operating profitability in the service sectors among the Member States according to this measure, with Malta a clear exception. As for the similar comparison for the industrial sector, among the EU-15 Member States the United Kingdom figured near the top of this ranking, while France and Germany were near the bottom. Equally, among the Member States that joined the EU in 2004 Malta, Latvia and the Czech Republic figured near the top of the ranking.

Figure 3.3.9: Gross operating rate for non-financial services, 2003 (%)



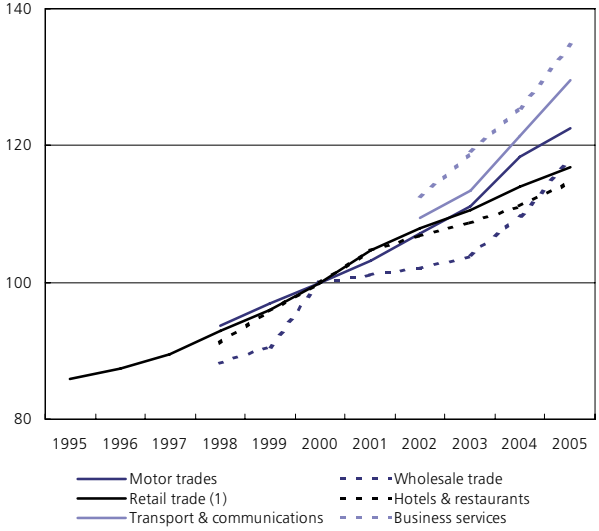
(1) 2002.
(2) Not available.
Source: Eurostat (SBS)

EVOLUTION OF TURNOVER

As can be seen in Figure 3.3.10 all of the services shown have seen growth in the turnover generated over the period presented, according to the turnover index. The turnover index is the main measure of output used for short-term statistics in services. Unlike the production index used in industry and construction the turnover index is a value index, and hence changes represent price changes as well as real volume changes.

Table 3.3.4 shows turnover growth rates for the same services, for each Member State. These are shown as average annual growth rates for the five years from 2000 to 2005. The three Baltic Member States recorded high average annual growth rates in all of the service activities shown, while Malta recorded a particularly high growth rate for motor trades, which contrasted with the negative rates of change in retail trade and in business services (computer and related activities, and other business activities: NACE Divisions 72 and 74). The German and the Slovakian hotels and restaurants sectors were the only others to record negative rates of change over the period observed, for the sectors and countries with data available.

Figure 3.3.10: Evolution of the index of turnover for selected non-financial services, EU-25 (2000=100)



(1) Working day adjusted.
Source: Eurostat (STS)

Table 3.3.4: Average annual growth rate of the index of turnover for selected non-financial services, 2000-2005 (% per annum)

	Motor trades	Wholesale trade	Retail trade (1)	Hotels & restaurants	Transport & communications	Business services
EU-25	4.1	3.3	3.2	2.8	:	:
BE	3.2	8.3	2.2	3.8	5.3	11.6
CZ	6.1	6.9	3.4	2.9	5.8	4.6
DK	:	:	5.3	:	:	:
DE	:	1.0	0.7	-1.9	:	:
EE	18.9	14.3	14.7	16.9	12.4	12.0
EL	:	:	7.5	:	:	:
ES	:	:	5.7	:	:	:
FR	4.4	2.5	4.1	3.2	4.6	5.7
IE	0.7	6.0	:	0.6	5.3	:
IT	:	1.8	1.4	:	:	:
CY	7.8	6.8	5.6	0.3	6.1	8.6
LV	27.8	19.8	16.2	:	14.8	19.9
LT	17.2	15.6	9.0	16.1	13.5	20.7
LU	9.6	7.6	4.5	2.0	5.6	5.8
HU	:	:	10.5	:	:	:
MT	29.4	3.1	-0.3	3.5	0.4	-4.6
NL	:	:	0.8	1.4	:	:
AT	0.9	2.1	1.4	:	:	:
PL	5.5	7.7	4.6	4.4	:	6.5
PT	0.1	1.2	2.4	0.5	3.7	0.8
SI	10.9	11.4	11.4	8.7	:	:
SK	12.0	1.7	6.8	-1.6	9.3	:
FI	6.7	3.9	4.8	2.8	4.6	6.3
SE	4.7	2.8	4.5	2.7	2.9	3.7
UK	4.4	4.3	3.7	5.4	5.3	6.5

(1) EU-25, working-day adjusted.
Source: Eurostat (STS)

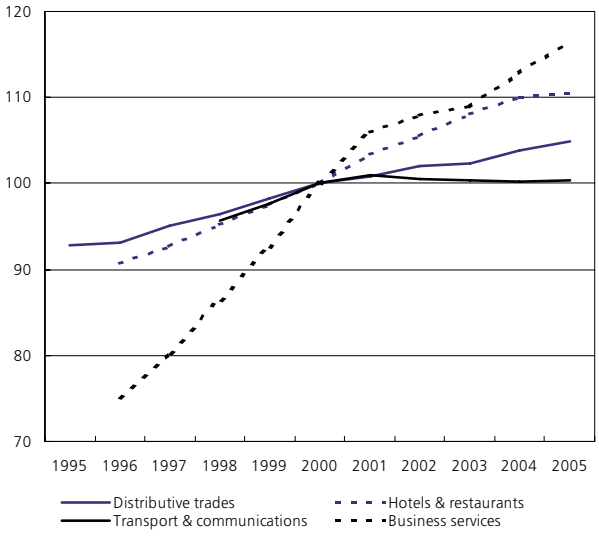
EVOLUTION OF EMPLOYMENT

Figure 3.3.11 shows the development in employment during the 10 years to 2005, based on the employment index. At this aggregated level all of the service activities recorded a growth in employment, most notably in business services. Employment growth was slower from 2001 than in the earlier period, except for hotels and restaurants.

The employment index is based on the total number of persons who work in the observation unit including paid employees, working proprietors or partners, and unpaid family workers. Part-time workers are included, which can be particularly important in some services for example retail trade, and hotels and restaurants. Unlike the turnover index on the previous pages the employment index is not affected by price changes.

Table 3.3.5 shows employment growth rates for the same services as in Figure 3.3.11. These are shown as average annual growth rates (AAGR) for the five years from 2000 to 2005 and the latest annual growth rate, namely 2005 compared to 2004. As already noted, the EU recorded strong growth in business services, and this was particularly clear in the Baltic Member States and Hungary all of whom recorded strong employment growth in all of the service sectors except transport and communications. In contrast, over the five year period studied Luxembourg recorded an AAGR of 14.2% in transport and communication services, far ahead of any other Member State for which data are available.

Figure 3.3.11: Evolution of the index of employment for selected non-financial services, EU-25 (2000=100)



Source: Eurostat (STS)

Table 3.3.5: Average annual growth rate of the index of employment for selected non-financial services, 2000-2005 (% per annum)

	Distributive trades	Hotels & restaurants	Transport & communications	Business services
EU-25	1.0	2.0	0.1	3.1
BE	:	:	:	:
CZ	:	:	:	:
DK	0.2	1.8	-0.8	2.7
DE	-1.0	-0.9		
EE	4.8	6.6	-1.3	12.9
EL	:	:	:	:
ES	:	:	:	:
FR	1.1	2.3	0.4	1.7
IE	2.8	0.9	2.2	3.6
IT	:	:	:	:
CY	1.1	-0.1	1.0	3.8
LV	5.3	8.2	2.0	11.4
LT	6.2	11.1	0.8	10.8
LU	2.2	3.3	14.2	:
HU	3.6	:	-0.4	8.6
MT	0.2	0.9	2.1	0.7
NL	-0.4	-0.3	-0.9	-0.1
AT	0.3	1.4	-0.7	4.2
PL	-0.5	-0.2	-2.3	4.4
PT	-0.4	-0.7	-2.1	2.4
SI	0.0	0.3	0.6	5.3
SK	-3.4	-5.4	-3.6	4.0
FI	1.7	0.3	0.0	3.1
SE	0.2	0.1	-0.2	0.8
UK	0.9	1.9	0.6	2.0

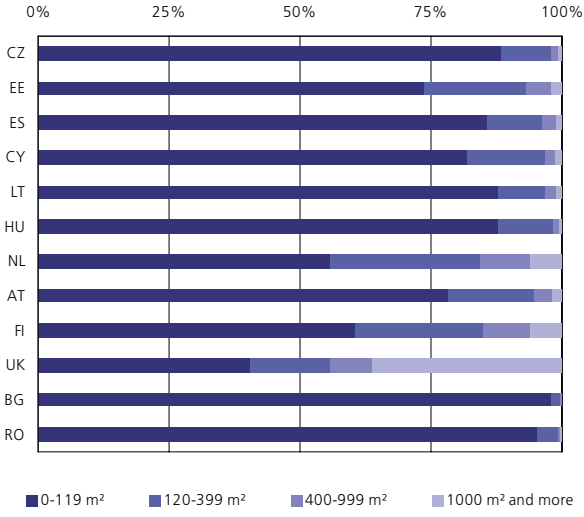
Source: Eurostat (STS)

FOCUS ON DISTRIBUTIVE TRADES

Distributive trades (NACE Section G) accounted for between 15% and 25% of non-financial business economy value added in each of the Member States in 2003. However, it is in terms of providing employment opportunities that distributive trade really comes into its own: depending on the country studied, distribution accounted for between 17% and 29% of the non-financial business economy's workforce in 2003, offering jobs to many persons seeking flexible work. Distribution also provides employment for workers with limited skills and qualifications, although requirements for technical skills has risen as the use of computerised stock management and new communications technologies has increased. In this section, a selection of the detailed activity specific information available for the distributive trades sector is presented. Apart from the standard business statistics presented in the main body of this publication, a lot of specific information is available, often on a multi-yearly basis.

Within retail trade, the number of new shopping formats has increased considerably over the last couple of decades. The result is manifest in the development of strategies such as out-of-town shopping centres, discount food stores, mail-order sales, franchises, and e-commerce. Figure 3.3.12 provides a breakdown of the number of stores, classified according to their sales space. The situation in the United Kingdom stands out from the other countries due to the large proportion of very large stores, with at least 1 000 m² of sales space. The Netherlands and Finland also reported a relatively large proportion of medium-sized retail stores.

Figure 3.3.12: Number of retail stores by sales space, 2002 (%)



Source: Eurostat (SBS)

This can be contrasted with the situation in Bulgaria and Romania where over 95% of stores had a sales area of less than 120 m² - the equivalent percentage for the United Kingdom was 41%.

Table 3.3.6 shows the turnover broken-down by type of products sold in retail and wholesale trade, in each case showing just a selection of products.

Table 3.3.6: Breakdown of turnover by product (selected CPA codes)

Share of wholesale trade services of household goods, 2003 (%)

	Textiles	Clothing & footwear	Electrical household appliances & radio & television goods	China & glassware, wallpaper & cleaning materials	Perfume & cosmetics	Pharmaceutical goods	Other household goods
BE	4.4	10.5	26.7	2.9	3.2	29.2	23.2
CZ	6.2	5.1	21.9	7.6	9.4	28.1	21.8
DK	2.8	19.5	16.9	3.4	4.6	29.4	23.4
EE	4.1	8.1	19.2	4.4	6.8	21.2	36.2
ES	6.2	14.4	15.6	3.4	7.2	33.5	19.7
FR	2.9	10.6	12.0	4.7	6.1	33.4	30.2
CY	5.0	7.4	14.8	13.0	13.4	20.1	26.2
LV	1.6	6.1	25.1	8.4	10.5	30.8	17.5
AT	4.2	6.8	16.8	4.3	5.1	33.9	29.0
PT	4.8	6.0	18.6	4.3	6.8	38.8	20.5
SK	4.0	4.3	14.3	20.4	0.0	44.7	12.4
FI	5.6	8.2	22.8	3.8	11.2	27.0	21.3
SE	5.1	10.3	22.5	2.5	1.9	24.9	32.8
BG	4.1	7.8	22.9	5.3	7.9	32.3	19.7
RO	4.1	4.6	11.1	3.0	8.1	20.9	48.2
NO	2.4	12.3	20.0	4.9	10.1	26.2	24.0

Share of retail trade services of food, beverages and tobacco, 2002 (%)

	Fruit & vegetables	Meat (including poultry) & meat products	Fish, crustaceans & molluscs	Bread, cakes, flour confectionery & sugar confectionery	Alcoholic & other beverages	Tobacco products	Other food
DK	9.7	20.9	1.3	14.1	18.0	7.1	28.9
EE	6.4	14.7	3.3	8.2	26.8	9.5	31.1
ES	10.2	17.0	7.1	8.9	11.6	13.9	31.4
CY (1)	16.1	17.7	4.1	12.3	17.9	14.6	17.2
LT	5.9	14.3	6.1	16.0	29.0	4.7	24.0
HU	7.3	20.3	0.3	15.6	17.3	7.0	32.1
MT (1)	12.7	24.6	6.9	26.6	5.8	13.2	10.3
AT	10.8	17.1	1.4	15.7	14.6	16.4	24.0
PT	7.0	31.3	10.0	3.3	10.2	2.5	35.7
SK (1)	9.5	24.7	2.2	20.1	23.2	10.5	9.9
FI	8.0	13.9	2.4	12.1	20.9	4.2	38.5
SE	13.7	13.9	5.0	21.2	21.5	5.9	18.8
BG	5.2	18.4	2.6	19.1	15.3	11.8	27.5

(1) Retail trade in specialised stores only.
Source: Eurostat (SBS)

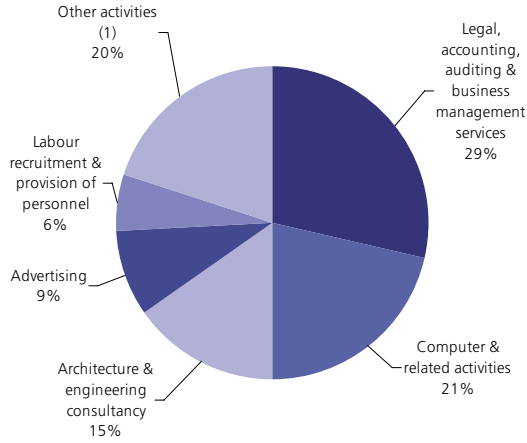
FOCUS ON BUSINESS SERVICES: OVERVIEW

Business services (NACE Divisions 72 and 74) are services that are usually (but not always) provided to other businesses - examples include software development, auditing of accounts, preparation of building plans by an architect, or cleaning. Some of these services are also performed in-house. The trend to outsource more and more such activities has led to an increase in the demand for business services. The considerable political interest in business services, often seen as a driver of the knowledge-based economy, has been triggered by the sector's high growth rates and its complex relationship with clients elsewhere in the economy. Moreover, its labour-intensive nature has also attracted interest as a potential provider of new jobs in the future.

Figure 3.3.14 shows that in 2004, business services contributed 15.5% of employment in the non-financial business economy in the EU, and generated 7.7% of the turnover. Equally, these services contributed a much greater share of employment than turnover in all countries. The contribution to employment was larger in the EU-15 Member States than in most of the Member States that joined the EU in 2004 and in the Accession countries. Nevertheless in turnover terms business services generated between 5% and 8% of the non-financial service total in Slovenia, Hungary and the Czech Republic, a level comparable with many of the EU-15 Member States.

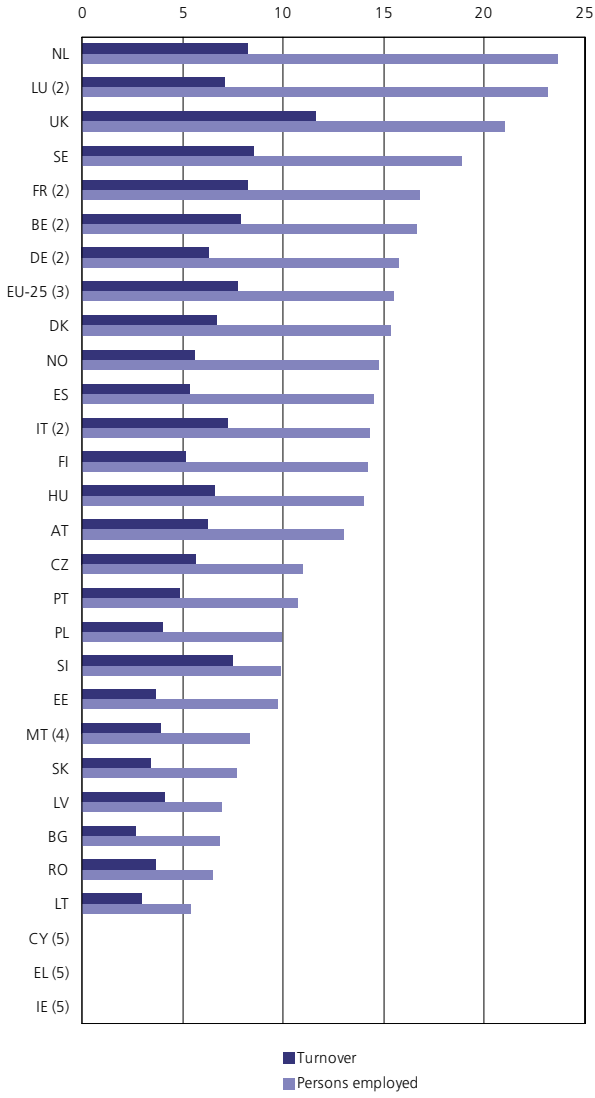
Figure 3.3.13 shows the relative importance of the different types of business services. A further breakdown of the turnover generated by computer services and advertising into types of services provided is shown on the next page.

Figure 3.3.13: Turnover within business services (NACE Divisions 72 and 74), EU-25, 2003 (% share of turnover)



(1) Investigation and security services; industrial cleaning; miscellaneous business activities n.e.c..
Source: Eurostat (SBS)

Figure 3.3.14: Share of business services (NACE Divisions 72 and 74) in the non-financial business economy, 2004 (%) (1)



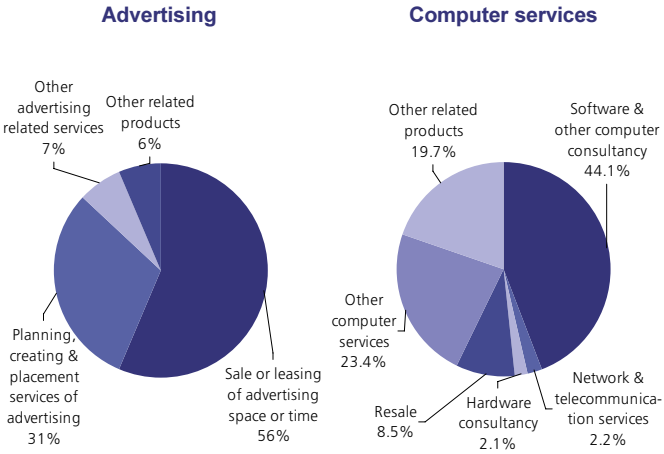
(1) Preliminary results.
(2) 2003.
(3) Persons employed, 2003; turnover, 2002.
(4) 2002.
(5) Not available.
Source: Eurostat (SBS)

FOCUS ON BUSINESS SERVICES: TYPES OF SERVICE AND EXPORTS

This section presents a selection of the latest results from a development project on business services - the aim of which is to gather more detailed information on the type of services provided, the type of client, and the location of the clients.

A breakdown of the turnover of the advertising sector into type of service is provided in Figure 3.3.15. The sale or leasing of advertising space or time generated more than half (56%) of turnover on average among the countries with data available. Most of the rest was generated from advertising planning, creating and placement services. It should be noted that the turnover includes the value of the advertising space or time that has been purchased and resold.

Figure 3.3.15: Turnover generated by selected business service sectors, breakdown by type of service, 2003 (%) (1)

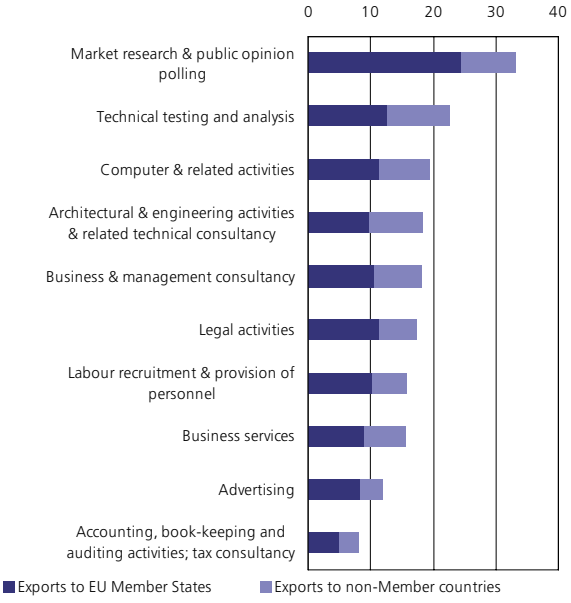


(1) Average for Denmark, Estonia, Greece, Spain, Latvia, Luxembourg, Poland, Slovenia, Sweden, the United Kingdom and Romania.
Source: Eurostat (SBS)

Figure 3.3.15 also shows a similar analysis for computer services. Software and other computer consultancy services generated by far the largest share of turnover among the countries covered, followed by other computer services which covers computer facilities and data processing, database services, system maintenance and the servicing and repair of hardware.

An analysis based on the location of clients gives information on the exports of business services: to residents in other Member States or outside of the EU. Figure 3.3.16 shows the size of the exports of business services in relation to the total turnover generated based on a simple non-weighted average for the countries with the data available. Market research and public opinion polling enterprises had clearly the largest non-resident market, with one-third of turnover billed to non-residents. In contrast enterprises providing professional services such as legal, accountancy and bookkeeping services were the most concentrated on national clients.

Figure 3.3.16: Exports of business services as a share of turnover, 2003 (%) (1)

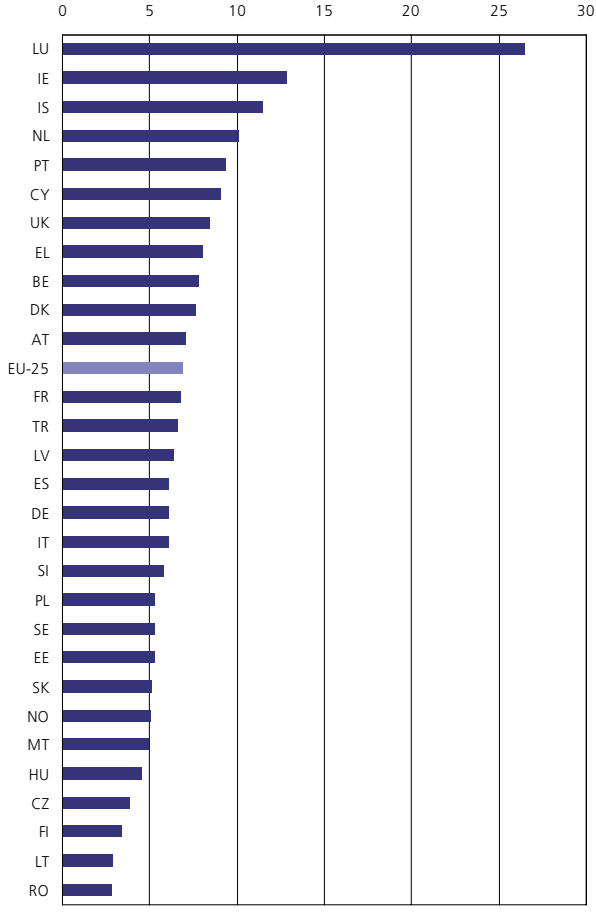


(1) Simple averages, based on data from between 8 and 11 of the following countries: Denmark, Estonia, Greece, Spain, Latvia, Luxembourg, Poland, Slovenia, Sweden, the United Kingdom and Romania.
Source: Eurostat (SBS)

FOCUS ON FINANCIAL SERVICES

The financial services' sector encompasses financial intermediation, insurance and pension funding services, as well as activities providing financial auxiliary services, such as the administration of financial markets, security brokering, fund management and the various activities of brokers and agents for financial products. Financial services provide instruments to both businesses and consumers in the form of products that are essentially savings or loans, or products to transfer and pool risk. Figure 3.3.17 shows the contribution of this sector to the business economy (NACE Sections C to K) in each of the Member States. This contribution is very high in Luxembourg and contrasted with the relatively low contribution in most of the Member States that joined the EU in 2004, Cyprus being the main exception.

Figure 3.3.17: Share of financial services value added in the business economy, 2004 (%)



Source: Eurostat (National accounts)

Table 3.3.7 provides a few key indicators for credit institutions and autonomous pension funds. The number of local units and the number of ATMs give an idea of access to the banking network. The information on pension funds concerns only autonomous pension funds, and therefore excludes pension funds which are not established separately from the sponsoring undertaking or trade (in other words the non-autonomous pension funds or the book reserve system normally managed as an ancillary activity by an employer).

Table 3.3.7: Selected key indicators for financial services

	Credit institutions			Autonomous pension funds, 2002	
	Year	Number of local units	Number of automatic teller machines	Number of active members	Pension contributions receivable from members (EUR million)
BE	2004	3 528	7 237	272	109
CZ	2004	1 128	2 393	2 570 090	410
DK	2004	2 126	2 943	9 830	13
DE (1)	2004	47 607	52 595	:	:
EE	2003	212	747	37 055	2
EL	2004	3 263	5 787	:	:
ES	2002	39 009	51 765	6 495 144	4 787
FR	2004	26 152	25 667	:	:
IE	:	:	:	:	:
IT	2002	29 947	36 292	1 936 995	1 198
CY (2)	2004	500	405	:	:
LV (3)	2003	375	868	20 064	0
LT (3)	2003	431	994	:	:
LU (4)	2004	500	379	:	:
HU	2004	2 939	3 296	3 184 365	582
NL (2, 5)	2004	4 100	7 889	5 755 000	3 644
AT (6)	2004	5 159	2 496	349	86
PL	2003	12 336	7 585	49 298	1
PT (7)	2002	5 546	11 117	282 026	:
SI (3)	2003	652	1 272	:	0
SK	:	:	:	:	:
FI	2004	1 823	3 470	70 998	2
SE (8, 9)	2002	2 240	2 647	427 119	:
UK	2002	15 036	31 073	:	8 250
BG	2004	2 445	4 199	:	:
RO	2004	2 900	3 406	:	:
IS	2002	186	233	166 589	176
NO (10)	2004	1 167	:	188 930	37
CH (5)	2004	2 288	5 388	3 325 000	8 112

(1) Credit institutions, provisional. (2) Credit institutions: number of local units, provisional. (3) Credit institutions, NACE Class 65.12 only. (4) Credit institutions, NACE Class 65.22 only. (5) Autonomous pension funds, provisional. (6) Autonomous pension funds, estimate. (7) Credit institutions: number of ATMs, provisional. (8) Credit institutions, licensed banks only. (9) Autonomous pension funds, 2001. (10) Credit institutions, mortgage and finance companies only.
Source: Eurostat (SBS)

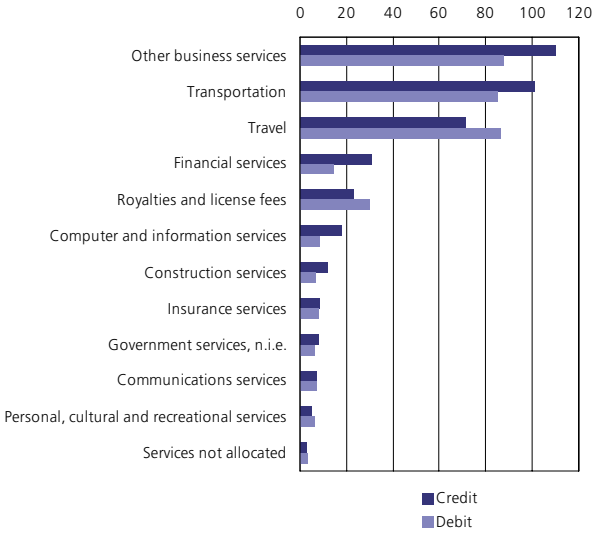
EXTERNAL TRADE OF SERVICES

Balance of payment (BOP) statistics record all cross-border currency flows, including the movement of capital. The data presented in Figure 3.3.18 show the credit and debit (export and import) of the current account of services. Overall the EU recorded a positive net balance in most services in 2005, with other business services, transportation, financial services, computer and information services and construction services all contributing strongly to this. The largest negative net balance among the selected services shown were recorded for travel, and for royalties and licence fees.

As for external trade in industrial goods the figures for the EU concern extra-EU credits and debits, while data for the Member States concern exchanges with all countries of the world.

From Table 3.3.8 it can be seen that a number of southern European Member States with large tourism markets recorded large positive net balances in services, relative to their size, for example Cyprus, Greece, Malta, Portugal and Spain. The Baltic States and Luxembourg also recorded large positive net balances in services. Only a few Member States recorded a negative net balance in services, namely Germany, Ireland and Finland. Combining exports and imports the United Kingdom was the largest international trader in services in the EU.

Figure 3.3.18: International trade in services, EU-25, 2005 (EUR billion, ranked on credits)



Source: Eurostat (Balance of payments)

Note that the range of services included here is broader than that covered by most of the other statistics presented in this subchapter, most notably because of the inclusion of construction (covered by the previous subchapter), Government services and some parts of personal, cultural and recreational services (not covered in this publication).

Table 3.3.8: International trade in services, 2005

	Credits (EUR million)	% share in sum of EU credits	Debits (EUR million)	% share in sum of EU debits	Net balance (EUR million)	Cover ratio (credits/ debits)
EU-25	396 864	~	349 106	~	47 758	1.1
BE	44 309	4.8	41 051	4.9	3 258	1.1
CZ	8 664	0.9	8 014	0.9	650	1.1
DK	33 681	3.7	30 226	3.6	3 455	1.1
DE	124 782	13.6	163 770	19.4	-38 988	0.8
EE	2 538	0.3	1 735	0.2	803	1.5
EL	27 559	3.0	11 859	1.4	15 700	2.3
ES	75 411	8.2	52 775	6.2	22 636	1.4
FR	92 554	10.1	84 230	10.0	8 324	1.1
IE	43 305	4.7	53 273	6.3	-9 968	0.8
IT	75 580	8.2	75 049	8.9	531	1.0
CY	5 232	0.6	2 181	0.3	3 051	2.4
LV	1 757	0.2	1 268	0.1	489	1.4
LT	2 503	0.3	1 654	0.2	849	1.5
LU	32 339	3.5	19 987	2.4	12 352	1.6
HU	9 928	1.1	9 448	1.1	480	1.1
MT	1 167	0.1	753	0.1	414	1.5
NL	63 247	6.9	57 793	6.8	5 454	1.1
AT	42 946	4.7	39 201	4.6	3 745	1.1
PL	13 029	1.4	11 477	1.4	1 552	1.1
PT	12 182	1.3	8 088	1.0	4 094	1.5
SI	3 225	0.4	2 326	0.3	899	1.4
SK	3 488	0.4	3 191	0.4	297	1.1
FI	8 354	0.9	10 510	1.2	-2 156	0.8
SE	34 906	3.8	28 375	3.4	6 531	1.2
UK	154 641	16.9	127 259	15.1	27 382	1.2
BG	3 444	~	2 777	~	667	1.2
RO	3 976	~	4 380	~	-404	0.9
TR	20 969	~	9 590	~	11 379	2.2
IS (1)	1 306	~	1 475	~	-169	0.9
NO (1)	25 928	~	23 617	~	2 311	1.1

(1) 2004.
Source: Eurostat (Balance of payments)

BACKGROUND INFORMATION

DATA SOURCES

The vast majority of the data used in this pocketbook come from structural business statistics (SBS). A number of other Eurostat sources are used to complement these, namely: short-term statistics (STS), labour force survey (LFS), national accounts, external trade, balance of payments, R&D, PRODCOM, energy statistics. All sources are detailed under each table or figure.

NACE REV. 1.1

Throughout this publication data are presented using the NACE Rev. 1.1 classification, the Statistical Classification of Economic Activities in the European Community, Rev.1.1.

The diagram below shows the relationship between the aggregates most commonly used in this publication and the NACE Sections that make up the business economy as defined for this publication.

DATA FRESHNESS

The data presented was extracted from a wide variety of Eurostat

<table>
<tr><td colspan="4">Business economy (C to K)</td></tr>
<tr><td colspan="3">Non-financial business economy (C to I and K)</td><td></td></tr>
<tr><td rowspan="2">Industry (C to E)</td><td rowspan="2">Construction (F)</td><td colspan="2">Services (G to K)</td></tr>
<tr><td>Non-financial services (G to I and K)</td><td>Financial services (J)</td></tr>
<tr><td>Mining and quarrying (C); manu-facturing (D); electricity, gas and water supply (E)</td><td></td><td>Distributive trades (G); hotels and restaurants (H); transport, storage and communication (I); real estate, renting and business activities (K)</td><td></td></tr>
</table>

databases in June 2006. The text that accompanies the tables and charts was drafted during the second half of June 2006. Most data sources are continuously updated and revised where necessary. The freshest data is available within Eurostat's freely available dissemination database.

Eurostat's dissemination database is structured into themes and then into domains. The domain from which the data was extracted is specified next to each table and chart that has been compiled using Eurostat data.

EU-25 AGGREGATES

EU aggregates cover always the 25 Member States (EU-25), either as the sum or average of all twenty-five Member States, as appropriate, or alternatively a figure that includes estimates to cover missing data. EU-25 aggregates from the SBS data set were supplemented where necessary and appropriate by rounded EU estimates based on non-confidential data. Some differences between aggregates and sub-components may exist due to the rounding. In some cases when no EU totals are available, averages of available countries are presented.

Note that for external trade and balance of payments statistics the partner for the EU is always extra-EU, whereas for the individual Member States it is all countries of the world.

MONETARY VALUES

All nominal financial/monetary values are expressed in ECU/euro terms, with national currencies converted using average exchange rates prevailing for the year in question. As of 1 January 1999, eleven of the Member States entered into the Economic and Monetary Union (EMU), forming what has become known as the euro area. Technically, data available prior to this date should continue to be denominated in ECU terms, whilst data available after this date should be denominated in euro (€) terms. As the conversion rate was 1 ECU=1 euro, for practical purposes the two terms are used interchangeably when referring to a series that covers both periods. As of 1 January 2001, Greece also became a member of the euro area.

The conversion of data expressed in national currencies to a common currency facilitates comparison, however, fluctuations in currency markets may be responsible for at least some of the movements identified when looking at the evolution of a time-series in ECU/euro terms.

DEFINITIONS

Structural business statistics: number of enterprises
A count of the number of enterprises registered to the population concerned in the business register corrected for errors, in particular frame errors. Dormant units are excluded. This statistic should include all units active during at least a part of the reference period.

Structural business statistics: turnover
Turnover comprises the totals invoiced by the observation unit during the reference period, and this corresponds to market sales of goods or services supplied to third parties. Turnover includes all duties and taxes on the goods or services invoiced by the unit with the exception of the VAT invoiced by the unit vis-à-vis its customer and other similar deductible taxes directly linked to turnover. Income classified as other operating income, financial income and extra-ordinary income in company accounts is excluded from turnover. Operating subsidies received from public authorities or the institutions of the European Union are also excluded.

Structural business statistics: value added
Value added at factor cost is the gross income from operating activities after adjusting for operating subsidies and indirect taxes. It can be calculated from turnover, plus capitalised production, plus other operating income, plus or minus the changes in stocks, minus the purchases of goods and services, minus other taxes on products which are linked to turnover but not deductible, minus the duties and taxes linked to production. Income and expenditure classified as financial or extra-ordinary in company accounts is excluded from value added. Value added at factor costs is calculated 'gross' as value adjustments (such as depreciation) are not subtracted.

Structural business statistics: number of persons employed
The number of persons employed is defined as the total number of persons who work in the observation unit (inclusive of working proprietors, partners working regularly in the unit and unpaid family workers), as well as persons who work outside the unit who belong to it and are paid by it (e.g. sales representatives, delivery personnel, repair and maintenance teams). It includes part-time workers as well as seasonal workers, apprentices and home workers on the pay-roll.

Structural business statistics: personnel costs
Personnel costs are defined as the total remuneration, in cash or in kind, payable by an employer to an employee in return for work done by the latter. Personnel costs also include taxes and employees' social security contributions retained by the unit as well as the employer's compulsory and voluntary social contributions. All remuneration paid during the reference period is included, regardless of whether it is paid on the basis of working time, output or piecework, and whether it is paid regularly or not.

Structural business statistics: purchases of goods and services

Purchases of goods and services include the value of all goods and services purchased during the accounting period for resale or consumption in the production process, excluding capital goods the consumption of which is registered as consumption of fixed capital. The goods and services concerned may be either resold with or without further transformation, completely used up in the production process or, finally, be stocked. Included in these purchases are the materials that enter directly into the goods produced (raw materials, intermediary products, components), plus non-capitalised small tools and equipment. Also included are the value of ancillary materials (lubricants, water, packaging, maintenance and repair materials, office materials) as well as energy products. Services paid for during the reference period are also included regardless of whether they are industrial or non-industrial. Expenditure classified as financial expenditure or extra-ordinary expenditure in company accounts is excluded from the total purchases of goods and services. Purchases of goods and services are valued at the purchase price excluding deductible VAT and other deductible taxes linked directly to turnover.

Structural business statistics: total operating costs

Total operating costs is the sum of personnel costs and purchases of goods and services.

Structural business statistics: gross tangible investment

Included are new and existing tangible capital goods, whether bought from third parties or produced for own use (i.e. capitalised production of tangible capital goods), having a useful life of more than one year including non-produced tangible goods such as land. All investments are valued prior to (i.e. gross of) value adjustments, and before the deduction of income from disposals. Goods acquired through restructurations (such as mergers, take-overs, break-ups, split-off) are excluded. Purchases of small tools which are not capitalised are included under current expenditure. Also included are all additions, alterations, improvements and renovations which prolong the service life or increase the productive capacity of capital goods. The value of capital goods used under financial lease contracts is included. Investment in intangible and financial assets is excluded.

Structural business statistics: apparent labour productivity

Apparent labour productivity is calculated as value added divided by the number of persons employed.

Structural business statistics: average personnel costs

Average personnel costs is calculated as personnel costs divided by the number of employees. The number of employees is defined as those persons who work for an employer and who have a contract of employment and receive compensation in the form of wages, salaries, fees, gratuities, piecework pay or remuneration in kind.

Structural business statistics: size class data
For the purposes of SBS size class data the following size classes are used:
micro enterprises - with less than 10 persons employed;
small enterprises - with 10 to 49 persons employed;
medium-sized enterprises - with 50 to 249 persons employed;
large enterprises - with 250 or more persons employed.
SMEs are defined as enterprises with less than 250 persons employed.

Business demography: number of active enterprises
An active enterprise is defined as an enterprise that had either turnover or employment at any time during the reference period, even for a limited time.

Business demography: number of enterprise births
An enterprise birth amounts to the creation of a combination of production factors with the restriction that no other enterprises are involved in the event. Births do not include entries into the population due to mergers, break-ups, split-off or restructuring of a set of enterprises. It does not include entries into a sub-population resulting only from a change of activity. A birth occurs when an enterprise starts from scratch and actually starts activity. An enterprise creation can be considered an enterprise birth if new production factors, in particular new jobs, are created. If a dormant unit is reactivated within two years, this event is not considered a birth.

Business demography: number of enterprise deaths
An enterprise death amounts to the dissolution of a combination of production factors with the restriction that no other enterprises are involved in the event. Deaths do not include exits from the population due to mergers, take-overs, break-ups or restructuring of a set of enterprises. It does not include exits from a sub-population resulting only from a change of activity. An enterprise is included in the count of deaths only if it is not reactivated within two years.

Credit institutions: Number of local units
A count of the number of local units registered to the population concerned in the business register corrected for errors, in particular frame errors. Local units must be included even if they have no paid employees. This statistic should include all units active during at least a part of the reference period.

Credit institutions: ATMs
The term 'automatic teller machines' (ATM) includes different forms of machines providing electronic banking services, for example machines for withdrawing deposits (cash dispensers), for making payments and transaction inquiries, for exchanging money, for loading multipurpose cards.

Pension funds: number of active members
The total number of active members whose pension schemes are under the administration of pension funds: this excludes the number of deferred members and retired persons. The number of members includes members of defined benefit schemes, defined contribution schemes, and hybrid schemes.

Pension funds: contributions
All pension contributions receivable from members, due during the financial year, in respect of pension contracts, including all mandatory contributions, other regular contributions and voluntary additional contributions.

Short-term statistics: production index
The production index should show the evolution of value added, at constant prices. This index should take account of:
· variations in type and quality of the commodities and of the input materials;
· changes in stocks of finished goods and work in progress;
· changes in technical input-output relations (processing techniques) and;
· services such as the assembling of production units, mounting, installations, repairs, planning, engineering, creation of software.

Short-term statistics: construction costs
Construction costs measure the evolution of the costs of the factors employed in the activity of construction and incurred by the contractor. These factors include, amongst others, materials, wages and salaries, plant and equipment hire. Land and architects fees are not included.

Short-term statistics: building permits
A building permit is an authorisation to start work on a building project. As such a permit is the final stage of planning and building authorisations, prior to the start of work.
Indices of the number of dwellings for which permits are issued, are compiled for one-dwelling residential buildings and residential buildings with two and more dwellings. A dwelling is a room or suite of rooms and its accessories in a permanent building or structurally separated part thereof which by the way it has been built, rebuilt, converted and so on, is intended for private habitation. It should have separate access to a street or to a common space within the building. Detached rooms or habitation which are clearly to be used as a part of the dwelling should be counted as part of the dwelling.
The index based on useful floor area is compiled from the area of buildings for which permits have been granted, and concerns all types of buildings. The useful floor area of a building is measured within its external walls, excluding construction areas, functional areas for ancillary use (e.g. areas occupied by heating and air-conditioning installations, or by power generators) or thoroughfares (e.g. areas of stairwells, lifts, escalators).

Short-term statistics: turnover index
Turnover comprises the totals invoiced by the observation unit during the reference period. This corresponds to market sales of goods or services supplied to third parties. It includes all duties and taxes on the goods or services invoiced by the unit with the exception of the VAT invoiced by the unit vis-à-vis its customer and other similar deductible taxes directly linked to turnover.

Short-term statistics: employment index
The index shows the evolution of the number of persons employed. Member States can use the number of employees as an approximation of the number of persons employed.

PRODCOM: production sold
In accordance with Article 2 of the PRODCOM Regulation, the physical volume and the value of production are normally recorded for the products in the PRODCOM list. Production sold is the production carried out which has been sold (invoiced) during the reference period.
The value of production sold should be calculated on the basis of the ex-works selling price obtained/obtainable during the reporting period. It also includes packaging costs, even if they are charged separately. However, the following are not included: turnover tax and consumer tax charged; separately charged freight costs; discounts granted to customers.

National accounts: value added
Gross value added is final output minus intermediate consumption. Given that in the national accounts (ESA95) output is valued at basic prices and intermediate consumption at purchaser's prices, value added does not include taxes less subsidies on products.

R&D: expenditure and personnel
The basic methodological recommendations and guidelines for research and development (R&D) statistics come from the so-called Frascati Manual, which covers the measurement of all scientific and technological activities at the national level (Proposed Standard Practice for Surveys of Research and Experimental Development - Frascati Manual, sixth edition OECD, 2002). 'Research and experimental development (R&D) comprise creative work undertaken on a systematic basis in order to increase the stock of knowledge, including knowledge of man, culture and society and the use of this stock of knowledge to devise new applications' (Frascati Manual, § 63).
The business enterprise sector includes: all firms, organisations and institutions whose primary activity is the market production of goods or services (other than higher education) for sale to the general public at an economically significant price. It also includes private non-profit institutes mainly serving them.

The number of research and development personnel should include all persons employed directly on research and development (R&D), as well as those providing direct services such as R&D managers, administrators, and clerical staff. Figures for R&D personnel are indicated in full-time equivalents.

Energy: gross inland consumption

Gross inland consumption is the quantity of energy consumed within the borders of a country. It is calculated using the following formula: primary production + recovered products + imports + stock changes - exports - bunkers (i.e. quantities supplied to sea-going ships).

Foreign trade: exports and imports, cover ratio

The underlying external trade data is valued at current prices. The data is based upon the special trade system and includes all the exchanges of goods between the reporting country and other countries having as object: imports of goods directly for consumption, imported goods taken out of customs warehouses or free zones in order to be consumed, export of national products, as well as export of imported goods declared for domestic consumption. There are also comprised: temporary imports of foreign goods for processing inside the country (active processing) and exports of compensatory goods after processing inside the country; temporary exports of goods for processing in other countries (passive processing) and imports of compensatory goods after processing outside the country and imports and exports of goods in financial leasing.

Exports and imports do not include transit goods, temporary goods admitted (taken out), inside/outside the country (excepting those for processing), goods purchased by international organisations for own uses in a country and goods for repairs.

Value of external trade includes the market value of the goods and the additional costs (freight, insurance, etc.). The terms FOB means that all costs incurred in the course of transport up to the customs frontier are charged to the seller. The term CIF means that the purchaser pays the additional costs. Exports are recorded on a FOB basis and imports on a CIF basis.

The cover ratio is calculated as the value of exports divided by the value of imports, expressed as a percentage.

Balance of payments: credits and debits

The reference framework for balance of payments is the IMF Balance of Payments Manual, Fifth Edition.

Most items entered in the current account of the standard components should show gross debits and credits. Inflows of real resources should be shown as debits; outflows of real resources should be shown as credits. Covered in the current account are all transactions (other than those in financial items) that involve economic values and occur between resident and non-resident entities.

ABBREVIATIONS AND SYMBOLS

EU Member States

EU	European Union
EU-25	Twenty-five Member States of the European Union
EU-15	Fifteen Member States of the European Union
Euro area	Geographical entity covered by the Member States participating in the euro
BE	Belgium
CZ	Czech Republic
DK	Denmark
DE	Germany
EE	Estonia
EL	Greece
ES	Spain
FR	France
IE	Ireland
IT	Italy
CY	Cyprus
LV	Latvia
LT	Lithuania
LU	Luxembourg
HU	Hungary
MT	Malta
NL	Netherlands
AT	Austria
PL	Poland
PT	Portugal
SI	Slovenia
SK	Slovakia
FI	Finland
SE	Sweden
UK	United Kingdom

Other country codes

BG	Bulgaria
HR	Croatia
RO	Romania
TR	Turkey
IS	Iceland
NO	Norway
CH	Switzerland
JP	Japan
UAE	United Arab Emirates
US	United States of America

Abbreviations

AAGR	Annual average growth rate
ATM	Automatic teller machine
CPA	Statistical classification of products by activity in the European Economic Community
ESA95	European system of national and regional accounts, 1995
GDP	Gross domestic product
HORECA	HOtels, REstaurants and CAfes
ICT	Information and communication technologies
IER	Inter-enterprise relations
NACE (Rev. 1.1)	Statistical classification of economic activities in the European Community (Revision 1.1.)
SBS	Structural business statistics
SITC	Standard international trade classification
SME	Small and medium-sized enterprise
STS	Short-term statistics

Units and measures

billion	thousand million
ECU	European Currency Unit
EUR	euro
m^2	square metre

Symbols

€	Euro
-	Not applicable
:	Not available or confidential
%	Percent
0.0	Real zero or value less than 0.05