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GOVERNMENT AND PRIVATE SECTOR INVESTMENT IN THE EUROPEAN UNION 1980 - 1995

This issue of *Statistics in Focus* shows the trends in gross fixed capital formation in the private sectors of the economy (households, credit institutions, insurance enterprises etc.) and in the government sector.¹

The data were collected in accordance with the European System of Integrated Economic Accounts (ESA 1979).

1995: Increase in fixed capital formation

Gross fixed capital formation (GFCF) expressed as a percentage of gross domestic product (GDP), was 0.2 percentage points higher in the EU-economies in 1995 compared to the previous year, at a level of 18.8 % of GDP. However, it was still lower than all years between 1980 and 1992 (Figures 1 and 2, Table 1).

Figure 1 : Gross fixed capital formation as a percentage of GDP in the European Union*, 1980-1995, in %



*Excluding Greece and Luxembourg.

¹ The data shown here in abbreviated form are also to be found in the annual publication 'National Accounts ESA: Detailed Tables by Sector' and - regularly updated - in the 'New Cronos' database. Detailed information on the 'New Cronos' database is obtainable from the Eurostat Data Shop, 2 rue J. Engling, L-1466 Luxembourg. Tel. +352.43.35.22.51; Fax +352.43.35.22.221.

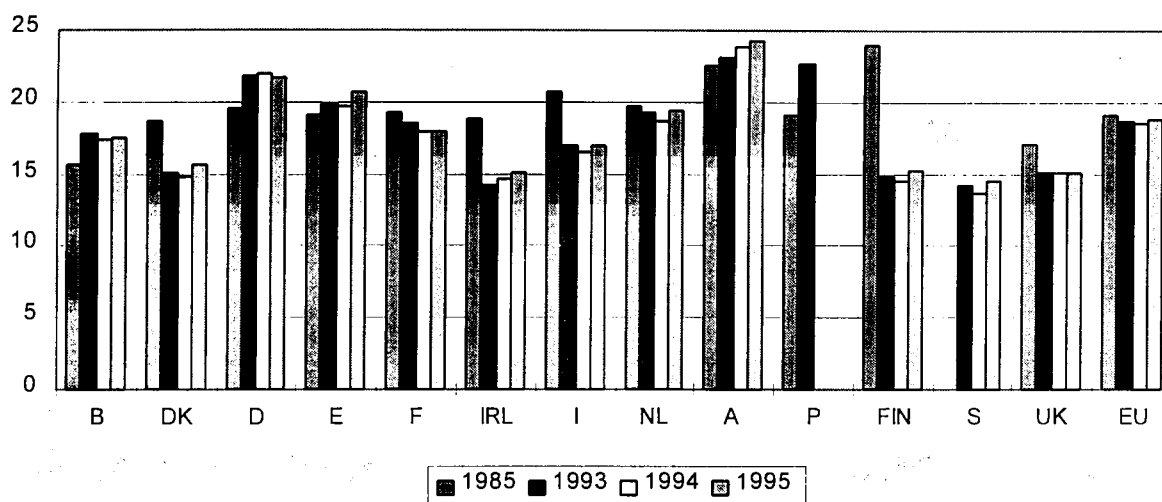
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Figure 2 : Gross fixed capital formation as a percentage of GDP in the Member States of the European Union*, 1985, 1993-1995



*Excluding Greece and Luxembourg.

Peaks during the 15 year period were in 1980 (22 % of GDP) and 1990 (21.1 %). The lowest point in the eighties was in 1985 with a value of 19.2 %.

Different trends in government ...

In 1995, general government GFCF as a percentage of GDP fell by 0.1 percentage points compared with 1994 to 2.6 %, its lowest value in the 1991-1995 period (Tables 1 and 3) and on a par with the previous low point of 2.6 % recorded for the EU in 1988. In 1980 this value was still around 3.2 %. This was followed by a gradual decline until 1988, an increase from 1988 to 1992, and then a continuous drop over the past few years. The problems in recording GFCF (see Box 1 on page 6) should, however, be taken into account when attempting to interpret these figures.

... and private sector fixed capital formation

Private sector GFCF includes all non-government GFCF, hence also GFCF by government owned enterprises such as railway companies. In 1995, it rose by 0.3 percentage points to 16.2 % of GDP (Table 1). In the longer term, however, fixed capital formation as a percentage of GDP is also declining in the private sector, having fallen from 18.9 % to 16.2 % between 1980 and 1995. The following stable relationship is discernible between the GFCF of general government and the private sector: the value of private sector GFCF was roughly six times that of general government GFCF from 1980 to 1995. In the longer term, therefore, the EU average of the government sector GFCF followed closely the private sector GFCF. This trend is illustrated in Figure 3, which shows the breakdown of public (general government) and private sector GFCF, together totalling to 100%.

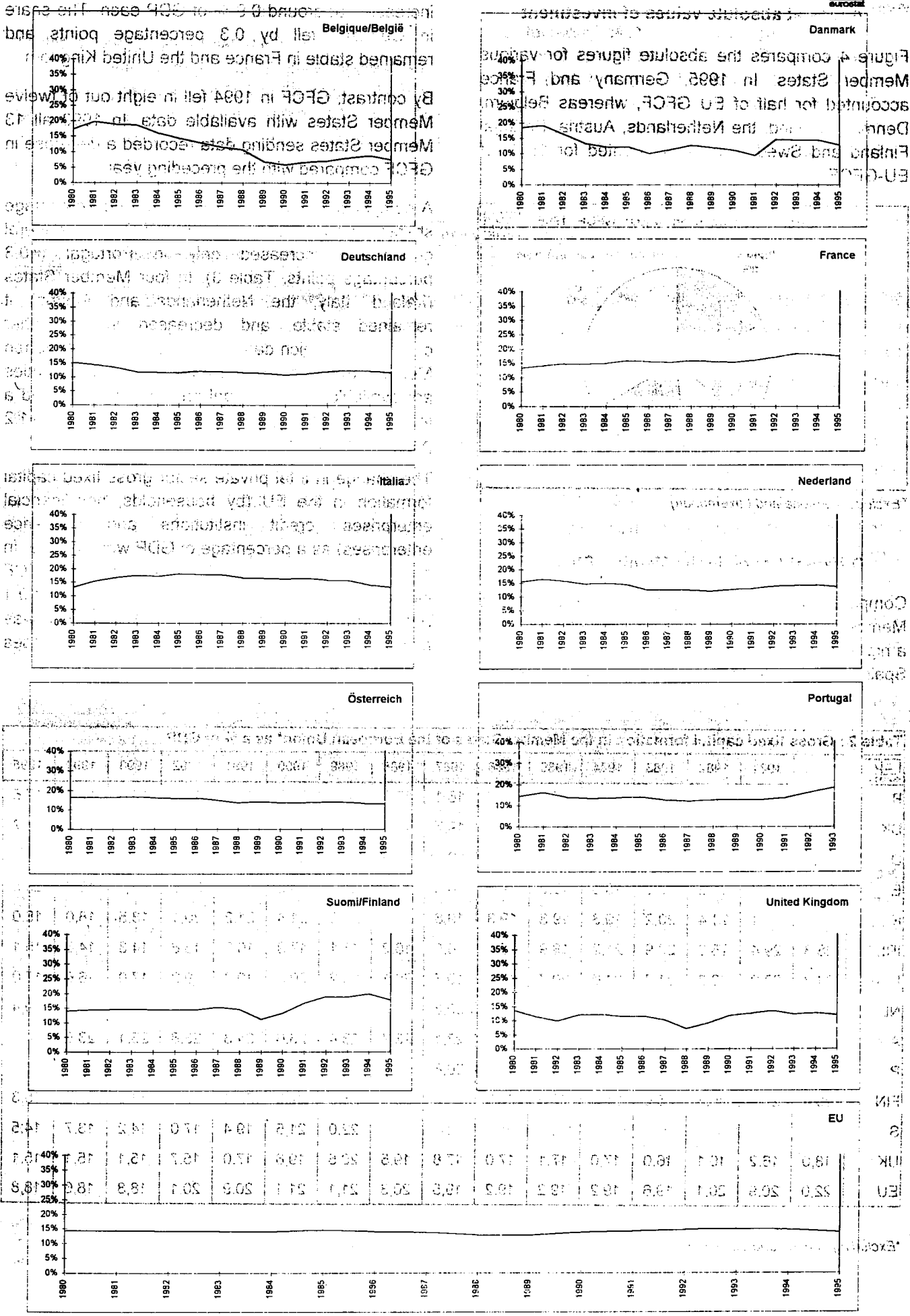
Individual Member States had diverging trends, however (Figure 3): in Belgium, for example, private GFCF was less than 5 times that of the public sector in 1980, whereas this ratio had increased to twelve by 1995. Inversely, public GFCF increased relative to private GFCF in Finland. The 1980 value of private GFCF in Finland was six times higher than that of the public sector, the corresponding figure for 1995 being 4 1/2.

Table 1 : General government and private sector gross fixed capital formation as percentage of GDP in the EU*, 1980-1995

eurostat	General government	Private	Total
1980	3.2	18.9	22.0
1981	3.0	17.9	20.9
1982	2.9	17.2	20.1
1983	2.8	16.8	19.6
1984	2.7	16.5	19.2
1985	2.8	16.4	19.2
1986	2.7	16.5	19.2
1987	2.7	16.8	19.5
1988	2.6	17.7	20.3
1989	2.7	18.4	21.1
1990	2.9	18.3	21.1
1991	3.0	17.9	20.9
1992	2.9	17.2	20.1
1993	2.8	16.0	18.8
1994	2.7	15.9	18.6
1995	2.6	16.2	18.8

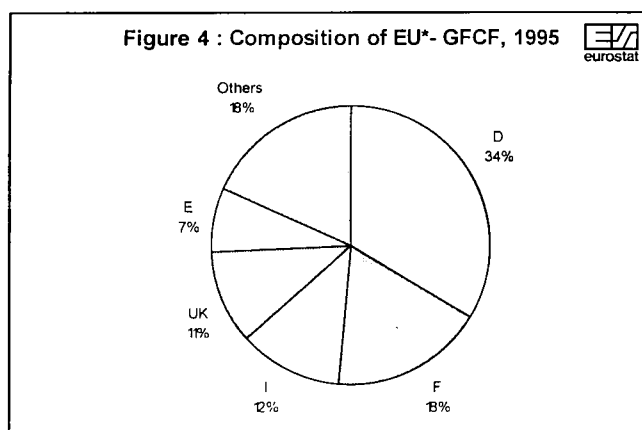
*Excluding Greece and Luxembourg

Figure 3: Share of government GFCF in total GFCF in the EU, in %



A look at absolute values of Investment

Figure 4 compares the absolute figures for various Member States. In 1995, Germany and France accounted for half of EU GFCF, whereas Belgium, Denmark, Ireland, the Netherlands, Austria, Portugal Finland and Sweden together counted for 18 % of EU-GFCF.



*Excluding Greece and Luxembourg.

Different trends in the Member States ...

Comparing 1995 with 1994, nine out of the twelve Member States for which data are available recorded a higher share of GFCF in GDP (Table 2). Denmark, Spain and Sweden showed the greatest

increases, at around 0.9 % of GDP each. The share in Germany fell by 0.3 percentage points and remained stable in France and the United Kingdom.

By contrast, GFCF in 1994 fell in eight out of twelve Member States with available data. In 1993 all 13 Member States sending data recorded a decrease in GFCF compared with the preceding year.

A comparison of the components of the percentage shares shows that, in 1995, GFCF by general government increased only in Portugal (+0.3 percentage points, Table 3). In four Member States (Ireland, Italy, the Netherlands and Austria) it remained stable, and decreased in the other countries for which data are available. Out of the ten Member States for which data for the mid-eighties are available, only Portugal has recently achieved a larger value in its public GFCF than in 1985 (+1.2 percentage points).

The change in total private sector gross fixed capital formation in the EU (by households, non-financial enterprises, credit institutions and insurance enterprises) as a percentage of GDP was positive. In eleven out of twelve Member States private GFCF increased, only Germany showing a reduction of 0.1 percentage points. The growth of private GFCF was mainly caused by non-financial enterprises (Table 3).

Table 2 : Gross fixed capital formation in the Member States of the European Union* as a % of GDP

EUROSTAT	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
B	21,1	18,0	17,3	16,2	16,0	15,6	15,7	16,1	17,8	18,9	20,5	18,9	18,8	17,8	17,4	17,6
DK	18,8	15,7	16,1	16,0	17,2	18,7	20,8	19,7	18,1	18,1	17,4	16,5	15,6	15,0	14,8	15,7
D	22,6	21,6	20,4	20,4	20,0	19,5	19,4	19,4	19,6	20,2	20,9	23,0	23,1	21,8	22,0	21,7
E	22,2	21,7	21,2	20,3	18,5	19,2	19,5	20,8	22,6	24,1	24,5	23,8	21,8	19,8	19,7	20,6
F	23,0	22,1	21,4	20,2	19,3	19,3	19,3	19,8	20,7	21,3	21,4	21,2	20,1	18,5	18,0	18,0
IRL	28,3	29,4	26,3	22,9	21,2	18,9	17,4	16,5	16,2	17,1	17,9	16,3	15,6	14,3	14,6	15,1
I	24,3	23,9	22,3	21,3	21,0	20,7	19,7	19,7	20,1	20,2	20,3	19,8	19,2	17,0	16,6	17,0
NL	20,7	18,9	18,0	17,9	18,3	19,7	20,4	20,8	21,3	21,5	20,9	20,4	20,0	19,2	18,7	19,4
A	25,7	25,4	23,2	22,4	22,2	22,6	22,8	23,1	23,7	23,4	23,6	24,3	23,8	23,1	23,9	24,3
P	25,0	26,9	27,1	25,5	20,6	19,0	24,2	26,8	28,0	27,3	27,2	25,7	24,5	22,6	:	:
FIN	25,4	25,3	25,3	25,6	24,0	23,9	23,3	23,9	25,1	28,0	27,0	22,4	18,5	14,8	14,6	15,3
S	:	:	:	:	:	:	:	:	:	22,0	21,5	19,4	17,0	14,2	13,7	14,5
UK	18,0	16,2	16,1	16,0	17,0	17,1	17,0	17,8	19,5	20,5	19,6	17,0	15,7	15,1	15,1	15,1
EU	22,0	20,9	20,1	19,6	19,2	19,2	19,2	19,5	20,3	21,1	21,1	20,9	20,1	18,8	18,6	18,8

*Excluding Greece and Luxembourg.

... and appreciable differences in level

Tables 2 and 3 show that the shares of GFCF in GDP also vary widely. The highest figures were achieved by Austria (24.3 %), Germany (21.7 %), Spain (20.6 %) and Portugal (1993: 22.2 %). The figures for Ireland, Finland, Sweden and the United Kingdom are around the 15 % mark.

Analysis of the components of GFCF in 1995 gives the following picture: general government GFCF amounted to less than 2 % of GDP in two Member States (Belgium at 1.3 % and the United Kingdom at 1.8 %). All other Member States except Spain (3.7 %) and Portugal (3.9 %) showed figures between 2 % and 3.2 % (map on page 8, Table 3).

Table 3 : Gross fixed capital formation in the Member States of the European Union* as a % of GDP

eurostat	General government				Households				Non-financial enterprises				Total private sector			
	1985	1993	1994	1995	1985	1993	1994	1995	1985	1993	1994	1995	1985	1993	1994	1995
B	2.2	1.4	1.5	1.3	4.5	6.3	6.4	6.5	8.3	9.7	9.1	9.5	13.4	16.3	15.8	16.3
DK	2.3	2.2	2.1	2.0	5.7	3.7	3.6	:	10.0	9.2	9.1	:	16.4	12.9	12.7	13.7
D	2.3	2.7	2.7	2.5	0.3	:	:	:	16.5	:	:	:	17.3	19.1	19.3	19.2
E	:	4.1	3.9	3.7	:	:	:	:	:	:	:	:	:	15.8	15.8	17.0
F	3.1	3.4	3.3	3.1	7.0	5.8	5.8	5.8	8.7	9.0	8.8	8.9	16.2	15.1	14.8	14.9
IRL	:	2.2	2.3	2.3	:	:	:	:	:	:	:	:	:	12.1	12.3	12.8
I	3.7	2.7	2.3	2.3	11.2	8.4	8.3	8.1	6.6	6.7	6.6	7.3	16.9	14.3	14.3	14.8
NL	2.8	2.7	2.7	2.7	4.8	5.5	5.8	5.8	11.8	10.7	10.0	10.8	16.8	16.5	16.0	16.8
A	3.6	3.2	3.2	3.2	:	:	:	:	:	:	:	:	19.0	19.9	20.7	21.1
P	2.7	4.2	3.6	3.9	6.9	6.8	:	:	8.9	10.5	:	:	16.3	18.5	:	:
FIN	3.5	2.8	2.9	2.7	8.8	5.1	4.8	4.8	11.2	7.1	6.7	7.7	20.5	12.0	11.7	12.6
S	:	3.1	3.3	3.2	:	1.7	1.4	1.4	:	9.2	8.7	9.8	:	11.1	10.3	11.3
UK	1.9	1.8	1.9	1.8	4.5	4.1	4.1	:	9.7	8.4	7.8	:	15.1	13.2	13.2	13.3
EU	2.8	2.8	2.7	2.6	:	:	:	:	:	:	:	:	16.4	16.0	15.9	16.2

*Excluding Greece and Luxembourg. Private sectors with relatively small shares in GFCF (credit institutions and insurance enterprises) have not been separated out.

Table 4 : Consumption of fixed capital in the Member States of the European Union* as a % of GDP

eurostat	General government				Households				Non-financial enterprises				Total private sector			
	1985	1993	1994	1995	1985	1993	1994	1995	1985	1993	1994	1995	1985	1993	1994	1995
B	0.3	0.3	0.3	0.3	2.7	2.4	2.4	2.4	6.1	6.8	6.8	7.0	9.3	9.7	9.7	9.9
D	0.7	0.7	0.7	0.7	0.2	0.2	0.2	0.2	11.8	12.1	11.9	11.9	12.2	12.6	12.4	12.4
E	1.0	1.1	1.2	1.2	3.2	3.3	3.3	3.3	8.2	6.6	6.6	6.5	11.7	10.3	10.3	10.2
F	1.8	2.1	2.1	2.1	3.4	3.2	3.2	3.1	7.1	7.5	7.4	7.3	10.8	11.0	10.8	10.7
IRL	0.7	0.6	0.6	:	:	:	:	:	:	:	:	:	8.9	8.7	8.5	:
I	0.3	0.5	0.6	0.5	7.0	6.9	6.9	6.9	4.9	4.7	4.7	4.6	12.1	11.9	11.9	11.8
NL	0.8	0.8	0.8	0.8	2.7	2.9	2.9	2.9	7.6	7.9	7.8	7.7	10.6	11.0	10.8	10.8
A	0.8	0.7	0.7	0.7	:	:	:	:	:	:	:	:	11.6	12.2	12.5	12.8
FIN	1.2	1.5	1.6	1.6	5.1	5.5	5.5	5.4	8.1	9.9	9.4	8.7	13.4	15.9	15.2	14.4
S	:	1.8	1.7	1.7	:	2.9	2.7	2.5	:	9.3	8.9	8.3	:	12.3	11.7	11.0
UK	1.2	1.0	0.9	:	2.8	2.8	2.8	:	7.4	6.3	6.2	:	10.6	9.4	9.3	:
EU	1.0	1.1	1.1	1.1	:	:	:	:	:	:	:	:	11.4	11.5	11.3	11.2

*Excluding Denmark, Greece, Luxembourg and Portugal. Private sectors with relatively small shares in GFCF (credit institutions and insurance enterprises) have not been separated out.

The private sector contributes the largest share of GFCF in all Member States, with the highest proportions in Austria and Germany and the lowest in Finland and Sweden (Table 3).

The transition to net figures ...

The data set out above refer to gross fixed capital formation broken down by the various sectors of the national economies. However, the trend in net fixed capital formation, i.e. GFCF minus fixed capital consumption is also worth examining. Table 4 shows the consumption of fixed capital.

... shows a similar picture

Table 5 summarises the trend in net fixed capital formation. Belgium, France, Finland and the United Kingdom (1994) show the lowest values for public net fixed capital formation of around one percent of GDP. Spain and Austria (2.5 %) are top of the list. The evolution of the EU-average shows a drop of 0.2 percentage points in public net fixed capital formation compared to 1994.

Longer term analysis of net public fixed capital formation shows a continuous slide, with the EU average falling from 2.3 % to 1.5 % of GDP between 1980 and 1995 (Table 6).

From 1993 to 1994, private-sector net fixed capital formation in the EU increased by 0.1 percent of GDP (Table 6). This growth accelerated in 1995 to 0.4 percentage points giving a level of 5 % of GDP. Particularly high increases in private sector net fixed

capital formation have been recorded in Spain, Finland and Sweden (1.3, 1.6 and 1.8 points). It is also to be noted that net fixed capital formation was negative in Finland from 1993 to 1995 and in Sweden from 1993 to 1994.

Box 1

Gross fixed capital formation

According to the European System of Integrated Economic Accounts (ESA 1979), the basis for calculating the figures shown in this report, "gross fixed capital formation represents the value of durable goods which are acquired by resident producer units in order to be used for a period of more than one year in their process of production, including the value of any services embodied in fixed capital goods." This includes buildings, vehicles, machinery and other equipment.

The trends and differences in the levels of general government gross fixed capital formation may be affected by the extent of private sector financing and recording of public sector infrastructure, such as motorways run by private operators. Also, changes of institutional units from the government sector to the private (non government) sector, on which little information is available, might have played a role.

Consumption of fixed capital


Paragraph 402 of ESA 79 defines the consumption of fixed capital as "the amount of fixed capital used up, during the period under consideration, as a result of normal wear and tear and foreseeable obsolescence ..."

Table 5 : Net fixed capital formation in the Member States of the European Union* as a % of GDP

	General government				Households				Non-financial enterprises				Total private sector			
	1985	1993	1994	1995	1985	1993	1994	1995	1985	1993	1994	1995	1985	1993	1994	1995
B	1.9	1.1	1.2	1.0	1.8	3.8	4.0	4.1	2.2	2.9	2.3	2.6	4.1	6.6	6.1	6.4
D	1.5	2.0	2.0	1.8	0.1	:	:	:	4.8	:	:	:	5.1	6.5	6.9	6.8
E	:	3.0	2.7	2.5	:	:	:	:	:	:	:	:	:	5.4	5.5	6.8
F	1.3	1.3	1.2	1.0	3.6	2.6	2.6	2.7	1.6	1.6	1.4	1.6	5.4	4.1	3.9	4.1
IRL	:	1.6	1.7	:	:	:	:	:	:	:	:	:	:	3.5	3.8	:
I	3.5	2.1	1.8	1.7	4.2	1.5	1.4	1.2	1.7	2.0	2.0	2.7	4.8	2.4	2.4	3.0
NL	2.0	1.9	1.9	1.9	2.1	2.6	2.9	2.9	4.2	2.7	2.3	3.0	6.3	5.5	5.2	6.0
A	2.8	2.5	2.5	2.5	:	:	:	:	:	:	:	:	7.4	7.7	8.3	8.3
FIN	2.3	1.2	1.3	1.1	3.8	-0.4	-0.7	-0.6	3.2	-2.8	-2.7	-1.0	7.0	-3.9	-3.5	-1.9
S	:	1.3	1.6	1.5	:	-1.1	-1.2	-1.1	:	-0.1	-0.2	1.4	:	-1.2	-1.4	0.4
UK	0.8	0.9	1.0	:	1.7	1.4	1.4	:	2.3	2.2	1.6	:	4.5	3.8	3.8	:
EU	1.9	1.8	1.7	1.5	:	:	:	:	:	:	:	:	5.0	4.5	4.6	5.0

* Excluding Denmark, Greece, Luxembourg and Portugal. Net fixed capital formation = gross fixed capital formation less fixed capital consumption

Table 6: General government and private sector net fixed capital formation as percentage of GDP in the EU*, 1980-1995

 eurostat	General government	Private	Total
1980	2.3	8.1	10.4
1981	2.1	6.7	8.8
1982	1.9	5.9	7.9
1983	1.9	5.6	7.4
1984	1.8	5.2	7.0
1985	1.9	5.0	6.9
1986	1.8	5.3	7.0
1987	1.7	5.7	7.4
1988	1.7	6.6	8.3
1989	1.7	7.4	9.1
1990	1.9	7.2	9.0
1991	1.9	6.7	8.7
1992	1.9	6.0	7.9
1993	1.8	4.5	6.3
1994	1.7	4.6	6.2
1995	1.5	5.0	6.5

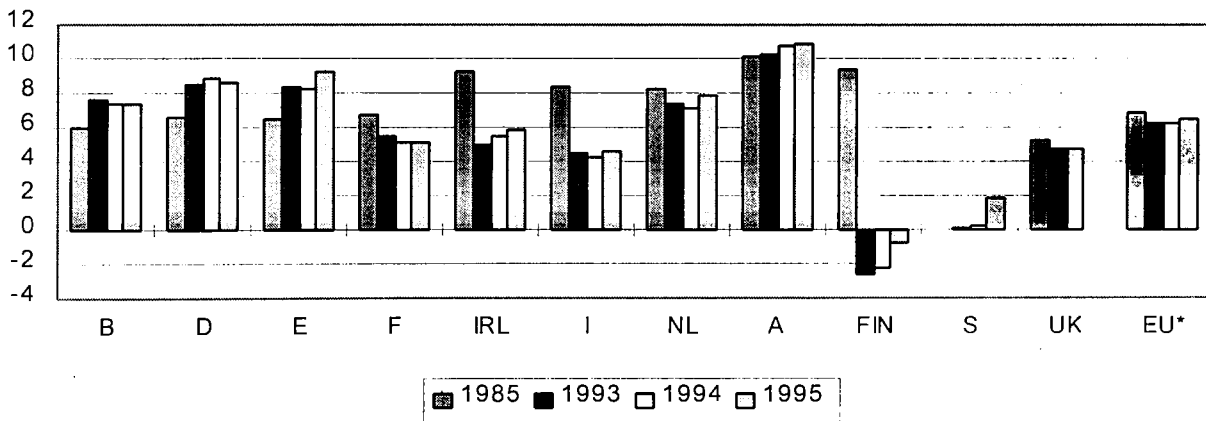
Conclusion

The trends shown in this issue of *Statistics in Focus* indicate lower values for gross and net fixed capital formation in the 1990s in both the general government and the private sectors. Among the countries that supply data, large falls in gross fixed capital formation were recorded during the last ten years in Italy and Finland. For public gross fixed capital formation, the most significant drop occurred in Italy, while Portugal was the only Member State to increase its share of public investment in GDP over the last ten years. The ratios of general government investment in GDP are particularly low in the United Kingdom and in Belgium.

In 1995, the share of gross fixed capital formation in GDP increased in particular due to an increase in private gross fixed capital formation, whereas the downward trend of general government investment continued. A look at the net figures, which include consumption of fixed capital, show a more pronounced upward trend of private sector net fixed capital formation and a stronger downward trend in general government net fixed capital formation.

* Excluding Denmark, Greece, Luxembourg and Portugal.

Figure 5: Net fixed capital formation as a percentage of GDP in the Member States of the European Union*, 1985, 1993-1995, in %



* Excluding Denmark, Greece, Luxembourg and Portugal.

General Government Gross Fixed Capital Formation in the EU

