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# Detailed economic growth in 2000: trends in GDP components

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Economic growth is usually expressed by the growth of the gross domestic product (GDP). This measure reflects a country's general economic performance, but, in fact, GDP comprises various components. These are, first and foremost, domestic demand and the external balance — the former, in turn, comprising household and government final consumption expenditure, and investments. All these components exhibit different characteristics and different development patterns. It therefore seems interesting to take a detailed look at the trends affecting these components which together constitute GDP.

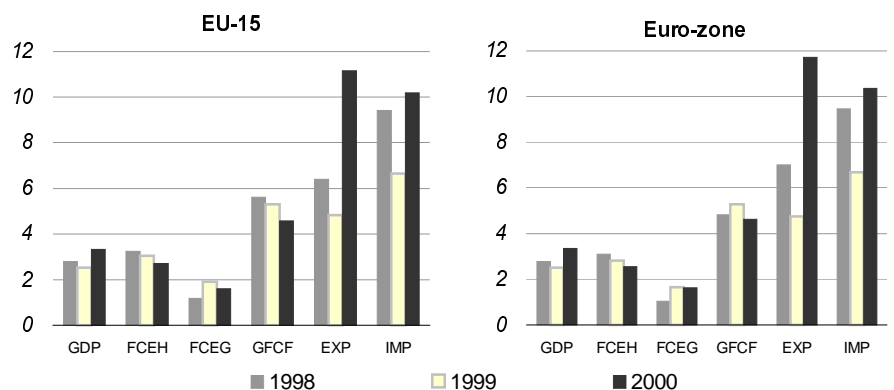
## External trade pushes European Union growth in 2000

The most recently available results cover the European Union and the euro-zone for 2000. They provide clear evidence of a changing economic development: whilst, during 2000, the growth rates of **European Union** domestic demand components were lower than in 1999, trade experienced a new impetus and both exports (+11.2) and imports (+10.2%) were much more dynamic than the year before. External trade made the major difference to economic development in the EU: the external balance accounted for 0.9% of GDP in 1999, and for 1.3% in 2000. Gross Domestic Product growth in 2000 was at 3.3%, while in 1999 it had been at 2.5%

In the **euro-zone**, too, the growth rates of domestic demand components were slightly lower than those recorded in previous year; but trends differ somewhat from those of EU15 for exports, which showed even more rapid growth (+11.7% in 2000). In the euro-zone, the share of trade balance in GDP changed from 1.6% in 1999 to 2.2% in 2000.

**Fig.1. Trends in GDP and its main components in 2000**

(percentage change on the previous year)



**NB:** The euro-zone consists of Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland.



## Components' growth rates

In detail, as already noted, in the **European Union** domestic demand components reduced their growth rates in 2000, whilst exports (11.2%) and imports (10.2%) accelerated <sup>(1)</sup>. Investments (Gross Fixed Capital Formation) have maintained relatively high growth rates in recent years (+5.6% in 1998, +5.3% in 1999), and in 2000 reduced their pace to 4.6%. The same holds for growth of household consumption, lagging somewhat behind at growth rates around 3% and dropping to 2.7% in 2000.

GDP components in the **euro-zone** evolved in a similar way to those of the EU15.

In 2000 growth of household consumption remained essentially stable in the **United States**, but still recording rates almost twice as high as in the EU. Growth of investments slowed down in 2000, but here, too, rates still were consistently higher than in the EU. Household consumption was nearly stagnant in **Japan**, and also government consumption reduced the rate of growth. But investments showed positive variation: after negative growth had been registered for two consecutive years, +1.2% have been recorded in 2000.

Tab.1. Trends in GDP components, growth rates (% change on the previous year)

EU-15								Euro-zone							
	GDP	FCEH	FCEG	GFCF	EXP	IMP	EB*		GDP	FCEH	FCEG	GFCF	EXP	IMP	EB*
1999	2.5	3.0	1.9	5.3	4.8	6.7	0.9	1999	2.5	2.8	1.7	5.3	4.8	6.7	1.6
2000	3.3	2.7	1.6	4.6	11.2	10.2	1.3	2000	3.4	2.6	1.6	4.6	11.7	10.4	2.2
US								JP							
	GDP	FCEH	FCEG	GFCF	EXP	IMP	EB*		GDP	FCEH	FCEG	GFCF	EXP	IMP	EB*
1999	4.2	5.3	2.1	9.2	2.9	10.7	-3.8	1999	0.8	1.2	4.0	-1.0	1.4	3.0	2.1
2000	5.0	5.3	2.0	8.8	9.0	13.5	-4.7	2000	1.7	0.5	3.6	1.2	12.0	9.7	2.5

Note:\* The trade balance is calculated as a percentage of GDP.

GDP: Gross domestic product; FCEH: Household final consumption expenditure; FCEG: Government final consumption expenditure, GFCF: Gross fixed capital formation; IS: Changes in inventories; IMP: Imports; EXP: Exports; EB: External balance.

## Contributions to GDP growth

Another way of summarising component dynamics when evaluating their effect on GDP development is to identify the **contributions** they gave to annual economic growth. Growth contributions have the advantage of providing an indication of both the vigour and relative importance of a component. They also make it possible to account for the effect of the external balance more easily.

Thus, from the standpoint of contributions, household consumption and investments were still the main factors behind GDP growth in the **European Union** but they notably reduced their boost: their respective contributions, calculated as a percentage of GDP growth, were 47.4% and 29.1%.

In the **euro-zone**, household consumption had a smaller impact (+43.1%) than in the EU, while the

contributions of investments and of government consumption were substantially in line with those of the European Union.

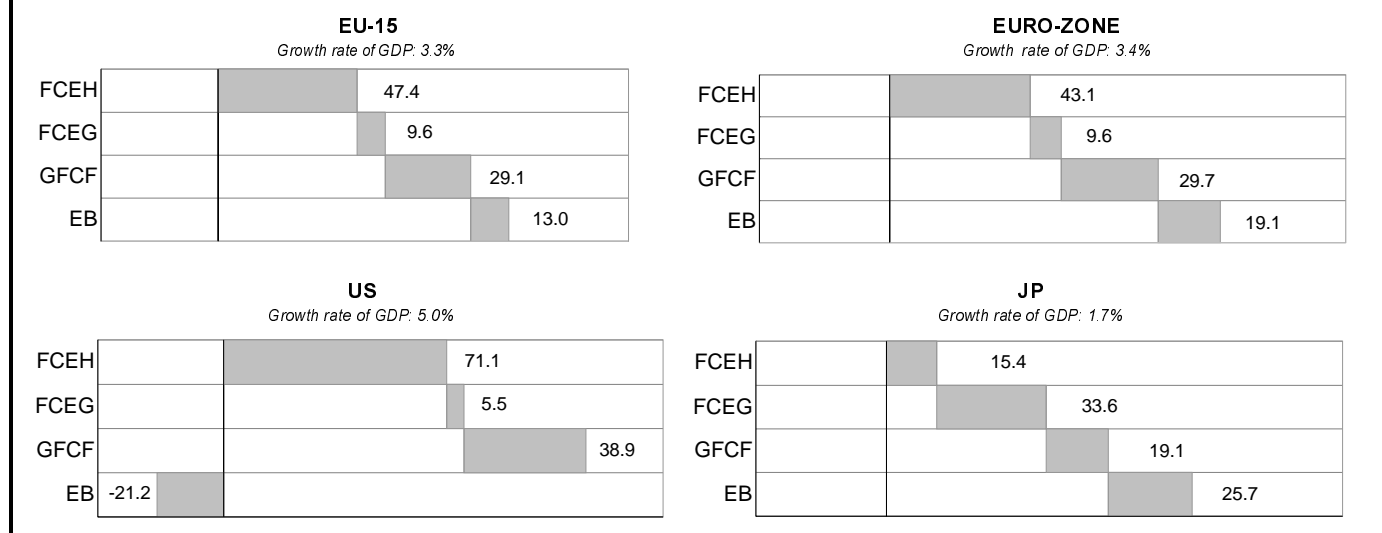
Both for the EU and the euro-zone, the external balance made the difference and enhanced GDP growth results: in 1999 external trade acted as a brake <sup>(2)</sup> to economic growth (-20.7% of GDP growth in the EU and -20.4% in the euro-zone); but in 2000 trade pushed GDP growth (+13.0% in the EU and +19.1% in the euro-zone).

Investments and household consumption made a significantly greater contribution to GDP growth in the **United States** than in the EU, although overall growth was adversely affected by the trade balance. Lastly, the **Japanese** economy was largely driven by government consumption and the external balance, with the other components being of lesser importance.

<sup>(1)</sup> External trade data are taken from national accounts, they cover both internal and external Community trade.

<sup>(2)</sup> A negative contribution of the external balance does not necessarily indicate a trade deficit, i.e. a negative external balance.

**Fig. 2. Contribution of main components to GDP growth in 2000  
(as a % of GDP growth rate)**



Note: the sum of contributions is 100% of GDP growth rate. Contribution of changes in stock have not been included.

### GDP structure

When considering the structure of GDP in the **European Union**, household consumption accounted for the largest share in 2000 (58.3%), followed by roughly comparable figures for investments (20.7%) and government consumption (19.9%). Together those components of domestic demand nearly accounted for total Gross Domestic Product (98.9% of GDP).

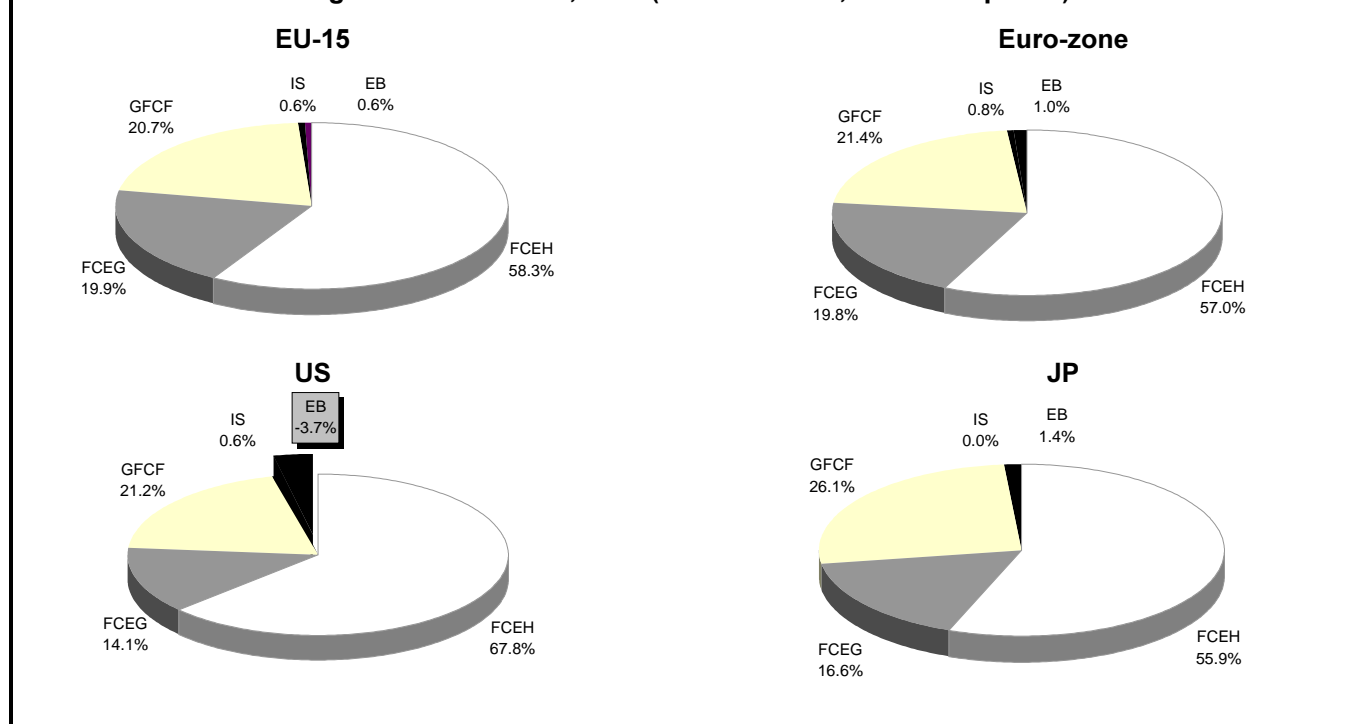
The breakdown is very similar in the **euro-zone**, but the figure for household consumption was slightly lower

(57.0%) — the share of household consumption in the United Kingdom is one of the highest in the EU.

In the **United States** GDP structure showed a particularly large share for household consumption (67.8%) and a negative external balance (−3.7%).

In **Japan** investments accounted for 26.1% — the highest percentage among the countries under consideration. Comparing with the European Union's figure, the shares of government consumption recorded both in the US and in Japan were lower.

**Fig. 3. GDP structure, 2000 (as a % of GDP, in current prices)**



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