

An Overview of the Economies of the New Member States

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With the accession of ten new Member States on 1 May 2004, the European Union will undergo the most important enlargement in its history. The Union's population will rise from 381 million to 455 million, which means that the **population** of the ten new members combined (ACC) will have a share of 16% in the whole of the enlarged European Union (EU-25 from 1 May 2004 onwards). With an area of 73.9 million km² the ACC amount to 19% of the **area** of the EU-25. In contrast, the **Gross Domestic Product** (GDP) of the ACC represents a mere 5% of the EU-25 GDP. Per capita, GDP in the ACC – expressed in Purchasing Power Standards (PPS) – is less than 50% of the value of the current European Union (EU-15).

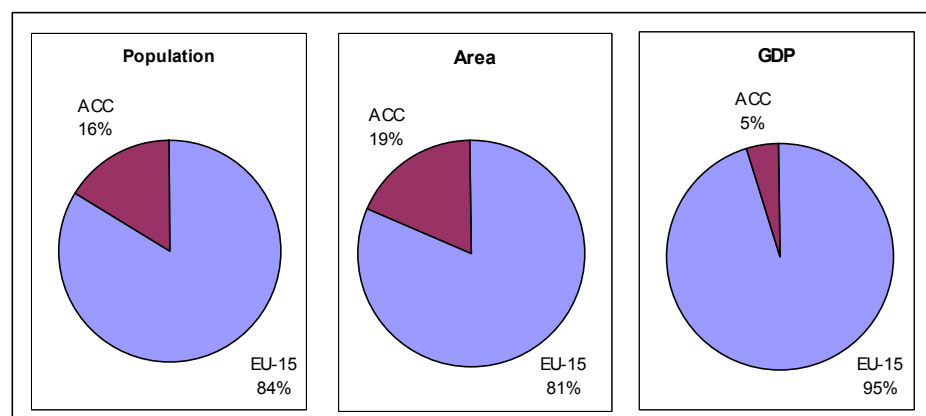
The largest country among the new Member States, in terms of area, population and GDP, is Poland, well ahead of Hungary and the Czech Republic. For GDP per capita, Cyprus, Slovenia and Malta show the highest values, while the Baltic countries and Poland show the lowest.

Table 1. Main indicators, 2002

	Population million	Area km ²	GDP billion Euro	GDP PPS per head EU-15=100	GDP growth 2002/2001 in %
EU-25	454.9	3 972 868	9 612.7	91	1.1
EU-15	380.8	3 234 295	9 168.5	100	1.0
ACC	74.1	738 574	444.1	47	2.4
CZ	10.2	78 865	78.2	62	2.0
EE	1.3	45 227	6.9	40	6.0
CY	0.7	9 251	10.8	77	2.0
LV	2.3	64 589	8.9	35	6.1
LT	3.4	65 300	14.7	39	6.8
HU	10.1	93 034	68.9	53	3.5
MT	0.4	316	4.4	69	1.7
PL	38.2	312 685	202.3	41	1.4
SI	2.0	20 273	23.3	69	2.9
SK	5.4	49 033	25.7	47	4.4

CZ: Czech Republic, **EE:** Estonia, **CY:** Cyprus, **LV:** Latvia, **LT:** Lithuania, **HU:** Hungary, **MT:** Malta, **PL:** Poland, **SI:** Slovenia, **SK:** Slovakia

Figure 1. Relative sizes of old and new Member States in the EU-25



Statistics in focus

ECONOMY AND FINANCE

THEME 2 – 17/2004

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Economic growth

Growth rates of GDP (in constant prices), as given in table 2, have been consistently higher in the ACC than in the EU-15 over the last nine years. The growth differential varied between 3.0 percentage points in 1996 and only 0.4 percentage points in 1999. Figure 2 shows the growth gap between ACC and EU-15 narrowing from 1995 to 2001, but widening significantly again in 2002 and 2003.

First GDP figures for 2003 are due for release in the coming weeks. At present, only GDP forecasts prepared by the Commission in autumn 2003 are available for assessing economic growth in 2003. In addition, more recent results from quarterly national accounts are available (see for example Statistics in focus 11/2004).

Examining the acceding countries one by one reveals quite different growth patterns. The highest overall growth over the period 1995 to 2002 was seen in the Baltic countries, whose economic growth tended however to be volatile.

Figure 3 gives a visual impression of the growth rates for the year 2002. Again, the highest growth rates were observed in the Baltic countries, Lithuania (6.8%), Latvia (6.1%) and Estonia (6.0%), while on the other hand, the lowest rates were those in Poland (1.4%) and Malta (1.7%). Both, however, still exceeded the value of 1.0% recorded in the EU-15. In comparison to the previous year, growth in the ACC accelerated slightly, while in the EU-15, it slowed down and continued to do so in 2003.

Table 2. GDP at constant prices, growth rates in %

	1995	1996	1997	1998	1999	2000	2001	2002	2003*
EU-25	2.4	1.7	2.6	3.0	2.9	3.6	1.7	1.1	0.7
EU-15	2.4	1.6	2.5	2.9	2.9	3.6	1.7	1.0	0.7
ACC	3.6	4.6	4.8	3.8	3.3	4.1	2.4	2.4	3.1
CZ	:	:	:	:	:	3.3	3.1	2.0	2.2
EE	4.3	3.9	9.8	4.6	-0.6	7.3	6.5	6.0	4.4
CY	6.5	1.9	2.3	4.8	4.7	5.0	4.0	2.0	2.0
LV	-1.6	3.7	8.4	4.8	2.8	6.8	7.9	6.1	6.0
LT	6.2	4.7	7.0	7.3	-1.8	4.0	6.5	6.8	6.6
HU	1.5	1.3	4.6	4.9	4.2	5.2	3.8	3.5	2.9
MT	:	:	:	:	4.1	6.4	-1.2	1.7	0.7
PL	2.7	6.0	6.8	4.8	4.1	4.0	1.0	1.4	3.3
SI	4.1	3.8	4.4	3.7	5.9	4.1	2.9	2.9	2.1
SK	5.8	6.1	4.6	4.2	1.5	2.0	3.8	4.4	3.8

* With the exception of EU-15, all growth rates for 2003 are forecasts prepared by the Commission services.

Figure 2. GDP at constant prices, growth rate, ACC and EU-15

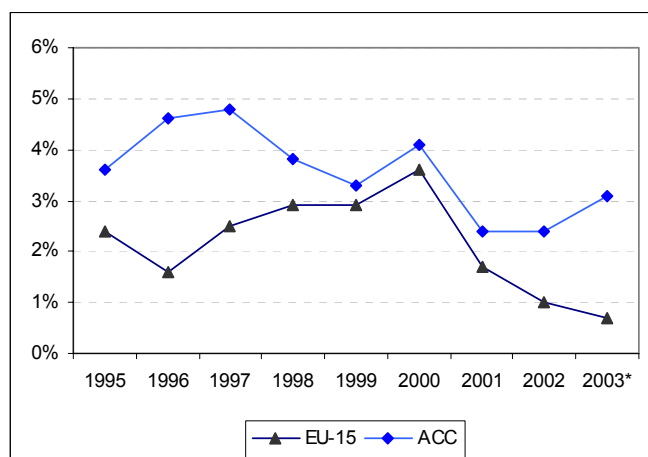
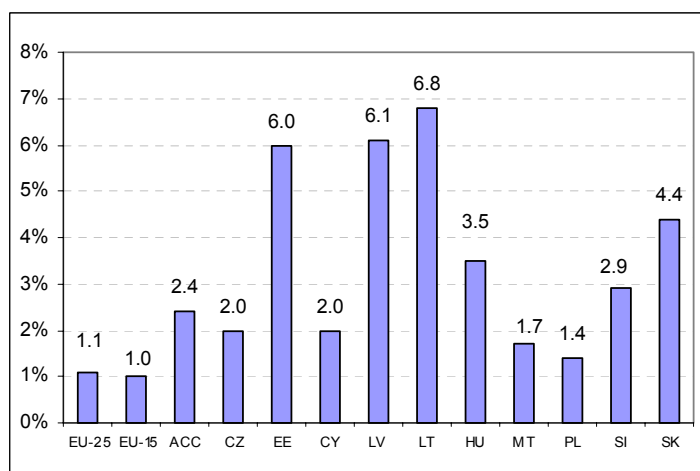


Figure 3. GDP at constant prices, growth rate, 2002



Expenditure components of GDP

Tables 3 to 5 show how GDP is used, i.e. the breakdown of GDP into its expenditure components. Total GDP of the ACC in 2002 amounted to 444.2 billion Euro compared to 9 168.5 billion Euro for the EU-15. The breakdown by components shows only modest differences between the ACC and the EU-15 in 2002. In both areas, private consumption expenditure occupies the biggest portion of GDP by far, followed by investments and government consumption, the latter two with roughly comparable shares.

Among the Acceding Countries, Cyprus (69.3%) has the highest share of **private final consumption expenditure** in GDP, and Poland (66.5%), too, lies far above the average figure of the ACC (60.6 %). On the other hand, private consumption expenditure in the Czech Republic (52.2%) and in Hungary (53.8%) accounts for a much lower portion of GDP.

The situation is reversed for **government consumption**: Cyprus (17.7%) and Poland (18.0%) show the lowest, Hungary (23.1%) and the Czech Republic (22.3%) the highest shares.

Gross fixed capital formation on average occupies a slightly larger part of GDP in the ACC than in the EU-15.

Particularly high values were observed in Estonia (28.5%), the Slovak Republic (27.4%) and Latvia (26.4%), whereas in Cyprus (18.7%) and in Poland (19.0%), the importance of investments is somewhat lower.

The **external balance**, equal to the difference between exports and imports, is negative for all acceding countries except of Slovenia. In the case of Latvia, the external balance accounts for as much as -10.6% of GDP.

Table 4 shows the shares the ten acceding countries have in the total for the ACC, broken down by component. Poland as the biggest of the acceding countries, despite being among the countries with a comparatively low level of GDP per head, with a GDP of 202.3 billion Euro (table 3) accounts for almost half of the ACC total (45.6%, see table 4). Next (in order of descending size) come the Czech Republic (17.6%) and Hungary (15.5%). Similar relations are found for private final consumption expenditure, government consumption and investments. Finally, table 5 also shows the shares of the ACC in the future EU-25.

Table 3. GDP and main components, current prices, 2002

	GDP in million euro	HC in % of GDP	GC in % of GDP	GFCF in % of GDP	CI in % of GDP	EB in % of GDP
EU-25	9 612 664.4	58.4	20.6	19.5	0.0	1.5
EU-15	9 168 525.3	58.3	20.6	19.4	-0.1	1.7
ACC	444 139.1	60.6	19.9	21.7	1.1	-3.3
CZ	78 186.7	52.2	22.3	25.9	1.8	-2.2
EE	6 904.0	57.3	19.7	28.5	2.9	-9.4
CY	10 757.9	69.3	17.7	18.7	1.2	-7.2
LV	8 940.1	62.7	19.4	26.4	2.1	-10.6
LT	14 672.4	63.4	20.0	20.7	1.5	-5.7
HU	68 916.0	53.8	23.1	23.0	2.4	-2.2
MT	4 410.9	65.3	20.2	21.8	-3.8	-3.5
PL	202 324.1	66.5	18.0	19.0	-0.1	-3.3
SI	23 346.7	54.6	20.5	22.6	0.8	1.4
SK	25 680.3	58.7	20.1	27.4	1.9	-7.1

Table 4. GDP and main components, in % of the ACC, 2002

	GDP ACC=100	HC ACC=100	GC ACC=100	GFCF ACC=100
CZ	17.6	15.2	19.7	21.0
EE	1.6	1.5	1.5	2.0
CY	2.4	2.8	2.2	2.1
LV	2.0	2.1	2.0	2.4
LT	3.3	3.5	3.3	3.2
HU	15.5	13.8	18.0	16.4
MT	1.0	1.0	0.9	0.2
PL	45.6	50.0	41.2	39.9
SI	5.3	4.7	5.4	5.5
SK	5.8	5.6	5.8	7.3

Table 5. GDP and main components, in % of the EU-25, 2002

	GDP EU-25=100	HC EU-25=100	GC EU-25=100	GFCF EU-25=100
EU-15	95.4	95.2	95.5	94.9
ACC	4.6	4.8	4.5	5.1

HC = Private final consumption expenditure (households and non-profit institutions serving households)

GC = General government final consumption expenditure

GFCF = Gross fixed capital formation

CI = Changes in inventories

EB = External balance

Household consumption and consumer prices

The **structure of household consumption expenditure by consumption purpose** (see table 6) differs between the ACC and the EU-15, in particular with respect to expenditure on food and non-alcoholic beverages (CP01) and alcoholic beverages and tobacco (CP02), for which the share in the ACC is significantly higher (20.2% and 7.0%, respectively) than in the EU-15 (12.8% and 3.6%). On the other hand, the EU-15 shows higher values in the restaurants and hotels (CP11) and miscellaneous goods and services (CP12) categories, with 9.2% against 5.0%, and 9.9% against 7.7%. Among the ACC countries, important differences can be seen between the island states of Malta and Cyprus and the other countries. The former show much higher shares in the restaurants and hotels (CP11) category and lower values for housing, which includes water, electricity, gas and other fuels (CP04).

Household consumption is compiled according to the domestic concept. It thus includes expenditure incurred by non-residents (e.g. tourists) on the economic territory and excludes expenditure incurred by residents in the rest of the world. In addition, different social security

and education systems may lead to vastly different private expenditure in the respective categories.

The **harmonised index of consumer prices** in table 7 states the changes in prices for 2003 compared to 2002 by consumption purpose. The strongest increase in the all items index (CP00) was observed for Slovakia with 8.8% followed by Slovenia with 5.7% and Hungary with 4.7%. On the other hand, the Czech Republic with -0.1% and Lithuania with -1.1% experienced deflation between 2002 and 2003.

At a more detailed level Cyprus, Slovenia, Slovakia and Hungary saw double-digit inflation for alcoholic beverages and tobacco (CP02). Slovakia and Cyprus also had double-digit inflation for housing (CP04), while Estonia had it for health (CP06), Hungary for education (CP10), and Slovakia for miscellaneous good and services (CP12).

The EU-15 inflation rates are very close to the EU-25 rates, with the exception of housing (CP04) and the food and beverages items (CP01+CP02).

Table 6. Breakdown of household final consumption expenditure, in % of total value, 2002

	CP01	CP02	CP03	CP04	CP05	CP06	CP07	CP08	CP09	CP10	CP11	CP12	total
EU-25	13.2	3.8	6.3	21.1	6.8	3.3	13.6	2.7	9.5	0.9	9.0	9.8	100
EU-15	12.8	3.6	6.4	21.0	6.8	3.3	13.7	2.7	9.6	0.9	9.2	9.9	100
ACC	20.2	7.0	4.9	21.8	5.3	4.0	12.7	2.6	7.6	1.2	5.0	7.7	100
CZ*	18.8	8.9	5.7	22.8	5.6	1.4	10.5	3.1	10.9	0.4	5.4	6.6	100
EE	22.9	8.7	5.8	21.0	4.8	2.3	11.3	2.8	7.5	1.7	5.9	5.3	100
CY*	19.6	4.8	8.1	7.7	7.9	4.4	13.1	1.8	7.9	2.4	13.3	9.0	100
LV*	25.5	8.0	9.7	16.1	3.4	5.0	9.5	3.5	7.6	2.0	5.3	4.6	100
LT*	30.7	7.4	6.3	14.0	5.2	3.5	14.9	3.2	7.0	0.7	3.3	3.8	100
HU*	19.4	8.3	4.6	18.4	6.7	3.6	15.0	4.7	7.8	1.1	5.0	5.4	100
MT	20.4	6.0	5.7	5.9	8.8	3.6	13.2	4.6	7.8	0.6	16.6	6.7	100
PL	19.9	6.5	4.2	24.6	4.5	5.1	12.8	1.7	6.3	1.5	3.5	9.2	100
SI	17.2	4.8	6.3	20.0	6.3	3.3	14.9	2.7	9.5	0.9	6.4	7.7	100
SK	22.1	5.8	4.1	23.1	5.1	2.3	9.5	3.9	9.1	0.8	7.9	6.4	100

*: 2001

Table 7. Main categories of hamonized indices of consumer prices, annual rates of change, in %, 2003

	CP01	CP02	CP03	CP04	CP05	CP06	CP07	CP08	CP09	CP10	CP11	CP12	CP00
EU-25	1.6	4.6	0.1	2.8	1.0	2.4	2.5	-0.4	0.1	4.7	3.2	2.5	2.0
EU-15	1.9	4.9	0.2	2.6	1.0	2.3	2.5	-0.5	0.0	4.7	3.2	2.5	2.0
CZ	-2.0	0.9	-4.9	0.7	-1.7	4.6	0.4	-2.8	-0.2	3.4	2.4	3.0	-0.1
EE	-1.9	3.0	1.0	3.2	-0.4	14.0	-0.3	5.0	0.1	3.9	3.7	2.9	1.4
CY	5.2	18.0	1.3	11.0	3.7	5.6	0.2	-13.5	1.3	3.7	5.8	4.9	4.0
LV	2.6	1.6	3.7	4.6	1.9	5.8	3.5	-3.9	4.6	4.3	2.6	3.8	2.9
LT	-3.7	3.3	-2.7	0.3	-2.9	4.2	1.9	-0.5	-2.2	-3.3	0.0	-1.5	-1.1
HU	1.4	11.1	3.2	7.6	0.8	7.3	4.3	1.6	3.6	13.6	8.9	4.6	4.7
MT	:	:	:	:	:	:	:	:	:	:	:	:	:
PL	-1.2	-2.5	-2.5	3.3	0.5	2.1	4.6	-0.1	1.6	2.3	1.2	0.1	0.7
SI	4.4	11.8	6.3	5.7	4.9	5.8	4.5	1.1	5.2	4.4	8.6	6.7	5.7
SK	3.3	12.1	2.6	22.2	0.8	8.5	9.4	3.0	3.7	6.8	7.8	11.9	8.8

CP01: Food and non-alcoholic beverages, **CP02:** Alcoholic beverages and tobacco, **CP03:** Clothing and footwear, **CP04:** Housing, water, electricity, gas and other fuels, **CP05:** Furnishing, household equipment and routine household maintenance, **CP06:** Health, **CP07:** Transport, **CP08:** Communication, **CP09:** Recreation and culture, **CP10:** Education, **CP11:** Restaurants and hotels, **CP12:** Miscellaneous goods and services, **CP00:** all items

Employment

In 2002, the number of **persons employed** in the ACC was 30.1 million, compared to 170.4 million in the EU-15 (table 8). This means that the ACC have a share of 15% in total employment in the EU-25, slightly less than their 16% share in population (see figure 1). Nearly half of all persons employed in the ACC are accounted for by Poland, in contrast to only 0.4% of the total in Malta. The number of persons employed in the ACC increased by only 0.2%, or 64 000, over the period 1995 to 2002, while the 8.8% (or 13.8 million) increase in the EU-15 over the same period was considerably stronger.

From table 9, showing employment broken down by industry for 2002, the single most important branch in the ACC with respect to employment is found to be manufacturing, including energy (23.7%), followed by trade, transport and communications (23.2%) and other services (21.8%) which in particular includes public

services. Employment in other services, although one of the most important industries in the ACC, still falls well short of the 30.3% share it occupies in the EU-15. Agriculture, with 17.0% employment share in the ACC, has a significantly larger proportion than in the EU-15 (4.0%). Particularly high values for agriculture are observed for Poland (26.8%), Lithuania (17.4%) and Latvia (15.1%). On the other hand, business activities and financial services have a smaller share in the ACC (8.5%) than in the EU-15 (15.0%). It is a relatively important employer in Slovenia (10.2%), but much less so in Lithuania (5.0%). The other services branch of activity is of particularly low significance with respect to employment in Poland (18.4%), and it has a lower share in employment than in the EU-15 for all the Acceding Countries.

Table 8. Total employment (domestic concept), in thousands

	1995	1996	1997	1998	1999	2000	2001	2002
EU-25	186 588.8	187 453.9	189 289.7	192 477.7	194 758.6	198 037.4	200 106.8	200 462.8
EU-15	156 563.1	157 192.4	158 622.2	161 486.1	164 276.3	167 582.9	169 671.1	170 373.0
ACC	30 025.7	30 261.5	30 667.5	30 991.6	30 482.3	30 454.5	30 435.7	30 089.8
CZ	:	:	:	:	:	5 144.6	5 218.7	5 253.1
EE	633.7	618.9	619.0	607.4	580.5	571.9	576.7	584.1
CY	345.9	287.8	287.0	289.9	293.7	301.9	:	:
LV	970.2	951.8	993.4	990.5	972.8	944.3	964.9	980.4
LT	1 643.6	1 659.0	1 669.2	1 656.1	1 647.5	1 586.0	1 521.8	1 449.2
HU	3 622.9	3 605.0	3 610.3	3 674.7	3 791.5	3 829.1	3 844.5	3 870.6
MT	:	:	:	:	131.1	134.1	:	:
PL	:	15 020.6	15 438.7	15 800.4	15 374.0	15 017.5	14 923.6	14 589.9
SI	876.7	863.3	857.5	858.1	867.1	900.1	904.3	899.5
SK	2 107.1	2 155.8	2 128.9	2 119.6	2 062.9	2 025.0	2 037.1	2 015.6

Table 9. Employment breakdown by industry, 2002

	Employment in thousand	Agriculture, forestry and fishing in %	Industry, incl. energy, water in %	Construction in %	Trade, transport and communications in %	Business activities and financial services in %	Other services, incl. public services in %
EU-25	200 462.8	6.0	19.2	6.6	25.3	14.0	29.1
EU-15	170 373.0	4.0	18.3	6.6	25.7	15.0	30.3
ACC	30 089.8	17.0	23.7	6.6	23.2	8.5	21.8
CZ	5 253.1	4.3	27.9	8.1	22.0	6.9	21.4
EE	584.1	6.8	24.7	6.5	26.9	8.9	26.1
CY	:	:	:	:	:	:	:
LV	980.4	15.1	18.4	6.0	25.9	7.3	27.3
LT	1 449.2	17.4	20.6	6.8	23.9	5.0	26.3
HU	3 870.6	6.2	27.1	7.0	25.8	8.0	25.9
MT	:	:	:	:	:	:	:
PL	14 589.9	26.8	20.1	5.1	20.9	8.6	18.4
SI	899.5	11.0	29.7	7.3	22.4	10.2	19.5
SK	2 015.6	5.0	28.0	6.5	26.2	8.1	26.2

Unemployment

Table 10 shows the **harmonised unemployment rate**, both for the total population and separately for men and women, covering the years 1999 to 2003. Figure 4 gives a visual representation of unemployment by gender for the year 2003.

Unemployment in the ACC has been higher than in the EU-15 throughout the period considered, and actually increased by 2.5 percentage points from 1999 to 2003, whereas during the same period, the unemployment rate in the EU-15 declined by 0.7 percentage points. Again, a strong impact on these figures is made by the data for Poland, where unemployment has risen substantially. The rate for Poland grew from 13.4% in 1999 to 19.2% in 2003. Other countries also showed

high values in this period, e.g. Estonia, Lithuania, Latvia and Slovakia, where unemployment rates reached values above 10%. Developments over time were, however, far from uniform. Relatively low unemployment is observed in Cyprus, Hungary and Slovenia, where values were lower than the average EU-15 unemployment rate.

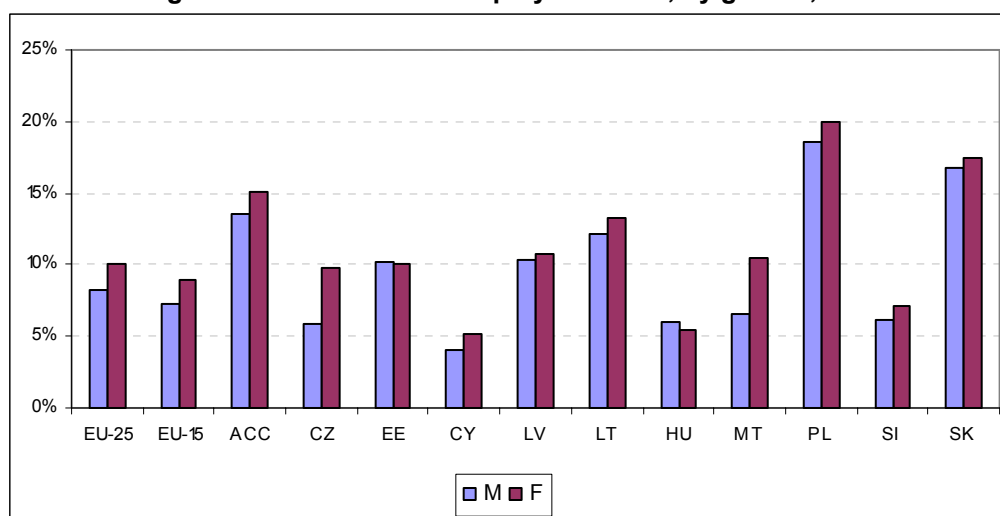
With the exception of Estonia and Hungary, the unemployment rate for women in the acceding countries was higher than that for men in 2003. Nevertheless, the gender gap in unemployment was slightly narrower in the ACC than in the EU-15 and, for both areas, that gap tended to narrow between 1999 and 2003.

Table 10. Harmonized unemployment rate, in %, by gender

	1999			2000			2001			2002			2003		
	T	M	F	T	M	F	T	M	F	T	M	F	T	M	F
EU-25	9.2	8.1	10.7	8.8	7.7	10.2	8.5	7.6	9.7	8.8	8.0	9.8	9.0	8.2	10.0
EU-15	8.7	7.5	10.2	7.8	6.7	9.2	7.4	6.5	8.6	7.7	6.9	8.7	8.0	7.2	8.9
ACC	11.8	10.9	12.9	13.6	12.6	14.8	14.5	13.7	15.5	14.8	14.2	15.5	14.3	13.6	15.1
CZ	8.6	7.3	10.3	8.7	7.3	10.4	8.0	6.7	9.7	7.3	6.0	9.0	7.6	5.8	9.8
EE	11.3	12.5	10.1	12.5	13.4	11.5	11.8	11.5	12.0	9.5	10.1	8.9	10.1	10.2	10.0
CY	:	:	:	5.2	3.2	7.8	4.4	2.9	6.4	3.9	3.0	4.9	4.4	4.0	5.1
LV	14.0	14.4	13.6	13.7	14.4	12.9	12.9	14.2	11.5	12.6	13.6	11.4	10.5	10.3	10.7
LT	11.2	12.3	10.0	15.7	17.9	13.4	16.1	18.4	13.8	13.6	13.7	13.4	12.7	12.1	13.3
HU	6.9	7.4	6.3	6.3	6.8	5.6	5.6	6.1	4.9	5.6	6.0	5.1	5.8	6.0	5.5
MT	:	:	:	7.0	6.6	7.8	6.7	6.2	8.0	7.4	6.5	9.5	7.8	6.5	10.5
PL	13.4	11.8	15.3	16.4	14.6	18.6	18.5	17.1	20.2	19.8	19.0	20.7	19.2	18.6	20.0
SI	7.2	7.0	7.4	6.6	6.4	6.8	5.8	5.5	6.2	6.1	5.8	6.5	6.5	6.1	7.1
SK	16.7	16.6	16.9	18.7	18.9	18.5	19.4	19.8	18.9	18.7	18.6	18.9	17.1	16.8	17.4

T: total; M: men; F: women

Figure 4. Harmonized unemployment rate, by gender, 2003



Gross value added by industry

Comparing the development of the **shares each industry has in gross value added** in the ACC with those in the EU-15 (table 11) shows that the shares in GVA of agriculture and of manufacturing declined steadily in both areas, the decline being stronger in the ACC than in the EU-15. In the years from 1995 to 2002, the share of agriculture in the EU-15 declined from 2.7% to 2.0%. In the same period, its share in the ACC went down from 6.1% to 3.5%. The portion of GVA accounted for by manufacturing in the EU-15 decreased from 23.9% to 21.4%, in the ACC from 29.6% to 25.2%. Business activities and financial services gained significantly in importance in both areas, rising from 14.2% to 17.2% in the ACC and from 24.9% to 27.4% in the EU-15. Other services also gained share in the ACC, up from 18.2% to 20.0%.

Table 12 presents the respective values for 2002 country by country for the ACC. The part of agriculture in gross value added in 2002 was above the average of the EU-15 for all ten ACC; while on the other hand, the share for business activities and financial services was consistently lower. Cyprus differs from the other countries with its markedly lower share of manufacturing, whilst construction has a higher weight than in the other countries. A comparison with the shares the industries have in employment (see table 9) can give some interesting results. The low productivity of agriculture for instance can be observed from its 17.0% share of employment as opposed to a share of only 3.5% of gross value added.

Table 11. GVA breakdown by industry, in %, ACC and EU-15

		1995	1996	1997	1998	1999	2000	2001	2002
ACC	A-B	6.1	5.9	5.3	4.9	4.2	3.9	4.0	3.5
	C-E	29.6	29.3	28.4	27.3	26.9	26.5	25.5	25.2
	F	6.8	6.8	7.1	7.4	7.2	7.1	6.5	6.2
	G-I	25.1	25.2	26.0	26.2	26.4	26.5	27.2	27.8
	J-K	14.2	14.3	14.7	15.8	16.3	16.9	17.1	17.2
	L-P	18.2	18.5	18.5	18.5	18.9	19.0	19.7	20.0
	total	100	100	100	100	100	100	100	100
EU-15	A-B	2.7	2.7	2.5	2.4	2.3	2.1	2.1	2.0
	C-E	23.9	23.6	23.5	23.2	22.6	22.4	22.0	21.4
	F	5.8	5.6	5.4	5.3	5.4	5.4	5.5	5.6
	G-I	20.9	20.7	21.0	21.2	21.3	21.4	21.5	21.5
	J-K	24.9	25.5	25.9	26.2	26.7	27.0	27.2	27.4
	L-P	21.8	21.9	21.8	21.6	21.7	21.6	21.7	22.1
	total	100	100	100	100	100	100	100	100

A-B: Agriculture, forestry and fishing; **C-E:** Industry, including energy, water; **F:** Construction; **G-I:** Trade, transport and communications; **J-K:** Business activities and financial services; **L-P:** Other services, including public services.

Table 12. GVA breakdown by industry, 2002

	Total gross value added in million euro	Agriculture, forestry and fishing in % of GVA	Industry, incl. energy, water in % of GVA	Construction in % of GVA	Trade, transport and communications in % of GVA	Business activities and financial services in % of GVA	Other services, incl. public services in % of GVA
EU-25	8 879 055.1	2.1	21.6	5.6	21.8	26.9	22.0
EU-15	8 484 767.1	2.0	21.4	5.6	21.5	27.4	22.1
ACC	394 288.0	3.5	25.2	6.2	27.8	17.2	20.0
CZ	70 792.8	3.2	30.8	6.5	28.0	16.0	15.5
EE	6 148.0	5.4	22.8	6.6	31.5	15.8	18.0
CY	10 122.4	4.1	12.4	7.9	30.8	21.2	23.6
LV	7 953.2	4.7	18.6	6.1	35.7	15.7	19.2
LT	13 186.2	7.1	24.1	6.4	33.1	10.8	18.5
HU	61 026.1	3.7	25.2	5.5	21.6	20.7	23.3
MT	3 484.3	2.8	25.0	3.2	21.1	19.0	29.0
PL	177 237.8	3.1	23.5	6.5	29.9	16.1	20.8
SI	20 748.4	3.0	29.6	5.6	21.2	20.0	20.6
SK	23 588.7	4.4	25.8	5.3	26.2	20.7	17.6

Productivity and unit labour cost

Labour productivity (table 13) is calculated as GDP divided by total employment. To prevent a comparison among countries from being affected by differing price levels, productivity is calculated from GDP expressed in PPS. For ease of comparison, it is expressed in relation to the EU-15 (=100). Please keep in mind, though, that "total employment" as used here does not distinguish between full-time and part-time employment and that consequently, a higher incidence of part-time work will result in lower productivity.

Overall labour productivity in the ACC is slightly above half the value observed for the EU-15, but shows an upward trend over the past few years. The highest value of labour productivity per person employed in 2002 was observed in Malta (89.8%), followed by Cyprus (78.3%) and Slovenia (68.4%). Lower values of labour productivity were found in the Baltic countries Latvia (37.1%), Estonia (41.8%) and Lithuania (41.9%).

Unit labour cost is calculated as compensation of employees per employee divided by GDP per person employed. Its growth rates are given in table 14.

Unit labour cost growth varied widely between countries. Volatile growth rates were seen in Lithuania, with values between -8.2% (2000) and +12.1% (1995). The highest growth rate in 2002 was observed for Lithuania (+5.4%), the lowest for Estonia (-2.1%).

Both labour productivity and unit labour cost growth are among the so-called **structural indicators** (as is GDP growth from table 2). These indicators are the subject of the European Commission's regular reporting to the council on the progress made in "becoming 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". This strategic goal had been endorsed by the spring 2000 European council meeting in Lisbon. Further information on this subject is available from Eurostat's website, following the link to "data – long term indicators".

Table 13. Labour productivity per person employed, EU-15=100

	1995	1996	1997	1998	1999	2000	2001	2002
EU-25	:	:	:	91.4	91.9	92.3	92.5	92.8
EU-15	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
ACC	:	:	:	46.7	48.5	49.8	50.9	52.2
CZ	:	:	:	:	:	52.7	53.1	53.7
EE	29.7	31.0	33.5	35.3	36.4	39.8	40.8	41.8
CY	59.5	71.6	72.3	74.1	76.0	77.7	79.8	78.3
LV	28.2	29.3	30.0	31.1	32.3	35.1	36.4	37.1
LT	28.6	29.2	30.6	32.7	32.0	34.3	38.0	41.9
HU	53.7	53.7	55.2	56.2	56.3	57.6	60.9	62.6
MT	:	:	:	:	91.9	91.4	89.4	89.8
PL	:	42.3	40.0	42.5	45.8	47.6	47.9	48.8
SI	58.2	60.3	62.4	63.9	66.5	65.1	66.8	68.4
SK	42.9	43.7	46.0	47.4	49.0	51.7	53.0	56.2

Labour productivity = GDP in Purchasing Power Standards (PPS) per person employed relative to EU-15 (EU-15=100)

Table 14. Unit labour cost growth, in %

	1995	1996	1997	1998	1999	2000	2001	2002
EU-25	:	-0.8	-0.9	-1.0	0.0	:	:	:
EU-15	-0.9	-0.9	-0.8	-0.9	0.0	0.5	0.3	-0.4
ACC	:	0.9	-0.7	-1.4	-1.4	:	:	:
CZ	:	:	:	:	:	-1.4	2.4	3.9
EE	-2.7	-5.3	-2.0	-1.6	5.5	-6.5	-3.0	-2.1
CY	1.2	3.3	5.2	-6.6	-0.1	:	:	:
LV	:	3.7	1.2	-3.6	-2.5	-7.2	-4.6	-1.7
LT	12.1	5.3	1.5	4.0	6.9	-8.2	-6.6	5.4
HU	-8.7	-2.6	-2.3	-1.8	-4.1	1.2	3.1	-0.7
MT	:	:	:	:	-8.4	-1.4	3.1	-0.9
PL	:	2.4	-0.9	-1.2	-2.1	-0.8	5.3	-1.5
SI	-6.3	-4.9	-2.2	-2.2	-1.4	14.5	-0.1	-1.2
SK	3.8	-1.0	2.1	1.8	-3.1	0.0	-1.2	0.3

Unit labour cost growth = Growth rate of the ratio: compensation per employee in current prices divided by GDP in current prices per total employment

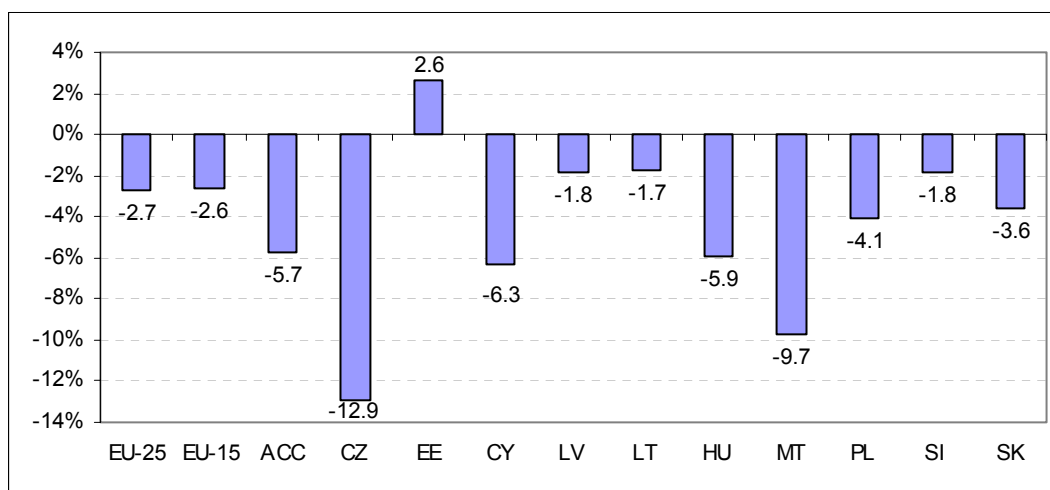
Public debt and deficit

General government net lending/borrowing (+/-) is the difference between general government revenue and general government expenditure. This net lending/borrowing is shown in figure 5, expressed as a percentage of GDP.

On average, the acceding countries ran a deficit of 5.7% in 2003, which is far higher than the EU-15 average of 2.6%. Estonia alone among the acceding countries

achieved a positive government balance. All the others showed a negative balance, i.e. net borrowing, which for most of them turned out to be more than 3.0% of GDP. The Czech Republic fared worst, with general government net borrowing of 12.9% of GDP, followed by Malta (-9.7%) and Cyprus (-6.3%). Apart from Estonia, only Lithuania (-1.7%), Slovenia and Latvia (-1.8% both) recorded a deficit of no more than 3.0% of GDP.

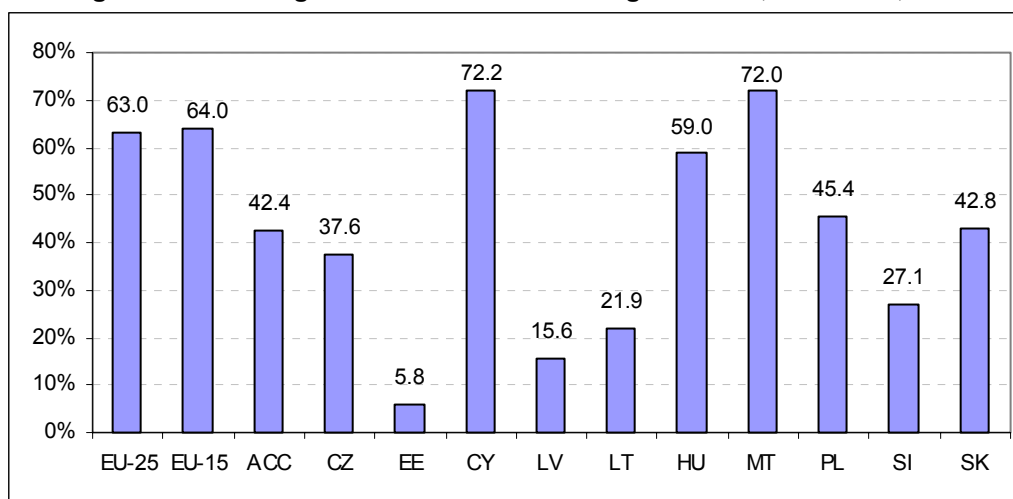
Figure 5. General government net lending/borrowing, % of GDP, 2003



General government consolidated gross debt is defined as debt outstanding at the end of the year. Debt outstanding is valued at nominal value; foreign currency debt is converted into national currency, and national currency is in turn converted to euro using end-of-year exchange rates fixed by the European Central Bank. Gross debt can be considered to be government balance accumulated over time.

In contrast to the situation described above for current deficit, in 2003 the ACC on average have a much smaller gross debt than the EU-15 (42.4% versus 64.0%). The highest gross debt relative to GDP (see figure 6) was that of Cyprus, with a debt of 72.2%, followed by Malta (72.0%) and Hungary (59.0%). Only Cyprus and Malta were thus beyond 60% of GDP, Hungary not far away from this threshold. Amongst the acceding countries, Estonia has the lowest consolidated gross debt at 5.8%, with Latvia (15.6%), Lithuania (21.9%) and Slovenia (27.1%) following.

Figure 6. General government consolidated gross debt, % of GDP, 2002



Eurostat's news release 38/2004 (available on Eurostat's web site) contains more detailed information on public debt and deficit.

Exchange rates and long-term interest rates

Table 15 gives the **exchange rates** for the currencies of the acceding countries against the euro (ECU before 1999). A particularly high volatility for the period 1995 to 2003 was observed for the Hungarian forint, whose value ranged from 164.5 forint to 260.0 forint for one euro, and also for the Slovenian tolar, which varied between 154.9 tolar and 233.8 tolar per euro. Exchange rate volatility is, of course, strongly dependent on the currency management system chosen by the particular country in question. The Estonian kroon was fixed to the Deutsche mark up to 1999 and since then to the euro, at a rate of 15.6466 per euro. The Lithuanian litas (since 2002), the Cyprus pound (since 1999), the Hungarian forint (since 2000), the Latvian lats and the Maltese lira are also fixed or pegged against the euro with various

degrees of rigidity. Exchange rates for the Czech koruna and the New Polish zloty, on the other hand, float freely against the euro, depending on demand and supply on the currency markets.

Long-term interest rates as given in table 16 and depicted in figure 7 have been, in 2002 and 2003, well above the corresponding value for the EU-15, in some cases substantially so, with the exception of the Czech Republic in 2002. The highest value in 2002 was recorded for Poland at 7.32%. On the other hand, in those Acceding Countries for which data are available, interest rates have been falling faster than in the EU-15 from 2000 to 2003.

Table 15. Exchange rates, units of national currency per Euro

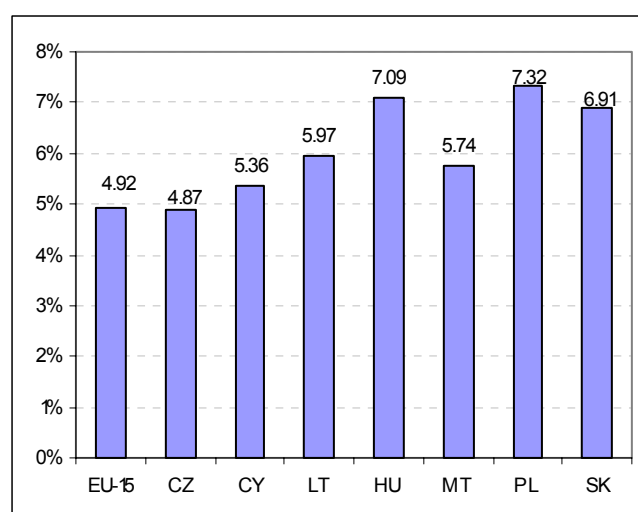
	1995	1996	1997	1998	1999	2000	2001	2002	2003
CZK	34.6960	34.4572	35.9304	36.0487	36.8843	35.5995	34.0685	30.8036	31.8459
EEK	14.9900	15.2730	15.7130	15.7481	15.6466	15.6466	15.6466	15.6466	15.6466
CYP	0.5916	0.5919	0.5824	0.5793	0.5788	0.5739	0.5759	0.5753	0.5841
LVL	0.6895	0.6993	0.6586	0.6607	0.6238	0.5594	0.5601	0.5810	0.6407
LTL	5.2320	5.0790	4.5362	4.4844	4.2641	3.6952	3.5823	3.4594	3.4528
HUF	164.5450	193.7580	211.6540	240.5730	252.7670	260.0450	256.5910	242.9580	253.6180
MTL	0.4614	0.4577	0.4375	0.4350	0.4258	0.4041	0.4030	0.4089	0.4261
PLN	3.1705	3.4219	3.7149	3.9165	4.2274	4.0082	3.6721	3.8574	4.3996
SIT	154.8800	171.7780	180.9860	185.9480	194.4730	206.6130	217.9800	225.9770	233.8490
SKK	38.8649	38.9196	38.1129	39.5407	44.1229	42.6017	43.3001	42.6935	41.4889

CZK: Czech koruna; **EEK:** Estonian kroon; **CYP:** Cyprus pound; **LVL:** Latvian lats; **LTL:** Lithuanian litas; **HUF:** Hungarian forint; **MTL:** Maltese lira; **PLZ:** New Polish zloty; **SIT:** Slovenian tolar; **SKK:** Slovakian korunan

Table 16. Long term interest rates (government bond yields, 10 years maturity), in %

	1999	2000	2001	2002	2003
EU-25	:	:	:	:	:
EU-15	4.74	5.43	5.00	4.92	4.23
ACC	:	:	:	:	:
CZ	:	6.94	6.31	4.87	:
EE	:	:	:	:	:
CY	7.36	7.55	7.66	5.36	:
LV	:	:	:	:	:
LT	:	:	:	5.97	:
HU	9.91	8.55	7.94	7.09	6.83
MT	:	5.75	6.11	5.74	4.98
PL	9.53	11.79	10.68	7.32	5.78
SI	:	:	:	:	:
SK	:	8.33	8.05	6.91	4.99

Figure 7. Long term interest rates, 2002



International trade in goods and services, foreign direct investment

The **international trade in goods and services** of a country and its cross-border **direct investment** are recorded in its balance of payments.

Figure 8 shows imports and exports of **goods** as well as the resulting balance as a ratio to GDP for 2002. All the acceding countries have a negative balance in trade in goods, which is, of course, partly due to trade with the EU-15. The largest relative deficit was recorded in Cyprus (-28.1% of GDP), followed by Latvia and Estonia. The lowest deficit was observed in Slovenia (-1.1% of GDP), followed by the Czech Republic and Hungary.

With respect to international trade in **services** (figure 9) however, all acceding countries exhibit a positive balance for 2002. Some of the most important items recorded in international trade in services are transport, travel, financial services, royalties and licence fees. The

highest surplus was achieved in Cyprus (21.5% of GDP), followed by Malta and Estonia. On the other hand, Poland (0.4% of GDP) had the lowest surplus relative to GDP, followed by the Czech Republic and Hungary.

Foreign direct investment (figure 10) is an international investment characterised by the objective of obtaining a lasting interest in a unit in another economy. All acceding countries with the notable exception of Malta recorded a surplus in 2002, which means they were net recipients of direct investment. The largest net recipients, relative to GDP, were the Slovak Republic (16.3% of GDP) and the Czech Republic (12.4% of GDP). The smallest relative surpluses in foreign direct investment were received by Hungary with 0.9% and Poland with 2.1% of GDP. Malta saw disinvestment equal to 10.6% of GDP in 2002.

Figure 8. International trade in goods, 2002, in % of GDP

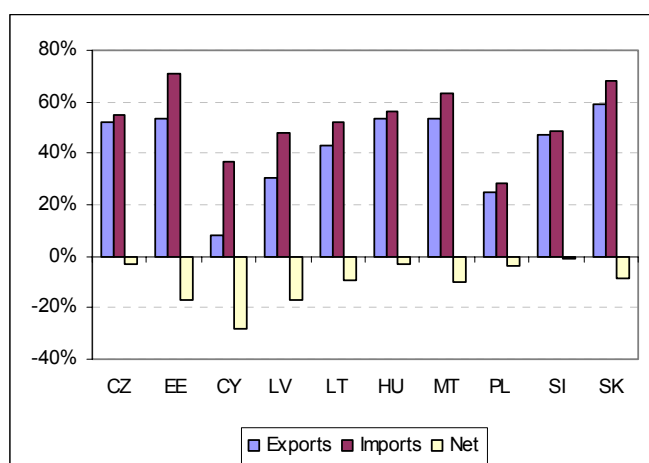


Figure 9. International trade in services, 2002, in % of GDP

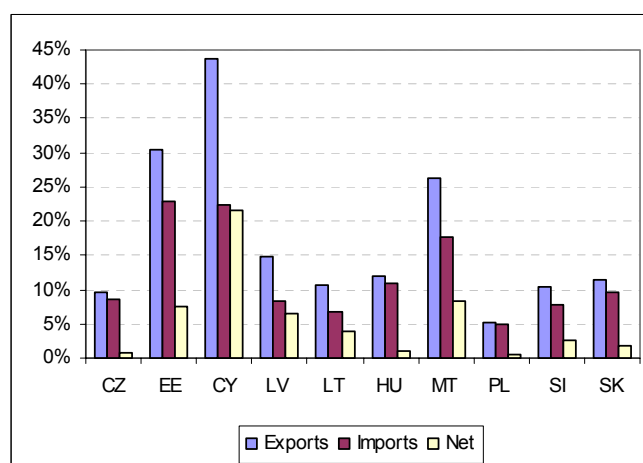
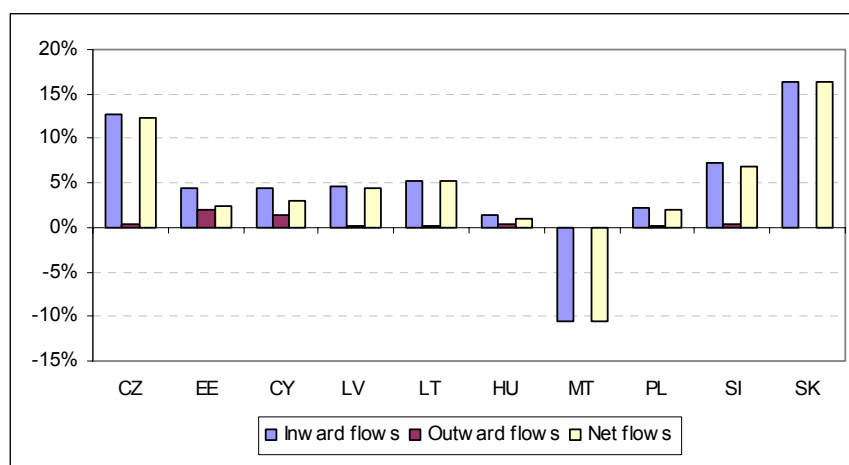


Figure 10. Foreign direct investment, 2002, in % of GDP



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