



KEY FIGURES

Bulletin of economic trends in Europe and summaries 12/96

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Foreword

European Union annual inflation remained at 2.3% in September, the same as in August.

With a rate of 10.8% in September, European Union seasonally-adjusted unemployment has now been the same for four months. In September last year it was 10.7%.

In 1995, trade with South America accounted for about 4 % of EU's external export and import flows: 23.4 bn ECU for EU imports from this region and 23.1 bn ECU for EU exports.

On 14 October, the Finnish markka joined the EMS exchange rate mechanism (ERM). This ended a four-year period of 'floating' (i.e. the currency was not officially pegged to one or several other currencies).

Following the sharp falls in September, EU government bond yields continued to move lower in October.

Several EU countries saw a significant increase in the pace of money supply growth in the first half of 1996.

Among the Fifteen Member States, Italy recorded the biggest increase in foreign official reserves (excluding gold) in June, measured in ECU terms, rising 2.4bn to a total of 39.0bn.

European Union industrial production was up by 0.6% in May to July compared to the three previous months.

In the "Dossier of the month" of this edition the first part is devoted to *European Union and the APEC countries*, the second part to *Enterprises in Central & Eastern Europe*, and the third part to *European Union direct investment in the rest of the world (1992-94)*.

European economy at a glance



	Dates	B	DK	D	GR	E	F	IRL	I	L	NL	A	P	FIN	S	UK	EUR 15
GDP, seasonally adjusted volume trends, T/T-1 %	11/96	:	1.02	0.92	:	0.55	-0.37	:	-0.41	:	1.34	:	:	0.3	0.53	0.54	0.35
GFCF, seasonally adjusted volume trends, T/T-1 %	11/96	:	2.93	4.15	:	0.39	-0.57	:	0.62	:	0.13	:	:	-1.47	4.69	2.94	-0.9
Private final national consumption volume trends, T/T-1 %	11/96	:	0.29	0.29	:	0.58	-0.96	:	0.28	:	1.72	:	:	-0.4	0.31	0.85	1.16
Production index 1990=100 total, seasonally adjusted (1)	07/96	107.0	117.5	97.95	98.8	103.0	101	:	104.7	102.8	111.0	:	:	119	114.7	106.8	104.2
Consumer price index T/T-12 %	09/96	2.0	2.3	1.4	8.5	3.5	1.6	1.4	3.4p	1.3	2.0	2.0p	3.4	0.5	0.2	2.1	2.3p
Conversion rate 1 ECU=... monthly average	10/96	39.6	7.37	1.92	301.8	161.9	6.50	0.78	1919	39.6	2.16	13.53	194.3	5.75	8.30	0.79	
Exchange rate 1 USD=... monthly average	10/96	31.5	5.86	1.53	239.8	128.6	5.17	0.62	1525	31.5	1.71	10.75	154.4	4.57	6.60	0.63	:
Money supply, M1 T/T-12 %	07/96	4.0	:	10.4	10.7	4.1	4.6	19.7	0.7	:	17.1	11.1	5.0	14.2	:	:	:
Yield on public sector long-term bonds %	09/96	6.5	7.2	6.2	:	8.4	6.2	7.2	9.2	6.8	6.1	6.3	8.3	6.9	7.8	8.0	:
Unemployment rate seasonally adjusted %	09/96	9.7	5.7	9.0	:	21.4	12.5	12.4	:	3.2	6.7	4.1	7.1	15.1	10.2	8.2	10.8
Total EU trade balance BN ECU	1/96	1.5*	1.2	11.0	-2.6	-2.4	2.2	2.7	4.7	1.5*	3.4	-0.8	-1.6	-1.6	3.6	-6.8	17.8

Data in italics are not necessarily for the indicated period but are the latest available (usually the previous month or quarter)

* BLEU

(¹) Excluding construction



Inflation rate

European Union annual inflation remains at record low in September

EU annual inflation remained at 2.3% in September, the same as in August. A year before it was 3.2%.

At present, the Member States are experiencing for the second month the lowest inflation since the compiling of the figures was started in 1983.

Nine Member States were 2.0% or under, the United Kingdom stood at

2.1% and Denmark touched the EU average at 2.3%. All the Southern Member States remained above the EU average.

Lowest rate in September was Sweden's 0.2%, followed by Finland with 0.5%. Highest remained Greece's 8.5%; next was Spain with 3.5%.

September rates in Member States, in ascending order of inflation, with corresponding figures for the previous year

	<u>Sept 1996</u>	<u>Sept 1995</u>		<u>Sept 1996</u>	<u>Sept 1995</u>
	<u>Sept 1995</u>	<u>Sept 1994</u>		<u>Sept 1995</u>	<u>Sept 1994</u>
Sweden	0.2%	2.5%	Austria	2.0 %p	2.0 %p
Finland	0.5%	0.4%	United Kingdom	2.1 %	2.1 %
Luxembourg	1.3%	1.6%	Denmark	2.3 %	2.3 %
Germany	1.4%	1.8%	Italy	3.4 %p	3.4 %p
Ireland*	1.4%	2.5%	Portugal	3.4 %	3.4 %
France	1.6%	2.0%	Spain	3.5 %	3.5 %
Belgium	2.0%	1.2%	Greece	8.5 %	8.5 %
Netherlands	2.0%	1.5%	EUR 15	2.3 %p	2.3 %p

* The index for Ireland is quarterly; August 96/95 and August 95/94
p = provisional

Unemployment

European Union unemployment remains at 10.8% in September

With a rate of 10.8% in September European Union seasonally-adjusted unemployment has now been the same for four months. In September last year it was 10.7%.

Unemployment was fairly constant in the majority of Member States over the last three months. But it continued to rise in France (from 12.3% in June to 12.5%) and fall in the United Kingdom (from 8.3% to 8.1%), Portugal (7.4% to 7.1%) and Finland (16.2% to 15.1%).

In addition to France and Finland,

Ireland (12.4%), Italy (12.2% - July) and Spain (21.4% - the EU's highest rate) had rates above the Union average. Luxembourg continued with the EU's lowest rate, 3.2%.

18.1 million people were unemployed in the EU in September. This is a seasonally-adjusted figure in line with ILO criteria.

In comparison with the EU, the USA is running at 5.2% (August) and Japan at 3.3%.

In 1995, trade with South America accounted for about 4 % of EU's external export and import flows

External trade

In 1995, trade with South America accounted for about 4 % of EU's external export and import flows. EU imports from South America amounted to 23.4 bn ECU, up 5.6% over 1994. EU exports totalled 23.1 bn ECU, a rise of 18.4%. This EU's net exporter development was the continuation of the persistent trend observed since 1990, as the growth of EU imports of 2.4 % p.a. was strongly outpaced by a remarkable 19% p.a. for EU exports. As a consequence, the important EU trade deficit with South America in 1990 of 11 bn ECU, virtually disappeared by 1995 (0.3 bn ECU). In 1995, EU imports from South America were heavily concentrated in primary goods (15.7 bn ECU). Their share in the total of EU imports (67% in 1995) increased slightly since 1990 on the detriment of the manufactured product's share (30% in 1995). In 1995, the most important EU imports each accounting for more than 2 bn ECU were: feeding stuff for ani-

mals, non-ferrous metals, coffee, tea cocoa, spices, vegetables & fruits and metalliferous ores & metal scrap. Manufactured products (20.2 bn ECU) covered 87% of EU exports in 1995; a share which has been stable since 1990. Transport equipment (of which 3.5 bn ECU for Road vehicles) and Machinery accounted for 12.1 bn ECU, or 52 % of all EU exports to South America.

Brazil and Argentina were by far the most important South American trading partners supplying 44% and 15% of EU imports, and receiving 46% and 18% of EU exports. It was also due to this bilateral trade, that in 1990 EU deficit from 8 bn ECU turned in 1995 into a surplus of 1.4 bn ECU. In 1995, among EU Member States Germany accounted for 21% of EU imports and 29% of EU exports. Other leaders on the import side were the Netherlands (15%), Italy (14%) and the UK (13%), and on the export side Italy (20%), France (12%) and Spain (10%).

Money and Finance

Exchange rates and interest rates

Finnish markka joins EMS exchange rate mechanism in October

On 14 October the Finnish markka joined the EMS exchange rate mechanism (ERM). This ended a four-year period of 'floating' (i.e. the currency was not officially pegged to one or several other currencies). The ECU central rate for the markka is 5.80661 (FMK 3.04 against the Deutschemark). Like other member currencies of the ERM, the fluctuation limits are set at +/- 15%. Having entered the ERM, the markka maintained a steady position during the rest of October, slightly above its central rate, ending the month at DM 3.00.

A major feature on the world's foreign exchange markets in October was the weakening of the Japanese yen.

Against the US dollar, the yen fell for the second month running, reaching the lowest point (114.2 at the London market close on 28 October) since April 1993. The yen also depreciated against the DM to the lowest level (75.6 on 30 October) since February 1993. The DM recovered a little against the dollar, ending October at 1.514; having fallen from 1.478 to 1.526 in September.

The pound sterling continued to appreciate, reaching DM 2.383, a level not seen since December 1994. On 30 October the Bank of England signalled a rise in UK base rates of 0.25 percentage points to 6%, reversing the cut which took place in June. The Italian lira did not appear to be affected by the reduction in the discount and

Lombard rates announced on 23 October, ending the month at 1002 against the DM. These rates, which were last cut in July this year, now stand at 7.5% and 9% respectively. Having appreciated during September, the Swedish krona continued to strengthen against the DM in the first half of October, dipping below 4.30 for the first time since 1992, before retreating to 4.34 by the end of the month. Monetary policy was eased further by the Swedish central bank, the 'repo' rate falling to 4.6%. The Greek drachma was slightly firmer during the month, finishing at 157.1 against the DM.

In the ERM, the French franc and Danish krone were steady against the DM during October, ending the month at 3.376 and 3.841 respectively. Nevertheless, they remained the weakest currencies in the system. Measured in terms of bilateral fluctuations, the spread between the weakest and strongest currencies widened, as the Irish punt continued to strengthen at the top of the system. Both the Irish punt and Portuguese escudo reached their highest levels against the DM since February 1994: 2.473 and 100.7 respectively. The Finnish markka ended the month the second strongest currency, ahead of the escudo. Among ERM member countries, official interest rates were eased in October in Portugal, Spain, and Finland.

European Union yields move lower, while convergence continues in October

Government bond yields

Following the sharp falls in September, EU government bond yields continued to move lower in October. Comparing end month data for October and September, the best-performing government bonds were again the relatively high yielding ones. The yield on government bonds of Italy and Portugal fell 0.3 percentage points to 8.1% and 7.6% respectively, while the yield on Spanish bonds fell 0.2 points to 7.8%. The Portuguese bond yield edged lower to the level of UK bonds. The yield on French government bonds reached the German bond level, both ending the month with a yield of 6.0%, while the yield on Dutch bonds edged lower to 5.9%. The yield differential among EU government bonds,

narrowed further to 2.2 percentage points at end October, compared with 4.9 points at the end of 1995. US bond market conditions were buoyant in October, the Treasury bond yields falling from 6.7% to 6.4%, though this was still well below the end-1995 level of 5.7%. In the Japanese market, expectations of tighter fiscal policy, and unexpected raise of interest rates caused the yields to fall to record low. At end October the government bond yielded 2.5%, compared with 2.8% a month before.

Note: the above-mentioned yields relate to government bonds of around 10 years to maturity.

Acceleration in broad money supply growth in several European Union countries during the first half of 1996

Money supply

Several EU countries saw a significant increase in the pace of money supply growth in the first half of 1996. Looking at the commonly used broad definitions of money supply, on the basis of end-period data, Belgian M3 grew at an annual rate of 10.0% in the first half of 1996, compared with 0.3% in 1995. Comparing the same two periods, Sweden's M3 accelerated to 10.4% from 2.7%. The trend was also upwards, though less pronounced, in Germany, the Netherlands, Denmark, Italy, and Ireland. In Italy, M2 growth remained modest (up from 2.5% to 4.4%), whereas Ireland's broad monetary expansion remained the fastest in the EU, the rate of M3 growth reaching 18.9%, compared with 14.1% in 1995.

The stronger rate of growth this year in broad monetary aggregates in these countries should, however, be seen against a background of generally very subdued monetary growth in 1994-95.

Moreover, in other countries - notably in France and Finland - the trend has been downwards. French M3 growth fell from 4.9% in 1995 to 0.8% in the first half of 1996, while Finland's M3, which grew 0.4% in 1995, fell 4.4% in the first half of 1996 compared with the previous year. By contrast, Finland's M1 (narrow measure) increased by 14.2% in the year to July 1996, compared with 14.0% in 1995. Finland's rapid M1 expansion was only exceeded by the Netherlands (17.1% in July, up from 13.6% in 1995), and Ireland (19.7% in July, from 13.8% in 1995).

Generally, M1 = notes and coin in circulation + bank sight deposits
M2 = M1 + savings deposits + other short term claims on banks
M3 = M2 + certain placements in a less liquid or longer term form

Sharp increase in Italy's reserves in the second quarter of 1996

Foreign official reserves

Among the Fifteen Member States, Italy recorded the biggest increase in foreign official reserves (excluding gold) in June, measured in ECU terms, rising 2.4 bn to a total of 39.0 bn. Taking the second quarter of 1996 as a whole, Italy's reserves jumped 41.8% in value, at a time when the lira strengthened considerably against the currencies of the EMS exchange rate mechanism. However, taking the broader perspective of a comparison over six months, Spain recorded the largest rise in reserves between end-1995 and June, of 50.7% to 39.5 bn ECU, compared with a 46.8% rise for Italy. Denmark also saw a jump in

reserves between the two dates, up 38.4% to 11.6 bn ECU, whereas Finland recorded the steepest decline, of 32.7% to 5.1 bn ECU. Meanwhile, Japan's foreign official reserves rose 19.2% between end-1995 and June 1996, following a 36.3% jump during 1995, resulting a new world record in ECU terms of 166.2 bn. There are signs, however, that the rise in Japan's reserves may be levelling off; indeed, the recent decline in the yen against the dollar increases the likelihood of falling reserves. US reserves showed little change in ECU terms between end-1995 and June, edging 1.2% higher to 57.6 bn.

European Union industrial production up 0.6%

Industrial production

EU industrial production¹ trend was up by 0.6% in May to July compared to February-April, which signals upturn in industrial activity. Most notable rise was

in durable consumer goods (1.7%). The production increased in nine Member States and fell in two, Italy (-0.6%) and Luxembourg (-0.2%).

Industrial production trend²

Changes from Feb-Apr to May-July in Member States with available data

Belgium	2.8 %	Spain	0.7 %
Denmark	2.3 %	EUR 15	0.6 %
Finland	1.8 %	Netherlands	0.3 %
Germany	1.1 %	United Kingdom	0.0 %
Sweden	1.0 %	Luxembourg	-0.2 %
Greece	0.9 %	Italy	-0.6 %
France	0.7 %		

¹ Data extracted 31/10/96

² The term trend denotes changes adjusted for both seasonal factors and one-off fluctuations

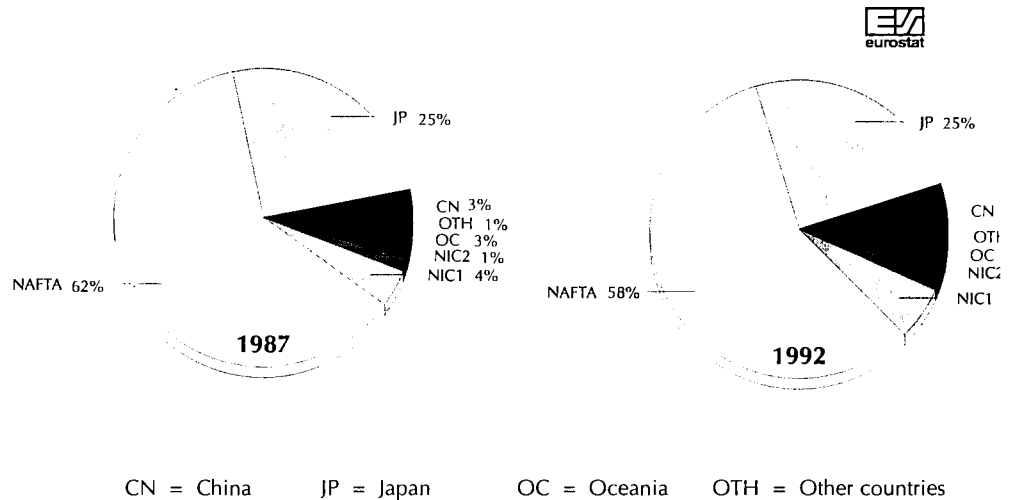
Dossier of the month

European Union and the APEC countries (1)

The GDP of both the European Union and the APEC countries grew steadily during the period under observation (1987-1995), reaching ECU 5 678.3 billion and ECU 10 014.4 billion respectively

The pattern was similar until 1990. The European Union's growth in GDP then slowed down and was overtaken by the APEC countries in 1993. The share of each area in the total APEC figure reveals the growing importance of the new Asian economies, while Japan and NAFTA are like the EU in recording periods of sluggish growth

Breakdown of APEC GDP by area



(1) APEC (Asia-Pacific Economic Cooperation) comprises: NAFTA (Canada, United States and Mexico), NIC1 (Hong Kong, South Korea, Singapore and Taiwan), NIC2 (Malaysia, Philippines and Thailand), Oceania (Australia and New Zealand), China, Japan and other countries (Chile and Indonesia).

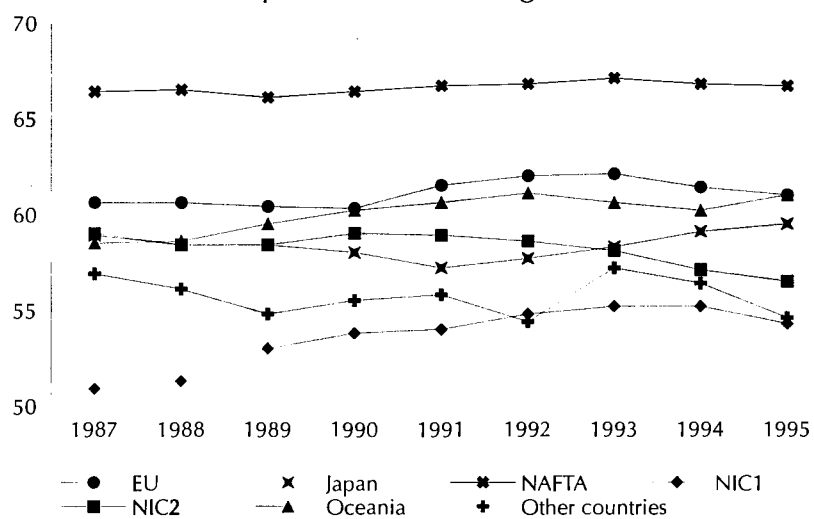
Gross domestic product in ECU billion (thousand million) at 1990 prices and exchange rates

	1987	1988	1989	1990	1991	1992	1993	1994	1995
EU	4 680.6	4 874.0	5 044.2	5 193.6	5 369.1	5 420.3	5 388.5	5 541.8	5 678.3
1990=100	90.1	93.8	97.1	100.0	103.4	104.4	103.8	106.7	109.3
APEC	7 885.7	8 276.1	8 608.2	8 852.3	8 978.7	9 230.3	9 455.4	9 784.4	10 014.4
1990=100	89.3	93.5	97.3	100.0	101.2	103.7	105.7	109.0	111.1

Private consumption as a percentage of GDP remained fairly stable in the EU throughout the period under observation (approximately 61 %)

NAFTA had the highest percentage of private consumption among the APEC areas. For the NIC1 countries, the figure rose 3.4 points between 1987 and 1995. In Japan it declined during the first five years but then increased in the years up to 1995. NIC2 is the only area with an overall reduction since 1987 (-3.7 points).

Private consumption as percentage of GDP based on ECU (at 1990 prices and exchange rates)



Private consumption as percentage of GDP based on ECU (at 1990 prices and exchange rates)

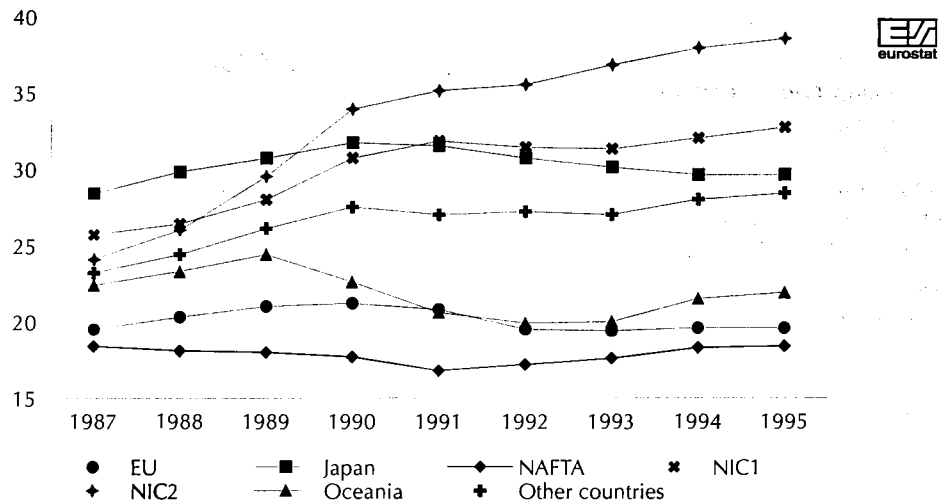
	1987	1988	1989	1990	1991	1992	1993	1994	1995
EU	60.6	60.6	60.4	60.3	61.5	62.0	62.1	61.4	61.0
APEC *	63.3	63.1	62.9	63.0	62.9	63.1	63.5	63.5	63.4

* Excluding China

In the EU, gross fixed capital formation (GFCF) as a percentage of GDP followed a period of growth until 1991 with a reversal of the trend, with the result that the 1995 figure was the same as in 1987 (19.6%)

Japan recorded the highest GFCF rates until 1990 (31.7%) but was then overtaken from 1991 by NIC1 (32.7%) and NIC2 (38.5%), with the latter experiencing the highest GFCF growth of all the APEC areas. NAFTA had the lowest rate (18.4%).

Gross fixed capital formation as a percentage of GDP based on ecu (at 1990 prices and exchange rates)



Gross fixed capital formation as a percentage of GDP based on ECU (at 1990 prices and exchange rates)

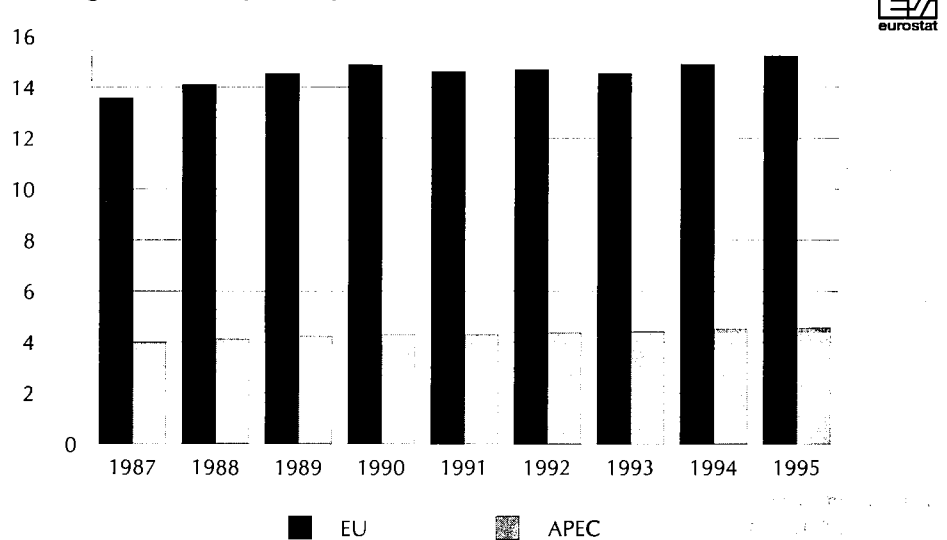
	1987	1988	1989	1990	1991	1992	1993	1994	1995
EU	19.5	20.3	21.0	21.2	20.8	19.5	19.4	19.6	19.6
APEC *	21.6	22.0	22.4	22.7	22.3	22.3	22.3	22.7	22.9

* Excluding China

During the period in question, GDP per capita grew in every area, although certain areas occasionally experienced negative growth, such as the European Union (in 1991 and 1993), NAFTA (1994) and Oceania (1990-91)

Japan recorded the biggest rise in absolute terms (ECU 3 541, up by 21.7%). In contrast, China had the smallest increase in absolute terms (ECU 200) but the highest growth rate (87.2%). There were also significant increases recorded in NIC1, NIC2 and other countries.

Change in GDP per capita (in ECU)



GDP per capita (in ECU)

	EU	APEC	China	Japan	NAFTA	NIC1	NIC2	Oceania	Other
1987	13 586.0	3 989.4	218.0	16 329.7	13 923.6	4 751.2	809.0	12 427.2	582.0
1995	15 224.4	4 577.3	407.8	19 870.8	14 904.0	7 719.9	1 279.3	12 427.2	582.0

Enterprises in Central & Eastern Europe

3.4 million enterprises

Six years after the fall of the Berlin Wall, 3.4 million enterprises were operating in market economy conditions in the 11 Central and Eastern European countries (CEECs) assisted under the European Union's PHARE programme. Of the 3.362.121 enterprises established in these countries up to September last year nearly a third were in Poland, over a fifth in the Czech Republic and over 15% in

Hungary. Adapting the means of production to the market economy has been a rapid process. In all countries with the exception of Baltic states and Albania the proportion of enterprises created through privatisation of former State enterprises or splitting up cooperatives was negligible. It is mainly larger enterprises that have been privatised. The vast majority of new firms have been created from scratch.

Number of enterprises established in CEECs (September 1995)

Poland	1.057.102	Slovenia	72.387
Czech Rep	706.495	Lithuania	57.078
Hungary	519.502	Albania	41.460
Romania	362.662	Estonia	30.397
Bulgaria	302.665	Latvia	25.663
Slovakia	186.710	TOTAL CEECs	3.362.121

Situated in urban areas

In CEECs there were 31 enterprises per 1,000 inhabitants compared with the European Union's 42.8. The figures are above the European Union average in the Czech Republic (68.4) and Hungary (50.7). The density is linked closely to GNP per head. 77% were situated in urban areas; 18% around capital cities. 66.2% had no salaried employees, compared with 49.7% in the European Union. These accounted for 14.9% of employment compared with the European Union's 9.7%. Firms with 1 to 49 salaried employees accounted for 32.4% of total enterprises and 34% of employment (EU: 49.2% and 40.1% respectively). Medium and large enterprises

(50 employees or more) were of similar proportions in both European Union and CEECs.

Average size was 7.4 employees (European Union: 6.5). Micro-enterprises of less than half a full-time employee are springing up in Slovenia, Slovakia and the Czech Republic. These are probably the result of extra work by people with another, salaried job. As in the European Union, this group of small enterprises is subject to dynamic change, with large numbers of enterprises set up and a high mortality rate in the first years after creation. These very small enterprises are still fragile due to difficulties in accumulating capital and securing investment.

Industrial enterprises

The European Union has a larger proportion of service enterprises. CEECs remain more industrial with a strongly-developing commercial sector. Albania

and Bulgaria stand out for their high proportion of hotels, restaurants and cafes.

Proportion of enterprises by sector of activity

	PECO	EU
Manufacturing	16.9%	13.3%
Construction	10.6%	12.7%
Distribution	37.6%	31.8%
Hotels, restaurants & cafes	6.1%	8.5%
Transport & services	28.7%	33.6%

Salaried employees made up 71.4% of the enterprise workforce. Managers and non-salaried family members accounted for 18.9%. Almost 10% was fee-based contract work.

9.6% of the 486,000 public and private limited liability companies depended on foreign capital - mostly majority holdings. In the total number

of enterprises (3.4 million), foreign capital participation was very low (in only 1.3% of them) but such firms accounted for 10.8% of jobs. Latvia and Hungary had around 15% of employment in enterprises with foreign capital participation. Bulgaria had only around 2.5%.

Not enough demand

For every 100 active enterprises 18 were dormant but hoped to start or resume work and 55 said they were "definitely dead". 61% of active enterprises admitted serious difficulties in surviving or developing. 52% complained about production difficulties. Most common were absence of resources, lack of credit facilities and delays and defaults in customer payments. Absence of skilled labour was a major difficulty in the Czech Republic and Slovenia. Albanian and Romanian firms suffered from lack of technology. 40% of active enterprises claimed diffi-

culties with demand: absence of clients with strong purchasing power and a surfeit of competition were cited widely. In the face of so many problems, enterprises found it difficult to expand: 65% said they had not carried out any investment in the previous year and only 17% invested more than 10% of turnover.

The average age of people setting up enterprise was 37.8, lowest age being 35 in Slovenia. Fewer than 40% were managed by people over 45. 27% of the new enterprises was founded by women.

European Union direct investment in the rest of the world (1992-94)

**8,214 million ECU in
Central & Eastern Europe**

From 1992 to 1994 European Union Member States invested 8.214 million ECU in Central and Eastern European Countries (CEECs¹) or some 13% of all direct investment to the rest of the world. The European Union is their only major foreign investor. The foreign direct investment (FDI) in CEECs equalled total European Union FDI in South America (7%) plus newly-industrialised countries (NICs of Asia²) together with China (7%). In contrast, CEECs received only 2% of total USA

FDI and less than 1% of Japan's. But new independent states of the former Soviet Union (NIS³) gained only 1.4% of European Union FDI and under 1% each of that of USA and Japan. The USA invested a similar amount as the European Union in South America, to the Asian NICs and China. Japan invested less in South America (3%), but more heavily than both the European Union and USA in Asian NICs and China (19%).

FDI made by the European Union, the USA and Japan between 1992-1994 (in % of the total)

	EU	USA	Japan
EU	:	49%	19% ¹
USA	43%	:	45%
JAPAN	-1%	3%	:
Canada & Mexico	2%	9%	3%
CEEC	13%	2%	<1%
NIS	1%	<1%	<1%
NICs Asia & China	7%	7%	19%
South America	7%	6%	3%
Offshore financial centres	7%	18%	16%
Other	21%	6%	-4%
Total	100%	100%	100%

¹ FDI by Japan in EU12

Between 1992 and 1994, Germany accounted for 42% (ECU 3.450 million) of the total European Union FDI flows into CEECs. Austria was the second biggest investor in CEECs with an estimated 15%-20% in 1992-1994, fol-

lowed by the Netherlands and France, 13% and 7% respectively over the same period. Of European Union investment in this area in 1992-94, 88% went to Poland, the Czech Republic and Hungary.

Rising importance of Malaysia, Thailand & Philippines

Between 1992 and 1994 foreign direct investment by Member States outside the European Union totalled 63.545 million ECU: 42.7% in the USA, -0.8% in Japan (disinvestment) and 58% in the rest of the world.

OECD⁴ countries (excluding the European Union Member States, USA and Japan) received 12.5% - slightly less than the CEECs 12.9% - and 3.7% went to OPEC⁵. Among emerging markets, the second wave of Asian NICs - Malaysia, Thailand and the Philippines

(NICs2 Asia) - was increasingly the biggest destination of European Union investment after Central and Eastern Europe: 734 million ECU in 1992, 1.236 million or 5.7% by 1994. They were closely followed by emerging Latin American countries (Argentina, Brazil, Chile, Mexico - NICs2 LA⁶) with 1,224 million in 1994. In contrast, first-wave Asian NICs - Hong Kong, Singapore, South Korea and Taiwan (NICs1 Asia) - received only 359 million or 1.7% in '94.

FDI in European Union: 50% by USA

When it comes to inward investment in the European Union, 50% of the 64.228 million ECU total in 1992-94 came from the USA, 7.6% from Japan and 42.4% from the rest of the world. OECD countries (excluding European Union, USA and Japan) contributed 21.8% of the total. After the USA, Switzerland was the largest foreign investor in the European Union with 5,000 million in 1994 alone. CEECs had no significant direct investment in the European Union. However, between 1992 and 1994 Latin American and NICs1 Asian countries invested 2.672 million ECU in the European Union - 4.2% of the world total - roughly equal proportions. In some cases such flows could stem from European Union affiliates already located in these emerging markets.

Over the period in question 3.5% of European Union inward investment from the rest of the world was by OPEC and 8% was from offshore financial centres. New independent states of the former Soviet Union contributed to 1.4%.

¹ CEEC, Central and Eastern European Countries: Albania, Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia.

² NICs of Asia = NICs1 + NICs2

NICs1 = Hong Kong, Singapore, South Korea and Taiwan.

NICs2 = Malaysia, Thailand and the Philippines.

³ NIS, New Independent States: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russian Fed., Tadjikistan, Turkmenistan, Ukraine and Uzbekistan.

⁴ OECD = EU + Iceland, Norway, Switzerland, Turkey, Canada, Australia, New Zealand, Japan and USA.

⁵ OPEC = Algeria, Libya, Nigeria, Gabon, Venezuela, Ecuador, Iraq, Iran, Saudi Arabia, Kuwait, Qatar, United Arab Emirates and Indonesia.

⁶ NICs2 LA = Argentina, Brazil, Chile and Mexico.

Sources:

- ✓ European Union and the APEC countries: **Economy & Finance** - Statistics in focus N° 10/96
- ✓ Enterprises in Central & Eastern Europe: **News release** - N° 71/96
- ✓ European Union direct investment in the rest of the world: **News release** - N° 70/96

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