

EU International Trade in Services in 2006

EU external surplus grows to €68.5bn

The European Union continued to be the biggest global player in international trade in services (ITS). In 2006, the EU-27's international trade in services recorded a surplus of €68.5 billion, compared to 52.9bn in 2005 and 46.4bn in 2004. The USA remained the EU's main trading partner. Of all the EU Member States, the UK was the biggest contributor to extra-EU transactions.

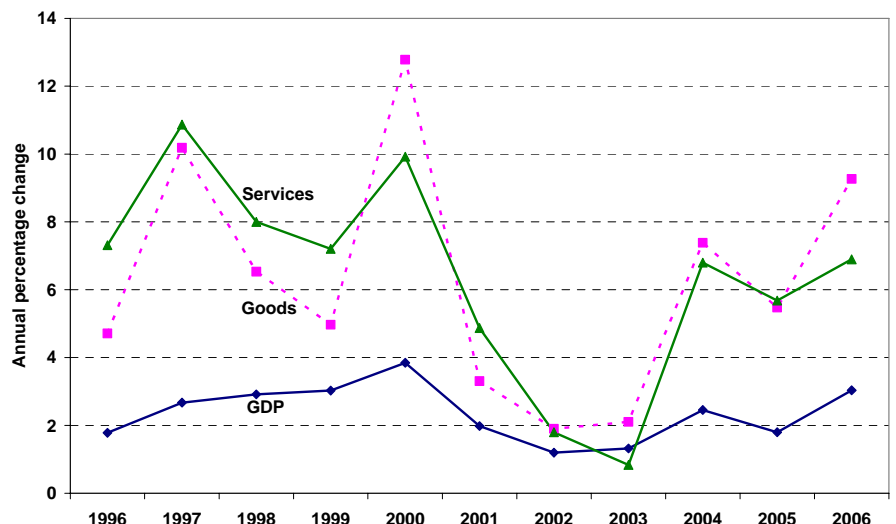
Trade in services continues to grow faster than service sector output

Services are increasingly important in modern economies. In 2006, their shares of EU-27 gross value added and employment were 69.6% and 68.6% respectively (Eurostat database). Recent decades have witnessed a steady rise in their importance to the EU economy.

The strong and growing role of services is not reflected in international trade. Due to the intangible nature of trade in services, this sector is inherently subject to more constraints than trade in goods. However, with the increasing tradability of large parts of the service economy, trade in services is now growing at a similar rate to trade in goods and is thus growing at a substantially higher rate than GDP. The expansion of trade in services has continued to outpace the growth in service sector output by a sizeable margin.

Since the 1990s, growth in the export of goods and services in the EU has evolved in a broadly similar pattern with both growing by about 6.2% per year on average. Consequently services maintained their roughly 22% share of overall international trade during this period. However, in 2006 – as chart 1 shows - service exports lagged behind goods exports for the fourth year running. In 2006, the gap widened considerably, with exports of services growing at a significantly lower rate than exports of goods (6.9% against 9.3%).

Chart 1: EU GDP and exports of goods and services, 1996-2006
(At 1995 prices and exchange rates, annual percentage change)



Source: Eurostat

Statistics

in focus

ECONOMY AND FINANCE

21/2008

Balance of payments

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Contents

Trade in service continues to grow faster than service sector output..... 1

The EU remained the world's largest trader in services 2

Surplus in transportation and other services, deficit in travel 3

Trade between Member States exceeds Extra-EU trade..... 4

The EU recorded surpluses with most of its partners 5

UK remains the EU champion in trade in services..... 5

Thriving EU trade in services with India..... 6

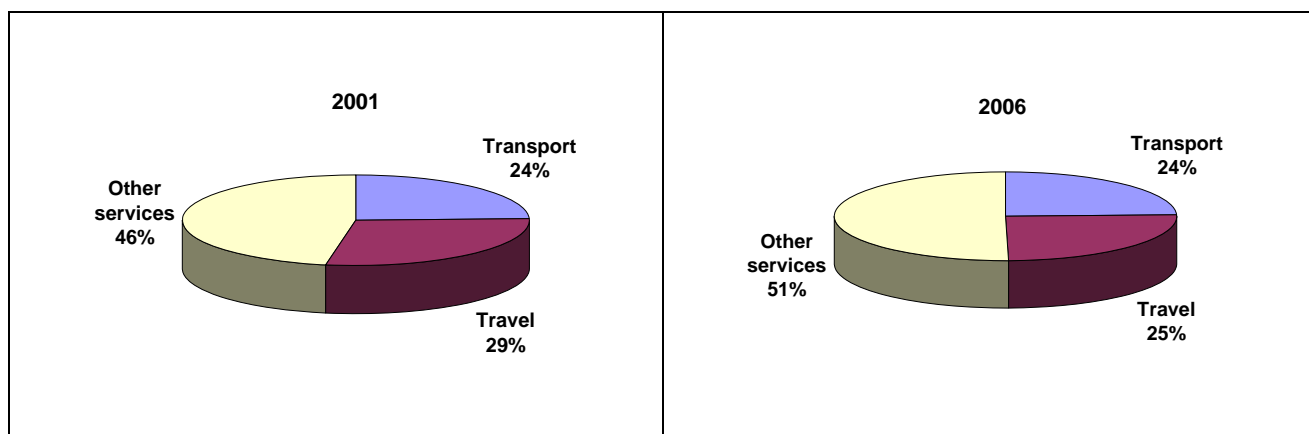


According to figures published by the International Monetary Fund¹ total world international trade in services (exports plus imports) in 2006 amounted to €4401.5 billion (of which intra-EU-27 trade accounted for €1166.5 billion) – an increase of 8.9% in value terms over 2005.

Looking at the different categories of services for which total world figures are available (transport², travel³ and other services⁴) between 2001 and 2006 travel as a share of total services decreased by 4 percentage

points, down to 25% in 2006. Although tourism continues to be a flourishing sector, the share of travel in world exports of services has been declining steadily in recent years owing to the boom in trade in other services. The share of other services, which includes business services, increased by the same amount (up to 51%). This category has recorded impressive growth in recent years, doubling in value compared to 2000. The share of transportation services remained constant at 24% (see chart 2).

Chart 2: Breakdown of total world trade in services, in %



Source: IMF Balance of Payments Statistics, 2006

The EU remained the world's largest trader in services

In 2006, the European Union remained the world's largest exporter and importer of services. The EU-27 accounted for 26.9% of global exports and 23.4% of imports⁵. As table 1 shows, it was followed by the USA (18.8%) and, at some considerable distance, by Japan (6.2%), China (4.7%) and Canada (3.2%).

It is noteworthy that the EU-27's share in total world trade in services decreased slightly, from 25.6% in 2005 to 25.2% in 2006. The USA and Japan also saw their shares decrease marginally - down from 19.1% to 18.8% in 2006 in the case of the USA, and from 6.7% to 6.2% for Japan. China, on the other hand continued to increase its share - from 4.3% to 4.7%.

Table 1 summarises international trade in services transactions (credits and debits, meaning exports and imports respectively) for the 17 main trading

economies. In 2006, these 17 economies together accounted for about 80% of total world transactions in services. As the EU is treated as a single entity, intra-EU transactions are not included in this analysis.

Collectively these countries recorded a surplus of €102.3bn (€68.2bn in 2005). However, this total amount conceals differences in individual countries. In 2006, the EU-27 recorded a surplus of €68.5bn, compared to €52.9bn in 2005. Other countries persistently running surpluses were the USA, Switzerland, India and Turkey. The highest deficit, on the other hand, was recorded by Japan (€-14.5bn in 2006, down from €-19.3bn in 2005). Other countries with significant deficits were Russia, South Korea, Canada, China, Thailand, Brazil and Mexico.

¹ IMF, Balance of Payments Statistics.

² Transportation covers all transportation services that are performed by residents of one economy for those of other and that involve the carriage of passengers, the movement of goods, rentals of carriers with crew, and related supporting and auxiliary services.

³ Travel covers primarily the goods and services acquired from an economy by travellers during visits of less than one year to that economy.

⁴ Other services comprise: communication services, construction services, insurance services, financial services, computer and information services, royalties and license fees, other business services, personal, cultural and recreational services and government services.

⁵ Intra-EU transactions are excluded from this analysis since the EU is treated as a single entity.

Table 1: Trade in services for main trading countries (in billion Euro)

	2005			2006			Share of world (%) (credits+debits)		Rank	
	credit	debit	net	credit	debit	net	2005	2006	2005	2006
	EU27	402.9	350.0	52.9	441.6	373.1	68.5	25.6	25.2	1
United States of America	309.1	253.7	55.4	333.6	273.0	60.6	19.1	18.8	2	2
Japan	88.8	108.1	-19.3	93.5	108.0	-14.5	6.7	6.2	3	3
China	59.8	67.4	-7.5	73.3	80.3	-7.0	4.3	4.7	4	4
Canada	44.5	52.5	-8.1	47.3	57.9	-10.6	3.3	3.2	5	5
India	44.9	38.6	6.3	60.0	39.3	20.7	2.8	3.1	8	6
South Korea	36.3	47.3	-11.0	41.3	56.3	-14.9	2.8	3.0	7	7
Singapore	42.4	44.3	-1.9	47.0	49.3	-2.3	2.9	3.0	6	8
Switzerland	38.0	19.7	18.3	41.4	20.3	21.1	2.0	1.9	9	9
Russia	20.1	31.2	-11.2	24.6	35.6	-11.0	1.7	1.9	10	10
Australia	25.0	24.5	0.4	26.3	25.7	0.7	1.7	1.6	11	11
Norway	23.6	23.8	-0.2	26.2	25.1	1.1	1.6	1.6	12	12
Thailand	16.2	21.8	-5.6	19.2	25.5	-6.3	1.3	1.4	13	13
Brazil	12.9	19.5	-6.5	15.5	23.2	-7.7	1.1	1.2	15	14
Malaysia	15.7	17.6	-1.9	17.4	18.9	-1.5	1.1	1.1	14	15
Mexico	13.0	17.2	-4.3	13.1	18.2	-5.1	1.0	1.0	17	16
Turkey	21.4	9.1	12.3	19.6	8.9	10.6	1.0	0.9	16	17

Source: Eurostat; IMF

Surplus in transportation and other services, deficit in travel

In 2006, EU-27 services trade was marked by an increase of 9.6% in exports and 6.6% in imports over 2005. As a result the surplus continued to grow, reaching €68.5bn in 2006.

Table 2 shows that the increased surplus in 2006 was mainly due to an improved balance in insurance services, where the deficit of 2.2bn recorded in 2005 turned into a surplus of 7.0bn in 2006, and also to increased surpluses in financial services (+24.5bn in 2006 compared with +20.8bn in 2005) and computer and information services (+11.3bn against +8.6bn); there was also a reduction in the deficit in the travel sector (-14.0bn as against -18.4bn). These numbers were partially offset by the reduced surplus in transportation services (+13.6bn against +16.8bn).

The significant surplus in "other business services", which comprise merchanting and other trade-related

services, operational leasing services and miscellaneous business, professional and technical services, remained more or less stable (+31.2bn compared with 31.3bn), as did the surplus in construction (+5.5bn compared with +5.1bn), and the deficit in royalties and license fees (-9.2bn compared with -8.4bn).

On the credit side, insurance services experienced the biggest increase in relative terms (+131.5%) followed by computer and information services, financial services and communication services (up 21.8%, 19.0% and 17.3% respectively). On the import side, double digit rates of expansion were seen in financial services, communication services, and government services.

Table 2: EU international trade in services with the rest of the world (in bn Euro)

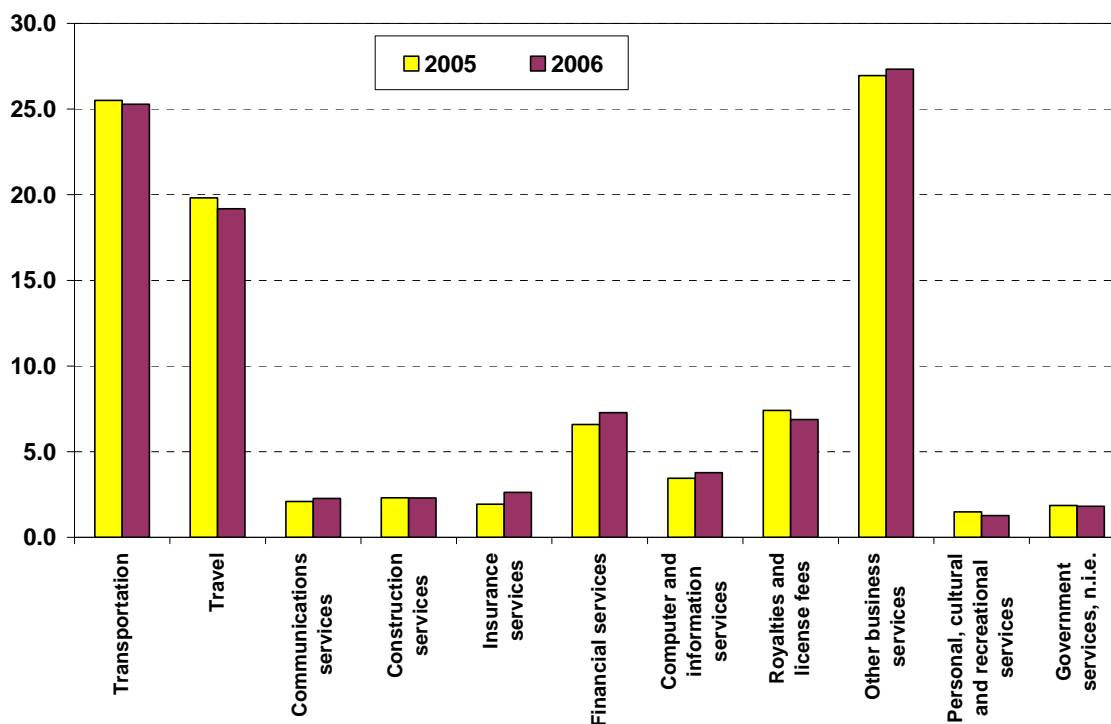
	2004			2005			2006		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
Total Services	368.1	321.7	46.4	402.9	350.0	52.9	441.6	373.1	68.5
Transportation	93.5	79.5	14.0	104.4	87.7	16.8	109.7	96.2	13.6
Travel	62.1	79.5	-17.4	65.4	83.8	-18.4	71.1	85.1	-14.0
Other services	209.6	159.9	49.7	230.8	176.2	54.6	260.7	191.7	69.0
Communications services	6.4	7.1	-0.7	7.4	8.3	-0.9	8.7	9.8	-1.2
Construction services	9.6	5.8	3.8	11.2	6.1	5.1	12.1	6.6	5.5
Insurance services	10.7	8.4	2.3	6.1	8.4	-2.2	14.2	7.2	7.0
Financial services	29.6	11.9	17.7	35.2	14.4	20.8	41.9	17.4	24.5
Computer and information services	16.3	8.1	8.2	17.3	8.7	8.6	21.0	9.7	11.3
Royalties and license fees	20.4	29.4	-9.0	23.7	32.1	-8.4	23.4	32.6	-9.2
Other business services	102.4	77.5	24.9	117.1	85.8	31.3	126.9	95.7	31.2
Personal, cultural and recreational services	5.1	6.3	-1.2	4.9	6.3	-1.4	4.6	5.8	-1.2
Government services, n.i.e.	9.1	5.5	3.7	7.9	6.1	1.8	7.9	6.9	1.1
Services not allocated	2.9	2.9	0.1	2.3	2.4	-0.1	0.0	0.0	0.0

Source: Eurostat

Chart 3 shows that in terms of total transactions (exports plus imports) the shares of financial services, insurance services and other business services in total

EU international trade in services increased, while travel saw its share fall. Shares of other service categories remained more or less stable.

Chart 3: Shares in EU-27 ITS transactions with the rest of the world (in %)



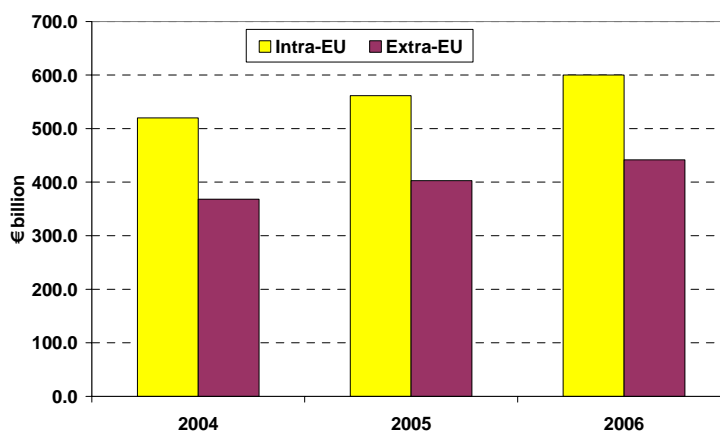
Source: Eurostat

Trade between Member States exceeds Extra-EU trade

In 2006, nearly 59% of EU trade in services was between EU Member States (intra-EU transactions). Intra-EU exports (i.e. exports from Member States to Member States) amounted to €599.9bn - an increase of 6.8% in value terms over 2005. The value of total intra-EU imports in 2006 was €566.6bn⁶.

Extra-EU exports (i.e. exports from Member States to third countries) increased by 9.6% over the same period, reaching €441.6bn. Extra-EU imports (imports into the EU from third countries) grew by 6.6% and were worth €373.1bn.

Chart 4: Intra-EU and Extra-EU exports of services, bn Euro



Source: Eurostat

⁶ Due to asymmetries in bilateral statistics, total intra-EU imports do not equal total intra-EU exports. For details see *Asymmetries in EU current account data, Eurostat Working Papers and Studies, 2006*.

The EU recorded surpluses with most of its partners

An analysis of the breakdown and underlying trend of EU transactions with the rest of the world (extra-EU transactions) shows that the USA continued to be the EU's biggest trading partner. In 2006, 30.5% of total exports from the EU-27 went to the USA and 32.7% of total imports came from the USA. However, exports to the USA increased at a faster rate than imports from the USA, pushing up the trade surplus from €4.9bn in 2005 to €12.6bn in 2006. The same was true of trade with Switzerland, resulting in a considerable increase in the trade surplus. On the other hand growth in exports

of services to China lagged significantly behind the respective growth in corresponding imports. As a result the trade surplus in 2006 was only half that of 2005.

Double digit growth in both exports and imports was recorded with Singapore, India, Venezuela and Argentina. While imports from Hong Kong in 2006 increased by 18.4%, exports decreased by 16.5%. Although the EU has considerable surpluses with most of its trading partners, the largest deficits were recorded with Morocco, Croatia, Thailand, Egypt and Turkey, mainly due to deficits recorded under travel.

Table 3: EU-27 trade with its main partners, total services (in million Euro)

Rank*	Trading partner	2005			2006		
		Credit	Debit	Net	Credit	Debit	Net
1	Switzerland	49420	38142	11278	52712	37756	14955
2	United States of America	123159	118228	4931	134664	122067	12597
3	Japan	19569	12250	7318	18939	12935	6005
4	Norway	14715	9695	5020	16403	10478	5925
5	Singapore	8630	5597	3033	10883	6296	4587
6	Russia	12308	9122	3185	14221	10774	3448
7	Nigeria	3476	1120	2356	4487	1161	3326
8	Australia	8521	5819	2702	9033	6158	2875
9	South Korea	5804	3597	2207	6369	4028	2341
10	Canada	8987	7644	1343	10172	8188	1985
11	India	5438	4801	637	6978	5548	1430
12	China	12343	9597	2746	12750	11334	1416
13	Mexico	3662	2789	873	4091	2687	1403
14	Chile	2110	1000	1110	2232	1117	1116
15	Taiwan	3112	2148	963	3066	2050	1016
16	South Africa	5097	4114	983	5305	4357	948
17	Venezuela	1233	604	629	1516	719	797
18	Argentina	1605	1449	156	2395	1654	741
19	Israel	3133	2288	845	3112	2389	723
20	Brazil	4580	4019	561	5162	4615	548
21	New Zealand	1750	1286	464	1809	1329	480
22	Iceland	864	632	232	967	624	343
23	Indonesia	1230	1064	166	1412	1071	341
24	Malaysia	2048	1653	395	2078	1810	268
25	Hong Kong	8259	5648	2611	6896	6688	207
26	Uruguay	293	203	90	294	228	66
27	Philippines	904	870	34	943	1056	-112
28	Liechtenstein	406	563	-157	359	510	-151
29	Morocco	1540	3083	-1544	1672	3500	-1828
30	Croatia	1906	4425	-2519	2283	4762	-2478
31	Thailand	1885	3715	-1830	1999	4518	-2519
32	Egypt	2258	5187	-2930	2294	5026	-2732
33	Turkey	4775	11400	-6625	5730	10958	-5228

* ordered according to EU27 net in 2006

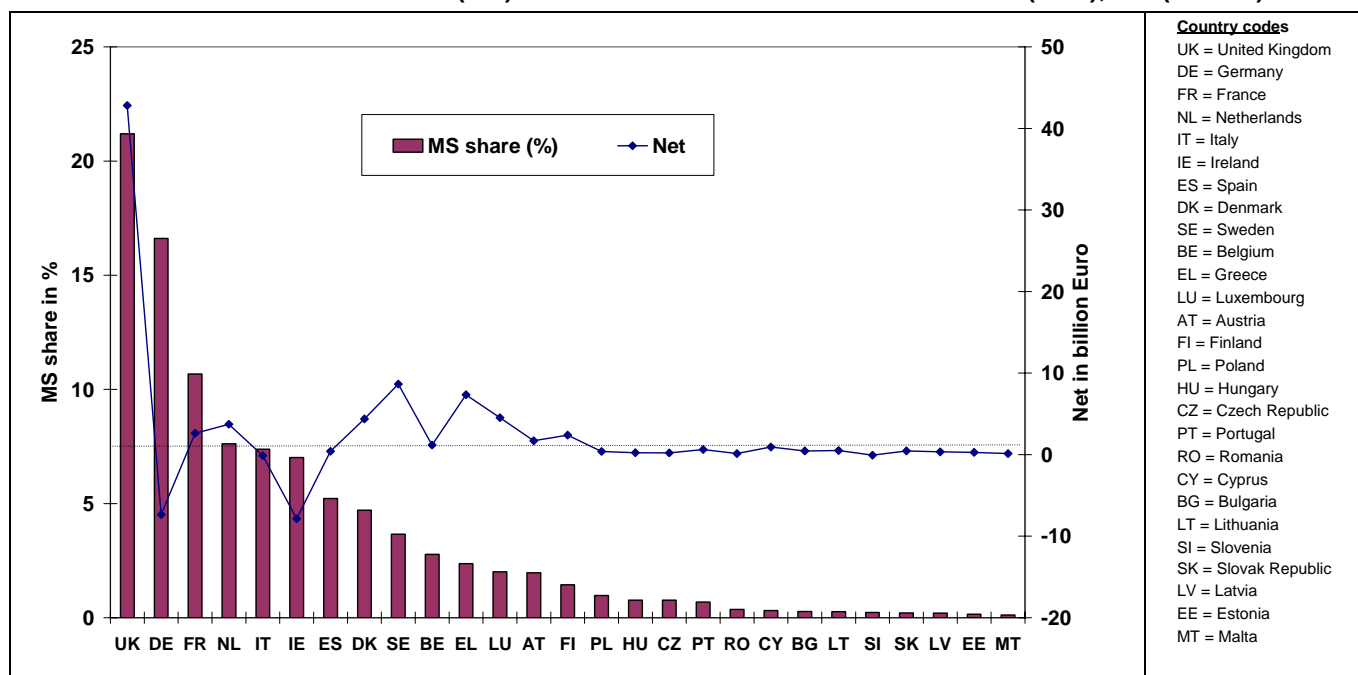
Source: Eurostat

UK remains the EU champion in trade in services

The United Kingdom continued to be the largest exporter of services in 2006. Almost one quarter of all EU exports to the rest of the world came from the UK, followed by Germany and France. Germany was the biggest importer, accounting for more than 19% of total

EU-27 imports. It was followed by the UK and France. The United Kingdom also recorded the largest surplus in 2006 (€ +42.8bn), followed by Sweden and Greece. The highest deficit in 2006 was recorded by Ireland, followed by Germany.

Chart 5: Member States' (MS) share in total extra-EU ITS transactions (in %), net (in €bn)



Left hand scale for MS share in percentage; Right hand scale for balance in bn euro
Source: Eurostat

Thriving EU trade in services with India

Following the example of previous editions of Statistics in Focus (SiF), which provided information on EU trade with China (SiF 8/2006) and Japan (SiF 29/2007), this edition examines trade with India.

Since the financial year 2001/02 India's impressive economic performance has continued and growth since 2003/04 has been particularly rapid, averaging over 8.5%. According to the World Trade Organisation Secretariat report this performance is largely due to unilateral trade and structural reforms, particularly in services. The services sector is the key driver of economic growth in India: between 2002/03 and 2006/07 it contributed 68.6% of the overall average annual growth in GDP (Indian Ministry of Finance, Economic Survey 2006-07). During the period 2000/01 to 2005/06, exports of services increased by 27.4%, mainly due to increased exports of software services; imports of services increased during the same period

by 24.2%. India has become famous as a magnet for outsourcing, hosting call centres and performing accounting functions.

The EU has started negotiating a free trade agreement with India of which the service sector is expected to form the backbone. So far the volume of EU-India trade and investment has not kept pace with India's dramatic rise as an economic power. In 2006, India's share of the EU's total trade in services accounted for just 1.5%; Switzerland's share, by contrast was 11.1%.

During the period 2004-2006 India's exports of services almost doubled, while imports grew by about one third. As a result, the surplus in trade in services grew from €2.1 billion in 2004 to €20.7 billion in 2006. Computer and information services are the biggest single item in India's exports; during the period 2004-2006 this sector grew by 77% to reach €23.2 billion in 2006.

Table 4: India's trade in services with rest of the world, in million Euro

	2004			2005			2006		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
Total Services	30775	28652	2122	44877	38573	6303	60014	39321	20693
Transportation	3515	10638	-7123	4597	16188	-11591	6076	9915	-3839
Travel	4960	3872	1088	6023	4833	1190	7115	5855	1260
Other services	22299	14143	8159	34257	17551	16704	46823	23551	23272
Communications services	879	465	414	1586	536	1049	1745	716	1029
Construction services	415	666	-251	811	535	276	321	721	-400
Insurance services	677	1405	-728	747	1798	-1052	889	994	-105
Financial services	274	636	-361	1181	919	261	1649	1048	601
Computer and information services	13140	749	12390	17688	1259	16429	23245	1751	21494
Royalties and license fees	42	492	-449	105	616	-511	89	756	-667
Other business services	6554	9401	-2846	11762	11439	324	18475	17086	1389
Personal, cultural and recreational services	37	49	-12	117	92	25	173	94	80
Government services, n.i.e.	281	280	2	260	357	-97	237	385	-149

Source: IMF, converted into Euro

In 2006, EU27 exports of services to India were worth €7.0bn, while imports from India amounted to €5.5bn. Table 5 shows that, in 2006, the EU had surpluses with India in most service categories. The biggest surpluses were recorded in transportation services (€ +0.8bn), and other business services (+1.2bn). Deficits were recorded in travel, computer and information services and in communication services.

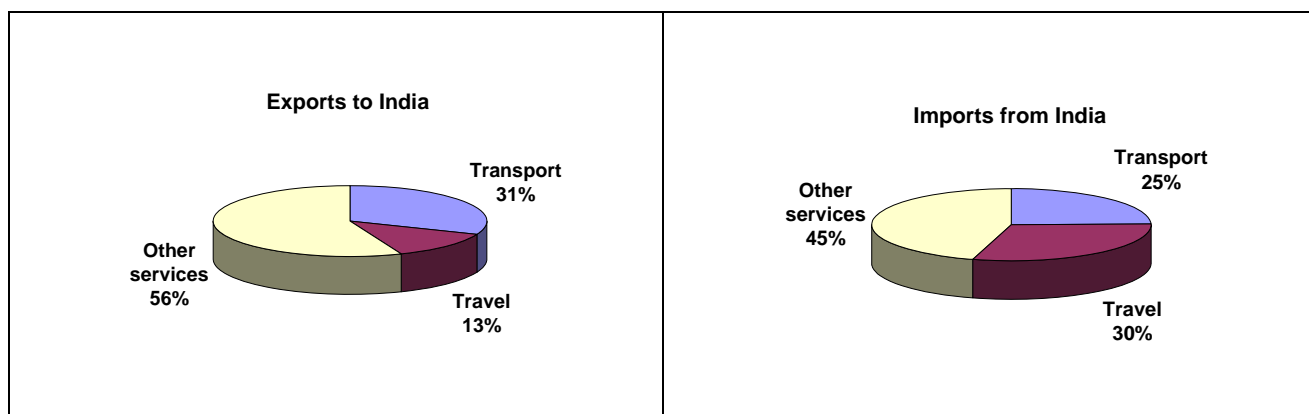
Chart 6 shows the differences between the breakdown of EU exports to India and that of imports from India. While transportation services account for 31% of total exports, their share of total imports is 25%. The EU spends much more on travel in India than it receives from Indian travellers to the EU (30% of EU debits against 13% of EU credits). The shares of other services are also different for exports and imports.

Table 5: EU-27 trade in services with India, in million Euro

	2004			2005			2006		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
200 Services	3868	3933	-64	5438	4801	637	6978	5548	1430
205 Transportation	1499	1066	433	2219	1286	933	2176	1365	811
236 Travel	790	1471	-680	728	1635	-907	879	1651	-772
981 Other services	1524	1387	137	2438	1872	566	3920	2529	1391
245 Communications services	69	124	-54	87	162	-76	134	181	-47
249 Construction services	192	63	130	221	100	122	162	89	73
253 Insurance services	43	37	6	28	48	-20	97	38	59
260 Financial services	150	31	119	190	57	133	274	96	179
262 Computer and information services	158	365	-207	186	530	-344	281	714	-433
266 Royalties and license fees	68	27	42	94	23	70	184	21	163
268 Other business services	658	690	-32	1425	898	527	2492	1334	1158
287 Personal, cultural and recreational services	8	9	-1	11	7	4	19	11	9
291 Government services, n.i.e.	178	43	136	197	47	150	277	46	232

Source: Eurostat

Chart 6: Breakdown of EU-27 exports to and imports from India, 2006

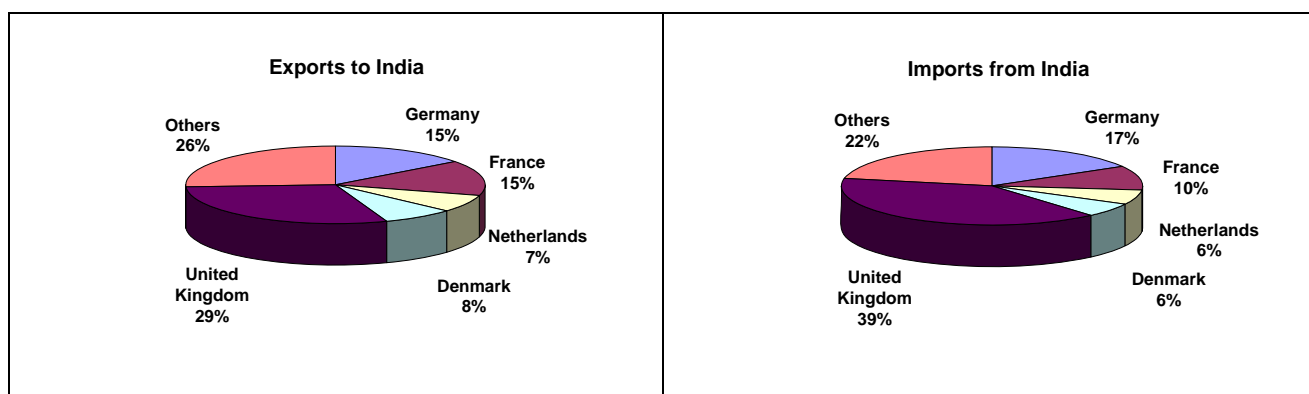


Source: Eurostat

The United Kingdom is India's principal trading partner in the EU. The UK alone accounted for 29% of all EU-27 exports to India and 39% of EU-27 imports from India, other major trading partners being Germany,

France, the Netherlands and Denmark. More than three quarters of total exports to and imports from India involved these five countries.

Chart 7: Member States' share of total EU exports to and imports from India



Source: Eurostat

➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

The results presented in this publication are based on balance of payments statistics. The balance of payments records all economic transactions between a country (i.e. its residents) and foreign countries or international organisations (i.e. the non-residents of that country) during a given period. As part of the balance of payments, the current account records real resources and is subdivided into four basic components: goods,

services, income and current transfers. The methodological framework used is that of the fifth edition of the International Monetary Fund Balance of Payments Manual (BPM5). The EU balance of payments is compiled by Eurostat in accordance with a methodology agreed with the European Central Bank (ECB).


Further information:

Data: [EUROSTAT Website/Home page/Economy and finance/Data](#)


Economy and finance

 **Balance of payments - International transactions**

 **International trade in services, geographical breakdown**

 International trade in services (since 1985)

 International trade in services - structural indicators

 Total services, detailed geographical breakdown by EU Member States (since 2002)

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