



Statistics in focus

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THEME 2 – 18/2003

BALANCE OF PAYMENTS

Contents

EU enterprises providing construction services outside the EU saw their receipts increasing by 3% in 2001 1

Asia absorbed most extra-EU exports of construction services in 2001 but exchanges with Africa reported the largest EU bilateral surplus..... 2

The EU: top world exporter of construction services in 2001 3

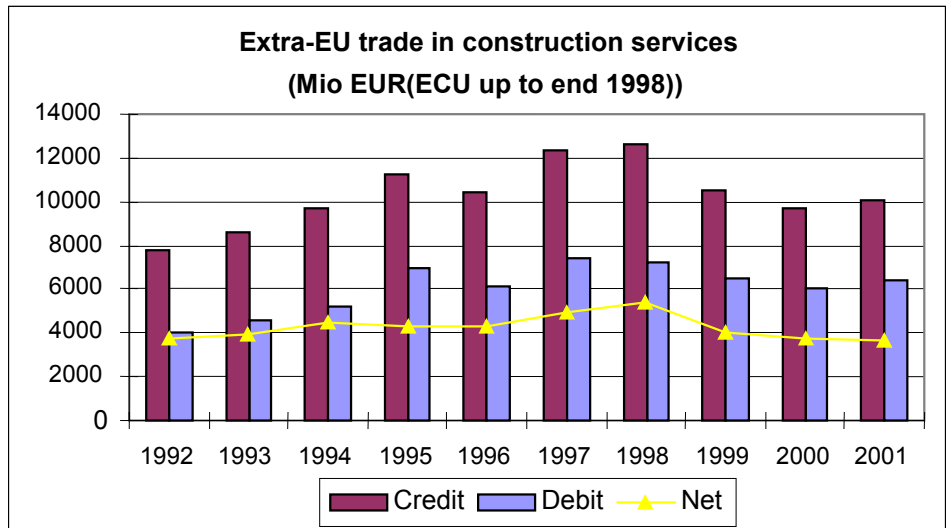


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Extra-EU trade balance in construction services again in surplus in 2001

Luis Biedma

Extra-EU trade in construction services grew by 5% in 2001, after recording falls of 8% and 14% in 2000 and 1999, and subdued growth in 1998. In 2001, extra-EU exports of construction services increased by 3% whereas imports rose by 7%. The habitual extra-EU surplus in this type of services narrowed for the third year in a row, to EUR 3.7 bn. Trade in construction services grew at exactly the same pace as exchanges of commercial services¹ in 2001. Extra-EU imports and exports of construction services totalled EUR 16.4 bn in 2001, representing a share of 2.7% in total commercial services. In 1995, trade in construction services accounted for 5.6% of total extra-EU trade in commercial services. In 2001, Asia was again the largest market for EU exports of construction services with EUR 3.0 bn, absorbing 30% of total extra-EU exports.



EU enterprises providing construction services outside the EU saw their receipts increasing by 3% in 2001

Construction services cover work performed on construction projects and installations by employees of an enterprise in locations outside the economic territory of the enterprise. The work is generally performed for a short period, i.e. less than one year.

Within construction services, Eurostat distinguishes² between *construction abroad* and *construction in the compiling economy*. The former refers to construction services provided by EU enterprises outside the EU economic territory, whereas the latter comprises construction services provided by non-EU enterprises within the EU. In 2001, 92% of total extra-EU imports and exports of construction services derived from construction abroad, while construction in the compiling economy presented a share in construction services of 8%.

¹ Commercial services comprise all services except government services, n.i.e.

² See methodological notes.

Construction abroad exports encompass international receipts for the *construction services* provided, while imports consist of the expenditures incurred by EU resident enterprises while performing their construction works outside the EU. These expenditures include only the *goods* and *services* purchased and the *income* paid outside the EU. *Construction in the compiling economy* imports encompass international payments for the *construction services* received by non-EU resident enterprises while performing their construction works within the EU; exports comprise the *goods* and *services* purchased and the *income* paid within the EU by the non-EU resident enterprises.

Extra-EU trade in construction services in 2001 (Mio EUR)

	Credit	Debit	Net
Construction services	10 046	6 390	3 656
Of which:			
<i>Construction abroad</i>	9 668	5 520	4 147
<i>Construction in the compiling economy</i>	379	869	-490

In 2001, 86% of *construction services* imports were related to expenditures incurred by EU resident enterprises performing their work outside the EU. The remaining 14% corresponded to imports of *construction services*, strictly speaking, rendered by non-residents in the EU economic territory. As expected, taking into account that, at aggregate level and under normal circumstances, receipts from construction work exceed related expenditures, *construction abroad* registered a surplus whilst *construction in the compiling economy* showed a deficit. Since extra-EU imports and exports of *construction services* are predominantly comprised of exchanges classified under *construction abroad*, extra-EU exchanges of the aggregate *construction services* traditionally settle with a surplus.

Construction abroad credits amounted to EUR 9.7 bn in 2001, 3% more than in 2000, whereas *construction abroad* debits went up by 5% in 2001, to EUR 5.5 bn. The most substantial increase was recorded by *construction in the compiling economy* debits, which rose by 20% in 2001; *construction in the compiling economy* credits rose by 2% after dwindling by 20% in 2000.

The ratio of expenditures to receipts for EU construction enterprises providing their services outside the EU was 0.57 in 2001. Consequently, most of their intermediate consumption derived from imports from third countries and local supplies, purchases from the EU being relatively scarce. Non-EU enterprises providing *construction services* in the EU devoted 44% of the receipts from their work to payments for local supplies. Therefore, imports of *construction services*, if they do not replace home-produced services but complement them, contribute significantly to stimulating the auxiliary industries of the construction sector in the domestic economy.

Asia absorbed most extra-EU exports of construction services in 2001 but exchanges with Africa reported the largest EU bilateral surplus

EU exports of *construction services* to EFTA countries increased by 31% in 2001 to EUR 1.0 bn, whilst exports to the USA went down to EUR 1.7 bn due to an 18% decrease in the total value of exports. EU imports from European countries other than EU and EFTA increased by 31% in 2001 to reach EUR 1.4 bn

The EU surplus with the USA decreased by EUR 0.4 bn in 2001 to EUR 0.7 bn, which was the main cause of the slight contraction of the total extra-EU construction surplus. In contrast, the EU bilateral deficit with EFTA countries attained in 2000 turned into a EUR 0.2 bn surplus in 2001, mainly as a consequence of the increase in exports.

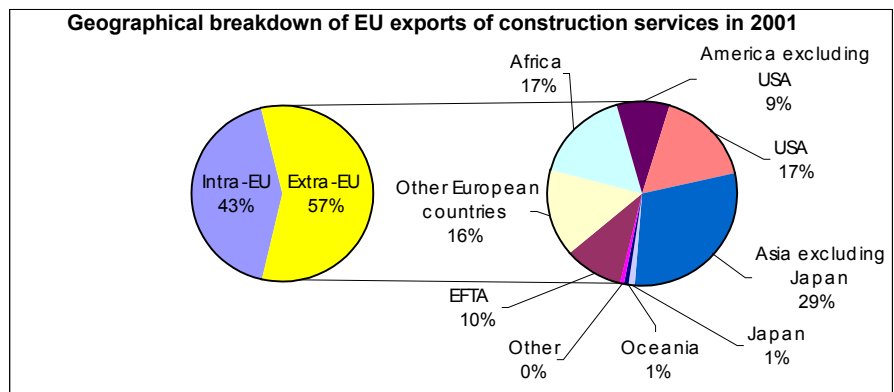
Extra-EU exchanges of construction services with selected partners (Mio EUR)

	Exports			Imports			Net		
	2000	2001	Var.(%)	2000	2001	Var.(%)	2000	2001	Difference
Extra-EU	9 724.5	10 046.0	3.3%	5 994.0	6 389.7	6.6%	3 730.5	3 656.3	-74.2
EFTA	758.7	995.3	31.2%	782.6	758.5	-3.1%	-23.9	236.7	260.6
Other European countries	1 420.8	1 562.4	10.0%	1 035.7	1 355.9	30.9%	385.1	206.4	-178.7
Africa	1 724.9	1 707.5	-1.0%	607.9	483.7	-20.4%	1 117.0	1 223.7	106.8
America excluding USA	1 045.9	929.6	-11.1%	646.9	567.9	-12.2%	399.0	361.8	-37.2
USA	2 058.3	1 697.1	-17.6%	951.9	985.2	3.5%	1 106.3	711.8	-394.5
Asia excluding Japan	2 514.5	2 925.6	16.3%	1 818.0	2 069.9	13.9%	696.6	855.7	159.1
Japan	129.6	99.1	-23.5%	101.8	116.1	14.1%	27.8	-17.0	-44.8
Oceania and Polar regions	41.6	66.8	60.5%	47.0	48.7	3.6%	-5.3	18.2	23.5
Other	30.2	62.7	107.8%	2.2	3.7	65.4%	27.9	59.0	31.1

EU exports³ of *construction services* to Asia (excluding Japan) grew by 16% in 2001 and therefore, continued to be the main market for EU exports of *construction services* with EUR 2.9 bn, followed by Africa, which replaced the USA in second place.

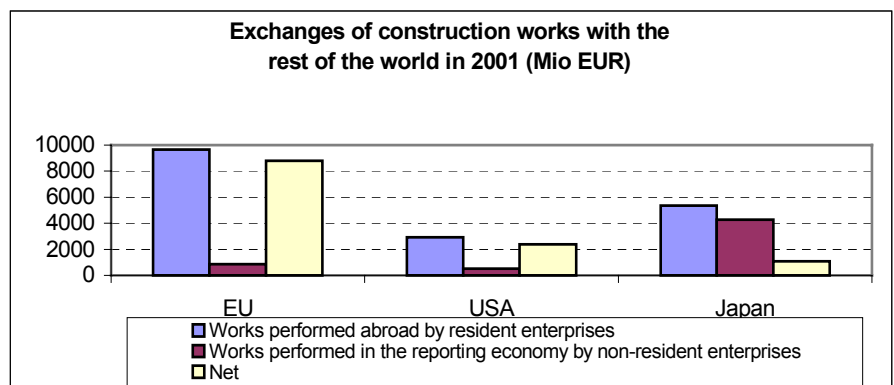
³ The statistical analysis focuses more on exports than on imports since the latter mainly reflect expenditures of EU enterprises performing construction work outside the EU economic territory instead of « real » imports of construction services.

In 2001, 57% of EU Member States' total exports of *construction services* were allocated to extra-EU countries, the remaining 43% corresponding to dispatches to other Member States. Exports to Asia and the USA represented nearly half of total extra-EU exports. Noteworthy was the relatively low share (1%) of exports to Japan in total extra-EU exports, as well as the high weight of exports to African countries, at 17%.



The EU: top world exporter of construction services in 2001

Since Eurostat does not apply strictly the IMF recommendations in the recording of *construction services*, in order to establish comparisons between the EU and those countries following the IMF guidelines, correspondence between both approaches must be set up. Hence, the IMF's *construction services* credits are equivalent to Eurostat's *construction abroad* credits, whereas the IMF's *construction services* debits broadly correspond to Eurostat's *construction in the compiling economy* debits.



Harmonised results attest to the EU's unquestionable lead in *construction services* exports, which exceeded those of the USA and Japan by EUR 6.7 bn and EUR 4.3 bn, respectively. The available data show that the Japanese construction market is more penetrable for non-resident enterprises than the EU and the USA. The weaker presence of EU providers of *construction services* in the USA (EU exports to the USA fell by 18% in 2001) is in line with an overall decrease in USA's imports of *construction services* of 6% in 2001.

➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

The EU balance of payments is compiled by Eurostat in accordance with a methodology agreed with the European Central Bank (ECB) based on extra-EU transactions, i.e. by aggregating cross-border transactions of EU residents vis-à-vis non-EU residents as reported by the 15 participating Member States. The balance of payments of the EU institutions is added to the EU aggregate. The methodological framework used is that of the fifth edition of the International Monetary Fund (IMF) Balance of Payments manual.

Delimiting *construction services* becomes difficult when they involve major projects such as bridges or dams, which are carried out over several years. In fact, in most cases, the production generated through these projects will be treated as part of the host economy's production rather than as an export of services to that economy. These projects are usually carried out by foreign subsidiaries, branches of enterprises or site offices and therefore, they are generally to be included in foreign direct investment.

Work performed on construction projects and installations, by employees of an enterprise in locations outside the economic territory of the enterprise, will be treated as part of the production of the host economy when the enterprise meets the following criteria: it is engaged in a significant amount of production of services there or it owns land or buildings located there; it maintains at least one production establishment in the country and plans to operate indefinitely or over a long period of time; it maintains a complete and separate set of accounts of local activities; it pays income taxes to the host country; it has a substantial physical presence; it received funds for enterprise work for the enterprise account, etc. If these conditions are not present, the activity should be classified as an export of *services* by a resident enterprise.

Eurostat, in the recording of transactions related to *construction services*, does not apply strictly the International Monetary Fund recommendations. As a matter of fact, Eurostat breaks down *construction services* into *construction abroad* and *construction in the compiling economy*. This distinction enables the separate recording of the global value of the construction projects (international payments and receipts for *construction services* provided), on the one hand, and the related expenditures, on the other hand. These expenditures refer, more specifically, to the value of *goods* and *services* imported and *income* paid internationally by the enterprise pertaining to the construction project. However, the IMF does not consider this breakdown and recommends including those goods and services imported by the enterprise for use in the project under *other business services*.

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