ISSN 1021-349X

Panorama of EU industry

Short-term supplement
latest information on EU industry

bimonthly

2/1995

DG III

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DE EUROPÆISKE FÆLLESSKABERS STATISTISKE KONTOR
STATISTISCHES AMT DER EUROPÄISCHEN GEMEINSCHAFTEN
ΣΤΑΤΙΣΤΙΚΗ ΥΠΗΡΕΣΙΑ ΤΩΝ ΕΥΡΩΠΑΪΚΩΝ ΚΟΙΝΟΤΗΤΩΝ
STATISTICAL OFFICE OF THE EUROPEAN COMMUNITIES
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SERVIÇO DE ESTATÍSTICA DAS COMUNIDADES EUROPEIAS

L-2920 Luxembourg — Tél. 43 01-1 — Télex COMEUR LU 3423
B-1049 Bruxelles, rue de la Loi 200 — Tél. 299 11 11

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Short-term supplement
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Theme
Energy and industry
Series
Short-term statistics
4
B

Sent to press in March 1995

Luxembourg: Office for Official Publications of the European Communities, 1995

Printed in Luxembourg

Regular readers will note a number of changes starting with this issue. The typography has been revised in a way which we hope will make the publication easier and more pleasant to read. Graphs are now in two colours rather than in monochrome. The opportunity has also been taken to update the form of the tables and graphs. It is planned to increase the number and range of the special articles in the publication.

European Union industrial production rose an estimated 4.9% in 1994. Consumer durables and intermediate goods were the fastest growing sectors. However recent opinion surveys expect buoyant demand for the capital goods sector in 1995. The volume of industrial investment is expected to grow by 9% in 1995, the most optimistic forecast since 1989. The recovery has been helped by strong demand from third countries. EU exports were up by 13.6% in the second quarter of 1994.

Unemployment, though still high by historical standards, showed a small decrease in December to 10.8% (seasonally adjusted).

In this issue, there are special articles on

- the metal articles industry
- the mechanical engineering industry
- sub-contracting in 3 industrial sectors of the EU.

The metal articles industry produces mainly intermediate goods for other, often cyclical, industries. As a consequence it experienced a severe downturn in 1993, followed by a partial recovery in 1994. The industry consists of several subsectors, the largest of which covers the manufacture of tools and finished metal goods. This represents 36% of estimated 1994 employment in the industry.

The mechanical engineering industry supplies mainly investment goods. Production declined continuously from its peak in 1990 until 1993, though 1994 saw a modest rise.

Agricultural machinery and tractors did particularly well in 1994, with around an 11% growth in production after three years of falling production.

The third article explores the importance of sub-contracting in three industries. In the aerospace industry, around one in three may be employed via sub-contracting. The car industry uses a network of suppliers rather than sub-contractors, but the textile and clothing industry employs around 600,000 people in sub-contacting firms.

Photis Nanopoulos, Director
BUSINESS AND ENERGY STATISTICS, R & D, AND STATISTICAL METHODS

IN THIS ISSUE:

Issue 2: 1995
Metal articles
Mechanical engineering
Sub-contracting

The supplement appears six times during the course of the year.

The Panorama of EU Industry provides users of enterprise statistics each year with a complete and detailed publication on the state of and main trends in industry and services.

The Panorama Short-term Supplement has a simple objective: to furnish readers of the annual Panorama with an instrument which will allow them to follow the evolution of industrial short-term trends and also show the structure and activity of industry at the sectorial level.

CONTENTS

For more information, please contact:
Mr. Douglas Koszerek,
Statistical Office of the European Communities,
Bâtiment Jean Monnet,
C5/23,
L-2920 Luxembourg
Tel: (352) 4301 32745
Fax: (352) 4301 34359

In coming issues:
Electrical engineering
Clothing

MACRO-ECONOMY

IN BRIEF....

- ★ EU RECOVERY CONTINUES; 2.6 PER CENT REAL GDP GROWTH IS ESTIMATED FOR 1994
- ★ INDUSTRIAL PRODUCTION UP BY 4.9 PER CENT IN 1994
- ★ 12 PER CENT VALUE GROWTH IN INVESTMENT EXPECTED FOR 1995
- ★ ANNUAL INFLATION REMAINED LOW AT 3.1 PER CENT IN JANUARY 1995
- ★ UNEMPLOYMENT 10.8 PER CENT IN DECEMBER 1994
- ★ LONG TERM INTEREST RATES DECREASED SOMEWHAT IN EARLY 1995 AFTER UPWARD TREND IN 1994
- ★ USA YEARLY INFLATION RATE WAS 2.8 PER CENT AND JAPANESE YEARLY INFLATION WAS 0.7 PER CENT IN JANUARY 1995

The European economy is showing a broadly based recovery from the recession. Real GDP growth was estimated to be 2.6 % in 1994 and the autumn forecast of the Commission announced growth estimates of respectively 2.9 and 3.2 per cent for 1995 and 1996. Real GDP was expected to grow by more than 3 per cent in 1995 for Ireland, Austria, Finland, Denmark, the Netherlands, Germany, France, Portugal, Italy and Luxembourg. Only Greece was forecast to lag behind, with an expected growth rate of 1.1 per cent in 1995. In Japan economic growth started to pick up again in 1994. A 2.2 per cent growth rate was foreseen by Commission services for 1995 followed by somewhat stronger growth in 1996. In the United States growth was expected to slow down. Commission forecasts predicted a 2.7 per cent growth rate in 1995 and 2.3 per cent in 1996.

The global economic environment was generally positive: economic growth was foreseen to continue as was a growth in world trade. Eurostat data showed that export growth in value terms continued in the second quarter of 1994, rising by 13.6 per cent from a year before to 136.4 billion ECU. Commision services estimated an 8.7 per cent growth in export volumes for 1994 and 7.5 per cent for 1995. During the second quarter of 1994 the value of imports rose 10.9 per cent. The EU trade deficit with the rest of the world fell to 3.0 billion ECU for the first six months of 1994 from 9.3 billion ECU a year before. In the second quarter of 1994 there was even a surplus. Japan's current account surplus declined in 1994 for the first time in four years to 129.3 billion US dollars. The Japanese finance ministry saw in these figures a clear confirmation that the surplus is at last reversing its trend. Japan's trade surplus did however rise by three per cent in 1994. The surplus which Japan had with the EU declined by about 16 per cent. The US current account balance remained negative in 1994, amounting to 2.1 per cent of GDP. The US merchandise trade deficit soared to 166.3 billion US dollars in 1994. A further increase of the trade deficit was expected.

IN THIS SECTION:

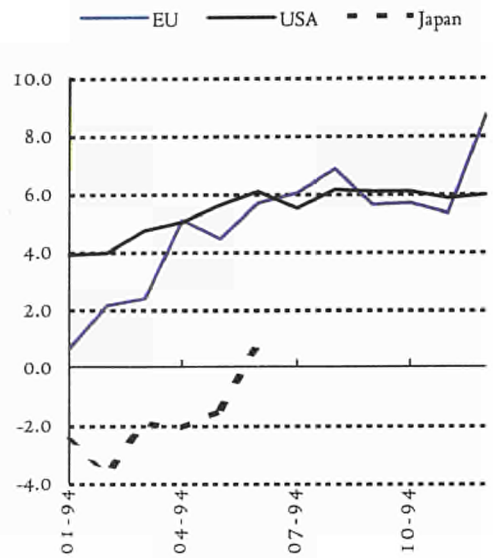


FIGURE 1.1

INTERNATIONAL COMPARISON OF ANNUAL GROWTH RATES FOR INDUSTRIAL PRODUCTION (%)

SOURCE: eurostat

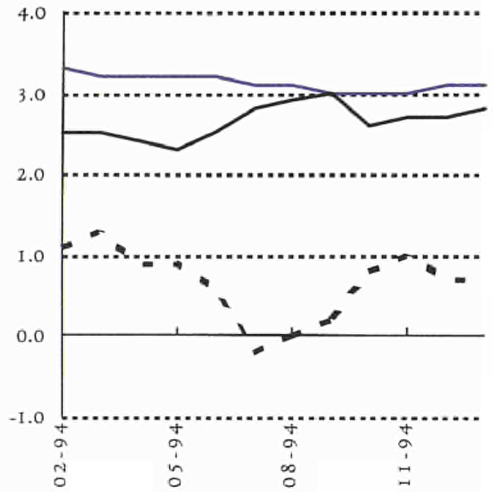


FIGURE 1.2

INTERNATIONAL COMPARISON OF ANNUAL GROWTH RATES FOR CONSUMER PRICES (%)

SOURCE: eurostat

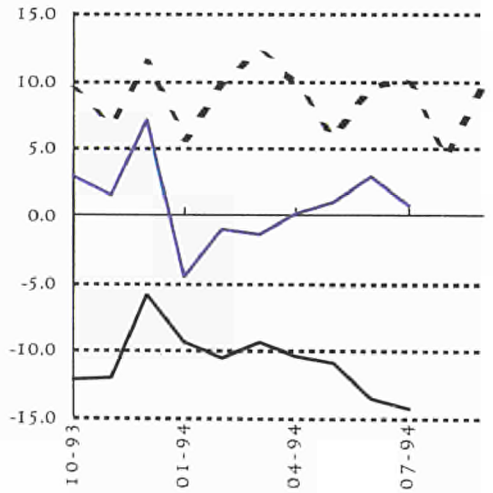


FIGURE 1.3

INTERNATIONAL COMPARISON OF MONTHLY TRADE BALANCE (BILLION ECU)

SOURCE: eurostat

Industrial production has according to Eurostat risen an estimated 4.9 per cent in the European Union in 1994. EU industrial production year-on-year growth was being led by consumer durables and intermediate goods. Germany showed a 2 per cent month-on-month growth of industrial production in December 1994 which was driven mainly by construction and energy output. Consumer durables showed a negative production trend in the third quarter in Germany. The "European Economy" which was released February 1995 gave the most optimistic forecasts of industrial investment since 1989. Investment in industries in the EU was expected to increase by 9 per cent in volume and 12 per cent in value in 1995 after slight declines in 1994. Both Greece and the Netherlands were forecast to show high investment growth rates after steep drops in 1994. Luxembourg is the exception to the rule, with forecasts of an 11 per cent drop.

Consumer confidence fell in December 1994 after a year of improving results. The decreasing confidence related to both the personal financial situation and macro economic developments. It was mainly caused by the decline in the United Kingdom (-9 per cent), where new taxes were announced. Also in Germany consumer confidence decreased somewhat. The industrial confidence indicator published in "European Economy" showed positive results. It continued to increase in the last quarter of 1994. A large majority of companies expected that their production would further increase in the months ahead. Furthermore, in the "Results of the business survey carried out among managements in the Community" the questions relating to (export) order books showed significant improvements over the last year.

As a result of production increases, the capacity utilisation rate for total EU industry went up. The first quarter of 1995 showed an utilisation rate of 82.6 per cent for manufacturing industry, up 4.3 points from a year earlier. The figure was important when considering inflation expectations. The annual inflation rate for the EUR12 as measured by the CPI rose slightly from 3.0 per cent during the period October-November 1994 to 3.2 per cent in January (3.1 per cent for EUR15). France reported the lowest inflation rate; the United Kingdom, Italy, Spain, Portugal and Greece displayed above average inflation rates. Community-wide inflation was expected to edge down further to 2.9 per cent in 1995 (Commission forecasts). In the United States inflation from December 1993 to December 1994 was equal to 2.7 per cent. In January 1995 the figure increased to 2.8 per cent. Slowing growth and increased short and long term interest rates in the USA eased fears over inflationary pressures. However, the decrease in the value of the dollar in early 1995 had opposite effects. In Japan the corresponding inflation rate was 0.7 per cent (January 1995). Long term nominal interest rates in Japan remain well below those in the USA and the EU.

Long term interest rates showed an upward tendency from the end of 1993 untill the end of 1994. In Germany, the average yield on 10-year bench mark government bonds went up from 5.9 per cent in the first quarter in 1994 to 7.6 per cent in January 1995. In the first two months of 1995 the yield decreased 0.3 per cent. The capital markets in France, the United Kingdom, the United States and Japan displayed similar trends. No pick-up of inflation is expected by Commission Services this year.

TABLE 1.1

INTERNATIONAL COMPARISON OF ANNUAL GROWTH RATES FOR INDUSTRIAL PRODUCTION (%)

	EUR12	USA	JAPAN
01-94	0.7	3.9	-2.4
02-94	2.1	3.9	-3.8
03-94	2.4	4.7	-1.9
04-94	5.0	5.0	-2.0
05-94	4.4	5.6	-1.5
06-94	5.7	6.1	0.8
07-94	6.0	5.4	N/A
08-94	6.8	6.1	N/A
09-94	5.6	6.1	N/A
10-94	5.7	6.0	N/A
11-94	5.3	5.8	N/A
12-94	8.7	5.9	N/A

SOURCE: eurostat

TABLE 1.2

INTERNATIONAL COMPARISON OF ANNUAL GROWTH RATES FOR CONSUMER PRICES (%)

	EUR12	USA	JAPAN
02-94	3.3	2.5	1.1
03-94	3.2	2.5	1.3
04-94	3.2	2.4	0.9
05-94	3.2	2.3	0.9
06-94	3.2	2.5	0.6
07-94	3.1	2.8	-0.2
08-94	3.1	2.9	0.0
09-94	3.0	3.0	0.2
10-94	3.0	2.6	0.8
11-94	3.0	2.7	1.0
12-94	3.1	2.7	0.7
01-95	3.1	2.8	0.7

SOURCE: eurostat

TABLE 1.3

INTERNATIONAL COMPARISON OF MONTHLY TRADE BALANCE (BILLION ECU)

	EUR12	USA	JAPAN
10-93	3.0	-12.3	9.4
11-93	1.5	-12.1	6.6
12-93	7.0	-6.0	11.5
01-94	-4.6	-9.4	5.4
02-94	-1.0	-10.5	9.8
03-94	-1.4	-9.5	12.2
04-94	0.1	-10.5	9.8
05-94	1.0	-10.9	5.6
06-94	2.9	-13.7	9.6
07-94	0.7	-14.4	10.1
08-94	N/A	N/A	4.2
09-94	N/A	N/A	9.7

SOURCE: eurostat

Cyclical factors, including the present level of unemployment, wage and unit labour cost moderation and a weak dollar, as well as structural factors will restrain price developments. Increasing capacity utilisation rates may however in 1996 raise fears for inflationary pressures within the EU. The level of specialised skilled labour available could also influence wage cost and inflationary pressures in the EU.

Unemployment was still seen to be at high levels throughout the EU. The seasonally adjusted unemployment level dipped in December to 10.8 per cent from a revised 10.9 per cent a month earlier. The decrease of unemployment caused by the economic upturn was expected to be limited. Commission services forecast a progressive decline to 9¾ per cent by 1996. Unemployment in the United States was much lower, at 6.2 per cent of the labour force. Japan's unemployment rate reached a record high of 3 per cent in 1994.

TOTAL INDUSTRY

IN BRIEF....

- ★ INDUSTRIAL OUTPUT UP 4.9 PER CENT IN 1994
- ★ PRODUCTION GROWTH LED BY CONSUMER DURABLES AND INTERMEDIATE GOODS
- ★ PRODUCTION GROWTH OVER 10 PER CENT IN DENMARK, FINLAND AND IRELAND IN 1994
- ★ CAPACITY UTILISATION RATE HIGHEST FOR INTERMEDIATE GOODS IN 1994
- ★ HIGHEST CAPACITY UTILISATION IN THE UNITED KINGDOM, FRANCE AND THE NETHERLANDS IN 1994
- ★ EU PRODUCER PRICE INDEX INCREASED BY 1.6 PER CENT IN 1994

The annual growth rate of EU industrial output was estimated to have increased 4.9 per cent in 1994. Trends were positive in almost all Member States, in contrast with the previous year (1993 over 1992), when the overall trend in industrial output was still clearly negative (-3.2 per cent). Highest growth was obtained by Ireland, Finland, Sweden and Denmark. Portugal, Greece, the Netherlands and Austria reported growth rates of less than three per cent. The rise in production in 1994 was led by the consumer durables sector and the intermediate goods sector.

Producer prices (in ECU) showed a year-on-year increase of 0.8 per cent in October 1994. In ECU terms Belgium, Denmark, Ireland and Luxembourg displayed the fastest growth in prices. The changes of producer prices showed quite different results when expressed in national currencies where Greece, Spain and Italy displayed the highest increases. The EU producer price index rose by 1.6 per cent in 1994 (expressed in national currencies).

Further evidence of the recovery was provided by the data on capacity utilisation which went up four percentage points during 1994, to almost 82 per cent. Capacity utilisation for total industry was higher in France, Denmark, the United Kingdom, the Netherlands, Germany and Luxembourg in the first quarter of 1995. Intermediate goods had a capacity utilisation rate of 83 per cent in the fourth quarter of 1994.

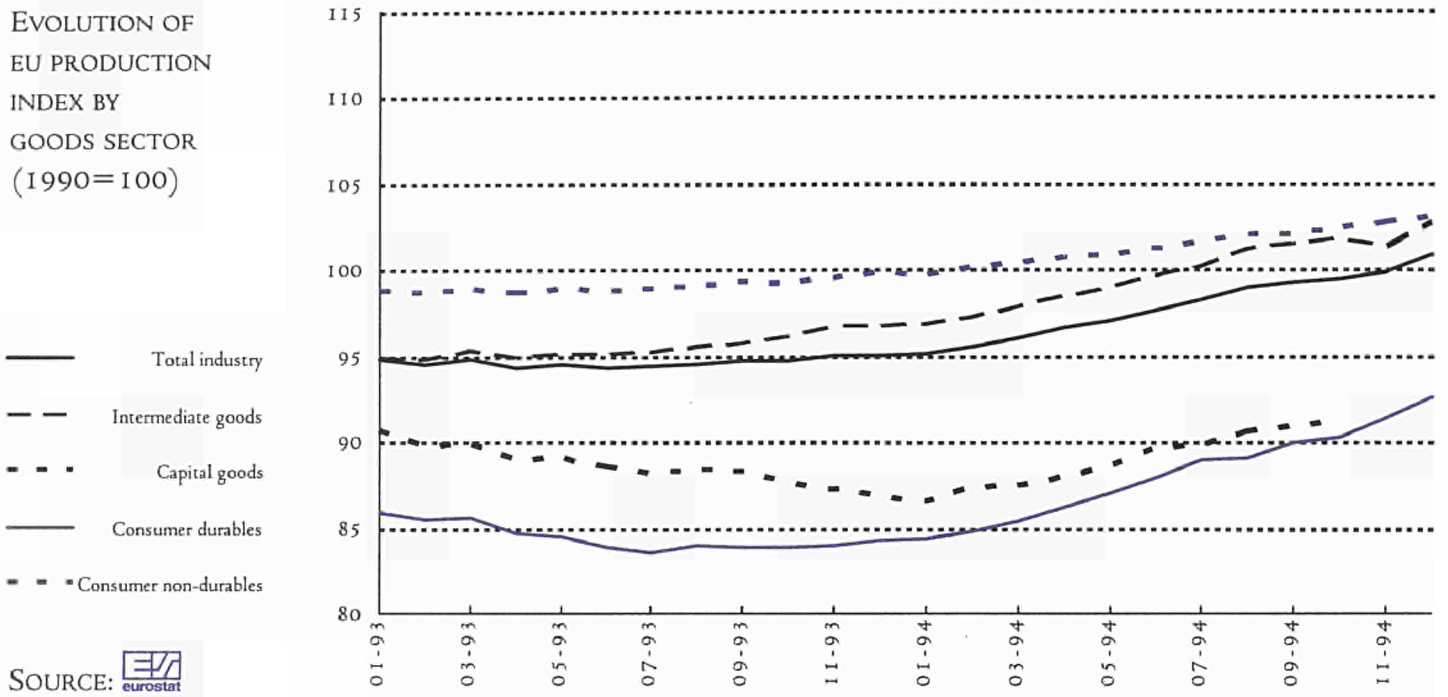
The consumer goods sector also recorded a utilisation rate above the total industry average. Once again France, together with the United Kingdom, the Netherlands and Germany obtained the highest utilisation rates. In the investment goods sector, capacity utilisation was lagging. Its rate of 79 per cent was well below the total industry average and furthermore the increases displayed in 1994 were less rapid.

The second quarter trade figures for 1994 (compared with the second quarter of 1993) showed a strong increase in the volume of exports with remarkable growth rates obtained by Ireland and BLEU. The growth rate of exports in value terms was much smaller, indicating decreasing terms of trade. The volume of imports rose (+5.3 per cent) as did the value of imports.

IN THIS SECTION:

FIGURE 2.1

EVOLUTION OF EU PRODUCTION INDEX BY GOODS SECTOR (1990=100)



SOURCE: eurostat

TABLE 2.1

QUARTERLY PRODUCTION INDEXES (1990=100)

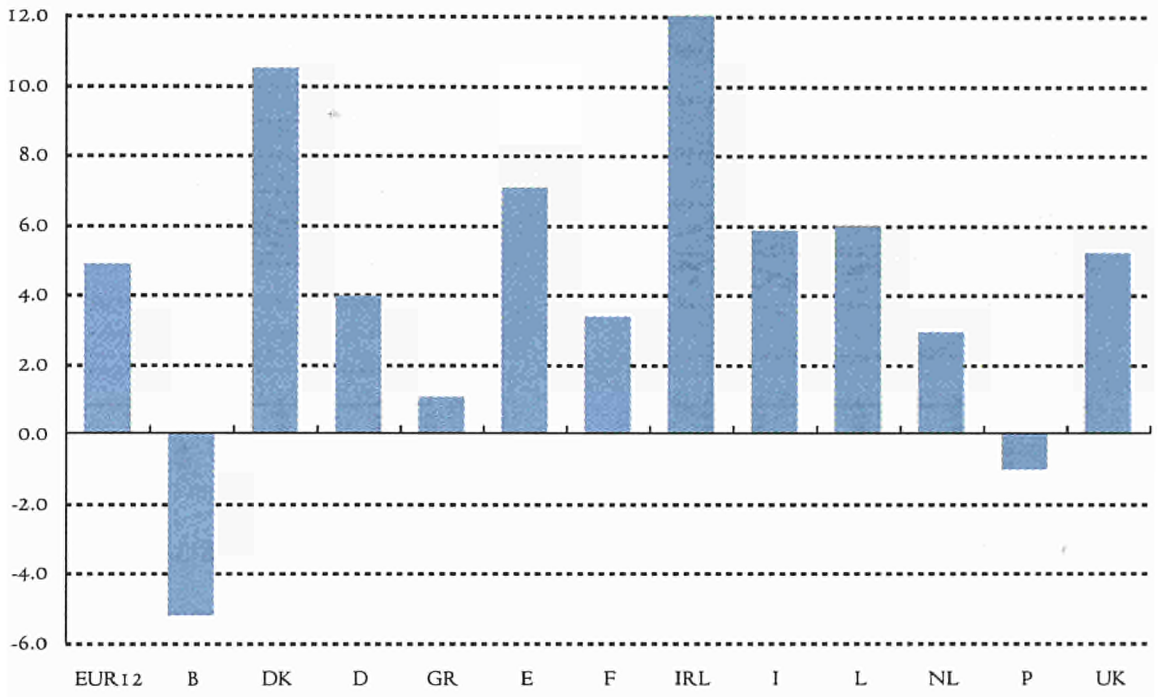
	Latest quarter available	Total industry	Intermediate goods	Capital goods	Consumer durables	Consumer non-durables
EUR12	08-94 ⇨ 10-94	99.5	101.7	91.2	90.2	102.4
Growth rate, t/t-4 (%)		6.6	5.7	6.4	9.5	3.8
B	04-94 ⇨ 06-94	93.6	94.4	92.9	96.8	97.9
Growth rate, t/t-4 (%)		2.6	6.5	-0.3	-2.9	0.2
DK	10-94 ⇨ 12-94	112.7	113.4	110.6	110.1	113.6
Growth rate, t/t-4 (%)		6.3	18.8	20.7	11.1	0.7
D	10-94 ⇨ 12-94	94.3	97.7	88.5	88.6	93.8
Growth rate, t/t-4 (%)		5.0	9.7	11.0	8.8	-0.3
GR	10-94 ⇨ 12-94	95.5	94.1	90.8	88.6	100.9
Growth rate, t/t-4 (%)		1.0	3.6	-13.7	5.2	0.1
E	10-94 ⇨ 12-94	100.2	100.9	87.5	102.6	98.9
Growth rate, t/t-4 (%)		7.5	8.6	13.1	18.4	-3.9
F	08-94 ⇨ 10-94	101.5	103.2	88.1	101.5	97.6
Growth rate, t/t-4 (%)		6.5	5.0	3.4	19.3	3.8
IRL	06-94 ⇨ 08-94	132.0	145.3	134.0	N/A	120.6
Growth rate, t/t-4 (%)		16.4	20.0	24.1	N/A	3.0
I	10-94 ⇨ 12-94	104.1	104.4	95.8	94.2	109.0
Growth rate, t/t-4 (%)		6.6	13.5	17.0	13.6	10.1
L	08-94 ⇨ 10-94	101.7	98.6	101.7	N/A	N/A
Growth rate, t/t-4 (%)		23.2	1.7	2.0	N/A	N/A
NL	10-94 ⇨ 12-94	103.6	105.1	101.7	100.1	102.9
Growth rate, t/t-4 (%)		4.7	4.0	17.9	4.5	5.4
P	08-94 ⇨ 10-94	103.5	107.5	97.4	75.4	92.0
Growth rate, t/t-4 (%)		2.1	5.1	-0.8	-3.5	0.3
UK	10-94 ⇨ 12-94	104.5	108.0	99.4	77.3	110.5
Growth rate, t/t-4 (%)		6.1	4.3	17.8	10.6	4.5

SOURCE: eurostat

eurostat

FIGURE 2.2

ANNUAL GROWTH RATE OF TOTAL INDUSTRY PRODUCTION INDEX BY MEMBER STATE (1) (%)



(1) Growth rates are based on the latest annual data available for each country. Please see the table below for the year concerned.

SOURCE: eurostat

TABLE 2.2

ANNUAL PRODUCTION INDEXES (1) (1990=100)

	Latest year available	Total industry	Intermediate goods	Capital goods	Consumer durables	Consumer non-durables
EUR12	1994	99.3	101.2	**91.0**	94.6	100.1
Growth rate, t/t-1 (%)		4.9	5.4	**4.0**	7.4	2.6
B	1993	93.0	92.3	92.4	97.7	98.9
Growth rate, t/t-1 (%)		-5.2	-5.6	-0.3	-1.5	-4.1
DK	1994	111.0	110.3	107.7	108.2	114.3
Growth rate, t/t-1 (%)		10.4	14.1	11.5	10.5	6.5
D	1994	97.1	100.3	91.6	93.0	102.0
Growth rate, t/t-1 (%)		4.0	5.4	3.2	4.8	0.3
GR	1994	95.8	93.4	96.0	86.7	101.1
Growth rate, t/t-1 (%)		1.1	2.3	-6.6	5.0	0.6
E	1994	98.4	99.1	85.3	96.7	98.6
Growth rate, t/t-1 (%)		7.1	7.3	7.6	10.9	4.1
F	1994	98.5	102.5	**87.0**	100.5	97.4
Growth rate, t/t-1 (%)		3.4	4.1	**2.0**	10.8	1.8
IRL	1994	**133.0**	**143.0**	**137.0**	N/A	**122.0**
Growth rate, t/t-1 (%)		**12.0**	**14.0**	**16.0**	N/A	**6.0**
I	1994	101.3	102.0	91.8	91.7	107.1
Growth rate, t/t-1 (%)		5.9	5.2	4.4	8.0	5.2
L	1994	**102.0**	**99.0**	**102.0**	N/A	N/A
Growth rate, t/t-1 (%)		**6.0**	**7.0**	**3.0**	N/A	N/A
NL	1994	102.5	104.2	99.3	99.4	101.9
Growth rate, t/t-1 (%)		2.9	3.2	4.3	-0.9	2.1
P	1994	**94.0**	**96.0**	**83.0**	**89.0**	**90.0**
Growth rate, t/t-1 (%)		**-1.0**	**3.0**	**1.0**	**-3.0**	**-1.0**
UK	1994	103.2	107.5	97.0	99.1	99.5
Growth rate, t/t-1 (%)		5.2	6.4	4.3	7.5	1.9

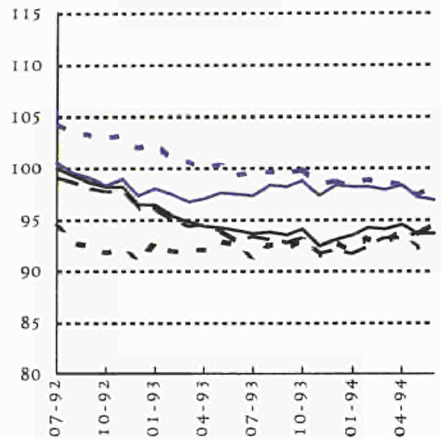
(1) Annual growth rates are based on the latest annual data. Only when data to October is available will an annual estimate for the year be made.

SOURCE: eurostat

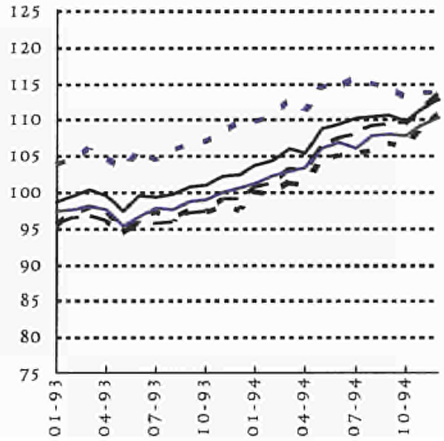
FIGURE 2.3

EVOLUTION OF PRODUCTION INDEX BY GOODS SECTOR (1990=100)

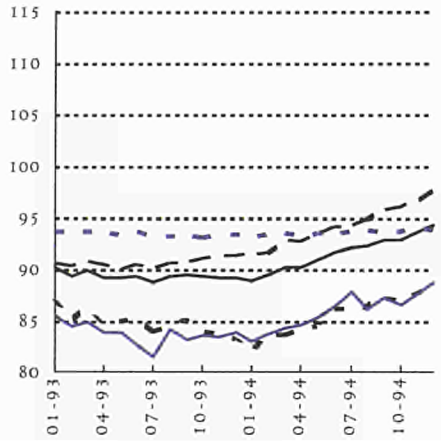
BELGIQUE/BELGIË



DANMARK



B.R. DEUTSCHLAND



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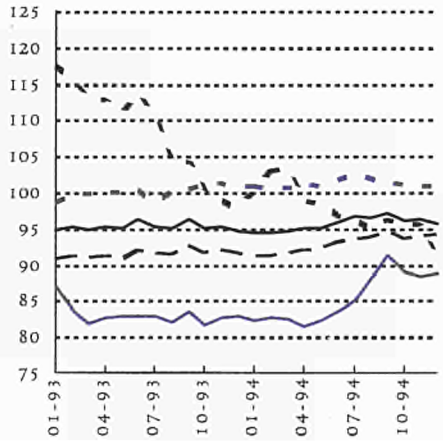
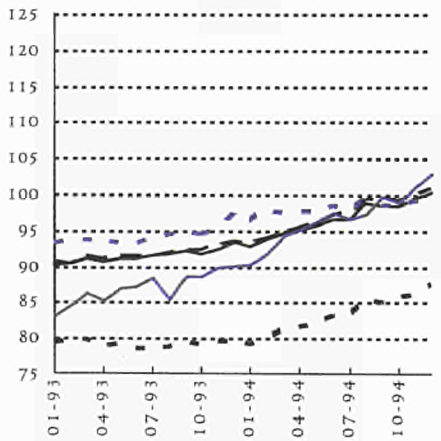
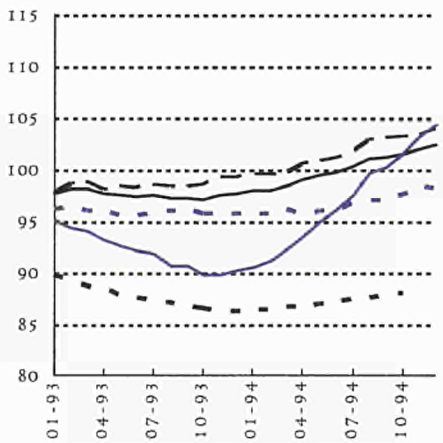


ESPAÑA



FRANCE



Total industry

Intermediate goods

Capital goods

Consumer durables

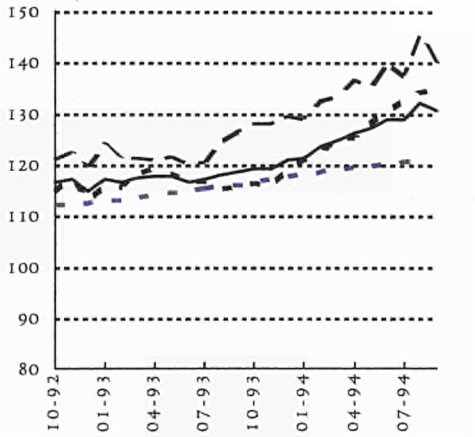
Consumer non-durables

SOURCE: eurostat

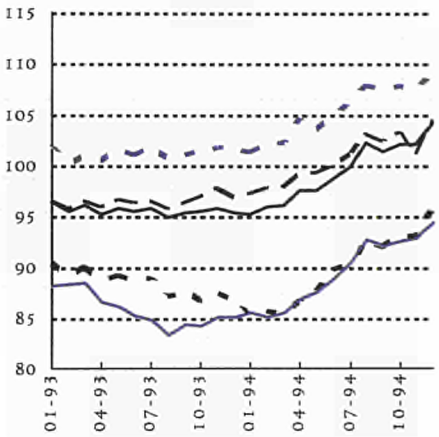
FIGURE 2.3

EVOLUTION OF PRODUCTION INDEX BY GOODS SECTOR (1990=100)

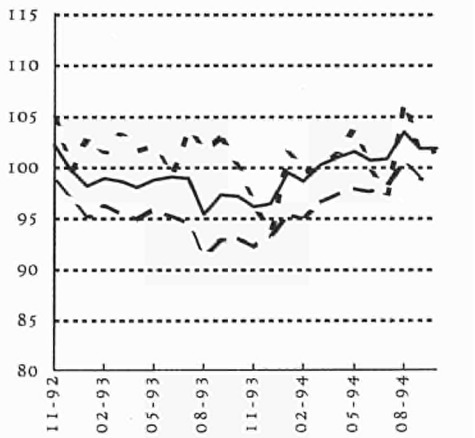
IRELAND



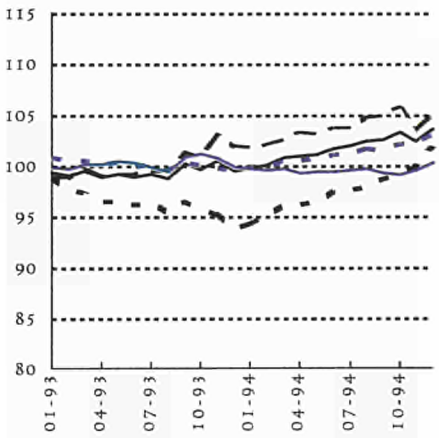
ITALIA



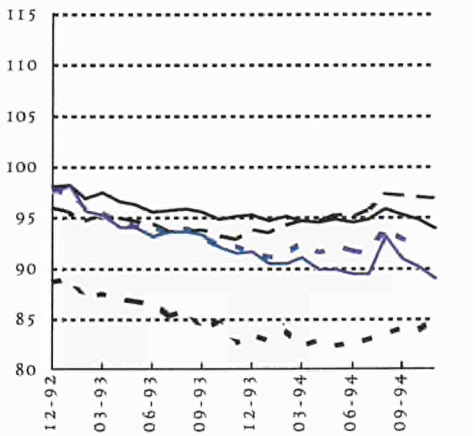
LUXEMBOURG



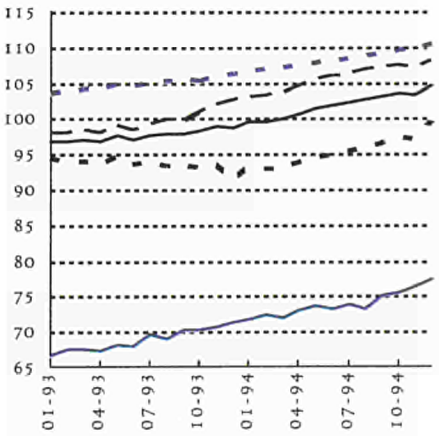
NEDERLAND

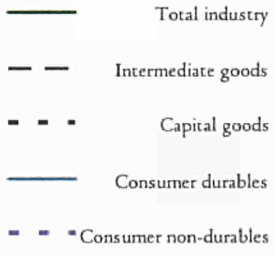


PORTUGAL



UNITED KINGDOM

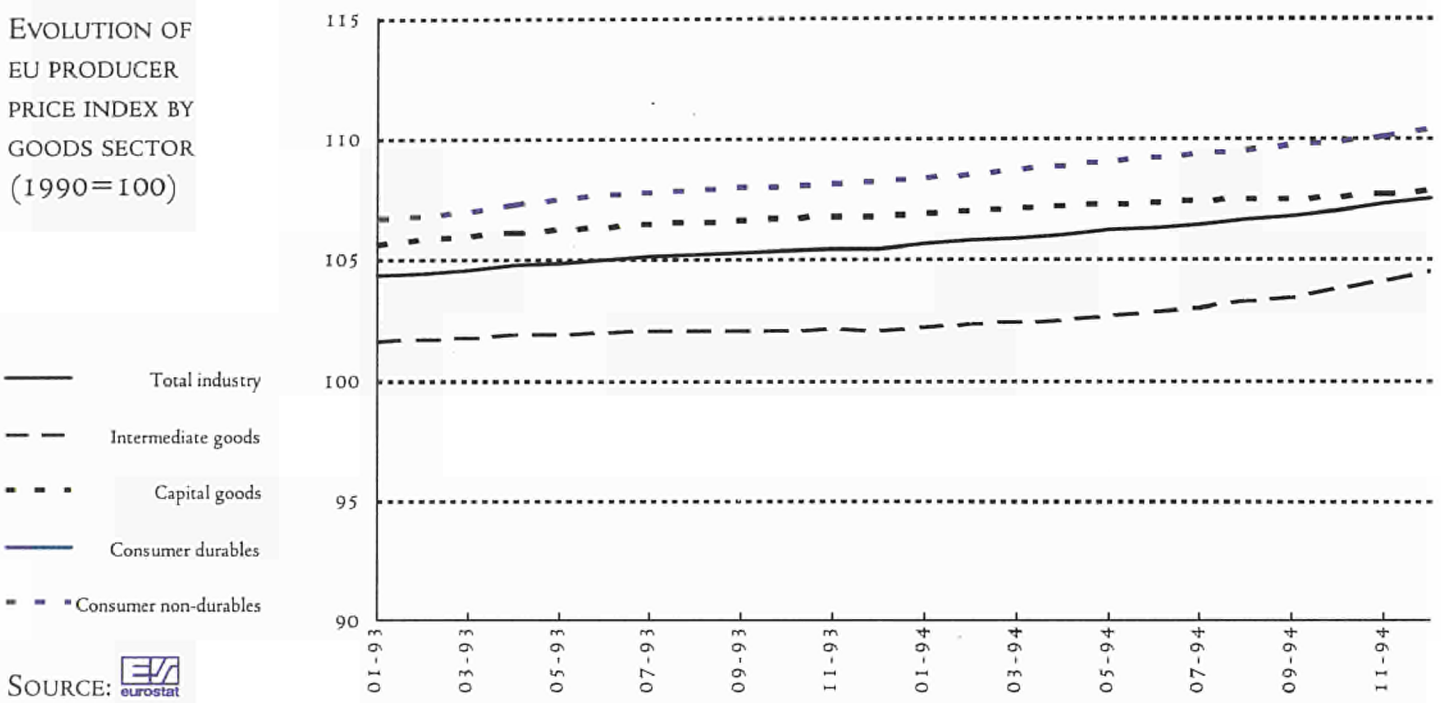




SOURCE: eurostat

FIGURE 2.4

EVOLUTION OF EU PRODUCER PRICE INDEX BY GOODS SECTOR (1990=100)



SOURCE: eurostat

TABLE 2.3

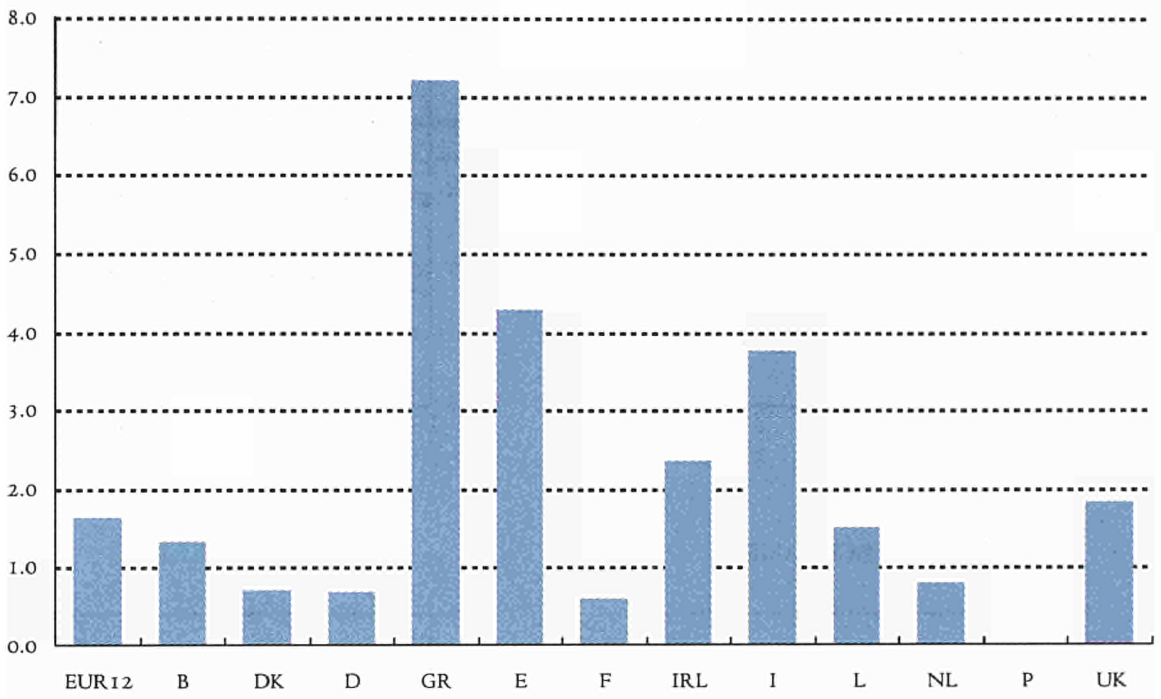
QUARTERLY PRODUCER PRICE INDEXES (1990=100)

	Latest quarter available	Total industry	Intermediate goods	Capital goods	Consumer durables	Consumer non-durables
EUR12	10-94 ⇨ 12-94	107.5	104.4	107.8	N/A	110.3
Growth rate, t/t-4 (%)		2.0	2.4	1.0	N/A	2.0
B	10-94 ⇨ 12-94	99.9	95.1	107.2	N/A	N/A
Growth rate, t/t-4 (%)		1.7	1.9	0.8	N/A	N/A
DK	10-94 ⇨ 12-94	100.3	98.1	105.1	107.4	100.0
Growth rate, t/t-4 (%)		1.2	0.4	-0.3	1.7	2.7
D	10-94 ⇨ 12-94	105.0	102.4	108.6	N/A	106.7
Growth rate, t/t-4 (%)		1.0	1.5	0.4	N/A	0.6
GR	10-94 ⇨ 12-94	159.3	154.5	161.1	152.4	165.8
Growth rate, t/t-4 (%)		7.7	6.8	6.6	6.2	9.0
E	10-94 ⇨ 12-94	110.8	107.2	109.9	N/A	N/A
Growth rate, t/t-4 (%)		4.6	5.5	2.3	N/A	N/A
F	10-94 ⇨ 12-94	101.5	99.6	99.0	N/A	101.0
Growth rate, t/t-4 (%)		0.8	2.3	-0.6	N/A	0.6
IRL	07-94 ⇨ 09-94	107.6	95.4	N/A	N/A	107.4
Growth rate, t/t-4 (%)		1.9	-3.7	N/A	N/A	2.1
I	10-94 ⇨ 12-94	114.6	114.5	111.3	113.5	113.5
Growth rate, t/t-4 (%)		4.4	5.5	2.2	2.5	3.7
L	10-94 ⇨ 12-94	95.1	89.8	105.8	N/A	104.6
Growth rate, t/t-4 (%)		0.7	0.4	0.4	N/A	0.2
NL	10-94 ⇨ 12-94	101.5	99.9	104.2	101.8	103.6
Growth rate, t/t-4 (%)		1.5	1.7	0.4	-0.4	1.2
P	⇨	N/A	N/A	N/A	N/A	N/A
Growth rate, t/t-4 (%)		N/A	N/A	N/A	N/A	N/A
UK	11-94 ⇨ 01-95	113.3	109.1	113.5	N/A	120.8
Growth rate, t/t-4 (%)		2.5	2.5	2.4	N/A	2.9

SOURCE: eurostat

FIGURE 2.5

ANNUAL GROWTH RATE OF TOTAL INDUSTRY PRODUCER PRICE INDEX BY MEMBER STATE (1) (%)



(1) Growth rates are based on the latest annual data available for each country. Please see the table below for the year concerned.

SOURCE: eurostat

TABLE 2.4

ANNUAL PRODUCER PRICE INDEXES (1) (1990=100)

	Latest year available	Total industry	Intermediate goods	Capital goods	Consumer durables	Consumer non-durables
EUR12	1994	106.9	103.6	107.6	N/A	109.8
Growth rate, t/t-1 (%)		1.6	1.6	0.8	N/A	1.7
B	1994	99.5	94.5	107.1	N/A	N/A
Growth rate, t/t-1 (%)		1.3	1.1	0.9	N/A	N/A
DK	1994	99.7	97.5	105.1	107.0	99.1
Growth rate, t/t-1 (%)		0.7	-0.4	0.0	1.5	2.1
D	1994	104.7	102.0	108.4	N/A	106.5
Growth rate, t/t-1 (%)		0.7	0.9	0.3	N/A	0.5
GR	1994	156.6	151.7	159.5	150.6	163.0
Growth rate, t/t-1 (%)		7.2	5.5	7.0	6.3	9.4
E	1994	109.8	105.7	109.3	N/A	N/A
Growth rate, t/t-1 (%)		4.3	4.8	1.9	N/A	N/A
F	1994	101.2	98.6	99.1	N/A	100.7
Growth rate, t/t-1 (%)		0.6	1.0	-0.7	N/A	0.4
IRL	1993	105.6	98.8	N/A	N/A	105.1
Growth rate, t/t-1 (%)		2.4	1.8	N/A	N/A	3.6
I	1994	113.3	112.6	110.7	113.2	112.5
Growth rate, t/t-1 (%)		3.8	4.3	2.1	2.8	3.2
L	1994	95.0	89.8	105.9	N/A	104.2
Growth rate, t/t-1 (%)		1.5	1.7	0.5	N/A	-0.2
NL	1994	101.0	99.3	103.9	101.7	103.4
Growth rate, t/t-1 (%)		0.8	0.7	0.0	-0.2	0.7
P		N/A	N/A	N/A	N/A	N/A
Growth rate, t/t-1 (%)		N/A	N/A	N/A	N/A	N/A
UK	1994	112.1	107.6	112.6	N/A	119.6
Growth rate, t/t-1 (%)		1.8	1.3	2.4	N/A	2.6

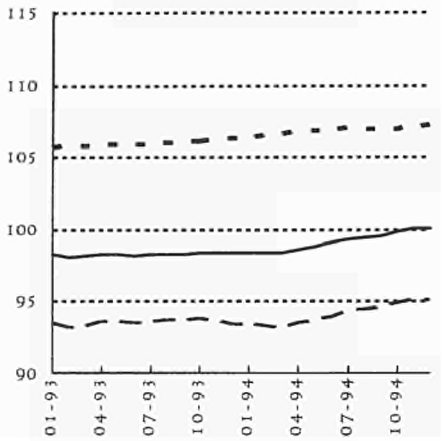
(1) Annual growth rates are based on the latest annual data. Only when data to October is available will an annual estimate for the year be made.

SOURCE: eurostat

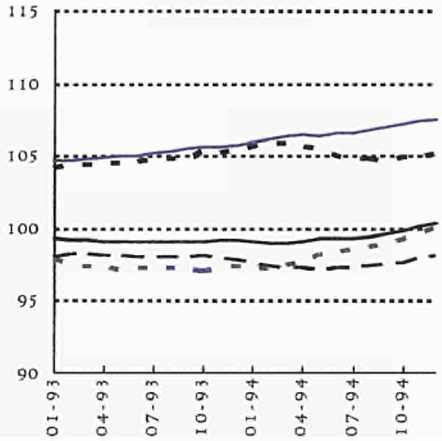
FIGURE 2.6

EVOLUTION OF PRODUCER PRICE INDEX BY GOODS SECTOR (1990=100)

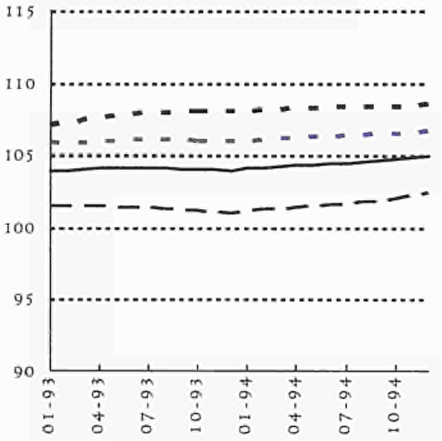
BELGIQUE/BELGIË



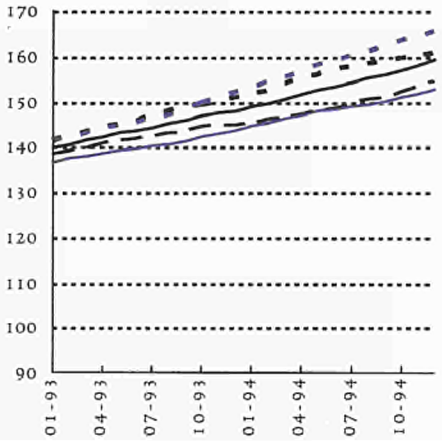
DANMARK



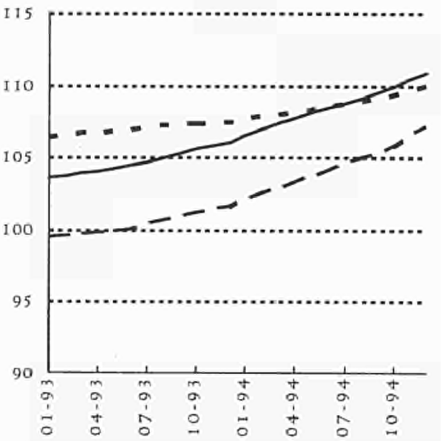
B.R. DEUTSCHLAND



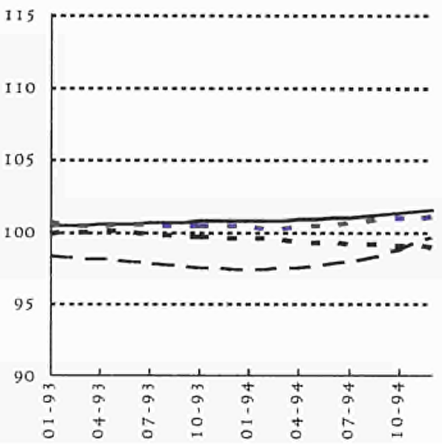
HELLAS



ESPAÑA



FRANCE



Total industry

Intermediate goods

Capital goods

Consumer durables

Consumer non-durables

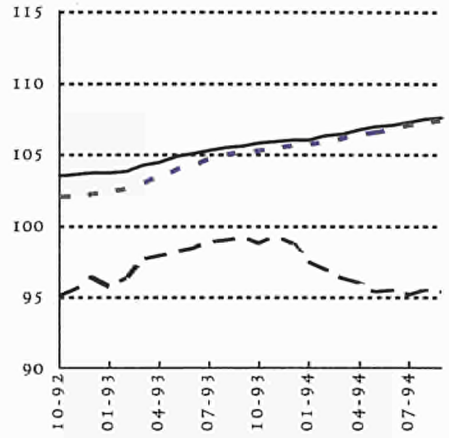
SOURCE: eurostat

eurostat

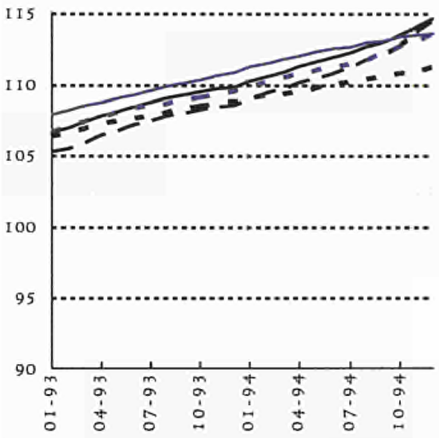
FIGURE 2.6

EVOLUTION OF PRODUCER PRICE INDEX BY GOODS SECTOR (1990=100)

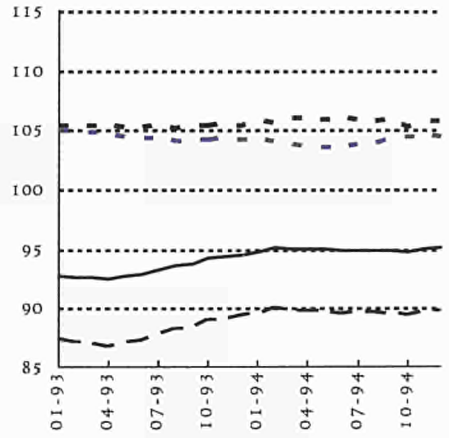
IRELAND



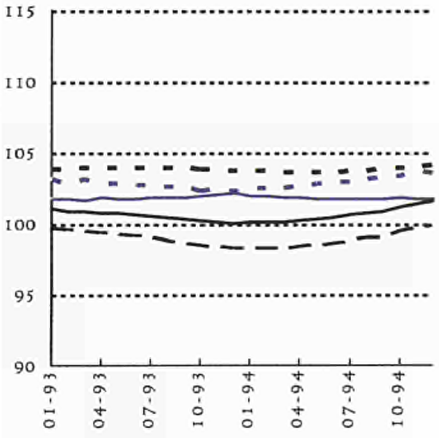
ITALIA



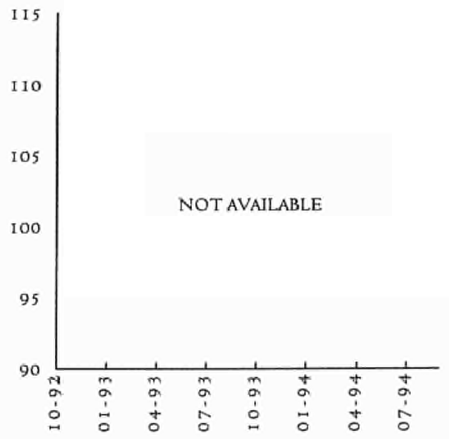
LUXEMBOURG



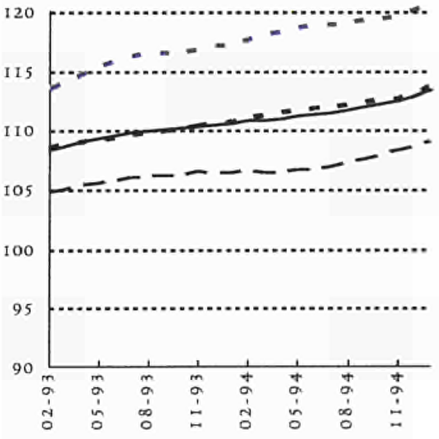
NEDERLAND

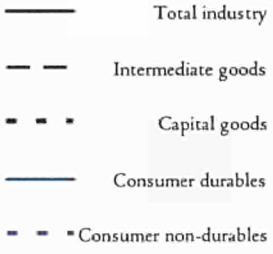


PORTUGAL



UNITED KINGDOM

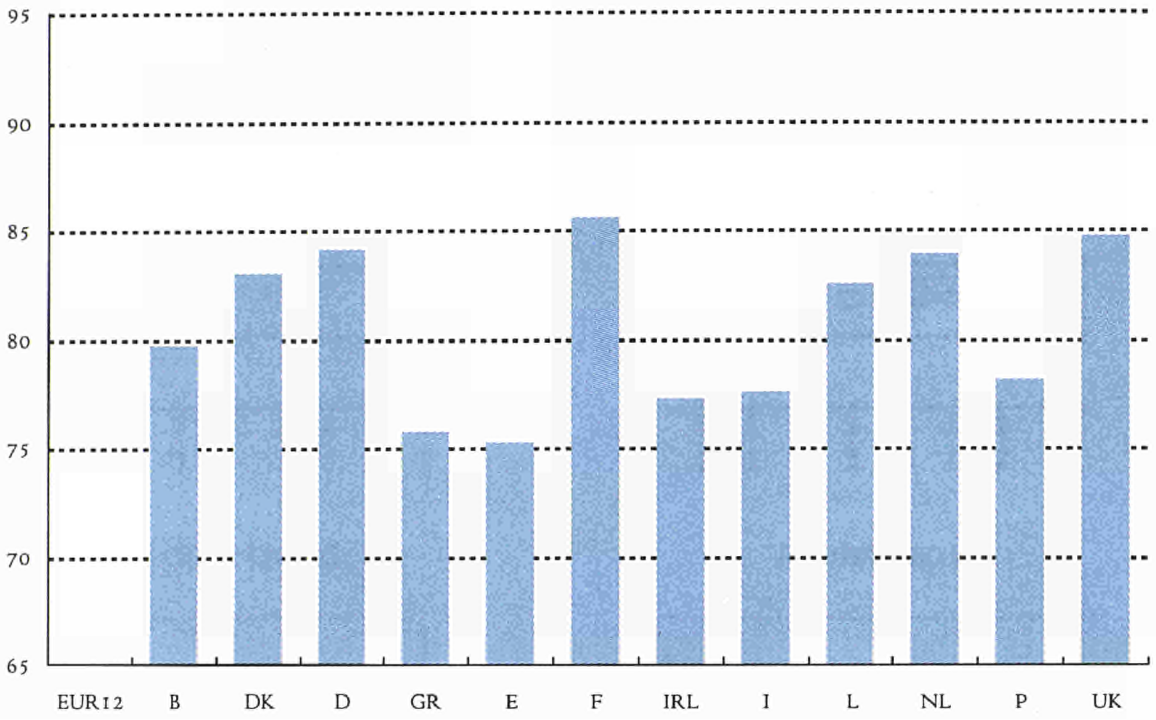




SOURCE: eurostat

FIGURE 2.7

TOTAL INDUSTRY: CAPACITY UTILISATION RATES BY MEMBER STATE, FIRST QUARTER 1995 (%)



SOURCE: DG II - BUSINESS SURVEY

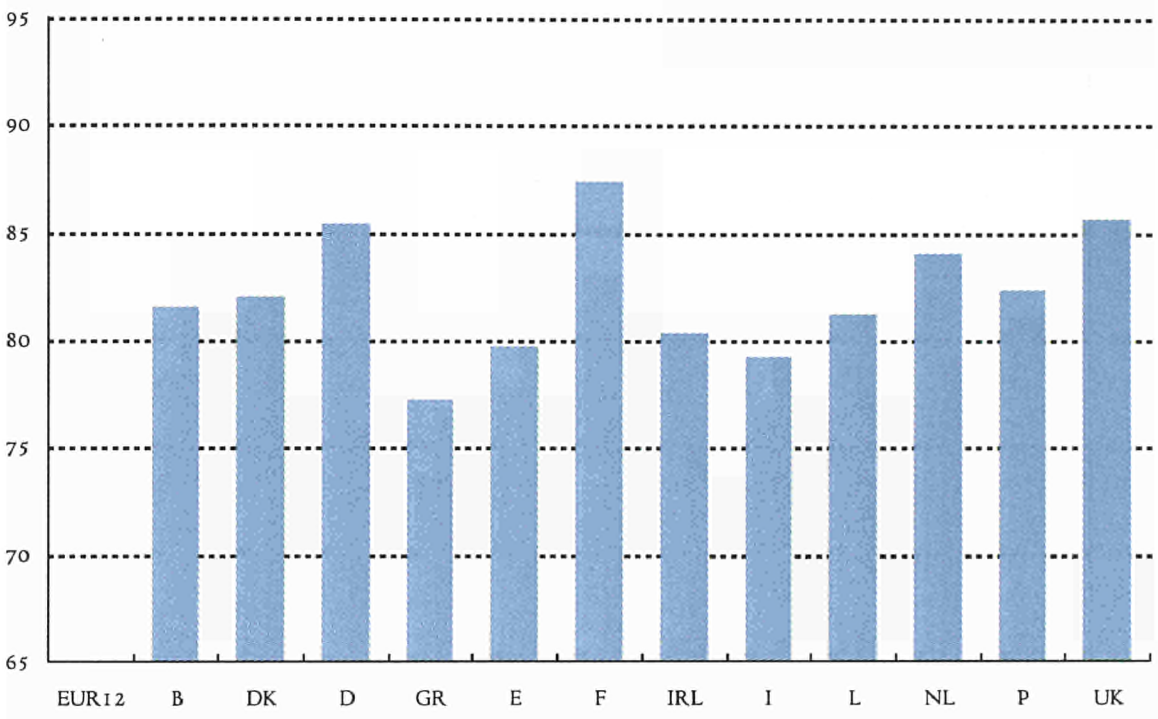
TABLE 2.5

TOTAL INDUSTRY: CAPACITY UTILISATION RATES BY MEMBER STATE (%)

	Annual growth rate: latest quarter, t/t-4	Second quarter 1994	Third quarter 1994	Fourth quarter 1994	First quarter 1995
EUR12	5.2	78.5	80.9	81.6	N/A
B	5.1	76.9	78.3	79.3	79.7
DK	3.8	80.0	83.0	83.0	83.0
D	7.3	80.5	82.5	83.6	84.1
GR	1.3	73.7	74.1	76.8	75.7
E	-1.3	71.9	74.6	75.6	75.2
F	8.1	79.8	84.5	84.6	85.6
IRL	2.8	75.0	74.5	74.6	77.2
I	4.3	74.5	76.0	75.8	77.6
L	3.4	80.8	82.7	82.1	82.5
NL	5.0	82.4	83.3	84.6	83.9
P	3.9	76.2	76.1	77.1	78.1
UK	1.9	82.2	84.3	85.6	84.7

SOURCE: DG II - BUSINESS SURVEY

FIGURE 2.8



INTERMEDIATE GOODS: CAPACITY UTILISATION RATES BY MEMBER STATE, FIRST QUARTER 1995 (%)

SOURCE: DG II - BUSINESS SURVEY

TABLE 2.6

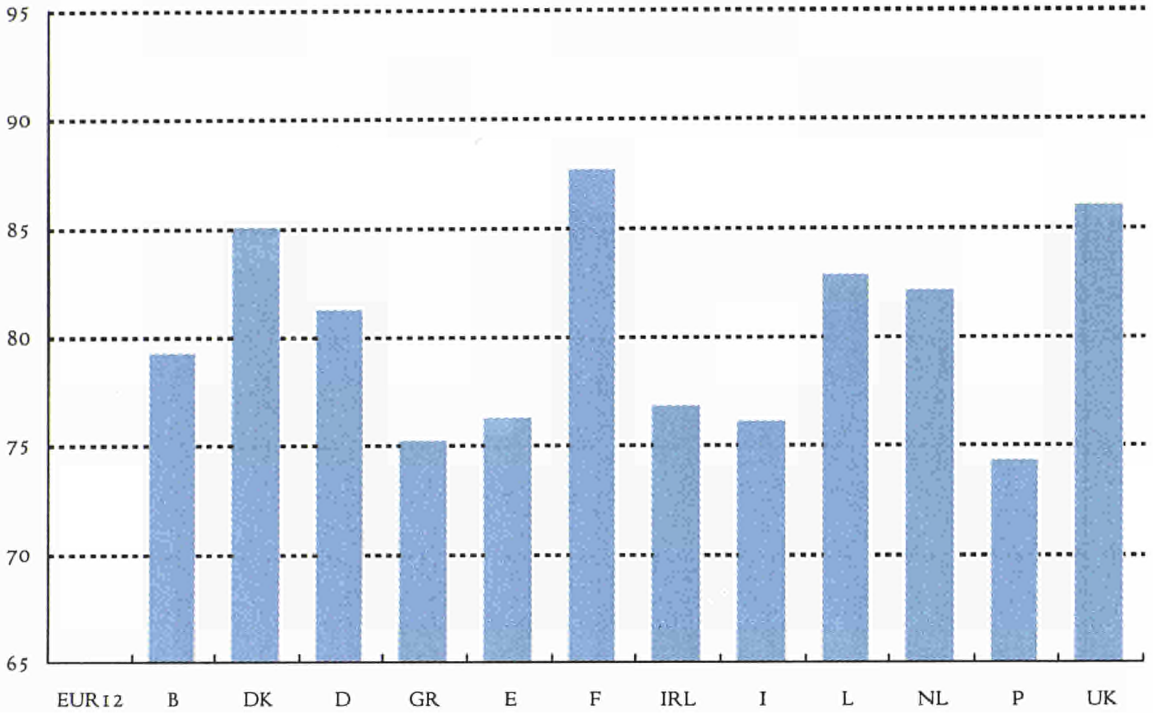
	Annual growth rate: latest quarter, t/t-4	Second quarter 1994	Third quarter 1994	Fourth quarter 1994	First quarter 1995
EUR12	4.3	79.7	83.0	83.0	N/A
B	9.2	78.6	80.5	81.9	81.5
DK	6.5	80.0	82.0	84.0	82.0
D	9.6	81.5	84.0	85.1	85.4
GR	2.5	74.7	75.9	77.8	77.2
E	3.6	71.4	73.4	73.9	79.7
F	7.1	82.8	88.3	88.3	87.4
IRL	0.0	82.8	73.6	70.9	80.3
I	4.3	75.3	77.1	76.2	79.2
L	0.7	81.1	81.6	81.6	81.2
NL	6.1	81.9	83.9	84.6	84.0
P	6.5	78.0	79.1	80.6	82.3
UK	1.1	83.1	88.5	87.7	85.6

INTERMEDIATE GOODS: CAPACITY UTILISATION RATES BY MEMBER STATE (%)

SOURCE: DG II - BUSINESS SURVEY

FIGURE 2.9

CAPITAL GOODS: CAPACITY UTILISATION RATES BY MEMBER STATE, FIRST QUARTER 1995 (%)



SOURCE: DG II - BUSINESS SURVEY

TABLE 2.7

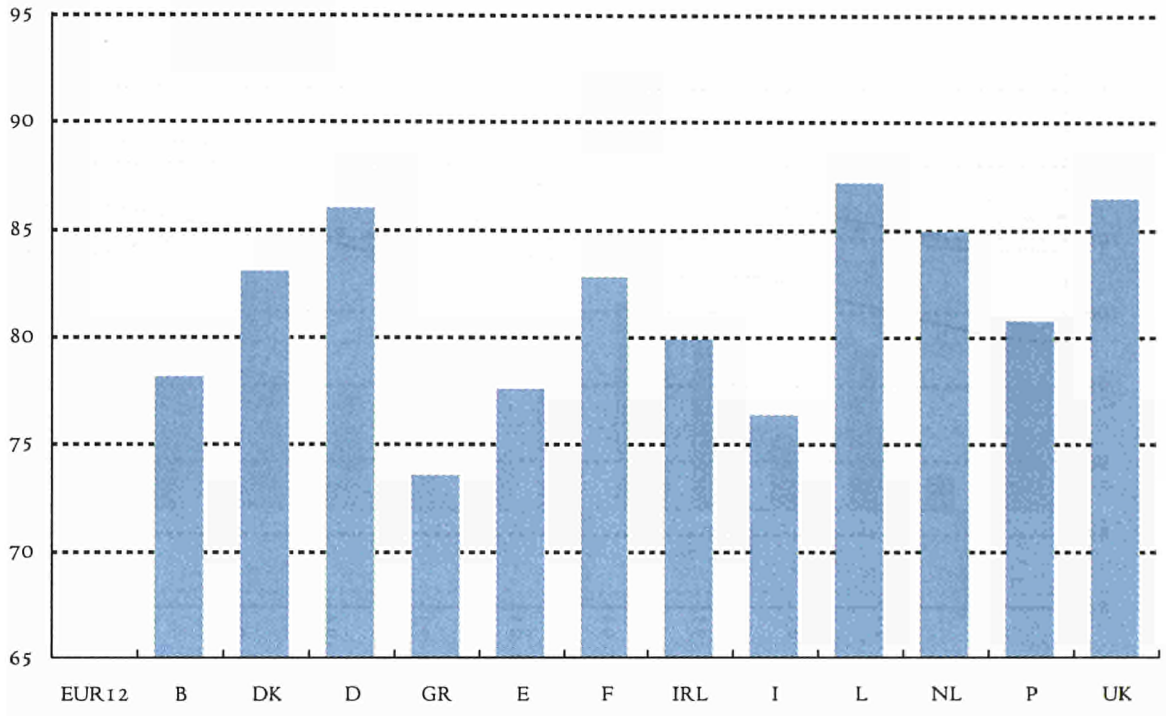
CAPITAL GOODS: CAPACITY UTILISATION RATES BY MEMBER STATE (%)

	Annual growth rate: latest quarter, t/t-4	Second quarter 1994	Third quarter 1994	Fourth quarter 1994	First quarter 1995
EUR12	6.5	77.0	79.7	79.2	N/A
B	6.0	74.9	77.3	79.5	79.2
DK	7.6	80.0	82.0	84.0	85.0
D	8.0	77.0	79.4	80.6	81.2
GR	11.6	76.1	72.5	67.8	75.2
E	-3.8	73.2	76.0	75.6	76.2
F	14.5	78.0	82.6	81.5	87.6
IRL	-4.1	77.4	79.0	81.9	76.8
I	4.2	74.4	76.6	73.8	76.1
L	11.1	81.0	86.8	85.1	82.8
NL	5.1	80.5	80.5	82.2	82.1
P	3.5	72.2	74.3	76.3	74.3
UK	8.4	78.4	81.0	79.7	86.0

SOURCE: DG II - BUSINESS SURVEY

FIGURE 2.10

CONSUMER GOODS: CAPACITY UTILISATION RATES BY MEMBER STATE, FIRST QUARTER 1995 (%)



SOURCE: DG II - BUSINESS SURVEY

TABLE 2.8

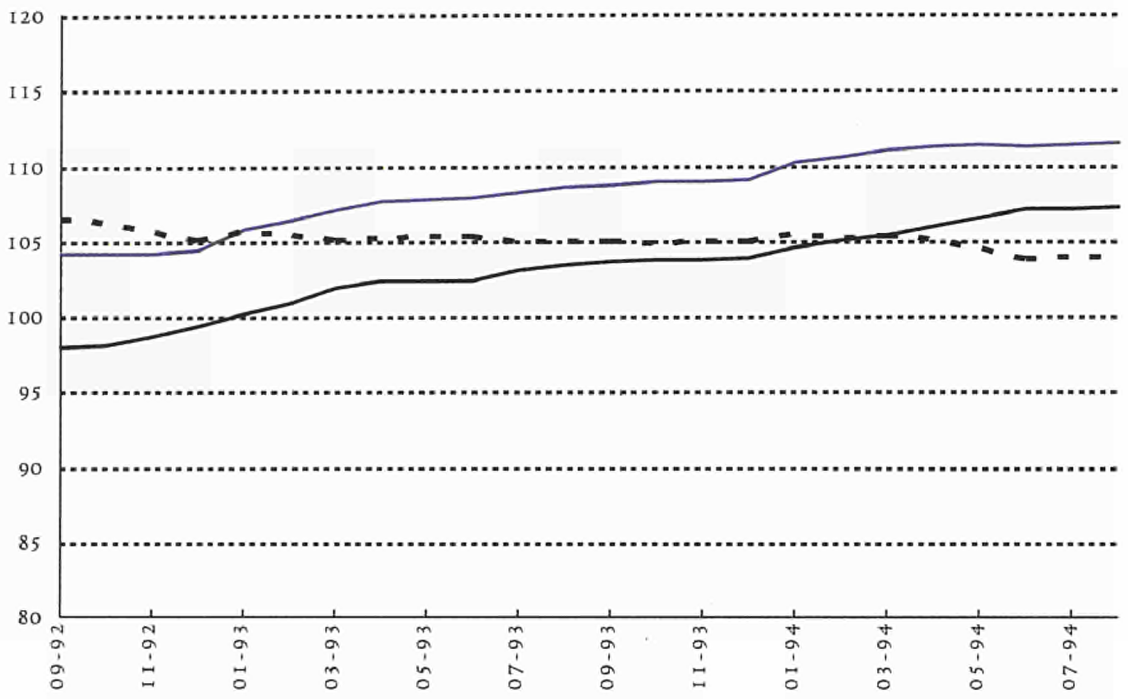
CONSUMER GOODS: CAPACITY UTILISATION RATES BY MEMBER STATE (%)

	Annual growth rate: latest quarter, t/t-4	Second quarter 1994	Third quarter 1994	Fourth quarter 1994	First quarter 1995
EUR12	4.8	79.7	80.6	83.0	N/A
B	1.6	77.3	77.1	75.2	78.1
DK	0.0	82.0	83.0	81.0	83.0
D	3.6	83.4	83.1	84.8	85.9
GR	-4.0	76.2	75.4	78.3	73.5
E	14.3	70.7	73.6	76.5	77.5
F	4.7	77.9	82.9	84.6	82.7
IRL	3.4	71.7	71.2	75.0	79.8
I	4.2	73.6	74.5	76.2	76.3
L	8.6	79.1	84.7	82.6	87.1
NL	2.9	84.4	84.5	86.2	84.9
P	2.2	79.1	79.4	78.8	80.7
UK	1.4	86.4	84.3	89.8	86.4

SOURCE: DG II - BUSINESS SURVEY

FIGURE 2.11

EVOLUTION OF EXTRA-EU TRADE INDEXES (1990=100)



SOURCE: eurostat

TABLE 2.9

QUARTERLY EXTRA-EU TRADE INDEXES (1990=100)

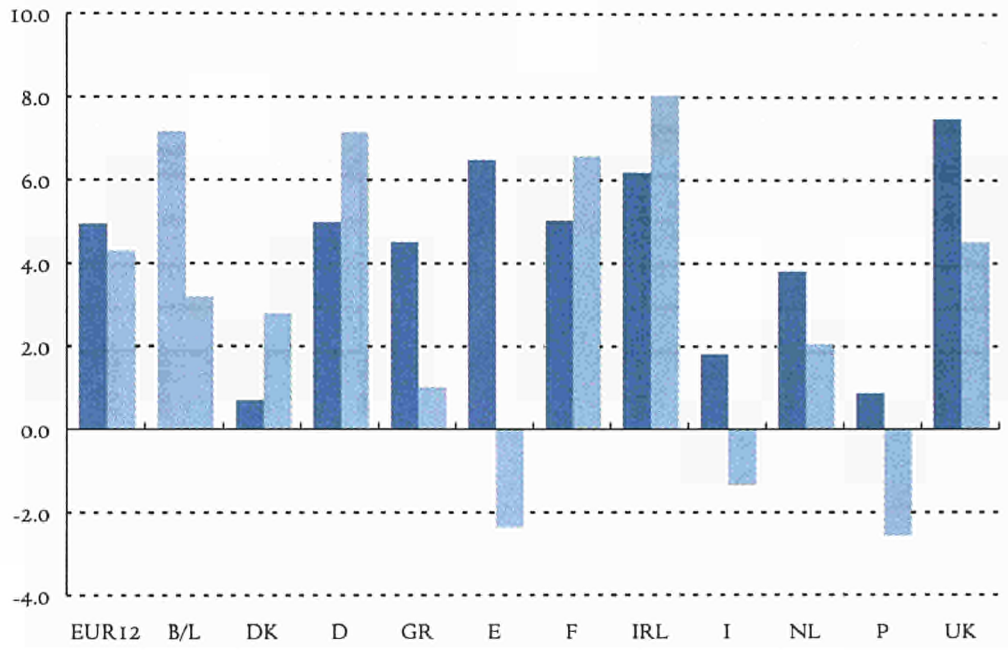
	Latest quarter available	Exports Value	Exports Volume	Imports Value	Imports Volume	Terms of trade index
EUR12	06-94 ⇨ 08-94	107.1	106.4	111.4	116.2	104.0
Growth rate, t/t-4 (%)		3.6	4.6	2.6	11.0	-1.0
B/L	06-94 ⇨ 08-94	110.2	96.5	105.8	129.3	96.0
Growth rate, t/t-4 (%)		4.3	19.3	3.1	17.4	-1.1
DK	06-94 ⇨ 08-94	103.0	105.8	104.6	121.8	101.5
Growth rate, t/t-4 (%)		3.5	3.2	2.5	7.1	-0.9
D	06-94 ⇨ 08-94	110.9	116.0	117.8	110.5	106.2
Growth rate, t/t-4 (%)		3.9	4.3	3.6	11.5	-0.2
GR	06-94 ⇨ 08-94	103.0	105.6	99.5	149.0	96.6
Growth rate, t/t-4 (%)		-3.2	-17.9	-0.6	11.4	2.5
E	06-94 ⇨ 08-94	102.6	92.9	96.6	141.1	94.1
Growth rate, t/t-4 (%)		3.3	1.9	-2.7	15.3	-5.9
F	06-94 ⇨ 08-94	105.4	93.4	114.1	103.4	108.2
Growth rate, t/t-4 (%)		3.7	3.0	3.1	6.3	-0.6
IRL	06-94 ⇨ 08-94	115.2	134.7	102.0	166.8	88.7
Growth rate, t/t-4 (%)		10.6	11.1	-1.8	21.9	-11.2
I	06-94 ⇨ 08-94	98.3	97.3	104.9	122.9	106.7
Growth rate, t/t-4 (%)		2.6	5.0	0.9	15.0	-1.6
NL	06-94 ⇨ 08-94	102.3	111.9	104.8	133.0	102.4
Growth rate, t/t-4 (%)		1.6	10.3	0.1	13.2	-1.5
P	06-94 ⇨ 08-94	95.3	104.4	103.3	97.8	108.4
Growth rate, t/t-4 (%)		1.7	0.0	0.9	12.4	-0.8
UK	06-94 ⇨ 08-94	112.6	112.8	112.2	116.3	99.7
Growth rate, t/t-4 (%)		4.6	1.8	4.1	6.2	-0.4

SOURCE: eurostat

eurostat

FIGURE 2.12

ANNUAL GROWTH RATE OF EXTRA-EU TRADE INDEXES BY MEMBER STATE (1) (%)



(1) Growth rates are based on the latest annual data available for each country. Please see the table below for the year concerned.

SOURCE: eurostat

TABLE 2.10

ANNUAL EXTRA-EU TRADE INDEXES (1990=100)

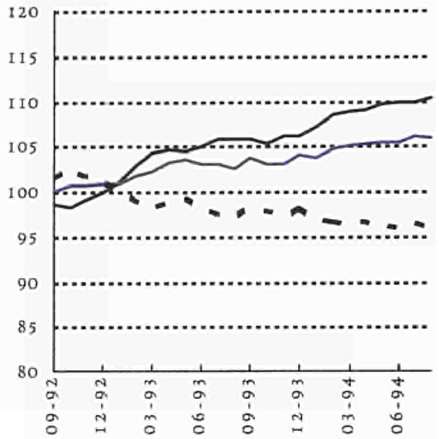
	Latest year available	Exports Value	Exports Volume	Imports Value	Imports Volume	Terms of trade index
EUR12	1993	103.8	104.0	109.1	110.1	105.1
Growth rate, t/t-1 (%)		5.0	-4.0	4.3	8.5	-0.6
B/L	1993	106.3	83.0	103.6	119.7	97.4
Growth rate, t/t-1 (%)		7.2	-17.4	3.2	15.9	-3.8
DK	1993	100.2	104.7	103.4	115.7	103.1
Growth rate, t/t-1 (%)		0.7	-0.9	2.8	9.2	2.0
D	1993	107.3	112.7	114.0	103.0	106.2
Growth rate, t/t-1 (%)		5.0	-1.9	7.1	3.0	2.0
GR	1993	106.6	132.1	99.4	136.2	93.2
Growth rate, t/t-1 (%)		4.5	8.0	1.0	18.1	-3.3
E	1993	100.2	91.5	99.3	131.0	99.1
Growth rate, t/t-1 (%)		6.5	-20.7	-2.4	17.8	-8.2
F	1993	102.2	91.9	111.9	99.8	109.4
Growth rate, t/t-1 (%)		5.0	-12.4	6.6	-5.4	1.4
IRL	1993	106.6	127.8	103.5	146.1	97.0
Growth rate, t/t-1 (%)		6.2	27.9	8.0	15.2	1.7
I	1993	95.4	101.9	103.4	117.7	108.3
Growth rate, t/t-1 (%)		1.8	-2.9	-1.3	18.3	-3.1
NL	1993	101.1	100.2	104.5	125.6	103.3
Growth rate, t/t-1 (%)		3.8	-11.7	2.1	13.8	-1.7
P	1993	93.1	106.0	102.5	93.9	110.1
Growth rate, t/t-1 (%)		0.9	-6.2	-2.6	-4.2	-3.3
UK	1993	107.9	112.5	109.0	113.8	101.0
Growth rate, t/t-1 (%)		7.5	11.1	4.5	21.3	-2.7

SOURCE: eurostat

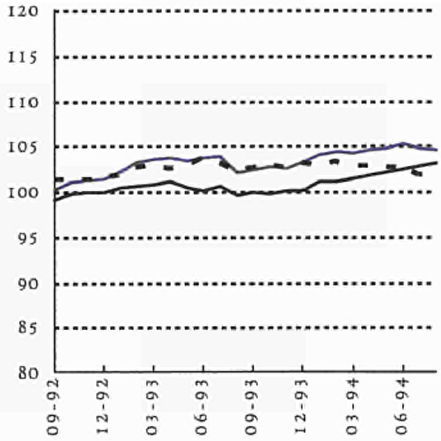
FIGURE 2.13

EVOLUTION OF EXTRA-EU TRADE INDEXES (1990=100)

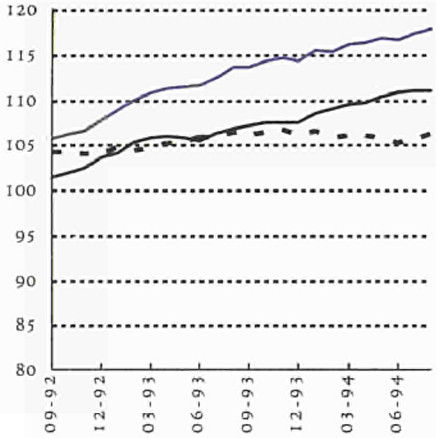
BELGIQUE/BELGIË, LUXEMBOURG



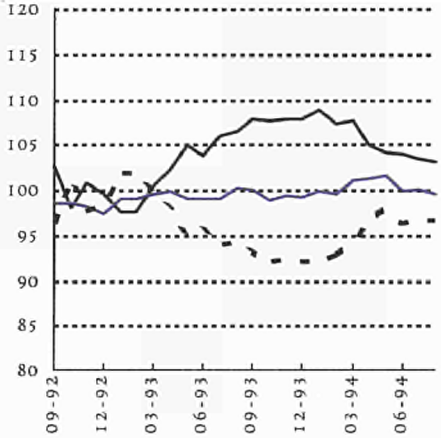
DANMARK



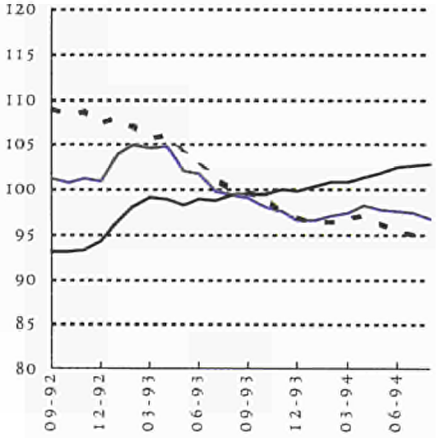
B.R. DEUTSCHLAND



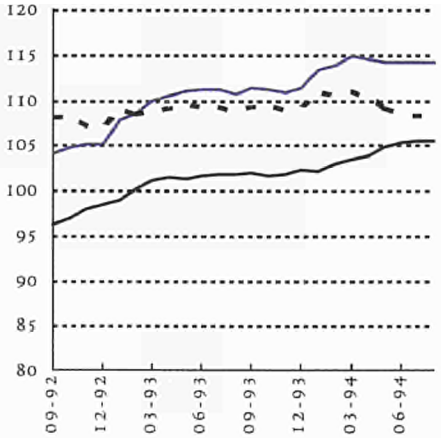
HELLAS



ESPAÑA



FRANCE



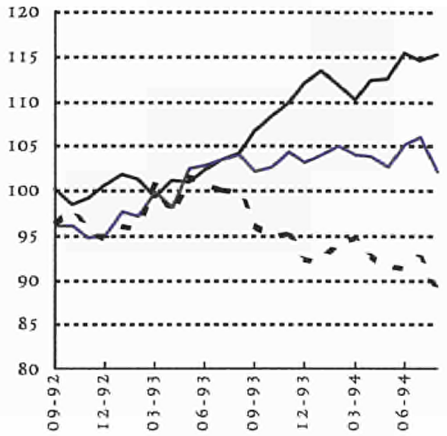
Export value

Import value

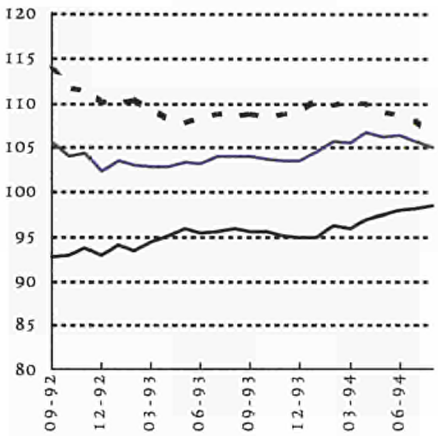
Terms of trade

SOURCE: eurostat

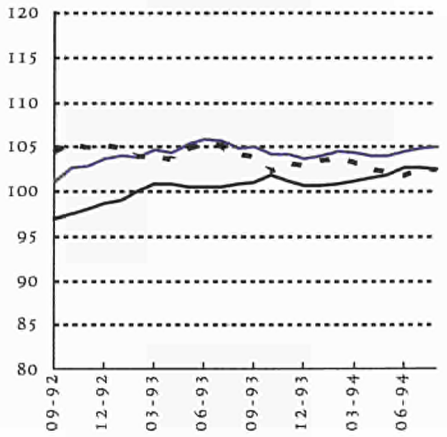
IRELAND



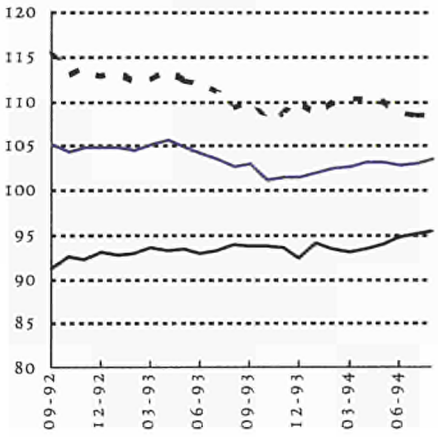
ITALIA



NEDERLAND



PORTUGAL



UNITED KINGDOM

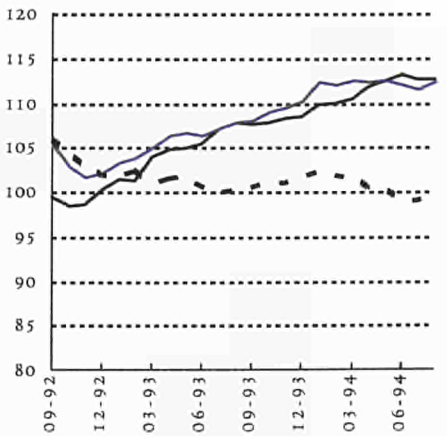


FIGURE 2.13

EVOLUTION OF EXTRA-EU TRADE INDEXES (1990=100)

Export value

Import value

Terms of trade

SOURCE: eurostat

METAL ARTICLES

IN BRIEF....

- ★ ANNUAL PRODUCTION UP 6.7 PER CENT TO DECEMBER 1994
- ★ PRODUCTION GROWTH HIGHEST IN DENMARK: UP 14.6 PER CENT
- ★ CAPACITY UTILISATION 77.2 PER CENT IN LAST QUARTER 1994
- ★ ANNUAL INCREASE PRODUCER PRICES 0.2 PER CENT IN GERMANY IN 1994
- ★ LABOUR COSTS STABLE IN 1994
- ★ EMPLOYMENT ESTIMATED TO HAVE DECREASED BY 2.7 PER CENT IN 1994
- ★ LOSS IN TRADE POSITION IN THE LAST DECADE; REVIVAL IN 1993
- ★ VALUE OF EXPORTS YEAR-ON-YEAR GROWTH -½ PER CENT IN AUGUST 1994; VALUE OF IMPORTS UP 3.4 PER CENT OVER THE SAME PERIOD

Production in the EU metal articles industry increased in the end of 1994 and in the first months of 1995 at a somewhat higher pace than the total industry average. In December 1994 the year-on-year growth rate was 6.7 per cent. Germany and France showed above average growth up to the end of 1994. The latest quarter (October to December 1994) showed growth of 2 per cent compared to the three months before. France, Denmark and Spain showed above average growth rates in the latest quarter; Belgium and the United Kingdom displayed negative growth.

Capacity utilisation went up with production. The capacity utilisation rate was at 72.9 per cent in the last quarter of 1993. During the summer of 1994 it was higher than 78 per cent. At the end of 1994 it was at 77.2 per cent. The utilisation level remained below the total industry average but grew at a faster rate than that of total industry.

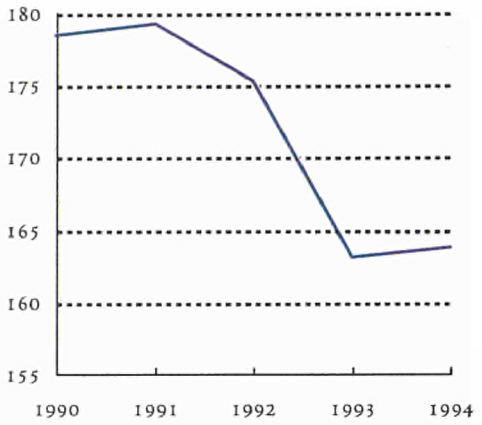
In January 1995 the year-on-year producer price index for metal articles went up 0.2 per cent in Germany. Both in the United Kingdom and Italy it went up somewhat over 3 per cent.

In August 1994 the year-on-year export value decreased by ½ per cent. In the quarter June 1994 to August 1994 growth in value terms was positive with 0.3 per cent (as compared to the quarter before), while the volume of trade decreased by 4.8 per cent. Performances differed notably between countries especially when comparing both value and volume growth rates. In August 1994 the year-on-year imports value increased by 3.4 per cent. The growth in the value of imports did however slow in the course of 1994. In volume terms imports even decreased in the quarter June 1994 to August 1994 as compared to the quarter before. Imports showed a high growth rate in Ireland.

IN THIS SECTION:

FIGURE 3.1.1

EVOLUTION OF EU PRODUCTION IN CONSTANT PRICES (BILLION ECU)

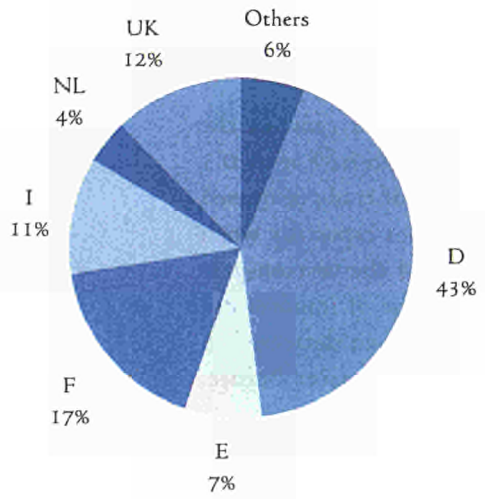


SOURCE: DEBA

The metal products industry produces mainly intermediate commodities for cyclical downstream industries, such as transportation equipment and construction, which experienced a severe downturn in 1993. This meant that the metal products sector faced large decreases in production, value added and turnover. The industry has since joined the recovery taking place in the European economy. Turnover was estimated to increase by 1.8 per cent in 1994. Growth in Denmark was particularly impressive, where turnover was estimated to have increased by almost 17 per cent.

FIGURE 3.1.2

SHARE OF VALUE-ADDED AT FACTOR COST BY MEMBER STATE, 1994 (%)



SOURCE: DEBA

Production in Denmark grew 14.6 per cent over the year leading up to November 1994. France, Germany and Italy, which produced together about 71 per cent of the industry's output in 1994, all reported production growth rates of more than 5 per cent over the same period. The developments in the Netherlands were noteworthy as the industry did not show negative growth during the recession.

Germany was by far the largest producer in 1994 (43 per cent of total value added). Germany was relatively specialised in the production of metal articles, with a specialisation coefficient of 1.22 in 1993. This figure has been increasing somewhat over the years, indicating that German producers appear to have been competitive within the European market. France (17.3 per cent of total value added) and the United Kingdom (12.2 per cent of total value added) were also major producers. However, they have lower and decreasing specialisation coefficients (0.93 for France and 0.78 for the United Kingdom in 1993).

The recession forced enterprises to cut costs, increase productivity and to be generally more competitive. This behaviour was reflected in the employment figures. Employment in the sector showed a period of rapid expansion in the late eighties. From 1991 employment in the industry decreased by 17.1 per cent to 1994; it was estimated to have decreased by 2.7 per cent in 1994. The sector remained one of the main employers in manufacturing industry. The "Results of the business survey carried out among managements in the Community" reported stable results up to the last quarter of 1994 concerning employment expectations of employers. Their expectations were more positive than total industry averages.

Labour costs in current prices decreased by only 2 per cent in the period 1991-1994. Shifts in the relative cost of labour between countries in recent years were strongly influenced by exchange rate developments. The cutback in jobs did not cause a jump in productivity, (productivity defined as the constant price value added at factor cost divided by total employment). The sector only showed a marginal estimated increase in productivity in 1994 (+ 0.4 per cent) after a decrease during the recession (-6.9 per cent in 1993). However, the 1994 figure hid strong productivity increases in Luxembourg, Greece, Italy, Spain and France. In Germany productivity was estimated to have increased by 3.6 per cent in 1994.

The industry exports a relatively small part of its total production. During the eighties the industry lost competitiveness in international markets. The export ratio decreased from 11 per cent in 1984 to 9 per cent in 1993. However, in the past two years its export ratio improved due to increased exports and decreased production. Regarding the European market, the industry lost ground. The import penetration rate increased from 4 per cent in 1984 to 6 per cent in 1993.

The metal articles industry comprises a number of subsectors. The largest group was the manufacture of tools and finished metal goods. The group covers among other products hand tools and light metal packaging. In total it accounted for 39 per cent of the sectors value added in 1994. In addition it provided 36 per cent of employment and 38 per cent of real production in 1994. The sector was estimated to have increased its turnover by 1.4 per cent in 1994.

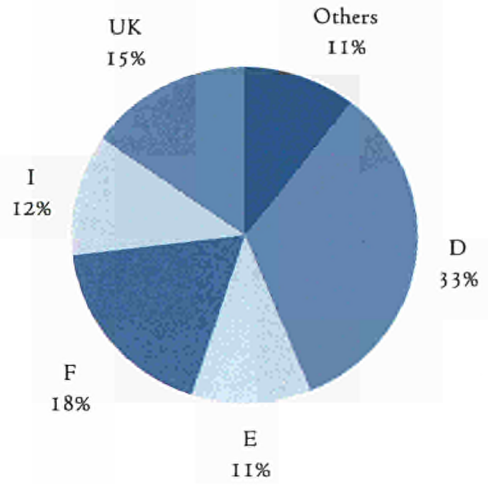


FIGURE 3.1.3

SHARE OF NUMBER OF EMPLOYEES BY MEMBER STATE, 1994 (%)

SOURCE: DEBA

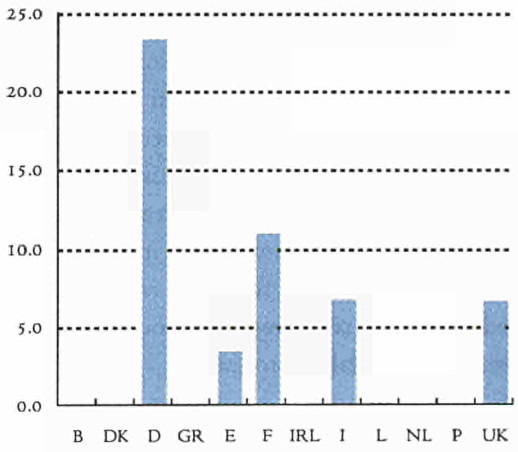


FIGURE 3.1.4

LABOUR COSTS BY MEMBER STATE, 1994 (BILLION ECU)

SOURCE: DEBA

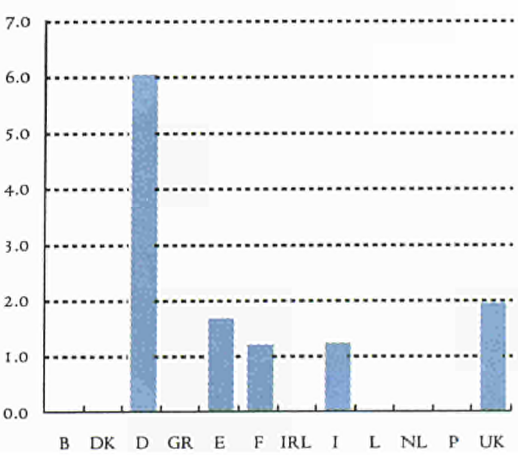


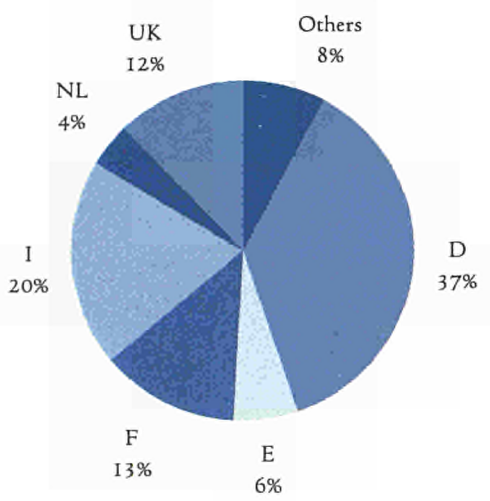
FIGURE 3.1.5

GROSS OPERATING SURPLUS BY MEMBER STATE, 1994 (BILLION ECU)

SOURCE: DEBA

FIGURE 3.1.6

SHARE OF EXTRA-EU EXPORTS BY MEMBER STATE, 1993 (%)



SOURCE: eurostat

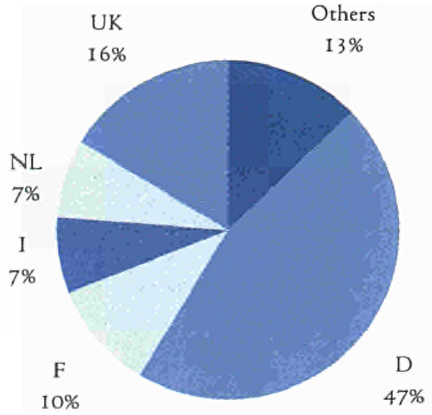
The growth in turnover was mainly obtained by Danish, German and Dutch producers. Imports accounted for an increasing part of apparent consumption. Import penetration increased from 7 per cent in 1984 to 10 per cent in 1993. In the hand tools sector a main concern for European producers was increased international competition. Companies, mostly small or medium sized, were forced to rationalise production and to change the product mix towards high quality products.

The light metal packaging sector showed slow but steady growth over recent years. It faced strong competition from a broad range of alternative packaging possibilities. Environmental problems and regulations will prove to be a major challenge for the sector.

Another major sub-sector within the metal articles sector was structural metal products which accounted for about 16 per cent of total production. Production decreased by almost 12 per cent in 1993, and was estimated to have continued negative growth in 1994 (down 2.4 per cent). Trade was of limited importance to this subsector. Less than 9 per cent of production was exported in 1994 and imports accounted for less than 4 per cent of apparent consumption. The sub-sector showed in the last decade a relative loss in its trade position.

FIGURE 3.1.7

SHARE OF EXTRA-EU IMPORTS BY MEMBER STATE, 1993 (%)



SOURCE: eurostat

TABLE 3.1.1

VALUE-ADDED AT FACTOR COST BY MEMBER STATE (MILLION ECU)

	1990	t/t-1 (%)	1991	t/t-1 (%)	1992	t/t-1 (%)	1993	t/t-1 (%)	1994	t/t-1 (%)
EUR12	72,152	9.0	76,175	5.6	74,914	-1.7	68,698	-8.3	69,861	1.7
B	1,704	14.2	1,703	-0.1	1,758	3.2	1,574	-10.5	1,617	2.7
share (%)	2.4		2.2		2.3		2.3		2.3	
DK	1,141	15.7	1,171	2.6	1,227	4.8	1,213	-1.2	1,445	19.2
share (%)	1.6		1.5		1.6		1.8		2.1	
D	27,393	13.2	29,855	9.0	30,488	2.1	28,762	-5.7	29,326	2.0
share (%)	38.0		39.2		40.7		41.9		42.0	
GR	126	-21.7	95	-24.5	75	-20.9	82	8.9	84	2.6
share (%)	0.2		0.1		0.1		0.1		0.1	
E	6,279	6.6	6,908	10.0	6,429	-6.9	5,164	-19.7	4,995	-3.3
share (%)	8.7		9.1		8.6		7.5		7.1	
F	13,234	7.3	13,811	4.4	13,218	-4.3	12,017	-9.1	12,073	0.5
share (%)	18.3		18.1		17.6		17.5		17.3	
IRL	225	15.5	221	-2.0	224	1.5	227	1.5	244	7.3
share (%)	0.3		0.3		0.3		0.3		0.3	
I	8,953	1.9	9,643	7.7	8,978	-6.9	7,679	-14.5	7,860	2.4
share (%)	12.4		12.7		12.0		11.2		11.3	
L	111	-4.3	100	-9.3	103	3.0	93	-9.7	106	13.3
share (%)	0.2		0.1		0.1		0.1		0.2	
NL	2,447	9.7	2,649	8.2	2,789	5.3	2,806	0.6	2,883	2.8
share (%)	3.4		3.5		3.7		4.1		4.1	
P (1)	632	59.2	746	18.1	819	9.7	807	-1.5	797	-1.2
share (%)	N/A		N/A		N/A		N/A		N/A	
UK	9,957	5.7	9,332	-6.3	8,880	-4.8	8,357	-5.9	8,521	2.0
share (%)	13.8		12.3		11.9		12.2		12.2	

(1) Value-added at market prices.

SOURCE: DEBA

TABLE 3.1.2

TURNOVER IN CURRENT PRICES BY MEMBER STATE (MILLION ECU)

	1990	t/t-1 (%)	1991	t/t-1 (%)	1992	t/t-1 (%)	1993	t/t-1 (%)	1994	t/t-1 (%)
EUR12	184,201	7.5	190,996	3.7	191,114	0.1	176,414	-7.7	179,624	1.8
B	4,844	17.0	4,789	-1.1	4,935	3.1	4,412	-10.6	4,522	2.5
share (%)	2.6		2.5		2.6		2.5		2.5	
DK	2,607	12.9	2,667	2.3	2,776	4.1	2,735	-1.5	3,197	16.9
share (%)	1.4		1.4		1.5		1.6		1.8	
D	65,143	11.3	70,476	8.2	73,510	4.3	69,926	-4.9	71,302	2.0
share (%)	35.4		36.9		38.5		39.6		39.7	
GR	641	-6.1	620	-3.4	687	10.9	699	1.8	717	2.5
share (%)	0.3		0.3		0.4		0.4		0.4	
E (1)	15,252	5.2	16,265	6.6	15,435	-5.1	12,541	-18.7	12,220	-2.6
share (%)	N/A		N/A		N/A		N/A		N/A	
F	34,113	4.9	34,250	0.4	33,409	-2.5	30,666	-8.2	30,991	1.1
share (%)	18.5		17.9		17.5		17.4		17.3	
IRL	641	12.6	640	-0.2	658	2.8	676	2.8	733	8.4
share (%)	0.3		0.3		0.3		0.4		0.4	
I	27,160	2.1	27,721	2.1	27,271	-1.6	23,649	-13.3	24,307	2.8
share (%)	14.7		14.5		14.3		13.4		13.5	
L	454	-1.1	424	-6.6	449	5.9	415	-7.7	480	15.6
share (%)	0.2		0.2		0.2		0.2		0.3	
NL	7,097	11.9	7,534	6.2	7,827	3.9	7,894	0.9	8,144	3.2
share (%)	3.9		3.9		4.1		4.5		4.5	
P (1)	1,594	59.9	1,825	14.5	2,010	10.1	1,979	-1.5	1,950	-1.5
share (%)	N/A		N/A		N/A		N/A		N/A	
UK	24,604	3.5	23,708	-3.6	22,052	-7.0	20,724	-6.0	20,955	1.1
share (%)	13.4		12.4		11.5		11.7		11.7	

(1) Production in current prices.

SOURCE: DEBA

TABLE 3.1.3

NUMBER OF EMPLOYEES BY MEMBER STATE (THOUSANDS)

	1990	t/t-1 (%)	1991	t/t-1 (%)	1992	t/t-1 (%)	1993	t/t-1 (%)	1994	t/t-1 (%)
EUR12	2,221	3.1	2,217	-0.2	2,163	-2.4	2,041	-5.6	1,987	-2.7
B	51	10.0	52	1.2	49	-6.7	46	-5.4	N/A	N/A
share (%)	2.3		2.3		2.2		2.3		N/A	
DK	32	4.5	31	-1.1	32	0.1	29	-7.2	N/A	N/A
share (%)	1.4		1.4		1.5		1.4		N/A	
D	755	5.5	771	2.1	755	-2.2	710	-5.9	664	-6.5
share (%)	34.0		34.8		34.9		34.8		33.4	
GR	15	5.5	13	-15.3	13	-2.1	12	-3.3	12	-3.1
share (%)	0.7		0.6		0.6		0.6		0.6	
E	240	-1.5	239	-0.4	249	4.1	225	-9.5	219	-2.8
share (%)	10.8		10.8		11.5		11.0		11.0	
F	391	0.3	395	1.0	383	-3.1	359	-6.4	359	0.2
share (%)	17.6		17.8		17.7		17.6		18.1	
IRL	9	5.4	8	-3.0	8	0.0	8	-1.9	N/A	N/A
share (%)	0.4		0.4		0.4		0.4		N/A	
I	245	-0.9	249	1.6	243	-2.4	237	-2.6	233	-1.7
share (%)	11.1		11.2		11.2		11.6		11.7	
L	3	2.3	3	3.6	3	1.8	3	-4.2	3	-4.0
share (%)	0.1		0.1		0.1		0.1		0.1	
NL	70	4.1	75	7.0	76	0.9	69	-9.1	N/A	N/A
share (%)	3.2		3.4		3.5		3.4		N/A	
P	56	41.3	57	1.0	51	-9.3	47	-7.4	N/A	N/A
share (%)	2.5		2.5		2.4		2.3		N/A	
UK	353	1.7	323	-8.5	303	-6.3	296	-2.3	302	2.2
share (%)	15.9		14.6		14.0		14.5		15.2	

SOURCE: DEBA

TABLE 3.1.4

LABOUR COSTS BY MEMBER STATE (MILLION ECU)

	1990	t/t-1 (%)	1991	t/t-1 (%)	1992	t/t-1 (%)	1993	t/t-1 (%)	1994	t/t-1 (%)
EUR12	53,228	9.9	56,957	7.0	58,313	2.4	55,770	-4.4	55,805	0.1
B	1,368	18.4	1,452	6.2	1,396	-3.8	1,361	-2.5	N/A	N/A
share (%)	2.6		2.5		2.4		2.4		N/A	
DK	840	13.0	858	2.2	898	4.7	869	-3.2	N/A	N/A
share (%)	1.6		1.5		1.5		1.6		N/A	
D	21,167	12.0	23,184	9.5	24,064	3.8	23,983	-0.3	23,295	-2.9
share (%)	39.8		40.7		41.3		43.0		41.7	
GR	183	10.7	164	-10.6	170	4.0	160	-5.9	N/A	N/A
share (%)	0.3		0.3		0.3		0.3		N/A	
E	4,000	8.0	4,400	10.0	4,931	12.1	3,823	-22.5	3,339	-12.6
share (%)	7.5		7.7		8.5		6.9		6.0	
F	10,177	10.2	10,438	2.6	10,677	2.3	10,552	-1.2	10,889	3.2
share (%)	19.1		18.3		18.3		18.9		19.5	
IRL	154	13.3	154	0.0	164	6.5	157	-4.0	N/A	N/A
share (%)	0.3		0.3		0.3		0.3		N/A	
I	6,401	5.8	7,049	10.1	6,942	-1.5	6,133	-11.7	6,656	8.5
share (%)	12.0		12.4		11.9		11.0		11.9	
L	76	13.4	82	7.9	90	10.6	90	0.0	93	3.0
share (%)	0.1		0.1		0.2		0.2		0.2	
NL	1,697	8.4	1,875	10.5	2,018	7.6	1,955	-3.1	N/A	N/A
share (%)	3.2		3.3		3.5		3.5		N/A	
P	378	50.3	456	20.7	438	-3.9	376	-14.1	N/A	N/A
share (%)	0.7		0.8		0.8		0.7		N/A	
UK	6,789	5.2	6,846	0.8	6,524	-4.7	6,311	-3.3	6,605	4.7
share (%)	12.8		12.0		11.2		11.3		11.8	

SOURCE: DEBA

TABLE 3.1.5

EXTRA-EU EXPORTS BY MEMBER STATE (MILLION ECU)

	1989	t/t-1 (%)	1990	t/t-1 (%)	1991	t/t-1 (%)	1992	t/t-1 (%)	1993	t/t-1 (%)
EUR12	13,138	14.2	13,362	1.7	13,755	2.9	14,040	2.1	15,255	8.6
B/L	308	7.4	339	10.0	333	-1.6	352	5.6	473	34.3
share (%)	2.3		2.5		2.4		2.5		3.1	
DK	473	7.5	506	7.0	486	-3.8	474	-2.6	433	-8.7
share (%)	3.6		3.8		3.5		3.4		2.8	
D	4,918	12.5	4,891	-0.5	5,200	6.3	5,327	2.4	5,652	6.1
share (%)	37.4		36.6		37.8		37.9		37.0	
GR	65	67.5	54	-16.0	72	32.1	70	-2.0	95	35.0
share (%)	0.5		0.4		0.5		0.5		0.6	
E	610	16.6	700	14.8	640	-8.6	731	14.2	936	28.0
share (%)	4.6		5.2		4.7		5.2		6.1	
F	1,791	14.3	1,945	8.6	1,909	-1.8	2,027	6.2	1,993	-1.7
share (%)	13.6		14.6		13.9		14.4		13.1	
IRL	54	12.0	58	5.9	51	-11.0	56	9.4	56	0.7
share (%)	0.4		0.4		0.4		0.4		0.4	
I	2,620	23.4	2,509	-4.2	2,515	0.2	2,653	5.5	3,008	13.4
share (%)	19.9		18.8		18.3		18.9		19.7	
NL	560	10.4	611	9.1	821	34.3	633	-22.9	626	-1.1
share (%)	4.3		4.6		6.0		4.5		4.1	
P	109	9.0	119	9.4	124	3.8	140	13.0	125	-10.9
share (%)	0.8		0.9		0.9		1.0		0.8	
UK	1,632	8.7	1,630	-0.1	1,605	-1.6	1,578	-1.6	1,859	17.8
share (%)	12.4		12.2		11.7		11.2		12.2	

SOURCE: eurostat

TABLE 3.1.6

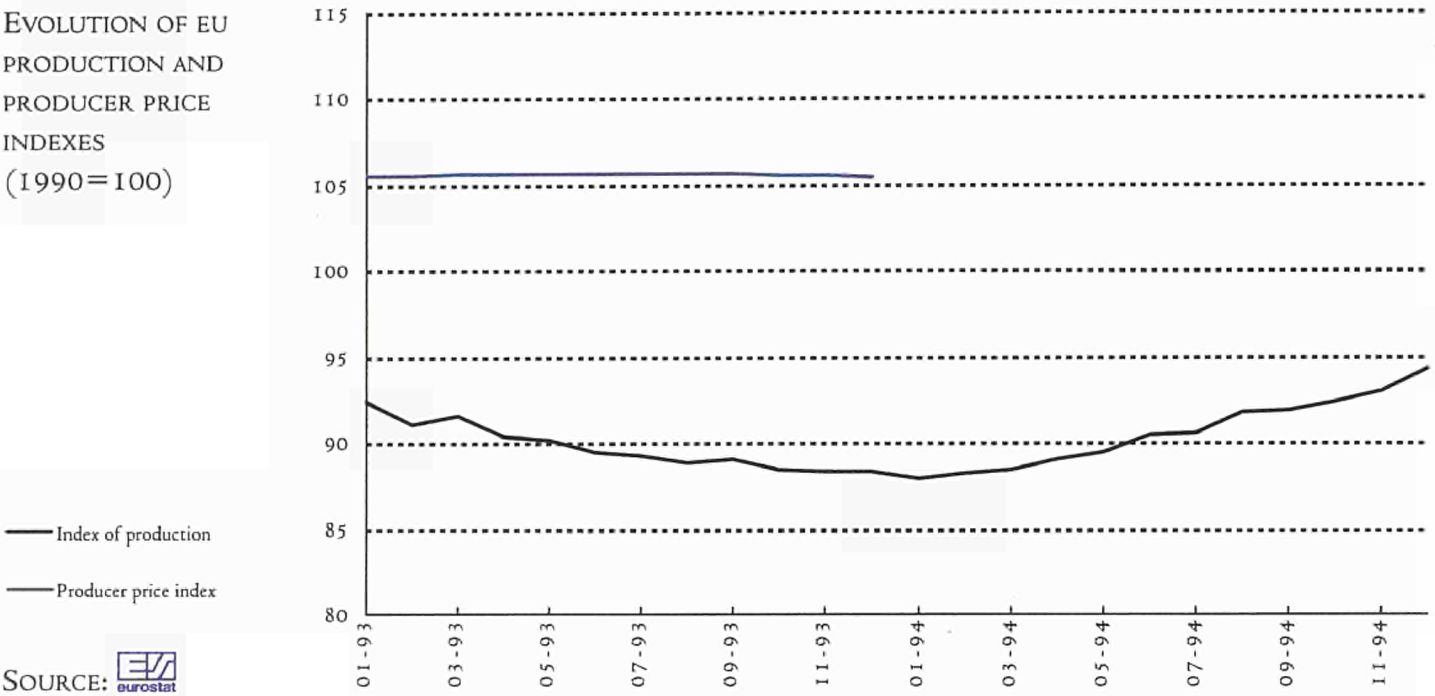
EXTRA-EU IMPORTS BY MEMBER STATE (MILLION ECU)

	1989	t/t-1 (%)	1990	t/t-1 (%)	1991	t/t-1 (%)	1992	t/t-1 (%)	1993	t/t-1 (%)
EUR12	7,118	18.4	7,596	6.7	8,911	17.3	9,393	5.4	9,878	5.2
B/L	356	24.0	359	1.0	372	3.6	374	0.5	393	5.0
share (%)	5.0		4.7		4.2		4.0		4.0	
DK	280	9.2	296	5.7	326	10.3	331	1.3	321	-2.9
share (%)	3.9		3.9		3.7		3.5		3.2	
D	2,497	19.6	2,858	14.4	3,791	32.7	4,203	10.9	4,525	7.7
share (%)	35.1		37.6		42.5		44.7		45.8	
GR	71	26.9	79	11.2	99	24.2	105	6.2	110	5.5
share (%)	1.0		1.0		1.1		1.1		1.1	
E	243	40.2	262	7.6	353	34.5	358	1.6	297	-17.2
share (%)	3.4		3.4		4.0		3.8		3.0	
F	871	14.2	917	5.3	951	3.8	959	0.8	1,016	5.9
share (%)	12.2		12.1		10.7		10.2		10.3	
IRL	60	13.4	61	1.2	70	15.4	73	3.4	85	17.2
share (%)	0.8		0.8		0.8		0.8		0.9	
I	620	23.9	656	5.9	717	9.2	739	3.2	712	-3.7
share (%)	8.7		8.6		8.0		7.9		7.2	
NL	577	19.5	572	-0.8	654	14.4	688	5.1	732	6.4
share (%)	8.1		7.5		7.3		7.3		7.4	
P	45	26.8	55	21.8	65	19.4	65	-1.2	67	3.3
share (%)	0.6		0.7		0.7		0.7		0.7	
UK	1,498	13.8	1,481	-1.1	1,512	2.1	1,500	-0.8	1,620	8.0
share (%)	21.0		19.5		17.0		16.0		16.4	

SOURCE: eurostat

FIGURE 3.2.1

EVOLUTION OF EU PRODUCTION AND PRODUCER PRICE INDEXES (1990=100)



SOURCE: eurostat

TABLE 3.2.1

QUARTERLY AND ANNUAL PRODUCTION INDEXES (1) (1990=100)

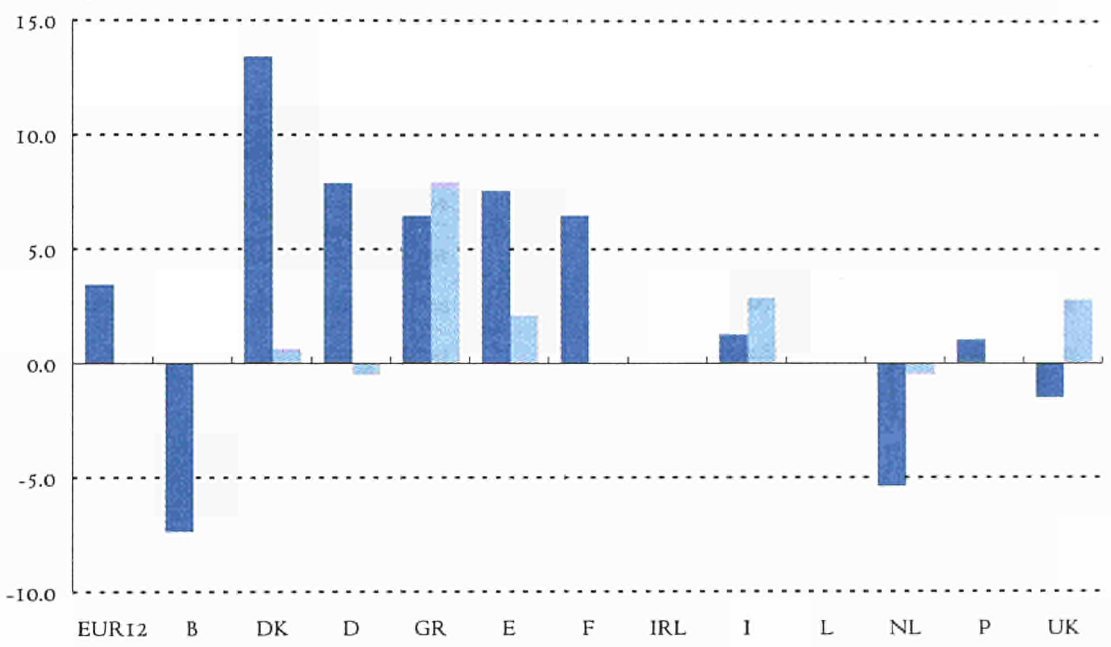
	Latest quarter available	Quarterly Index	Quarterly t/t-4 (%)	Annual Index	Annual t/t-1 (%)
EUR12	10-94 ⇨ 12-94	94.3	10.5	92.0	3.5
B	04-94 ⇨ 06-94	85.5	-6.6	89.7	-7.4
DK	10-94 ⇨ 12-94	104.5	6.6	105.7	13.4
D	10-94 ⇨ 12-94	99.7	11.8	100.6	7.9
GR	10-94 ⇨ 12-94	93.8	5.3	94.2	6.4
E	10-94 ⇨ 12-94	92.1	15.5	89.0	7.6
F	10-94 ⇨ 12-94	94.3	16.0	91.1	6.5
IRL	⇨	N/A	N/A	N/A	N/A
I	10-94 ⇨ 12-94	94.3	7.0	92.1	1.2
L	⇨	N/A	N/A	N/A	N/A
NL	07-94 ⇨ 09-94	101.0	4.1	98.2	-5.4
P	08-94 ⇨ 10-94	91.2	8.5	**90.0**	**1.0**
UK	11-94 ⇨ 01-95	82.2	-2.6	82.7	-1.5

(1) Annual growth rates are based on the latest annual data. Only when data to October is available will an annual estimate for the year be made.

SOURCE: eurostat

FIGURE 3.2.2

ANNUAL GROWTH RATE OF EU PRODUCTION AND PRODUCER PRICE INDEXES (1) (%)



(1) Growth rates are based on the latest annual data available for each country. Please see the table below for the year concerned.

SOURCE: eurostat

TABLE 3.2.2

QUARTERLY AND ANNUAL PRODUCER PRICE INDEXES (1) (1990=100)

	Latest quarter available	Quarterly Index	Quarterly t/t-4 (%)	Annual Index	Annual t/t-1 (%)
EUR12	10-93 ⇨ 12-93	105.4	0.1	N/A	N/A
B	09-94 ⇨ 11-94	102.3	0.2	**102.0**	**0.0**
DK	10-94 ⇨ 12-94	100.8	0.2	100.7	0.6
D	11-94 ⇨ 01-95	104.2	0.2	103.8	-0.5
GR	10-94 ⇨ 12-94	172.1	7.0	170.6	7.9
E	11-94 ⇨ 01-95	112.0	3.4	110.2	2.1
F	⇨	N/A	N/A	N/A	N/A
IRL	07-94 ⇨ 09-94	99.5	0.9	N/A	N/A
I	10-94 ⇨ 12-94	110.7	3.4	109.9	2.9
L	09-94 ⇨ 11-94	92.4	1.5	N/A	N/A
NL	10-94 ⇨ 12-94	101.4	0.8	100.8	-0.5
P	⇨	N/A	N/A	N/A	N/A
UK	11-94 ⇨ 01-95	113.3	3.1	111.9	2.8

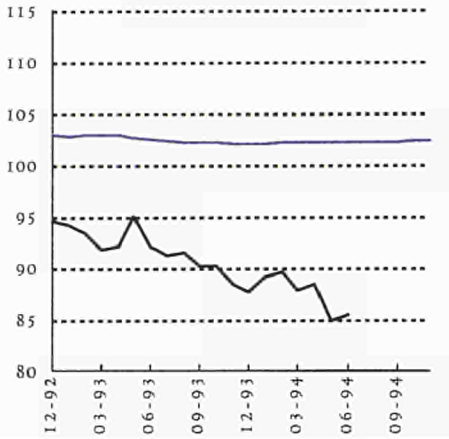
(1) Annual growth rates are based on the latest annual data. Only when data to October is available will an annual estimate for the year be made.

SOURCE: eurostat

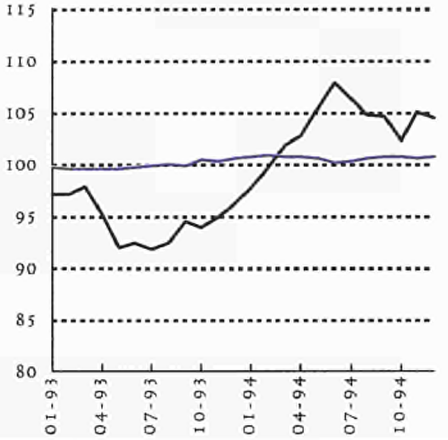
FIGURE 3.2.3

EVOLUTION OF PRODUCTION AND PRODUCER PRICE INDEXES (1990=100)

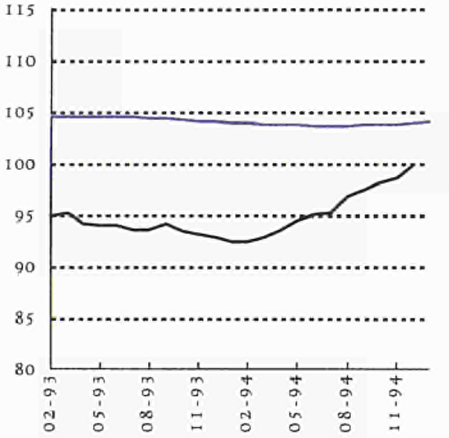
BELGIQUE/BELGIË



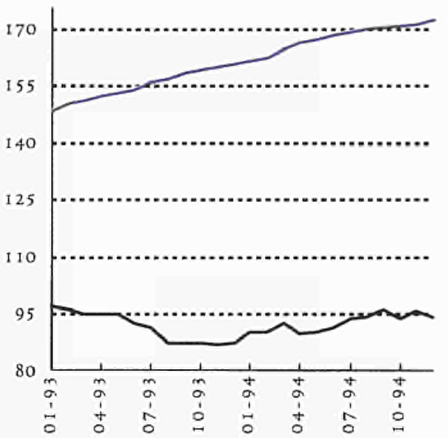
DANMARK



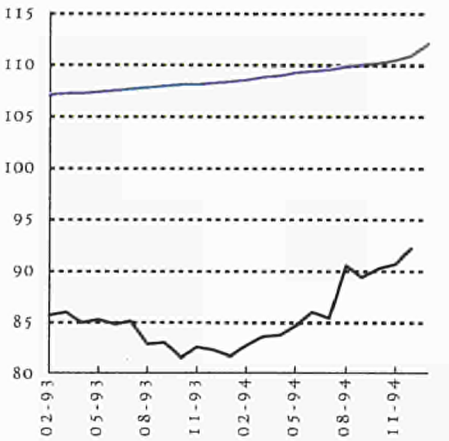
B.R. DEUTSCHLAND



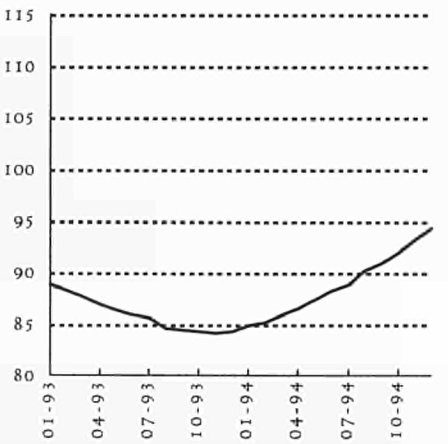
HELLAS



ESPAÑA



FRANCE

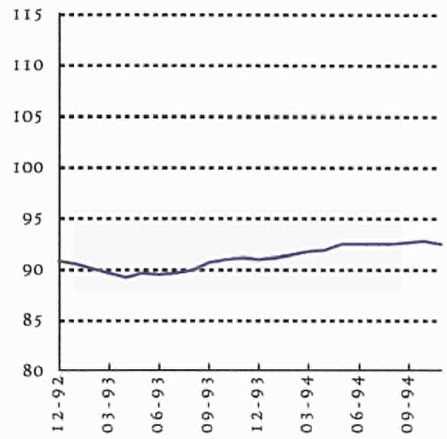


Index of production

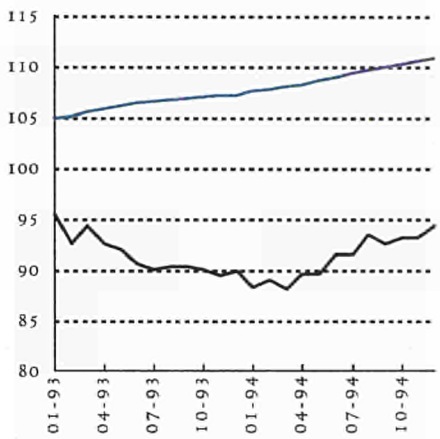
Producer price index

SOURCE: eurostat

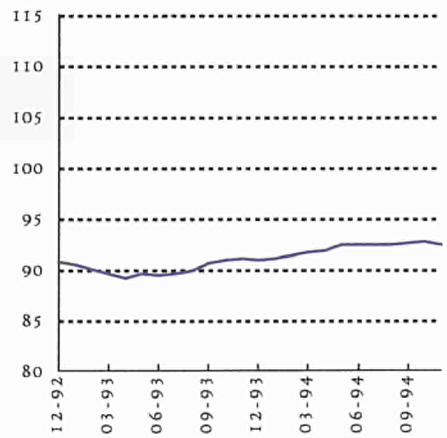
IRELAND



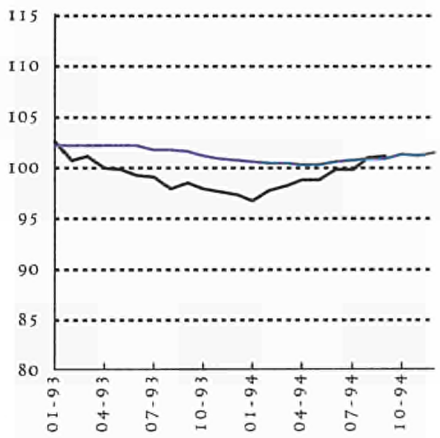
ITALIA



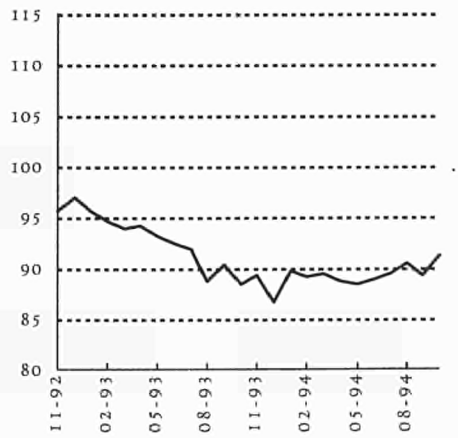
LUXEMBOURG



NEDERLAND



PORTUGAL



UNITED KINGDOM

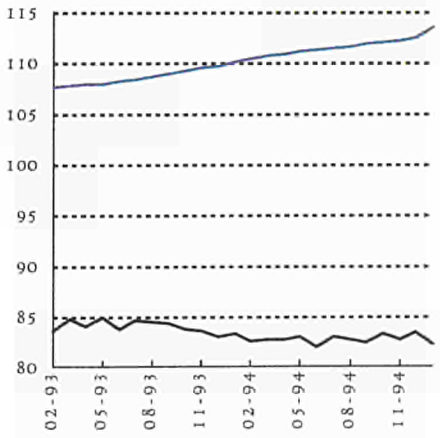


FIGURE 3.2.3

EVOLUTION OF PRODUCTION AND PRODUCER PRICE INDEXES (1990=100)

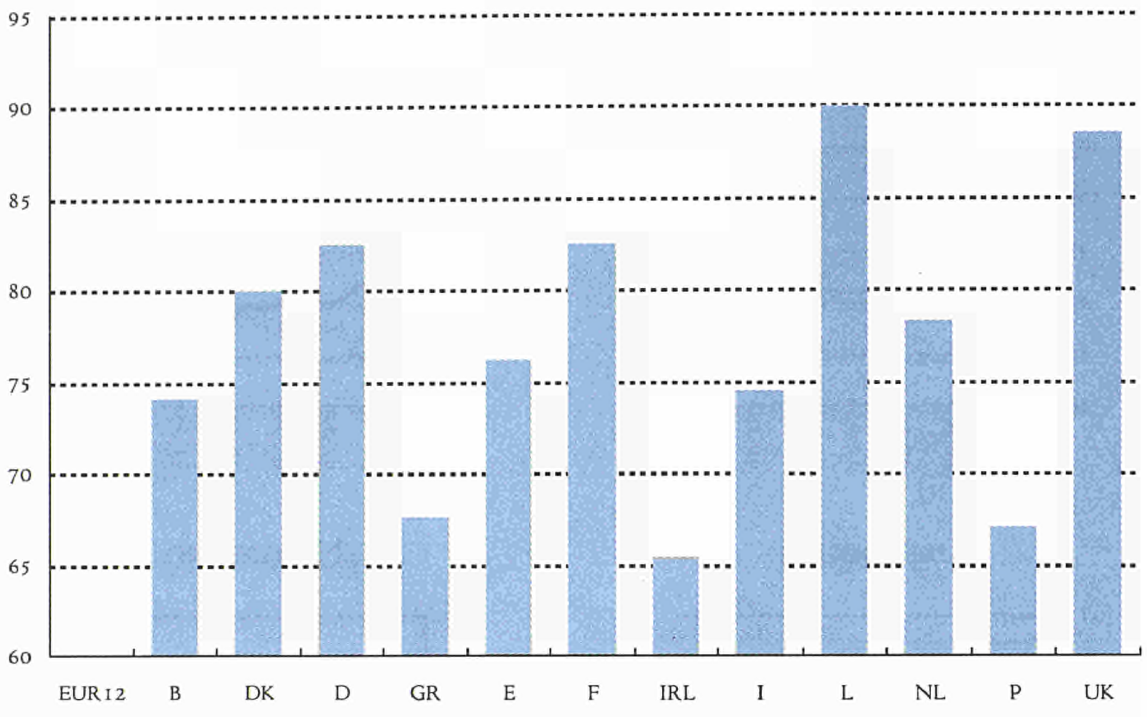
Index of production

Producer price index

SOURCE: eurostat

FIGURE 3.2.4

CAPACITY UTILISATION RATES BY MEMBER STATE, FIRST QUARTER 1995 (%)



SOURCE: DG II - BUSINESS SURVEY

TABLE 3.2.3

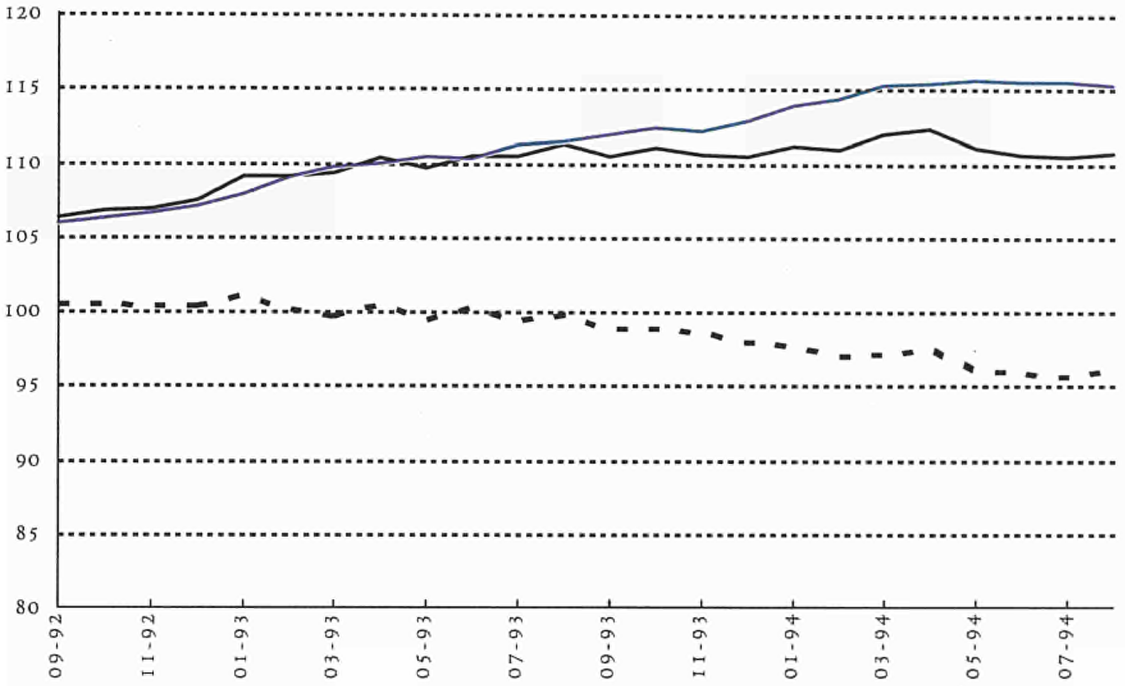
CAPACITY UTILISATION RATES BY MEMBER STATE (%)

	Annual growth rate: latest quarter, t/t-4	Second quarter 1994	Third quarter 1994	Fourth quarter 1994	First quarter 1995
EUR12	5.9	74.5	78.3	77.2	N/A
B	4.5	68.5	73.8	79.3	74.1
DK	9.6	75.0	78.0	81.0	80.0
D	10.4	76.1	78.8	80.8	82.5
GR	8.3	61.2	63.9	71.8	67.6
E	14.9	68.2	73.2	68.7	76.2
F	13.8	74.2	81.8	81.6	82.5
IRL	2.0	65.9	65.3	70.9	65.4
I	6.3	72.2	74.0	71.2	74.5
L	21.7	78.9	84.0	90.7	89.9
NL	6.7	N/A	N/A	N/A	78.3
P	-9.0	70.2	72.9	72.8	67.1
UK	12.9	81.8	84.7	79.3	88.5

SOURCE: DG II - BUSINESS SURVEY

FIGURE 3.2.5

EVOLUTION OF EXTRA-EU TRADE INDEXES (1990=100)



SOURCE: eurostat

TABLE 3.2.4

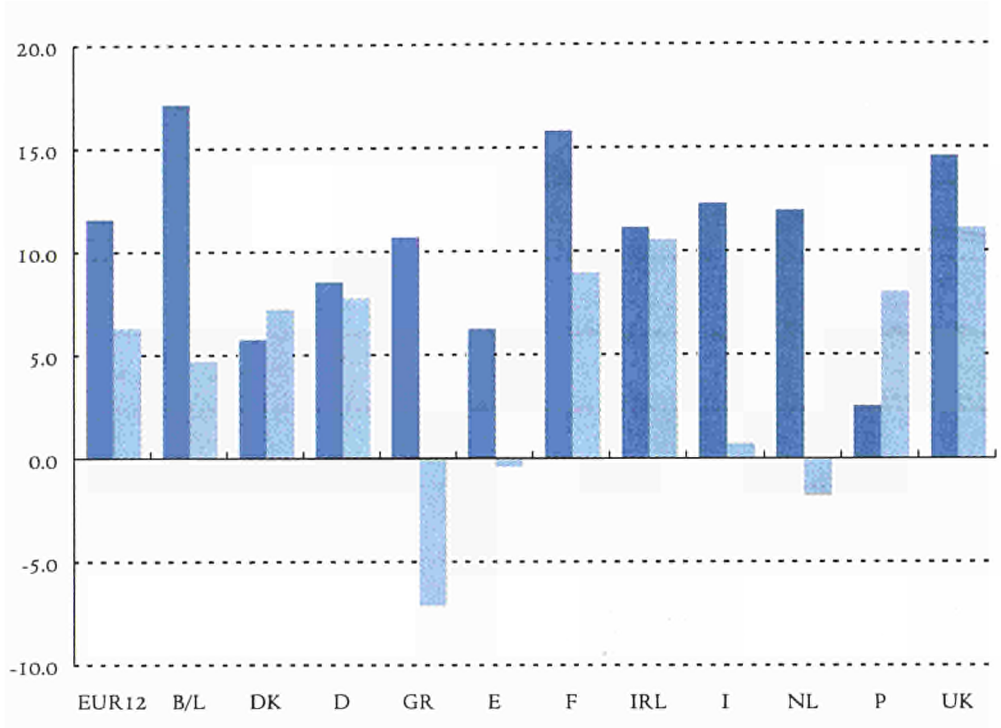
QUARTERLY EXTRA-EU TRADE INDEXES (1990=100)

	Latest quarter available	Exports Value	Exports Volume	Imports Value	Imports Volume	Terms of trade index
EUR12	06-94 ⇨ 08-94	135.7	75.9	125.4	95.7	92.4
Growth rate, t/t-4 (%)		8.8	0.6	4.3	7.3	-4.2
B/L	06-94 ⇨ 08-94	137.4	75.5	114.4	122.9	83.3
Growth rate, t/t-4 (%)		5.4	7.9	-2.1	36.7	-7.2
DK	06-94 ⇨ 08-94	134.9	76.7	116.8	86.8	86.7
Growth rate, t/t-4 (%)		10.1	6.9	2.4	1.8	-7.0
D	06-94 ⇨ 08-94	129.9	87.8	130.7	91.3	100.6
Growth rate, t/t-4 (%)		6.7	0.0	6.3	6.4	-0.3
GR	06-94 ⇨ 08-94	127.3	86.4	78.9	204.8	62.0
Growth rate, t/t-4 (%)		6.3	-5.6	-1.3	1.2	-7.1
E	06-94 ⇨ 08-94	125.2	53.3	101.1	126.8	80.8
Growth rate, t/t-4 (%)		6.4	-14.1	-5.5	11.0	-11.2
F	06-94 ⇨ 08-94	137.1	63.9	131.3	83.6	95.8
Growth rate, t/t-4 (%)		8.3	0.6	8.9	-0.2	0.4
IRL	06-94 ⇨ 08-94	136.8	104.1	159.3	74.2	117.7
Growth rate, t/t-4 (%)		17.3	23.0	11.0	23.9	-4.4
I	06-94 ⇨ 08-94	142.1	58.7	111.5	116.6	78.7
Growth rate, t/t-4 (%)		9.0	-3.8	0.4	10.4	-8.0
NL	06-94 ⇨ 08-94	140.3	89.3	106.6	123.0	76.0
Growth rate, t/t-4 (%)		9.0	17.7	-4.2	25.5	-12.1
P	06-94 ⇨ 08-94	120.7	46.8	97.3	133.3	80.7
Growth rate, t/t-4 (%)		5.1	-32.9	-3.3	14.9	-8.3
UK	06-94 ⇨ 08-94	143.6	80.5	138.6	81.9	96.6
Growth rate, t/t-4 (%)		13.3	0.1	5.8	2.5	-6.6

SOURCE: eurostat

FIGURE 3.2.6

ANNUAL GROWTH RATE OF EXTRA-EU TRADE INDEXES (1) (%)



(1) Growth rates are based on the latest annual data available for each country. Please see the table below for the year concerned.

SOURCE: eurostat

TABLE 3.2.5

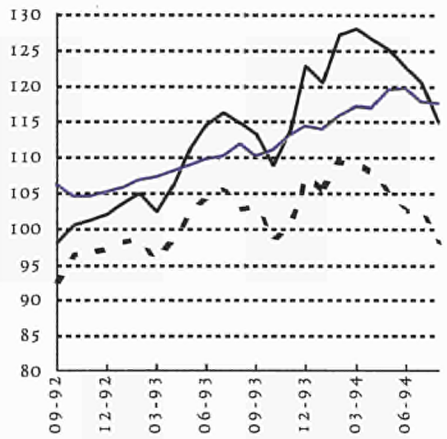
ANNUAL EXTRA-EU TRADE INDEXES (1990=100)

	Latest year available	Exports		Imports		Terms of trade index
		Value	Volume	Value	Volume	
EUR12	1993	125.8	76.6	120.9	92.3	96.1
Growth rate, t/t-1 (%)		11.6	-16.0	6.3	3.4	-4.7
B/L	1993	129.9	68.5	115.4	99.5	88.8
Growth rate, t/t-1 (%)		17.1	-21.0	4.7	23.4	-10.6
DK	1993	124.3	74.8	118.1	84.9	95.0
Growth rate, t/t-1 (%)		5.8	-9.2	7.3	-5.4	1.4
D	1993	122.9	87.3	123.2	89.2	100.2
Growth rate, t/t-1 (%)		8.6	-14.6	7.8	-1.1	-0.7
GR	1993	120.8	88.4	75.8	214.5	62.7
Growth rate, t/t-1 (%)		10.7	-14.2	-7.1	40.0	-16.1
E	1993	118.5	61.4	106.2	115.3	89.6
Growth rate, t/t-1 (%)		6.3	-30.1	-0.4	10.3	-6.3
F	1993	128.1	65.6	124.9	80.8	97.5
Growth rate, t/t-1 (%)		15.8	-23.1	9.0	-9.5	-5.9
IRL	1993	117.5	95.8	133.8	68.9	113.8
Growth rate, t/t-1 (%)		11.2	-5.3	10.6	12.4	-0.5
I	1993	128.4	66.6	110.4	113.8	85.9
Growth rate, t/t-1 (%)		12.3	-22.5	0.7	20.0	-10.3
NL	1993	131.8	78.9	109.8	105.9	83.3
Growth rate, t/t-1 (%)		12.0	-14.9	-1.8	17.1	-12.2
P	1993	112.7	69.9	102.3	115.0	90.7
Growth rate, t/t-1 (%)		2.5	-11.9	8.0	-4.6	5.3
UK	1993	128.0	81.4	133.0	80.3	103.9
Growth rate, t/t-1 (%)		14.6	-3.9	11.1	1.8	-3.0

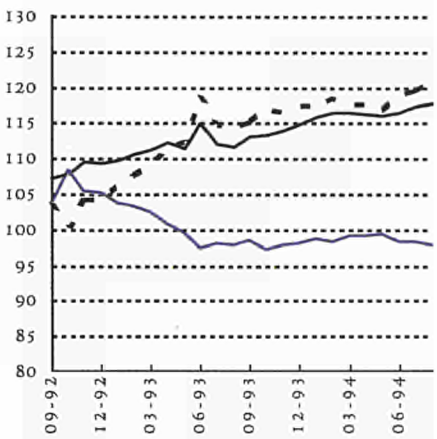
SOURCE: eurostat

eurostat

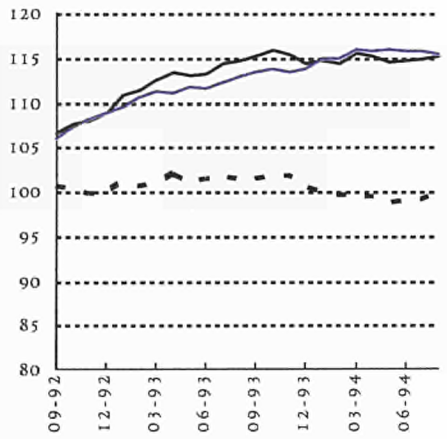
BELGIQUE/BELGIË, LUXEMBOURG



DANMARK



B.R. DEUTSCHLAND



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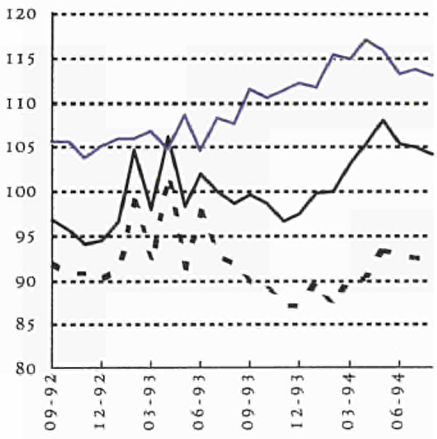
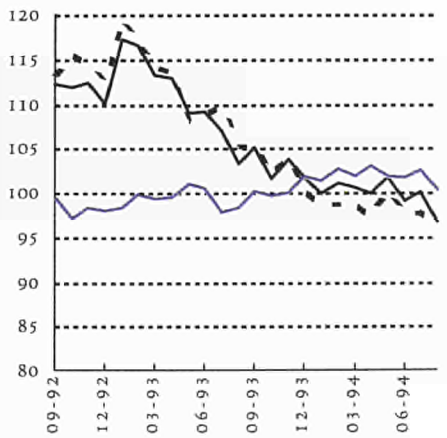


ESPAÑA



FRANCE

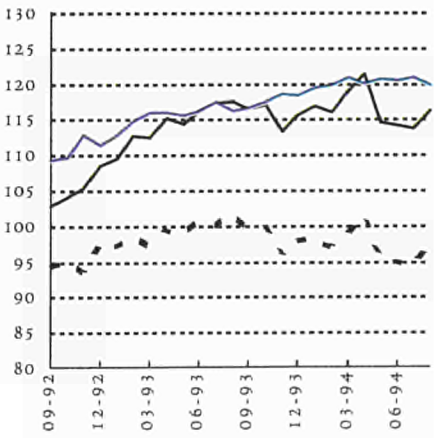


FIGURE 3.2.7

EVOLUTION OF EXTRA-EU TRADE INDEXES (1990=100)

Export value

Import value

Terms of trade

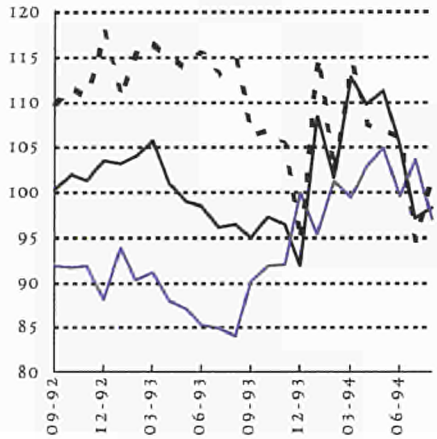
SOURCE: eurostat

eurostat

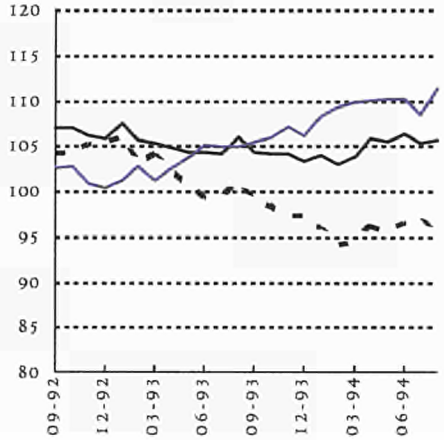
FIGURE 3.2.7

EVOLUTION OF EXTRA-EU TRADE INDEXES (1990=100)

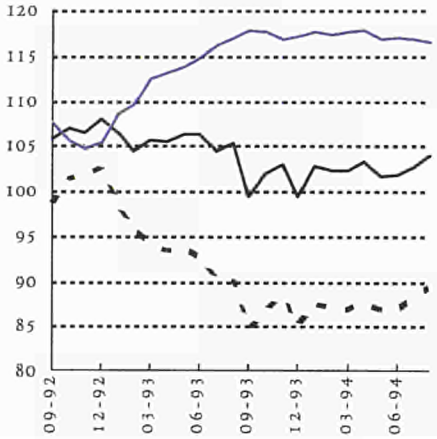
IRELAND



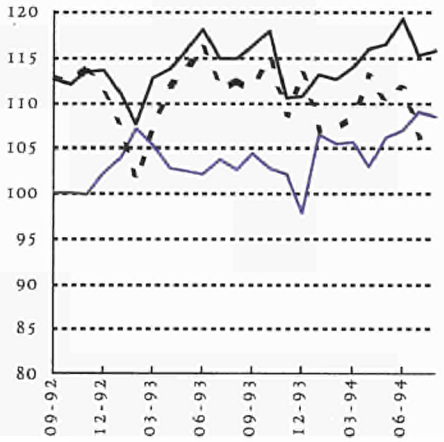
ITALIA



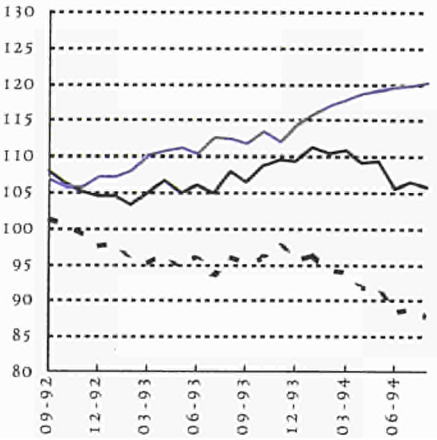
NEDERLAND



PORTUGAL



UNITED KINGDOM



Export value

Import value

Terms of trade

SOURCE: eurostat

MECHANICAL ENGINEERING

IN BRIEF....

- ★ ANNUAL PRODUCTION GROWTH OF 5.2 PER CENT IN 1994
- ★ SHARP RISE IN CAPACITY UTILISATION OVER 1994
- ★ SLIGHT ANNUAL INCREASE OF PRODUCER PRICES TO DECEMBER 1994
- ★ EXPORTS GROWTH SLOWED IN THE FIRST EIGHT MONTHS OF 1994
- ★ IMPORTS GREW FASTER THAN EXPORTS IN PERIOD AUGUST 1993 - AUGUST 1994
- ★ EXPECTATIONS OF HIGHER EMPLOYMENT
- ★ DECREASE IN LABOUR COSTS OF 3.5 PER CENT IN 1994
- ★ EUROPEAN COMMISSION PROPOSED ACTION TO IMPROVE THE INDUSTRY'S COMPETITIVENESS

Output of the mechanical engineering industry increased by 5.2 per cent in 1994 as compared to 1993. Hence, growth was about the same as for total industry. The strongest growth rates in the quarter up to December 1994 were reported by Italy and Spain. Their output grew 4.1 and 3.2 per cent respectively. Also Germany and Denmark reported above average growth rates. In the course of 1994 growth was increasing.

The producer price index increased by 1.1 per cent over the period December 1993 to December 1994. Price developments were influenced by strong international competition. The "Results of the business survey carried out among managements in the Community" showed that on average higher prices were expected by producers for 1995. The difference between positive and negative expectations increased from about +2 per cent in the first quarter of 1994 to +15 per cent in November 1994.

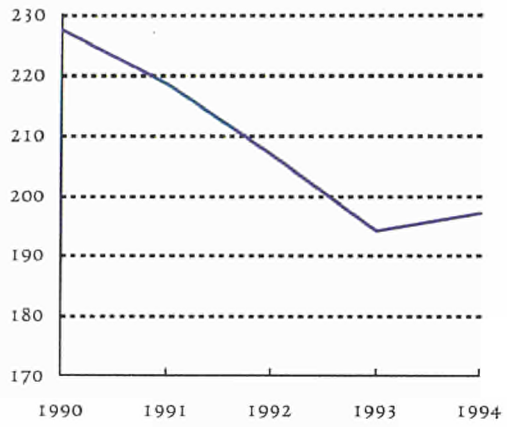
The annual trade index of the value of imports increased by 3.5 per cent in 1993. The growth continued in 1994. Over the period August 1993 and August 1994 imports increased by 8.8 per cent. The different Member States showed strongly diverging trade developments in 1993. Imports showed above average growth in Belgium and Luxembourg, France, Germany and Denmark. Imports decreased in Spain, the Netherlands, Italy, Portugal and Ireland. On the export side, the industry showed a somewhat higher growth in value terms (5.3 per cent for the corresponding figure in 1993). In the first eight months of 1994 the growth decreased somewhat. In the quarter up to August 1994 it even showed negative growth, both in value and volume. Only Portugal, Italy and the United Kingdom reported positive growth rates.

The industry showed steadily increasing capacity utilisation rates during 1994. In the last quarter of 1994 the "Results of the business survey carried out among managements in the Community" reported a capacity utilisation rate of 80.3 per cent. This was slightly below the total industry average. However, the sector was reporting faster growth than the total industry average. Within the sector, machine tools had the highest capacity utilisation rate: 81.6 per cent. It was followed by agricultural machinery and tractors which obtained a figure of 81.0 per cent.

IN THIS SECTION:

FIGURE 4.1.1

EVOLUTION OF EU PRODUCTION IN CONSTANT PRICES (BILLION ECU)

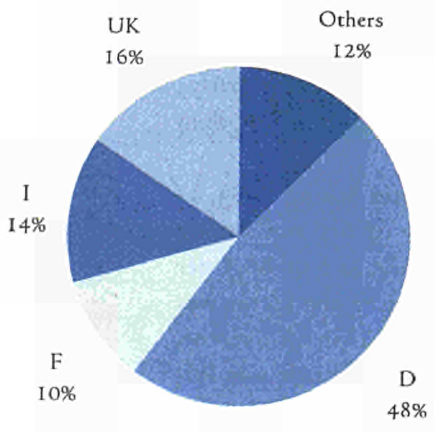


SOURCE: DEBA

The mechanical engineering sector supplies almost exclusively capital goods or their components. The sector is hence very dependent upon investment activities and is highly susceptible to overall economic trends. The recent recession hit the sector badly. Turnover, value added, production and employment all decreased during the recession at rates greater than those seen for total industry. In 1994, value added at factor cost was estimated to have risen by 1.7 per cent, as compared to 4.0 per cent for total manufacturing industry. Turnover was estimated to have grown by 2.4 per cent.

FIGURE 4.1.2

SHARE OF VALUE-ADDED AT FACTOR COST BY MEMBER STATE, 1994 (%)



SOURCE: DEBA

The industry showed high turnover growth rates in Denmark, Ireland, Italy and Luxembourg. Portugal and Spain were estimated to have negative turnover developments in 1994. However, in 1994 the sector benefited from increasing growth in downstream sectors.

Employment showed a negative trend from 1990 onwards. It decreased by almost 19 per cent in the period 1990 to 1994; even in 1994, with demand and production picking up again, employment decreased by more than 6 per cent. Employment in the sector in Germany, by far the largest producer, decreased by 19 per cent from 1990 to 1994. Italy and the United Kingdom accounted for more than 30 per cent of total EU turnover and displayed even greater reductions in employment levels.

In the "Results of the business survey carried out among managements in the Community" employment expectations showed a drastic turnaround in the last quarter of 1994. Employers expected on average to hire slightly more people as opposed to less. However, even though demand was picking up, it did not seem likely that increased production would lead to a corresponding growth in employment. Several factors such as the limited availability of skilled labour made such developments unlikely.

Labour costs decreased significantly in the industry in 1993 (4.7 per cent). This trend continued in 1994 when total labour costs fell by 3½ per cent. Labour costs were significantly cut in ECU terms in Spain, Italy and the United Kingdom. Exchange rate developments had a strong influence on the relative shifts in wage costs.

The sector showed strong productivity growth (measured as constant price value added at factor cost divided by total employment). For 1994 productivity was estimated to have increased by 7.7 per cent. Of the four major producers Italy led productivity growth with an estimated productivity increase of 14½ per cent, followed by Germany (+7.4 per cent).

The industry did not increase the value of its exports in 1991 or 1992. 1993 showed satisfactory export growth: the export value index growing by 5.3 per cent. The industry exported about 36 per cent of total production in 1993, up from 30 per cent in 1990. However, over the years, the sector faced declining performance in terms of its trade position. From 1984 to 1993 the EU market was increasingly penetrated by extra-EU producers. The import penetration ratio increased during this period from 14 to 19 per cent.

The European Commission, concerned over the strong decrease in employment in the sector and the potential loss of global competitiveness of the industry, proposed in November 1994 a series of measures to improve the competitiveness of the sector. The proposals, presented under the name "Strengthening the competitiveness of the European Machinery Construction Industry" were designed to provide guidelines for action by the EU, Member States and the industry itself over the next few years. The most important measures covered investment promotion, whereby Member States would be encouraged to improve tax depreciation rules for capital goods; industrial co-operation especially among small and medium enterprises; and fiscal incentives for research and development. The measures should have important consequences for all manufacturing in the EU, because of machinery makers' central role in supplying production equipment.

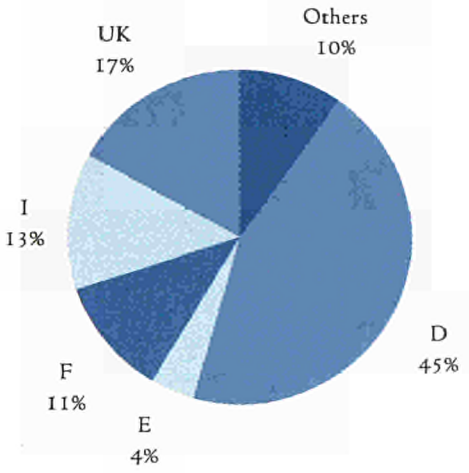


FIGURE 4.1.3

SHARE OF NUMBER OF EMPLOYEES BY MEMBER STATE, 1994 (%)

SOURCE: DEBA

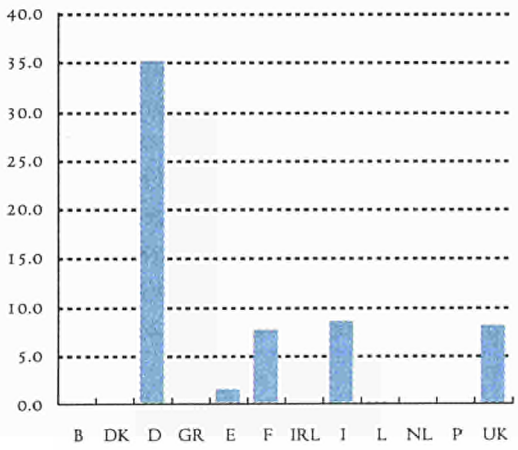


FIGURE 4.1.4

LABOUR COSTS BY MEMBER STATE, 1994 (BILLION ECU)

SOURCE: DEBA

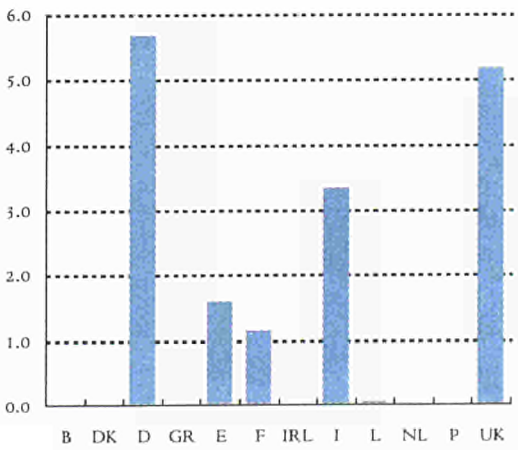


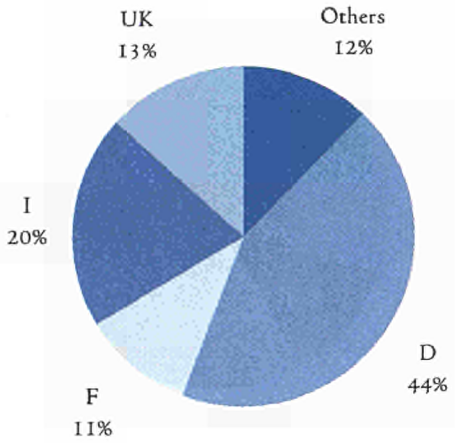
FIGURE 4.1.5

GROSS OPERATING SURPLUS BY MEMBER STATE, 1994 (BILLION ECU)

SOURCE: DEBA

FIGURE 4.1.6

SHARE OF EXTRA-EU EXPORTS BY MEMBER STATE, 1993 (%)



SOURCE: eurostat

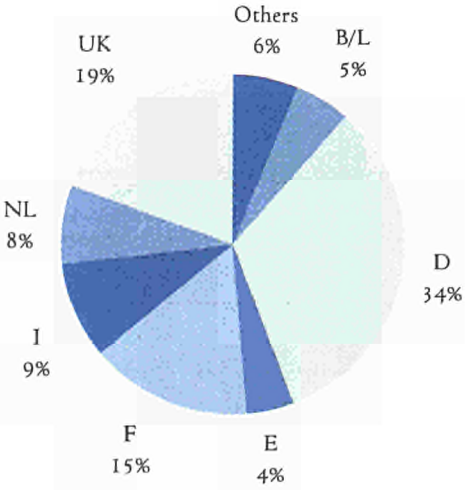
The industry's performance hid distinctive developments in its subsectors. In 1994 agricultural machinery and tractors prospered with production growing by 10.9 per cent after three years of decreasing production. The sector grew by 14 per cent in Germany and over 19 per cent in Italy. Productivity, measured by constant price value added at factor cost divided by employment, rose on average by 21 per cent.

The manufacture of transmission equipment for motive power also showed positive results. It benefited from the strong growth in European car sales in 1994 (+6 per cent). The value of production rose by 10.9 per cent in 1994 after three consecutive years of declining production. Italy increased its value of production by 23.3 per cent, Germany by 11.3 per cent.

Food, drink and tobacco processing machinery was the largest sector within the industry. The sector faced changing consumption patterns in downstream markets. New capital and research intensive production methods were being introduced. In addition the industry focused on export markets with production rising steadily to 1992. The recession caused a decline in the "production of machinery for the food, chemical and related industries" of 2.2 per cent in 1993, but for 1994 a growth rate of 1.2 per cent was estimated.

FIGURE 4.1.7

SHARE OF EXTRA-EU IMPORTS BY MEMBER STATE, 1993 (%)



SOURCE: eurostat

TABLE 4.1.1

VALUE-ADDED AT FACTOR COST BY MEMBER STATE (MILLION ECU)

	1990	t/t-1 (%)	1991	t/t-1 (%)	1992	t/t-1 (%)	1993	t/t-1 (%)	1994	t/t-1 (%)
EUR12	89,081	6.6	90,414	1.5	88,714	-1.9	83,497	-5.9	84,926	1.7
B	1,970	18.0	1,809	-8.2	1,716	-5.2	1,629	-5.0	1,716	5.3
share (%)	2.2		2.0		1.9		2.0		2.0	
DK	1,973	10.9	2,078	5.3	2,145	3.3	2,067	-3.6	2,291	10.8
share (%)	2.2		2.3		2.4		2.5		2.7	
D	42,980	12.3	43,558	1.3	44,072	1.2	41,101	-6.7	40,709	-1.0
share (%)	48.2		48.2		49.7		49.2		47.9	
GR	65	4.8	58	-10.4	60	2.4	53	-11.0	54	2.1
share (%)	0.1		0.1		0.1		0.1		0.1	
E	3,295	8.6	3,566	8.2	3,285	-7.9	3,273	-0.4	3,151	-3.7
share (%)	3.7		3.9		3.7		3.9		3.7	
F	8,851	7.2	9,525	7.6	9,212	-3.3	8,758	-4.9	8,657	-1.2
share (%)	9.9		10.5		10.4		10.5		10.2	
IRL	215	-8.1	213	-0.8	210	-1.5	201	-4.4	229	14.0
share (%)	0.2		0.2		0.2		0.2		0.3	
I	12,969	1.5	13,525	4.3	12,061	-10.8	10,842	-10.1	11,763	8.5
share (%)	14.6		15.0		13.6		13.0		13.9	
L	124	15.4	140	12.9	128	-9.2	131	3.0	144	9.6
share (%)	0.1		0.2		0.1		0.2		0.2	
NL	2,465	8.5	2,509	1.8	2,751	9.6	2,631	-4.4	2,705	2.8
share (%)	2.8		2.8		3.1		3.2		3.2	
P (1)	400	110.0	448	12.0	433	-3.4	395	-8.8	335	-15.2
share (%)	N/A		N/A		N/A		N/A		N/A	
UK	13,806	-7.4	13,045	-5.5	12,695	-2.7	12,465	-1.8	13,214	6.0
share (%)	15.5		14.4		14.3		14.9		15.6	

(1) Value-added at market prices.

SOURCE: DEBA

TABLE 4.1.2

TURNOVER IN CURRENT PRICES BY MEMBER STATE (MILLION ECU)

	1990	t/t-1 (%)	1991	t/t-1 (%)	1992	t/t-1 (%)	1993	t/t-1 (%)	1994	t/t-1 (%)
EUR12	236,102	8.3	238,348	1.0	233,901	-1.9	220,691	-5.6	226,070	2.4
B	5,693	8.2	5,483	-3.7	5,253	-4.2	5,034	-4.2	5,345	6.2
share (%)	2.4		2.3		2.2		2.3		2.4	
DK	4,249	7.6	4,440	4.5	4,595	3.5	4,433	-3.5	4,930	11.2
share (%)	1.8		1.9		2.0		2.0		2.2	
D	102,953	11.5	106,850	3.8	107,356	0.5	100,418	-6.5	100,112	-0.3
share (%)	43.6		44.8		45.9		45.5		44.3	
GR	174	-3.2	161	-8.0	158	-1.4	141	-10.9	141	0.0
share (%)	0.1		0.1		0.1		0.1		0.1	
E (1)	8,399	7.6	8,801	4.8	8,087	-8.1	7,955	-1.6	7,663	-3.7
share (%)	N/A		N/A		N/A		N/A		N/A	
F	30,030	11.6	29,344	-2.3	30,090	2.5	28,935	-3.8	28,943	0.0
share (%)	12.7		12.3		12.9		13.1		12.8	
IRL	545	-3.3	533	-2.3	526	-1.2	504	-4.2	575	14.1
share (%)	0.2		0.2		0.2		0.2		0.3	
I	40,992	3.6	41,200	0.5	36,989	-10.2	33,094	-10.5	36,050	8.9
share (%)	17.4		17.3		15.8		15.0		15.9	
L	279	13.9	312	11.7	280	-10.1	286	1.9	310	8.7
share (%)	0.1		0.1		0.1		0.1		0.1	
NL	6,612	10.1	6,839	3.4	7,225	5.7	7,399	2.4	7,621	3.0
share (%)	2.8		2.9		3.1		3.4		3.4	
P (1)	907	97.4	1,052	15.9	1,042	-1.0	940	-9.8	790	-16.0
share (%)	N/A		N/A		N/A		N/A		N/A	
UK	35,188	1.4	33,243	-5.5	32,213	-3.1	31,475	-2.3	33,526	6.5
share (%)	14.9		13.9		13.8		14.3		14.8	

(1) Production in current prices.

SOURCE: DEBA

TABLE 4.1.3

NUMBER OF EMPLOYEES BY MEMBER STATE (THOUSANDS)

	1990	t/t-1 (%)	1991	t/t-1 (%)	1992	t/t-1 (%)	1993	t/t-1 (%)	1994	t/t-1 (%)
EUR12	2,426	2.9	2,380	-1.9	2,268	-4.7	2,106	-7.2	1,972	-6.3
B	49	-1.5	49	-0.2	44	-10.1	41	-6.3	N/A	N/A
share (%)	2.0		2.1		1.9		2.0		N/A	
DK	54	1.7	54	0.7	53	-1.8	50	-6.4	N/A	N/A
share (%)	2.2		2.3		2.3		2.4		N/A	
D	1,092	4.4	1,084	-0.8	1,051	-3.0	967	-8.0	881	-8.9
share (%)	45.0		45.5		46.3		45.9		44.7	
GR	5	-2.5	4	-14.0	4	-13.4	3	-5.5	3	-7.5
share (%)	0.2		0.2		0.2		0.2		0.2	
E	105	3.8	103	-2.1	98	-4.8	89	-9.5	86	-2.7
share (%)	4.3		4.3		4.3		4.2		4.4	
F	245	1.4	256	4.6	239	-6.9	226	-5.3	221	-2.3
share (%)	10.1		10.8		10.5		10.7		11.2	
IRL	7	2.9	7	-1.8	7	2.7	6	-3.8	N/A	N/A
share (%)	0.3		0.3		0.3		0.3		N/A	
I	332	-0.1	325	-2.2	298	-8.4	273	-8.2	260	-4.8
share (%)	13.7		13.7		13.1		13.0		13.2	
L	2	1.8	2	-0.9	2	-2.1	2	-5.8	2	-4.2
share (%)	0.1		0.1		0.1		0.1		0.1	
NL	73	6.1	74	2.6	75	0.3	71	-5.2	N/A	N/A
share (%)	3.0		3.1		3.3		3.4		N/A	
P	30	75.5	30	1.1	31	2.6	30	-3.6	N/A	N/A
share (%)	1.2		1.3		1.4		1.4		N/A	
UK	431	-0.6	391	-9.3	367	-6.2	346	-5.6	334	-3.7
share (%)	17.8		16.4		16.2		16.4		16.9	

SOURCE: DEBA

TABLE 4.1.4

LABOUR COSTS BY MEMBER STATE (MILLION ECU)

	1990	t/t-1 (%)	1991	t/t-1 (%)	1992	t/t-1 (%)	1993	t/t-1 (%)	1994	t/t-1 (%)
EUR12	68,018	9.1	71,760	5.5	72,067	0.4	68,671	-4.7	66,246	-3.5
B	1,502	8.2	1,575	4.9	1,459	-7.4	1,407	-3.5	N/A	N/A
share (%)	2.2		2.2		2.0		2.0		N/A	
DK	1,471	9.5	1,531	4.1	1,564	2.2	1,533	-2.0	N/A	N/A
share (%)	2.2		2.1		2.2		2.2		N/A	
D	34,262	10.7	36,332	6.0	37,674	3.7	37,238	-1.2	35,041	-5.9
share (%)	50.4		50.6		52.3		54.2		52.9	
GR	58	1.6	54	-5.9	48	-11.2	44	-8.7	N/A	N/A
share (%)	0.1		0.1		0.1		0.1		N/A	
E	2,214	16.4	2,372	7.1	2,306	-2.8	1,788	-22.5	1,564	-12.6
share (%)	3.3		3.3		3.2		2.6		2.4	
F	7,113	8.8	7,621	7.1	7,520	-1.3	7,519	0.0	7,539	0.3
share (%)	10.5		10.6		10.4		10.9		11.4	
IRL	127	9.2	132	4.1	148	12.0	145	-2.4	N/A	N/A
share (%)	0.2		0.2		0.2		0.2		N/A	
I	9,815	7.2	10,477	6.7	9,942	-5.1	8,398	-15.5	8,448	0.6
share (%)	14.4		14.6		13.8		12.2		12.8	
L	78	9.8	82	4.7	86	5.4	89	2.9	93	4.2
share (%)	0.1		0.1		0.1		0.1		0.1	
NL	1,868	9.3	1,990	6.5	2,139	7.5	2,205	3.1	N/A	N/A
share (%)	2.7		2.8		3.0		3.2		N/A	
P	230	88.0	286	24.0	354	23.8	344	-2.7	N/A	N/A
share (%)	0.3		0.4		0.5		0.5		N/A	
UK	9,279	3.4	9,309	0.3	8,827	-5.2	7,961	-9.8	8,038	1.0
share (%)	13.6		13.0		12.2		11.6		12.1	

SOURCE: DEBA

TABLE 4.1.5

EXTRA-EU EXPORTS BY MEMBER STATE (MILLION ECU)

	1989	t/t-1 (%)	1990	t/t-1 (%)	1991	t/t-1 (%)	1992	t/t-1 (%)	1993	t/t-1 (%)
EUR12	64,607	14.1	68,358	5.8	68,388	0.0	68,946	0.8	75,143	9.0
B/L	1,689	17.6	1,780	5.4	1,545	-13.2	1,583	2.4	2,057	29.9
share (%)	2.6		2.6		2.3		2.3		2.7	
DK	1,800	13.0	1,938	7.7	1,790	-7.6	1,892	5.7	1,950	3.1
share (%)	2.8		2.8		2.6		2.7		2.6	
D	29,034	12.7	30,976	6.7	31,687	2.3	31,764	0.2	32,860	3.4
share (%)	44.9		45.3		46.3		46.1		43.7	
GR	55	78.2	64	17.0	82	28.3	80	-2.4	106	32.8
share (%)	0.1		0.1		0.1		0.1		0.1	
E	1,383	22.4	1,412	2.1	1,506	6.6	1,585	5.2	1,732	9.2
share (%)	2.1		2.1		2.2		2.3		2.3	
F	7,103	15.9	7,863	10.7	7,772	-1.2	7,974	2.6	7,894	-1.0
share (%)	11.0		11.5		11.4		11.6		10.5	
IRL	257	9.0	251	-2.5	232	-7.5	186	-19.8	243	30.7
share (%)	0.4		0.4		0.3		0.3		0.3	
I	11,665	23.0	11,983	2.7	12,336	2.9	12,453	0.9	15,224	22.3
share (%)	18.1		17.5		18.0		18.1		20.3	
NL	2,362	19.6	2,413	2.1	2,405	-0.3	2,439	1.5	2,908	19.2
share (%)	3.7		3.5		3.5		3.5		3.9	
P	132	12.1	142	7.6	150	6.1	157	4.2	166	6.2
share (%)	0.2		0.2		0.2		0.2		0.2	
UK	9,128	4.8	9,537	4.5	8,883	-6.9	8,834	-0.6	10,003	13.2
share (%)	14.1		14.0		13.0		12.8		13.3	

SOURCE: eurostat

TABLE 4.1.6

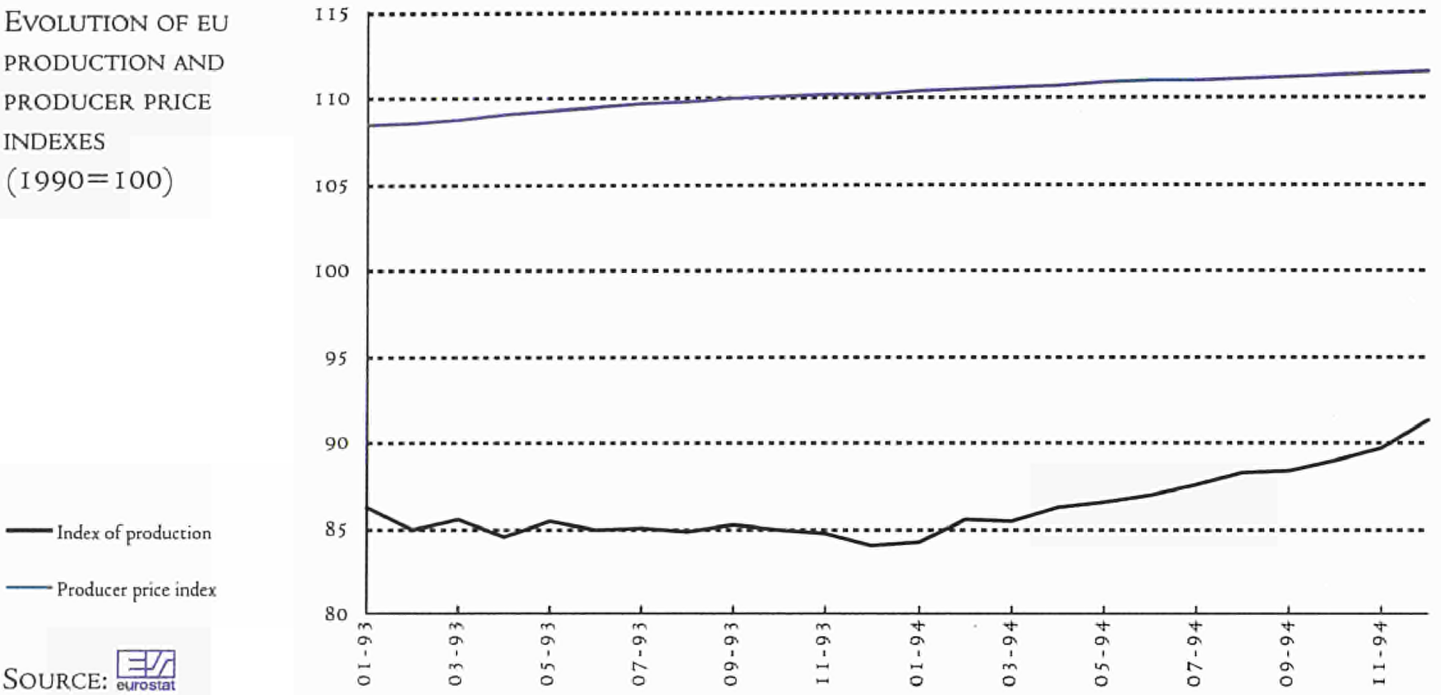
EXTRA-EU IMPORTS BY MEMBER STATE (MILLION ECU)

	1989	t/t-1 (%)	1990	t/t-1 (%)	1991	t/t-1 (%)	1992	t/t-1 (%)	1993	t/t-1 (%)
EUR12	28,974	18.2	31,533	8.8	32,966	4.5	32,403	-1.7	30,818	-4.9
B/L	1,613	28.2	1,726	7.0	1,732	0.4	1,660	-4.1	1,551	-6.6
share (%)	5.6		5.5		5.3		5.1		5.0	
DK	746	11.6	808	8.2	809	0.1	779	-3.7	758	-2.6
share (%)	2.6		2.6		2.5		2.4		2.5	
D	8,049	20.9	9,393	16.7	10,988	17.0	10,874	-1.0	10,143	-6.7
share (%)	27.8		29.8		33.3		33.6		32.9	
GR	427	42.5	348	-18.4	360	3.3	384	6.7	374	-2.4
share (%)	1.5		1.1		1.1		1.2		1.2	
E	1,717	18.0	1,890	10.1	1,897	0.3	1,852	-2.4	1,381	-25.4
share (%)	5.9		6.0		5.8		5.7		4.5	
F	4,499	10.1	5,538	23.1	5,526	-0.2	5,221	-5.5	4,684	-10.3
share (%)	15.5		17.6		16.8		16.1		15.2	
IRL	351	6.8	352	0.3	373	6.0	376	0.9	400	6.4
share (%)	1.2		1.1		1.1		1.2		1.3	
I	2,865	19.8	3,173	10.7	3,139	-1.1	3,118	-0.7	2,790	-10.5
share (%)	9.9		10.1		9.5		9.6		9.1	
NL	2,248	27.0	2,118	-5.8	2,305	8.8	2,311	0.3	2,351	1.7
share (%)	7.8		6.7		7.0		7.1		7.6	
P	416	-1.0	437	4.9	435	-0.4	416	-4.4	391	-6.0
share (%)	1.4		1.4		1.3		1.3		1.3	
UK	6,042	16.5	5,750	-4.8	5,402	-6.1	5,413	0.2	5,994	10.7
share (%)	20.9		18.2		16.4		16.7		19.4	

SOURCE: eurostat

FIGURE 4.2.1

EVOLUTION OF EU PRODUCTION AND PRODUCER PRICE INDEXES (1990=100)



SOURCE: eurostat

TABLE 4.2.1

QUARTERLY AND ANNUAL PRODUCTION INDEXES (1) (1990=100)

	Latest quarter available	Quarterly Index	Quarterly t/t-4 (%)	Annual Index	Annual t/t-1 (%)
EUR12	10-94 ⇨ 12-94	91.2	15.2	89.0	5.2
B	04-94 ⇨ 06-94	82.6	3.0	81.2	-7.0
DK	10-94 ⇨ 12-94	104.0	14.8	102.0	8.7
D	10-94 ⇨ 12-94	78.7	12.9	82.7	9.7
GR	10-94 ⇨ 12-94	95.9	-14.0	97.4	3.1
E	10-94 ⇨ 12-94	94.3	19.6	89.8	13.1
F	10-94 ⇨ 12-94	104.1	5.8	83.9	1.7
IRL	09-94 ⇨ 11-94	98.3	10.8	**97.0**	**14.0**
I	10-94 ⇨ 12-94	114.8	31.8	109.3	12.4
L	08-94 ⇨ 10-94	92.4	-3.2	**94.0**	**2.0**
NL	⇨	N/A	N/A	N/A	N/A
P	08-94 ⇨ 10-94	88.4	9.4	**87.0**	**6.0**
UK	11-94 ⇨ 01-95	87.6	-1.6	88.0	4.2

(1) Annual growth rates are based on the latest annual data. Only when data to October is available will an annual estimate for the year be made.

SOURCE: eurostat

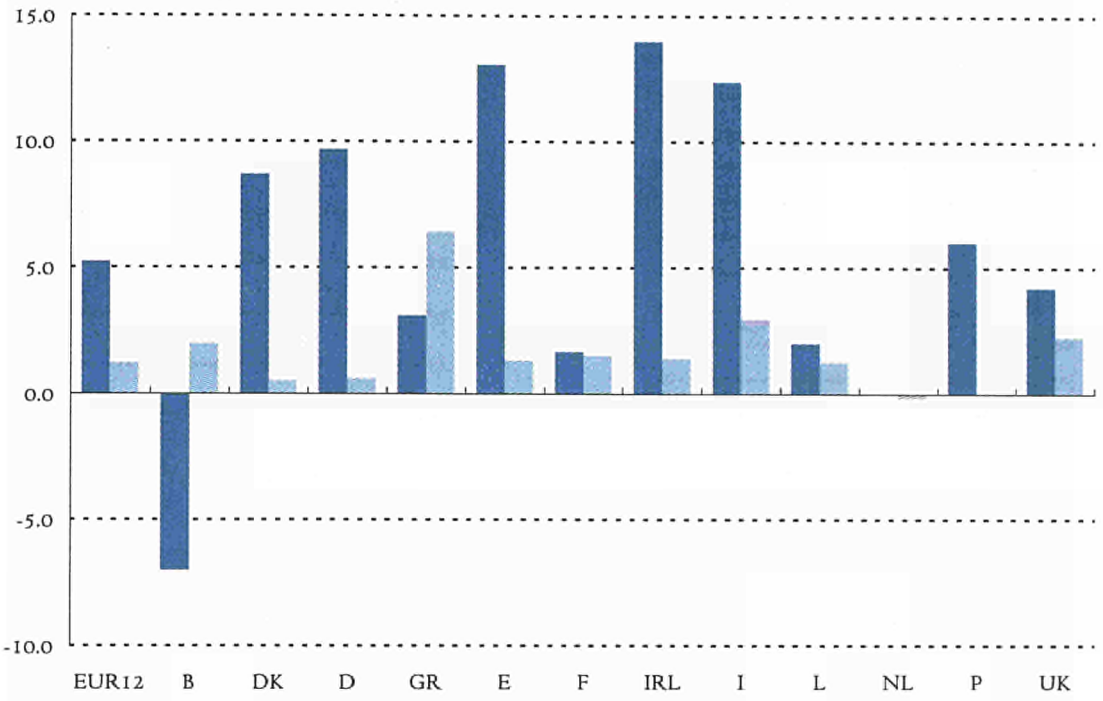


FIGURE 4.2.2

ANNUAL GROWTH RATE OF EU PRODUCTION AND PRODUCER PRICE INDEXES (1) (%)

Production
Producer prices

(1) Growth rates are based on the latest annual data available for each country. Please see the table below for the year concerned.

SOURCE: eurostat

	Latest quarter available	Quarterly Index	Quarterly t/t-4 (%)	Annual Index	Annual t/t-1 (%)
EUR12	10-94 ⇨ 12-94	111.4	1.1	111.2	1.2
B	09-94 ⇨ 11-94	108.9	2.0	**109.0**	**2.0**
DK	10-94 ⇨ 12-94	107.5	0.5	107.3	0.5
D	11-94 ⇨ 01-95	111.0	0.7	110.7	0.6
GR	10-94 ⇨ 12-94	144.6	6.5	142.6	6.4
E	11-94 ⇨ 01-95	110.5	1.6	109.8	1.3
F	10-94 ⇨ 12-94	109.7	1.3	109.6	1.5
IRL	07-94 ⇨ 09-94	110.2	0.4	110.0	1.4
I	10-94 ⇨ 12-94	115.2	3.1	114.5	3.0
L	10-94 ⇨ 12-94	108.2	1.1	108.3	1.3
NL	10-94 ⇨ 12-94	105.7	0.4	105.3	-0.2
P	⇨	N/A	N/A	N/A	N/A
UK	11-94 ⇨ 01-95	114.1	2.0	113.5	2.2

TABLE 4.2.2

QUARTERLY AND ANNUAL PRODUCER PRICE INDEXES (1) (1990=100)

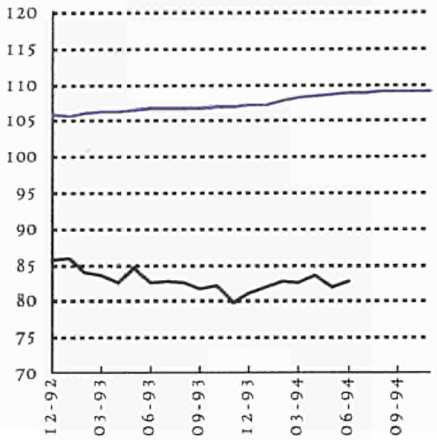
(1) Annual growth rates are based on the latest annual data. Only when data to October is available will an annual estimate for the year be made.

SOURCE: eurostat

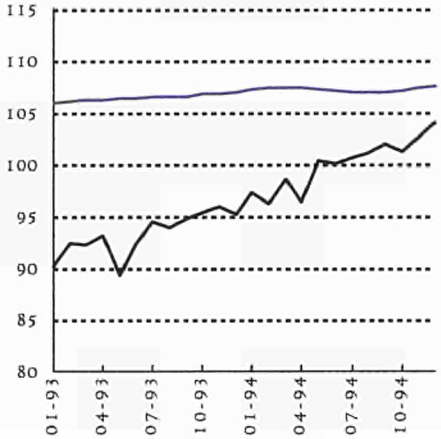
FIGURE 4.2.3

EVOLUTION OF PRODUCTION AND PRODUCER PRICE INDEXES (1990=100)

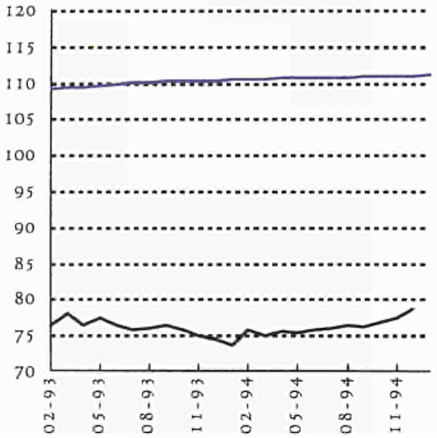
BELGIQUE/BELGIË



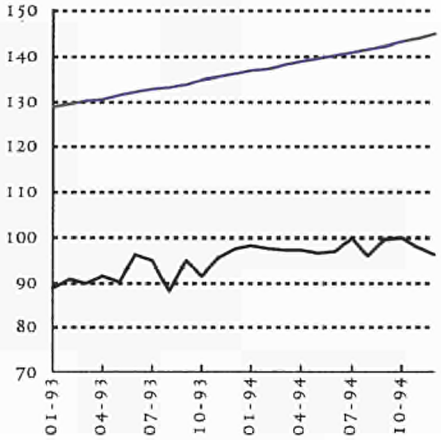
DANMARK



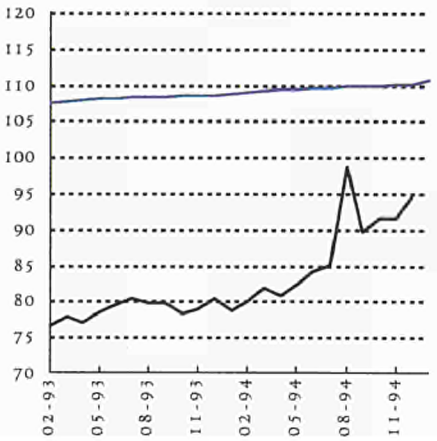
B.R. DEUTSCHLAND



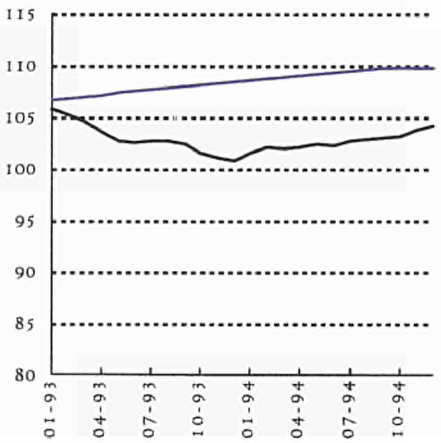
HELLAS



ESPAÑA



FRANCE



Index of production

Producer price index

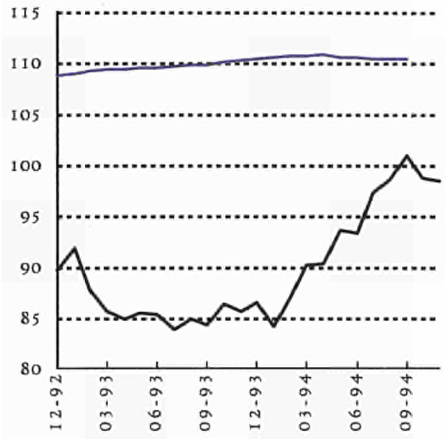
SOURCE: eurostat

eurostat

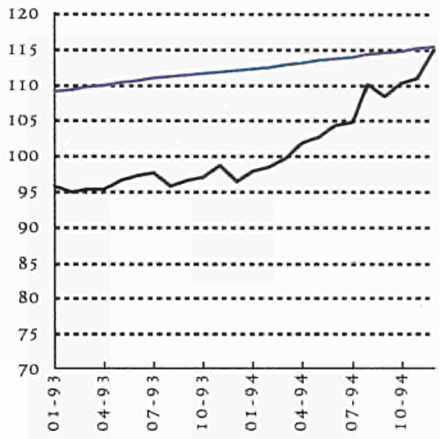
FIGURE 4.2.3

EVOLUTION OF PRODUCTION AND PRODUCER PRICE INDEXES (1990=100)

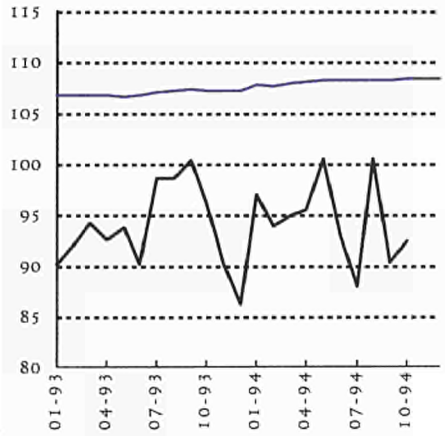
IRELAND



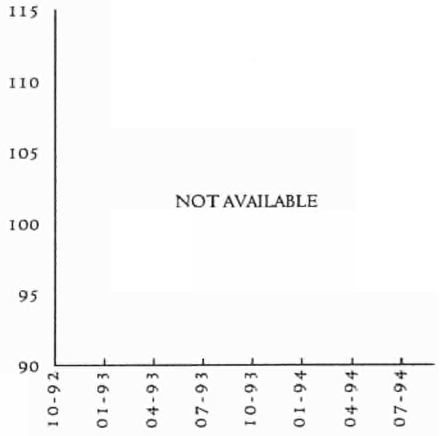
ITALIA



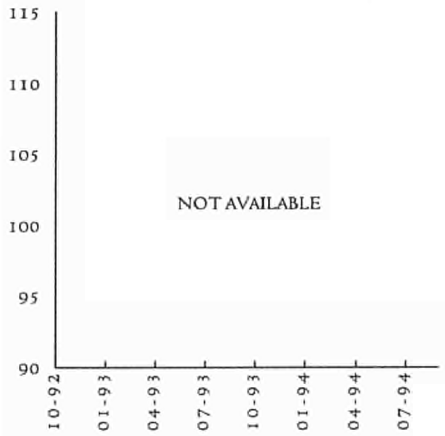
LUXEMBOURG



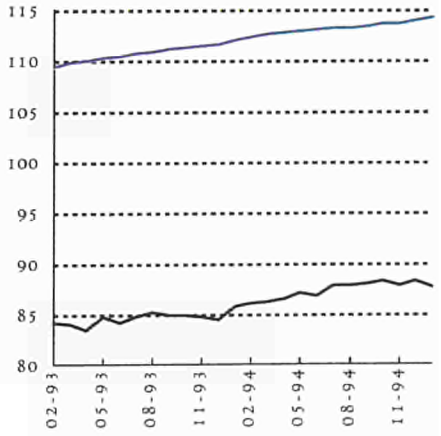
NEDERLAND



PORTUGAL



UNITED KINGDOM



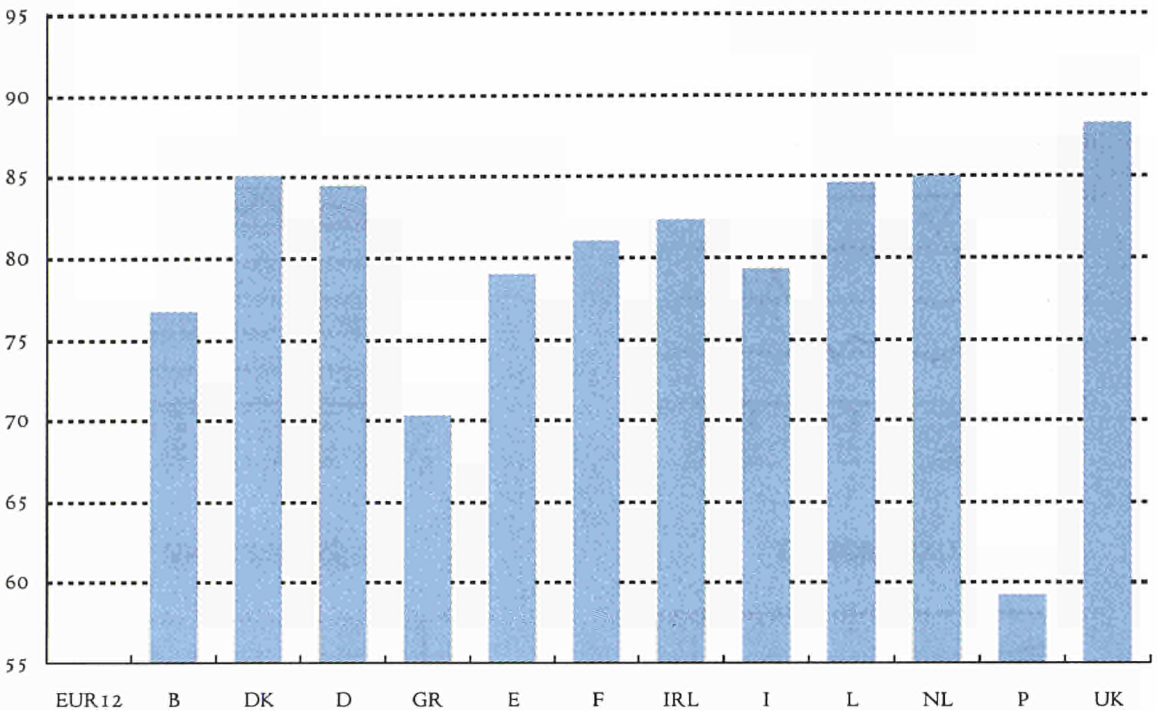
Index of production

Producer price index

SOURCE: eurostat

FIGURE 4.2.4

CAPACITY UTILISATION RATES BY MEMBER STATE, FIRST QUARTER 1995 (%)



SOURCE: DG II - BUSINESS SURVEY

TABLE 4.2.3

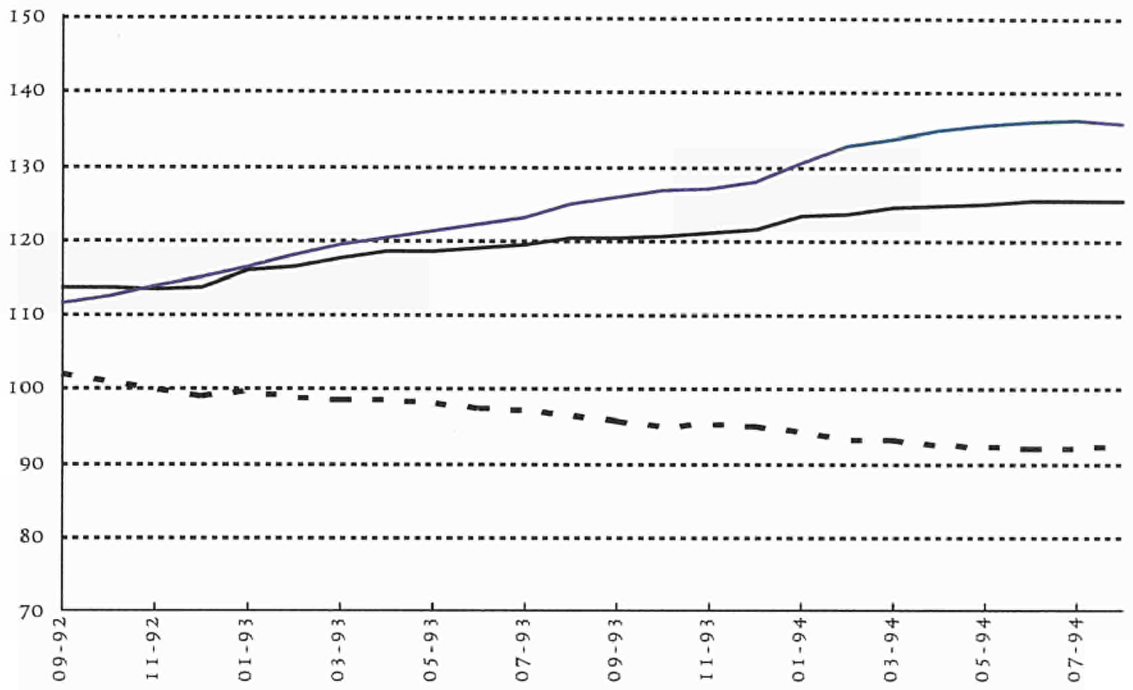
CAPACITY UTILISATION RATES BY MEMBER STATE (%)

	Annual growth rate: latest quarter, t/t-4	Second quarter 1994	Third quarter 1994	Fourth quarter 1994	First quarter 1995
EUR12	7.4	76.5	79.4	80.3	N/A
B	6.1	72.8	74.1	77.6	76.7
DK	7.6	81.0	84.0	85.0	85.0
D	11.8	78.0	80.5	83.1	84.4
GR	4.2	67.0	65.2	88.4	70.2
E	24.6	67.7	73.7	78.0	78.9
F	7.6	75.5	80.3	80.3	81.0
IRL	9.5	81.8	77.5	83.2	82.2
I	5.7	77.4	79.1	77.8	79.2
L	-4.8	88.8	91.8	87.2	84.5
NL	4.2	N/A	N/A	N/A	84.9
P	-0.3	62.0	63.1	69.4	59.2
UK	6.0	80.5	81.4	83.1	88.1

SOURCE: DG II - BUSINESS SURVEY

FIGURE 4.2.5

EVOLUTION OF EXTRA-EU TRADE INDEXES (1990=100)



SOURCE: eurostat

TABLE 4.2.4

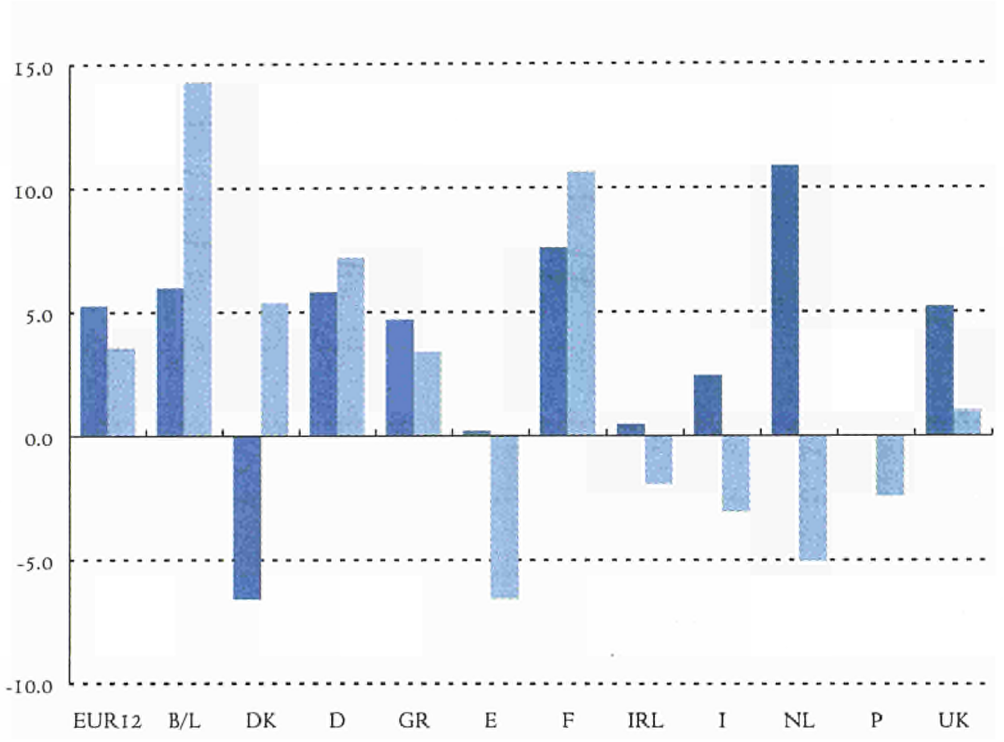
QUARTERLY EXTRA-EU TRADE INDEXES (1990=100)

	Latest quarter available	Exports Value	Exports Volume	Imports Value	Imports Volume	Terms of trade index
EUR12	06-94 ⇨ 08-94	115.1	124.7	110.6	113.2	96.0
Growth rate, t/t-4 (%)		3.4	10.4	-0.5	15.7	-3.8
B/L	06-94 ⇨ 08-94	117.4	118.4	114.8	138.5	97.7
Growth rate, t/t-4 (%)		5.1	22.7	0.0	18.6	-4.8
DK	06-94 ⇨ 08-94	97.7	122.2	117.6	78.1	120.5
Growth rate, t/t-4 (%)		-0.1	16.5	5.4	2.6	5.3
D	06-94 ⇨ 08-94	115.3	158.0	115.1	115.3	99.8
Growth rate, t/t-4 (%)		2.2	14.0	0.4	16.9	-1.8
GR	06-94 ⇨ 08-94	112.7	111.8	104.0	156.6	92.3
Growth rate, t/t-4 (%)		5.0	-7.5	5.7	-10.4	0.3
E	06-94 ⇨ 08-94	100.2	113.9	96.6	124.9	96.3
Growth rate, t/t-4 (%)		2.2	2.8	-6.5	0.0	-8.5
F	06-94 ⇨ 08-94	119.5	97.9	116.2	96.7	97.3
Growth rate, t/t-4 (%)		3.1	7.3	-1.0	14.9	-4.0
IRL	06-94 ⇨ 08-94	97.0	179.7	98.2	103.1	101.9
Growth rate, t/t-4 (%)		15.6	11.0	2.0	21.2	-11.2
I	06-94 ⇨ 08-94	111.2	93.0	105.6	118.4	95.0
Growth rate, t/t-4 (%)		6.1	5.9	-0.3	16.8	-5.9
NL	06-94 ⇨ 08-94	116.4	115.6	103.9	106.4	89.3
Growth rate, t/t-4 (%)		-0.5	11.1	-1.2	17.6	-0.9
P	06-94 ⇨ 08-94	108.5	99.2	115.6	97.3	106.8
Growth rate, t/t-4 (%)		5.8	-16.9	0.8	15.8	-4.8
UK	06-94 ⇨ 08-94	120.2	99.4	105.5	123.1	87.8
Growth rate, t/t-4 (%)		6.9	3.8	-2.1	21.1	-8.4

SOURCE: eurostat

FIGURE 4.2.6

ANNUAL GROWTH RATE OF EXTRA-EU TRADE INDEXES (1) (%)



(1) Growth rates are based on the latest annual data available for each country. Please see the table below for the year concerned.

SOURCE: eurostat

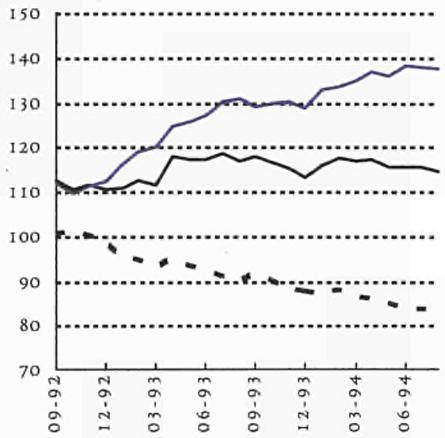
TABLE 4.2.5

ANNUAL EXTRA-EU TRADE INDEXES (1990=100)

	Latest year available	Exports Value	Exports Volume	Imports Value	Imports Volume	Terms of trade index
EUR12	1993	112.1	116.0	110.8	103.1	98.8
Growth rate, t/t-1 (%)		5.3	-0.2	3.6	4.9	-1.6
B/L	1993	111.9	97.6	115.1	121.3	102.8
Growth rate, t/t-1 (%)		6.0	-1.1	14.3	17.4	7.9
DK	1993	97.4	111.6	113.8	75.2	116.8
Growth rate, t/t-1 (%)		-6.6	4.1	5.4	-13.7	12.9
D	1993	113.2	140.2	115.1	100.7	101.6
Growth rate, t/t-1 (%)		5.8	2.1	7.2	-0.9	1.3
GR	1993	109.6	125.7	98.3	177.0	89.6
Growth rate, t/t-1 (%)		4.7	-1.8	3.4	30.1	-1.3
E	1993	100.2	113.0	104.9	126.7	104.6
Growth rate, t/t-1 (%)		0.2	-17.3	-6.6	37.1	-6.9
F	1993	117.7	94.1	116.5	88.2	98.9
Growth rate, t/t-1 (%)		7.6	-1.6	10.6	-11.0	2.8
IRL	1993	90.1	154.4	94.3	102.2	104.6
Growth rate, t/t-1 (%)		0.4	16.4	-2.0	1.0	-2.4
I	1993	105.6	101.3	103.7	115.2	98.2
Growth rate, t/t-1 (%)		2.4	-7.3	-3.1	16.5	-5.3
NL	1993	117.4	107.9	101.2	98.5	86.2
Growth rate, t/t-1 (%)		10.9	-4.9	-5.1	1.4	-14.3
P	1993	101.9	117.9	111.7	95.2	109.6
Growth rate, t/t-1 (%)		0.0	1.1	-2.4	-10.1	-2.4
UK	1993	112.9	97.2	107.7	107.4	95.3
Growth rate, t/t-1 (%)		5.2	3.0	1.0	18.0	-4.0

SOURCE: eurostat

BELGIQUE/BELGIË, LUXEMBOURG



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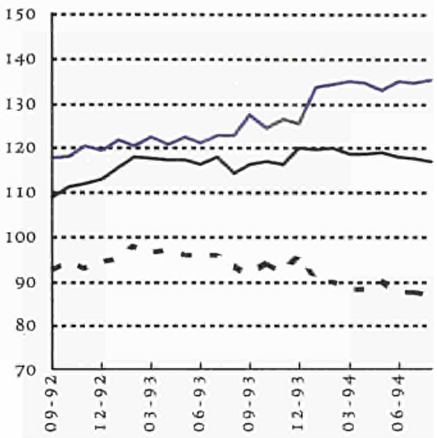
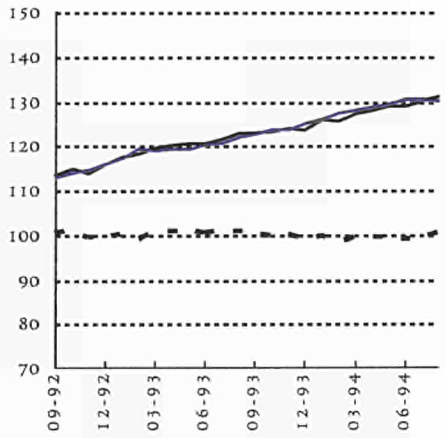


B.R. DEUTSCHLAND



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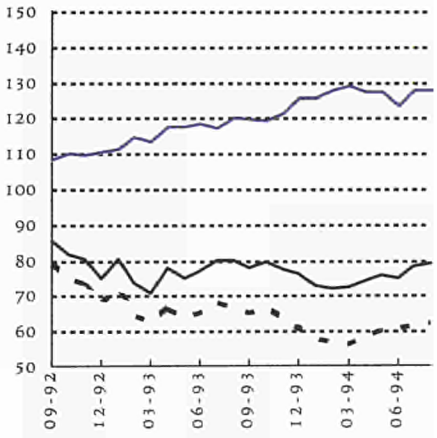
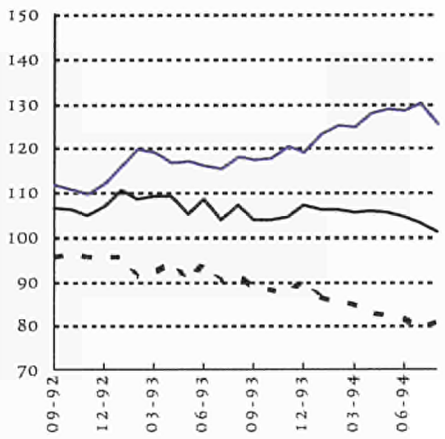


ESPAÑA



FRANCE

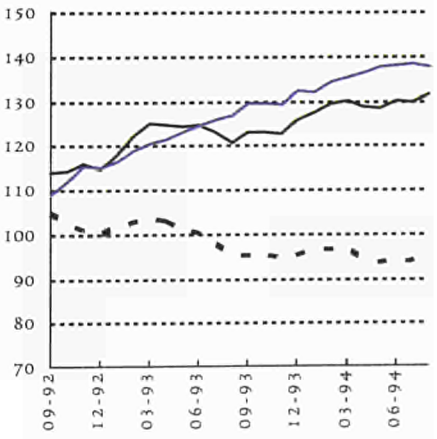


FIGURE 4.2.7

EVOLUTION OF EXTRA-EU TRADE INDEXES (1990=100)

Export value

Import value

Terms of trade

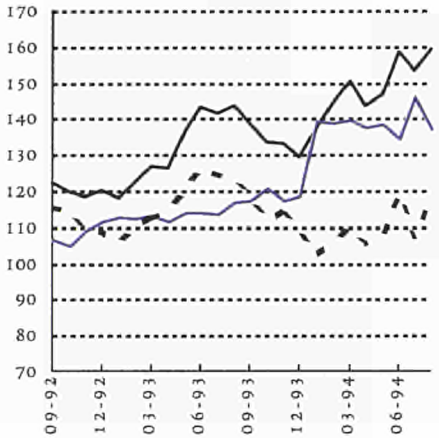
SOURCE: eurostat

eurostat

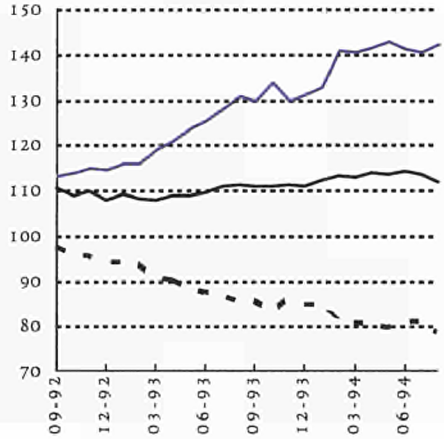
FIGURE 4.2.7

EVOLUTION OF EXTRA-EU TRADE INDEXES (1990=100)

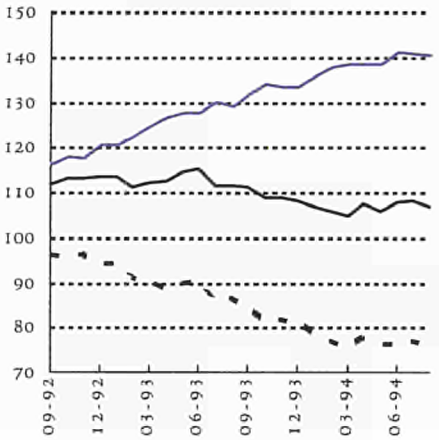
IRELAND



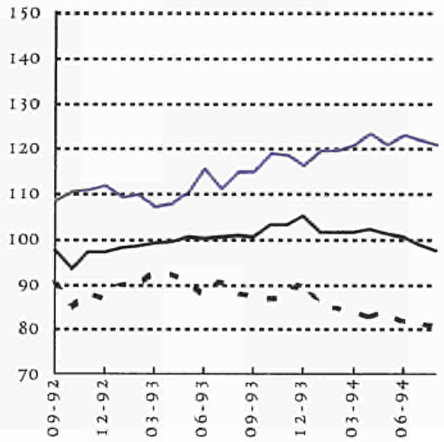
ITALIA



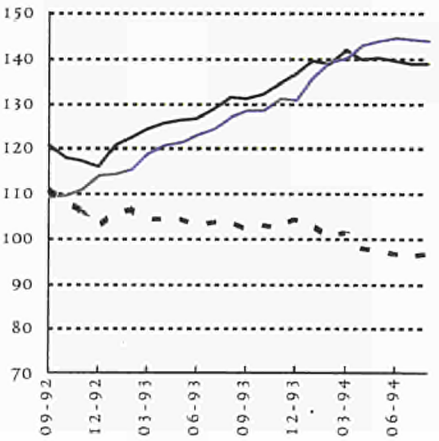
NEDERLAND



PORTUGAL



UNITED KINGDOM



Export value

Import value

Terms of trade

SOURCE: eurostat

INDUSTRY CLASSIFICATION SYSTEM:

The industry groupings used in this publication are based on the NACE classification system. This classifies economic activity in terms of the nature of goods and services produced or by the nature of the production process employed. It is arranged on the decimal system and is subdivided into divisions (1-digit codes), classes (2-digit codes), groups (3-digit codes), sub-groups (4-digit codes) and items (5-digit codes). More information is contained in the "General Industrial Classification of Economic Activities within the European Community" published by Eurostat (1985 reprint of the 1970 edition). This publication is available from the usual outlets for EU publications. A major revision to the NACE classification has been incorporated in a Council Regulation (OJ L293 24th October 1990) and is being used for short-term indicators already, whereas structural indicators are still based on NACE 1970.

The broad groups used in Section 1 of this publication have the following definitions in terms of NACE:

Total industry
1, 2, 3, 4

Intermediate goods industries
13.1, 13.2, 14.1-14.5, 15.6, 15.7, 17.1-17.3, 20.1-20.5, 21.1, 21.2, 24.1-24.3, 24.6, 24.7, 25.1, 25.2, 26.1-26.8, 27.1-27.5, 28.4-28.7, 31.2-31.6, 32.1, 34.3, 37.1, 37.2, 41.0

Capital goods industries
28.1-28.3, 29.1-29.6, 30.0, 31.1, 32.2, 33.1-33.3, 34.1, 34.2, 35.1-35.3

Durable consumer goods industries
29.7, 32.3, 33.4, 33.5, 35.4, 35.5, 36.1-36.3

Non durable consumer goods industries
15.1-15.5, 15.8-16.0, 17.4-17.7, 18.1-18.3, 19.1-19.3, 22.1-22.3, 24.4, 24.5, 36.4-36.6

STATISTICAL SOURCES:

Most of the data in this publication is harmonized data supplied to Eurostat by the EUR12 Member States. The exceptions are:

1) The capacity utilization series which come from the business surveys carried out on behalf of the Directorate General for Economic Affairs of the Commission (DG II).
2) The estimates for the latest years' structural data, which are supplied by the DEBA European Economic Interest Group: DEBA, 5th Floor, 12 rue Jean Engling, L-1466, Dommeldange, Luxembourg; tel: (352) 42403053.
3) The indices of industrial production for the USA and Japan, which are supplied by the OECD.

Data sources are indicated for each statistical table. Every effort has been made to include data for the EUR 12 Member States. The indices from 1991 onwards are on a post-unification basis and include East-Germany. However the structural data is still on a pre-unification basis unless otherwise stated.

Short term indicators:
The index of production measures changes in the volume of the gross value added created by industry, the branch indices being aggregated by means of a system of weighting according to gross value added (in principle, at factor cost). The indices are adjusted in two stages; firstly to take account of the varying number of working days in the month (except for Spain and Japan) and secondly by seasonal adjustment. The other short term indices in this publication are not adjusted for working days.

The index of producer prices shows (in the national currency of the Member State in question) changes in the ex-works selling prices of all products sold on the domestic markets of the various countries. The EU indices (EUR11, since there are no producer price indices for Portugal) refer to overall weighted price changes. No seasonal adjustment is carried out on them.

For the indices of imports and exports, external trade data of industrial products were grouped according to the industrial NACE branch to which they belong. The value indices are all in ECU terms. The indices refer only to extra-EU trade. The indices are not seasonally adjusted.

The capacity utilisation series come from quarterly European Union business surveys, and are not seasonally adjusted.

The changes which are given in the tables show the growth rate for the moving average of the latest three months compared to the same three months of the previous year (t/t-4). These series are derived from data which has not been seasonally adjusted. Estimates are shown in bold. For annual data, estimates are made if data exists to October of the year concerned. In this case the estimates of the indexes are rounded to the nearest integer, as are the corresponding growth rates.

Structural data:
Data in the structural tables are in current ECU unless otherwise stated.

Data for value added at factor cost, turnover, labour costs, gross operating surplus and employment come from annual enquiries conducted by Member States involving all enterprises with 20 or more employees. The exceptions to this are Spain and Portugal (upto 1990) where the coverage is for local units of all sizes.

The employment data relates to persons employed excluding home workers. The definitions are standardized and so the figures are comparable across industries and countries.

Estimates are not supplied to Eurostat by Member States for the smaller firms not covered by the enquiries, and the figures under-report the actual values.

Gaps in Eurostat's data have been filled by estimates supplied by DEBA. Thus EU totals often contain estimates for missing countries. Estimates are shown in bold.

SIGNS AND ABBREVIATIONS:

EUR 12: European Union of 12
B/L: Belgo-Luxembourg Economic Union
ECU: European currency unit
Billion: Thousand million
N/A: Not available
%: Percent
1990 = 100: Reference year

SUB-CONTRACTING

IN BRIEF....

- ★ "INDUSTRIAL SERVICE" STATISTICS USED AS AN APPROXIMATION OF SUB-CONTRACTING
- ★ A "NATURAL" RECOURSE TO SUCH INDUSTRIAL SERVICES IN THE AEROSPACE INDUSTRY
- ★ ONE EMPLOYEE IN THREE IN SUBCONTRACTING IN AEROSPACE
- ★ ON THE OTHER HAND, IN THE MOTOR VEHICLES INDUSTRY, A MOVEMENT TOWARDS JOINT-VENTURES RATHER THAN SUBCONTRACTING
- ★ THEREFORE, ONLY 60,000 EMPLOYEES IN SUB-CONTRACTING IN THE MOTOR VEHICLES INDUSTRY (FOLLOWING STRICT DEFINITIONS)
- ★ BUT 220,000 OTHER EMPLOYEES IN RELATED SECTORS
- ★ SPECIALISED SUB-CONTRACTING IN THE TEXTILES INDUSTRY, A FLEXIBLE APPROACH IN CLOTHING
- ★ MORE THAN 600,000 PEOPLE EMPLOYED IN SUB-CONTRACTING IN THESE TWO SECTORS

Recourse to sub-contractors is very common in most industrial sectors, either to meet fluctuating demand (capacity sub-contracting), or, more and more frequently, as a choice of manufacturing process (speciality sub-contracting). This organisation method must be taken into account in any analysis of industrial issues. The Commission is particularly concerned with the efficiency of the European sub-contracting network and the possibility of developing trans-frontier agreements as part of its drive to improve the competitiveness of European enterprises.

In order to make up for the lack of quantitative data in this area and to accompany the launch of pilot surveys in the Union, Eurostat has made some preliminary estimates of sub-contracting with the help of the more general statistics available. The basis for these estimates were the structural variables from the annual surveys on the Structure and Activity of Industry. It is necessary to point out from the start, however, that the definition adopted is a narrow one (see methodological notes on the last page). The estimates produced therefore correspond to an evaluation of minimal sub-contracting. They are also restricted to the employment and turnover generated by sub-contracting in three sectors particularly concerned by the phenomenon: the aerospace, automobile and textile-clothing industries.

Results obtained for the aerospace industry show that in 1991 sub-contracting accounted for nearly 14% of turnover (ECU 10.6 bn). Nevertheless, sub-contractors were responsible for nearly one in four employees in the sector and more than 100,000 others in other sectors.

In the automobile industry, again in 1991, a total of 280,000 people were employed via sub-contracting, producing a turnover of ECU 11 bn. Of these 280,000 jobs, 220,000 were located in other sectors (metallurgy, plastics, etc).

Estimates suggest that 610,000 people work for sub-contractors in the textiles and clothing industries within the European Union and of those, 490,000 in enterprises with more than 20 employees and 120,000 in smaller enterprises. The corresponding turnover in 1991 probably amounted to ECU 14 bn or thereabouts.

IN THIS SECTION:

THE SECTOR'S ORGANIZATIONAL TENDENCY TOWARDS SUB-CONTRACTING:

The large-scale use of sub-contracting by this sector is reflected in the percentage of purchases devoted to industrial services compared to purchases as a whole (Table 5.1.1). This sector has the highest percentage, 37% in 1991, at EU level (as opposed to 6% in the automobile industry and 12% for textiles). Given the complexity of the final product manufactured by the sector, production is in fact organized in pyramid fashion, the top of the pyramid consisting of a small number of manufacturers assembling various systems which themselves are composed of sub-systems made up of basic components. Each level of the pyramid therefore has the potential to provide custom for the level below.

THE SUB-CONTRACTORS' DIVERSE SECTORAL ORIGINS:

The result of this structure is that aerospace sub-contractors at the lower levels can be recruited from diverse sectors. OSTIAS (see note 1), a French trade association has shown that sub-contracted are purchases relate to numerous NACE classes, such as metallurgy, mechanical engineering or the manufacture of measuring instruments (see note 2). Therefore, purchase of industrial services was taken in order to estimate the overall subcontracting generated by the sector. Sales of industrial services were used to determine sub-contracting generated within the sector itself. Average visible labour productivity rates (value added per person) for the sector or for the manufacturing industry as a whole were then applied to those sales or purchases in order to calculate the related employment.

IN 1991 SUB-CONTRACTING ACCOUNTED FOR A THIRD OF THE SECTOR'S JOBS:

In 1991 approximately 14% of the sector's turnover resulted from sub-contracting (Table 5.1.1). Nevertheless, more than one in three employees in the sector (34%) were involved in this kind of labour organization. The large difference between the two percentages (34% of jobs producing 14% of the turnover) can be explained by the fact that the type of sub-contracting under examination was assumed to generate hardly any intermediate consumption (see methodology on final page).

100,000 OTHER JOBS IN OTHER SECTORS:

In addition to jobs within the sector, it is estimated that in 1991 about 100,000 jobs in the other sectors owed their existence to work sub-contracted by the aerospace sector (a sharp reduction compared to 1990). The aerospace sector (the sector as a whole, plus sub-contractors in the other sectors) was therefore providing between 500,000 and 600,000 jobs. Obviously this is a far cry from the estimates made by experts, which generally set the figure at one million direct and indirect jobs created by the aerospace industry in the European Union (see note 3), but it

TABLE 5.1.1

ESTIMATION OF TOTAL SUB-CONTRACTING IN THE AEROSPACE INDUSTRY IN 1991 (MILLION ECU)

	Number of employees (units)	Sales of industrial services	Turnover	Purchases of industrial services	Total purchases	Value-added
F	110,602	N/A	15,508	7,221	10,842	4,732
D	71,251	806	7,666	1,100	4,303	3,791
I	46,936	136	4,493	686	3,002	1,806
UK	175,720	3,041	17,566	1,224	9,652	7,949
EUR12	**427,200**	**6,500**	**47,100**	**10,600**	**28,700**	**19,000**
Sub-contracting:						
Sector	**145,800**		**6,500**			
Outside sector	**104,200**		**4,100**			
Total	**250,000**		**10,600**			

SOURCE: eurostat

must be remembered that the above figures concern intermediate consumption as a whole (including general services), whilst our estimates concern only jobs created by sub-contracting within the restricted context of industrial services.

SUB-CONTRACTING BY COUNTRY:
In the breakdown of figures by country shown in Table 1, certain interesting figures justify the method applied. First of all. France has a very high sub-contracting to overall purchase ratio (66%) compared to the other countries. Secondly, sales of industrial services are higher than purchases in the United Kingdom (ECU 3.0 bn compared to 1.2), which would indicate sub-contracting carried out for other countries, one of which is obviously France (final assembly of Airbuses).

NATIONAL OR COMMUNITY SUB-CONTRACTING:
In estimating the amount of sub-contracting work done in the EU via the purchase of industrial services, we are working on the limited assumption that these purchases are made from EU enterprises. This assumption cannot be applied to all sectors. In the electronics sector, for example, it is probable that a large number of sub-contracting arrangements are with countries outside the EU (relocation to countries with low labour costs for highly labour-intensive work). However, in the aerospace sector sectoral studies show that the network of sub-contractors is geographically concentrated around the large manufacturers. This national localization is largely explained by the large share of sectoral production given over to military equipment (half of turnover in 1991).

REACTIONS TO THE 1991 CRISIS:
The aerospace sector went into recession from 1991 onwards as a result of problems in the air transport sector (some of these being short-term - Gulf War). Interviews with manufacturers and sub-contractors, conducted as part of research being carried out by DG III (see note 4), showed that one of the strate

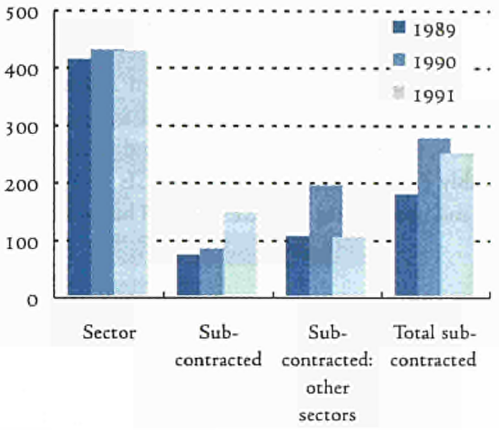


FIGURE 5.1.1

JOBS IN THE AEROSPACE SECTOR IN EUR12 (THOUSANDS)

SOURCE: eurostat

gies adopted at the time was that of bringing back within the sector services previously performed outside. The figures collected reflect this (Table 5.1.2). It can be seen that sub-contracted jobs in the sector increased by 75% whilst overall employment in the sector remained constant. It would appear that the excess capacity triggered by the plummeting of aircraft orders was used in producing parts which had previously been ordered from sub-contractors outside the sector. Employment in the sector was therefore to some extent safe-guarded, chiefly among the sub-contractors at the top levels of the pyramid.

TABLE 5.1.2

SECTORAL DEVELOPMENT 1989 TO 1991 (THOUSANDS)

	1989	1990	1991
Turnover (1)	41.5	46.4	47.1
Increase in productivity (2)	100.0	103.3	104.9
Jobs	412.7	429.1	427.2
Sub-contracted jobs	72.9	83.2	145.8
Sub-contracted jobs: other sectors	105.5	193.1	104.2

(1) Billion ECU
(2) Measured from value added per person employed, base 100 in 1989

SOURCE: eurostat

THE PYRAMIDAL STRUCTURE OF THE SECTOR:

It takes about 10,000 parts to build an automobile. These parts represent between 40 and 50% of the price (the rest being accounted for by assembly and distribution) (see note 5). The pyramidal structure requires is even recognized at the level of the European classification of activities (NACE), where three sub-sectors are distinguished: assembly (NACE 351), bodies (NACE 352) and parts and accessories (NACE 353). The two sub-sectors bodies and parts and accessories are a natural source of sub-contractors for the assembly sub-sector. The data available on these sub-sectors show that 70% of purchases of industrial services in the sector are made by assemblers.

TABLE 5.2.1

ESTIMATION OF SUB-CONTRACTING IN THE AUTOMOBILE INDUSTRY

		Number of employees	Turnover (mio ECU)
1989	Automobile total	1,855,300	274,800
	Sub-contracting:		
	Within the sector	60,400	2,400
	Outside the sector	189,300	7,000
	Total	249,600	9,300
1990	Automobile total	1,904,500	290,000
	Sub-contracting:		
	Within the sector	55,800	2,200
	Outside the sector	232,300	8,700
	Total	288,100	10,900
1991	Automobile total	1,877,800	302,100
	Sub-contracting:		
	Within the sector	60,500	2,400
	Outside the sector	219,600	8,600
	Total	280,100	11,000

SOURCE: eurostat

TABLE 5.2.2

PURCHASES OF INDUSTRIAL SERVICES IN TOTAL PURCHASES (MILLION ECU)

	Purchases of industrial services	Total purchases	Share of purchases of industrial services (%)
1989	9,300	172,200	5.40
1990	10,900	184,200	5.92
1991	11,000	190,200	5.78

SOURCE: eurostat

ESTIMATION METHOD FOLLOWED FOR THE SECTOR:

The following slightly less representative data, given by sub-sector, were used to estimate the amount of sub-contracting. It was also assumed that:

- all sales of industrial services within the three sub-sectors were made to the assembly sub-sector;
- the remaining purchases of industrial services by the assembly sub-sector, as well as all purchases of industrial services by other sub-sectors were from other sectors (metallurgy, plastics, electronics, rubber, etc). This was the basis for the estimates given in Table 5.2.1.

RECOURSE TO SUB-CONTRACTING LESS THAN 6% OF PURCHASES:

Taking all sectors together, it can be seen that sub-contracting turnover is between ECU 9 and 11 bn depending on the year, but only a little more than 2 bn within the sector itself, which may seem very little. The number of corresponding jobs varies between 250,000 and 290,000 (for all industrial sectors), compared to 1,900,000 for the sector as a whole. More than three- quarters of sub-contracting arrangements are with other sectors, which would suggest sub-contracting of a specialized nature.

The recourse to sub-contracting seems quite constant over time (table 5.2.2), but the series is rather small. On the other hand, it differs according to the country (graph 5.2.1). The recourse seems at a maximum in the countries where the manufacturers are established, which is totally logical: as the more one approaches the summet of the pyramid, the more the possibilities for sub-contracting.

INTERNATIONAL RESTRUCTURING OF THE SECTOR:

Figures 5.2.2 and 5.2.3 show that certain countries (e.g. Germany) sell relatively more industrial services than would be expected from their total sales within Europe. There are two possible interpretations for this; either internal sectoral organization varies from country to country, or there is recourse to international sub-contracting within the EU. Italy or the United Kingdom may be turning to German sub-contractors for the manufacture of certain specialized parts (high technology). This hypothesis calls for verification.

Nevertheless, it is well known that the last few years have seen a large scale restructuring of the European automobile industries (manufacturers and suppliers of equipment alike). There were as many as 350 company mergers and acquisitions during the period 1987 to 1992 (see note 5). This restructuring was carried out at sectoral level (absorption of suppliers by manufacturers) as well as geographically (mergers between European manufacturers or equipment suppliers). The geographical make-up of the production process was thus completely reshaped, and international trade along with it. Sub-contracting seemingly underwent the same international reorientation.

SUB-CONTRACTING OR PARTNERSHIP?

Once again it must be remembered that a very narrow definition of sub-contracting, often referred to as "work to order" has been applied. To a certain extent, NACE sub-sectors 352 and 353 in their entirety could be considered to be "sub-contractors" of the "assembly" sub-sector. The number of employees in these two sub-sectors amounted to some 670,000 in 1991 for the EU, which is far greater than our estimated amount for all sectors together. It is more likely that only three-quarters of the production of these two sub-sectors is intended for assembly (see note 6) in the EU, which would be approaching 500,000 jobs in the production of simple or complex parts to be used by European manufacturers.

However, the importance of certain automobile equipment suppliers is such that they resemble partners (or associates) more than subcontractors dependent on manufacturers. Therefore, if comparable statistics, particularly at international level, are to be obtained, there is a need to define sub-contracting very precisely and to distinguish it from partnership as a way of organizing the production process.

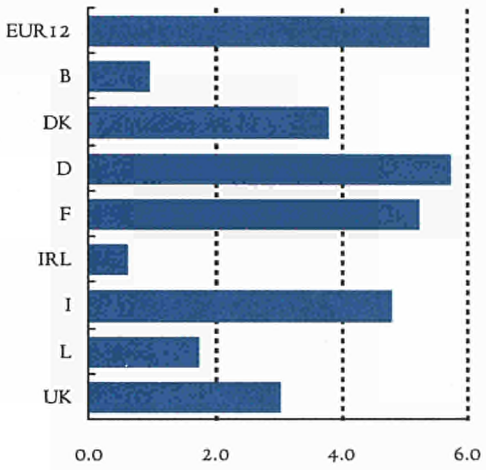


FIGURE 5.2.1

USE OF SUB-CONTRACTING BY COUNTRY (% OF PURCHASES)

SOURCE: eurostat

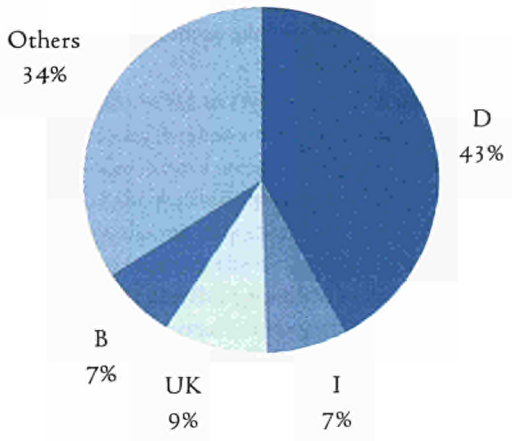


FIGURE 5.2.2

BREAKDOWN BY COUNTRY, OF SALES IN THE AUTOMOBILE SECTOR IN 1991 - INDUSTRIAL SERVICES

SOURCE: eurostat

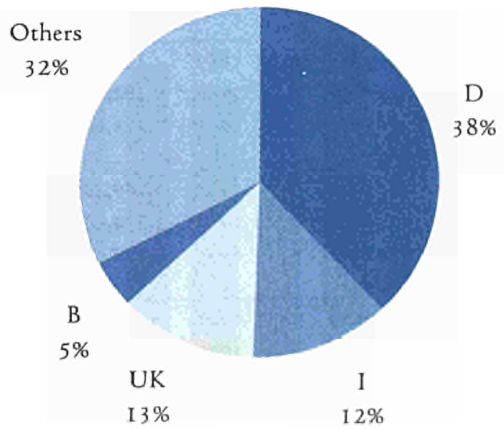


FIGURE 5.2.3

BREAKDOWN BY COUNTRY, OF TURNOVER IN THE AUTOMOBILE SECTOR IN 1991

SOURCE: eurostat

eurostat

BASIC ASSUMPTIONS:

The basic assumptions for these sectors are not the same as for the previous two sectors. Here, most sub-contractors for these sectors belong to the same sector, and it is the prime contractors who are more likely to belong to other sectors (the distribution sector in particular). Therefore more emphasis is given here to sales than to purchases of industrial services.
Consequently, it was necessary to make a rough estimate of sales for the sector's small enterprises, which were not included in the initial sample. In order to do this, use was made of the data on SMEs compiled by Eurostat. Moreover, in the absence of data on the relevant industrial services, it was assumed that the share of these sales in turnover was the same as for large enterprises (between 6% and 10%). It is more likely that most of the work carried out by small enterprises of this kind is as sub-contractors purchasing their own raw materials, but this falls outside the definition of sub-contracting chosen. We could therefore take account of all their industrial services sales.

GROWING USE OF SUB-CONTRACTORS:

Purchases of industrial services by enterprises with more than 20 employees rose between 1989 and 1991 in the clothing and the textile industries alike. However, their sales did not increase to the same extent, and even decreased for the clothing sector. Such enterprises therefore look more and more either to the small enterprises in their sector, evidence of which has yet to be obtained, or more probably to enterprises outside the EU. This last theory is most applicable to the clothing sector, which is less highly automated. There is therefore a great temptation to relocate to countries with low labour costs. This is shown clearly by the study on outward processing traffic (see note 7) conducted at the request of the OETH (see note 8).
This lesser degree of automation can also encourage sub-contracting to very small enterprises, as the sub-contracting logic here is quite different to that of the aerospace and automobile industries. It is lower costs and faster adaptation that prompt recourse to the smaller enterprises (and even to the black economy).

TABLE 5.3.1

ESTIMATION OF SUB-CONSTRACTING IN THE TEXTILE AND CLOTHING INDUSTRIES (MILLION ECU)

			Total number of employees (units)	Total sub-contracted employees (units)	Total turnover	Sales of industrial services	Total purchases	Purchases of industrial services
Textiles	enterprises with more than 20 employees	1989	1,053,700	317,600	77,000	7,400	49,800	6,000
		1990	1,015,400	301,800	77,300	7,500	49,100	6,200
		1991	984,500	292,800	77,300	7,500	48,800	6,600
	enterprises with fewer than 20 employees	1989	181,900	54,100	12,500	1,200		
		1990	182,100	57,600	13,500	1,300		
		1991	174,600	53,400	13,100	1,300		
Clothing	enterprises with more than 20 employees	1989	1,269,300	231,500	64,100	3,900	40,000	8,900
		1990	1,224,400	221,500	68,900	4,100	42,900	9,900
		1991	1,178,600	199,000	71,800	4,000	44,700	10,200
	enterprises with fewer than 20 employees	1989	504,600	83,600	22,300	1,400		
		1990	491,400	76,800	22,400	1,300		
		1991	478,000	68,500	23,000	1,300		

SOURCE: OETH, eurostat

The clothing sector makes greater use of sub-contractors than the textiles industry (22.8% of sectoral purchases as opposed to 13.5% for textiles in 1991), although it has to be borne in mind that the clothing sector is downstream in the production process and may therefore have sub-contractors in the textile industry.

346,000 SUB-CONTRACTED JOBS IN THE TEXTILES SECTOR:

The estimates obtained are the following: in 1991, the sub-contracted production of enterprises with more than 20 employees in the textiles sub-sector (NACE 43 excluding 436, and NACE 455) amounted to ECU 7.5 bn (of a total turnover of 77.3 bn). Sub-contracting thus provided jobs for 293,000 people in these enterprises, to which 53,000 employees in the smaller enterprises must be added (ECU 1.3 bn).

Over the three years under observation, the share of work made over to sub-contractors remained quite stable for enterprises with more than 20 employees (10% of turnover and 30% of jobs). This would appear to be evidence of speciality-type sub-contracting for these enterprises. More detailed figures would probably show wide variations according to the material (cotton, wool, etc.) and the function (spinning, weaving, finishing, etc.) in question, as is shown by the study conducted on behalf of the Commissio (see note 9).

...AND 268,000 JOBS IN THE CLOTHING SECTOR:

For the same period, the clothing sector (NACE 436 and 453) employed a total of 268,000 people in sub-contracting work (69,000 in enterprises with fewer than 20 employees, 199,000 in larger enterprises). Another study carried out for the Commission (see note 10) put the number of sub-contracting jobs in the clothing sector at 800,000, including however, 150,000 non-registered workers who did not appear in the official figures passed on to Eurostat. This estimate more or less corresponds to the number of sub-contracting jobs calculated here for large enterprises plus the total number of jobs in small enterprises, for which the possibility of applying a wider definition has already been mentioned.

This turnover corresponding to our estimate, and for industrial services alone, amounts to ECU 1.3 bn for small enterprises and ECU 4.0 bn (of a total of 71.8) for the larger enterprises.

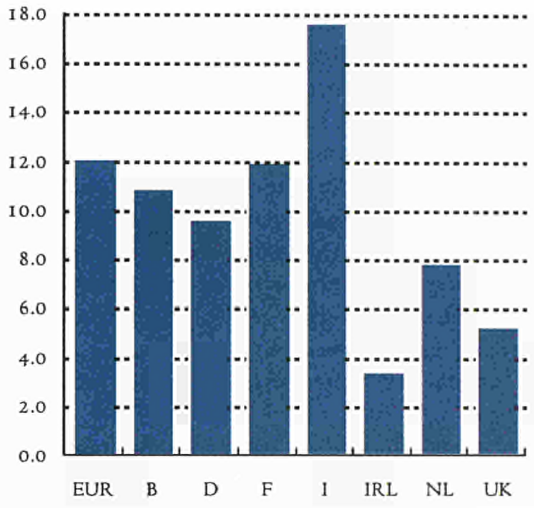


FIGURE 5.3.1

SUB-CONTRACTING AS A SHARE OF TOTAL PURCHASES IN 1989 - TEXTILES (1) (%)

(1) Enterprises with more than 20 employees only

SOURCE: eurostat

The total number of employees working through sub-contracting for the textiles and clothing sectors as a whole in the EU, is probably therefore at least 614,000.

WIDE DISCREPANCIES BETWEEN COUNTRIES:

Figure 5.3.1 clearly shows the varying degree to which sub-contractors are used in different countries. Italy is the greatest employer of sub-contractors and it is also in Italy that the greatest number of small enterprises in the sector are to be found (more than half the European SMEs of the sector are Italian). The production organization within the sector is therefore closely linked to use of sub-contractors.

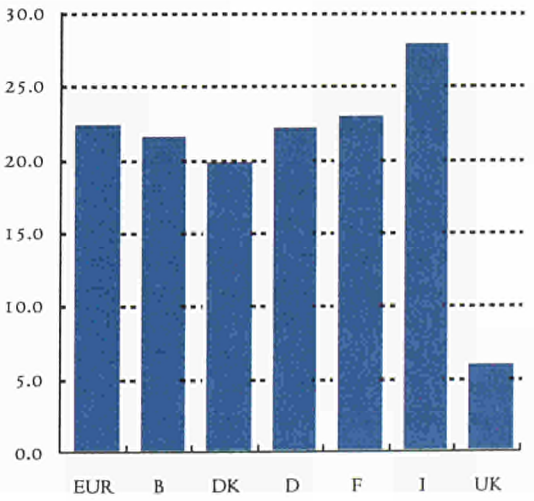


FIGURE 5.3.2

SUB-CONTRACTING AS A SHARE OF TOTAL PURCHASES IN 1989 - CLOTHING (1) (%)

(1) Enterprises with more than 20 employees only

SOURCE: eurostat

eurostat

METHODOLOGY:

DEFINITION OF INDUSTRIAL SUB-CONTRACTING:
The chief difficulty encountered in measuring a phenomenon like sub-contracting is that of clearly defining several aspects, such as: Where does industrial sub-contracting begin and end? Does the difference between a sub-contracted order and a standard product order lie in the specificity of the products, the supply of materials or equipment by the client enterprise, or the relationship between the two enterprises? Etc, etc. Having consulted trade associations, Eurostat has suggested that a sub-contracting relationship is assumed to exist when:

* the prime contractor participates in the product design,
* the prime contractor is responsible for marketing the product.

This definition will be put to the test in the pilot surveys being set up in the Member States. For the time being, however, the only available statistics relating to sub-contracting remain those on industrial services.

THE INDUSTRIAL SERVICES APPROACH:
Our main sources of information were the "purchases" and "sales of industrial services" variables recorded in the annual Structure and Activities of Industry surveys. These variables tend more towards a limited definition of sub-contracting, i.e. the processing of raw materials provided by the prime contractor. They include repair and maintenance services, which should not be accounted for as sub-contracting. It is therefore clear that the estimates given above are sufficient only to give an approximate picture of sub-contracting. Moreover, the population of enterprises interviewed excludes enterprises with fewer than 20 employees, thus potentially disregarding a fair number of sub-contractors. For this reason, the focus for the aerospace and automobile sectors was on purchases rather than sales of industrial services. For the textile and clothing sectors, the share taken by small enterprises was estimated.

THE BASIC METHOD APPLIED:
Approaches varied according to sector. One general hypothesis was, however, that given their definition, purchases and sales of industrial services correspond in practical terms to purchases and sales of value added only, as it is assumed that the materials are supplied by the client enterprise. As certain data were unavailable at national level (mainly on purchases and/or sales of industrial services), estimates were made using the average structure of other countries. Estimates from the DEBA (see note 11) database for EUR 12 (employment, turnover, purchases and value added) were used for the sectoral alignment. In addition to this some SME data were used for the textile and clothing sectors.
All data which were the result of estimates are shown in the tables in bold.

THE PILOT SURVEYS ON SUB-CONTRACTING:
In spite of the fact that the phenomenon is not new and has even grown considerably in some industrial sectors, statistical data on industrial sub-contracting are sparse and rarely standardized. The underlying economic stakes are high, however, and the lack of information in the area has become a handicap. With the cooperation of the Statistical Institutes of the Member States and the support of the Commission (DG XXIII), Eurostat has therefore undertaken to set up pilot surveys in some of the Member States. The main objective of these surveys is to measure the economic importance of this kind of production organization, but they also aim to record certain structural characteristics of sub-contractors and their prime contractors. This information is essential if the competitiveness of European enterprises is to be improved.
The results of these surveys are to be published by Eurostat at the end of 1995.

1 Observatoire de la Sous-traitance dans les Industries Aéronautiques et Spatiales (observatory for sub-contracting in the aerospace industry).
2 Study of geographical location of sub-contractors and suppliers to the aerospace sector.
3 Panorama of EC Industry 1993.
4 Study on Aerospace Industry Subcontracting by the LEK research centre.
5 Source: Boston Consulting Group - "The competitive challenge facing the European automotive components industry" (study conducted for the Commission).
6 In its study "Automobile equipment suppliers" SESSI gives the following sales breakdown for France: 52% for original equipment, 15% for spare parts and 33% for exports.
7 Outward processing trade in the EC clothing industry (STOGO Report).
8 European Observatory for textiles and clothing.
9 Comitextil Report - Qualitative study on sub-contracting in the textiles sector.
10 MERCER Management Consulting Report on European sub-contracting in the clothing sector.
11 Data for European Business Analysis.

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