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Foreword

The annual *inflation rate* for the Member States participating in Stage III of Economic and Monetary Union (EMU) fell from 1,4% in July to 1,2% in August 1998. EU15 annual inflation rate decreased from 1,5% in July to 1,3% in August.1998.

The euro-zone seasonally-adjusted *unemployment rate* stayed at 11,1% in August 1998. For the same period, The EU15 rate was 10,0%.

In January-May 1998, the EU's *external trade balance* worsened by ECU 10,3 billion to a small surplus of ECU 0,4 billion.. Extra-EU flows grew steadily with growth rates over 1997 of 9% for exports and 13% for imports. The EU remained the world's leading exporter, and was the second largest importer behind the USA.

EU *currencies* strengthened against the US dollar in September, as the dollar fell 5,3% to DEM 1,675. The US and Japan lowered official interest rates, but these were unchanged in the EU (apart from an increase in Denmark).

EU *bond yields* reached new record lows in August, the aggregate yield of the EU15 falling to 4,81%, and that of the EUR-11 to 4,59%.

M3 *money supply* growth for the EU15 decreased slightly in June to an estimated 4,5% for the first half of 1998, while M1 growth also eased to 8,1%. The corresponding figures for the EUR-11 were 4% and 8,2%.

Foreign official reserves of the EU15 rose marginally in the year to June to an estimated ECU 370,1 billion, 6,1% higher than a year earlier. EUR-11 reserves totalled ECU 298,1 billion.

The euro-zone industrial production trend was up 1.1% in May to July compared with the previous three months. EU15 was up by 1.0% on this measure.

The "Dossier of the month" of this edition is devoted to *European Union direct investment flows, services and taxes and social levies*.

European economy at a glance



	Dates	B	DK	D	EL	E	F	IRL	I	L	NL	A	P	FIN	S	UK	EUR-11	EU 15
GDP, seasonally adjusted volume trends, T/T-1 %	1/98 11/98	: 0,2	-0,3 -0,5	1,2 :	0,9 :	0,5 0,6	:	-0,1 0,4	:	1,1 0,7	:	:	:	0,6 1,1	-0,9 2,2	0,8 0,5	0,7 :	0,6 :
GFCF, seasonally adjusted volume trends, T/T-1 %	1/98 11/98	: :	6,9 -5,8	3,8 -4,8	:	2,8 :	1,7 1,0	:	1,3 0,2	:	1,9 :	:	:	-7,5 2,8	5,8 6,0	3,8 -1,9	2,1 :	2,5 :
Private final national consumption volume trends, T/T-1 %	1/98 11/98	: 7,5	-0,9 -0,5	0,8 :	1,1 :	0,7 1,0	:	0,5 0,4	:	0,9 :	:	:	:	0,4 1,6	0,7 0,8	0,9 0,7	0,7 :	0,7 :
Production index 1995=100 total, seasonally adjusted (1)	07/98	114,1	108,4	109,6	:	112,6	108,9	:	101,4	109,8	106,6	:	:	125,4	116,6	103,9	108,0	108,2
Consumer price index T/T-12 %	08/98	1,0	1,1	0,7	4,7	2,1	0,6	3,0	2,2	1,0	1,4p	0,7p	2,2	1,1	0,6	1,3	1,2p	1,3p
Conversion rate 1 ECU=... monthly average	09/98	40,5	7,5	2,0	337,9	166,8	6,6	0,8	1,940,2	40,5	2,2	13,8	201,3	6,0	9,1	0,7	:	:
Exchange rate 1 USD=... monthly average	09/98	35,1	6,5	1,7	292,8	144,5	5,7	0,7	1,681,5	35,1	1,9	12,0	174,5	5,2	7,9	0,6	:	:
Money supply, M1 T/T-12 %	06/98	-1,6	:	5,6	5,7	6,2e	10,2	29,7	:	:	11,6	2,2	14,5	4,6	:	5,2 (*)	8,2	8,1
Yield on public sector long-term bonds %	08/98	4,7	4,8	4,4	7,6	4,7	4,5	4,7	14,5	4,6	4,5	4,6	4,8	4,7	4,8	5,6	4,6	4,8
Unemployment rate seasonally adjusted %	8/98	8,9	4,6	4,4	:	18,7	11,9	9,0	4,8	2,2	3,8	4,5	6,2	11,5	8,2	:	11,1	10,0
Extra-EU trade balance Billion ECU	01-05/98	-1,6(*)	0,4	16,2	-1,6	-3,4	6,5	0,9	12,3	-1,6(*)	-16,1	1,3	-3,1	2,4	5,3	-13,4	9,8	0,5
Intra-EU trade balance Billion ECU	01-05/98	7,1(*)	0,2	12,6	-4,4	-2,7	-0,8	5,5	6,6	7,1(*)	20,2	-3,5	-2,5	1,4	1,2	-2,3	:	:

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

(*) : Excluding construction; (e) : BLEU; (p) : For the UK, MO is a narrow measure; p = provisional data.

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EMU annual inflation falls to 1,2% in August

The annual inflation rate¹ for the Member States participating in Stage III of Economic and Monetary Union (EMU) fell from 1,4% in July to 1,2% in August. A year earlier the rate was 1,7%.

EU15 annual inflation rate² decreased from 1,5% in July to 1,3% in August. A year earlier the rate was 1,8%. Highest rates were reported for Greece (4,7%), Ireland (3,0%), Italy and Portugal (both 2,2%). The lowest rates were in France and Sweden (both 0,6%), Germany and Austria (both 0,7%).

Compared with a month earlier, inflation decreased in 12 EU Member States, increased in two and remained stable in one. Compared with a year earlier the largest relative increases in the rates were in Ireland (0,6% to 3,0%), Italy and Portugal (1,6% to 2,2%), while the largest relative decreases were in Sweden (2,1% to 0,6%), France (1,6% to 0,6%) and in Germany (1,7% to 0,7%).

The EEA annual rate³ of inflation decreased from 1,5% to 1,3% between July and August.

Annual % inflation for EU Member States in %- in ascending order -

Countries	EUR-11*	UE15	F	S*	D	A	B	L	DK*	FIN	UK*	NL	E	I	P	IRL	EL*
August 98/97	1,2p	1,3p	0,6	0,6	0,7	0,7p	1,0	1,0	1,1	1,1	1,3	1,4p	2,1	2,2	2,2	3,0	4,7

* Member States not participating in Stage III of Economic and Monetary Union are not covered by the MUICP.
p = provisional.

1 As measured by the Monetary Union Index of Consumer Prices (MUICP), calculated as a weighted average of the Harmonized Indices of Consumer Prices (HICPs) for participants in Stage III of EMU. The annual rate of inflation is defined as the percentage change resulting from the index number for a particular month divided by the index number for the same month in the previous year.

2 As measured by the European Index of Consumer Prices (EICP), calculated as a weighted average of HICPs for EU Member States.

3 As measured by the European Economic Area Index of Consumer Prices (EEAICP), calculated as a weighted average of HICPs for EU Member States plus Norway and Iceland.

Unemployment

Euro-Zone unemployment rate was stable at 11,1% in August 1998

The euro-zone¹ seasonally-adjusted unemployment rate stayed at 11,1% in August, the same as in July and June 1998. This compares to 11,7% in August last year.

The EU15 rate was 10,0%, same as in July. In August a year ago, it was 10,6%. Lowest unemployment rates were in Luxembourg (2,2%) and in the Netherlands (3,8% - July), followed by Austria (4,5%) and Denmark (4,6% - July). Spain's 18,7% was still by far the EU's highest rate, but 2 percentage

points lower than the August 1997 level. EU unemployment rates for under-25s ranged from over 30% in Spain and Italy (35,4% and 32,5% respectively) to less than 7% in the Netherlands (6,4% in July), Austria (6,5%), Denmark (6,8% in July) and Luxembourg (6,9%).

Eurostat estimates 14,1 million men and women were unemployed in the euro-zone and 16,8 million in EU15 in August 1998. These are seasonally-adjusted figures in line with ILO² criteria.

1. EUR-11: the 11 EU Member States participating in Economic and Monetary Union (EMU) - Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland.

2. Unemployed persons according to the International Labour Organisation (ILO) criteria are persons aged 15 years and over who:

- are without work;
- are available to start work within the next two weeks;
- and have actively sought employment at some time during the previous four weeks.

In January-May 1998 the EU was the world's leading exporter

Surplus of ECU 0,4 billion

In January-May 1998, the EU's¹ external trade balance worsened by ECU 10,3 billion to a small surplus of ECU 0,4 billion; in the same period of 1997 there was a surplus of ECU 10,7 billion. Extra-EU flows grew steadily with growth rates over 1997 of 9% for exports and 13% for imports. The EU remained the world's leading exporter, and was the second largest importer behind the USA.

The EU had its largest trade surpluses with Poland (ECU 5,0 billion), Hong Kong (ECU 3,7 billion) and Turkey (ECU 3,6 billion). The largest deficits

were recorded in trade with Japan (ECU 14,4 billion) and China (ECU 10,0 billion).

Germany had the largest extra-EU surplus (ECU 16,2 billion) followed by Italy (ECU 6,6 billion), France (ECU 6,5 billion) and Sweden (ECU 5,3 billion), while the Netherlands and the United Kingdom had the highest external deficits (ECU 16,1 and 13,4 billion respectively). The Netherlands' deficit has to be interpreted in conjunction with its intra-EU surplus and its transit role in EU trade.

Stronger growth in intra-EU trade

In January-May 1998 intra-EU trade had a total value for dispatches (i.e. exports, which are the more reliable measure of intra-EU trade) of ECU 517,2 billion, an increase of 10% over the same period of 1997. This means that, after several years of weaker growth, intra-EU trade is now growing at the same rate as extra-EU trade.

The Netherlands had the largest intra-EU surplus, at ECU 20,2 billion. However this surplus has to be inter-

preted in conjunction with the extra-EU deficit and its transit role in EU trade.

Germany had the second largest intra-EU trade surplus (ECU 12,6 billion), with Belgium/Luxembourg (ECU 7,1 billion) and Ireland (ECU 5,5 billion) also reporting significant surpluses.

The largest deficits were recorded by Greece (ECU 4,4 billion), Austria (ECU 3,5 billion), Spain (ECU 2,7 billion), Portugal (ECU 2,5 billion) and the United Kingdom (ECU 2,3 billion).

¹ The European Union's figures have been sent to Eurostat by the Member States and are subject to frequent revisions.

EU currencies strengthen against dollar in September

US and Japan reduce interest rates

The fall in the US dollar which took place at the end of August continued throughout most of September. Against the Deutschemark, it depreciated to DEM 1,675 by the end of September from 1,77 a month earlier, a fall of 5,3%. Its value on 25 September, DEM 1,665, was its weakest level since February 1997. A similar decline in the dollar took place against the other ERM currencies. Meanwhile the Japanese yen also gained significantly against the dollar, recovering part of its loss in value of recent months, the dollar falling from JPY 142,0 at end August to 135,4, a difference of 4,7%.

On 29 September one of the key US official interest rates, the federal funds rate, was lowered by 25 basis points to 5,25%. This was the first change in the rate since March 1997, and the first cut since January 1996. The Japanese central bank also eased its monetary stance earlier in the month, signalling a fall in the overnight call rate from 0,5% to a historical low of 0,25%. Official interest rates in the EU were generally unchanged, although in Denmark, the key repurchase rate was increased by 100 basis points to 5,0%.

Exchange rates in the ERM were steady,

the spread between the strongest and weakest currencies showing little change (4,69% at end September). Excluding the Greek drachma (the strongest currency), the spread between ERM currencies narrowed from 1,23% at end August to 0,75% at end September. The Swedish krona, which had tended to weaken against ERM currencies during the summer, fell further. Its value on 21 September, SEK 4,731 to the DEM, was its weakest level since February 1996. Also in September, the pound sterling fell to its lowest levels for 1998 against ERM currencies, ending the month at DEM 2,844 compared with 2,949 at end August.

Among the non-EU European currencies, the Norwegian krone recovered slightly after August's sharp fall, ending September at NOK 4,424 to the DEM. Norway's central bank had raised interest rates on three occasions during August. The Icelandic krone weakened to its lowest levels for 1998 during September; at end month its DEM rate was ISK 41,46. The Polish central bank cut interest rates and also reduced the monthly allowable devaluation of the zloty against its currency basket from 0,65% to 0,5%. At the end of September the zloty stood at PLN 2,136 to the DEM.

Note:

- Exchange rates are as supplied to the European Commission by central banks on a daily basis, following discussion among central banks.
- ERM = exchange rate mechanism of the European Monetary System, comprising all of EU apart from the UK and Sweden.
- Basis point = 1/100th of a percentage point in interest rates.

Further decline in bond yields in August

New record lows reached

The downward trend in government bond yields continued in August, as yields for all EU Member States reached record low levels (on the basis of time series starting in 1980). The lowest yield remained that of Germany (4,42%) and the highest Greece (7,55%), the differential between the two widening to 313 basis points from 300 basis points in July. For the EU15 aggregate, the yield fell from 5,04% in July to 4,81% in August, while the EUR-

11 aggregate yield fell from 4,82% to 4,59%. The differential in yields between the countries comprising the EUR-11 widened slightly in August to 37 basis points.

The US yield fell in August for the third month running, reaching 5,34%, the lowest level since 1993. Meanwhile the Japanese yield continued its downward trend, falling to another historical low of 1,1% at the end of August.

Note:

Les rendements susmentionnés sont ceux des obligations d'État d'une durée de dix ans.

Les données sont des moyennes mensuelles sauf pour le Japon (fin du mois).

EUR-11 (les pays participant à la phase finale de l'UEM à partir du 1er janvier 1999) = Belgique, Allemagne, Espagne, France, Irlande, Italie, Luxembourg, Pays-Bas, Autriche, Portugal et Finlande.

Les agrégats EUR-11 et UE15 sont calculés sur la base de poids PNB.

Point de base = 1/100ème de point de pourcentage dans les taux d'intérêt.

Slowdown in EU monetary supply growth in June

M1 grows by 8,1%, and M3 by 4,5%

Broad money supply (M3) growth for the EU15 is estimated at 4,5% for the year to June 1998, representing a slight easing from May (4,8%). For the EUR-11, the annual growth rate in M3 decelerated from an estimated 4,2% in May to 4% in June. At the national level, Ireland continued to record the fastest growth, although this eased slightly to 18,4% in June. The lowest growth rates in M3 were in Austria (1,1%) and Finland (1,7%). Among those countries which measure M2, Italian M2 grew rel-

atively strongly in the year to June, by 11,3%.

Meanwhile, M1 growth for the EU15 decreased in the year to June to an estimated 8,1%, from 9,1% in May. The corresponding figures for the EUR-11 were 8,2% and 9,2%. The fastest increases were recorded by Ireland (29,7%), Portugal and Italy (14,5%), and the Netherlands (11,6%). By contrast, M1 money supply in Belgium fell by 1,6% in the year to June.

Note:

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.

For the UK, M0 is a narrow measure and M4 a broad measure.

For Spain, ALP is a broad measure, as is L- for Portugal.

EU15 and EUR-11 series are Eurostat estimates.

Small rise in EU reserves in June

an increase of over 6% on the year

Foreign official reserves (excluding gold) of the EU15 rose marginally in June to an estimated ECU 370,1 billion, from 369,2 billion in May. This was 6,1% higher than in June 1997, but below the record level set in March 1998 of ECU 374,9 billion. The EUR-11 total also edged higher in June to an estimated ECU 298,1 billion, an increase of 7,7% on a year earlier. The largest monthly percentage rise was recorded by Ireland (up 15,2% or 0,9 billion to ECU 7,1 billion), followed by Finland (up 6,8% or 0,5 billion to ECU 7,9 billion), while the largest

decline was in Italy (down 5,0% or 2,3 billion to ECU 42,6 billion). Nevertheless, Italy continued to hold the third largest amount of reserves in the EU, below Spain (ECU 61,3 billion) and Germany (ECU 72,8 billion).

Japan continued to hold the largest reserves in the world in June, of 186,8 billion in ECU terms (a rise of 0,2% from May), but below the record level in March of 206,7 billion. US reserves increased by 1,5% in June, to ECU 54,9 billion.

Note: The definition of foreign official reserves used here excludes gold.

Industrial production

Euro-zone industrial production was up to 1.1% in February-April '98 to May-July '98

The euro-zone¹ industrial production trend² was up 1.1% in May to July compared with the previous three months. EU15 was up by 1.0% on this measure. Growth was especially strong in Greece (2.3%), Denmark (2.2%) and Belgium

(2.1%). At the other end of the scale, but still up, were Italy (0.1%), France (0.6%) and UK and the Netherlands (both 0.7%). Luxembourg was the only Member State to record a fall (-0.3%).

Production trend² -% changes between February-April '98 & May-July '98 (Member States with available data)

Greece	2.3	Euro-zone	1.1
Denmark	2.2	EU15	1.0
Belgium	2.1	The Netherlands	0.7*
Austria	1.9*	UK	0.7
Spain	1.6*	France	0.6*
Sweden	1.5	Italy	0.1
Germany	1.2	Luxembourg	-0.3*
Finland	1.1		

¹estimated

²Member States participating in EMU - Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, Netherlands, Austria, Portugal and Finland.

³Production volume of total industry - excluding construction - adjusted for seasonal and one-off situations.

Dossier of the month

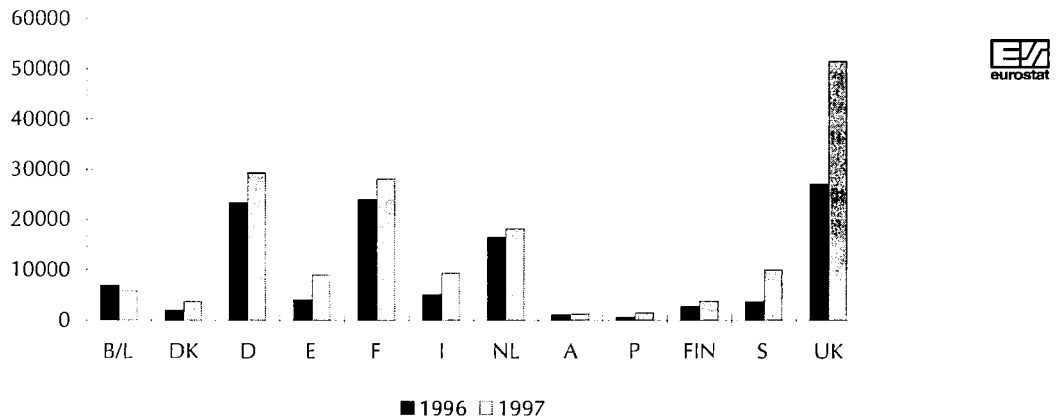
European Union direct investment flows Sharp upturn in 1997

There was a sharp upturn in the flows of foreign direct investment (FDI) by the EU Member States in 1997.

There was an increase of 46% between 1996 and 1997, resulting in a total figure of ECU 172 billion

All the Member States recorded an increase in FDI, apart from Belgium/Luxembourg where the figure was 15% down in comparison with 1996. The United Kingdom, Germany and France remained the leading EU investors abroad.

Outward foreign direct investment (1) (Mio ECU)



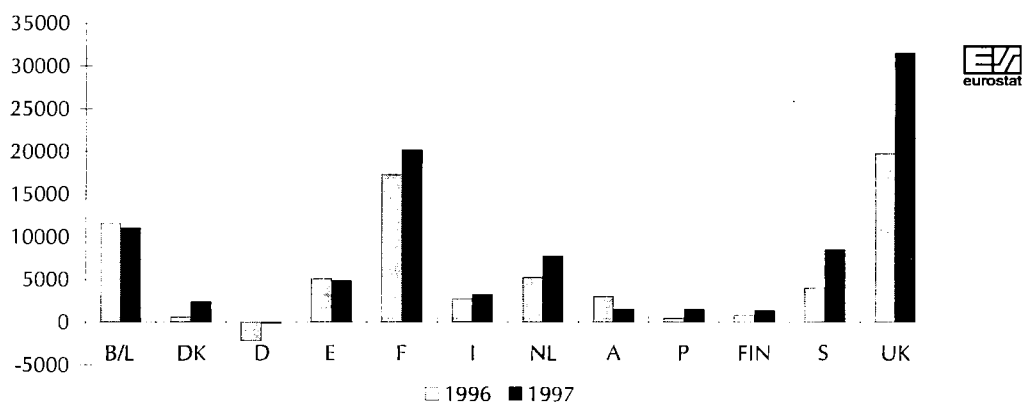
Outward foreign direct investment in 1997 (Mio ECU)

Destination	B/L	DK	D	E	F	I	NL	A	P	FIN	S	UK	EU
EU *	4 967	2 465	11 411	2 553	12 693	5 667	10 097	368	718	2 293	810	18 470	72 814
Non-member countries *	951	1 248	14 811	6 400	13 795	3 704	8 026	912	744	1 190	5 902	33 036	91 019
World**	5 919	3 712	29 276	8 953	28 139	9 373	18 120	1 280	1 462	3 891	10 039	51 507	172 272

Although less than the outward flows, inward FDI also showed an increase compared with 1996 and was up by 38%, totalling ECU 99 billion

Differences between Member States were more noticeable than for inward flows. Between 1996 and 1997 direct investment from abroad declined by 4% in Belgium/Luxembourg and Spain but quadrupled in the case of Denmark. Austria recorded the biggest reduction (-49%), but this did not include acquisition of equity capital.

Inward foreign direct investment (1) (Mio ECU)



Inward foreign direct investment in 1997 (Mio ECU)

Origin	B/L	DK	D	E	F	I	NL	A	P	FIN	S	UK	EU
EU *	7 680	1 861	1 422	3 799	14 083	2 224	6 305	1 175	967	742	5 019	8 579	57 465
Non-member countries *	3 396	608	703	1 091	5 649	1 039	1 413	359	559	144	2 589	22 967	42 126
World**	11 076	2 470	-166	4 890	20 204	3 263	7 717	1 534	1 525	1 362	8 524	31 546	99 164

¹ Flows declared by EU Member States, including intra-EU flows.

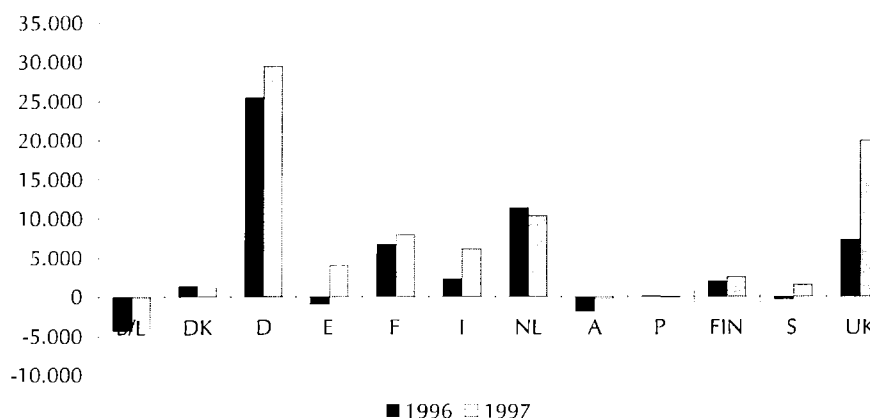
* FDI flows include only equity capital and other types of capital; the United Kingdom data include all flows, including reinvested earnings.

** Total FDI flows (equity capital, other types of capital, reinvested earnings); the figures for B/L, DK, E, I, NL and P do not include reinvested earnings.

The 1997 figures for net FDI (outward minus inward flows) show that net FDI exports by the EU Member States increased by 101%

Germany continued to be the leading exporter with a net value close to ECU 29 billion, followed by the United Kingdom (ECU 20 billion). Belgium/Luxembourg and Austria were again net importers, with figures of ECU 5.1 billion and 0.3 billion respectively. Spain and Sweden switched from being net importers in 1996 to net exporters in 1997.

Net FDI flows ⁽¹⁾ (Mio ECU)



Net FDI flows in 1997 ⁽¹⁾ (Mio ECU)

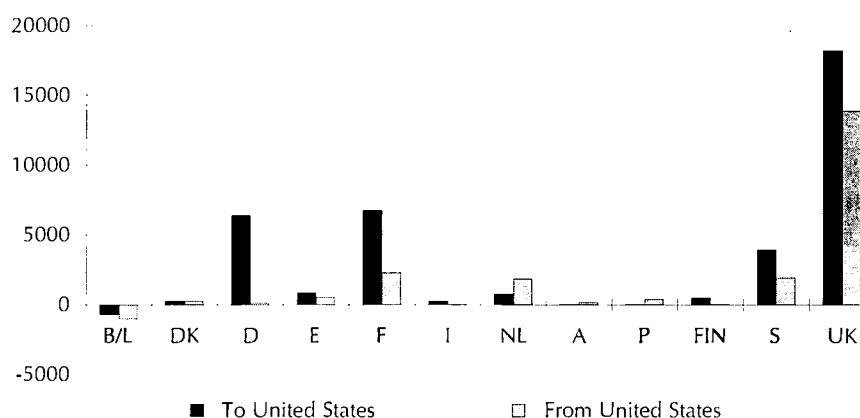
	B/L	DK	D	E	F	I	NL	A	P	FIN	S	UK	EU*
1996	-4 367	1 380	25 431	-981	6 665	2 308	11 303	-1 897	122	1 960	-324	7 287	24 322
1997	-5 158	1 242	29 442	4 063	7 935	6 109	10 403	-254	-63	2 529	1 515	19 961	48 894

* The EU net FDI flows cover only flows with non-member countries

The United States is the European Union's main investment partner, both outward and inward, among non-member countries

The United States accounts for 41% of the European Union's outward FDI to non-member countries, and 51% of the inward total. The United Kingdom takes the lion's share, providing 48% of outward FDI to the United States and accounting for nearly two-thirds of all US investment in the EU.

FDI flows between the European Union and the United States in 1997 (Mio ECU)



FDI flows between the European Union and the United States in 1997 (Mio ECU)

	B/L	DK	D	E	F	I	NL	A	P	FIN	S	UK	EU
To United States *	-708	235	6 382	856	6 758	253	754	21	33	506	3 946	18 181	37 575
From United States *	-1 033	274	137	521	2 307	48	1 854	188	406	45	1 952	13 880	21 415

* FDI flows include only equity capital and other types of capital; the United Kingdom data include all flows, including reinvested earnings.

⁽¹⁾ Flows declared by EU Member States.

Notes: Bop sign convention is not applied. A minus sign means disinvestment.

Figures for Greece and Ireland have been estimated and included in the EU totals.

Figures for Austria include only equity capital. The "other capital" component has been estimated.

Source: Statistics in Focus: Economy and finance, 1998, No 25.

Data are updated in the New Cronos data base (Theme 2, BOP/FDI domain).

Software and computer services: a male environment

And not one of flexible working

A survey¹ in five EU Member States indicates that software and computer services are a man's world - except in Italy. It also suggests that working patterns at this cutting edge of the information society are perhaps not as flexible as many might suppose.

The survey is part of a drive by Eurostat to improve statistics of business services. Recent estimates indicate business services comprise 18% of total employment in the EU service sector. And, says Eurostat, they "influence the competitiveness and flexibility of other sectors of the economy and thus contribute indirectly to economic growth..."

The survey of software and computer services was in cooperation with the national statistical institutes of Finland, Italy, Spain, the UK and the Netherlands, and coordinated by the latter.

On the proportion of women employees

in this sector, it shows that this amounts to 21,4% in the Netherlands, 31,0% in the UK, 31,6% in Finland and 35,0% in Spain - although 48,1% in Italy. Comments Eurostat: "The hypothesis that software and computer services are a male environment seems therefore to be confirmed."

Work in the sector is overwhelmingly permanent and full-time. And, perhaps surprisingly, home-based teleworking is not significant, ranging from only 0,2% of all employees in Italy to 4% in the UK. So the belief that software and computer services offer flexible working is not supported by this evidence.

Another image of this sector perhaps is of the teenage 'whiz-kid'. However, the survey indicates that while the majority of workers are young - between 25-39 - those below 25 range from only 3,5% in Finland, through 7,4% in the Netherlands to 11,4% in Spain. This suggests that most are highly-qualified, not finishing their studies before 25.

Limited international importance

Number of enterprises per country in this field in 1996 ranged from a little under 3 000 in Finland to nearly 64 000 in UK. On average, over 90% have fewer than 10 employees, reflecting the high share in software consultancy. The survey highlights it as an area of opportunity for the 'one-man (or woman-) band' with limited capital to invest.

But, overall, it flags up these services as of "rather limited international importance" with exports playing a subordinate role, peaking at 9,2% of total turnover in UK in 1996 but as low as 0,7% in Italy. Exports are mainly within the single market, except in UK and Spain.

**Employees in software and computer services
% by working time and sex**

	E ²	I	NL ²	FIN	UK ³
Permanent	69,3	94,8	:	95,4	98,0
Temporary	30,74	5,2	:	4,6	2,0
Full-time	90,0	90,5	96,2	97,9	:
Part-time	10,0	9,5	3,8	2,1	:
Men	65,0	51,9	78,6	68,4	69,0
Women	35,0	48,1	21,4	31,6	31,0

% teleworkers, 1996⁵

	I	NL	FIN	UK
TOTAL	0,2	2,3	2,6	4,0
of which part-time	0,1	0,6	2,3	:

Exports in this sector as % of total turnover, 1996

	E2	I	NL	FIN	UK
TOTAL	5,7	0,7	6,2	2,4	9,2
of which within EU	2,8	0,5	4,8	1,4	4,2

1: Eurostat Statistics in focus, Distributive trade, services and transport, No 9/98, Business service statistics software and computer services.

2: 1995.

3: Survey data, full-time equivalents.

4: Employees with a contract of determined duration.

5: No data for Spain.

: Data unavailable.

Source: Eurostat Memo No 19/98.

Stabilisation at last year's all-time high

Rising taxes offset by falling social levies

A report¹ by Eurostat shows Sweden paying more than any other EU Member State in GDP share taken by taxes and social contributions (TSC): 54,1% last year. Denmark comes next with 53,1%. Ireland pays least (34,1%), followed by UK (35,9%).

First available data indicate an EU15 average of 42,6%, same as last year's all-time high. EUR-11 was 43,2% compared to 42,8% in 1996. Eurostat says the general trend in 1997 seems to be rising taxes offset by falling social levies.

Taxes and social contributions 1997, % GDP

Countries	S	DK	FIN	B	F	NL	L	A	I	D	P	ES	UK	IRL	EUR-11	EU15
% GDP	54,1	53,1	47,5	46,6	46,3	45,9	45,6	44,9	44,5	41,6	37,9	36,2	35,9	34,1	43,2	42,6
Greece unavailable.																

Other key points important in the report

The 1980 TSC level stood at 38,6% in EU15 and 38,5% in EUR-11. Up to 1991 the latter was consistently lower than the former. Since then it has always been higher.

France, Italy, Austria and Portugal recorded all-time highs last year.

The tax ratio alone in 1997 rose by 0,4 points in both EU15 and the euro-zone to reach 27,5% and 26,1% respectively - a record in both cases.

Social contributions' share fell by 0,3 points in EU15 and 0,1 in EUR-11. This brought the respective ratios to 15,1% and 17,1%, which, after 1996, were second highest levels recorded.

In nine Member States the combined tax and social levies ratio was higher than 1996. Sharpest rises were: Italy 1,7 points, the Netherlands 1,0, Luxembourg 0,9 and Portugal 0,8. Most notable falls: UK (-0,8 points) and Finland (-0,7).

In four countries the tax share alone rose by one or more points: Italy 1,4, Austria 1,2, Luxembourg 1,1 and France 1,0. Sharpest falls were in Germany (-0,5) and Denmark (-0,4).

Social contributions were up 0,9 points in the Netherlands and 0,3 in Italy and Portugal; down -0,5 in France and -0,4 in UK.

Significance of the data

Ratio of taxes and social contributions to GDP is often seen as an indicator of government activity or the tax burden on citizens or firms. This is only the case to a limited extent as other key

economic variables, such as government spending through rises in public debt instead of taxes, may affect the TSC ratio.

¹ Eurostat Statistics in focus, Economy and finance, No 30/98, Taxes and social contributions in 1997, Stability in the European Union.

Source: Eurostat News release No 76/98.

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