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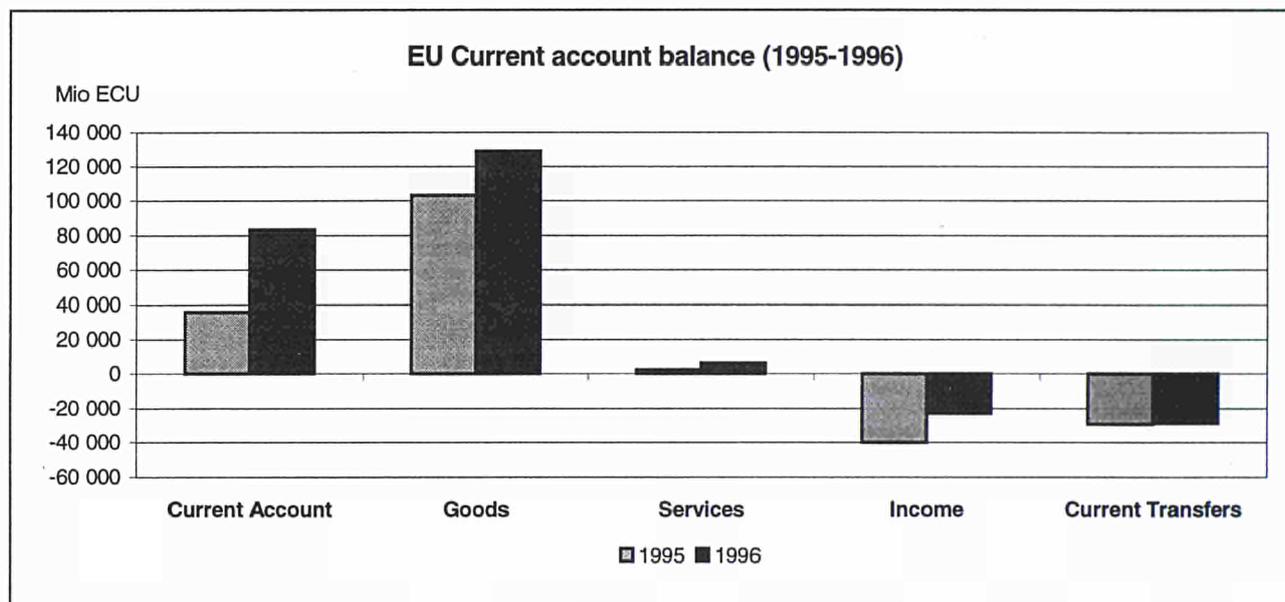
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INTERNATIONAL TRADE IN SERVICES: A DYNAMIC SECTOR IN CONTINUOUS GROWTH

According to preliminary results released by Eurostat, in 1996, the EU⁽¹⁾ surplus⁽²⁾ on current account reached ECU 83.5 billion overcoming the record figure of last year (ECU 35.6 billion). This expansion was led by trade in goods⁽³⁾ with a 25% increase in one year and a 60% weight in the current account. The surplus in trade in services registered a remarkable 184% growth in relation to the previous year reaching ECU 6.2 billion. This has also contributed to the change in the current account, but to a lesser extent as trade in services represented 17% of EU total transactions with the World. The structural deficit on current transfers did not change substantially, reaching ECU 28.7 billion down from 29.4 billion in 1995. The deficit on income was reduced extensively to ECU 23 billion, from ECU 40 billion in 1995. EU was still trading mainly with itself, as its 62% share as a partner in total transactions remained the same as in 1995.



⁽¹⁾ EU equivalent to EUR15

⁽²⁾ EU surplus calculated including Intra EU transactions

⁽³⁾ According to Balance of Payments concept (FOB/FOB)

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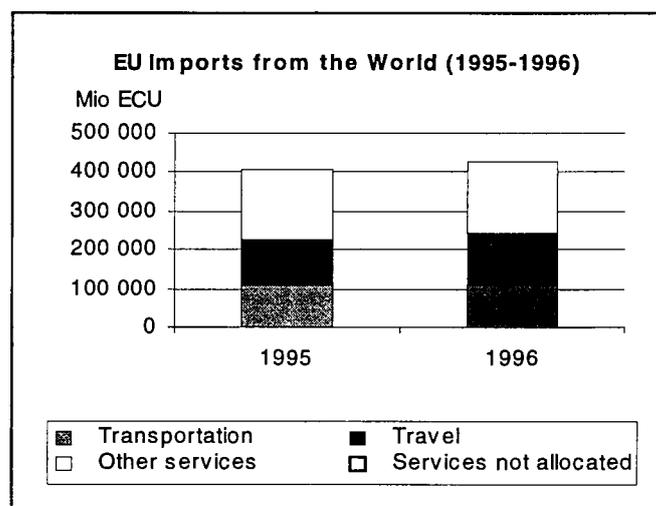
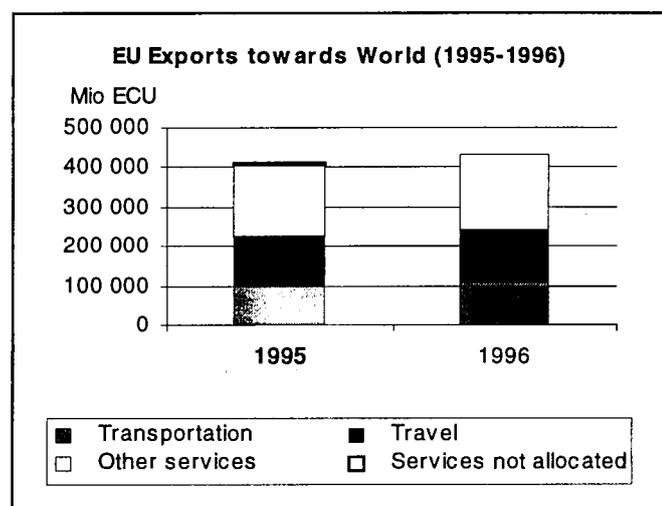
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EU Current Account (partner World)

(Mio ECU)

	Exports		Imports		Net*		Net change (%)
	1995	1996	1995	1996	1995	1996	
Current Account	2 517 185	2 617 015	2 481 537	2 533 557	35 648	83 458	134%
Goods	1 516 274	1 619 331	1 413 119	1 490 197	103 155	129 133	25%
Services	411 776	434 607	409 603	428 442	2 173	6 165	184%
Transportation	100 108	106 781	106 547	108 704	-6 439	-1 922	70%
Travel	125 176	134 059	120 047	131 387	5 130	2 672	-48%
Other services	180 854	190 526	179 955	186 037	899	4 489	399%
Services not allocated	5 637	3 241	3 054	2 314	2 583	927	-64%
Income	436 787	398 516	477 015	421 604	-40 228	-23 088	43%
Current transfers	152 348	164 561	181 800	193 313	-29 452	-28 753	2%

* The present convention is to use the EU balance in relation to the World (e.g. including non-zero Intra EU balance) as an approximation of the Extra EU balance.



EU Current Account (partner Extra EU)*

(Mio ECU)

	Exports		Imports	
	1995	1996	1995	1996
Current Account	898 561	970 057	900 263	913 556
Goods	541 226	591 213	534 620	551 462
Services	179 678	192 969	171 814	178 377
Transportation	48 296	50 035	46 846	48 914
Travel	43 264	48 975	43 543	47 963
Other services	86 127	92 832	80 439	80 584
Services not allocated	1 991	1 127	986	916
Income	166 014	170 233	155 868	147 320
Current transfers	11 643	15 641	37 961	36 397

* The present convention is to use the EU balance in relation to the World (e.g. including non-zero Intra EU balance) as an approximation of the Extra EU balance.

The **United States** remained the Extra EU main partner. The current account surplus was reduced by 44% from the figure of 1995 (ECU 6.9 billion) to ECU 3.9 billion in 1996. The main protagonist of this contraction was trade in services, with a drop of 129% in comparison to the previous year. *Transportation* was the most important component responsible for this reduction (-72%). Trade in goods surplus increased by 23%.

Total transactions in services with United States decreased by 6%. This decrease was export led and had a repercussion on the decrease of the surplus of the EU current account. As it is shown in the graphic below, *transportation* imports were the only value to increase from the services breakdown, contributing to the mentioned contraction of the current account surplus.

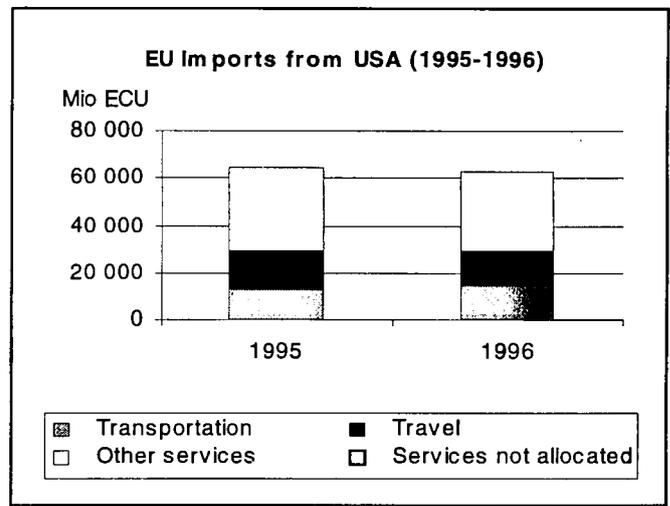
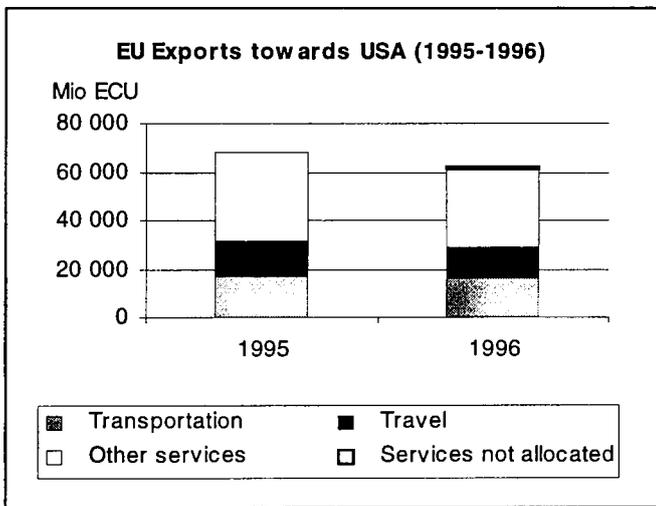
The United States' share in the Extra EU transactions in services decreased from 38% to 34%, mostly due to the important decline in the travel share (from 35% to

28%). The change shown was partly due to Member States' methodological changes (like Italy's revised methodology on travel).

EU Current Account (partner United States)

	Exports		Imports		Net		Net change (%)
	1995	1996	1995	1996	1995	1996	
Current Account	241 906	244 875	235 047	241 050	6 859	3 825	-44%
Goods	107 137	117 199	105 818	115 582	1 319	1 617	23%
Services	68 465	61 757	64 495	62 896	3 970	-1 138	-129%
Transportation	17 233	15 771	12 523	14 449	4 710	1 322	-72%
Travel	14 093	12 959	16 405	14 543	-2 312	-1 584	31%
Other services	36 602	32 718	35 321	33 558	1 281	-840	-166%
Services not allocated	538	309	247	346	291	-37	-113%
Income	62 837	61 906	59 097	56 510	3 740	5 396	44%
Current transfers	3 467	4 013	5 636	6 061	-2 169	-2 049	6%

(Mio ECU)



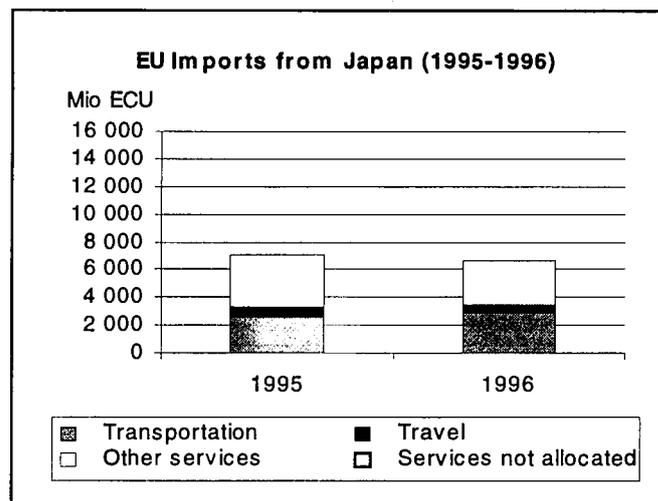
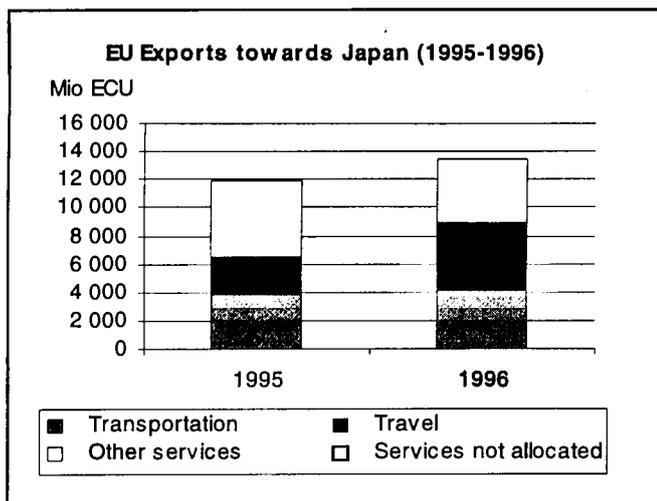
The general evolution of EU trade with **Japan** as a partner showed a 60% reduction in the current account deficit. Still, the deficit figure remained at ECU 7.6 billion. In contrast with the situation towards United States, this improvement in the EU's balance was explained by two main reasons: an increase in exports (4.35%) and a diminution in imports (-10.15%). The increase in exports came from Travel

and the diminution in imports from trade in *goods* and from *income*. EU travel exports towards Japan (ECU 4.8 billion) experienced a growth of 82%. The 1996 surplus of ECU 4.2 billion represented an increase of 105% in comparison to 1995. The trade in services surplus reflected this impulse, increasing from ECU 4.9 billion to ECU 6.9 billion. *Net income*, at the same time, grew from ECU 3.3 billion to ECU 5.3 billion.

EU Current Account (partner Japan)

	Exports		Imports		Net		Net change (%)
	1995	1996	1995	1996	1995	1996	
Current Account	64 393	67 198	83 207	74 767	-18 814	-7 569	60%
Goods	30 607	34 118	57 707	53 857	-27 100	-19 740	27%
Services	11 964	13 459	7 076	6 597	4 887	6 862	40%
Transportation	3 869	4 146	2 641	2 820	1 228	1 326	8%
Travel	2 661	4 835	614	637	2 047	4 198	105%
Other services	5 307	4 414	3 759	3 108	1 547	1 306	-16%
Services not allocated	127	63	62	32	64	31	-52%
Income	21 451	19 201	18 102	13 858	3 349	5 343	60%
Current transfers	372	421	322	455	50	-35	-170%

(Mio ECU)



All these results can be found in the table ITSPRE within New Cronos (theme 2 Economy and finance, Balance of payments), the general database of Eurostat. Access to New Cronos statistical data from the European statistical system via Europa on request at the Eurostat Information and Dissemination Unit C1 – Tel. (352) 4301-33262; Fax (352) 4301-32594 <http://europa.eu.int/eurostat/newcron/themes.htm>

Methodological Note:

The European Union's balance of payments is compiled as the sum of harmonised balance of payments accounts of the fifteen Member States. Balance of Payments statistics record all economic transactions undertaken between the residents and the non-residents of a country or geographical region during a given period.

The annual information transmitted by the majority of Member States have been drawn up according to the new fifth edition of the IMF Balance of Payments Manual (BPM5). Data supplied by Member States still using the BPM4 have been converted by Eurostat to comply with BPM5 methodology. Other operations are carried out in order to harmonise the different balances of payments and to produce a European Union balance as meaningful as possible. Despite the corrections and harmonisation made to the data, some methodological inconsistencies remain. The discrepancies can arise due to the Member States' misclassification of certain items, incorrect geographical allocation or the non-recording of certain items.

The results presented in this note are preliminary and provisional and final results will be published later this year.

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