

Short-term business statistics: recent and future euro area countries

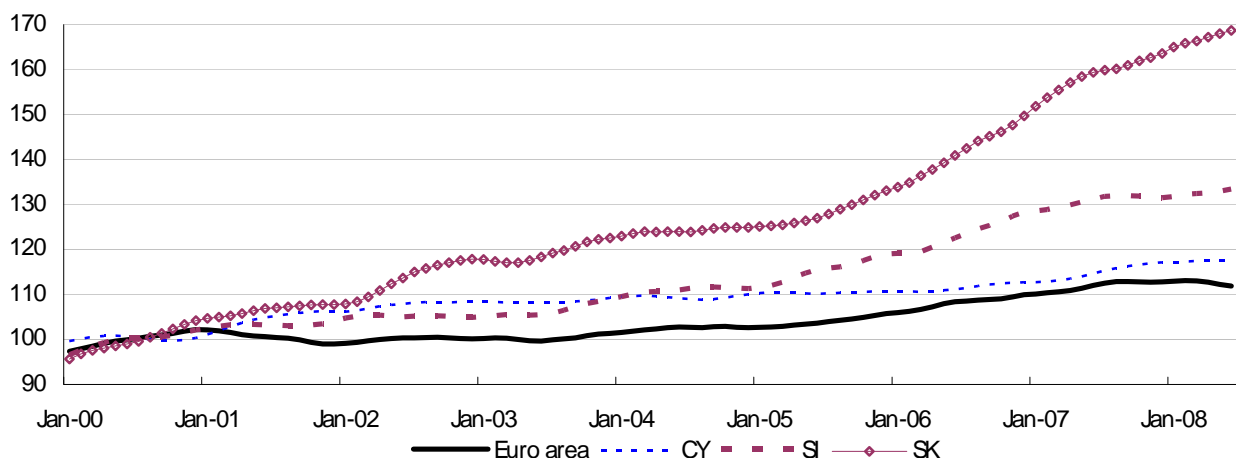
This publication focuses on short-term business statistics in the three countries that most recently joined the euro area, Slovenia, Cyprus and Malta, as well as Slovakia which will join in January 2009. It presents output and employment from 2000 to 2008, as well as a shorter series for industrial prices. Data with a more detailed activity analysis is available on Eurostat's website, as is data for the other EU and euro area Member States.

All four countries have generally recorded faster output and employment growth than the euro area average. Slovakia and to a lesser extent Slovenia have recorded particularly strong industrial output growth in recent years. Across all of the services activities covered by short-term business statistics, turnover growth since 2000 has generally been stronger in Cyprus, Slovenia and Slovakia than in the euro area as a whole, with a more mixed development in Malta.

In January 2007 the euro area expanded to include Slovenia, the first country from among the Member States that joined the EU in 2004. In January 2008 Cyprus and Malta followed this path, bringing the euro area to 15 countries (EA-15). Prior to joining the euro area a country's currency must be in the Exchange Rate Mechanism for at least two years: currently the ERM includes the currencies of Denmark, the Baltic Member States and Slovakia. In July 2008, the exchange rate between the Slovak Koruna and the euro was fixed and Slovakia will join the euro area in January 2009.

Slovenia, Cyprus and Malta collectively accounted for 0.7 % of the euro area's value added (2005 data); their share of employment was higher (1.1 %). Slovakia's value added was equivalent to 0.4 % of the euro area total and its employment equivalent to 1.1 %. All of these countries show some specialisations relative to the euro area: Slovenia and Slovakia in manufacturing as well as electricity, gas and water supply; Cyprus in construction and most services activities; Malta in hotels and restaurants as well as transport and communications.

Figure 1: Production index (trend), industry (2000=100) (1)



(1) Cyprus and Slovenia: including Eurostat estimates; recent data is provisional.

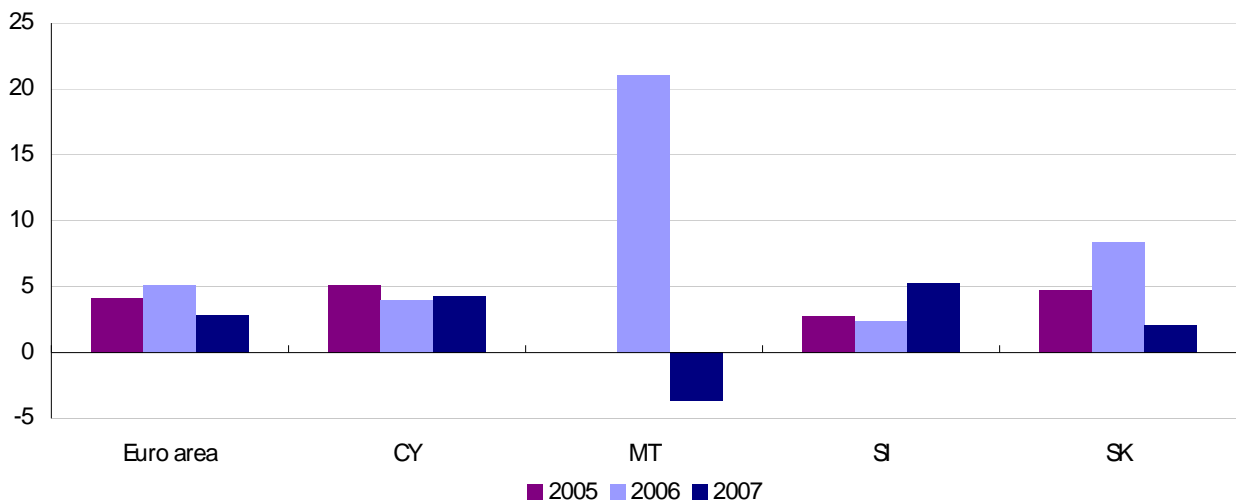
Industry

All four of the countries presented here are relatively small, and their economies can be easily influenced by external shocks; some of the time series may therefore be quite volatile.

Figure 1 shows the development in industrial output since the beginning of 2000. Output has grown particularly strongly in Slovakia, with high growth during 2002, and a further acceleration in

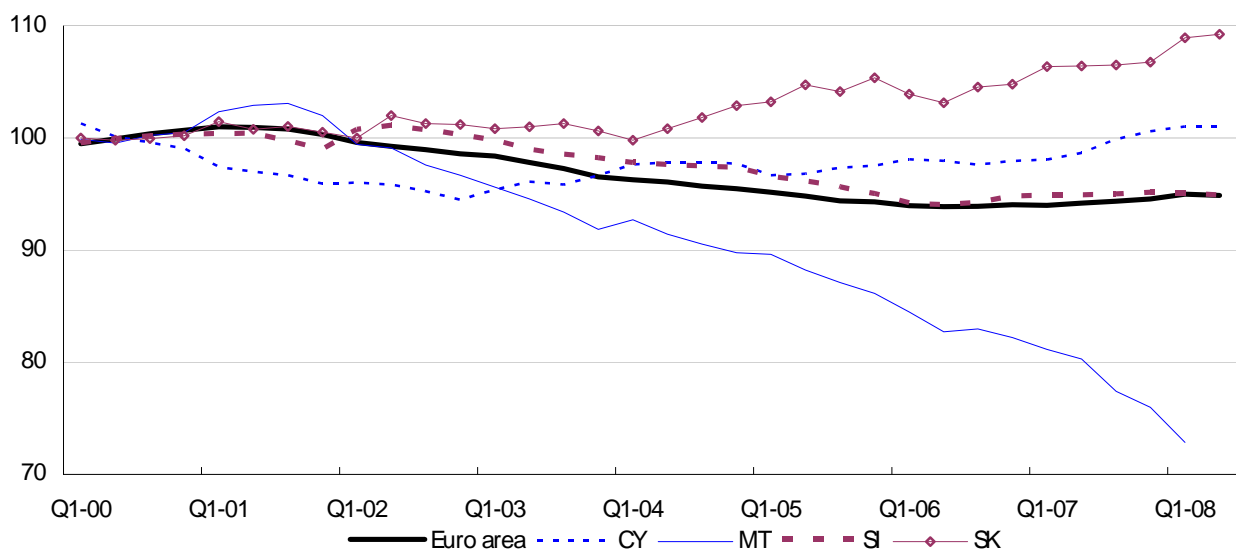
the middle of 2005. Slovenia recorded an acceleration in industrial output growth early in 2005 although output stabilised during the most recent 12 month period. Output in Cyprus grew moderately throughout the period, avoiding the overall euro area downturn during 2001, and showing relatively stable output in the first half of 2008 compared with the latest downturn recorded in the euro area as a whole.

Figure 2: Domestic output price index, industry (gross), annual rate of change (%) (1)



(1) Slovakia, 2007 provisional; Malta, 2005 not available.

Figure 3: Employment index (seasonally adjusted), industry (2000=100) (1)



(1) Including Eurostat estimates; Slovakia 2008 quarter 2, provisional.

From Table 1 it can be seen that Cyprus, Slovenia and Slovakia have all recorded higher recent output growth (June 2008 compared with June 2007) than the euro area, with growth strongest in Slovakia. Slovakia's most robust growth in this period was recorded for consumer durables (31.4 %), the same main industrial grouping (MIG) for which the euro area recorded its biggest contraction (-5.7 %). Across the MIGs, Slovakia recorded its only contraction for energy related activities, which was also where Cyprus had its biggest fall in output. In contrast, Slovenia recorded output growth of 5.2 % for energy related activities and also recorded high growth for consumer non-durables. The strongest growth in Cyprus was for intermediate goods.

In the last three calendar years, domestic output prices in the euro area rose by up to 5.1 % - see Figure 2, with broadly similar changes in Cyprus and Slovenia and a notably stronger increase in 2006 in Slovakia. In contrast, Malta recorded an increase in 2006 of just over 20 %, and a fall in prices in 2007 - both movements due mainly to

changes in the output price index of energy related activities.

Figure 3 shows a long time series for the quarterly industrial employment index. Over this period the euro area as a whole recorded a fall in industrial employment, although since the middle of 2006 there has been a slight increase. The development in Slovenia was broadly similar, while Maltese industrial employment contracted more strongly and has shown no recent increase. In Cyprus, industrial employment fell more strongly than in the euro area as a whole through to the end of 2002; from the beginning of 2003 Cypriot industrial employment went against the euro area trend as employment initially increased and then was relatively stable until the middle of 2006, since when a new period of expansion has seen stronger growth than the euro area average. Reflecting its output development, Slovakian industrial employment was relatively stable through until the beginning of 2004 since when it has mainly recorded growth, with the only sustained decline recorded in the first half of 2006.

Table 1: Industrial indicators: rates of change relative to same period of the previous year (%)

	Index of production, June 2008 (1)					Domestic output price index, July 2008 (2)				
	Euro area	CY	MT	SI	SK	Euro area	CY	MT	SI	SK
C-E Total industry	-0.8	0.9	:	1.8	6.3	9.0	11.7	26.5	6.9	6.3
Capital goods	1.2	-0.7	:	0.1	8.6	2.0	5.2	19.1	4.5	-4.5
Intermediate goods	-1.4	3.6	:	-2.4	3.8	5.6	12.2	19.6	8.6	2.7
Consumer durables	-5.7	-1.0	:	2.1	31.4	2.4	6.7	-0.1	4.1	-5.1
Consumer non-durables	-0.8	0.5	:	8.7	2.0	4.6	9.4	6.5	6.7	4.2
Energy	-0.8	-1.4	:	5.2	-2.6	24.5	22.4	34.5	6.5	12.9
C Mining & quarrying	-9.2	8.4	:	-11.0	-1.9	20.1	14.6	:	2.3	14.2
CA Mining & quarrying of energy producing materials	-11.4	:	:	:	-6.1	28.7	:	:	0.6	23.2
CB Other mining & quarrying	-5.1	8.4	:	:	3.3	4.1	14.6	:	5.5	2.3
D Manufacturing	-0.8	1.3	:	1.8	7.2	7.2	9.7	:	7.0	2.5
DA Food products; beverages & tobacco	-2.2	0.8	:	:	-0.8	8.3	13.8	:	12.1	8.6
DB Textiles & textile products	-1.9	-15.2	:	:	-9.6	1.2	2.1	:	4.4	-1.9
DC Leather & leather products	-11.1	19.7	:	:	-22.0	0.2	0.1	:	2.8	0.7
DD Wood & wood products	-9.5	1.8	:	:	-11.2	0.7	13.3	:	4.2	-4.5
DE Pulp & paper products; publishing & printing	-2.4	3.6	:	:	5.7	1.6	3.9	:	4.5	-1.3
DF Coke, refined petroleum & nuclear fuel	2.4	:	:	:	-2.8	33.1	:	:	:	33.6
DG Chemicals & man-made fibres	1.5	-1.0	:	:	10.3	6.5	6.2	:	1.8	1.3
DH Rubber & plastic products	-3.1	7.6	:	:	14.3	2.2	6.2	:	5.1	-3.5
DI Other non-metallic mineral products	-8.6	0.7	:	:	4.9	3.2	5.8	:	5.3	4.8
DJ Basic metals & metal products	1.7	1.0	:	:	2.5	6.7	9.2	:	7.2	-0.5
DK Machinery & equipment n.e.c.	4.3	-5.0	:	:	3.5	2.6	5.2	:	3.3	-1.0
DL Electrical & optical equipment	-0.6	32.3	:	:	20.4	0.1	1.0	:	3.2	2.0
DM Transport equipment	-1.7	-4.7	:	:	15.0	1.2	6.7	:	-0.1	-9.0
DN Manufacturing n.e.c.	-5.1	3.5	:	:	-2.2	3.7	7.1	:	17.7	-5.2
E Electricity, gas & water supply	0.2	-1.5	:	11.0	-2.0	17.2	22.7	:	7.3	11.0

(1) Working-day adjusted; Cyprus and Slovenia, provisional.

(2) Gross; Cyprus (Sections C and E), Malta and Slovakia, provisional.

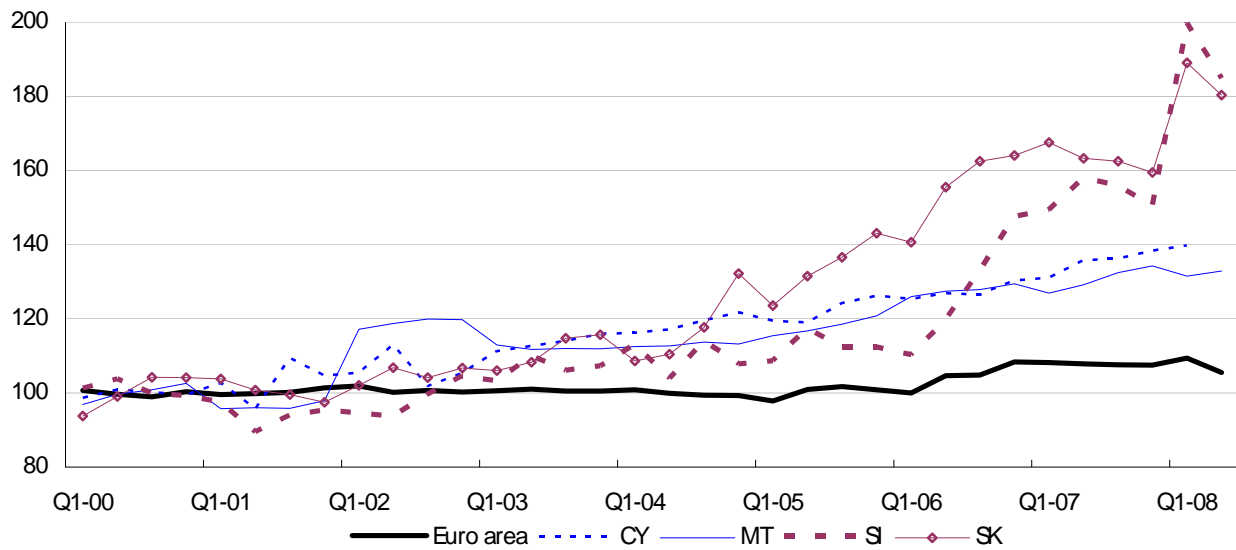
Construction

Since 2000 all four countries presented here have recorded faster growth in construction output than the euro area average. Slovakia and Slovenia recorded the highest annual average growth over this period, 8.2 % and 7.6 % respectively. Annual average growth in Cyprus (4.4 %) and Malta (3.9 %) was about half as fast, while the euro area averaged growth of just 0.6 % per annum.

The development of employment in construction from 2000 onwards was broadly similar in Cyprus

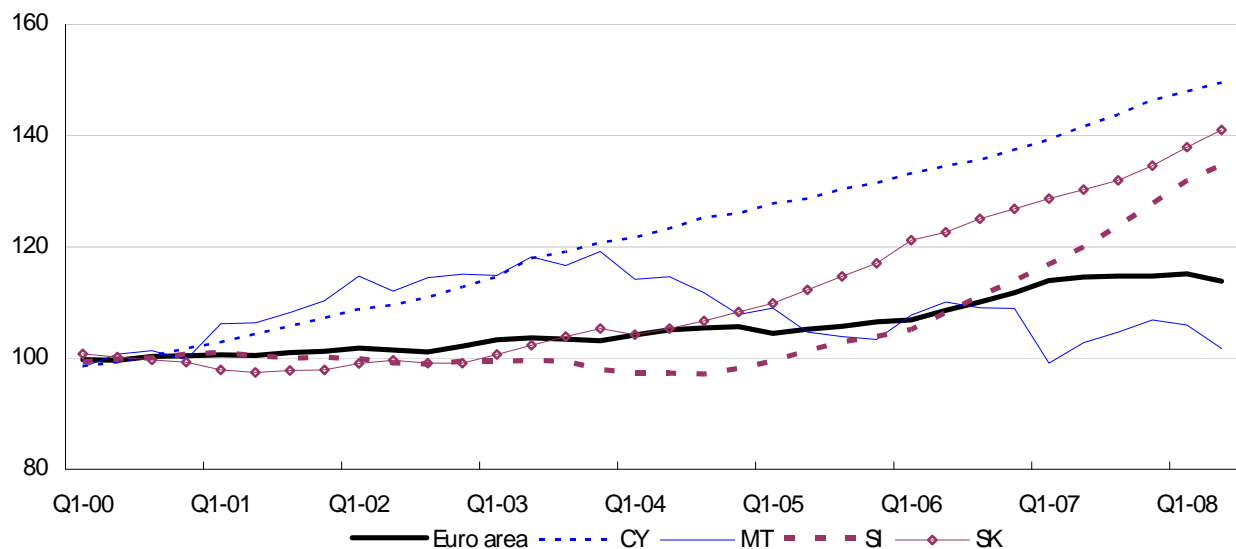
and Slovakia, with the former averaging slightly higher growth, 5.3 % per annum compared with 4.2 % in Slovakia. In Slovenia construction employment was stable, even falling slightly, until the middle of 2004, since when it has grown relatively strongly, with an average change of 3.8 % per annum from 2000 to the second quarter of 2008. In Malta there was a period of growth till the end of 2003 since when construction employment declined in a fairly irregular manner.

Figure 4: Production index (seasonally adjusted), construction (2000=100) (1)



(1) Cyprus and Malta, including Eurostat estimates; Cyprus, Malta and Slovenia, recent data is provisional.

Figure 5: Employment index (seasonally adjusted), construction (2000=100) (1)



(1) Including Eurostat estimates; Slovakia, recent data is provisional.

Services

Figure 6 shows the turnover development (in current prices, reflecting changes in both the price and volume of services sold) since 2000 for several services sectors. In motor trades, Slovenia (13.5 %) and Slovakia (12.4 %) have averaged double digit annual turnover growth since the beginning of 2000. Turnover growth for this sector was also strong in Cyprus (7.2 % per annum). For wholesale trade, Slovenia recorded average growth of 12.8 % per annum, followed by Cyprus (8.9 %) and Malta (7.1 %); while Slovakia recorded growth of 4.4 %, in line with the euro area as a whole. Slovenia also recorded double digit growth for retail trade and repair, averaging 10.4 % per annum, ahead of Slovakia and Cyprus. Malta recorded a fall in retail trade turnover during 2004 and the start of 2005 after which sales stabilised and returned to sustained growth towards the end of 2006.

Slovenia recorded the strongest average turnover growth for hotels and restaurants, 9.0 % per annum since 2000, while in Cyprus and Slovakia growth was closer to the euro area average. Malta recorded a stable level of turnover throughout this period (0.4 % annual average growth).

Since 2000 turnover growth in the transport and communications sector has averaged 11.4 % per annum in both Cyprus and Slovenia, just above the average in Slovakia (9.8 %). The euro area as a whole reported relatively strong growth in this sector, more than double the 2.7 % annual average in Malta.

For computer services and other business activities Slovakia and Slovenia again recorded turnover growth well above the euro area average. In Cyprus the turnover development in this sector followed a similar pattern to that in the euro area as a whole, while Malta recorded slower growth particularly since the beginning of 2005.

Table 2 below shows a slightly more detailed activity breakdown, notably for transport and communications, as well as separating computer services from other business activities. The growth rates comparing the second quarters of 2007 and 2008 show continued turnover growth in most sectors in the four countries analysed. Nevertheless, Cyprus, Malta and Slovenia all recorded falls in turnover in some transport activities.

An analysis of employment developments in services shows some large rates of change between the second quarters of 2007 and 2008, particularly in Malta and Slovakia. Malta recorded a fall in employment in five of the services shown, with the largest contractions for motor trades and other business activities. Slovakia recorded a large fall in water transport employment, as did Cyprus to a lesser extent.

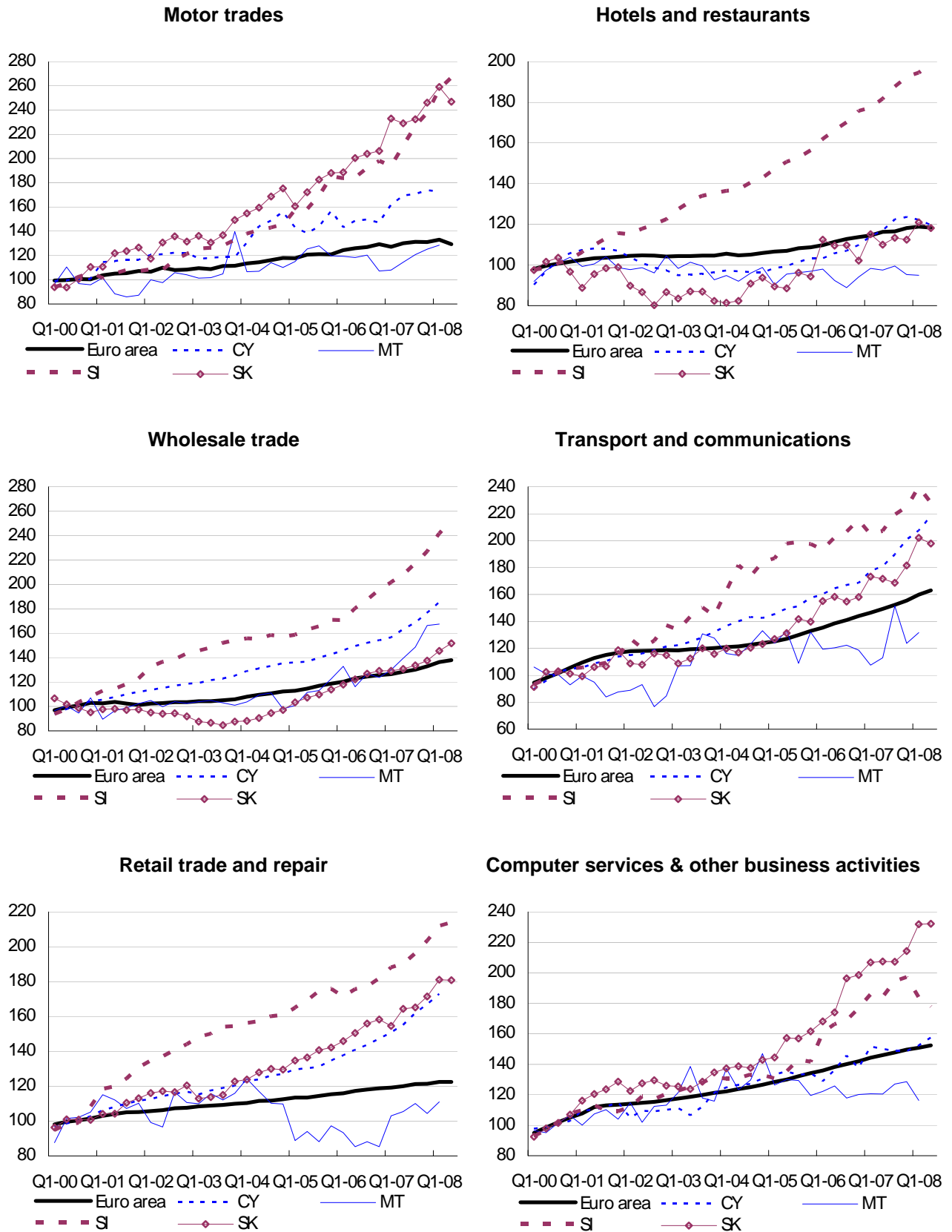
In wholesale trade, as well as retail trade and repair, all four countries recorded stronger employment growth in the year to the second quarter of 2008 (Malta, quarter 1) than the average for the euro area. In all of the remaining sectors there was a more mixed situation with some of the countries reporting growth above the euro area average and some below, with the situation for Malta and Slovakia particularly varied: generally Slovenia recorded employment growth above the euro area average, with its declining employment in supporting transport activities one of only two exceptions; employment growth in Cyprus was often below the euro area average, most notably in transport services.

Table 2: Services indicators (gross): rates of change relative to same period of the previous year, 2008 quarter 2 (%) (1)

	Index of turnover					Index of employment				
	Euro area	CY	MT	SI	SK	Euro area	CY	MT	SI	SK
50 Motor trades	-0.8	:	19.0	26.8	7.8	1.1	2.1	-13.7	5.7	1.0
51 Wholesale trade	7.5	:	28.9	21.3	17.6	2.2	3.9	33.4	3.9	2.6
52 Retail trade & repair	2.0	:	8.2	12.6	10.0	1.6	4.8	4.7	2.9	1.9
55 Hotels & restaurants	1.4	7.4	-3.8	8.8	7.4	3.1	0.5	19.0	2.8	0.0
60 Land transport; transport via pipelines	4.8	-2.6	56.5	-10.6	11.9	1.3	0.0	-1.9	10.4	3.1
61 Water transport	-0.6	1.4	22.2	:	33.9	3.2	-3.4	6.3	6.3	-11.0
62 Air transport	10.3	:	-12.9	:	4.9	2.0	0.0	-3.1	16.3	21.8
63 Supporting transport activities; travel agencies	5.9	10.2	-11.4	0.3	22.9	2.8	0.0	7.4	-0.6	20.5
64 Post & telecommunications	0.7	6.6	8.3	3.4	5.5	-0.3	2.2	-4.8	1.7	-0.6
72 Computer & related activities	6.5	14.1	-8.1	16.2	36.3	5.2	4.0	7.0	9.6	19.0
74 Other business activities	10.2	19.4	29.2	9.0	9.8	3.8	6.7	-10.4	6.7	10.3

(1) Malta, 2008 quarter 1; Cyprus, including provisional data.

Figure 6: Turnover indices (seasonally adjusted) (2000=100) (1)



(1) Including Eurostat estimates; Cyprus, recent data is provisional.

METHODOLOGICAL NOTES

The source for most of the data presented in this publication is Eurostat's short-term business statistics (STS); Maltese producer price indices are available as a news release from the website of the Maltese statistical office (<http://www.nso.gov.mt/>).

Definitions

The definitions of short-term statistics variables are laid down in Commission Regulation (EC) No 1503/2006 of 28 September 2006 ⁽¹⁾.

The **output price index** (or producer price index) shows monthly price changes in industrial activities, which can be an indicator of inflationary pressure before it reaches the consumer. Output price indices are compiled for the domestic and the non-domestic market. The basic price excludes all duties and taxes on the goods and services invoiced by the unit including VAT invoiced by the unit vis-à-vis its customer and similar deductible taxes directly linked to turnover; subsidies on products received by the producer should be included.

The **production index** is a business cycle indicator showing the output and activity of industry. The index provides a measure of the volume trend in value added at factor cost over a given reference period.

Employment is an important short-term indicator in monitoring the economy. The **employment index** is based on the number of persons employed, 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 persons absent for a short period (e.g. sick leave, paid leave or special leave), and also those on strike, but not those absent for an indefinite period. It also includes part-time workers who are regarded as such under the laws of the country concerned and who are on the payroll, as well as seasonal workers, apprentices and home workers on the payroll. Note that Member States may use an index of (paid) employees to approximate the index of the number of persons employed.

The objective of the services **turnover index** is to show the evolution of the market. Turnover comprises the totals invoiced by the observation unit during the reference period. This corresponds to market sales of services supplied to third parties. It includes all duties and taxes on the 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. The turnover index is compiled in current prices, and so reflects volume and price changes.

Classifications

The classification of activities used in this publication is NACE Rev. 1.1 ⁽²⁾. The classification by the main industrial groupings (MIGs) ⁽³⁾ is a specific activity aggregation starting from the Group level of NACE Rev. 1.1.

Decomposition - forms of indices

The basic form of an index is its gross (also known as unadjusted) form. To facilitate analysis this may be adjusted in a number of ways. The production index in this publication has been adjusted for working day effects, in other words to adjust for the impact of calendar effects (such as weekdays/weekends, official holidays, leap years) on the index. The production, employment and turnover indices have been adjusted to account for seasonal effects. Seasonal adjustment aims to take account of the impact of the known seasonal factors that have been observed in the past. If the national statistical office providing the data does the seasonal adjustment, these series are used. If no seasonally adjusted series are supplied, Eurostat perform the seasonal adjustment.

Geographical codes

EA-15	Euro area of 15 Member States (Belgium, Germany, Greece, Ireland, Spain, France, Italy, Cyprus, Luxembourg, Malta, the Netherlands, Austria, Portugal, Slovenia and Finland)
CY	Cyprus
MT	Malta
SI	Slovenia
SK	Slovakia

Abbreviations and symbols

ERM	Exchange rate mechanism
MIG(s)	Main industrial grouping(s)
NACE	Statistical classification of economic activities in the European Community
STS	Short-term statistics

: not available (in tables)

For more information:

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⁽¹⁾ [Official Journal No L 281, of 12 October 2006.](#)

⁽²⁾ [Commission Regulation \(EC\) No 29/2002 of 19 December 2001. Official Journal No L 6, of 10 January 2002.](#)

⁽³⁾ [Commission Regulation No 586/2001 of 26 March 2001. Official Journal No L 86, of 27 March 2001.](#)

Further information

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