

EU27 international trade in services declined in 2009 following the onset of the global financial crisis

International trade in services (ITS) in the European Union contracted in 2009 for the first time since 1992, when these statistics began to be compiled at Eurostat. However, the global financial crisis hit the EU's external goods trade much more than its trade in services. In 2009, the European Union remained the biggest global player in international trade in services. However, its trade in services with its largest partner, the USA, went into deficit.

Decline in trade in services in 2009

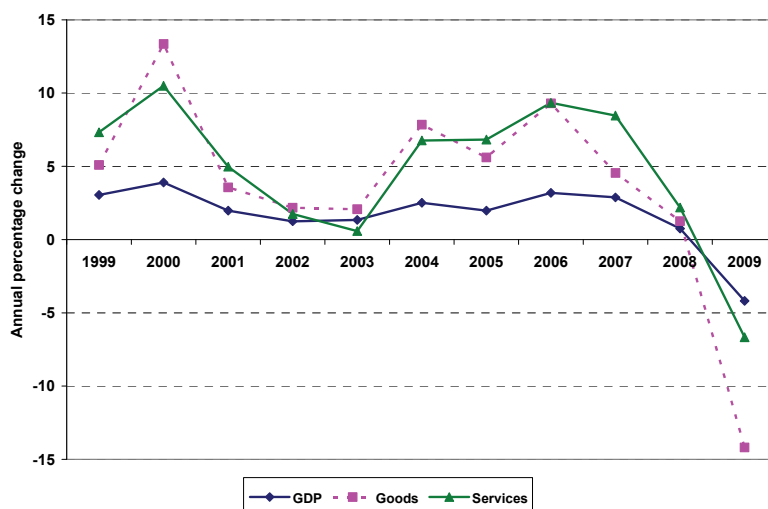
The financial crisis that hit the world economy in 2008 and 2009 has had a huge impact on the international exchange of goods and services. While international trade in services of EU countries still recorded positive growth in 2008 (total exports up +2.2% after +8.5% in 2007), preliminary results show it declined significantly by 6.7% in 2009. It is

interesting to note that the exports of goods fell much more dramatically in 2009, by 14.2%, after a slight increase of 1.3% in 2008. Imports of goods and services to the EU saw much the same falls as exports (-13.5% and -7.0%, respectively).

These results are a visible exception to the similar growth patterns shown by trade in goods and services over the past decade (Chart 1). Between 1999 and 2008, the volume of EU Member States' exports of both goods and services increased on average by about 5.5% per year. In the exceptional circumstances of the global economic turbulences in 2009 trade in services was more resilient than trade in goods. This can be explained by the non-tangible nature of services which cannot be stored, lower intermediate consumption thus reducing dependence on the availability of financing, and a possible increase in the outsourcing of services after the onset of the crisis in some countries and sectors.

As in previous years, the absolute growth rate of GDP was lower than that of international trade in goods and services.

Chart 1: GDP and exports of goods and services from EU countries, 1999-2009
(At 2000 prices and exchange rates, annual percentage change, 2009 preliminary)



Source: Eurostat ([bop_its_det](#) and [nama_exi_c](#))

The EU is the world's largest trader in services

According to figures published by the International Monetary Fund¹, world-wide international trade in services (exports plus imports) in 2008 amounted to €5104.7 billion (including €1359.4 billion in intra-EU trade) — an increase of 3.0% in value since 2007.

The European Union accounted for 27.7% of global exports and 24.1% of imports². It was followed by the USA (19.4% and 15.0%, respectively), Japan (5.3% and 6.3%) and China (5.2% and 5.9%).

Table 1 summarises international trade in services for 16 main trading economies which together accounted for more than 76% of world trade in services in 2008.

The EU's share in total world trade in services (exports + imports) remained stable at approx. 26%. The share of the USA and Canada declined (down from 18% in 2007 to 17.3% in 2008 for the USA, and from 3% to 2.8% for Canada), while the biggest Asian economies continued to increase their shares (Japan from 5.7% to 5.8%, China from 5.2% to 5.6%, India from 3.2% to 3.5%, South Korea from 3% to 3.1%). Russia also saw an increase in its share from 2% to 2.3%.

Both the EU and USA ended 2008 with a considerable surplus in international trade in services, €86.2 bn and €95.4 bn, respectively, compared with €87.8 bn and €91.6 bn in 2007. According to preliminary results, the EU's surplus fell in 2009 to €65.3 bn, which is still a high value in absolute and relative terms. Persistent surpluses have also been reported by India, Switzerland and Turkey, all exporting approximately twice the amount of services they import. On the other hand, Japan, China, South Korea, Thailand, Brazil, Canada and Russia systematically record deficits in their international trade in services.

In 2008, the highest increase in relative terms was observed in Russia (both exports and imports rose by 21% compared to 2007) and Brazil (both 18%). Canada and Mexico were the only countries where both exports and imports decreased (Canadian exports by -5% and imports by -1%, Mexico by -2% in each case). In the USA, the increase was very moderate at 1.5% for exports and 0.6% for imports.

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

	2007			2008			Share of world (%)		Rank	
	Exports	Imports	Net	Exports	Imports	Net	2007	2008	2007	2008
EU-27	507.3	419.5	87.8	529.5	443.3	86.2	26.1	26.0	1	1
USA	365.3	273.8	91.6	370.9	275.5	95.4	18.0	17.3	2	2
Japan	94.2	109.7	-15.5	101.1	115.3	-14.1	5.7	5.8	3	3
China	89.2	94.9	-5.8	100.0	108.1	-8.0	5.2	5.6	4	4
India	63.5	51.5	12.0	70.0	59.8	10.2	3.2	3.5	5	5
South Korea	46.2	60.6	-14.4	51.7	63.0	-11.4	3.0	3.1	7	6
Canada	47.6	60.4	-12.9	45.2	59.7	-14.5	3.0	2.8	6	7
Russia	28.8	43.1	-14.3	34.9	51.9	-17.0	2.0	2.3	8	8
Switzerland	48.0	23.2	24.8	53.1	24.8	28.3	2.0	2.1	9	9
Australia	29.5	29.1	0.4	30.8	32.9	-2.1	1.7	1.7	10	10
Norway	29.6	29.0	0.6	31.2	30.4	0.8	1.6	1.6	11	11
Thailand	22.2	28.0	-5.9	22.9	31.6	-8.7	1.4	1.5	12	12
Brazil	17.5	27.1	-9.6	20.7	32.1	-11.3	1.3	1.4	13	13
Turkey	21.1	10.9	10.1	23.8	11.9	11.9	0.9	1.0	14	14
Israel	15.4	12.8	2.6	16.4	13.5	2.8	0.8	0.8	16	15
Mexico	12.8	17.6	-4.7	12.6	17.2	-4.6	0.9	0.8	15	16

Source: IMF, Eurostat ([bop_its_det](#) and [bop_q_eu](#))

NB: ordered according to ranking in 2008

Among the service categories for which total world figures are available (transport³, travel⁴ and other services⁵), other services had the biggest share (51%)

in 2008, followed by transportation (25%) and travel (24%, down by 4 percentage points since 2003).

¹ IMF, *Balance of Payments Statistics*.

² Intra-EU transactions are excluded from this analysis since the EU is treated as a single entity.

³ Transportation covers all transportation services that are performed by residents of one economy for those of another and that involve the carriage of passengers, the movement of goods, rentals of carriers with crew, and related supporting and auxiliary services.

⁴ Travel covers primarily the goods and services acquired from an economy by travellers during visits of less than one year to that economy.

⁵ Other services comprise: communication services, construction services, insurance services, financial services, computer and information services, royalties and licence fees, other business services, personal, cultural and recreational services and government services.

Global crisis has hit transportation the most, overall surplus again lower

In 2009, the EU's external trade in services recorded a surplus of €65.3 bn, down from €86.2 bn in 2008 and €87.8 bn in 2007.

As can be seen in Table 2, this gradual decline is mainly due to continuously diminishing surpluses in *Financial services*, *Other business services* and *Construction*. In 2009 there was an additional effect in *Transportation* (surplus down by €2.6 bn) and in *Services not allocated* (due to an increase in recorded quasi-transit transactions). On the other hand, the deficit in *Travel* fell by €2.0 bn in 2009 (-€18.3 bn compared with -€20.3 bn in 2008).

As in previous years, in 2009 the highest surpluses were recorded in *Other business services*, *Financial services*, and *Transportation* (€29.8 bn, €26.2 bn and €21.5 bn, respectively) and the biggest deficits in *Travel* and in *Royalties and licence fees* (-€18.3 bn and -€13.9 bn, respectively).

The sharp decline in the EU's international trade in services due to the global financial crisis in 2009 did not affect all service sectors to the same extent (Table 2). The highest reduction in exports and imports was recorded in *Transportation* (falling by 19% and 21%, respectively), because of its close link with international trade in goods. This sector contributed most to the overall decline in the EU's international trade in services with the rest of the world. External trade in *Financial services*, *Other business services* and *Travel* also decreased considerably in value terms. At the same time, imports and exports of *Communication services* and *Computer and information services* continued their steady growth despite the turbulent global situation. An interesting development was recorded in *Construction*, where EU exports fell by 5% and imports again rose sharply (by 17% after 25% in 2008).

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

	2007			2008			2009*		
	Export	Import	Balance	Export	Import	Balance	Export	Import	Balance
Total Services	507.3	419.5	87.8	529.5	443.3	86.2	480.8	415.5	65.3
Transportation	123.1	102.7	20.4	136.0	111.5	24.5	109.9	88.4	21.5
Travel	75.5	94.6	-19.2	74.1	95.1	-20.9	68.1	86.4	-18.3
Other services	305.6	215.2	90.4	316.4	232.6	83.8	302.4	229.6	72.8
Communications services	10.1	10.5	-0.4	11.1	11.3	-0.1	11.9	12.2	-0.2
Construction services	16.4	8.0	8.4	18.3	10.0	8.3	17.5	11.7	5.8
Insurance services	14.9	8.1	6.8	14.7	7.9	6.8	14.8	6.9	7.9
Financial services	53.4	20.1	33.3	49.7	19.1	30.6	43.1	16.9	26.2
Computer and information services	26.1	11.2	14.9	29.3	12.2	17.1	30.7	12.7	17.9
Royalties and licence fees	26.4	35.5	-9.1	24.9	38.7	-13.8	25.3	39.2	-13.9
Other business services	144.7	108.3	36.3	154.7	119.5	35.2	146.6	116.7	29.8
Personal, cultural and recreational services	4.8	6.1	-1.2	5.1	6.2	-1.0	4.9	5.8	-0.9
Government services, n.i.e.	8.7	7.3	1.4	8.5	7.7	0.8	7.7	7.4	0.3
Services not allocated	3.2	7.0	-3.8	3.0	4.2	-1.2	0.4	11.2	-10.7

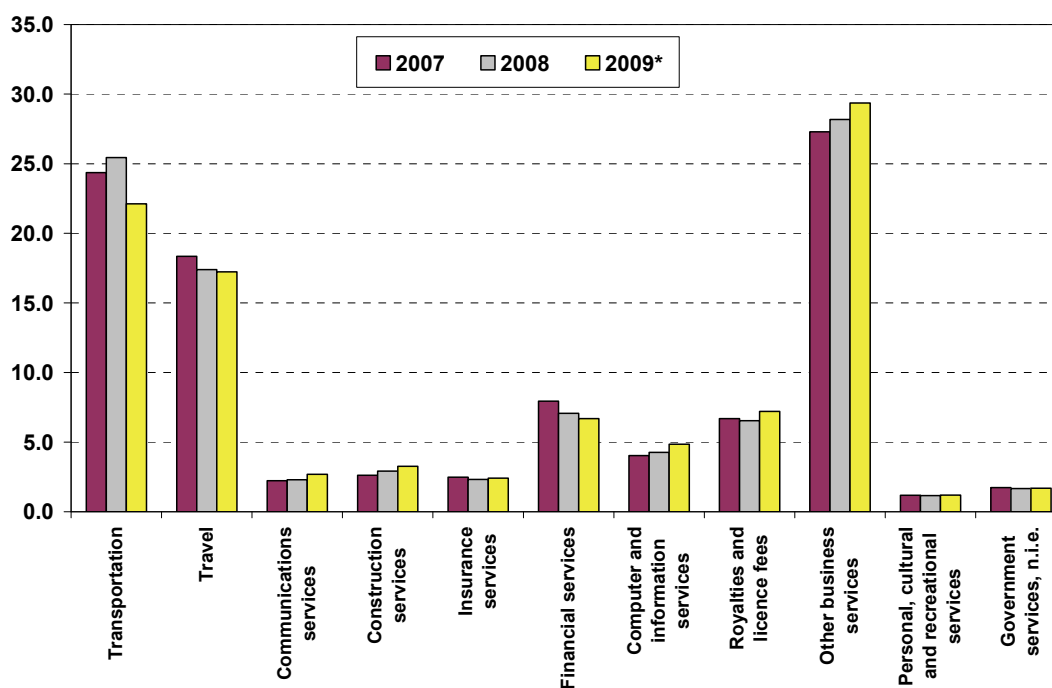
* Preliminary results

Source: Eurostat ([bop q eu](#))

Chart 2 shows that, in terms of total transactions (exports plus imports), the share of *Other business services* in total EU international trade in services continued to increase and reached 29.4% in 2009. The shares of *Transportation*, *Travel* and *Financial services* decreased respectively to 22.1%, 17.2% and

6.7%, while the shares of *Communication services*, *Construction services*, *Computer and information services* and *Royalties and licence fees* rose slightly. Other service categories remained more or less unchanged.

Chart 2: Shares in EU ITS transactions with the rest of the world (in %)



* Preliminary results

Source: Eurostat (bop.q.eu)

Trade between Member States exceeds extra-EU trade

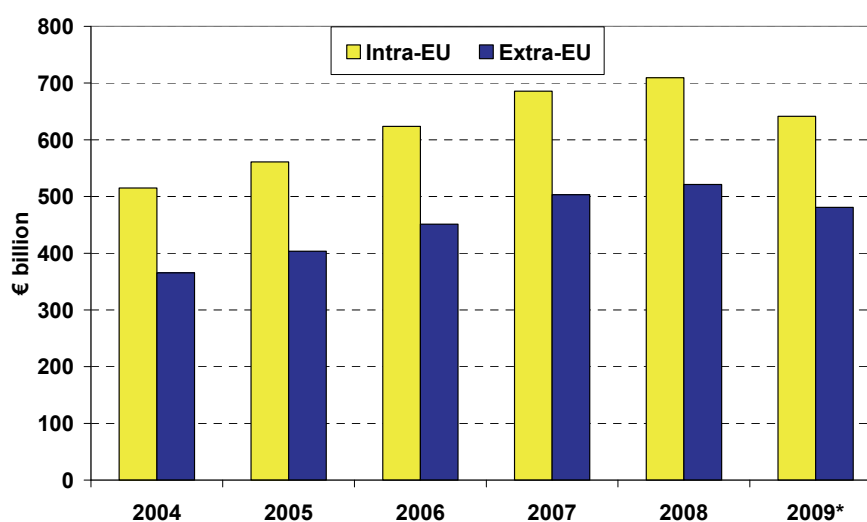
In 2009, 58% of EU Member States' trade in services was with other Member States. This share has been slowly but constantly falling, from 59.3% in 2004. Intra-EU exports (i.e. from one Member State to another) amounted to €641.4 bn in 2009 — a sharp decline (-9.6%) compared to 2008.

Extra-EU exports (i.e. exports of EU Member States to third countries) decreased by 7.7% in 2009 and amounted to €480.8 bn. Extra-EU imports (imports

into the EU from third countries) fell by 6.1% to €415.5 bn in the same period.

The sharp decline in both intra-EU and extra-EU exports of services in 2009 was the first contraction in international trade in services in the EU, after steady growth from at least since 1992. The peaks in both intra-EU and extra-EU trade were achieved in 2008 (Chart 3).

Chart 3: Intra-EU and extra-EU exports of services, bn euros



* Preliminary results

Source: Eurostat (bop_its_det)

There are significant differences between individual service sectors in the distribution of extra-EU and intra-EU trade. *Travel* is a sector where the share of extra-EU exports (28.1% in 2008) in total service exports by EU Member States is much lower than intra-EU exports. Exports in *Transportation* (48.5%) and *Other services* (45.4%) are both slightly more extra-EU oriented than total services.

Within 'Other services', *Construction* is a sector where EU countries export more outside the EU than

to other Member States (the share of extra-EU exports was 55.5% in 2008). For *Insurance services* this share was 50.5% and for *Royalties and licence fees* 52.6%. Much more EU-oriented are *Communication services* (34.4%) and *Computer and information services* (39.2%). However, the last five years have seen a steady increase in the shares of extra-EU trade for both sectors. *Financial services* and *Other business services* are characterised by a similar distribution of extra-EU and intra-EU exports as for the total services sector.

Deficit with the United States for the first time, surpluses with most other partners

The USA continues to be the biggest trading partner of the European Union in terms of volume, although as with most other countries total exports to the USA fell by 12% in 2009 and imports by 5%, to €119.4bn and €127.0bn, respectively. The second-biggest partner of the EU is Switzerland, followed by China, Russia, Japan and Norway. The preliminary results for 2009 show that the EU's total trade in services with all these countries except for Switzerland fell considerably as a consequence of the global economic turbulences.

Between 2007 and 2009, the balance of the EU's trade in services with the USA turned from a surplus of €9.1bn to a deficit of -€7.6bn. The main contributors to this development were the following sectors:

Transportation (exports to the USA -21% in 2009), *Travel* (exports -12% in 2008 and -10% in 2009), *Financial services* (exports -11% in both 2008 and 2009) and *Other business services* (exports in 2009 -12%, imports +6% in 2008 and +1% in 2009). This

situation can be explained by the severe financial problems faced by US companies after the onset of the crisis in the second half of 2008 and the strong depreciation of the US dollar against the euro.

Apart from the recent deficit with the USA, the European Union, treated as a single economic entity, has had surpluses in trade in services with most other main partners over the last couple of years. The highest surplus was recorded with Switzerland (€22.3bn in 2008 and €16.1bn in 2009). The trade surplus with Russia has continued to rise and reached €7.6bn in 2009. On the other hand, the positive trade balance with Japan declined both in 2008 and 2009 by roughly 1 billion euros. The same trend was observed for trade with Norway and Singapore, whereas the surpluses with China, Brazil and Australia increased in 2008. The largest deficits were recorded with Turkey, Egypt, Croatia, and Thailand and Morocco, mainly due to high deficits in the travel sector.

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

Rank*	Trading partner	2007			2008			2009**		
		Export	Import	Balance	Export	Import	Balance	Export	Import	Balance
1	1 USA	139523	130427	9095	135815	133631	2184	119377	127012	-7636
2	2 Switzerland	61935	46368	15567	67586	45330	22257	63592	47534	16058
4	3 China	16810	14166	2644	20442	15311	5131	18202	13187	5015
5	4 Russia	18770	11911	6859	21330	13946	7384	18482	10902	7579
3	5 Japan	19842	14126	5716	19621	14865	4757	16512	12744	3768
6	6 Norway	19219	11420	7799	18683	12063	6620			
7	7 Canada	12086	9845	2241	11993	9765	2228	10632	8159	2473
9	8 Singapore	11410	7131	4279	11927	8623	3305			
8	9 Turkey	6848	12155	-5307	6570	12651	-6081			
10	10 Australia	10813	6738	4075	12317	6374	5943			
11	11 Hong Kong	8856	7652	1204	9083	8076	1007	7463	6494	969
12	12 India	8683	7214	1469	8739	8104	635	8801	7479	1322
13	13 Brazil	6962	4913	2048	9501	6307	3194	8800	6406	2395
14	14 South Korea	7426	4329	3097	7860	4392	3468			
15	15 South Africa	6242	4465	1777	6186	4336	1849			
16	16 Egypt	2968	5950	-2982	3436	6591	-3155			
17	17 Mexico	4706	3306	1400	4764	3267	1497			
18	18 Croatia	2318	4940	-2622	2410	5275	-2865			
20	19 Morocco	2427	4380	-1953	3354	4238	-884			
19	20 Thailand	2238	4997	-2759	2451	4840	-2390			

* according to total exports+imports

** preliminary results

Source: Eurostat ([bop_its_det](#) and [bop_q_eu](#))

UK and Germany dominate EU trade in services

The United Kingdom and Germany together accounted for more than 36% of total EU trade in services (exports plus imports) with the rest of the world in 2008 (Chart 4).

The UK continued to be the largest exporter of services with 22% of all extra-EU exports, followed by Germany (16%) and France (11%). Germany was the biggest importer of services from outside the EU, accounting for 19% of total EU imports, followed by the UK (15%), France (11%), Ireland (9%), the Netherlands (8%) and Italy (7%).

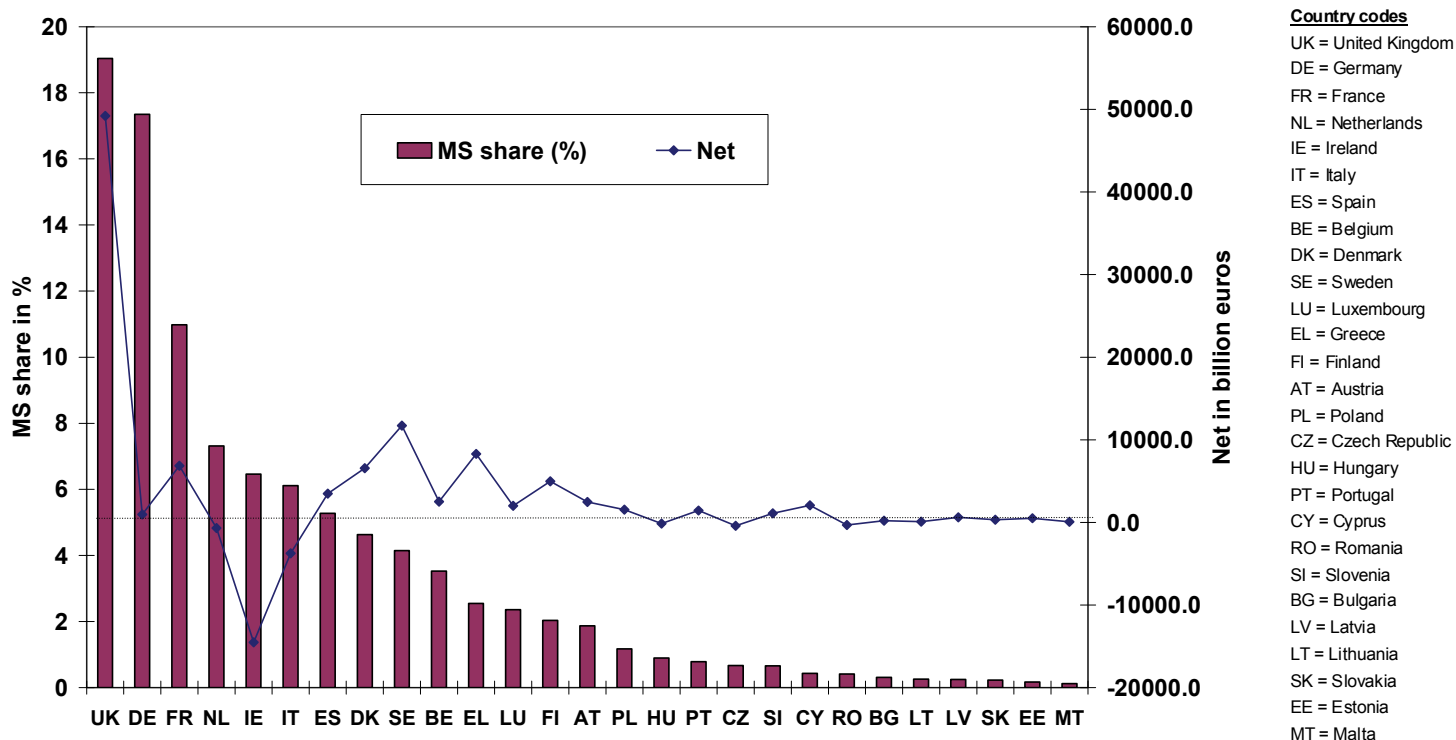
As in previous years, the United Kingdom also recorded the largest surplus with non-EU countries in 2008 (+€49.2 bn). Among the other EU countries the highest surpluses were achieved by Sweden (+€11.7 bn), Greece (+€8.3 bn), France (+€6.9 bn) and Denmark (+€6.6 bn). The highest deficit in 2008 was recorded by Ireland (-€14.5 bn), followed by Italy (-€3.7 bn).

An analysis of the balances of extra-EU trade in services for the individual Member States in 2008 and 2009 shows that the global financial turbulences had the greatest negative impact on the trade balance of the Netherlands and Belgium, which, according to

preliminary data, recorded high deficits in 2009, as well as on the UK, where the surplus remained very high, however. At the same time, Germany managed to considerably improve its balance between 2007 and 2009, turning a deficit into a considerable surplus. Spain and France also saw significant improvements over this period.

Slovakia has the strongest trade links with other EU Member States in the services sector, with shares of intra-EU exports and imports reaching almost 78% and 85%, respectively, in 2008. Other countries with high intra-EU shares in both exports and imports of services were Romania, the Czech Republic, Poland, Austria and Portugal. In 2008, the highest extra-EU shares in total services trade were seen in the United Kingdom (60% for exports and 49% for imports), France (both 51%) and Denmark (52% and 45%). The largest differences between intra-EU shares for exports and imports were recorded for Finland (43% of exports and 64% of imports were with other EU Member States) and Ireland (65% and 48%, respectively).

Chart 4: Member States' (MS) share in total extra-EU ITS imports plus exports (left scale) and net extra-EU ITS transactions (right scale), 2008



Source: Eurostat ([bop_q_c](#))

High surplus in trade in services with Russia

The Russian Federation is one of the biggest global players in international trade, ranked eighth in terms of total exports and imports of services (Table 2). Russia is also one of the most important trade partners of the European Union — third on the export side (4% share) and fifth in imports (3% share, see Table 3). In 2008, EU exports to Russia amounted to €21.3 bn and imports

to €13.9 bn. The EU has a considerable and persistent positive balance in trade in services with this country, €7.4 bn in 2008, the second highest after Switzerland. Preliminary results suggest that unlike for many other partners this surplus persisted in 2009. Both exports to and imports from Russia fell by approx. 3 bn euros (or 13.4% and 21.8%, respectively, compared with 2008).

Table 4: EU-27 trade in services with Russia, in million euros

	2008			2009*		
	Export	Import	Balance	Export	Import	Balance
Total Services	21330	13946	7384	18482	10902	7579
Transportation	4995	6335	-1340	3637	4499	-862
Travel	4848	2006	2842	4254	1755	2499
Other services	11446	5262	6184	10578	4625	5954
Communications services	402	277	125	400	295	105
Construction services	1734	874	861	1219	728	491
Insurance services	172	204	-32	152	170	-18
Financial services	1794	369	1425	2006	416	1590
Computer and information services	1556	101	1455	1202	96	1106
Royalties and licence fees	424	51	373	423	30	393
Other business services	5041	3226	1815	4901	2758	2143
Personal, cultural and recreational services	92	45	47	94	31	62
Government services, n.i.e.	231	116	115	182	100	82
Services not allocated	41	343	-302	12	23	-11

* Preliminary data

Source: Eurostat (bop.q.eu)

Table 4 shows that *Transportation* was the sector that contributed most to the decline in EU trade with Russia in 2009. Exports and imports fell by 27% and 29%, respectively. Given the large shares of *Transportation* in ‘Total services’ (see Chart 5), this sector accounted for almost 50% of the total decline in exports and 60% in imports.

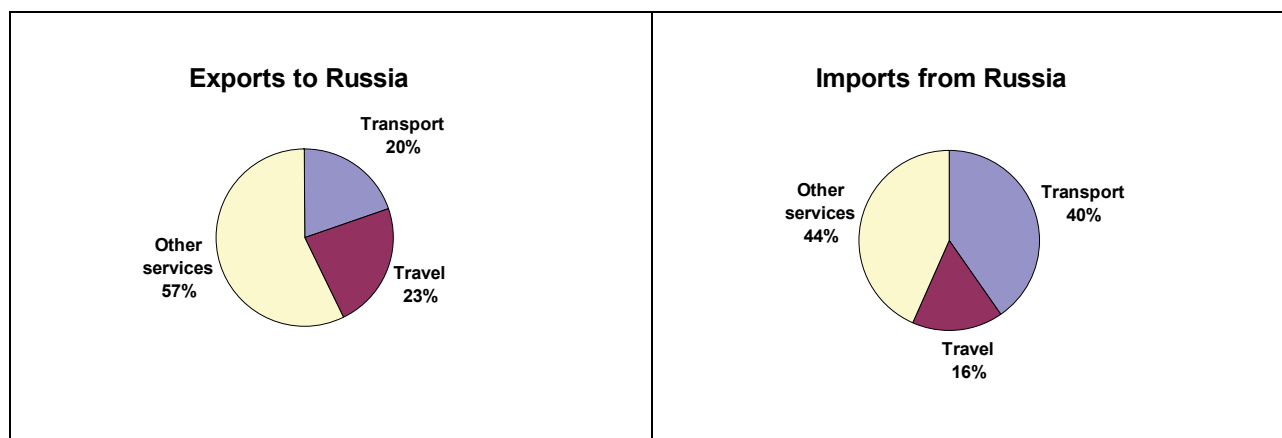
Other important sectors where significant decreases were recorded in 2009 were *Construction* (exports -30% compared with 2008, imports -17%), *Computer and related services* (exports -23%), *Other business services* (imports -15%) and *Travel* (exports and imports -12%). An interesting development was seen in the *Financial services* sector, where both exports to and imports from Russia increased in 2009 (by 212 and 47 million euros, or +12% and +13%, respectively) despite the global

financial turbulences and the general slowdown in international trade in this sector in the EU.

The EU had surpluses in trade in services with Russia in almost all service categories. In 2008, a high deficit of -€1.3 bn was recorded only in *Transportation* with much smaller ones in *Insurance services* and *Services not allocated*. The highest surpluses were recorded for *Travel* (+€2.8 bn), *Other business services* (+€1.8 bn), *Computer and information services* (+€1.5 bn) and *Financial services* (+€1.4 bn).

Among the EU Member States, the largest exporters of services to Russia are Germany and the United Kingdom and Germany and France are the largest importers. France and Romania are the only Member States with persistent deficits in trade in services with the Russian Federation.

Chart 5: Breakdown of EU-27 exports to and imports from Russia, 2009 (preliminary results)



Source: Eurostat (bop.q.eu)

METHODOLOGICAL NOTES

'International Trade in Services' as analysed in this publication refers to trade registered in the Balance of Payments (BoP) Statistics. The BoP records all economic transactions between a country (i.e. its residents) and foreign countries or international organisations (i.e. non-residents of that country) during a given period. The methodological framework used is contained in the fifth edition of the International Monetary Fund Balance of Payments Manual (BPM5).

Trade in services is one of the main categories in the current account. The 'services' item is broken down into the following categories: transportation, travel, communications services, construction services, insurance services, financial services, computer and information services, royalties and licence fees, other business services, personal, cultural and recreational services and government services. Other business services include merchanting and other trade-related services, operational leasing services (rental) without operators, and

miscellaneous business, professional and technical services, which are again sub-divided into legal, accounting, management consulting and public relations services, advertising, market research and public opinion polling services, research and development services, architectural, engineering and other technical services, agricultural, mining and on-site processing services, other miscellaneous business, professional and technical services and services between affiliated enterprises not included elsewhere.

Due to the intangible nature of services, trade in services is much more difficult to record than trade in goods.

The EU International Trade in Services statistics are based on figures provided by the Member States to Eurostat. The data used in this publication will be revised by the end of this year, when revised annual data will be sent by Member States. The figures shown in the tables may not add up exactly due to rounding up.

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Manuscript completed on: 07.07.2010

Data extracted on: 18.06.2010

ISSN 1977-0316

Catalogue number: KS-SF-10-037-EN-N

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