

EU External Surplus in International Trade in Services in 2007 grew by 22.8%

The European Union continued to be the biggest global player in international trade in services (ITS). In 2007, the EU's international trade in services recorded a surplus of €84.1 billion, compared to €8.5bn in 2006 and €54.1bn in 2005. The USA remained the EU's main trading partner. Of all the EU Member States, the UK was the biggest contributor to extra-EU transactions.

Trade in services grows faster than trade in goods

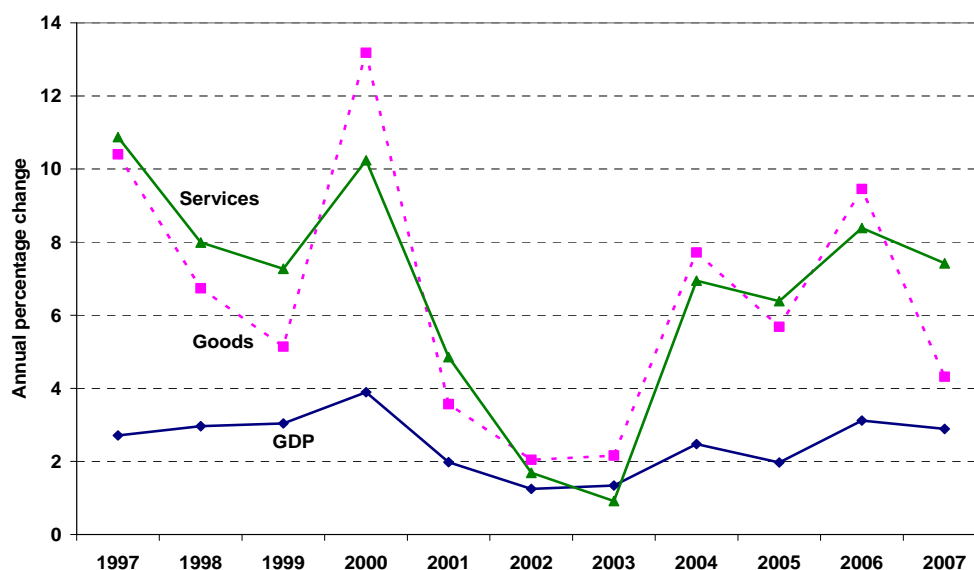
Services play a major role in all modern economies. An efficient services sector is critical to trade and economic growth and to vibrant and resilient economies. Trade in services also plays an important role in creating wealth and jobs for all economies around the world, and is a catalyst for development. Services are the backbone of economies and trade around the world and provide vital support to the economy and industry as a whole, for example through finance, logistics and communications.

Increased trade in and availability of services will boost economic growth, business growth and development by improving the performance of other industries, since services provide key intermediate inputs, especially in an increasingly interlinked globalised world.

In 2007, their share of EU gross value added and employment were 70.7% and 69.6% respectively. Services have become increasingly important for the EU economy over recent decades.

Since the 1990s, the volume of exports of EU goods and services increased in a broadly similar pattern, both by about 6.5% per year on average. Consequently services maintained their share of roughly 22% of overall international trade during this period. Chart 1 shows that exports of services in 2007 grew faster than goods exports (7.4% against 4.3%), after lagging slightly behind in previous years. This was mainly due to the expanding international supply of many services and to the increase in transportation prices.

Chart 1: EU GDP and exports of goods and services, 1997-2007
(At 2000 prices and exchange rates, annual percentage change)



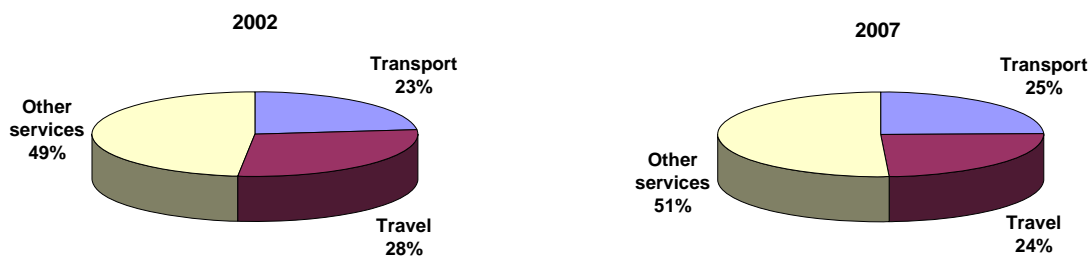
Source: Eurostat

According to figures published by the International Monetary Fund¹, total international trade in services (exports plus imports) in 2007 amounted to €4818.7 billion (of which intra-EU trade accounted for €302.2 billion) — an increase of 9.5% in value since 2006.

Looking at the different categories of services for which total world figures are available (transport², travel³ and other services⁴) between 2002 and 2007, travel as a share of total services decreased by 4 percentage points, down to 24% in 2007. Although tourism continues to be

a flourishing sector, the share of travel in world exports of services has declined steadily in recent years owing to the boom in trade in other services. The share of other services, which include business services, increased by 2 percentage points (up to 51%). This category has recorded impressive growth in recent years, doubling in value since 2000. The share of transportation services also increased from 23% to 25% (see Chart 2). Rising fuel prices and the inability of some major shipping routes to meet demand continued to have a significant effect on transportation costs.

Chart 2: Breakdown of total world trade in services, in %



Source: IMF Balance of Payments Statistics, 2007

The EU remained the world's largest trader in services

In 2007, the European Union remained the world's largest exporter and importer of services. The EU accounted for 27.8% of global exports and 24.0% of imports⁵. It was followed by the USA (18.1%) and, at some considerable distance, by Japan (5.8%), China (5.2%) and South Korea (3.0%).

Whereas the EU's share in total world trade in services (exports + imports) increased slightly, from 25.7% in 2006 to 26.0% in 2007, the USA and Japan saw their share decrease — the USA down from 19.3% to 18.1% in 2007, and Japan from 6.3% to 5.8%. China, on the other hand continued to increase its share from 4.8% to 5.2%.

Table 1 summarises international trade in services transactions (exports and imports) for the 16 main

trading economies. In 2007, these 16 economies together accounted for about 80% of total world transactions in services. As the EU is treated as a single entity, intra-EU transactions are not included in this analysis.

Collectively these countries recorded a surplus of €14.3bn (€2.6bn in 2006). However, this total amount conceals differences in individual countries. In 2007, the EU recorded a surplus of €84.1bn, compared to €68.5bn in 2006. Other countries persistently running surpluses were the USA, Switzerland and Turkey. The highest deficit was recorded by Japan (€15.5bn), closely followed by South Korea (€15.0bn) and Russia (€14.5bn). Other countries with significant deficits were Canada, Brazil, Thailand, China, and Mexico.

¹ IMF, Balance of Payments Statistics.

² Transportation covers all transportation services that are performed by residents of one economy for those of another and that involve the carriage of passengers, the movement of goods, rentals of carriers with crew, and related supporting and auxiliary services.

³ Travel covers primarily the goods and services acquired from an economy by travellers during visits of less than one year to that economy.

⁴ Other services comprise: communication services, construction services, insurance services, financial services, computer and information services, royalties and license fees, other business services, personal, cultural and recreational services and government services.

⁵ Intra-EU transactions are excluded from this analysis since the EU is treated as a single entity.

Table 1: Trade in services for main trading countries (in billion Euro)

	2006			2007			Share of world (%)		Rank	
	export	import	balance	export	import	balance	2006	2007	2006	2007
EU-27	447.1	378.6	68.5	498.5	414.4	84.1	25.7	26.0	1	1
United States of America	342.6	277.9	64.7	359.8	275.9	83.9	19.3	18.1	2	2
Japan	93.4	108.0	-14.5	94.2	109.7	-15.5	6.3	5.8	3	3
China	73.3	80.3	-7.0	89.2	94.9	-5.8	4.8	5.2	4	4
South Korea	39.7	54.8	-15.1	46.0	61.0	-15.0	2.9	3.0	7	5
Canada	47.3	57.9	-10.6	46.1	59.3	-13.2	3.3	3.0	5	6
Singapore	47.1	49.3	-2.3	50.9	52.8	-1.9	3.0	2.9	6	7
Russia	24.8	35.7	-10.9	28.7	43.2	-14.5	1.9	2.0	9	8
Switzerland	41.4	22.9	18.5	45.9	24.8	21.0	2.0	2.0	8	9
Norway	26.5	25.5	1.1	29.6	29.0	0.6	1.6	1.7	11	10
Australia	26.4	25.7	0.7	29.5	28.4	1.1	1.6	1.6	10	11
Thailand	19.8	26.3	-6.5	21.2	27.9	-6.8	1.4	1.4	12	12
Brazil	15.5	23.2	-7.7	17.4	27.2	-9.7	1.2	1.3	13	13
Malaysia	17.4	18.9	-1.5	20.6	20.4	0.2	1.1	1.2	14	14
Turkey	20.2	9.1	11.0	21.0	10.9	10.1	0.9	0.9	16	15
Mexico	13.1	18.2	-5.1	12.9	17.4	-4.4	1.0	0.9	15	16

Source: Eurostat; IMF

NB: ordered according to ranking in 2007

Surplus in transportation and other services, deficit in travel

In 2007, the EU's external trade in services recorded a surplus of €84.1 billion, up from €68.5 bn in 2006 and €54.1 bn in 2005.

The increased surplus in 2007 was mainly due to an increased surplus in financial services (+30.8 bn in 2007 compared with +24.2 bn in 2006), transportation services (+15.5 bn compared with +11.1 bn), computer and information services (+14.5 bn compared with +12.0), insurance services (+6.9 bn compared with +4.0 bn) and construction services (+8.1 bn compared with +6.6 bn), an improved balance in personal, cultural and recreational services, where the deficit of 2.6 bn recorded in 2006 was reduced to 1.2 bn in 2007, partially offset by the increased deficits in travel (-18.6 bn compared with -15.4 bn) and in royalties

and licence fees (-8.3 bn compared with -7.0 bn).

The significant surplus in "other business services", which comprise merchanting and other trade-related services, operational leasing services and miscellaneous business, professional and technical services, remained stable (+35.5 bn compared with 35.2 bn).

On the credit side, insurance services experienced the biggest increase in relative terms (+28.3%) followed by financial services, communication services, construction services and computer and information services (+22.9%, +17.3%, +16.2% and +15.3% respectively). On the import side, double digit rates of expansion were seen in financial services, other business services, royalties and license fees and construction services.

Table 2: EU international trade in services with the rest of the world (in bn Euro)

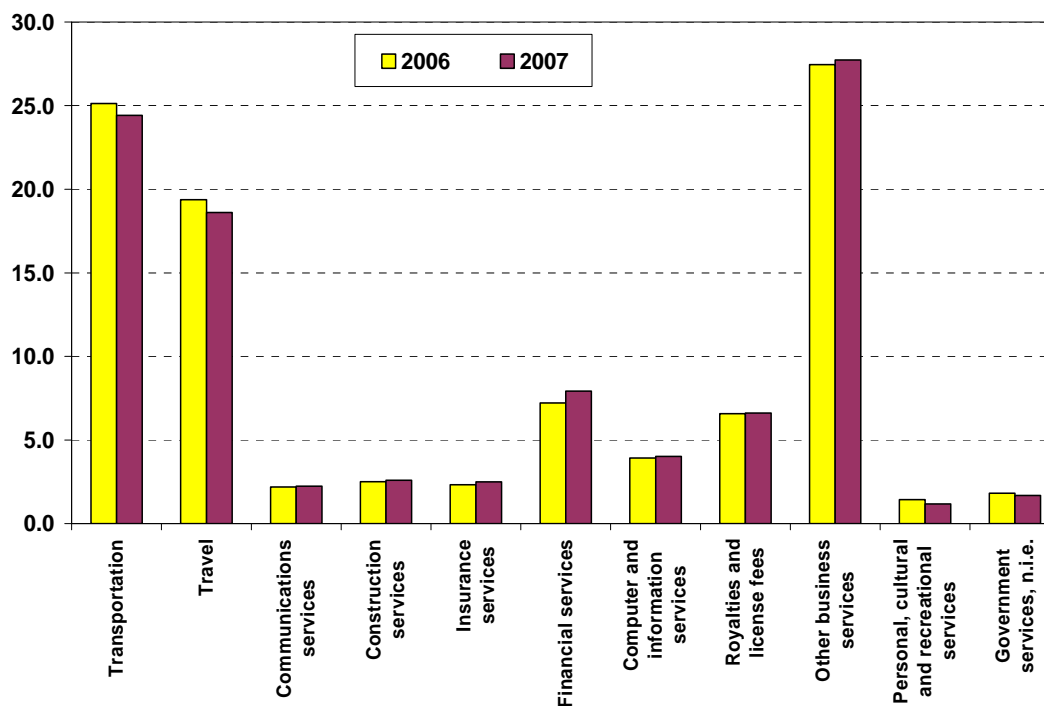
	2005			2006			2007		
	export	import	balance	export	import	balance	export	import	balance
Total Services	403.4	349.3	54.1	447.1	378.6	68.5	498.5	414.4	84.1
Transportation	103.2	87.9	15.3	109.3	98.2	11.1	119.2	103.7	15.5
Travel	65.7	84.8	-19.1	72.3	87.7	-15.4	75.6	94.2	-18.6
Other services	234.4	176.5	57.9	265.5	192.7	72.8	301.4	214.4	87.1
Communications services	7.3	7.9	-0.6	8.5	9.6	-1.1	10.0	10.4	-0.4
Construction services	12.2	6.1	6.0	13.7	7.1	6.6	15.9	7.8	8.1
Insurance services	6.1	8.3	-2.1	11.6	7.6	4.0	14.9	8.0	6.9
Financial services	35.0	14.2	20.9	41.9	17.7	24.2	51.5	20.8	30.8
Computer and information services	17.3	8.8	8.5	22.2	10.2	12.0	25.6	11.1	14.5
Royalties and license fees	23.5	32.1	-8.6	23.7	30.7	-7.0	26.1	34.4	-8.3
Other business services	120.4	86.7	33.7	130.9	95.7	35.2	144.3	108.9	35.5
Personal, cultural and recreational services	4.9	6.3	-1.4	4.7	7.2	-2.6	4.8	6.0	-1.2
Government services, n.i.e.	7.6	6.1	1.5	8.3	6.8	1.5	8.3	7.1	1.2
Services not allocated	0.1	0.1	0.0	0.0	0.0	0.0	2.3	2.2	0.1

Source: Eurostat

Chart 3 shows that, in terms of total transactions (exports plus imports), the share of financial services in total EU international trade in services increased, while

the share of transportation and travel decreased. The share of other service categories remained more or less stable.

Chart 3: Shares in EU ITS transactions with the rest of the world (in %)



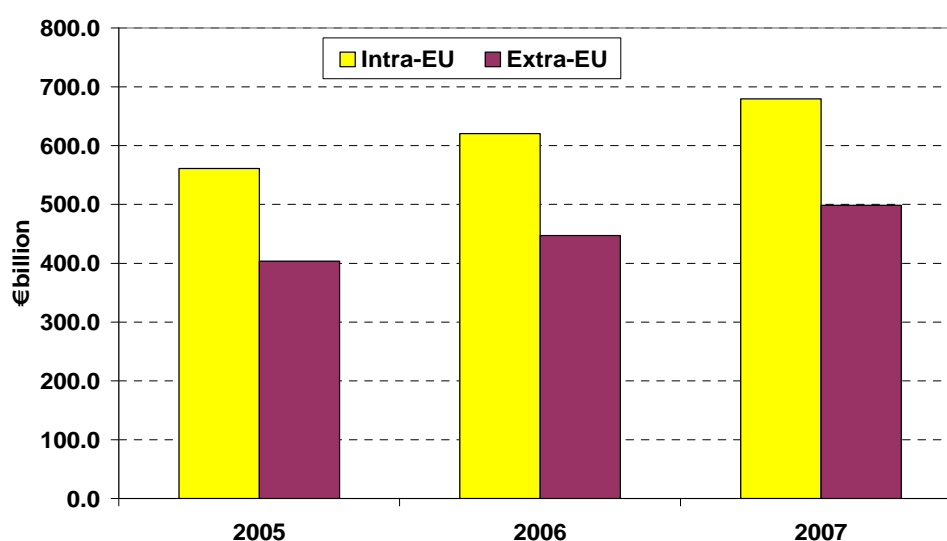
Source: Eurostat

Trade between Member States exceeds Extra-EU trade

In 2007, nearly 59% of EU trade in services was between EU Member States (intra-EU transactions). Intra-EU exports (i.e. exports from Member States to Member States) amounted to €679.6bn — an increase of 9.5% in value terms since 2006. The value of total intra-EU imports in 2007 was €622.6bn.

Extra-EU exports (i.e. exports from Member States to third countries) increased by 11.5% over the same period, reaching €498.5bn. Extra-EU imports (imports into the EU from third countries) grew by 9.5% and were worth €414.4bn.

Chart 4: Intra-EU and Extra-EU exports of services, bn Euro



Source: Eurostat

The EU recorded surpluses with most of its partners

An analysis of the breakdown and underlying trend of EU transactions with the rest of the world (extra-EU transactions) shows that the USA continued to be the EU's biggest trading partner. In 2007, 27.9% of total exports from the EU went to the USA and 30.8% of total imports came from the USA. The trade surplus with Russia almost doubled from €3.7bn in 2006 to €7.2bn in 2007, because exports to Russia increased at a faster rate than imports from Russia. The same was true of trade with China, resulting also in a considerable increase in the trade surplus. On the other hand, exports to Nigeria

decreased by 21.1%, and imports increased by 9.5%. Consequently the trade surplus in 2007 was over 30% lower than in 2006.

Double digit growth in both exports and imports was recorded for trade with Switzerland, Norway, Canada, Hong Kong and Chile. The EU has considerable surpluses with most of its trading partners, but the largest deficits were recorded with Morocco, Croatia, Thailand, Egypt and Turkey, mainly due to deficits recorded under travel.

Table 3: EU-27 trade with its main partners, total services (in €m)

Rank*	Trading partner	2006			2007		
		Export	Import	Balance	Export	Import	Balance
1	Switzerland	53 252	38 146	15 107	61 503	43 987	17 516
2	United States of America	133 753	122 029	11 724	139 135	127 717	11 417
3	Russia	14 699	10 986	3 713	19 238	12 030	7 208
4	Norway	16 275	10 677	5 599	19 008	11 912	7 096
5	Japan	18 607	13 193	5 413	19 378	13 805	5 573
6	Australia	9 180	6 028	3 151	10 747	6 284	4 463
7	Singapore	10 426	6 034	4 392	11 397	7 133	4 264
8	China	13 346	11 890	1 456	17 766	13 769	3 996
9	South Korea	6 759	3 973	2 786	7 212	3 961	3 251
10	India	7 259	5 769	1 490	9 555	7 020	2 535
11	Nigeria	4 912	1 560	3 352	3 874	1 708	2 166
12	Canada	10 397	8 467	1 930	11 695	9 648	2 047
13	Brazil	5 259	4 650	609	6 417	4 791	1 626
14	Venezuela	1 541	762	779	2 102	719	1 383
15	Chile	2 331	1 169	1 162	2 712	1 373	1 339
16	South Africa	5 558	4 386	1 173	5 704	4 380	1 324
17	Mexico	4 190	2 622	1 568	4 535	3 303	1 232
18	Taiwan	3 390	2 021	1 369	3 722	2 550	1 172
19	Indonesia	1 543	1 196	348	1 811	1 146	666
20	Israel	3 241	2 430	812	3 518	2 853	665
21	New Zealand	1 865	1 248	617	1 920	1 293	627
22	Malaysia	2 117	1 896	221	2 342	1 865	477
23	Argentina	1 813	1 710	103	2 038	1 751	287
24	Uruguay	320	235	85	478	308	171
25	Hong Kong	7 008	6 617	391	8 234	8 135	99
26	Iceland	986	656	330	778	703	75
27	Liechtenstein	426	512	-86	606	588	18
28	Philippines	943	1 110	-167	1 016	1 079	-63
29	Morocco	1 819	3 613	-1 794	2 104	4 407	-2 303
30	Croatia	2 253	4 799	-2 546	2 333	4 931	-2 598
31	Thailand	2 029	4 623	-2 594	2 151	4 926	-2 776
32	Egypt	2 405	5 093	-2 688	2 610	5 700	-3 091
33	Turkey	5 945	10 805	-4 860	6 617	11 900	-5 282

* ordered according to EU27 net in 2007

Source: Eurostat

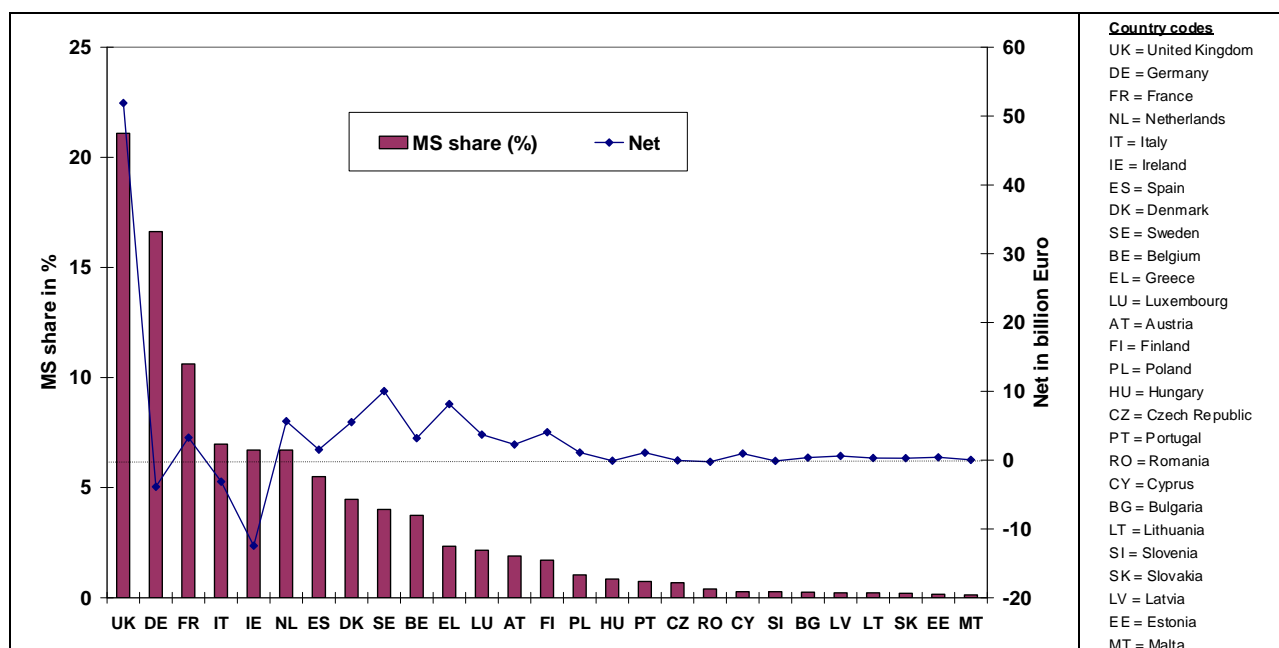
UK remains the EU champion in trade in services

The United Kingdom continued to be the largest exporter of services in 2007. Almost one quarter of all EU exports to the rest of the world came from the UK, followed by Germany and France.

Germany was the biggest importer, accounting for around 19% of total EU imports. It was followed by the

UK and France. The United Kingdom also recorded the largest surplus in 2007 (€+51.9bn), followed by Sweden and Greece. The highest deficit in 2007 was recorded by Ireland, followed by Germany and Italy.

Chart 5: Member States' (MS) share in total extra-EU ITS transactions (left scale) and net balance in extra-EU ITS transaction (right scale)



Source: Eurostat

Pattern of specialisation in trade in services

The indices presented in Table 4 can be used to perform a detailed analysis of the trade specialisation of individual Member States. They compare a country's share of individual service categories out of its total exports with the share of that category in total EU exports. The index is defined as the share of a service category in total exports of a country divided by the

corresponding share of the EU total. So if the index exceeds 1, a country exports relatively more of that service category compared to the EU; therefore considered to be specialised in exporting that service category. If the index is less than 1, the country's export share is less than that of the EU as a whole.

Table 4: Member States' trade specialisation pattern

	Transport	Travel	Communication	Construction	Insurance	Financial	Computer	Royalties	Other business	Personal	Government
BE	1.5	0.6	1.9	0.6	0.5	0.5	0.7	0.6	1.1	0.5	1.9
BG	1.4	2.2	1.0	0.9	0.3	0.1	0.3	0.0	0.4	1.2	0.0
CZ	1.4	1.7	1.3	0.8	0.0	0.2	0.8	0.1	0.7	1.1	0.1
DK	3.0	0.4	0.6	0.2	0.2	0.0	0.4	0.9	0.5	0.9	0.8
DE	1.1	0.7	0.8	2.4	1.1	0.5	1.0	0.9	1.2	0.5	2.0
EE	1.9	1.0	1.1	1.9	0.1	0.3	0.6	0.1	0.8	0.2	0.9
IE	0.2	0.3	0.3	0.0	5.3	1.1	5.9	0.4	1.1	0.3	0.6
EL	2.5	1.6	0.4	0.4	0.4	0.0	0.1	0.0	0.2	0.5	0.2
ES	0.8	2.0	0.5	1.4	0.5	0.5	0.7	0.1	0.8	1.3	0.5
FR	1.1	1.6	1.1	1.5	0.3	0.1	0.2	1.6	0.8	1.3	0.5
IT	0.7	1.7	1.1	1.2	0.5	0.3	0.1	0.2	1.2	0.9	0.9
CY	1.1	1.3	0.5	1.0	0.5	0.8	0.6	0.1	0.8	0.9	3.9
LV	2.4	0.8	0.9	0.6	0.2	0.7	0.5	0.1	0.6	0.3	0.7
LT	2.7	1.3	1.0	0.7	0.1	0.1	0.1	0.0	0.2	0.4	0.8
LU	0.2	0.3	1.2	0.3	1.4	6.7	0.4	0.2	0.4	0.9	0.4
HU	0.9	1.2	1.1	1.0	0.1	0.2	0.8	1.5	1.1	7.9	0.5
MT	0.6	1.2	0.8	0.1	0.5	0.7	0.3	1.3	0.9	19.1	0.7
NL	1.1	0.5	1.4	0.9	0.2	0.2	1.0	3.3	1.3	0.6	1.5
AT	1.0	1.5	1.2	1.0	0.9	0.3	0.6	0.4	1.0	0.4	0.7
PL	1.5	1.6	0.7	2.3	0.0	0.1	0.4	0.1	0.7	0.7	0.2
PT	1.2	1.9	1.4	1.5	0.2	0.1	0.2	0.1	0.7	1.1	0.7
RO	1.1	0.6	4.1	1.1	0.1	1.6	1.0	0.1	0.9	1.0	0.3
SI	1.4	1.9	0.9	1.5	0.1	0.1	0.5	0.1	0.7	0.6	0.1
SK	1.5	1.3	1.4	0.7	0.1	0.4	0.5	0.6	0.6	4.5	0.4
FI	0.7	0.5	0.7	0.7	0.2	0.2	1.4	1.5	2.0	0.1	0.4
SE	0.8	0.8	1.1	0.7	0.6	0.3	1.8	2.0	1.3	0.5	0.6
UK	0.5	0.6	1.1	0.3	1.6	2.5	0.9	1.4	1.1	1.4	1.0

Source: Eurostat

Of all EU countries, Denmark is one of the main exporters of *transportation services*. Table 4 shows that share of transportation services out of Denmark's total exports of services is three times more than the corresponding share for the EU as a whole. Other countries with relatively high share in this category are Lithuania, Greece and Latvia. At the other end of the scale, transportation services represent the lowest relative share of total exports from Ireland and the United Kingdom.

Receipts from *travel* play a relatively much more important role in Bulgaria and Spain than in the EU as a whole. The shares of travel in Portuguese and Slovenian exports of services are about double the EU total. On the other hand, Ireland and Luxembourg earn relatively little from travel, compared with other Member States.

The share of *communication services* in Romanian total exports of services is about four times higher than the share for the EU as a whole. While most countries have a share close to the EU average, it is lowest in Ireland and Greece, followed by Spain and Cyprus.

Germany is the leading exporter of *construction services*, accounting for one third of all EU exports. The share of this service category in total German exports is 2.4 times higher than in the EU. The same is true for Poland. On the contrary, this figure is very low in Ireland, Malta and Denmark.

Irish exports of services feature a very high share of *insurance services*, 5.3 times higher than for total EU exports. In a number of countries this service category plays only a marginal role. Its share in Czech, Polish, Hungarian, Lithuanian, Romanian, Slovenian and Slovak exports is negligible when compared with the EU average.

The UK and Luxembourg are by far the largest exporters of *financial services*. The shares of financial services in the total export of services of Luxembourg and the UK are 6.7 and 2.5 times higher respectively than the share

for the EU. For Danish, Greek, Bulgarian, Polish, Portuguese, French, Lithuanian and Slovenian exports this share is the lowest by comparison with the EU average.

Ireland, the leading exporter of *computer services*, is also the sole champion in terms of relative shares of exports. The only other countries with a share above the EU share are Finland and Sweden.

In the service category *royalties and license fees*, the Netherlands and Sweden earn relatively more than the EU average. Bulgaria, Greece and Lithuania have the lowest share of exports of this service category.

The UK and Germany are the main exporters of *other business services*, which make up the biggest service category of EU exports. The shares of both countries are higher than that of EU as a whole. However, this category is much more significant in Finnish exports than in the EU as a whole. The opposite applies to Greece and Lithuania.

Personal, cultural and recreational services are one of the two smallest service categories, accounting for about 1% of total EU exports. Its share in Maltese exports is by far the highest when compared with the EU average. Hungary and Slovakia also have high shares of this category, and Finland and Estonia have the lowest.

Government services are the other smallest category. In Cyprus its share is 3.9 times higher than the share in EU total exports. Other countries with above-average shares are Belgium and Germany. On the other hand this share is the smallest in Bulgaria, Czech Republic and Slovenia.

Looking at the individual Member States, it is possible to identify the following specialisation pattern in their structure of exports in services in relation to the pattern of the EU as a whole (the service categories whose share in the total exports of the individual Member States are the highest when compared to the corresponding shares for the EU as a whole):

Country	Area of specialisation relative to EU average
BE	Communication services and government services
BG	Travel
CZ	Travel
DK	Transportation
DE	Construction services and government services
EE	Transportation and construction services
IE	Insurance and computer services
EL	Transportation
ES	Travel
FR	Travel, Construction and royalties and license fees
IT	Travel
CY	Government services
LV	Transportation
LT	Transportation

Country	Area of specialisation relative to EU average
LU	Financial Services
HU	Personal, cultural and recreational services
MT	Personal, cultural and recreational services
NL	Royalties and license fees
AT	Travel
PL	Construction services
PT	Travel
RO	Communication services
SI	Travel
SK	Personal, cultural and recreational services
FI	Other business services
SE	Royalties and license fees and computer services
UK	Financial services

METHODOLOGICAL NOTES

International Trade in Services analysed in this publication refers to trade registered in the Balance of Payments (BoP) Statistics. The BoP records all economic transactions between a country (i.e. its residents) and foreign countries or international organisations (i.e. the non-residents of that country) during a given period. The methodological framework used is contained in the fifth edition of the International Monetary Fund Balance of Payments Manual (BPM5).

Trade in services is one of the main categories in the current account. The item “services” is broken down into the following categories: transportation, travel, communications services, construction services, insurance services, financial services, computer and information services, royalties and licence fees, other business services, personal, cultural and recreational services and government services. Other business services include merchanting and other trade-related services, operational leasing services (rental) without

operators, and miscellaneous business professional and technical services, which is again sub-divided into legal, accounting, management consulting and public relations services, advertising, market research and public opinion polling services, research and development services, architectural, engineering and other technical services, agricultural, mining and on-site processing services, other miscellaneous business, professional and technical services and services between affiliated enterprises not included elsewhere.

Due to their intangible nature of services, trade in services is inherently subject to more constraints and is also much more difficult to record.

The EU International Trade in Services statistics are based on figures provided by the Member States to Eurostat. The data covered in this publication will be revised by the end of this year when revised annual data is sent by Member States. The figures shown in the tables may not add up exactly due to rounding up.

Further information

Data: [Eurostat Website: http://ec.europa.eu/eurostat/Economy_and_finance](http://ec.europa.eu/eurostat/Economy_and_finance)

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