

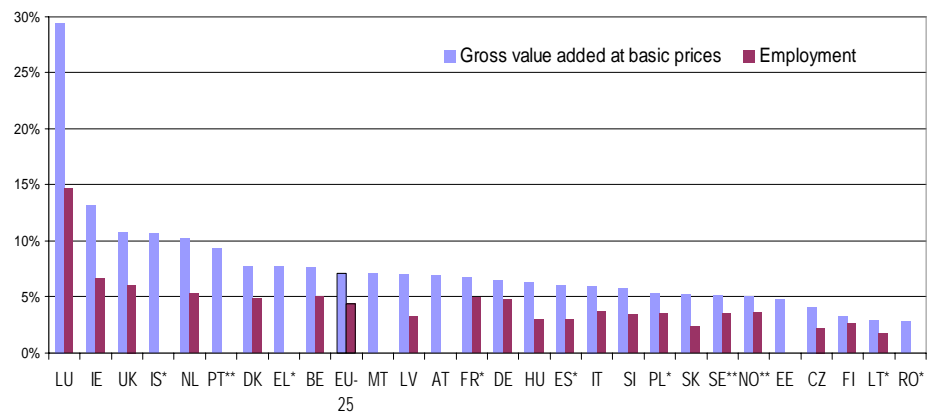
Innovation and globalisation effects in European banks



Overview

Intermediating between ultimate savers and borrowers, European credit institutions not only drive business growth by providing credit to other sectors of the business economy, they also contribute significantly to it. Improvements in information technology, highly competitive global capital markets and the euro's introduction have all influenced the way they do business. Credit institutions have witnessed rapid changes characterized by large mergers and acquisitions, increased competition, changes in distribution networks and products marketed. Facing smaller margins, they became fewer in number and larger in size. In the Member States that joined the EU in 2004, the sector has sometimes displayed signs of rapid expansion.

Figure 1: Value added and employment of Financial intermediation (NACE J), as % of the business economy (NACE C-K), 2005



* 2004 ** 2003

Source: Eurostat (National Accounts)

From 1995 to 2005, EU-25 gross value added at basic prices generated by the total financial intermediation sector (NACE J) grew at a yearly average of 4.8%, outperforming the business economy (NACE C to K) (+ 4.5%) and lagging behind services (NACE H to K) (+ 5.7%). In 2005, 7.1% of the EUR 7 288 billion total value added generated by the business economy were made up by financial intermediation. The major contributors to the EU-25 sector total in 2004 were the United Kingdom (24%), Germany (19%), France (15%), Italy (12%), Spain (7%) and the Netherlands (6%). In Luxembourg, Ireland and the Netherlands, domestic shares of value added by the sector to the business economy were 29%, 13% and 10% respectively. In Romania, Lithuania and Finland, the proportional contribution was smallest (Figure 1).

Financial intermediation accounted for 4.4% of the 131.5 million persons employed in the EU-25 business economy in 2005, a share that has only changed marginally since 2000. The main EU-25 employers were Germany (22%), the United Kingdom (22%), France (13%), Italy (11%), Spain (6%), the Netherlands (5%) and Poland (5%). Between 1995 and 2005, employment in the sector grew at an annual average 0.4%, compared to 2.5% in services and 1.0% in the business economy. Financial intermediation made up 11.3% of total employment in services in 2005, compared to 14% in 1995.

The financial intermediation sector corresponds to NACE Rev. 1.1 Sector J. This is broken down into three Divisions: 'Financial intermediation except insurance and pension funding' (65) 'Insurance and pension funding, except compulsory social security' (66) and 'Activities auxiliary to financial intermediation' (67). NACE Division 65 is further broken down into 'Monetary intermediation' (65.1) and 'Other financial intermediation' (65.2). 'Credit institutions' are undertakings whose business is to receive deposits or other repayable funds from the public and to grant credit for their own account. They are classified in NACE-classes 'Other monetary financial intermediation' (65.12) and 'Other credit granting' (65.22).

Statistics in focus

INDUSTRY, TRADE AND SERVICES

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Contents

- Overview 1
- Structure of credit institutions 2
- Employment 3
- Costs and productivity 3
- Distribution network 4
- Cross-border ownership 5
- Profit & Loss, Balance sheet ... 5



Structure of credit institutions

In 2004, around 8 000 credit institutions were registered in the EU-25. An estimated 85% of enterprises were licensed banks, 6% specialized credit granting institutions and 9% other credit institutions. They employed 92%, 7% and 1% of the total respectively.

The host Member State's legislation largely determines a credit institution's legal status. In 2004, four main types stood out (Table 2). Cooperative enterprises were the predominant type in the Czech Republic, Germany, Estonia, Italy, Lithuania, Hungary, Austria, Poland, Portugal and Finland. Incorporated enterprises dominated in Bulgaria, Romania, Slovenia, Slovakia as well as in Switzerland. Public law enterprises had most importance in three of the Nordic economies.

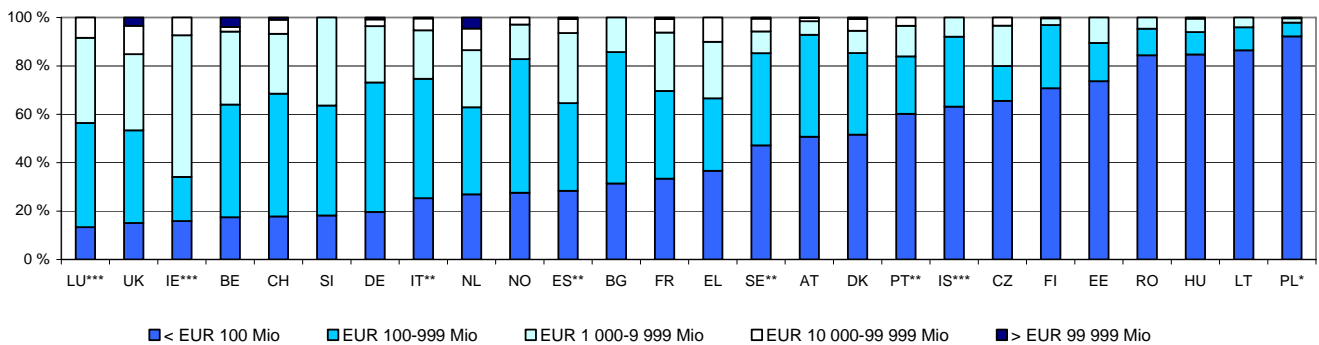
Table 1: Predominant legal status of credit institutions, 2004

Legal Status	Over 50% of institutions
Cooperative enterprises	CZ, DE, EE, IT**, LT*, HU, AT, PL*, PT**, FI
Incorporated enterprises limited by shares	BG, IE***, FR, LU***, NL, RO, SI, SK***, SE**, CH
Public law enterprises	IS***, NO, DK
Mixed	BE, EL, ES**, UK

Note: * 2003 ** 2002 *** 2000 Source: Eurostat (SBS – Credit Institutions)

A mix of statuses is found in Belgium, Greece, Spain and the United Kingdom. In the latter, credit institutions fell into two main categories: 'incorporated' and 'other', which largely consisted of building societies.

Figure 2: Credit institutions: number broken down by size class of balance sheet total, 2004 (%)



Note: * 2003 ** 2002 *** 2000

Source: Eurostat (SBS)

Credit institutions' assets (e.g. loans) and liabilities (e.g. deposits) are the main components of balance sheet total, which indicates enterprise size. Figure 2 depicts distributions of the number of credit institutions according to balance sheet size classes in 2004. To the left, the proportion of large enterprises is highest. The economies whose credit institutions made the most sizeable contributions to the business economy appear here. One also notices the six Member States forming the group of main contributors to EU-25 value added, employment, as well as to total balance sheet: the United Kingdom, Germany, France, Italy, the Netherlands and Spain. The proportion of credit

institutions with smaller total balance sheets was largest in Poland, Hungary, Lithuania, Romania and Estonia.

Where data are available, except in the case of Cyprus, the economies of the Member States that joined the EU in 2004 displayed ratios of balance sheet size to GDP of less than unity. This compares to ratios of above 125% in EU-15 Member States, where banking markets can be said to be more mature. In the United Kingdom, the indicator reached 400%, closely followed by Switzerland.

Table 2: Credit institutions (NACE 65.12 and 65.2): main indicators 2004

	BE	BG	CZ	DK	DE	EE	EL	ES**	FR	IT**	CY***	HU
Value added at factor cost - million EUR	8 532	495	2 504	7 639	75 199	204	5 661	23 570	52 786	38 924	1 107	2 846
Persons employed - in thousands	70	22	38	46	699	:	58	244	378	342	11	36
Average personnel costs - in thousand EUR	69	8	21	69	55	:	:	53	70	:	44	25
Apparent labour productivity - in thousand EUR	122	23	66	165	108	:	98	97	140	114	103	80
Wage adjusted labour productivity - in %	179	291	316	241	197	:	:	183	200	:	234	313
Balance sheet total as % of GDP	316	65	93	318	307	94	125	185	234	177	366	81
Number of enterprises	108	35	90	184	2 107	19	60	359	900	814	402	216
Number of local units	3 528	2 445	1 128	2 126	47 607	202	3 263	39 009	26 152	29 947	977	2 939
Number of ATMs owned by credit institutions	7 237	4 199	2 393	2 943	52 595	779	5 787	51 765	25 667	36 292	445	3 296

Note: * 2003 ** 2002 *** "Other monetary intermediation only" (except Balance Sheet)

Source: Eurostat (SBS)

Employment

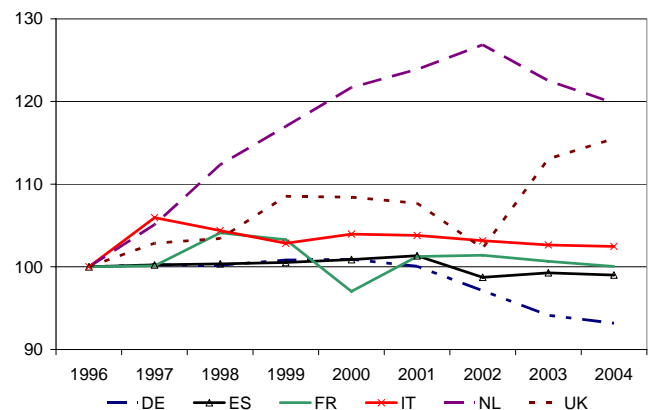
Employment in the six Member States with the largest market progressed at different rates between 1996 and 2004 (Figure 3). It rose by close to 20% in the Netherlands, where acquisitions toward the end of the period added to the sector's importance and where, between 2000 and 2005, the share of value added generated by financial intermediation in the total business economy rose from 8% to 10%. Employment in the United Kingdom recovered from a strong dip in 2002, the sector recording above 15% growth over the period. Employment by German credit institutions fell after 2001, resulting in a yearly average reduction of 0.9% over the period. In Italy, employment gains acquired early in the period were conserved while employment in France and Spain was stable.

Table 3: Employment: highest and lowest five average annual growth rates.

	Top five growth rates	Period average	Lowest five growth rates	Period average
IE	9.0%	1994 – 2001	LT -5.9%	1999 – 2004
EE	6.3%	1999 – 2003	SK -3.6%	1999 – 2000
RO	4.7%	2001 – 2004	NO -2.9%	1996 – 2004
LU	4.4%	1992 – 2001	PT -1.6%	1992 – 2002
BG	4.2%	2001 – 2004	FI -1.3%	1997 – 2004

Note: A change in methodology was implemented by certain countries in 2001.
Source: Eurostat (SBS & National Accounts)

Figure 3: Employment in credit institutions, six main markets, 1996 to 2004 (1996 = 100)



Note: DE 2002; ES and IT 2003 and 2004 estimated. A change in methodology was implemented by certain countries in 2001.
Source: Eurostat (SBS)

Over the 1994 to 2002 period, total employment in credit institutions grew strongly in sector-specialists Ireland and Luxembourg. High rates were recorded more recently in the new Member States Romania and Bulgaria as well as in Estonia. In Lithuania, the number of credit institutions rose rapidly while the total number employed saw an average annual reduction of nearly 6%. Similar rationalization took place in Slovakia, Norway, Portugal and Finland.

Costs and productivity

In providing financial intermediation services, credit institutions face three main groups of expenditure. In 2004, in the eighteen countries for which data are available, these were: total purchases of goods and services (52%), personnel costs (44%) and investments in tangible goods (4%). The first category which, for example, includes rental and out-sourcing outweighed the second in thirteen of the eighteen countries for which data are available. In Romania and Bulgaria, investments made up in excess of a quarter of total expenditure, and in Slovenia over an eighth. Wage adjusted labour productivity provides a measure of the achievement of employment in adding

value. In the bulk of the economies, the money spent on labour returned between 200% and 250% in terms of value added (after adjusting for the share of paid workers in the total workforce). The Czech Republic and Hungary stood out with a wage adjusted labour productivity of over 300% followed, just below, by Bulgaria, despite the fact that average personnel costs in these countries grew by 8%, 14% and 16% respectively from 2003 to 2004. In 2004, wage adjusted labour productivity of below 200% was recorded by Belgium, Austria and Germany. In Belgium growth in average personnel costs was 2%, in Austria 3%, while in Germany they were stable.

Table 2: Credit institutions (NACE 65.12 and 65.2): main indicators 2004 (continued)

	NL	AT	PL*	PT**	RO	SI	FI	SE**	UK	IS**	NO	CH
Value added at factor cost - million EUR	17 992	8 602	4 514	5 237	1 272	774	2 783	6 494	92 883	493	:	:
Persons employed - in thousands	129	73	152	56	47	12	25	:	511	4	24	108
Average personnel costs - in thousand EUR	67	64	13	39	11	28	45	:	75	55	78	99
Apparent labour productivity - in thousand EUR	139	118	30	94	27	67	110	:	182	133	:	:
Wage adjusted labour productivity - in %	209	185	225	244	255	236	243	:	243	242	:	:
Balance sheet total as % of GDP	300	268	58	260	37	91	140	182	400	156	144	397
Number of enterprises	89	804	666	206	173	22	360	210	410	35	210	344
Number of local units	4 100	5 159	12 336	5 546	2 900	653	1 823	2 240	14 001	186	1 167	2 288
Number of ATMs owned by credit institutions	7 889	2 496	7 585	11 117	3 406	1 389	3 470	2 647	31 989	233	:	5 388

Note: * 2003 ** 2002

Source: Eurostat (SBS)

Distribution network

Consolidation through a large number of mergers and acquisitions in the credit institutions sector progressed during 2003 and 2004, having temporarily abated in the previous period. Increases in the number of enterprises could only be observed in the Czech Republic, Estonia, Greece and the Netherlands, numbers remaining unchanged in Bulgaria. Rises can be attributed to sectoral 'organic' growth as well as to

large acquisitions. A longer-term analysis confirms a general downward trend in the number of credit institutions in Europe: from 1999 to 2004, numbers fell in 21 economies, only rising in Bulgaria and Romania (2001-2004), in the two Baltic states Estonia and Lithuania, in Greece and in Cyprus (2001-2004). In Ireland, the number of enterprises grew by 12% annually from 1996 to 2001.

Table 4: Number of enterprises, local units and ATMs – 2002 to 2004, yearly changes

	BE	BG	CZ	DK	DE	EE	EL	FR	CY**	HU	NL	AT	PL	SI	FI	UK	NO	CH	
Number of enterprises																			
2004	108	35	90	184	2 107	19	60	900	402	216	89	804	666*	22	360	410	210	344	
Change 2002-2003 (%)	-3%	3%	-26%	-2%	:	6%	-3%	-5%	0%	:	-2%	-1%	-1%	-30%	-1%	-5%	-2%	-4%	
Change 2003-2004 (%)	-4%	0%	34%	-2%	-3%	6%	5%	-5%	-1%	-1%	3%	-2%	:	-33%	-2%	-3%	-2%	-1%	
Number of local units																			
2004	3 528	2 445	1 128	2 126	47 607	202	3 263	26 152	977	2 939	4 100	5 159	12 336*	653	1 823	14 001	1 167	2 288	
Change 2002-2003 (%)	-22%	105%	17%	-1%	:	:	2%	0%	-1%	:	-7%	-2%	-5%	:	-2%	-6%	-14%	-14%	
Change 2003-2004 (%)	-6%	77%	3%	0%	-4%	-5%	3%	3%	-1%	2%	-9%	-1%	:	:	-5%	-1%	-9%	-2%	
Number of ATMs owned by credit institution																			
2004	7 237	4 199	2 393	2 943	52 595	779	5 787	25 667	445	3 296	7 889	2 496	7 585*	1 389	3 470	31 989	:	5 388	
Change 2002-2003 (%)	5%	:	:	2%	:	:	10%	11%	7%	:	2%	-10%	6%	-74%	-6%	1%	:	2%	
Change 2003-2004 (%)	2%	43%	:	2%	3%	4%	6%	6%	9%	11%	4%	1%	:	9%	-12%	1%	:	2%	
Number of local units per enterprise																			
2004	33	70	13	12	23	11	54	29	2	14	46	6	19	30	5	34	6	7	

* 2003 ** Other monetary intermediation only

Source: Eurostat (SBS)

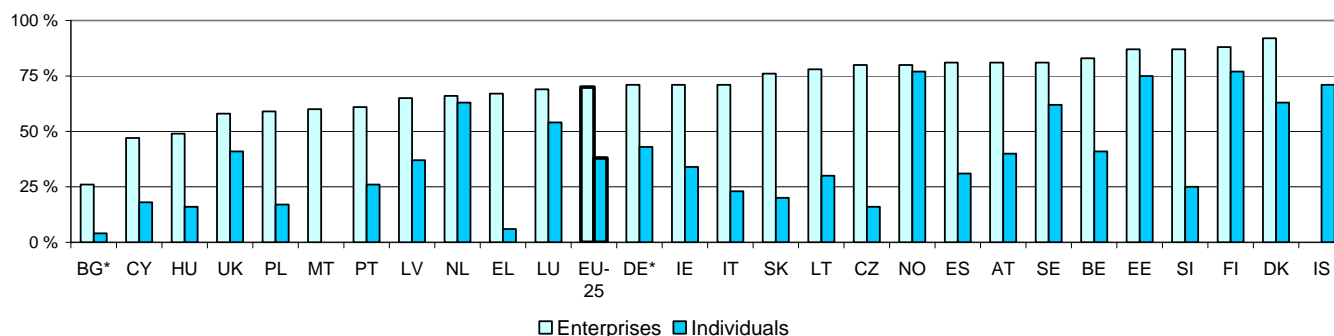
Similar trends are apparent in the numbers of local units (e.g. branches). In most economies, a cost-reducing switch in intermediation is taking place: the historically prominent role of branches as primary point of sale is constantly shrinking and being replaced by electronic and distance-selling. As demand for cross-border financial services rises, the European Union is making progress toward introducing a Single European Payments Agreement.

In 2003 and 2004 rises in the number of local units only occurred in a restricted number of cases. In Bulgaria, the Czech Republic and Greece, they were coupled with a rise in the number of enterprises,

which confirms increased retail activity. Numbers of local units also rose in Hungary. Interestingly, these four economies were those with the lowest adoption rate of internet banking by individuals in 2005 (Figure 4). The number of local units also rose in France.

The re-shaping of the distribution network and a move toward electronic means of payment is confirmed by a rise in the number of automatic teller machines (ATMs). Their numbers rose most in those economies in which the number of enterprises or the number of local units also rose.

Figure 4: Percentage of individuals who used the Internet, in the last 3 months, for financial services (Internet banking, share purchasing) and percentage of enterprises who use the Internet for banking and financial services, 2005



Note: * Individuals 2004

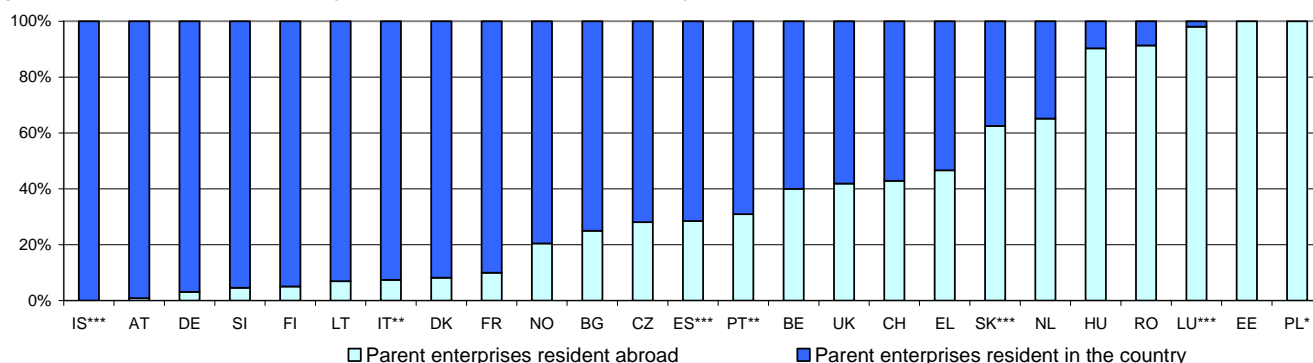
Source: Eurostat (Information Society Statistics)

Cross-border ownership

Statistics presented above apply the 'host country' principle whereby the credit institution business reported by a Member State is the sum of all the resident credit institutions, including foreign subsidiaries whose parent company is resident

abroad. Influencing an economy's openness to inward foreign investment, national legislation on the foreign ownership of credit institutions in large part determines whether headquarters are based there (Figure 5).

Figure 5: Number of enterprises by residence of the parent company, 2004



Note: * 2003 ** 2002 *** 2000

Source: Eurostat (SBS)

The years 1998 to 2002 were marked by very high foreign direct investment flows in and out of the European Union. Driven by large cross-border mergers and acquisitions, a major proportion of these took place in the financial intermediation sector (NACE J)*.

For the countries for which data are available, Table 5 shows that, in 2004, credit institutions' foreign subsidiaries were mostly located in neighbouring countries or in countries with whom there are traditional ties and with whom a high proportion of trade is usually done. Subsidiaries were also located in countries where banking or fiscal conditions are favourable (such as Luxembourg and Ireland), as well as where a credit institution's local presence is advantageous, as in the United States, the EU-25's main trading partner. Benefiting from geographical proximity, credit institutions in Denmark, Austria and Finland especially invested in the expanding markets of Member States that joined in 2004.

Note: * Please see "European Union foreign direct investment yearbook 2005", Pocketbook, KS-BK-05-001-EN-C, pp.88 and 89.

Table 5: Number of credit institution's foreign subsidiaries broken down by location in other countries, share of the five most important countries, 2004 (%)

	First	Second	Third	Fourth	Fifth	Other allocated countries
BE	WNA 26.9	LU 21.2	NL 17.3	CH 9.6	CZ 3.8	21.2
CZ	SK 53.3	NL 20.0	WNA 20.0	CY 6.7	-	-
DK	PL 33.3	LU 25.0	WNA 16.7	NL 8.3	CH 8.3	8.3
DE	AT 31.1	IE 20.0	FR 11.1	UK 11.1	NL 8.9	17.8
EE	LV 50.0	WNA 25.0	LT 25.0	-	-	-
ES**	WNA 68.8	PT 8.8	US 5.5	NL 3.5	LU 2.5	10.8
FR	WNA 32.9	US 19.6	UK 16.9	DE 5.0	IT 4.7	20.9
IT**	WNA 45.5	CH 15.9	LU 14.8	FR 9.1	DE 5.7	9.1
NL	WNA 60.1	UK 12.8	US 6.4	CH 4.8	BE 2.7	13.3
AT	WNA 39.7	CZ 11.0	HU 9.6	MT 8.2	SK 6.8	24.7
PT**	WNA 62.0	US 12.0	IE 8.0	ES 8.0	CH 2.0	8.0
FI	WNA 20.0	US 20.0	LV 20.0	LT 20.0	EE 20.0	-
SE**	WNA 53.3	DK 20.0	LU 13.3	US 6.7	DE 6.7	-
NO	LU 50.0	DK 25.0	WNA 12.5	UK 12.5	-	-

Note: ** 2002, WNA : World not allocated, US: United States of America.

Source: Eurostat (SBS – Financial services)

Profit & Loss, Balance sheet

Most of credit institutions' income stems from net interest and from transaction fees. They also receive income from capital gains which are not shown here. From 2003 to 2004, net interest income grew most strongly in Bulgaria, Cyprus, Hungary, the Czech Republic, Estonia, Greece and the United Kingdom. On the other hand, it fell in Switzerland, Denmark, France, Norway and Germany. Net commission income rose in each of the countries under review but

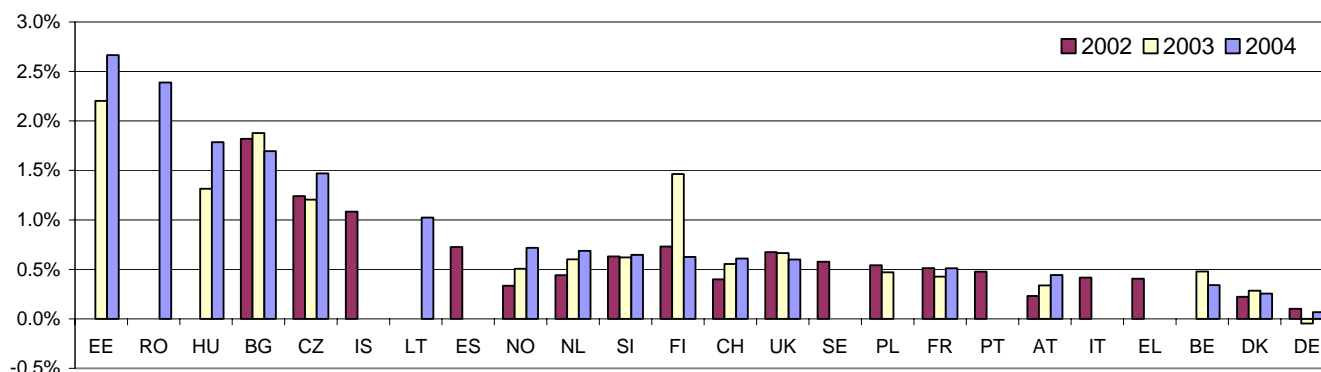
especially in Bulgaria, the United Kingdom, Greece, the Czech Republic, Estonia and Hungary.

In recent years, net income margins have clearly been reduced. Credit institutions operate in a highly competitive market in which average costs have been pushed down by automation and increasing economies of scale. In addition, as well as increasing price transparency, euro introduction led to a large

reduction in the intake of foreign exchange fees for credit institutions. Data on interest income are available for most EU-15 Member states from 1997 to 2004 and, over this seven-year time period, net

interest income as a share of balance sheet total declined in all cases (by approximately 5%), except in the case of Greece.

Figure 6: Profit or loss after tax, as a share of total balance sheet, 2002 to 2004 (sorted based on 2004)



Source: Eurostat (SBS – Financial services)

Profits expressed as a share of balance sheet total range between 2.5% and close to zero. The highest proportional rates of return were seen in Estonia, Romania, Hungary and Bulgaria (see Figure 6). A strong rise in extraordinary profit in Finland in 2003 resulted in total profit approaching 1.5% of balance sheet total. From end-2003 to end-2004, balance

sheet totals grew in all cases, with particularly strong progressions in Bulgaria, Estonia, Hungary, Finland and France. At the end of 2004, the aggregate total balance sheets of credit institutions in the six main contributor states were all in excess of EUR 1 000 billion, those of the United Kingdom and Germany approaching an impressive EUR 7 000 billion.

Table 6: Credit institutions: Selected items of Profit & Loss and Balance Sheet, 2004

	BE	BG	CZ	DK	DE	EE	EL	FR	CY*	HU	NL	AT	RO	FI	UK	NO	CH
Net interest income																	
2004 (in EUR millions)	7 939	538	1 876	6 375	66 027	159	5 375	27 898	875	2 523	16 658	7 023	1 109	2 617	55 041	4 567	3 908
As % of balance sheet total, 2004	0.9 %	4.2 %	2.3 %	1.0 %	1.0 %	1.8 %	2.6 %	0.7 %	1.9 %	3.8 %	1.1 %	1.1 %	5.0 %	1.2 %	0.8 %	1.5 %	0.3 %
Change 2003 to 2004 (%)	2 %	39 %	11 %	-4 %	-1 %	9 %	7 %	-4 %	28 %	22 %	1 %	1 %	:	4 %	7 %	-4 %	-30 %
Net commission income																	
2004 (in EUR millions)	2 111	168	982	2 021	22 870	75	1 281	17 390	276	789	4 811	2 923	480	856	30 793	1 106	11 152
As % of balance sheet total, 2004	0.2 %	1.3 %	1.2 %	0.3 %	0.3 %	0.9 %	0.6 %	0.4 %	0.6 %	1.2 %	0.3 %	0.5 %	2.2 %	0.4 %	0.4 %	0.4 %	1.0 %
Change 2003 to 2004 (%)	8 %	25 %	19 %	9 %	4 %	19 %	22 %	6 %	9 %	11 %	6 %	6 %	:	0 %	23 %	7 %	0 %
Net profit or loss																	
2004 (in EUR millions)	3 112	216	1 188	1 600	4 566	236	972	19 815	243	1 190	10 082	2 794	532	1 330	41 631	2 118	7 009
As % of balance sheet total, 2004	0.34 %	1.70 %	1.47 %	0.26 %	0.07 %	2.67 %	0.46 %	0.51 %	0.52 %	1.79 %	0.69 %	0.44 %	2.39 %	0.63 %	0.60 %	0.72 %	0.61 %
Change 2003 to 2004 (%)	-21 %	29 %	26 %	-2 %	-248 %	64 %	-14 %	34 %	201 %	59 %	29 %	41 %	:	-51 %	-1 %	49 %	10 %
BALANCE SHEET																	
Loans and advances to customers																	
2004 (in EUR billions)	311	7	32	349	3 134	6	121	1 323	25	39	839	301	10	108	6 164	226	548
Change 2003 to 2004 (%)	8 %	47 %	6 %	9 %	1 %	34 %	16 %	8 %	14 %	17 %	11 %	5 %	:	8 %	20 %	4 %	4 %
Amounts owed to customers																	
2004 (in EUR billions)	405	9	52	141	2 622	4	151	1 000	32	36	562	183	13	79	6 590	134	445
Change 2003 to 2004 (%)	10 %	40 %	4 %	11 %	5 %	21 %	12 %	4 %	5 %	11 %	7 %	8 %	:	5 %	15 %	2 %	2 %
Balance sheet total																	
2004 (in EUR billions)	914	13	81	627	6 776	9	211	3 876	46	67	1 469	631	22	212	6 938	295	1 149
Change 2003 to 2004 (%)	10 %	43 %	3 %	10 %	5 %	35 %	11 %	12 %	10 %	17 %	13 %	8 %	:	14 %	10 %	5 %	0 %

* Other monetary intermediation only

Source: Eurostat (SBS – Financial services)

➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

DATA SOURCES

The source of all figures presented is Eurostat (unless specifically stated otherwise). Most data sources are continually updated and revised where necessary. This publication reflects the state of data availability in Eurostat's reference database as of December 2006.

Structural Business Statistics (SBS) is the main data source for this publication. Two main SBS data sets have been used: annual enterprise statistics and annual enterprise statistics broken down by size classes. These and other SBS data sets are available under theme 'Industry, trade and services' on the Eurostat website <http://epp.eurostat.ec.europa.eu/> (select 'Data' / 'Industry, trade and services' / 'Horizontal view' / 'Structural Business Statistics' / 'Statistics on credit institutions'). Selected publications, data and background information are available in the section dedicated to European Business, located directly under the theme 'Industry, trade and services' on the Eurostat website.

National Accounts Statistics is the source of value added at basic prices and employment statistics of financial intermediation (NACE Section J) and of the business economy (NACE Sections C to K). National Accounts statistics were also used to complement SBS data with data for the year 2001 and years previous to that.

COUNTRIES

This publication covers the European Union (EU-27) including the 27 Member States: Belgium (BE), Bulgaria (BG), the Czech Republic (CZ), Denmark (DK), Germany (DE), Estonia (EE), Ireland (IE), Greece (EL), Spain (ES), France (FR), Italy (IT), Cyprus (CY), Latvia (LV), Lithuania (LT), Luxembourg (LU), Hungary (HU), Malta (MT), the Netherlands (NL), Austria (AT), Poland (PL), Portugal (PT), Romania (RO), Slovenia (SI), Slovakia (SK), Finland (FI), Sweden (SE) and the United Kingdom (UK). Also included are the EFTA countries for which data are available: Iceland (IS), Norway (NO) and Switzerland (CH).

EU aggregates

At the time of data processing for this publication, EU aggregates had been compiled for the EU-25 only and therefore exclude Bulgaria and Romania. EU-25 aggregates include estimates for missing components where necessary. EU-25 aggregates from the SBS data set were supplemented by rounded estimates based on non-confidential data where necessary and appropriate. Some differences may exist between aggregates and sub-components due to the rounding. In some cases when no EU totals are available, averages of available countries are presented.

EXCHANGE RATES

All data are presented in ECU/EUR terms, with national currencies converted using average exchange rates prevailing for the year in question.

SYMBOLS

": not available or confidential.

SECTORS

Statistics are presented by sectors of activity according to the NACE Rev. 1.1 system of classification. Comparisons are made with the whole business economy (NACE Sections C-K). The business economy includes Sections C (Mining and quarrying), D (Manufacturing), E (Electricity, gas and water supply), F (Construction), G (Wholesale and retail trade), H (Hotels and restaurants), I (Transport, storage and communication), J (Financial intermediation) and K (Real estate, renting and business activities). Note that for these comparisons Cyprus excludes K73, and Ireland and Norway exclude Section E.

DATA ON CREDIT INSTITUTIONS

The observation unit is the enterprise. An enterprise carries out one or more activities at one or more locations. Enterprises are classified into sectors (by NACE) according to their main activity. The enterprise should not be confused with the local unit, which is an enterprise or part thereof situated in one geographically identified place.

STRUCTURAL BUSINESS STATISTICS VARIABLES

Unless specified, the source of the data is the CREDSTAT collection of the SBS domain. Variables are defined according to Commission Regulation No 2700/98 and include:

Number of enterprises

A count of the number of enterprises registered to the population concerned in the business register corrected for errors, in particular frame errors. Dormant units are excluded.

Number of local units

A count of the number of local units registered to the population concerned in the business register corrected for errors, in particular frame errors. Local units must be included even if they have no paid employees. This statistic should include all units active for at least a part of the reference period.

Number of persons employed

The total number of persons who work in the observation unit, as well as persons who work outside the unit who belong to it and are paid by it. It includes working proprietors, unpaid family workers, part-time workers, seasonal workers etc.

Value added at factor cost

The gross income from operating activities after adjusting for operating subsidies and indirect taxes (including value added tax).

Turnover

The totals invoiced by the observation unit during the reference period, and this corresponds to market sales of goods or services supplied to third parties.

Average personnel costs

Personnel costs are the total remuneration, in cash or in kind, payable by an employer to an employee for work carried out. This is divided by the number of employees (paid workers), which includes part-time workers, seasonal workers etc., but excludes persons on long-term leave.

Apparent labour productivity

This is a simple indicator of productivity calculated as value added divided by persons employed.

Wage adjusted labour productivity (%)

Value added divided by personnel costs, after the latter has been divided by the share of employees (paid workers) in the number of total persons employed. It can also be calculated by dividing apparent labour productivity by average personnel costs.

Gross operating surplus

The gross operating surplus is the surplus generated by operating activities after the labour factor input has been recompensed. It can be calculated from the value-added at factor cost less the personnel costs.

The gross operating rate (%)

This is an indicator of profitability where the gross operating surplus is related to the turnover generated.

Purchases of goods and services

All goods and services purchased for resale or consumption in the production process, excluding capital goods, the consumption of which is registered as consumption of fixed capital.

Gross investment in tangible goods

All new and existing tangible capital goods, whether bought from third parties or produced for own use, having a useful life of more than one year including non-produced tangible goods such as land.

More information on business statistics methodology can be found at:

http://europa.eu/estatref/info/sdds/en/sbs/sbs_base.htm

Further information:

Data: [EUROSTAT Website/Home page/Industry, trade and services/Data](#)

Industry, trade and services

-  [Industry, trade and services - horizontal view](#)
-  [Structural Business Statistics \(Industry, Construction, Trade and Services\)](#)
-  [Statistics on credit institutions](#)

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